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Key Rate Ready To Go: 2026 Test

Change in the key rate by 0.5 percentage points “doesn't make a difference; it's the trajectory that matters”. There is a lot of timeless evidence to support this thesis by Alexei Zabotkin, Deputy Chairman of the Bank of Russia, including classic song lyrics. This brings up the lyrics of the legendary song by Leonid Derbenev (music by Eduard Kolmanovsky) from “Three Days In Moscow” movie of 1974: «One snowflake is not snow, one raindrop is not yet rain...»

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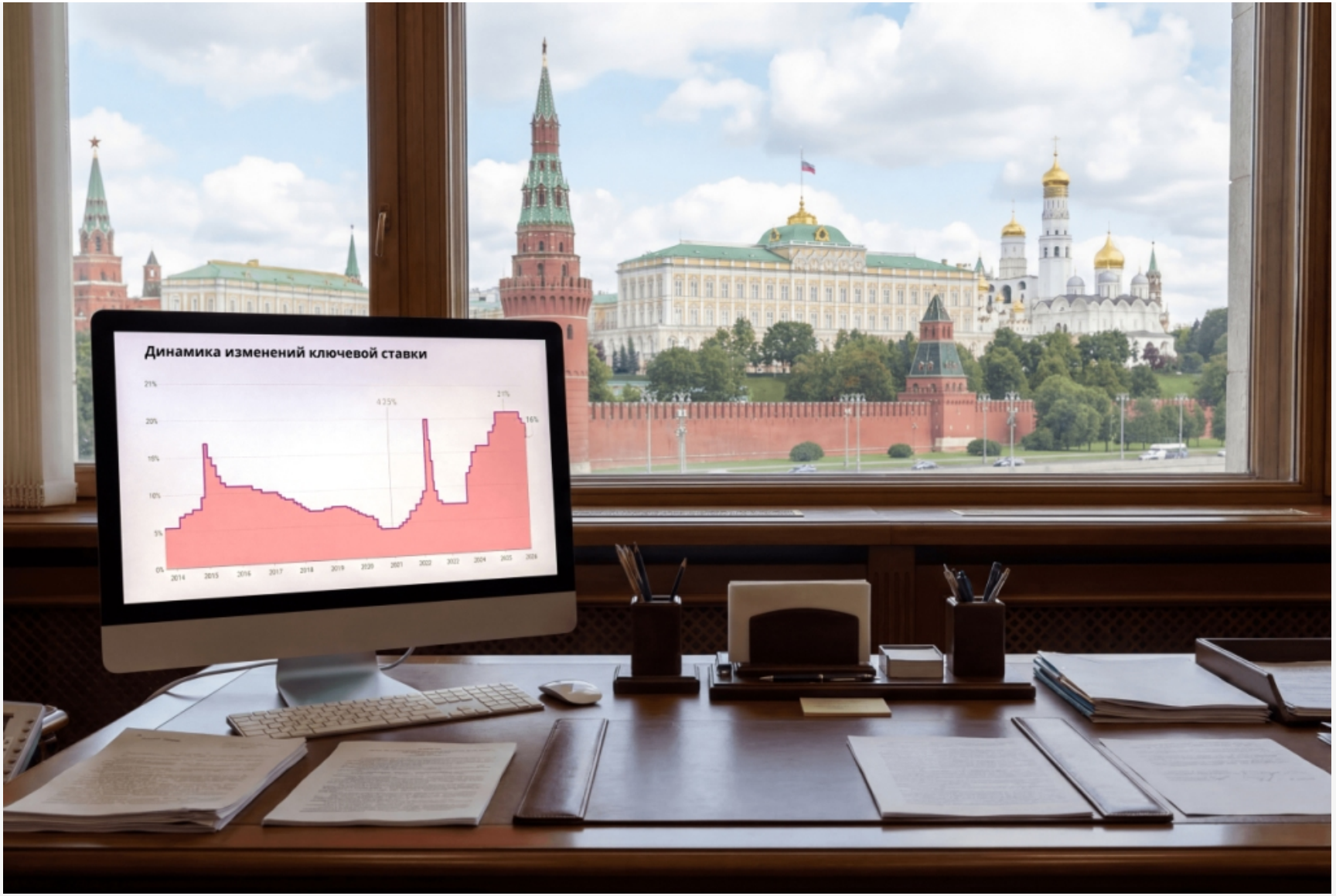

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Trillions in Deposits

A distinct factor, significantly impacting inflation dynamics, relates to the total volume of household funds in the banking system. According to the Deposit Insurance Agency (DIA), it reached ₽65.2 trillion at the end of last year. Of course, it's all about the persistently high key rate, which, as we know, pulls market rates along with it. For the first five months of 2025, the rate stood at 21% per annum, and only in June did the Central Bank lower it by 1 percentage point.

By the way, at the beginning of 2024, with the interest rate at 16%, total bank deposits by Russians amounted to ₽45 trillion, whereas at the start of 2023 (at 7.5%!), they totaled ₽35 trillion.

