Bank of Russia

20.06.2025

SUMMARY OF THE KEY RATE DISCUSSION

DURING THE QUIET PERIOD AND IN THE COURSE OF THE MEETING OF THE BANK OF RUSSIA BOARD OF DIRECTORS ON 6 JUNE 2025

Discussants: members of the Bank of Russia Board of Directors, senior executives of the Monetary Policy Department, the Research and Forecasting Department, and other Bank of Russia Departments and Main Branches.

The Monetary Policy Department together with the Research and Forecasting Department presented the results of the analysis of the current economic developments nationwide and worldwide, as well as the comparisons of the unfolding economic trends against the Bank of Russia's April baseline macroeconomic forecast for 2025–2027 and its variations. The Bank of Russia Main Branches provided information on the situation in the Russian regions, including based on companies' surveys. Furthermore, the participants in the discussion considered the information from the Financial Stability Department and the International Settlements Department.

This Summary covers **the key points of the discussion**.

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ECONOMIC SITUATION AND INFLATION

MAIN FACTS

In April 2025, the current price growth rate equalled 6.2% (seasonally adjusted annualised rate, SAAR) vs 8.2% SAAR on average in 2025 Q1 (including -0.7% vs 3.5% for non-food goods; 8.0% vs 9.3% for food products; and 12.5% for services as in 2025 Q1 on average). Core inflation decelerated from 8.9% SAAR on average in 2025 Q1 to 4.4% SAAR in April. Businesses' price expectations declined in May, while households' inflation expectations were up. According to Rosstat's preliminary estimate, in 2025 Q1, the growth rate of GDP dropped to 1.4% YoY, compared to 4.5% YoY in 2024 Q4. In April–May 2025, the Bank of Russia's Business Climate Index was on average slightly above the level of 2025 Q1. High-frequency data and surveys show that the expansion of domestic demand has slowed down since early 2025. In March–April, the unemployment rate stayed at its all-time low of 2.3% (seasonally adjusted, SA). In March 2025, the growth of nominal and real wages decelerated (YoY).

DISCUSSION

Current inflationary pressures continued to ease at the beginning of 2025 Q2, including in terms of underlying components. In April 2025, core inflation approached 4%. However, most measures of underlying inflation were in the range of 5.5–7.5% SAAR, that is, considerably lower than the peaks of 2024 Q4 but still above 4%.

The discussion centred on whether the decrease in inflationary pressures was sustainable and fast enough.

Those who had doubts about the sustainability and pace of disinflation pointed to high heterogeneity of price growth across components and regions. While inflation is always heterogeneous to a certain extent, the variance in prices has widened and has been substantial in the past few months, which was atypical of the previous periods of sustained disinflation. In April, non-food prices edged down on average and the growth in food prices decelerated to one-digit figures, whereas prices for non-administered services continued rising at the rate of more than 10%. Furthermore, these discussants noted that the ruble strengthening, which contributed significantly to disinflation, could not be fully attributed to the effects of monetary policy. The ruble exchange rate was influenced by other factors as well, including expectations of geopolitical improvements. A change in the expectations could stop or even reverse the disinflationary trend.

Nevertheless, most participants in the discussion believed that **there was a greater certainty that disinflation processes were sustainable and fast enough to return inflation to 4% in 2026**.

- Although one-off factors did affect the dynamics of prices for certain items of the consumer basket, the main contributor to disinflation was a sustainable slowdown in the growth of domestic demand under the influence of tight monetary policy. The ruble appreciation was largely associated with the monetary policy pursued as high ruble interest rates constrained the demand for imports, while a large interest rate differential made ruble assets and savings more attractive to households and businesses. Therefore, even if transitory factors cease to have an impact on the exchange rate, there are no reasons to expect its material adjustment or a reversal of the disinflationary trend within the baseline scenario.

- While acknowledging elevated heterogeneity in price dynamics, many discussants noted that these conditions could persist for some time amid the structural transformation of the economy. Albeit mostly finished, the adjustment of relative prices partially continues. In certain segments, prices may go down, whereas in others, they might rise at an elevated pace affected by economic developments. The changing structure of consumer demand also contributes to elevated heterogeneity in price dynamics. Against the backdrop of considerable growth in incomes, the demand for services has been expanding faster than that for goods. This trend has been supporting high price growth rates in the segment of services.

