

The Bank of Russia keeps the key rate at 6.00% p.a.

20 March 2020

Press release

On 20 March 2020, the Bank of Russia Board of Directors decided to keep [the key rate](#) at 6.00% per annum. In February – March, the situation has been developing with a significant deviation from the Bank of Russia’s forecast under the baseline scenario. This is related to changes in external conditions: the spread of the coronavirus epidemic and a sharp drop in oil prices. The ruble’s depreciation is a temporary proinflationary factor. It might prompt annual inflation to exceed the target level this year. However, the dynamics of domestic and external demand will exert a meaningful constraining influence on inflation on the back of a pronounced slowdown of global economic growth and increased uncertainty. The package of measures adopted by the Government and the Bank of Russia ensures financial stability and will support the economy. All these factors were taken into account when making the key rate decision. Given the current monetary policy stance, annual inflation will return to 4% in 2021.

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 developments over the forecast horizon, as well as risks posed by domestic and external conditions and the reaction of financial markets.

Inflation dynamics. In 2020, inflation may temporarily exceed the target level. It is expected to return to 4% in 2021.

The temporary acceleration of annual inflation in the coming months will be caused by the weakening of the ruble in February – March, which is related to changes in external conditions: a worsening situation in global financial markets in the face of a threat of a global recession on the back of the coronavirus epidemic and a sharp drop in oil prices. The observed weakening of the ruble and the consecutive acceleration of consumer price growth rates may cause a temporary rise in inflation expectations of households and businesses.

However, slowing growth in both domestic and external demand is a significant disinflationary factor. It will have a constraining effect on inflation. In this context, given the current monetary policy stance, annual inflation will return to 4% in 2021.

Monetary conditions have tightened under the influence of negative external factors. The worsening situation in the global economy and a sharp drop in oil prices have prompted growth in risk premiums on a wide range of financial assets, including in emerging market economies. In this context, OFZ and corporate bond yields have increased, certain banks have started to raise their loan and deposit interest rates. The Bank of Russia’s measures taken to curb financial stability risks and regulatory relaxations adopted will support credit expansion, including in the most vulnerable sectors, and will help limit the scale of tightening of monetary conditions.

Economic activity. In February – March, the situation has been developing with a significant deviation from the Bank of Russia's forecast under the baseline scenario. This is related to worsening global growth prospects amid the spreading coronavirus and restrictions on cross-border cargo and passenger traffic, as well as to a rapid deterioration of dynamics in global commodity and financial markets. These factors may cause the moderate growth of the Russian economy in the beginning of the year to change to a downturn of the economic activity in the coming quarters.

The Russian economy's growth path will in many ways depend on the scale of the fallout from the further spread of the coronavirus and the action to counter it, alongside with the impact of this action on production, demand and business and consumer sentiment. The Russian economy will gain support from the package of the Government and the Bank of Russia's economic measures to counter the consequences of the coronavirus pandemic and financial market volatility. Domestic demand is set to receive a boost this year from additional social policy measures announced in January, as well as the national projects being implemented as scheduled.

Inflation risks. There has been a rise in short-term proinflationary risks, driven by a potentially more pronounced pass-through of the ruble weakening into prices, coupled with the impact of the temporary increase in current demand for a number of products and services, triggered by consumers' drive to accumulate stocks. However, a strong weakening of external demand, a potential decline in consumer activity and lag effects of the tightened monetary conditions may emerge as a source of significant disinflationary risks over a medium-term horizon.

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 developments over the forecast horizon, as well as risks posed by domestic and external conditions and the reaction of financial markets.

In parallel with its key rate decision, the Bank of Russia took a number of measures towards ensuring financial stability, supporting the economy and the financial sector amid the coronavirus pandemic. These measures are intended to, among other things, maintain access of small and medium enterprises to bank lending, shore up mortgage lending and protect the interests of people affected by the spreading pandemic. In a similar vein, there are plans to take action to relax administrative burden for the financial sector, with a view to supporting the sector's lending capabilities.

