



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 12 SEPTEMBER 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 July baseline macroeconomic forecast for 2025–2028 and its variations. The Bank of Russia Main Branches provided information on the situation in the Russian regions, including based on business surveys. Furthermore, the participants in the discussion considered the information from the Financial Stability Department and the International Settlements Department.

The discussants' opinions are based on the data available as of 12 September 2025.

This Summary covers the key points of the discussion.

CONTENTS

▶ ECONOMIC SITUATION AND INFLATION	2
▶ MONETARY CONDITIONS	5
▶ EXTERNAL ENVIRONMENT	7
▶ INFLATION RISKS	8
▶ CONCLUSIONS FOR MONETARY POLICY AND THE KEY RATE DECISION	9



ECONOMIC SITUATION AND INFLATION

MAIN FACTS

Current price growth was 4.1% (seasonally adjusted annualised rate, SAAR) in August 2025 vs 8.4% SAAR in July 2025 and 4.4% SAAR in 2025 Q2. On average, core inflation decelerated from 4.4% SAAR in 2025 Q2 to 4.1% SAAR over July–August 2025. Companies' price expectations, households' inflation expectations, and analysts' inflation forecasts barely changed in August–September 2025. The growth rate of GDP dropped to 1.1% YoY in 2025 Q2 from 1.4% YoY in 2025 Q1. On average, the Bank of Russia's Business Climate Index went down in 2025 Q3 as compared to 2025 Q2 but remained positive. In July 2025, the unemployment rate stayed at its all-time low of 2.2% (seasonally adjusted, SA). The growth rates of nominal and real wages increased in June 2025 vs May (YoY) but were lower than in 2024.

DISCUSSION

In August, current inflationary pressures declined after intensifying significantly in July. Monetary policy continued to curb price growth. However, over recent months, price dynamics were strongly influenced by one-off factors. Their aggregate effect was proinflationary in July but disinflationary in August. The participants in the discussion highlighted the following one-off factors that had affected inflation.

- In July, a considerable rise in housing and utility tariffs led to an almost twofold increase in current price growth rates vs June.
- Over July–August, fruit and vegetable prices experienced a greater downturn as compared to the seasonal norm, exerting downward pressure on inflation. In August, prices for certain tourism services also fell more significantly than usual.
- Air fares decreased in July but rose in August (SA), which is associated with changes in the calculation methodology. Starting 2025, the calculation takes into account tickets with a flight date in a month and in two months. Accordingly, expensive air tickets for the summer vacation period began to be gradually excluded from the calculation in July, which is why prices dropped. The changes in the calculation methodology shifted the traditional seasonal trends in air fares. Namely, the recorded prices for air tickets started declining a month earlier as compared to the previous years, that is, in July instead of August. August also saw a drop in prices, but it was less significant than usual. Consequently, seasonally adjusted air fares were up. Similar methodological changes were made to the calculation of prices for hotel services.
- Over July–August, prices for petroleum products were rising faster, which was attributed to a temporary decline in their supply and a seasonal increase in demand. The Russian Government took measures to restrict exports and build up supply in the domestic market, which are expected to stabilise the situation.

According to the Bank of Russia's estimates, **measures of underlying inflation barely changed over the past two months, remaining within the range of 4–6%.** This divergence in the estimates reflects, among other things, persistently high heterogeneity of price dynamics across components. Some discussants pointed to the fact that there were significantly more goods and services in the consumer basket that were becoming more expensive fast than those whose prices were rising more slowly or falling. This might cause the estimates of underlying inflation to be understated. Therefore, they should be treated with caution, and the methods of adjusting these measures for one-off price fluctuations should be selected very carefully.

According to the participants, **the ruble strengthening observed since the beginning of the year has already had its main impact on inflation.** The ruble depreciation over August–early September does not pose any serious risks to price dynamics, as current levels of the exchange rate are at the lower bound of the range of its changes over the past two years.

