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in cooperation with

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



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*All nominal rouble amounts are given in new, redenominated, roubles.
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NEXT YEAR'S BUDGET: THE FIRST READING

Maria Gorban and Peter Westin
RECEP, Moscow

The government submitted the 2000 budget draft to the Duma in August. The Duma Budget Committee, after studying the document, suggested that the Duma reject it in the first reading, which the latter did on September 28, after having rejected most of the tax legislation amendments package. The document was criticised widely, in particular for “too optimistic” macroeconomic indicators, “re-distribution” of income in favour of the federal centre, insufficient military expenditures, and high interest payments. The document was sent to the Trilateral Commission^{??}, which has increased revenue and expenditure targets (together with the forecast for next year's GDP) and recommended the Duma to pass it in the first reading. This report aims at presenting the initial parameters and conditions set by the government. Furthermore, it highlights the importance of revenues derived from foreign economic activities.

Despite the negative forecasts made in the beginning of the year, fiscal development, so far, has been better than expected. Having experienced years of under-fulfilment of revenue targets the federal government, starting in spring 1999, has met and even exceeded the targets. There are several explanations for this: First, the devaluation and continued depreciation of the rouble have resulted in higher rouble values of foreign trade taxes, which are set in hard currency; this is despite the contraction in imports by 45%. Secondly, the favourable conditions for exporters created by a weaker rouble and higher oil prices have allowed the government to collect higher revenues from export tariffs, especially from oil exports (see Appendix 1. ‘Revenues from foreign trade taxes’ below). Third, economic growth has not only created a wider tax base but also improved the conditions for tax compliance. And finally, the government has been successful, both in managing to keep the VAT rate at 20%, and in its bargaining with energy sector enterprises, which have significantly increased cash payments to the budget.

Furthermore, the government has managed to reach an agreement with the IMF. This solves the problem of the payments to the fund due this year, while allowing Russia to enter into negotiations with London and Paris Club creditors about restructuring of the Soviet debt. In addition, it has also improved Russia's chances of getting additional funding from external sources such the World Bank and G7 governments.

Macroeconomic parameters of the 2000 budget draft

Table 1 presents the main macroeconomic parameters of the 2000 budget draft, as it was presented to the Duma, and the new parameters suggested by the Trilateral Commission:

In drafting the budget certain assumptions are made about the macroeconomic development. The macroeconomic assumptions for the 2000 year budget are as follows: economic growth of 1.5%, leading to nominal GDP equal to R5,100 bn, inflation of 18-22%, an average exchange rate of R32/\$, and an average oil price for the year equal to \$19/barrel. For this year GDP, in nominal terms, is expected to reach R4100 bn which at an estimated average exchange rate of R24.8/\$ (our estimate) means a dollar GDP of \$165.3 bn. Assuming that the average exchange rate for the year 2000 holds at R32/\$ this would lead to a dollar GDP of \$167.2 bn, which in rouble terms is higher than the government's projected R5,100 bn. However, the revised figure of R5,350 bn provided by the Trilateral Commission would, according to our estimates, correspond to a real increase in GDP of 1.2%. The

reason for the difference of 0.3% can be explained by a lower estimate of the average exchange rate for this year from official sources.

Table 1. Underlying parameters of the 2000 Budget draft

	The government's budget draft	Recommendations by the Trilateral Commission
GDP, R bn	5100	5350
Real growth, %	1.5	
Inflation, %, December to December	18-22	
Exchange rate, R/\$	32	
Federal revenues	743.55	791.3
Federal expenditures	801.42	849.2
- o/w interest	220.07	220.07

Targets for revenues, expenditures, deficit and interest payments.

The government version of the budget draft envisages revenues and expenditures of R687.2 bn and R801.4 bn respectively, or 14.6% and 15.7 % of GDP. The deficit is expected to be only 1.1% of GDP, the lowest target for the federal budget deficit ever specified by the federal budget law. The target for the primary balance is also impressive; with high interest payments scheduled for next year (27.5% of the total expenditure, or 4.3% of GDP), the primary surplus, or the difference between revenues and non-interest expenditure, should reach 3.2% GDP (see Figure 1). This is not far from the primary surplus demanded by the IMF's 3.5-4%. With the new suggestions provided by the Trilateral Commission, the main parameters of the budget will be the following: Revenues equal to R791.3 bn (14.8% of GDP), expenditures equal to R849.2 bn (15.9% of GDP), thus a deficit after interest payments of 1.1% of GDP. The primary surplus will thus amount to 3% of GDP. Below we describe briefly the government's version of the draft. The parameters of this draft are presented in Appendix 2.

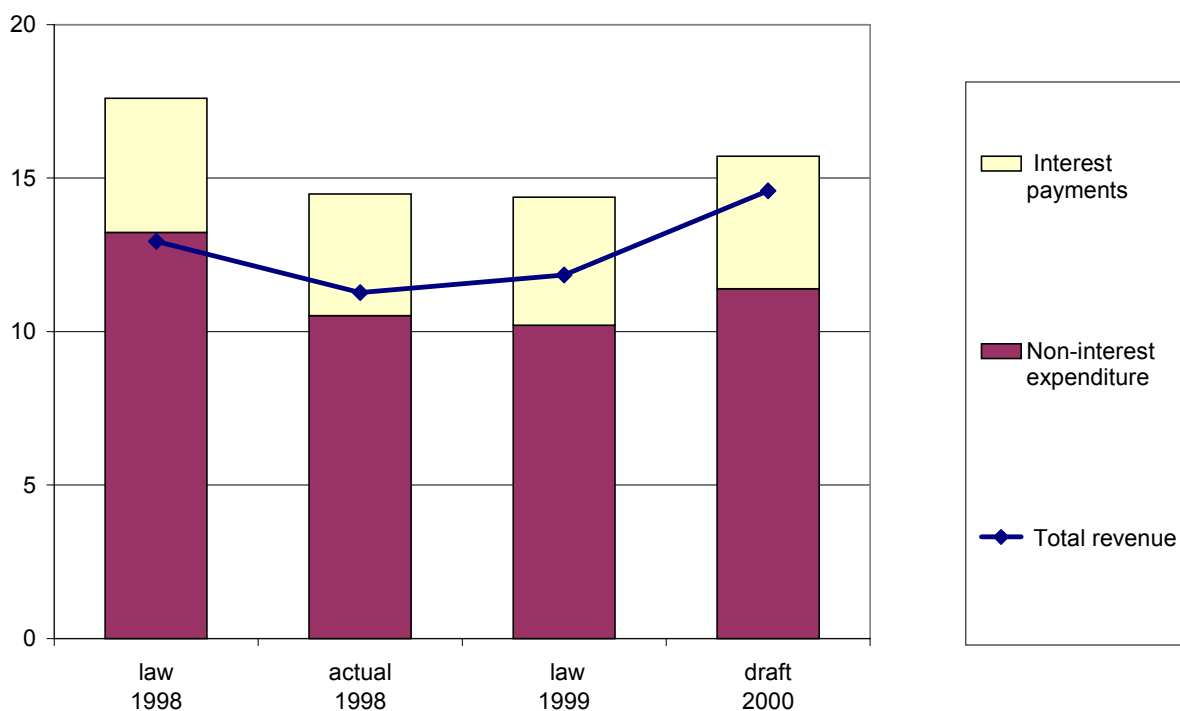
Revenues

As can be seen from Figure 2, the structure of tax revenue is not significantly different from the previous year's law. However, the total amount of revenue is significantly higher, planned at 14.6% of GDP compared to 10% in this year. The tax revenues are planned at 12.9% of GDP, which is much higher than this year's tax revenues, initially planned at 10% of GDP and expected to be at least 1% of GDP higher. The growth in real revenue is seen as result of economic growth, some changes to the tax legislation and improvements in tax compliance¹. The package of tax legislation changes, which accompanied the budget draft, is presented in Appendix 3. Additional improvements in tax collection are expected from removing a number of privileges for closed territories and Kaliningrad Oblast. At the current stage, almost all of the tax drafts have been rejected by the Duma in their first reading and then submitted for discussion to the Trilateral Commission.