The Bank of Russia Board of Directors will hold its next key rate review meeting on [24 April 2020](#). The press release on the Bank of Russia Board decision and the medium-term forecast are to be published at 13:30 Moscow time.

The reference to the Press Service is mandatory if you intend to use this material.

The Bank of Russia cuts the key rate by 50 bp to 5.50% p.a

24 April 2020

Press release

On 24 April 2020, the Bank of Russia Board of Directors decided to cut the [key rate](#) by 50 bp to 5.50% per annum. Since the March Board of Directors meeting, the situation has changed dramatically. Significant restrictive measures have been introduced to combat the coronavirus pandemic both in Russia and across the world, which negatively influences economic activity. This creates material and prolonged disinflationary influence on price dynamics from the aggregate demand perspective, which offsets the effect of temporary pro-inflationary factors, including those related to the fall in oil prices. At the same time the situation in global financial markets has stabilised after a period of particularly high volatility in March. The Bank of Russia has reviewed its baseline forecast scenario and is shifting to accommodative monetary policy. According to the Bank of Russia's forecast, given the monetary policy stance, annual inflation will reach 3.8-4.8% in 2020 and will stabilise around 4% later on.

If the situation develops in line with the baseline forecast, the Bank of Russia holds open the prospect of further [key rate](#) reduction at its upcoming meetings. 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 developments over the forecast horizon, as well as risks posed by domestic and external conditions and the reaction of financial markets.

Inflation dynamics this year and further on will be largely influenced by a steep decline in domestic and external demand. The drop in demand will become a significant disinflationary factor due to the current and deferred economic effect of the restrictive measures introduced to combat the spread of the coronavirus pandemic in Russia and globally. Inflation expectations of households and businesses have increased, but in the face of falling demand their change will be of a short-term nature.

The influence of short-term pro-inflationary factors will be limited. Inflation dynamics data for March and April reflect a temporary response of consumer prices to the weaker ruble and the episodes of increased demand for certain product groups. In March, annual inflation rose to 2.5% (compared to 2.3% in February). According to preliminary data as of 20 April, annual consumer price growth rate was around 3.1%.

According to the Bank of Russia's baseline forecast, given the monetary policy stance, annual inflation will reach 3.8-4.8% in 2020 and will stabilise around 4% later on.

Monetary conditions remain overall unchanged. Interest rates showed mixed dynamics across different financial market segments. The deposit and credit market largely saw a certain increase in interest rates reflecting the growth of OFZ yields in March on the back of falling prices and rising risk premiums in global financial markets. In April, OFZ yields declined, coming close to the levels observed this February. This was facilitated by the Bank of Russia's measures to support financial stability as well as by declining

volatility in global financial markets, including owing to actions taken by central banks. Lower OFZ yields create conditions for reduction in interest rates in other financial market segments. In addition, the Bank of Russia's decision to cut the key rate along with regulatory relaxations will compensate for the tightening of monetary conditions on the back of increased risks. This measure, together with other measures implemented by the Bank of Russia, will support lending, including in the most vulnerable economic sectors.

Economic activity. The spread of the coronavirus pandemic in Russia and the restrictive measures in place to address it have combined with a drop in external demand and a further decline in the prices of oil and other export goods to make a substantial negative impact on economic activity. Based on leading indicators, including surveys, activity has seen a steep decline in both the services sector and manufacturing. Both domestic and external markets have registered a contraction in volumes of new orders. Business sentiment and expectations have both deteriorated. In this environment, Q2 GDP is set to decline; however, economic activity is expected to gradually recover as the coronavirus-linked situation normalises and restrictive measures ease both nationwide and across the world.

