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FOR ECONOMIC POLICY

in cooperation with

WORKING CENTRE FOR ECONOMIC REFORM
GOVERNMENT OF THE RUSSIAN FEDERATION

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ONE YEAR AFTER THE CRISIS: WHAT WENT RIGHT?

Peter Westin
RECEP, Moscow

In August last year Russia's economy was punished for its buoyant market performance, lack of fiscal discipline, and exchange rate policy during 1995-97 (see Russian Economic Trends, September 1998 for a deeper analysis of the underlying factors of the crisis). At the time, forecasts were made predicting hyperinflation and rapid reduction in production. Victor Gerashchenko, dubbed 'the world's worst central banker' by Jeffrey Sachs, had again been given the task of heading the CBR, and expectations that he would again resort to extensive money printing ran high. Fortunately, this gloomy scenario did not materialise. Instead the economy has been on a path of recovery with impressive growth rates in industrial production. Inflation has come down, and Gerashchenko's actions have been very different from that of 1992-94, and emissions have been kept at a reasonable level. Interestingly, the ongoing recovery has not been affected by political turmoil. In 17 months Russia has seen four prime ministers lose their jobs. The markets have shrugged it off as ‘business as usual’ (see box below).

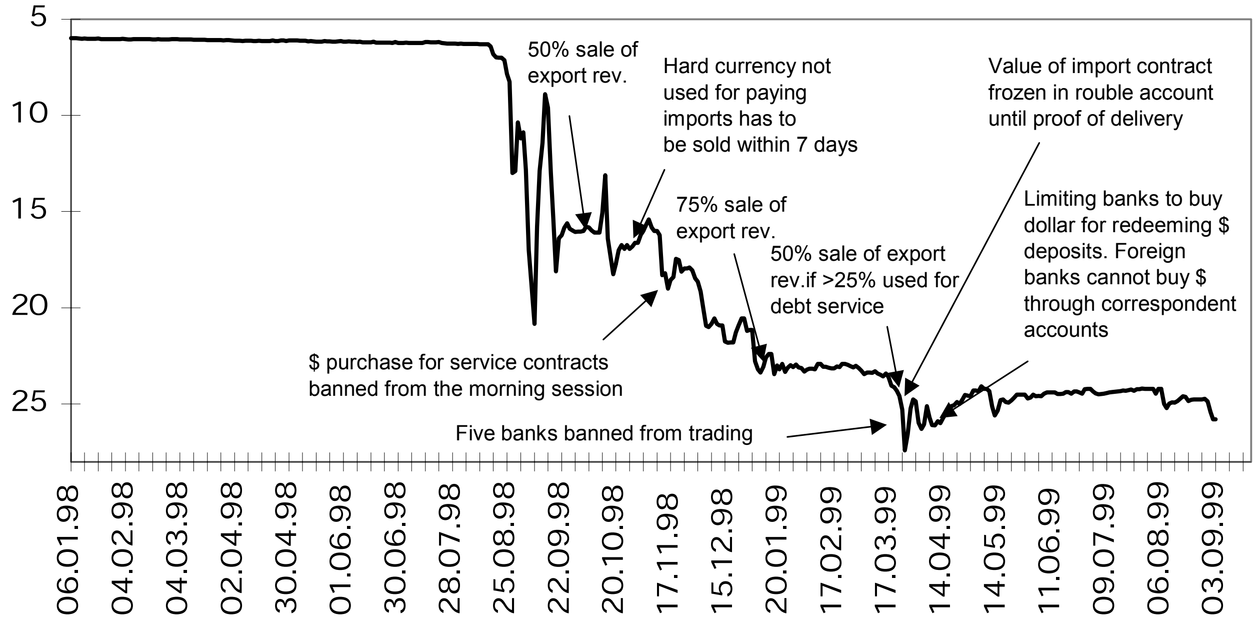
Russia's producers and exporters can look back over the last year and say that two events, in particular have provided the foundation for the industrial recovery and healthy export environment. These are the devaluation of the rouble in August last year, and the agreement made by OPEC in March this year to limit world oil supply, bringing surging world market oil prices.

A new exchange rate regime

The devaluation of the rouble on August 17 1998 meant an end to the rouble corridor which had previously provided the foundation of Russia’s monetary policy. Between August and October last year the rouble fell 150% in nominal terms; a depreciation of 80% in just seven weeks. Fearing further weakening of the rouble, and with insufficient international reserves, the CBR introduced a number of restrictions on trading, and on current and capital account transactions. As a rule new restrictions like these have some short-term effect, but economic agents quickly circumvent them and depreciation is likely to resume. However, the restriction on purchases of hard currency from correspondent accounts of foreign banks, introduced in April, has had a more long-term stabilising effect. This is evident in Figure 1. The MICEX exchange rate reached a record low of R27.4/$ on March 25. However, since then the rouble remained more or less stable at around R24/$. This means that a year after the crisis, the rouble had depreciated 25%.

In accordance with the IMF programme and the ‘Memorandum of the Government of the Russian Federation and the Central Bank of Russia on Economic Policy’, the exchange rate was unified at the end of June this year. The special trading session for importers and exporters was scrapped, and trading returned to a unified session for all agents in line with Article VIII of the IMF charter, requiring a country to have unified exchange rate. Also, the restriction on foreign banks’ correspondent accounts has been lifted. Worries were raised that the build-up of rouble liquidity at the CBR would, when restrictions were lifted, swamp the currency market and drive the rouble down even further. This did not happen, although the pressure on the rouble has not been eliminated. The CBR has spent hundreds of millions of dollars to support the rouble in the last couple of months.

Figure 1 The MICEX rouble/dollar exchange rate and restrictions



Source: Moscow Times, RECEP.

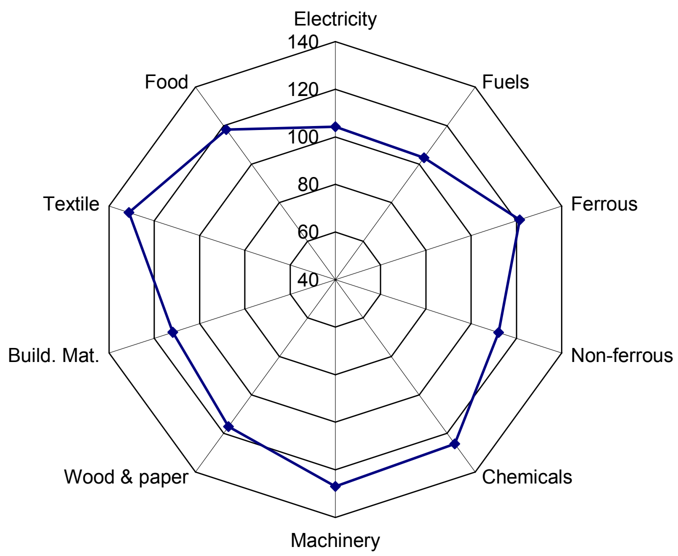
The real sector has gained momentum

A devaluation of this magnitude does bring certain benefits. It gives domestic producers and exporters a competitive edge. For Russia, this has materialised in the form of strong growth in industrial production, driven mainly by import substitution and an improved situation for exporters, many of which have their costs in roubles but revenues in dollars (see more below). Nevertheless, a devaluation also has negative aspects. It undermines a country's ability to service its external debt and damages the credibility of the currency and thus the economy, leading to dollarisation and capital flight. Domestic demand has also been damaged. Real wages were 36% lower in July this year compared to one year ago and the average monthly pension, which in July last year stood at R402.6 ($64.4), now stands at R448.7 ($18.4). At the same time the government's demand has been constrained by large debt payments.

