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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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*All nominal rouble amounts are given in new, redenominated, roubles.  
This is true of all historical data too.*



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# EXTERNAL DEBT OF THE RUSSIAN FEDERATION

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RECEP Moscow

## **Introduction**

External debt of the Russian Federation is usually divided into the obligations contracted by the Russian government itself and those inherited from the Soviet Union. Before August 1998, Russia honored both types of its external debt. The August devaluation drastically reduced the ability of the state to service its external debts. The decision was taken to interrupt principal and interest payments on the Soviet debt, but to honor the debts incurred by the Russian Federation as a sovereign state. So far creditors' response has been rather favorable: no formal default was declared and consultations were started with the members of the Paris and London clubs, the holders of most of the Soviet debt.

The report is devoted to the history of the different categories of the sovereign external debt of the Russian Federation, and briefly addresses the problem of Russia's debt service capacity. The ability of the Russian Federation to honor its obligations is determined in large part by the size of the primary fiscal surplus and the balance of payments. We believe that despite a significant trade surplus factors such as capital flight, low tax collection rates and weak government control over expenditure patterns severely limit the amount of funds that could be paid to the external creditors. Fundamental reforms that are required to improve debt service capacity will take a number of years to implement, and in that time it is likely that the government will prioritise payments on certain categories of its external debt, amounting to \$134 bln.

## **Soviet debt** **Paris and London clubs.**

Drastic deterioration of the economic situation, caused by the inherent weaknesses of the planned economy and grave mistakes in economic policies, forced Soviet leadership to resort to extensive borrowing from abroad. In 1985-89 most external financing was used for investment purposes, though only modest productivity gains were achieved due to systemic problems in the economy. Funds obtained from the West in 1990-1991 were largely used to maintain household consumption of imports. As of the January 1, 1992 total external debts of the Soviet Union were estimated at \$107.7 bln.

At the early stage the debt burden was supposed to be shared between the sovereign states that emerged after the breakup of the Union. In the course of 1993 the new states agreed to transfer all external assets and liabilities of the USSR to the Russian Federation<sup>1</sup>. Faced with more than \$40 bln in debt repayments in 1992-93, Russian Government applied to official and commercial creditors for debt restructuring. Drawn out negotiations conducted under the umbrella of London and Paris clubs

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<sup>1</sup>*Strictly speaking the Russian Federation assumed 97.4% of the external debt of the Soviet Union.*

resulted in major changes in the structure and maturity of the liabilities inherited from the Soviet Union<sup>2</sup>. Below we study the history of different categories of the Soviet debt in 1992-98.

In April 1996 an agreement was reached with the official creditors, members of the Paris club whereby \$33 bln of the total debt of \$38 bln were to be repaid by the Russian government within 25 years. In August 1998 Russia technically defaulted on its debts to Germany, that were part of the Paris club restructuring. No due payments to Paris club creditors were made in the remainder of 1998 and first five months of 1999. Missed payments on the restructured liabilities amount to \$1.8 bln. Informal consultations were initiated though no official proposal has been put forward by the Russian side.

In December 1997 London club creditors accepted a swap of their claims of \$22 bln for two tradable instruments, PRINs and IANs. The latter ones represented principal debt, and the former were issued against overdue interest arrears. In December 1998 the Russian government breached the terms of the restructuring agreement with the London Club by failing to make cash interest payment on PRINs. In May London club creditors decided to postpone further discussions on whether to declare Russia bankrupt until a formal request on debt restructuring was made by the Russian side. By May 31, 1999 total debt to the London club members was \$26.4 bln of which \$200 mln was overdue interest.

Some important aspects of the agreements with the creditors clubs deserve attention. These features may explain why the Russian government, unable to fully service its debts after the crisis of August 1998, chose to default on London and Paris clubs obligations first. Under the original terms of Soviet debt rescheduling there was no reduction in the nominal value of debt, though favourable changes in the payments schedule reduced the net present value of obligations. Precedents in the cases of Poland and Egypt, in which considerable debts due to Paris club countries were written off, might provide additional leverage to the Russian side in its new negotiations with official creditors. With regard to the London club, the commercial creditors' position is weakened by the fact that PRINs and IANs, the obligations of the Vnesheconombank, cannot be fully classified as sovereign. Thus legal actions do not pose a major threat to Russian assets abroad.

### **Internal foreign currency denominated debt.**

The last significant part of the debt restructured in 1991 was the foreign currency denominated accounts of Soviet enterprises and individuals at the Vnesheconombank. These obligations were restructured into five tranches of tradable securities called OVVZ (Minfins or Taiga bonds). OVVZ's are considered to be part of internal debt, and disputes arising in connection with Minfins are under jurisdiction of the Russian courts. In 1996 Russia issued its own OVVZ bonds. By May 1, 1999 the face value of Minfins in circulation was around \$8.70 bln. It is clear that the government assigns relatively low priority to OVVZ debt, and its failure to redeem the third tranche due in May 1999 did not come as a surprise. However, up to now all interest payments have been made on time. The reasons for this seemingly inconsistent behaviour are twofold. First, the government argues that the restructuring process will be legally easier if interest is paid. Second, Russian banks invested heavily in Minfins, and given the pitiful state of the banking system any cash injection was welcome. In May

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<sup>2</sup> Other official Soviet external debts that were not included in the restructuring under the Paris club amounted to \$21.3 bln as of May 1, 1999. These include debts to countries that are not members of the Paris club, such as Korea and Saudi Arabia and the then COMECON countries.

the Ministry of Finance officials pointed out that investors holding OVVZ bonds issued in 1992 might be offered a restructuring deal analogous to the GKO restructuring.

