

Russia's Break-Neck Inflation Slows After Central Bank Rate Hike

By [The Moscow Times](#)

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Russian consumer price inflation edged down in April for the first month since July, official data showed on Wednesday, appearing to vindicate the Central Bank over its decision to cut its key interest rate last week.

The Federal Statistics Service on Wednesday said annual consumer price inflation eased to 16.4 percent in April from 16.9 percent a month earlier.

Monthly inflation fell to 0.5 percent from 1.2 percent over the same period, with food, non-food and services sectors all showing a slower pace of price increases.

"The big picture is that barring another selloff in the ruble, inflation has now peaked. Over the next six months or so inflation should continue to drop back quite quickly to end the year

at around 10 percent," said Neil Shearing, chief emerging markets economist at Capital Economics in London.

Slowing inflation was cited by the Central Bank as a reason for lowering its one-week minimum auction repo rate by 150 basis points to 12.5 percent on Friday.

The bank said it would be ready to make further rate cuts if inflation continued to fall.

Analysts saw the rate cut as reflecting the bank's commitment to moving steadily to bring down interest rates as the economy heads for recession.

"Russia seems to have avoided a financial and banking crisis, rather than a steep economic contraction," Shearing said. "There's still not much in the way of good news for the economy."

Signs that inflation has peaked follow a sharp rebound in the ruble and crude oil prices, while recent industrial output data has also been relatively resilient.

Those factors have kindled hopes that the economy might not contract as sharply as some economists had predicted, but Russia remains vulnerable to fresh upsets, not least an escalation of the Ukraine conflict that brought Western sanctions.

Economists polled by Reuters last week said they expected Russian gross domestic product to fall by 4.1 percent in 2015.

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