Figure 2 shows the development in selected sectors in industry (July 1999/July 1998). All sectors have grown and now supersede their levels of a year ago (above 100). Of exporting industries, ferrous metals and chemicals have grown 21.4% and 25.4% respectively. However, the development in fuels (oil and gas) has been less buoyant. These sectors are suffering from extraction and transport constraints. With imports down around 50% compared to a year ago, Russia's import competing sectors have experienced very high growth rates. Machinery in July this year was up 27%, textiles 31%, and food processing 18% compared to July 1998. Although it is fair to say that the positive development in industrial production is mainly an effect of a weaker rouble rather than sound government policy, it must be noted that the way Russia's economy has responded to the crisis looks very promising.

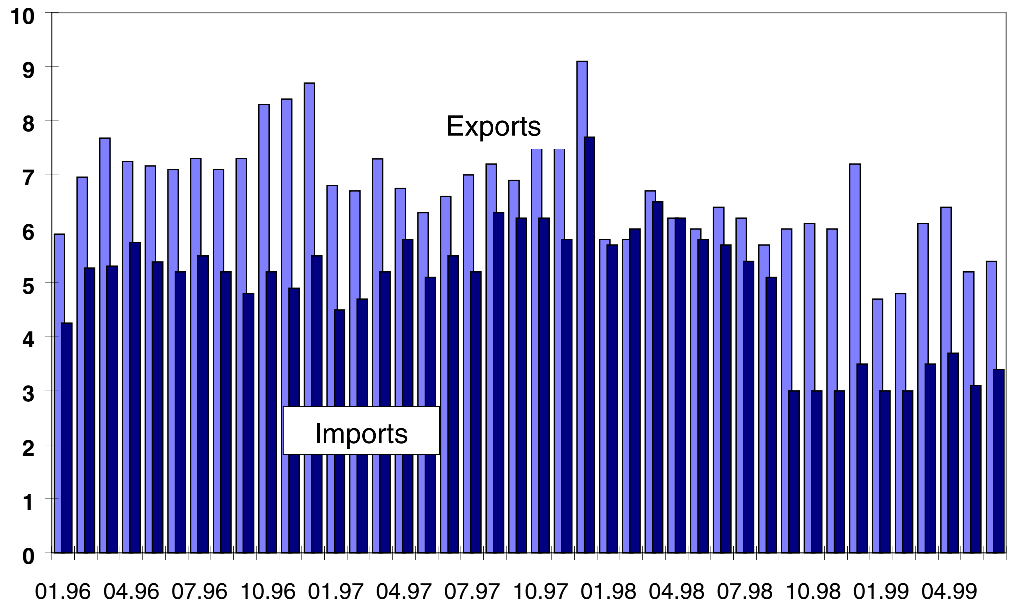
So, the secret to Russia's current 'success' is a weaker rouble coupled with only moderate inflation. As a result the real exchange rate has depreciated 43% since July last year. The growth has also had positive labour market effects. Unemployment figures have improved, especially in the first six months of this year. Although the rouble has started to appreciate in real terms, a catch-up to the pre-crisis level should not be expected, thus domestic producers could continue to benefit from the current market situation for some time. The effect of the devaluation and the continued depreciation does not yet seem to be over. However, it cannot be emphasised enough that long-term sustainable growth has to be accompanied by institutional reforms and enterprise restructuring.

Figure 2 Growth in industry by sectors (July 1999/July 1998)



Source: RSA.

Figure 3 Monthly trade flows ($ mn)



Source: RSA.

The devaluation has had a positive impact on Russia’s current account and trade balance, mainly due to the effect on imports which in the first half of this year were down 45% compared to the same period last year. However, exports have not been able to surpass the previous year’s level, and were down 12% in the first half of 1999, although they are increasingly helped by rising world commodity prices.

Tight fiscal and monetary policy

One of the underlying factors of the August crisis was the dire state of Russia's budget. Years of large federal deficits financed by an unsustainable high-yielding pyramid-type treasury bills market brought Russia to the brink of financial collapse. One consequence of the crisis was the disappearance of securities markets as investor confidence dwindled, thus limiting the government's ability to finance the deficit. Deprived of the main source of funding, the government was finally faced with no other alternative than to come up with a much tighter budget for 1999, foreseeing a primary surplus of 1.6% and a deficit after interest payments of 2.5%. The government struggled to fulfil its revenue target in previous years, but 1999 has proven to be different. Not only has the government managed to collect its targeted revenues, but more importantly, the bulk is now paid in cash. The factors behind this development is first the general economic upturn; taxes revenues being correlated with growth. Second, taxes on foreign economic relations are denominated in hard currency and thus a weaker rouble means more income to the state. Third, a higher oil price coupled with federal agreements between the state and large tax payers (mainly export oriented) who since after the crisis have seen their financial situation improve. In addition, the government has sent the 2000 budget to the Duma which is even tighter (the topic of next month’s special report).

Equally, monetary policy has remained relatively tight. In the year August to August money base increased 63.3%, on average 4.1% per month. The bulk of the money printed has been used to pay external debt obligations but also to pay off budgetary wage arrears. Large scale indexation of wages and pensions has been avoided with a positive effect on inflation. Consumer prices have increased 120% August to August. However, in September last year the monthly inflation rate was 38.4%, mainly an adjustment to the devaluation. Monthly inflation rates in the last six months (February – August) have ranged between 1.2-3%. This is an impressive record, considering the predictions made a year ago. Nevertheless, two elections are scheduled in the next 9 months and there is always a risk that expansionary monetary and fiscal policy decisions are made to buy votes.

IMF is back… again

Almost one year after the August 1998 crisis, Russia has received a new $4.5 bn credit line with the IMF, to be disbursed over the next 18 months. This can be seen as a victory for both the IMF and the Russian government. One year ago Russia’s ability to service its debt to the IMF was at risk. A default by Russia would have issued a hard blow to the Fund’s credibility; since 1993 it has lent Russia more than $20 bn, making the country its largest debtor. Russia has been granted a second chance, or perhaps one should even say a third or a fourth chance, to revive its economy and continue market reforms. The new loan does not provide Russia with enough cash to ensure this, but the agreement offers other benefits such as additional funds being provided by the World Bank and Japan, and the possibility of reaching agreements with the London and Paris Clubs on restructuring of the Soviet debt. Furthermore, it gives Russia, desperately in need of foreign direct investments, a sign of commitment and credibility, which in the case of a widespread default would have been completely lost.

Russia's total external debt amounts to approximately $150 bn, close to 90% of its GDP. An agreement with the London and Paris Clubs on the Soviet debt, made possible by the IMF agreement, will be an important component in facilitating economic recovery. Without any debt restructuring Russia's total debt obligations will range between $13-18 bn per year till the year 2008, making default highly probable. A deal has been announced with the Paris Club. As expected it does not involve any write-off but rather a two-year postponement of payments in which time Russia will only pay around $600 mn. From the creditors' point of view Germany, the largest of the Paris Club creditors, has announced that Russia does not qualify for forgiveness, although as negotiations will have to resume in the end of the year 2000, a write-off might be on the agenda. Negotiations with the London Club creditors may turn out to be more problematic. First, 600 creditors have to agree. Secondly, London Club debt has already been restructured once, and finally, the creditors are still unhappy with Russia's restructuring deal with regard to the GKOs. The sacking of the Stepashin government will not have a negative impact on these negotiations apart from foreign officials having to frequently re-build personal contacts with a new Russian Prime Minister. However, recent revelations about large scale corruption, rumoured to involve IMF funds, may delay the next tranche from the IMF and could have negative consequences for negotiations with creditors.

Box: Changing Prime Ministers – Business as Usual

Figures 4 and 5 show the currency and stock markets' responses to the four changes of government experienced by Russia in the last 18 months. Time zero in the figures is the day of the change[1], with the development in the previous and following ten days. Judging from the two graphs in this box the markets have not really been influenced by political changes shown.

Chernomyrdin was dismissed while the rouble corridor was in place; the rouble did not budge. Kiriyenko, on the other hand, was sacked a week after the devaluation, fuelling expectations of a rapid decline in the value of the rouble. However, both Primakov's and Stepashin's dismissals provided only a blip for a couple of days, caused by some early panic. Also, the street rate reacted more than the CBR and the MICEX rate due to the fact that there was some CBR intervention in trading to soften exchange rate movements.

