

President Putin's advisor is set to head Russia's Central Bank

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On 12 March, President Vladimir Putin recommended Elvira Nabiullina as a candidate for the head of the Central Bank of Russia. Nabiullina served as minister for economic development between 2007 and 2012 and is currently serving as Putin's economic advisor. However, Putin proposed that Sergei Ignatyev, the present chairman of the Central Bank, should continue his work for the bank, as Nabiullina's advisor. The approval of Nabiullina as a candidate for this position by the State Duma, where the pro-Kremlin party has a majority, will be a mere formality. She will take her new post at the end of June, when Ignatyev's third term has ended. Since this is already his third term in office, pursuant to Russian legal regulations, Ignatyev may not be re-appointed chairman of the Russian Central Bank again.

Commentary

- Elvira Nabiullina has been specialising in economic policy for years, and has no great expertise as a banker. However, it is of greater importance that she has been a trusted and dedicated aide to Putin for many years. The news that she is set to head Russia's Central Bank came as a surprise to financial circles, but most analysts still greeted her candidacy with approval. Putting her forward as a candidate for this position may be seen as a compromise between the supporters of a hard-line monetary policy and those who would like the Central Bank to become involved in the process of stimulating economic growth.
- One should expect that Nabiullina as the head of the Central Bank will implement the tasks of the monetary policy set for 2013 and for 2014–2015, the overriding goal of which is to maintain financial stability through the adjustment of interest rates and to keep the rate of inflation within a 5–6% limit this year, and within a 4–5% limit in 2014–2015. This expectation is reasonable, given the fact that the present chairman will continue serving the bank as an advisor to his successor. On the other hand, the Central Bank, influenced by suggestions from the Kremlin, could still take measures aimed at stimulating the Russian economy.
- The fact that President Putin has recommended Nabiullina as a candidate for the head of the Russian Central Bank makes it clear that he wishes to keep control of this statutorily independent body. His decision may also have been linked to the government's

announcement that its representatives would become members of the Central Bank's Board of Directors. One of the arguments the government has raised to support its decision is that the Federal Financial Markets Service is set to be merged into the structure of the Central Bank. As a consequence, the bank – being the sole regulator – will take control and supervision over all financial market institutions: banks, financial and insurance agencies, and funds. All of these have hitherto been supervised by the government.