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MEETING THE CHALLENGES OF SOCIAL POLICY IN THE RUSSIAN FEDERATION

Edited by Vladimir Kosmarsky

RECEP, Moscow

In September 1999, RECEP held its first international conference on contemporary labour and social policy in Russia. The conference focused on two topics: "Enterprise Behaviour, Income Inequality and Social Policy", and "Social Policy: Unemployment and Poverty". Research by RECEP staff was presented in a number of papers such as "Transition with and without Unemployment Benefits: a Russian Tale" by Irina Denisova and Tito Boeri and "The Distributional Impact of Social Benefits" by Irina Denisova, Ksenia Yudaeva and others. We believe that the roundtable discussion of key issues, which ended the conference, is of considerable interest and we are publishing a slightly abridged transcript of that discussion here.

Yevgeny Gontmakher (Russian government apparatus). Issues of social security have received a lot of attention in recent years. But my personal position is that the primary concern now, and what we should start from in implementing long-awaited social reforms, is the labour market situation, and we should do that not only from the standpoint of maintaining employment levels.

We talk about unemployment too much, and about employment too little. I would like to draw your attention to the issue of wages and, more broadly, to the issue of how household income is generated. I am convinced that the statistics available to us are not reliable. When the latest statistics almanacs show income distribution between the regions and the share of households with income below the subsistence level, I always bear in mind the key point, which everyone agrees on but which, for some reason, never become the focus of our discussion: according to some data, as much as half of household income is not legal – it is not registered anywhere. And more generally, how can you formulate a realistic model of income distribution, and of how incomes are distributed among various social groups in Russia, without allowing for regional specifics? In my view, income generation in Moscow and, say, the Kostroma region are fundamentally different - as if these were two separate countries. We keep repeating that there is social inequality, but I know the situation fairly well and, paradoxical as it is, I think that in the Kostroma region, except for a few thousand relatively rich people per million inhabitants, the rest of the population has more or less the same living standards. In Moscow the situation is quite different – some elements of income distribution could be reminiscent of Western countries, though in a distorted form (that is a hypothesis, of course). This is just an example to show that it is impossible now to discuss formation of household incomes in general terms. At the same time, this sphere is the main obstacle on the path of social reform.

Lets now turn to the poverty issue. Over the last few years, inertia has caused us to treat this issue as one of redistribution – from people who are relatively well off, and yet receive social transfers, to people whose income is below the subsistence level. This idea is already generally accepted and is not called into question. But I am raising a different issue, namely: is there really anything to redistribute? If we suppose that in the foreseeable future Russia will reach a higher level of wages, referring primarily to legally earned income, then a considerable proportion of the population will not need this social protection at all. I am putting forward a slogan, which might sound primitive but which seems to me to be right: the best social security tool is high wages. That is the first thing.

The second thing: Russia has developed an absolutely unique and irrational structure of household income and expenditure. It is well known that the government and society carry a considerable share of the burden of social spending: the government subsidises housing costs, provides free health care and education (at least officially), the employer pays all contributions to social and extra-budget funds for the employees. So perhaps we should set ourselves the task of increasing wages and then shift the social spending burden onto employees and households? I will not dwell here on the numerous implications of such a step – not only economic and social, but also psychological and political. In my view, these implications would be largely positive.

The next thing. I mentioned so-called free health care and education. If, by increasing individuals' income, we give them a chance to pay schooling and medical expenses on their own, this will require a completely different economic set-up of health care and educational institutions, it will require giving them the status of independent legal entities with the right to engage in self-financing. So, the gist of my brief speech is as follows: if my colleagues here recognise that there is a key fundamental point in social policy, which I believe to be wages and income formation, then, by dealing with this key point, we will be able to address the entire range of our social problems. Everything connected with unemployment, social security and health care is, as it were, branches on the same tree-trunk. If we fail to nurture this tree there will be no branches and whatever we propose and do will be nothing more than virtual reforms. That is what I would like to say for a start. Now I will give way for my colleagues.

Sergey Vinokur, "Voprosy Ekonomiki" ("Economic Issues") magazine. Personally, as a citizen, I could go along with your idea that maybe the only way to achieve a breakthrough in the social sphere is to give individuals an opportunity, based on their aggregate income, to pay for social services, and personally, as a citizen, I am willing to pay for them. However, I am afraid that such an approach will not be supported by the public at large. I think that one of the reasons why social reform, including changeover to insurance-financed health care provision, paid education, etc, are faltering, and why the results achieved are so pathetic, is the degree of social inertia. This is a very real factor. It was explained to our people for 70 years that they receive supposedly free health care and education, and people did not pay directly from their real, physical purse, and they got used to the idea that for them personally this was all free. I find it hard to imagine how this inertia can be broken. Let us suppose that we use the approach that you propose and increase wages in some way or other, though I do not really understand how this could be brought about, especially bearing in mind that wages in the private sector cannot be increased by decree. Assume there are wage increases in the public sector. Can you guarantee that the additional money that government sector workers receive will be used to pay social services? I do not have an answer to this question. Or rather, I do, but I am afraid that this answer is not in favour of your idea. There is a paradox. On the one hand, what you are saying is quite true, and I can subscribe to it in principle. On the other hand, I am sure that it is not practicable in the near future. Until a new generation takes over, until the youngsters are taught from their early years that when they go to college, their parents will have to pay for their education or they themselves will have to pay for it by moonlighting, and that in case of hospital treatment only the social minimum will be provided, while the rest will be taken care of by the patients themselves, until this happens everything you talked about will only be a Utopia.

Nikolai Gritsenko, Academy of Labour and Social Relations. I am sincerely grateful to the organisers of this conference. We may differ in appraising the results of the studies and the papers, but in any event, they encourage us to come up with answers and pose new questions concerning the vast areas of social policy that our colleagues discussed today. I am grateful to Professor Gontmakher for identifying what he takes to be the key directions for reform of social policy and the social sphere.

Our Academy has carried out and is carrying out research in this field. I think Professor Shavishvili, the Director of the Academy's Living Standards and Labour Market Protection Centre will confirm

that. Our research shows that it is the wage problem that has priority today. Solution of that problem will boost demand, and demand gives rise to supply. This is borne out by the experience of many countries, including America after 1929, where the authorities dared to give money even to the unemployed, reasoning that the latter would take this money to the market, thereby inducing production of goods and services. Russia, by contrast, tried to revive a run-down economy back in 1919 through unpaid labour, Communist Subbotniks [days of unpaid work], etc. This vicious circle has to be broken. It would be a good idea if we academics joined forces and studied this issue thoroughly in the near future. Whatever the actual wage level should be - \$100 or a 100% increase, as proposed by the trade unions – it is important to deal with this problem immediately. Wages are not just newly printed money. It is necessary to increase the employment rate, which means supporting domestic producers, which leads to job creation. And I do not think we need to waste time and resources trying to boost migration. Today, the difference between the regions is not so big: in Ivanovo the unemployment rate is about 19%, while their neighbours have a rate of 12%-15%. One would not be able to raise the employment rate significantly in those regions through migration. In my view, the most efficient way of increasing both the employment rate and employment efficiency is by using the Japanese model: life-long employment within the employee's home region. The more so because there are time-honoured attitudes and geographical incentives. I would like to reiterate - wandering battalions of jobless people are not the best way of dealing with the problem. Domestic production has to be revived and restructured, jobs need to be created, etc, primarily in the places where workers live permanently. Otherwise the whole reform of industry will be further aggravated by the housing problem and the need for financing of transport costs.

I fully support what Mr. Gontmakher said about the need for reforming the social sector, and primarily, reforming education. We are suffering from a huge shortage of skilled labour. I very much liked the example cited today to the effect that one year of education increases the wage level by 9-19%. Studies conducted in the US and in the Russian city of Novosibirsk show that individuals with an average of 14.5 years of education (25% of those surveyed) produce 57% of Gross National Product, while the other 75% account for the rest. The shortage of skilled labour is an obstacle to economic development. For example, the city of Podolsk is short of 2000 skilled personnel needed to organise high-tech production. We have lost skilled labour, which is the main productive force, and today, to bring about economic recovery and revive production, education should be given priority in the social sector. I am not sure that paid education is what is needed – we need to maintain our constitutional right to free education. But education must be extricated from its crisis.

