



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 24 OCTOBER 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 suggestions regarding the 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 24 October 2025.

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

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ECONOMIC SITUATION AND INFLATION

MAIN FACTS

Current price growth accelerated from 4.4% (seasonally adjusted annualised rate, SAAR) in 2025 Q2 to 6.4% SAAR in 2025 Q3. Core inflation dropped from 4.4% SAAR in 2025 Q2 to 4.3% SAAR in 2025 Q3. Companies' price expectations and analysts' inflation forecasts went up in October. Households' inflation expectations remained unchanged. According to high-frequency data, the economy was growing more moderately (YoY) in 2025 Q3 than in previous quarters. In 2025 Q3, the Bank of Russia's Business Climate Index was below the 2025 Q2 level on average. In August 2025, the unemployment rate dropped to 2.1% (seasonally adjusted, SA). The growth rates of nominal and real wages (YoY) increased in July 2025 vs June but were lower than in 2024.

DISCUSSION

Current inflationary pressures intensified in 2025 Q3. This was mainly due to one-off factors.

- Fruit and vegetable prices were declining more notably and faster than usual in the summer months and more slowly in September. As a result, fruit and vegetable prices (SA) were decreasing in summer and started to rise quickly in September. In particular, certain vegetables became significantly more expensive in September, possibly due to a modest harvest of open-field vegetables in a number of regions.
- Petroleum product prices were rising rapidly, owing to a temporary supply drop and a seasonal demand increase in the summer months. To stabilise the situation, the Government of the Russian Federation took measures to restrict exports and build up supply in the domestic market.
- The increase of housing and utility tariffs and prices for educational services in July and September, respectively, also contributed to higher inflation in 2025 Q3.

Tight monetary policy continued to curb price growth, limiting excessive demand in the economy. Measures of underlying inflation remained within the range of 4–6%, which was substantially below the peaks of late 2024–early 2025 but above the inflation target. Most discussants agreed that there was no pronounced trend towards a further decline in underlying inflation over recent months. Concurrently, some of them did identify the said trend, pointing out that a number of underlying inflation measures were approaching 4% in 2025 Q3.

The ruble appreciation observed since the beginning of the year has largely affected prices already. The discussants noted that companies factored a weaker ruble into their business plans as compared to the current exchange rate. Therefore, in the absence of any significant external shocks, exchange rate movements should not entail any substantial inflation risks in the next months.

New proinflationary factors have emerged since the last meeting. These factors may temporarily raise inflationary pressures. They include the VAT increase from 20% to 22% in 2026, the indexation of housing and utility tariffs at a higher rate in the next years, changes in the calculation of the recycling fee for imported cars, and the situation in the fuel market. The participants concurred that both direct and second-round effects of these factors should be assessed with caution. The said factors are one-off in nature and no substantial monetary policy measures should be taken to respond to them if inflation is low and inflation expectations are anchored. However, their impact on future underlying inflation may be more pronounced if they materialise simultaneously, the economy experiences demand overheating, and inflation and inflation expectations have long been above the target.

The discussants pointed out that, based on the experience gained in 2018–2019, **the major impact of higher VAT on inflation will manifest itself in December–January.** Its direct contribution to price growth will be slightly stronger than in 2018–2019, since in addition to the tax rate hike, tax accrual parameters also change for bank transactions and small businesses.

Inflation expectations stayed high. Companies' price expectations went up in October, most notably in retail trade, in response to the announced VAT rise and higher petrol prices. Analysts revised upwards their inflation forecast for 2025–2026. Households' inflation expectations remained unchanged in October. Some participants noted that households' and companies' inflation expectations had long been within the ranges recorded in 2023 H2 and 2024, when inflation was considerably above the target. This might be evidence that households' and companies' inflation expectations have become more backward-looking – they are largely affected by the experience of high inflation in the past, rather than assessments of future inflation dynamics. The discussants concurred that persistently high inflation expectations hindered the return of inflation to the target.

