

16 MAY 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**



# Russian-European Centre for Economic Policy (RECEP)

Potapovsky Pereulok 5, Building 4, 101000 Moscow  
Tel: (7-095) 232 3613, Fax: (7-095) 232 3739

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

Written by:

Niina Pautola, *editor*

Peter Westin, *editor*

Maria Gorban

Nadezhda Ivanova

Marina Malyutina

Sergei Nikolaenko

Andrei Poletayev

For further information, or any queries, please contact any of the above by phone,  
fax or use the following e-mail addresses:

npautola@recep.glasnet.ru

pwestin@hhs.se

nivanova@recep.glasnet.ru

mgorban@recep.glasnet.ru

mmalyutina@recep.glasnet.ru

gpavlov@recep.glasnet.ru

*All nominal rouble amounts are given in new, redenominated, roubles.*

*This is true of all historical data too.*

© Copyright 2000 the European Commission ISSN 0967-0793

To subscribe to English language version of quarterly issues of *Russian Economic Trends*  
please contact **Blackwell Publishers Journals**

PO Box 805, 108 Cowley Road, Oxford OX4 1FH, UK.

Tel. +44 (0)1865 244083, Fax +44 (0)1865 381381, Email: [jninfo@blackwellpublishers.co.uk](mailto:jninfo@blackwellpublishers.co.uk).

For further details visit website: <http://www.blackwellpublishers.co.uk>.

*Subscription prices:*

Corporate Institutions: £276 (North America \$422)

Special Introductory Rate for Academic Institutions: £138 (\$211)

Individuals (academic): £47 (\$75)

To receive free issues of Russian language version of quarterly and/or monthly issues  
of *Russian Economic Trends* please contact

**Russian-European Centre for Economic Policy (RECEP)**

Potapovsky per. 5, bldg. 4, floor 5, Moscow 101000, Russia

Tel. +7 (503) 232 3613, Fax +7 (503) 232 3739, Email: [recep@recep.glasnet.ru](mailto:recep@recep.glasnet.ru)

or visit RECEP website at: <http://www.recep.ru>



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.

# HAS RUSSIA TURNED THE CORNER?

**Knut Eggenberger<sup>1</sup>**

RECEP, Moscow

At present, Putin's economic programme is being prepared. Although some parts of it have already been published and are now being discussed, the programme is yet to be finalised, and to be submitted to the government and the presidential administration.

Analysts following the Russian economy are focusing on this question at the moment: Is the current growth performance sustainable? Differing predictions for this year's economic growth abound, ranging from 1.5% predicted by the IMF to 5% forecast by investment banks Brunswick Warburg and Goldman Sachs. Russia observers seem to fall into one of two camps: The pessimists claim that last year's growth rate of 3.2 % was driven by the windfall gain from high oil and other export prices and the increased competitiveness of import-competing sectors following the August 1998 devaluation of the rouble. Both these effects, they claim, can be expected to fizzle out unless 'structural reform' gets going. The optimists point to an array of favorable indicators (relatively low inflation, the increase in the Central Bank's foreign currency reserves, the stabilization of the nominal (and real) exchange rate, the huge current account surplus, the budget surplus, improvements in tax collection (especially collection in cash), the strong increase in industrial production and even a slight increase in investment, optimistic consumer and producer confidence indices, the decrease in the share of non-cash settlements, decreases in various kinds of arrears etc). They pin their hopes on the new president who has promised to implement a 'dictatorship of the law'.

The purpose of this article is not to contribute another number to the range of growth estimates for this year, nor to question the validity of the estimates of others or the methodologies used to derive them. After all, forecasting is a difficult business, and for Russia this was especially true after the 1998 crisis. Between December 1998 and March 1999, twelve reputable organisations produced estimates for GDP growth and inflation for 1999. Taking the average of twelve different forecasts, one obtains a projected decline in GDP of 4.8% and inflation of 103%. The actual outcome was that GDP grew by 3.2% in 1999 and inflation reached 36.5%.

The key message of this article is that the relative post-crisis macroeconomic stability that Russia enjoys for the time being should not be confused with the microeconomic improvements that drive growth. A minimum of macroeconomic stability is a necessary, but not a sufficient condition for an economy to grow, and it is relatively easy to achieve. By contrast, microeconomic reform is much harder to implement. Whether micro reforms get off the ground or not is ultimately a far more important question than whether the growth rate this year will be 1.5 or 5 %. A stable macroeconomy alone will not take Russia anywhere near the growth rates to which it aspires: there is now talk of target growth rates of 6 to 10 percent per annum for the next few years.

This article is structured as follows: It first looks at the two foundations of Russia's current macroeconomic stability, the exchange rate and the budget, and analyses in particular the downside risks. It then attempts to explain why the microeconomic picture is far less encouraging. The key questions

---

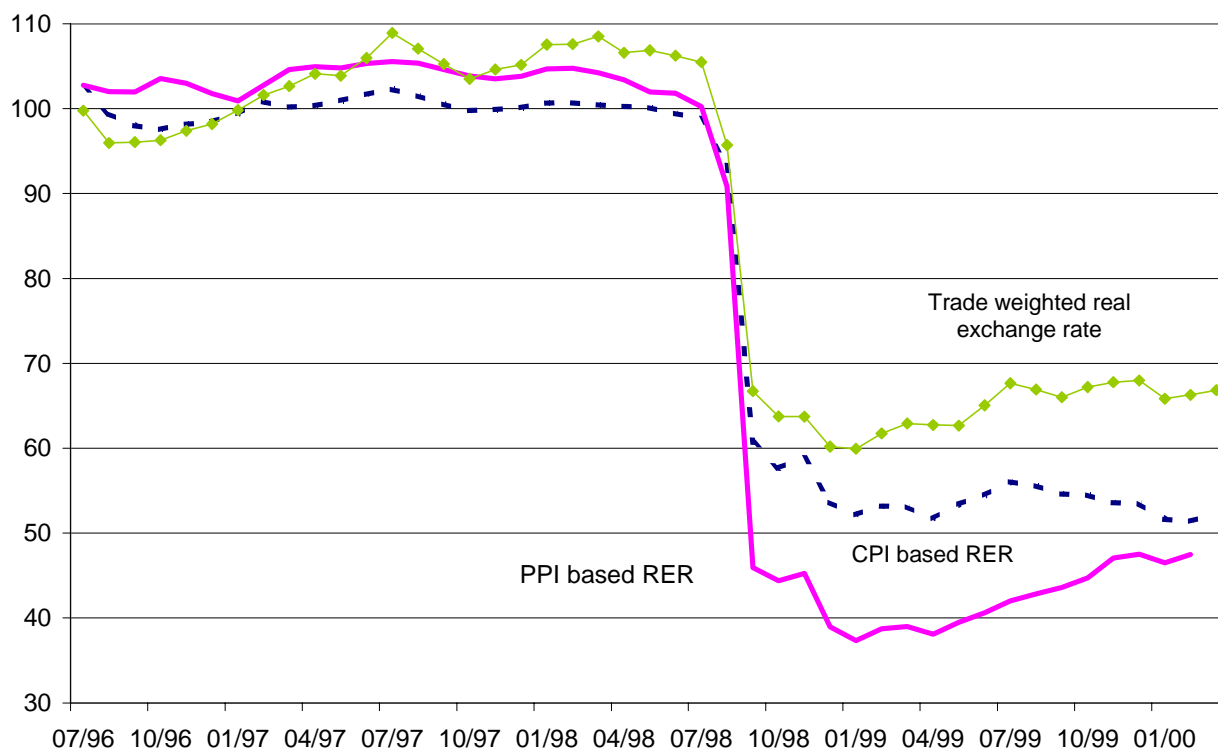
<sup>1</sup> *Opinions expressed in the article are those of the author, and not those of RECEP, the institutions of its managing consortium, the European Commission or any other institutions of the European Union.*

that emerge are whether the difficult microeconomic situation will prevent growth from continuing, and how much the new administration (discussed in the last section) can be expected to improve the situation.

### The exchange rate

The first pillar of the current macroeconomic stability is the exchange rate. The August 1998 devaluation ended the peg against the dollar at a rate at which (as is now clear with the benefit of hindsight) the rouble was overvalued as to suffocate Russian industry. While the devaluation has sharply reduced the purchasing power of Russians whose incomes are rouble denominated (and has cost others their jobs), it has also given the tradable goods industry a fighting chance to become competitive (see Figure 1).

**Figure 1. Real exchange rate (Dec 95= 100)**

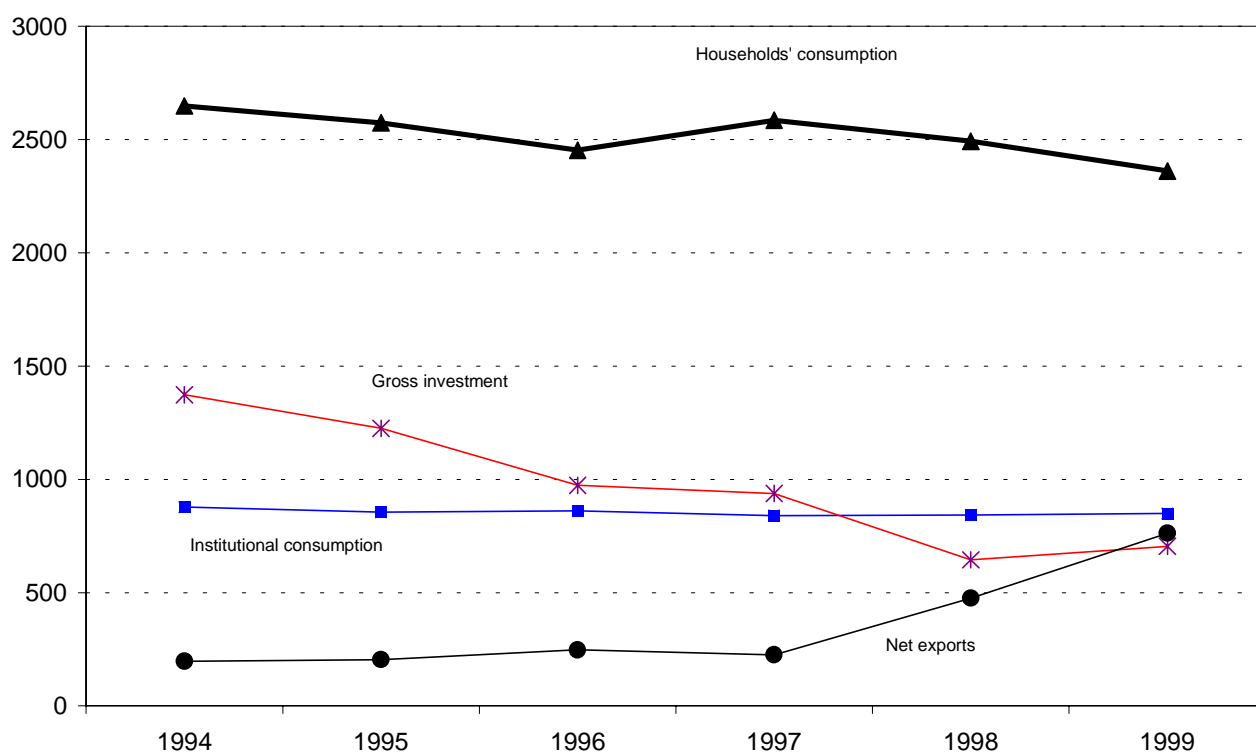


Source: CBR, Goskomstat, The Economist.

