

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 <u>said</u> 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 <u>since late 2018</u>, 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 <u>reported</u> 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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