And the last thing. Definition of the key component of social policy, which we have been discussing today, is impossible without description and creation of the whole 'tree of social policy goals', oriented in the long term mainly towards establishment of a social state. I think the social state is the key way to establish a fair society in which the active population is given every opportunity to fully develop its potential, while at the same time active social protection exists for those who no longer work or do not yet work. If our conference provides an impulse to develop these areas in future, it will deserve gratitude.

Leonid Gordon, IMEMO (Institute for World Economics and International Relations of the Russian Academy of Sciences). The best thing about our seminar is that it provides an opportunity to pose new questions and reflect on what is to be done next. I think that what hampers development in these areas, i.e. social issues in the broad sense of the word, meaning unemployment, benefits and income, is the impossibility to use any one of the approaches in an isolated fashion, be it economic, sociological, culturological, or approaches based on political science. Today, the writers and readers of each paper should be able to see the point of contact with other approaches. I agree with the key points made today. But I think that we could advance considerably if the purely economic vision, the labour market perspective, could be complemented by and combined with the socio-historic and

socio-cultural perspectives. That leads to the following picture: in the 1990s Russia and other former economies of state-controlled socialism, where a high labour-output ratio turned into excess employment during transition, opted for a variety of different policy alternatives. In some cases, examples set earlier in the West were mainly followed – a development through unemployment to reallocation and restructuring of labour and employment. In the other, Russian, case what mainly happened was a spontaneous trade-off, a swap, in which huge potential unemployment, amounting to at least a third of the economically active population, was substituted by a relatively moderate unemployment rate and a huge drop in real wages. Even if hidden income is taken into account, the drop is no less than 40%. I think it is pretty hard to judge whether this was the lesser or greater evil. Today, we have heard many statements to the effect that hidden unemployment has hampered employment restructuring and productivity growth. But with the employment rate that we could have had, even such an economy as that of America got stuck in the Great Depression, and the German economy, which at the time was stronger than ours now, produced Fascism. The fact that in the last 10 years blood has mainly been spilt only in the Chechen war and in the Trans-Dniester region is largely thanks to graphite safety rods, which slowed down the rise of unemployment. And practical proposals should only be made taking into account these social factors. The point is no less relevant with respect to the income issue.

In addition, if actual income were to be computed, it might turn out not to be so disastrously low as it looks. It is clear that there is no mass starvation going on. In spite of all the talk about life expectancy decline, if one looks at the issue more closely, it is clear that the problem mostly concerns men rather than women, with average life expectancy even growing over the last couple of years. So if the drop in life expectancy was really due to the drop in living standards, the conclusion would have to be that Russian men are so noble that they give away the necessities of life to their wives! The cases of starvation that we encounter are related to marginalisation, which, in turn, is due to the breakdown of social links. In theory, people have an opportunity to work and earn money. But as the previous social system has been destroyed and people have failed to find their niche in the new system, some of them have sunk to the bottom. Moreover, given the income they have, the cause of their degradation is primarily alcoholism rather than starvation. It turns out that we see eye to eye with one another on these issues, but I would like to draw your attention to another aspect. The factor of mass consciousness plays a very important role. If a person feels that he or she is very badly off, if he or she believes that the quality of his or her life has deteriorated, then whatever computations we make with respect to consumption levels and life expectancy, until we make this person change his or her mind, we will have to proceed from the idea that his or her response, - economic, social and political - will be based on the perception that life quality is very poor. Of course, ideology does play a certain role, but the principal way of overcoming this discontent is changing the actual situation, including that of real income. Of course, I support the idea that the wages of skilled personnel should be raised as a first priority, but over the next five years priorities should be set based on what society is actually capable of. I think it extremely important to take into account facts of mass consciousness, the cultural and psychological situation, and, from this standpoint, out of the few opportunities that society has at its disposal, it would be appropriate to encourage and provide incentives for those forms of income increase and unemployment reduction, which are consistent with mass preferences and mass sentiment. The best thing to do from that point of view would be to raise everyone's wages by two or three times, and that is the first thing that should be done. Before the end of 1998, I thought that this would be insane and trigger massive inflation, and there is clearly nothing worse than inflation for the man in the street. However, the past year's experience shows that money printing can be controlled - money emissions are clearly going on without disastrous effects of galloping inflation. Of course, concerns remain, and if this method of triggering development and 'pull-up' income increases were to be used, one should be aware that its effects could be contained only partially. Also, given the budget constraints, it might be appropriate to think in what forms and areas income and wages should be raised. In this context, I would think that the most dangerous and conflict-

provoking way of decreasing income is arrears rather than real wage decline due to inflation. One rouble of arrears, as it were, raises social temperature by 50 degrees, while a real wage decline of one rouble makes it rise by only 5 degrees. For example, when in 1998 real wages dropped by a third in the winter compared to autumn, this caused less social tension than the arrears increase in the spring and summer, when the country was really on the brink of a catastrophe. The first thing to be done is to put an end to current arrears by all possible means, and this is where emissions, and some other mechanisms, could be used.

With regard to social reforms discussed here, I think that attempts to implement a full-scale housing reform now, meaning introduction of payment by households for all or three-quarters of their housing costs, would be madness. That is not to deny that such a move is economically necessary, but simply to point out that it will meet with a level of social protest that will blow everything to smithereens. At the same time, according to some preliminary studies that we conducted, the introduction of savings-based pensions would not meet with such resistance.

As far as paid health care and education are concerned, research and experience show that our mass consciousness won't put up with immediate and full replacement of free health care and education by paid services in these areas. According to data from VTsIOM [the All-Russian Public Opinion Research Centre], the public at large is already used to and accepts the combination of paid and free services. Both in the academic and policy development perspectives, it is important to remember that society is social rather than rational. For example, many workers regard what we call partial or hidden unemployment, i.e. unpaid leave, as a lesser evil compared with full unemployment, wage arrears or a wage cut.

Klaus Theilmann, (Project TACIS). Getting back to the initial issue of how willing the Russian public is to pay a larger share of social expenses. This is a fundamental issue. I think it is high time we started thinking about it in spite of the current situation. Otherwise society will be formed by its own rules and soon it might be too late. Western countries have been through the same experience. I joined this round on the part of Germany and health care. We have people who think that health care is something they are entitled to. The Russian situation is probably not very different from this. People are used to free health care. In my view, this is something that should be worked on. The government has made the right step and come up with the definition of free health care. Last year, a programme of state guarantees was approved. All of us here should understand that health is valuable and has its price. But, in my view, a sharp change now is impossible. We should move in this direction step by step. That is why I think that the imposition of the targeted [health care] tax would be the first step to make the public understand that this is a part of their own resources, allocated for their health. I would suggest we think along these lines.

Andrey Markov (World Bank). I am grateful to you for the opportunity of participating in this conference and learning about interesting studies undertaken by RECEP. I must say that World Bank staff make regular use of the data in "Russian Economic Trends", and that it is one of our regular sources of reliable information. I would like to make a few comments concerning today's discussion and try to make a few observations on the issues of strategy, since Mr. Gontmakher called this morning for a discussion of strategy. First of all, I would like to discuss the role and the potential of the labour market in maintaining employment levels. I think that in the last 10 years the labour market in Russia has in fact shown remarkable dynamism, and has made a surprisingly rapid adjustment to new conditions. Indeed, strictly speaking, even in the Soviet period, figures for labour mobility were very high. Today's figures are even comparable with developed market economies if we exclude a number of sectors, in which, for a number of reasons, the traditional employment structure has been retained: education, health care and public service. Today, we find very considerable changes and dynamism in these sectors too.