In August–September, households' and businesses' inflation expectations did not change significantly, remaining high. This is attributed to the fact that inflation has long been above the target, while households' and businesses' expectations are characterised by a certain degree of inertia. An acceleration in the growth of prices for certain visible goods frequently purchased by households could have had an impact on their inflation expectations. Specifically, housing and utility tariffs were considerably indexed. Petrol prices increased. Meat and meat products were becoming more expensive rapidly. According to the meeting, inflation expectations remain considerably higher than the levels observed when inflation was close to 4%. Persistently high inflation expectations hinder the return of inflation to the target.

Rosstat's preliminary data show that **GDP growth decelerated (YoY) in 2025 Q2.** According to the Bank of Russia's estimates, the growth rates (SA) in 2025 Q2 were slightly positive as compared to 2025 Q1.

The sectoral analysis points to **highly heterogeneous economic activity and financial position of companies since the beginning of the year.** Output was not expanding or was contracting in industries focused on external demand. This was especially true for mining and quarrying (coal mining, oil and gas production) as well as for ferrous metallurgy. These sectors were affected by a decline in demand and prices for Russian exports, including because of sanctions. The financial position of businesses in these industries worsened somewhat. For some highly leveraged companies, this was also associated with rising interest expenses. However, the impact of this factor was much less pronounced than that of other factors. In industries focused on the domestic market, output continued to grow overall. For example, this was observed in the production of food, pharmaceuticals, medical equipment, fertilisers, and certain types of engineering goods. Companies in these industries also demonstrated better financial results. Specifically, the decline in their financial performance was less notable, while certain companies demonstrated growth. The participants in the discussion agreed that the heterogeneity of output and financial performance dynamics across sectors reflected, among other things, structural shifts in the economy that had happened over the past years. The economy has been

increasingly refocusing on domestic demand, with the share of the external sector (exports, imports) in its structure contracting.

After a slowdown in 2025 H1, consumer demand picked up in July–August. It was supported by high growth rates of household incomes. The revival in demand was observed in the non-food segment. Namely, car sales increased following a temporary downturn in early 2025 due to the rise in the recycling fee. An opinion was expressed that if consumer activity remains high, this could hamper the return of inflation to 4%, even amid an overall slowdown in economic growth.

Investment activity stayed at a high level, although its rise decelerated in 2025 H1. The increase in investment was heterogeneous across sectors. High growth rates were recorded in manufacturing and trade. Contrastingly, investment was down in mining and quarrying as well as transportation and storage, following a considerable upswing in the previous years. Investment demand was supported by government-owned projects in priority sectors. According to the Bank of Russia's survey and companies' public statements, a large portion of enterprises are planning to build up investments this year as compared to 2024.

The situation in the labour market has not changed significantly. That said, trends in labour market indicators were mixed.

- On the one hand, growth of nominal and real wages slightly accelerated in June. Although their growth rates were more modest than in 2024, wages were still rising faster than labour productivity. The unemployment rate stayed at a record low level in June–July.
- On the other hand, business surveys show that the percentage of companies experiencing labour shortages continued to decline. The number of vacancies dropped, whereas that of CVs was on the rise. Certain companies were shortening the working week. After a prolonged period of labour shortages, businesses sought to retain their employees, fearing recruitment difficulties in the future.

The meeting concurred that the labour market remained tight overall. The labour deficit hinders the adjustment of supply to higher domestic demand.

The expected disinflationary impact of fiscal policy has not manifested itself yet. Inflation risks related to the budget increased. Since the beginning of 2025, federal budget spending has been close to the trajectory of 2023–2024, with the structural primary deficit remaining. Meeting the federal spending parameters announced for 2025 is contingent on the absence of a traditional rise in budget expenditures at the end of the year. Certain discussants noted that budget revenues in 2025 might not reach the target level. Oil and gas revenues will be below the target because of oil prices being lower than forecast as part of budgeting and due to the ruble appreciation. Non-oil and gas revenues may also be lower and the ruble may be stronger as inflation and the growth rate of the economy might be below the levels forecast by the Russian Government if the current trends continue. These discussants believed that lower fiscal revenues amid full execution of budget spending might lead to a non-zero structural primary deficit.

