



COMMENTARY ON THE BANK OF RUSSIA'S MEDIUM-TERM FORECAST

The document presents the commentary on the medium-term macroeconomic forecast published following the key rate meeting of the Bank of Russia Board of Directors held on 25 October 2024.

The data cut-off date for the forecast calculations is 24 October 2024.

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THE BANK OF RUSSIA'S MEDIUM-TERM FORECAST FOLLOWING THE BOARD OF DIRECTORS' KEY RATE MEETING ON 25 OCTOBER 2024

KEY FORECAST PARAMETERS OF THE BANK OF RUSSIA'S BASELINE SCENARIO
(growth as % of previous year, if not indicated otherwise)

Table 1

	2023 (actual)	2024	2025	2026	2027
Inflation, as % in December year-on-year	7.4	8.0–8.5	4.5–5.0	4.0	4.0
Inflation, <u>average</u> for the year, as % year-on-year	5.9	8.2–8.4	6.1–6.8	4.0–4.2	4.0
Key rate, average for the year, % per annum	9.9	17.5 ¹	17.0–20.0	12.0–13.0	7.5–8.5
Gross domestic product	3.6	3.5–4.0	0.5–1.5	1.0–2.0	1.5–2.5
– % change, Q4 – Q4 previous year	4.9	2.0–3.0	0.5–1.5	1.0–2.0	1.5–2.5
Final consumption expenditure	6.6	3.5–4.5	0.0–1.0	1.0–2.0	1.5–2.5
– households	6.5	4.5–5.5	0.0–1.0	1.0–2.0	1.5–2.5
Gross capital formation	15.8	3.5–5.5	0.5–2.5	0.0–2.0	1.0–3.0
– gross fixed capital formation	8.8	6.0–8.0	0.5–2.5	0.5–2.5	1.0–3.0
Exports	– ²	(–2.0)–0.0	0.5–2.5	1.0–3.0	1.0–3.0
Imports	– ²	(–3.0)–(–1.0)	0.5–2.5	0.0–2.0	1.0–3.0
Money supply in national definition	19.4	17–20	6–11	6–11	6–11
Claims on organisations and households in rubles and foreign currency ³	22.7	15–18	8–13	7–12	8–13
– on organisations	22.6	17–20	8–13	7–12	8–13
– on households, including mortgage loans	23.0	12–15	6–11	7–12	8–13
	29.4	8–11	8–13	10–15	10–15

¹ Given that from January 1st to October 27th 2024 the average key rate is 16.7%, from October 28th to the end of 2024 the average key rate forecast range is 21.0–21.3%. Additional information on how to interpret the proposed format of the key rate forecast communication is presented in the [methodological note](#).

² Data on the use of GDP in terms of exports and imports have not yet been published by Rosstat.

³ Banking system claims on organisations and households means all of the banking system's claims on non-financial and financial institutions and households in rubles, foreign currency and precious metals, including loans issued (including overdue loans), overdue interest on loans, credit institutions' investment in debt and equity securities and promissory notes, as well as other forms of equity interest in non-financial and financial institutions, and other accounts receivable from settlement operations involving non-financial and financial institutions and households.

Claims' growth rates are given with the exclusion of foreign currency revaluation. In order to exclude the effect of foreign currency revaluation the growth of claims in foreign currency and precious metals is converted to rubles using the period average USDRUB exchange rate.

Source: Bank of Russia.

RUSSIA'S BALANCE OF PAYMENTS INDICATORS IN THE BASELINE SCENARIO¹
(billions of US dollars, if not indicated otherwise)

Table 2

	2023 (actual)	2024	2025	2026	2027
Current account	50	61	51	43	31
Goods	122	133	120	113	103
Exports	424	422	423	427	431
Imports	303	289	303	313	327
Services	–35	–38	–38	–39	–40
Exports	41	42	44	45	46
Imports	76	80	82	83	85
Primary and secondary income balance	–36	–34	–31	–32	–33
Current and capital accounts balance	49	61	51	43	31
Financial account balance, excluding reserve assets	52	78	52	28	27
Net incurrence of liabilities	–8	–20	–1	4	6
Net acquisition of financial assets, excluding reserve assets	44	58	51	32	33
Net errors and omissions	–7	4	0	0	0
Change in reserve assets	–10	–14	–1	15	3
Brent oil price, average for the year, US dollars per barrel	82	80	80	75	70

¹ Using the methodology of the 6th edition of "Balance of Payments and International Investment Position Manual" (BPM6). In the Financial account "+" stands for net lending, "–" – for net borrowing. Due to rounding total results may differ from the sum of respective values.

Source: Bank of Russia.

MAIN CHANGES IN THE FORECAST

Relative to the forecast presented following the key rate meeting on 26 July 2024, the forecast has been changed as follows:

- **Key rate.** The forecast of the average key rate has been raised to 17.5% for 2024 and to 17.0–20.0% and 12.0–13.0% for 2025 and 2026, respectively. The revision is chiefly associated with the response of monetary policy to more persistent inflationary pressures in the economy, as there remains a considerable deviation of the Russian economy upwards from potential growth rates. The revised forecast also takes into account the response to a range of other proinflationary factors that have emerged since July 2024, including the announced updates in federal budget parameters and the decisions made regarding the indexation of administered prices and tariffs. To bring inflation back to the target and stabilise it close to 4%, it is necessary to maintain substantially tighter monetary conditions than previously assumed.
- **GDP.** The medium-term forecast of real GDP growth is kept unchanged. In 2024, the economy will grow by 3.5–4.0%. The growth will slow down to 0.5–1.5% and 1.0–2.0% in 2025 and 2026, respectively. In 2027, the Russian economy will stabilise at a balanced growth path of 1.5–2.5%. The Bank of Russia has slightly adjusted its forecast of the composition of GDP growth in 2024–2026, taking into account data on economic activity trends received since July, among other things.
 - **Household final consumption expenditure.** The Bank of Russia has raised its 2024 forecast of household consumption growth by 0.5 pp to 4.5–5.5%. In late summer – early autumn, consumer activity was higher than expected earlier. The expansion of people's incomes turned out to be sufficient to drive growth in both savings and consumption. The continuing tightness of monetary conditions over 2025–2026 will ensure an increase in the saving ratio, which will make consumption growth slow down and return to a balanced growth path consistent with the production capacity of the economy by the end of the forecast horizon.
 - **Gross capital formation.** The 2024 forecast of the increase in gross capital formation has been reduced by 1 pp to 3.5–5.5%. The projected growth rate of gross fixed capital formation has been also revised down by 1 pp to 6.0–8.0%. This has been largely caused by weaker-than-expected statistics for 2024 Q2. As estimated by the Bank of Russia, further growth in investment will remain high, driven by the public sector and strong corporate performance. Amid lower growth rates of imports, the projected gross capital formation has been revised down by 0.5 pp for 2026.
 - **Exports.** The 2025 export forecast has been adjusted down by 1 pp due to elevated sanctions pressures and restricted exports to individual commodity markets. However, export quantities of goods and services are expected to recover in the future, as has been projected in the July forecast, backed by the expansion of external demand and the arrangement of new export routes.
 - **Imports.** The 2025–2026 forecast of growth in import quantities has been reduced by 0.5–1.0 pp due to tougher sanctions on payments and logistics. Goods and services imports are expected to gradually expand between 2025 and 2027.
- **Oil prices.** The 2024 forecast of global Brent crude prices has been reduced by \$5 to \$80 per barrel given the lower prices in the second half of the year. The oil price forecasts for the other years are unchanged.
- **Balance of payments.** The 2024 forecast of the current account surplus has been reduced due to a higher-than-expected increase in the value of services imports in the third quarter and lower oil prices. The 2025–2027 forecast of the current account and other balance of payments indicators has changed negligibly.

