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IMF Cuts Russia 2011 Inflation Forecast To 7.5% - Official

MOSCOW (Dow Jones)--Falling food prices may help Russia achieve its lowest annual inflation since the fall of the Soviet Union, an official at the International Monetary Fund said Monday.

Russian inflation may hit 7.5% this year, the official said, trimming slightly an earlier prediction of 8%. That brings the IMF's views in line with those of the country's finance ministry and just above the central bank's forecast of 7% or better inflation by year-end.

"The slowdown in inflation has been due mainly to food prices. We expect inflation to come down to about 7.5% by end-2011, if food price inflation remains favorable in the coming months," said Odd Per Brekk, the IMF's representative in Moscow, in an interview with Dow Jones Newswires.

The Bank of Russia has stuck to its 7% or better year-end inflation forecast, which most analysts had said would be difficult to achieve amid a jump in consumer prices in the first few months of 2011.

A bountiful harvest, however, has brought prices for fruit and vegetables down during the summer months, a trend the central bank expects to continue into September. Food prices fell for the second time this year in the week to Aug 15.

Previously, Russia's lowest consumer price reading was in 2010, when prices grew by 8.8%.

Brekki added that the current market turmoil would have little effect on Russia's economy this year, reiterating a previous forecast of 4.5% growth in 2011.

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