

11 FEBRUARY 2000

RUSSIAN ECONOMIC TRENDS

Monthly Update

**RUSSIAN-EUROPEAN CENTRE
FOR ECONOMIC POLICY**

in cooperation with

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



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Produced by the **Russian-European Centre for Economic Policy**
in cooperation with the Working Center for Economic Reform
under the Government of the Russian Federation

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*All nominal rouble amounts are given in new, redenominated, roubles.
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RECEP is financed by the European Union's TACIS programme, which provides grant finance for know-how to foster the development of market economies and democracy in the New Independent States and Mongolia.

EXPORT REVENUES: REPATRIATION OR EXPROPRIATION?

Peter Westin

RECEP, Moscow

At the beginning of this year, there were signs that the government wanted to implement further exchange rate restrictions in order to curb capital flight and assure a supply of hard currency. One of these measures was an increase of the repatriation requirement for export revenue from the current 75% to 100%. The first part assesses the developments in capital flight where export activities plays a certain role. The second part of this report looks at the post-crisis experience of export repatriation and the benefit, if any, to the economy

Capital flight: the Russia menace

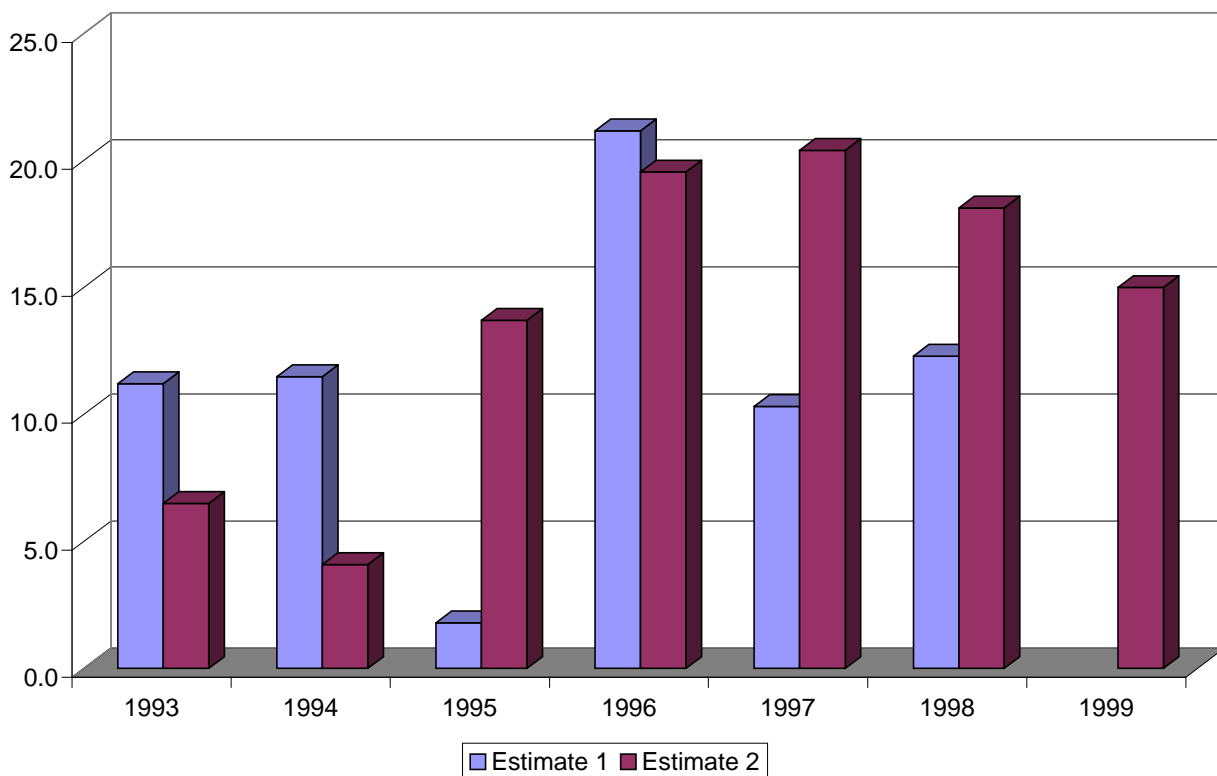
Capital flight has been a sign of Russia's failure to establish a functioning market environment. Macroeconomic instability and institutional deficiencies, such as the lack of confidence in the domestic banking system and disincentives to re-invest company profits, have encouraged companies and individuals to move their money offshore. Efforts to combat the problem by introducing capital restrictions have had limited success. A large share of the money moved abroad has left Russia via the trade account by use of false contracts, over-reporting imports and under-reporting exports.

Several attempts have been made to quantify the amount of money that has left the country illegally or semi-legally. However, the nature of such transactions makes this a very difficult task, and reduces estimates to 'guesstimates'. Below we present two alternative measures of capital flight. The first estimate (Estimate 1 in Figure 1) is made up of the net increase in foreign assets held by the private sector. It is calculated as the trade surplus (merchandise and services) and official credits minus official debt service payments, minus any increase in international reserves. The second estimate is made up of non-repatriated export earnings, unredeemed import advances, and errors and omissions. The latter, which has remained excessively large for Russia, is sometimes referred to as unidentified transfers. The CBR, when estimating capital flight, uses 50% of total errors and omissions. One may also include errors and omissions only for non-CIS relations. However, for Estimate 2 in Figure 1 the total amount of errors and omissions has been included. Estimated capital flight between 1993-98 was \$68.3 bn according to Estimate 1 and \$77.6 bn for Estimate 2.

Using the second estimate for capital flight, Figure 2 outlines the quarterly development in 1998 and 1999. In the last quarter of 1998 and the first quarter of 1999, capital flight declined according to Estimate 2. This corresponds to the period when the world market price for oil fell and currency restrictions were implemented. Following the OPEC agreement in March this year the oil price rose rapidly, as did capital flight, which reached \$4 bn in the period from April to June. In the third quarter of 1999 the level of capital flight remained more or less unchanged compared to the previous quarter.

The author is grateful to Rudiger Ahrend for help with the statistics.

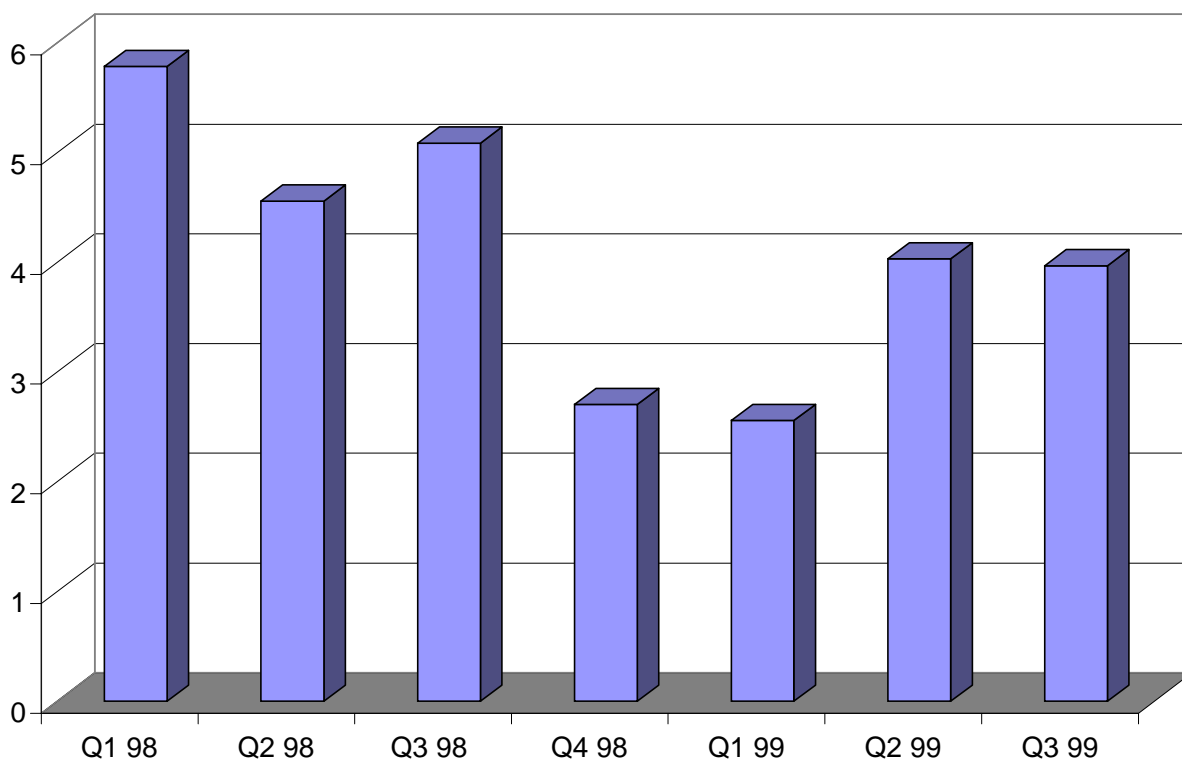
Figure 1: Capital flight 1993-99 (\$ bn)*



* Estimate for 1999.

Source: CBR, Goldman Sachs, RECEP

Figure 2: Capital flight 1998-99 by quarter (\$ bn)



Source: CBR, RECP estimates

Since export activity provides a channel for capital flight, levels of capital flight tend to depend on the price of oil, the key Russian export. The development of capital flight was also influenced by capital and foreign exchange restrictions put in place after the August crisis, although economic agents find ways around the restrictions over time.

Repatriation of export revenues

Back in October 1998, two months into the crisis, the CBR introduced a special trading session on MICEX with the obligatory sale of 50% of repatriated export revenue, and then increased it to 75% in mid-January 1999. Exporters still have to return 100% of proceeds but these requirements state what share has to be sold on the foreign exchange market. In mid-March amendments were made allowing exporters who were using 25% of revenues for servicing foreign loans to repatriate only 50%, with the 75% level still applicable to other exporters. With these measures, the government's objective was to ensure a return of export revenues, and to help maintain the rouble exchange rate. Since then the CBR has announced the abolishment of its plan to raise the repatriation requirement; at best, it has postponed it until the second half of this year.