The main differences in the structure of the tax revenue compared to the 1999 budget are higher shares of VAT (planned at 20% this year, and at 15% in the 1999 budget law) and foreign trade taxes in the total tax revenues. A large proportion of tax revenue (greater than 40%) is expected to come from taxes levied on foreign trade, i.e. from customs tariffs and VAT on imported goods. We discuss these taxes in detail in Appendix 1 below.

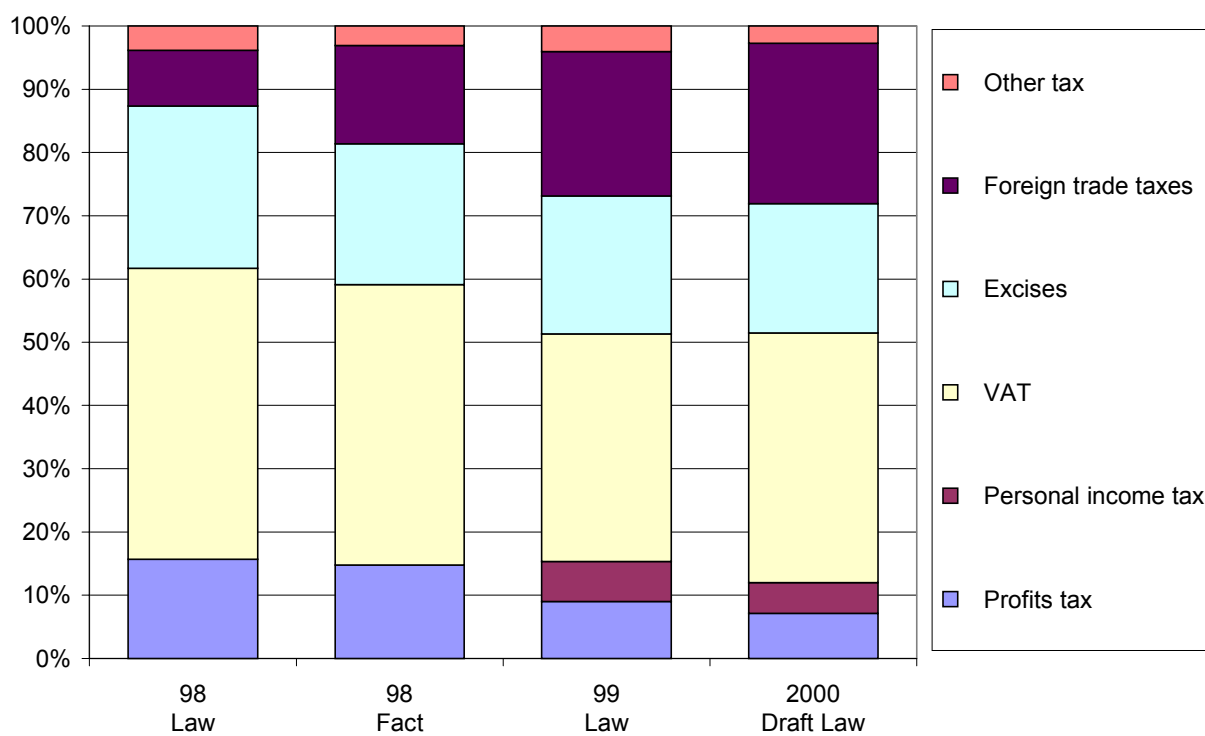
¹ The 2000 budget projections assume a 4.3% increase in tax compliance.

Figure 1. Revenues and expenditures of the federal budget



Source: Ministry of Finance, RSA.

Figure 2: The structure of tax revenue, actual and planned, 1998-2000



Source: Ministry of Finance, RSA.

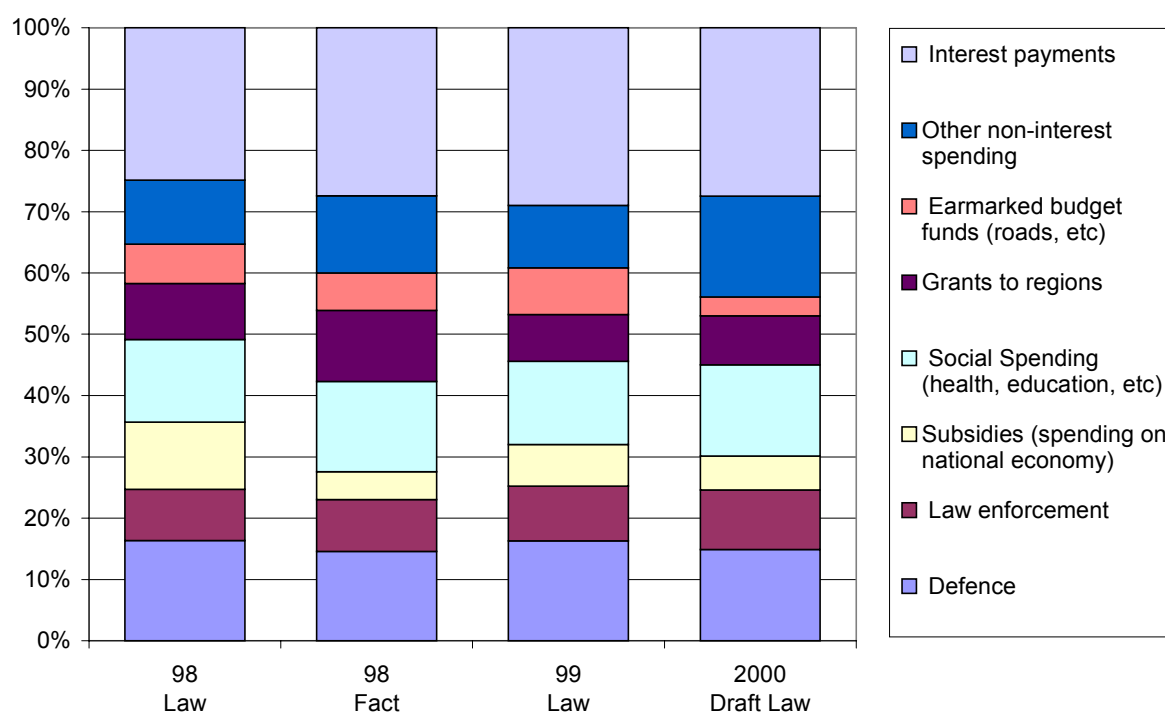
Expenditures

The structure of expenditures proposed in the 2000 year budget draft does not differ significantly from this year's budget law (Figure 3). Defence expenditures are planned in the amount of R119.4 bn. This is the same amount as in the 1999 law in real terms (2.3% of GDP), but lower in terms of share in total expenditure (14.9% compared to 16.3% in 1999 budget). The initial version of the draft submitted by the Ministry of Finance foresaw even lower spending (14.3% of total expenditures) on the military complex, and also lower subsidies to the real economy. The government draft law boosted military expenditures, but the recent escalation of the Chechen/Dagestan conflict is likely to provoke calls for further spending in order for the Duma to pass the budget.

As for subsidies to the real economy in 2000, they remain below this year's level. The share of spending on the national economy has decreased to 5.5.% from the 6.8% specified in the 1999 law and the industrial lobby groups, supported by the Duma, are bound to press for an increase. One potential problem, related to bank restructuring, is the fact that no money has been allocated to the Agency for Restructuring of Credit Organisations (ARKO) in next year's budget. Furthermore, ARKO has not been given a government guarantee, which would enable it to raise money from capital markets. This highlights the low priority given to bank restructuring. Nevertheless, what is important is that when money is made available the efficiency with which it is put to use is more important than the amount.

The share of social spending, including spending on health and education, was increased in the new draft (14.9% compared to 13.6% in 1999). The budget foresees indexation of budgetary wages by 20%, starting from April 1 next year. Transfers to the regions are planned at 1.3% GDP in the government draft (compared to 1.1% GDP in 1999 budget law.)

Figure 3: Changes in the structure of federal budget expenditures, actual and planned, 1998-2000



Source: Ministry of Finance, RSA.

Note: expenditures on state management were set at 0.41% of the GDP in 1999 budget and at 0.51% GDP in the 2000 draft.

