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FOR ECONOMIC POLICY**

*in cooperation with*

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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  
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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

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**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>



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# FOREIGN DIRECT INVESTMENT INTO RUSSIA – PAIN WITHOUT GAIN?

A Survey of Foreign Direct Investors

Rudiger Ahrend<sup>1</sup>

RECEP, Moscow

## Introduction

Foreign Direct Investment into Russia has been low in comparison to other transition economies. Despite abundant natural resources and a highly skilled labor force, the annual inflow of foreign direct investment (FDI) into Russia was only an average US \$ 20 per capita between 1994 and 1999<sup>2</sup>, substantially less than the annual US \$ 220 received by Hungary or US \$ 134 received by the Czech Republic<sup>3</sup>. Even taking into account that per capita FDI tends to be bigger in smaller countries, and that proximity to Western Europe and the prospect of EU accession helped Hungary and the Czech Republic to attract FDI, the amount of foreign direct investment in Russia is still disappointingly small. This lack of enthusiasm on the part of foreign direct investors has usually been explained by the political instability and the poor business climate in Russia. Western media commonly paint the picture of Russia as a lawless (and bankrupt) country, riddled by corruption and violence, and controlled by criminal mafia-type structures.

With the help of the European Business Club in Moscow we surveyed almost 50 European enterprises that conduct business in Russia. We asked about the reasons behind their presence here and about the main problems they have encountered.

There are obviously a number of reasons why companies establish a presence in a foreign country. One can roughly divide them along the line of companies that are mainly interested in selling goods and services that they produce elsewhere, and those companies that invest into production facilities in a country, either to serve the local market or for export. It is interesting to look at why companies choose a certain strategy, and to see whether both groups face similar obstacles. Companies that want to sell products abroad do not necessarily have to establish a presence in a targeted country, as they can sell a license for their (production) know-how, and thus simply benefit from royalty payments. With such questions in mind, we asked enterprises that had decided to invest into Russia -both companies that set up production facilities, and companies that set up distribution networks only- which reasons were important in their choice of coming to Russia. We also asked why they chose production, instead of selling their know-how through licensing or other forms of subcontracting. We then

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<sup>1</sup>I would like to thank the European Business Club in Moscow, and especially Alexander Borodin, Irene Commeau and Claire Coutin, as without their help this study would have been impossible. My very special thanks go to all those member companies of the European Business Club that answered the questionnaire on which this study is based. I would furthermore like to thank Dalia Marin and Ksenia Yudaeva for very helpful discussions and comments, and their help in setting up the questionnaire. Finally I am very grateful to Konstantin Kozlov for his excellent research assistance.

<sup>2</sup> Own calculations based on Russian balance of payments data.

<sup>3</sup> Data for 1994-98; source: Lehman Brothers, 1999.

tried to find out the major problems of investing in Russia for each type of investor. To group the companies more precisely, we divided them into five groups: those producing industrial goods in Russia, those having only a distribution & sales networks in Russia, those engaged in transport activities, consultancies, and finally banks. We further inquired as to what extent a company's presence in Russia was influenced by the presence of other foreign direct investors, and asked about structural features of specific investment projects. We were particularly interested in ownership structures, levels of technology used in production, the degree of competition in a company's market, and the factors determining the location decision within Russia. Finally, we asked companies about their general level of satisfaction with their investment project into Russia, and about their future plans concerning their engagement here.

Our survey shows that - as so often is the case with Russia - the common perception in the West is a good deal removed from reality. The most pressing problem foreign direct investors in Russia face is connected neither with criminality, nor corruption, but simply an inadequate and ever changing tax law. Next in line come problems with property and creditor rights, customs, the risk of political change, macroeconomic instability, a weak banking sector, the Russian accounting system, and only then corruption. The risk of expropriation, harassment from federal and local government, and payment arrears from clients are considered to be of only medium-level importance. Finally, problems with the Russian workforce or management, Russian suppliers, crime, racket and barter are seen as being of moderate significance.

### **The survey**

The survey, that we developed (and upon which this article is based) was conducted in the spring of 2000 by the European Business Club in Moscow among its members. For confidentiality reasons we do not know the names of the surveyed enterprises. We do have some data that allow us to classify them by sector and size - both of the investing parent company, as well as of their Russian subsidiary. We were told that the 46 enterprises that responded are mainly European, or if they were non-European multinationals they have at least a large presence in Western Europe. As all surveyed enterprises have at least some presence in Moscow, there may be some bias towards the Russian capital in our sample. Still, a very large part of FDI has in fact gone to Moscow, and many of the surveyed investors also have investment projects in Russian regions. Given the limits of our sample, especially the focus on European investors, it is certainly not representative for all foreign direct investors in Russia. Nonetheless we would expect foreign direct investors from other continents to face similar problems as those enterprises that we surveyed. Our limited sample size does not allow for more elaborate econometric techniques, but we are convinced that the survey nevertheless offers insights into foreign direct investment in Russia. For the surveyed enterprises the number of employees in Russia ranges from 2 to 2500, with an average number slightly below 200. The size of parent companies range from 15 to 400,000 employees, with a mean of 44,000. Roughly one third of the enterprises surveyed are actively producing industrial goods in Russia, approximately one third are distribution & sales companies, and roughly 10% are in banking, consulting and transport respectively.

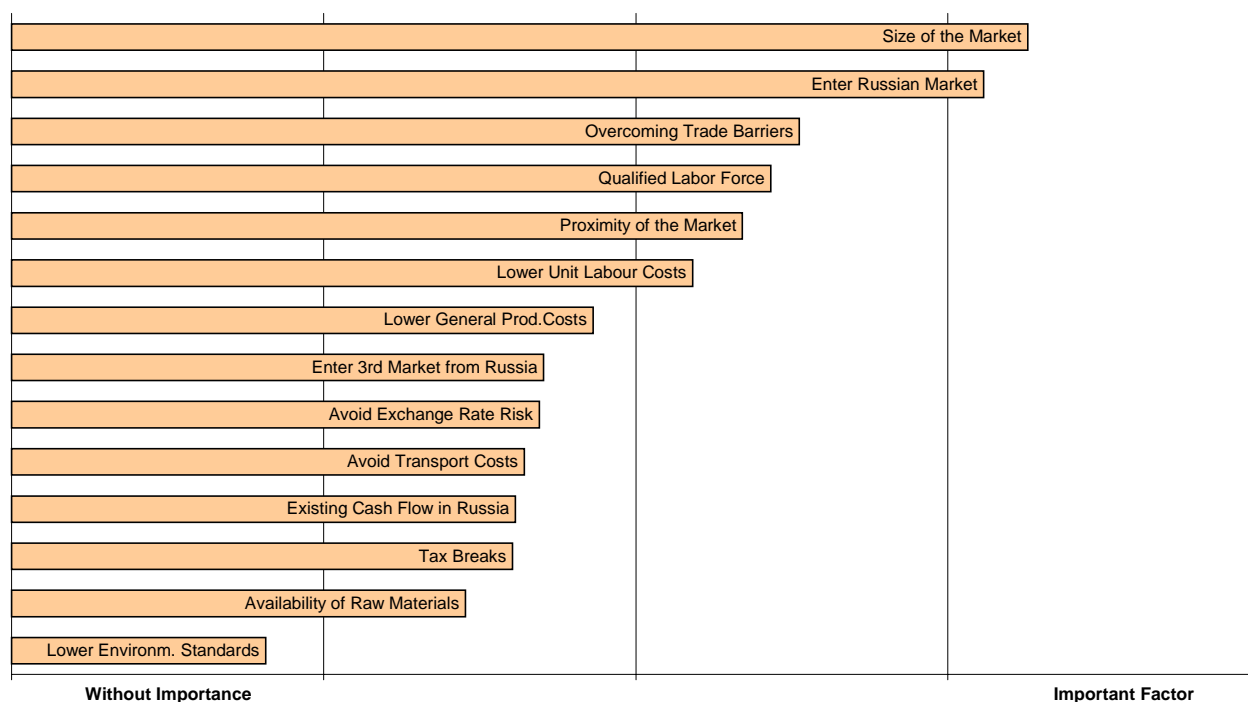
### **Why do enterprises invest in Russia ?**

The first set of survey questions were aimed at finding out why enterprises do invest into Russia. We find that the clearly dominant motive is the large size of the Russian market. Enterprises in industrial production and transport name the proximity to their home country as an important factor, however for other sectors this seems to be of limited relevance. Overcoming trade barriers is an equally impor-

tant reason, not only for those enterprises that produce industrial goods in Russia, but even more for those involved in distribution & sales or transport activities. Moreover enterprises report the qualified labor force in Russia to be quite significant, and low labor costs to be relevant for their investment decision. However foreign companies that invest in Russia do so with the aim of producing for the local market. This is shown by the low share of exports of their production. Russian subsidiaries on average export only 12% of their output<sup>4</sup>, and those enterprises that actually produce inside Russia an even smaller 7%.

