

Steady under fire?

The Central Bank of Russia and the wartime economy

Emil Wannheden



The head of the Central Bank of Russia, Elvira Nabiullina, at a meeting in the State Duma. 30 October 2025. Credit: Vladimir Fedorenko/Sputnik.

The Central Bank of Russia (CBR) has played a decisive role in stabilising and forming Russia's new war-time economy. Can it continue to do so? This memo analyses the CBR's role and its communication amid a domestic debate about its mandate and policies. The evolution of the CBR's communication indicates that the bank's leadership increasingly feels the need to defend its policy decisions by pointing out that the government's loose fiscal policy is overheating the economy. From the perspective of the president and the government, the CBR has become a useful scapegoat for Russia's economic troubles. The ongoing domestic debate on curbing the CBR's independence and reversing its policies serves as a pressure-release valve for frustrated business leaders.

THE CBR's EFFECTIVE management of a succession of economic crises since 2008 has won it admiration abroad. Today, the CBR staff's technocratic veneer, calm communication, and jargon reminiscent of the International Monetary Fund (IMF) stand in contrast to the bombastic and jingoistic rhetoric of other

Russian officials. Nevertheless, it is no hyperbole to call the CBR a key enabler of Russia's war against Ukraine. Its monetary and regulatory decisions have helped stabilise the Russian economy since the full-scale invasion. By raising the key policy rate, the CBR has contained inflation and directed credit away from civilian sectors

to sectors prioritised by the government, including the military-industrial complex.

As the war has dragged on and added pressures on Russia's economy, the CBR has had to adjust its strategic communication. It has also had to respond to ever more frequent attacks and criticisms by Russian business leaders, economists, and academics, who see the CBR's policies as a cause of Russia's economic woes rather than as a part of the solution. These domestic critics of the CBR would like to see the CBR's independence curbed and its policies reversed. A revision of the CBR's mandate and function would have significant repercussions for Russia's economy.

This memo analyses the role of the CBR in Russia's wartime economy and the bank's justifications of its monetary policy amid an ongoing domestic debate about its mandate. This is complemented by a keyword frequency analysis of 47 policy-relevant speeches by the CBR's governor, Elvira Nabiullina, and other top CBR officials.

THE CBR AS A STABILISER OF THE WARTIME ECONOMY

The CBR had good preconditions for managing the economic fallout of the 2022 invasion. It had a track record of having weathered several economic crises and it had an experienced leader trusted by President Putin at its helm. This section describes the development of the CBR's role, mandate, and current leadership leading up to February 2022, before delving into the central bank's wartime crisis management.

Role, mandate, and leadership

The key functions of the CBR were formally defined with the adoption of a federal law in 2002, according to which the CBR's goals are to issue currency and to ensure the stability of the financial markets, the banking system, the rouble's exchange rate, and the national payment systems (Central Bank of Russia, 2024). The CBR has also gradually adopted the goal of price stability, and formally adopted the goal of inflation targeting in early 2015 (Korhonen, 2017). The Russian constitution accords the CBR a special legal status, which guarantees its independence from the government and other state bodies. In practice, as discussed below, the CBR's independence is contingent on the support of the president. Although the CBR is not itself a state body but a "special public legal institution," it can issue binding regulations within its remit to all state bodies. In 2013, the CBR absorbed the state agency responsible for overseeing the financial market, thus becoming

a "mega-regulator" with the task of ensuring the stability of the Russian financial system as a whole (Central Bank of Russia, 2024). The CBR's special legal status, combined with its own broad interpretation of its mandate as the chief guardian of Russia's financial stability, gives it a privileged position within the Russian state.

The current CBR governor, Elvira Nabiullina, was appointed by President Putin in 2013. At the time, Nabiullina was seen as coming from the liberal stream of Russian economists, having formerly served as the country's minister of economic development. She was somewhat unexpectedly selected over Sergey Glazyev, an economic advisor to Putin and a well-known advocate of loose fiscal policy and state capitalism (Åslund, 2013). During the first years of Nabiullina's tenure as governor, she became known as a tough decision-maker who favoured a conservative monetary policy based on orthodox economic theory. When the oil price crash of 2014 triggered a bout of high inflation in Russia, Nabiullina chose to 1) aggressively hike the key policy rate and 2) allow the rouble to float freely, thereby eventually bringing down prices. Under Nabiullina's leadership, the CBR revoked hundreds of bank licences, thus consolidating and cleaning up Russia's troubled banking sector. In 2015, the CBR helped insulate the Russian economy from sanctions by supporting Russian alternatives to Western systems for card payments and financial messaging networks (Nelson, 2022; Aris 2025). The Covid-19 pandemic brought another economic crisis; again, the CBR managed to stabilise the rouble and contain the worst of the economic fallout.

