

14 MAY 1999

RUSSIAN ECONOMIC TRENDS

Monthly Update

**RUSSIAN EUROPEAN CENTRE
FOR ECONOMIC POLICY**

in cooperation with

**WORKING CENTRE FOR ECONOMIC REFORM
GOVERNMENT OF THE RUSSIAN FEDERATION**



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Published for the European Commission on behalf of SITE (Stockholm Institute of Transition Economies and East European Economies) by Blackwell Publishers, 108 Cowley Road, Oxford. OX4 1JF, UK,
or 350 Main St., Malden, MA 02148, USA

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Individuals (academic): £45 (\$74)
NSSR rate: £30 Canadian customers please add GST at 7%.



RECEP is financed by the European Union's TACIS programme, which provides grant finance for know-how to foster the development of market economies and democracy in the New Independent States and Mongolia.

THE FINANCIAL SECTOR IS DEAD; LONG LIVE THE REAL SECTOR?

George Pavlov, Julia Shvets, and Peter Westin
RECEP, Moscow

Gloomy forecasts predicting hyperinflation and a deep recession, have not yet been realised. In spite of the collapse of Russia's banking system and the breakdown of its financial markets, the country appears to have started on the path of real growth by taking advantage of the rouble devaluation, that has made Russian goods more competitive. Although output fell initially after August, in the fourth quarter monthly industrial production grew 3-4% month on month, and this growth has continued in large part since then. This report aims to analyse the recent positive trend in output and financial performance of Russian enterprises and tries to assess its sustainability.

Background

1998 saw a return to negative growth figures. Official GDP fell by 4.6% and industrial production by 5.2%, continuing the staggering decline that had started in 1989, and that was only briefly interrupted in 1997 when GDP grew by a modest 0.9%. Initially after the August crisis output continued to fall, mainly as a result of the break-down of the payment system, which led to disruption in deliveries. When the payment system was mostly restored in October, production returned to levels observed immediately before the crisis and even surpassed them.

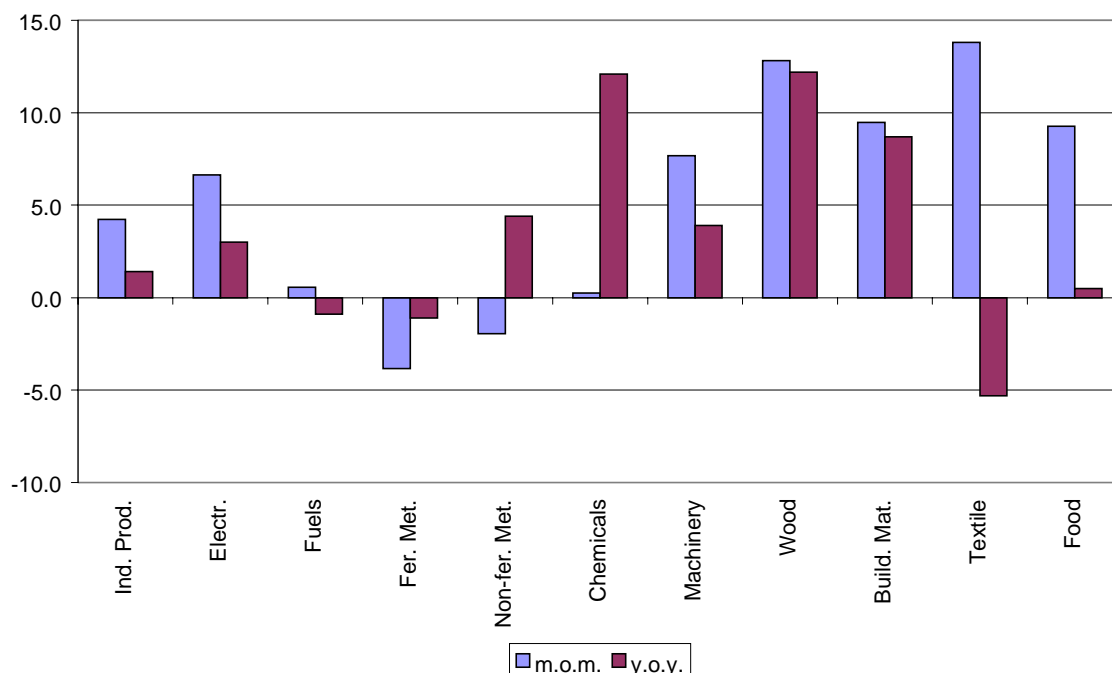
Between August 17 and May 7 the rouble devalued 74%, increasing demand and reducing costs of export oriented and import substituting industries. In real terms, this suggests that Russian goods became roughly 47% cheaper in this time period. Exporters, mainly of raw materials such as in oil, gas, ferrous and non-ferrous metals, have seen their competitiveness increase with the devaluation. Domestic consumers are also switching to Russian goods as imports into Russia halved since the crisis. Industry, which produces more tradable goods than other sectors, is in a better position to take advantage of devaluation, and initial post-crisis expansion was concentrated mainly among industrial firms. Nevertheless, in the first three months of 1999 other sectors of the economy, such as agriculture, construction, and transport also started growing, the latter mirroring the pattern of industrial output.

Growth accounting

To assess which sectors benefited the most from devaluation, we turn to Figure 1 showing the breakdown of industrial output by sector in March this year, when total industrial production grew 4.2% compared to February and 1.4% compared to March last year. From Figure 2 we can see that performance of every major industrial sectors has surpassed its pre-crisis level (overall industrial output in March was 11.8% up on July 1998).

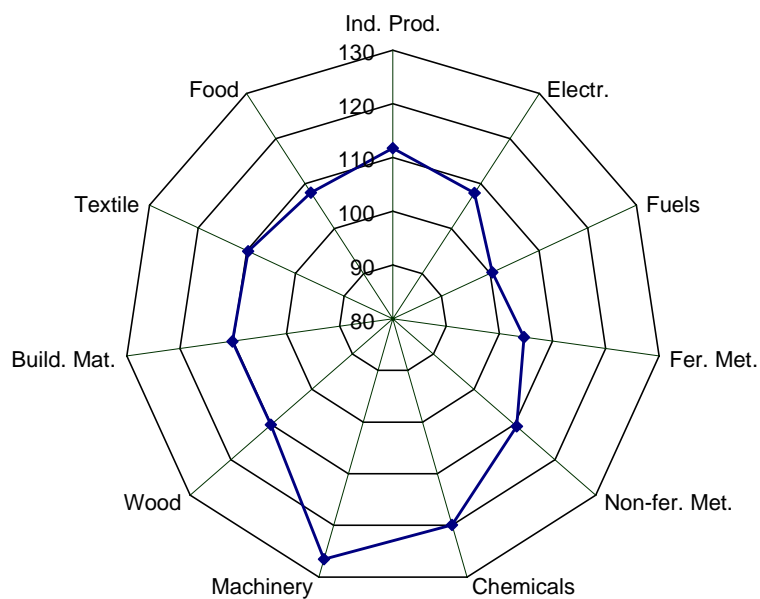
Export oriented industries. Among export oriented sectors, chemical production appears to be one of the leaders of industrial growth: it expanded almost 20% in March compared to July last year, and 12% compared to a year ago. Individual product lines, such as synthetics, plastics, and fertilisers have shown robust growth (see Figure 3). Consistent with these data, balance of trade statistics show a remarkable increase in volumes of fertilisers sold abroad (see Figure 4).

Figure 1 Output performance by industrial sector (%), March 1999



Source: Goskomstat.

Figure 2 Output performance in industry since the crisis in March 1999 (July 1998=100)



Source: Goskomstat.

The non-ferrous metals sector responded very well to devaluation, with prices of Russian aluminium and copper exports declining and their volumes increasing (see Figure 4). This resulted in a 4.4% growth in March this year compared to March 1998, and an impressive 10.5% gain relative to pre-crisis levels.

Production in the fuel sector, which includes oil, petrol and gas was only slightly higher in March compared to the month preceding the crisis, and monthly growth rates are still disappointing. Despite

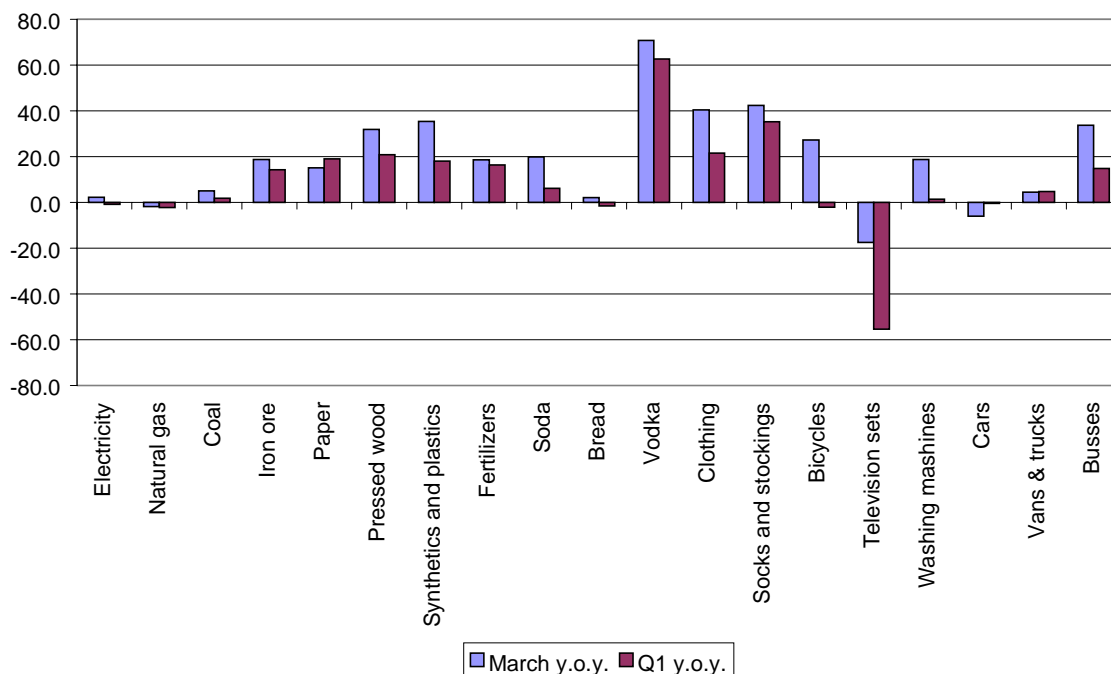
a dramatic fall in price for these products, a result of both devaluation and negative trends in world commodity prices, their export volumes remained almost at the March 1998 level (see Figure 4). Despite the fact that this is a cash rich sector, lack of capital investment and restructuring in it have limited its ability to expand output, which remains constrained by low extraction and transportation capacity.

The wood, pulp and paper sector, which is partly export oriented, has made a notable recovery. Volumes of exported cellulose, plywood and timber have increased considerably compared to last year's levels (see Figure 4). Significant growth was observed in production of such individual products as paper and pressed wood (see Figure 3).

Sectors benefiting through import substitution. Overall it seems as if import competing sectors have been even more successful in taking advantage of rouble devaluation than export oriented industries. Due to the increase in rouble prices forced by devaluation, imports of specific consumer products have fallen by 40-80% year-on-year in value terms and by 30-80% in volume terms (meat being the exception with a 4% fall), as shown in Figure 5. The shift of consumer demand towards locally produced goods has benefited, first of all, textile and food processing. Although output of these sectors was up 10% and 8% respectively between July last year and March 1999, their performance has not yet surpassed that observed in March 1998.

