

Russia Keeps Key Interest Rate Unchanged at 6%

March 20, 2020



Head of the Central Bank Elvira Nabiullina. **Sergei Kiselyov / Moskva News Agency**

Russia's Central Bank kept its key interest rate unchanged at 6% on Friday to offset an inflationary drop in the ruble caused by the coronavirus and falling oil prices.

Before global economic turmoil struck, the Central Bank had cut interest rates six times in a row in response to slower-than-expected inflation.

“In February-March, the situation has been developing with a significant deviation from the Bank of Russia's forecast under the baseline scenario. This is related to worsening global growth prospects amid the spreading coronavirus and restrictions on cross-border cargo and passenger traffic, as well as to a rapid deterioration of dynamics in global commodity and financial markets,” the Central Bank said in a statement.

It added that these factors may cause the moderate growth the Russian economy has seen since the beginning of the year to change to a downturn of economic activity in the coming quarters.

The Central Bank said that the falling ruble could cause inflation to exceed its target of 4% in 2020.

“However, slowing growth in both domestic and external demand is a significant disinflationary factor. It will have a constraining effect on inflation. In this context, given the current monetary policy stance, annual inflation will return to 4% in 2021,” the statement said.

The Central Bank’s next interest rate meeting will be on April 24.

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