Equally, the stock market saw some early panic but corrections were made relatively quickly. For example, one the day of Stepashin's dismissal the market at one point was down more than 11%, but by the time of closing it had recovered. And on the day when Kiriyenko was sacked the market actually went up.

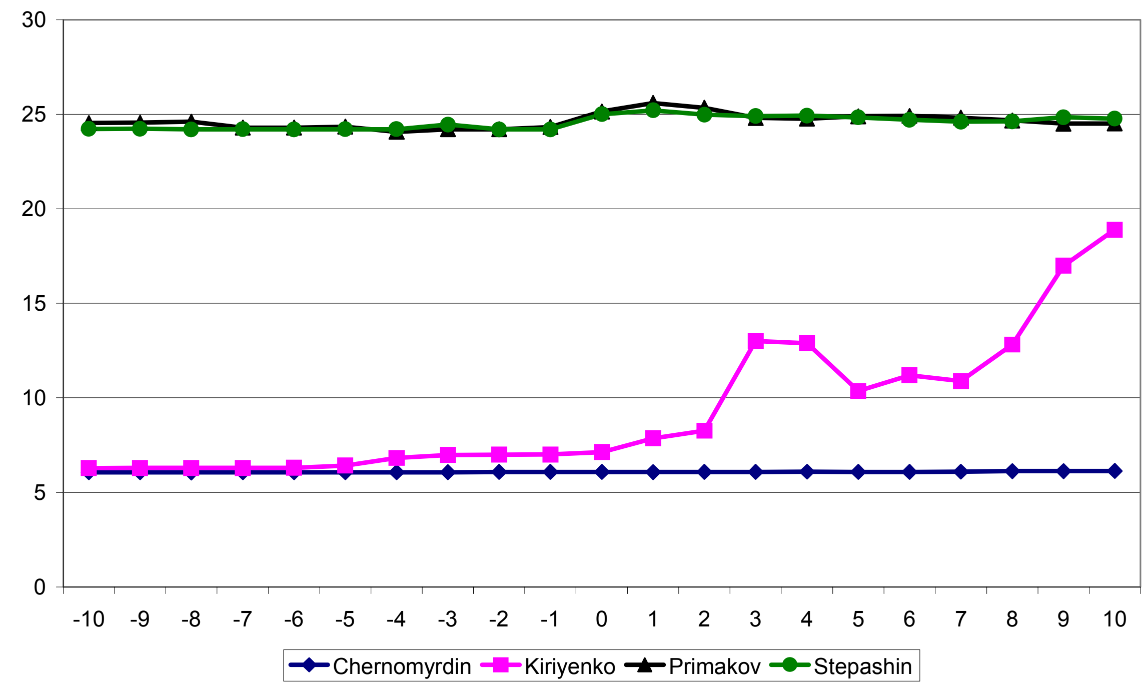
The markets' reaction to Prime Ministers' dismissals have been relatively calm[2]. What are the reasons for this? First, Russia's constitution gives the President almost exclusive making the role of Russia's Prime Minister is less notable. And although the dismissal of the Prime Minister automatically means that the Government is dismissed the Cabinet has tended to remained more or less unchanged under the new Prime Minister. Second, markets react rapidly to news reports and almost without exceptions, the change of government has occurred after weeks of rumours of dismissal. In that case, the change is not considered as news, and therefore has been priced in advanced by the markets. More important, however, is the fact that currently economic actors are not expecting significant policy changes. The upcoming elections have created an environment where politicians are taking a cautious approach to economic policy and are doing as much as possible to do as little as

[1] *Time zero for each Prime Minister: Chenomyrdin March 23, 1998, Kiriyenko August 24, 1998. Primakov May 12, 1999, and Stepashin August 9, 1999.*

[2] With regards to the rouble one should remember that the CBR can intervene to affect the exchange rate, which can be both a risky and an expensive strategy.

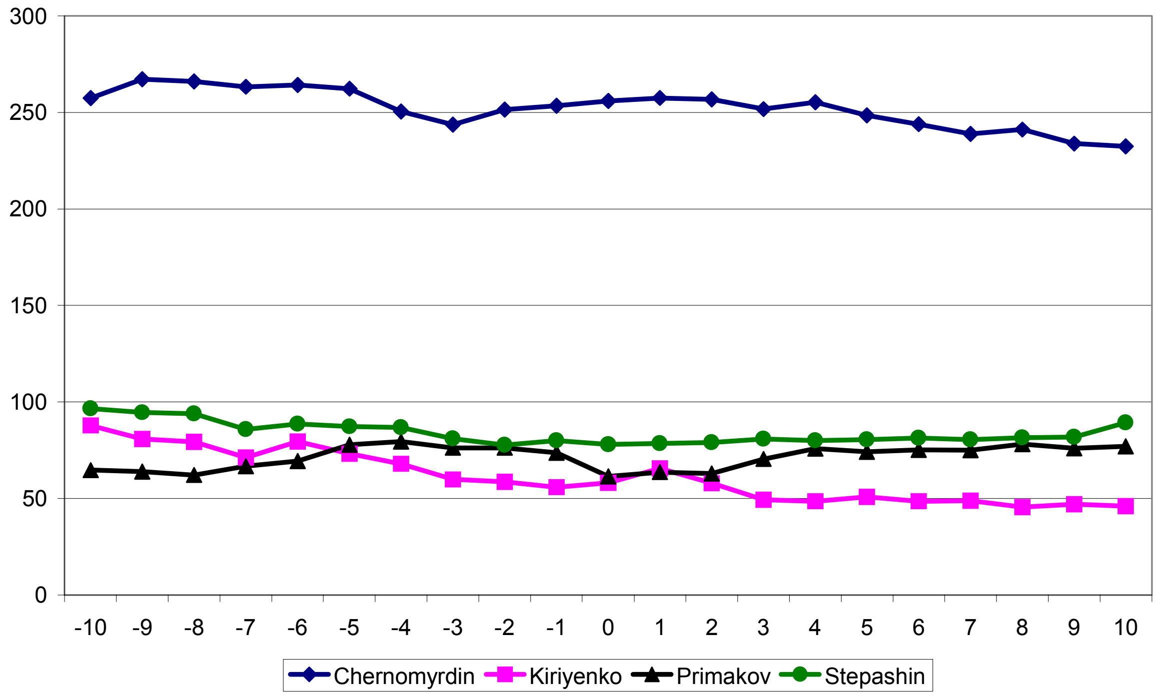
possible. This has both positive and negative consequences: Positive in that the policies have become predictable and that a change in policy that would again severely damage the Russian economy looks unlikely. Negative in that the political will to engage in large-scale institutional and structural reforms, essential to sustainable recovery, is still absent.

Figure 4 The MICEX rouble/dollar exchange rate



Source: Moscow Times.

Figure 5 The stock market (MT $ index)



Source: Moscow Times.

So, what went right?

First and foremost, Russia has returned to a more appropriate exchange rate regime. This in turn has created a favourable and competitive environment for the real sector. The fiscal situation has improved, which has relieved the CBR from pressure to print money. Inflation has gone down to acceptable levels, helped by the government's efforts to restrain from indexation of wages and pensions.

There are however wrongs that must be righted. This is mainly in the area of structural and institutional reforms. Russia's enterprises are now faced with a much healthier financial position, and this may facilitate much needed investments and restructuring. Furthermore, the arrears-situation has improved and the use of barter has diminished. However, this would also have to be supported by political will. With regard to the banking sector, restructuring has to be sped up and confidence has to be created. Banks are not attracting savings, and lending to the real sector is still limited. Decisions to, if necessary, liquidate banks are still viewed as politically unfeasible. If these issues are tackled, the effect of the August crisis could very well be the transformation of Russia into a healthy, prosperous, and more transparent economy, and thus the initial effects of crisis could be viewed as what Schumpeter called 'creative destruction'.