However, due to slow creation of new incentives and sluggish restructuring of enterprises, even in the private sector, the phenomenon of excessive employment still persists. So the question arises of how this problem should be dealt with, because without this, a substantial productivity increase and the resumption of economic recovery, so vital today, are hardly to be expected. Unemployment benefits do not seem to be the tool that can secure efficient policy, in particular because bringing the unemployment benefit to a level which would make the unemployed status attractive would call for huge budget expenditure. At the same time, even now the Russian labour market is showing considerable dynamism, and reduction of so-called transaction costs in this market, namely through active co-operation in providing information of all kinds about the opportunities, vacancies and prospects that are available, could contribute to natural growth of employment. Of course, in certain situations, there is a need to consider measures for encouraging employment. That refers primarily to some depressive regions and certain population groups. However, in developing concrete measures, one should bear in mind the fact that experience, including that of the East European countries, shows that proactive measures in the labour market, such as large-scale employment and personnel retraining programs, are only efficient when there is economic growth. Given the state of our economy, this would be a very inefficient and very expensive approach.

Another key strategic issue concerns some general principles of macroeconomic policy. A fundamental strategic question arises: either the government, on both federal and regional level, must take substantial resources from the financial market, thus depressing investment, consumption, as well as wages and transfers, or a strategic political decision must be made to severely cut borrowing on the savings market. And of course, following this, a very tight budget policy will have to be pursued and there will have to be strict budget discipline with respect to cutting government obligations. This is a fundamental political conclusion: either the role of the government as a resource-redistributing agent, oftentimes a very inefficient one, will remain too big, or fundamental positive political decisions in this area will be taken. I think that such decisions should be taken. Huge crowding out of investment due to government borrowing and constraints that this borrowing imposes both on savings and the population's spending, should be reduced.

Another important observation that I would like to make in connection with social policy. Where are the resources for more efficient programs or social policy in general to be obtained? According to the estimates of my colleagues in the World Bank, huge resources exist on the municipal level today. The first reserve is the loss of resources in housing. Not only and not necessarily should the problem be addressed through increasing the proportion of paid services. The pattern of financing this sector could be changed. Today, in the overwhelming majority of Russian cities, including Moscow, the supplier of housing services or services related to housing management, and the authority which provides financing to them, are one entity. And a lot could be achieved through merely separating these capacities, separating them legally.

Another area is the elimination of inefficiency and losses incurred in supplying energy to the educational establishments and health care facilities. Today, one third of all budget expenditure has been flying right past the educational sector to the suppliers of heat, water and electricity to Russian schools and universities. In all foreign countries, both developed and developing, including those which have the same climate as Russia, this figure does not often exceed 7%. What is the reason for this? The reason is the same as in the housing sector. A school does not have a budget of its own, it does not have control and does not pay for heat, water and electricity supplied to it, a school does not bargain with suppliers over tariffs, a school does not have any clear incentives to implement measures aimed at saving these resources. One example: at some point, a critical shortage of fuel developed in Kamchatka. As an emergency measure, the authorities had to have heat consumption meters installed there. It transpired that actual consumption was 1/3 less than what was paid to the

energy suppliers. That is the proportion of savings that could be secured through rational institutional reforms, when the supplier and end-user of various services are separated from one another, and there are normal contractual relations between them even if they are government agencies. And the entire amount of the saved funds should, of course, be retained by the education sector and used for improving the quality and efficiency of educational programs, as well as improving the efficiency of the entire social sector system.

Another example is city transport. Today, considerable funds from local budgets are allocated for subsidising city transport. A conversation that I had with administration officials in the city of Vorkuta half a year ago is a case in point. I discovered that big buses were operating on the same routes in the city alongside Gazel mini-buses. It turned out that the service using big buses was subsidised, even though its fares, routes and schedules were the same as for the mini-buses. But the minibus service was privately-owned, and it was operated efficiently. We can see the same picture in many other Russian cities, but the subsidising of inefficient municipal transport is retained.

And a last observation. It regards the Pension Fund, the Employment Fund, and the Social Insurance Fund. Certain positive changes are occurring at all these extra-budgetary funds as regards spending structure and revenue raising. In the Pension Fund, a transition to individual accounting is taking place. But I would like to raise another question: how is the financial management of these entities organised? The problem is as follows. All these gigantic financial structures (the Pension Fund redistributes about 5% of GNP) have traditional cash-basis accounting, which is unable to efficiently account for borrowing or debt repayment or interest payments. At the same time, all the extra-budgetary social funds have to deal with financial and lending instruments without an adequate internal mechanism of accounting for and managing market financial flows. The time has come to adopt market-oriented accounting principles and use accrual-basis rather than cash-basis accounting. This would enable the management of these entities to deal with debt and understand what actually happens to the financial flows of organisations and allow the government to implement efficient policies addressing the problems in question. These issues need to be dealt with regardless of whether the macroeconomic situation is favourable.

Galina Martynenko. (RF Ministry for Anti-Trust Policy). Mr Markov, who spoke of great reserves in the housing sector, has made me think of what seems to be a very interesting proposal. The papers that the young colleagues were presenting here are very interesting but somewhat general. Frankly, I do not very well see what we stand to gain from them. Let us instead channel your energies and intellectual potential right into this area. Here is one example: housing reform is being implemented, housing sector demonopolisation is taking place, and we have already achieved some results. In some regions, the separation of contractors and customers has produced an amazing, very encouraging effect. Let us consider further areas where competition could be generated. Garbage disposal, lift maintenance and repairs, and a host of other opportunities for implementing reforms and creating jobs. Of course, I am not talking about the monopolies - we are unable to do anything about them at the moment. But in the sectors that I have mentioned there are enormous reserves. So let us estimate what reserves there are in the housing sector before the next conference is held. That will produce a concrete result.

Yevgeny Gontmakher. I think we have only started our discussion because every speaker has posed more questions than we have answers today. I think this is a good thing, as I hope that these conferences will be continued. I would also like to say something more, getting back to the preliminary hypothesis I put forward very informally. I fully agree with what was said about the reserves in the housing sector, as well as health care and education. This is really important. However, I think this is an essential, but inadequate condition for reform to be implemented. What Mr. Markov mentioned is very acceptable: schools and hospitals should become budget users, and not only budget beneficiaries. That is the pivot of reform in those spheres. Schools will install meters

and will be eager to haggle over heat and electricity tariffs. Then their reserves will be generated. What they did in Kamchatka was a good thing, but, unfortunately, they only did it to address an emergency situation.

As to the concerns about inflation, the first thing that comes to mind is: OK, suppose the money is provided, what happens next? People might spend this money for other purposes than those intended, but do we have the right to tell people what to do? That would be a complete anachronism. But there are some ways of binding these funds and this should be thought over - it is a subject for further discussion. I do not at all mean to say that we will give people actual cash in place of what the government is doing now - for example, paying a certain amount on their behalf as part of the programme of government health care guarantees. But we have already done something in insurance-financed health care (so far inadequately) - namely created the concept of an insurance policy. Sure, it does not mean anything at all yet. People do not have a real choice of hospitals or other health care facilities and the policy does not provide any material benefits for individuals. So far, people do not understand what these pieces of paper are for. But this approach, I mean binding the funds, looks more promising to me. You give people some sort of bond, a voucher, which entitles an individual to certain services. But these services will not come from the state pool, from the coffers into which all taxes currently get paid and from which we pay for health care. As was said earlier, quite correctly, nothing comes free of charge. But the structure I am indicating enables a name tag to be attached, it targets a specific person. I think we should think on this further.