According to media reports, during the weeks preceding the full-scale invasion in 2022, Nabiullina was among those officials who tried to convince President Putin not to invade Ukraine, warning of potentially catastrophic economic consequences. Allegedly, she tried to resign after the invasion of 24 February, but in the event, she retained her position and has since become the outward face of Russia's wartime economy (Bloomberg, 2022).

Wartime crisis management

The West's immobilisation of around USD 300 billion of the CBR's assets, held in Western jurisdictions, came as a shock. In one fell swoop, the CBR lost access to its war chest. On 28 February 2022, the CBR decided to hike the key policy rate to 20 points and introduced measures to halt the outflow of capital. The bank introduced limits on how much money could be transferred abroad and required Russian exporters to convert their foreign cash earnings into roubles. The CBR also

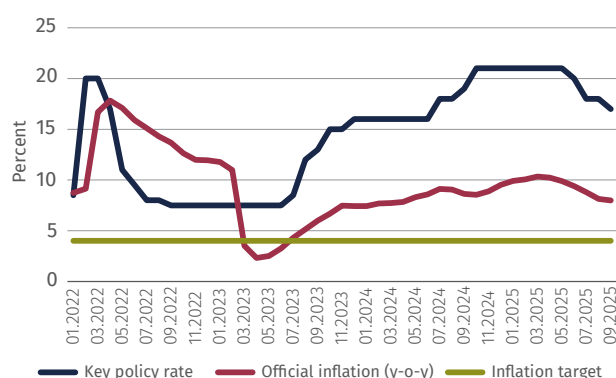


Figure 1. Key policy rate, inflation (Consumer Price Index, year-on-year rate), and inflation target, per cent.

Source: CBR.

suspended trade in equities and bonds to avoid a stock market crash. The combination of these measures stabilised the rouble exchange rate and convinced people to let their savings stay in their bank accounts, thereby preventing a bank run and a crash of the financial system. The stability of the rouble meant that the cost of imports did not increase drastically, and inflation was therefore lower than it would have been otherwise.

During the following months, as the economy stabilised, the CBR adopted a looser monetary policy, gradually lowering the rate to 7.5 per cent. In July 2023, however, the CBR initiated a new tightening cycle, gradually raising the key policy rate to 21 per cent. This rate was maintained until April 2025, when the CBR started slowly lowering the rate again (Figure 1). While the CBR has so far failed to decisively bring down the inflation caused by the war and the Western sanctions, it has also managed to stabilise the economy and avoid hyperinflation and sharp currency devaluation. The CBR is still far from hitting its 4 per cent inflation target, and the official inflation rate (the consumer price index published by the federal statistics agency Rosstat) likely understates the problem to a degree. The current economic crisis is also proving to be the longest and most serious since the 1998 financial crisis. All the same, the CBR is sticking to its guns and continues to pursue the policies that it used to successfully contain the financial and economic crises of 2008–2009, 2014–2015, and 2020. Nabiullina (2025) summarised her central banking philosophy in an article entitled *This Time is Never Different*: “Our decision-making process, operational procedures, and communication policies closely mirror textbook examples of modern monetary policy... We firmly believe that ‘this time is never different,’ meaning that we should continue to adhere to our mandate and framework even in the most exceptional

circumstances.” Nabiullina’s arguments echo those of star economists Carmen M. Reinhart and Kenneth S. Rogoff in their 2008 book *This time is different: Eight centuries of financial folly*, which argues that financial crises tend to have similar causes and therefore require similar responses.

The importance of the CBR’s monetary policy for supporting Russia’s wartime economy can hardly be overstated. The timely introduction of capital controls and interest rate hikes avoided an economic crisis in the first months after the invasion. Subsequent inflationary pressures created by the government’s military spending from 2023 onwards have been dampened by the high interest rates. Even if the rate of inflation has regularly outpaced the CBR’s and the government’s predictions, its containment has allowed a reasonable degree of predictability for firms and the government’s budget planning processes. In this way, the CBR has contributed to creating a semblance of relative normalcy and allowed the government to minimise the negative economic and societal effects of the war. In conjunction with the CBR’s tight monetary policy, the government has ensured that strategic sectors of the economy, including the military-industrial complex, continue to receive cheap and subsidised credit.

