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Russian Inflation Hit 2-Year High in February

By AFP

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Alexander Ryumin / TASS

Russia's annual inflation rate jumped above 10% in February to its highest level in two years, despite aggressive interest rate hikes by the Central Bank, official data showed Wednesday.

Prices have been rising fast across the Russian economy for months, driven by surging government spending on the war in Ukraine.

Annual inflation ticked up to 10.1% year-on-year last month, compared with 9.9% in January, according to the Rosstat statistics service. This marks the highest level since February 2023.

Russia's Central Bank hiked its key rate to a historic high of 21% last year in an effort to curb inflation, making borrowing more expensive for consumers.

However, economists warn that rate hikes have a limited impact when inflation is fueled by state spending.

Since launching its invasion in Ukraine, Russia has ramped up military spending to levels not seen since the Soviet era, funding large-scale missile and drone production and paying high salaries to hundreds of thousands of frontline soldiers.

Last month, the Central Bank sharply raised its inflation forecast for 2025, warning there were no signs of a slowdown. Inflation is now expected to average between 7% and 8% this year, up from an earlier projection of 4.5% to 5% for 2025.

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