Avoiding transport costs is generally of low importance -with the exception of distribution & sales. So are tax breaks, the possibility to enter a third market from a base in Russia, and the availability of raw materials (a large part of the investment in the natural resource sector has been undertaken by U.S. companies). Existing cash flows in Russia, likewise, have been a minor reason to invest, except for banks and transport companies. Finally, lower environmental standards in Russia seem to be of no relevance for companies' investment decisions.

**Figure 1: Importance of factors for direct investment in Russia**

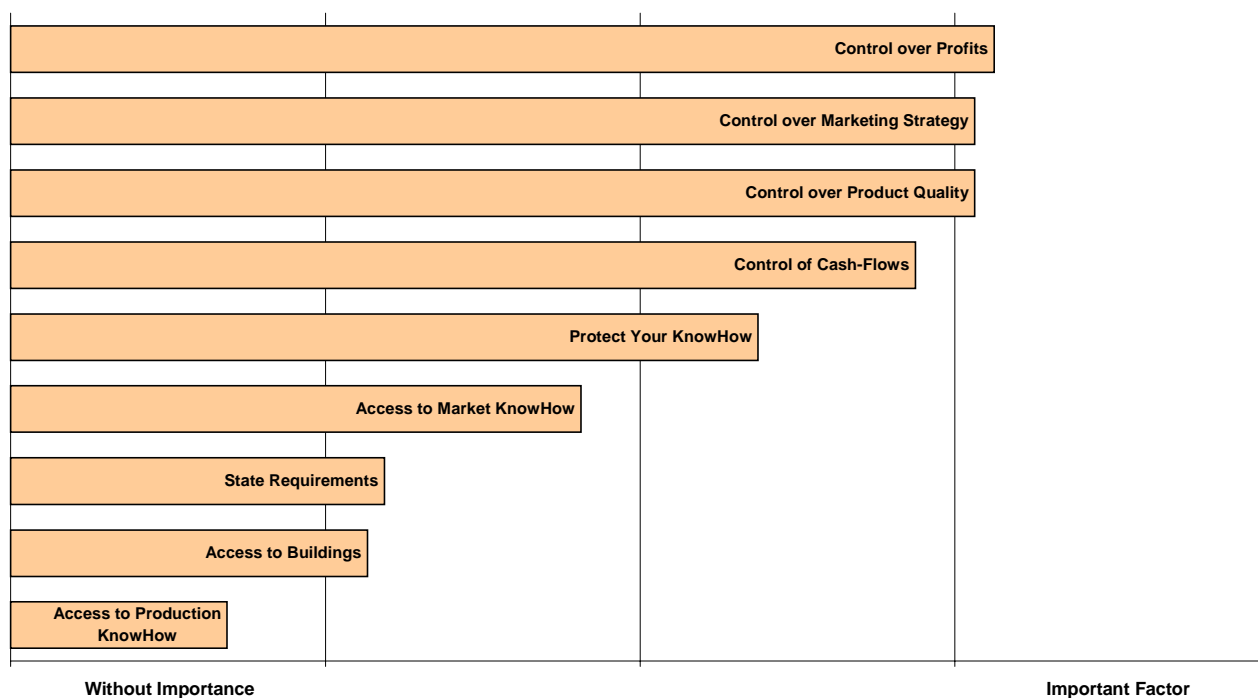


### Why production instead of licensing ?

We asked enterprises that produce in Russia why they choose to do so instead of selling their know-how through licensing or some other form of subcontracting. The survey indicates that enterprises want to keep control over profits, marketing, product quality, and (to a slightly lesser degree) over cash flows. Protection of companies' own know-how and access to market know-how follow in importance, but are of limited relevance only. State requirements, as well as access to buildings, and production know-how were of no importance for the decision to produce rather than use of licensing arrangements.

<sup>4</sup> Majority is exported to the EU countries, and to a lesser extent to the CIS and CEEC countries.

**Figure 2: Factors for establishing production in Russia instead of using licensing systems**



### What are the major problems foreign direct investors in Russia face ?

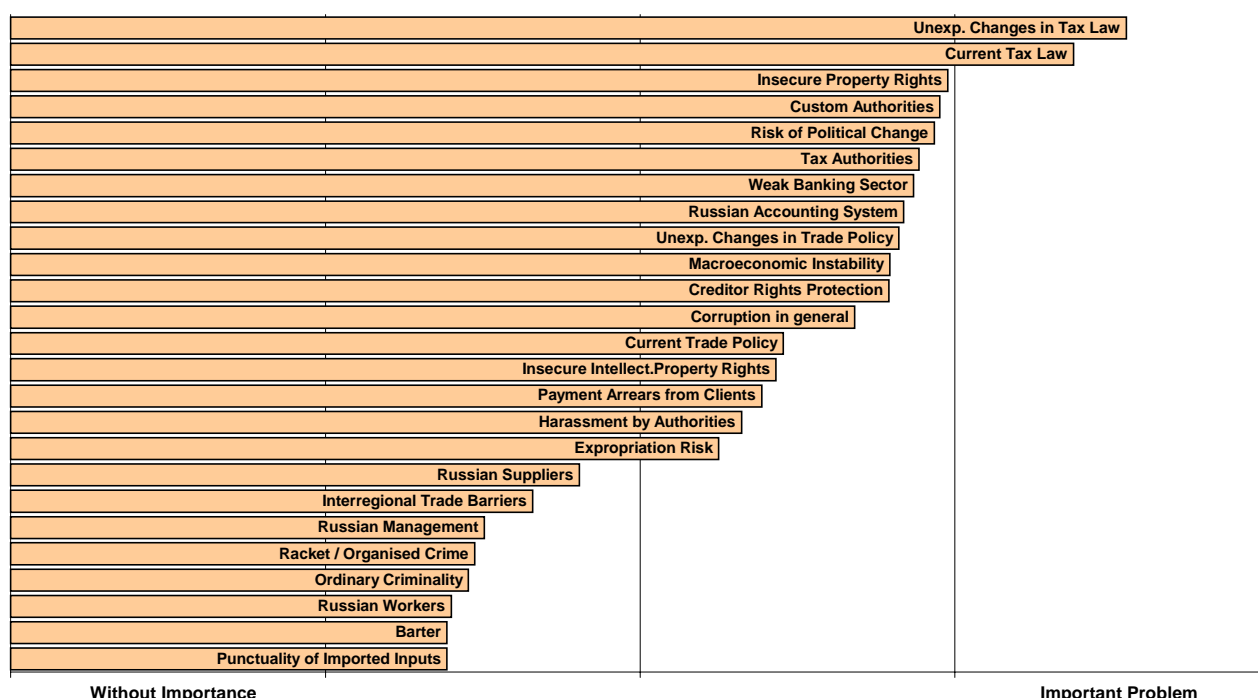
We provided the surveyed companies with a large list of problems that foreign investors might potentially face, and asked them to rate them for their degree of importance. According to the responses the most important problems by far are simply the inadequate and ever changing tax law. Next in the order come problems with property- and creditor rights, customs, the risk of political change, macro-economic instability, a weak banking sector, the Russian accounting system, and corruption. It is striking that the tax law in itself is perceived as a much bigger problem than the tax authorities that are supposed to enforce it. On the contrary custom authorities, and to a minor degree the frequent changes in trade policy, are rated as bigger problems than Russian trade policy itself.

The risk of expropriation and harassment – both posed by federal and local authorities – is considered only to have medium importance. The same is true for payment arrears from clients, and poor intellectual property rights. It is interesting to note that intellectual property rights are systematically considered as less of a problem than property rights in general. This finding is robust across sectors. While companies that use more advanced production technology in Russia are more concerned about intellectual property rights, they still rate property rights as a larger problem than intellectual property rights. On the positive side foreign companies apparently have only moderate problems with the quality of their Russian employees or suppliers. Both workers’ and managers’ skills and motivation do not seem to pose major difficulties. This indicates that at least a part of the Russian workforce - provided with the right incentives and some training - are willing and able to work according to Western standards. The quality and punctuality of inputs supplied from Russian suppliers, as well as the punctual delivery of imported inputs also appear to be minor problems. Barter, one of the Russian peculiarities the Western press has focused on, seems not to be a relevant problem, at least for foreign direct investors. Moreover, organized crime, racket, and ordinary crime are the more minor

problems faced by foreign direct investors in Russia. This contradicts a widespread perception in the West.