However, the CBR’s and the government’s policy mix of tight monetary policy and loose fiscal policy has led to an accumulation of imbalances in the economy. The high interest rates make it difficult for firms to refinance their existing loans, let alone finance much-needed new investments. Loan defaults have been increasing, straining the balance sheets of Russian banks. The civilian economy is suffering from a lack of labour as working-age people enrol in the armed forces or take employment in the military-industrial complex. The Western sanctions are making it more difficult for firms to export their products and more costly for them to import inputs and spare parts that are not produced domestically (Wannheden, 2025). In short, the current economic malaise is a symptom of the government’s continuation of the war against Ukraine and the Western sanctions. Therefore, even if the CBR can mitigate some of the worst economic effects of the war, it will never be able to solve the causes of the economic crisis on its own.

THE DEBATE ABOUT THE CBR’S INDEPENDENCE: A PRESSURE-RELIEF VALVE

Nabiullina’s long tenure as CBR governor is unique in the Russian system. No other senior Russian official of similar importance has currently held their position for

such a long time, with the exception of President Putin himself. According to Nabiullina (2025) herself, she has managed to pursue tough policies and defend the CBR's independence for such a long time because "we have repeatedly shown that our policies work and that we can fulfil our mandate. We have navigated several financial crises, consistently restoring financial stability."

The CBR under fire

Over the course of 2024 and 2025, however, public criticism of the CBR's monetary policy became more and more common. Critics include business leaders, oligarchs, and think tanks. The gist of most of the criticism directed against the CBR is that the high key policy rate is pushing the Russian economy into recession; that it is too powerful and/or too independent, and that it needs to coordinate its decisions more closely with the government; and that it is too focused on its goal of fighting inflation, whereas it should put more focus on Russia's socioeconomic development.

While criticism of the CBR's policies and its mandate is nothing new, the degree of opposition is now greater than ever before, and it has coalesced into concrete proposals on how the CBR should be reformed. From December 2024 to March 2025, representatives from "systemic opposition" parties (that is, parties which are in opposition to the Kremlin in name only) in the lower house of the parliament, the State Duma, introduced several bills with various proposals for reform. These included requiring the CBR to subject its monetary policy to approval by the State Duma, giving the Duma the possibility of requesting the dismissal of the head of the CBR, and increasing the number of Duma deputies in the National Financial Board (State Duma, 2025). The National Financial Board is the main forum in which the CBR governor coordinates the bank's policy with the government. The Board meets every three months and includes Minister of Finance Anton Siluanov, the Minister of Economic Development Maxim Reshetnikov, and presidential aide Maxim Oreshkin, in addition to representatives from the Duma and the Federation Council (Central Bank of Russia, 2024b). Perhaps more importantly, though, the CBR governor participates in regular meetings on strategic economic issues convened by President Putin (President of Russia, 2025). In practice, the CBR is "independent" only as long as it can convince President Putin that its decisions help further his broader political goals. So far, Nabiullina continues to have the president's ear. In September 2025,

he reiterated his support for the Central Bank's monetary policy (RBK, 2025). The government has stated its opposition to the parliamentarians' bills, which means that they have no chance of being approved.

An artificial debate

If the independence of the CBR is conditional at best, why is the debate about its independence taking place at all? Some economists and academics are pushing for changes because they are convinced that a looser monetary policy is what Russia needs. Other critics have ulterior motives; for them, the debate is really a battle for influence and resources. From the perspective of some business leaders, the CBR has grown too powerful, and it is limiting their access to easy money in the form of cheap credit and economic rents. In Russia's wartime economy, far from all businesses are profiting from the defence-industrial boom. Most business leaders understand that the negative economic effects of the sanctions and the war mean that the size of the economic pie will shrink, or at least not expand. In this zero-sum game, knives are out, and the CBR is an obvious target. From the perspective of the president and the government, the CBR has become a useful scapegoat for Russia's economic troubles, and the debate is a pressure release valve for frustrated business leaders. While senior officials such as Minister of Economic Development Maxim Reshetnikov and presidential aide Maxim Oreshkin have stopped short of attacking the CBR outright, they are often expressing sympathy with the critics of the bank as a way of deflecting criticism directed toward themselves (Kommersant, 2025).

