MNI CBR Preview: July 2025

Details:

- **Monetary policy decision:** 11:30 BST/13:30 local time, Friday 25th July 2025
- **Post-decision press conference:** 13:00 BST/15:00 MSK

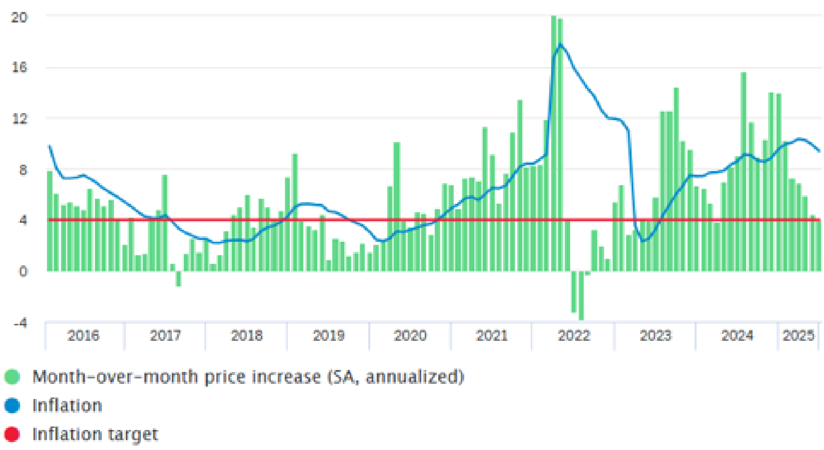
MNI Point of View:

The CBR is expected to continue with monetary policy easing, with more benign inflation developments, slower economic activity and a strong RUB all justifying further rate cuts. Governor Elvira Nabiullina advised last month that further easing was to be approached with caution but concerns over an inflation resurgence have not been realised. Among sell-side, views range from a cut of as small as 150bps to as large as 250bps, with the median estimate looking for 200bps.

At the key rate meeting in June, the CBR's discussion centred on whether the decrease in inflationary pressures was sustainable and fast enough to bring inflation back to the target in 2026. According to most policymakers, there were more grounds to believe that inflation would continue decelerating at the required pace, justifying a 100bp reduction to the key rate – taking it from 20.00% to 19.00%. The Bank said it will maintain monetary conditions as tight as necessary in order to bring inflation back to the target in 2026, and that this means that policy will remain tight for a long period.

Meanwhile, minutes from last month's meeting stated that those who proposed lowering the key rate emphasised that this would not mean consistent key rate reductions at each of the following meetings until the end of 2025 and that future key rate decisions would depend on the incoming economic data. Since then, inflation remains on a more benign path – annual inflation eased from 9.88% in May to 9.40% in June, while the most recent weekly data showed prices fell 0.05%, the first instance of deflation this year. Seasonally adjusted monthly price growth amounted to 4.0%, down from around 4.5% the month prior.

Figure 1: Russia monthly inflation developments



Source: CBR

A report from the CBR flagged that Russian businesses are planning more restrained wage increases in 2025 due to weakening demand, rising costs, and slowing business activity, and the central bank sees this as a sign of easing overheating in the labour market and the economy as a whole. Slower economic activity is backed up by the most recent PMI indices which all swung into contractive territory in June. Notably, Russia's Manufacturing PMI fell from 50.2 to 47.5, a fresh low for the series.

A stronger RUB further justifies continued easing. USD/RUB has been steady in July and remains around 30% lower on a year-to-date basis, while policymakers routinely state that RUB appreciation substantially contributes to disinflation.

Business Address – MNI Market News, 3rd Floor, 1 Great Tower Street, London, EC3R 5AA

Central Bank Watch:

mni **Central Bank Watch - Central Bank of Russia**

July 24, 2025

MNI CBR Data Watch List

Inflation		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
CPI YoY	% y/y	9.4	10.3	↓	9.5	↓					0.72
CPI Core YoY	% y/y	8.7	9.7	↓	8.9	↓					-0.82
PPI YoY	% y/y	0.0	6.0	↓	7.9	↓					-1.28
Oil Price (Brent Active)	$/bbl	68.99	72.60	↓	72.63	↓					-0.37
Economic Activity		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Markit Russia Manuf PMI	Index	47.5	48.2	↓	50.8	↓					-2.07
Markit Russia Services PMI	Index	49.2	50.1	↓	51.2	↓					-1.20
Industrial Production YoY	% y/y	2.0	0.8	↑	8.2	↓					-0.21
Trade Balance NSA	$bn	8.72	10.96	↓	12.27	↓					-0.75
Monetary Analysis		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Money Supply Narrow Def	% y/y	18.26	17.94	↑	18.95	↓					-0.07
Citi Russia Terms of Trade	$	52.30	56.48	↓	53.20	↓					-0.14
Consumer / Labour Market		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Retail Sales Real YoY	% y/y	1.8	1.8	→	5.8	↓					-1.48
Consumer Confidence	Index	-8.0	-7.0	↓	-13.0	↑					0.45
Unemployment Rate	%	2.2	2.4	↓	2.3	↓					-1.76
Real Wages YoY	% y/y	4.6	6.5	↓	7.2	↓					-0.43

Note: For quarterly data the 3m ago column will display the previous data point and the 6m ago column will display the data point prior to that.

Source: MNI, Bloomberg

Analyst Views (Alphabetical):

Goldman Sachs: Expect 250bp Cut Driven by Acceleration in Disinflation and RUB Strength

- Goldman Sachs expect a 250bp cut to 17.50%. Their forecast is driven by two key factors: the recent acceleration in disinflation and sustained RUB strength.
- They note that their inflation forecasts now sit below consensus despite their expectation of significant RUB depreciation later this year. They believe the primary driver of current disinflation is the sharp fall in wage growth and demand slowdown, even amid persistently low unemployment rates. Meanwhile, growth has weakened considerably.
- Goldman Sachs think that the risks to their forecast are towards a smaller cut as the RUB's strength also serves as a disciplining mechanism for the Ministry of Finance, constraining potential fiscal policy loosening. The CBR may prefer to maintain this dynamic through more restrictive rate cuts, thereby ensuring fiscal policy remains supportive of its disinflation objectives, Goldman add.

JP Morgan: Expect CBR to Accelerate Policy Easing, See 200bp Rate Cut

- JP Morgan expect the CBR to accelerate policy easing and lower the key rate 200bps to 18.00% at the July meeting. Inflation momentum eased to close to targeted 4% in June thanks to strong RUB, even if the underlying momentum remains slightly stronger.
- Economic growth has also been slowing under the weight of high real rates and a negative credit impulse. The rhetoric of CBR officials has softened in recent weeks. JPM expect the CBR to remove the excess tightness of its policy at upcoming meetings, seeing the key rate at 15.00% by year-end with risks skewed slightly to the downside.