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in cooperation with

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GOVERNMENT OF THE RUSSIAN FEDERATION**



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HEALTH & HEALTH CARE

Ksenia Yudaeva and Maria Gorban
RECEP, Moscow

In this paper we will present recent trends in the state of health of the Russian population, and discuss to what extent the observed worsening of health among Russians could have been caused by changes in health care provision. The paper is organised as follows. In the next section we discuss changes in major health indicators in Russia during the 1990s. We then compare the Russian health situation to that of other economies in transition. We continue with a discussion of the reform of health care provision, and the resulting industrial organisation of the sector. We show that health care reform did not lead to the appearance of a large private health care sector, which could have brought substantial improvements in the quality of health care provision. At the same time, the public sector experienced major difficulties in preserving the quality and quantity of services at their pre-transition levels.

1. Recent Trends in Health Condition of Russian Population

Life expectancy at birth has been on the decline in Russia since the beginning of transition. The decline in life expectancy reflects the overall worsening of the health of the Russian population. Since the early 1990s, there has been an increase in the incidence of almost all major illnesses, with the exception of respiratory illnesses (see Table 1). The number of people suffering from tuberculosis has almost doubled in all age groups.

Table 1: Incidence of major illnesses per 1000 people

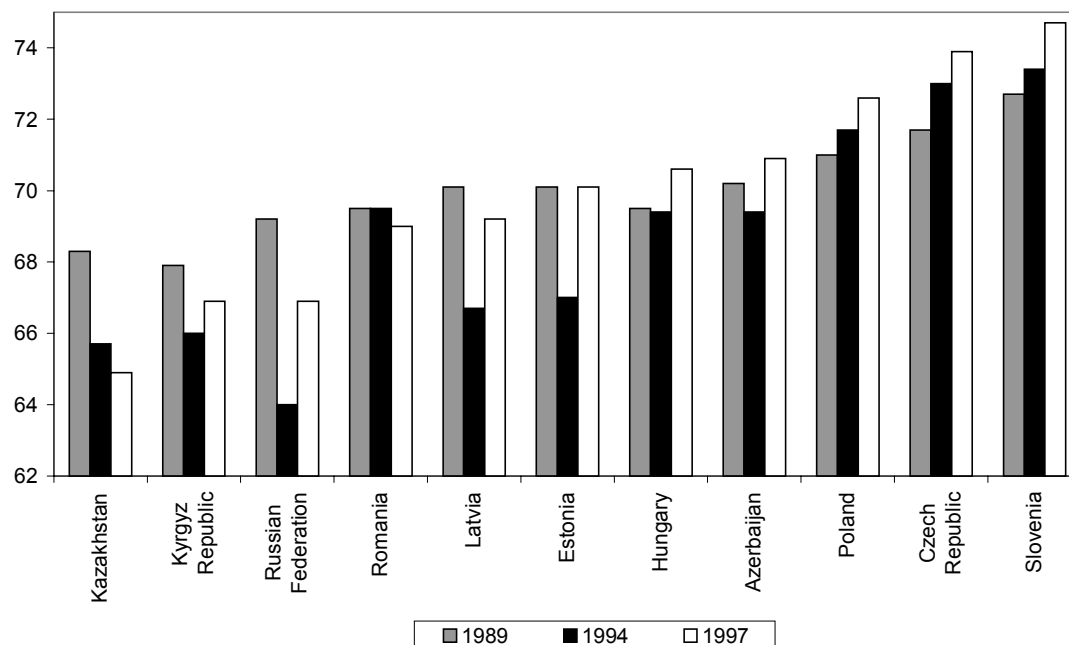
	1990	1995	1997
All illnesses	651	679	674
including:			
infectious and parasitic diseases	35	47	42
tumours	6	7	7
endocrine, nutritional, metabolic and immunity disturbances	4	6	7
blood disorders	1	3	3
diseases of the nervous system and sense organs	46	58	60
circulatory diseases	11	13	14
diseases of the respiratory organs	336	295	298
diseases of digestive organs	27	36	31
urogenital diseases	20	29	32
pregnancy and perinatal complications	37	38	41
dermatological and subcutaneous fat diseases	35	48	44
osteomuscular and connective tissue diseases	25	27	28
congenital anomalies (developmental defects)	1	1	1
injuries and poisonings	85	88	84

Source: Goskomstat.

The decline in life expectancy and rise in the incidence of most illnesses has occurred not only in Russia, but also in many other countries of the former Soviet Union. This situation is in sharp con-

trast with the more advanced transition countries of Central and Eastern Europe, where life expectancy has increased in recent years, and other health characteristics have also improved (see Figure 2). This is not true of less advanced East European countries such as Albania, Bulgaria, and Romania, where life expectancy has slightly declined, although not nearly as substantially as in Russia.

Figure 1. Life expectancy at birth in selected countries

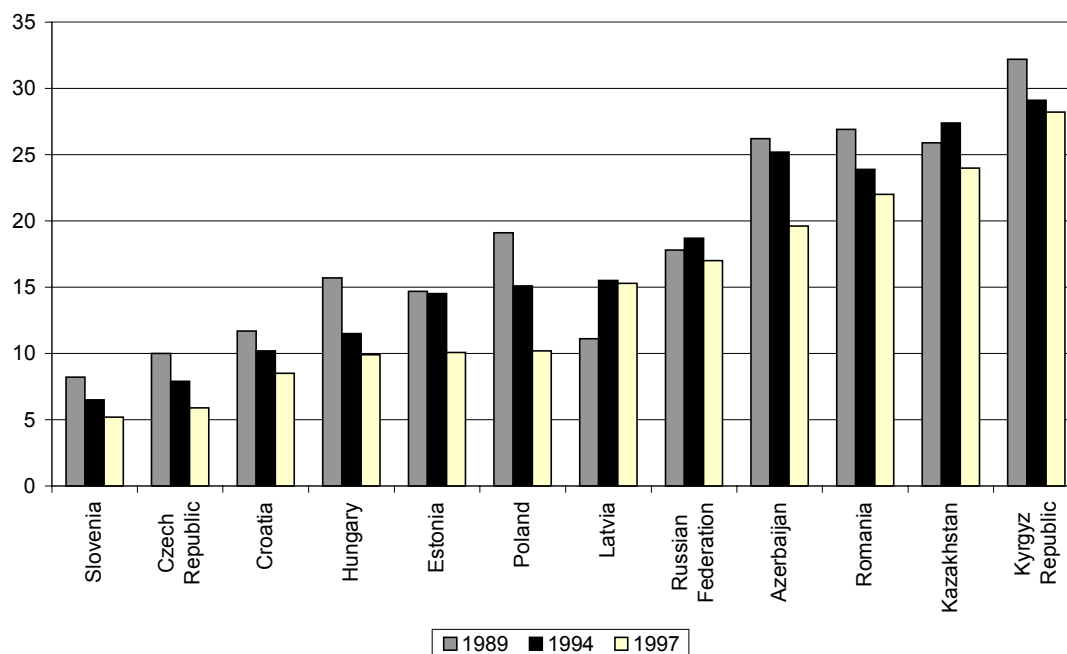


Source: World Bank.