- **Monetary indicators.** The forecast of growth in claims on the economy and money supply for 2024 has been raised chiefly due to higher rates of growth in claims on organisations surpassing the July projections. The elevated demand for corporate loans is fuelled, among other things, by the significant contribution from operations in this segment of the credit market, which are less sensitive to market rates.
- **Inflation.** The forecast of inflation for 2024 and 2025 has been raised to 8.0–8.5% and to 4.5–5.0%, respectively. The forecast has been revised owing to significant and persistent inflationary pressures amid strong growth in domestic demand outstripping the possibility to expand the supply of goods and services, higher inflation expectations and accounting for decisions on indexation of the administered prices and tariffs, and the updated budget parameters. Tighter monetary policy than forecast in July will create the necessary conditions for inflation to return to the annual rate of 4% in the first half of 2026 and remain at the target thereafter.

KEY ASSUMPTIONS

The Bank of Russia's forecast is based on the assumptions about medium- and long-term trends in the Russian and world economies that have a significant effect on the conditions of the monetary policy implementation.

- **World economy.** Between 2024 and 2026, the world economy will be expanding at a slightly slower rate than the historical average.¹ The fragmentation of the world economy will continue. Inflationary pressures will be weakening gradually worldwide, with central banks cutting their policy rates to neutral levels.
- **Export prices.** Moderate growth rates of the world economy will be containing prices in global commodity markets. The extension of the OPEC+ production cuts, coupled with persisting geopolitical tensions, will prop up crude prices in the short term. However, the Brent crude price will decline by the end of 2027 as the OPEC production quotas will be gradually raised.

The export price for Russian crude will coevolve with the Brent price. Its levels will depend on the weighted average price for Russian crude grades and the size of its discount to Brent. Prices for Russia's non-commodity exports will be rising moderately over the medium-term horizon in line with global inflation trends.

- **Geopolitical conditions.** The calculations for the baseline scenario rely on the assumption that the geopolitical environment will remain unchanged for the Russian economy until the end of the forecast horizon. All the enacted external restrictions on Russian exports, imports, and investment and technology cooperation will stay in effect over the medium-term horizon. The introduction of new sanctions or the tightening of the existing ones is considered to be a risk to the baseline scenario.
- **Potential output.** The external trade and financial restrictions, as well the demographic trends may considerably constrain the expansion of the Russian economy's potential. The baseline scenario, however, assumes that the import substitution process will continue over the mid-term horizon, which will encourage a considerable increase in investment in the Russian economy compared to 2021, the implementation of new production methods, and the arrangement of new logistics routes. The use of new production methods and the saving of material resources and labour time trigger growth in total

¹ The yearly average over 2000–2019 was 3.8% (according to the IMF).

factor productivity, i.e. output per unit of input. The heavy investment in recent years and the adaptation of the Russian economy to the external restrictions suggest a slightly bigger growth in potential GDP between 2024 and 2025. Nevertheless, given the confluence of structural factors, the Bank of Russia still estimates the long-term GDP growth at 1.5–2.5%.

- **Fiscal policy.** The fiscal assumptions in the baseline scenario rely on the Guidelines for Fiscal, Tax, and Customs and Tariff Policy for 2025 and the 2026–2027 Planning Period, and amendments to the law on the federal budget for 2024, taking into account the macroeconomic parameters of the Bank of Russia's forecast. The Government is expected to progressively normalise fiscal policy during the forecast horizon and return to expenditure budgeting in accordance with the long-term parameters of the fiscal rule.²
- **Neutral interest rate.** In the baseline scenario, the longer-run real neutral rate for the Russian economy is estimated at 3.5–4.5% per annum,³ which corresponds to the nominal neutral rate of 7.5–8.5% per annum, given the inflation target. This level of the neutral rate is set considering several main factors, in particular the estimates of potential growth rates of Russia's economy, fiscal policy, external conditions, and sanctions, including the limited participation of the domestic economy in global capital markets, and the country risk premium, as well as the estimate of the external neutral rate.

EXTERNAL ENVIRONMENT

WORLD ECONOMY

The global economic forecast for 2024–2027 has remained virtually unchanged, with some updates concerning only the US GDP growth. First, the historical GDP data have been revised upwards. Second, the current situation in the US economy looks better than earlier expected by the Bank of Russia, so the 2024–2025 forecast has been slightly raised. In contrast, the 2024–2025 forecast for the euro area has been reduced given the degree of slack observed in both industrial production and services. For China, the 2024–2025 forecast has been moderately adjusted considering the actual economic trends.

In the USA and euro area, inflation has been slowing down faster than predicted in the July forecast. Given the above, the updated inflation path in major advanced economies has been slightly revised downwards. Changes in inflation estimates influenced the forecast of policy rates: their paths have been lowered over the entire forecast horizon. Proinflationary risks remain in the USA due to the easy fiscal policy in 2025–2027. This will prevent the US Fed from cutting the federal funds rate to the neutral level by the end of the forecast horizon.

² The fiscal rule implies that the maximum amount of federal budget expenditures is determined taking into account basic oil and gas revenues calculated with equilibrium oil and gas prices equalling \$60 per barrel and \$250 per 1,000 cubic metres, respectively (including the 2% indexation of base prices starting from 2027).