The Bank of Russia has substantially reviewed its baseline scenario parameters. GDP is forecast to decrease by 4-6% in 2020. The Russian economy is thereafter expected to follow a recovery path with growth predicted to total 2.8-4.8% in 2021 and 1.5-3.5% in 2022. The Bank of Russia's baseline scenario assumes the average price of Urals of \$27 per barrel in 2020 with its subsequent rise to \$35 and \$45 per barrel in 2021 and 2022 respectively.

The pace of economic recovery will in large measure depend on the amount and efficiency of the Government and Bank of Russia's measures aimed at mitigating the fallout from the coronavirus pandemic.

Inflation risks. Disinflationary risks under the baseline scenario are substantially driven by the uncertainty as to the spread of the coronavirus pandemic in Russia and globally, the scale of potential measures to fight it and their impact on economic activity, as well as on the speed of a global and domestic economic recovery once restrictive measures have been lifted.

The Bank of Russia notes a decline in short-term pro-inflationary risks related to a more considerable potential pass-through of the ruble weakening into prices, as well as to the episodes of high demand for select product categories. However, disruptions in supply chains in connection with the restrictive measures in place may put localised upward pressure on prices. Some periods of heightened volatility in global markets may well feed into exchange rate and inflation expectations.

When making its key rate decision, the Bank of Russia also considered the objective of maintaining financial stability, especially in the context of an unsteady environment in international commodity and financial markets.

If the situation develops in line with the baseline forecast, the Bank of Russia holds open the prospect of further key rate reduction at its upcoming meetings. In its further key rate decision-making, the Bank of Russia will take into account actual and expected inflation dynamics relative to the target and economic developments over the forecast horizon, as well as risks posed by domestic and external conditions and the reaction of financial markets.

In the follow-up to the Board of Directors meeting of 24 April 2020 the Bank of Russia released its [medium-term forecast](#).

The Bank of Russia Board of Directors will hold its next key rate review meeting on [19 June 2020](#). The press release on the Bank of Russia Board decision is to be published at 13:30 Moscow time.

The reference to the Press Service is mandatory if you intend to use this material.

The Bank of Russia cuts the key rate by 100 bp to 4.50% p.a.

19 June 2020

Press release

On 19 June 2020, the Bank of Russia decided to cut the [key rate](#) by 100 bp to 4.50% per annum. Disinflationary factors have been more profound than expected due to a longer duration of restrictive measures in Russia and across the world. The effect of short-term pro-inflationary factors has been largely exhausted. Financial stability risks related to the situation in global financial markets have declined. Household and business inflation expectations have abated. In these circumstances, there is a risk that in 2021 inflation might significantly deviate downwards from the 4% target. The key rate decision taken by the Bank of Russia is aimed at limiting this risk and maintaining inflation close to 4%.

If the situation develops in line with the baseline forecast, the Bank of Russia will consider the necessity of further key rate reduction at its upcoming meetings. 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 developments over the forecast horizon, as well as risks posed by domestic and external conditions and the reaction of financial markets.

Inflation dynamics this year and in the first half of 2021 will be largely influenced by a steep decline in domestic and external demand occurred in the second quarter. The disinflationary effect of weak demand has strengthened due to both current and deferred economic effect of restrictions. Household and business inflation expectations have abated after a short-lived growth in March-April.

The influence of the weaker ruble and the episodes of increased demand for certain product groups in March has been exhausted. According to preliminary data as of 15 June, annual consumer price growth rate was around 3.1%. In the coming months, consumer price dynamics will be additionally contained by the strengthening of the ruble observed in May – early June on the back of stabilising global financial markets and growing oil prices. Current monthly annualised inflation will continue to decline. At the same time, annual inflation rate will rise in 2020 owing to the low base effect of 2019.

In the context of prevailing disinflationary factors, there is a risk that in 2021 inflation might significantly deviate downwards from the 4% target. The key rate decision taken by the Bank of Russia is aimed at limiting this risk and maintaining inflation close to 4%.

