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Since 1992 the monetary policy pursued by the Bank of Russia has aimed at bringing about financial stabilisation, especially lowering the inflation rate, bolstering the rouble's exchange rate and ensuring stability of the country's balance of payments, and creating conditions conducive to favourable structural changes in the economy.

The fundamental principle guiding the monetary and credit regulation policy implemented by the Bank of Russia is imposing quantitative restrictions on money supply growth. However, since 1996 monetary policy priorities have been gradually shifting towards growth in real money supply in the economy, accompanied by further reduction of average monthly inflation rates. In 1997 the M2 grew by 17.4% in real terms against 10% in 1996. This year the M2 is expected to grow by 22-30%, while inflation will not rise by more than 10% and GDP is to expand by 2%.

One of the signs of sustained saturation of the economy with money was the slowing of the velocity of money circulation, which began in 1996. The average velocity of M2 slowed from 8.7 in 1996 to 7.9 in 1997. In 1998 the main preconditions for a further slowdown in money velocity are expected to remain.

The decline in the general level of interest rates, which began in 1996, continued throughout 1997 and at the beginning of 1998 (the raising of the refinancing rate in November 1997 and February 1998 was a short-term anti-crisis measure).

The exchange-rate policy pursued by the Bank of Russia since mid-1995, which aims to stabilise the exchange rate of the rouble and make it more predictable, played a significant role in normalising the macroeconomic situation in Russia. The practice of setting minimum and maximum limits on rouble exchange-rate fluctuations ensured predictability of the

exchange-rate dynamics in 1995-1997. Progress made in financial stabilisation made it possible for the first time to set the limits of the rouble band for the whole of 1997.

Taking into consideration the increased integration of Russia with the world's financial markets and remaining committed to the principle of predictability and continuity of policy, the Bank of Russia has decided to switch from short-term limits on rouble exchange-rate fluctuations to targeting the medium-term exchange-rate dynamics. Thus, the central rouble/dollar rate was set for 1998-2000 at 6.2 roubles for a dollar with possible deviations of 15% in both directions. In 1998 the Bank of Russia will seek to preserve the average exchange rate at 6.1 roubles per dollar.

To protect the rouble and ensure its stability, make savings in national currency more attractive and discourage placing savings into hard currency buying the Bank of Russia is implementing the policy of further evening out required reserve ratios for both rouble and foreign-currency borrowings by lowering ratios for borrowings in roubles and raising them for borrowings in foreign currency. The Bank of Russia also intends to continue lowering the general level of reserve requirements as demand for money by economic agents grows.

January 1, 1991	the refinancing rate was set at 20%.
June 1, 1991	commercial banks were required to transfer 2% of the funds they attracted to the compulsory reserves fund.
February 1, 1992	the reserve requirement rates for demand accounts and time accounts with terms shorter than 1 year were set at 10%, and the rates for liabilities falling due after 1 year were set at 5%.
March 1, 1992	the reserve requirement rates for demand accounts and time accounts with terms shorter than 1 year were set at 15%, and the rates for liabilities falling due after 1 year were set at 10%.
March 30, 1992	the refinancing rate was raised to 50%.
April 1, 1992	the reserve requirement rates were set at 20% for demand accounts and accounts with terms under 1 year and 15% for liabilities falling due after 1 year. These rates were effective until February 1, 1995.
May 23, 1992	the refinancing rate was raised to 80%.

March 30, 1993	the refinancing rate was raised to 100%.
June 2, 1993	the refinancing rate was raised to 110%.
June 22, 1993	the refinancing rate was raised to 120%.
June 29, 1993	the refinancing rate was raised to 140%.
July 15, 1993	the refinancing rate was raised to 170%.
September 22, 1993	the refinancing rate was raised to 180%.
October 15, 1993	the refinancing rate was raised to 210%.
April 29, 1994	the refinancing rate was reduced to 205%.
May 17, 1994	the refinancing rate was reduced to 200%.
June 2, 1994	the refinancing rate was reduced to 185%.
June 22, 1994	the refinancing rate was reduced to 170%.
June 30, 1994	the refinancing rate was reduced to 155%.
August 1, 1994	the refinancing rate was reduced to 150%.
August 24, 1994	the refinancing rate was reduced to 130%.
October 12, 1994	the refinancing rate was raised to 170%.
November 17, 1994	the refinancing rate was raised to 180%.
January 6, 1995	the refinancing rate was raised to 200%.
February 1, 1995	reserve requirement rates were differentiated: 22% for demand accounts and commercial bank liabilities falling due after 30 days or less; 15% for liabilities falling due after more than 30 days up to 90 days, inclusive; 10% for liabilities falling due after more than 90 days; 2% for current accounts in foreign currency.
May 1, 1995	reserve requirement rates on demand accounts and commercial bank liabilities falling due after 30 days or less were reduced to 20%; the rates on liabilities falling due after more than 30 days up to 90 days, inclusive, were reduced to 14%; for time liabilities falling due after 90 days the rates did not change (10%); the rates on current accounts in foreign currency were cut down to 1.5%.
May 16, 1995	the Bank of Russia refinancing rate was reduced to 195%.
June 19, 1995	the Bank of Russia refinancing rate was reduced to 180%.
July 6, 1995	the rouble exchange rate fluctuations were limited and set at 4,300 roubles to 4,900 roubles for one US

