

Russian Inflation Continues Climbing, Sets New 5-Year High

Prices have risen by 7.4% over the last year — almost twice the government's target.

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Inflation has hit Russia hard following years of stagnant living standards. **Vladimir Smirnov / TASS**

Russia's inflation rate shot up to a new five-year high in September, heaping more pressure on the country's economic recovery from the coronavirus pandemic.

Annual price rises came in at 7.4%, the Rosstat statistics agency [said](#) Wednesday — ahead of market expectations and a significant jump from the 6.7% inflation rate recorded in August.

That is the highest level of inflation in Russia since February 2016, when the country was battling a sharp economic crisis amid a crash in oil prices and global sanctions that led to a dramatic fall in the value of the ruble.

Surging food prices — a sensitive political issue for the Kremlin after years of stagnant and

falling real incomes for Russian households — were again the largest contributor to the increase in inflation, with average food prices up 9.2% over the last 12 months, the Rosstat data showed.

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The pace of inflation is likely to push Russia's Central Bank to raise interest rates by 50 basis points — from 6.75% to 7.25% — when it meets later this month. Governor Elvira Nabiullina has for months been warning of the dangers inflation poses for both the Russian and global economic recovery. The Russian Central Bank has been one of the most [aggressive](#) in hiking rates as the global economy opens up and continues to recover from the coronavirus recession.

“Inflation rates at almost twice the Central Bank's 4% target make it very unlikely it will change its hawkish attitude,” said Dmitry Polevoy, investment director at Loko Invest.

Economists also pointed to President Vladimir Putin's cash [giveaways](#) to pensioners and military personnel ahead of last month's parliamentary elections as contributing to faster inflation.

A fall in Russia's agricultural output — down 10% during the crucial month of August — also hints at further possible price rises for basic food products in the coming months, warned Artem Zaigrin, chief economist at Sova Capital.

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