As regards the socio-cultural things mentioned by Mr. Gordon and Mr. Vinokur, I do not agree that we have to wait until a new generation takes over. Somebody has to teach these young people new ways, or this generation will grow to be the same as the past one, if not worse. In the situation, when all the things that used to come free of charge in the traditional sense of the word are falling apart, while we are unable to offer the younger generation any sensible alternative, of course, the new generation follows the worst examples, and this is what we are witnessing today. That is why, in my view, we should not demonise our level of public consciousness. I am sure that the public at large is capable of understanding everything very well. The main thing is to explain things to them in a reasonable way, not in the way it has been done so far. We dump some decrees, laws and regulations on the public and say: this is how it will work from now on, that's it. Forgive me, but these are Soviet ways, totalitarian ways, they belong to a structure where there is power on one side and the people on the other. That is very bad. That approach has to be overcome before we can even talk about social dialogue. This is a subject we did not touch on today and which is crucial. It is the problem of creating the infrastructure for communication with people - not only explaining, but finding out from people what Mr. Gordon was speaking about, namely what they want and what they are ready for. As it is, I think that they are ready for some things, while my colleagues think that the public wants entirely different things. And it is not just a question of finding out and changing our actions to suit the public. It has to be a reciprocal process - we should work with the public. And if we do it in a reasonable way, taking into account psychological, cultural, national and ethnic characteristics, many things could be achieved in the long term, let us say in the next 4-5 years - clearly not within half a year or a year. This what I would like to say in conclusion. I have also posed more questions than provided answers. But I call on you to keep thinking about the questions and, hopefully, we will continue the discussion at our next meeting.

ECONOMIC UPDATE

Aggregate demand

In September seasonally adjusted real consumer expenditures on goods and services dropped by 2% and were 13% lower than the average for 1997. These expenditures in September were at the same level as in February 1999, showing no growth over a seven-month period. The sluggishness of consumer demand can be mainly attributed to the absence of growth in real wage incomes (see LABOUR MARKET). In September 1999 real expenditures on food (including catering) and for non-food goods were 15% lower than in September 1997, while expenditures on paid services were only 2.4% lower than two years ago.

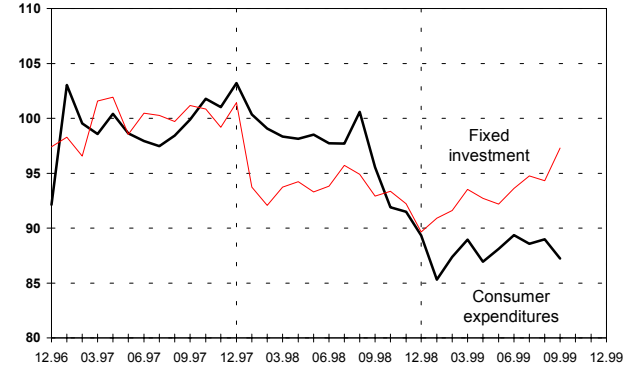
According to preliminary data, expenditures on new construction and equipment (a proxy for gross fixed investment) increased in September compared with August by 3% in seasonally adjusted terms, and were only about 3% lower than the 1997 average. In contrast with personal consumption, fixed investment has demonstrated more or less stable growth in 1999. In the nine-month period starting from December 1998 it increased by almost 9%. This growth is largely explained by a substantial increase in corporate profitability (see ENTERPRISE FINANCES).

Output

In the third quarter of 1999 the post-recession growth of output, which was observed in previous months, came to a halt. In September the index of gross output of five basic sectors of the economy remained practically unchanged in seasonally adjusted terms and was at the same level as in June. The same situation was observed in all the major sectors of the economy. In September industrial output, production of agricultural animal products, freight turnover and volume of retail sales stood at about the same level as in June 1999. The only exception is construction, where output continues to grow quite rapidly. In September the real volume of construction works in seasonally adjusted terms increased by 2% over August and was 7% higher than the 1997 average level.

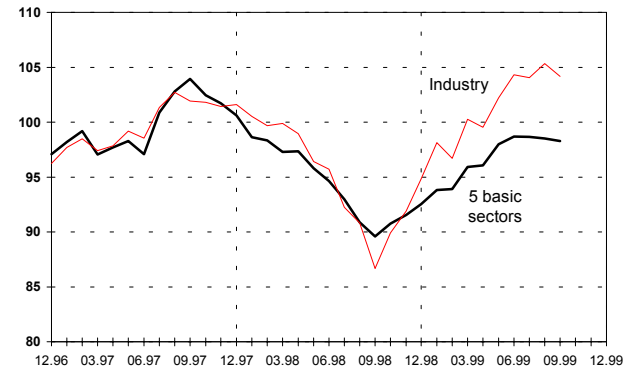
In the industrial sector only a few industries continue to increase output. Growth still continues in production of ferrous metals, chemicals, machinery and wood & paper products. Output in other industries in the last two-three months remained stable or even declined slightly.

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



Source: RSA.

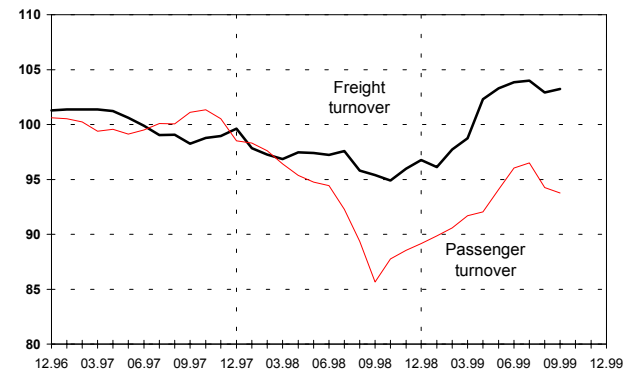
Gross output (1997 = 100, seasonally adjusted)*



* Index of gross output of 5 basic sectors covers industry, construction, agriculture, transportation and retail trade.

Source: RSA.

Transportation turnover (1997 = 100, seasonally adjusted)



Source: RSA.

Prices

In October inflation rates remained practically unchanged compared to September. The consumer price index grew in October by 1.4% (1.5% in September). CPI for food increased by 0.8%, at the same rate as in September. CPI for non-food items grew by 2.2% (2.7% in September). CPI for paid services increased in October by 2.0% (2.0% in September).

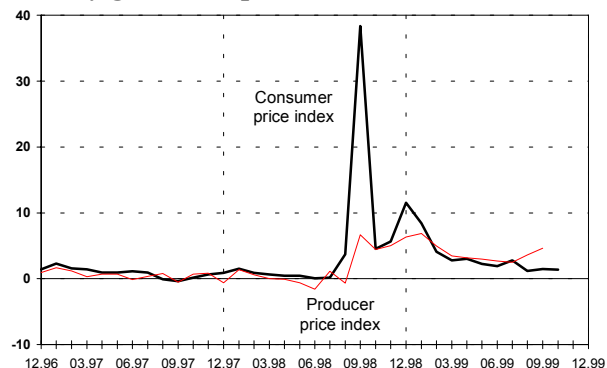
The composite producer price index increased by 4.6% in September compared to 3.6% in August (October data are not yet available). This acceleration was connected with increased rates of growth of PPI in industry (5.9% in September compared to 4.6% in August), construction (5.4% in September compared to 4.7% in August) and agriculture (5.1% in September compared to 2.4% in August). Tariffs for freight transportation and business communications in September remained practically unchanged over August.

Labour

The situation in the labour market slightly worsened in recent months. The number of employees at large and medium-sized enterprises decreased by 0.1% in August. The vacancy ratio (the number of job seekers registered with the FES as a ratio of the number of registered vacancies), continues to grow slightly in seasonally adjusted terms, and in September reached 4.2 persons per vacancy compared with 3.5 in April. VCIOM polls also show some growth in the unemployment rate in September compared to previous months (though this source can be used only as a tentative indicator because of the relatively small sample). The picture will probably become more clear in the next month, when the results of the new RSA labour survey become available.

According to preliminary data the real monthly wage due, calculated on the basis of the price deflator for consumer expenditures, remained practically unchanged in September and stood at the same level as in June 1999, that is 22% below its 1997 average. Wage arrears of enterprises continued to decline; in September they shrank by another 3.4% to R40.9 bn. But wage arrears of the budget (mostly local) in September remained practically unchanged at the level of R13.7 bn. This immediately caused some growth of strike activity by school teachers. It is easy to predict that strike activity will increase in view of forthcoming parliamentary elections.