According to high-frequency data, **economic growth continued to slow down in 2025 Q3.** The situation remained heterogeneous across industries. In export-focused industries, such as mining and quarrying and ferrous metallurgy, output had been decreasing since early 2025, mainly due to tougher sanctions and worse external trade conditions. Contrastingly, in industries focused on the domestic market, output continued to grow overall. However, companies from individual segments of the said industries reported mixed dynamics as well. For example, output was growing in the food and pharmaceutical industries, fertiliser and furniture manufacturing, as well as public catering and retail trade. However, output dropped in a number of industries, for example, in certain segments of machine building, after a surge in 2023–2024. In certain industries (oil refining), the situation was influenced by a temporary drop in supply.

The expansion of consumer demand sped up in 2025 Q3. It was supported by high growth rates of household incomes. The demand rebound was associated in part with a rise in car purchases after the temporary decline in early 2025 and expectations of a change in the recycling fee calculation procedure from 1 November 2025. After the effect of these factors has faded, consumer demand will be growing more moderately, due to tight monetary policy. It was

argued that one-off proinflationary factors might cause consumer demand growth to remain elevated until the end of the year, as people would be seeking to make large purchases before the tax hike.

According to high-frequency indicators, **investment activity was still rising in 2025 Q3, albeit more moderately than in the previous two years.** Some large companies are revising downwards their investment targets. However, according to the Bank of Russia's survey, a large portion of enterprises will build up investments this year as compared to 2024. Investment demand is fuelled by government-owned projects in priority sectors as well as reinvestment of this year's and previous years' profits, among other things.

The labour market remains tight. Official statistics reveal no substantial changes in it. Unemployment remains at its record low. However, unlike the main unemployment rate, its broader indicators (including the number of people ready to work who are unable to actively seek employment or to take on a job immediately and those who work part-time) have not decreased since early 2025. Moreover, business surveys evidence a slight reduction in the labour shortage. Certain companies are shortening the working week. However, part-time employees account for an insignificant share of overall workforce. Enterprises continue to retain workers, being wary of recruitment issues in the future. However, they have scaled back on their wage hike plans as compared with early 2025.

The disinflationary effect of the 2025 budget will be notably less significant than expected. The updated 2025 budget projections factor in a smaller amount of oil and gas revenues and a more moderate GDP growth rate in 2025 than expected when budgeting at the end of 2024. Decreasing incomes entail a more significant structural primary deficit and a rise in borrowings as of the end of the year. Nevertheless, the structural primary deficit will be slightly lower than in 2024.

In 2026, the budget is to have a disinflationary effect on price dynamics. An increase in tax revenues, rather than an expansion of borrowing, will be the source of funding for additional budget expenditures. The draft budget assumes a return to a zero structural primary deficit. Moreover, in the medium term, there are plans to gradually reduce the base oil price in the fiscal rule. Given the current situation in the oil market, this will make fiscal policy more resilient and less vulnerable to oil price fluctuations and will reduce proinflationary risks.

According to the discussants, **the upward deviation of the economy from a balanced growth path is gradually decreasing.** However, the persistently tight labour market, underlying inflation measures remaining above 4%, and model calculations suggest that the positive output gap may be more significant and may close slightly later than expected previously. Most participants believed that this might happen in 2026 H1.

However, the discussants noted that, **in early 2026, inflation would speed up, due to one-off factors.** Subsequently, current inflationary pressures will weaken as their effect subsides and overheating of demand decreases.



MONETARY CONDITIONS

MAIN FACTS

Money market rates and yields on federal government bonds (OFZ) rose over the period following the key rate meeting in September. Deposit interest rates changed insignificantly and loan interest rates decreased in September. The retail loan portfolio edged up (MoM) in 2025 Q3. Growth rates of corporate loans considerably increased (MoM) in 2025 Q3. Annual growth rates of broad money, adjusted for foreign currency revaluation, barely changed in July–September.

DISCUSSION

The discussants concurred that monetary conditions remained tight. Price indicators were changing diversely over the period following the September meeting.