A KEYWORD ANALYSIS OF THE CBR'S EVOLVING COMMUNICATION

For central banks, external communication, including speeches and press briefings, is an important tool for implementing its policies. Speeches and press briefings are used to justify policy decisions and to influence expectations about the rate of inflation and the future of the key policy rate (Bertsch et al. 2024). Given the increased domestic criticism of the CBR during the war, how has it justified its tight monetary policy? This section complements the analysis of the CBR's role and its monetary policy above through a keyword frequency analysis of CBR speeches. I first examine which factors the CBR considers most important for keeping a high interest rate, and thereafter examine which aspects are rarely mentioned because they are politically sensitive.

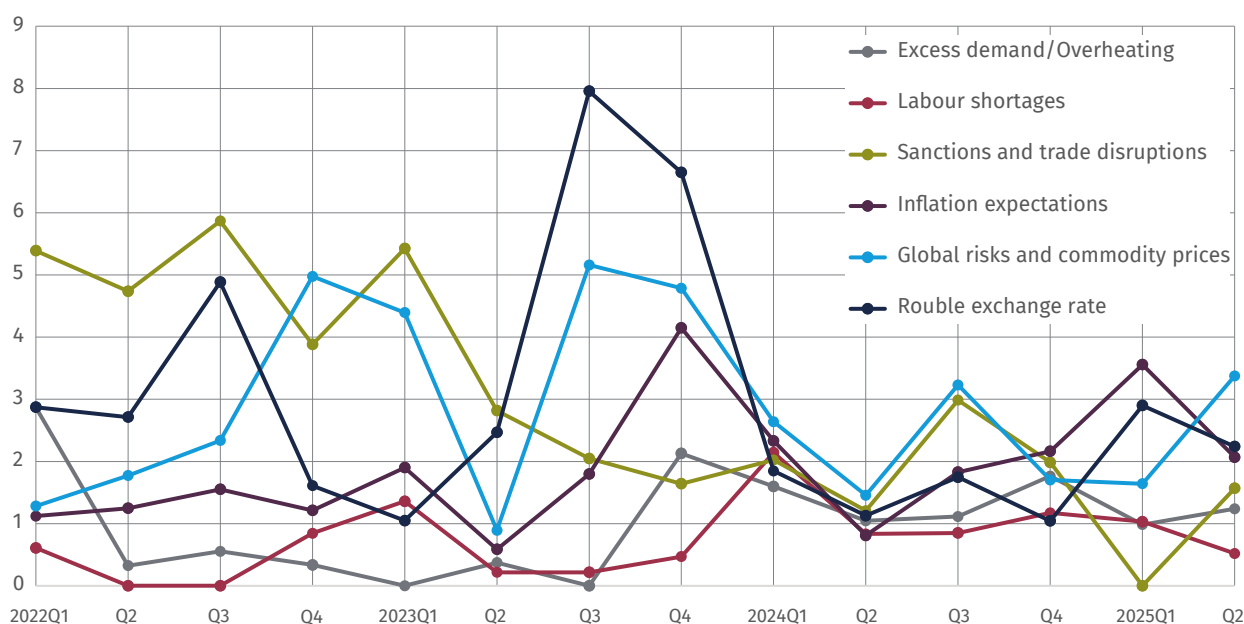


Figure 2. Pro-inflationary factors in CBR speeches (per 1000 words), quarterly average from Q1 2022 to Q2 2025.

Source: Central Bank of Russia (2025); author's calculations.

Main arguments of the CBR

Figure 2 illustrates the trend of different factors associated with increased inflation mentioned by Nabiullina and other top CBR officials in 47 policy-relevant speeches from February 2022 to June 2025. The analysis is carried out by running a script that counts keywords assigned to the following different categories: excess demand and overheating; labour shortages; sanctions and trade disruptions; inflation expectations; global risks and commodity prices; and the rouble exchange rates. I used an iterative process to identify the most relevant categories (or clusters) of arguments that the CBR uses for justifying its monetary policy in the context of the wartime economy. The number of counted keywords is normalised according to text length and then averaged across quarters. Each registered keyword is checked manually to confirm that it adequately reflects the chosen category.¹ The analysis gives a rough indication of the CBR's assessment over time of the key challenges facing the Russian economy.

The keyword analysis shows that sanctions and trade disruptions (green line) were frequently mentioned during the first year after the invasion, and thereafter only about half as often. This trend may reflect the view of the CBR that Russian businesses have gradually adapted to the constraints imposed by the Western sanctions. Indeed, according to Nabiullina, by the middle of 2023,

the structural transformation of the economy had gathered pace and Russian firms had mostly gotten used to operating in a new reality with limited access to Western markets (RBK, 2023).