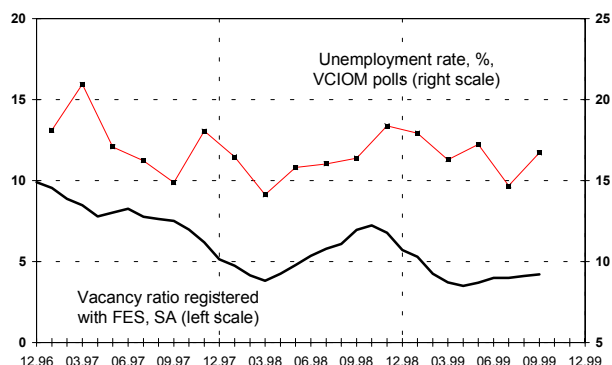
Monthly growth of price indices, %*



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

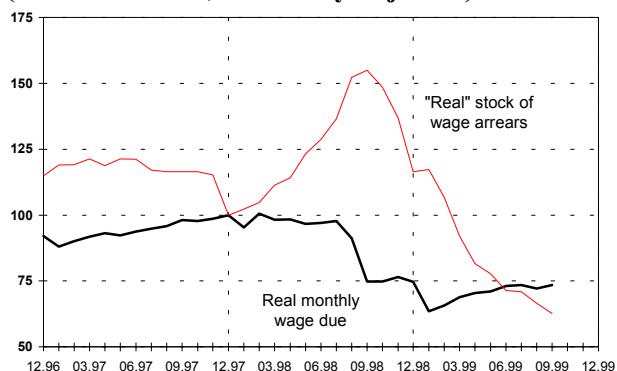
Source: RSA.

Labour market indicators



Source: RSA, VCIOM.

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

In the first eight months of this year the trade surplus amounted to \$18.4 bn. Exports stood at \$44.5 bn (9.2% lower than in the same period last year), of which \$37.3 bn went to non-CIS countries, and imports stood at \$26.1 bn (44.1% lower than in the first eight months of 1998), of which \$20.2 bn from non-CIS. Shuttle trade, which is included in the aforementioned figures accounted for 2.2% of exports and 23.9% of imports.

Preliminary data from the Economy Ministry for the first nine months put the surplus at \$21.2 bn. For 1999 as a whole the Ministry expects a surplus of \$29.6 bn, with exports estimated at \$70.4 bn and imports at \$40.8 bn (including shuttle trade).

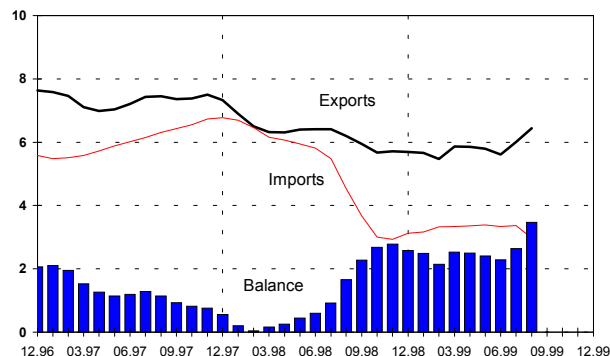
Russia has managed to convince the US not to take anti-dumping measures against Russian steel exports to the United States. However, negotiations about a minimum price for Russian steel have not yet been concluded. The Ministry of Trade has estimated that Russia, so far this year, has lost \$1.9 bn from anti-dumping duties, of which \$1.3 bn relates to exports of ferrous metals. On October 28 Prime Minister Vladimir Putin signed a resolution, under which the export duty on non-ferrous scrap metals will be raised from 20% to 30%, while the current tariff of 5% on precious metals (excluding gold) exports will be extended for another 6 months.

Enterprise finances

In October the State Property Ministry sold a 9% government equity stake in Lukoil. Lukoil is the largest vertically integrated Russian oil company. In 1998 the company recorded sales of \$8.3 billion. First-half 1999 revenues totalled \$2.5 bn. The stake was sold for \$200 mn to a Cyprus company. The parties standing behind the offshore firm were not disclosed. Under the terms of the auction the winner has to invest \$240 mn into the company in the next six months.

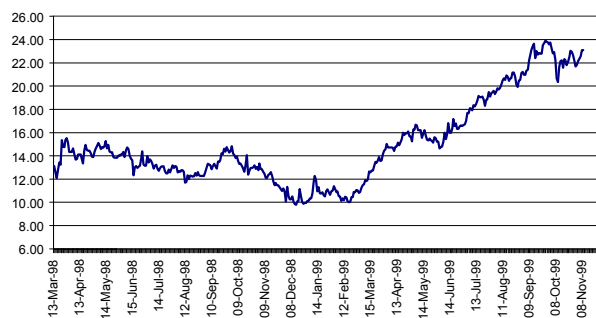
Currently the government is setting up the terms for sale of its stakes in Tyumen Oil Company, Slavneft and Rosneft, which are the 6th, 11th and 10th largest Russian oil companies respectively. Privatisation of firms in the coal and electricity sectors is scheduled to take place in 1999 or the first half of 2000. The government is finalising the terms of the sale of Krasnoyarskugol and minority stakes in some regional power generators.

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



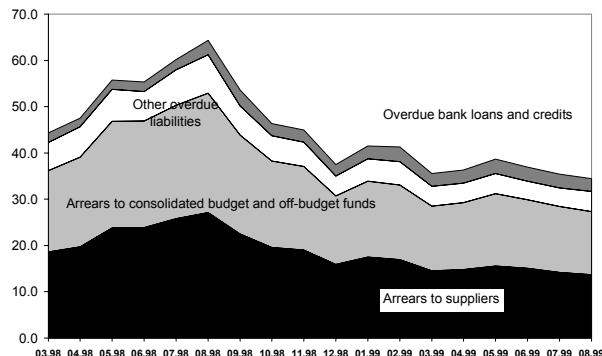
Source: RSA.

Brent oil price (\$ per barrel)



Source: Moscow Times.

Arrears in industry, % of industrial production*



* Data is for large and medium size enterprises.

Source: RSA.

Renewal of the privatisation programme is due to increased market valuation of Russian firms and a number of political factors. Firstly, the Stepashin and Putin governments were more open to the idea of privatisation than the Primakov government, fired in May 1999. Secondly, the World Bank is encouraging Russia to proceed with privatisation as a means to improve the efficiency of companies and to raise budget revenues.

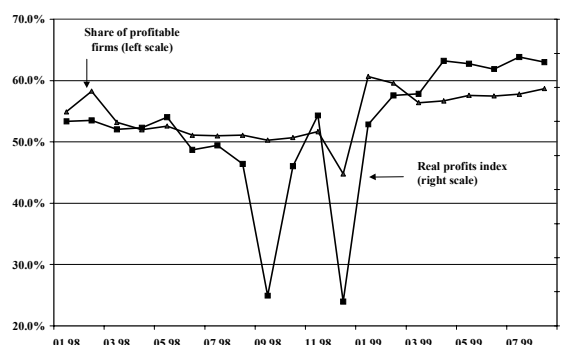
In August arrears in industry increased insignificantly in nominal terms, but were in decline measured as a share of output. Two tendencies contributed to the favourable changes in arrears dynamics. The federal government decision to discontinue tax offsets and tougher collection policies by Gazprom and UES, the largest private creditors in the economy, could be classified as positive structural changes. The real price of energy was falling, because regulators kept nominal tariffs virtually fixed. Higher volumes of overdue payables to the energy sector were somewhat curtailed by PPI growth. In October it was announced that internal natural gas prices would be raised by 15%. Prices of oil products went up 3.3 times on average since September 1998. In the spring a number of power utilities were granted some tariff increases. New electricity tariff adjustments will be inevitable due to higher fuel prices. Therefore, unless the changes for Gazprom and UES, mentioned above, are successful, debts to energy suppliers will start to accrue at a much faster rate. It will thus become clear in the next three months whether the fall in arrears was sustainable.

The banking sector

The assets of Russian banks in September 1999 were up 33% in nominal terms compared with December 1998. Growth of assets of medium-sized banks accounts for most of the increase. Rouble denominated assets went up by R254 bn while assets denominated in foreign currency were down by \$1.2 bn.