Monetary conditions slightly eased in May-June after some tightening in March-April. OFZ and corporate bond yields dropped below the levels observed at the beginning of the year, including owing to the current monetary policy stance. The country risk premium went down, largely owing to an improved situation in global financial and commodity markets. Interest rates on deposit and housing mortgage loans decreased. At the same time, increased credit risks in the real sector push interest rates up and lead to a tightening of non-price lending conditions in certain market segments. The Bank of Russia's decisions to cut the key rate, along with a notable drop in OFZ yields, pave the way for reduction in interest rates

in other financial market segments in the future. Coupled with the Government and other Bank of Russia's measures, this will support lending, including in the most vulnerable sectors of the economy.

Economic activity. Some of the previously enforced restrictive measures remain in place. Alongside a considerable drop in external demand, the negative pressure this is exerting on economic activity is more extended than the Bank of Russia assumed in April. There was a significant drop in business activity in the services sector and manufacturing; a sizeable contraction was reported in the numbers of new orders in external and domestic markets; investment declined. Unemployment went up and incomes shrank. There was a considerable drop in retail sales. The phased lifting of restrictions between May and June is helping consumption-oriented sectors gradually recover. However, recent business surveys invariably reflect cautious sentiment.

The contraction of GDP in the second quarter could prove more sizeable than expected. At the same time, the Russian economy is gaining support from the Russian Government and the Bank of Russia's additional measures aimed at the mitigation of economic effects of the coronavirus pandemic. In these conditions, GDP will decrease by 4-6% in 2020. Recovery growth of the Russian economy will continue in 2021-2022.

Inflation risks. Disinflationary risks prevail over pro-inflationary ones. Under the baseline scenario, disinflationary risks are chiefly connected with uncertainty as to further developments in the coronavirus pandemic situation in Russia and globally, the scale of possible measures to fight it and their impact on economic activity, as well as the speed at which both the global and Russian economies will recover as restrictive measures are mitigated.

The short-term pro-inflationary risks connected with a potential sizeable pass-through into prices of the recent ruble weakening as well as with the episodes of increased demand for several product groups have all been exhausted. However, disrupted supply chains as a result of the curbs and the additional costs of protecting personnel and consumers from the coronavirus spread could exert upward pressure on prices. The periods of strengthened volatility in global markets can be reflected in exchange rate and inflation expectations.

Medium-term inflation dynamics will be significantly impacted by fiscal policy parameters, in particular, the scale and efficiency of the Government's measures towards mitigating the consequences of the coronavirus pandemic and overcoming structural constraints, as well as the speed of the 2021-2022 budget consolidation.

If the situation develops in line with the baseline forecast, the Bank of Russia will consider the necessity of further key rate reduction at its upcoming meetings. In its further key rate decision-making, the Bank of Russia will take into account actual and expected inflation dynamics relative to the target and economic developments over the forecast horizon, as well as risks posed by domestic and external conditions and the reaction of financial markets.

The Bank of Russia will hold its next key rate review meeting on [24 July 2020](#). The press release on the Bank of Russia decision is to be published 13:30 Moscow time.

The reference to the Press Service is mandatory if you intend to use this material.

The Bank of Russia cuts the key rate by 25 bp to 4.25% p.a.

24 July 2020

Press release

On 24 July 2020, the Bank of Russia Board of Directors decided to cut the [key rate](#) by 25 bp to 4.25% per annum. Disinflationary factors continue to exert considerable influence on inflation. Household and business inflation expectations have overall stabilised following a decrease in May-June. The recovery of the global and Russian economies will be gradual despite the fact that the easing of restrictions revives economic activity. In these circumstances, there is a risk that in 2021 inflation might deviate downwards from the 4% target. A significant easing of monetary policy since April aims at curbing this risk and stabilising inflation close to 4% over the forecast horizon. According to the Bank of Russia's forecast, given the current monetary policy stance, annual inflation will reach 3.7-4.2% in 2020, 3.5-4.0% in 2021 and will stand close to 4% later on.

