

Russian Central Bank Lowers Key Rate to 15%

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The Russian Central Bank. **Yaroslav Chingaev**

Russia's Central Bank lowered its key interest rate to 15% from 15.5% on Friday, citing a continued downward trend in inflation, though it highlighted an increasingly uncertain outlook for the economy and inflation in the wake of the Iran war.

Policymakers [said](#) that “price growth predictably decelerated” last month after a temporary spike in inflation in January, which officials and analysts attribute to an increase in the value-added tax.

As of March 16, annual inflation stood at 5.9%, the bank said.

“The economy is approaching a balanced growth path. This has enabled us to continue easing our monetary policy stance,” Central Bank Governor Elvira Nabiullina said at a press briefing.

Friday's rate cut marks the second this year and the seventh since Russia's Central Bank began lowering the key rate from a two-decade high of 21% in September 2024 to curb

surging inflation, driven by huge military spending and tightening labor market conditions.

The bank said it expects annual inflation to fall to 4.5-5.5% in 2026 and to reach its 4% target next year.

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Still, policymakers noted that inflation risks remain elevated due to what they described as “rising global price pressures amid increased geopolitical tensions,” referring to the impact of the Iran war.

“The resulting effect on the Russian economy will depend on the duration and scale of these geopolitical events,” Nabiullina said, noting that higher prices on crude oil and other exports from Russia would support the ruble.

“In the long run, the situation in the Middle East might adversely affect both global demand and investment growth prospects, accelerate inflation in economies importing energy commodities, and disrupt supply chains,” Nabiullina warned.

Most analysts had expected the moderate rate cut seen on Friday.

Natalia Orlova, chief economist at Alfa-Bank, [said](#) Russian policymakers were bucking the global trend of central banks holding or raising rates amid economic uncertainty from the Iran war, instead pursuing a policy focused on supporting businesses that are struggling due to high borrowing costs.

Investors were encouraged by the rate cut, sending share prices slightly higher. The MOEX Russia index rose nearly 0.30%.

The Central Bank was circumspect in indicating whether it planned further rate decreases later this year. It said it would assess the need for further lowering depending on the “sustainability of the inflation slowdown” and geopolitical risks.

Investment banker Yevgeny Kogan [said](#) he believes policymakers are likely leaning toward more rate cuts this year, “but are not ready to give stronger signals” to markets given the high degree of uncertainty in the global economy.

“Disinflationary trends are here to stay. Unfortunately, business activity is expected to continue declining due to weaker demand in the civilian sectors,” Kogan said.

Russia’s Central Bank will hold its next key rate meeting on April 24.

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