A key CBR argument for raising the key policy rate is that a high rate is needed to counteract the inflationary pressures generated by increased government spending, which creates excess demand. When demand cannot be met by supply, the economy “overheats” and the result is more inflation instead of increased output. High interest rates are therefore needed to decrease demand. This argument, tracked by the gray line, became more common in speeches during the second half of 2023, coinciding with the CBR's tightening cycle (see Figure 1) and a period of increased military spending by the government. The CBR's increased references to an overheated economy coincide with increased mentions of labour shortages (red line), which are themselves a consequence of an overheated economy.

Concerns about the rouble exchange rate (dark blue line) were especially prevalent in 2022 and in late 2023, when the rouble weakened to about 100 roubles/USD. During this time, concerns about commodity prices and global economic risks (light blue line) were also mentioned more frequently. The exchange rate was mentioned less frequently as the exchange rate stabilised at a slightly lower level. Finally, CBR mentions of the

1 For example, all counted references to “labour shortages” point to the problem getting worse, not better (i.e., “labour shortages are increasing” rather than “labour shortages are easing”). A more sophisticated method could have used natural language processing (NLP), see, for example, Bertsch et al. (2024). The author developed the script with the help of OpenAI's large language model ChatGPT 5.0.

influence of consumers' and businesses' inflation expectations (purple line) also peaked in late 2023.

Taken together, the keyword analysis suggests that the CBR was initially more worried about trade disruptions and problems related to sanctions. Trade disruptions were seen as the main inflationary factor, since they pushed up the costs of imports. Gradually, Russian firms found new suppliers and the price increases plateaued. In 2023, stabilising the currency and managing global risks became the most important priority. In 2024 and 2025, however, the CBR increasingly motivated its tight monetary policy by making references to the overheating of the economy, labour shortages, and capacity constraints. These problems are caused primarily by the government's loose fiscal policy, which creates demand that cannot be met. Nabiullina is constantly repeating that the longer the government keeps a loose fiscal policy, the longer the CBR will have to keep interest rates high to bring down inflation. Since 2023, the CBR's own forecasts assume that it will reach its inflation target in about a year's time, but this is predicated on the government lowering its spending. In other words, the attainment of the CBR's goal is out of reach and keeps being pushed into the future as it awaits a normalisation of the government's fiscal policy, which is unlikely to be realised as long as the political leadership's priorities remain the same.

The elephant(s) in the room

Perhaps just as interesting as examining what CBR officials like to talk about is considering what they do *not* frequently talk (or write) about. The war in Ukraine is an obvious example. The war is never addressed directly, but always indirectly through its effects, such as labour shortages. Nabiullina makes references to the government's fiscal policy in general, but she never directly comments on the size of the military expenditures. The CBR has also been careful not to sow any doubts about the stability of Russia's banking sector, repeatedly insisting that overall, the banks' balance sheets are healthy. The CBR has a clear conflict of interest in relation to the financial sector: it is, at the same time, the sole financial regulator *and* overseer. While the CBR is supposed to accurately assess the sustainability of the Russian banking sector, any gloomy assessment is likely

to undermine confidence in the banking sector, thereby also potentially destabilising the banks.

Furthermore, Nabiullina's speeches are mostly devoid of any analysis about Russia's economic development or longer-term prospects, instead focusing on how its monetary policy can help achieve the inflation target within one to two years. From 2022 to 2024, the economy has grown faster than the CBR's forecasts, and Nabiullina has limited herself to pointing out that an effective and balanced monetary policy is conducive to growth. According to Nabiullina, since the economy is running at full capacity already, the only way of expanding the rate of growth further is by increasing labour productivity (Central Bank of Russia, 2023). How this is to be done concretely remains unclear, though Nabiullina often refers to the CBR's work to promote digitalisation and other efficiency-enhancing measures. In the view of the author, the impact of these measures is likely to be marginal. The classic recipe of the previously influential Russian economic liberals—promoting foreign direct investment, a good business climate, and secure property rights—is a non-starter in current conditions.