Conclusions

The 2000 budget draft that the government submitted to the Duma is ambitious. The targets for growth in real revenue and primary surplus may be overly optimistic. The underlying macroeconomic forecast, despite critique from many camps, seems at least less controversial than the one for the 1999 budget, which assumed a R21.5/\$ exchange rate.

One crucial component of the macroeconomic forecast is the 1.5% GDP growth figure, which is an important requirement for achieving the revenue target for next year. To what extent is this a realistic assumption? Predicting growth for an election year, in the midst of a potentially escalating civil conflict, is not an easy task. However, if we assume that the election environment does not provoke populist (expansionary) policies and that the Chechen/Dagestan conflict does not escalate further, then this target may not be unrealistic given that this year's GDP growth may 2.3%². Still, the economic growth has been so far driven by the weaker rouble; and long-term sustainable growth has to be supported by institutional and structural reforms. The revenues projected in the 2000 draft are based on certain measures for improving tax administration and increasing tax compliance. It is extremely important that the government sticks to the policy of structural reform in the fiscal sphere.

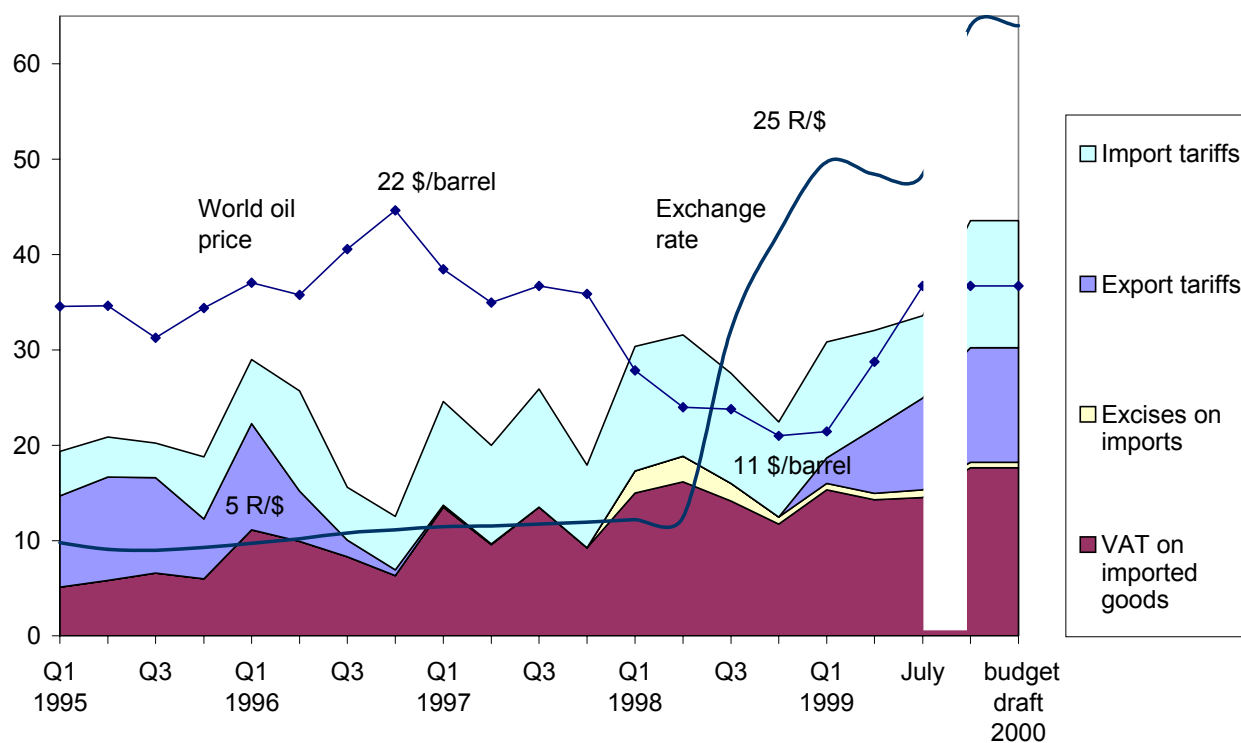
If the budget is passed before the parliamentary election on December, the country will enter the next year with a budget law – an ambitious one -, but under the right circumstances a conservative and, for Russia, an appropriate budget. If the budget is not passed before the current Duma leaves office, the government will start the year spending 1/12 of the amount specified for 1999 each month, and the new Duma will continue the budget battle. This situation is undesirable, since uncertainty about future allocation of funds will disrupt spending discipline (some recipients of the budget funds, e.g. the Defense Ministry, might boost their current spending), resulting in accumulations of new arrears.

² A 2.3% growth in seasonally adjusted GDP will materialise even if, in the second half of 1999, the growth rate is zero. GDP figures are so far available only for the first half of this year. GDP in the third quarter will surely have grown further, thus it is likely that in 1999 GDP growth will be even higher than 3% taken the assumptions above.

Appendix 1. Revenues from the foreign trade operation: effect of the devaluation

As shown in Figure 4, the 2000 budget foresees more than 40% of tax revenues to come from foreign trade operations. This appendix briefly discusses the structure of this revenue and its dependence on the exchange rate and on the world market price for oil.

Figure 4: Revenues from foreign trade operations, % of the total federal tax revenue



Source: Ministry of Finance, RSA, RECEP.

VAT on imported goods: Imports have decreased less than the value of the rouble; during 7 months of 1999, receipts from VAT on imported commodities were 15% of the federal tax revenue and about 53% of the total VAT receipts.

Excises: Excises on imports are specified for alcohol, automobiles and a number of luxury goods. In 1999 they contributed about 1% to total tax revenue.

Import tariffs: The same effect as for VAT on imports is observed. Though the dollar value of imports has fallen 45%, the real value of collection from import tariffs has been unaffected. Over 7 months of 1999, the share of import tariffs in federal tax revenue was 11%, which is the same as for the corresponding period of 1998.

Export tariffs: Export tariffs were already in place in the early 1990s. The rates for crude oil differed from 30 Ecu per tonne in 1994 to 20 Ecu per tonne in early 1996. Pressured by the IMF, Russia in 1996 removed export tariffs and excise for oil was introduced to compensate for shortfalls in the budget. Export tariffs for oil were re-introduced in the fall of 1998 when the government, seeking to mobilise revenues to avoid emissions, decided to take advantage of the favourable situation exporters were enjoying due to the weaker rouble and later, rising oil prices. The tariff is dependent on the world market price and equalled 2.5 Euro per tonne in February and zero in March. As the oil price started to grow, the tariff was raised to 5 Euro per tonne for the rest of the spring and the summer. In the first 7 months of this year revenues from oil export tariffs have contributed R40.3 bn, or 6% of

tax revenue to the federal budget. Starting September 22, in response to a further increase to the world oil price a rate of 7.5 Euro per tonne was introduced. This tariff rate is used as an assumption for the revenue forecast in 2000 budget draft, which sets revenue from total export tariffs at R79 bn, or 12% of the total revenue, of which R29.3 bn is expected from crude oil.

World oil prices are difficult to forecast. A continued rise is dependent on the OPEC agreement. If the upwards trend continues, the government may raise the tariff further, and thus collect more than the forecasted amount. But if the oil price goes down, it may be hard to collect not only export duties but also other taxes from the energy sector. On the other hand, if the exchange rate is higher, (meaning a further nominal depreciation, which is likely), the export tariff component of the revenue would grow. The higher exchange rate would not seriously affecting the tax revenue from imports. Hence total revenue from foreign trade operations would rise.

Thus, oil exporters are in a win-win situation. A falling oil price will have a negative effect on the trade surplus and thus the current account. With a flexible exchange rate the rouble would depreciate, and oil companies with their costs in roubles and revenues in dollars would still make a profit.

