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Russian Economy Shows Signs of Slowdown, Top Banker Warns

By AFP

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German Gref, the CEO of Sberbank. **Alexander Avilov / Moskva News Agency**

The Russian economy is showing "significant" signs of a slowdown in some sectors as it grapples with waning growth and high inflation, the head of the country's biggest lender warned Friday.

Russia's Central Bank has taken interest rates to a two-decade high of 21% as Moscow battles to stem the economic fallout from its invasion of Ukraine and a barrage of Western sanctions.

Inflation is running at more than twice the government's 4% target, in part due to huge spending on the war, while the value of the ruble has slumped in recent months.

"We are now seeing significant signals of economic slowdown, particularly in housing construction and investment," German Gref, the CEO of state-run Sberbank, was quoted as saying by Russian news agencies at an investor forum.

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He cautioned the Central Bank against "overshooting" its rates policy, making it "harder to return to the rails of economic growth."

The regulator is set to decide on borrowing costs at a meeting on Dec. 20, with some analysts suggesting the Bank could hike interest rates to as high as 23%.

Russia has massively ramped up military spending on its invasion of Ukraine — an expenditure that has helped the economy defy predictions of a lengthy recession but also led to deep labor shortages and persistent inflation.

Central Bank Governor Elvira Nabiullina has called interest rates a "powerful instrument for the fight with inflation."

But economists say that because inflation is being driven by record state spending on the war in Ukraine, higher borrowing costs have less of an impact on reining in price rises than in a more market-based economy.

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