The ranking of the problems across the different sectors is relatively stable. Companies that produce industrial goods in Russia emphasize problems related to the weakness of the banking sector. For banks, instead, the most important problem is insufficient protection of creditor rights. Payment arrears from clients and the Russian accounting system also rank higher on their problem list. Consultancies are extremely concerned about insecure property rights and, like banks, suffer relatively more from payment arrears from clients and the Russian accounting system. Distribution & sales companies have bigger problems with customs, and (perhaps as a consequence of these problems) give corruption as a higher priority problem than does the average company. Transport companies also stress problems with customs.

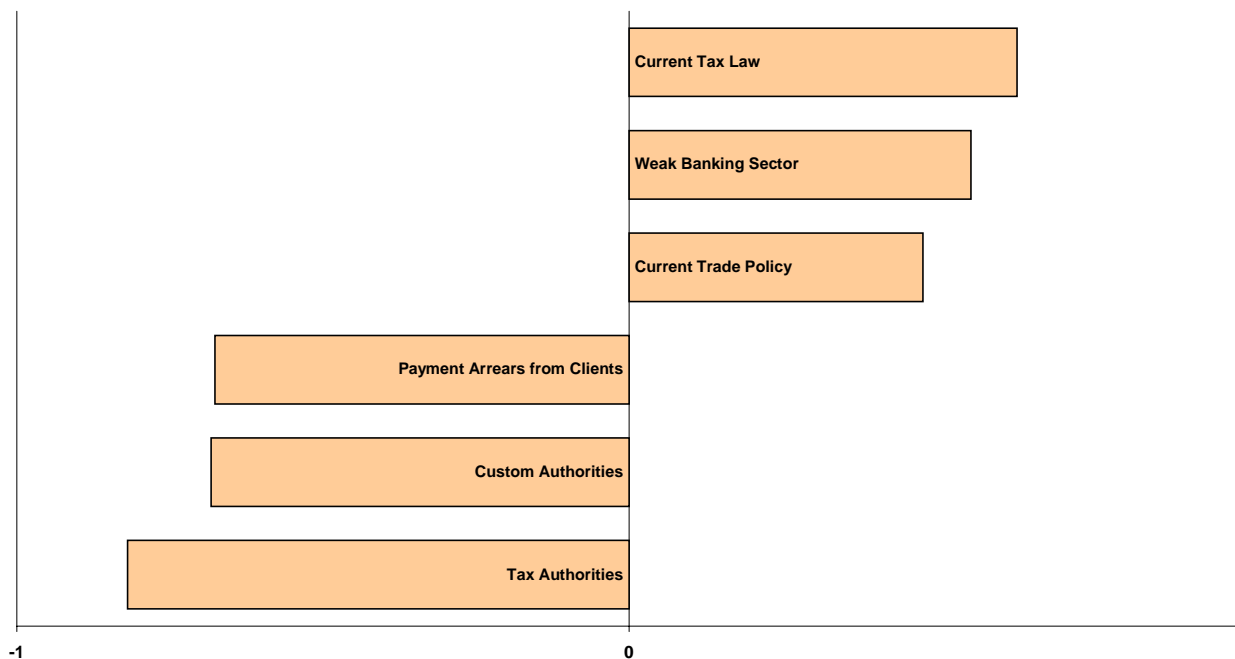
**Figure 3: Problems faced by foreign direct investors in Russia**



### Differences between companies that produce in Russia and those that are in distribution & sales only

Given the strong popularity in Russia of the “real sector”, that is industrial production, we investigated whether there are large differences between companies that produce in Russia, compared to those that are in distribution & sales only. We find that companies that produce in Russia suffer relatively more from structural problems (such as poor laws), but have relatively fewer problems with Russian authorities. More precisely we find production companies to have relatively more problems because of the weak banking sector and the current tax law and trade policy, whereas distribution & sales companies suffer more heavily from tax and custom authorities and payment arrears from Russian clients.

**Figure 4: Importance of problems faced by foreign direct investors. Difference between companies in production and distribution & sales (positive number means factor more important for producing companies).**



### **Are investment decisions influenced by the presence of other foreign direct investors?**

We asked enterprises to which degree their decision to invest into Russia was influenced by the presence or absence of other foreign investors. Generally, it emerges that the presence of other foreign direct investors has played a limited role in investment decisions. Nevertheless, a foreign presence in a country seems to give investors some indication of a profitable market, and allows them more easily to evaluate the performance of their investment project. In addition foreign companies are to some degree perceived as potential clients. If other foreign investors are absent in a market, the advantage of being first plays some (very limited) role in taking investment decisions. The possibility to use foreign owned companies as suppliers, or to be able to sell an investment project more easily to foreign investors already in the country had, however, almost no role in the decision to invest in Russia.

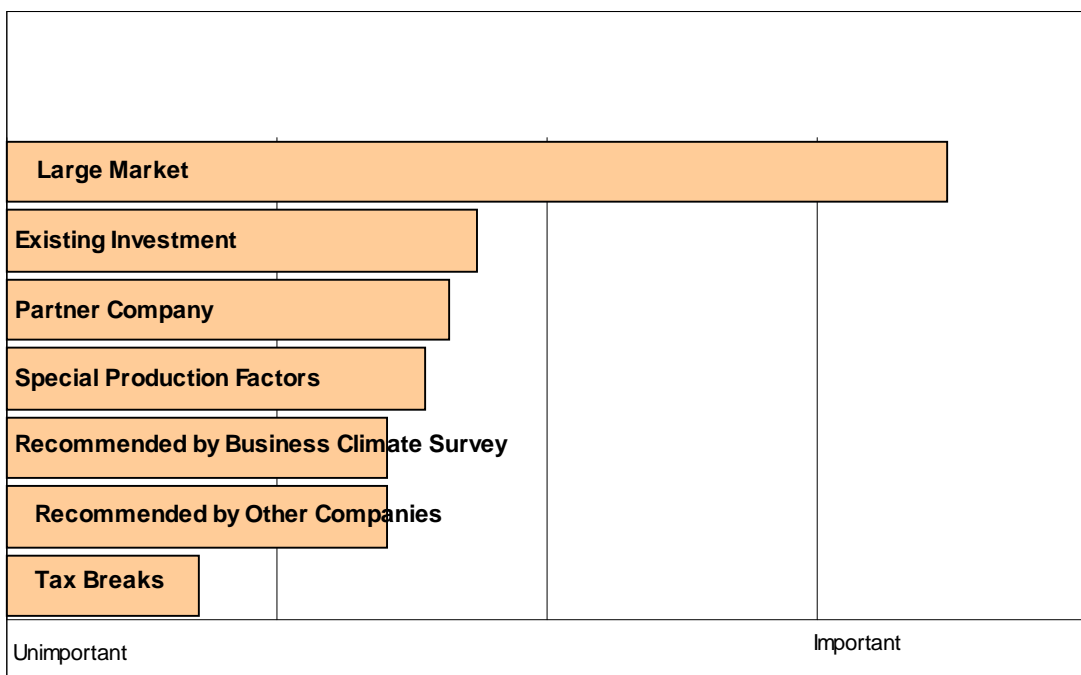
### **What are the structural features of major investment projects?**

To learn something about the way foreign investors in Russia structure their business, we asked in our survey about the specific features of one major investment project in each company. With respect to the ownership structure it seems that companies in banking, consulting or distribution & sales prefer complete ownership. In our sample 100% of the banks, and more than half of the consultancies and distribution & sales companies were fully foreign-owned. However, foreign companies in industrial production and transport are rather organized in joint ventures or, to a lesser degree, other forms of joint ownership. This is indicated by the fact that only slightly more than one quarter of these