³ The Bank of Russia updates the estimate of the neutral rate annually and presents it in the Monetary Policy Guidelines.

MAIN PARAMETERS OF EXTERNAL CONDITIONS IN BANK OF RUSSIA'S BASELINE FORECAST

Table 3

	2019	2020	2021	2022	2023	2024 (forecast)	2025 (forecast)	2026 (forecast)	2027 (forecast)
World GDP, % YoY	2.8	-2.7	6.5	3.5	3.2	3.1	3.1	3.1	3.0
US GDP, % YoY	2.6	-2.2	6.1	2.5	2.9	2.8	2.4	2.0	1.9
Euro area GDP, % YoY	1.6	-6.3	6.1	3.4	0.5	0.5	1.2	1.5	1.5
Chinese GDP, % YoY	6.0	2.2	8.5	3.0	5.2	4.9	4.9	5.1	4.9
Inflation, USA, ¹ % YoY	1.5	1.5	5.2	5.0	3.0	2.7	2.3	2.2	2.2
Inflation, euro area, ² % YoY	1.3	0.2	2.7	5.2	3.4	2.9	2.0	1.9	1.9
Inflation, China, ³ % YoY	1.4	0.4	1.0	0.5	0.6	0.0	0.2	0.6	1.2
US Fed rate, ⁴ %	1.8	0.1	0.1	3.7	5.3	4.6	3.4	3.4	3.6
ECB rate, ⁵ %	-0.5	-0.5	-0.5	1.3	4.0	3.3	2.4	2.2	2.2

¹ Core inflation (Core PCE) in the USA.

² Core inflation (Core HICP) in the euro area.

³ Core inflation (Core CPI) in China.

⁴ US Fed Funds Effective Rate, average for Q4 of the year.

⁵ ECB rate (deposit facility), average for Q4 of the year.

Sources: national statistical agencies, US Fed, ECB, IMF, Bank of Russia calculations.

COMMODITY MARKETS

As a result of the extension of the additional voluntary oil production cuts by the OPEC+ countries, combined with the persisting geopolitical tensions in the Middle East, oil prices stabilised at around \$75 per barrel after a steep drop in mid-July. Despite growing concerns about the global oil demand outlook, the market situation will remain relatively favourable in the coming quarters: most analysts expect the market deficit to remain in 2024 Q4 and 2025 Q1. Considering the above, global Brent crude prices will equal approximately \$80 in 2024 and 2025. Gradually rising oil supply will push down Brent crude prices to \$75 and \$70 per barrel in 2026 and 2027, respectively. In 2024, global prices for natural gas and coal will remain under pressure because of relatively high stocks, even though gas prices have been briefly supported by the risk of disruptions in gas supplies. In the future, gas prices are expected to decrease further as liquefied natural gas (LNG) capacities expand worldwide.

In 2024, prices for other Russian exports will stay close to the 2023 levels. Between 2025 and 2027, prices for Russia's non-commodity exports will depend on global inflation trends.

INTERNAL CONDITIONS

MONETARY POLICY

- **Key rate.** In its baseline scenario, the Bank of Russia assumes the need to maintain tighter monetary conditions over the forecast horizon in order to return inflation to the target and stabilise it near 4%. For this reason, the medium-term key rate path has been substantially revised upwards. This revision is chiefly associated with the response of monetary policy to more persistent inflationary pressures in the economy, as there remains a considerable deviation of the Russian economy upwards from a balanced growth path. The revised forecast also takes into account the response to a range of other proinflationary factors that have emerged since July 2024, including the announced changes in federal budget parameters and the decisions made regarding the indexation of administered prices and tariffs. The Bank of Russia forecasts that the key rate will average 17.5% per annum and will range from 21.0% to 21.3% per

annum from 28 October through 31 December 2024. In 2025 and 2026, the key rate will average 17.0–20.0% and 12.0–13.0% per annum, respectively. In 2027, as before, the key rate is predicted to return to its neutral range of 7.5–8.5% per annum.

- **Banking sector liquidity and money market rates.** The forecast of the structural liquidity balance as of 2024 year-end has been unchanged. The surplus is estimated to range from ₹0.2 trillion to ₹1.0 trillion over the December required reserve averaging period. However, compared to November, the liquidity surplus will grow at the end of December owing to seasonal increases in budget expenditures and the non-fiscal rule-based conversion of NWF assets to finance these expenditures.

In 2025, banking sector liquidity is expected to decrease from surplus to deficit, which will continue to widen gradually. Bank of Russia operations to mirror regular fiscal rule-based sales/purchases of foreign currency in the domestic forex market and operations to invest NWF resources in admissible assets in Russia's economy will weaken the impact of budget operations on banking sector liquidity. The postponed mirroring of non-fiscal rule-based operations conducted in 2024 will cause an outflow of funds from banks. In 2025, the growth of liquidity deficit will be also driven by an increase in cash in circulation and in required reserves caused by the overall expansion of money supply.

Liquidity surplus continues to force short-term money market rates (RUONIA) to stay below the Bank of Russia key rate. Meanwhile, demand for Bank of Russia loans remains amid elevated competition among banks for client and budgetary funds. This pushes up the overall cost for banks to raise short-term liquidity, thereby additionally tightening monetary conditions.

MONETARY INDICATORS

- **Claims on the economy.** Demand for corporate loans remained strong on the back of high domestic demand. As a result, the dynamics of corporate lending supported, among other things, by the expansion of project financing and subsidised lending exceeded expectations in 2024 Q3. It is assumed that tight monetary conditions coupled with the inflow of budgetary funds into the economy will gradually slow down the growth of corporate lending in the fourth quarter. Consequently, at the end of 2024, growth in claims on organisations will range from 17% to 20%, which is significantly higher than the July forecast.

In the retail segment, the response of lending to the tightening of monetary policy has been more noticeable. Households have been actively building up balances on accounts and deposits with banks; demand for loans has moderated following the termination of the non-targeted preferential mortgage programme, among other things. Banks, in their turn, have been cutting supply of loans in response to tougher macroprudential regulation in individual high-risk segments of the retail credit market. In these settings, at the end of 2024, the portfolio of claims on households will expand by 12–15% which is broadly in line with the Bank of Russia's July forecast.