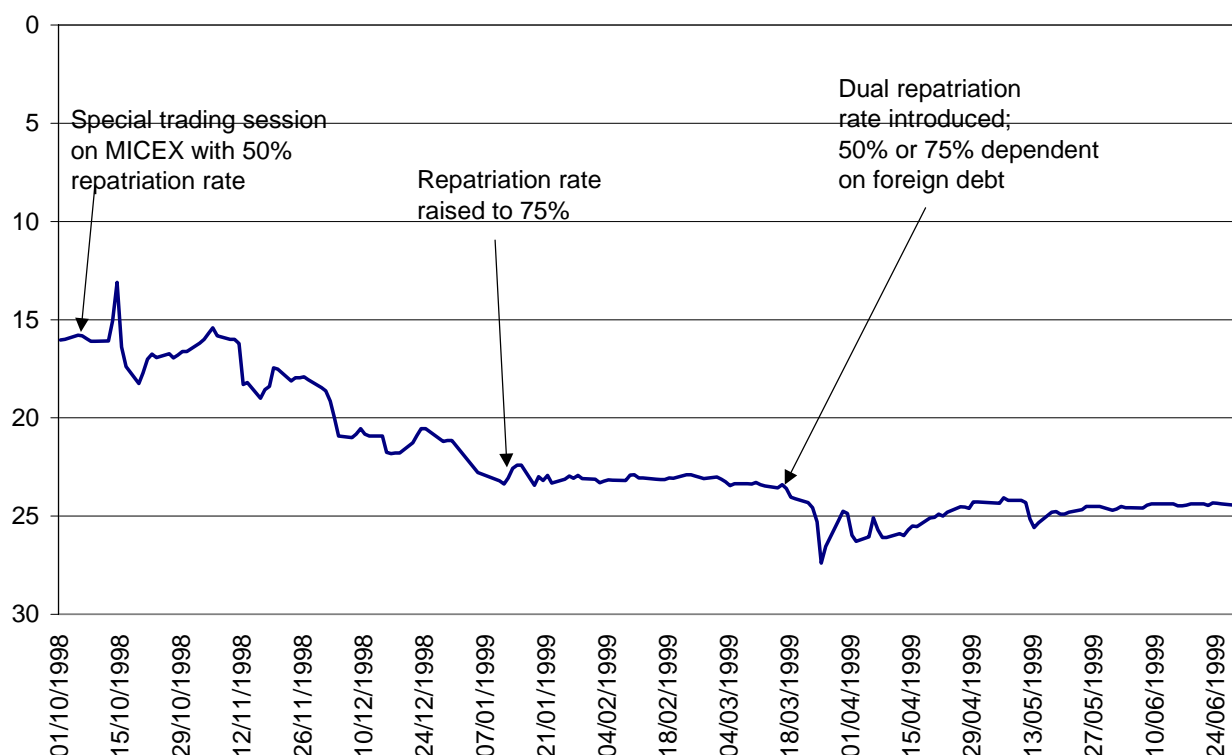
Figure 3 shows that the introduction of these restrictive measures had only a small and short-term effect. After the introduction of the special trading session under the 50% repatriation requirement on October 6 1998, the rouble strengthened but then continued to fall up to the beginning of 1999, despite the introduction of additional restrictions (see previous editions of RET). The same took place when the level was raised to 75% in January 1999, but this time the effect on the rouble was even smaller. This was followed by a stabilisation of the rouble, but it is important to take into account that the restriction stipulates a certain time period in which repatriation of hard currency is to occur. In January 1999 this time limit was shortened from 180 days to 90 days. We assume that export proceeds are repatriated at the very end of this period, meaning that the real effect of repatriation is not immediate and that the effect observed at the time of introduction is of a more psychological character.

The tables below aim to illustrate whether the repatriation of export revenue has had an effect on reserves. We make the further assumption that 50% of exporters have hard currency debt, which after March 1999 meant that these exporters had to return only 50% of export revenues, thus the effective repatriation rate is 62.5%.

Table 1 (column 5) shows the repatriation target based on monthly exports and the rate of repatriation, taking into account the timing of the same. For three months (April–June 1999), there was an overlap of the 180-day and 90-day repatriation, and \$6-7 bn should have been repatriated monthly (almost double the amount in the subsequent month). Using the monthly turnover on MICEX as a proxy for actual export proceeds repatriated, it can be seen that approximately 40% of what should have been repatriated was actually repatriated (a total \$8.6 bn for these three months).¹ One possible reason for this outcome could be that exporters were slow to adjust to the shorter repatriation period. This would also explain the repatriation of more than 100% in the third quarter of 1999. This is also partly confirmed by higher non-repatriated export revenue on the balance of payments in the second quarter of 1999, and lower non-repatriated export revenue in the third quarter. However, as explained below this increase in the second quarter does not correspond with the non-repatriated revenues according to Table 1 (the difference between the target and actual (MICEX turnover) repatriation).

¹ We use the volume on MICEX as a proxy for actual repatriation, as exporters have to sell their proceeds on the MICEX foreign exchange market.

Figure 3: Exchange rate and the introduction of repatriation of export revenue (R/\$)



Source: CBR, Moscow Times

Table 1: Exports and expected and actual repatriation

	Exports (\$bn)	Days in which export proceeds should be repatriated	% of exports that should be repatriated	Target amount of export revenues repatriated (\$bn)	MICEX turnover (\$ bn)	MICEX as % of target
Oct-98	6.1	180	50	3.10		
Nov-98	5.9	180	50	3.00	2.17	72.4
Dec-98	7.3	180	50	3.25	2.50	77.0
Jan-99	4.7	90	75	3.10	2.28	73.7
Feb-99	5.0	90	75	2.85	2.49	87.5
Mar-99	5.9	90	62.5	2.95	3.51	119.0
Apr-99	6.5	90	62.5	6.58	2.89	43.9
May-99	5.0	90	62.5	6.70	2.89	43.2
Jun-99	5.3	90	62.5	7.34	2.84	38.8
Jul-99	6.2	90	62.5	4.06	3.53	86.9
Aug-99	5.9	90	62.5	3.13	3.91	125.1
Sep-99	5.9	90	62.5	3.31	3.80	114.6
Oct-99	7.0	90	62.5	3.88	3.00	77.5
Nov-99	7.4	90	62.5	3.69	3.73	101.2
Dec-99	n.a.	90	62.5	3.69	3.07	83.3
Jan-99	n.a.	90	62.5	4.38	2.94	67.2

Source: Goskomstat, Moscow Times, RECEP estimates

Net payments of external debt in the second quarter of last year amounted to \$2.4 bn. Figure 4 shows that any relationship between the change in the hard currency component of gross reserves and repatriation minus net debt payments is far from obvious.² Furthermore, the correlation weakens over time, indicating that economic actors have been able to circumvent the restriction. As can be seen from the figure, if one were to consider that reserves respond with a lag to repatriation minus net payment a relationship could be established. However, this is not a very plausible assumption as international reserves change as debt payments are made, and therefore we do not consider this to be an option.

In other words the high trade surplus in 1999, currently estimated at \$30-32 bn, plus compulsory repatriation have not enabled a significant increase in reserves, which last year increased by a mere \$0.3 bn (see also Table 2). Furthermore, repatriation has brought a supply of dollars to the foreign exchange market, which has assisted in maintaining some level of rouble stability. The availability of dollars on the market means that the CBR has been able to buy dollars without too much impact on the exchange rate. More importantly, column 6 (MICEX turnover) in Table 1 shows that the turnover on MICEX has increased under the later repatriation regime compared to the 50% repatriation requirement. This means that in dollar terms, higher repatriation has had some effect on supplying the market with dollars. Nevertheless, and although reserves in 1999 only grew by \$0.3 bn, the government has been able to service its non-Soviet external obligations, which must be attributed to an improvement in the trade balance.

A more concrete relationship does exist, however, between the change in money supply and the change in reserves. In periods when we see a major increase in reserves, we also see money emissions from the CBR (see Figure 5). Monetary expansion therefore seems to have been a contributor to increased reserves as the CBR prints roubles to buy the dollars. In 1999 the monetary base increased by \$3.9 bn in dollar terms (using the average official exchange rate) of which a part has been financing the increase in international reserves.