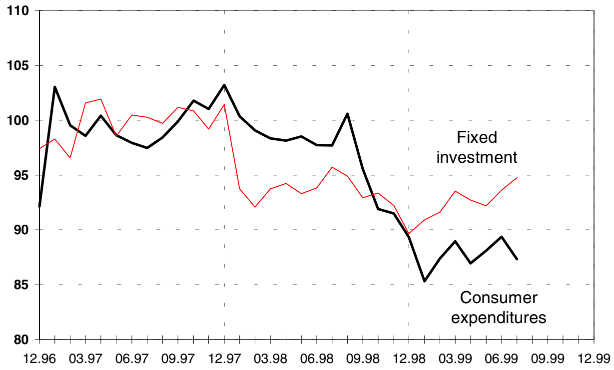
ECONOMIC UPDATE

Aggregate demand

In July seasonally adjusted real consumer expenditures on goods and services decreased by about 2.3% compared with June, and were about 13% lower than the average for 1997. Sluggishness of consumer demand is mainly attributed to the absence of growth of real wage incomes (see LABOUR MARKET). In July 1999 real expenditures on food (including catering) were 14% lower than a year ago, expenditures on non-food goods were 17% lower than in July 1998, and expenditures on paid services were 8% higher than a year ago, reflecting changes in the relative price structure.

According to preliminary data, expenditures on new construction and equipment (a proxy for gross fixed investment) increased by 1.2% in July compared with June in seasonally adjusted terms, at only about 5% lower than the 1997 average. The continuing increase in investment demand corresponds with the rise of profitability of enterprises in April-June (see ENTERPRISE FINANCES).

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



Source: RSA.

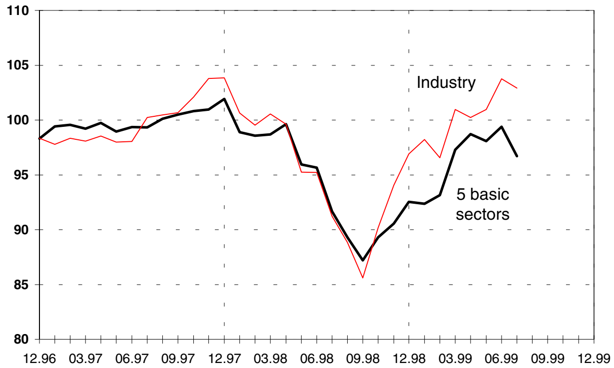
Output

In July gross output of the five basic sectors decreased by 2.7% in seasonally adjusted terms compared to June, and was 3% below the 1997 average. This monthly drop was attributed to both production of commodities as well as that of services.

The monthly fall in commodity output was attributed to industry and agriculture. Industrial output decreased by 0.8% in July over June, and was 3% higher than the 1997 average level. Production of agricultural animal products declined in July by 1.1% compared to June and was already 8% below the 1997 average level. The real volume of construction works in July remained unchanged from June in seasonally adjusted terms, and was only 2.5% lower than the 1997 average level.

Production of services also declined in July on a monthly basis. For example, freight transportation turnover decreased in July by 1.4% compared to June, remaining 2% above the 1997 average level. Passenger turnover dropped in July by 2.4% compared to June and was 6% below the 1997 average level. The volume of wholesale trade remained unchanged from June. At the same time the volume of retail trade in July decreased by 1.8% and was 7% below the 1997 average.

Gross output
(1997 = 100, seasonally adjusted)*



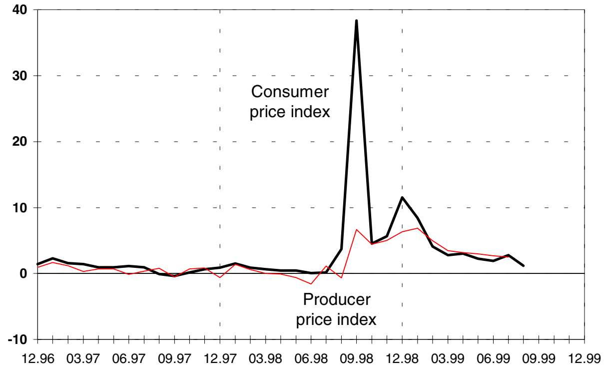
** Index of gross output of 5 basic sectors includes industry, construction, agriculture, transportation and retail trade.*
Source: RSA.

Prices

In August inflation rates decreased compared to their July level. The consumer price index grew by 1.2% in August, down from 2.8% in July. The CPI for food increased in August by only 0.5% (3.2% in July), reflecting the traditional seasonal decline of prices for fruits and vegetables. The CPI for non-food goods grew by 2.4% (1.9% in July), though consumer gasoline prices jumped by 20.2% in a month. The CPI for paid services grew by 1.9% (3.2% in July).

The composite producer price index increased by 2.5% in July compared to 2.7% in June (August data are not yet available). In industry the PPI grew by 3.1% – somewhat less than in June (3.7%). At the same time prices for oil and oil refinery products continued to rise rapidly. Producer prices for crude oil and diesel fuel grew in July by 16%, and producer gasoline prices by 26%. PPI for agricultural products grew in July by 1.5%, which is less than in June (2.3%), mostly due to seasonal factors.

Monthly growth of price indices, %*



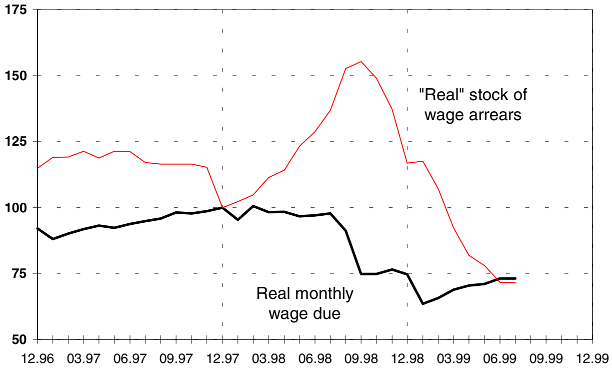
** Producer price index covers prices in industry, construction, production of agricultural animal products, and tariffs for freight transportation and communications.*
Source: RSA.

Labour

The situation in the labour market is slightly improving. The number of employees at large and medium-sized enterprises remained stable in the first half of 1999, and in June it even grew by 0.2%. The size of involuntary underemployment at large and medium-sized enterprises continued to decrease. In June the underemployment rate was equal to 7.9% of employees compared to 10.3% in March. The overall unemployment rate, according to the RSA estimate, in July was equal to 12.4% - the same as in May-June, but 1.5 percentage points lower than in 1999 Q1. The vacancy ratio (the number of job seekers registered with the FES as a ratio of the number of registered vacancies), in July remained unchanged to June in seasonally adjusted terms, staying at 4.0.

The real monthly wage due, calculated on the basis of the price deflator for consumer expenditures, in July remained unchanged compered to June at about 23% lower than its 1997 average level. Wage arrears, which were decreasing more or less steadily since September 1998, in July were practically unchanged from June. By the end of July total wage arrears were equal to R59.1 bn, of which R15.0 bn were attributed to the budget (mostly local). Budget wage arrears are growing for the second month in a row (at end-May they were equal to R14.6 bn).

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



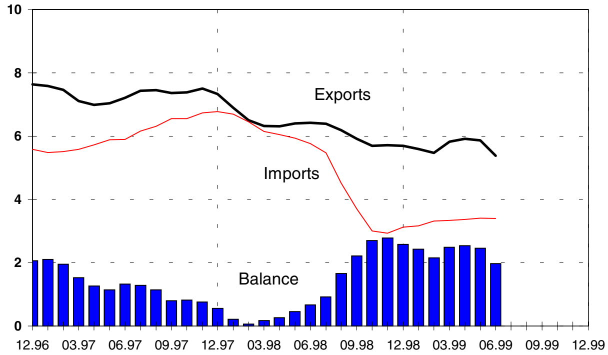
** Index of "real" wage arrears is calculated in terms of monthly wage fund, index or real wages is based on price deflator for consumer expenditures.*
Source: RSA.