However, given the high growth rates of corporate lending, the projected growth of general claims of the banking system on the economy has been raised to 15–18% in 2024. In 2025–2026, the growth of claims on the economy will slow down under the impact of tight monetary conditions and will equal 8–13% and 7–12%, respectively. In the future, as price lending conditions ease and inflation expectations and inflation stabilise, the growth rate of claims on the economy will return to a balanced rate of 8–13% in 2027.

- **Money supply.** At the end of 2024, money supply in national definition (M2) will increase by 17–20% due to the gradual slowdown in the growth of claims on organisations in the fourth quarter coupled with the ongoing inflow of budgetary funds. As credit activity slows down and fiscal policy normalises, the growth rate of the M2 aggregate will stabilise in the range of 6–11% in 2025–2027.

GDP

According to Rosstat updated statistics, in 2024 Q2, the year-on-year GDP growth was 4.1%, which was lower than projected by the Bank of Russia in July. In 2024 Q3, growth in economic activity continued to slow down, as confirmed by leading indicators. The observed slowdown in the economy's growth is chiefly associated with rising supply-side constraints. This is evidenced by mounting labour shortages, the depletion of available production capacities, and the appearance of new logistics bottlenecks. In addition, certain sectoral factors such as a decline in agricultural output in 2024 are also producing a negative effect. In this situation, growing domestic demand, supported by budget expenditures among other things, continues to significantly outpace the expansion of goods and services production. The upward deviation of the Russian economy from a balanced growth path is still significant, which exacerbates persistent inflationary pressures.

As forecast by the Bank of Russia, the growth rates of GDP will continue to decline in 2024 Q4 and the effects of tighter monetary conditions on supply will become more pronounced. Taking into account the data on economic activity trends received since July and updated budget projections, the Bank of Russia has not changed its GDP growth forecast for 2024–2027. In 2024, the Russian economy will grow by 3.5–4.0%. The GDP growth will slow down to 0.5–1.5% and 1.0–2.0% in 2025 and 2026, respectively. All of the above will be due to the mounting effects of tight monetary conditions. Investment demand will be steadily rising as before, which reflects the structural shift in the Russian economy towards a greater share of investment. In 2027, economic growth will stabilise in the range of 1.5–2.5%, implying a sustainable return of the Russian economy to a balanced growth path.

- **Final consumption expenditure.** In 2024 Q2, the final consumption expenditure rose by 4.4% YoY, with public sector consumption dropping by 0.1% YoY and household expenditure surging by 6.1% YoY.

As assessed by the Bank of Russia, consumer activity continued to expand in 2024 Q3, albeit at a slower pace. The steady increase in consumer demand was backed by higher wages amid persistently tight labour market. The expansion of people's incomes was strong enough to drive growth in both savings and consumption. A peak in car sales shifted from 2024 Q4 to 2024 Q3 because consumers expected car prices to grow following the increase in the recycling fee from 1 October 2024.

According to the Bank of Russia's assessment, if monetary conditions tighten further, growth in consumer activity will slow down in 2024 Q4. Household income will continue to rise which will in part support consumer demand. However, households will tend to save a major part of their incomes to benefit from high interest rates. In 2024, final consumption will increase by 3.5–4.5%. In the future, final consumption growth is expected to slow down to 0.0–1.0% in 2025 and 1.0–2.0% in 2026 amid tighter monetary conditions and return to growth rates consistent with a balanced growth path in 2027.

- **Gross capital formation.** In 2024 Q2, gross capital formation was up by 4.5%, which was below Bank of Russia expectations: leading indicators pointed to higher growth rates of investment demand. As assessed by the Bank of Russia, gross capital formation increased in 2024 Q3, backed by the stronger focus of the Russian economy on domestic demand, the promotion of import substitution, and the adaptation to external trade and financial restrictions. In 2024, the transformation of the Russian economy continues, gross capital formation will increase by 3.5–5.5% given the considerable positive contribution made by government investment. Between 2025 and 2026, tight monetary conditions will make private investment stay close to the level of 2024. Nevertheless, during these two years, gross capital formation is expected to show positive growth in the range of 0.5–2.5% and 0.0–2.0%, respectively, on the back of public demand, in particular within government investment and infrastructure projects. In 2027, investment will increase by 1.0–3.0%, which implies the return to a balanced growth path.

○ **Gross fixed capital formation.** In 2024 Q2, gross fixed capital formation was up by 7.2%. As assessed by the Bank of Russia, investment continued to expand in the third quarter. Firms were actively building up capital, including by raising loans. Despite the persistence of tight monetary policy, the public sector will support the expansion of gross fixed capital formation. Gross fixed capital formation will return sustainably to a growth rate of 1.0–3.0% in 2027 as the economy approaches its balanced growth path, pushing down interest rates.

○ **Changes in inventories.** According to Rosstat data, changes in inventories made a negative contribution to annual GDP growth in 2024 Q2, which may in part evidence the continued excess of domestic demand over supply. The Bank of Russia expects inventories to adjust in 2024 after their leap in 2023 and to make a moderate contribution to GDP growth in 2025–2027.

- **Exports.** As forecast by the Bank of Russia, export quantities will drop by 0.0–2.0% in 2024 due to existing sanctions. Exports are predicted to recover gradually between 2025 and 2027, as Russian companies will adapt to external trade and financial restrictions through the development of new logistics chains and the redirection of foreign trade to new markets.
- **Imports.** Import quantities are projected to drop by 1.0–3.0% this year. The reason is sanctions pressures and issues with payments and supplies. Import quantities are assumed to recover gradually between 2025 and 2026, albeit at a slower pace than expected earlier. However, the growth rate of imports will be lower than that of domestic demand, which is associated with the ongoing import substitution, among other things. In 2027, the growth rate of imports will settle down at a long-term stable level corresponding to the new structure of the economy.