### **Russian Federation debt. Multilateral creditors.**

In the years 1992-1995 Russia did not have access to international capital markets, and received external financing mostly from official sources. IMF drawings and World Bank loans, which started in 1993, were subject to conditions specified in the economic programmes. Russian relationships with the Fund were heavily influenced by political considerations. Contrary to common practice IMF loans were used not only for balance of payments support but also for financing the fiscal deficit of the federal government. The last batch of IMF funding was received in August 1998 when the Russian debt to multilateral creditors reached \$25.4 bln. The Primakov government was on the verge of endorsing an IMF approved programme when a change of cabinet threw a wrench into negotiations. The current government will probably sign the programme soon and make efforts to convince the parliament to pass the legislation required for its implementation. Most likely the amount of new funds that would be provided by IMF will be roughly equivalent to the repayments Russia has to make on the old loans.

While new IMF loans will be an effective rollover of the old credits, their major significance lies in their influence on other potential and current creditors. Paris club members usually require that countries applying for debt relief have an IMF supported economic programme. Eximbank of Japan and IBRD will resume financing after the IMF board of directors approves new drawings. Since the August crisis the Russian government has continued to service its IMF/IBRD loans on time. It is doubtful that the government will default on its obligations to the international financial institutions even in the most unfavourable circumstances. As of May 1, 1999 the stock of debt owed to the multilateral creditors amounted to \$23.3 bln<sup>3</sup>.

### **Eurobonds.**

Agreements with the London and Paris club creditors and the IMF supported programme of monetary stabilisation improved the perceived creditworthiness of the Russian Federation, and in the end of 1996 the first Russian eurobonds were issued. In 1996-98 there were nine Eurobond issues with total par value of approximately \$15.9 bln.

Expectations of continued stability of the exchange rate justified the desire of the government to reduce the costs of debt by substituting expensive domestic obligations with dollar denominated external debt. The devaluation of August 1998 drastically raised the costs of eurobonds, but the government continued to make timely coupon payments. According to government officials payments to Eurobond creditors are second only to the multilateral creditors, and as long as resources to service this part of the debt are physically available this will be done. The logic underlying the government's determination is based upon the hope to regain access to international capital markets when the new restructuring of the Soviet debts is completed. Another possible reason is to avoid the humiliation of being the first sovereign debtor to default on its eurobonds. It is also worth noting that eurobond holders enjoy better legal protection than other creditors and the default would most likely result in a legal action endangering assets of the Russian government and private parties abroad<sup>4</sup>.

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<sup>3</sup> As of January 1, 1999 Russian debt to official creditors other than IMF/WB reached \$7.9 bln. Most of this debt is due to OECD countries, with the major creditor being Germany.

<sup>4</sup> Similar considerations explain why the Russian government did not default on the Soviet eurobonds in 1991.

**Table 1: Russian external debt as of 31 of May 1999, (\$ bln).**

<b>Total external debt</b>	<b>134</b>
<i>Soviet debt</i>	<i>87.1</i>
Paris club bilateral creditors	39.4
Other bilateral creditors.	21.3
London club creditors	26.4
<i>Russian debt</i>	<i>47.1</i>
Multilateral creditors (IBRD and IMF)	23.3
Bilateral creditors	7.9
Eurobonds	15.9

Source: RECEP estimates.

## Conclusions

One can consider two sources from which debt service can be drawn, a healthy trade surplus or a primary budget surplus. The problem of using export revenues, compared to using the primary surplus, for debt servicing is that first has to be acquired by the government, normally with the assistance of the central bank. Thus, the central bank can either print money to buy hard currency on the market or it can make use of market operations to tap the domestic market for currency, which then can be used to purchase hard currency. The first option is inflationary unless sterilised, and the second option requires a market and a demand for government securities. A primary surplus, on the other hand, is available for the government's use.

Even if Russia would be able to generate an annual trade surplus in the region of \$15-20bn in the next couple of years, the ability of the state to access export revenues is limited. The use of emissions to purchase hard currency to meet external obligations would lead to a depreciation of the rouble, making such a policy self-defeating. In other words, the major source of funds available for external debt service would be a primary budget surplus.

