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Russia’s Central Bank Chief Forecasts Rate Cuts Through 2026

October 28, 2025

Elvira Nabiullina **Yaroslav Chingayev / Moskva News Agency**

The Russian Central Bank will continue cutting interest rates throughout 2026, as the regulator seeks to rein in inflation without stalling economic growth, Governor Elvira Nabiullina said Tuesday.

“Since June, we’ve lowered the key rate by 4.5 percentage points, and we forecast that the easing cycle will extend through all of next year,” Nabiullina told State Duma lawmakers.

The rate currently stands at 16.5% following four consecutive cuts since June.

Nabiullina cautioned that any premature or aggressive easing could “undo progress made against inflation” and force policymakers to raise rates again to tamp down a rapid rebound in demand.

“What could hurt the economy most is if demand surges before supply catches up,” she said at a joint finance, budget and economy committee meeting.

The Central Bank expects inflation to remain elevated at up to 5% next year before slowing to the target level of 4% in the second half of 2026.

Nabiullina said the regulator sees "significant room" for further rate cuts if inflation continues to decline steadily toward the 4% target.

Related article: [Russian Central Bank Cuts Key Rate to 16.5% as Economy Slows]

The bank's latest forecast now projects an average key rate of 13-15% in 2026, slightly higher than earlier estimates.

Nabiullina described Russia's current trajectory as a "managed exit from overheating demand," noting that limited production capacity remains the main constraint on growth.

She acknowledged that inflation expectations among households remain stubbornly high, influenced by the recent VAT increase, higher fuel prices and the rise in vehicle recycling fees. Those "marker goods" shape public perceptions of inflation, Nabiullina added.

She estimated that the new VAT rate alone could add up to 0.8 percentage points to inflation, but argued the measure was necessary to ensure medium-term fiscal stability.

Without the tax increase, she said, the budget's inflationary impact would be higher, forcing the Central Bank to keep interest rates elevated for longer.

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