As of the end of March, the rouble is, in real terms, still about one-third cheaper than just before the August crisis. Not surprisingly, the number of enterprises that report being in 'normal' financial condition has increased (see ENTERPRISE FINANCES).

Some companies have clearly succeeded in taking advantage of the opportunity afforded by the devaluation, as evidenced by the strong pickup in industrial production, decreases in arrears, and the increase in the share of cash payments. They have become profitable and have even started channeling some of those profits back into their businesses. This probably explains the recovery in investment since the August crisis- at a rate that, for Russia, is unheard of since the start of transition.

**Figure 2: Components of Aggregate demand (R bn, constant prices of 1999)**



Source: Goskomstat and RET staff estimates.

International experience shows that devaluations tend to be ineffective in permanently boosting an economy's output and employment as inflation quickly erodes the gain in competitiveness (in particular unions bargaining for higher wage increases to offset the loss of purchasing power due to the devaluation). This is the effect that the 'pessimists' refer to when they claim that a slowdown of growth should be expected as the effects of the devaluation disappear. Indeed, this year has also seen a slight increase in the trade weighted real exchange rate and therefore a loss of competitiveness.

According to RECEP's estimates a money amount in roubles would need to be multiplied by a factor of about 2.5 to arrive at its true purchasing power. Gavrilencov (2000, p. 33) even quotes a factor of 5.5. This clearly suggests that the rouble has considerable scope to appreciate further in real terms - or rather, to be appreciated, as the Central Bank manages the exchange rate as a 'dirty float'. The strategy that the Central Bank is currently said to follow, namely to let the rouble slowly appreciate in real terms, is exactly right. First, an increase in the real exchange rate lowers the real burden of foreign debt. Secondly, the tradables sector needs this important price signal to increase productivity, but to let the real exchange rate appreciate too quickly would endanger the still fragile recovery of Russia's industry.

Can the Central Bank perform this balancing act? Looking at Russia's trade surplus (\$33.2 bn or about a fifth of GDP in 1999; a year in which exports were exceptionally strong thanks to the high price of crude oil, Russia's major export, and other exports) (the trade surplus amounted to \$13.9 bn in the first quarter of 2000) one would expect that the Central Bank of Russia expands its currency reserves to keep the rouble from appreciating too much. In fact, currency reserves increased only by \$0.9 bn in 1999 to \$12.5 bn. Because of the lag in the repatriation of profits, however, reserves increased by a further \$5.1 bn to \$17.6 bn at the end of March this year. The explanation lies in the amount of capital exports (by convention called a capital account deficit). However, since Russia's capital account is not open, the bulk of capital exports are more appropriately called 'capital flight'

and in terms of the statistics they are to a large extent hidden in the extraordinary amount of 'errors and omissions' (\$7.1 bn in 1999) and 'non repatriated export revenues' (\$5.4 bn in 1999) of the balance of payments. Therefore, at the moment 'capital flight' is actually a blessing in disguise as far as the macroeconomy is concerned, as it takes upward pressure on the exchange rate.

If the Central Bank were to have to expand its reserves, it would by definition create money. Money creation is inflationary and would tend to push up the rate of inflation, which was 36.5 % for all of 1999, around 4 % for the first quarter of 2000, and is currently forecast to reach about 15-17% for the year 2000. However, similar to capital flight, a second factor that is case for microeconomic concern is helping the CBR to maintain the macroeconomic stability: The banking sector's unwillingness to lend to the real sector as reflected in the rapid build-up of banks' excess reserves with the Central Bank. These exceeded R70 bn at the end of 1999 and amounted to about R75 bn at the end of April this year. However, it is likely that at some point this effect will wear off and the increase in base money will translate into higher aggregate demand and then inflation.

Sterilization, never a long-term solution to fundamental pressures on an exchange rate, is not a tool available to the Central Bank because there is nothing to sterilize with. The government is currently experimenting with selling small amounts of debt with maturities of a few months into a market that has not forgotten the government's default in August 1998. As long as the government has not managed to convince investors that it has the fiscal situation under control, it will be difficult to establish a liquid market for government securities, especially one with a term structure reaching out to longer maturities.

Two additional factors influencing the evolution of the exchange rate that are currently of relatively minor importance are flows relating to the foreign debt (debt service payments leaving Russia, new disbursements flowing into Russia) as well as capital flows relating to foreign investment (both direct and portfolio).

To sum up: The first building block of macroeconomic stability is the Central Bank's determination to let the real exchange rate appreciate only slowly despite a massive current account surplus. It succeeds in doing this in a not too inflationary fashion for the moment, thanks to massive capital exports and a banking sector that is reluctant to lend to the real sector. However, increases in the money supply will eventually feed through into higher demand and inflation. In what is an indicator of progress, policy-makers have become aware of the danger of letting inflation run out of control. The fairly rosy present situation as far as exchange rate and inflation rate are concerned has considerable downside potential. The first and currently predominant danger is that the rouble appreciates too quickly in real terms. The second danger, somewhat ironically, is just the opposite of the first: If prices for Russia's exports fall drastically, Russia's current account position deteriorates, sentiment changes, and capital flight accelerates, the rouble could fall further in real terms. This would be an additional (and probably unnecessary) boost to the tradables sector, but it would also make Russia's foreign currency debt harder to service, fuel inflation, and further weaken trust in the rouble.

All of the above assumes that the government will continue to refrain from borrowing from the Central Bank. Such a move would push up inflation and induce the rouble to fall in real terms. The role of CBR credit to the government leads to a discussion of the budget.

## **The budget**

The second building block of macroeconomic stability is the budget. A number of problems, on both macro and micro levels, can be traced back to the budget and more generally to the role of the state. At the moment, public finances, at least superficially, appear to be in robust health: The federal

budget was running a budgetary surplus amounting to 4.5% of GDP in the first two months of 2000. The Federal Government has also reduced its arrears and is servicing its foreign debt despite the suspension of the IMF loan disbursements and the war in Chechnya. But is the government's fiscal position truly that healthy? And more importantly, will it remain so?

The government benefited considerably from the devaluation and the exceptionally high prices for crude oil (and other exports) in 1999. Tariffs on exports of crude oil, for example, bring about 8% of the total revenue to the budget and are denominated in euros, thus boosting the rouble equivalent of the tariff revenues over and above the increase that could be attributed to the high world market prices (at least until the rouble started to appreciate recently relative to the euro).

Dvorkovich (2000, p. 90) points out that while the direct effect of higher oil prices on budget revenues may not have been large (because many oil companies pay taxes according to individual agreements negotiated with the Tax Ministry that do not immediately take into account higher oil prices), there was nevertheless a 'quite significant' indirect impact because of the increased profitability of the oil companies' suppliers and a greater share of cash settlements from which the budget also benefits. Dvorkovich attributes the increase in federal budget revenues to three main factors: Distribution of regional budget revenues towards the federal budget due to changes in the budget and tax legislation, the increase in enterprise profitability thanks to the devaluation, and the effect of higher export prices.

Clearly, at least the third factor, higher export prices, might well turn out to be temporary. The interesting question is whether the substantial budgetary primary surplus (required for debt service) is here to stay even if export prices fall, especially if they fall below the levels assumed when the budget was drawn up. Dvorkovich argues that while 'it is difficult to measure the effects [of the three factors mentioned above] in quantitative terms', the government would, in the absence of favorable export prices, have been obliged to run up arrears or obtain credit from the Central Bank. There is considerable scope both for increasing budget revenues (by enforcing better tax compliance) and for reducing government expenditures (by phasing out implicit as well as unwarranted explicit subsidies). For example, Pinto et al (2000) stress the crucial importance of reducing implicit subsidies (which they estimate to be as high as 10% of GDP) via non-cash settlements which they attribute to the government's desire to prevent unprofitable enterprises from having to close. They point out that the macroeconomic recovery has alleviated the problem but that it has by no means disappeared. These implicit subsidies also serve to distort incentives, although as far as the macroeconomy is concerned, the most pressing question is whether the government can pay for its current spending and, if it cannot, whether its borrowing is sustainable.

Healthy public finances are important for a number of reasons: If the government wants to borrow from agents whose arms it cannot twist it will have to convince them of its creditworthiness. Suppose the government manages to do this. It could then proceed to issue debt, gradually building a term structure which other agents can use for pricing, and provide an instrument to the Central Bank to steer monetary policy or to sterilize capital flows. If the government could issue debt, it would not have to rely on credit from the Central Bank and borrowing from Sberbank, for instance. The Government's reliance on Sberbank as a lender of last resort is, in turn, a major obstacle to genuine reform of the financial system, and therefore to allowing the emergence of financial intermediaries whose financing could underpin real sector investment. (In fact, the perceived need to protect Sberbank from genuine competition may well have been the real reason for the President's veto of the law on deposit insurance in December 1999.)

A healthy budget would also signal that government borrowing from the Central Bank is a thing of the past, and increase trust in the rouble, generating a virtuous circle: The population would be less reluctant to convert its savings, currently largely held in the form of cash 'mattress dollars', into rou-

bles which might even flow into the formal financial system once trustworthy banks have emerged. An increase in money demand would allow the Government to earn considerable seigniorage revenues without creating inflationary pressure. A higher degree of monetisation would tend to stabilize the macroeconomy because a given change in the money supply would have a relatively smaller effect on the rate of inflation. As mentioned above, government borrowing from the Central Bank is also of great importance for the exchange rate.

To sum up: It is uncertain to what extent the improvements on the fiscal side are permanent. It is possible that a sustained and substantial fall in export prices could de-stabilize the budget, unless revenues and expenditures can be adjusted in a sustainable way. Overall, the macroeconomic situation appears favorable, but with considerable downside risk. What is more important is the performance of the economy in the not so short-run is whether economic agents have the right incentives. Unfortunately, the economic picture continues to be bleak.

### **The microeconomic situation**

The key to sustained growth is investment, foremost in working capital, but also in fixed assets. In addition, public infrastructure investments are important in the medium term. While many Russian companies are said to be operating far below capacity, there has been too little replacement investment during the years of transition and many assets such as machinery have been left to decay. Gavrilin (2000, p. 38) quotes data from Goskomstat that show that the average age of manufacturing equipment in industry in late 1998 was over 16 years, while in 1970 it was 8.4 years. Considerable funds might be needed simply to update equipment. One interesting (and more optimistic) piece of evidence in this regard is the well-known recent McKinsey study claiming that 'our sector studies show that almost three-quarters of the old assets are still economically viable and could achieve up to 65% of the US productivity with limited upgrade investments combined with modern forms of organization' (p.4). It is therefore encouraging that 1999 has seen the first growth of investment since the start of Russia's transition (see Figure 2).