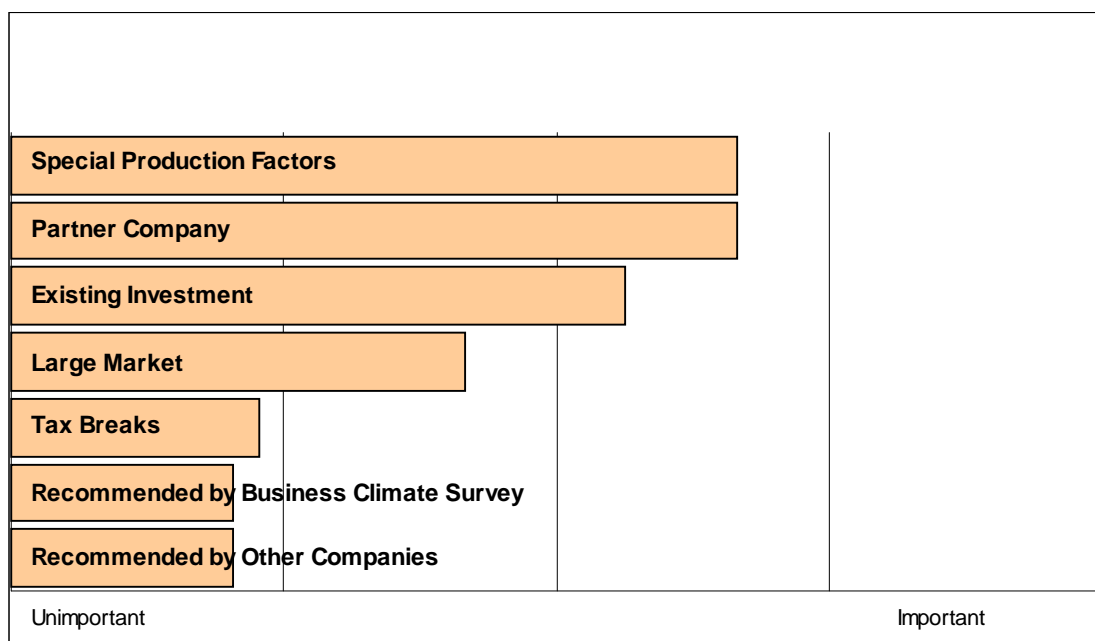
companies are fully foreign-owned. We were also interested in the contribution of each of the partners in a joint company. We found that more than 90% of the surveyed foreign enterprises had contributed the largest share of production, management and marketing know-how, as well as means of finance and brand names in the start of the project. Almost 90% had also put in the largest share of machinery, and almost 75% the largest part of scientific personnel. However in almost half of the joint projects, the Russian partner brought in the larger share of market know-how, and in almost two thirds of the projects they provided the building facilities.

In addition, we investigated the competition structure of the markets that were entered by foreign investors. We found that seeking monopoly or oligopoly rents does not seem to be a driving factor in most cases (as none of the surveyed enterprises had a monopoly position) and only 20% were in markets with less than five competitors. We also wanted to investigate the level of technology that foreign companies bring to Russia. Roughly 40% of all enterprises from the total sample, and 30% of a sample restricted to industrial enterprises, reported use of a relatively new, non-established technology in their investment project. The rest reported use of a known, conventional technology. None of the enterprises reported use of an outdated technology. Finally, we asked enterprises what determined their location decision within Russia. Here we found an interesting difference between companies that located in Moscow and those that located in the regions. For the ones located in Moscow the only decisive factor was location in a large market. For those that located in the regions the presence of special factors of production or of a partner company were the main motives. Enterprises equally named an existing investment in a region as an important motive to locate further investment projects there. Neither tax breaks nor recommendations by business climate surveys or other companies seem to have played an important role in enterprises' intra-Russian location decision.

**Figure 5: Importance of factors for choice of the region of FDI, in Moscow**



**Figure 6: Importance of factors for choice of the region of FDI, not in Moscow**



### Does size matter?

The survey also tried to determine whether large and small foreign investors judge the situation in Russia differently. Though there are limitations due to our number of observations, the survey suggests that there are no large systematic differences between companies of different size. The level of satisfaction with investment projects, as well as the problems investors face, both seem to be relatively independent of both the size of the parent company, as well as the size of the subsidiary in Russia. In one respect the size of the firm mattered, namely that large companies in industrial production report significantly higher problems with Russian suppliers and tax authorities, than do smaller companies. However while this means that large industrial production companies encounter quite serious problems with tax authorities (perhaps they are audited more often), their problems with suppliers still lie only in the medium range of importance.

### Would they do it again?

To gauge the general level of satisfaction with their investment in Russia, we asked enterprises the following question: “Suppose you did not have any investment currently in Russia. Would you invest in Russia given the experience you have acquired?” Surprisingly, three-fourths of all enterprises would invest into Russia again. This number is practically the same across sectors, with the exception of banks where only 60% would do it again, and companies in industrial production where almost 80% would invest into Russia had they to take the decision again. Moreover we asked companies about their future investment plans, more precisely about whether they planned to change their involvement in Russia. None (!) of the surveyed companies wanted to decrease their presence in Russia, whereas 56% wanted to increase it (the rest planning to keep it constant). There were marked differences between sectors in this respect, however. None of the consulting companies wanted to increase their involvement, while roughly half of the banks and distribution & sales companies, and 71% of the enterprises in industrial production intend to increase their engagement in Russia.

## Conclusions

Even though improvements in a wide range of areas will be required before Russia can create a good investment climate, foreign direct investment - especially when one produces locally in Russia – appears to be a much more attractive prospect than the general view in the Western press would suggest. Still, there should be swift progress on at least the most pressing issues. Improving the tax law seems an absolute priority. As indicated by the low significance of tax incentives for investment and location decisions, foreign companies are not asking for temporary better treatment or tax rates far below international standards; however, they are looking for a reasonable, transparent, and predictable tax system. A strengthening of the banking system is also very important for increasing the attractiveness of FDI, especially for companies that want to invest in production activities in Russia. This will probably require a greater presence of foreign banks, if improvements in this area are to be reached in a not too distant future. In any case, better property and especially creditors rights' protection are indispensable preconditions for a strong and efficient banking system. Finally, improving customs authorities - still too often perceived as arbitrary and corrupt - is one of the more urgent tasks.

Overall, the results of the survey are encouraging. They indicate that although the total volume is very low, foreign direct investment into Russia can be a successful undertaking.

# ECONOMIC UPDATE

## Aggregate demand

In April 2000 real consumer expenditures on goods and services (a proxy for households' consumption expenditures) decreased by 0.8% from March in seasonally adjusted terms. This was the first monthly fall of consumer expenditures since October 1998. In 2000 Q1 consumer expenditures increased by 4% to 1999 Q4 and were 7% higher than in 1999 Q1, but were still 3% below their 1997 average level.

According to preliminary estimates, real fixed capital investment (a proxy for gross fixed investment) in April 2000 decreased by 1.1% from March in seasonally adjusted terms (the second monthly decline in a row). In 2000 Q1, fixed capital investment according to revised data dropped by 6% from 1999 Q4, but was still 9% higher than in 1999 Q1 and 2% above the 1997 average.

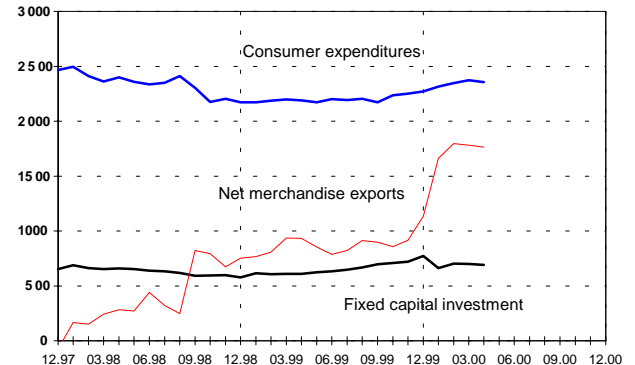
According to preliminary CBR data, in April 2000 net merchandise exports in dollar terms were 50% higher than a year ago. In seasonally adjusted terms, in April net exports remained practically unchanged from March and February.

## Output

In the goods-producing sector industrial production increased in April 2000 by 0.4% from March in seasonally adjusted terms to almost 8% above its average 1997 level. Industrial output has been growing since November 1999 and has already exceeded the previous local peak of September 1999. In April substantial monthly increases in output were registered in production of machinery, building materials and non-ferrous metals. The real volume of construction works in April 2000 grew by 3.6% from March in seasonally adjusted terms and was 8% above the average level of 1997. Construction output has been growing since January 2000 and in April exceeded the level of October–November 1999. Agricultural output has remained stable since November 1999 at about 10% below the 1997 average.