The meeting agreed that **the upward deviation of the economy from a balanced growth path was decreasing**. However, based on a broad set of indicators, it was **yet premature to speak of the narrowing of the positive output gap**. Despite a cooldown in economic activity, tightness in the labour market persists, with measures of underlying inflation generally remaining above 4%. That said, certain participants believed that the positive output gap could close as early as 2025 Q3.

The discussants came to the conclusion that **the gradual decline in economic overheating under the influence of monetary policy pursued should facilitate further deceleration of inflation and its stabilisation close to 4%**.

MONETARY CONDITIONS

MAIN FACTS

Money market rates and OFZ yields went down over the period following the July meeting. Deposit and loan interest rates dropped as well. The retail loan portfolio remained virtually unchanged in July but was up in August (MoM). Over July–August, the increase in corporate loans accelerated (MoM). The annual growth rate of broad money, adjusted for foreign currency revaluation, rose in August.

DISCUSSION

The participants concurred that **monetary conditions had considerably eased overall since the previous key rate meeting, while remaining restrictive**.

Price monetary conditions became less tight both in nominal and in real terms. A drop in nominal interest rates in most segments of the financial market was attributed to both the key rate cuts in the previous months and the downward revision of market participants' expectations regarding the future path of the key rate. The pace of interest rates' adjustment to monetary policy easing differed across market segments.

- OFZ yields and deposit rates almost fully adjusted to the monetary policy decisions taken earlier.
- Active adjustment was also observed in the corporate bond market where weighted average yields notably dropped in August.
- Fixed loan rates have only recently started to adjust, which is why their decline was less pronounced. The participants pointed out that loan rates could be expected to go down further in the next few months, considering the decrease in money market rates and bond yields.

Market expectations of further key rate cuts and lower corporate bond yields boosted activity in the bond market. In the summer months, the contribution of corporate bonds to the increase in claims on organisations was up.



Lending growth accelerated.

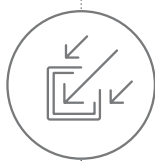
- There was a revival in retail lending, with the mortgage segment starting to rebound in July and the non-mortgage segment in August (according to high-frequency data). As for non-mortgage lending, car loans were growing rapidly. In the summer months, households' demand for cars increased following a downturn in 2025 H1. Macroprudential requirements that had been toughened earlier and tight monetary conditions continued to restrain consumer lending. However, lower interest rates in the past months led to a slight uptick in the number of loans issued in this segment in August after several months of decline.
- In the corporate segment, lending growth sped up considerably, fuelled by easing monetary conditions. Companies were raising more loans in anticipation of further key rate cuts, taking into account that a large part of them has been issued at floating interest rates. The expansion of corporate lending was in part associated with the rise in disbursements in the segment where demand is less sensitive to key rate changes (loans to large state-owned companies and project financing of housing construction).

The growth rate of the total loan portfolio was still below the average of 2024 H2. However, over the past months, it increased and was closer to the upper bound of the Bank of Russia's forecast. The meeting stated that if lending growth rates remain at the July–August 2025 levels, the expansion of the banking system's claims on the economy in 2025 will exceed the Bank of Russia's forecast (7–10%).

The discussants highlighted that, despite lower deposit rates, **saving activity had not declined**. This is evidenced by, among other things, a persistently high portion of time deposits in the total volume of household deposits. Deposit rates considerably exceeded actual and expected inflation, ensuring the attractiveness of deposits. Income growth allowed households both to save and consume more. As a result, the saving ratio remained close to its historical maximum.

The acceleration of lending growth, coupled with persistently elevated budget expenditures, prevented annual growth rates of broad money from decreasing over the past months. The cumulative growth rate of broad money (adjusted for foreign currency revaluation) since the beginning of 2025 exceeded the upper bound of the range of its changes observed in 2016–2019 when inflation was close to 4%.