Appendix 2. Federal Budget in 1998-2000, targets and actual, % of GDP

As % GDP	1998	1998	1999	2000
	Law	Actual	Law	Draft Law
REVENUES:				
Tax revenue	10.8	8.8	10.0	12.9
Profits tax	1.7	1.3	0.9	0.9
Personal income tax	0.0	0.0	0.6	0.6
VAT	5.0	3.9	3.6	5.1
Excises	2.8	2.0	2.2	2.6
Foreign trade taxes	1.0	1.4	2.3	3.3
Other tax	0.4	0.3	0.4	0.4
Earmarked budget funds	1.1	0.9	1.0	0.5
Other revenue	0.9	0.4	0.8	1.2
Total revenue (w/out privat)	12.7	9.6	11.8	14.6
EXPENDITURES:				
Defence	2.9	2.1	2.3	2.3
Law enforcement	1.5	1.2	1.3	1.5
Grants to regions	1.6	1.7	1.1	1.3
Subsidies ("nat economy)	1.9	0.7	1.0	0.9
Social Spending (health, education, etc)	2.4	2.1	2.0	2.3
Interest payments	4.4	4.0	4.2	4.3
o/w: - domestic debt	2.9	2.5	1.7	1.2
- foreign debt	1.5	1.5	2.5	3.1
Earmarked budget funds (roads, etc)	1.1	0.9	1.1	0.5
Other spending	1.8	1.8	1.5	2.6
Total Expenditure (Minfin definition)	17.6	14.5	14.4	15.7
DEFICIT (-):				
PRIMARY BALANCE:	-4.9	-4.9	-2.5	-1.1
	-0.6	-0.9	1.6	3.2
Memo: GDP, R bn	2840	2684.5	4000	5100

Appendix 3. Major suggestions of the government on changes in tax legislation

Document	Proposed changes ³	Status
On Amendments to the Law on the Principles of the Tax System	<ul style="list-style-type: none"> - to cancel the tax on the banking sector and insurance companies, since they are currently subject to general profit tax according to the Law "On the Profit Tax of Enterprises and Organisations". - to include payments to off-budget social funds onto the list of federal taxes set by article 19 of Law On the Basis of the Tax System; same for license and registration fees. - to eliminate a number of inefficient local taxes and some regional taxes (e.g. the education fee) from the tax list. 	Rejected by Duma in the first reading On September 28.
On Changes and Amendments to the Law on VAT	<ul style="list-style-type: none"> - exemptions for capital construction and revision of other exemptions. - for the retail and catering sector, the same rules as for wholesalers for calculating VAT will be applied (i.e. credit method). - enhancement of the rules regulating procedures for VAT. For example, only monetary transactions will be subject to VAT. For barter transactions all VAT is collected at final stage (e.g. retailer). In case of payment with promissory notes, VAT is reimbursed only after the latter is redeemed. 	Rejected by Duma in the first reading On September 28.
On Excises	<ul style="list-style-type: none"> - indexation of excises (30% for alcohol and beer, 140% for tobacco) and allowing the government to index excise rates. - increase in excise on gasoline and introduction of excises on diesel and oil in order to compensate for canceling the tax on oil products. - calculation of excise for gas on accrual basis. (Unlike for other commodities, for gas cash the method is still used). 	<p>Rejected by Duma in the first reading On September 28.</p> <p>The Trilateral Commission has suggested 40% excise on liquor and 100% for tobacco.</p>
On the Personal Income Tax	<ul style="list-style-type: none"> -to apply the minimal tax rate for income below R50,000 (was R30,000). -to apply tax rate of 30%, for income above R150,000. The 45% rate is abandoned. 	Passed by the Duma in the first reading.

³ Several drafts also contain suggestions to eliminate existing privileges not specified in tax legislation.

	<p>-to tax the interest on government bonds received by individuals with 15% rate (before these were exempted from tax)</p> <p>-to apply 15% rate for the interest on bank deposits</p>	
On the Road Funds	<p>- to abolish the Federal road fund (while keeping territorial funds).</p> <p>- to reduce the tax on road users – from 2.5 to 1.5% of the turnover.</p>	<p>Rejected by Duma in the first reading On September 28.</p> <p>The Trilateral Commission, due to pressure from governors, decided to make no changes to the road fund.</p>

ECONOMIC UPDATE

Aggregate demand

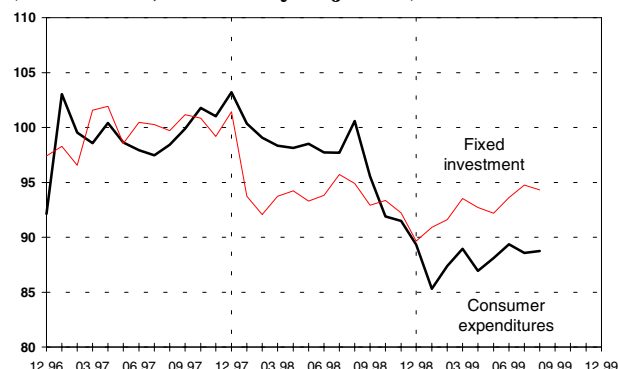
In August seasonally adjusted real consumer expenditures on goods and services remained practically unchanged compared with July, at about 11% below than the average for 1997. Sluggishness of consumer demand can be mainly attributed to the absence of growth in real wage incomes (see LABOUR MARKET). In August 1999 real expenditures on food (including catering) were 14% lower than a year ago, expenditures on non-food goods were 16% lower than in August 1998, and expenditures on paid services were 1% higher than a year ago.

According to preliminary data, expenditures on new construction and equipment (a proxy for gross fixed investment) were unchanged in August compared with July in seasonally adjusted terms, at only about 5% lower than the 1997 average. Current data probably underestimates the growth of fixed investment. It will be adjusted upwards when reports of enterprises on the third quarter become available. This suggestion is based on figures for construction activity, which increased substantially in August.

Output

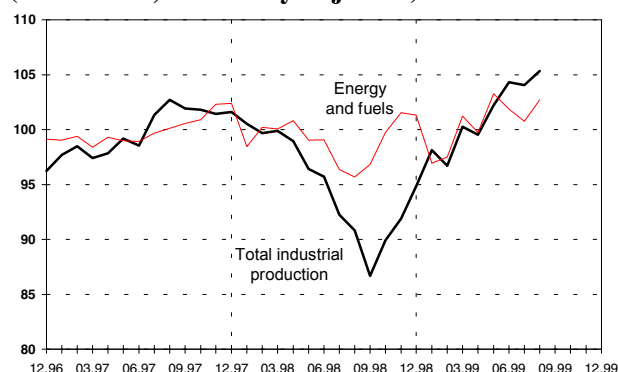
In August industrial output increased by 1.2% over July, already 5% higher than the 1997 average level. This growth was mainly attributed to the rise of energy output, especially natural gas extraction. The latter grew 5.7% in a month by in seasonally adjusted terms. Production of agricultural animal products in August remained unchanged to July, at 8% below the 1997 average level. The grain harvest this year is projected in the range of 55-60 mn tonnes – higher than in 1998 (48 mn t), but much lower than in 1997 (89 mn t). The real volume of construction works in August, according to preliminary data, grew by 6.7% over July in seasonally adjusted terms and was 5% higher than the 1997 average level. This figure looks somewhat suspicious, as it does not correspond with data for real expenditures on new construction and equipment. Freight transportation turnover grew in August by 0.5% over July, mainly due to the growth of gas transportation. At the same time the volume of trade carried by rail decreased in August by 0.5%. Moreover, passenger turnover fell in August in seasonally adjusted terms by 2% compared to July.

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



Source: RSA.

**Industrial output
(1997 = 100, seasonally adjusted)**



Source: RSA.

Prices

In September inflation rates remained relatively small, partly due to seasonal factors. The consumer price index grew by 1.5% in September, slightly up from 1.2% in August. One should recall that in September 1996 CPI grew by 0.3%, in September 1997 it declined by 0.3%, and in September 1998 consumer prices jumped by 38.4% after the devaluation of the rouble.