To finance investment, companies need funds. Retained earnings are the most important source of finance around the world, supplemented by trade credit, bank loans, direct debt and equity. In Russia, however, for most companies all forms of external finance (except for trade credit in the form of arrears) will remain of limited importance for the foreseeable future and companies will have to rely on their retained earnings. The August 1998 financial crash has all but wiped out private banks – banks that were not really lending much to the real sector anyway.

A brief digression on the banking system may be warranted at this point: The banking crisis in principle would have provided an excellent opportunity to shake out the sector and strengthen the Russian financial system in the medium term. This opportunity was lost completely. Worse, the manner in which the crisis was handled will worsen the already considerable damage for a long time. The authorities' lack of a clear strategy for how to deal with the banks, the nontransparency with which some well-connected banks were provided cash infusions by the Central Bank, and worst of all, the ease with which assets could be stripped from insolvent banks without recourse from authorities have taught prospective bankers a lesson: You can rip off your creditors (depositors and foreign investors) with impunity. By and large, talk about improving bank supervision, implementing tougher accounting standards etc has turned out to be hot air.

Russians have learned to thoroughly distrust banks; the only bank that commands a minimum of respect is Sberbank because of its ill-defined State deposit guarantee and because it honored its commitments in the August 1998 crisis. If Russians can't squirrel away their savings abroad, they tend to hold their financial assets in the form of cash 'mattress dollars'. What retail deposits still flow into the

formal financial sector go to Sberbank, which now has a virtual monopoly in this market. Short of borrowing from the Central Bank, Sberbank is currently the only substantial source of funding that the government can tap. Marred by inefficiency, Sberbank is probably insolvent (according to international accounting standards) but liquid. The government's reliance on Sberbank may explain why nothing has been done to genuinely restructure the banking system, for example by providing limited deposit insurance to a carefully screened group of banks that fulfill tough eligibility requirements. Even if private banks could attract deposits, they have little expertise in lending to real sector borrowers. Furthermore, the problems in enforcing contracts, pledging assets as security and the financial fragility of many potential borrowers are making banks very reluctant to lend. Foreign banks, which have the technical expertise required, are not exactly rushing into lending to Russian corporations either. Instead, banks' main source of revenue is currency trading. The banking sector currently holds considerable excess reserves with the Central Bank, a fact that illustrates the banks' unwillingness to lend to the real sector. Nothing indicates that this situation might change in the foreseeable future.

Thus, there is no real banking sector to speak of. This is not ideal, but as the experience of other transition countries shows, it is not a first-order problem. As there are no significant informal financial markets in Russia, except maybe for (trade) credit between vertically linked firms, companies will have to rely on retained earnings to finance their investment. The devaluation has indeed sharply increased the share of profitable enterprises. These must now make use of the window of opportunity provided by the competitive exchange rate. Some companies that actually make money may do so because of protection from competition and subsidized inputs such as cheap energy. So far the effect of the devaluation has been largely limited to import substitution, but has not led to a significant increase in exports. However, on the whole there now appear to be genuinely profitable companies with funds to invest.

Even though the funds to invest may now exist, the investment environment remains difficult. Investment will depend on the real net rates of return, and these are reduced by a number of factors, to be discussed below.

A maze of bureaucracy awaits the investor: Permits are to be obtained, documents to be submitted. It takes time and effort to just to set up a company. Licensing requirements are burdensome. Once the company is in operation, controls and inspections, regulations and the selective enforcement of rules will make the entrepreneur's life difficult. Furthermore, Russia has a complex and frequently changing tax system. This system of red tape invites corruption. Investors may have to fight vested interests, and face officials who try to secure personal gain in order to alleviate some of the bureaucracy for the investor.

A second set of problems relates to the legal infrastructure: Corporate governance is problematic. Shareholder rights' are routinely abused, managers divert cash flows or strip assets, and despite some high-profile cases involving foreign investors that have had some publicity in the West, Russian investors suffer from these problems just as much as foreigners do. As for the legal infrastructure in the narrow sense of the term, property rights are not well protected and it is hard to get a judgment to enforce a contract from the courts. If there is a judgment, it is hard to have it enforced. The extra-judicial enforcement of contracts and protection of property rights is costly, however, and will serve to further reduce rates of return. In this atmosphere, organized crime flourishes and many entrepreneurs have no choice but to pay 'protection money'.

These problems exist in many developing and transition economies (although maybe on a smaller scale) and they have not kept other countries from growing. The hard question to answer is what distinguishes Russia from these countries. The major difference is probably due to the fact that State and business in Russia are linked much more intimately than in other transition countries and with much

more detrimental effect. How does this manifest itself? Pinto et al (2000) point out that in Poland enterprise budget constraints were hardened early on in the transition, making bankruptcy and exit a real threat, whereas in Russia many firms that should have gone bankrupt long ago are kept afloat via non-cash settlements. They also point out that these virtually untargeted subsidies for companies leave scope for abuse and for the progressive involvement of organized crime in everyday business. Tax concessions are another prime example of the links between politics and business. Local politicians influence business in a big way by using the power they have to keep unwanted competitors out of markets through administrative measures. They might seek to obtain assets through bankruptcy proceedings that are themselves fraudulent. Rent-seeking is still a profitable activity in Russia. Why has this not changed?

The diagnosis 'lack of political will' hides more than it explains: If certain inefficient arrangements persist, it is probably because they are beneficial to people who are powerful enough to protect them. Public policy decisions are influenced by private interests everywhere and redistribution entails welfare losses because it has allocative implications. In Russia, however, the ratio of welfare losses to what is effectively transferred appears to be exceptionally high. One symptom of this are the perverse incentives that economic agents face, documented for example in the McKinsey study, which describes the rules as being in favor of less productive companies (p.6). The effect of these microeconomic distortions is hard to quantify: Do they mean that Russia cannot continue to grow once the current windfall ends?

Three indicators suggest that the investment environment in Russia is very poor, even apart from the effect of 'normal' corruption, red tape and poor legal infrastructure:

First, growth in the number of new companies has not been anything like that observed in other transition countries. Second, foreign direct investment per capita in Russia remains modest despite the attractions of the potentially enormous Russian market. Third, capital flight is probably the most convincing indicator of the fundamental problems of the Russian economy and also the most interesting to observe (see also RET February 2000): Will those who know Russia best be willing to repatriate their funds? No matter if it is for tax purposes, or to hide the fact that money was obtained through illegal activities, or simply to prevent confiscation of regular profits - stashing money away abroad is a rational thing to do in today's Russia. The problem cannot be solved by more elaborate administrative means. The capital flight problem will only disappear when the reasons for keeping money abroad disappear.

The microeconomic problems discussed in this section still exist, despite the current, relatively favorable macroeconomic situation. They will certainly lower the trend growth rate for the foreseeable future. Convincing evidence for whether they will prevent growth from continuing, if and when the effects of the devaluation disappear and export prices fall is not available for now. Much will depend on the new administration.

### **The new administration**

Even if the new president really wanted to tackle the 'structural' problems and especially to overhaul the budget, he would have a lot of trouble imposing his will. In contrast to his predecessor he will probably not find it too difficult to work with the Duma and get laws passed, but this is only part of the story. The history of Russian reform tells us that passing laws is much less difficult than actually implementing them: Putin would have to take issue with vested interests on regional and local level and it is not clear that he would prevail.

The close links between state and business may well be a major obstacle to a genuine turn-around, but Putin has to yet show his willingness to take on strong interest groups. Perhaps it is too early in his political career to expect him to have accomplished much in this regard. There is a continuum of views on his relationship with the 'oligarchs' for example: Some people think that Putin was installed by them and effectively operates as their puppet, others believe that, on the contrary, the oligarchs are afraid of Putin, who has talked about eliminating the oligarchs as a class.

The new President would clearly make a step in the wrong direction if he allowed the 'oligarchs' to continue to wield inordinate political clout. As the saying goes, the fish rots from the head, and the message from allowing business tycoons to have a say in federal policy to lesser businessmen linked with local and regional governments would clearly be that it is acceptable for special interest groups to influence policy.

The new administration's economic programme will shortly be published. What is known about its contents to date is encouraging. For example, tax reform is to be one of the priorities: Tax reform is crucial for resolving the basic discrepancy between budgetary spending commitments and budgetary resources and the scope for simplifying the tax system is not seriously in doubt. If the tax system really is reformed that would be an excellent start for Putin's term.

Russia has seen lots of laws, plans and programmes during the last ten years. The key problem is not to understand what needs to be done, but to do it. This situation is ironically reminiscent of the Marx quote according to which the philosophers have only interpreted the world in different ways, but that what matters is to change it.

It is true that over the last ten years things have been achieved, not least a consensus that a return to state planning is infeasible. However, on the balance of the evidence, it is unlikely that sustainable growth has yet been achieved. This looks set to be a challenge for years to come. To answer the question at the beginning of this article, it is too early to say that Russia has turned the corner.

## **REFERENCES**

Dvorkovich, A.V. (2000), Macro "Issue Year 2000" and Medium-Term Financial Stability, in: Volume of Conference Papers for the Conference on 'Investment Climate and Russia's Economic Strategy' organized by the HSE, Moscow, April

Gavrilenko, Y. (2000), Russia's Economic Strategy, in: Volume of Conference Papers for the Conference on 'Investment Climate and Russia's Economic Strategy' organized by the HSE, Moscow, April

McKinsey Global Institute (1999), Unlocking economic growth in Russia, Moscow: October

Pinto, B., V. Drebensov, and A. Morozov (2000), Give Growth and Macro Stability in Russia a Chance: Harden Budgets by Dismantling Nonpayments, Moscow: World Bank, February

# ECONOMIC UPDATE

## Aggregate demand

In March 2000 real consumer expenditures on goods and services (a proxy for households' consumption expenditures) increased by 1.5% from February in seasonally adjusted terms. Real consumer expenditures have been growing more or less steadily since September 1999 and in March were only 2% lower than the 1997 average.

According to preliminary estimates, real fixed capital investment (a proxy for gross fixed investment) in March 2000 decreased by 2% from February in seasonally adjusted terms. In 2000 Q1, fixed capital investment was 6% higher than in 1999 Q1, but 14% lower than in 1999 Q4 and 6% lower than the 1997 average level.

