

Utility Rate Freeze Only for Businesses

By [The Moscow Times](#)

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Tariffs on state-regulated services, such as gas, electricity and railroad cargo transport, will be frozen in 2014 only for businesses, Economic Development Minister Alexei Ulyukayev said, Vedomosti reported.

The minister previously said tariffs would be frozen for industry and individual consumers. The Central Bank expects the recent change in strategy to increase future inflation rates beyond their target numbers.

Tariffs on utilities and other state-regulated services for households will increase by 4.2 percent, Ulyukayev said late last week. The formula for calculating tariff increases is last year's inflation rate multiplied by 0.7. The same formula will be used in 2015 and 2016.

Ulyukayev said these tariff rates would allow inflation growth to be contained in the 4 to 5 percent range, RIA Novosti reported. The anticipated inflation rate in 2014 is 4.8 percent, and by 2016 the Economic Development Ministry forecasts that this number will fall to 4.4 percent.

Meanwhile, tariff freezes for businesses will help them to direct more money into investment activity, leading to an expected increase in GDP growth from 2.8 to 3 percent in 2014, Ulyukayev said, Vedomosti reported.

But Central Bank chief Elvira Nabiullina disagreed with the ministry's inflation estimates, saying that indexing tariffs for households instead of freezing them would cause inflation to jump by another 0.5 percent.

The Central Bank reported last Friday that the goal was to maintain inflation levels at 4.5 percent in 2014. Ulyukayev reassured the bank's officials that inflation would increase by only 0.2 percent due to the tariff indexation and that the annual increases would be smaller by 2016.

The federal budget plan will be put before the State Duma for approval by Oct. 1.

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