

Inflation Dips but Services Prices Up

By [The Moscow Times](#)

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The inflation rate registered a surprise dip in October, making it less likely the Central Bank will resort to higher interest rates when it meets this Friday to review its monetary policy stance.

Annual inflation decelerated to 6.5 percent in October from 6.6 percent in the previous month, the State Statistics Service said Tuesday.

Month-on-month, the consumer price index rose by 0.5 percent after rising 0.6 percent in September. The increase was below analysts' expectations of a rise in the CPI index of 0.7 percent for October in a Reuters poll.

"It's definitely better than expected," said Alexander Morozov, chief Russia economist at HSBC. "Against such a positive backdrop it would be difficult to argue for another policy rate hike."

The inflation rate is being closely watched as a guide to the actions of the Central Bank, which

raised all its key rates in September to crack down on rising prices.

Although lower than expected, the headline inflation rate of 6.5 percent remains above the regulator's previously announced target range for the full year of 5 to 6 percent, which the Central Bank has admitted will not be met.

The analysts polled last month forecast on average that inflation would reach 7 percent by year-end, exacerbated by a poor harvest, leading them to expect a second hike in interest rates by the end of the year.

Despite the positive reading for October, HSBC's Morozov said that the trend towards higher inflation was likely to resume once temporary effects wore off.

The data released by the State Statistics Service showed that prices for services increased by just 0.1 percent in October, contributing to the low overall reading.

Core inflation, a measure of underlying inflation pressures, was up 0.6 percent on the month, slightly lower than a 0.7 percent rise in September, and the same as in August.

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