

Inflation May Hit 8.3%

By [The Moscow Times](#)

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Inflation may accelerate as food prices climb in response to the "devastating impact of the drought," UniCredit said Wednesday, raising its inflation forecasts for this year and 2011.

Consumer-price growth may jump to 8.3 percent, compared with an earlier forecast for 6.6 percent, said UniCredit economists led by Vladimir Osakovsky in Moscow. Italy's biggest bank raised its 2011 inflation forecast to 8.2 percent from 6.9 percent.

"Consumer prices already accelerated in early August, and combined with the strong low base effect of a weak 2009, such an increase will likely bring about a sharp acceleration of headline inflation from August and well into 2011," the economists said.

Record heat and the worst drought in half a century have crippled agriculture, stalling the government's goal to reduce borrowing costs by keeping inflation as low as 3 percent in the next several years. Crop losses have already prompted Alfa Bank and ING to raise their 2010 inflation forecasts.

Weekly consumer prices advanced 0.2 percent in the seven days through Aug. 16, the State Statistics Service said Wednesday. Prices for buckwheat groats surged 7.3 percent, while wheat flour gained 2.8 percent and millet increased 2.1 percent.

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