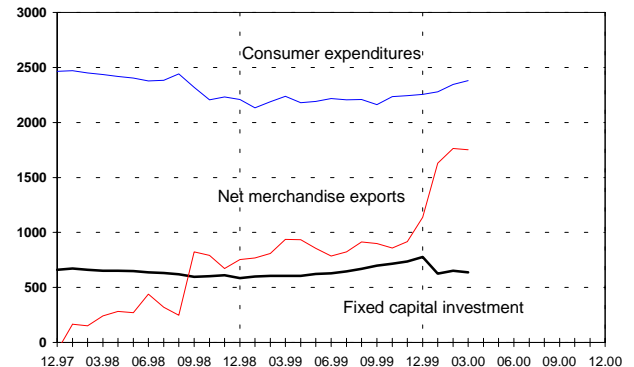
Net merchandise exports have surged since the end of 1999, and in 2000 Q1 were the major source of increases in final demand. According to preliminary CBR data, in March 2000 net merchandise exports were 112% larger than a year ago. In seasonally adjusted terms in March net exports remained practically unchanged from February.

## Output

In the goods-producing sector industrial production increased in March 2000 by 1% from February in seasonally adjusted terms to 7% above its average 1997 level. The growth in March was due to a 7% increase in production of non-ferrous metals and about 3% growth of output in electricity and machinery, with stable or declining output in other industries. The real volume of construction works in March 2000 remained unchanged from February in seasonally adjusted terms and was 5% above the average level of 1997. Agricultural output has remained stable since November 1999 at the level of about 10% below the 1997 average.

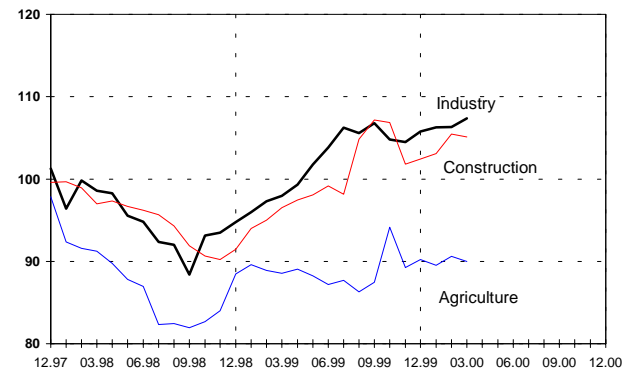
In the service-producing sector the real volume of retail trade increased in March 2000 by 2% from February in seasonally adjusted terms and was only 3% lower than the 1997 average. At the same time the volume of wholesale trade continued to drop. In March 2000 it fell by 3% from February in seasonally adjusted terms and was 1% lower than the 1997 average. Freight transportation turnover in March was 1% lower in seasonally adjusted terms than the average for the second half of 1999 but still about 2% above its 1997 level. Passenger transportation turnover in March fell by 2% from February in seasonally adjusted terms and was 4% lower than its 1997 average.

## Components of final demand at constant prices (R bn 1999, seasonally adjusted)



Source: Goskomstat, CBR and RET staff estimates.

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



Source: Goskomstat and RET staff estimates.

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



Source: Goskomstat and RET staff estimates.

## Prices

In April 2000 the consumer price index grew by 0.9%, slightly faster than in March (0.6%). CPI for food increased in April by 0.3% (0.1% in March), for non-food items by 1.5% (1.4%), and for paid services by 2.1% (1.5%). Still, in April 2000 CPI increased at the same rate as in April of 1997 (6.4%) – the year when inflation was the lowest of the decade, and CPI grew over the year by only 11%.

Rates of PPI growth decreased substantially in March from February. Composite PPI grew in March by 1.8% (3.0% in February). PPI in industry increased by 2.6% (3.7%) and PPI in construction by 2.6% (2.4%). PPI in agriculture decreased by -0.3% (+2.0%). Tariffs for freight transportation and for business communications increased in March by only 0.1%.

In March the 12-month rate of growth of the monetary aggregate M0 was equal to 44.4%, two times higher than the 12-month rate of CPI growth (22.5%). Year-on-year rate of growth of monetary aggregate M2 in March 2000 was equal to 58.6%, more or less close to that of composite PPI (54.2%).

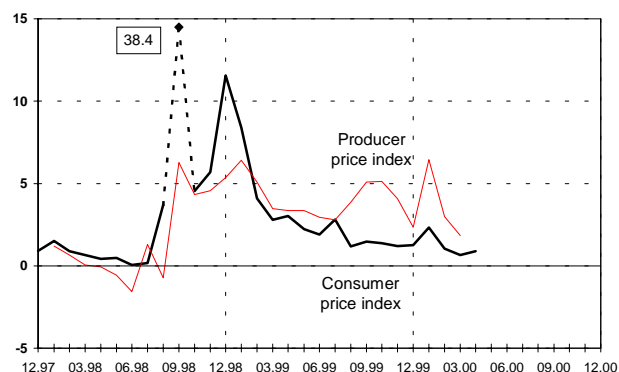
## Labour

By the end of March the number of registered job seekers fell by 2.2% to 1.405 mn, from 1.436 mn in the end of February. The number of registered unemployed fell by 2.2% to 1.202 mn from 1.229 mn at the end of February. The vacancy ratio (the number of registered job seekers to the number of vacancies) by the end of March 2000 was equal to 2.1, compared to 5.5 one year ago. In seasonally adjusted terms vacancy ratio decreased in March by 0.1 to February 2000.

In March real wages, according to preliminary data, decreased for the second month in a row in seasonally adjusted terms. Real wages estimated on the basis of the deflator for consumer expenditures fell in March by 0.6% and were 8% lower than 1997 average. According to official estimates based on CPI changes, real wages in March 2000 were about 20% lower than the 1997 average.

Wage arrears decreased in March by 8.5% to R39.9 bn. Of this wage arrears of the budget decreased by an impressive 25% to R7.1 bn at the end of March from R9.4 bn at the end of February. The government almost solved the problem of arrears in health care and culture, though the budget wage arrears still remain in public utilities (R2.6 bn), in industry (R1.0 bn) and education (R0.8 bn). Wage arrears of enterprises fell in March by 3.9% to R32.9 bn.

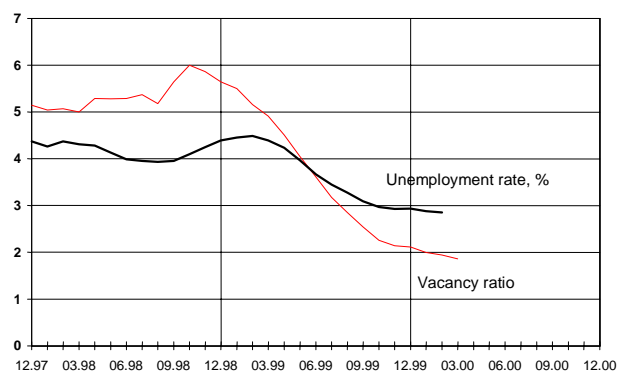
## Monthly growth of price indices, %\*



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

*Source: Goskomstat and RET staff estimates.*

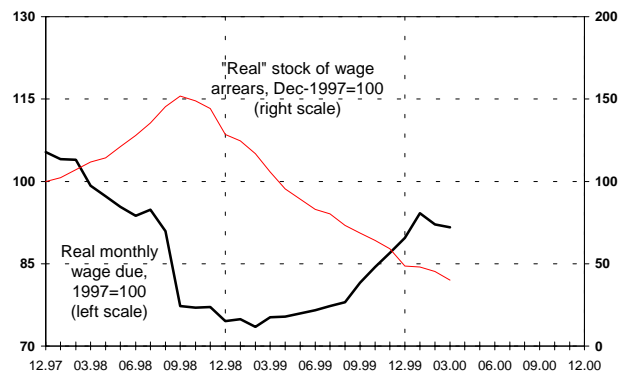
## Registered unemployment indicators\*



\* *Registered unemployment rate is a percentage ratio of registered unemployed to the sum of unemployed and employees at large & medium-sized enterprises. Vacancy ratio is a seasonally adjusted ratio of registered job seekers to vacancies.*

*Source: Goskomstat and RET staff estimates.*

## Real wages and wage arrears\*



\* *Index of real wages is based on price deflator for consumer expenditures; index of "real" wage arrears is deflated by nominal monthly wage due.*

*Source: Goskomstat and RET staff estimates.*

## Enterprise finances

Goskomstat figures on the total amount of arrears in the economy show a significant rise in the stock of overdue payables. This trend is not consistent with other indicators, and seems to be related to changes in methodology. February data on settlements in four sectors of the economy (industry, agriculture, transport and construction) indicate that the real stock of arrears continued to decrease. In industry, the stock of overdue payables, deflated by the industrial PPI, decreased by 2%, and the share of arrears in industrial output fell by 1 percentage point compared to January.

The share of cash in payments by largest taxpayers and monopolies increased in February by 4.9 percentage points and reached 67%. The share of barter dropped to 3.9%, which is twice less than the previous 12-month average. Survey data collected by Russian Economic Barometer indicate a fall in the share of monetary surrogates in industry by 2%, and an increase in the share of enterprises that estimate their financial state as good or normal by 4% compared to January.

The process of consolidation in the aluminium industry continues. In April, Sibneft and Sibirsky Alumninii formed a new aluminium holding – Russian Aluminium, which will incorporate the KrAZ, Bratsk, Novokuznetsk and Sayansk aluminium plants, as well as the Achinsk and Nikolaev alumina plants.

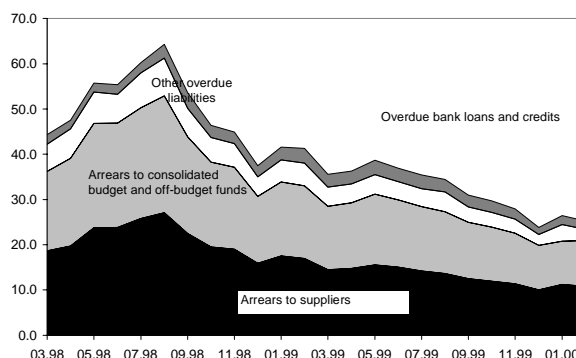
In early May, the cabinet held a meeting devoted to privatization issues. In 2000, the government plans to sell 4.5% of Lukoil, 25% plus one share of Rosneft, 19.6% of Slavneft and 85% of ONAKO. Also, preparations for the sale of 25% minus two shares of Svyazinvest are to be made during the year.

## Foreign trade

In the first quarter of 2000, Russian trade turnover totaled \$32.8 bn, up by 33% from the first quarter of 1999 (CBR statistics). The trade surplus amounted to \$14 bn, with exports standing at \$23.4 bn and imports at \$9.4 bn. In the first quarter of 2000, exports increased 51% and imports 4.7% compared to 1Q in 1999.

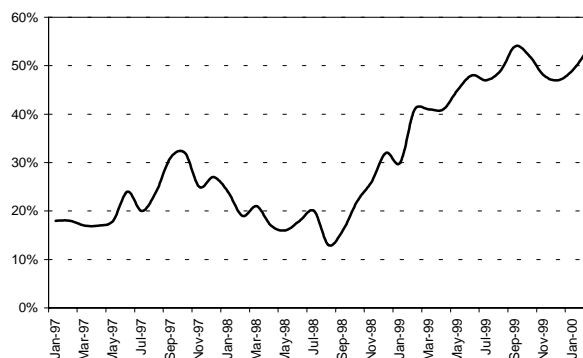
In February, Russian trade turnover totaled \$11.2 bn, up 42% from February 1999 (CBR statistics). The trade surplus amounted to \$4.5 bn, with exports standing at \$7.9 bn and imports at \$3.4 bn. Year on year, exports increased by 58%, and imports by 15%. Russia's trade turnover with non-CIS countries totaled \$9.1 bn and with the CIS \$2.1 bn. The trade turnover with non-CIS countries increased by 42%

## Arrears of industrial enterprises , % of industrial output



Source: Goskomstat.