BALANCE OF PAYMENTS

- **Exports.** The Bank of Russia forecasts that the value of exports in 2024 will be almost the same as in the previous year and rise at a moderate pace in 2025–2027. Over the medium-term horizon, the drop in the nominal value of oil and gas exports will be offset by larger exports of other goods and services. The value of oil exports will reduce following the downturn in oil prices. The nominal value of natural gas and LNG exports is still expected to decrease following the downward price adjustment from the elevated level observed in 2022 and 2023. However, the value of non-oil and gas exports is predicted to increase due to growing external demand.
- **Imports.** The value of imports is expected to decrease in 2024 under the impact of external trade and financial restrictions (more complicated logistics and new difficulties with international settlements). Imports are forecast to grow at a moderate pace as problems will be resolved and logistics chains will be rearranged. However, the imports-to-GDP ratio will remain below the level of 2021 over the mid-term horizon, including due to import substitution processes.
- **Current account.** The current account surplus is forecast to go up to \$61 billion in 2024 on account of shrinking imports and the relatively stable value of exports. Yet, in the coming years, the recovery of imports is forecast to outpace that of exports, thereby causing the current account surplus to drop to \$51 billion in 2025, \$43 billion in 2026, and \$31 billion in 2027.
- **Financial account.** Having widened to \$78 billion in 2024, the financial account balance, net of reserves, is forecast to shrink to \$52 billion in 2025, \$28 billion in 2026, and \$27 billion in 2027. It will be chiefly owing to the accumulation of foreign assets. However, the accumulation of foreign assets will decelerate in 2025–2026 and stabilise in 2027 due to a reduction in foreign trade earnings. Reserves are expected to decrease in 2024 owing to transactions with NWF assets and start to go up from 2026, as fiscal rule-based foreign currency purchases are projected to exceed other transactions with NWF assets.

INFLATION

In 2024 Q3, inflation came in at 11.1% (seasonally adjusted annualised rate, SAAR), which was notably higher than forecast in July. Current price growth is far above the 4% target. The acceleration of current growth is in part associated with price fluctuations in individual commodity markets. Driven by the suspension of the ban on petrol exports, prices for petroleum products grew at a high rate. In July–August, fruit and vegetable prices decreased less than assumed by seasonal norms.

Concurrently, underlying inflationary pressures rose significantly. In September, core inflation increased to 9.1% (SAAR) from 6.1% (SAAR) and 7.7% (SAAR) in July and August, respectively, which was close to the maximum levels since the beginning of this year. Other indicators of current price growth, net of volatile components and one-off factors, ranged from 6% to 9% (SAAR) in 2024 Q3. This shows that the positive output gap remains high and continues to push prices upwards. High underlying inflation is also exacerbated by growing inflation expectations of households and businesses, which in October, reached their highs since the beginning of 2024.

According to the Bank of Russia's updated baseline forecast, in 2024 Q4, the current price growth rate may equal 6.5–8.5% (SAAR). The 2024–2025 inflation forecast has been raised to 8.0–8.5% and 4.5–5.0%, respectively. The forecast has been revised owing to significant and persistent inflationary pressures and accounting for decisions on indexation of the administered prices and tariffs, and the updated budget parameters. Nevertheless, tighter monetary policy than forecast in July will create the necessary conditions for inflation to return to the annual rate of 4% in the first half of 2026. Given the monetary policy pursued, annual inflation will be 4% in 2026 and stay close to the target further on.

INFLATION AND GDP DYNAMICS

Table 4

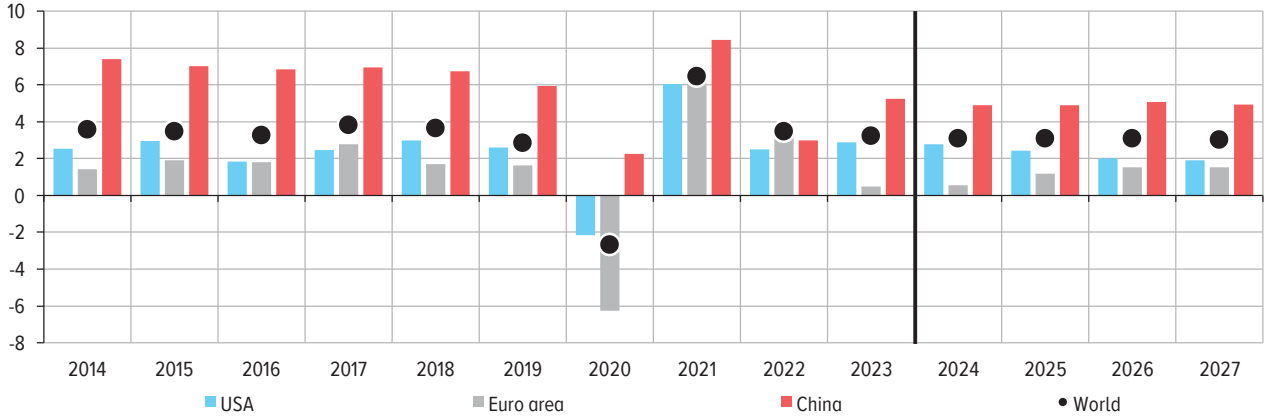
	Actual / Bank of Russia's forecast							
	2023 Q4 (actual)	2024 Q1 (actual)	2024 Q2 (actual)	2024 Q3 (actual/estimate)	2024 Q4 (forecast)	2025 Q4 (forecast)	2026 Q4 (forecast)	2027 Q4 (forecast)
Inflation, % YoY ¹	7.4	7.7	8.6	8.6	8.0–8.5	4.5–5.0	4.0	4.0
Inflation, % QoQ, SAAR	8.8	5.9	8.7	11.1	6.5–8.5	–	–	–
GDP, % YoY ¹	4.9	5.4	4.1	3.2	2.0–3.0	0.5–1.5	1.0–2.0	1.5–2.5

¹ GDP for 2024 Q3 is given for reference and shows the path close to the middle of the respective forecast range for 2024. The figures for 2024 Q4–2027 Q4 are the Bank of Russia's forecast.

ANNEX

GDP GROWTH (MAJOR ECONOMIES)
(% YoY)

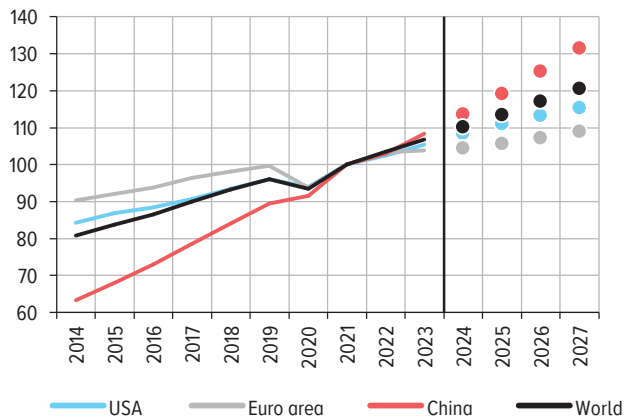
Chart 1



Source: Bank of Russia calculations.

