

Russians Hope Worst is Over as Inflation Slows in May

By [The Moscow Times](#)

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Russian inflation slowed in May for the second month and the price of key foodstuffs began to fall, official data showed, signaling that the worst of a painful inflation spike may have passed.

Consumer prices were 15.8 percent higher in May than in the same month a year earlier, down from the 16.4 percent annual inflation rate in April, according to data published by the Rosstat state statistics agency Thursday. Prices rose by 0.4 percent over the month.

Driven by a rapid devaluation of the ruble that has raised the cost of imports, the annual inflation rate raced from 8.3 percent in October to a 13-year high of 16.8 percent in March, eroding Russians' incomes and spurring a near 10-percent year-on-year contraction in consumer spending in April.

As inflation surged, the Russian economy contracted by 1.9 percent in the first quarter compared to the same period in 2014, according to Rosstat.

Helping slow inflation in May was a drop-off in food price rises, which have outpaced overall inflation since Moscow last August banned imports of a range of foods from the West in retaliation to sanctions imposed over the Ukraine crisis. Overall food prices were 20.2 percent higher in May than a year before, but the cost of food rose by only 0.1 percent over the month, and the price of basic products such as eggs, sugar, fruit and vegetables fell in May.

The data appeared to confirm predictions by the Central Bank that inflation would slow sharply after the second quarter and open the door to further cuts in the bank's benchmark interest rate, currently at 12.5 percent.

But Central Bank Governor Elvira Nabiullina on Thursday dampened hopes of a swift interest rate cut, saying the risks to the Russian currency of unstable oil prices and a strengthening dollar were too high.

"Too quick a reduction in rates in these conditions could lead to a new wave of destabilization on the currency market and a spike in inflation," Nabiullina said at a banking conference in St. Petersburg, the RIA Novosti news agency reported.

The Central Bank has said it expects inflation to fall to 12 percent by the end of 2015, and to 4 percent in the medium term.

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