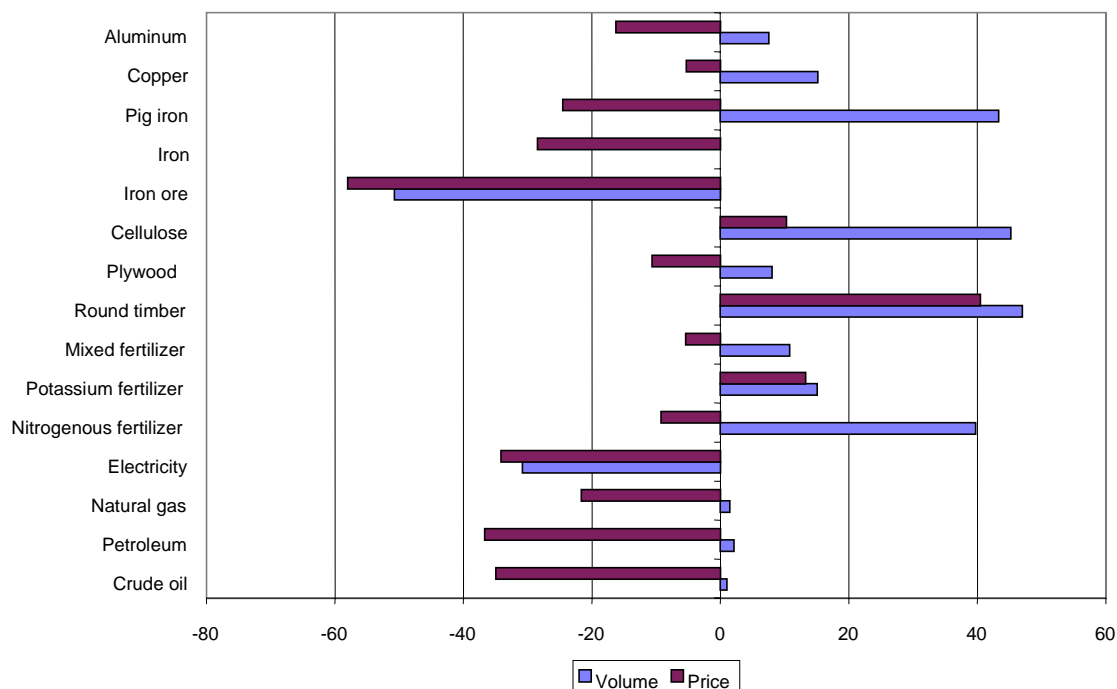
Machinery output showed the best performance since July, up 27% (see Figure 2), and some growth compared to March last year. Production of busses has been growing most rapidly, while output of cars did not seem to expand in response to devaluation. This can be explained by existing large inventories of cars, ready to absorb any imminent increase in demand (see Figure 3). The export capacity of the machinery sector remains limited due to low quality standards of output.

Figure 3 Growth performance of selected commodities (%)



Source: Goskomstat.

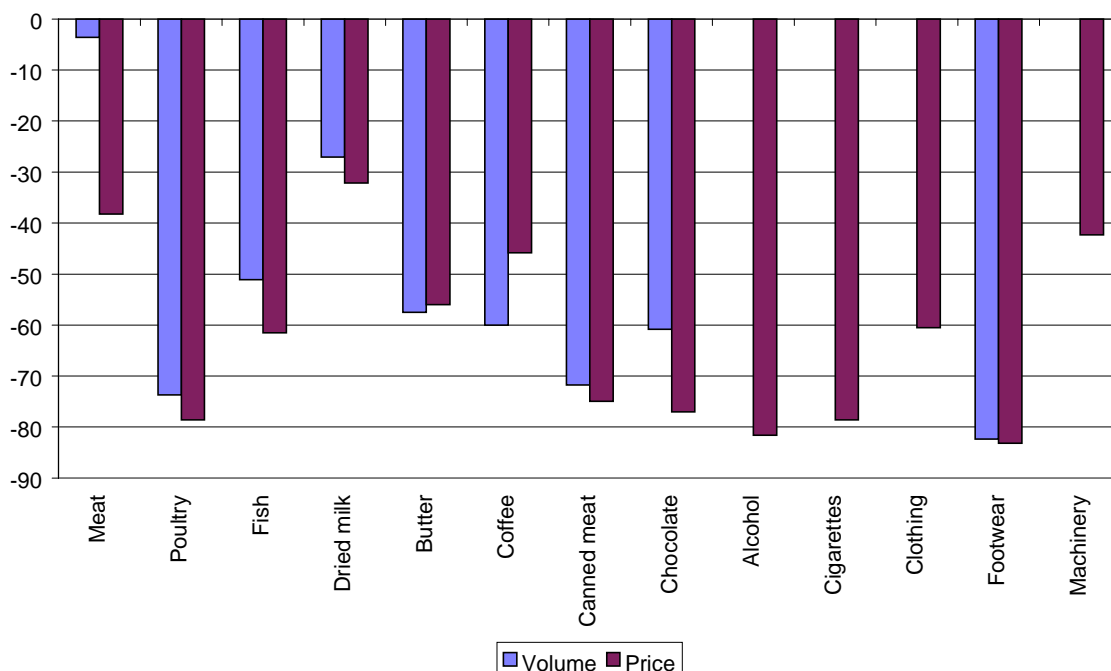
Figure 4 Russia's exports January-February 1999, compared to the same period 1998 (volume and \$ value % change)*



Source: State Customs Committee

*Exported volume information is not reported for iron

Figure 5 Russia's imports January-February 1999, compared to the same period 1998 (volume and \$ value in % change)*



Source: State Customs Committee.

*Information on imported volume is not reported for alcohol, cigarettes, clothing, and machinery.

Limits to growth

It is important to point out that growth resulting from the devaluation is by its characteristics short-term, and not self-sustainable, and that the current growth observed in Russia has not come from restructuring or increased efficiency of its firms. It may have a potential to continue throughout this year, but for long-term sustainable growth more fundamental changes are needed. It is, however, encouraging to see that the Russian economy has responded to the devaluation as a 'normal' economy would, that market forces have prevailed and a certain degree of flexibility exists.

Although the devaluation has provided Russia's industry with a window of opportunity, it has also reduced the real incomes of the population. Thus, domestic demand remains suppressed with the average wage in March down 43% since July last year, real per capita income down 27%, and retail sales down 12.5%. Government demand has to remain low due to increased external debt service obligations, which are substantially higher this year than in 1998.

An increase in world market prices would help to spur growth in export oriented companies, as would higher growth rates in countries with which Russia trades. However, additional constraints on growth in the raw material sector have also been created. Many of these enterprises during 1997 and the first half of 1998 took large loans denominated in hard currency, and thus large parts of their income have to be set aside to service these loans. This limits the money available for necessary investments and restructuring.

Finally, the growth of enterprises will not be sustainable if there is no progress in restructuring and improving the financial state of many Russian firms. Below we attempt to analyse how the financial performance of enterprises was affected by the August crisis.

Financial health of enterprises

The collapse of the financial markets and the banking sector failed to significantly shake the financial state of Russian firms. The role of financial intermediaries has been very small in Russia since the start of transition. Bank loans to the private sector constituted 12% of GDP in September 1998, a figure well below the rates observed in Central and Eastern European transition economies, where bank loans to the private sector amount on average to roughly a quarter of the countries' output. At the same time, lack of trust in banks and expectations of accounts being seized by tax authorities led in Russian enterprises to keep only minimum amounts of cash in Russian banks. Widespread use of barter and non-bank monies was made possible by the complicated chains of intermediaries that substituted banks in their payments settlement function.

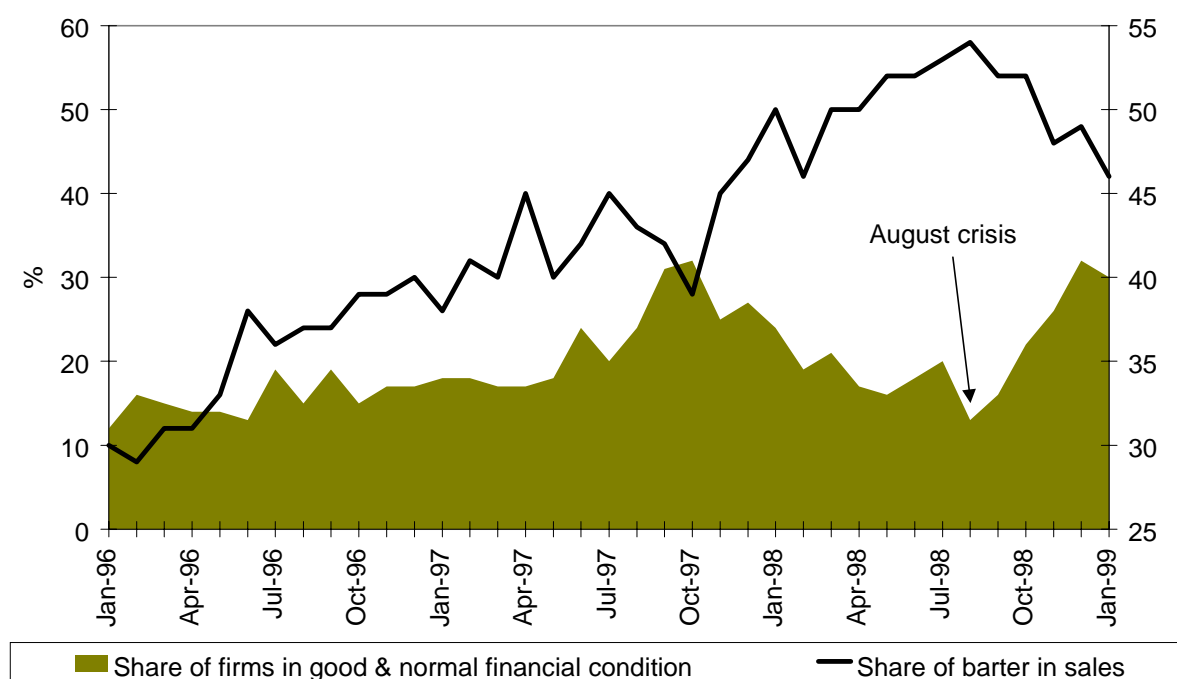
The low degree of monetisation of the real sector and the relative unimportance of the public trade in stocks proved a blessing for Russian firms when the banking system collapsed and the securities market came to a standstill after August 1998. In fact, the devaluation caused by the crisis was beneficial for Russian enterprises, whose financial state seems to have improved since August-September according to various indicators.

According to the survey of industrial enterprises conducted by the *Russian Economic Barometer*, the share of enterprises judging themselves to be in good or normal financial condition rose from a low 13% in August 1998 to 30% in January 1999, the level previously observed in the fall of 1997. Offi-

cial Goskomstat data on performance of large and medium size industrial firms showed that the share of loss-making enterprises fell from 50% in August 1998 to 39% in February 1999¹.

This improvement in financial performance is mainly explained by the effects of rouble devaluation, which, as discussed above, increased demand for domestically produced goods, resulting in output expansion and increased revenue flows into Russian enterprises. Moreover, expansion in the customer base, a fall in relative prices of locally produced goods and an increased orientation towards exports allowed Russian firms to collect more of their revenues in cash, rather than in non-monetary means of payments. As shown in the table below, the share of cash in total collection of main tax payers grew from 35% in August 1998 to 49% in February 1999. A similar tendency is observed in responses to the survey of the *Russian Economic Barometer*, which showed that the share of all barter transactions in total sales of industrial firms declined from 54% in August 1998 to 46% in the first month of 1999 (see Figure 6).

Figure 6. Share of enterprises in good and normal financial condition, %



Source: *Russian Economic Barometer*.

