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Russia Hikes Key Rate for First Time Since 2018

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The Central Bank has raised its key interest rate to 4.5% from a record low of 4.25% amid rising inflation.
Andrei Lyubimov / RBC / TASS

Russia's Central Bank said Friday it has raised its key interest rate for the first time since 2018 as rising inflation and food prices forced a shift toward tightening its monetary policy.

The benchmark was raised to 4.5% from a record low of 4.25%, the bank said in a statement. It marks the first rate hike since late 2018, when the bank paused four years of monetary easing that started after U.S. sanctions over the annexation of Crimea sunk markets and revived risks of inflation.

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"In the first quarter, the rate of consumer price growth has been higher than the Bank of Russia's forecast," the bank said, citing February's 5.7% inflation that exceeds the bank's 4% target.

The bank forecast that inflation on consumer prices would return to this 4% target in early-to-mid 2022.

Bloomberg reported earlier this week, citing an unnamed source with knowledge of discussions, that the Central Bank was considering raising the key rate in increments to 5.5% or 6% by the end of 2021.

The Central Bank said in Friday's statement it will consider a return to neutral monetary policy, but noted that it "holds open the prospect of further increases in the key rate."

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