## Share of enterprises assessing their financial condition as good or normal, %



Source: Russian Economic Barometer.

from February 1999, and with the CIS by 42%. Exports to non-CIS amounted \$6.6 bn, up 61% from February 1999. Imports from non-CIS countries increased 8% reaching \$2.5 bn. Russia's exports to the CIS countries totaled \$1.3 bn, which is about 43% more than in February 1999. Imports from the CIS rose 40% to \$0.9 bn from February 1999.

Fuel and energy continue to form the biggest share of exports. According to the States Customs Committee, their share in the overall exports totaled about 58% in the first two months of 2000 (44% in the same period of 1999). Exports of metals accounted for 14% of the total, and exports of machinery & equipment for 6% of total exports in January-February this year. The State Customs Committee statistics confirm that while machinery, equipment and transport vehicles usually constitute the biggest share of imports, their share fell to 32% in February, from 42% in the same period of 1999. The EU accounted about one-third of Russian foreign trade in the first two months of the year. The share of the CIS countries in the overall foreign trade was about one-fifth.

The unofficial shuttle trade accounted for 8.5% of the total Russian foreign trade in February, down 0.5% year-on-year.

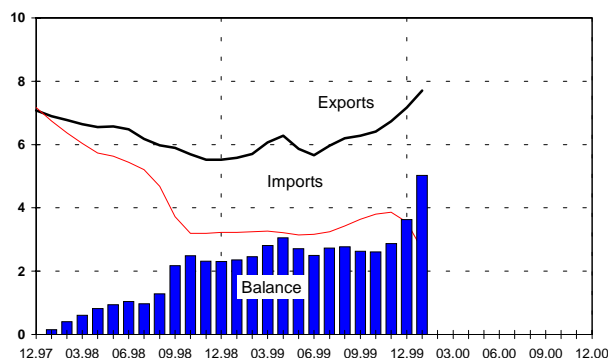
In March, Russian trade turnover totaled \$12.2 bn (CBR). The trade surplus amounted to \$5.2 bn, with exports standing at \$8.7 bn and imports at \$3.5 bn.

Discussions have continued since the beginning of this year to restructure the Russian energy sector. Many energy producers claim that they will face capacity constraints in a few years' time unless they receive cash for new capital investment. Moreover, the biggest electricity and gas suppliers have called for cuts or limitations of energy supplies to consumers with chronic payment arrears. At the same time energy companies have been criticised for prioritising exports at the expense of domestic deliveries. In order to help companies to meet production costs on the domestic market, tariffs on gas and electricity were raised at the beginning of May. Gas tariffs rose by an average 20% for industrial users and by 15% for households. The price of electricity sold on the federal wholesale market rose 35%.

### The banking sector

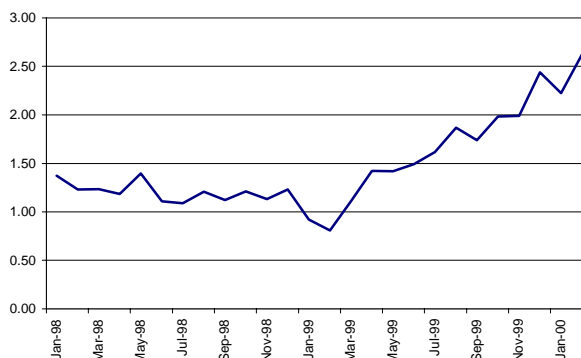
The restructuring of Uneximbank's Eurobonds was approved by its creditors in late April. This was a *sine qua non* for the adoption of an amicable agreement between the bank and its creditors to be discussed at the next creditors' meeting. More than 85% of the bond holders supported restructuring. An amicable agreement has already been reached in another large bank, Rossiisky Kredit, where restructuring is going on under ARCO's management. Under the re-

### Merchandise exports and imports, \$ bn



Source: Goskomstat and RET staff estimates.

### Revenues from crude oil and petroleum exports (\$ bn)



Source: State Customs Committee

structuring plans, Uneximbank and Rossiisky Kredit will in future merge with their respective bridge-banks Rosbank and Impeksbank, to which the assets and business were transferred after the August 1998 crisis.

In general, foreign creditors and Russian corporate creditors of a bank benefit more if a restructuring scheme is implemented rather than a bankruptcy. If a bank is declared bankrupt, these groups of creditors usually receive nothing as they are the last in line of the claimants. Individual depositors would probably be repaid less money if a bank is restructured and some of its liabilities written off, than if it is deemed bankrupt. On the other hand, given the low efficiency of bankruptcy proceedings in Russia, the restructuring allows small depositors to be repaid faster than in the case of a bankruptcy. This enables creditors to avoid a decrease in the purchasing power of money frozen in an insolvent bank: under the bankruptcy legislation all the liabilities are repaid in roubles, regardless of the currency in which the deposits were denominated.

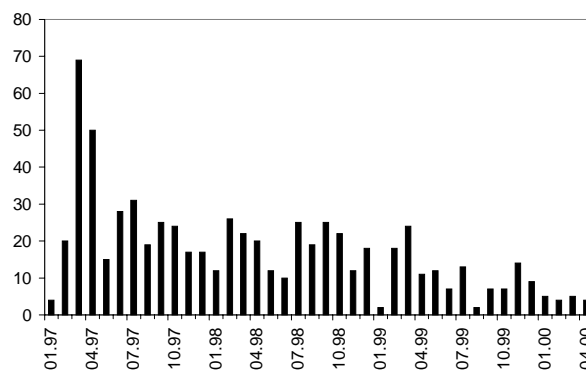
The conditions of an amicable agreement for SBS-AGRO are yet to be set forth by ARCO. The delay might be due to the fact that ARCO has not yet decided whether it would restructure or bankrupt SBS-AGRO. For all practical purposes, the better option is bankruptcy, because the bank's financial position is so lamentable that its restructuring would call for huge funding, that the budget could not bear. Bailing out SBS-AGRO, Promstroibank and other banks that provided loans to inefficient borrowers would create the wrong incentives for banks in future.

### The budget

According to preliminary estimate, in the first quarter of 2000 the federal budget surplus calculated on cash basis reached R38.1 bn. Revenues and expenditures of the federal budget equaled R211.8 bn and R173.7 bn respectively. Tax revenues stood at R196.2 bn. Revenue from import and export tariffs amounted to R11.9 bn and R 32.8 bn respectively. Interest expenditures were R40.1 bn, around 60% of which was interest on foreign debt. The latter included payments to the IMF (\$137 mn), World Bank (\$113 mn) and payments on Eurobonds (\$107 mn). The re-payment of the foreign debt principle was R39.2 bn, the largest share of it consisting of payments to the IMF (\$855 mn).

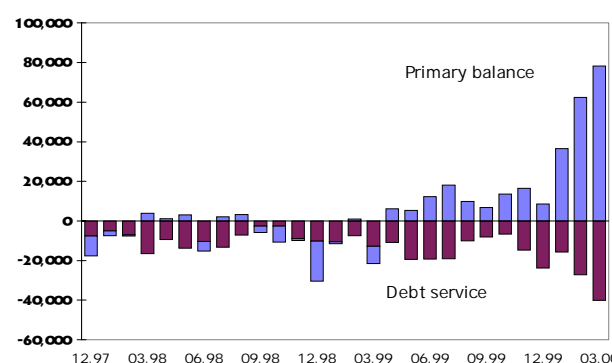
In the first 3 months of 2000, regional and local budgets were running a consolidated surplus of R6 bn. Their cumulative revenues for January-March reached R160.7 bn, which includes R16 bn of federal grants. In 2000, the federal government continued its policy of giving federal loans to the regions to provide for payment in full of current wages to state employees and to reduce wage arrears. In the

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



Source: CBR.

**Federal budget deficit, R mn**

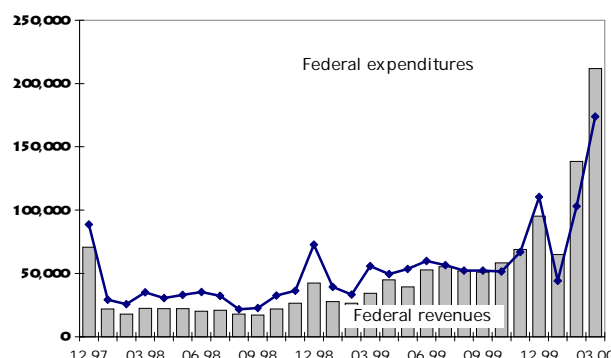


Source: Ministry of Finance.

first quarter of 2000, federal loans amounted to R6.5 bn. Expenditures of regional and local budgets equaled R154.7 bn, out of which R11.8 bn was debt servicing.

On April 19, 2000, two more GKO auctions took place. R2.4 mn worth of three-month GKO were placed, with the average annual yield for this series equalling 17.3%. A 6-month series with a premium, designed for non-residents, was placed in the amount of R1.4 mn.

### Federal revenues and expenditures, R mn



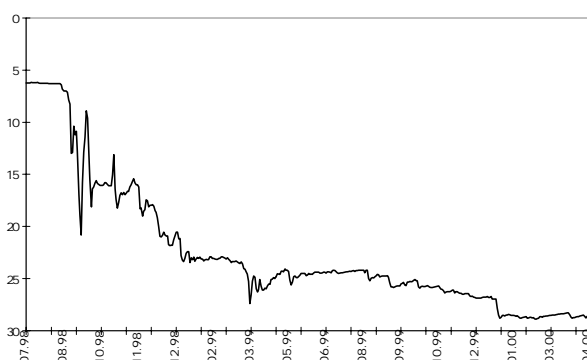
Source: Ministry of Finance.

IMF definitions of revenues, expenditure and deficit are used.

### The exchange rate

In April 2000 the continued high export revenues were the source of the rouble's strengthening against the dollar that began in end-February. During the month the nominal appreciation of the rouble (an average of 3 kopecks per day) was interrupted only once by the record fall of the Nasdaq index and the volatility of the Dow Jones index in the US stock market. The uncertainty in the global financial markets caused the MICEX exchange rate to drop by 0.97% on April 17-18. However, in a few days the panic subsided and the rouble's appreciation resumed. At the end of April the rouble at the MICEX was standing at R28.39/\$, up almost 1% from the end of March, with the CBR official exchange rate of R28.4/\$.

### The rouble exchange rate (R/\$)\*



\* MICEX exchange rate.

