

Central Bank Raises 2014 Inflation Target

By [The Moscow Times](#)

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The Central Bank raised its 2014 inflation target Friday, allowing for the impact of a government decision to raise utility charges and leaving scope to ease policy to help the sluggish economy.

The government has set the rate of increase for household utility bills at 70 percent of the previous year's inflation rate, rowing back on part of a previous proposal to freeze all regulated utility prices.

Central Bank chairwoman Elvira Nabiullina had warned that it might have to tighten policy if tariffs were not frozen, and the slightly higher inflation target gives the bank more room to support the economy while gradually bringing down inflation.

The Central Bank decided Friday to raise its formal target to reduce inflation to 5 percent from 4.5 percent in 2014 and kept the goals for 2015 and 2016 unchanged at 4.5 percent and 4

percent in 2016 respectively.

The government, which makes its fiscal plans based on its own forecasts, is sticking to its projection that inflation will fall to 4.8 percent next year, Economic Development Minister Alexei Ulyukayev said.

Inflation exceeding the target could undermine the credibility of the regulator, Friday's statement said.

"Believing that the inflation target should be attainable under a base-case scenario without imposing excessive downside risks on economic growth, the Bank of Russia considers the target of 5.0 percent to be appropriate for 2014," it said.

The Central Bank surprised the market by resisting pressure to cut policy rates at its previous policy meeting, emphasizing its role in fighting inflation.

"The Central Bank made a more objective target for inflation ... that should be neutral for the next policy decisions," said Alexei Pogorelov, an economist at Credit Suisse.

The regulator sees inflation falling to below 6 percent by year-end from 6.5 percent in August.

The World Bank cut its 2013 growth forecast for Russia this week to 1.8 percent from 2.3 percent, following downgrades by the Russian government and the International Monetary Fund.

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