Table 2: Reserves, net debt payments, and repatriation

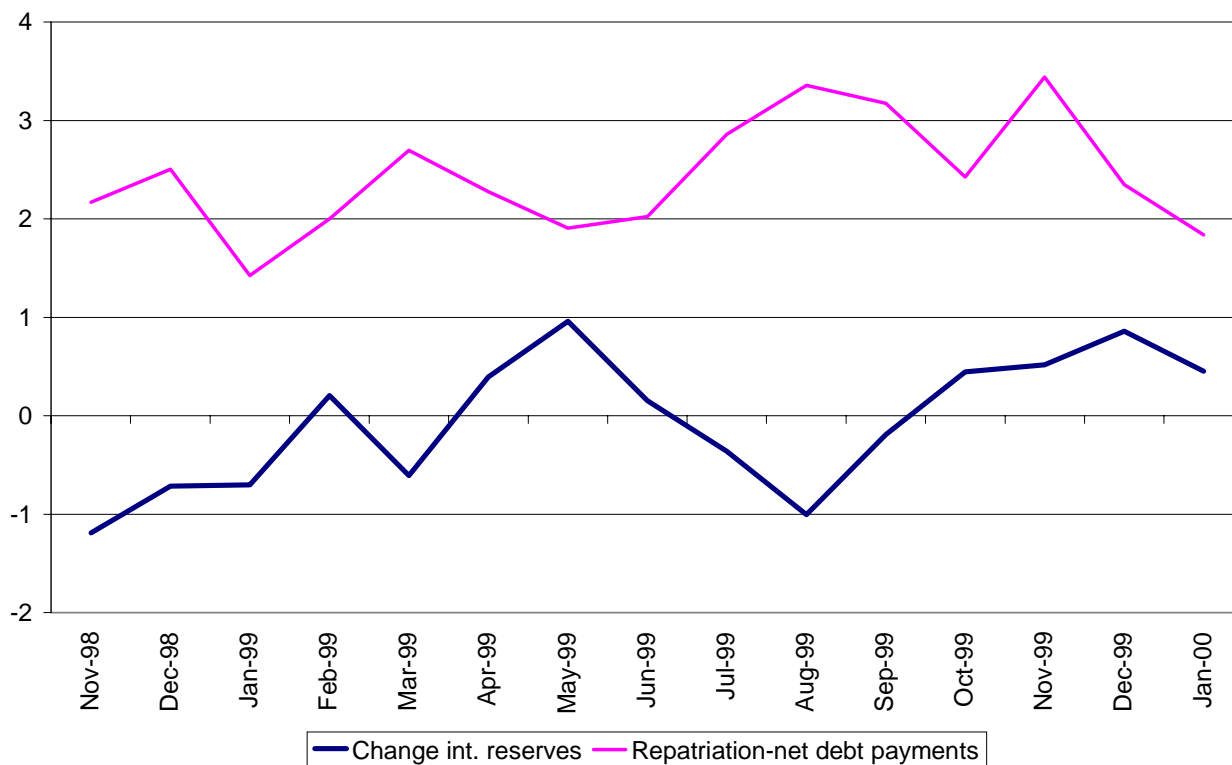
	Gross Reserves (\$bn)	Of which gold (\$bn)	Of which hard currency (\$bn)	Change reserves in gross reserves (\$bn)*	Net debt payments (\$bn)	Net debt + reserve changes (\$bn)	Repatriation (MICEX turnover \$bn)
Jan-99	11.62	4.54	7.08	-0.70	0.86	0.16	2.28
Feb-99	11.44	4.15	7.28	0.21	0.49	0.70	2.49
Mar-99	10.77	4.09	6.68	-0.61	0.81	0.21	3.51
Apr-99	11.17	4.09	7.07	0.39	0.61	1.00	2.89
May-99	11.94	3.90	8.03	0.96	0.99	1.95	2.89
Jun-99	12.15	3.96	8.19	0.15	0.82	0.98	2.84
Jul-99	11.92	4.09	7.83	-0.36	0.67	0.31	3.53
Aug-99	11.23	4.41	6.82	-1.00	0.55	-0.45	3.91
Sep-99	11.21	4.58	6.63	-0.19	0.62	0.43	3.80
Oct-99	11.75	4.67	7.08	0.45	0.58	1.02	3.00
Nov-99	11.50	3.91	7.60	0.52	0.29	0.81	3.73
Dec-99	12.46	4.00	8.46	0.86	0.72	1.58	3.07
Jan-00	12.95	4.04	8.91	0.86	1.10	1.56	2.94

* Hard currency component of Gross international reserves

Sources: CBR, IMF, Ministry of Finance, RECEP estimates

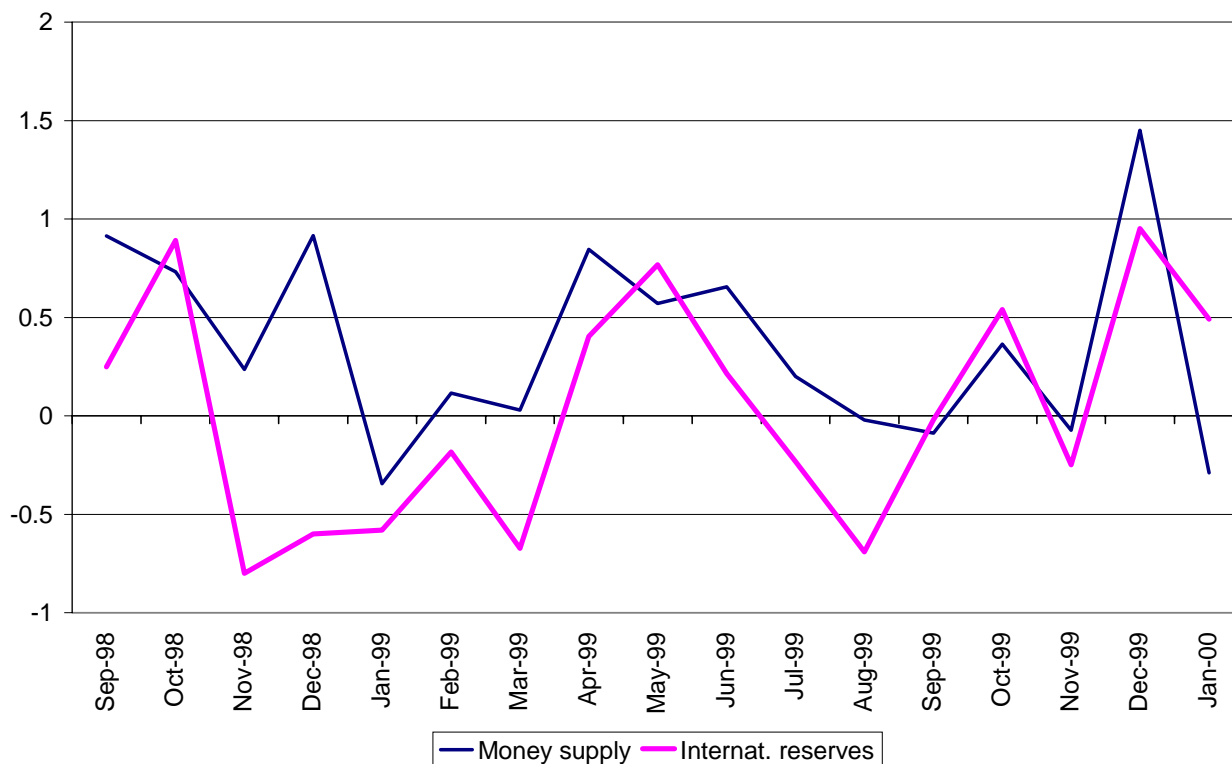
² It could be that a build-up of reserves follows repatriation with a lag.

Figure 4: Repatriation minus net debt payments and the change in hard currency reserves (\$bn)



Source: CBR, Ministry of Finance, RECEP estimates

Figure 5: Change in monetary base* and international reserves (\$bn)



*The monthly average MICEX exchange rate was used to calculate the change in the monetary base in dollar terms.

Source: CBR, Moscow Times, RECEP estimates

A comparison of the target minus actual repatriation with non-repatriated export revenues and outstanding import advances in 1999 gives a puzzling picture³. In the first quarter non-repatriated export revenues and outstanding import advances amounted to approximately \$1 bn, while using the MICEX turnover as the proxy for actual repatriation shows that roughly \$0.61 bn was not repatriated in the same period (the difference could then be attributed to outstanding import advances). More or less the same was true for the third quarter when \$0.74 bn was not repatriated, and non-repatriated export revenues and outstanding import advances according to the balance of payment amounted to \$1.1 bn. However, in the second quarter of 1999 (the time of overlap of the 180 and 90 day repatriation periods and the start of the sharp increase in world oil prices) the difference between the target and actual repatriation amounted to a massive \$12 bn, while non-repatriated export revenues and outstanding import advances totalled 'only' \$2.1 bn. In other words, as much as \$10-11 bn is missing according to calculations using this method. Where has this money gone?⁴ It is possible, for example, part of this money is sitting on hard currency accounts. However, this is not confirmed by CBR data on commercial banks' balance sheet. Equally, it is likely that this money is part of the build-up of commercial banks' correspondent accounts at the CBR. This does however not account for the total sum.

The fight against capital flight

In order to curb capital flight the authorities are currently considering a number of additional measures: With regard to the export revenue repatriation requirement (see above), full implementation of the 75% rate will be achieved, and individual concessions, e.g. concessions tied to foreign debt payments, should be abolished as the latter can easily be abused through fictitious debt contracts. The former is to be achieved through a system of increased monitoring of exporters and prosecution of companies not fulfilling their obligations.

Furthermore, the problem of lower export revenues caused by the practice of false contracts and/or the use of offshore zones will be corrected. The Tax Ministry can use average world market prices when fraudulent behaviour is expected, and special attention should be directed towards exporters of ferrous and non-ferrous metals as the large difference between domestic and world market prices generates extra incentives for export revenue and tax evasion. The use of false contracts on imports will be investigated, especially when the importer is a newly created company.

These measures are a response to the fact that capital flight is still a problem, and that the current capital restrictions have only a very limited effect in curbing the problem. The real solution to the problem of capital flight is to improve the investment climate by continued reforms, especially institutional reforms that would protect any investor, foreign as well as domestic; tax reform to ensure transparency and equal treatment; and the introduction of international accounting standards to create a better framework for capital investments. In addition, a main priority should be to speed up bank restructuring and to increasingly allow foreign banks into the retail market, creating a competitive pressure on Russian banks. On top of capital flight an estimated \$30-40 bn is held in 'mattresses' inside Russia. As long as companies and individual do not have trust in the domestic banking system, and there is a lack of other investment opportunities, it must be considered as rational behaviour to either keep one's money outside the banking system or move it abroad.

³ *Non-repatriated export revenues and outstanding import advances is recorded on a quarterly basis in the balance of payments.*

⁴ *Due to this, the estimated \$15 bn capital flight for 1999 may be on the low side.*

Conclusions

Recent discussion of a possible increase of the repatriation requirement on export revenues from 75% to 100% (currently exporters who are servicing foreign debt equal to 25% of revenue only have to repatriate 50%) has currently been put on hold (a discussion about raising it to 80% has circulated recently in the press). In any case, this measure will not raise money immediately, as exporters have 90 days to return their export proceeds. Although it should mean a slight increase in money repatriated, it could also have a negative effect on compliance. Also, as new restrictions are introduced economic actors usually find ways to circumvent them. The positive effect of an increased rate of repatriation is unlikely to last long, since it is not a new measure but merely a slight reinforcement of an obstacle the exporters already know how to get around.

Capital flight still remains a problem caused by the lack of investment opportunities and the unfavourable investment and business climate in Russia. Additional restrictions and increased monitoring will only partially to limit this phenomenon. The only real turnaround will come from continued structural and institutional reform, to improve the incentives for individual and economic actors to keep their capital inside Russia. Such a course will require a strong political will and consensus among policy makers.