Changes in life expectancy and health indicators depend both on changes in the quality of the health care system and on changes in life style and ecology. In Russia, GDP has been declining throughout the 1990s, and the ecological situation has worsened. A substantial share of the population has been unable to support its previous life style, and the spread of such diseases as tuberculosis and dysentery can be blamed on more lax hygiene controls following liberalisation and privatisation of food processing and trade. By contrast, the more advanced Central and East European countries experienced economic growth through most of the 1990s, and introduced tougher ecology and hygiene controls to prepare for joining the European Union.

The direct effects of changes in health care are best calculated by looking at infant and child mortality rates, which are reckoned to correlate more closely than other health indicators with the quality of health care. The pattern of changes in infant and child mortality rates in Russia was completely different from the countries of Central and Eastern Europe. At the end of the 1980s, the child and infant mortality rate in Russia was comparable to the rate in Poland and Hungary. But in the 1990s, child and infant mortality in Russia increased, while it almost halved in several Central and East European countries (see Figure 2). The decrease in mortality rates in transition economies of Central and Eastern Europe is sometimes attributed to improvements in the health care system. In Russia, as we will argue below, there were no major, country-wise improvements of the health care system. On the contrary, some observers talk of a complete collapse of the Russian health care system in the 1990s.

Figure 2. Infant mortality rates, per 1000 in selected countries



Source: World Bank.

2. Health Care Reform, and Current Industrial Organisation of the Health Care Sector

Plans for reform of health care financing were set out in the law “On Health Insurance in Russia”, adopted on June 28, 1991. According to this law, Russia was supposed to switch from budget financing of health care to insurance financing. A dual system, which includes compulsory and voluntary insurance, was envisaged. The voluntary system is not yet widespread. National medical account data show that in 1997 the total voluntary insurance premium was Rb 3386 mn or 0.13% of GDP, and payments by insurance companies to medical institutions were equal to Rb 2604 mn.¹ There is also evidence from survey data to suggest that voluntary insurance is not popular.

Public Health Care

Most of the Russian population is still insured only through the compulsory medical insurance system. Employees in the private sector are covered by a 3.6% payroll tax, levied on the employer, while the non-working population and government employees are covered by transfers from the federal and local budgets. The revenues from payroll tax are divided between federal and local compulsory medical insurance funds in the proportion of 1:8. In addition to the compulsory medical insurance system, some public health care is directly financed from the public purse. For example, federal, regional, and local budgets own some medical institutions, and are entirely responsible for financing these institutions. Financing of treatment of some “socially important” illnesses, such as tuberculosis, is also excluded from the compulsory insurance system, and completely covered by federal and local budgets. Some medical facilities are still owned by enterprises (a legacy from Soviet times), and the reform program for the sector envisaged transferring of all such institutions to local authorities.

¹ Tendentsii i Perspektivy Rasvitiya Strahovaniya v Rossii, A.Z. Astapovitch, and I.B.Kotlovovskiy, ed., *Dialog MGU, Moscow, 1999, pg. 12.*

However, local authorities were reluctant to accept these institutions, because of a lack of resources to finance them. Table 2 summarises the sources of financing of the public health care system.

Table 2: Public Expenditure on Health Care, %GDP

	1993	1995	1998
Federal budget	0.33	0.24	0.21
Regional budgets	2.81	2.34	2.19
Federal Medical Insurance Fund	0.06	0.03	0.05
Regional Medical Insurance Fund	n/a	n/a	1.13

Source: Ministry of Finance, Goskomstat

Most of the funds accumulated in the federal medical insurance fund (84% according to the budgetary law governing the parameters of the fund for 1999), are used to even out imbalances between regional medical insurance funds. The rest is used to finance training of medical personnel and for medical research.

Under law, regional medical insurance funds and their sub-regional (local) divisions are not allowed to perform insurance operations directly. Regional funds are supposed to appoint insurance companies, which sign contracts with health care providers on the one hand, and individuals or insurers (enterprises) on the other. Such a complicated system, where regional compulsory insurance funds act through insurance companies, rather than working directly with individuals, was aimed at creating competition between insurance companies, and to allow individuals and enterprises to choose the insurance and health care provider they like. Insurance companies, as private, profit-maximising institutions, were also expected to improve control over usage of funds by health care providers.

In practice, right after introduction of the law, sub-regional divisions of medical insurance funds were temporarily allowed to work with health care providers directly. As a result, in some regions, no insurance companies have ever been appointed. In those regions, where insurance companies have been appointed, there is virtually no competition between companies or providers of medical services. Even if individuals can choose between insurance companies, they are still assigned to medical facilities according to their home address. There have been very few cases, where mediation by insurance companies has led to more efficient distribution of public funds to health providers. One of the few exceptions are Moscow insurance companies Max-M and Rosno, which detected a number of false prescriptions.

While failing to improve efficiency, mediation by insurance companies has increased the administrative costs of compulsory insurance, and some regional authorities responded by attempting to reduce their role in health provision. For example, in 1996 the Moscow government refused to re-register 17 companies out of 25. In some other regions, such as Kursk, regional authorities adopted their own law, which allowed the regional medical insurance fund to work directly with providers of health care services. As a result, in 1997, only 42 regions still allowed insurance companies to mediate in all transfers of compulsory insurance money to health providers. In 23 regions, the distribution of cash was the sole responsibility of regional medical insurance funds or their sub-regional divisions. In the remaining 22 regions the two alternatives coexisted. In total, in 1998, there were 90 regional funds in Russia, with 1193 sub-regional divisions. The number of insurance companies working with compulsory insurance funds in the same year was 415. A new law on compulsory medical insurance is currently being debated in the Duma. The draft of the law, which was adopted in the first reading on June 11, cancels the requirement that regional funds should operate through insurance companies.

Most of the funds allocated to health care from regional budgets are used to finance health care institutions owned by the regional authorities. Such payments for upkeep of health care institutions accounted in 1997 for about 69.5% of all federal and regional budget spending on health. Payments to insure the non-working population comprise only 10% of total expenditures on health care by regional budgets.² So the compulsory health insurance system is seriously underfinanced in that part of it, which relates to non-working individuals. On the other hand, regional authorities usually control regional compulsory insurance funds, and have complete discretion over the use of money collected in the compulsory medical insurance system by the payroll tax. So the financing of health care in Russia today is not significantly different from direct budgetary financing.

The payment procedure is supposed to work as follows. Insurance companies receive transfers from regional funds equal to the difference between the amount of payroll tax they collect directly from enterprises and the predefined norm of per capita financing. Afterwards, providers working within the compulsory medical insurance system bill insurance companies for the performed services. The prices for the services are established through negotiations between providers, insurance companies, regional insurance funds, and authorities of various levels. Providers financed from the budget are paid according to the rules of budgetary financing inherited from pre-reform times: for each type of services, a special norm of budget financing is established, which depends on the costs of the service, and the average amount of service provision. The actual payment may be corrected for the number of serviced patients.