	dollar for the period from July 6 to October 1, 1995.
October 1, 1995	the rouble exchange rate fluctuations were limited to 4,300-4,900 roubles per US dollar for the period from October 1 to December 31, 1995.
October 24, 1995	the Bank of Russia refinancing rate was reduced to 170%.
November 30, 1995	the rouble exchange rate fluctuations were limited to 4,550-5,150 roubles per US dollar for the period from January 1 to June 30, 1996.
December 1, 1995	the Bank of Russia refinancing rate was reduced to 160%;
February 10, 1996	the refinancing rate was reduced to 120%.
May 1, 1996	the reserve requirement rates on demand accounts and commercial bank liabilities falling due after 30 days or less were reduced to 18%; the reserve rates on liabilities falling due after more than 30 days up to 90 days, inclusive, were not changed (14%), the rates on liabilities falling due after 90 days remained unchanged (10%) and the rates on current accounts in foreign currency were reduced to 1.25%.
May 16, 1996	the rouble exchange rate fluctuations were limited for the period from July 1 to December 31, 1996, to 5,000-5,600 roubles for 1 US dollar as of July 1, 1996, and 5,500-6,100 roubles as of December 31, 1996.
June 11, 1996	the reserve requirement rates were hiked to 20% on demand and time accounts of commercial banks falling due after 30 days or less, to 16% on liabilities falling due after more than 30 days up to 90 days, inclusive, to 12% on liabilities falling due after 90 days, and to 2.5% on foreign-currency current accounts.
July 24, 1996	the Bank of Russia refinancing rate was reduced to 110%.
August 1, 1996	the reserve requirement rates were reduced to 18% on demand accounts and commercial banks' liabilities falling due after 30 days or less, to 14% on liabilities falling due after more than 30 days up to 90 days, inclusive, and to 10% on liabilities falling due after 90 days, and the reserve requirement rates

	on current accounts in foreign currency were raised to 5%.
August 19, 1996	the Bank of Russia refinancing rate was reduced to 80%.
October 21, 1996	the Bank of Russia refinancing rate was reduced to 60%.
November 1, 1996	the reserve requirement rates on demand accounts and commercial bank liabilities falling due after 30 days or less were reduced to 16%, the rates on liabilities falling due after more than 30 days up to 90 days, inclusive, were cut down to 13%, the rates on liabilities falling due after 90 days did not change (10%) and the rates on foreign currency current accounts remained unchanged (5%).
November 26, 1996	the rouble exchange rate band was set from 5,500 roubles to 6,100 roubles per US dollar as of January 1, 1997, and from 5,750 roubles to 6,350 roubles as of December 31, 1997.
December 2, 1996	the Bank of Russia refinancing rate was reduced to 48%.
February 10, 1997	the Bank of Russia refinancing rate was reduced to 42%.
April 28, 1997	the Bank of Russia refinancing rate was reduced to 36%.
May 1, 1997	the compulsory reserve requirements on demand accounts and fixed-term liabilities of commercial banks under 30 days were cut down to 14%, on fixed-term liabilities with terms from 30 to 90 days to 11%, on fixed-term liabilities in excess of 90 days to 8%, and on current accounts in foreign currency the compulsory reserve requirements were raised to 6%.
June 16, 1997	the Bank of Russia refinancing rate was reduced to 24%.
October 6, 1997	the Bank of Russia refinancing rate was reduced to 21%.
November 11, 1997	Bank of Russia refinancing rate raised to 28%.
November 11, 1997	reserve requirement for foreign-exchange borrowings made by banks is raised to 9%.
November 11, 1997	after January 1, 1998, the Bank of Russia central

exchange rate for a three-year period (1998-2000) will be 6.2 roubles to the dollar (after denomination) and its possible fluctuations will not be allowed to exceed 15%.

- February 1, 1998 a single reserve requirements ratio of 11% was set on banks' attracted funds in roubles and foreign currency.
- February 2, 1998 the Bank of Russia refinancing rate was raised to 42%.
- February 17, 1998 the Bank of Russia refinancing rate was reduced to 39%.
- March 2, 1998 the Bank of Russia refinancing rate was reduced to 36%.
- March 16, 1998 the Bank of Russia refinancing rate was reduced to 30%.
- May 19, 1998 the Bank of Russia refinancing rate was raised to 50%.
- May 27, 1998 the Bank of Russia refinancing rate was raised to 150%.
- May 27, 1998 Lombard credit auctions are resumed from June 1 to August 1, 1998.
- June 5, 1998 the Bank of Russia refinancing rate was reduced to 60%.
- June 29, 1998 the Bank of Russia refinancing rate was raised to 80%.

Latest updated on June 29, 1998.



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