Foreign trade

The trade balance for the first half of 1999 amounted to $12.9 bn with exports at $32.6 bn (down 11.7% compared to the same period last year), and imports at $19.7 bn (down 45.1% compared to the first half of 1998). Exports of crude oil in this period amounted to $5.2 bn, 7% lower than in the first half of 1998. Furthermore, Russia exported oil products, such as gasoline, diesel, and fuel oil, equal to $2 bn. This represents a 7.7% increase compared to the first half of 1998. However, revenues from natural gas exports were down 25% in the first half of this year compared to the same period last year, standing at $5.1 bn.

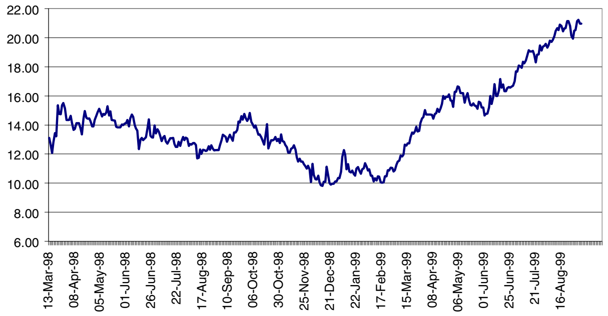
The government is planning to raise export duty on crude oil by 2.5 Euro as a consequence of higher world market prices. Currently it stands at 5 Euro per tonne. For oil products the duty would be raised from 10 to 12 Euro per tonne. For next year the government is also planning to introduce an export duty on natural gas. The current gas shortage in Russia has also prompted calls for a prohibitive duty on exports of gasoline.

Merchandise exports and imports ($ bn, seasonally adjusted)



Source: RSA.

Brent oil price ($ per barrel)

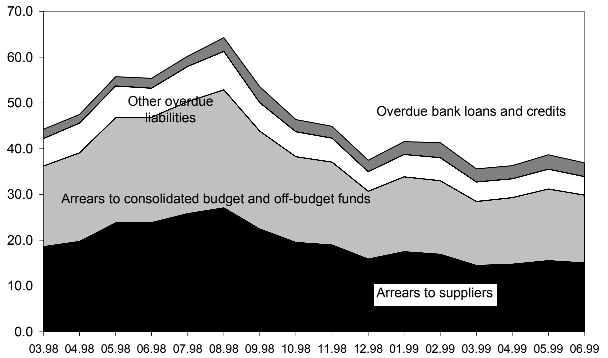


Source: Moscow Times.

Enterprise finances

Analysis of the data on accounts payable in industry suggests that the reduction in the ratio of arrears to output which took place in the last quarter of 1998 proved to be of permanent nature. The average ratio for the first six months of 1999 fell by one fourth compared to the first half of 1998, from 46% to 35%. Three major factors contributed to this downward tendency. First, the devaluation brought growth to the sectors that were virtually bankrupt in 1998. Firms working in the chemical, timber and paper industries drastically increased output and exports. In other sectors the number of financially viable firms went up; on the whole, the share of profitable firms in the economy was 8% higher in the first half of 1999 compared to the first half of 1998. Realised profits were shared with the suppliers and the budget in the form of reduced non-payments. Second, the government was rather successful in improving tax compliance. Proper budget execution prevented arrears chains initiated by the failure of the government to pay its debts. Third, the energy companies' efforts to combat non-payments

Arrears in industry, % of industrial production*



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

resulted in much smaller rates of growth of accounts receivable in the industry. In the first six months of 1999 overdue receivables in power generation and gas industries increased by 10% and 3% correspondingly. Rates of growth in the first half of 1998 were 30% in the electricity and 10% in the gas sectors.

In our opinion the non-payments problem has been mostly caused by institutional weaknesses. Therefore, devaluation per se could not lead to a sustainable reduction in arrears. However the devaluation effect was accompanied by structural improvements, which would guarantee a long lasting character of the changes.

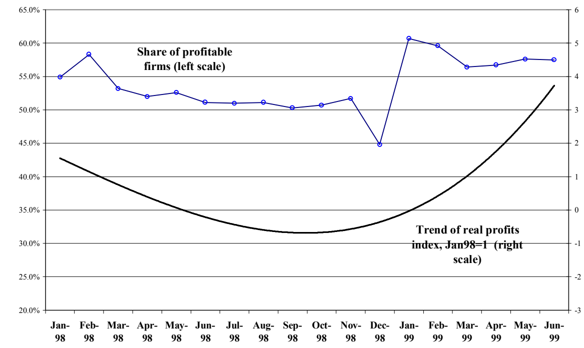
The banking sector

The passage of the Credit Organisation Restructuring Law did not result in a significant acceleration in the bank restructuring process. ARCO continued to pursue its projects on the rehabilitation of the regional banks. In August ARCO extended a loan to Alfa bank on the development of the latter's regional branch network. In our opinion this measure demonstrates the distorted nature of incentives faced by the ARCO management. Sponsoring an extension of one of the commercial banks into the regions should not be among ARCO's current priorities. Though, ARCO ensured that a part of its endowment is invested into a secure project.

Introduction of a temporal administration in SBS-Agro is more encouraging. The bank possesses advanced payments facilities **and important** in the agricultural credit. Over the last year the management of the bank proved to be incompetent, and predisposed to the participating in an asset stripping scheme within their bank. Strong political pressure and lack of will prevented the Central Bank from active intervention into the operations of this bankrupt institution. It remains to be seen whether the CBR's temporal administration will be able to prepare the ground for the orderly reorganisation of SBS-Agro.

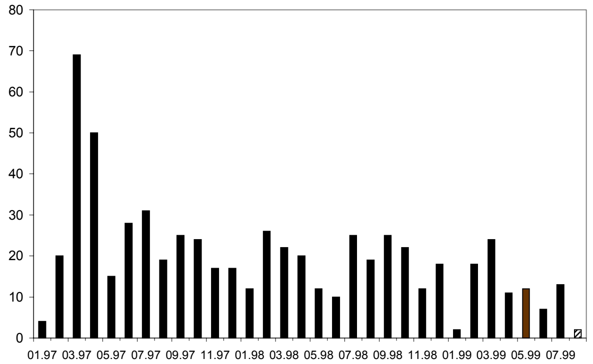
In other developments in the sector it is worth noting the upward trend in the value of household deposits placed with Sberbank. The nominal growth reflected in the graph remains even after inflation adjustment. It seems that confidence in the banking sector may be re-emerging. However the tendency is almost solely explained by the late indexation of pensions that are paid via checking accounts at Sberbank.

Profitability of the non-financial sector*



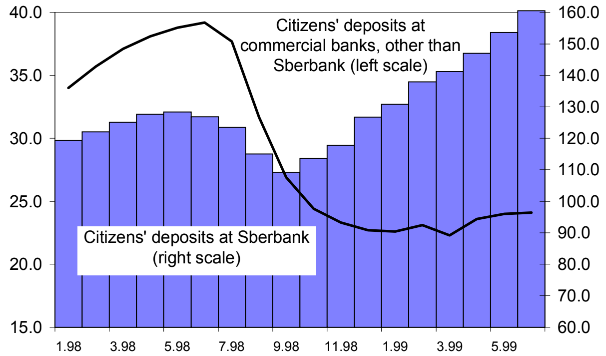
** Data is for large and medium size enterprises.*
Source: RSA.

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



** Data for July-August are preliminary estimates.*
Source: CBR.

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



Source: RSA.