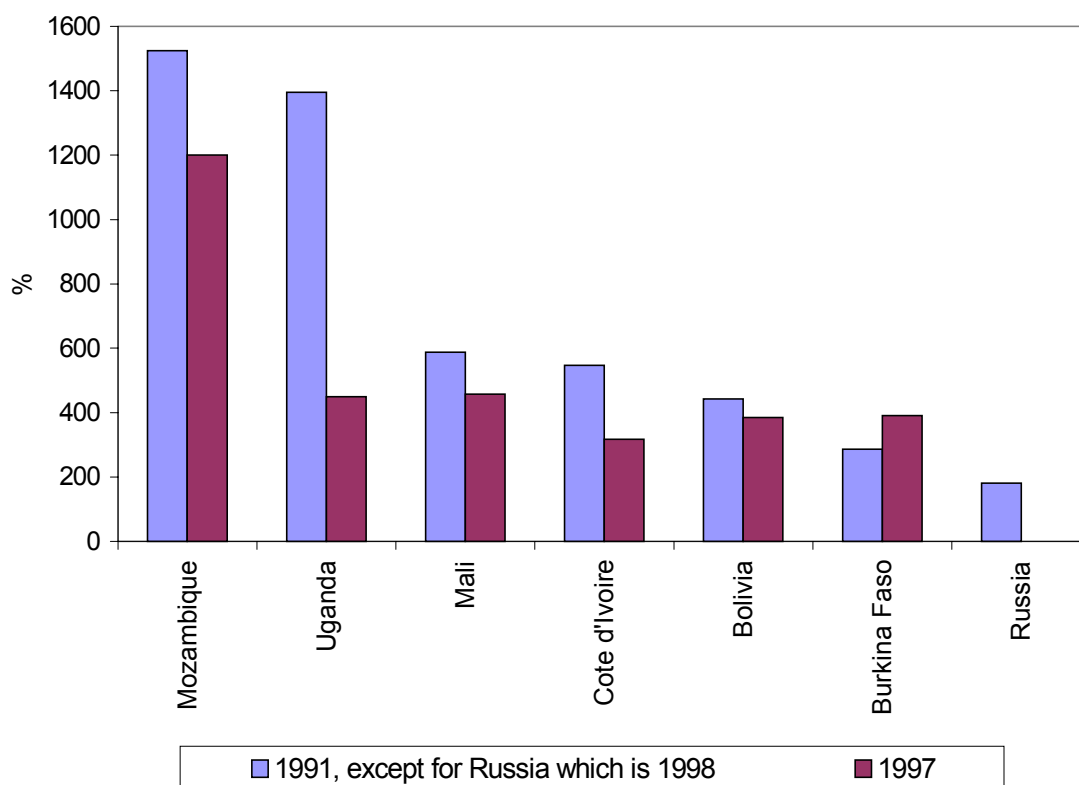
A serious approach to fiscal reform is needed, but even if the government does its best to improve the fiscal balance, the high level of debt will remain a burden for the government. A high level of indebtedness absorbing a significant part of government revenues can work as a disincentive to economic reforms.

## Debt relief and the HIPC Initiative

Precedents for external debt relief are not unheard of. Since 1995 the IMF and World Bank have been leading a program (the HIPC Initiative) which to date has provided debt relief totalling \$3 bln in net present value terms to seven countries. The seven countries are all classified as Heavily Indebted Poor Countries (HIPC): Include Bolivia, Burkina Faso, Cote d'Ivoire, Guyana, Mozambique, Mali and Uganda. Here, we examine the eligibility criteria used in selecting these countries, and look at how Russia compares to them.

To qualify for debt relief under the described program, the countries should be so heavily indebted as to 'face an unsustainable debt situation' and must pursue the course of reforms supported by the IMF over a period of time. Although there is no precise definition of what is 'heavily indebted', the ratio of net present value of debt to exports for the 40 countries defined as HIPC in 1991 was about 600%, (while the ratio of 200-250% is defined as sustainable by the IMF). Thus, the ability of the country to earn revenues in foreign currency is considered a key in determining whether its external debt situation is sustainable.

**Figure 1 Ratio of external debt to annual exports for countries which were awarded debt relief by HIPC initiative and Russia<sup>1, 2</sup>**



The two dates (1991 and 1997) are chosen to show the debt situation before and after the effect of the program  
 Data for Guyana is not available  
 Source: World Bank, Goskomstat

As shown in the figure above, Russia has much more potential for debt repayment from its export revenues than do countries that received debt relief through the HIPC Initiative. This is clearly due to Russia's rich endowment in natural resources which have been a continuous source of hard currency for it.

At the same time, the HIPC Initiative admitted that an economy, especially a very open one (defined as having exports comprising at least 40% of GDP), can only be considered to face a sustainable debt situation when its government has the ability to divert some of the country's export revenues towards external debt repayment via tax collection. In this case a taxes-to-GDP ratio of 20% is considered the minimum required for debt sustainability. Incidentally, this is approximately the amount of tax revenues Russia, which exports 27% of its GDP, has been collecting in 1996-1998.

This comparison suggests that Russia, at the moment, does not formally qualify for a debt relief program such as HIPC Initiative. Still, its debt situation is unlikely to be termed 'sustainable' due mostly to the inability of the government to capture a large part of exporter's revenues. This does not mean that Russia does not have chances for debt relief - as we mentioned earlier in the report, history has seen examples when such decisions were motivated to a large extent by political considerations.

# ECONOMIC UPDATE

## Aggregate demand

In April seasonally adjusted real consumer expenditures on goods and services decreased by about 2% to a level 15% lower than the 1997 average. A small decline in consumer demand was registered in all major components – food, public catering, non-food goods, and paid services.

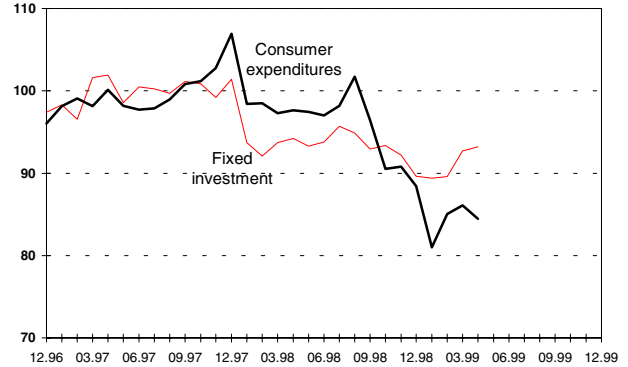
According to preliminary data, fixed investment grew by 0.5% compared to March in seasonally adjusted terms. Investment demand increased for the third month in a row, and in April was only 7% lower than the 1997 average. The growth of investment is driven mainly by the increase in expenditures on construction, which grew in April by more than 5% over March in seasonally adjusted terms.

