

MONITORING OF RUSSIA'S ECONOMIC OUTLOOK

trends and challenges
of socio-economic development

Gaidar Institute



27(200) NOVEMBER 2025

INFLATION AND MONETARY POLICY IN OCTOBER 2025

Evgeny Goryunov, Candidate of Economic Sciences, Head of Monetary Policy Department, Gaidar Institute;

Pavel Trunin, Doctor of Economic Sciences, Leading Researcher, Center for Macroeconomics and Finance, Gaidar Institute;

Maria Chembulatova, Junior Researcher, Monetary Policy Department, Gaidar Institute

At its meeting on October 24, 2025, the Bank of Russia lowered the key rate by 50 basis points to 16.5% per annum. In October, annual inflation over the past 12 months was 7.7% y/y, the lowest since March 2024. Compared to the previous month, the overall consumer price level increased by 0.5%. Pro-inflationary risks continue to prevail over disinflationary ones. The main pro-inflationary factors include: growth in lending, inflationary expectations and the budget deficit, continued tension in the labor market, lower oil prices, indexation of housing and communal services tariffs and VAT.

On October 24, 2025, the Bank of Russia decided to lower the key rate by 50 basis points to 16.5% per annum,¹ maintaining a neutral signal.² Since the beginning of 2025, the Central Bank of the Russian Federation has lowered the rate for the fourth time in a row, and the total reduction in the key rate has reached 450 bps as inflationary pressures have eased, the ruble has strengthened, and economic growth has slowed amid deteriorating external conditions and declining export opportunities. The Russian economy's deviation from its balanced growth trajectory is decreasing.³ The Bank of Russia also lowered its GDP growth forecast for 2025 from 1.0–2.0% to 0.5–1% (GDP growth of 0.5–1.5% is forecast for next year).⁴

The key rate cut has slowed down due to the halt in the slowdown in sustainable inflation indicators, persistently high inflation expectations, tensions in the labor market, and an increase in consumer activity as a result of rising household incomes and budget expenditures. The contribution of

1 The Bank of Russia decided to lower the key rate by 50 b.p. to 16.50% per annum // Bank of Russia. 2025. URL: https://www.cbr.ru/press/pr/?file=24102025_133000key.htm

2 The Central Bank lowered the key rate by 50 basis points to 16.5% per annum // Interfax. 2025. URL: <https://www.interfax.ru/business1054494>

3 Preliminary assessment of GDP dynamics in the third quarter of 2025 // Rosstat. 2025. URL: https://rosstat.gov.ru/storage/mediabank/vvp_14-11-2025.html

4 Medium-term forecast of the Bank of Russia // Bank of Russia. 2025. URL: https://www.cbr.ru/content/document/file/179982/forecast_250725.pdf

Monitoring of Russia's economic outlook

budget operations to broad money growth continued to increase, reaching 5.1 percentage points in September (compared to 4.4 percentage points in August).¹ Taking into account the current budget policy and activity in the credit market, the growth rate of M2, according to the Central Bank of Russia's revised estimates in October, will be 7–10% in 2025 (in July, it was expected to be 6–9%).

Overall, by the end of 2025, the disinflationary impact of the budget will be significantly less than expected by the Bank of Russia due to the projected decline in oil and gas revenues in the revised 2025 budget law of November 4 as a result of lower average oil prices. In the first 10 months of this year, federal budget expenditures grew by 15.4% y/y to Rb 34.1 trillion, while oil and gas revenues fell by 21.4% y/y to Rb 7.5 trillion. As a result, the federal budget ended up with a deficit of Rb 4.19 trillion (1.9% of GDP), which is Rb 4.31 trillion more than in the same period of 2024.²

Despite the decline in annual inflation observed by the population and the median 5-year expectations, the median estimate of the population's inflation expectations for the year rose by 0.7 p.p. m/m in November to 13.3% (significantly exceeding the average level of 9.5% observed during the period of low inflation in 2017–2019). Business price expectations also rose to their highest level since January 2025 due to accelerated growth in the cost of raw materials, components, and motor fuel, as well as higher demand estimates. The average rate of price growth expected by businesses over the next three months rose by 2.1 p.p. m/m to 6.3% on an annualized basis.³

