

# Bank of Russia increases key rate by 350 b.p. to 12.00% p.a.

15 August 2023

Press release

The Bank of Russia Board of Directors decided to increase [the key rate](#) by 350 basis points to 12.00% per annum from 15 August 2023. The decision is aimed at limiting price stability risks.

Inflationary pressure is building up. As of 7 August, the annual rate of inflation rose to 4.4% while current price growth rates continue to increase. Over the last three months current price growth amounted to 7.6% on average in annualised terms on a seasonally adjusted basis. The same core inflation measure went up to 7.1%.

Steady growth in domestic demand surpassing the capacity to expand output amplifies the underlying inflationary pressure and has impact on the ruble's exchange rate dynamics through elevated demand for imports. Consequently, the pass-through of the ruble's depreciation to prices is gaining momentum and inflation expectations are on the rise.

Hereinafter, with current price growth rates staying at the attained levels the risk of inflation's deviation upwards from the target in 2024 is substantial. The Bank of Russia's decision is aimed at shaping monetary conditions and overall domestic demand dynamics necessary to bring inflation back to 4% in 2024 and stabilise it close to 4% further on.

Moving forward, in its key rate decision-making the Bank of Russia will take into account actual and expected inflation dynamics relative to the target and economic transformation processes, as well as the risks posed by domestic and external conditions and the reaction of financial markets. According to the Bank of Russia's forecast, given the monetary policy stance, annual inflation will return to 4% in 2024.

The Bank of Russia Board of Directors will hold its next rate review meeting on [15 September 2023](#). The press release on the Bank of Russia Board decision is to be published at 13:30 Moscow time.

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