## Output

In April gross output of five basic sectors rose in seasonally adjusted terms by 1.5% over March, returning to the level of Q1 1998, or 1.5% below 1997 average level. Industrial output increased by 0.7% in a month and was 2.4% above the average 1997 level. The volume of construction grew in seasonally adjusted terms by 5.4%, 6% below the 1997 average. Production of agricultural animal products decreased by 0.7%, to 7% below its 1997 average level. Freight transport turnover grew in April by 0.4%, to 1.1% above the 1997 level. This growth is attributed to an increase in the volume of rail transportation, which in April was 8% above its 1997 average.

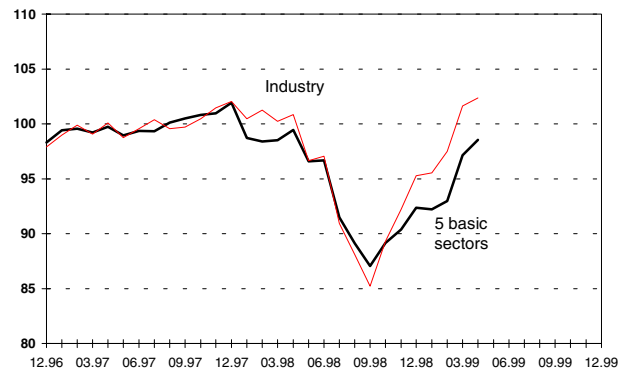
In April the total volume of industrial production in seasonally adjusted terms exceeded its December 1997 peak level. Among particular sub-industries, positive monthly rates of growth in April were observed in production of non-ferrous metals (8.5%), food processing (6.8%), construction materials (4.6%), chemicals (3.7%), ferrous metals (2.1%) and fuels (1.6%). Output of electric power decreased by 5.9%, and machinery by 4.7%. Output in several industries this year already substantially surpasses 1997 average levels of production. For example, in April output in wood and paper exceeded its 1997 level by 15%, non-ferrous metals and food by 12–13%, and construction materials and chemicals by 7–8%. In ferrous metallurgy, electricity production and textiles and footwear output is still 4–6% below 1997 averages.

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



Source: Goskomstat.

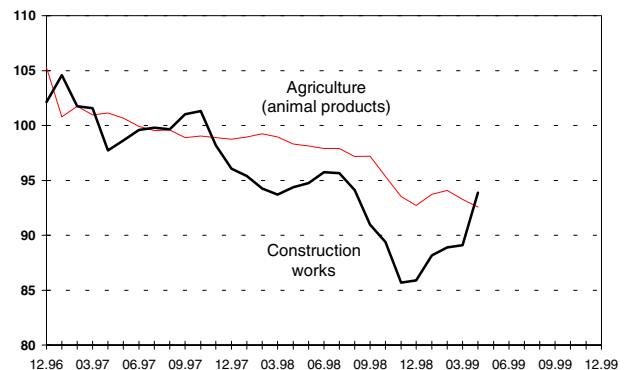
**Gross output  
(1997 = 100, seasonally adjusted)\***



\* 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 May inflation rates fell to their lowest levels since August 1998. The consumer price index grew in May by 2.2% (3.0% in April). Declines of the rates of price growth were observed in all major components of CPI. Prices for food increased in May by 2.0% (2.6% in April), non-food goods grew by 2.7% (4.0% in April), and prices for paid services increased by 2.1% (3.1% in April).

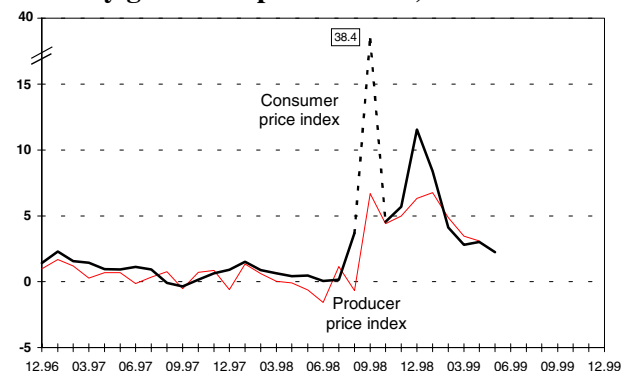
The composite producer price index increased in April by 3.1% (May data are not yet available), compared to 3.5% in March. In industry PPI grew by 3.6% (3.9% in March), while in agriculture, construction and freight transportation PPI increased by a mere 0.4%. Among particular sub-industries the highest rates of PPI growth in April were observed in non-ferrous metallurgy (8.5%). Prices for ferrous metals, petro-chemicals, wood and paper products and processed food grew by 4.1-4.5% in a month.

## Labour

According to the last Goskomstat survey, released in February 1999, the overall unemployment rate increased to 13.3%, compared to 11.8% in October. The civilian unemployment rate grew from 13.3% to more than 15%. As employment remained more or less unchanged, this growth is attributed exclusively to a sharp expansion of the economically active population, i.e. the number of persons who were previously inactive but now wish to have a job. These data, showing an increase in unemployment, must be viewed with caution. First of all, in 1999 Goskomstat began to provide quarterly employment surveys (instead of yearly surveys in previous years). These quarterly surveys are based on a smaller sample than the yearly ones, and the rise in the unemployment rate can simply reflect sample differences. Alternative indicators of the labour market, such as VCIOM polls and data on registered unemployment, show continued improvement of the labour market situation in the first months of 1999 compared to the end of 1998.

The real monthly wage due in April, according to preliminary estimates, dropped by 1.8% compared to the previous month (in seasonally adjusted terms). The real wage due remains 38% lower than average 1997 level. At the same time wage arrears decreased by 6.8% in a month, to R63.1 bn. Of this, budgetary arrears decreased by 9.8%, to R15.3 bn.