- OFZ yields and money market rates increased slightly, due to the upward revision of the expected key rate path after the September meeting of the Bank of Russia Board of Directors. In addition, some participants pointed out that the rise in government bond yields was, among other things, the market's response to the fiscal changes announced in September.
- According to preliminary estimates, fixed loan rates continued to decline in September, responding with a lag to decisions to cut the key rate in the previous months.
- Deposit rates, which adjusted to the key rate decrease earlier than loan rates, barely changed in September and even went up in October, according to high-frequency data. Most participants associated this adjustment of deposit rates with the revision of key rate expectations by banks. After the key rate was cut by 200 bp in July, banks expected a faster monetary policy easing in the future. However, the Bank of Russia key rate decision made in September and the materialisation of proinflationary factors in September–October encouraged banks to revise upwards their key rate expectations, which resulted in higher deposit rates. It was also argued that the rise in deposit rates might be a result of banks' stronger demand for deposits amid a rebound in lending activity in 2025 Q3.
- Price monetary conditions will continue to adjust to the increase in OFZ yields and money market rates.

The discussants concurred that loan and deposit rates as well as yields on financial instruments in real terms remained high overall, despite higher inflation expectations of some economic agents.

Non-price lending conditions barely changed, remaining tight. Requirements for corporate borrowers tightened slightly and some non-price conditions for individuals (collateral requirements, etc.) loosened somewhat. Spreads between floating loan rates and the key rate remained close to the levels

observed before their increase last autumn. The meeting believed that these spread levels resulted from the fading effect of autonomous factors (banking regulation normalisation and macroprudential policy tightening).

Lending activity increased overall in 2025 Q3.

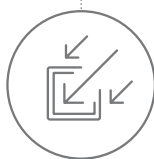
- Despite its mixed dynamics across months, growth in corporate lending accelerated in 2025 Q3 vs 2025 H1. This was due to both the monetary policy easing and expectations of a further key rate cut.
- Retail lending was expanding moderately, mainly fuelled by mortgages, primarily government subsidised ones. The previous tightening of macroprudential requirements and high interest rates continued to contain non-mortgage lending. Certain discussants reported a rise in the number of loan applications from individuals and their approvals by banks. Demand for car loans was up, driven by expectations of an increase in the recycling fee from 1 November 2025.

The meeting concluded that the rise in retail lending was within the July forecast range, while the increase in banks' claims on organisations was close to its upper bound.

Households' propensity to save remained high. Most discussants noted that the slower growth of household time deposits over recent months should not be interpreted as a drop in the saving activity, as it was recorded simultaneously with the increase in investments in different financial assets (securities, real estate) and a seasonal rise in the amount of cash held by households. That is, the structure of savings growth slightly changed.

The acceleration of lending growth, coupled with persistently elevated budget expenditures, prevented annual growth rates of broad money from decreasing over recent months. In August, 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 when inflation was close to 4% (in 2016–2019).

As at the previous meetings, participants dedicated fairly much time to the issues of **financial stability of banks and their borrowers**. They noted that the financial standing of businesses, including SMEs, slightly worsened and that the situation differed across sectors and companies. Turnover periods of accounts receivable extended and the share of overdue accounts receivable increased. However, there should not be any serious problems with loan repayment overall. The quality of the corporate portfolio remains adequate. The proportion of bad loans and restructured loans classified as risky in the overall loan portfolio increased insignificantly since early 2025 – by no more than 1 pp. In addition, these loans are largely covered by provisions. There was a rise in overdue retail loans, given the decrease in the portfolio growth rates. However, this does not threaten banks' stability, as they have accumulated a substantial macroprudential buffer.



EXTERNAL ENVIRONMENT

MAIN FACTS

According to high-frequency data, global economic growth in 2025 Q3 was higher than expected by the Bank of Russia and market participants. Inflationary pressures in the key economies were changing diversely. The US Fed resumed the key rate reduction in September, and markets expect it to decrease further. For the year to date, prices for most Russian exports dropped and were below last year's levels on average. The current account surplus in September was close to last year's values. The ruble slightly appreciated against the main currencies in the second half of September and October. Since early 2025, it has been 10% stronger on average than in 2024.