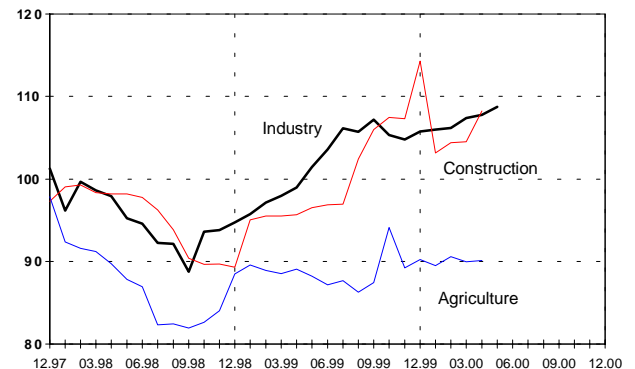
In the service-producing sector the real volume of retail trade in April 2000 remained unchanged from March in seasonally adjusted terms, and was still 4% lower than the 1997 average. At the same time the volume of wholesale trade continued to drop. In April 2000 it fell by 2% from March in seasonally adjusted terms, and was only 1% above the 1997 average. Freight transportation turnover in April was unchanged from March in seasonally adjusted terms. Passenger transportation turnover in April grew by 3% from March in seasonally adjusted terms but was still 1% 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 May 2000 the consumer price index grew by 1.8%, much faster than in April (0.9%). This acceleration was attributed to the growth of food prices, which increased in May by 2.2% (0.3% in April). CPI for non-food items grew in May by 1.1% (1.5% in April), and for paid services by 1.3% (2.1%). The rate of CPI growth increased for the second month in a row. This might be seen as a symptom of acceleration of inflation, connected with the growth of the money supply. In April the 12-month rate of growth of the monetary aggregate M0 was equal to 42.9%, more than two times higher than the 12-month rate of CPI growth (19.9%).

Contrary to CPI, rates of PPI growth decreased in April from March. Composite PPI grew in April by 1.6% (1.8% in March). PPI in industry increased by 1.5% (2.6%) and PPI in construction by 2.0% (2.6%). PPI in agriculture grew by 2.2% (-0.3% in March). Tariffs for freight transportation grew by 0.3% and for business communications remained unchanged from March. The year-on-year rate of growth of monetary aggregate M2 in April 2000 was equal to 54.6%, or close to that of the composite PPI (51.5%).

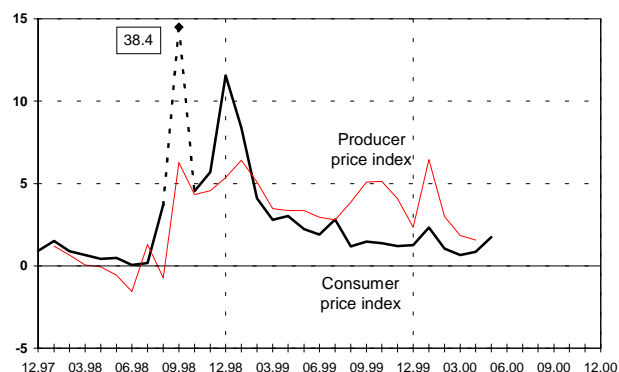
## Labour

According to Goskomstat labour survey data, in February 2000 the total number of unemployed was equal to 8.7 mn or 11.7% of the economically active population, down from 12.3% in November 1999. The number of registered unemployed at the end of March was equal to 1.2 mn, or 2.8% of the registered labour force. The vacancy ratio (the number of registered job seekers to the number of vacancies) by the end of April 2000 was equal to 1.7, compared to 4.4 a year ago.

In April real wages, according to preliminary data, decreased for the third month in a row in seasonally adjusted terms. Real wages estimated on the basis of the deflator for consumer expenditures fell in April by 0.4% and were 10% lower than 1997 average. From January 2000 to April real wages dropped as much as by 4.5%. According to official estimates based on CPI changes, real wages in April 2000 were about 21% lower than the 1997 average.

Wage arrears decreased in April by 3.0% to R38.7 bn. Of this, wage arrears of the budget fell by 9.5% to R6.4 bn, and wage arrears of enterprises decreased by 1.6% to R32.3 bn. Repayment of the budget wage arrears led to a virtual absence of strikes. In April there were registered only 22 strikes involving 2.1 th participants – the smallest monthly figure since 1995.

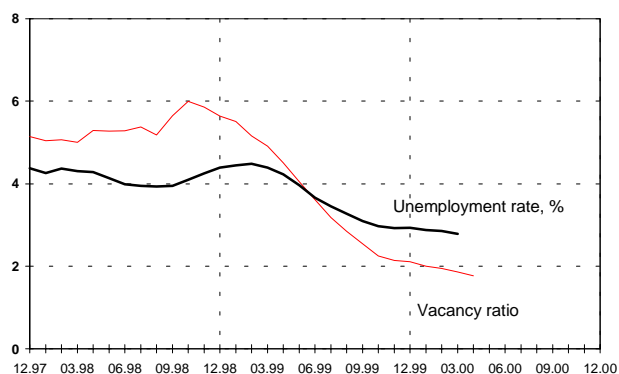
## Monthly growth of price indices, %\*



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

*Source: Goskomstat and RET staff estimates.*

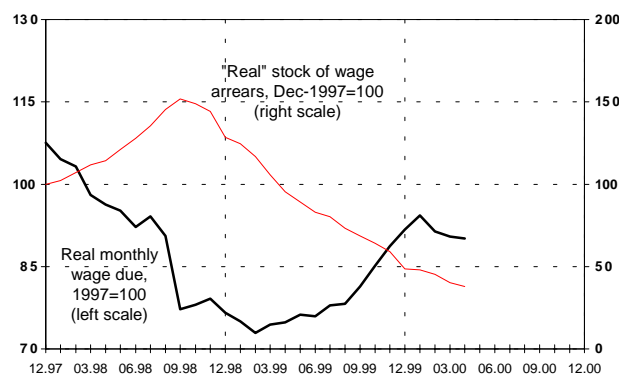
## Registered unemployment indicators\*



\* *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 arrears in 9 sectors of the economy in March still seem inconsistent (see previous RET). According to statistics published last month, in February there was a R100 bn jump in the stock of overdue payables in the trade sector. Goskomstat experts claim that the above increase takes account of significant arrears reported by OAO Mezhtregiongaz.

Data on four sectors of the economy (industry, agriculture, construction and transport) indicate a slight deterioration of the positive trends of the previous months: the real value of overdue payables went up by 2% (the same as in industry alone), back to its January level. However, the ratio of overdue payables in industry to industrial output continued to decrease, suggesting that part of the arrears increase was due to the scale effect.

The share of profitable enterprises decreased in March. Due to seasonal factors, however, the total amount of profits in the economy increased in real terms by 2% compared to February. The share of cash in the payments by largest taxpayers and monopolies in March comprised 65%, which is 2 percentage points lower than in February but still higher than in January or in any month of 1999.

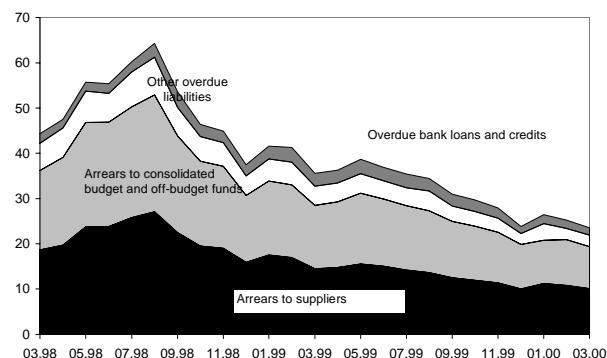
In May, the Federal Energy Commission increased gas prices by 40% for federal power stations, by 20% for industrial consumers and regional power stations and by 15% for households. Tariffs for electricity produced by federal stations were raised by 35%.

## Foreign trade

Russia's strong trade performance continues. According to the CBR statistics, Russian trade turnover totaled \$43.9 bn in the first four months of 2000. This is 28% more compared to the same period in 1999. The trade surplus amounted to \$19.1 bn, with exports standing at \$31.5 bn and imports at \$12.4 bn. In the first four months of 2000, exports increased 43% and imports 1% compared to the same period in 1999.

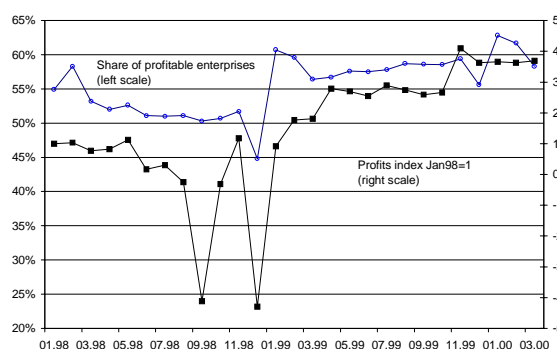
In April (CBR statistics), Russian trade turnover totaled \$11.3 bn, up by 16% from April 1999. The trade surplus amounted to \$4.9 bn, with exports standing at \$8.1 bn and imports at \$3.2 bn. Year-on-year, exports increased by 25% and imports dropped by 0.6%. Non-CIS countries accounted for 85% of the overall exports and 72% of the total imports. The shares of CIS countries in the overall exports and imports were 15% and 28% respectively. Russia's trade turnover with non-CIS countries amounted to

## Arrears of industrial enterprises , % of industrial output



Source: Goskomstat.