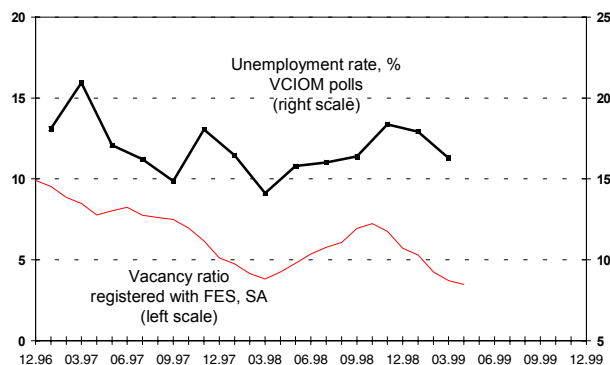
## Monthly growth of price indices, %\*



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

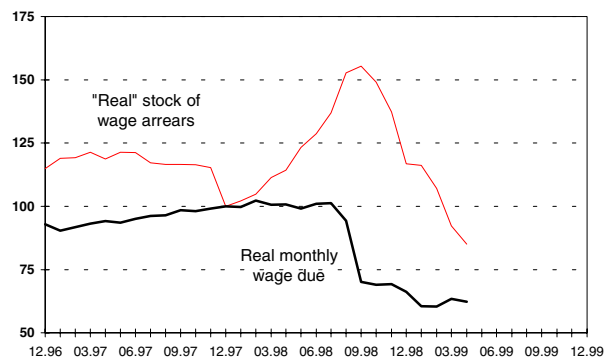
Source: Goskomstat.

## 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

March saw a significant increase in both exports (25%) and imports (17%) compared to the previous month, standing at \$6 bn and \$3.5 bn. For the first quarter of this year exports amounted to \$15.6 bn, compared to \$18.5 bn in the same period 1998. Imports in the first three months of this year stood at \$9.4 bn compared to \$18.3 in the first quarter of 1998. As a result the trade surplus in the first quarter amounted to \$6.2 bn, up \$6 bn compared to the same period last year. Russia's exports have continued to increase in volume terms, but due to low world market prices still remain below their level compared to last year. The benefit to Russian exporters following the devaluation has started to provoke some of Russia's trade partners to take protective actions. For example, trade with Hungary increased 40% in the first quarter this year compared to the last quarter of 1998. Some discriminatory measures have been introduced towards Russian exports of metallurgy and fertilisers, as well as limits on transit of oil through Hungary.

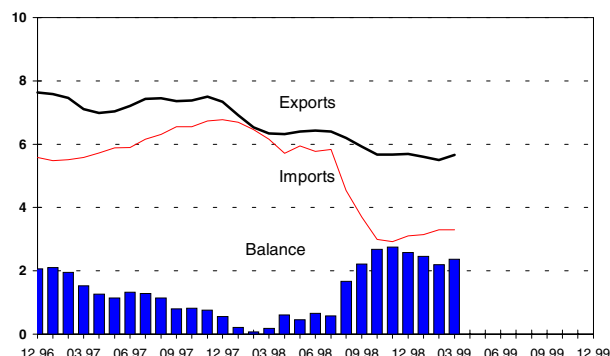
The recently introduced export tariffs on a number of metals may be revised in light of criticism from domestic producers and foreign importers. A government resolution has imposed seasonal import duties on certain agricultural products such as raw sugar and sugarbeets in order to protect domestic farmers. In addition, export duties on oil have been raised to 5 Euros per tonne, reflecting the higher world market price for oil. Furthermore, Russia has reiterated its commitment to cut oil exports by 1.2 mn tonnes in the second quarter of this year in line with the promise it made to OPEC.

## Enterprise finances

Industrial arrears measured as a share of industrial sales decreased in March from 38.1% to 32.8%. We believe that the positive tendency observed over the last seven months is attributed to two major factors. First, the devaluation led to an increase in competitiveness that raised cash flows in industry. Secondly, according to various sources the Federal government has fulfilled its budgeted expenditures since the beginning of 1999, preventing growth in government related arrears.

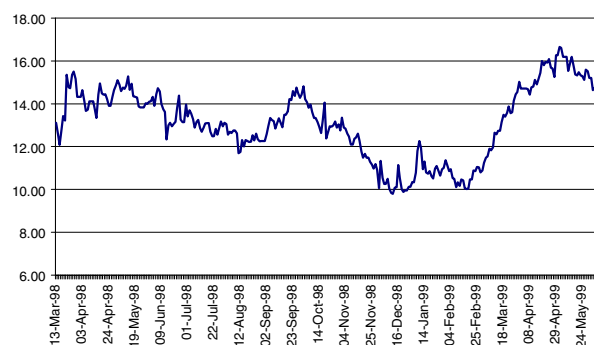
In May the government and IMF reached a preliminary agreement on the economic programme to be implemented in order to make way for new drawings from the Fund. Among other proposals the programme explicitly declares that government control

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



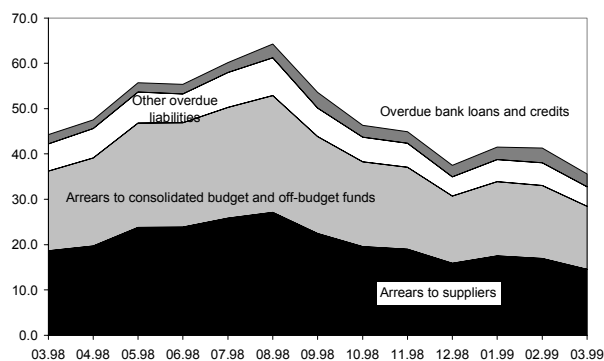
Source: Goskomstat.