DISCUSSION

The discussants pointed out that **the increase of import tariffs impacted global economic growth less significantly than expected**. Due to exemptions for certain groups of imports and the change of the geographical structure of imports, the actual US effective tariff rate is significantly below the announced level. As a result, global economic growth is slowing down smoothly. Nevertheless, uncertainty regarding further developments remains high. Risks of intensifying trade tensions persist.

In the US, inflation is running below expectations amid higher economic growth rates. Financial market participants expect the US Fed to cut its rate faster, owing to weak labour market statistics, signalling the upcoming slowdown in economic growth. Nevertheless, there are still risks of accelerating inflation in the US in the next months, which may slow down the easing of the US Fed's monetary policy.

The meeting concluded that **the Russian oil price forecast for 2026–2028 should be left unchanged**. On the one hand, expansion of OPEC+ oil production leads to a surplus in the oil market. On the other hand, replenishment of strategic oil stocks by a number of major economies temporarily contains surplus growth. Nevertheless, the discussants noted that risks of lower oil prices persisted over the forecast horizon. They are still associated with a fast expansion of OPEC+ oil production, intensifying trade tensions, and a more significant slowdown in global economic growth.

According to the participants, the ruble strengthened in the second half of September–October after its depreciation in August–early September because one-off and seasonal factors were no longer in effect. Specifically, foreign currency supply increased in the market in October after decreasing over previous months, as exporters had been accumulating foreign currency to repay foreign currency loans.

The discussants noted that **the ruble appreciation this year was a logical outcome of tight monetary policy**. High rates contain demand for imports and make ruble investments more attractive. Simultaneously, **there are several factors that probably make the ruble fundamentally stronger**. Firstly, import restrictions

– both external and internal ones (import tariffs, protectionist barriers, and localisation requirements in the public sector), which decrease demand for imports and foreign currency to purchase them. Secondly, declining demand for foreign assets from residents amid sanctions. Thirdly, selling foreign currency from the National Wealth Fund to finance the budget deficit and investment projects, which also contributes to the ruble appreciation. The meeting noted that a stronger ruble contributed to disinflation this year.



INFLATION RISKS

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

The main **proinflationary risks** include:

- *A slower contraction of the positive output gap (persistent demand overheating),* which can be the result of both sustained elevated domestic demand and more severe supply-side constraints. Demand may be high if accelerated growth in lending resumes. If labour shortages persist or 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 considerable 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 may be triggered by the materialisation of one-off proinflationary factors – rising motor fuel prices and VAT as well as the indexation of utility tariffs at a higher rate. Higher inflation expectations may entail second-round effects and increase underlying inflation.
- *Worsening terms of external trade due to the deteriorating environment in global commodity markets and geopolitical situation.* A global economic slowdown caused by intensifying trade tensions and expanding protectionist measures may 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 may decline.
- *A structural budget deficit significantly exceeding the forecast level and the emergence of second-round effects associated with the structure of budget revenues and expenditures.* When subsidised lending programmes expand, domestic demand may be higher.

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

The meeting considered the updated forecast estimates – the baseline scenario and its variations.

Following the analysis of new data, given the forecasts, **the participants discussed the following alternatives:**

- keeping the key rate unchanged at 17.00% per annum;
- cutting the key rate by 50 bp to 16.50% per annum; or
- cutting the key rate by 100 bp to 16.00% per annum.

It was suggested that a neutral signal should accompany all the decision alternatives.