## Share of profitable enterprises and profits in the economy



Source: Goskomstat.

\$9.2 bn, up by 13% from April 1999. Year-on-year, exports to non-CIS countries increased by 21%, whereas imports dropped by 7%. Russia's trade turnover with CIS countries totaled \$2.1 bn, which is 36% more compared to the previous year. Exports were 48% and imports 22% higher than in April 1999.

The State Customs Committee statistics, which exclude shuttle trade, show that fuel and energy continue to form the biggest share of exports. Their share in overall exports totaled about 55% in the first three months of 2000 (41% in the same period of 1999). Growth in energy exports was driven by higher energy prices. For example, in the first quarter of this year, the average contract prices for crude oil increased 170%, for diesel fuel 160%, for coal 40% and for natural gas 34%, compared to the same period a year earlier. With respect to other sectors, exports of metals accounted for 14%, and machinery & equipment for 7% of total exports in the first quarter this year. Regarding imports, the share of machinery, which dominates imports, fell to 31% from 38% in Q1 1999.

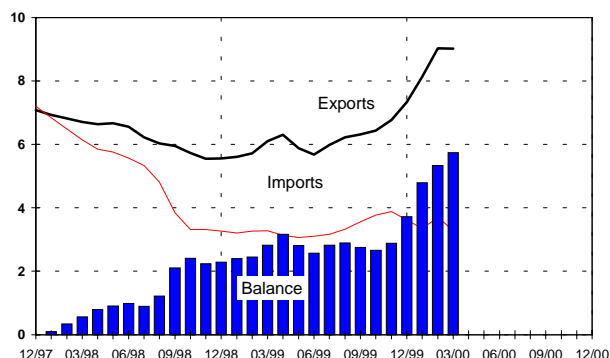
In the first three months of this year, unofficial shuttle trade fell by 0.5% compared to the same period in 1999 and was 7.8% of the total trade in the Q1 2000 (Customs statistics). Unofficial trade accounts currently for about 23% of imports and 1.5% of exports.

At the end of March, the government commission approved a system, that links export duties on crude oil with world prices. The resolution was expected to come into force on June 7<sup>th</sup>, but has been postponed at least till August 7<sup>th</sup>. Thus, for the time being, the oil export duties will remain 20 euros per tonne. Although at the end of March OPEC decided to raise oil extraction in order to keep oil prices at 20-25\$ per barrel, oil prices have remained high for the past month, reaching 29\$ per barrel at the beginning of June. OPEC countries will meet next on June 21<sup>st</sup>, and many of them have announced that they oppose any further increases in oil extraction. From Russia's point of view, the current price level is favorable and at least on the budget side, there should be no worries since this year's budget and the draft 2001 budget foresee the price of oil at 17-18\$ and 18-19\$ per barrel.

### The banking sector

The Bank of Russia imposed temporary administration on Most-Bank on May 17, 2000. Whereas in the pre-crisis rating of July 1, 1998 Most-Bank was ranked 11th among the largest Russian banks, by April 1, 2000 it had slid to the 19<sup>th</sup> position. The earlier strong performance of the bank had resulted from its close links with the Moscow Mayor: the bank had held a lot of accounts of the Moscow government and municipal enterprises. The first signs of

### Merchandise exports and imports, \$ bn



Source: Goskomstat and RET staff estimates.

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



Source: State Customs Committee.

the bank's decline emerged when the Moscow government established its own Bank of Moscow to handle all of the municipal enterprises' accounts in Moscow from now on. In contrast to a number of other large Russian banks, Most-Bank has kept its license, even though it has undoubtedly had its share of financial troubles. There have been large arrears to clients. For this reason, the imposition of the temporary administration did not come as a surprise to the market. The question is why the CBR waited so long before intervening.

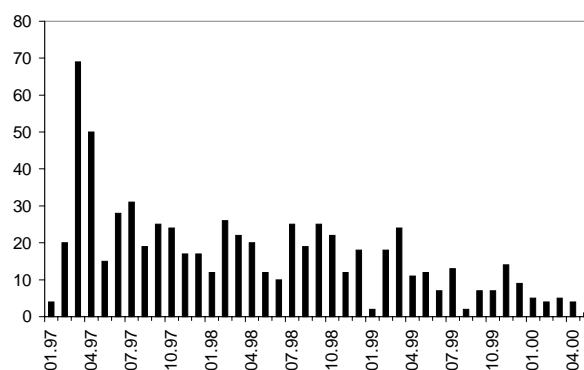
The possibility of a sale of Most-Bank to Vneshtorgbank, the second largest (after Sberbank) CBR-owned bank in Russia, is now being discussed. The branch network of Most-Bank and its credit card business are its most attractive assets. Vneshtorgbank is now negotiating the terms of the takeover in order to limit Most-Bank's liabilities it will assume. If the deal comes through Vneshtorgbank will substantially improve its position in the retail banking sector.

The Bank of Russia has decided to return a license to Imperial Bank, which was declared bankrupt a year ago. The reasons for that decision are not quite clear. The financial position of the bank is dubious. There is a squabble going on between the banks' managers, hoping for a recovery, and a receiver, who believes that a bank should be liquidated. The cases of Imperial Bank and Promstroibank, other banks trying to get their licenses back through court proceeding, illustrate the weakness of the CBR's position in dealing with troubled banks. Quite often, a bank whose license was revoked files an appeal against the CBR and wins. On the one hand, the CBR has a lot of discretion in choosing its next victims based on its own unclear criteria, but on the other hand, the imperfections of the legislation and judicial system allow insolvent, near-death banks to get their licenses reinstated.

### The budget

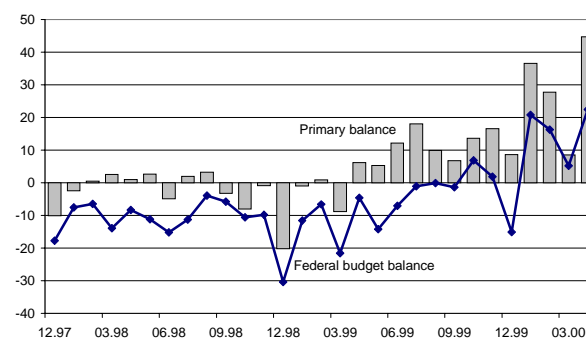
The federal budget surplus calculated on a cash basis equaled R22.5 bn (4.5% GDP) in April and comprised 3.5% GDP for the first four months of 2000 (since monthly estimates of GDP are used, GDP shares quoted here and below are very rough). In April, federal revenues reached R92.2 bn, which is about 18% of GDP. For the first four months of 2000 the federal budget received R314 bn, or approximately 17% GDP; tax revenues comprised R277.1 bn. The shares of the major taxes in the total tax revenues were as follows: VAT on Russian goods 32%, VAT on imports 10%, import tariffs 23%, export tariffs 17%, and excises 13%. Federal expenditures equaled R249.2 bn in January-April and R79.7 bn in April alone. Interest payments in April stood at R22.2 bn, or around 4% of GDP; most

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



Source: CBR.

**Federal budget deficit, R bn**



Source: Ministry of Finance.

of which (R18.2 bn) were payments on foreign debt.

Compared to the previous months, in April performance of the regional and local budgets improved, largely due to a seasonal increase in revenues that resulted in a surplus of R6.2 bn. Revenues reached R81.6 bn, or 16% of GDP in April, and tax revenues comprised R63.8 bn. Expenditures equaled R75.5 bn.

The Finance Ministry has submitted to the government the projections for the 2001 budget. The underlying macro-parameters of the draft include GDP of R6,800 bn, inflation of 11% and an exchange rate of R32/\$. Two versions of the revenue forecast are presented, one based on the current tax system (R1,053 bn), and another calculated taken into account the planned changes to the tax system (R1,155 bn). The last version implies a zero budget deficit.

The main ideas of the tax reform proposed by the government are contained in the amendments to the second (special) part of the Tax Code, currently under consideration by Duma. The document is being adopted by chapter. Two chapters – on personal income tax and on unified social tax - passed the second reading on June 9. For the personal income tax, a flat rate of 13% is introduced; a number of deductions are envisaged for expenditures such as health, education and housing.