The budget

The recent positive trends in budget revenue performance continued in July, when the federal government collected around R47.7 bn of taxes in cash compared to R42.3 bn the previous month. The total amount of revenue, tax and non-tax, comprised R55.3 bn. The deficit of the federal budget, calculated on cash basis according to the IMF definition, has hit in July the low record this year and was only R1.2 bn. Federal expenditures stood at R56.5 bn, out of which R19.2 bn were interest payments; payments on foreign debt comprised half of this amount. During the first 7 months of 1999, the federal deficit comprised R64.9 bn; revenues and expenditures equaled R280.8 bn and R345.7 bn respectively.

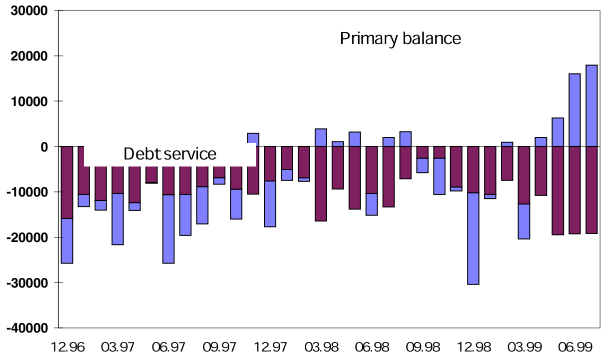
At the moment of writing, data on performance of regional and local budgets in July were not available. In the first 6 months of 1999, revenues and expenditures of these budgets stood at R247.3 bn and R240.0 bn respectively (13.5% of GDP and 13.1% of GDP), the budget surplus comprised 0.4% of GDP.

On August 25 the government submitted the draft of the 2000 Budget Law to the Duma. The draft is based on the following macroeconomic parameters: GDP R5.1 tr, inflation 18-22%, exchange rate R32/$, real growth 1.5%. Revenues of the federal budget are set at R743.6 bn, or 14.6% of GDP, and expenditures at R801.4 bn, or 15.7% of GDP. The of budget deficit is projected at 1.1% of GDP. Interest expenditures constitute 27% of the total planned expenditures, or 4.26% of GDP, which leaves a primary surplus of 3.1% of GDP.

The exchange rate

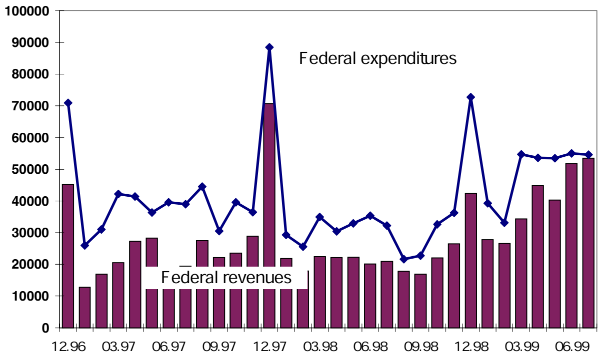
The dismissal of Prime Minister Stepashin fuelled new expectations about a further fall of the rouble. However, Gerashchenko kept his promise to keep the exchange rate below R25/$ “until the end of the summer” (perceived as being August 31). In August the exchange rate depreciated 2.7%. On September 1 the rouble fell by 2.1% and is now trading around R25.7/$. We see mainly three reasons for the current fall in the rouble. First, the CBR seems to have withdrawn its support. Second, the 2000 budget envisages an average exchange rate for the year of R32/$. Finally, worries that IMF may delay the next tranche (see Money).

Federal budget deficit, R mn



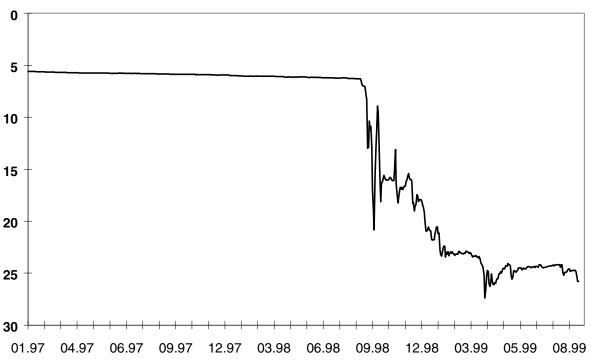
Source: Ministry of Finance.

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.

Money

In August the CBR printed R3.8 bn, an increase in base money by 1.5%, now standing at R264.1 bn. For the first eight months of this year money base has increased R54 bn or 25.7%. M2 (currency in circulation plus rouble deposits) in the first half of 1999 increased R119.4 bn equal to 26.6%. Of this, currency in circulation increased R28.6 bn (15.2%) and rouble deposits increased R90.8 bn (34.9%). The rise in deposits has been driven by non-household deposits, mainly corporate savings. The most likely explanation is that there has been an increase in the transaction demand for roubles. Transactions are increasingly demanded in cash, both between enterprises and to the state.

Reserves in August fell by $800 mn to $11.1 bn due to the CBR's effort to keep the rouble under R25/$ till the end of August. In the last week of August the CBR spent between $50-100 mn per day to defend the currency. Reserves are not high enough to allow the CBR to support the rouble in this way for a longer period of time.

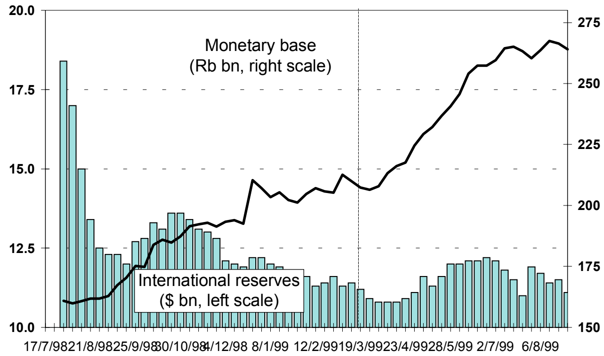
The next $640 mn tranche from the IMF is expected to be paid out in late September. However, recent accusations about misconduct in relation to the Bank of New York money laundering scandal may cause a delay. Accusations that $200 mn of IMF money was part of the $10-15 bn channeled to the Bank of New York has raised concerns among US officials. Although the claim that IMF money has been channeled to the Bank of New York seems unlikely it may cause the IMF to ask for further audits of other CBR subsidiaries.

The government expects to borrow $6 bn from external sources next year according to a document on foreign borrowing submitted to the Duma. Russia's debt will stand at $166.2 bn at the beginning of next year (including MinFins) and $177.6 bn at the beginning of 2001.

Financial markets

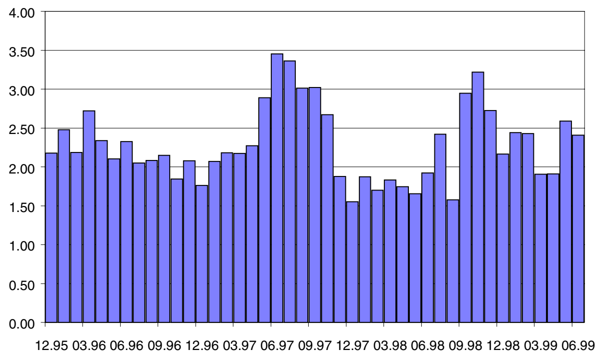
The performance of the stock market in August was not very exciting despite another change in government. In August the Moscow Times $ Index fell 11%. Investors seems to have adopted a wait-and-see policy, awaiting the end of holidays. Thus the market is expected to regain momentum in September (so far there is no sign of this). Currently the market is dominated by domestic investors who are faced with a lack of alternative investment opportunities, and by foreign demand for Russian American

Monetary base and gross international reserves (weekly data)



Source: CBR.