If the situation develops in line with the baseline forecast, the Bank of Russia will consider the necessity of further key rate reduction at its upcoming meetings. 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 developments over the forecast horizon, as well as risks posed by domestic and external conditions and the reaction of financial markets.

Inflation dynamics this year and in the first half of 2021 will be largely influenced by a steep decline in domestic and external demand occurred in the second quarter. The disinflationary impact of weak demand is caused by the economic effects of restrictions. The strengthening of the ruble since April largely offset its depreciation in March containing the upward pressure of the exchange rate on consumer prices. Household and business inflation expectations have overall stabilised following a decrease in May-June.

The dynamics of consumer prices in June was heterogeneous. This was caused, among other things, by the gradual and uneven recovery of goods and services supply as well as by deferred demand given the step-by-step easing of the lockdown regime. The fiscal policy measures supported consumption. Annual inflation increased to 3.2% in June vs 3.0% in May, which is largely explained by a base effect, primarily in movements of prices for fruit and vegetables. According to the estimates as of 20 July, annual inflation was close to 3.3%.

According to Bank of Russia estimates, monthly inflation indicators reflecting the most sustainable price movements are close to or below 4% (annualised). Seasonally adjusted monthly growth rates continued to decline in June and will remain low till the year-end amid subdued demand. However, annual inflation will continue to increase in 2020 due to the low base effect of 2019.

In the context of prevailing disinflationary factors there is a risk that in 2021 inflation might deviate downwards from the 4% target. A significant easing of monetary policy since April aims at curbing this risk and stabilising inflation close to 4% over the forecast horizon. According to the Bank of Russia's forecast,

given the current monetary policy stance, annual inflation will reach 3.7-4.2% in 2020, 3.5-4.0% in 2021 and will stay close to 4% later on.

Monetary conditions have softened since the previous meeting of the Bank of Russia Board of Directors. Interest rate dynamics in various segments of the domestic financial market was diverging. Credit and deposit rates decreased, inter alia, under the influence of the earlier made decisions on the key rate reduction. Spreads between OFZ and corporate bond yields dropped reaching the levels of early 2020. At the same time, elevated credit risks hinder the decrease in interest rates. Non-price lending conditions continued to tighten in certain market segments. The Bank of Russia's decisions to cut the key rate, along with a notable yield drop in the OFZ market, as compared with March-April, pave the way for further reduction in interest rates in other financial market segments. Coupled with the Government and other Bank of Russia's measures, this supports lending, including in the most vulnerable sectors of the economy. The volume of deposits continues to grow as positive real interest rates on them remain in place, taking expected inflation into account.

Economic activity. The Russian economy will be recovering gradually, as the restrictions are being lifted step-by-step. The revival of business activity is still moderate and uneven across industries and regions. In June, the decline in industrial production, the contraction of orders in both external and domestic market, and the growth of unemployment slowed down. Proxy indicators suggest a slight rebound in investment activity. Recovery continues in retail trade and the services sector. Consumer demand was supported by the fiscal policy measures. At the same time, weak external demand coupled with restrictions under the OPEC+ deal lead to a drop in exports, causing an adverse effect on economic activity. Further economic recovery might be unstable due to a fall in incomes, moderate consumer behaviour, cautious sentiment of businesses and external demand-side restrictions.

In these conditions, GDP will decrease by 4.5-5.5% in 2020. The Russian economy is thereafter expected to follow a recovery path with growth predicted to total 3.5-4.5% in 2021 and 2.5-3.5% in 2022. The Russian economy is gaining support from the Russian Government and the Bank of Russia's measures aimed at mitigating economic effects of the coronavirus pandemic, including the monetary policy easing and regulatory measures implemented by the Bank of Russia.

Inflation risks. Disinflationary risks prevail over pro-inflationary ones. Disinflationary risks under the baseline scenario are chiefly connected with uncertainty as to further coronavirus pandemic developments in Russia and globally, the scale of possible measures to fight it and their impact on economic activity, as well as the speed at which both the global and Russian economies will recover as restrictive measures are mitigated. Persistent changes in the households' preferences and behaviour together with higher propensity to save might also exert a constraining influence on inflation.