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

- Underlying inflationary pressures have not been declining for several consecutive months, remaining above 4% SAAR. Inflation expectations stay high. Simultaneous materialisation of several proinflationary factors may impact inflation expectations, entail second-round effects, and fuel underlying inflation. A pause in cutting the key rate will help assess the scope of these effects.
- Although economic growth is slowing down, consumer and government demand remains high. Given the above and temporary supply-side constraints in a number of sectors, the positive output gap may be larger and may close more slowly.
- Corporate lending rebounded in 2025 Q3 and the decline in money supply growth rates paused. Their dynamics were closer to the upper bound of the July forecast. A pause in cutting the key rate will help assess a further adjustment of monetary conditions.
- Risks related to fiscal policy persist. The events of recent years triggered the need to increase budget expenditures in excess of the planned amount. This should be taken into account when making decisions in line with the conservative approach when assessing risks to price dynamics. This approach will enhance the effectiveness of monetary policy pursued if the situation deviates from the baseline scenario.

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

- Current inflationary pressures increased over recent months, but the response of underlying inflation measures was not that strong. An analysis of their quarterly dynamics shows that a number of underlying inflation

measures continued to decrease in 2025 Q3. The main proinflationary factors are one-off and short-term in nature. Underlying inflation is highly likely to be close to 4% in 2026 H2, even if the key rate decreases gradually.

- Inflation expectations remain high, which is however attributed to the effect of one-off factors, among other things. Moreover, inflation expectations (especially in the real sector) became more backward-looking. Once one-off factors are no longer in effect and sustainable disinflation resumes, inflation expectations will also drop.
- Economic growth is decelerating. Labour market is loosening, albeit slowly. The positive output gap is gradually closing. Tight monetary policy will continue to affect demand dynamics and the positive output gap will continue to close.
- Although the disinflationary effect of fiscal policy in 2025 will be less notable than expected, risks related to fiscal policy decreased over the medium-term horizon. An increase in tax revenues, rather than an expansion of borrowing, will be the source of funding for additional budget expenditures. Moreover, there are plans to reduce the base oil price in the fiscal rule, taking into account the environment in the oil market.

Having discussed the arguments, **most participants concurred that there was room to cut the key rate.** Economic growth is slowing down and inflationary pressures have been decreasing since early 2025. Most proinflationary factors are one-off in nature. A full offset of these shocks through monetary policy measures may lead to an excessive cooling of the economy and a substantial downward deviation of inflation from the target further on. To stabilise inflation at the target, it is necessary to minimise cyclical output fluctuations.

When discussing **the pace at which the key rate should be decreased**, most participants proposed cutting it by 50 bp. A more cautious reduction takes into consideration the proinflationary factors that have materialised recently and the intensification of proinflationary risks. Since the key rate cut is factored into the market expectations, the reduction of the pace of monetary policy easing will not entail any downward movements of the curves and will help keep monetary conditions as tight as necessary.

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. However, tight monetary policy should be maintained for an extended period to stabilise inflation at the target. This message should be communicated. The discussants also noted that monetary conditions were influenced not only by the key rate, but also by the expectations of its future path. To achieve the necessary tightness of monetary conditions, considering all proinflationary factors, the forecast key rate path for 2026 should probably be revised upwards.

Following the discussion, **on 24 October 2025, the Bank of Russia Board of Directors decided to cut the key rate by 50 bp to 16.50% per annum.** The Bank of Russia will keep monetary conditions as tight as required to return inflation to the target. This means that monetary policy will be tight for a long period. Further key rate decisions will depend on the sustainability of the decrease in inflation and the dynamics of inflation expectations.

According to the Bank of Russia's forecast, inflation will speed up in 2026 H1 under the impact of one-off factors. A higher key rate path is required to return inflation to the target. In the baseline scenario, the average key rate range is increased to 13.0–15.0% per annum in 2026. As the effect of one-off factors fades and the demand overheating decreases under the impact of monetary policy pursued, inflation will resume declining. Underlying inflation will return to 4% in 2026 H2. Annual inflation will drop to 4.0–5.0% in 2026. In 2027 and onwards, annual inflation will remain at the target. GDP growth will reach 0.5–1.5% in 2026. In 2027, the economy will be growing at a balanced rate of 1.5–2.5% per annum. More details on the Bank of Russia's medium-term forecast are available in the [Commentary on the Bank of Russia's Medium-term Forecast](#).