

## Russian Central Bank Cuts Key Rate to 16.5% as Economy Slows

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Russian Central Bank Governor Elvira Nabiullina. Sergei Ilnitsky / EPA / TASS

The Russian Central Bank on Friday <u>announced</u> that it was cutting the key interest rate to 16.5%, down half a percentage point from 17%.

The quarter-point reduction marks the <u>fourth</u> consecutive rate cut since June, when the bank began easing policy from a wartime peak of 21%.

Analysts were <u>split</u> ahead of the decision. Most expected the bank to hold or cut more aggressively — underscoring uncertainty over how long tight monetary conditions can coexist with slowing output and record-low unemployment.

The bank's updated outlook <u>suggests</u> interest rates will average 13%-15% in 2026, up from the July forecast of 12%-13%, as it battles inflation and a tight labor market.

Businesses have railed against high borrowing costs, which they say are sapping growth and holding the economy back.

But the Central Bank says high rates are needed to bring down inflation that was still above 8% in October, driven by fuel costs and a seasonal jump in food prices.

"The Central Bank is essentially stating that next year we may see very severe economic stagnation," Yevgeny Kogan, an independent economist, wrote on Telegram after the decision.

The regulator said it would keep policy "as tight as necessary" to bring inflation back to its 4% target, a goal it now expects to reach only in 2026-2027.

"Further decisions on the key rate will be made depending on the sustainability of the inflation slowdown and the dynamics of inflation expectations," the statement said.

The Bank expects inflation to stay at 6.5%-7% by the end of 2025, before easing to 4%-5% in 2026.

Russia's MOEX stock index climbed 1.4% to 2,606 after the rate cut but then fell to 2,535 within an hour, its weakest level in more than a week.

The next interest rate decision is due Dec. 19.

AFP contributed reporting.

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