

Bank of Russia increases the key rate by 100 bp to 19.00% p.a.

13 September 2024

Press release

On 13 September 2024, the Bank of Russia Board of Directors decided to increase [the key rate](#) by 100 basis points to 19.00% per annum. Current inflationary pressures remain high. By the end of 2024, annual inflation is likely to exceed the July forecast range of 6.5–7.0%. Growth in domestic demand is still significantly outstripping the capabilities to expand the supply of goods and services. Further tightening of monetary policy is required to resume the disinflation process, reduce inflation expectations, and ensure the return of inflation to the target in 2025. The Bank of Russia holds open the prospect of increasing the key rate at its upcoming meeting. According to the Bank of Russia's forecast, given the monetary policy stance, annual inflation will decline to 4.0–4.5% in 2025 and stay close to 4% further on.

In August, the current seasonally adjusted **price growth** was 7.6% in annualised terms. The similar indicator of core inflation was 7.7% in annualised terms. These values were below the average levels of 2024 Q2 but exceeded the average values of 2024 Q1. According to the estimate as of 9 September, annual inflation equalled 9.0% after 9.1% as of the end of August. Underlying inflationary pressures remain high overall and have not yet demonstrated downward trends.

Inflation expectations of households and businesses continued to rise. Analysts' short-term inflation expectations increased. Nevertheless, long-term inflation expectations calculated based on financial market instruments declined after the July decision on the key rate. In general, inflation expectations of economic agents remain elevated. This enhances the inertia of underlying inflation.

GDP data for 2024 Q2 and high-frequency indicators in July–August show that the growth of the **Russian economy** slowed down slightly. This deceleration was probably caused not primarily by a cooling of domestic demand but by an increase in supply-side constraints and softening external demand. This is evidenced by high current inflationary pressures. The upward deviation of the Russian economy from a balanced growth path is still significant.

Despite some slowdown, consumer activity remains high. First and foremost, it is backed by rising households' incomes. Substantial investment demand is associated with both fiscal incentives and businesses' own funds accumulated in recent years. Although survey data show some deterioration in current business sentiment, businesses' expectations for future demand remain high.

The labour market remains tight. Unemployment dropped to a new historical low. A considerable labour shortage persists, especially in manufacturing. Although wage growth has slowed down in recent months, it remains elevated and still outstrips labour productivity growth.

Monetary conditions tightened in response to both the July increase in the key rate and a significant

upward revision of its forecast path in the baseline scenario. This revision affected money market rates as well as short- and medium-term OFZ yields. Contrastingly, long-term OFZ yields declined as a result of lower inflation expectations of financial market participants. Credit and deposit rates continue to grow.

High market interest rates support the propensity to save but have not sufficiently constrained lending yet. Overall lending growth remains high, despite the deceleration in the retail segment. Mortgage lending slowed down as a result of the termination of the non-targeted subsidised mortgage programme from 1 July 2024 and the growth in market rates. The slowdown in consumer lending demonstrated both the effects of the monetary policy pursued and the macroprudential measures taken earlier. Nevertheless, the growth rate of corporate lending remains elevated due to the significant contribution of transactions that are less sensitive to market rates. The decision made by the Bank of Russia will accelerate the formation of monetary conditions required to boost saving activity and return lending to balanced growth.

Over the medium-term horizon, **the balance of inflation risks** is significantly tilted to the upside. Proinflationary risks associated with the deterioration of foreign trade conditions increased. There are still risks associated with the persistently high inflation expectations and the upward deviation of the Russian economy from a balanced growth path. Disinflationary risks are primarily related to a faster slowdown in domestic demand growth than expected in the baseline scenario.

The Bank of Russia assumes that the announced fiscal policy normalisation path in 2024 and further on will remain unchanged. Changes in fiscal policy may require a revision of the monetary policy parameters.

[On 25 September 2024](#), the Bank of Russia releases the Summary of the Key Rate Discussion.

The Bank of Russia Board of Directors will hold its next key rate review meeting on [25 October 2024](#). The press release on the Bank of Russia Board decision and the medium-term forecast are to be published at 13.30 Moscow time.

[Statement by Bank of Russia Governor Elvira Nabiullina in follow-up to Board of Directors meeting on 13 September 2024](#)

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