- Prices for services were rising fast partially due to one-off factors. In particular, the methodology for calculating air fares has changed (now, the calculation takes into account tickets with a flight date in a month and in two months, instead of those with a flight date in a week and in a month, as it was before). As a result, the April calculation included more expensive air tickets for May and June. In addition, seasonal surcharges on railway fares in March–April exceeded last year's levels, accelerating the price growth in this segment. Excluding these components, the growth rate of prices for services declined, while remaining high.

The meeting stated that, considering the actual price growth since the beginning of the year, **the 2025 inflation rate could be closer to the lower bound of the Bank of Russia's April forecast of 7–8%**.

Over the period starting from April, inflation expectations showed mixed dynamics while staying high, which was hindering disinflation. Both breakeven inflation derived from inflation-indexed federal government bonds (OFZ-IN) and analysts' expectations barely changed. Businesses' price expectations continued to decrease. This trend has been observed since the beginning of 2025. Households' inflation expectations edged up again. Notably, while the increase in April was accounted for by respondents with savings (whereas those without savings lowered their expectations), May saw the opposite trend. According to the meeting, high growth rates of prices for fast-moving consumer goods and services hampered a sustainable decline in households' inflation expectations. The latter could also be influenced by both the indexation of housing and utility tariffs by more than 4%, planned for 2025, and the new parameters of their indexation announced for the next two years. Housing and utility services make up a large portion of the consumer basket. The increase in housing and utility tariffs *per se* leads to a one-off increase in price growth rates. However, higher inflation expectations resulting from rising tariffs can create second-round effects in price dynamics. These effects can be assessed more accurately later on.

The participants in the discussion noted that inflation expectations of various economic agents were influencing prices through different channels. Therefore, it was important to evaluate all measures of inflation expectations comprehensively. Taking into account all the indicators, inflation expectations rather decreased, albeit remaining elevated. For a sustainable return of inflation to 4% in 2026, inflation expectations of all economic agents, including households, should be lower than their current levels.

According to Rosstat's preliminary data, GDP growth slowed down in 2025 Q1 and was slightly below the level expected by the Bank of Russia. The decline in its annual growth rates was partially attributed to the high-base effect of 2024, which was a leap year. Assessments of the economy's sequential growth rates should take into account the high base of 2024 Q4 when the manufacturing sector completed large orders. On average, GDP growth rates were more modest over 2024 Q4–2025 Q1 than in 2024 Q3. Based on high-frequency data, slower economic growth is partially associated with fluctuations in stocks and a cooling in external demand. As for domestic demand, its growth started to decelerate gradually in 2025 Q1, albeit remaining fast.

The majority of high-frequency indicators for April–May reflect an ongoing smooth slowdown in the expansion of domestic demand.

- According to high-frequency data and the monitoring of businesses in Russia's regions, consumer demand was growing at a moderate pace in April–May, but remained heterogeneous. Companies' surveys in regions showed that the demand for durables was primarily shrinking. Contrastingly, it continued to rise at high rates in a number of segments, such as public catering and tourism. These trends are confirmed by the official data on retail turnover and commercial services, which indicate that the expansion of consumer demand in the food and non-food segments was slowing down more notably than in services.

- Investment activity remained high. Companies were seeking to complete major investment projects faster. Internal financing was the main source of investment, as usual. Many companies had accumulated profits over the past few years, which they used to finance investments. Businesses' financial performance edged down, while remaining high. Investment activity varied across sectors and regions. According to businesses' surveys, their expectations regarding investment growth in 2025 Q2 were at the level of 2025 Q1. Earlier, most of the companies surveyed by the Bank of Russia had reported plans to maintain the volume of investment in 2025 or build it up but more moderately than in previous years.

The situation in the labour market was another topic of discussion.

- Some participants argued that no additional signs of a labour market easing had emerged. In March–April, the unemployment rate continued to go down in many regions, while employment was still on the rise. Several sectors reported growing labour shortages. The number of vacancies stopped declining. Although it is yet difficult to accurately assess wage growth rates due to the partial shift of bonus payments from 2025 Q1 to late 2024, wages generally continued to increase rapidly. A particularly notable rise was reported by companies that had been lagging behind the Russian average wage growth in previous years. This might slow down the transition to more balanced wage growth rates that would be more commensurate with the labour productivity increase.