In the medium term, inflationary risks once again outweigh disinflationary risks. Inflationary risks include a resumption of lending growth and labor shortages, as well as a decline in global oil prices.⁴ In addition, the Central Bank of Russia is taking into account new inflationary factors that will lead to a temporary rise in inflation expectations and higher inflation in 2025–2026. These include a higher-than-expected indexation of housing and communal services (HCS) tariffs (in 2026, HCS indexation will be 9.9%, whereas in November 2024, the government approved an average increase in HCS tariffs in 2026 of 5.4%), an increase in VAT from 20% to 22%, and an increase in the recycling fee for imported cars.⁵

In October, annual inflation over the past 12 months was 7.7% y/y, the lowest since March 2024⁶ (*Fig. 1*), down 0.3 p.p. from 8.0% y/y in September. The main contributor to inflation continues to be the rise in food prices – 3.6 p.p. The

1 Monetary conditions and the transmission mechanism of monetary policy // Bank of Russia. 2025. URL: https://www.cbr.ru/CollectionCollection/File/59390DKU_2510.pdf

2 Preliminary assessment of federal budget execution for January–October 2025 // Ministry of Finance of the Russian Federation. 2025. URL: https://minfin.gov.ru/ru/press-center/?id_4=40038-predvaritelnaya_otseuka_ispolneniya_federalnogo_byudzheta_za_yanvar-oktyabr_2025_goda

3 Operational report on the results of the study “Measuring inflation expectations and consumer sentiment based on population surveys” // Bank of Russia. 2025. URL: https://cbr.ru/Collection/Collection/File59422inFOM_25-11; Monitoring of enterprises // Bank of Russia. 2025. URL: <https://www.cbr.ru/Collection/CollectionFile594061125.pdf>

4 Statement by Bank of Russia Governor Elvira Nabiullina following the Bank of Russia Board of Directors meeting on October 24, 2025 // Bank of Russia. 2025. URL: <https://www.cbr.ru/press/eventid=28051>

5 Summary of the discussion on the key rate // Bank of Russia. 2025. URL: https://www.cbr.ru/dkp/mp_dec/decision_key_rate/summary_key_rate_06112025/

6 On the assessment of the consumer price index in October 2025 // Rosstat. 2025. URL: https://rosstat.gov.ru/storage/mediabank/174_14-11-2025.html

Inflation and monetary policy in October 2025

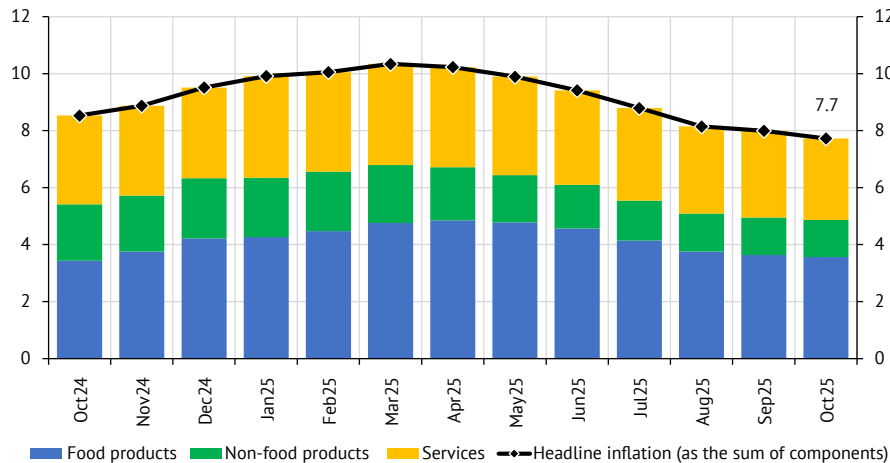


Fig. 1. Contribution of components to consumer inflation over the last 12 months, p.p.

Source: Rosstat.

contribution of service price increases to annual inflation decreased by 0.1 p.p. m/m to 2.9 p.p. The smallest contribution to annual inflation came from changes in non-food prices – 1.3 p.p.