This procedure rarely works in practice, because both insurance companies and local budgets often lack funds to fully pay for services provided at contractual prices. What happens in practice is the same as what happens every year at the level of Russia's federal budget: unrealistic limits are financed through accumulation of arrears. The actual amount of payments to each provider depends on the available funds, the preferences of local and regional authorities, and the bargaining power of particular providers. Payment arrears are widespread, and they amounted to Rb 2.9 bn or 0.1% of GDP on January 1, 1999.³

Under these circumstances, patients often have to pay in money or kind for what should in theory be free. This was also the case in pre-transition times. Most patients, who received more than the most basic type of treatment, used to bring presents to their doctors (like chocolates or alcohol). Interestingly, the quality of treatment received usually did not depend on the size of present; i.e. patients were equally treated regardless of the value of presents. This system still exists, although presents in kind have increasingly been replaced by money. What has changed is that hospitals and polyclinics now often require "official" payments from their patients to cover the costs of medicine and other equipment. Our computations using data from Russian Longitudinal Monitoring Survey of households show that in 1996, about 23% of people hospitalised in public hospitals had to pay for their stay, and in 1998 this number had increased to 40%. A survey by the Institute of Sociology conducted in January 1998 showed that unofficial payments for public healthcare comprised 0.34% of GDP, while payments for services, which should have been free but for which hospitals instituted their own tariffs, amounted to 0.93% of GDP.

² *Bureau of economic analysis.*

³ *This number represents payment arrears from all levels of the budget.*

Table 3. Household expenditure on some public health care items, 1997, % GDP; Institute of Sociology survey

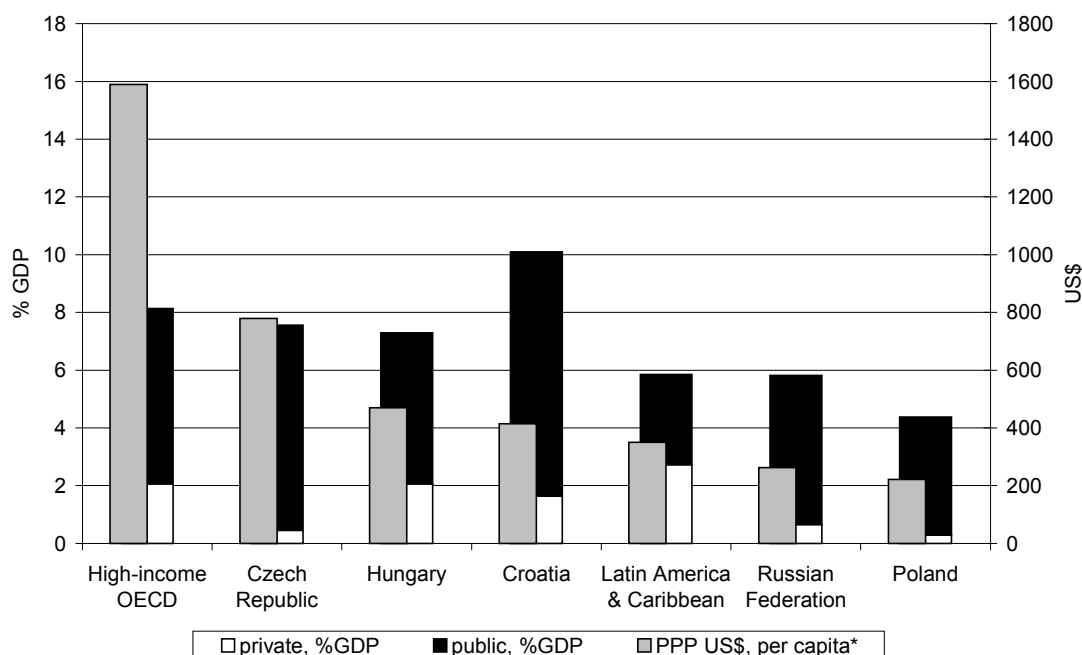
Medicine	1.46
Bribes and presents	0.34
"official" payments	0.93

Reformirovanie Nekotorykh Otrasley Socialnoy Sfery Rossii, ed. N.Glavatskaya, A.Moldavsky, L.Lopatnikov; Institut Ekonomiki Perehodnogo Perioda, Moscow, 19993.

3. Recent Trends in Health Care Provision

The reform of the health care sector was not limited to creation of a compulsory and voluntary insurance system. It also legalised private health care institutions, both in the form of new private facilities and provision of paid services in otherwise public institutions. Private institutions, while being relatively expensive, are usually better equipped, and provide higher quality services, particularly in the capital-intensive branches of health care. However, due to economic decline, widening income disparities, and the increasing share of poor people in the overall population, the demand for private health care is quite low, and is concentrated in rich areas, such as the city of Moscow. The share of the private sector in Russian health care has remained very small (see Figure 3), and improvements in health care services due to the appearance of a private sector have therefore been limited:

Figure 3. Health expenditure in selected countries, 1994



Source: World Bank

*PPP-purchasing power parity

While the private sector has not grown, public expenditure on health care has declined by about 30% in real terms since the beginning of transition,⁴ and now constitutes a fairly modest amount by international standards both in per capita terms and as a percentage of GDP (see Figure 3). As we dis-

⁴ Reformirovanie Nekotorykh Otrasley Socialnoy Sfery Rossii, ed. N.Glavatskaya, A.Moldavsky, L.Lopatnikov; Institut Ekonomiki Perehodnogo Perioda, Moscow, 1999.

cussed above, the new system of compulsory medical insurance has not resulted in improvements in the efficiency of industry financing. Indeed, financing has become even less efficient and more chaotic due to payment arrears from all levels of the budgets. As a result, most publicly financed health care institutions experience financial problems, which prevent them from investing in new equipment and properly maintaining existing equipment.

In 1998, the number of hospital beds was down by 12.5% compared to 1990 (see Table 5), and availability of some other medical equipment has also declined. Since the salaries of medical personnel are small and wage arrears are rampant, the number of medical personnel has decreased by 12% since 1990. According to official statistics, the number of doctors has increased. But anecdotal evidence suggests that the statistically documented increase is a pure accounting trick. Since doctors' wages are very low (70% of the Russian average in 1997), hospitals and polyclinics try to create as many "positions" as possible, so that doctors can boost their salaries by receiving the salaries of fictitious colleagues.

Table 4: Health Care Facilities

	1985	1990	1992	1998
Number of hospitals, ths.	12.5	12.8	12.6	11.2
Number of hospital beds per 1000	13.5	13.8	13.1	11.9
Average length of hospitalisation, days	17.0	16.6	17.0	16.7*
Number of polyclinics, ths.	19.4	21.5	20.7	22.0
Number of doctors per 10000	43.2	45.0	43.0	46.9
Number of medical personnel per 10000	122.4	124.5	115.3	111.1

* 1997.

Source: Goskomstat.

While the incidence and the amount of private payments for health care have increased in recent years, other characteristics, for example the waiting time to see a doctor or the average length of hospitalisation, have not changed. Interestingly, waiting time at public polyclinics (50 minutes in 1998) is not significantly different from that at polyclinics requiring payments (39 minutes).⁵

Another important change in the health care system which has occurred since reform is a decline in preventive health care. Many representatives of the medical profession see this decline as a prime cause of the deterioration in the health of the Russian population. In 1985 about 40% of the population took required check-ups, but by 1997 this share declined to 30% due to the decreasing ability of medical centres to provide a prophylactic service.