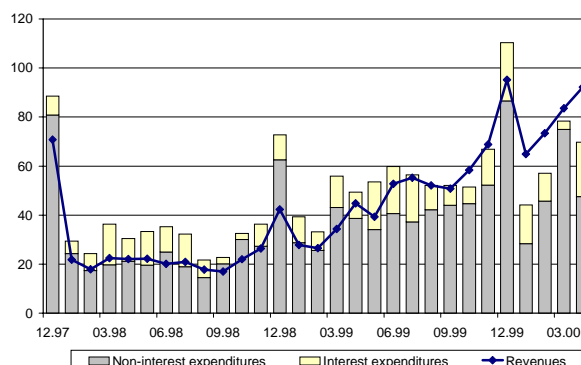
The unified social tax will have a regressive scale (35.6% for annual income less than R100,000, 20% for income between R100, 000 and 300,000, 10% for income between R300,000 and R600,000 and 2% for income above R600,000) and replace payments to the Pension, Social Security and Compulsory Medical Insurance Funds.

### The exchange rate

At the end of May the MICEX exchange rate reached the level of R28.25/\$ (a maximum for the last four months), which corresponds to a 0.5% nominal monthly appreciation. Since end-February the gradual rouble strengthening has been driven by the high export revenues. At the same time, the continued substantial purchases of hard currency by the Central Bank (see Money), primarily to build up foreign reserves and prevent the rouble from significant real appreciation, have contributed to an increase in rouble liquidity.

By raising the reserve requirements in January 2000 the Central Bank was only temporarily able to reduce banks' excess reserves in the form of correspondent account cash balances. In March a monthly cash balances average started rising again, to arrive at R67.9 bn in May. In the third week of May the level of banks' cash balances was especially high, and the CBR had to intervene massively at MICEX to maintain the rouble's stability. On May 17 Prime

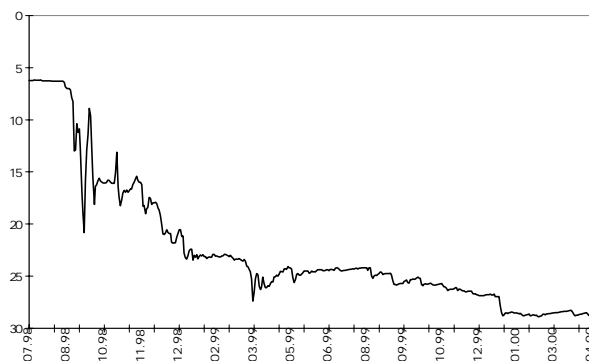
### Federal revenues and expenditures, R bn



Source: Ministry of Finance.

IMF definitions of revenues, expenditure and deficit are used.

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



\* MICEX exchange rate.

Source: Moscow Times.

Minister M. Kasyanov said in the Duma that further strengthening of the national currency is not in Russia's interests. This announcement boosted excess demand for dollars at MICEX, the source of which was R77.4 bn of banks' cash balances. As a result, on May 18 the trade volume at MICEX amounted to \$359 mn - a maximum since the August crisis. In the last days of May the pressure on the national currency was relieved by the end-of-month rouble payments. At the beginning of June, the banks' excess reserves remain high, but given increasing gross international reserves (\$19.9 bn on June 2) the Central Bank is set to counter possible further attacks on the rouble.

## Money

By June 2 gross international reserves (GIR) hit a new peak and reached \$19.9bn. In May along with the substantial interventions at MICEX to support the rouble (see Exchange rate) the Central Bank made a bulk of dollar purchases in the inter-bank market, which produced a \$2.5 bn increase in GIR by the end of the month. The share of hard currency in GIR increased to 81.1%. According to the weekly data the monetary policy was not expansionary in May, when the monthly growth of monetary base (MB) amounted to 3.6%. On May 29 MB equalled R362.2 bn.

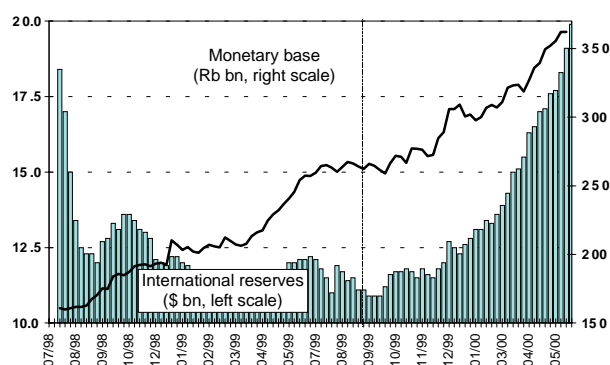
The dynamics of MB continue to be determined by the increase in net international reserves (NIR) and contraction of net domestic assets (NDA). From the beginning of year to the end of April NIR grew by \$6.5 bn to \$3.3 bn, while NDA fell by more than one-third and attained the level of R259.7 bn

In the end of April the money supply (M2) stood at R787.9 bn, up 4.9% from end-March. Since the beginning of the year M2 has risen by 11.8%, which means that its annual growth would probably exceed the target of 21-25% given in the document on the CBR's credit and monetary policy for 2000. In April most of the money supply expansion was due to the increase in its cash-component: M0 rose by 11% (+R27.6 bn) to R279.1bn. At the same time the rouble deposits increased only by 1.8% to R508.5 bn. Moreover, for the first time since November 1998 a slowing of the corporate deposit growth rate (only 0.4%) was observed.

## Financial markets

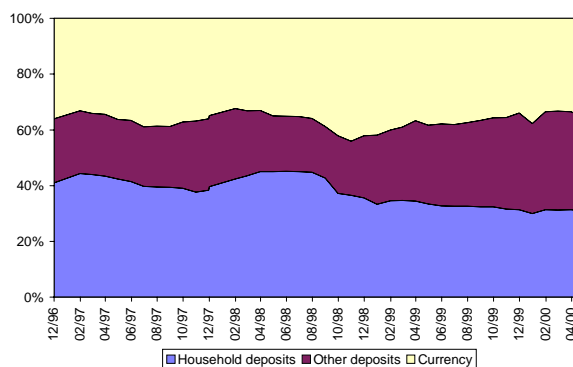
May 2000 demonstrated the unfounded dependence of the Russian equity market on the world financial system. The recent positive domestic political and economic developments were outweighed by the global market downturn. The increase of 50 basic points in the US interest rate and the sharp fall of the Nasdaq index (almost 12% in May) were the main factors affecting the dynamics of Russian corporate

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



Source: CBR.

**Composition of M2 (%)**



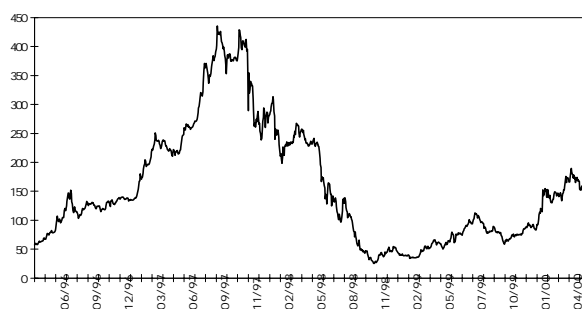
Source: CBR

securities prices. By May 24, the Moscow Times \$ index dropped by around 25%, reaching its lowest level since the beginning of the year. Some improvement in the US stock market in the last week of May allowed the Russian equities to start rising, and by end-May the Moscow Times \$ index and RTS index dropped by 13.1% and 16.2% respectively compared to end-April. The RTS trade volume amounted to \$417.2 mn, the low point of the year and 16.2% less than the previous month.

In May the equity price of the most traded Russian company, Unified Energy Systems (UES), fell by 26.9%, leaving behind a market drop. Some foreign portfolio investors of UES have viewed the company's restructuring program, which was disclosed in April, very negatively. They hold that realisation of the program would violate the minority shareholder rights: after the planned sales of company assets and splitting up regional energo, investors would control the decreased value of less liquid shares. In addition, investors claim that until energy tariffs are raised and nonpayments problem is settled, it is still too early to launch restructuring of the sector. Under the pressure of foreign investors, who had called for his dismissals, UES's chairman, A. Chubais announced that the company's management is to issue the new draft of restructuring program and no restructuring measures would be undertaken without support of all shareholders.