## Brent oil price (\$ per barrel)



Source: Moscow Times.

## Arrears in industry, % of industrial production\*



\* Data is for large and medium size enterprises.  
Source: Goskomstat.

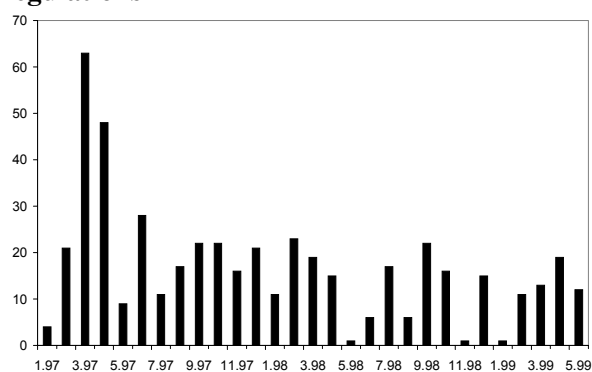
over Transneft (The Russian oil pipeline monopoly) should not be used to oil companies to deliver oil to socially important but non-viable enterprises. This is a positive development given that in many instances arrears to the energy sector are generated by political resistance to disconnections. However, the government intends to restrict export quotas to companies with tax arrears. In our opinion, that will give the authorities more power to punish the oil companies for a reduction in deliveries to non-paying customers rather than significantly increase tax collection. Increased discretionary power may tempt the government to control fuel prices in order to keep inflation down.

### The banking sector

Somewhat surprisingly, in June the Duma in the first reading passed the draft of the law On Restructuring of Credit Organisations (which is a part of the so-called 'IMF package'). It is still a long way from becoming a law, since deputies seem determined to introduce various changes to it. While the draft fulfils an important task of defining restructuring, and regulating ARKO's (The Agency for Reconstruction of Credit Organisations) activities, banking sector reform can and should go on without waiting for the approval of this document.

Banking sector restructuring, the first step of which should be closure of insolvent banks, continues to be hostage to political games. Although the CBR finally withdrew the licence from Menatep, formerly the sixth largest retail bank now stripped clean of its assets, other so-called 'systemforming' banks are allowed to live on. Bank Imperial, widely known for its asset misappropriation schemes, has now received a green light for its license, which had been withdrawn in 1998, reinstated. Remarkably, the court has already declared the bank bankrupt. Inkombank, which lost its license shortly after the August crisis, has been successful in stalling its bankruptcy procedure and is negotiating a restructuring plan with its creditors.

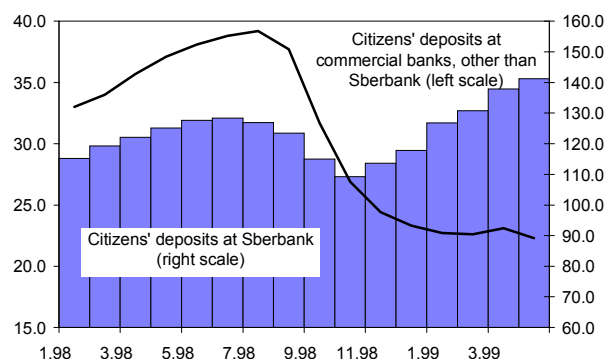
**Number of bank licences withdrawn by the CBR for violations of banking laws and CBR regulations\***



\* Data for April and May 1999 are preliminary estimates.

Source: CBR.

**Citizens' deposits in Sberbank and other commercial banks, R bn**



Source: Goskomstat

## The budget

In the first four months of 1999, the federal government ran a budget deficit of R47.3 bn (IMF definition), that was, to a large extent financed by Central Bank credits. In April, revenues of the federal budget amounted to R44.8 bn, which was two times higher in nominal terms than for the same period last year. This figure includes VAT proceeds of R16.3 bn (of which 1/3 was VAT on imports) and foreign trade taxes of R6.4 bn. Federal expenditures in April equaled R53.6 bn. Interest payments amounted to R10.8 bn, of which R7.5 bn were payments on domestic debt. Non-interest expenditures equaled R42.8 bn. After paying off wage arrears earlier this year, the government has been fulfilling its obligations on wages and pensions in full. Over the first four months of 1999, non-interest expenditure stood at 96% of the target.

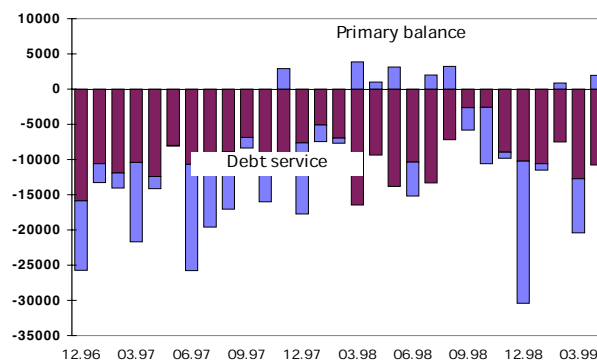
Regional and local governments ran a consolidated budget surplus of R4.7 bn in January-April. In April alone the surplus amounted to R 2.6 bn. Revenues and expenditures equaled R49.8 bn and R47.2 bn respectively.

The changes in legislation necessary for receiving the IMF credits (see previous RET issue) will be discussed by the State Duma on June 9.

