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Russia Inflation Accelerates to 6.7%

By AFP

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Sergei Bobylev / TASS

Russia's annual inflation rate accelerated to 6.7% in October, the country's federal statistics agency said Friday, as a weak currency and surging military spending push prices higher across the economy.

Rising prices have caused concern for the Kremlin and Russia's Central Bank, which has raised interest rates to 15% in a bid to battle inflation.

Earlier this month, President Vladimir Putin urged his government to "reduce" inflation in a televised meeting.

October's annual inflation rate of 6.7% was up from 6% in September and is the highest level since February.

Russia officially targets an inflation rate of 4%.

Putin and Russian officials have hailed Russia's economic performance since it sent hundreds

of thousands of troops into Ukraine last February.

Economy Minister Maxim Reshetnikov said Friday that Russia's GDP will expand by 3% this year.

But independent economists say high inflation is just one symptom of deeper economic problems.

Last month, Russia reimposed some currency controls after the ruble fell below the symbolic level of 100 against the U.S. dollar over the summer.

It has since recovered to around 92.

A huge increase in spending on the conflict in Ukraine, which looks set to drag into a third year, is also limiting Russia's ability to tame rising prices.

Moscow will raise its defense spending by 70% next year to a post-Soviet record of 6% of GDP, according to an annual budget approved by lawmakers.

Meanwhile record low unemployment after hundreds of thousands of workers have been called up to the army, fled to avoid being drafted or been redirected to work in arms factories, has created labor shortages across the economy.

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