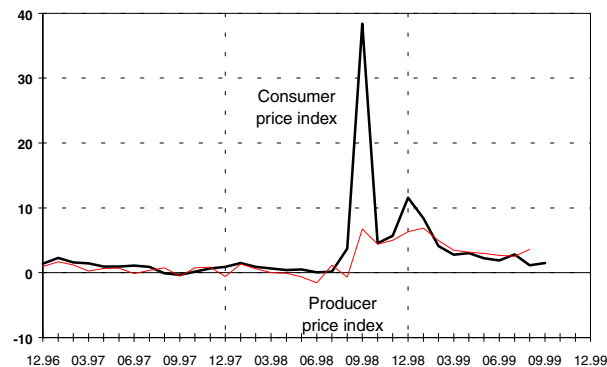
The composite producer price index increased by 3.6% in August compared to 2.5% in July (September data are not yet available). This acceleration was connected with increased rates of growth of PPI in industry (4.6% in August compared to 3.1% in July) and construction (4.7% in August compared to 2.7% in July). In turn the growth of industrial PPI was mainly due to the rapid rise in prices for oil and oil products. Producer oil prices increased in August by 10%, prices for gasoline by 21%, and prices for diesel fuel grew by 14%.

Labour

The situation in the labour market remains relatively stable. The number of employees at large and medium-sized enterprises grew by 0.1% in July. The total number of employees is still at the level 64.6 mn persons, which was the average employment level in 1997. The overall unemployment rate, according to the RSA estimate, was 12.4% in August - the same as in May-July, 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.

According to preliminary data the real monthly wage due, calculated on the basis of the price deflator for consumer expenditures, in August fell by 3% compared to July and was about 25% lower than its 1997 average. This reduction was partly compensated by the repayment of wage arrears. In August wage arrears shrunk by 5.1% to R56.2 bn. Arrears of enterprises decreased by 4.0% to R42.4 bn, and arrears of the budget fell by 8.3% to R13.8 bn. In "real" terms (taking into account changes in monthly wage fund) wage arrears dropped in August by 4.9% and were at the level of March 1996, before the start of intensive growth in arrears.

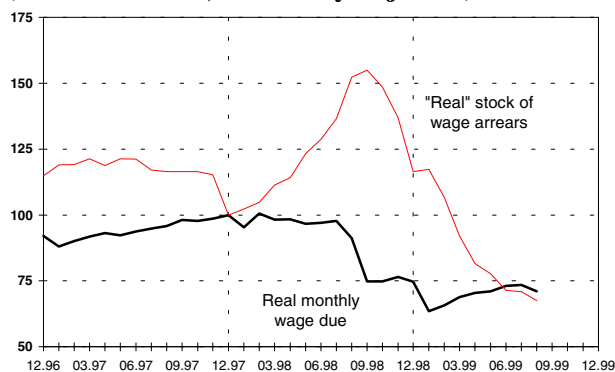
Monthly growth of price indices, %*



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

Source: RSA.

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 and balance of payment

July was another good month for Russia's trade surplus, reaching \$2.7 bn for the month, with exports standing at \$6.1 bn and imports at \$3.4 bn. In total, Russia's trade balance for the first seven months of this year has reached a healthy \$15.6 bn. Both exports and imports have fallen in value terms since last year, but both items are slowly catching up. Exports in January to July this year were 10.6% lower than in the same period last year. For imports the figure is 44.3%. The fall in trade has been larger in Russia's trade with the CIS compared to trade with non-CIS countries.

The Ministry of Economy has estimated the trade surplus (including shuttle trade) for 1999 to reach \$29.2 bn, or \$35.8 bn excluding of shuttle trade.

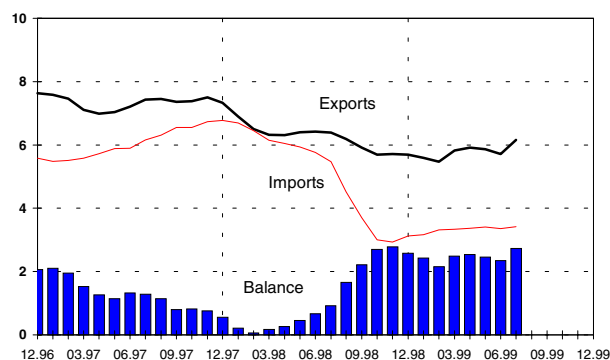
Rising world market prices for oil meant that the government, on September 22, raised the export duty for crude oil from 5 euros per tonne to 7.5 euros per tonne for crude exported outside the CIS. In addition, a further cut in crude oil exports is envisaged in the fourth quarter of this year, by 2 mn tonnes compared to the third quarter. On October 1 new export duties for fuel oils (10 euros per tonne), diesel fuel (12 euros per tonne), and gasoline (20 euros per tonne) came into effect. Previously these duties were 5% of the customs value. Export duties on scrap metals may also be raised from 20% to 30%.

In the second quarter of this year foreign direct investments (FDI) into Russia increased by more than 60% to \$722 mn compared to the same period last year. In the same period net FDI increased by 52%. Portfolio investments, however, have nose-dived. In the second quarter of this year the inflow equaled \$223 mn, compared to \$4.2 bn in the same period last year. At the same time, there are indications that capital flight is intensifying. Both non-repatriated export revenues and errors and omissions, two items in the balance of payment that can be used to estimate capital flight, were up compared to the first quarter this year, but lower than in the second quarter 1998.

Enterprise finances

In the summer of 1999 the positive influence of low internal energy prices and low labour costs was supplemented by the rising international raw materials prices. Higher profits of exporters were shared with other sectors of the economy. Arrears to the budget and suppliers, measured as a share of industrial output, fell in July. The slower rate of growth of the

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



Source: RSA.

Brent oil price (\$ per barrel)



Source: Moscow Times.

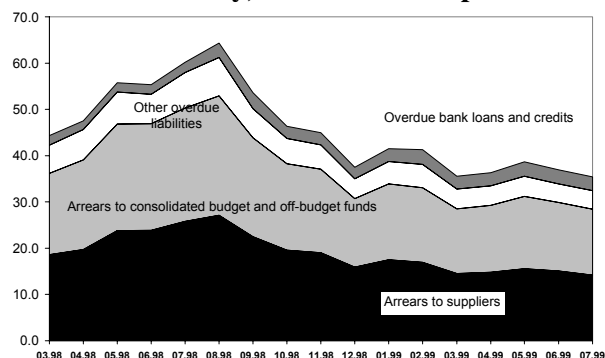
absolute level of tax arrears indicates that the government's announcement to discontinue tax offsets has gained credibility. RSA data on overdue payables for August and September are not available yet, but there is no reason to expect a change in the downward tendency. Electricity companies achieved higher collections and an increased share of cash in revenues. According to RAO UES average collection rates in the first eight months of 1999 were 89%, with the share of cash in revenues fluctuating between 30 to 32%.

Preliminary data on agricultural production suggest that 1999 was a successful year for Russian farmers. In 1999 oil and chemical companies demanded higher proportions of cash from their domestic consumers. Thus supplies of fertilizers and fuel to farms, which traditionally pay with monetary surrogates, were lower. Favourable weather conditions overcame the adverse consequences of supply problems. The government expects that 60 mn tonnes of grain will be harvested in 1999, which is 26% higher than in 1998. The sugar beet harvest is predicted to reach 14 mn tonnes compared to 11 mn in 1998. Good harvests and high demand from the domestic food processing industry will improve the financial condition of agricultural producers. Russia's agriculture has high potential which could be realised when the institutional problems are solved.

The banking sector

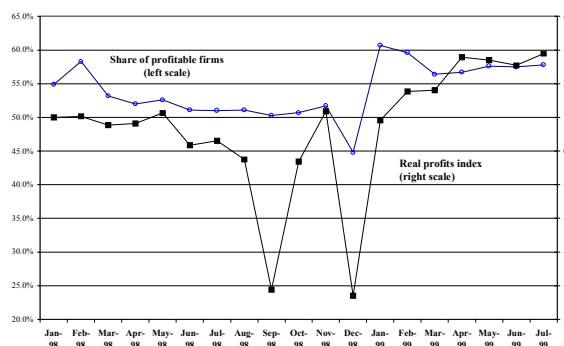
ARCO continues to work on restructuring of banks in the regions where the banking system is not adequately developed. The policy of direct participation in the equity capital of regional banks is supplemented by a R1 bn loan to Alpha bank to expand its branch network. Alpha is ranked the eighth largest bank (by assets) as of July 1 1999. According to the Due Diligence report drawn up by the World Bank experts its net worth as of October 31, 1998 amounted to 6,287 million roubles negative. Two other of ARCO's projects are the restructuring of Rossiisky Credit and SBS-Agro, correspondingly 7th and 4th largest by assets as of July 1, 1999. The process of restructuring Rossiisky Credit is entrusted to the former management team of the bank. Details on the SBS-Agro restructuring have not yet been revealed. According to ARCO the proposal prepared by the management of SBS Agro has a good chance of being adopted as a basis for the restructuring.

