

Consumer Prices Kept In Check by Cheap Meat

By [The Moscow Times](#)

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Consumer prices rose 0.3 percent between Jan. 1 and Jan. 9, with cheaper meat offsetting a significant price increase for fruit and vegetables, the State Statistics Service said Friday.

The State Statistics Service releases weekly inflation data, but due to a long Russian holiday, the most recent data encompasses the first nine days of January.

Prices typically rise faster than normal at the start of the year, reflecting annual increases in transportation fares and excise taxes, although since last year annual increases in utility tariffs have been delayed from January to July.

At the beginning of 2013, prices of fruit and vegetables rose on average 2 percent, typical for the winter season when fewer of the products are available. The increase was offset by a decline in meat prices and stable prices for flour and sugar.

For December and 2012 as a whole, headline consumer price inflation rose 6.6 percent, up from 6.5 percent in November and 6.1 percent in 2011, data published by the State Statistics Service last week showed. That was above the Central Bank's official 5 to 6 percent target range for the year.

The data, which were in line with forecasts, suggest that after recently hiking rates to clamp down on price increases, the Central Bank is likely to shift its focus toward boosting economic growth.

Moderation in underlying price pressures suggests the Central Bank may announce at its meeting Monday that it will keep interest rates on hold for now.

Core inflation, which strips out volatile food and energy prices, rose 5.7 percent from a year earlier, an improvement on November when annual core inflation was at 5.8 percent.

"Inflation has probably already peaked in terms of general inflationary pressure and inflation expectations," said Dmitry Polevoy, an economist at ING. "This data confirms that the Central Bank is likely to stay on hold [with interest rates] in the coming months and will continue monitoring [economic] growth performance."

A poor harvest last summer coupled with the impact of increases in household utility prices that were delayed from before presidential elections in March led inflation to pick up sharply in the second half of last year from a post-Soviet low of 3.6 percent in April.

Concerns about the rapid acceleration led the regulator to raise all its main interest rates by 25 basis points in September despite concerns that tighter monetary policy would crimp economic growth.

But a surprise drop in inflation in November was a sign that higher food prices had not fed inflation as many had feared, suggesting that the one-off monetary tightening in September had succeeded in containing the problem.

The decline in core inflation in December provided further evidence that despite the rise in the headline rate, underlying inflation pressures are moderating.

Analysts forecast that inflation will fall to 6.1 percent by the end of 2013, slightly above the Central Bank's target of 5 to 6 percent for the year.

"We may still see higher headline inflation in the months ahead as a result of the low base effect, because [early] last year we had very low inflation," said Polevoy. "But the slowing down in core inflation shows that inflation worries were slightly exaggerated this autumn."

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