Higher cash receipts and expanded customer bases of the firms should have allowed those companies benefiting from devaluation to reduce their overdue debts as well as avoid a further build-up of non-payments to them. As the graph below shows, the shares of both overdue payables and receivables of industrial companies in their total output have fallen since August last year. Even though the data on the graph may slightly overestimate both the fall of arrears (due to seasonal effects) and rapid growth of nominal industrial output (due to growing prices), comparison of the rate of accumulation of arrears in the industry before and after the crisis also suggests similar dynamics. Overdue receivables of industrial companies rose at an average real rate of 3.4% a month in January-July 1998, and then dropped by a monthly average of 2.5% in real terms between August and February 1999. A very

¹ These data are collected from balance sheets of enterprises submitted for tax reporting purposes. Although there are incentives for firms to underestimate their profits in these documents, there are no reasons to believe that these incentives were weaker in February 1999 than they were in August 1998.

similar pattern was observed in the rate of growth of overdue payables of enterprises. In fact, these were the first real monthly declines in arrears since February 1997.

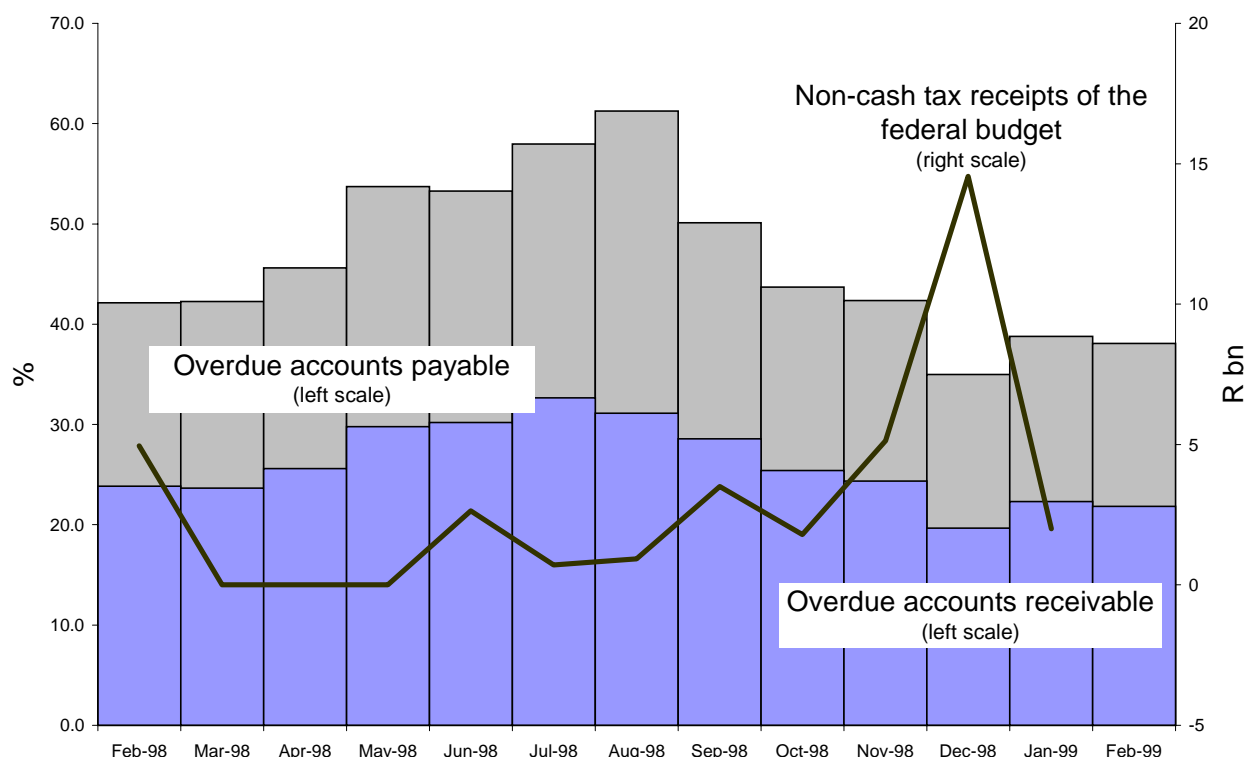
Table 1. Breakdown of revenue collection of major tax payer firms, by types of payment, %

Percent of total collections	Aug-98	Sep-98	Oct-98	Nov-98	Dec-98	Jan-99	Feb-99
Cash collections	35	38	42	45	43	47	49
Non-monetary collections	65	62	58	55	57	53	51
Of which veksel and securities	11	9	10	10	11	10	10
Of which receivables and off-sets	38	38	33	30	31	27	26
Of which barter and other	16	15	15	16	14	17	15
Total collections	100	100	100	100	100	100	100

Source: Goskomstat

It should be noted that a sharp drop in companies' arrears in December 1998 was the result of large amounts of off-sets conducted by the government, as illustrated by a sudden pick-up in non-cash revenues of the federal budget this month (see Figure 7). Government off-sets, in which the state exchanges its liabilities towards the firm for the firm's tax liability, were banned by Presidential decree in January 1998, reappeared in the form of so-called 'targeted financing'. With such 'clearances' providing further incentives for non-payments, the stock of arrears to the budget expanded in January and February.

Figure 7. Share of overdue payables and receivables of industrial firms in annual industrial output (left scale)¹ and non-cash revenues of federal budget (right scale)



¹ Data is for large and medium size enterprises
Source: Goskomstat, Ministry of Finance.

Although in general the latest changes in the financial condition of enterprises are encouraging, the favourable change in relative prices of Russian goods and a subsequent increase in firms' revenues by themselves cannot guarantee that the current improvements in real sector performance are sustainable. The ability of Russian firms to take full advantage of the devaluation and to turn it into a vehicle for restructuring will depend on developments in the economic and legal environment in the country.

Government economic policy. Notorious for its tolerance towards tax arrears, the Russian government has been effectively providing subsidies to firms - often inefficient ones - by turning a blind eye to their tax debts. The policy of government off-sets has helped create perverse incentives for running up tax arrears among enterprises, and for spending in excess of the budget by government officials. To prevent the stock of arrears from growing further, and to stop these implicit subsidies to inefficient enterprises, a sound fiscal policy is crucial. A balanced budget is also critical in curtailing firm's expectations of monetary expansion and subsequent inflation, which usually encourage companies to run up arrears in hope of them being inflated away in the future.

Legal environment. Poor law enforcement keeps incentives for investment into the real sector very low in Russia. Uncertainty with regard to the distribution of control distorts the behaviour of managers and shareholders. The latter are not maximising the fundamental value of their company but are rather interested in the extraction of maximum cash flows in the shortest run. Currently, the probability that the increase in revenues resulting from devaluation will be reinvested in production is not at all high. In fact, cash rich exporters have been responsible for a large share of capital flight from Russia in recent years. A substantial reform of the law enforcement system and better respect for property rights are absolutely critical for convincing enterprise managers and owners to change their behaviour and for making progress towards restructuring and growth in real sector.

ECONOMIC UPDATE

Aggregate demand

In March seasonally adjusted real consumer expenditures on goods and services grew by about 1.5%, the second consecutive monthly increase. As in February, the growth of consumer demand driven by increase in households' expenditures on non-food items and paid services. Expenditures on food remaining relatively stable.

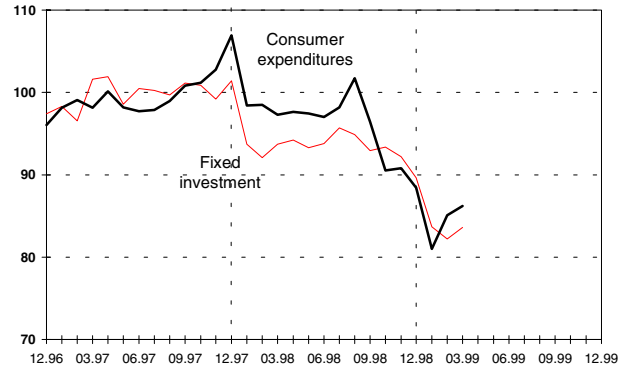
According to preliminary data, in March a small growth of fixed investment was registered (+1.7% over the February level in seasonally adjusted terms). The volume of construction works rose for the fourth month in a row. Despite the relatively small rates of growth (about 0.5% per month), the increase in the volume of construction can be treated as an indicator of a gradual improvement of investment demand.

Output

In March gross output of five basic sectors increased in seasonally adjusted terms by 4.5% over February and returned to the level of May and June 1998. It is important to note that the growth was observed in all major sectors of the economy. Agricultural output grew by 1.8%, volume of construction works by 0.3%, freight transportation turnover by 5.1%, volume of retail trade by 1%, and industrial production by 4.2%.

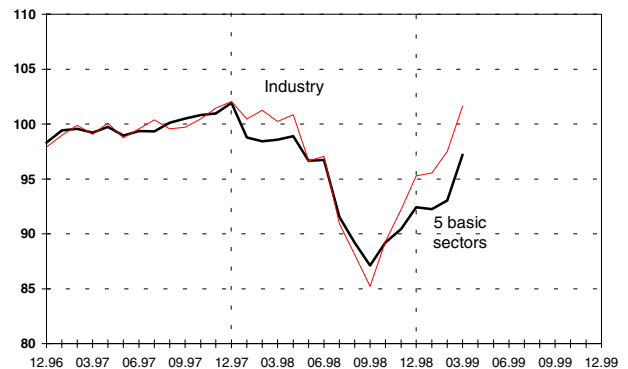
The volume of industrial production practically returned to its peak level of December 1997, and the same was true for most industries. The highest rates of growth were observed in production of electricity, non-ferrous metals, chemicals, machinery, wood and paper and building materials. Output in all these industries has already surpassed previous peaks of 1997. In February and March a dramatic surge was observed in production of textiles and footwear, with the average monthly growth rate exceeding 13.5%.

Components of aggregate demand (1997 = 100, seasonally adjusted)



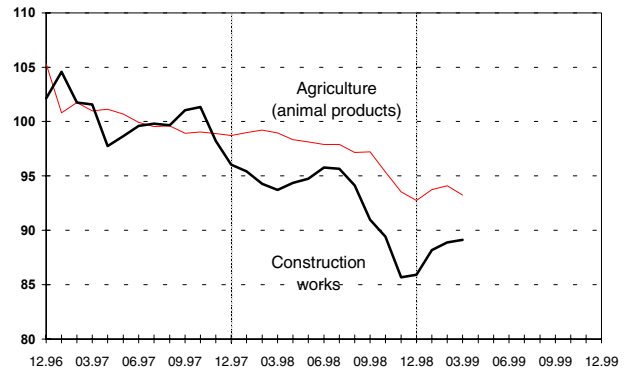
Source: Goskomstat.

Gross output (1997 = 100, seasonally adjusted)*



* Index of gross output of 5 basic sectors include industry, construction, agriculture, transportation and trade.
Source: Goskomstat.

Output in agriculture and construction (1997 = 100, seasonally adjusted)



Source: Goskomstat.

Prices

In March the rates of price growth continued to decline. Total CPI increased by 2.8%, compared to 4.1% in February. Non-food prices grew by 3.2%, prices for paid services by 1.9%. Composite PPI increased by 3.5% (4.9% in February). The highest monthly growth of producer prices was observed in production of agricultural animal products (5.1%) and industrial production of investment goods (5.1%). The smallest growth was registered in tariffs for freight transportation (0.5%) and business communications (0.2%).

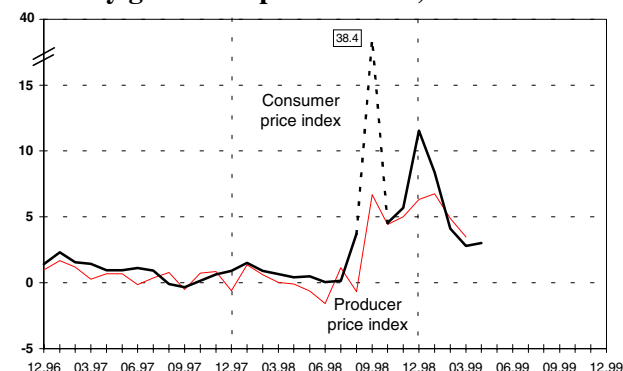
In April, according to preliminary data, the rate of growth of consumer prices was about the same as in March. – 3.0%.