The meeting pointed out that **the quality of the loan portfolio had deteriorated somewhat. Nevertheless, this still has no impact on lending capacity**. The debt burden of small and medium-sized companies as well as some large companies edged up. Over the past months, there was also a rise in the number of restructured loans of large and medium-sized enterprises. However, it was still lower than the levels recorded in spring 2025 when the number of restructured loans was the highest this year. The discussants noted that the expected losses on loans were covered by reserves and banks' capital buffers were sufficient.



EXTERNAL ENVIRONMENT

MAIN FACTS

According to high-frequency data, global economic growth in 2025 Q3 is higher than expected by the Bank of Russia and market participants. Inflationary pressures in the key economies were changing diversely. Markets expected the US Fed to cut the key rate in September 2025. For the year to date, prices for most Russian exports dropped and were below last year's levels on average. In July, the current account surplus was close to the levels observed in July 2024. In August–early September, the ruble weakened against the main foreign currencies.

DISCUSSION

The meeting stated that **the major impact of the import tariff increases on the economy was likely to manifest itself later**. Import tariffs in the US rose to a lesser extent than expected, which could be attributed to exemptions for certain groups of imports, market adjustment, and the rerouting of supplies via third countries. As a result, import tariff hikes have only had a moderate effect on global economic growth and inflation so far.

Although there are still risks of accelerating price growth in the US over the next few months, **the US Fed funds rate reduction at the September meeting has become more likely**. Weak labour market statistics could be an indicator of a slowdown in US economic growth. Because of the above factors, financial market participants expect the US Fed to cut its rate faster than assumed before. Nevertheless, it was argued that the reduction in the workforce in the US could rather be attributed to tighter migration policy than to declining demand for labour. Therefore, it is not an indication of a downturn in economic activity but a reflection of more modest dynamics of potential economic growth.

The participants in the discussion concurred that the situation in commodity markets had been developing close to the Bank of Russia's forecast, but **there were still risks of lower oil prices over the forecast horizon**. A fast expansion of OPEC+ oil production leads to a surplus in the oil market and an increase in oil stocks. Coupled with the forecast decline in global demand due to higher import tariffs, this might push down oil prices in the future.

The percentages of exports and imports in GDP over the past years were on average lower than those observed before 2022. According to the meeting, this is a manifestation of structural shifts in the economy, namely the economy's refocusing on the domestic market. The sanctions reduced the opportunities for Russian exports. Simultaneously, import became less attractive and more expensive due to tougher sanctions, the development of import-substituting production facilities, and a shift in government demand towards domestic goods.

Furthermore, **since late 2024, the share of imports in GDP has dropped notably, being lower than the average values of the past two years**. This additional decline was related to tight monetary policy, which was moderating demand

for imports, and to one-off factors (the adjustment of the volume of imported transport vehicles, demand for which contracted following a surge before the increase in the recycling fee).

The discussants pointed out that due to the economy's reorientation towards the domestic market, the portion of imports in GDP will remain below the averages recorded before 2022, even after the transition to neutral monetary policy. All else being equal, a lower proportion of imports in GDP means a stronger equilibrium real exchange rate of the national currency. On the one hand, this supports the competitiveness of domestic producers but, on the other hand, worsens the conditions for companies focused on exports.

The ruble weakened following its considerable appreciation over the previous months. The discussants agreed that the ruble depreciation was one of the manifestations of monetary easing, including the adjustment of market participants' expectations regarding the key rate path. In addition, the meeting pointed out that the exchange rate dynamics were also influenced by one-off, including seasonal, factors, as well as by deteriorating geopolitical sentiment. The one-off factors mentioned included a possible downturn in the sales of foreign currency revenues by certain companies with outstanding foreign currency loans to repay. The seasonal factors included growing demand for foreign currency needed for tourist trips and advance payments for a number of non-food goods to be imported.