GDP (MAJOR ECONOMIES)
(2021= 100)

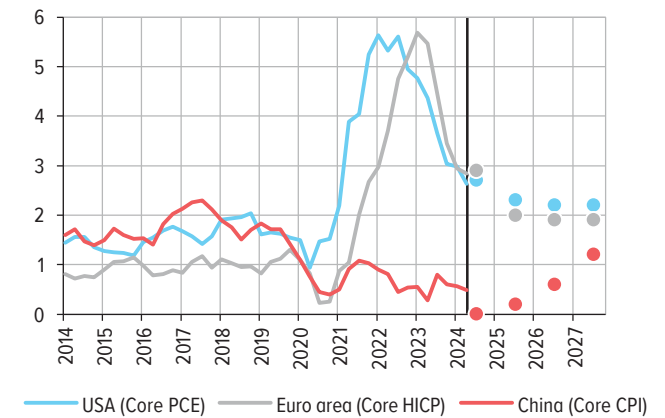
Chart 2



Source: Bank of Russia calculations.

INFLATION (MAJOR ECONOMIES)
(% YoY)

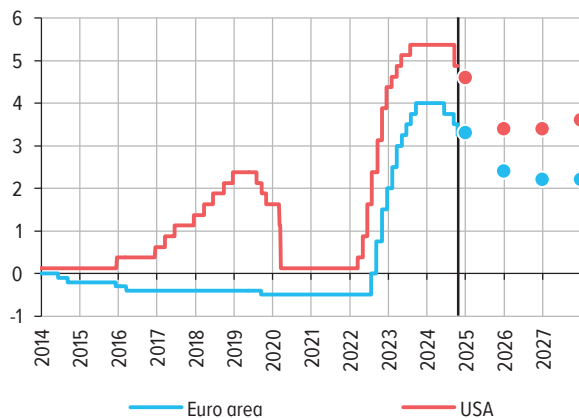
Chart 3



Source: Bank of Russia calculations.

POLICY RATES: US FED FUNDS RATE (UPPER BOUND), ECB DEPOSIT FACILITY RATE
(% per annum)

Chart 4



Sources: Cbonds, World Bank, Bank of Russia calculations.

AVERAGE BRENT CRUDE PRICE
(\$)

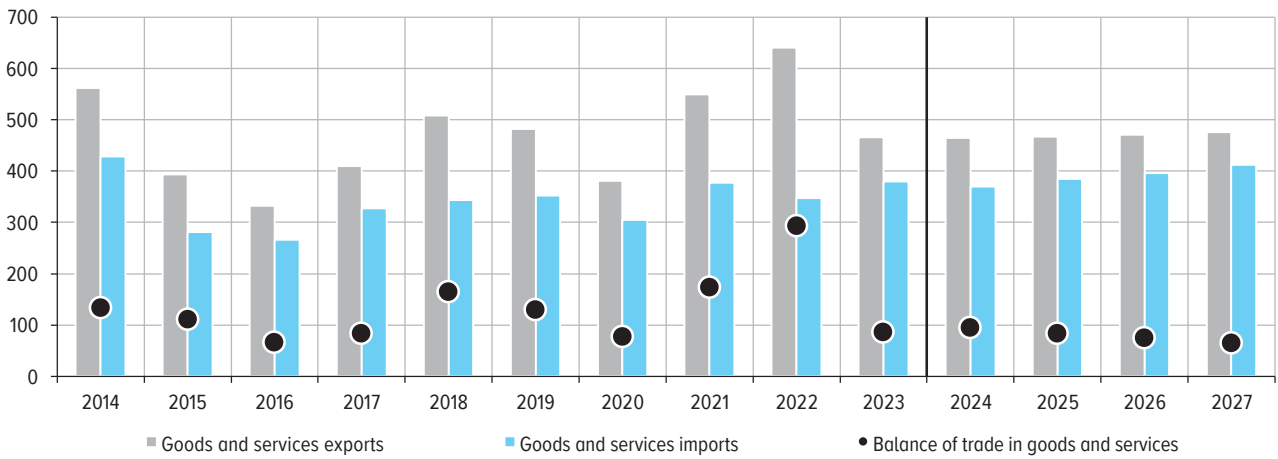
Chart 5



Sources: ICE, Bank of Russia calculations.

FOREIGN TRADE, GOODS AND SERVICES
(\$ bn)

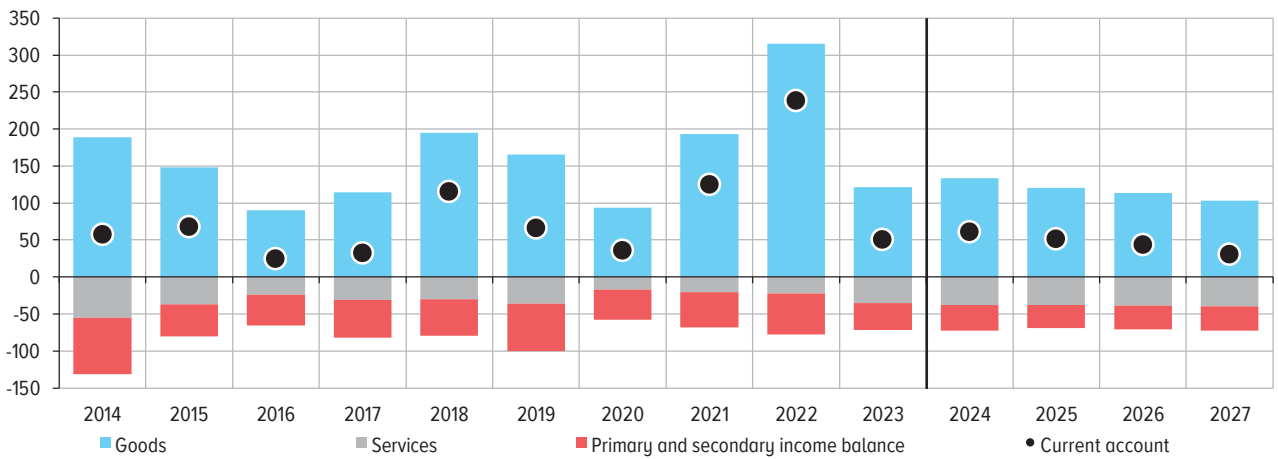
Chart 6



Source: Bank of Russia calculations.