- For other discussants, survey indicators of the labour market were of greater weight, as official statistics are published with significant time lags. The survey indicators provided more evidence of labour supply improvements. According to the monitoring of businesses, a higher number of industrial enterprises reported being fully staffed. Increasingly more companies were reducing the number of working shifts. Some businesses continued to lower their demand for labour. The workers that had been laid off were employed by other enterprises where the demand for labour was still high. The meeting also noted that the unemployment rate might remain at the minimum level for a long time amid labour supply constraints (changes in migration policy and the demographic situation). An easing in the labour market will primarily affect wage dynamics. Companies surveyed by the Bank of Russia were still planning to raise wages more moderately in 2025 as compared with 2024 and 2023.

Most participants agreed that, **despite the overall tightness persisting in the labour market, there were some signs of its gradual easing**. When wage and productivity growth rates start to converge, this will be the most notable sign of an improvement.

The discussants pointed out that the budget projections for 2025, updated in April, did not suggest a significant deviation from the previously planned trajectory of fiscal policy normalisation. **Fiscal policy should still be expected to contribute to disinflation this year.**

The participants in the discussion highlighted growing risks of lower global oil prices in the medium term. Therefore, the fiscal rule-based cut-off price should be revised downwards in line with a more conservative estimate of the long-term equilibrium in the global energy market. Such a revision will make fiscal policy more robust and resilient to oil price fluctuations. The discussants concurred that lowering the fiscal rule-based cut-off price for oil could have an additional medium-term disinflationary effect, as, other things being equal, a downward revision would reduce both the equilibrium level of budget expenditures and the primary non-oil and gas deficit.

The meeting inferred that **the deviation of the economy from a balanced growth path was gradually decreasing**. However, this has not yet been reflected in all key economic indicators. A sustained decline in inflation to 4% in 2026 requires lower inflation expectations, a smaller gap between wage and labour productivity growth rates, and a sustainably moderate increase in domestic demand.

MONETARY CONDITIONS

MAIN FACTS

Money market rates and OFZ yields went down over the period following the April meeting. Deposit and loan rates dropped as well. According to high-frequency data, in April–May, the retail loan portfolio remained almost unchanged (MoM, SA), as the portfolio of unsecured consumer loans contracted, while that of mortgages was expanding moderately. The portfolio of corporate loans continued to increase at a modest pace (MoM, SA). The annual growth rate of broad money, adjusted for foreign currency revaluation, continued to edge down in April–May.

DISCUSSION

Most participants agreed that monetary tightness had barely changed since the previous meeting, remaining high. Nominal interest rates were predominantly down, while being close to their previous levels in real terms, considering the slowdown in inflation and the entire range of inflation expectations indicators. The saving ratio remained high. Credit activity stayed moderate overall.

The meeting discussed the reasons behind the decrease in nominal interest rates since the key rate meeting in April.

- The decline in money market rates and OFZ yields was due to the downward revision of the key rate path expected by market participants, following the publication of new macroeconomic data. Interest rates in the overnight money market segment were close to the key rate. After the increase in March, the spread between interest rates and the key rate narrowed. This was facilitated by the Bank of Russia's transition from regular one-week deposit auctions to repo auctions starting from mid-April.

- Interest rates on deposits of non-financial organisations and individuals dropped. Spreads between deposit rates for non-financial organisations and the key rate remained close to the levels observed before their increase last autumn. The spreads were still affected by weaker competition for customer funds in the banking sector amid the slowdown in lending activity and banks' better compliance with the liquidity coverage ratio.

- Autonomous factors (that is, factors not associated with monetary policy), i.e. banking regulation normalisation and macroprudential policy tightening, continued to influence lending conditions, albeit to a considerably lesser extent than in late 2024. As a result, spreads between floating loan rates and the key rate as well as spreads between corporate bond yield rates and the key rate narrowed, but were still above their normal levels observed in mid-2024.

The discussants reiterated that **it was important to take into account changes in real interest rates rather than changes in nominal interest rates when evaluating price monetary conditions**. The meeting discussed which methods should be used to calculate real interest rates. In international practice, they are calculated by subtracting either the actual or expected inflation rate from nominal interest rates. Expected inflation is typically derived from a model-based inflation forecast, a composite indicator combining a model-based forecast and the actual inflation rate, as well as expectations based on financial market indicators or economic agents' expectations according to the surveys. As for actual inflation, the actual annual inflation rate or its assessments based on current price growth are used. The meeting pointed out that annual inflation is a lagging indicator, reflecting cumulative price changes over the past 12 months. Therefore, annualised indicators of current price growth, including measures of underlying inflation, are better suited for calculating real interest rates using the actual inflation rate. Having considered the estimates of real interest rates employing different approaches, most participants concluded that, **at a minimum, price monetary conditions in April–May had remained as tight as before**.