## The exchange rate

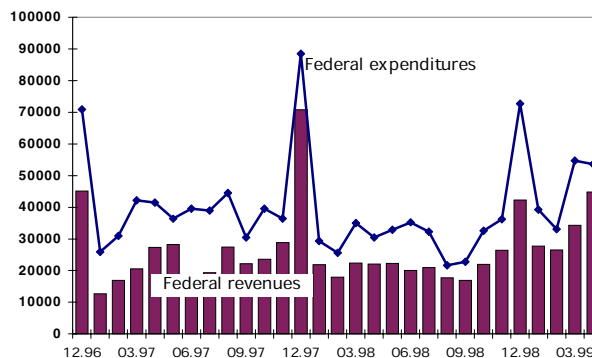
The Chairman of the CBR Viktor Geraschenko in May assured the government that the exchange rate will remain between R24-25/\$, at least until the fourth quarter this year. The exchange rate on an end-month comparison depreciated just over 1% in May. However, it did experience some significant movements within the month, associated with the dismissal of Primakov. The rouble/dollar rate reacted negatively to the dismissal of Primakov. This was especially visible in the street rate, which rose as high as R27.0/\$ compared to the MICEX rate that peaked at R24.92/\$. Furthermore, the increase in monetary base in May and the risk of a delay in disbursement of IMF money are putting additional pressure on the rouble. A worrying sign is the build-up of commercial banks' correspondent accounts at the CBR, which have more than tripled since August last year. Although currency restrictions in place do help to keep the rouble at its current level, there will be a need for sterilisation of these excess reserves in

## Federal budget deficit, R mn



Source: Ministry of Finance.

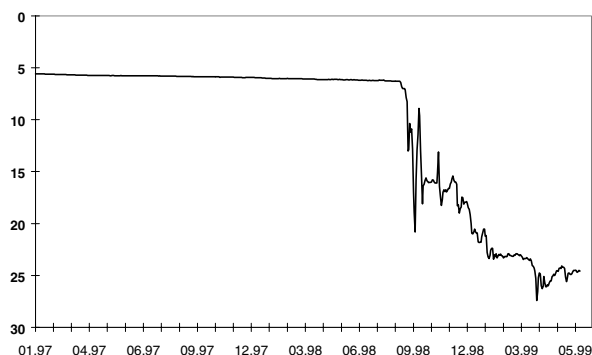
## Federal revenues and expenditures, R mn



Source: Ministry of Finance.

IMF definitions of revenues, expenditure and deficit are used.

## The rouble exchange rate (R/\$)\*



\* MICEX exchange rate till 17th August. MICEX afternoon rate from then on.

Source: Moscow Times.

the near future in order to prevent another attack on the rouble. Despite this the rouble appreciated in the second half of the month, and the MICEX ended at R24.7/\$.

## Money

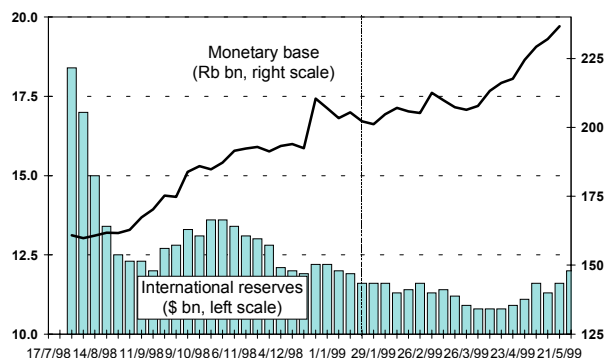
The former Minister of Finance Mikhail Zadornov stated before his departure that the government in the first quarter borrowed R11 bn from the CBR to cover the budget deficit. However, in the period April and May 24 base money (currency in circulation and commercial banks' reserves held at the CBR) increased R30.8 bn, or 15%. These emissions have covered increases in wages and pensions, but mainly rouble creation which then has been used for buying dollars on the forex market to enable debt repayments. In May Russia made payments equal to \$333 mn on MinFins (tranch 3-7), \$46 mn on Eurobonds, and around \$500 mn on obligations to IMF and World Bank. The draft of the amendment to the 1999 budget that would allow the government to borrow the equivalent of \$4.5 bn from the CBR has been submitted to the Duma.

International reserves stood at \$11.9 bn at the end of May, an increase of \$700 mn compared to end-April. Of that \$3.9 bn was gold, meaning that in May the CBR sold off the equivalent of \$200 mn of its gold reserves (at a time when world gold prices are at a 20-year low). The increase in reserves is to be used to service foreign debt. The fact that Russia is able to increase reserves during harsh economic conditions and large debt repayment is on the one hand positive, but on the other hand weakens Russia's position in negotiations with creditors for debt restructuring and possible debt relief.

## Financial markets

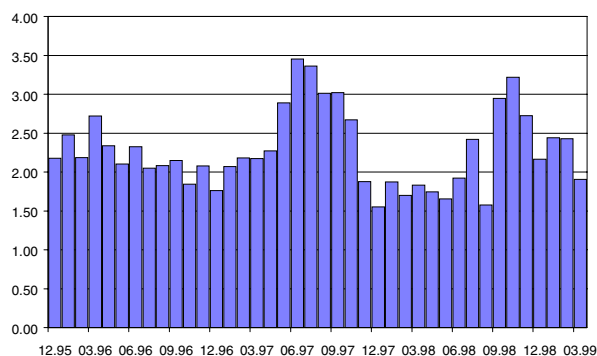
Despite the political turmoil surrounding the dismissal of Primakov and later the creation of the new cabinet, the recent slump in world market oil prices, and the downward correction on world stock markets, the Moscow Times \$ Index edged up another 9% in May, standing at 78.9 in the beginning of June (to compare with 25 in the beginning of October last year). The majority of actors are still Russian, and although more liquid Blue Chips are still dominating trading, second-tier shares, mainly regional telecommunication companies are also being traded.