Arrears in industry, % of industrial production*



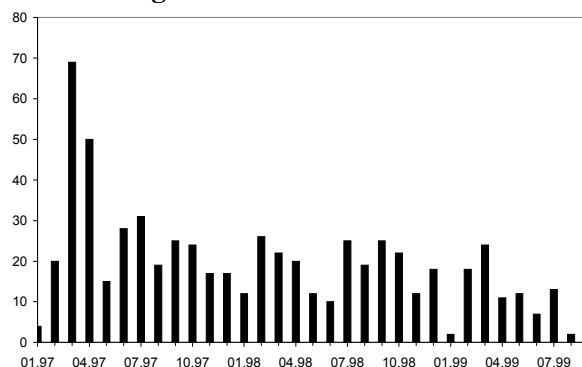
* Data is for large and medium size enterprises.
Source: RSA.

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.

The budget

According to preliminary estimates, the federal government was running a surplus of R4.1 bn (IMF definition) in August. This became possible due to low interest payments scheduled for August, which were only R10 bn compared to around R19 bn for each of 3 preceding months. Total federal expenditures equaled R49.4 bn in August, and federal revenues stood at R 55.3 bn. No new data on regional and local budgets were available at the moment of writing.

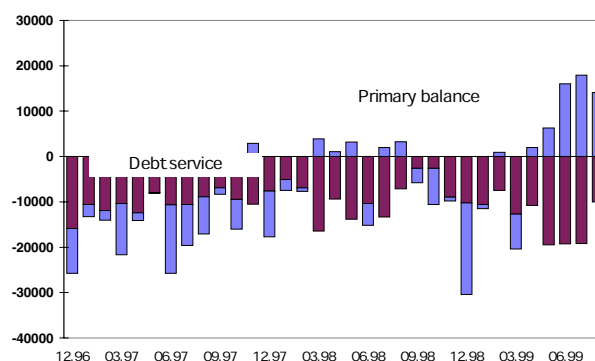
On September 28 the State Duma rejected the draft of the 2000 budget in the first reading. The Trilateral Commission has discussed the document and recommended the Duma pass it in the first reading with changed parameters. The GDP figure was increased from R5100 bn to R5350 bn, revenues from R743.5 to R791.3 bn and expenditures from R801.4 to R849.2. The Commission also changed slightly the distribution of revenue between federal and regional authorities in favour of the regions, chose not to abolish the road fund, (keeping the tax for road users at present level), and changed the indexation rates for some excises. (See Special report for detailed discussion of the Budget draft.)

The exchange rate

The rouble, which fell in the beginning of September, edged up during the second half of the month as the CBR intervened on the market (although less so than in previous months) and as new regulations came into effect (see below). In the month as a whole the MICEX exchange rate depreciated 1.3%. However, by September 5 the rouble stood at R25.9/\$, meaning a fall of almost R1/\$ in less than a week. The level of international reserves (see MONEY) is insufficient to support the rouble in the long run. The CBR has indicated that it will withdraw its support, a move that is likely to bring further depreciation. Underlying next year's budget is an estimated average exchange rate of R32/\$.

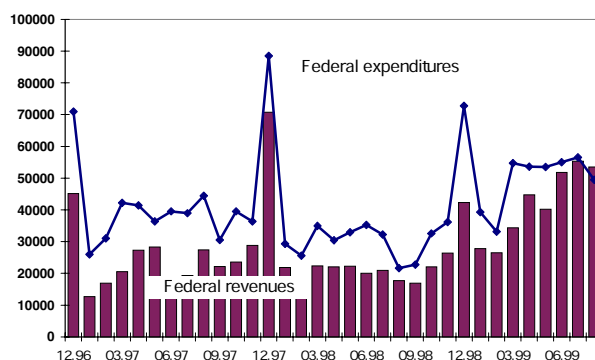
From September 16 banks are forced to move roubles held in the S-type accounts of foreign investors in government domestic debt to the clearing house of MICEX. Since most of these roubles previously had been converted into hard currency, banks have been forced to sell these to acquire roubles.

Federal budget deficit, R mn



Source: Ministry of Finance.

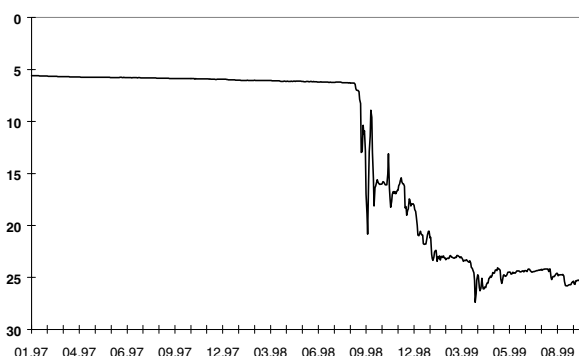
Federal revenues and expenditures, R mn



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

Monetary policy remains tight. In the first 27 days of September money base fell by R2.5 bn.

Reserves currently stand at \$10.9 bn. Recent reports have indicated that due to recalculation, aiming at excluding reserves held at CBR foreign subsidiaries, reserves will end up more than \$1 bn lower. Given the possible delay in the next \$640 mn tranche from the IMF (likely to be put off until the end of October or beginning of November) this means that the next payment to the fund (\$45 mn on October 10) will have to come from alternative sources. We judge it as unlikely that the government would make use of budgetary sources, but rather use existing reserves. Alternatively, the CBR could be ordered to increase the money supply.

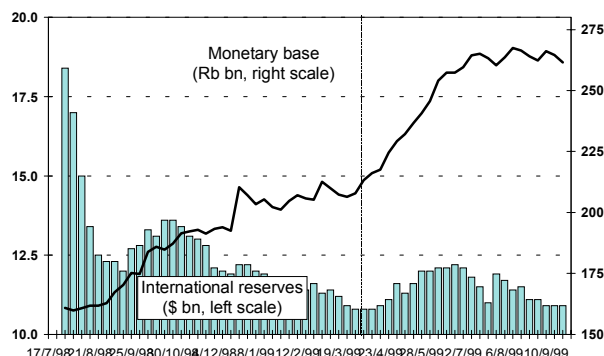
In the first five months of this year the CBR sold gold worth approximately \$500 mn. Between May and August this year the gold component of international reserves has increased by \$500 mn. The CBR is buying gold on the domestic market at 'favourable conditions'. Recently the world market price for gold has risen as European central banks have limited gold sales. The CBR could thus make a profit from future sales of gold.

Financial markets

The stock market, measured by the Moscow Times \$ index, fell more than 19% in September (most of the fall was in the first half of the month). An escalation of tension in Dagestan and Chechnya, coupled with bombings in Moscow and other Russian cities had a negative effect on the markets. In addition, during the month it became obvious that the next IMF tranche would be delayed. September was also a month of rumours about another government reshuffle and money laundering scandals, with negative effects on investments. The market recovered toward the end of September and beginning of October, driven partly by further increases in oil prices.

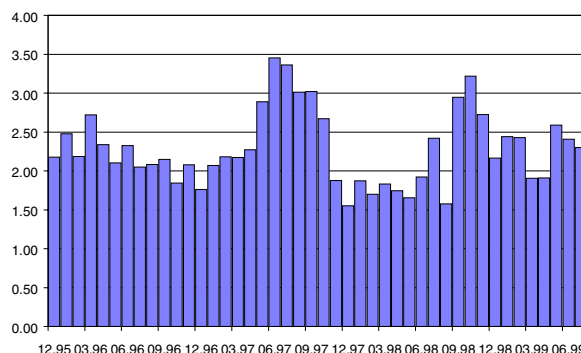
It looks like the CBR will soon be given the right to issue bonds, which would serve the purpose of sterilizing any excess liquidity in the economy, and thus reducing the current pressure on the rouble.