ECONOMIC UPDATE

Aggregate demand

In 1999 real consumer expenditures on goods and services (a proxy for personal consumption expenditures) were 7% lower than in 1998 and 9% lower than in 1997. In December seasonally adjusted consumer expenditures remained practically unchanged from November. As a result they were only 2% higher than in December 1998 and still 9% lower than in December 1997. In December 1999 real expenditures on food were 2% higher than in December 1998 and 7% lower than in December 1997. Expenditures on non-food goods were 4% higher than in December 1998 and 16% lower than in December 1997. Real expenditures on paid services were 3% lower than in December 1998.

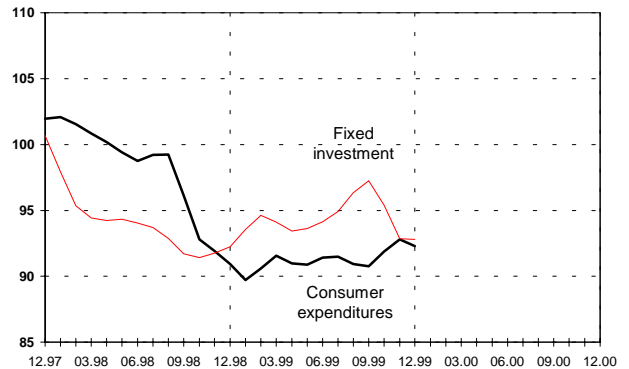
According to preliminary data, real expenditures on new construction & equipment (a proxy for gross fixed investment) in 1999 were 1% higher than in 1998, but 6% lower than in 1997. In December, seasonally adjusted expenditures on new construction & equipment remained practically unchanged from November. In December 1999 real expenditures on new construction & equipment were unchanged from December 1998 and were 11% lower than in December 1997.

Output

In 1999 real GDP produced increased by 3.2% over 1998 and was 2% lower than in 1997. In the goods-producing sector the highest rates of annual growth were registered in industry, where gross output increased by 8.1% from 1998 and was 3% higher than in 1997. The volume of construction increased by 5.4% and remained unchanged to 1997. Agricultural output increased by 2.4% from 1998, but was 11% lower than in 1997. In the service-producing sector the outstanding rates of annual growth were reported for the volume of communications, which increased in real terms by 33.1% from 1998 and was 60% higher than in 1997. Freight transport turnover grew by 5.2% from 1998 and was 2% higher than in 1997. Passenger transport turnover increased by 3.7%, but was 5% lower than in 1997. The real volume of wholesale trade grew by 1.2% from 1998 and was 1% lower than in 1997. The real volume of retail trade (including public catering) in 1999 was 9.5% lower than in 1998 and 12% lower than in 1997.

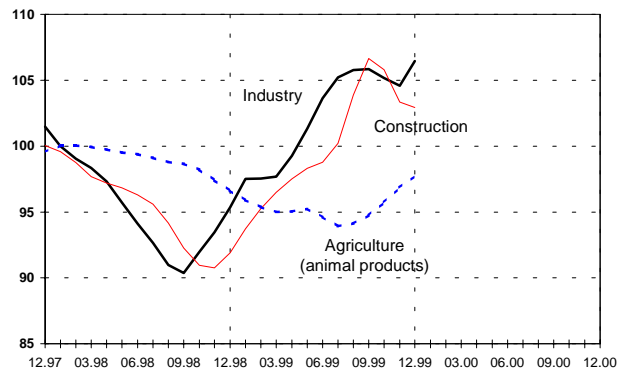
December's performance continued the period of stagnation, that started in the end of 1999 Q3. In seasonally adjusted terms, declines were observed in construction, wholesale trade, passenger transportation. Monthly growth was registered in industry, agriculture, freight transportation and retail trade.

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



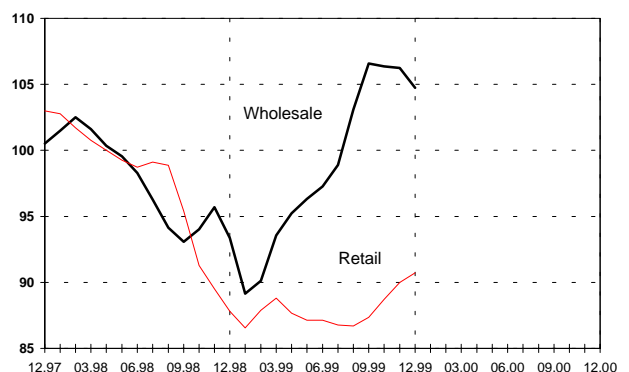
Source: Goskomstat.

**Real gross output of goods
(1997 = 100, seasonally adjusted)**



Source: Goskomstat.

**Real volume of trade
(1997 = 100, seasonally adjusted)**



Source: Goskomstat.

Prices

In January 2000 consumer price inflation increased compared to December 1998. This growth is partly attributed to the seasonal factors, but might also be caused by substantial growth of monetary aggregates in the end of 1998. The consumer price index grew in January by 2.3% (1.3% in December). CPI for food increased by 2.2% in January (1.4% in December), for non-food items by 2.2% (1.2%), and for paid services by 3.4% (0.9%).

The composite producer price index increased over 1999 (December to December) by 59.8% (22.3% in 1998). PPI in industry grew over the year by 67.3% (23.2% in 1998), in construction by 37.3% (9.7%), in agriculture by 91.4% (42.0%), in freight transportation by 18.2% (16.7%) and in business communications by 22.8% (6.2%).

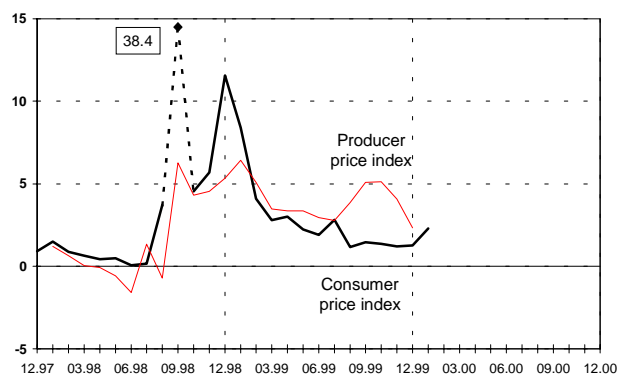
In December monthly rates of growth of producer prices decreased for the second month in a row. Composite PPI grew in December by 2.3% (4.1% in November), PPI in industry increased by 2.2% (3.9%), in construction by 2.6% (4.2%), in agriculture by 4.3% (5.3%).

Labour

The number of permanent payroll employees at large and medium-sized enterprises decreased in November by 0.2% from October, and was 0.5% lower than in November 1998. The vacancy ratio (the number of job seekers registered with the FES as a ratio of the number of vacancies) in December remained unchanged from November in seasonally adjusted terms, reaching its lowest level since 1992.

Real wages grew rapidly in the last months of 1999, and this growth was accompanied by intensive repayment of wage arrears. Still, substantial differences exist in estimates of the level of real wages. According to Goskomstat estimates based on changes in consumer price index, in 1999 average real monthly wages due were 23% lower than in 1998 and 30% lower than in 1997. In December 1999, according to these estimates, real wages were 13% higher than in December 1998, but 30% lower than in December 1997. According to RET staff estimates based on changes in price deflator for consumer expenditures, in 1999 real wages were only 13% lower than in 1998 and 20% lower than in 1997. Consequently, according to our estimates, in December 1999 real wages were 17% higher than in December 1998 and 17% lower than in December 1997. The latter estimates look more consistent with the level of consumer expenditures (see AGGREGATE DEMAND above), though the difference between wages and consumer expenditures persists and is covered by savings.

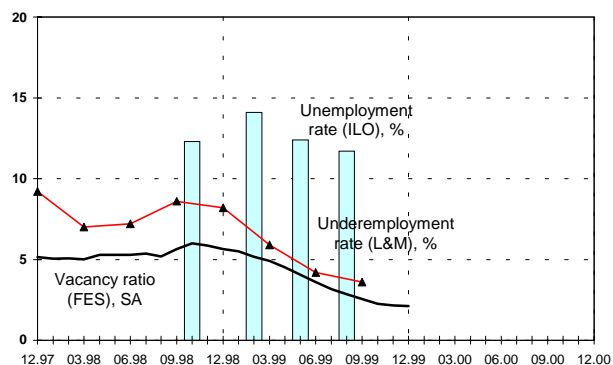
Monthly growth of price indices, %*



* Producer price index covers prices in industry, construction, agriculture, and tariffs for freight transportation and communications.

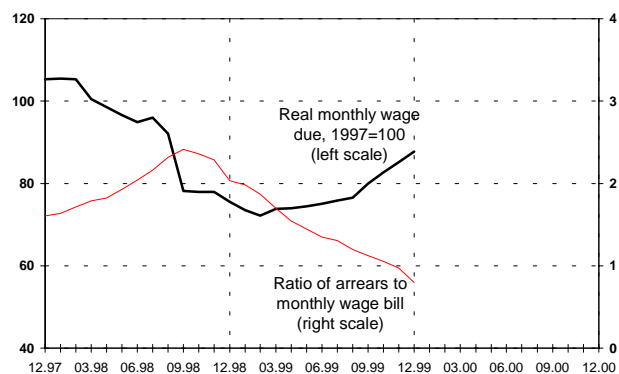
Source: Goskomstat.

Unemployment indicators



Source: Goskomstat.

Real wages and wage arrears



* Index of real wages is based on price deflator for consumer expenditures.

Source: Goskomstat.

Foreign trade

In the period January to November 1999 Russia's trade balance amounted to \$28 bn, with exports standing at \$64.8 bn and imports at \$36.8 bn. In the first eleven months of 1999, exports to non-CIS countries amounted to \$54.3 bn and to CIS \$10.5 bn respectively. Imports from non-CIS countries totaled \$28 bn and from the CIS \$8.8 bn. Exports in the first eleven months of the year were 3% lower than in the same period of 1998 while imports were 34% below their 1998 level. In November, Russia's exports of crude oil and petroleum products (according to customs data) amounted to \$2 bn.

The share of unofficial trade was estimated at 10% of the overall trade turnover in the period of January November 1999 (according to Goskomstat).