## Monetary base and gross international reserves (weekly data)



Source: CBR.

## Number of months' imports covered by hard currency reserves



Source: Goskomstat, CBR.

## Moscow Times \$ Index



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	75.2	23.8	89.4
02	n.a.	94.9	145.4	73.1	26.6	89.6
03			159.6	78.1	30.5	92.7
04			161.4	76.6	30.6	93.2
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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
04	102.4	99.7	296	583	835	255
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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	3,145	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	3,221	878
02	93.6	99.2	94.3	32.5	3,083	848
03	94.9	99.0	93.7	31.3	3,197	859
04	95.0	98.3	94.4	22.5	3,179	863
05	94.0	98.1	94.8	31.1	3,143	834
06	93.6	97.9	95.8	27.9	3,188	833
07	79.6	97.9	95.7	25.8	3,164	813
08	74.6	97.2	94.1	32.0	3,177	804
09	80.6	97.2	91.0	31.3	3,016	774
10	82.3	95.4	89.4	29.5	3,124	822
11	83.0	93.5	85.7	32.9	3,126	811
12	88.0	92.7	85.9	31.2	3,123	879
01.1999	88.0	93.7	88.2	38.9	3,202	892
02	88.4	94.1	88.9	39.5	3,064	889
03	89.9	93.3	89.1	30.7	3,277	907
04	92.0	92.6	93.9	25.2	3,291	934
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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	318.6	95.2
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	29.3	100.6
12	260.0	107.3	134.4	101.1	31.9	108.4
01.1999	216.2	77.1	117.1	81.6	27.5	88.7
02	225.0	78.2	118.6	79.5	28.3	86.2
03	273.7	79.2	129.5	84.0	31.4	91.6
04	267.8	84.9	130.6	82.7	31.6	90.0
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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	8.5	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	11.9	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	12.9	2.6	615	1,164	69.3
12	63.3	13.3	2.6	464	1,482	66.2
01.1999	63.2	13.8	2.6	577	1,181	60.6
02	63.2	14.1	2.7	532	1,199	60.3
03	63.2	14.1	2.6	83	1,385	63.5
04	63.2	14.2	2.5	15	1,370	62.3
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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	61.3	83.5	403.0	786.9	38.2
02	1225.3	65.9	83.5	403.1	829.1	n.a.
03	1306.9	68.3	83.5	403.2	856.8	37.7
04	1418.1	72.0	83.5	403.3	884.0	n.a.
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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	463.8	52.9	659.5	799.8	12.9
03	1119.0	1321.8	490.8	475.3	49.8	675.0	824.8	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	100.0	77.9	78.5	55.0	74.4	74.1
1996	121.8	91.7	92.5	81.6	94.2	93.0
1997	135.2	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	124.6	94.5	93.4	83.5	95.8	94.0
02	126.6	95.8	94.0	86.5	97.0	95.6
03	128.4	97.2	94.7	88.7	97.2	96.8
04	129.6	98.1	95.3	90.1	97.9	97.6
05	130.8	98.9	95.8	91.8	98.6	98.0
06	132.3	100.4	96.2	92.8	98.4	98.9
07	133.5	101.1	96.6	94.9	98.8	99.1
08	133.4	100.3	97.1	95.9	99.6	99.5
09	132.9	98.9	97.9	97.1	99.0	99.7
10	133.1	98.4	98.7	98.2	99.8	99.8
11	134.0	98.8	99.4	99.3	100.6	100.0
12	135.2	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	148.8	149.5
05	225.3	242.7	243.0	136.4		
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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	74.0	14.5	13.3	59.2	15.6	14.8
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	5.7	1.5	0.2
02	5.8	1.2	1.4	6.1	1.5	-0.3
03	6.8	1.2	1.5	6.5	2.0	0.3
04	6.1	1.2	1.0	6.2	0.9	-0.1
05	6.1	1.4	0.9	5.8	1.5	0.3
06	6.6	1.1	0.9	5.7	1.3	0.9
07	6.2	1.1	0.9	5.5	1.5	0.7
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	3.5	1.2	3.6
01.1999	4.8	0.9	1.3	2.9	0.9	1.9
02	4.8	0.8	1.0	3.0	0.9	1.8
03	6.0	1.1	0.9	3.5	1.0	2.5
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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
<b>Current Account</b>	<b>11997</b>	<b>3555</b>	<b>2446</b>	<b>-1508</b>	<b>-3587</b>	<b>900</b>	<b>6640</b>
<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
<b>Capital Account</b>	<b>-3618</b>	<b>4047</b>	<b>5469</b>	<b>4177</b>	<b>5346</b>	<b>2754</b>	<b>-6808</b>
<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
<b>Errors and omissions</b>	<b>-8379</b>	<b>-7602</b>	<b>-7914</b>	<b>-2669</b>	<b>-1759</b>	<b>-3655</b>	<b>168</b>

**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	127.1	30.8	38.5	
04	133.4	119.3	180.7	41.5	47.3	
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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	
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	
04	143.4	111.8	138.7	24.9	-4.7	
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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***	Oustanding 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	-8.3	377.6	174.1	473.8	
04	227.3	-6.3				
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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	939.0	259.4	346.0	149.5	190.9	203.1
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	939.0	259.4	346.0	149.5	190.9	203.1
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	1137.9	325.0	385.4	163.5	214.0	225.7
04				168.2		
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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	60					73.9
06						
07						
08						
09						
10						
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	11.2	4.1
05	75.6	24.672	24.700	45.0	11.9	3.9
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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