The Future of the Health Care System

As we discussed above, there were some improvements in health care provision in some cities during the 1990s, but there seems to have been an overall stagnation or worsening. The problems are partly due to the failure of healthcare reform, which has disorganised the sector instead of making it more efficient. But the main reason for the negative trend has been a continuous decrease in public financing of the industry, due to economic decline and falling tax collection. Unfortunately, we believe that no major improvements in health care will be possible before Russia achieves economic growth.

⁵ Source: RLMS, authors' calculations.

The range of treatment provided by the public health care system is regulated by a document called the Program of State Guarantees of Free Health Care Provision to the Citizens of Russian Federation. In its current version, adopted in September 1998, the program guarantees equal access to all types of treatments to all citizens. The compulsory insurance system covers all basic or cheap treatments, while expensive treatments, such as HIV, are covered from the budget. But, as we have discussed, free and standardised provision of health services is not enforced in practice, and we doubt that it can be enforced in the present conditions for want of adequate financing. In these circumstances, some observers suggest that the system of state guarantees should be reviewed, and *de facto* co-payment by patients should be made official. While helping to solve financial problems, this measure can decrease moral hazard on behalf of the patients, who do not take necessary measures to preserve their health in good condition.

ECONOMIC UPDATE

Aggregate demand

In May seasonally adjusted real consumer expenditures on goods and services remained practically unchanged compared with April and were 15% lower than the average for 1997. Relative stability of consumer demand was registered in all of its major components – spending on food, public catering, non-food goods, and paid services all remained fairly constant.

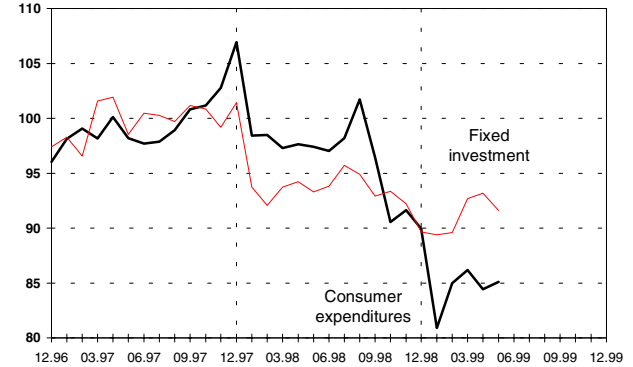
According to preliminary data, expenditures on new construction and equipment (proxy for gross fixed investment) declined 1.7% in May compared with April in seasonally adjusted terms. Decline in investment demand corresponded to a small decrease in expenditures on new construction, which in May were 0.4% lower than in April in seasonally adjusted terms.

Output

In May gross output of the five basic sectors dropped by 0.7% in seasonally adjusted terms compared to April, remaining 2% below the 1997 average level. Growth of industrial output slowed substantially in May, increasing by only 0.2% over the month. The volume of construction declined 0.4% in seasonally adjusted terms compared to April. Production of agricultural animal products grew by 1.5% but was still 6% below the 1997 average level. Volume of freight carried by rail grew in May by only 0.8%. These developments in output indicators could be a symptom of the end of the recovery period, which has seen rapid growth of production in import-substituting and export-oriented industries.

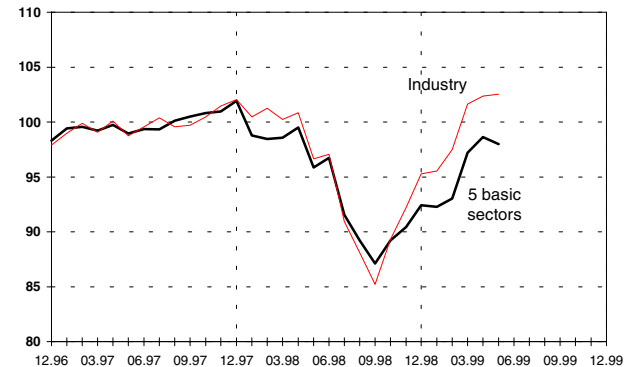
In May the total volume of industrial production in seasonally adjusted terms exceeded its pre-recession peak level of December 1997 by 0.5%. Among particular sub-industries the highest monthly rates of growth in May were observed in production of electricity (7.8%), ferrous metals (6.4%), chemicals, textiles and footwear, and wood and paper products (all in the range of 3.4-3.8% per month). Monthly growth of output of fuels, machinery and building materials did not exceed 0.5%. In the majority of listed industries the monthly rates of output growth decreased substantially compared to the period of October 1998 – April 1999. Moreover, output in food processing decreased by 2.1% in May, and production of non-ferrous metals dropped by 7.8% compared to the April level.

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



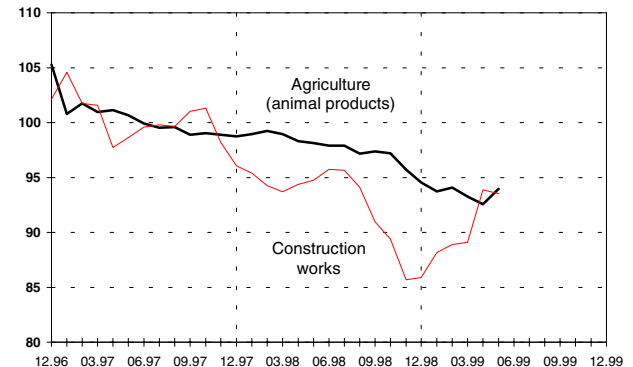
Source: Goskomstat.

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 June inflation rates decreased to their lowest level since August 1998. The consumer price index grew by 1.9% in June, down from 2.2% in May. The decline in consumer price growth was mainly thanks to slower growth of prices for goods. Prices for food increased in June by 1.7% (2% in May). Prices for non-food goods grew by 1.6% (2.7% in May). At the same time rates of growth of service prices slightly increased. The CPI for paid services grew by 3.5%, compared to 2.1% in May.

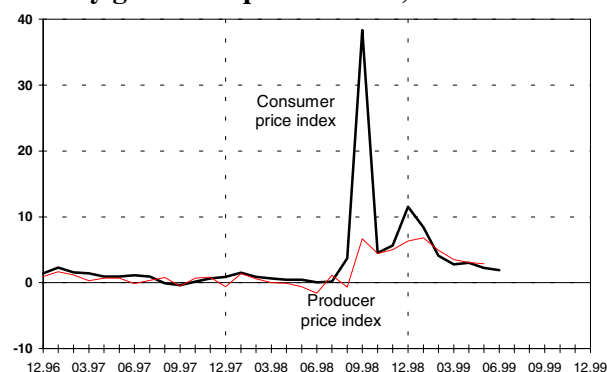
The composite producer price index increased by 2.9% in May compared to 3.1% in April (June data are not yet available). In industry the PPI grew by 3.5% - about the same rate as in April (3.6%). PPI for agricultural products grew by 3.6%, substantially less than in April (6.8%), probably due to seasonal factors. At the same time rates of PPI growth in construction, transportation and communications increased 5-7 times compared to April figures.

Labour

The labour market was affected by a slowdown of output growth in the goods-producing sector of the economy, correlated with the low level of aggregate demand. Various labour market indicators show that the period of growth in demand for labour at the end of 1998 and the first months of 1999 is coming to an end. For example, according to VCIOM polls, the unemployment rate grew to 17.2% in May from 16.3% in March. Another sensitive labour market indicator, the vacancy ratio (the number of job seekers registered with the Federal Employment Service as a ratio of the number of registered vacancies), stabilised in May in seasonally adjusted terms after several months of decline.