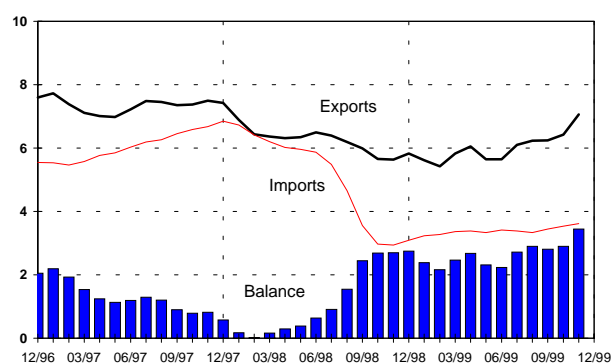
In the end of 1999 and at the beginning of 2000 a number changes were made to foreign trade regulations. Reflecting the requirements of the WTO, import duties on 150 items were reduced from 30% to 20%. In addition, changes were made to export regulations and tariffs in line with the higher world market prices. In December, the export duty on oil was doubled to 15 euros per tonne. Also, a new export tariff on natural gas took effect according to which the duty is 5% of the value of the exported gas with a minimum of 2.5 euros per tonne. Export tariffs on most metals, applied to countries outside the CIS customs union, were also raised in December. The tariffs on copper, nickel and zinc were doubled to 10%, and tariffs for other metals increased to 6.5%. Tariffs for gold and aluminium remain at 5% of the value.

At the beginning of January the CBR suggested raising the repatriation of export revenue from the current 75% to 100%. Among the critics, the State Customs Committee claims that implementation of such a measure would significantly harm state interests by enhancing export companies' incentives to relocate their export revenue to offshore zones. This in turn would add to the capital flight problem. In addition, implementation of 100% mandatory sale of export revenue would not raise money immediately, as exporters have 90 days to return their export proceeds (see SPECIAL REPORT).

Enterprise finances

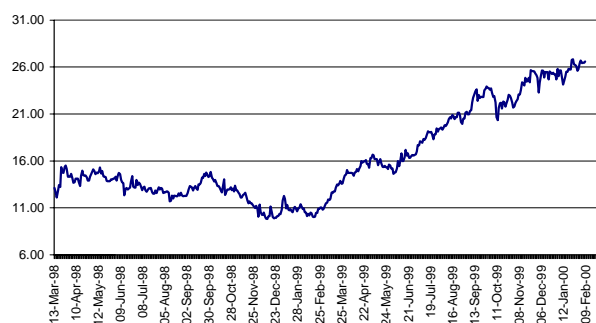
In January 2000 Goskomstat released data on the financial state of real sector companies in October and November of 1999. Almost all aggregated financial indicators demonstrate gradual improvement in the finances of Russian companies. Information on overdue payables and receivables shows a continuation of positive trends in intercompany and tax debt

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



Source: Goskomstat.

Brent oil price (\$ per barrel)



Source: Moscow Times.

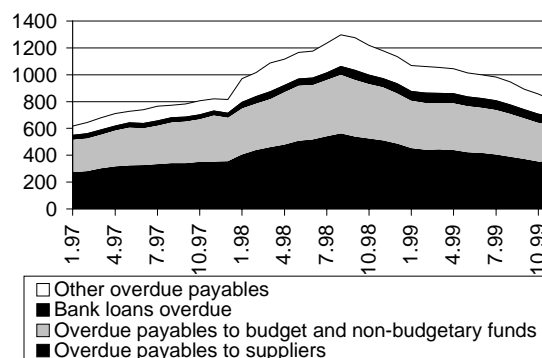
settlements. Virtually all categories of overdue payables and receivables deflated by PPI were down in November. In October 1999 the share of cash in the revenues of the largest tax payers and natural monopolies reached 52% (up one percentage point). In the course of November money balances of companies working in the four basic sectors (agriculture, construction, industry, transport) increased by 8% and amounted to R 175bn. The share of loss making enterprises fell to 40.6% (41.4% in October).

Electricity and natural gas companies were less successful in controlling their collection rates than the rest of industry. Real overdue receivables in the electricity sector grew for three months in a row. Monthly growth rates of overdue receivables of power firms in 1999 were, however, much lower than in 1995-1998. Higher collection rates are explained by tighter financial discipline introduced by RAO UES headquarters in the regional power companies. In October the share of cash in RAO UES collections continued to grow and reached 29.67% (up from 28.75% in September). In November 1999 extraction subsidiaries of Gazprom managed to stabilise their collection rates, which had been rather low in the second and third quarters of 1999. The structure of revenues of natural gas extraction companies deteriorated. The share of cash reached maximum value of 63.79 % in August 1999 (including export sales) and was down to only 46.64 % in October.

Rumours about Gazprom's reorganisation and the amicable agreement reached by Sidanco's creditors were the most important events in the corporate sector in January 2000. In the course of 1995-1999 the IMF demanded several times the separation of the natural gas transportation function from the extraction and marketing facilities. Fund representatives argued that this would lead to higher transparency and reduce Gazprom's monopolistic power. The Russian government, heavily influenced by Gazprom managers, did not take any actions at the time. Currently the impression is that the executive branch has enough strength to tackle the Gazprom problem. The government appears to realise that the concentration of economic and political power wielded by Gazprom managers is not acceptable.

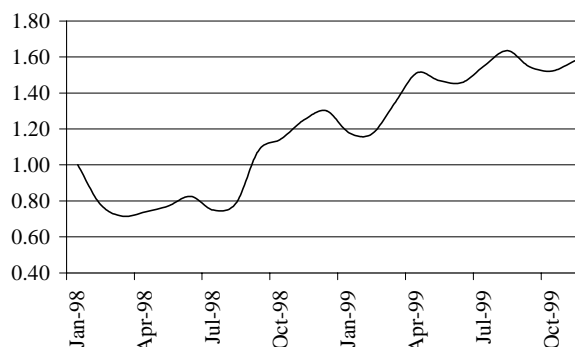
The Sidanco case has been widely discussed as an example of the faulty treatment of foreign shareholders by Russian corporations. 51 % of the company was bought by Uneximbank group (Interros) in the loans for shares scheme at the beginning of 1997. Later, a 10% equity stake in Sidanco was sold to British Petroleum. Uneximbank failed in its attempts to introduce adequate corporate control in Sidanco's extraction subsidiaries. As a result the latter's revenues were siphoned off either by the old managers or by Uneximbank itself. The role of BP Amoco in

Overdue payables deflated by PPI*, Jan-98=100



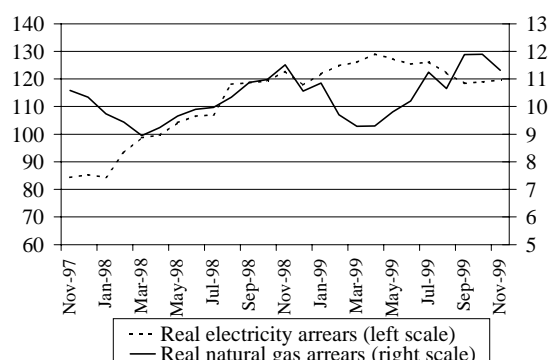
* Data is for large and medium size enterprises. Source: Goskomstat.

Index of money balances of Russian companies deflated by PPI, January 1998=1*



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

Overdue receivables in the electricity and natural gas sectors deflated by corresponding price indices. Prices of January 1996=1



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

Sidanco's management was very limited prior to 1998. Huge debts to the tax authorities and suppliers made Sidanco's units an attractive target for a hostile takeover. The Alfa bank managed Tyumen Oil Company launched a takeover campaign aiming to seize control over two most attractive Sidanco's extraction units: Chernogorneft and Kondpetroleum. In addition, bankruptcy proceedings were launched against their mother company. Both extraction subsidiaries were acquired in the course of bankruptcy auctions that took place in 1999. BP Amoco's political weight allowed Interros to regain Chernogorneft. Finally, in January Sidanco's creditors agreed to halt the bankruptcy proceedings, putting an end to the whole story.

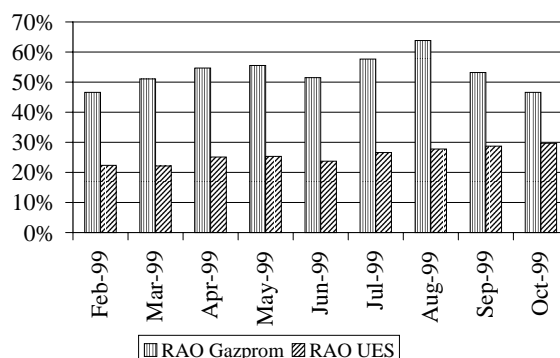
The banking sector

In January 2000 the CBR raised reserve requirements to 7% for rouble deposits and 8.5% for foreign currency deposits. The measure was dictated by the growth in voluntary reserves kept by commercial banks on CBR deposit accounts, which reached R90 bn at the end of December 1999. Large rouble denominated voluntary reserves posed a threat to the stability of the foreign exchange rate. By increasing reserve requirements, the CBR cut excessive rouble liquidity that could spill over to the forex market. At first glance the small volume of bank credit to the economy and the substantial funds kept with the CBR are difficult to reconcile with each other. Commercial banks' reluctance to lend to private companies is explained by the weak creditor rights protection in Russia. Banks prefer either to buy foreign currency or to park funds with the CBR. Simultaneously with the increase in reserve requirements the CBR lowered the discount (refinancing) rate from 55% to 45%. The meaning of the measure is not clear since CBR loans to commercial banks most commonly carry bank-specific terms, relatively independent of the current refinancing rate.

Bank restructuring in January was following the path chosen in 1999. Large Moscow banks that could reach an agreement with their creditors were allowed to do so.