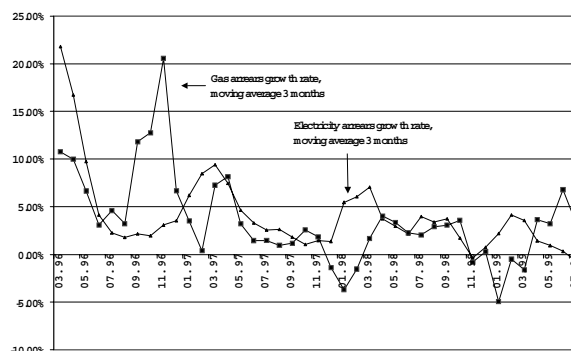
At the end of September the Duma adopted the new law on deposit insurance in the second reading. In October the Federation Council rejected the law. The members of the upper chamber had objections regarding some formal aspects of the law, although they were content with its economic substance. The law envisages the creation of an organisation called the Deposit Insurance Corporation. All individual deposits will be insured by the state. Commercial banks will contribute funds to the Corporation proportionate to the volume of individual deposits they have attracted. However, the poor quality of bank

Profitability of the non-financial sector*



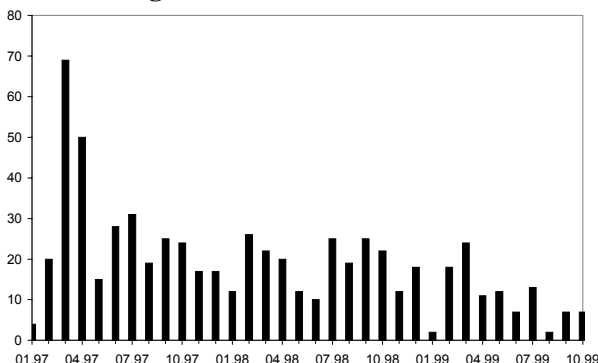
* Data is for large and medium-size enterprises. Source: RSA

Arrears in the energy 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.

regulation in Russia may undermine the financial health of the Corporation. In our opinion the deposit insurance scheme should not be extended to all banks. It is probably reasonable to impose some additional safety enhancing requirements on banks participating in the scheme.

Efforts to keep SBS-Agro alive appears to have come to an end.. SBS-Agro's creditors have a choice to approve a restructuring plan prepared by ARCO. Failing the bank will be bankrupted through court procedures.

The budget

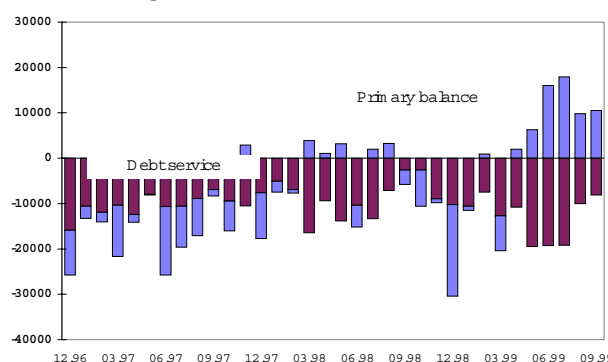
The deficit of the federal budget for nine months of 1999, calculated according to the IMF definition, was R62.7 bn. Revenues and expenditures equalled R385.7 bn and R448.4 bn respectively. Tax revenues amounted to R326.0 bn, compared to R281.8 bn specified by the budget target for the first three quarters. Collection of major federal taxes as a percentage of the target was the following: profit tax 178% (R51 bn was collected), VAT 136% (R140.5 bn collected, out of which R48.9 bn on imported goods), export tariffs 100% (R20.1 bn), import tariffs 78% (R33 bn), excises 90% (R53.8 bn). Overall interest payments in January-September comprised R117.5bn (of which R53.6 bn was interest on domestic debt), leading to a primary surplus of R54.8 bn.

Regional and local budgets in January-September were running a consolidated surplus of R10.4 bn. Revenues stood at R410.9 bn, expenditures equalled R400.6 bn.

The federal budget for 2000 was passed by the State Duma in the first reading on October 26, fixing revenues and expenditures for the next year at R797.2 bn and R855.1 bn. The document passed its second reading on November 5.

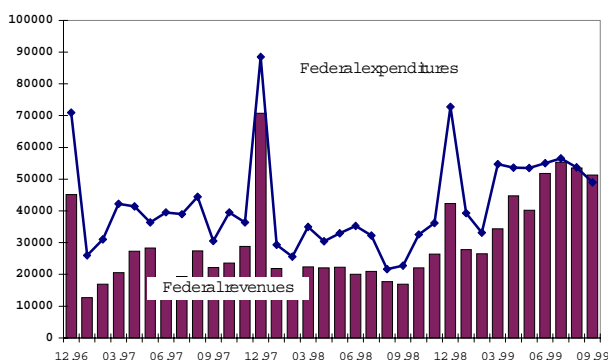
At the beginning of November, the Duma passed the bill 'On amendments to the law on income tax for private individuals', which will set three tax brackets for personal income. Annual income up to R50,000 will be taxed at 12%, for income of R50,001-150,000 a tax rate of 20% will apply, and income over R150,000 will be subject to payment of R26,000 plus 30% of the amount exceeding R150,000.

Federal budget deficit, R mn



Source: Ministry of Finance.

Federal revenues and expenditures, R mn



Source: Ministry of Finance.

IMF definitions of revenues, expenditure and deficit are used.

The exchange rate

In October the rouble depreciated 3.2%. The Russian currency slipped below the psychological threshold of R26/\$ as dollar demand increased due to a rise in commercial banks' balances on correspondent accounts at the CBR, which reached a record high of R65 bn on November 1, coupled with the removal of some currency restrictions. Initially the CBR stayed out of the market. However, as the rouble continued to fall in the first couple of days of November the CBR, again intervened, making clear that it would not allow the rouble to fall below R26.5/\$. Victor Gerashchenko has stated that the year-end exchange rate will be between R26 and R27. Next year the budget foresees an average exchange rate of R32/\$.

High export levels and the fact that exporters have to sell up to 75% of their revenues means that dollar supply often outweighs demand, which provides support for the Russian currency and also allows the CBR to buy dollars without serious negative effects on the exchange rate.

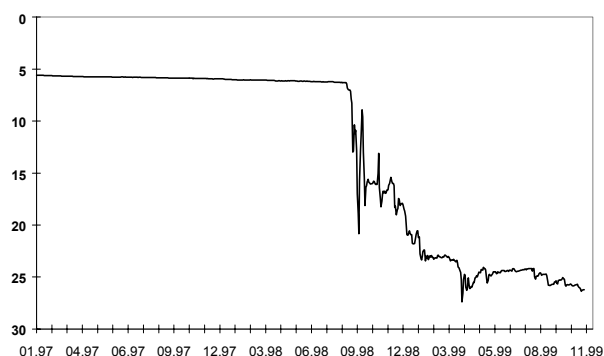
Money

The CBR submitted its first draft for monetary and financial policy for 2000. The main aim will be to increase the standard of living by bringing real incomes up to pre-August 1998 levels, and at the same time keep inflation low and achieve growth. The scenarios foresee GDP growth as high as 6-10%, an increase of 32-38% in money supply, and inflation of 25-28%. The exchange rate will continue to 'float'. However, these measures are inconsistent with those in the 2000 budget, which foresee GDP growth of 1.5%, and inflation of 18-22%. The Duma demanded corrections in line with the budget.