The real monthly wage due in May remained more or less stable according to preliminary estimates, and was 36% lower than the average 1997 level. Real wage incomes are being supported by the continuing repayment of wage arrears, both by enterprises and the government. Total wage arrears decreased in May by 3.3% to R61.1 bn. Budget wage arrears diminished by 4.7% to R14.6 bn, and arrears of enterprises decreased by 2.8% to R46.5 bn. In 'real' terms (taking into account changes in the monthly wage due) wage arrears dropped to their lowest level since July 1996. Repayment of arrears substantially reduced strike activity, which was practically negligible in May.

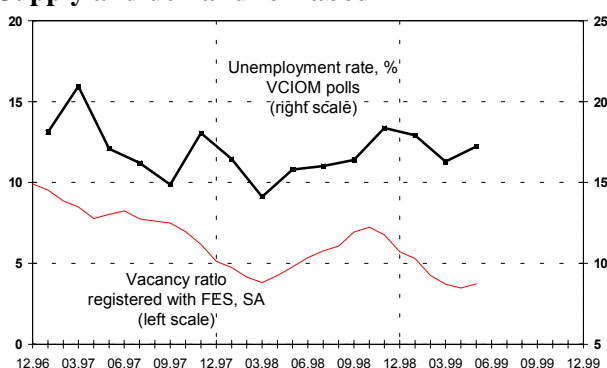
Monthly growth of price indices, %*



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

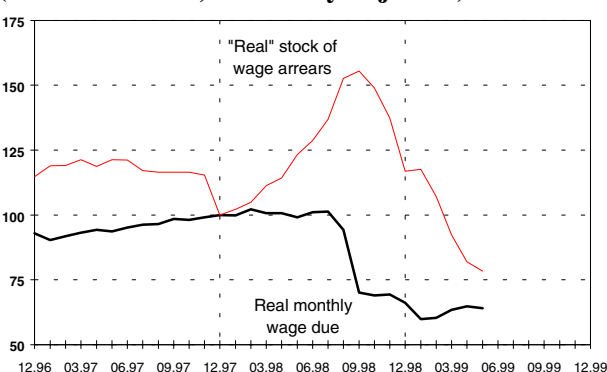
Source: Goskomstat.

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

The trade surplus in April was \$2.9 bn, which is 0.4 bn higher than in March and \$3 bn higher than a year ago when Russia had a \$0.1 bn trade deficit. Exports stood at \$6.5 bn, which was 8.3% higher than the previous month and 6.6% higher than the April 1998 level. Imports are down 42% compared to April 1998, but are at their highest monthly level since the crisis, standing at \$3.6 bn. Growth in industrial production has helped growth in imports although use of imported inputs by domestic producers is limited. On the other hand, key export sectors (oil, gas and other raw materials) have still not been able to take full advantage of the devaluation and continued depreciation of the rouble, because they suffer from capital constraints on their extraction and transportation activities.

The continued increase in world oil prices has continued to benefit Russia's oil exporters who are exporting more than last year in volume-terms. However, exports of oil remain below their level last year in value-terms. At the same time oil production is actually decreasing.

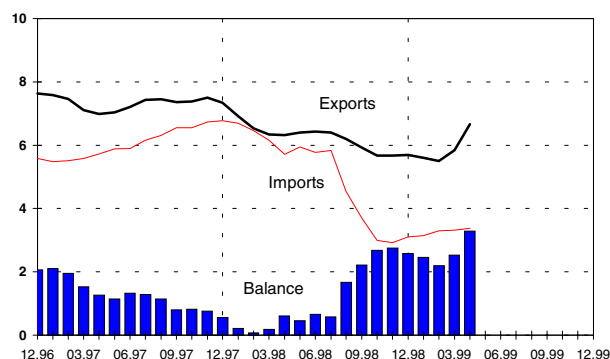
According to the Customs Committee, Russia's main trading partners in the first three months of this year were Germany (10%), the US (9%), Ukraine (8%), and Belarus (7%). In the period January-April 83% of exports went to non-CIS countries and 79% of imports originated from non-CIS countries.

Enterprise finances

A series of shareholder meetings mostly devoted to performance last year were held in the largest Russian corporations in June. Results showed that companies, which borrowed abroad extensively in 1995-97, took serious financial losses from rouble devaluation in 1998. However, the effects of devaluation on operating activities were beneficial, due to much lower real costs. Almost all companies with the notable exception of retail trade recorded higher profit margins in the first quarter of 1999. No major property rights redistribution took place at the shareholder meetings. Current managers strengthened their positions either by outright dilution of minority shareholders or by changes in company charters that complicate management replacement.

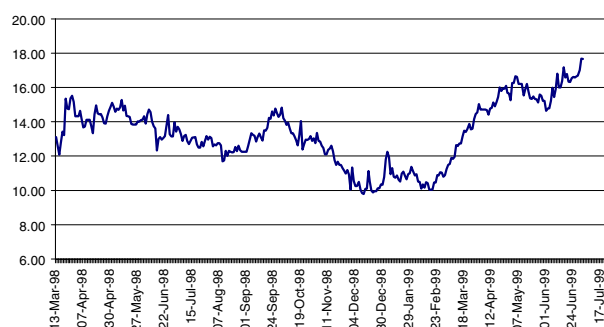
Overdue payables in industry measured as a fraction of sales increased by 0.7% in April. Arrears to the federal and regional budgets went up by RUR 10 bn, which accounted for more than a half of the increase

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



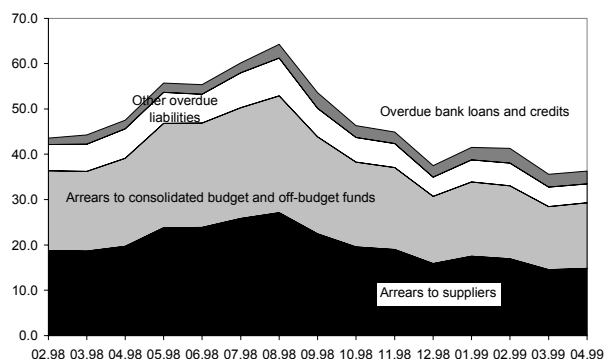
Source: Goskomstat.

Brent oil price (\$ per barrel)



Source: Moscow Times.

Arrears in industry, % of industrial production*



* Data is for large and medium size enterprises.

Source: Goskomstat.

in total arrears. The most likely explanation is the discontinuation of offsets at the federal budget level since the end of March. Companies might have started to accumulate tax arrears hoping they would later be able to force the government to accept payments of overdue taxes in kind.

The banking sector

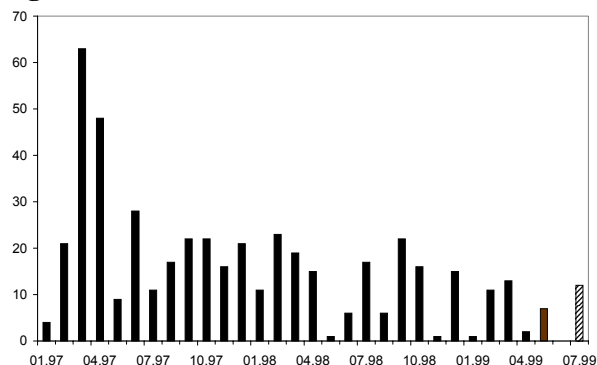
'Better late than never' is the best that can be said of the sudden burst of bank restructuring activity in late June and early July, almost a year after the breakdown of the banking system.