Nevertheless, certain discussants believed that monetary conditions had eased since the previous meeting. They paid more attention to the decrease in deposit rates coupled with the growth of households' inflation expectations, as well as to an easing of some indicators of non-price lending conditions (a larger proportion of approved loan applications).

Credit activity was subdued in all segments. The annual growth rates of the total loan portfolio were within the range assumed in the Bank of Russia's April forecast for 2025 (6–11%). The slowdown in the expansion of credit was still caused by a contraction in the demand for loans, as evidenced by a smaller number of loan applications compared to 2024. In addition, banks were more conservative in selecting borrowers. Specifically, the percentage of approved loan applications, albeit having edged up in recent months, remained below the levels of mid-2024, and spreads between lending rates and the key rate were elevated.

- The portfolio of unsecured consumer loans continued to shrink under the influence of both tight monetary policy and tougher macroprudential requirements.

- Moderate growth rates in mortgage lending were primarily accounted for by the subsidised mortgage segment. In the context of high interest rates, individuals purchased more homes using their own funds. The participants in the discussion noted that the amount of square metres sold is a better reflection of housing market activity than mortgages. Monthly housing sales in square metres remained relatively stable over the past 10 months.

- Corporate lending increased slightly in recent months. This could be partly due to the normalisation of budget spending, following its accelerated growth at the beginning of the year. However, the growth rate of the corporate loan portfolio was significantly lower than the average of 2024 H2.

The discussants concurred that **the transition of lending to moderate growth rates could be considered more sustainable**. Tight monetary policy pursued will contribute to the consolidation of the trends observed in lending, which is necessary for a further cooling in domestic demand and disinflation. Autonomous factors will continue to influence credit dynamics. The gradual normalisation of banking regulation and the tightening of macroprudential policy suggest that lending growth will be determined not only by the demand for loans, but also by banks' ability to comply with the capital adequacy requirements.

The expansion of broad money continued to slow down, which was associated with the cooling in credit activity and the normalisation of budget spending. The cumulative growth rate of money supply since the beginning of 2025 was close to its dynamics observed in 2016–2019 when inflation was close to 4%. To bring inflation back to 4% in 2026, money supply increase should be sustainably moderate.

The meeting remarked that **the quality of the credit portfolio remained rather high overall**. Most companies still managed to service their loans properly, including due to high profits accumulated over the past few years. The number of restructured corporate loans dropped compared to March–April. Nevertheless, banks still report slightly higher risks in the SME segment and in certain industries (namely, transport, offline retail, and coal production).

EXTERNAL ENVIRONMENT

MAIN FACTS

According to high-frequency data, global economic growth continues to slow down in 2025 Q2 as compared to 2025 Q1. Import tariffs around the world increased less than expected due to their postponed application. Market participants believe that the US Fed will not cut the Fed funds rate until the end of 2025 Q3, pending clarity on import restrictions. Prices for most Russian exports fell in April–May. The current account surplus in April was lower than last year. The ruble continued to strengthen against the main foreign currencies.

DISCUSSION

The discussants observed that **the negative effects of import tariffs imposed by countries were beginning to manifest themselves**, with high-frequency indicators pointing to a slowdown in global economic growth. Nevertheless, uncertainty regarding further developments remains high. In the short term, the effect of higher import tariffs on the global economy and inflation will be weaker than expected, as the US tariff increases have been postponed (until 9 July 2025). However, the Russian economy is still exposed to proinflationary risks stemming from expanding trade restrictions.

The participants in the discussion agreed that **the medium-term risks of oil prices being lower than assumed in the April baseline forecast had edged up**. These risks are related to both the dynamics of global demand and the accelerated increase in OPEC+ oil production. In May, oil prices were below the Bank of Russia's April forecast. Prices for Russian crude dropped, even though their discount to global benchmarks was down.

The meeting drew attention to the increase in imports in April, which was related to a one-off factor, namely a rise in imports in terms of certain volatile components. The discussants highlighted that the year-to-date value of imports had been close to the level observed in 2024, which possibly indicated its subdued dynamics, considering that the economy and domestic demand had grown substantially over the said period.