Russia's gross international reserves increased \$600 mn in October (as of October 29), part of which could have been financed by a R7.3 bn (\$290 mn) increase in the money base. Delay in disbursement of the second IMF tranche will increase pressure on the CBR to prop up reserves in order for the government to meet its obligations in the near future. In the remaining two months of this year Russia is supposed to pay \$700 mn to the IMF (and also \$170 mn to Paris Club creditors). The additional requirements put forward by the IMF for the release of the second tranche are:

- Quarterly reports on CBR management of international reserves;

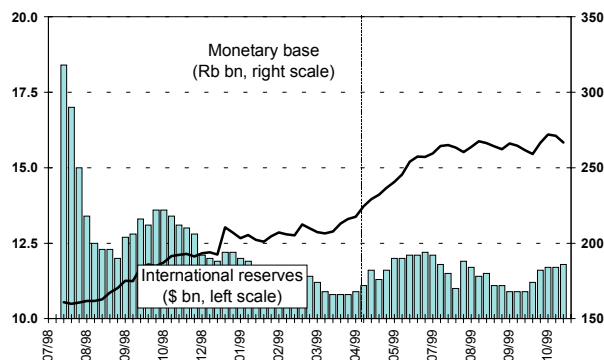
The rouble exchange rate (R/\$)*



* MICEX exchange rate.

Source: Moscow Times.

Monetary base and gross international reserves (weekly data)



Source: CBR.

- Elimination of CBR foreign subsidiaries from the books of the CBR;
- CBR activities in the monetary and credit sphere should be made more transparent;
- Preparation of a plan for introduction of international accounting standards for Russian banks;
- An audit of Sberbank.

However, the IMF has expressed dissatisfaction with export restrictions imposed on certain fuel products. The issue of budget spending on the Chechen war is of concern but is more likely to become an issue for the third tranche of the IMF loan.

Negotiations with the London Club creditors on restructuring of \$32.3 bn worth of Soviet debt is seemingly dependent on Russia's relations with the IMF. If the position of the IMF towards Russia changes this could have negative consequences for the negotiations. Currently the negotiations are working towards a deal where current debt, the liability of Vneshekonombank, is swapped for new securities, which then would be the liability of the government. The final deal is also likely to include partial write-off and possibly a grace period.

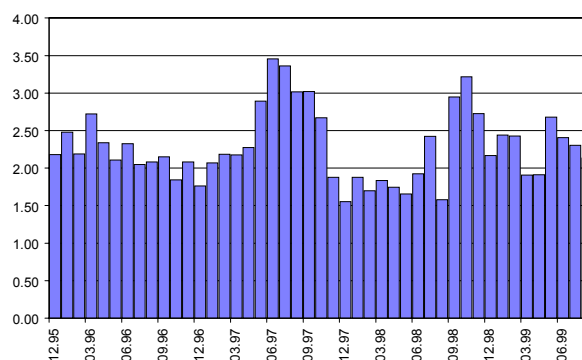
Financial markets

In October the Moscow Times \$ index rose 17.6%, and so far this year has risen 95%. Trading on the stock market remained low in October due to investors observing the budget process and awaiting news on the next IMF tranche. Also, the parliamentary election is only one month away, and investors are unlikely to take large positions before that. Developments on the world market are likely to be a major determinant for the Russian market, especially events in the US.

Foreign commercial banks can now use their money held in S-accounts (frozen GKO's) to buy shares in Russian commercial banks. The Economy Ministry has also made it clear that in the near future funds held in S-accounts can be used for investments in certain real sector projects that will be prepared by the government.

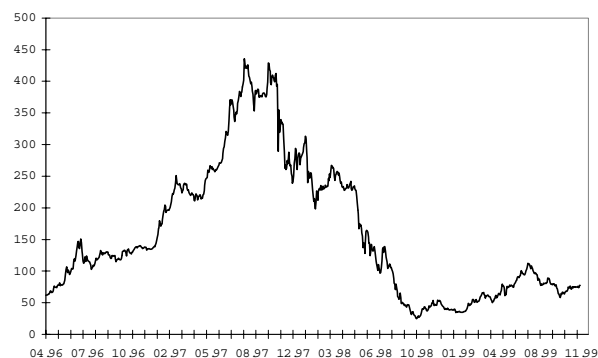
The CBR has been given the go-ahead to issue securities with a maturity of 3-5 months. Three issues, each worth around R2 bn will be placed at the end of November. The purpose will be to sterilise existing excess liquidity in Russia, which potentially poses a threat to the rouble and may lead to inflation.

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			185.4	81.2	56.0	94.3
09			189.4	81.8	59.0	97.3
10						
11						
12						

* 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	100.7	295	588	843	243
08	105.4	102.4	295	622	861	247
09	104.2	102.9	298	595	867	246
10						
11						
12						

* 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	99.3	101.0	103.6	29.4	3,301	875
02	96.6	101.5	101.1	30.7	3,306	894
03	94.0	101.1	101.1	31.7	3,292	898
04	93.4	101.3	97.8	32.9	3,304	887
05	92.4	100.8	98.3	30.8	3,289	862
06	93.0	100.2	99.4	32.2	3,234	884
07	105.2	99.9	99.7	33.5	3,232	883
08	115.5	99.3	99.6	32.9	3,206	884
09	106.1	98.7	101.1	33.5	3,237	888
10	104.8	98.8	101.0	36.6	3,153	890
11	102.6	99.0	98.8	33.6	3,259	894
12	97.0	98.4	98.4	34.7	3,253	901
01.1998	92.6	99.2	97.2	35.7	3,219	878
02	92.4	99.0	96.2	32.5	3,082	848
03	92.9	99.1	95.7	31.3	3,197	859
04	92.5	98.4	97.0	22.7	3,179	863
05	91.0	98.2	97.1	31.1	3,143	834
06	88.7	98.2	98.2	27.9	3,190	833
07	83.1	98.2	98.1	25.9	3,164	813
08	81.5	96.9	96.6	32.0	3,177	804
09	82.1	97.2	93.5	31.3	3,016	774
10	83.1	96.9	91.6	29.5	3,124	822
11	84.0	95.8	88.5	33.0	3,128	811
12	88.5	94.6	90.4	31.9	3,122	879
01.1999	87.4	94.0	89.7	39.0	3,202	892
02	87.2	93.8	90.4	39.5	3,065	889
03	88.1	93.4	93.2	30.7	3,277	907
04	89.6	92.7	95.1	25.3	3,303	934
05	89.1	94.1	96.4	33.3	3,413	942
06	86.8	92.7	99.0	29.6	3,373	951
07	85.1	91.7	98.5	29.8	3,358	953
08	82.5	92.0	105.2	34.1	3,428	949
09	79.6	92.0	106.8	37.4	3,264	951
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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	2,262.8	96.7	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	90.9	74.4	99.6	21.4	89.0
02	175.6	95.7	68.7	94.7	22.1	89.0
03	186.5	100.0	71.4	97.8	23.9	91.3
04	179.2	103.8	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	188.1	93.5	107.0	101.6	28.8	96.2
10	203.6	91.9	104.3	94.1	28.6	96.5
11	218.8	92.5	110.6	94.6	29.3	100.6
12	260.8	96.0	133.1	102.4	31.9	106.5
01.1999	223.4	77.5	117.1	80.5	27.5	88.5
02	236.2	83.3	118.6	81.2	28.3	86.0
03	288.6	94.1	129.5	85.9	31.4	91.2
04	291.7	98.1	130.6	84.0	32.1	91.2
05	292.6	103.8	133.7	83.8	31.0	94.9
06	313.1	95.3	137.2	84.2	34.6	100.8
07	332.4	98.4	140.5	84.2	35.7	106.4
08	348.7	100.8	151.4	89.4	37.3	99.3
09	377.4	112.7	155.6	90.1	37.9	98.2
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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	1,608	65.2
09	64.6	12.4	1.8	99	1,704	66.3
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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	1,547.8	72.5	83.5	455.9	936.4	n.a.
09	1,553.0	71.7	83.5	456.1	919.8	33.5
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Table 7: Arrears*

	Total overdue payables of enterprises, R bn		Of which:			Total overdue receivables of enterprises, R bn		Government wage arrears**
			to suppliers, R bn	to the budget & non-budgetary funds, R bn	wage arrears, R bn			
	4 sectors	9 sectors	4 sectors	4 sectors	4 sectors	4 sectors	9 sectors	R bn
1995	238.9	n.a.	122.3	75.0	13.6	165.5	n.a.	
1996	514.4	n.a.	245.9	203.4	34.7	335.5	n.a.	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	1206.2	1427.4	513.3	525.0	41.3	716.5	881.6	13.8
09					40.0			13.7
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* 4 sector series include data from the following sectors of the economy: industry, construction, transport and agriculture.