In October, the overall consumer price level increased by 0.5% m/m (Fig. 2), which was the highest since July this year. The main contributor to monthly inflation (0.21 p.p.) was the seasonal increase in prices for fruits and vegetables, which hit 4.18% m/m. Vegetables and fruits rose in price more than usual (in October 2024, the increase in prices for fruit and vegetable products was only 1.44% m/m) due to the atypically early and strong seasonal decline in prices for fruit and vegetable products in the summer. The prices of tomatoes

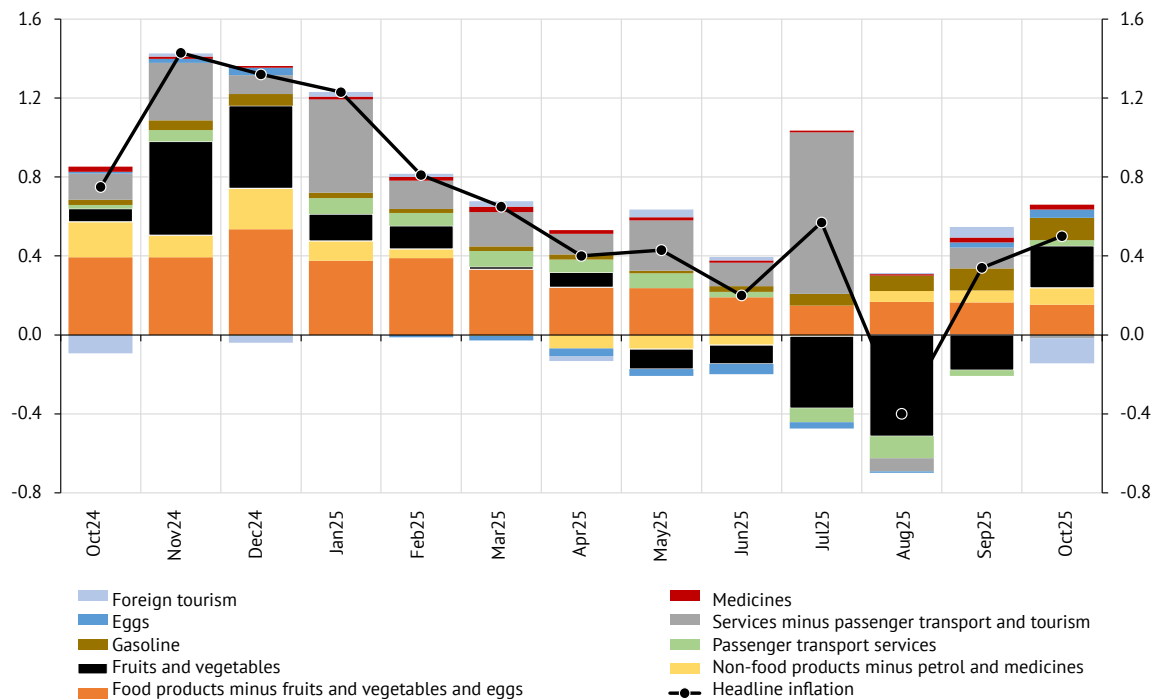


Fig. 2. Contribution of individual components to inflation relative to the previous month, p.p.

Sources: Rosstat, own calculations.

Monitoring of Russia's economic outlook

(22.5% m/m) and sweet peppers (17.3% m/m) rose the most. Among other food products, the prices of chicken eggs rose significantly (6.9% m/m), which led to an increase in monthly consumer inflation by 0.04 p.p. The cumulative increase in food prices of 1.1% m/m led to an increase in inflation of 0.41 p.p. (+0.4 p.p. m/m). The contribution of changes in food prices, excluding fruit, vegetables, and chicken eggs, to monthly consumer price growth was 0.15 p.p., down 0.01 p.p. m/m.