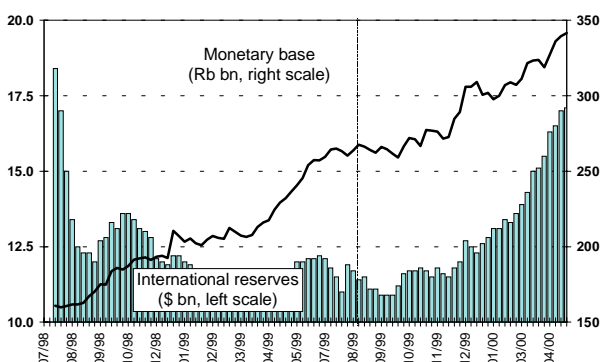
Source: Moscow Times.

T. Paramonova, the First Deputy Head of the CBR, has announced that at present the requirement for the mandatory sale of repatriated export revenues will not be raised from the current 75% to 100%, at least not until the possible implications of the proposed measure have been analysed.

### Money

According to the monthly data, at the end of March the monetary base (MB) was R318.9 bn. Following the trend in 1999, growth in MB was driven mainly by changes in net international reserves (NIR). In March NIR increased by \$2.2 bn in dollar terms, attaining a positive value (\$1.3 bn) for the first time since June 1998. Like in the first two months of the year, the growth of NIR was caused by an increase in gross international reserves (GIR) and reduction in outstanding liabilities to the IMF. Net domestic assets (NDA), continued to fall in March, reaching R284.6 bn, which is R116.1 bn less than in December 1999. Such a decline in NDA confirms that the Finance Ministry did not resort to CBR credits in the first quarter. In April CBR Chairman V. Gerashchenko and Acting Prime Minister M. Kasyanov claimed that in the second quarter the government

### Monetary base and gross international reserves (weekly data)



Source: CBR.

government would probably avoid borrowing from the CBR.

Keeping the rouble from significant real appreciation, the CBR continued to buy dollars and build its foreign reserves (due to the excess hard currency supply from exporters). By May 5, 2000 GIR reached \$17.6 bn, up \$1.1 bn compared to the end of March. In April the increase in GIR finally resulted in a noticeable monetary expansion. According to the weekly data, at the end of April MB equaled R349.6 bn, which is 9.6% higher than at the end of March.

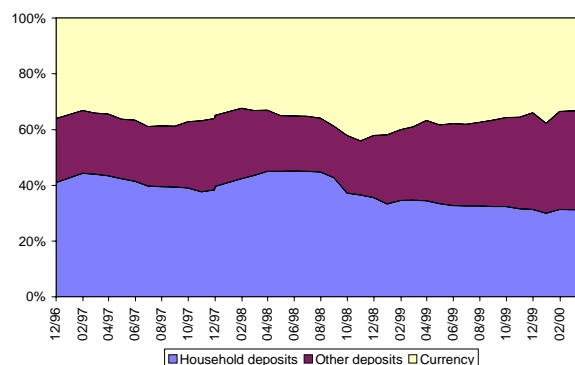
In the first quarter, the money supply (M2) rose by 6.6% (3.4% in March) to R751.4 bn. In March currency in circulation (M0) increased by 3.9% over February to R251.5 bn, which is still R15 bn less than at the end of 1999. In the first three months, the growth in household and corporate rouble deposits amounted to 11.5% and 16.5% respectively. At the end of March total rouble deposits stood at R499.8 bn, with a slightly higher share of corporate deposits (53%).

### Financial markets

In April 2000 the Moscow Times \$ index and RTS index decreased by 3.7% and 2.2% respectively. Among the factors that provoked the market drop were uncertainty about the future of the Russian government and its program, and the OPEC countries' decision to raise crude production, which pushed down world oil prices. In addition, the Russian market was suppressed by the turmoil in the US stock market: On April 14 the Nasdaq index (Internet and high-tech stocks) fell drastically by 9.7% and the Dow Jones by 5.7%. However, after the stabilisation of the global markets, Russian stocks began to recover and in the last ten days of the month the MT \$ index gained 13.2%.

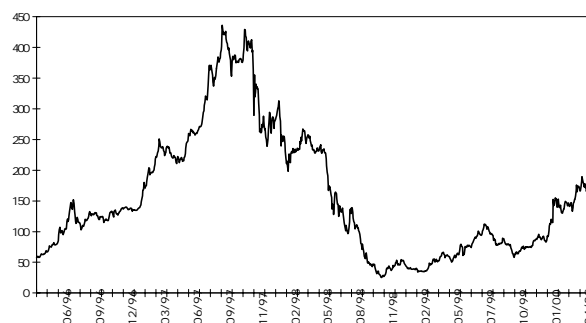
The new striking feature of Russia's stock market in the first months of 2000 is the outstanding performance of preferred shares compared to common stock of the same companies. For instance, in January-April the growth of preferred stocks of such most-traded Russian companies as Lukoil, Rostelecom and Surgutneftegaz exceeded the growth of ordinary shares by 79, 82 and 42 percentage points respectively. The prices of preferred shares are climbing faster in the run-up to the annual shareholders meetings, and due to expectations of dividends based on the high profits that the Russian companies posted in 1999. In April the preferred stocks of Surgutneftegaz, which announced a 1999 profit of around \$1.2 bn, surged by 51.9%, attaining the third position by the volume among the corporate securities traded in RTS (\$41.09 mn).

### Composition of M2 (%)



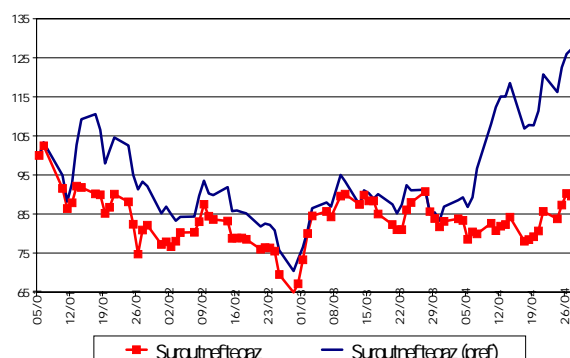
Source: CBR

### Moscow Times \$ Index



Source: Moscow Times.

### Ordinary and preferred stocks of Surgutneftegaz (Index, 100=January 5, 2000)



Source: Russian Trade System.

**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	950,1	97,9	376,0	105,3
1997	2 478,6	100,0	1 124,0	100,9	408,8	100,0
1998	2 696,4	95,1	1 339,9	95,5	402,4	93,3
1999	4 545,5	98,1	2 171,1	81,9	659,3	97,5
01.1998			96,3	99,2	22,1	99,3
02	551,6	98,2	91,0	92,9	23,7	97,9
03			95,9	97,4	26,1	96,4
04			97,7	98,8	25,5	96,5
05	625,9	96,6	97,0	97,6	26,6	96,0
06			98,3	98,8	31,8	94,1
07			101,2	101,6	32,9	93,4
08	693,7	93,2	111,0	107,4	35,4	91,7
09			136,8	95,6	38,8	88,2
10			125,0	83,6	36,6	89,2
11	825,2	93,2	130,2	82,4	40,5	90,5
12			159,5	90,5	62,4	86,3
01.1999			146,1	76,5	28,0	88,7
02	836,5	95,5	147,9	74,3	31,3	89,3
03			162,1	79,3	35,9	89,5
04			164,6	78,1	36,3	89,6
05	1 041,7	97,7	166,6	77,3	40,0	91,9
06			171,9	78,3	50,7	92,9
07			177,8	78,8	55,3	95,5
08	1 275,8	99,5	190,7	83,5	60,8	99,1
09			195,0	84,2	66,5	103,5
10			202,4	86,2	63,4	106,0
11	1 391,4	100,0	206,3	86,8	70,8	108,7
12			239,9	99,7	120,3	115,1
01.2000			201,3	81,7	43,0	92,7
02			199,9	80,3	50,8	96,5
03			215,2	85,9	56,2	94,1
04						
05						
06						
07						
08						
09						
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, 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	96,4	298	591	841	238
02	99,0	99,8	298	593	845	239
03	98,4	98,6	296	593	846	231
04	98,0	98,3	291	593	849	238
05	95,5	95,5	291	559	827	230
06	94,6	94,8	297	571	829	227
07	92,8	92,4	294	630	808	217
08	91,4	92,0	291	599	788	229
09	88,8	88,4	292	596	804	227
10	92,0	93,2	294	607	831	228
11	93,1	93,5	294	583	831	238
12	94,6	94,8	292	578	824	241
01.1999	97,4	96,0	293	577	818	240
02	96,5	97,3	292	575	814	236
03	99,2	98,0	293	582	861	241
04	99,1	99,3	294	584	823	244
05	101,7	101,7	296	606	861	247
06	103,7	103,8	296	610	849	254
07	105,2	106,2	295	612	851	253
08	106,6	105,6	296	618	863	252
09	107,2	106,8	297	603	867	267
10	102,0	104,8	295	581	843	253
11	105,7	104,5	295	574	852	250
12	105,6	105,8	297	569	837	251
01.2000	107,8	106,2	300	573	858	251
02	109,8	106,3	312	586	869	258
03	108,7	107,4	304	562	867	250
04						
05						
06						
07						
08						
09						
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.

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	3 170	834
1999	88,9	95,4	100,1	32,0	3 341	945
01.1998	92,4	100,5	99,7	29,6	3 239	865
02	91,6	100,0	98,9	26,9	3 225	848
03	91,2	100,2	97,0	33,3	3 198	848
04	89,8	99,8	97,3	29,8	3 173	844
05	87,8	99,6	96,7	30,8	3 117	832
06	87,0	99,5	96,2	31,1	3 182	827
07	82,3	99,4	95,7	29,1	3 173	819
08	82,5	98,6	94,3	32,3	3 168	818
09	81,9	99,0	91,9	30,7	3 056	792
10	82,7	98,4	90,6	31,2	3 199	839
11	84,0	97,4	90,2	32,7	3 164	823
12	88,5	96,7	91,5	30,7	3 141	852
01.1999	89,6	96,0	94,0	39,5	3 218	878
02	88,9	95,4	95,0	36,9	3 221	889
03	88,6	95,1	96,5	25,2	3 272	894
04	89,1	94,7	97,5	31,1	3 291	913
05	88,2	96,0	98,1	30,8	3 385	939
06	87,2	94,7	99,2	30,8	3 364	943
07	87,7	93,5	98,2	31,3	3 374	960
08	86,3	94,4	104,8	32,1	3 432	965
09	87,4	94,5	107,2	34,2	3 378	972
10	94,1	95,9	106,9	31,6	3 380	973
11	89,2	97,0	101,8	32,0	3 358	992
12	90,2	97,9	102,4	28,5	3 415	1 020
01.2000	89,5	96,8	103,1	57,9	3 427	1 013
02	90,6	99,1	105,5	44,5	3 647	1 088
03	90,0	98,8	105,1	21,2	3 345	1 034
04						
05						
06						
07						
08						
09						
10						
11						
12						

\* Based on the year-on-year rates of growth at prices of the previous year.