CONCLUSIONS: A PRECARIOUS POSITION

To conclude, the rhetoric of the CBR is mainly aimed at justifying its decisions and defending its independence in a turbulent and uncertain environment, rather than trying to provide longer-term solutions for the broader Russian economy. So far, the CBR has managed to convince the president that its policies are good for the Russian economy. However, regardless of what happens in Ukraine, Russia's economic troubles are likely to intensify over the next few years—either as a result of the continuing war, or as part of a painful readjustment process caused by a reduction of government expenditure on military-related items. Therefore, we can expect the debate about the CBR to remain, even if inflation gradually falls and monetary policy is eased. The open question is whether Nabiullina will continue to enjoy the trust of the president, or if he will be swayed by the critics of the CBR. It is possible that Nabiullina will want to step down after her tenure ends in 2027; if she leaves, many of her competent colleagues may want to leave, too. Will the CBR be able to continue to pursue an effective monetary policy at that point? For the CBR, perhaps this time it really is different. ■

Emil Wannheden, Analyst, M.Sc., Deputy Project Manager. His research interests include the effects of the war in Ukraine on the Russian economy, the effects of sanctions, and Russia's military expenditure.

References

- Aris, B. (2025). *Number of Russian banks falls below 500 as sector clean-up enters its end game*. Intellinews.com. Available at: <https://www.intellinews.com/number-of-russian-banks-falls-below-500-as-sector-clean-up-enters-its-end-game-152141/>.
- Bertsch, C., Hull, I., Lumsdaine, R.L. and Zhang, X. (2024). *Four facts about international central bank communication*. Sveriges Riksbank Working Paper number 432.
- Bloomberg. (2022). *Russia Central Bank Governor Elvira Tried to Quit Over Ukraine; Putin Said No*. Available at: <https://www.bloomberg.com/news/articles/2022-03-23/russia-central-banker-wanted-out-over-ukraine-but-putin-said-no>.
- Central Bank of Russia. (2023). *Elvira Nabiullina's speech at joint meeting of State Duma committees on Monetary Policy Guidelines for 2024–2026*. 9 November. Available at: <https://www.cbr.ru/eng/press/event?id=17199>.
- Central Bank of Russia. (2024a). *About Bank of Russia*. Available at: https://www.cbr.ru/eng/about_BR.
- Central Bank of Russia. (2024b.) *The National Financial Board*. Available at: https://www.cbr.ru/eng/about_br/nfs/.
- Central Bank of Russia. (2025). *News—Speeches*. Available at: https://www.cbr.ru/eng/news/#tab_1.
- Kommersant. (2025). *Reshetnikov poprosil u Nabiullinoi 'nemnogo liubvi' k ekonomike*. 19 July. Available at: <https://www.kommersant.ru/doc/7805205>.
- Korhonen, I. and Nuutilainen, R. (2017). Breaking monetary policy rules in Russia. *Russian Journal of Economics*, 3(4), pp. 366–378. doi:<https://doi.org/10.1016/j.ruje.2017.12.004>.
- Nabiullina, E. (2025). “This Time is Never Different.” *CIRSD Horizons*. Available at: <https://www.cirsd.org/en/horizons/horizons-winter-2025-issue-no-29/this-time-is-never-different>.
- Nelson, E. (2022). “The Woman Steering Russia's War Economy.” *The New York Times*. 9 May. Available at: <https://www.nytimes.com/2022/05/09/business/elvira-nabiullina-russia-central-bank.html>.
- President of Russia. (2025). *Soveshchanie po ekonomicheskimi voprosam* [Meeting on economic issues]. 24 April. Available at: <http://kremlin.ru/events/president/news/76786>.
- RBK. (2023). *Nabiullina predupredila o riske vozvrata k planovoi ekonomike*. 15 June. Available at: <https://www.rbc.ru/economics/15/06/2023/648ab8ad9a7947f53f2fdb2c>.
- RBK. (2025). *Glavnye zayavleniya Vladimira Putin na VEF*. 5 September. Available at: <https://www.rbc.ru/politics/05/09/2025/68ba6bd29a7947fc2c7467d8>.
- Reinhart, C.M. and Rogoff, K.S. (2009). *This Time Is Different: Eight Centuries of Financial Folly*. Princeton, N.J.; Woodstock: Princeton University Press.
- Åslund, A. (2013) “Sergey Glazyev and the revival of Soviet economics,” *Post-Soviet Affairs*, 29(5), pp. 375–386. doi: 10.1080/1060586X.2013.809199.
- Wannheden, E. (2025). *Russia's economy 2025—Trends, challenges, and dilemmas*. FOI-R--5764--SE. Stockholm: Swedish Defence Research Agency.