Labour

According to various indirect estimates, the situation in the labour market continues to improve. The number of registered unemployed fell in March by 1.8%, the first decline since September 1998. The registered vacancy ratio (number of job seekers per vacancy) in March fell below the trough level of March 1998. In seasonally adjusted terms it was equal to 3.7, almost two times lower than in October 1998 (7.2). The unemployment rate by VCIOM polls in March was equal to 16.3%, compared to 18.4% in November 1998.

The real monthly wage due in March, according to preliminary estimates, dropped by 1.5% compared to the previous month (in seasonally adjusted terms). The real wage due remains 41% lower than a year ago. At the same time wage arrears decreased by R4.9 bn or 6.8%. Of this, budgetary arrears decreased by R2.0 bn, or 10.7%. This means that in March actual real wages paid increased. The continuing reduction of wage arrears is reflected in some growth of consumer demand. It has also helped to decrease the level of social unrest. In March the intensity of strike activity was the lowest since September 1998.

Monthly growth of price indices, %*



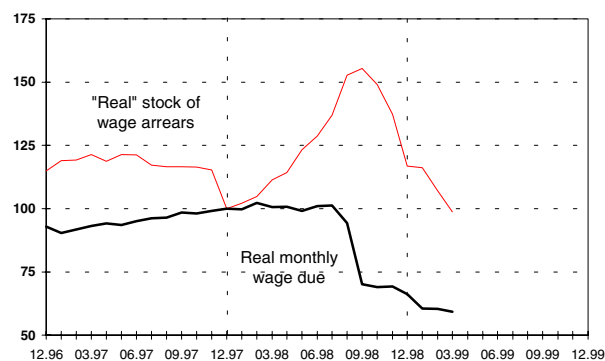
* Producer price index covers prices in industry, construction, production of agricultural animal products, and tariffs for freight transportation and communications.
Source: Goskomstat.

Supply and demand for labour



Sources: Goskomstat, VCIOM.

Real wages and wage arrears
(Dec-1997 = 100, seasonally adjusted)*



* Index of "real" wage arrears is calculated in terms of monthly wage fund.
Source: Goskomstat.

Foreign trade

February trade figures remained the same as in January with exports amounting to \$4.8 bn and imports equal to \$2.9 bn. Still, the devaluation has not provoked export growth. February exports were 17% lower than in the same period last year, and imports, which have responded to the devaluation, were 52% lower than in February 1998. The February trade balance of \$1.9 bn in surplus is significantly higher than the deficit of \$0.2 bn in the same period last year. Since the crisis in August, however, the surplus has shrunk dramatically from a monthly level of around \$3 bn in September to December last year. Again, it is worth remembering that in January the government introduced 75% compulsory sale of export revenues.

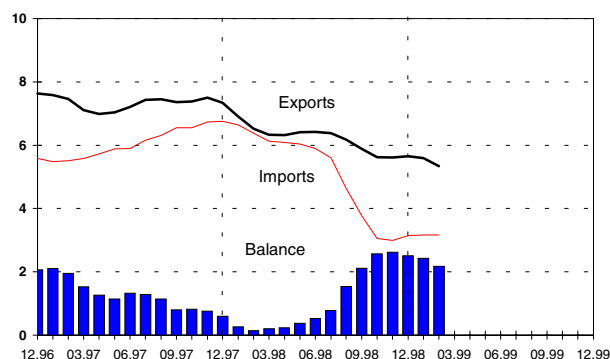
After having reinstated the 2.5 Euros per tonne oil tariff in line with the higher world market price for oil, the government is planning to double the tariff (5 Euros per tonne) as should be done when the oil price exceeds \$12.30 per barrel. Russia has, in terms of volume, increased its exports of oil by 2.2% in the first quarter of this year compared to the same period last year, while production in the same period has fallen 1.6%. This is in line with claims that domestic oil deliveries are suffering as oil companies prioritise exports to domestic deliveries. However, it also means that the pledge to cut oil exports by 100,000 barrels per day in light of the OPEC restrictions was again an empty promise.

Enterprise finances

Growth in arrears measured as a share of GDP resumed. Unpaid taxes and off-budget funds remittances increased by R22 bn in spite of R9 bn of tax offsets implemented by the Ministry of Finance and the Tax Ministry in February. In February Arrears on bank loans swelled by 17% in rouble, equal to 0.5% of GDP. The data do not reflect a deterioration of the quality of bank loans, but rather the banks refusal to roll over their currently bad loans.

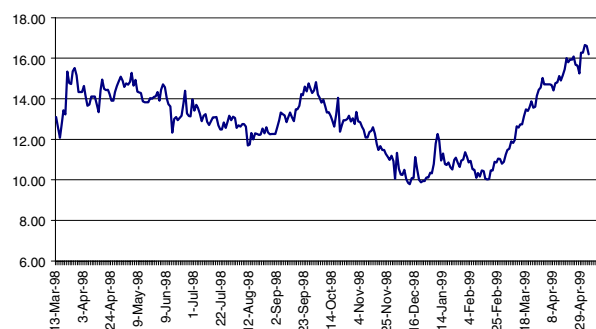
Some important signs of restructuring emerged in the energy sector. In April, RAO Gazprom, and RAO UES, the holding company that controls most of the power sector in the country, reached an agreement on debt for equity swap. Overdue liabilities for supplied fuel were exchanged for the controlling stake in an electricity generator in the Pskov region. In the Tver region the local electricity resellers was taken over by the electricity producer. Electricity resellers are controlled by the local

Merchandise exports and imports (\$ bn, seasonally adjusted)



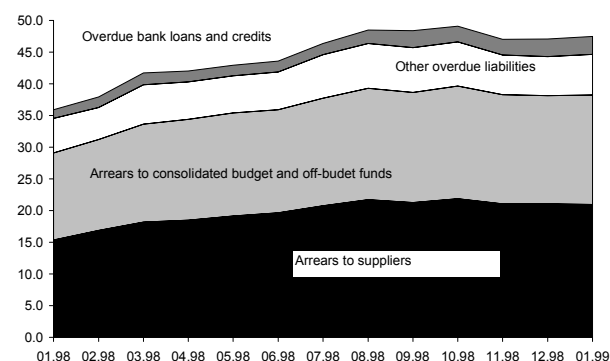
Source: Goskomstat.

Brent oil price (\$ per barrel)



Source: Moscow Times.

Arrears, % of GDP*



* Data is for 9 main sectors of the economy (see Table 7 in statistical appendix for the list of sectors). September 1998 GDP data were used in calculating October arrears ratio, full year 1998 data were used in calculating November arrears ratio.

Source: Goskomstat.

authorities. Often the funds collected for electricity deliveries do not reach power generators but are put to other uses. Elimination of resellers' independence from the producers will significantly improve collection rates in this sector. The deals demonstrated a relatively efficient way to tackle the problem of arrears, and may be followed by other industries.

The banking sector

Under the pressure from the IMF, the cabinet is very close to submitting critical law proposals to the Duma, including the law 'On Restructuring of Credit Organizations'. It should make the restructuring process more transparent and ordered, and give ARKO a formal responsibility over it. Still, according to the proposed draft, the CBR remains the only body able to intervene in banks' operations and withdraw their licenses. Despite the pressure from international organizations and the dismal results of the World Bank's audit of 18 large banks, the process of withdrawing the rights to operate in the banking market has been very slow to date.

A reverse process seems to be taking place: Incombank, the only large retail bank that had its license withdrawn after the crisis, is now fighting to have it reinstated. The Moscow government has announced that Bank of Moscow, MOST-bank, and other credit institutions that proved to be insolvent during the crisis, have now become 'pillar banks' for the city budget.

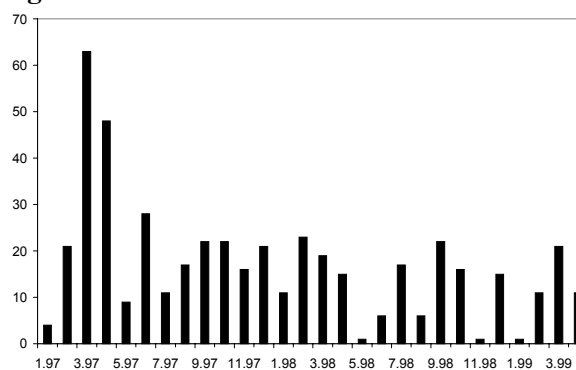
At the same time ARKO is starting its first projects directed at rehabilitating regional banks that are well supported by local authorities, and have invested a significant share of their assets into the real sector. Though it is not surprising, such a choice of institutions, given the emphasis of federal authorities on active industrial policy, is bound to further encourage risk taking activities, connected lending and accumulation of bad loans by banks.

The Duma is currently preparing the law 'On guarantee of citizens' bank deposits' for the second reading. The coverage stipulated by the law is too broad, and banks' contributions too low, for the scheme to be credible. Moreover, conditions of coverage for banks with risky investments are the same as for more prudent banks. In addition, Sberbank is excluded from the system and the CBR continues to be responsible for its deposits. This implies that, if implemented, this proposal will do little to raise people's confidence in commercial banks.

The budget

During the first three months of 1999 the federal

Number of bank licences withdrawn by the CBR for violations of banking laws and CBR regulations*



* Data for March and April 1999 are preliminary estimates.

Source: CBR.

government collected R88.6 bn of revenues (tax and non-tax) in cash. This comprised 99% of the target set by the budget law. Federal expenditures in the first quarter stood at R127.6 bn, so the budget deficit (IMF definition) of the federal government amounted to R39 bn. The amount of tax offsets at the federal level (which are not included in the reported above figures) are estimated at around R18 bn; of which a large part took place in February.

In March, federal revenues stood at R34.3 bn. Tax revenues equaled R 31.4bn, which are 70% higher in nominal terms than tax revenues in March 1998. Federal expenditures equaled R20.9 bn; interest expenditure was R12.7, more than half of which was payments on foreign debt.

The regional and local governments were running a consolidated budget surplus of R2.1 bn in the first quarter. Revenues and expenditures equaled R93.6 bn and R91.5 bn respectively. Federal transfers reached R12.1 bn which is 113% of the target for the quarter. The new sales tax has raised R2.2 bn of revenues over the first three months of 1999.

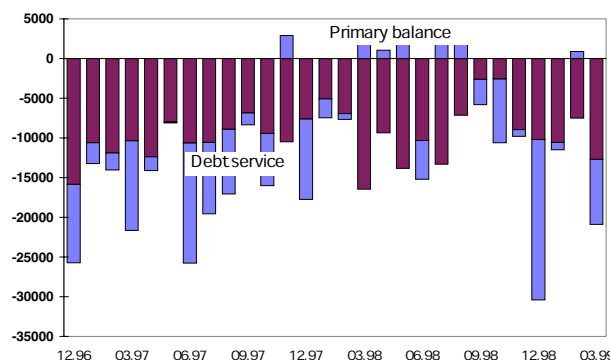
The negotiations with the IMF reached their final stage in the last week of April when a preliminary agreement was reached in Washington. The total amount, still to be approved by the IMF executive board, is set at \$4.5 bn for the next 18 months, of which \$3 bn is to be provided in the first 12 months. The money will come under the condition that a package of amendments to Russian legislation concerning tax policy and bank restructuring is approved. Another \$2 bn of credits are to be provided by the World Bank.

Financial markets

Stock markets around the world have experienced significant growth in the last month, the Russian being no exception. The driving force has been a renewed interest from investors in emerging markets. So far this year the Moscow Times \$ index has gained close to 100%. On May 6 it stood at 79.4, the highest since mid-August last year. Blue Chips are still dominating the trade, driven by the continued increase in the world oil price. However, the development in utility Blue Chips has started to mirror that of others. In addition the announcement of an agreement on the long awaited IMF programme and the somewhat unexpected economic stability has contributed to increased interest in Russian shares.