\*\* Revised since 1998

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)	(1997 = 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	97,4
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	105,7
01.2000	371,9	84,6	167,1	88,1	37,1	95,5
02	403,9	92,2	165,4	89,6	37,6	90,9
03	445,1	98,3	177,1	95,3	41,5	93,3
04						
05						
06						
07						
08						
09						
10						
11						
12						

\* Including exports.

\*\* Including catering. Revised by Goscomstat 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	84,2
1996	65,9	9,6	3,5	4 009	790	89,6
1997	64,7	10,8	3,1	6 001	950	93,8
1998	63,6	11,9	2,6	2 882	1 095	81,3
1999	64,5	12,6	2,2	1 790	1 581	62,7
01.1998	64,2	11,4	2,7	72	988	97,1
02	64,0	11,6	2,7	95	1 000	96,3
03	63,8	11,7	2,7	103	1 059	91,7
04	63,7	11,7	2,7	109	1 040	89,3
05	63,7	11,5	2,6	86	1 047	87,3
06	63,8	11,3	2,5	79	1 122	85,9
07	63,7	11,3	2,5	56	1 110	87,1
08	63,5	11,6	2,4	27	1 052	83,3
09	63,4	11,9	2,4	378	1 112	65,4
10	63,3	12,3	2,5	797	1 123	65,7
11	63,3	12,9	2,6	615	1 164	64,6
12	63,3	13,3	2,6	464	1 482	61,4
01.1999	63,2	13,8	2,6	577	1 167	61,1
02	63,2	14,1	2,7	532	1 199	59,6
03	63,6	13,6	2,6	83	1 385	60,6
04	64,1	13,0	2,5	15	1 423	60,2
05	64,6	12,4	2,3	15	1 472	59,5
06	64,9	12,0	2,2	6	1 626	59,2
07	65,1	11,8	2,0	6	1 618	58,8
08	65,2	11,7	1,9	5	1 608	60,5
09	65,1	11,9	1,8	99	1 684	64,2
10	65,0	12,1	1,7	228	1 716	67,0
11	64,9	12,3	1,7	42	1 789	69,3
12	64,9	12,3	1,7	184	2 283	72,7
01.2000	64,9	12,3	1,7	91	1 830	77,1
02	64,9	12,3	1,7	65	1 839	75,3
03	64,9	12,3	1,6	27	2 023	75,0
04						
05						
06						
07						
08						
09						
10						
11						
12						

\* Monthly data are end of month, yearly data are averages of the end of month figures.

\*\* Yearly figures reported by Goscomstat 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	998,3	90,7	83,5	399,0	493,3	24,6
1999	1 568,4	75,8	83,5	448,6	907,8	34,1
01.1998	802,4	88,4	83,5	366,6	417,7	22,8
02	842,1	92,0	83,5	399,3	424,4	22,4
03	861,8	93,5	83,5	399,8	427,4	22,2
04	929,8	100,5	83,5	400,6	431,9	21,7
05	844,9	90,9	83,5	401,4	434,9	22,8
06	868,4	93,3	83,5	402,5	435,5	22,5
07	898,8	96,4	83,5	402,6	438,4	22,3
08	896,0	92,7	83,5	402,7	449,7	22,7
09	1 003,4	75,0	83,5	403,0	552,0	29,8
10	1 187,7	84,9	83,5	403,1	572,9	28,6
11	1 190,1	80,5	83,5	403,2	618,5	29,5
12	1 654,0	100,3	83,5	402,9	716,8	27,3
01.1999	1 124,1	62,9	83,5	403,0	786,9	38,2
02	1 258,8	67,7	83,5	403,1	829,1	n.a.
03	1 341,8	70,2	83,5	403,1	856,8	37,7
04	1 503,5	76,3	83,5	403,2	884,0	n.a.
05	1 437,5	71,4	83,5	451,6	923,6	n.a.
06	1 530,7	74,6	83,5	455,5	950,0	35,0
07	1 532,5	72,6	83,5	455,7	974,0	n.a.
08	1 621,3	75,9	83,5	455,9	936,4	n.a.
09	1 621,5	74,8	83,5	456,1	919,8	33,5
10	1 704,1	77,6	83,5	455,6	926,8	n.a.
11	1 736,9	78,2	83,5	519,2	943,1	n.a.
12	2 408,6	107,0	83,5	521,1	963,0	26,3
01.2000	1 417,6	61,6	83,5	521,6		
02	1 727,5	74,2	83,5	612,5		
03	1 876,0	80,1	83,5	612,7		
04						
05						
06						
07						
08						
09						
10						
11						
12						

\* Only quarterly since January 2000.

**Table 7: Arrears\***

	Total overdue payables of enterprises R bn	Of which:			Total overdue receivables of enterprises R bn	Government wage arrears** R bn
		to suppliers	to the budget & non-budgetary funds	wage arrears**		
		R bn	R bn	R bn		
1995	238,9	122,3	75,0	13,6	165,5	
1996	514,4	245,9	203,4	34,7	335,5	15,0
1997	756,1	344,7	316,6	39,7	458,4	8,0
1998	1230,6	586,0	474,5	77,0	761,9	20,1
1999	1354,5	619,5	572,6	43,7	814,6	10,2
01.1998	891,6	399,6	357,8	55,6	555,5	7,2
02	941,7	433,9	370,1	59,0	598,9	8,8
03	998,3	455,9	386,5	62,3	620,1	10,3
04	1034,1	473,9	407,9	64,2	647,7	10,9
05	1075,5	499,1	422,9	68,6	677,3	12,7
06	1082,0	507,4	420,2	73,2	683,4	14,9
07	1132,0	527,3	429,7	78,1	700,9	17,1
08	1160,5	543,3	439,8	84,1	710,2	18,6
09	1199,8	558,0	456,5	88,1	740,7	20,9
10	1224,7	574,0	467,1	86,8	782,0	22,1
11	1238,7	585,9	478,6	85,0	776,2	22,1
12	1230,6	586,0	474,5	77,0	761,9	20,1
01.1999	1241,1	583,5	479,7	76,0	772,0	19,4
02	1280,6	597,7	501,9	72,6	799,8	19,0
03	1321,8	623,8	515,7	67,7	824,8	17,0
04	1358,9	640,6	538,8	63,1	842,3	15,3
05	1366,3	639,3	548,0	61,1	863,8	14,6
06	1388,0	654,1	557,8	59,0	881,2	14,6
07	1404,8	654,4	568,0	59,1	883,8	15,0
08	1427,4	658,7	573,3	56,2	881,6	13,8
09	1416,9	665,9	576,2	54,6	883,5	13,7
10	1435,1	665,0	585,2	53,1	889,7	13,4
11	1416,3	694,4	583,2	50,9	859,7	12,4
12	1354,5	619,5	572,6	43,7	814,6	10,2
01.2000	1351,1	615,5	571,3	44,9	787,9	10,2
02	1483,9	685,0	605,1	43,6	886,2	9,4
03				39,9		7,1
04						
05						
06						
07						
08						
09						
10						
11						
12						

\* Before 1998 series include data from the following sectors of the economy: industry, construction, transport and agriculture. After that 9 sector series include also 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	124,8	123,2
1999	251,7	266,4	277,7	158,5	196,4	206,2
01.1998	101,5	102,1	100,5	101,7	101,2	100,9
02	102,4	103,3	100,8	102,7	101,8	101,4
03	103,1	104,1	101,0	104,0	101,9	101,3
04	103,5	104,4	101,2	105,0	101,8	101,3
05	104,0	105,0	101,3	106,1	101,1	100,5
06	104,1	105,0	101,3	106,7	99,4	100,5
07	104,2	104,9	101,3	108,0	100,7	99,7
08	108,1	107,4	108,6	109,3	100,0	98,5
09	149,6	149,8	167,5	113,0	106,8	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	124,8	123,2
01.1999	199,9	216,2	211,9	123,2	133,7	131,7
02	208,1	225,6	220,2	127,1	140,3	139,1
03	213,9	231,9	227,4	129,5	145,2	144,4
04	220,4	238,0	236,6	133,6	149,8	149,7
05	225,3	242,7	243,0	136,4	154,3	155,1
06	229,6	247,0	246,8	141,1	158,3	160,9
07	236,0	254,8	251,6	145,6	162,8	165,9
08	238,8	255,8	257,6	148,5	168,7	173,8
09	242,3	257,9	264,5	151,4	176,4	184,0
10	245,6	260,1	270,3	154,5	184,5	194,2
11	248,6	262,7	274,5	157,1	191,8	201,7
12	251,7	266,4	277,7	158,5	196,4	206,2
01.2000	257,6	272,1	283,8	163,8	208,9	214,4
02	260,3	273,4	287,4	168,7	214,2	222,5
03	262,0	273,6	291,5	171,2	218,1	228,2
04	264,3	274,4	295,8	174,8		
05						
06						
07						
08						
09						
10						
11						
12						

**Table 9: Foreign Trade**

	Exports total*	Export of oil & oil products	Export of gas	Imports total*	Imports of machinery & equipment	Trade balance total
	(\$ bn)	(\$ bn)	(\$ bn)	(\$ bn)	(\$ bn)	(\$ bn)
1995	81,1	17,3	10,8	60,8	15,8	20,2
1996	88,6	23,1	15,8	68,8	14,6	19,8
1997	88,2	21,9	16,4	73,7	18,5	14,5
1998	74,2	14,5	13,3	59,1	15,6	15,1
1999	74,3	18,8	11,4	41,1	9,9	33,2
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	4,6	0,9	1,3	2,9	0,9	1,7
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	5,3	1,5	0,7	3,4	0,8	1,9
07	6,3	1,6	0,7	3,5	0,7	2,8
08	6,0	1,9	0,7	3,3	0,7	2,7
09	6,3	1,7	0,7	3,4	0,7	2,9
10	6,7	2,0	1,1	3,6	0,7	3,1
11	7,3	2,0	1,3	3,6	0,8	3,7
12	9,3	2,4	1,5	4,2	1,0	5,1
01.2000	6,4	2,2	1,6	2,5	0,4	3,9
02	7,7	2,6	1,5	3,5	1,0	4,2
03						
04						
05						
06						
07						
08						
09						
10						
11						
12						

\* Includes Goskomstat estimate of unregistered trade.