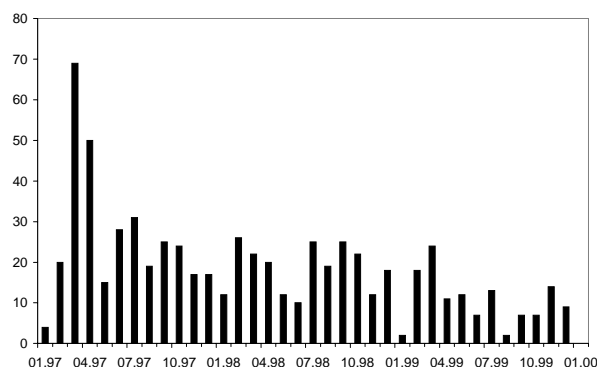
The government agency created to supervise the process of restructuring engaged itself in the restructuring of the number of relatively small regional banks. The transfer of control over SBS Agro to ARCO confused the agency's plans to avoid having to deal with politically important banks. Currently it seems that the agency was able to fend off immediate danger to its wellbeing by delaying true restructuring of SBS Agro into the indefinite future. In 1996-99 SBS Agro was employed to channel government loans to the agricultural sector. Agricultural firms viewed SBS Agro loans as subsidies, which negatively affected the quality of the SBS Agro asset

Share of cash in the revenues of RAO UES and RAO Gazprom.



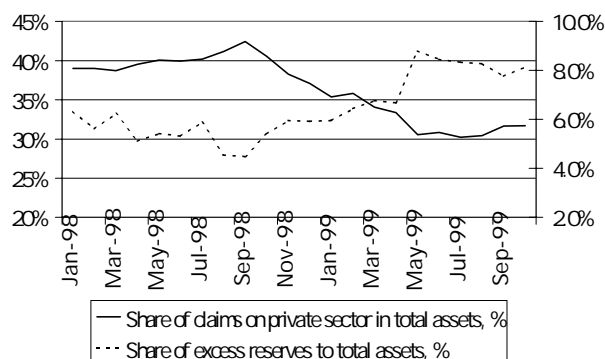
Source: Goskomstat.

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.

Excessive reserves and lending to the non-financial sector



Source: CBR.

portfolio. The effective bankruptcy of SBS Agro forced the government to look for new ways to subsidise agriculture. Currently the government is contemplating the creation of Rossel'khozbank to serve this purpose. It might well happen that the new bank will get the agricultural loans on SBS Agro's balance sheet as a part of its charter capital. By doing so the government will be able to profitably redistribute what is left of SBS Agro's assets at the expense of other creditors.

The budget

According to preliminary data, the federal deficit for 1999 calculated on a cash basis amounted to R73.9 bn, or 1.7% of GDP, with revenues and expenditures standing at R611.1 bn (13.7% of GDP) and R685.5 bn (15.3% of GDP) respectively. The initial revenue target set by the 1999 budget was exceeded by about 30%. The primary surplus for 1999 is estimated at 2% of GDP. Interest payments in January-December 1999 equaled R162.6 bn, of which R73.9 bn was servicing of domestic debt and R88.7 bn was external debt payments. In December alone, interest payments on foreign debt were R11.0 bn, mainly payments on Eurobonds; interest on domestic debt was R12.7 bn.

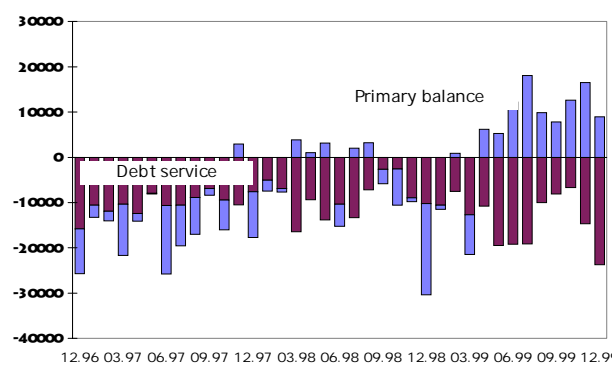
No data on December performance of regional and local budgets were available at the time of writing.

An IMF mission visited Moscow on January 25-February 4. Fund representatives confirmed that the main macroeconomic parameters of 1999 met and exceeded the targets set by the Stand-by agreement. However the progress with structural reforms was defined as unsatisfactory. On February 4 the IMF mission and the Russian government agreed on the principles of the tax and budget policy for 2000 and on the main parameters for the first half of the year. The \$640 mn tranche of the IMF loan that was due for disbursement in fall 1999 has again been suspended.

The exchange rate

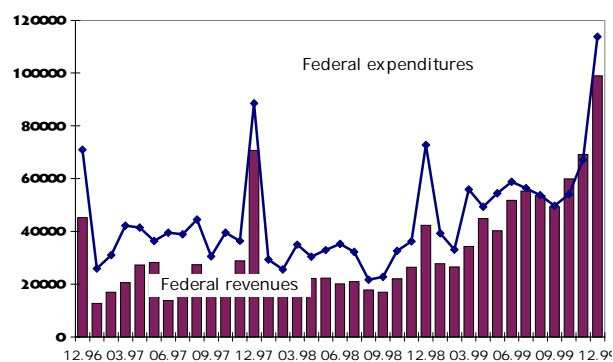
In January the MICEX exchange rate depreciated 5.7% and the CBR official exchange rate fell by 5.4%. Although the rouble strengthened in the second half of the month it came under pressure again in the first week of February. This was the result of the CBR's weakened defense of the rouble as it attempted to build up international reserves (see MONEY), in order to be able to defend the rouble at a later stage in light of large foreign debt payments. Approximately \$1.7 bn must be serviced on foreign debt in the remainder of the first quarter.

Federal budget deficit, R mln



Source: Ministry of Finance.

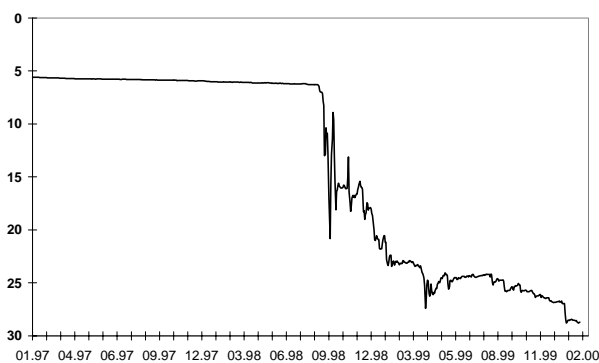
Federal revenues and expenditures, R mln



Source: Ministry of Finance.

IMF definitions of revenues, expenditure and deficit are used.

The rouble exchange rate (R/\$)*



* MICEX exchange rate.

Source: Moscow Times.

Money

According to the monthly data the monetary base equalled R324.3 bn in the end of December 1999. Net domestic credit (NDA) comprised R 397.9 bn and net international reserves stood at \$3 bn. These figures almost meet the performance criteria set for the end of the year in line with the monetary and credit programme for 1999, agreed between the Russian authorities and the IMF. The programme targets for NDA and NIR were set at R392 bn and -\$5.1bn respectively.

In December 1999 the money supply, including foreign currency deposits, grew by R75 bn to R984.8 bn. The significant increase of the currency in circulation (M0) (21.5%) to R266.5 bn along with correspondent growth of the monetary base indicates that some relaxation of monetary policy took place at the end of the year. In the second half of January the balance on commercial banks' correspondent accounts shrunk due to the increase in the reserve requirements. At the same time, the CBR managed to contract the monetary base (to R297.8 bn) by withdrawing its defence of the national currency.

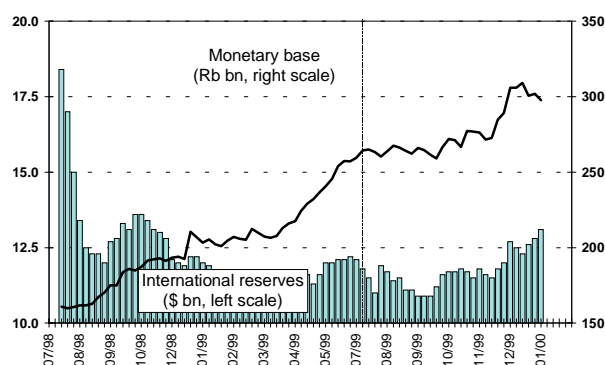
From January 24 the Central Bank of Russia cut the refinancing rate from 55% to 45% in light of the expected lower inflation in 2000. While the CBR took this measure in an attempt to stimulate lending activity of commercial banks and investments in the real sector, in the current situation the refinancing rate has little effect on the level of interest rates in the economy. From a practical point of view economic agents will simply face the decreased fines and penalties on different types of overdue payments.

In January the CBR continued to buy foreign currency from exporters on the internal currency market, and raised its gross international reserves to \$12.9 bn, the highest record since October 1998. In January the federal government paid about \$1bn in foreign debt without CBR assistance. Overall, in the first quarter of 2000 Russia has to repay about \$3bn to foreign creditors. Russian officials stated that the budgetary situation in February might allow the government to refrain from borrowing from the CBR to fulfil its foreign debt obligations. The schedule of the external debt service payments will be tighter in March and Finance Ministry Mikhail Kasyanov has announced that his ministry is likely to resort to Central bank credits.

Financial markets

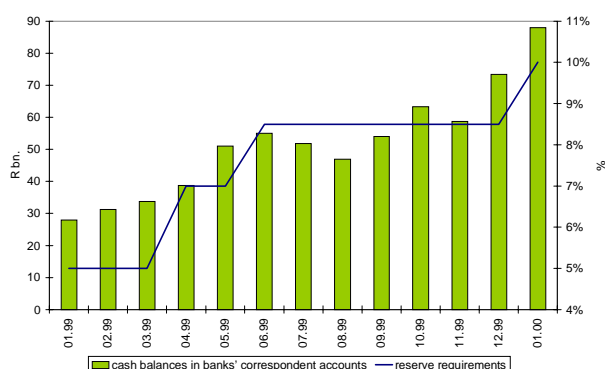
In January 2000 the RTS trade volume amounted to \$489.2 mn, up by 71% compared to December 1999. On January 14 the Moscow Times dollar index reached 154.7, its highest level since June 1998. As of January 31 the MT index was down to 130.9.

Monetary base and gross international reserves (weekly data)



Source: CBR.

Reserve requirement ratio (%) and maximum monthly cash balances in banks' correspondent accounts (R bn)



Source: CBR.