INFLATION RISKS

The discussants shared the opinion that **proinflationary risks still outweighed disinflationary ones over the medium-term horizon.**

The main **proinflationary risks** include:

- *A slower decline in the positive output gap (continued 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 growth in lending. If labour shortages become more acute, this can lead to the growth of real wages outpacing that of labour productivity even more. Tougher sanctions may decelerate the expansion of economic potential. If the economy remains significantly overheated or its overheating decreases more slowly, irrespective of the reasons, this will 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 accelerated 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 or a more notable slowdown in economic growth than assumed when budgeting 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 more considerable slowdown in domestic demand growth*, which will lead to a faster deceleration of inflation and its downward deviation from the target.

CONCLUSIONS FOR MONETARY POLICY AND THE KEY RATE DECISION

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

- keeping the key rate unchanged at 18.00% per annum; or
- cutting the key rate by 100 bp to 17.00% per annum.

It was suggested that a neutral signal should accompany either of the two decision alternatives.

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

- The measures of underlying inflation declined most significantly before the summer months and stabilised within the range of 4–6% in summer 2025, which is considerably above the target. Price dynamics remain highly heterogeneous and volatile across components. Simultaneously, inflation expectations are not decreasing, staying high.
- Economic activity trends are also uneven. Although economic growth slowed down in 2025 H1, consumer and government demand remains high. The increase in consumer demand has even slightly sped up, supported by a rise in incomes that is significantly outpacing the growth of labour productivity. This might constrain further disinflation.



- Monetary conditions have already eased substantially, while lending growth has accelerated. However, monetary policy easing has not yet fully transmitted to the dynamics of monetary indicators due to time lags. A pause in cutting the key rate will make it possible to assess further adjustment of monetary indicators to monetary policy easing.
- Fiscal policy of 2025 has not yet produced its disinflationary effect. Risks related to fiscal policy are growing. Meeting the federal spending parameters announced for 2025 would require reducing budget expenditures in the remaining months of the year, which is uncertain. Furthermore, budget revenues may turn out to be lower than planned.

The main arguments in favour of **cutting the key rate by 100 bp** were as follows:

- Inflation dynamics are in line with the July forecast (6–7% in 2025). Inflation expectations are characterised by rather high inertia. They will be decreasing as inflation declines.
- Economic growth slowed down notably in 2025 H1. Domestic demand is also expanding more slowly than last year. This suggests a further decrease in economic overheating.
- Lending growth rates are consistent with the Bank of Russia's forecast. Saving activity remains close to its all-time high. Tight monetary conditions will ensure balanced lending growth and high saving activity.
- Although risks related to fiscal policy exist, there are currently no compelling reasons to expect it to be significantly more accommodative than assumed in the forecast. According to the Russian Government, it increased spending in 2025 H1 to distribute expenditures more evenly throughout the calendar year, as compared to the previous years.

Having discussed the arguments in favour of both alternatives, **most participants concurred that there was room to cut the key rate**. Although the acceleration of lending and consumer demand growth over recent months is a source of some concern, inflation dynamics are in line with the Bank of Russia's forecast, while economic growth has slowed down considerably. A 100 bp cut is a rather cautious step, which takes into account the existing risks and will not lead to an additional easing of monetary conditions as it is already factored into market interest rates. Such a reduction could even slightly tighten them because most market participants are expecting a more significant key rate decrease. This will allow the Bank of Russia to maintain monetary conditions as tight as necessary to bring inflation back to the target in 2026.

The discussants also noted that future key rate decisions will largely depend on the amendments to the fiscal policy parameters for 2025 and the medium term, which the Russian Government will shortly submit to the State Duma. Substantial changes in the fiscal policy parameters may require the Bank of Russia to adjust its monetary policy.

The participants were unanimous in their choice of a signal, believing it was important **to maintain a neutral signal** as proinflationary risks prevail over the forecast horizon. The Bank of Russia might have to make pauses between key rate cuts.

Following the discussion, **on 12 September 2025, the Bank of Russia Board of Directors decided to cut the key rate by 100 bp to 17.00% per annum**. The Bank of Russia will maintain monetary conditions as tight as necessary to bring inflation back to the target in 2026. Further key rate decisions will depend on the sustainability of the decrease in inflation and the dynamics of inflation expectations.