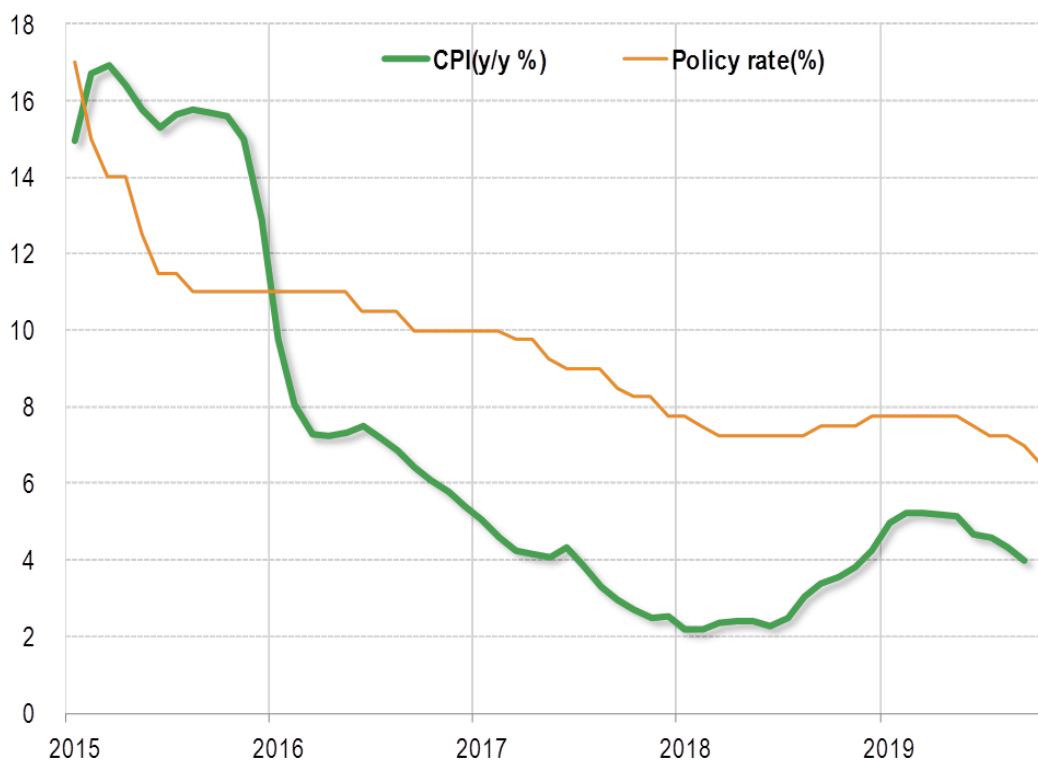




Russia: new cut in policy rates

At its 25 October monetary policy meeting, Russia's Central Bank cut its key policy rate by 50 basis points to 6.5%, the lowest level since 2014. This had been the fourth key rate cut since June. Monetary easing occurs at a time when inflationary pressures are declining (4% year-on-year in September) while economic activity remains sluggish.

The Central Bank is now forecasting a growth of between only 0.8% and 1.3%, which is close to the growth forecasts of the IMF and World Bank (1.1% and 1%, respectively, vs. 2.3% in 2018). This slowdown can be attributed to the deceleration in both domestic and external demand. Exports contracted, hit by the decline in world demand and the negative impact of OPEC+ agreements, while household consumption has slowed sharply, squeezed by the VAT increase and the ensuing decline in real revenues. Moreover, the major public investment programmes that were intended to boost growth had still not been implemented in September. Even if growth rebounds slightly in H2 2019, bolstered by the decline in real interest rates, it will remain feeble and will not exceed 2% before 2022.



Source: Central Bank of Russia