A new, tougher version of the law 'On Restructuring of Credit Organisations' won quick approval from the Duma and was signed by Boris Yeltsin on July 9, largely thanks to pressure from the IMF and other donors. The law obligates the Central Bank to either withdraw licences from large decapitalised banks or to refer those banks to ARCO, the Agency for Restructuring of Credit Organisations, in which case shareholders are disenfranchised from the bank (for more information on this law, see upcoming quarterly journal *RET 1999.2*). In the process of bank restructuring, ARCO will have the right to question in court the validity of a bank's transactions over the last 3 years. This law finally gives the authorities powers to stop asset stripping in banks, though there is likely to be little that can now be rescued from the banks, which collapsed after August 1998. Still, the law is important for sustainability of the banking sector in the future.

The Central Bank finally withdrew licences from Oneximbank, Mosbiznesbank, Promstroibank, and Mezhkombank, which were the 6th, 13th, 17th and 26th largest in Russia before the crisis. All of these banks have had highly negative capital for over 8 months now. At the same time, SBS-Agro bank, whose capital deficit is estimated to be even larger than that of the above-mentioned banks, received another stabilisation credit from the CBR.

Under pressure from the CBR and the IMF, ARCO has switched its policy away from picking 'surething' restructuring projects among smaller banks. In June its board of directors approved a restructuring plan for Vozrozhdenie, which was the 12th largest Russian bank before the crisis, and ARCO is now looking into restructuring of Promstroibank and Rossiskii Kredit. It has also started a project with Alfa-Bank for restructuring of smaller regional banks.

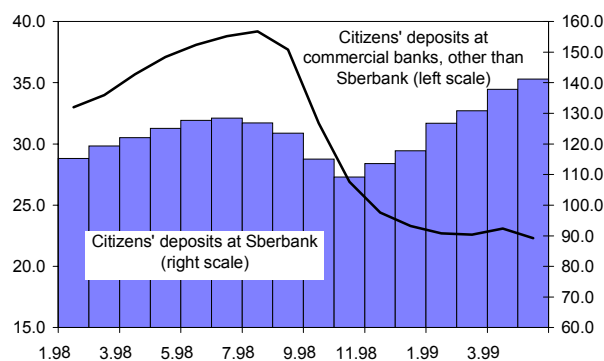
Number of bank licences withdrawn by the CBR for violations of banking laws and CBR regulations*



* Data for June is a preliminary estimates. Data for July is as preliminary estimate for the first two weeks of the month.

Source: CBR.

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



Source: Goskomstat

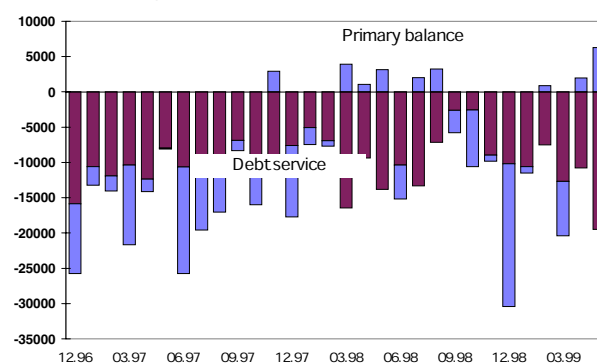
The budget

In January-May, the federal budget deficit, calculated according to the IMF definition, was R60.5 bn. In May alone, it equalled R13.2 bn and was mainly financed, as in preceding months, by Central Bank credits. Federal tax revenues during the first five months of 1999 equalled R152.9, representing 85% of the half-year target set by 1999 Budget Law. The major part of revenue came from VAT (R63.9 bn, 1/3 of which was VAT on imported goods), excises (R33.8 bn, of which 70% were excises on gas), profit tax (R 21.7 bn) and foreign trade tariffs (R22.9bn). Favourable trends in the world oil price are allowing high receipts from export tariffs (set at 2.5 Euros per ton for April and May and 5 Euros per ton in June). Revenues to the federal budget from personal income tax totalled R2.5 bn in January-May 1999, most of which was received in May. Federal expenditures equalled R234.2 bn in January-May. Interest payments for the period equalled R61 bn, of which R19.5 bn fell in May. Interest payments on foreign debt (mainly to the IMF) were two thirds of total debt servicing in May. Low non-interest expenditures in May provided for an improvement in the primary balance (the primary surplus equalled R 6.3 bn).

The consolidated surplus of regional and local (sub-regional) budgets has increased from R2.6 bn in April to R4.1 bn in May and was R8.8 bn for the first five months of 1999. Regional revenues and expenditures were R193.8 bn and R185.0 bn respectively in January-May. The performance in May did not differ much from that in April, except for slightly lower spending on housing subsidies.

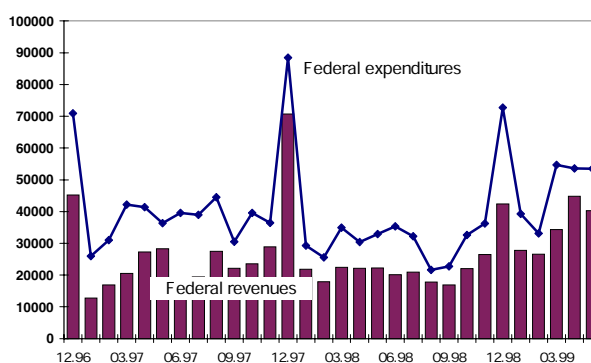
The IMF mission, which visited Moscow at the end of June-early July, expressed general satisfaction with a joint memorandum on economic policy issued by the government and the Central Bank of Russia. The fiscal part of the document is devoted to measures providing for an increase in revenues and a decrease in non-interest expenditures. Many of the measures set out in the document are already in place, including a program of reduction of government expenditure, adopted in 1998, postponement of any decreases in VAT until at least 2000, Part 1 of the Tax Code (aimed at improving tax administration), and some measures for reforming regional transfer policy. The government has also introduced a policy of cutting off access to export pipelines for oil companies with tax arrears.