Some commentators suggested that equity prices underwent a “normal” correction after the rally that took place after the Duma election and Yeltsin’s resignation. We believe that the Russian stock market, while not perfectly efficient, is efficient enough to refute this explanation of stock price movements. The fall was rather related to the renewed concerns about corporate governance in light of developments with Surgutneftegaz. The company intends to reorganise its equity structure by swapping shares in the subsidiaries for shares in the holding company. Investors feared that the swap would result in the dilution of minority interests. News about the possible break-up of Gazprom provided another source of worry for investors.

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	376,0	105,3
1997	2 521,9	100,0	1 123,3	100,8	408,8	100,0
1998	2 696,4	95,1	1 355,2	96,0	402,4	93,3
1999	4 476,1	98,1	2 171,5	82,0	598,7	94,2
01.1998			95,6	98,5	22,1	95,9
02	545,2	98,5	90,0	91,9	23,7	95,6
03			94,9	96,3	26,1	93,7
04			96,4	97,4	25,5	94,0
05	606,6	97,1	95,8	96,3	26,6	94,5
06			96,9	97,4	31,8	93,6
07			100,1	100,4	32,9	93,8
08	698,9	93,9	110,1	106,5	35,4	93,0
09			135,5	94,7	38,8	91,0
10			133,8	89,5	36,6	91,1
11	833,9	93,4	138,4	87,6	40,5	91,8
12			167,9	95,3	62,4	91,6
01.1999			147,1	77,0	28,0	93,3
02	823,1	95,7	148,9	74,8	31,3	95,4
03			163,3	79,9	35,9	93,8
04			164,6	78,1	36,3	92,8
05	1 026,2	98,4	166,6	77,4	40,0	93,6
06			172,2	78,5	50,7	93,7
07			176,8	78,3	54,8	94,8
08	1 269,9	99,2	189,7	83,1	57,7	95,6
09			194,1	83,8	61,0	98,7
10			202,4	86,2	55,5	95,3
11	1 356,9	101,6	206,2	86,8	58,0	91,6
12			239,7	99,6	89,5	92,1
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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, total, SAWT*	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		298	595	862	262
1996	98,0		293	601	848	255
1997	100,0	100,0	297	571	834	244
1998	94,8	94,8	294	591	827	232
1999	102,5	102,5	295	591	845	249
01.1998	99,3	100,2	298	591	841	238
02	99,0	98,8	298	593	845	239
03	98,4	98,3	296	593	846	231
04	98,0	97,9	291	593	849	238
05	95,5	95,2	291	559	827	230
06	94,6	94,5	297	571	829	227
07	92,8	92,1	294	630	808	217
08	91,4	91,7	291	599	788	229
09	88,8	88,2	292	596	804	227
10	92,0	93,2	294	607	831	228
11	93,1	93,2	294	583	831	238
12	94,6	94,2	292	578	824	241
01.1999	97,4	99,7	293	577	818	240
02	96,5	96,4	292	575	814	236
03	99,2	97,7	293	582	861	241
04	99,1	99,0	294	584	823	244
05	101,7	101,4	296	606	861	247
06	103,7	103,5	296	610	849	254
07	105,2	106,0	295	612	851	253
08	106,6	105,3	296	618	863	252
09	107,2	106,6	297	603	867	267
10	102,0	104,9	295	581	843	253
11	105,7	104,1	295	574	852	250
12	105,6	105,2	297	569	837	251
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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.

SAWT - seasonally adjusted reflecting work time differences.

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	118,3	127,6	41,0	3 537	1 025
1996	98,5	105,3	106,8	34,3	3 374	909
1997	100,0	100,0	100,0	32,7	3 256	886
1998	86,8	99,1	95,0	30,7	3 145	834
1999	88,9	95,4	100,1	32,0	3 309	945
01.1998	92,4	100,5	99,7	30,9	3 212	865
02	91,6	100,0	98,9	32,1	3 197	848
03	91,2	100,2	97,0	32,0	3 172	848
04	89,8	99,8	97,3	29,5	3 146	844
05	87,8	99,6	96,7	31,1	3 092	832
06	87,0	99,5	96,2	30,2	3 156	827
07	82,3	99,4	95,7	28,3	3 147	819
08	82,5	98,6	94,3	31,5	3 142	818
09	81,9	99,0	91,9	29,9	3 030	792
10	82,7	98,4	90,6	29,4	3 188	839
11	84,0	97,4	90,2	31,8	3 140	823
12	88,5	96,7	91,5	31,6	3 116	851
01.1999	89,6	96,0	94,0	32,3	3 195	878
02	88,9	95,4	95,0	37,4	3 179	889
03	88,6	95,1	96,5	30,1	3 251	894
04	89,1	94,7	97,5	31,6	3 270	913
05	88,2	96,0	98,1	31,9	3 358	939
06	87,2	94,7	99,2	30,7	3 340	943
07	87,7	93,5	98,2	31,3	3 343	960
08	86,3	94,4	104,8	32,2	3 392	965
09	87,4	94,5	107,2	34,3	3 346	971
10	94,1	95,9	106,9	30,6	3 355	973
11	89,2	97,0	101,8	31,9	3 313	993
12	90,2	97,9	102,4	29,8	3 368	1 020
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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	99,5	553,5	100,0	113,0	100,0
1996	1 773,8	92,2	749,0	100,1	200,3	92,1
1997	2 173,8	100,0	866,0	103,7	269,5	95,5
1998	2 305,9	97,4	1056,2	100,0	318,6	95,1
1999	3 976,5	98,9	1782,1	90,7	421,0	97,1
01.1998	165,6	90,4	75,5	101,0	21,4	89,0
02	175,6	95,2	69,6	95,8	22,1	89,0
03	186,5	99,4	72,4	99,1	23,9	91,3
04	179,2	103,3	72,8	99,3	24,3	91,1
05	167,5	106,4	72,4	98,5	24,9	92,5
06	172,8	96,9	71,7	97,4	26,9	95,1
07	174,8	96,9	73,3	99,7	28,0	96,5
08	169,5	93,1	82,9	106,4	28,5	97,3
09	194,3	94,8	108,5	103,0	28,8	96,2
10	214,8	96,1	105,8	95,4	28,6	96,5
11	230,8	96,6	112,2	95,9	29,3	100,6
12	274,5	100,3	139,1	108,2	31,9	106,5
01.1999	223,4	76,6	120,5	82,9	27,5	88,5
02	236,2	82,4	121,9	83,3	28,3	86,0
03	288,6	93,3	133,2	88,4	31,4	91,2
04	291,7	97,4	134,4	86,3	32,1	91,2
05	292,6	103,5	137,5	86,2	31,0	94,9
06	313,1	95,3	141,1	86,9	34,6	100,8
07	332,4	98,8	144,5	86,9	35,7	106,4
08	348,7	101,4	155,8	92,3	37,3	99,3
09	377,4	112,4	160,1	93,1	37,9	98,2
10	390,4	107,6	165,9	95,1	39,6	102,6
11	406,9	106,2	169,0	95,6	41,4	103,6
12	475,1	112,5	198,2	111,8	44,2	103,1
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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	77,8
1996	65,9	9,6	3,5	4 009	790	88,7
1997	64,7	10,8	3,1	6 001	950	93,0
1998	63,6	11,9	2,6	2 882	1 095	83,5
1999	64,5	12,4	2,2	1 790	1 580	64,6
01.1998	64,2	11,4	2,7	72	988	98,9
02	64,0	11,6	2,7	95	1 000	98,2
03	63,8	11,7	2,7	103	1 059	93,7
04	63,7	11,7	2,7	109	1 040	91,4
05	63,7	11,5	2,6	86	1 047	89,5
06	63,8	11,3	2,5	79	1 122	88,3
07	63,7	11,3	2,5	56	1 110	89,8
08	63,5	11,6	2,4	27	1 052	86,1
09	63,4	11,9	2,4	378	1 112	67,8
10	63,3	12,3	2,5	797	1 123	67,9
11	63,3	12,9	2,6	615	1 164	66,9
12	63,3	13,3	2,6	464	1 482	63,7
01.1999	63,2	13,8	2,6	577	1 167	62,3
02	63,2	14,1	2,7	532	1 199	60,9
03	63,6	13,6	2,6	83	1 385	62,1
04	64,1	13,0	2,5	15	1 423	61,8
05	64,6	12,4	2,3	15	1 472	61,1
06	64,9	12,0	2,2	6	1 626	61,0
07	65,1	11,8	2,0	6	1 618	60,7
08	65,2	11,7	1,9	5	1 608	62,6
09	65,1	11,7	1,8	99	1 684	66,7
10	65,1	11,7	1,7	228	1 716	69,4
11	65,1	11,7	1,7	42	1 789	71,8
12	65,1	11,7	1,7	184	2 272	75,2
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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	765,1	100,9	72,7	302,1	369,9	21,4
1997	931,7	107,2	83,5	328,2	411,2	21,2
1998	985,8	89,9	83,5	399,0	493,3	24,6
1999	1 554,9	75,1	83,5	448,4	907,8	34,1
01.1998	800,3	88,2	83,5	366,6	417,7	22,8
02	841,1	91,9	83,5	399,3	424,4	22,4
03	862,9	93,6	83,5	399,8	427,4	22,2
04	932,7	100,8	83,5	400,6	431,9	21,7
05	847,0	91,1	83,5	401,4	434,9	22,8
06	871,7	93,7	83,5	402,5	435,5	22,5
07	897,5	96,3	83,5	402,6	438,4	22,3
08	892,6	92,4	83,5	402,7	449,7	22,7
09	1 007,4	75,3	83,5	403,0	552,0	29,8
10	1 133,2	81,0	83,5	403,1	572,9	28,6
11	1 142,4	77,3	83,5	403,2	618,5	29,5
12	1 600,5	97,1	83,5	402,9	716,8	27,3
01.1999	1 118,9	62,6	83,5	403,0	786,9	38,2
02	1 249,0	67,1	83,5	403,1	829,1	n.a.
03	1 332,3	69,7	83,5	403,1	856,8	37,7
04	1 474,0	74,8	83,5	403,2	884,0	n.a.
05	1 413,0	70,1	83,5	451,6	923,6	n.a.
06	1 503,4	73,2	83,5	455,5	950,0	35,0
07	1 512,6	71,7	83,5	455,7	974,0	n.a.
08	1 577,7	73,9	83,5	455,9	936,4	n.a.
09	1 591,3	73,5	83,5	456,1	919,8	33,5
10	1 708,2	77,8	83,5	455,6	926,8	n.a.
11	1 741,2	78,3	83,5	519,2	943,1	n.a.
12	2 437,4	108,3	83,5	519,3	963,0	26,3
01.2000						
02						
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Table 7: Arrears*