CURRENT ACCOUNT AND ITS COMPONENTS
(\$ bn)

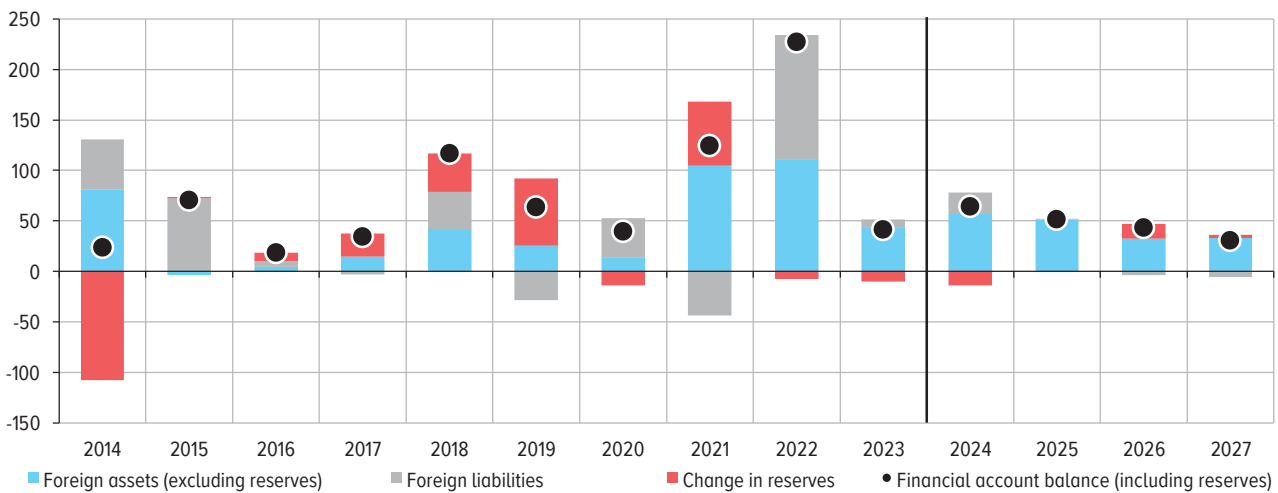
Chart 7



Source: Bank of Russia calculations.

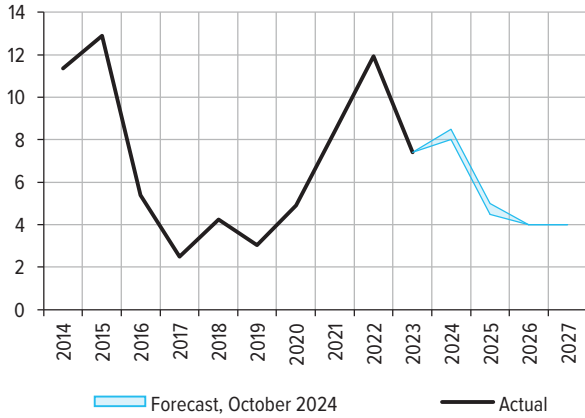
MAIN FINANCIAL ACCOUNT COMPONENTS*
(\$ bn)

Chart 8



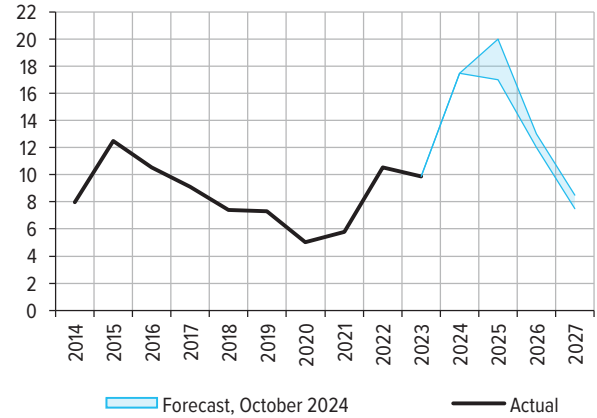
* In the balance item, '-' denotes net borrowing and '+' denotes net lending. In the assets item, '-' denotes a decrease and '+' denotes an increase. In the liabilities item, '-' denotes an increase and '+' denotes a decrease.
Source: Bank of Russia calculations.

INFLATION PATH IN BANK OF RUSSIA'S BASELINE SCENARIO **Chart 9**
(% in December YoY)



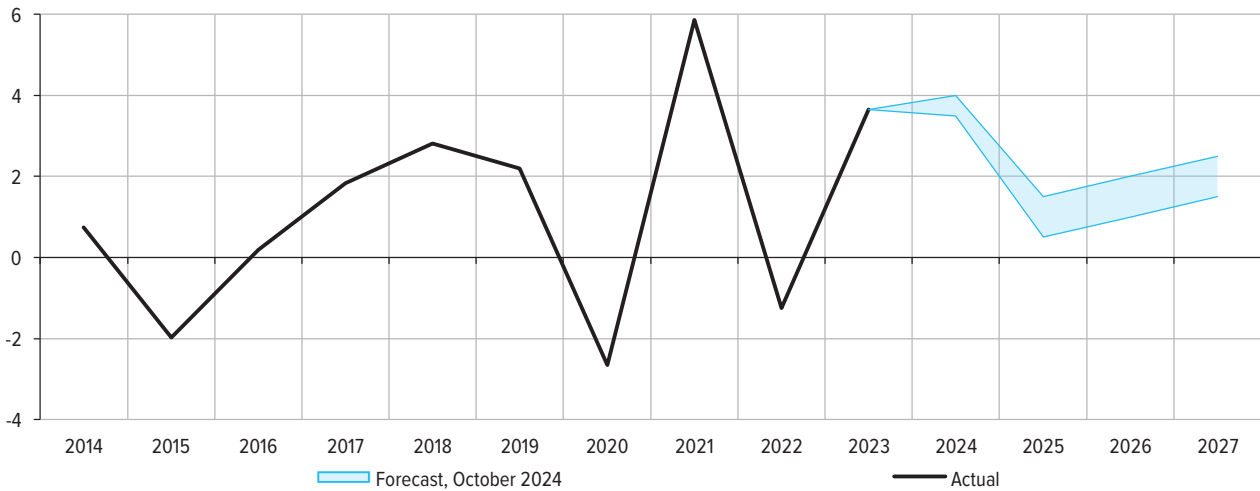
Source: Bank of Russia calculations.