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 exchange rate

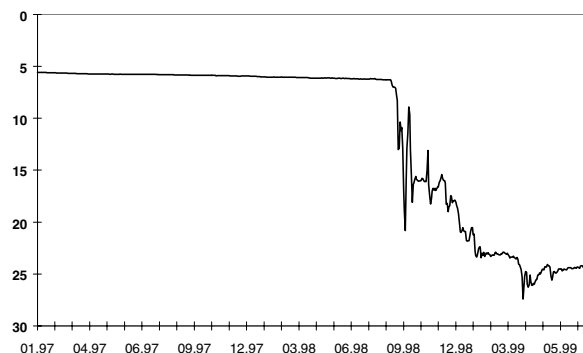
The exchange rate remained stable in June. The official R/\$ rate appreciating 1% while the MICEX rate appreciated 2%. However, at the end of June the CBR cancelled the special currency trading sessions for exporters and importers, unifying the exchange rate in accordance with IMF requirements. Further, on July 5 the restriction on hard currency purchases via correspondent accounts of foreign banks was lifted, causing some concern about a weakening rouble. On July 6 the rouble stood at R24.89/\$ down from R24.2 a week earlier. The rouble then regained some strength, and on July 12 the R/\$ rate was R24.4. What seems to have happened is that there was pressure on the rouble at the time of exchange rate liberalisation, but a certain degree of intervention from the CBR helped cushion the fall. We expect the rouble to remain fairly stable in coming weeks, but it is likely to slide further later in the year. There is a possibility that restrictions on importers, designed to stop currency flight under fake import contracts, will be lifted in September (importers must currently deposit roubles at a commercial bank to an amount equal to the hard currency amount, bought to pay for imports, and they get back the roubles by proving receipt of the imports).

With the rouble fairly stable and inflation higher than the rate of depreciation, the real exchange rate has started to appreciate (2.7% in the period March to June). This is also an indication that the rouble is undervalued at the present rate, and further appreciation in real terms can be expected.

Money

The CBR continued to make use of the printing presses in the period through June and the beginning of July. The monetary base (currency in circulation plus compulsory reserves of commercial banks) edged up another R18.1 bn, or 7.5%, in the period from the end of May to July 5. This means that the CBR has so far printed R55 bn since the end of January, representing an increase of 27% in the monetary base. Money printed in April-May was used to buy dollars to increase reserves, but in June and the beginning of July reserves saw a much less significant increase (approximately \$100 mn) and some of the new roubles have been used to support the national currency at a time when key currency restrictions were being phased out (see above, The exchange rate).

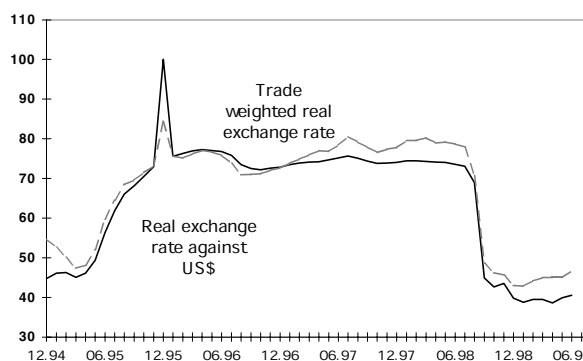
The rouble exchange rate (R/\$)*



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

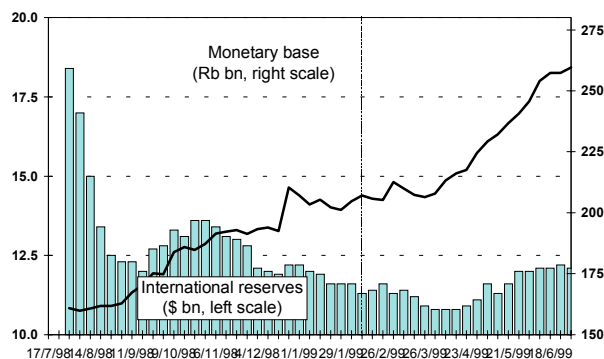
Source: Moscow Times.

The real exchange rate



Source: Moscow Times, Goskomstat, Financial Times

Monetary base and gross international reserves (weekly data)



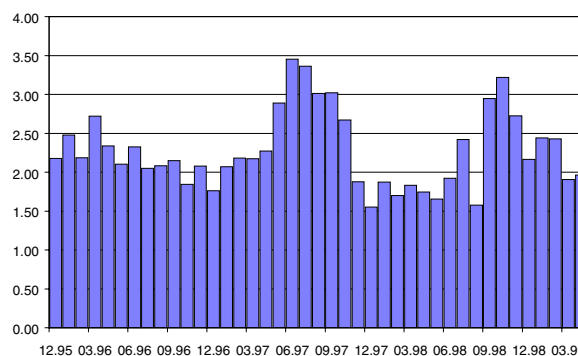
Source: CBR.

In addition to printing money and building reserves, the government has also managed to make relatively large debt payments of \$1.3 bn in May, a third of which was covered by the budget. How the rest was financed is something of a mystery. One possibility is that the government borrowed money from commercial banks, most likely Sberbank and Vneshtorgbank. However, data for that period are not yet available. In June Russia failed to make a payment of \$216 mn to the London Club, but the Club did not declare Russia in default, probably because creditors are unwilling to stir up trouble ahead of a likely deal between Russia and the IMF. Finally, the government has announced that it will pay \$10 bn on its external debts next year.

Financial markets

Russia's stock market performance continues to impress, running ahead of performances by other emerging stock markets around the world. The Moscow Times \$ index increased 150% in the first half of the year, of which 28% in June. This should be compared to a 53% rise in the first half of 1999 in Asia, 26% in Latin America, and 23% in the Middle East and Africa. Although foreign players have started to re-enter the Russian market, the majority of transactions are still done by domestic players. The market is driven to a large extent by excess liquidity (partly created by ruble refunds under GKO restructuring) and lack of other investment opportunities, rather than by macroeconomic fundamentals. At least in the near future we expect the stock market to continue to benefit from domestic liquidity as the rouble, due to restrictions, is not fully convertible. Also, more roubles will be made available from foreign holdings of frozen GKO's, currently sitting on so-called S-accounts, part of which will find its way to the stock market.

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	774.0	95.4	145.4	73.1	26.6	89.6
03			159.6	78.1	30.5	92.7
04			160.7	76.3	30.6	93.2
05			162.6	75.5	32.7	91.6
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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	99.1	294	591	827	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	98.6	298	591	818	246
02	101.3	100.3	293	589	834	242
03	100.2	100.1	295	596	841	233
04	100.9	100.9	293	591	859	246
05	96.6	99.1	287	560	845	222
06	97.1	98.2	295	564	822	221
07	90.9	96.4	294	605	796	208
08	88.1	95.8	290	604	784	224
09	85.2	96.9	293	598	801	211
10	89.3	99.8	296	606	831	230
11	92.2	101.6	297	603	854	240
12	95.3	101.4	298	587	839	262
01.1999	95.5	97.0	293	577	803	249
02	97.5	97.6	287	572	808	239
03	101.6	101.3	292	585	860	245
04	102.4	99.8	296	583	837	255
05	102.5	103.6	292	607	888	243
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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	97.6	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	3,219	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	3,119	834
06	93.6	97.9	95.8	27.9	3,190	833
07	79.6	97.9	95.7	25.8	3,164	813
08	74.6	97.2	94.1	32.0	3,201	804
09	80.6	97.4	91.0	31.3	3,018	774
10	82.3	97.2	89.4	29.5	3,124	822
11	83.0	95.7	85.7	32.9	3,128	811
12	88.0	94.6	85.9	31.2	3,122	879
01.1999	88.0	93.7	88.2	38.9	3,200	892
02	88.4	94.1	88.9	39.5	3,065	889
03	89.9	93.3	89.1	30.7	3,278	907
04	92.0	92.6	93.9	25.2	3,291	934
05	92.0	94.0	93.5	33.3	3,383	942
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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 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
05	255.0	91.6	133.7	82.2	30.6	93.7
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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	1,167	59.9
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	1,423	64.7
05	63.2	14.2	2.4	15	1,465	64.0
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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	1,273.1	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	1,107.4	79.2	83.5	403.1	572.9	28.6
11	1,126.6	76.2	83.5	403.2	618.5	29.5
12	1,553.1	94.2	83.5	402.9	716.8	27.3
01.1999	1,095.0	61.3	83.5	403.0	786.9	38.2
02	1,225.3	65.9	83.5	403.1	829.1	n.a.
03	1,306.8	68.3	83.5	403.2	856.8	37.7
04	1,447.5	73.5	83.5	403.3	884.0	n.a.
05	1,385.6	68.8	83.5	448.2	923.6	n.a.
06						
07						
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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	
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
04	1145.5	1358.9	498.9	495.1	46.8	684.3	842.3	10.0
05					46.8			9.4
06								
07								
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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	133.1	131.6
02	208.1	225.6	220.2	127.1	139.6	138.9
03	213.9	231.9	227.4	129.5	144.5	144.2
04	220.4	238.0	236.6	133.6	148.9	149.4
05	225.3	242.7	243.0	136.4	153.2	154.5
06	229.6	247.0	246.8	141.1		
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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	59.2	15.6	14.7
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	6.5	1.1	0.9	5.7	1.3	0.8
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
04	6.5	1.4	0.7	3.6	1.0	2.9
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* Includes Goskomstat estimate of unregistered trade.