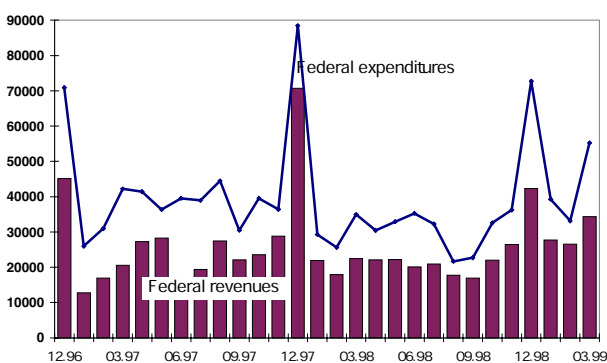
According to Minister of Finance Mikhail Zadorov, R173.9 bn worth of defaulted GKO, or 93% of the total stock, have been restructured under the government's scheme. 96% of GKO held by Rus-

Federal budget deficit, R mn



Source: Ministry of Finance.

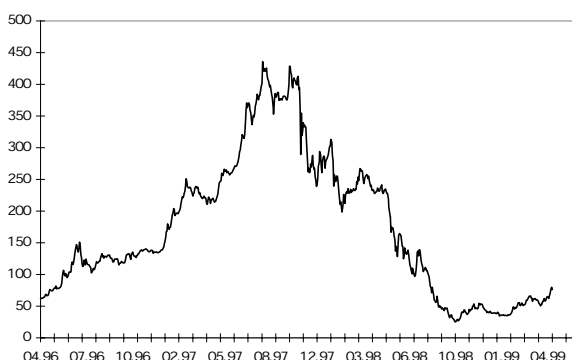
Federal revenues and expenditures, R mn



Source: Ministry of Finance.

IMF definitions of revenues, expenditure and deficit are used.

Moscow Times \$ Index (The Russian bubble)



Source: Moscow Times.

sian creditors and 89% held by foreign creditors have been restructured. In the first cash auction for foreign holders of GKO's the CBR sold \$50 mn at a rate of R26.98/\$. Bids amounted to \$162.9 mn, more than triple the amount offered.

On the day of the departure of Primakov and the Cabinet, the stock market responded negatively, down almost 17%.

Money

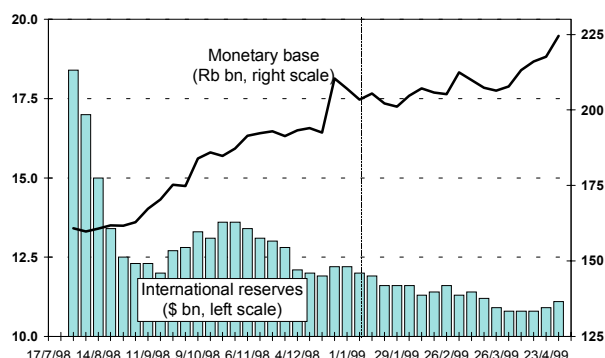
If the first quarter was characterised by tight money (monetary base falling by 2% in the first three months of this year), April and the beginning of May tell a different story. The monetary base stood at R224.5 bn on May 5, an increase of 9% since end-March. It is too early to say if this represents a shift in monetary policy. Most likely this money has been printed for buying dollars to help the government service external debt, and to finance increase in wages and pensions. The (previous) government has also submitted an amendment to the 1999 budget that would increase the amount it is allowed to borrow from the CBR to service foreign debt from \$2.1 bn to \$4.5 bn.

The government paid back only about \$500-700 mn on foreign debt in April, thus a rather 'easy' month. This has also been reflected in international reserves which have fallen in previous, but in April actually edged up \$300 mn to \$11.1 bn. In May about \$2.9 bn are due on for repayment, of which \$623 mn are payments on Eurobonds, and IMF and World Bank loans. Hard currency reserves in February covered 2.5 months worth of imports.

The exchange rate

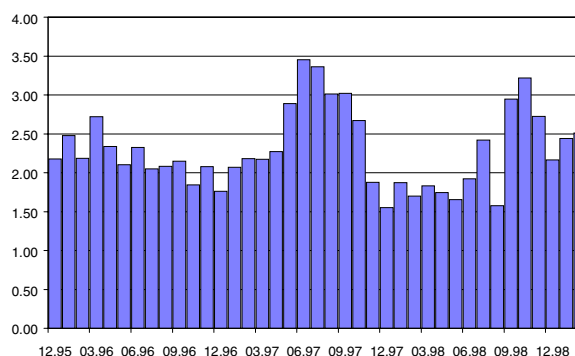
The CBR has restated its aim to achieve an average exchange rate of R21.5/\$ this year, as set in the 1999 budget. Low external debt obligations in April eased the pressure on the rouble, as did increased optimism about concluding an agreement with the IMF. In addition, further restrictions on currency trading were introduced. On April 7 the CBR introduced restrictions limiting commercial banks to buy dollars for redeeming deposits in the afternoon session only. On April 8 restrictions were imposed prohibiting foreign banks from buying dollars through their correspondent accounts in Russian banks. The official exchange rate ended at R24.16/\$, the same as at the end of March. In the beginning of May,

Monetary base and gross international reserves (weekly data)



Source: CBR.

Number of months' imports covered by hard currency reserves

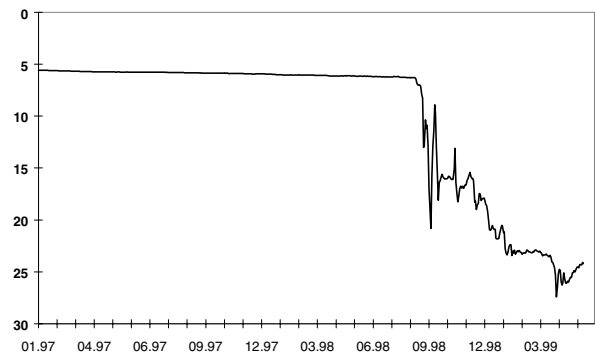


Source: Goskomstat, CBR.

The rouble exchange rate (R/\$)*

however, the rouble has strengthened somewhat. At the same time, the MICEX afternoon rate strengthened throughout April. Furthermore, the spread between the morning and the afternoon rate has narrowed, indicating increased stability and less room for speculation.

The initial response of the rouble to the departure of Primakov and his government was more significant on the street, where it traded as high as R26/\$, than on the trading on MICEX, where the rouble weakened 90 kopecks, closing at R25.14/\$ (the official CBR rate actually strengthened). As in August dollars are again hard to come by. However this should be easier once the market settles in the next few days.



* MICEX exchange rate till 17th August. MICEX afternoon rate from then on.
Source: Moscow Times.

Table 1: GDP and aggregate demand*

	Nominal GDP	Real GDP, SA**	Nominal consumption of goods and services	Real consumption of goods and services***	Nominal expenditures on new construction & equipment	Real expenditures on new construction & equipment, SA**
	(R bn)	(1997=100)	(R bn)	(1995 = 100)	(R bn)	(1997=100)
1995	1,540.5	102.6	664.8	100.0	267.0	128.5
1996	2,145.7	99.1	946.8	97.6	375.9	105.3
1997	2,521.9	100.0	1,115.3	100.1	408.8	100.0
1998	2,684.5	95.4	1,331.6	94.5	402.4	93.3
01.1997			86.0	97.6	22.5	98.3
02	542.6	99.4	81.9	91.5	24.1	96.6
03			85.8	94.5	26.6	101.6
04			88.4	96.5	26.0	101.9
05	602.9	98.7	87.6	94.7	27.1	98.6
06			89.1	95.2	32.3	100.5
07			90.5	95.8	33.4	100.3
08	690.7	100.4	93.0	98.6	36.0	99.7
09			96.9	103.1	39.5	101.2
10			100.3	106.5	37.2	100.9
11	685.7	101.5	101.0	106.6	41.2	99.2
12			114.9	120.2	62.9	101.4
01.1998			95.0	97.9	22.1	93.7
02	545.2	98.8	89.8	91.8	23.7	92.1
03			94.7	96.1	26.1	93.7
04			94.8	95.8	25.5	94.2
05	606.6	97.3	94.2	94.8	26.6	93.3
06			95.5	96.0	31.8	93.8
07			99.0	99.3	32.9	95.7
08	698.9	93.1	108.7	105.2	35.4	94.9
09			132.8	92.8	38.8	92.9
10			130.1	87.0	36.6	93.4
11	833.9	93.6	136.1	86.1	40.5	92.2
12			161.1	91.4	62.4	89.6
01.1999			143.7	75.1	22.3	83.7
02	n.a.	94.9	145.4	73.0	24.4	82.2
03			159.6	78.0	27.6	83.6
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* Series on consumption and investment slightly differs from NIPA concept. Since October 1998, monthly GDP data are not produced.

** Based on the year-on-year rates of growth at prices of the previous year.

*** Based on the nominal consumption figures deflated by CPI.

SA - seasonally adjusted.

Table 2: Industrial production

	Industrial production, total, SA*	Industrial production, energy, SA	Oil extraction, SAAL	Natural gas extraction, SAAL	Electricity production, SAAL	Coal production, SAAL
	(1997=100)	(1997=100)	(mn t)	(bn cub. m)	(bn kWt/h)	(mn t)
1995	102.1	102.9	298	595	862	262
1996	98.0	101.2	293	601	848	255
1997	100.0	100.0	297	571	834	244
1998	94.8	99.0	294	591	826	232
01.1997	99.0	99.0	293	596	830	249
02	99.9	99.4	291	588	821	249
03	99.1	98.4	297	582	807	252
04	100.1	99.3	303	572	823	246
05	98.7	99.0	295	558	823	242
06	99.6	98.9	297	547	825	238
07	100.4	99.7	297	526	834	243
08	99.6	100.1	298	545	836	242
09	99.7	100.5	298	560	845	229
10	100.5	100.9	298	563	842	248
11	101.5	102.3	299	610	858	241
12	102.0	102.4	297	601	860	246
01.1998	100.5	98.5	298	591	816	246
02	101.3	100.2	293	589	833	242
03	100.2	100.0	295	596	839	233
04	100.9	101.5	293	591	868	246
05	96.6	98.2	287	560	832	222
06	97.1	98.1	295	564	820	221
07	90.9	96.4	294	605	794	208
08	88.1	95.7	290	604	783	224
09	85.2	96.8	293	598	800	211
10	89.3	99.7	296	606	829	230
11	92.2	101.5	297	603	852	240
12	95.3	101.3	298	587	838	262
01.1999	95.5	96.9	293	577	801	249
02	97.5	97.5	287	572	806	239
03	101.6	101.2	292	585	858	245
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* Based on the year-on-year rates of growth at prices of the previous year.
SA - seasonally adjusted, SAAL - seasonally adjusted annual level.

