

Kudrin Sees Higher Inflation

By [The Moscow Times](#)

August 30, 2010

The  **Moscow Times**

The Finance Ministry expects inflation to be higher and the ruble to be weaker than previously estimated over the next couple of years, in line with conservative forecasts by the Economic Development Ministry, Finance Minister Alexei Kudrin said Monday.

"I think that this year, inflation will be a bit higher than 7 percent, maybe 7.5 percent, and next year, it will be between 6 and 7 percent," Kudrin told a briefing on a flight to the Far East over the weekend.

"As a whole, all the remaining parameters [of the Economic Development Ministry's forecast] suit us," Kudrin said, in quotes cleared for release on Monday morning.

Last week, the Economic Development Ministry issued new 2011-13 forecasts that show more optimistic growth prospects, but also higher inflation next year of between 6 percent and 7 percent, against earlier estimates of 5.5 percent to 6.5 percent.

The ruble's predicted exchange rates have also been revised to show that the currency will

stay weaker than 30 rubles per dollar in the next three years, compared with 30.66 currently.

"It will likely stay at the current level, in relation of dollar to the ruble at the level of 30 rubles [per dollar]," Kudrin said.

He also added that the current benchmark refinancing interest rate fits market conditions and should not be changed.

The Central Bank is expected to make a decision on the refi rate — currently at a historic low of 7.75 percent on an annualized basis — on Tuesday.

Kudrin also agreed with Economic Development Ministry estimates that the summer's drought and wildfires are likely to eat into growth of the country's gross domestic product by about 1 percentage point.

"The contribution of agricultural production to GDP growth in the second half is usually significant," he said. "This year it will be smaller than we expect."

The new forecast from the Economic Development Ministry will have a small impact on budget parameters compared with previous forecasts made several months ago, before the drought had taken effect, Kudrin said.

"Revenues will be a bit higher," he said.

He added that the higher revenue could allow for cutting the budget deficit, but for now the ministry is going to leave the deficit estimates unchanged.

"We're not going to spend this revenue. We are going to put it as reserves for the future," Kudrin said.

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