Monetary base and gross international reserves (weekly data)



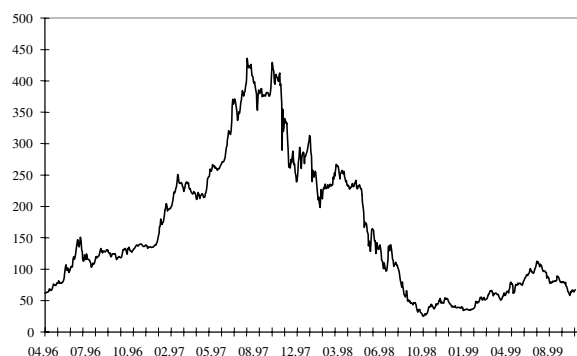
Source: CBR.

Number of months' imports covered by hard currency reserves



Source: RSA, 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	99.3	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	98.6	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	101.1	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	100.9	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	93.8	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	93.1	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	823.1	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	1,020.1	98.6	162.6	75.5	40.0	92.2
06			168.3	76.7	50.7	93.6
07			172.9	76.6	53.8	94.8
08			185.2	81.1	56.0	94.3
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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	97.7	99.0	293	596	830	249
02	98.5	99.4	291	588	821	249
03	97.4	98.4	297	582	807	252
04	97.9	99.3	303	572	823	246
05	99.2	99.0	295	558	823	242
06	98.5	98.9	297	547	825	238
07	101.4	99.7	297	526	834	243
08	102.7	100.1	298	545	836	242
09	101.9	100.5	298	560	845	229
10	101.8	100.9	298	563	842	248
11	101.4	102.3	299	610	858	241
12	101.6	102.4	297	601	860	246
01.1998	100.5	98.5	298	591	817	245
02	99.7	100.2	293	589	833	241
03	99.9	100.1	295	596	840	233
04	99.0	100.8	293	591	858	247
05	96.4	99.0	287	560	844	224
06	95.7	99.1	295	566	834	221
07	92.3	96.4	294	605	794	208
08	90.8	95.7	290	603	783	223
09	86.7	96.8	293	598	800	211
10	89.9	99.7	296	605	830	229
11	91.9	101.6	297	603	853	240
12	94.8	101.3	298	587	838	262
01.1999	98.1	96.9	293	577	802	248
02	96.7	97.5	287	572	807	239
03	100.3	101.2	292	585	859	244
04	99.5	99.7	296	583	836	255
05	102.2	103.3	292	607	884	243
06	104.3	101.9	294	604	859	248
07	104.1	100.8	295	588	844	243
08	105.4	102.7	295	622	866	247
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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	103.8	115.6	127.6	41.0	3,539	1,025
1996	98.5	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	99.6	101.0	103.6	29.4	3,301	875
02	97.6	101.5	101.1	30.7	3,306	894
03	95.2	101.1	101.1	31.7	3,292	898
04	94.3	101.3	97.8	32.9	3,304	887
05	92.5	100.8	98.3	30.8	3,289	862
06	92.7	100.2	99.4	32.2	3,234	884
07	104.7	99.9	99.7	33.5	3,232	883
08	115.1	99.3	99.6	32.9	3,206	884
09	105.5	98.7	101.1	33.5	3,237	888
10	104.7	98.8	101.0	36.6	3,153	890
11	102.0	99.0	98.8	33.6	3,259	894
12	96.3	98.4	98.4	34.7	3,253	901
01.1998	92.7	99.2	97.2	35.7	3,219	878
02	93.2	99.0	96.2	32.5	3,082	848
03	94.0	99.1	95.7	31.3	3,197	859
04	93.2	98.4	97.0	22.7	3,179	863
05	91.1	98.2	97.1	31.1	3,143	834
06	88.3	98.2	98.2	27.9	3,190	833
07	82.7	98.2	98.1	25.9	3,164	813
08	81.2	96.9	96.6	32.0	3,177	804
09	81.6	97.2	93.5	31.3	3,016	774
10	83.0	96.9	91.6	29.5	3,124	822
11	83.4	95.8	88.5	33.0	3,128	811
12	87.9	94.6	90.4	31.9	3,122	879
01.1999	87.5	94.0	89.7	39.0	3,202	892
02	88.0	93.8	90.4	39.5	3,065	889
03	89.1	93.4	93.2	30.7	3,277	907
04	90.4	92.7	95.1	25.3	3,303	934
05	89.2	94.1	96.4	33.3	3,413	942
06	86.4	92.7	99.0	29.6	3,373	951
07	84.7	91.7	98.5	29.8	3,358	953
08	82.2	92.0	105.2	34.1	3,375	948
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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	2,256.7	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	179.2	102.7	71.8	98.1	24.3	91.1
05	167.5	107.0	71.4	97.2	24.9	92.5
06	172.8	97.5	70.7	96.2	26.9	95.1
07	174.8	97.5	72.3	98.4	28.0	96.5
08	169.5	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	292.6	113.8	133.7	83.8	31.0	94.9
06	313.1	104.5	137.2	84.2	34.6	100.8
07	332.4	107.6	140.5	84.2	35.7	106.4
08	348.7	107.4	151.4	89.4	36.9	98.4
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* Including exports.

** Including catering. Revised by RSA 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	1,618	65.2
08	64.6	12.4	1.9	5	1,586	64.3
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* Monthly data are end of month, yearly data are averages of the end of month figures.

** Yearly figures reported by RSA 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	1,485.0	70.4	83.5	455.7	974.0	n.a.
08	1,546.2	72.4	83.5	455.9	936.0	n.a.
09						
10						
11						
12						

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.	15.0
1997	756.1	n.a.	344.7	316.6	39.7	458.4	n.a.	8.0
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.	15.3
02	559.7	n.a.	259.8	231.8	36.9	368.6	n.a.	16.7
03	601.0	n.a.	283.8	251.2	37.6	400.1	n.a.	18.3
04	634.3	n.a.	301.1	254.2	36.7	410.7	n.a.	17.4
05	653.8	n.a.	309.4	261.0	38.4	415.6	n.a.	17.8
06	668.6	n.a.	313.3	268.4	39.3	418.8	n.a.	18.3
07	694.3	n.a.	321.5	281.0	39.0	432.3	n.a.	17.7
08	707.6	n.a.	328.9	289.2	39.6	441.5	n.a.	16.5
09	723.4	n.a.	330.2	302.7	41.3	451.3	n.a.	16.5
10	745.2	n.a.	340.2	311.8	40.8	456.3	n.a.	15.5
11	761.7	n.a.	342.9	321.2	41.4	461.6	n.a.	15.0
12	756.1	n.a.	344.7	316.6	39.7	458.4	n.a.	8.0
01.1998	687.7	891.6	286.2	299.2	41.8	389.3	555.5	7.2
02	840.4	941.7	375.2	347.6	48.8	519.6	598.9	8.8
03	795.4	998.3	387.5	363.2	50.1	534.2	620.1	10.3
04	904.5	1034.1	395.0	381.9	52.5	548.7	647.7	10.9
05	939.2	1075.5	416.2	395.2	55.1	570.3	677.3	12.7
06	936.3	1082.0	417.2	391.1	56.4	569.8	683.4	14.9
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	1183.7	1404.8	508.1	520.9	44.3	718.9	883.8	15.0
08					41.3			13.8
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	133.2	131.7
02	208.1	225.6	220.2	127.1	139.8	139.1
03	213.9	231.9	227.4	129.5	144.6	144.4
04	220.4	238.0	236.6	133.6	149.2	149.7
05	225.3	242.7	243.0	136.4	153.6	155.1
06	229.6	247.0	246.8	141.1	157.8	160.9
07	236.0	254.8	251.6	145.6	161.7	165.9
08	238.8	255.8	257.6	148.5	167.6	173.5
09	242.4					
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12						

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	74.2	14.5	13.3	59.0	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	5.9	1.4	1.5	5.7	1.5	0.2
02	5.8	1.2	1.4	6.0	1.5	-0.2
03	6.8	1.2	1.5	6.5	2.0	0.3
04	6.2	1.2	1.0	6.2	0.9	0.0
05	6.0	1.4	0.9	5.8	1.5	0.2
06	6.3	1.1	0.9	5.8	1.3	0.5
07	6.3	1.1	0.9	5.5	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	2.9	0.9	3.2
11	5.9	1.1	1.3	3.0	0.8	2.9
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
07	6.1	1.6	0.7	3.4	0.7	2.7
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* Includes RSA estimate of unregistered trade.