Table 3: Output by sector

	Gross agricultural output at constant prices, SA	Agricultural production, animal products, SA*	Real volume of construction works, SA**	Area of dwellings completed, SAAL	Freight transportation turnover, SAAL	Freight carried by rail, SAAL
	(1997=100)	(1997=100)	(1997=100)	(mn sq. m)	(bn t-km)	(mn t)
1995	104.0	115.6	125.0	41.0	3,539	1,025
1996	98.7	106.3	106.8	34.3	3,374	910
1997	100.0	100.0	100.0	32.7	3,255	887
1998	87.7	97.1	92.5	30.3	3,141	835
01.1997	100.4	100.8	104.6	29.4	3,301	875
02	98.3	101.7	101.7	30.7	3,306	894
03	96.4	101.0	101.6	31.8	3,292	898
04	96.3	101.1	97.7	32.7	3,304	887
05	95.7	100.7	98.7	30.8	3,289	862
06	98.5	99.9	99.6	32.2	3,234	884
07	101.1	99.5	99.8	33.4	3,232	883
08	106.1	99.6	99.7	32.9	3,206	884
09	104.6	98.9	101.0	33.5	3,237	888
10	104.1	99.0	101.3	36.6	3,153	890
11	101.8	98.9	98.2	33.5	3,259	894
12	96.7	98.7	96.0	35.0	3,253	901
01.1998	93.2	99.0	95.4	35.6	3,218	878
02	93.6	99.2	94.3	32.5	3,081	848
03	94.9	99.0	93.7	31.3	3,195	859
04	95.0	98.3	94.4	22.5	3,171	863
05	94.0	98.1	94.8	31.1	3,143	834
06	93.6	97.9	95.8	27.9	3,165	833
07	79.6	97.9	95.7	25.8	3,160	813
08	74.6	97.2	94.1	32.0	3,179	804
09	80.6	97.2	91.0	31.3	3,011	774
10	82.3	95.4	89.4	29.5	3,137	822
11	83.0	93.5	85.7	32.9	3,126	811
12	88.0	92.7	85.9	31.2	3,106	879
01.1999	88.0	93.7	88.2	38.9	3,212	892
02	88.4	94.1	88.9	39.5	3,077	888
03	89.9	93.3	89.1	30.7	3,234	906
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* Animal products index for 1998 is not compatible with previous data.

** Based on the year-on-year rates of growth at prices of the previous year.

SA - seasonally adjusted, SAAL - seasonally adjusted annual level.

Table 4: Trade

	Wholesale trade*	Real wholesale trade*	Retail sales**	Real retail sales**	Paid services, total, current prices	Real paid services, total
	(R bn)	(1995 = 100)	(R bn)	(1995 = 100)	(R bn)	(1995 = 100)
1995	1,091.9	100.0	553.5	100.0	113.0	100.0
1996	1,773.8	92.7	744.4	97.6	200.3	92.2
1997	2,173.8	100.6	870.3	102.2	269.5	95.6
1998	2,321.4	97.8	1047.2	97.7	314.7	93.6
01.1997	168.5	91.9	69.2	101.4	19.3	91.7
02	169.4	91.7	64.9	94.2	19.6	89.9
03	180.6	96.4	68.4	97.9	19.7	89.4
04	191.6	101.2	70.0	100.1	21.0	92.7
05	176.2	103.3	69.0	97.7	20.7	89.7
06	169.6	97.2	68.7	96.5	21.9	92.9
07	180.5	101.4	69.7	97.3	23.1	96.6
08	183.4	104.9	72.1	100.8	23.7	98.8
09	185.7	105.2	75.3	105.3	24.5	100.6
10	190.7	106.6	75.6	105.2	24.8	100.3
11	184.0	101.4	77.2	106.8	25.1	100.0
12	193.6	105.5	90.2	123.8	26.1	104.6
01.1998	184.2	93.7	75.2	102.1	21.4	89.2
02	187.9	96.0	69.4	93.7	22.1	89.2
03	197.3	100.7	72.0	96.5	23.9	91.7
04	190.8	97.0	72.4	97.5	24.3	91.0
05	182.3	105.2	72.1	96.4	24.9	92.5
06	178.1	101.6	71.3	95.5	26.9	94.5
07	171.4	97.1	73.0	97.7	28.0	96.0
08	162.3	92.9	82.5	104.3	28.5	96.8
09	183.5	89.9	108.0	100.7	28.8	96.2
10	205.1	95.3	105.3	93.2	28.6	96.7
11	218.5	96.7	111.6	93.5	27.3	93.8
12	260.0	107.3	134.4	101.1	30.0	95.2
01.1999	216.2	77.1	117.1	81.6	27.8	89.6
02	225.0	78.2	118.6	79.5	28.5	86.6
03	273.7	79.2	129.5	84.0	31.2	91.0
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* Including exports.

** Including catering. Revised by Goskomstat in January 1999.

Table 5: Labour market

	Employment	Unemployment rate, ILO concept*	Registered unemployment rate*	Man-days lost in strikes	Nominal average monthly wage due**	Real average monthly wage due, SA***
	(mn)	(%)	(%)	(th)	(R)	(Dec-97=100)
1995	66.4	8.3	2.8	1,366	472	80.7
1996	65.9	9.6	3.5	4,009	790	91.5
1997	64.7	10.8	3.1	6,001	950	95.6
1998	63.6	11.8	2.6	2,882	1,095	89.5
01.1997	65.2	10.1	3.5	1,565	812	90.4
02	65.0	10.3	3.5	989	821	91.8
03	64.8	10.5	3.5	869	903	93.2
04	64.7	10.7	3.5	463	901	94.2
05	64.6	10.9	3.3	258	920	93.6
06	64.6	10.9	3.2	251	993	95.1
07	64.6	10.9	3.1	50	999	96.2
08	64.6	10.9	3.0	131	982	96.4
09	64.5	11.0	2.8	542	1,026	98.5
10	64.4	11.1	2.8	356	1,006	98.2
11	64.4	11.2	2.8	303	998	99.1
12	64.4	11.2	2.8	225	1,215	100.0
01.1998	64.2	11.4	2.7	72	988	99.8
02	64.0	11.6	2.7	95	1,000	102.2
03	63.8	11.7	2.7	103	1,059	100.7
04	63.7	11.7	2.7	109	1,040	100.7
05	63.7	11.5	2.6	86	1,047	99.2
06	63.8	11.3	2.5	79	1,122	101.0
07	63.7	11.3	2.5	56	1,110	101.3
08	63.5	11.6	2.4	27	1,052	94.3
09	63.4	11.9	2.4	378	1,112	70.1
10	63.3	12.3	2.5	797	1,123	69.0
11	63.3	12.3	2.6	615	1,164	69.3
12	63.3	12.4	2.7	464	1,482	66.2
01.1999	63.2	12.4	2.7	577	1,181	60.6
02	63.2	12.4	2.7	532	1,199	60.3
03	63.2	12.4	2.7	83	1,295	59.3
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* Monthly data are end of month, yearly data are averages of the end of month figures.

** Yearly figures reported by Goskomstat are not equal to monthly average.

*** Based on CPI changes.

SA - seasonally adjusted, SAAL - seasonally adjusted annual level.

Table 6: Social indicators

	Personal income, per capita, official	Real personal income, per capita, official	Official minimum monthly wage	Average monthly pension	Official monthly subsistence level	Share of population below subsistence level
	(R)	(1995 = 100)	(R)	(R)	(R)	(%)
1995	514.9	100.0	42.6	188.1	264.1	26.2
1996	759.0	100.1	72.7	302.1	369.9	21.4
1997	933.5	107.4	83.5	328.2	411.2	21.2
1998	969.2	88.5	83.5	399.0	493.3	24.6
01.1997	806.4	97.9	83.5	320.0	393.6	22.1
02	822.2	98.2	83.5	320.2	403.6	22.2
03	857.4	101.0	83.5	320.4	408.4	21.9
04	929.6	108.5	83.5	320.7	411.8	21.1
05	868.0	100.3	83.5	320.7	417.0	22.0
06	963.9	110.2	83.5	320.8	423.0	21.0
07	950.5	107.7	83.5	320.8	427.3	21.3
08	924.3	104.8	83.5	321.1	417.8	21.4
09	905.8	103.1	83.5	321.3	406.5	21.3
10	961.1	109.2	83.5	342.8	403.2	20.6
11	939.5	106.0	83.5	343.0	407.3	21.0
12	1273.1	142.4	83.5	366.3	415.0	18.4
01.1998	798.2	88.0	83.5	366.6	417.7	22.8
02	841.0	91.9	83.5	399.3	424.4	22.4
03	861.7	93.5	83.5	399.8	427.4	22.2
04	908.1	98.1	83.5	400.6	431.9	21.7
05	833.1	89.6	83.5	401.4	434.9	22.8
06	858.3	92.3	83.5	402.5	435.5	22.5
07	883.4	94.8	83.5	402.6	438.4	22.3
08	877.0	90.7	83.5	402.7	449.7	22.7
09	982.0	73.4	83.5	403.0	552.0	29.8
10	1107.4	79.2	83.5	403.1	572.9	28.6
11	1126.6	76.2	83.5	403.2	618.5	29.5
12	1553.1	94.2	83.5	402.9	716.8	27.3
01.1999	1095.0	61.2	83.5	403.0	786.9	38.2
02	1225.3	65.8	83.5	403.1	829.1	n.a.
03	1317.8	68.9	83.5	403.2	857.0	37.7
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Table 7: Arrears*

	Total overdue payables of enterprises, R bn		Of which:			Total overdue receivables of enterprises, R bn		Government wage arrears**
			to suppliers, R bn	to the budget & non-budgetary funds, R bn	wage arrears, R bn			
	4 sectors	9 sectors	4 sectors	4 sectors	4 sectors	4 sectors	9 sectors	R bn
1995	238.9	n.a.	122.3	75.0	13.6	165.5	n.a.	
1996	514.4	n.a.	245.9	203.4	34.7	335.5	n.a.	9.3
1997	756.1	n.a.	344.7	316.6	39.7	458.4	n.a.	4.9
1998	1053.4	1230.6	475.1	438.6	55.7	634.0	761.9	14.0
01.1997	529.1	n.a.	249.1	217.0	35.4	344.5	n.a.	9.5
02	559.7	n.a.	259.8	231.8	36.9	368.6	n.a.	10.3
03	601.0	n.a.	283.8	251.2	37.6	400.1	n.a.	11.3
04	634.3	n.a.	301.1	254.2	36.7	410.7	n.a.	10.8
05	653.8	n.a.	309.4	261.0	38.4	415.6	n.a.	11.0
06	668.6	n.a.	313.3	268.4	39.3	418.8	n.a.	11.4
07	694.3	n.a.	321.5	281.0	39.0	432.3	n.a.	10.9
08	707.6	n.a.	328.9	289.2	39.6	441.5	n.a.	10.2
09	723.4	n.a.	330.2	302.7	41.3	451.3	n.a.	10.2
10	745.2	n.a.	340.2	311.8	40.8	456.3	n.a.	9.6
11	761.7	n.a.	342.9	321.2	41.4	461.6	n.a.	9.3
12	756.1	n.a.	344.7	316.6	39.7	458.4	n.a.	4.9
01.1998	687.7	891.6	286.2	299.2	41.8	389.3	555.5	4.2
02	840.4	941.7	375.2	347.6	48.8	519.6	598.9	5.4
03	795.4	998.3	387.5	363.2	50.1	534.2	620.1	6.5
04	904.5	1034.1	395.0	381.9	52.5	548.7	647.7	6.9
05	939.2	1075.5	416.2	395.2	55.1	570.3	677.3	8.2
06	936.3	1082.0	417.2	391.1	56.4	569.8	683.4	10.0
07	980.7	1132.0	433.3	398.0	59.6	585.0	700.9	11.9
08	1005.1	1160.5	444.2	408.3	63.9	561.7	710.2	13.0
09	1034.8	1199.8	452.7	423.2	65.4	616.8	740.7	14.6
10	1054.4	1224.7	464.5	432.3	62.9	655.2	782.0	15.5
11	1065.5	1238.7	472.2	443.6	61.0	648.1	776.2	15.6
12	1053.4	1230.6	475.1	438.6	55.7	634.0	761.9	14.0
01.1999	1065.9	1241.1	472.8	443.6	55.6	641.8	772.0	13.2
02	1093.0	1280.6	477.6	456.5	52.9	659.5	799.8	12.9
03					49.8			11.3
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* 4 sector series include data from the following sectors of the economy: industry, construction, transport and agriculture.