AVERAGE ANNUAL KEY RATE PATH IN BANK OF RUSSIA'S BASELINE FORECAST **Chart 10**
(% per annum)



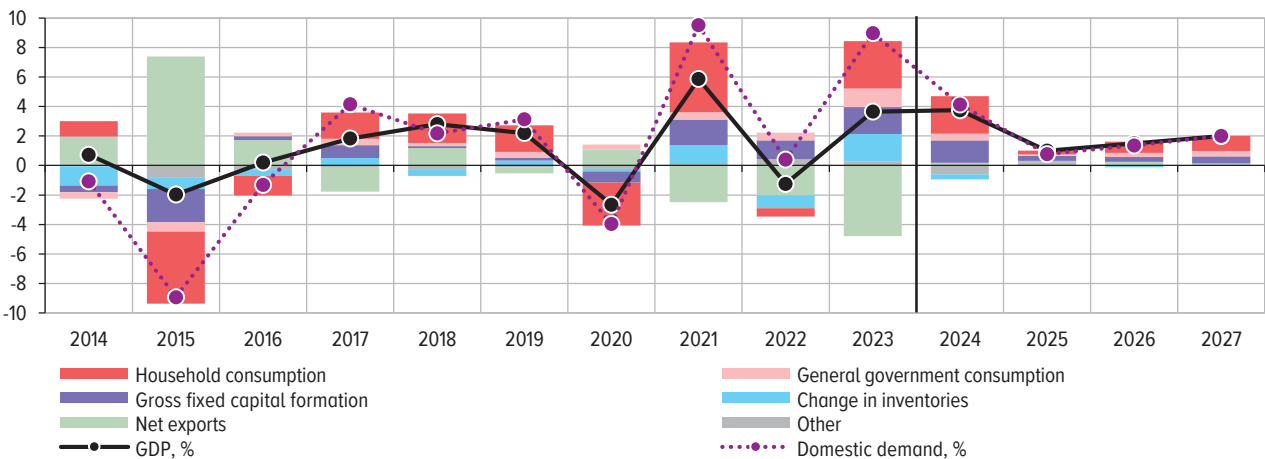
Source: Bank of Russia calculations.

GDP GROWTH PATH IN BANK OF RUSSIA'S BASELINE SCENARIO **Chart 11**
(% YoY)



Source: Bank of Russia calculations.

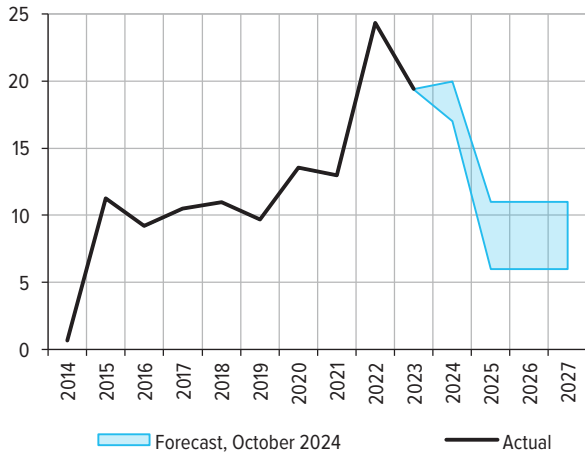
DECOMPOSITION OF ANNUAL GDP GROWTH INTO EXPENDITURE COMPONENTS **Chart 12**
(% YoY, pp, for the year)



Sources: Rosstat, Bank of Russia calculations.

M2
(% YoY)

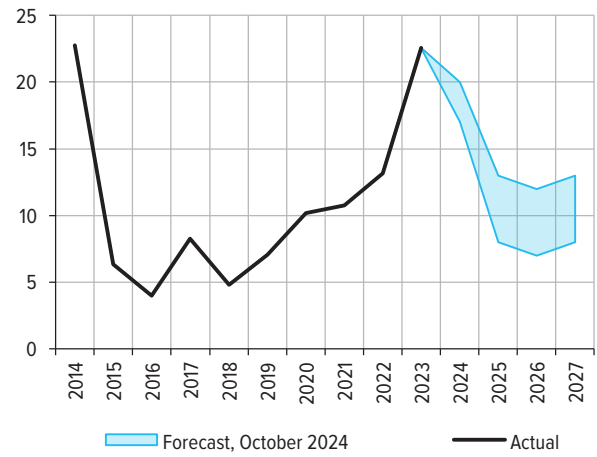
Chart 13



Source: Bank of Russia calculations.

CLAIMS ON ORGANISATIONS
(% YoY, adjusted for foreign currency revaluation)

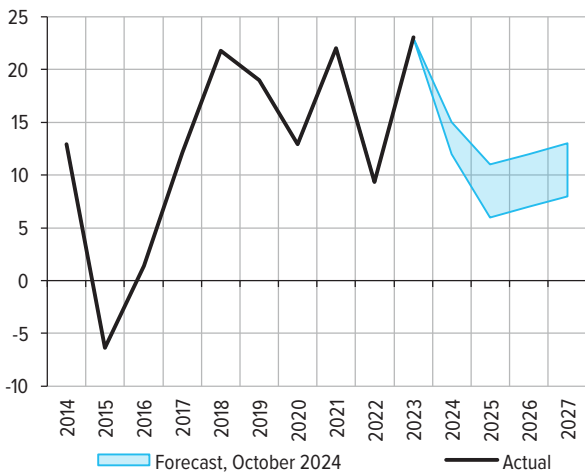
Chart 14



Source: Bank of Russia calculations.

CLAIMS ON HOUSEHOLDS
(% YoY, adjusted for foreign currency revaluation)

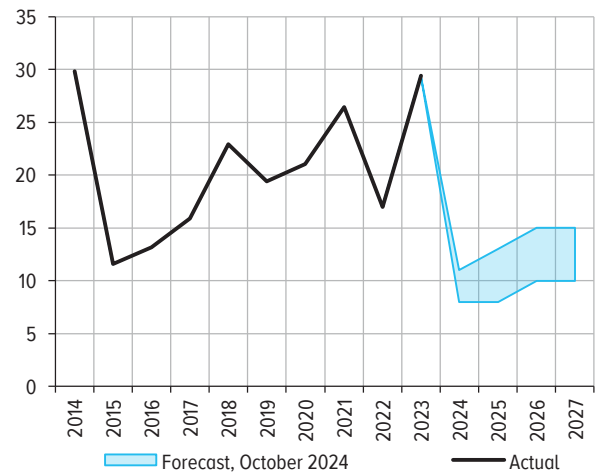
Chart 15



Source: Bank of Russia calculations.

MORTGAGE LOANS
(% YoY, adjusted for foreign currency revaluation)

Chart 16



Source: Bank of Russia calculations.