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

** the series includes data for 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	Consumer price index, food & beverages	Consumer price index, non-food goods	Consumer price index, paid services	Composite producer price index	Industrial producer price index
	(Dec-97=100)	(Dec-97=100)	(Dec-97=100)	(Dec-97=100)	(Dec-97=100)	(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	157.7	160.9
07	236.0	254.8	251.6	145.6	161.7	165.9
08	238.8	255.8	257.6	148.5	167.5	173.5
09	242.3	257.9	264.5	151.4	175.3	183.7
10	245.6	260.1	270.3	154.5		
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Table 9: Foreign Trade

	Exports total*	Export of oil & oil products	Export of gas	Imports total*	Imports of machinery & equipment	Trade balance total
	(\$ bn)	(\$ bn)	(\$ bn)	(\$ bn)	(\$ bn)	(\$ bn)
1995	81.1	17.3	10.8	60.8	15.8	20.2
1996	88.6	23.1	15.8	68.8	14.6	19.8
1997	88.2	21.9	16.4	73.7	18.5	14.5
1998	74.2	14.5	13.3	59.1	15.6	15.1
01.1997	7.0	1.8	1.8	4.8	0.9	2.2
02	6.7	0.8	1.0	5.1	1.2	1.6
03	7.4	0.4	2.2	5.7	1.5	1.7
04	6.8	4.4	1.4	6.2	1.7	0.6
05	6.7	1.9	1.2	5.5	1.3	1.2
06	6.9	1.8	1.1	5.8	0.5	1.0
07	7.5	1.3	1.0	6.5	1.6	1.4
08	7.0	2.5	1.0	6.1	1.4	0.5
09	7.1	1.8	1.0	6.2	0.8	1.0
10	7.9	1.8	1.3	6.9	3.3	1.0
11	8.3	1.8	1.6	6.5	1.7	1.8
12	8.9	1.9	1.7	8.4	2.7	0.6
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	6.7	1.2	1.5	6.6	2.0	0.1
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	6.5	1.1	0.9	5.7	1.3	0.8
07	6.2	1.1	0.9	5.6	1.5	0.6
08	5.7	1.2	0.8	5.1	1.5	0.6
09	5.9	1.1	0.8	3.0	1.1	2.9
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	7.3	1.2	1.2	3.5	1.2	3.8
01.1999	4.7	0.9	1.3	2.9	0.9	1.8
02	5.0	0.8	1.0	3.0	0.9	2.0
03	5.9	1.1	0.9	3.5	1.0	2.4
04	6.5	1.4	0.7	3.7	1.0	2.8
05	5.1	1.4	0.7	3.0	0.7	2.1
06	5.2	1.5	0.7	3.4	0.8	1.8
07	6.1	1.6	0.7	3.4	0.7	2.7
08	6.0	1.9	0.7	3.2	0.7	2.8
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* Includes RSA estimate of unregistered trade.

Table 10: Balance of payments (\$ mn)

	1996	1997	1998	1998	1998	1998	1999	1999
				Q2	Q3	Q4	Q1	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	4.7
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	399.4	109.4	65.1	
09	385.7	326.0	448.4	117.5	62.7	
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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	356.7	274.0	345.5	63.6	-11.2	
09	410.9	314.0	400.6	75.2	-10.4	
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* Privatisation receipts and net sales of state gold reserves are counted as deficit financing. Monthly data are cumulative.

Table 13: Monetary aggregates (end of period)

	Monetary base	Net International Reserves (NIR)	Net Domestic Assets (NDA)*	M0**	M2***	Outstanding stock of GKO 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	-6.4	415.6	216.2	590.8	n.a.
09	261.8					
10	259.5					
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Source: CBR.

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

NDA is calculated using the exchange rates of R20.65 for 1999, R6.0 for 1998, R5,560 for 1997, R4,640 for 1996, R3,550 for 1995.

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 December 1996, from then it includes only deposits at banks with active licences).

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

	Total assets	Claims on the general government	Claims on the private sector	Bank savings by Russian citizens (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	933.1	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	790.9	205.8	335.4	136.1	163.4	196.1
10	774.8	203.5	314.1	138.0	147.4	180.1
11	850.6	236.4	325.7	141.1	161.1	194.2
12	933.1	259.4	346.0	149.5	190.9	203.1
01.1999	1025.4	299.7	362.6	153.4	204.3	214.5
02	1047.5	303.2	375.2	161.0	206.1	218.4
03	1133.4	326.0	386.0	163.5	215.0	228.7
04	1174.5	347.3	392.0	170.6	224.2	228.1
05	1231.5	371.0	376.1	177.6	224.1	225.6
06	1283.5	390.4	395.9	185.4	233.7	227.7
07	1272.4	397.0	384.8	190.5	223.6	202.5
08	1318.1	399.2	401.1	192.4	238.4	204.0
09				193.1		
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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	11.0	8.4	16.0	89.7
07	55	38.9	12.6	9.0		101.5
08	55	38.5	8.8	9.3		82.2
09	55			18.2		70.1
10	55					72.5
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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 (end Aug-94=100)	Exchange rate (MICEX), period average*	Exchange rate (MICEX), end of period*	Real exchange rate, period average** (Dec-95 = 100)	Gross international reserves (including gold, end of period) \$ bn	of which: Gold reserves (Valued at \$300 per ounce) \$ bn
1995	64.0	4.562	4.640	82.4	17.2	2.8
1996	148.4	5.126	5.570	100.1	15.3	4.1
1997	302.7	5.785	5.974	104.3	17.8	4.9
1998	38.4	9.965	21.140	91.1	12.2	4.4
01.1997	196.2	5.607	5.630	99.8	14.0	4.1
02	236.6	5.654	5.676	101.2	15.2	4.1
03	223.8	5.707	5.727	102.6	16.5	4.1
04	235.6	5.743	5.744	104.1	18.2	4.1
05	260.3	5.756	5.767	103.9	20.0	4.1
06	314.6	5.765	5.769	106.0	24.5	4.2
07	380.9	5.796	5.809	108.9	24.5	4.3
08	364.0	5.815	5.840	107.1	23.9	4.3
09	379.3	5.852	5.864	105.3	23.1	4.4
10	326.3	5.873	5.900	103.5	22.9	4.5
11	249.8	5.910	5.924	104.6	16.8	4.6
12	302.7	5.942	5.974	105.2	17.8	4.9
01.1998	209.6	6.022	6.048	107.5	15.4	4.9
02	234.5	6.048	6.045	107.6	15.0	4.8
03	244.0	6.073	6.089	108.5	16.9	4.9
04	233.2	6.128	6.110	106.7	16.0	5.0
05	141.4	6.145	6.138	107.0	14.6	5.0
06	111.8	6.198	6.225	106.4	16.2	5.0
07	109.6	6.235	6.272	105.4	18.4	4.6
08	50.8	7.460	10.363	95.6	12.5	4.3
09	28.7	14.762	16.045	65.8	12.7	3.9
10	40.0	16.374	16.600	62.5	13.6	3.9
11	51.6	17.297	18.470	61.9	12.8	4.3
12	38.4	20.841	21.140	58.2	12.2	4.4
01.1999	35.1	22.991	23.100	57.9	11.6	4.5
02	50.7	23.075	23.100	59.7	11.4	4.2
03	61.0	24.120	24.860	60.9	10.8	4.1
04	69.4	25.321	24.290	60.9	11.2	4.1
05	75.6	24.672	24.700	60.8	11.9	3.9
06	96.5	24.429	24.210	63.4	12.2	4.0
07	88.6	24.321	24.198	65.3	11.9	4.1
08	78.9	24.690	24.860	64.8	11.2	4.4
09	63.8	25.499	25.179	63.9	11.2	4.6
10	75.0	25.776	26.030	65.0	11.8	4.7
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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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