In the short run a number of factors may put upward pressure on prices. This includes disrupted supply chains as a result of the remaining restrictions and the additional costs of protecting personnel and consumers from the coronavirus spread. Short-term pro-inflationary risks might also be connected with a more sizeable than expected in the baseline scenario materialisation of deferred demand for goods and services. The periods of strengthened volatility in global markets can be reflected in the exchange rate and inflation expectations.

Medium-term inflation dynamics will be significantly impacted by fiscal policy, in particular, the scale and efficiency of the Government's measures towards mitigating the consequences of the coronavirus pandemic and overcoming structural constraints, as well as the speed of the 2021-2022 budget consolidation.

If the situation develops in line with the baseline forecast, the Bank of Russia will consider the necessity of further key rate reduction at its upcoming meetings. In its further key rate decision-making, the Bank of Russia will take into account actual and expected inflation dynamics relative to the target and economic

developments over the forecast horizon, as well as risks posed by domestic and external conditions and the reaction of financial markets.

In the follow-up to the Board of Directors meeting of 24 July 2020 the Bank of Russia released its [medium-term forecast](#).

The Bank of Russia Board of Directors will hold its next key rate review meeting on [18 September 2020](#). The press release on the Bank of Russia Board decision is to be published at 13:30 Moscow time.

The reference to the Press Service is mandatory if you intend to use this material.

The Bank of Russia increases the key rate by 25 b.p to 4.50% p.a.

19 March 2021

Press release

On 19 March 2021, the Bank of Russia Board of Directors decided to increase [the key rate](#) by 25 b.p. to 4.50% per annum. In the first quarter, the rate of consumer price growth has been higher than the Bank of Russia's forecast. Domestic demand is recovering more steadily and faster than expected, outstripping the pace of output growth in a number of sectors. The expectations with regard to external demand are also improving on the back of additional fiscal support measures in certain countries and accelerating vaccination paces of the population. Inflation expectations of households and businesses remain elevated. The balance of risks has shifted towards proinflationary ones.

The fast recovery of demand and elevated inflationary pressure call for a return to neutral monetary policy. The Bank of Russia will continue to determine the timeline and pace of a return to neutral monetary policy taking into account actual and expected inflation dynamics relative to the target and economic developments over the forecast horizon, as well as risks posed by domestic and external conditions and the reaction of financial markets. That said, the Bank of Russia holds open the prospect of further increases in the key rate at its upcoming meetings. Given the current monetary policy stance, annual inflation will return to the Bank of Russia's target close to 4% in the first half of 2022 and will remain at that level further on.

Inflation dynamics. Inflation is developing above the Bank of Russia's forecast. In February, the annual consumer price growth rate rose to 5.7% vs 5.2% in January and, according to the 15 March assessments, reached 5.8%. Based on Bank of Russia estimates, indicators reflecting the most sustainable price movements substantially exceed 4% (annualised).

This largely reflects a steady nature of the recovery in domestic demand. Its influence on price growth rates is enhanced by restrictions on foreign travel. The funds that households have been unable to spend for this purpose are partially redistributed in favour of domestic goods and service consumption. Additional pressure on price growth is exerted by supply-side factors that constrain the production of certain goods.

Inflation expectations of households remain elevated compared to the pre-pandemic period. Businesses' price expectations also remain at an elevated level. Analysts' medium-term expectations are anchored close to 4%.

The fast recovery of demand and elevated inflationary pressure call for a return to neutral monetary policy. The Bank of Russia forecasts that annual inflation will peak in March and go down further on. Given the current monetary policy stance, annual inflation will return to the Bank of Russia's target close to 4% in the first half of 2022 and will remain at that level further on.