9 sector series, in addition to sectors included in 4 sector series, include communications, trade and catering, wholesalers, housing and 'other' sectors

** the series includes data for eight sectors of the economy: industry, construction, transport, agriculture, education, health, social services, arts and sciences.

Table 8: Prices (end of period)

	Consumer price index, total (Dec-97=100)	Consumer price index, food & beverages (Dec-97=100)	Consumer price index, non-food goods (Dec-97=100)	Consumer price index, paid services (Dec-97=100)	Composite producer price index (Dec-97=100)	Industrial producer price index (Dec-97=100)
1995	74.0	77.9	78.5	55.0	74.4	74.1
1996	90.1	91.7	92.5	81.6	94.2	93.0
1997	100.0	100.0	100.0	100.0	100.0	100.0
1998	184.4	196.0	199.5	118.3	124.6	123.2
01.1997	92.2	94.5	93.4	83.5	95.8	94.0
02	93.6	95.8	94.0	86.5	97.0	95.6
03	95.0	97.2	94.7	88.7	97.2	96.8
04	95.9	98.1	95.3	90.1	97.9	97.6
05	96.8	98.9	95.8	91.8	98.6	98.0
06	97.8	100.4	96.2	92.8	98.4	98.9
07	98.7	101.1	96.6	94.9	98.8	99.1
08	98.6	100.3	97.1	95.9	99.6	99.5
09	98.3	98.9	97.9	97.1	99.0	99.7
10	98.5	98.4	98.7	98.2	99.8	99.8
11	99.1	98.8	99.4	99.3	100.6	100.0
12	100.0	100.0	100.0	100.0	100.0	100.0
01.1998	101.5	102.1	100.5	101.7	101.4	100.9
02	102.4	103.3	100.8	102.7	102.0	101.4
03	103.1	104.1	101.0	104.0	102.0	101.3
04	103.5	104.4	101.2	105.0	101.9	101.3
05	104.0	105.0	101.3	106.1	101.3	100.5
06	104.1	105.0	101.3	106.7	99.7	100.5
07	104.2	104.9	101.3	108.0	100.8	99.7
08	108.1	107.4	108.6	109.3	100.2	98.5
09	149.6	149.8	167.5	113.0	106.9	105.8
10	156.4	155.6	180.0	114.8	111.6	112.0
11	165.3	167.5	187.7	116.2	117.2	117.6
12	184.4	196.0	199.5	118.3	124.6	123.2
01.1999	199.9	216.2	211.9	123.2	133.0	131.6
02	208.1	225.6	220.2	127.1	139.5	138.9
03	213.9	231.9	227.4	129.5	144.3	144.3
04	220.4	238.0	236.6	133.6		
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Table 9: Foreign Trade*

	Exports total	Export of oil & oil products	Export of gas	Imports total**	Imports of machinery & equipment	Trade balance total
	(\$ bn)	(\$ bn)	(\$ bn)	(\$ bn)	(\$ bn)	(\$ bn)
1995	81.1	17.3	10.8	60.8	15.8	20.2
1996	88.6	23.1	15.8	68.8	14.6	19.8
1997	88.4	21.9	16.4	73.6	18.5	14.8
1998	73.9	14.5	13.3	59.5	15.6	14.4
01.1997	7.0	1.8	1.8	4.8	0.9	2.2
02	6.8	0.8	1.0	5.1	1.2	1.7
03	7.4	0.4	2.2	5.7	1.5	1.7
04	6.9	4.4	1.4	6.2	1.7	0.7
05	6.7	1.9	1.2	5.5	1.3	1.2
06	6.9	1.8	1.1	5.9	0.5	1.0
07	7.5	1.3	1.0	6.0	1.6	1.5
08	6.9	2.5	1.0	6.5	1.4	0.4
09	7.1	1.8	1.0	6.2	0.8	0.9
10	8.0	1.8	1.3	6.9	3.3	1.1
11	8.2	1.8	1.6	6.5	1.7	1.7
12	9.0	1.9	1.7	8.3	2.7	0.7
01.1998	5.9	1.4	1.5	5.6	1.5	0.3
02	5.8	1.2	1.4	6.0	1.5	-0.2
03	6.8	1.2	1.5	6.5	2.0	0.3
04	6.1	1.2	1.0	6.3	0.9	-0.2
05	6.1	1.4	0.9	5.8	1.5	0.3
06	6.5	1.1	0.9	5.8	1.3	0.7
07	6.2	1.1	0.9	5.7	1.5	0.5
08	5.6	1.2	0.8	5.2	1.5	0.4
09	5.9	1.1	0.8	3.0	1.1	2.9
10	6.0	1.2	1.1	3.0	0.9	3.0
11	5.9	1.1	1.3	3.0	0.8	2.9
12	7.1	1.2	1.2	3.6	1.2	3.5
01.1999	4.8	0.9	1.3	2.9	0.9	1.9
02	4.8	0.8	1.0	2.9	1.8	1.9
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*Numbers starting January 1997 are revised taking into account data of State Customs Committee and Central Bank of Russia.

** Includes Goskomstat estimate of unregistered trade.

Table 10: Balance of payments (\$ mn)

	1996	1997	1998	1998 Q1	1998 Q2	1998 Q3	1998 Q4
Current Account	11997	3555	2446	-1508	-3587	900	6640
<i>Trade balance</i>	17198	12551	14156	-138	291	4162	9841
Export	103520	103060	87688	21523	22175	21802	22188
Import	-86322	-90508	-73533	-21661	-21884	-17640	-12347
<i>Merchandise trade balance</i>	23069	17517	17306	908	1584	4814	10000
Export	90563	88927	74751	18617	18846	18112	19177
Import	-67494	-71410	-57445	-17709	-17262	-13298	-9176
<i>Service balance</i>	-5871	-4965	-3150	-1045	-1293	-652	-159
Export	12957	14133	12937	2907	3329	3690	3011
Import	-18828	-19098	-16087	-3952	-4622	-4343	-3171
<i>Income and Wages</i>	-5339	-8411	-11359	-1232	-3734	-3234	-3159
Received	4333	4366	4300	2478	834	584	404
Paid	-9672	-12777	-15659	-3710	-4568	-3818	-3563
Wages	-406	-342	-164	-89	-71	-32	29
Received	102	227	301	51	74	82	94
Paid	-507	-568	-465	-141	-145	-114	-65
Income	-4933	-8069	-11195	-1142	-3663	-3201	-3188
Received	4232	4140	3999	2426	760	503	310
Paid	-9165	-12209	-15194	-3569	-4423	-3704	-3498
<i>Current Transfers</i>	138	-585	-351	-139	-144	-28	-41
Received	765	349	223	65	60	41	57
Paid	-627	-935	-574	-204	-203	-69	-98
Capital Account	-3618	4047	5469	4177	5346	2754	-6808
<i>Capital transfers (net)</i>	-463	-797	-382	-92	-189	15	-116
<i>Direct investments abroad</i>	-771	-2603	-1027	-254	-341	-98	-334
<i>Direct investments into Russia</i>	2479	6243	2182	623	450	411	699
<i>Portfolio investments abroad</i>	-172	-156	-256	-97	-506	350	-3
<i>Portfolio investments into Russia</i>	8929	45589	8035	3657	4230	-232	381
<i>Other investment - assets</i>	-29306	-26621	-16122	-3343	-2393	-3942	-6443
Hard currency	-8908	-13444	945	609	1274	-1712	773
Bank accounts and deposits	-1000	977	972	1617	596	-102	-1139
Trade credits	-9501	-6789	-6810	-96	-1154	-1181	-4379
Loans provided (not overdue)	9499	7004	5345	1846	1602	1282	615
Overdue payments	-9475	-3048	-7428	-3712	-2791	-488	-436
Non-repatriated export revenue	-9773	-11458	-8625	-3395	-1650	-1507	-2072
Other assets	-149	136	-520	-211	-271	-234	195
<i>Other investment - liabilities</i>	14328	-15655	7784	2774	3329	3647	-1966
National currency	-230	-38	65	-3	69	17	-17
Bank accounts and deposits	1547	-4694	-2832	-961	349	-1376	-844
Trade credits and advances	-799	-64	321	-58	119	86	175
Loans received (not overdue)	10256	12676	5806	3663	1829	3188	-2875
Overdue payments	2672	-24045	5120	364	270	1976	2510
Other liabilities	881	511	-697	-231	693	-244	-915
<i>Adjustments</i>	-1484	-19	-50	18	-1	7	-74
<i>Net international reserves</i>	2841	-1934	5305	892	768	2596	1050
Errors and omissions	-8379	-7602	-7914	-2669	-1759	-3655	168

Table 11: Federal budget (IMF definition)*

	<u>Revenues</u>		<u>Expenditures</u>		<u>Deficit</u>	
	Total	of which: tax revenues	Total	of which: interest payments	Total	% GDP
	(R bn)	(R bn)	(R bn)	(R bn)	(R bn)	(%)
1995	201.0	175.3	286.2	54.6	85.2	5.4
1996	253.8	218.7	427.1	124.5	173.3	7.9
1997	311.6	262.1	494.8	117.8	183.2	7.0
1998	273.0	236.0	407.2	106.8	134.2	5.0
01.1997	12.7	11.5	26.0	10.6	13.2	7.7
02	29.7	26.1	56.9	22.5	27.3	7.9
03	50.2	45.6	99.1	32.9	48.9	9.0
04	77.5	70.0	140.6	45.3	63.1	8.5
05	105.8	93.7	176.9	53.2	71.2	7.5
06	119.6	107.2	216.5	63.9	96.9	8.3
07	138.9	123.7	255.4	74.5	116.5	8.4
08	166.4	139.6	299.9	83.4	133.5	8.2
09	188.5	157.0	330.4	90.3	141.9	7.6
10	212.0	177.4	369.9	99.7	157.9	7.5
11	240.9	198.2	406.3	110.2	165.5	7.1
12	311.6	262.1	494.8	117.8	183.2	7.0
01.1998	21.8	15.8	29.3	5.1	7.5	4.0
02	39.8	31.2	53.7	12.0	13.9	3.7
03	62.2	49.9	89.9	28.5	27.8	4.9
04	84.3	68.8	120.4	37.8	36.1	4.7
05	106.5	87.9	153.7	51.6	47.2	4.8
06	126.6	105.3	189.0	62.0	62.4	5.3
07	147.6	123.7	221.3	75.3	73.7	5.3
08	165.3	139.2	242.9	82.4	77.6	4.8
09	182.3	154.6	265.7	85.1	83.4	4.4
10	204.3	173.9	298.3	87.6	94.0	
11	230.7	197.8	334.5	96.6	103.8	
12	273.0	236.0	407.2	106.8	134.2	5.0
01.1999	27.8	24.6	39.3	10.6	11.5	
02	54.3	48.6	72.4	18.1	18.1	
03	88.6	80.1	127.6	30.8	39.0	n.a.
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* IMF definition of revenues and expenditure is used.
Monthly data are cumulative.

