

Russia raises interest rate to 13% as economy struggles

The Central Bank of Russia raised its key lending rate by one percentage point to 13% on Friday, a month after imposing an even larger hike.

Concerns about inflation persist and the ruble continues to struggle against the dollar. In August the bank increased the lending rate to 12% — a jump of 3.5 percentage points — as the ruble fell to 100 against the greenback.

And, although the ruble's exchange rate improved mildly after the rate hike, it remains around 95 to the dollar, significantly weaker than a year ago when it was trading at around 60 to the U.S. currency.

By raising borrowing costs, the central bank is trying to fight price increases as Russia imports more and exports less, especially oil and natural gas, with defence spending going up and sanctions taking a toll. Importing more and exporting less means a smaller trade surplus, which typically weighs on a country's currency.

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