The regulator accompanied the February cut of the key rate to 15.5% with a soft signal to the market. Following the CBR, banks adjusted their rates too: in the absolute majority of cases they brought it to the key rate level, but there also had been some drastic moves – down by 1,5 percentage point. Some banks offer 14% (instead of 14,5%) for two- to three-month deposits, others provide 15% (instead of 16%). And it doesn't seem like consumers are very concerned about what's happening yet. According to experts, bank deposits remain the primary tool for preserving savings. After a long period of record-high interest rates, Russians have developed a strong inclination towards bank deposits, allowing them to counter inflation quite successfully.

“Households exercise extreme financial caution, choosing clear and secure instruments, - says Maria Brodovskaya, First Deputy Chairman of the National Savings Bank. - A bank deposit remains just that: it is transparent, insured through the DIA (Deposit Insurance Agency), and does not require specialized knowledge, unlike, for example, stock market investments”.

Clearly, a substantial volume of deposits, especially long-term ones, exerts a disinflationary effect. When the population prefers to keep their money in the banks rather than spend it on goods and services, spilling it over into the market, the pressure on prices is relieved. Huge volumes of liquidity are effectively being withdrawn from active circulation.

Alexei Zubets, Director of the Center for Social Economy Research, says that credit institutions actually operate as a giant vacuum cleaner (driven by a powerful high-rate motor), vacuuming money from the consumer market to prevent rampant inflation. Which is the ultimate goal of the CBR. In the analyst's view, the situation will not change dramatically in 2026, as deposit yields remain attractive to Russians despite some decline. Moreover, the government is fully committed to preserving the status quo. Its goal is to prevent a sudden, large-scale capital flight from banks at any cost.

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“Over ₽65 trillion is a little short of the annual budget of the country, - notes Zubets. – This colossal monetary overhang is kept at bay due to the two factors. The first is tight monetary policy, which will not be drastically eased any time soon. The second is the stable rouble exchange rate. If the Central Bank cuts the rate by several percentage points at once, or if the exchange rate falters (both scenarios are unlikely), it will be a signal for some depositors to start withdrawing money from banks. If trillions of roubles spill over into the market all at once, the consequences could be quite dire. These funds currently serve as a stabilizer: they remain 'trapped' within the banking system, preventing uncontrolled inflation”.

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Middle East and Other Factors

Meanwhile, as Elvira Nabiullina quite rightly noted, pro-inflationary risks still prevail over disinflationary ones over the medium-term horizon. According to the head of the regulator, they are linked "to a more prolonged upward deviation of the Russian economy from the balanced growth path and high inflation expectations, effects from VAT and regulated price increases, as well as deteriorating terms of foreign trade".

This list could be extended. Furthermore, according to Igor Nikolayev, chief researcher of the Institute of Economics of the Russian Academy of Sciences, the inflationary potential of increasing value added tax cannot be fully exhausted in the short term.

“No, that’s not how this works, - says the expert. - The new 22% VAT rate does not automatically imply a price increase, unlike the 1.6% January utility tariff indexation, for example. Many sellers and manufacturers are not at all eager to increase prices. Some are trying to reduce costs, some are even ready to lose some margin not to scare consumers away and avoid heavy losses. But some time later they would definitely realize that there is no other way out but to raise their prices. Consequently, we will see a delayed impact”.

Nikolaev notes that one must not forget the average national indexation of utility rates by 9.9% in October, as well as the implementation of the government decision on a technology fee of up to ₽5,000 per unit of electronics sold, effective October 1st. This means a new inflationary spike is ahead of us. Although the Central Bank has adjusted its inflation target for the current year to 4.5–5.5%, it will be considered a success if we manage to keep it in single digits, under 10%. Furthermore, at the end of February (after the CBR key rate meeting), another formidable factor emerged—the escalation of the crisis in the Middle East and the de facto halt of shipping in the Strait of Hormuz, through which about 20% of the world's oil supplies and 30% of LNG pass.

Against the backdrop of these events, the risks have increased significantly: these are primarily higher logistics costs, transport costs, other various costs. Correspondingly, Nikolayev sums it up, it means potentially stronger inflationary pressure, and the process threatening to be a long-drawn-out affair. Based on the 2022 experience, one could say that it may take at least several months. And while new, more expensive supply chains are being developed, Russians risk facing rising prices for electronics, auto parts, and other goods imported through parallel import.

Mikhail Nikitin, head of international business and finance practice, 5D Consulting partner, thinks otherwise. In his view, high

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oil prices are more likely to have a disinflationary effect because they boost the rouble. Rising logistics costs remain a separate driver, but its impact will demonstrate no earlier than in a few months, if the crisis drags on. Proactive price hikes by major e-commerce platforms and retailers, leveraging high-profile news before real cost inflation kicks in, could pose a growing risk.

In conclusion, the emerging internal and external circumstances in 2026 necessitate a highly cautious and gradual reduction of the key rate by the Central Bank, which the regulator will undoubtedly do.

Alexander Larin.

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