

Ruble Hits High as State Focuses on Inflation

By [The Moscow Times](#)

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The ruble hit 2 1/2-year highs to the dollar on Tuesday after Russian policymakers said controlling inflation was a top priority, pointing to the prospect of higher domestic interest rates as the U.S. currency came under broad pressure.

The Economic Development Ministry forecast up to 16 percent in further ruble gains this year if oil prices stay around current high levels, giving the market a further boost.

The ruble firmed as far as 27.77 per dollar, its strongest since December 2008, before trimming the day's gains to 6 kopeks to close at 27.79. The move came as the dollar was battered on global foreign-exchange markets, sinking to its weakest versus the euro in 16 months.

Against the single currency, the ruble was broadly steady at 40.65. Versus the Central Bank's euro-dollar basket, it ended the day 2 kopeks stronger at 33.59.

A round of comments on inflation late on Monday suggested that Russian officials are shrugging off oligarchs' complaints about the strength of the ruble, and are more focused on fighting inflation — cited by voters as a key concern ahead of elections in late 2011, early 2012.

"It is becoming clear that not only is inflation the greater priority but that a stronger ruble is one of the mechanisms that will be used to try and contain inflation," Chris Weafer, strategist at UralSib, said in a research note.

Prime Minister Vladimir Putin said the exchange rate should be predictable and well-founded, but agreed with Finance Minister Alexei Kudrin that fighting inflation was a priority.

"What is the horse, and what is the cart? The horse — the thing that will get us out — is, of course, fighting inflation. And then comes everything else," Putin said.

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