**Table 10: Balance of payments (\$ mn)**

	1997	1998	1999	1998 Q4	1999 Q1	1999 Q2	1999 Q3	1999 Q4
<b>Current Account</b>	<b>3537</b>	<b>1037</b>	<b>24990</b>	<b>6755</b>	<b>4716</b>	<b>4406</b>	<b>5628</b>	<b>10239</b>
<i>Trade balance</i>	12604	13246	31960	9520	5850	6129	8314	11667
Export	103088	87259	83746	22079	17322	19244	21251	25929
Import	-90484	-74013	-51786	-12559	-11472	-13116	-12937	-14262
<i>Merchandise trade balance</i>	17361	17097	35302	10009	6531	6886	9204	12681
Export	89008	74888	74663	19340	15538	16953	18651	23521
Import	-71647	-57791	-39361	-9330	-9007	-10067	-9447	-10840
<i>Service balance</i>	-4758	-3851	-3342	-490	-681	-757	-890	-1014
Export	14080	12371	9083	2739	1784	2292	2600	2408
Import	-18837	-16222	-12425	-3229	-2465	-3049	-3490	-3422
<i>Income and Wages</i>	-8706	-11801	-7504	-2713	-1085	-1799	-2892	-1728
Received	4366	4301	3834	404	2267	711	409	446
Paid	-13072	-16102	-11338	-3117	-3352	-2511	-3302	-2173
Wages	-342	-164	260	29	63	67	62	68
Received	227	301	425	94	102	111	111	102
Paid	-568	-465	-165	-65	-38	-45	-48	-34
Income	-8364	-11637	-7764	-2742	-1148	-1866	-2955	-1795
Received	4140	4000	3409	310	2166	600	299	344
Paid	-12504	-15637	-11173	-3052	-3314	-2466	-3253	-2139
<i>Current Transfers</i>	-360	-409	534	-52	-48	76	206	300
Received	410	269	1027	65	52	220	330	425
Paid	-770	-678	-493	-117	-100	-143	-124	-125
<b>Capital Account</b>	<b>5471</b>	<b>7926</b>	<b>-17850</b>	<b>-6549</b>	<b>-3988</b>	<b>-2877</b>	<b>-4604</b>	<b>-6381</b>
<i>Capital transfers (net)</i>	-797	-382	-333	-116	-97	-33	-81	-122
<i>Direct investments abroad</i>	-2603	-1027	-2144	-334	-415	-563	-597	-570
<i>Direct investments into Russia</i>	6639	2761	2890	1278	642	751	659	838
<i>Portfolio investments abroad</i>	-156	-256	254	-3	-23	-202	306	172
<i>Portfolio investments into Russia</i>	45963	8876	-815	-446	90	-386	-434	-86
<i>Other investment - assets</i>	-26618	-16136	-15120	-6618	-6380	-368	-5385	-2987
Hard currency	-13444	900	848	773	122	1017	-428	137
Bank accounts and deposits	977	1232	-3892	-1238	-1095	-1535	-473	-789
Trade credits	-6785	-6818	-5773	-4385	-2032	788	-3077	-1453
Loans provided (not overdue)	7004	5345	4857	618	1800	2187	139	731
Overdue payments	-3048	-7428	-5759	-436	-4059	-1304	-226	-170
Non-repatriated export revenue	-11458	-8879	-5384	-2141	-1173	-1402	-1254	-1554
Other assets	135	-489	-18	192	56	-119	-66	112
<i>Other investment - liabilities</i>	-15001	8836	-787	-1285	1123	-359	-150	-1400
National currency	-38	65	14	-17	-14	-3	20	11
Bank accounts and deposits	-4694	-3050	162	-844	-258	644	-378	153
Trade credits and advances	-64	321	5	175	104	77	48	-224
Loans received (not overdue)	13623	6884	-2884	-2166	-1183	-2104	2421	-2018
Overdue payments	-24339	5281	2129	2540	2441	1202	-2236	723
Other liabilities	511	-666	-212	-973	33	-174	-25	-46
<i>Adjustments</i>	-20	-50	-17	-74	104	-107	-14	0
<i>Net international reserves</i>	-1936	5305	-1778	1050	969	-1611	1091	-2227
<b>Errors and omissions</b>	<b>-9008</b>	<b>-8963</b>	<b>-7140</b>	<b>-206</b>	<b>-728</b>	<b>-1529</b>	<b>-1024</b>	<b>-3859</b>

**Table 11: Federal budget (IMF definition)\***

	<u>Revenues</u>		<u>Expenditures</u>		<u>Deficit(+) or surplus(-)</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
1999	606,0	509,5	680,2	162,6	74,2	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	172,7	152,9	231,1	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	332,9	285,8	399,5	109,4	66,6	
09	383,7	326,0	451,6	117,5	67,9	2,2
10	442,0	375,6	503,0	124,2	61,0	
11	510,8	433,1	569,9	138,9	59,1	
12	606,0	509,5	680,2	162,6	74,2	1,7
01.2000	64,9	56,1	44,1	15,7	-20,8	
02	138,3	122,7	103,1	27,2	-35,2	
03	211,8	196,2	173,7	40,1	-38,1	
04						
05						
06						
07						
08						
09						
10						
11						
12						

\* IMF definition of revenues and expenditure is used.

Monthly data are cumulative.

Expenditure and surplus figures for March -2000 are preliminary.

**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	647,9	493,1	648,9	124,6	1,0	0,02
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	414,3	528,0	99,4	-15,7	
12	647,9	493,1	648,9	124,6	1,0	0,02
01.2000	41,4	30,2	34,5	6,2	-7,0	
02	87,9	64,6	82,3	14,4	-5,6	
03	160,7	117,6	154,7	26,0	-6,0	
04						
05						
06						
07						
08						
09						
10						
11						
12						

\* Privatisation receipts and net sales of state gold reserves are counted as deficit financing. Monthly data are cumulative.

**Table 13: Monetary aggregates (end of period)**

	Monetary base	Net International Reserves (NIR)	Net Domestic Assets (NDA)*	M0**	M2***	Outstanding stock of 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	-8,4	249,3	187,8	448,3	n.a.
1999	324,3	-3,2	400,7	266,5	704,7	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	-8,4	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	-3,2	400,7	266,5	704,7	n.a.
01.2000	296,5	-2,1	354,2	232,9	695,0	n.a.
02	306,0	-0,9	331,1	242,0	726,6	n.a.
03	318,9	1,3	284,6	251,5	751,4	n.a.
04	349,6					n.a.
05						
06						
07						
08						
09						
10						
11						
12						

Source: CBR.

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

NDA is calculated using the exchange rates of R27 for 2000, 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	1549,7	437,7	521,6	211,1	290,2	222,5
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	197,5	257,6	195,4
11	1514,2	420,7	479,0	202,7	278,4	211,5
12	1549,7	437,7	521,6	211,1	290,2	222,5
01.2000	1665,5	459,5	537,8	217,9	317,0	231,8
02	1715,0	456,0	550,8	227,4	345,9	222,4
03				235,3		
04						
05						
06						
07						
08						
09						
10						
11						
12						

Source: CBR, Goscomstat.

\* 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	41,5	17,1	50,6	n.a.	136,9
1999	57	40,1	13,7	14,8	n.a.	72,6
01.1998	28	29,8	11,6	24,1	33,4	246,4
02	39	30,2	12,2	30,3	29,6	229,6
03	30	38,8	11,2	25,9	24,4	254,3
04	30	39,6	11,0	29,5	27,8	233,3
05	150	40,7	12,9	47,6	54,8	187,4
06	80	47,7	14,0	56,1	65,1	139,1
07	60	44,2	15,1	58,8	81,0	114,9
08	60	48,5	17,5	45,3	135,3	74,0
09	60	44,8	23,8	139,7	n.a.	40,1
10	60	48,2	27,3	84,9	n.a.	34,6
11	60	45,1	22,3	36,7	n.a.	48,6
12	60	40,5	25,7	27,8	n.a.	41,0
01.1999	60	44,8	24,2	28,1	n.a.	36,2
02	60	44,0	22,8	20,4	33,4	45,4
03	60	47,5	18,9	20,7	30,7	58,8
04	60	44,1	14,6	15,2	27,4	59,1
05	60	44,7	14,7	7,1	20,2	73,9
06	55	32,1	11,0	8,4	16,0	89,7
07	55	39,0	12,6	9,0		101,5
08	55	38,6	8,8	9,3		82,2
09	55	37,9	9,7	18,2		70,1
10	55	37,0	9,0	16,1		72,5
11	55	38,8	9,4	13,2		84,9
12	55	32,1	8,5	11,8		96,9
01.2000	45	33,8	13,4	11,8		143,1
02	45	31,3	7,9	11,3		141,5
03	33			6,5		169,3
04	33					164,3
05						
06						
07						
08						
09						
10						
11						
12						

Source: CBR, Moscow Times.

\* Period average, except monthly CBR refinance data that is for end of month (annual is annual average).

\*\* Data prior January 1997 not compatible with current methodology. From 1998 data on lending rate is for commercial banks ex

**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	104,4	17,8	4,9
1998	38,4	9,965	21,140	91,6	12,2	4,4
1999	114,6	24,836	26,959	64,9	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	106,6	16,0	5,0
05	141,4	6,145	6,138	106,9	14,6	5,0
06	111,8	6,198	6,225	106,2	16,2	5,0
07	109,6	6,235	6,272	105,5	18,4	4,6
08	50,8	7,460	10,363	95,7	12,5	4,3
09	28,7	14,762	16,045	66,7	12,7	3,9
10	40,0	16,374	16,600	63,8	13,6	3,9
11	51,6	17,297	18,470	63,7	12,8	4,3
12	38,4	20,841	21,140	60,2	12,2	4,4
01.1999	35,1	22,991	23,100	59,9	11,6	4,5
02	50,7	23,075	23,100	61,7	11,4	4,2
03	61,0	24,120	24,860	62,9	10,8	4,1
04	69,4	25,321	24,290	62,7	11,2	4,1
05	75,6	24,672	24,700	62,7	11,9	3,9
06	96,5	24,429	24,210	65,0	12,2	4,0
07	88,6	24,321	24,198	67,7	11,9	4,1
08	78,9	24,690	24,860	66,9	11,2	4,4
09	63,8	25,499	25,179	66,0	11,2	4,6
10	75,0	25,776	26,030	67,2	11,8	4,7
11	87,0	26,328	26,650	67,8	11,5	3,9
12	114,6	26,813	26,959	68,0	12,5	4,0
01.2000	130,9	28,413	28,600	65,8	12,9	4,0
02	138,8	28,732	28,690	66,3	13,7	4,1
03	178,0	28,457	28,680	66,8	15,5	4,1
04	171,5	28,593	28,395	68,2	17,1	3,7
05						
06						
07						
08						
09						
10						
11						
12						

Source: CBR, Moscow Times.

\* Units are new roubles or, prior to January 1998, thousands of pre-denomination roubles.

\*\* The real exchange rate is a new trade weighted exchange rate. An increase in this series represents an appreciation.

Weightings are 40% the US, 40% Germany, and 20% Ukraine. Revised since May 1998.

Research findings and analyses disseminated by RECEP may include views on policy, but the Centre itself takes no institutional policy positions. Any opinions expressed are those of the individual(s), and not those of RECEP, the institutions of its managing consortium, the European Commission or any other institution of the European Union.



## **Russian-European Centre for Economic Policy**

Potapovsky pereulok, 5, bldg., 4, Moscow 101000 Russia

<http://www.recep.org>

e-mail: [recep@recep.glasnet.ru](mailto:recep@recep.glasnet.ru)

tel (+7-095) 232 36 13 fax (+7-095) 232 37 39