Number of months' imports covered by hard currency reserves

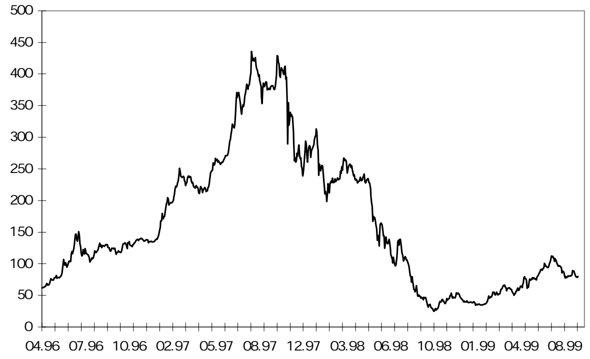


Source: RSA, CBR.

Depository Receipts (ADRs) sold in the United States.

The 2000 budget foresees domestic financing of the deficit equal to R40 bn, which will require a revitalised bond market in Russia. Also, the CBR is planning to start issuing a new short-term bond to be used mainly as a sterilisation mechanism. However, it is likely that the CBR would have to print money in order to pay the interest rate on these bonds. The Federal Securities Commission has said it would advice the CBR not to issue more than R5 bn worth of these securities.

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	28.0	90.9
02	773.6	96.0	145.4	73.1	31.3	91.6
03			159.6	78.1	35.9	93.5
04			160.7	76.3	36.3	92.7
05	1,056.3	98.2	162.6	75.5	40.0	92.2
06			168.3	76.7	50.7	93.6
07			171.4	76.0	53.8	94.8
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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	97.8	99.0	293	596	830	249
02	98.4	99.4	291	588	821	249
03	98.1	98.4	297	582	807	252
04	98.5	99.3	303	572	823	246
05	98.0	99.0	295	558	823	242
06	98.0	98.9	297	547	825	238
07	100.2	99.7	297	526	834	243
08	100.5	100.1	298	545	836	242
09	100.7	100.5	298	560	845	229
10	102.1	100.9	298	563	842	248
11	103.8	102.3	299	610	858	241
12	103.8	102.4	297	601	860	246
01.1998	100.6	98.5	298	591	817	245
02	99.5	100.2	293	589	833	241
03	100.6	100.1	295	596	840	233
04	99.6	100.8	293	591	858	247
05	95.2	99.0	287	560	844	224
06	95.2	99.1	295	566	834	221
07	91.2	96.4	294	605	794	208
08	88.8	95.7	290	603	783	223
09	85.6	96.8	293	598	800	211
10	90.2	99.7	296	605	830	229
11	94.1	101.6	297	603	853	240
12	96.9	101.3	298	587	838	262
01.1999	98.2	96.9	293	577	802	248
02	96.6	97.5	287	572	807	239
03	101.0	101.2	292	585	859	244
04	100.2	99.7	296	583	836	255
05	101.0	103.3	292	607	884	243
06	103.8	101.9	294	604	859	248
07	102.9	100.6	295	590	841	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	124.5	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	95.0	30.4	3,145	835
01.1997	100.4	101.0	103.1	29.4	3,301	875
02	98.3	101.5	101.4	30.7	3,306	894
03	96.4	101.1	101.5	31.7	3,292	898
04	96.3	101.3	97.4	32.9	3,304	887
05	95.7	100.8	98.8	30.8	3,289	862
06	98.5	100.2	100.0	32.2	3,234	884
07	101.1	99.9	100.3	33.5	3,232	883
08	106.1	99.3	100.2	32.9	3,206	884
09	104.6	98.7	101.6	33.5	3,237	888
10	104.1	98.8	101.4	36.6	3,153	890
11	101.8	99.0	99.5	33.6	3,259	894
12	96.7	98.4	94.8	34.7	3,253	901
01.1998	93.2	99.2	96.8	35.7	3,219	878
02	93.6	99.0	96.4	32.5	3,083	848
03	94.9	99.1	96.0	31.3	3,197	859
04	95.0	98.4	96.7	22.7	3,179	863
05	94.0	98.2	97.6	31.1	3,143	834
06	93.6	98.2	98.7	27.9	3,190	833
07	79.6	98.2	98.7	25.9	3,164	813
08	74.6	96.9	97.2	32.0	3,177	804
09	80.6	97.2	94.0	31.3	3,018	774
10	82.3	96.9	91.9	29.5	3,124	822
11	83.0	95.8	89.0	33.0	3,128	811
12	88.0	94.6	87.0	31.9	3,122	879
01.1999	88.0	94.0	91.7	39.0	3,200	892
02	88.4	93.8	93.7	39.5	3,065	889
03	89.9	93.4	94.9	30.7	3,278	907
04	92.0	92.7	95.7	25.3	3,304	934
05	92.0	94.1	96.0	33.3	3,415	942
06	91.6	92.7	97.6	29.6	3,374	951
07	81.5	91.7	97.5	29.8	3,327	953
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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	738.3	98.7	200.3	92.1
1997	2,173.8	100.6	861.2	103.1	269.5	95.5
1998	2,238.1	96.6	1037.4	98.3	318.6	95.1
01.1997	168.5	91.9	68.5	102.2	19.3	91.5
02	169.4	91.7	64.2	95.0	19.6	89.7
03	180.6	96.4	67.7	99.1	19.7	89.0
04	191.6	101.2	69.2	100.6	21.0	92.8
05	176.2	103.3	68.3	98.4	20.7	89.7
06	169.6	97.2	68.1	97.1	21.9	93.5
07	180.5	101.4	68.9	97.9	23.1	97.2
08	183.4	104.9	71.4	101.4	23.7	99.3
09	185.7	105.2	74.5	106.1	24.5	100.6
10	190.7	106.6	74.8	106.4	24.8	100.1
11	184.0	101.4	76.3	107.9	25.1	100.0
12	193.6	105.5	89.3	125.2	26.1	102.8
01.1998	165.6	86.3	74.4	99.6	21.4	89.0
02	175.6	93.7	68.7	94.7	22.1	89.0
03	186.5	100.0	71.4	97.8	23.9	91.3
04	179.5	102.7	71.8	98.1	24.3	91.1
05	166.3	107.0	71.4	97.2	24.9	92.5
06	167.4	97.5	70.7	96.2	26.9	95.1
07	170.2	97.5	72.3	98.4	28.0	96.5
08	161.8	93.6	81.7	105.0	28.5	97.3
09	182.0	93.5	107.0	101.6	28.8	96.2
10	203.6	93.9	104.3	94.1	28.6	96.5
11	218.8	94.7	110.6	94.6	29.3	100.6
12	260.8	99.4	133.1	102.4	31.9	106.5
01.1999	223.4	79.0	117.1	80.5	27.5	88.5
02	236.2	87.3	118.6	81.2	28.3	86.0
03	288.6	100.7	129.5	85.9	31.4	91.2
04	291.7	103.3	130.6	84.0	32.1	91.2
05	290.8	113.6	133.7	83.8	31.0	94.9
06	309.4	105.9	137.2	84.2	34.6	100.8
07	323.3	106.3	138.7	83.1	35.1	104.5
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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	63.6	13.6	2.6	83	1,385	63.5
04	64.1	13.0	2.5	15	1,423	64.7
05	64.6	12.4	2.3	15	1,472	64.3
06	64.6	12.4	2.2	6	1,626	66.4
07	64.6	12.4	2.0	6	1,610	64.9
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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	403.1	856.8	37.7
04	1,447.5	73.5	83.5	403.2	884.0	n.a.
05	1,385.6	68.8	83.5	451.6	923.6	n.a.
06	1,476.3	71.9	83.5	455.5	950.0	35.0
07	1,469.0	69.6	83.5	455.7	974.0	n.a.
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Table 7: Arrears*