Table 10: Balance of payments (\$ mn)

	1996	1997	1998	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1
Current Account	11997	3555	2446	-1508	-3587	900	6640	5068
<i>Trade balance</i>	17198	12551	14156	-138	291	4162	9841	6115
Export	103520	103060	87688	21523	22175	21802	22188	17831
Import	-86322	-90508	-73533	-21661	-21884	-17640	-12347	-11716
<i>Merchandise trade balance</i>	23069	17517	17306	908	1584	4814	10000	6473
Export	90563	88927	74751	18617	18846	18112	19177	15608
Import	-67494	-71410	-57445	-17709	-17262	-13298	-9176	-9135
<i>Service balance</i>	-5871	-4965	-3150	-1045	-1293	-652	-159	-358
Export	12957	14133	12937	2907	3329	3690	3011	2223
Import	-18828	-19098	-16087	-3952	-4622	-4343	-3171	-2581
<i>Income and Wages</i>	-5339	-8411	-11359	-1232	-3734	-3234	-3159	-997
Received	4333	4366	4300	2478	834	584	404	2261
Paid	-9672	-12777	-15659	-3710	-4568	-3818	-3563	-3258
Wages	-406	-342	-164	-89	-71	-32	29	67
Received	102	227	301	51	74	82	94	102
Paid	-507	-568	-465	-141	-145	-114	-65	-35
Income	-4933	-8069	-11195	-1142	-3663	-3201	-3188	-1064
Received	4232	4140	3999	2426	760	503	310	2159
Paid	-9165	-12209	-15194	-3569	-4423	-3704	-3498	-3223
<i>Current Transfers</i>	138	-585	-351	-139	-144	-28	-41	-50
Received	765	349	223	65	60	41	57	55
Paid	-627	-935	-574	-204	-203	-69	-98	-105
Capital Account	-3618	4047	5469	4177	5346	2754	-6808	-4218
<i>Capital transfers (net)</i>	-463	-797	-382	-92	-189	15	-116	-76
<i>Direct investments abroad</i>	-771	-2603	-1027	-254	-341	-98	-334	-314
<i>Direct investments into Russia</i>	2479	6243	2182	623	450	411	699	648
<i>Portfolio investments abroad</i>	-172	-156	-256	-97	-506	350	-3	-23
<i>Portfolio investments into Russia</i>	8929	45589	8035	3657	4230	-232	381	-506
<i>Other investment - assets</i>	-29306	-26621	-16122	-3343	-2393	-3942	-6443	-6050
Hard currency	-8908	-13444	945	609	1274	-1712	773	201
Bank accounts and deposits	-1000	977	972	1617	596	-102	-1139	-1098
Trade credits	-9501	-6789	-6810	-96	-1154	-1181	-4379	-1799
Loans provided (not overdue)	9499	7004	5345	1846	1602	1282	615	1791
Overdue payments	-9475	-3048	-7428	-3712	-2791	-488	-436	-4058
Non-repatriated export revenue	-9773	-11458	-8625	-3395	-1650	-1507	-2072	-1016
Other assets	-149	136	-520	-211	-271	-234	195	-71
<i>Other investment - liabilities</i>	14328	-15655	7784	2774	3329	3647	-1966	1030
National currency	-230	-38	65	-3	69	17	-17	-9
Bank accounts and deposits	1547	-4694	-2832	-961	349	-1376	-844	-283
Trade credits and advances	-799	-64	321	-58	119	86	175	104
Loans received (not overdue)	10256	12676	5806	3663	1829	3188	-2875	-1283
Overdue payments	2672	-24045	5120	364	270	1976	2510	2414
Other liabilities	881	511	-697	-231	693	-244	-915	86
<i>Adjustments</i>	-1484	-19	-50	18	-1	7	-74	104
<i>Net international reserves</i>	2841	-1934	5305	892	768	2596	1050	969
Errors and omissions	-8379	-7602	-7914	-2669	-1759	-3655	168	-850

Table 11: Federal budget (IMF definition)*

	<u>Revenues</u>		<u>Expenditures</u>		<u>Deficit</u>	
	Total (R bn)	of which: tax revenues (R bn)	Total (R bn)	of which: interest payments (R bn)	Total (R bn)	% GDP (%)
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	5.0
04	133.4	119.3	180.7	41.5	47.3	
05	173.7	152.9	234.2	61.0	60.5	
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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	-0.3
04	143.4	111.8	138.7	24.9	-4.7	
05	193.8	149.4	185.0	32.8	-8.8	
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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	448.3	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	448.3	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	n.a.
04	227.3	-6.3	357.1	195.2	509.6	n.a.
05	241.4		347.0			n.a.
06						
07						
08						
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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 R20.65 for 1999, R6.0 for 1998, R5,560 for 1997, 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	1036.8	299.7	362.6	153.4	204.3	214.5
02	1057.5	303.2	375.2	161.0	206.1	218.4
03	1139.0	326.0	386.0	163.5	215.0	228.7
04	1185.2	347.3	392.0	168.2	224.2	228.1
05				178.1		
06						
07						
08						
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10						
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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	45.7	18.9	20.7	30.7	58.8
04	60	43.8	14.6	15.2	27.4	59.1
05	60	43.5	14.7	7.1	20.2	73.9
06	55			8.4	16.0	89.7
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 prior January 1997 not compatible with current methodology.

Table 16: Exchange rates and Stock market

	MT \$ index, end of period	Exchange rate (MICEX), period average*	Exchange rate (MICEX), end of period*	Real exchange rate, period average**	Gross international reserves (including gold, end of period)	of which: Gold reserves (Valued at \$300 per ounce)
	(end Aug-94=100)	R/\$	R/\$	(Dec-95 = 100)	\$ bn	\$ 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	96.5	24.429	24.210	46.7	12.2	4.0
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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