Most participants concurred that **it could be stated with more certainty that the ruble appreciation was largely a result of tight monetary policy**. Along with the effective fiscal rule, tight monetary policy ensures a stable balance between the demand for foreign currency and its supply in the market, even in spite of lower oil prices. Currently, monetary policy influences the exchange rate through two channels. Firstly, it affects domestic demand for goods and services, including the demand for imports and, accordingly, for foreign currency to pay for them. Secondly, a high interest rate differential makes ruble assets more attractive. Savings in rubles now offer higher yields to companies and households as compared to those in foreign currency. In addition, high interest rates on ruble loans could encourage some companies that had accumulated foreign currency liquidity to sell it in greater amounts to finance current expenses in rubles.

INFLATION RISKS

The participants in the discussion agreed that, given the current trends in lending, economic activity and inflation, proinflationary risks had diminished somewhat since the key rate meeting in April, while still outweighing disinflationary risks.

The main **proinflationary factors** include:

- *A slower decline in the positive output gap (economic overheating)*, which can be the result of both persistently elevated domestic demand and more severe supply-side constraints. High demand may be supported by the resumption of accelerated lending growth. If labour shortages become more acute, this can lead to the growth of real wages outpacing that of labour productivity, while intensifying sanctions may slow down the expansion of the economy's potential. If the economy remains significantly overheated or its overheating decreases more slowly, irrespective of the reasons, this would result in higher underlying inflationary pressures.

- *A long period of high inflation expectations or a resumption of their growth*, which might directly influence demand and prices as well as strengthen the second-round effects of one-off inflation factors (including higher indexation of housing and utility tariffs).

- *Worsening terms of external trade due to deteriorating conditions in global commodity markets and geopolitical developments*. A global economic slowdown caused by expanding protectionist measures and a faster energy transition might lead to lower demand and prices in commodity markets.

An increase in oil production by both OPEC+ and non-OPEC+ countries may put additional pressure on oil prices. As a result, the value of Russian exports might decline.

- *A larger budget deficit and the emergence of second-round effects associated with the structure of budget revenues and expenditures*. An easing of fiscal policy or an expansion of subsidised lending programmes might lead to persistently high domestic demand and inflation. Furthermore, a significant and persistent downturn in global oil prices may affect budget revenues and require an adjustment of the fiscal policy parameters. If such an adjustment is not made, this can create risks to price dynamics.

The main **disinflationary factors** include:

- *A faster and more considerable slowdown in lending*, which can result from tighter price and non-price lending conditions, including a decline in banks' risk appetite under the influence of their estimates of economic trends as well as all the decisions taken by the Bank of Russia earlier. An excessive slowdown in lending may lead to a more substantial cooling in domestic demand, a faster deceleration of inflation and its downward deviation from the target.

- *A de-escalation of geopolitical tensions*. In the short term, this can contribute to disinflation. However, in the medium term, its impact might be less unambiguous and depend on the balance of demand and supply in the economy.

CONCLUSIONS FOR MONETARY POLICY AND THE KEY RATE DECISION

Following the analysis of the data and their assessment against the Bank of Russia's April forecast, **the participants discussed the following alternatives**:

- keeping the key rate at the level of 21.00% per annum and giving a moderately doveish signal about exploring the need to reduce the key rate at the upcoming meetings or a neutral signal without indicating any direction of future key rate decisions; or

- cutting the key rate by 50 bp or 100 bp to 20.50% or 20.00% per annum and giving a neutral signal.

The main arguments in favour of **keeping the key rate unchanged** were as follows:

- The slowdown in inflation and domestic demand growth remains uneven so far. More time is needed to make sure that these trends are truly sustainable.

- Inflation expectations are still high, including those of households, despite the deceleration in perceived inflation and actual price growth. The indexation of housing and utility tariffs in July may push up inflation expectations and generate second-round effects on price dynamics.

- The ruble appreciation substantially contributes to disinflation. While tight monetary policy remains the key factor influencing the exchange rate, the disinflationary impact of a stronger ruble will gradually diminish as its pass-through to prices completes. Furthermore, deteriorating geopolitical conditions or changes in market participants' expectations regarding their improvement could affect the exchange rate and pose risks to achieving the 4% inflation target in 2026.