Table 10: Balance of payments (\$ mn)

	1996	1997	1998	1998 Q2	1998 Q3	1998 Q4	1999 Q1	1999 Q2
Current Account	11997	3555	2446	-3587	900	6640	5470	3508
<i>Trade balance</i>	17198	12551	14156	291	4162	9841	6141	5828
Export	103520	103060	87688	22175	21802	22188	17720	19454
Import	-86322	-90508	-73533	-21884	-17640	-12347	-11579	-13627
<i>Merchandise trade balance</i>	23069	17517	17306	1584	4814	10000	6510	6413
Export	90563	88927	74751	18846	18112	19177	15628	16918
Import	-67494	-71410	-57445	-17262	-13298	-9176	-9117	-10505
<i>Service balance</i>	-5871	-4965	-3150	-1293	-652	-159	-369	-585
Export	12957	14133	12937	3329	3690	3011	2093	2536
Import	-18828	-19098	-16087	-4622	-4343	-3171	-2462	-3122
<i>Income and Wages</i>	-5339	-8411	-11359	-3734	-3234	-3159	-620	-2398
Received	4333	4366	4300	834	584	404	2267	710
Paid	-9672	-12777	-15659	-4568	-3818	-3563	-2888	-3108
Wages	-406	-342	-164	-71	-32	29	62	58
Received	102	227	301	74	82	94	102	111
Paid	-507	-568	-465	-145	-114	-65	-40	-54
Income	-4933	-8069	-11195	-3663	-3201	-3188	-682	-2456
Received	4232	4140	3999	760	503	310	2166	598
Paid	-9165	-12209	-15194	-4423	-3704	-3498	-2847	-3054
<i>Current Transfers</i>	138	-585	-351	-144	-28	-41	-51	79
Received	765	349	223	60	41	57	54	233
Paid	-627	-935	-574	-203	-69	-98	-105	-154
Capital Account	-3618	4047	5469	5346	2754	-6808	-4080	-1563
<i>Capital transfers (net)</i>	-463	-797	-382	-189	15	-116	-97	-33
<i>Direct investments abroad</i>	-771	-2603	-1027	-341	-98	-334	-314	-556
<i>Direct investments into Russia</i>	2479	6243	2182	450	411	699	642	722
<i>Portfolio investments abroad</i>	-172	-156	-256	-506	350	-3	-23	-202
<i>Portfolio investments into Russia</i>	8929	45589	8035	4230	-232	381	-370	223
<i>Other investment - assets</i>	-29306	-26621	-16122	-2393	-3942	-6443	-5966	448
Hard currency	-8908	-13444	945	1274	-1712	773	302	1487
Bank accounts and deposits	-1000	977	972	596	-102	-1139	-1095	-1368
Trade credits	-9501	-6789	-6810	-1154	-1181	-4379	-1819	1651
Loans provided (not overdue)	9499	7004	5345	1602	1282	615	1791	2188
Overdue payments	-9475	-3048	-7428	-2791	-488	-436	-4065	-1326
Non-repatriated export revenue	-9773	-11458	-8625	-1650	-1507	-2072	-1009	-2071
Other assets	-149	136	-520	-271	-234	195	-71	-113
<i>Other investment - liabilities</i>	14328	-15655	7784	3329	3647	-1966	975	-447
National currency	-230	-38	65	69	17	-17	-26	-7
Bank accounts and deposits	1547	-4694	-2832	349	-1376	-844	-249	640
Trade credits and advances	-799	-64	321	119	86	175	104	77
Loans received (not overdue)	10256	12676	5806	1829	3188	-2875	-1329	-2293
Overdue payments	2672	-24045	5120	270	1976	2510	2442	1306
Other liabilities	881	511	-697	693	-244	-915	33	-171
<i>Adjustments</i>	-1484	-19	-50	-1	7	-74	104	-107
<i>Net international reserves</i>	2841	-1934	5305	768	2596	1050	969	-1611
Errors and omissions	-8379	-7602	-7914	-1759	-3655	168	-1390	-1945

Table 11: Federal budget (IMF definition)*

	<u>Revenues</u>		<u>Expenditures</u>		<u>Deficit</u>	
	Total	of which: tax revenues	Total	of which: interest payments	Total	% GDP
	(R bn)	(R bn)	(R bn)	(R bn)	(R bn)	(%)
1995	201.0	175.3	286.2	54.6	85.2	5.4
1996	253.8	218.7	427.1	124.5	173.3	7.9
1997	311.6	262.1	494.8	117.8	183.2	7.0
1998	273.0	236.0	407.2	106.8	134.2	5.0
01.1997	12.7	11.5	26.0	10.6	13.2	7.7
02	29.7	26.1	56.9	22.5	27.3	7.9
03	50.2	45.6	99.1	32.9	48.9	9.0
04	77.5	70.0	140.6	45.3	63.1	8.5
05	105.8	93.7	176.9	53.2	71.2	7.5
06	119.6	107.2	216.5	63.9	96.9	8.3
07	138.9	123.7	255.4	74.5	116.5	8.4
08	166.4	139.6	299.9	83.4	133.5	8.2
09	188.5	157.0	330.4	90.3	141.9	7.6
10	212.0	177.4	369.9	99.7	157.9	7.5
11	240.9	198.2	406.3	110.2	165.5	7.1
12	311.6	262.1	494.8	117.8	183.2	7.0
01.1998	21.8	15.8	29.3	5.1	7.5	4.0
02	39.8	31.2	53.7	12.0	13.9	3.7
03	62.2	49.9	89.9	28.5	27.8	4.9
04	84.3	68.8	120.4	37.8	36.1	4.7
05	106.5	87.9	153.7	51.6	47.2	4.8
06	126.6	105.3	189.0	62.0	62.4	5.3
07	147.6	123.7	221.3	75.3	73.7	5.3
08	165.3	139.2	242.9	82.4	77.6	4.8
09	182.3	154.6	265.7	85.1	83.4	4.4
10	204.3	173.9	298.3	87.6	94.0	
11	230.7	197.8	334.5	96.6	103.8	
12	273.0	236.0	407.2	106.8	134.2	5.0
01.1999	27.8	24.6	39.3	10.6	11.5	
02	54.3	48.6	72.4	18.1	18.1	
03	88.6	80.1	127.1	30.8	38.5	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	
08	334.3	285.8	395.1	109.4	60.8	
09						
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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 12: Consolidated regional and local budgets (IMF definition)*

	<u>Revenues</u>		<u>Expenditures</u>		<u>Deficit(+) or surplus(-)</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	
06	247.3	188.8	240.0	42.2	-7.3	
07	297.4	227.6	288.5	51.4	-8.9	
08						
09						
10						
11						
12						

* 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	-8.7	412.2	178.0	444.2	n.a.
02	205.2	-8.8	416.8	180.8	463.9	n.a.
03	205.9	-9.0	423.9	174.1	473.8	n.a.
04	227.3	-8.2	425.5	195.2	509.6	n.a.
05	241.4	-7.1	412.0	205.3	542.4	n.a.
06	257.3	-7.3	434.8	216.4	567.7	n.a.
07	260.3	-6.4	417.8	218.2	583.2	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 methodology 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				190.5		
08				192.4		
09						
10						
11						
12						

Source: CBR, RSA.

* 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	32.2	#N/A	8.4	16.0	89.7
07	55	38.9	#N/A	9.0	#N/A	101.5
08	55			9.3		82.2
09	55					70.1
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	45.8	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	11.2	4.4
09	63.8	25.499	25.179	47.3		
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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