The 0.67% m/m increase in non-food prices in October corresponded to a contribution to monthly inflation of 0.22 p.p. Despite the government's ban on gasoline exports on July 28 (in September, the embargo was extended until December inclusive), fuel prices rose by another 2.6% m/m in October (as in September), adding 0.11 p.p. to monthly inflation. Medicines also rose in price seasonally in October, with a 1.15% m/m increase, which added an additional 0.02 p.p. to overall monthly inflation. Excluding gasoline and medicine prices, the contribution of non-food goods to monthly inflation in October was 0.09 p.p., increasing by 0.03 p.p. m/m.

The change in service prices in October led to a 0.12 p.p. decrease in the overall price level (in September, on the contrary, the rise in service prices led to a 0.13 p.p. increase in monthly inflation). At the end of October, due to seasonal factors and the strengthening of the ruble, there was a significant decrease in prices for foreign tourist trips, amounting to 12.7% m/m, which made a negative contribution to monthly inflation of 0.13 p.p. At the same time, passenger transport services rose in price for the first time since June 2025, leading to an increase in monthly inflation of 0.03 p.p. Excluding passenger transport services and foreign tourism, the growth in service prices in October made a negative contribution to monthly inflation and amounted to 0.02 p.p. (in September 2025: +0.11 p.p.).

Seasonally adjusted annual inflation (SAAI) in October decreased to 5.6% (Fig. 3), which is significantly lower than the level observed in September (6.3%). Seasonally adjusted annual growth in the overall level of food prices increased from 6.0% to 6.8%, while non-food prices decreased from 5.31% to 4.6%. Seasonally adjusted annual inflation in the services segment also decreased from 7.8% to 5.2%.

According to preliminary data from the Russian Ministry of Economic Development, prices rose by 0.15% y/y in the first 10 days of November, indicating easing price pressures, mainly due to deflation in the non-food segment (-0.01%) and lower gasoline prices (-0.16%).¹

According to our estimates, in Q4 2025, annual and current inflation will continue to slow down, with annual inflation falling to 6.3% by December 2025. However, inflationary risks remain high. The factors determining the future dynamics of annual inflation remain changes in the prices of fruit and vegetables, which will depend on the arrival of the summer harvest on the market, the pass-through of the VAT increase to the prices of goods and services and, additionally, of the increase in the disposal fee to car prices, as well as the dynamics of the ruble exchange rate under the influence of unfavorable changes in trade conditions and the Central Bank of Russia's decisions on the key rate. Additional risks remain in the form of labor market tensions and soft fiscal

1 On the current price situation // Ministry of Economic Development of the Russian Federation. 2025. URL: <https://economy.gov.ru/material/file/47fac021f7c7d9a5a784b8d779c76ec1/0%20tekushchey%20tsenovoy%20situatsii.%2012%20noyabrya%202025%20goda.pdf>

Inflation and monetary policy in October 2025

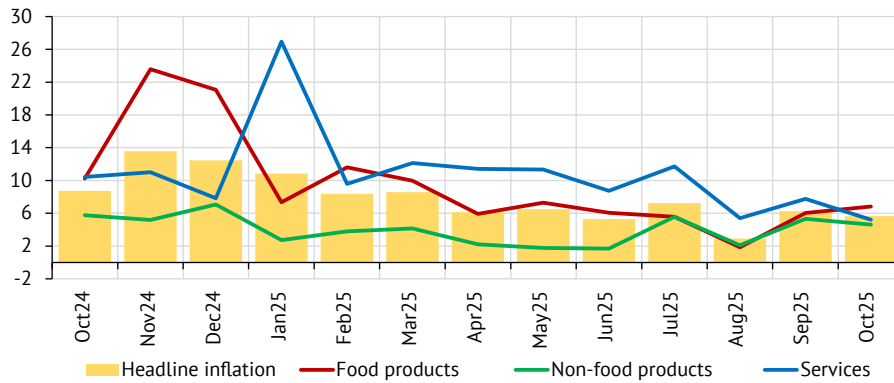


Fig. 3. Dynamic of headline inflation and its main components, % SAAI

Sources: Rosstat, Bank of Russia, own calculations.

policy. Thus, a rapid easing of monetary policy in 2026 may well not happen. According to our estimates, consumer and investment demand is expected to pick up in 2026 as a result of easing monetary conditions and a slowdown in annual inflation to 5.7% y/y by December. ▲