- The situation in the labour market does not provide enough evidence that the economic overheating will continue to decrease. The unemployment rate is still at its all-time lows. While companies are planning more modest wage increases in 2025 compared to 2024, the growth rates of wages remained elevated at the beginning of 2025. Labour shortages, especially in certain sectors, may compel businesses to make higher pay offers to attract required employees. These factors might hinder a further cooling in demand and the economy's return to a balanced growth path.

The main arguments in favour of **cutting the key rate** were as follows:

- Although price dynamics remain uneven across components, there is growing evidence that inflationary pressures will continue to ease. Price growth is decelerating due to a sustainable factor, that is, a cooling of domestic demand. Given the actual price changes year to date, inflation in 2025 may be closer to the lower bound of the Bank of Russia's April forecast range of 7–8%.

- High-frequency labour market indicators suggest a lower degree of tightness in the future. This will also be reflected in the ratio of wage increase to labour productivity growth.

- Households' inflation expectations remain high because inflation has long been above the target. There is certain inertia in households' expectations. They will be declining as inflation decelerates. Contrastingly, businesses' price expectations and breakeven inflation derived from OFZ-IN have been decreasing sustainably since early 2025.

- The cooldown in lending is in line with the Bank of Russia's forecast. If the key rate is not lowered, monetary tightness will increase to become excessive amid the decline in current price growth and inflation expectations. This might amplify the risks of a more significant and rapid slowdown in lending, a strong cooling of demand, and a downward deviation of inflation from 4%.

The discussants mostly supported a key rate decrease by 100 bp, although the alternative of a 50 bp cut was also mentioned. Those in favour of **a more moderate reduction (by 50 bp)** noted that such a step would prevent expectations of an accelerated key rate decrease in the future. This would ensure the necessary tightness of monetary conditions, while mitigating the risk of economic agents quickly switching from saving to consumption. Those in favour of **a more significant reduction (by 100 bp)** pointed to a rapid easing of current inflationary pressures and the likelihood of inflation getting closer to the lower bound of the baseline forecast range of 7–8% as of the end of 2025. If interest rates decline more slowly or stay at the current level, this might lead to excessive monetary tightness in real terms.

The discussants unanimously concurred that monetary conditions were influenced not only by changes in the key rate, but also by the expectations of its future path. Therefore, regardless of the key rate decision, it is critical to prevent market participants from developing expectations of rapid key rate cuts in the future as they might lead to an excessive easing of price monetary conditions. **The discussants' opinions about the signal were correlated with the key rate level they supported.**

- The majority of those who were in favour of keeping it unchanged at the June meeting agreed that it could be cut in July–September 2025. Accordingly, most of them proposed a moderately doveish signal that the Bank of Russia would assess the need to cut the key rate at the upcoming meetings. This would allow markets to prepare for a future key rate decrease. However, some of the participants who were in favour of keeping the key rate unchanged also opined that the Bank of Russia should give a neutral signal suggesting that the key rate could be cut, kept unchanged, or raised in the future.

- Those who proposed lowering the key rate emphasised that this would not mean consistent key rate reductions at each of the following meetings until the end of 2025 and that future key rate decisions would depend on the incoming economic data. Given the prevalence of proinflationary risks, the situation may evolve in a way that would require the Bank of Russia to make pauses between key rate cuts or even resume raising it. A neutral signal would be more appropriate in this context.

In the end, most discussants concurred that there was enough evidence confirming the sustainability of the economic trends leading to a decline in inflation to 4% in 2026. Therefore, it would be reasonable to cut the key rate by 100 bp and give a neutral signal.

All participants in the discussion agreed that for inflation to decelerate further and for the economy to return to a balanced growth path, monetary conditions should remain tight for an extended period, which should be reflected in the signal as before. The meeting pointed out that it is possible to keep monetary conditions sufficiently restrictive even with the key rate being cut, provided that inflation and inflation expectations decrease as well.

Following the discussion, **on 6 June 2025, the Bank of Russia Board of Directors decided to cut the key rate by 100 bp to 20.00% per annum**. The Bank of Russia will maintain monetary conditions as tight as necessary in order to bring inflation back to the target in 2026. This means that monetary policy will remain tight for a long period. Further key rate decisions will depend on the pace and sustainability of the decrease in inflation and inflation expectations. The Bank of Russia forecasts that, given the monetary policy stance, annual inflation will return to 4% in 2026 and remain at the target further on.