Table 12: Consolidated regional and local budgets (IMF definition)*

	<u>Revenues</u>		<u>Expenditures</u>		<u>Deficit</u>	
	Total	of which: tax revenue	Total	of which: housing subsidies	Total	% GDP
	(R bn)	(R bn)	(R bn)	(R bn)	(R bn)	(%)
1995	238.4	189.0	247.0	65.2	8.6	0.5
1996	321.2	254.3	342.8	88.6	21.6	1.0
1997	410.4	329.0	446.9	106.0	36.5	1.4
1998	395.5	308.1	407.1	94.4	11.7	0.4
01.1997	17.3	14.6	19.8	4.2	2.5	1.5
02	36.3	30.6	41.4	9.0	5.1	1.5
03	63.3	51.6	70.4	15.7	7.0	1.3
04	96.2	79.0	102.8	23.2	6.6	0.9
05	129.3	106.6	135.1	30.6	5.8	0.6
06	161.0	130.7	162.8	38.0	1.8	0.2
07	195.8	158.7	207.8	46.0	12.0	0.9
08	230.2	186.8	242.4	54.8	12.2	0.8
09	265.9	216.6	279.7	63.4	13.8	0.7
10	303.3	246.1	319.0	72.7	15.6	0.7
11	337.3	276.1	357.2	81.8	19.9	0.9
12	410.4	329.0	446.9	106.0	36.5	1.4
01.1998	18.6	14.3	19.9	3.8	1.2	0.7
02	35.7	32.7	43.6	9.1	7.9	2.1
03	67.0	52.4	71.9	15.7	5.0	0.9
04	101.3	79.9	106.7	22.7	5.4	0.7
05	131.6	105.0	138.3	30.0	6.7	0.7
06	163.9	129.5	176.2	37.4	12.3	1.0
07	192.0	153.6	205.8	43.9	13.8	1.0
08	218.9	176.2	233.6	50.5	14.7	0.9
09	247.1	198.5	261.4	57.0	14.3	0.8
10	278.7	223.3	290.9	63.9	12.2	
11	319.0	254.5	330.8	73.1	11.7	
12	395.5	308.1	407.1	94.4	11.7	0.4
01.1999	25.7	18.3	22.7	3.8	-3.0	
02	51.8	38.6	49.3	8.2	-2.5	
03	93.6	71.3	91.5	16.1	-2.1	n.a.
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* Privatisation receipts and net sales of state gold reserves are counted as deficit financing. Monthly data are cumulative.

Table 13: Monetary aggregates (end of period)

	Monetary base	Net International Reserves (NIR)	Net Domestic Assets (NDA)*	M0**	M2***	Outstanding stock of GKOs and OFZs, nominal
	(R bn)	(\$ bn)	(R bn)	(R bn)	(R bn)	(R bn)
1995	103.8	7.7	68.1	80.8	220.8	73.7
1996	130.9	1.7	123.0	103.8	288.3	237.1
1997	164.5	4.0	142.1	130.4	374.1	384.9
1998	210.4	-6.5	249.3	187.8	452.5	n.a.
01.1997	123.9	0.6	120.7	96.3	289.9	248.4
02	130.2	1.2	123.6	102.1	299.5	262.2
03	136.3	2.0	125.0	105.2	305.8	276.7
04	145.7	4.2	122.2	115.2	317.8	287.1
05	148.0	5.6	116.7	120.4	328.4	296.4
06	167.0	11.0	106.1	136.9	352.0	311.4
07	171.4	11.2	109.3	140.4	363.0	321.5
08	174.7	11.0	113.9	141.6	364.6	359.9
09	169.8	9.5	117.1	134.9	363.0	366.0
10	170.6	9.2	119.4	135.8	368.8	375.3
11	165.0	3.2	147.2	128.8	357.4	380.2
12	164.5	4.0	142.1	130.4	374.1	384.9
01.1998	151.4	0.9	146.2	116.7	361.2	390.9
02	152.8	0.5	149.8	120.4	362.9	402.3
03	152.9	2.4	138.8	119.1	360.4	415.7
04	161.6	1.4	153.3	128.6	368.0	429.4
05	163.2	0.0	163.0	129.9	370.0	435.3
06	163.2	1.5	154.0	129.8	368.6	436.0
07	161.3	-0.9	166.6	129.3	360.0	394.3
08	161.7	-6.8	202.3	133.4	343.6	387.1
09	175.2	-6.7	215.3	154.2	365.8	n.a.
10	187.2	-5.6	221.0	166.4	377.6	n.a.
11	191.3	-6.3	229.5	167.3	396.9	n.a.
12	210.4	-6.5	249.3	187.8	452.5	n.a.
01.1999	202.5	-6.7	340.3	178.0	444.2	n.a.
02	205.2	-6.7	342.8	180.8	463.9	n.a.
03	205.9					
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Source: CBR.

* Net Domestic Assets (NDA), of the monetary authorities equals monetary base minus net international reserves.

NDA is calculated using the exchange rates of R6 for 1998, R5,560 for 1997 data, R4,640 for 1996, R3,550 for 1995, and R1,247 for 1994.

** M0 is currency in circulation.

*** M2 includes currency in circulation, demand deposits, and time deposits (there is a break in the series from December 1996, from then it includes only deposits at banks with active licences).

Table 14: Assets and liabilities of the commercial banks including Sberbank (end of period)*

	Total assets	Claims on the general government	Claims on the private sector	Bank savings by Russian citizens (household deposits)	Foreign currency deposits	Foreign liabilities
	(R bn)	(\$ bn)	(R bn)	(R bn)	(R bn)	(R bn)
1995	342.3	62.6	133.8	70.6	55.3	30.0
1996	497.7	150.7	157.3	118.4	69.4	58.9
1997	622.7	191.5	225.9	148.2	80.5	104.2
1998	936.8	260.4	339.5	149.5	188.0	202.6
01.1997	502.3	157.4	160.0	128.6	70.7	55.2
02	514.7	163.7	163.3	131.7	71.3	58.2
03	520.8	170.7	163.6	132.8	71.7	61.7
04	531.2	175.5	170.2	134.5	74.1	65.8
05	542.2	178.4	173.9	136.3	70.4	67.8
06	562.0	187.1	179.6	139.8	71.3	74.2
07	570.1	196.5	185.4	143.4	67.0	82.3
08	581.8	198.7	194.4	143.5	67.7	90.4
09	604.2	196.6	205.2	141.6	71.6	99.5
10	620.5	201.1	214.1	139.1	76.4	108.0
11	623.5	188.2	227.6	137.3	77.9	115.1
12	622.7	191.5	225.9	148.2	80.5	104.2
01.1998	591.8	191.1	230.7	153.3	68.6	102.7
02	605.1	202.5	236.1	157.8	73.2	101.9
03	618.0	210.6	239.2	162.2	75.9	103.6
04	624.0	215.1	246.6	165.8	76.0	103.4
05	613.2	202.7	245.7	167.2	78.7	104.6
06	624.0	207.8	249.3	166.1	77.6	105.4
07	609.9	193.6	245.0	161.2	79.6	101.0
08	612.8	188.0	252.3	146.7	93.6	108.5
09	793.1	205.8	335.4	136.1	163.4	196.1
10	777.7	203.5	314.1	138.0	147.4	180.1
11	855.0	236.4	325.7	141.1	161.1	194.2
12	936.8	260.4	339.5	149.5	188.0	202.6
01.1999	1033.3	299.7	361.8	153.4	204.1	211.6
02	1058.1	303.2	375.4	161.0	205.9	215.5
03				164.7		
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Source: CBR.

* Since January 1998 only for credit organisations with an active licence

Table 15: Interest rates (annual rates, period average)*

	CBR refinance rate*	Lending rate**	Deposit rate**	Overnight Inter- bank rate	GKO average secondary market yield, all maturities	MT \$ index, monthly average (end Aug-94=100)
	(%)	(%)	(%)	(%)	(%)	
1995	185	320.3	102.0	190.4	161.8	67.5
1996	110	146.8	55.1	47.6	85.8	101.9
1997	32	32.0	16.8	21.0	26.0	291.6
1998	60	42	17	50.6	56.4	136.9
01.1997	48	44.2	30.2	21.1	32.8	183.3
02	42	46.1	26.8	25.8	28.3	225.7
03	42	41.6	18.3	32.4	33.2	229.2
04	36	32.5	18.0	28.2	35.7	218.9
05	36	34.0	17.3	14.8	25.5	257.7
06	24	28.6	17.1	16.1	20.2	286.0
07	24	28.8	16.6	14.3	18.4	360.2
08	24	28.3	15.4	16.2	18.9	404.4
09	24	24.8	10.3	15.6	19.7	378.5
10	21	24.0	9.5	18.2	19.8	389.7
11	28	23.0	9.9	20.5	22.6	287.4
12	28	28.6	11.8	28.4	36.6	277.8
01.1998	28	29.8	11.6	24.1	33.4	246.4
02	39	30.4	12.2	30.3	29.6	229.6
03	30	38.3	11.2	25.9	24.4	254.3
04	30	38.8	11.0	29.5	27.8	233.3
05	150	40.4	12.9	47.6	54.8	187.4
06	80	48.0	14.0	56.1	65.1	139.1
07	60	44.9	15.1	58.8	81.0	114.9
08	60	48.6	17.5	45.3	135.3	74.0
09	60	46.8	23.8	139.7	n.a.	40.1
10	60	49.0	27.3	84.9	n.a.	34.6
11	60	44.8	22.3	36.7	n.a.	48.6
12	60	41.7	25.7	27.8	n.a.	41.0
01.1999	60	45.5	24.2	28.1	n.a.	36.2
02	60	44.1	22.8	20.4	33.4	45.4
03	60			20.7	30.7	58.8
04	60			15.2	27.4	59.1
05						
06						
07						
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09						
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11						
12						

Source: CBR, Moscow Times.

* Period average, except monthly CBR refinance data that is for end of month (annual is annual average).

** Data has been revised from January 1995. Prior January 1997 not compatible with current methodology.

Table 16: Exchange rates and Stock market

	MT \$ index, end of period (end Aug-94=100)	Exchange rate (MICEX), period average*	Exchange rate (MICEX), end of period*	Real exchange rate, period average** (Dec-95 = 100)	Gross international reserves (including gold, end of period) \$ bn	of which: Gold reserves (Valued at \$300 per ounce) \$ bn
1995	64.0	4.562	4.640	82.4	17.2	2.8
1996	148.4	5.126	5.570	100.1	15.3	4.1
1997	302.7	5.785	5.974	104.3	17.8	4.9
1998	38.4	9.965	21.140	67.4	12.2	4.4
01.1997	196.2	5.607	5.630	73.8	14.0	4.1
02	236.6	5.654	5.676	74.9	15.2	4.1
03	223.8	5.707	5.727	75.9	16.5	4.1
04	235.6	5.743	5.744	77.0	18.2	4.1
05	260.3	5.756	5.767	76.8	20.0	4.1
06	314.6	5.765	5.769	78.4	24.5	4.2
07	380.9	5.796	5.809	80.6	24.5	4.3
08	364.0	5.815	5.840	79.2	23.9	4.3
09	379.3	5.852	5.864	77.9	23.1	4.4
10	326.3	5.873	5.900	76.6	22.9	4.5
11	249.8	5.910	5.924	77.4	16.8	4.6
12	302.7	5.942	5.974	77.8	17.8	4.9
01.1998	209.6	6.022	6.048	79.5	15.4	4.9
02	234.5	6.048	6.045	79.6	15.0	4.8
03	244.0	6.073	6.089	80.3	16.9	4.9
04	233.2	6.128	6.110	79.0	16.0	5.0
05	141.4	6.145	6.138	79.2	14.6	5.0
06	111.8	6.198	6.225	78.7	16.2	5.0
07	109.6	6.235	6.272	78.0	18.4	4.6
08	50.8	7.460	10.363	70.7	12.5	4.3
09	28.7	14.762	16.045	48.6	12.7	3.9
10	40.0	16.374	16.600	46.2	13.6	3.9
11	51.6	17.297	18.470	45.6	12.8	4.3
12	38.4	20.841	21.140	43.0	12.2	4.4
01.1999	35.1	22.991	23.100	42.8	11.6	4.5
02	50.7	23.075	23.100	44.2	11.4	4.2
03	61.0	24.120	24.860	45.0	10.8	4.1
04	69.4	25.321	24.290	45.0	11.1	4.1
05						
06						
07						
08						
09						
10						
11						
12						

Source: CBR, Moscow Times.

* Units are new roubles or, prior to January 1998, thousands of pre-denomination roubles.

** The real exchange rate is a new trade weighted exchange rate. An increase in this series represents an appreciation.

Weightings are 40% the US, 40% Germany, and 20% Ukraine.



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