	Total overdue payables of enterprises, R bn		Of which:			Total overdue receivables of enterprises, R bn		Government wage arrears**
			to suppliers, R bn	to the budget & non-budgetary funds, R bn	wage arrears, R bn			
	4 sectors	9 sectors	4 sectors	4 sectors	4 sectors	4 sectors	9 sectors	
1995	238,9	n.a.	122,3	75,0	13,6	165,5	n.a.	
1996	514,4	n.a.	245,9	203,4	34,7	335,5	n.a.	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
1999					33,0			10,2
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	1188,5	1416,9	513,9	527,3	40,0	714,3	883,5	13,7
10	1201,3	1435,1	511,6	533,9	38,9	724,5	889,7	13,4
11	1178,6	1416,3	494,5	531,0	37,6	695,3	859,7	12,4
12					33,0			10,2
01.2000								
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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 (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
1999	251,7	266,4	277,7	158,5	195,9	206,2
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	162,2	165,9
08	238,8	255,8	257,6	148,5	168,1	173,8
09	242,3	257,9	264,5	151,4	175,9	184,0
10	245,6	260,1	270,3	154,5	184,1	194,2
11	248,6	262,7	274,5	157,1	191,3	201,7
12	251,7	266,4	277,7	158,5	195,9	206,2
01.2000	257,5	272,2	283,8	163,9		
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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
1999						
01.1998	5,9	1,4	1,5	5,7	1,5	0,2
02	5,8	1,2	1,4	6,1	1,5	-0,3
03	6,7	1,2	1,5	6,5	2,0	0,2
04	6,2	1,2	1,0	6,2	0,9	0,0
05	6,0	1,4	0,9	5,8	1,5	0,2
06	6,5	1,1	0,9	5,7	1,3	0,8
07	6,2	1,1	0,9	5,7	1,5	0,5
08	5,7	1,2	0,8	5,0	1,5	0,7
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	5,0	1,4	0,7	3,0	0,7	2,0
06	5,3	1,5	0,7	3,4	0,8	1,9
07	6,2	1,6	0,7	3,5	0,7	2,7
08	5,9	1,9	0,7	3,2	0,7	2,7
09	5,9	1,7	0,7	3,4	0,7	2,5
10	7,0	2,0	1,1	3,6	0,7	3,4
11	7,4	2,0	1,3	3,6	0,8	3,8
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01.2000						
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* Includes RSA estimate of unregistered trade.

Table 10: Balance of payments (\$ mn)

	1996	1997	1998	1998 Q3	1998 Q4	1999 Q1	1999 Q2	1999 Q3
Current Account	11997	3555	2446	900	6640	5370	3459	5749
<i>Trade balance</i>	17198	12551	14156	4162	9841	6044	5766	7799
Export	103520	103060	87688	21802	22188	17550	19276	20936
Import	-86322	-90508	-73533	-17640	-12347	-11506	-13511	-13138
<i>Merchandise trade balance</i>	23069	17517	17306	4814	10000	6531	6448	8348
Export	90563	88927	74751	18112	19177	15601	16907	18093
Import	-67494	-71410	-57445	-13298	-9176	-9070	-10459	-9745
<i>Service balance</i>	-5871	-4965	-3150	-652	-159	-487	-682	-549
Export	12957	14133	12937	3690	3011	1949	2369	2844
Import	-18828	-19098	-16087	-4343	-3171	-2436	-3052	-3393
<i>Income and Wages</i>	-5339	-8411	-11359	-3234	-3159	-629	-2399	-2251
Received	4333	4366	4300	584	404	2267	710	413
Paid	-9672	-12777	-15659	-3818	-3563	-2896	-3109	-2664
Wages	-406	-342	-164	-32	29	62	65	55
Received	102	227	301	82	94	102	111	111
Paid	-507	-568	-465	-114	-65	-40	-47	-56
Income	-4933	-8069	-11195	-3201	-3188	-691	-2463	-2306
Received	4232	4140	3999	503	310	2166	598	302
Paid	-9165	-12209	-15194	-3704	-3498	-2856	-3062	-2608
<i>Current Transfers</i>	138	-585	-351	-28	-41	-45	93	202
Received	765	349	223	41	57	51	220	326
Paid	-627	-935	-574	-69	-98	-96	-127	-124
Capital Account	-3618	4047	5469	2754	-6808	-3821	-1500	-2845
<i>Capital transfers (net)</i>	-463	-797	-382	15	-116	-97	-33	-81
<i>Direct investments abroad</i>	-771	-2603	-1027	-98	-334	-365	-498	-497
<i>Direct investments into Russia</i>	2479	6243	2182	411	699	642	722	613
<i>Portfolio investments abroad</i>	-172	-156	-256	350	-3	-23	-202	306
<i>Portfolio investments into Russia</i>	8929	45589	8035	-232	381	-370	82	-201
<i>Other investment - assets</i>	-29306	-26621	-16122	-3942	-6443	-5818	523	-3872
Hard currency	-8908	-13444	945	-1712	773	319	1515	13
Bank accounts and deposits	-1000	977	972	-102	-1139	-1095	-1524	-562
Trade credits	-9501	-6789	-6810	-1181	-4379	-1819	1841	-2040
Loans provided (not overdue)	9499	7004	5345	1282	615	1791	2188	126
Overdue payments	-9475	-3048	-7428	-488	-436	-4065	-1307	-277
Non-repatriated export revenue	-9773	-11458	-8625	-1507	-2072	-1009	-2071	-1065
Other assets	-149	136	-520	-234	195	60	-119	-66
<i>Other investment - liabilities</i>	14328	-15655	7784	3647	-1966	1137	-376	-190
National currency	-230	-38	65	17	-17	-28	-14	-1
Bank accounts and deposits	1547	-4694	-2832	-1376	-844	-249	645	-376
Trade credits and advances	-799	-64	321	86	175	104	77	48
Loans received (not overdue)	10256	12676	5806	3188	-2875	-1159	-2207	2518
Overdue payments	2672	-24045	5120	1976	2510	2437	1300	-2351
Other liabilities	881	511	-697	-244	-915	33	-177	-28
<i>Adjustments</i>	-1484	-19	-50	7	-74	104	-107	-14
<i>Net international reserves</i>	2841	-1934	5305	2596	1050	969	-1611	1091
Errors and omissions	-8379	-7602	-7914	-3655	168	-1549	-1959	-2904

Table 11: Federal budget (IMF definition)*

	<u>Revenues</u>		<u>Expenditures</u>		<u>Deficit</u>	
	Total (R bn)	of which: tax revenues (R bn)	Total (R bn)	of which: interest payments (R bn)	Total (R bn)	% GDP (%)
1995	201,0	175,3	286,2	54,6	85,2	5,4
1996	253,8	218,7	427,1	124,5	173,3	7,9
1997	311,6	262,1	494,8	117,8	183,2	7,0
1998	273,0	236,0	407,2	106,8	134,2	5,0
1999	611,6		685,5	162,6	73,9	1,7
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	128,2	30,8	39,6	4,8
04	133,4	119,3	177,6	41,5	44,2	
05	173,7	152,9	232,1	61,0	58,4	
06	225,5	195,2	290,9	80,3	65,4	3,5
07	280,8	242,9	347,3	99,4	66,5	
08	334,3	285,8	400,9	109,4	66,6	
09	383,7	326,0	450,6	117,5	66,9	2,1
10	443,6	375,6	504,6	124,2	61,0	
11	512,7	433,1	571,8	138,9	60,4	
12	611,6		685,5	162,6	73,9	1,7
01.2000						
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* IMF definition of revenues and expenditure is used.

Monthly data are cumulative.

Deficit and expenditure figures for 1999 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
1999						
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	-0,4
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	-0,3
10	467,5	354,1	454,0	85,5	-13,6	
11	543,7	414,4	528,0	99,4	-15,7	
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01.2000						
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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.
1999	324,3	-3,0	397,9	266,5		n.a.
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	257,4	-7,3	434,8	216,4	567,7	n.a.
07	262,3	-6,4	417,8	218,2	583,2	n.a.
08	261,8	-6,4	415,6	216,2	590,8	n.a.
09	259,6	-6,1	405,9	212,8	597,4	n.a.
10	269,0	-5,0	390,1	222,0	625,1	n.a.
11	267,1	-4,7	380,4	219,3	646,6	n.a.
12	324,3	-3,0	397,9	266,5		n.a.
01.2000	297,8					
02						
03						
04						
05						
06						
07						
08						
09						
10						
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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 R24.18 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 for 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
1999				211,0		
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	1025,5	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	228,8
04	1174,9	347,3	392,0	170,6	224,2	288,1
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	1318,3	399,2	401,1	191,8	238,4	204,0
09	1346,8	403,3	426,2	193,6	243,4	190,6
10	1416,0	415,9	449,0	197,6	257,6	195,4
11	1514,2	420,7	479,0	202,7	278,4	211,5
12				211,0		
01.2000						
02						
03						
04						
05						
06						
07						
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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	17,1	50,6	n.a.	136,9
1999	57			14,8	n.a.	72,6
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	37,8	9,7	18,2		70,1
10	55	37,0	9,0	16,1		72,5
11	55	38,3	9,4	13,2		84,9
12	55			11,8		96,9
01.2000	45					143,1
02						
03						
04						
05						
06						
07						
08						
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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	91,1	12,2	4,4
1999	114,6	24,836	26,959	63,0	12,5	4,0
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
11	87,0	26,328	26,650	66,3	11,5	3,9
12	114,6	26,813	26,959	66,6	12,5	4,0
01.2000	130,9	28,413	28,600	65,2	12,9	4,0
02						
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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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