	Total overdue payables of enterprises, R bn		Of which: to suppliers, R bn	Of which: to the budget & non-budgetary funds, R bn	Of which: wage arrears, R bn	Total overdue receivables of enterprises, R bn		Government wage arrears**
	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.	14.8
1997	756.1	n.a.	344.7	316.6	39.7	458.4	n.a.	7.9
1998	1053.4	1230.6	475.1	438.6	55.7	634.0	761.9	20.1
01.1997	529.1	n.a.	249.1	217.0	35.4	344.5	n.a.	15.1
02	559.7	n.a.	259.8	231.8	36.9	368.6	n.a.	16.4
03	601.0	n.a.	283.8	251.2	37.6	400.1	n.a.	18.0
04	634.3	n.a.	301.1	254.2	36.7	410.7	n.a.	17.1
05	653.8	n.a.	309.4	261.0	38.4	415.6	n.a.	17.5
06	668.6	n.a.	313.3	268.4	39.3	418.8	n.a.	18.1
07	694.3	n.a.	321.5	281.0	39.0	432.3	n.a.	17.4
08	707.6	n.a.	328.9	289.2	39.6	441.5	n.a.	16.2
09	723.4	n.a.	330.2	302.7	41.3	451.3	n.a.	16.2
10	745.2	n.a.	340.2	311.8	40.8	456.3	n.a.	15.3
11	761.7	n.a.	342.9	321.2	41.4	461.6	n.a.	14.8
12	756.1	n.a.	344.7	316.6	39.7	458.4	n.a.	7.9
01.1998	687.7	891.6	286.2	299.2	41.8	389.3	555.5	7.1
02	840.4	941.7	375.2	347.6	48.8	519.6	598.9	8.6
03	795.4	998.3	387.5	363.2	50.1	534.2	620.1	10.1
04	904.5	1034.1	395.0	381.9	52.5	548.7	647.7	10.7
05	939.2	1075.5	416.2	395.2	55.1	570.3	677.3	12.5
06	936.3	1082.0	417.2	391.1	56.4	569.8	683.4	14.7
07	980.7	1132.0	433.3	398.0	59.6	585.0	700.9	17.1
08	1005.1	1160.5	444.2	408.3	63.9	561.7	710.2	18.6
09	1034.8	1199.8	452.7	423.2	65.4	616.8	740.7	20.9
10	1054.4	1224.7	464.5	432.3	62.9	655.2	782.0	22.1
11	1065.5	1238.7	472.2	443.6	61.0	648.1	776.2	22.1
12	1053.4	1230.6	475.1	438.6	55.7	634.0	761.9	20.1
01.1999	1065.9	1241.1	472.8	443.6	55.6	641.8	772.0	19.4
02	1093.0	1280.6	477.6	463.8	52.9	659.5	799.8	19.0
03	1119.0	1321.8	490.8	475.3	49.8	675.0	824.8	17.0
04	1145.5	1358.9	498.9	495.1	46.8	684.3	842.3	15.3
05	1149.0	1366.3	492.5	503.1	45.4	702.2	863.8	14.6
06	1170.2	1388.0	509.7	511.8	43.3	714.6	881.2	14.6
07					44.3			15.0
08								
09								
10								
11								
12								

* 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 industry, construction, transport, agriculture, education, health, arts, sciences, social security, housing and communal services and local administration. Prior to July 1998 RET estimates.

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	131.7
02	208.1	225.6	220.2	127.1	139.7	139.1
03	213.9	231.9	227.4	129.5	144.6	144.4
04	220.4	238.0	236.6	133.6	149.1	149.7
05	225.3	242.7	243.0	136.4	153.6	155.1
06	229.6	247.0	246.8	141.1	157.7	160.9
07	236.0	254.8	251.6	145.6	161.7	165.9
08	238.8	255.8	257.6	148.5		
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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**
Trade balance	*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
Merchandise trade balance	*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
Service balance	*-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
Income and Wages	*-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
Current Transfers	*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**
Capital transfers (net)	*-463*	*-797*	*-382*	*-92*	*-189*	*15*	*-116*	*-76*
Direct investments abroad	*-771*	*-2603*	*-1027*	*-254*	*-341*	*-98*	*-334*	*-314*
Direct investments into Russia	*2479*	*6243*	*2182*	*623*	*450*	*411*	*699*	*648*
Portfolio investments abroad	*-172*	*-156*	*-256*	*-97*	*-506*	*350*	*-3*	*-23*
Portfolio investments into Russia	*8929*	*45589*	*8035*	*3657*	*4230*	*-232*	*381*	*-506*
Other investment - assets	*-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
Other investment - liabilities	*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
Adjustments	*-1484*	*-19*	*-50*	*18*	*-1*	*7*	*-74*	*104*
Net international reserves	*2841*	*-1934*	*5305*	*892*	*768*	*2596*	*1050*	*969*
Errors and omissions	**-8379**	**-7602**	**-7914**	**-2669**	**-1759**	**-3655**	**168**	**-850**

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	74.1	14.5	13.3	58.9	15.6	15.2
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	5.8	1.4	1.5	5.7	1.5	0.1
02	5.8	1.2	1.4	6.0	1.5	-0.2
03	6.7	1.2	1.5	6.5	2.0	0.2
04	6.2	1.2	1.0	6.2	0.9	0.0
05	6.0	1.4	0.9	5.8	1.5	0.2
06	6.4	1.1	0.9	5.7	1.3	0.7
07	6.2	1.1	0.9	5.4	1.5	0.8
08	5.7	1.2	0.8	5.1	1.5	0.6
09	6.0	1.1	0.8	3.0	1.1	3.0
10	6.1	1.2	1.1	3.0	0.9	3.1
11	6.0	1.1	1.3	3.0	0.8	3.0
12	7.2	1.2	1.2	3.5	1.2	3.7
01.1999	4.7	0.9	1.3	3.0	0.9	1.7
02	4.8	0.8	1.0	3.0	0.9	1.8
03	6.1	1.1	0.9	3.5	1.0	2.6
04	6.4	1.4	0.7	3.7	1.0	2.7
05	5.2	1.4	0.7	3.1	0.7	2.1
06	5.4	1.5	0.7	3.4	0.8	2.0
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* Includes Goskomstat estimate of unregistered trade.

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

	Revenues		Expenditures		Deficit(+) or surplus(-)	
	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	
06	247.3	188.8	240.0	42.2	-7.3	
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* Privatisation receipts and net sales of state gold reserves are counted as deficit financing. Monthly data are cumulative.

Table 11: Federal budget (IMF definition)*

	Revenues		Expenditures		Deficit	
	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	5.0
04	133.4	119.3	180.7	41.5	47.3	
05	173.7	152.9	234.2	61.0	60.5	
06	225.5	195.2	289.2	80.3	63.7	3.5
07	280.8	242.9	345.7	99.4	64.9	
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* IMF definition of revenues and expenditure is used.
Monthly data are cumulative.
Deficit and expenditure figures for June-99 have been revised.

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	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	-10.2	412.2	178.0	444.2	n.a.
02	205.2	-10.2	416.8	180.8	463.9	n.a.
03	205.9	-10.6	423.9	174.1	473.8	n.a.
04	227.3	-9.6	425.5	195.2	509.6	n.a.
05	241.4	-8.3	412.0	205.3	542.4	n.a.
06	257.3	-8.6	434.8	216.4	567.7	n.a.
07	260.3					n.a.
08	264.1					n.a.
09						
10						
11						
12						

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.

In 1999 there were some changes in methdology fo NDA and NIR data.

** M0 is currency in circulation.

*** M2 includes currency in circulation, demand deposits, and time deposits (there is a break in the series from December1996, 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 (rouble household deposits)	Foreign currency deposits	Foreign liabilities
	(R bn)	(R 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	1033.8	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	170.6	224.2	228.1
05	1243.5	371.0	376.1	177.6	224.1	225.6
06	1303.4	390.4	395.9	185.4	233.7	227.7
07				190.9		
08						
09						
10						
11						
12						

Source: CBR, Goskomstat

* 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	55			9.0		101.5
08	55					82.2
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 compatibale 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	45.8	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	46.9	12.2	4.0
07	88.6	24.321	24.198	48.3	11.9	4.1
08	78.9	24.690	24.860	47.9	11.1	4.1
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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