Monetary conditions remain accommodative and have not seen any significant changes since the previous meeting of the Bank of Russia Board of Directors. Short-term OFZ yields rose reflecting the expectations of a faster return to neutral monetary policy by the Bank of Russia. Growing yields of medium- and long-term OFZs largely reflect the increase of interest rates in global financial markets. Loan and deposit rates mainly remained unchanged. Lending continues to grow at rates close to recent years' highs. Apart from accommodative monetary conditions, lending dynamics are influenced by the preferential programmes implemented by the Government as well as by regulatory relaxations. When making its key rate decisions, the Bank of Russia will consider the impact of cancelling these anti-crisis measures on monetary conditions.

Economic activity. The pace of economic recovery is higher than expected. According to the Bank of Russia's monitoring, increasingly more businesses report that their production rate has returned to the pre-pandemic level. The recovery in retail trade and services is supported by a gradual lifting of restrictions. However, in certain sectors, the capacity for output expansion is lagging behind the expanding demand. Consumer sentiment continued to improve in January–February. Market surveys demonstrate that businesses' expectations remain positive.

In 2021 and onwards, Russian economic growth will gain support from an improved outlook for the global economy as further fiscal support measures are rolled out across a number of countries, which is set to accelerate growth in demand for Russian export commodities. The medium-term economic growth path will be markedly influenced by the paces of vaccination in Russia and globally, the efficacy of vaccines against new virus strains, the nature of recovering private demand, as well as by the path of budget consolidation.

Inflation risks. The balance of risks has shifted towards proinflationary ones. The impact of proinflationary factors may prove more protracted and expressed against the backdrop of outrunning growth in consumer demand relative to the capacity of output expansion. Their impact may be further strengthened by elevated inflation expectations and the associated secondary effects.

Further upward pressure on prices may continue to come from temporary disruptions in production and supply chains. Proinflationary risks are generated by price movements in global commodity markets, including supply-side factors. This could have a bearing on domestic prices of relevant goods.

Short-term proinflationary risks are also connected with stronger volatility in global markets, driven by various geopolitical developments, among other factors, which may have an effect on exchange rate and inflation expectations. Given that the global economic recovery is progressing at faster paces than previously expected and the need is no longer in place for extremely accommodative policies in advanced economies, an earlier monetary policy normalisation by central banks in these countries is possible. This may become a further driver of volatility growth in global financial markets.

Disinflationary risks in the baseline scenario have receded. Opening up the borders concurrently with a gradual lifting of restrictions may lead to a recovery in the consumption of foreign services and weaken supply-side constraints in the labour market through inflows of foreign labour force. The economic recovery may be held back by a slower rollout of vaccination programmes, the spread of new virus strains, and the entailing toughening of restrictions, among other factors. Persistent changes in consumer preferences and behaviour including a potentially higher propensity to save are poised to exert a constraining influence on inflation.

Medium-term inflation is significantly impacted by fiscal policy. In its baseline scenario, the Bank of Russia proceeds from the parameters of the federal budget and the budgets of constituent territories reflected in the Guidelines for Fiscal, Tax and Customs and Tariff Policy for 2021 and the 2022–2023 Planning Period, as well as from the announced time frames for the completion of anti-crisis measures of the Government and the Bank of Russia. The Bank of Russia will factor in the implications

for the forecast of potential investment decisions as regards the liquid part of the National Wealth Fund in excess of the 7% GDP threshold.

The Bank of Russia will continue to determine the timeline and pace of a return to neutral monetary policy taking into account actual and expected inflation dynamics relative to the target and economic developments over the forecast horizon, as well as risks posed by domestic and external conditions and the reaction of financial markets. That said, the Bank of Russia holds open the prospect of further increases in the key rate at its upcoming meetings.

The Bank of Russia Board of Directors will hold its next key rate review meeting on [23 April 2021](#). The press release on the Bank of Russia Board decision and the Bank of Russia' 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 19 March 2021](#)

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