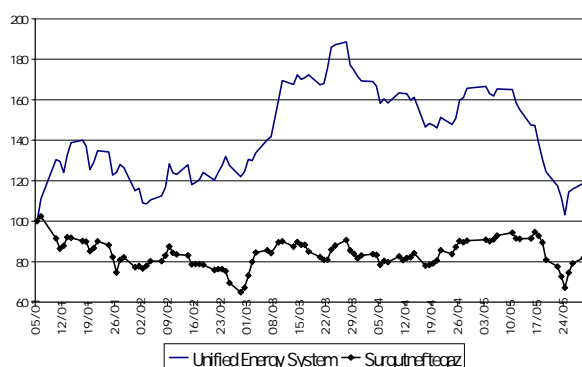
The smallest decline in prices among the Russian blue chips in May was observed for Surgutneftegaz (5.3%). The company's now almost completed consolidation process had provoked concerns among minority shareholders. However, swapping liquid shares in the subsidiary for illiquid shares in the holding company was profitable for most of subsidiary investors who also had had significant holding shares. The mechanism of consolidation combined with the outstanding company performance and the efforts of management to calm minority shareholders made for Surgutneftegaz's good market performance.

### Moscow Times \$ Index



Source: Moscow Times.

### Equity prices of Unified Energy Systems and 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	101,6
02	551,6	98,2	91,0	92,9	23,7	98,1
03			95,9	97,4	26,1	96,8
04			97,7	98,8	25,5	97,2
05	625,9	96,6	97,0	97,6	26,6	96,3
06			98,3	98,8	31,8	94,6
07			101,2	101,6	32,9	93,7
08	693,7	93,2	111,0	107,4	35,4	91,4
09			136,8	95,6	38,8	87,8
10			125,0	83,6	36,6	88,0
11	825,2	93,2	130,2	82,4	40,5	88,6
12			159,5	90,5	62,4	85,5
01.1999			146,1	76,5	28,0	90,9
02	836,5	95,5	147,9	74,3	31,3	89,6
03			162,1	79,3	35,9	90,0
04			164,6	78,1	36,3	90,3
05	1 041,7	97,7	166,6	77,3	40,0	92,3
06			171,9	78,3	50,7	93,5
07			177,8	78,8	55,3	96,0
08	1 275,8	99,5	190,7	83,5	60,8	98,9
09			195,0	84,2	66,5	103,1
10			202,4	86,2	63,4	104,7
11	1 391,4	100,0	206,3	86,8	70,8	106,5
12			239,9	99,7	120,3	114,2
01.2000			201,3	81,7	45,3	98,1
02			199,9	80,3	54,7	103,8
03			217,7	86,9	62,3	103,4
04			214,8	85,0	61,1	102,3
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\* Series on consumption and investment slightly differs from NIPA concept. Since October 1998, monthly GDP data are not produced.

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

\*\*\* Based on the nominal consumption figures deflated by CPI.

SA - seasonally adjusted.

**Table 2: Industrial production**

	Industrial production, total, SA*	Industrial production, 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	96,2	298	591	841	238
02	99,0	99,7	298	593	845	239
03	98,4	98,6	296	593	846	231
04	98,0	97,9	291	593	849	238
05	95,5	95,3	291	559	827	230
06	94,6	94,6	297	571	829	227
07	92,8	92,3	294	630	808	217
08	91,4	92,1	291	599	788	229
09	88,8	88,8	292	596	804	227
10	92,0	93,6	294	607	831	228
11	93,1	93,8	294	583	831	238
12	94,6	94,7	292	578	824	241
01.1999	97,4	95,8	293	577	818	240
02	96,5	97,1	292	575	814	236
03	99,2	98,0	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	103,6	296	610	849	254
07	105,2	106,1	295	612	851	253
08	106,6	105,7	296	618	863	252
09	107,2	107,2	297	603	867	267
10	102,0	105,3	295	580	843	253
11	105,7	104,8	295	574	852	250
12	105,6	105,7	297	570	837	251
01.2000	107,8	106,0	300	573	858	252
02	109,8	106,2	312	586	869	258
03	108,7	107,4	304	562	867	250
04	104,5	107,8	306	560	826	253
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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	3 170	834
1999	88,9	95,4	100,8	32,0	3 341	945
01.1998	92,4	100,5	99,0	23,1	3 239	865
02	91,6	100,0	99,3	22,8	3 225	848
03	91,2	100,2	98,3	41,1	3 198	848
04	89,8	99,8	98,2	28,0	3 173	844
05	87,8	99,6	98,2	32,7	3 117	832
06	87,0	99,5	97,8	31,5	3 182	827
07	82,3	99,4	96,2	29,1	3 173	819
08	82,5	98,6	93,8	32,4	3 168	818
09	81,9	99,0	90,4	30,9	3 056	792
10	82,7	98,4	89,7	30,6	3 199	839
11	84,0	97,4	89,7	33,3	3 164	823
12	88,5	96,7	89,3	32,9	3 141	852
01.1999	89,6	96,6	95,1	31,1	3 218	878
02	88,9	96,1	95,5	31,5	3 221	889
03	88,6	95,8	95,5	31,4	3 272	894
04	89,1	93,9	95,7	33,0	3 291	913
05	88,2	94,5	96,5	32,9	3 385	939
06	87,2	94,5	96,9	30,5	3 364	943
07	87,7	93,8	96,9	31,6	3 374	960
08	86,3	93,8	102,4	32,5	3 432	965
09	87,4	95,6	106,0	34,7	3 378	972
10	94,1	96,6	107,5	31,2	3 380	973
11	89,2	97,0	107,3	32,9	3 358	992
12	90,2	96,9	114,3	30,8	3 415	1 020
01.2000	89,5	97,4	103,2	45,6	3 429	1 013
02	90,6	99,7	104,4	38,0	3 647	1 088
03	90,0	98,4	104,5	26,3	3 393	1 037
04	90,1	95,9	108,2	41,8	3 396	1 030
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\* 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)	(1995 = 100)	(R bn)	(1995 = 100)	(R bn)	(1995 = 100)
1995	1 091,9	100,0	553,5	100,0	113,0	100,0
1996	1 773,8	93,0	749,0	100,1	200,3	92,1
1997	2 173,8	94,3	866,0	103,7	269,5	95,5
1998	2 305,9	91,3	1056,2	100,0	318,6	95,1
1999	3 976,5	94,5	1782,1	90,7	421,0	97,4
01.1998	165,6	86,2	75,5	101,0	21,4	89,0
02	175,6	90,4	69,6	95,8	22,1	89,0
03	186,5	94,8	72,4	99,1	23,9	91,3
04	179,2	98,6	72,8	99,3	24,3	91,1
05	167,5	99,0	72,4	98,5	24,9	92,5
06	172,8	89,2	71,7	97,4	26,9	95,1
07	174,8	89,6	73,3	99,7	28,0	96,5
08	169,5	87,1	82,9	106,4	28,5	97,3
09	194,3	88,3	108,5	103,0	28,8	96,2
10	214,8	89,6	105,8	95,4	28,6	96,5
11	230,8	89,7	112,2	95,9	29,3	100,6
12	274,5	93,0	139,1	108,2	31,9	106,5
01.1999	223,4	76,0	120,5	82,9	27,5	88,5
02	236,2	81,1	121,9	83,3	28,3	86,0
03	288,6	91,6	133,2	88,4	31,4	91,2
04	291,7	95,5	134,4	86,3	32,1	91,2
05	292,6	98,5	137,5	86,2	31,0	94,9
06	313,1	90,3	141,1	86,9	34,6	100,8
07	332,4	94,0	144,5	86,9	35,7	106,4
08	348,7	96,5	155,8	92,3	37,3	99,3
09	377,4	105,0	160,1	93,1	37,9	98,2
10	390,4	100,5	165,9	95,1	39,6	102,6
11	406,9	99,2	169,0	95,6	41,4	103,6
12	475,1	105,8	198,2	111,8	44,2	105,7
01.2000	371,9	84,1	167,1	88,1	37,1	95,5
02	403,9	90,8	165,4	89,6	37,6	90,9
03	445,1	96,4	177,1	95,3	41,5	99,1
04	414,5	97,9	175,4	93,5	45,3	95,3
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\* 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	12,1	1,7	184	2 283	72,7
01.2000	64,9	11,9	1,7	91	1 830	77,1
02	64,9	11,7	1,7	65	1 839	75,3
03	64,9	11,7	1,6	27	2 018	74,9
04	64,9	11,7	1,6	7	2 038	74,4
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\* 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	1 723,2	74,1	83,5	612,5		
03	1 898,4	81,1	83,5	613,1	1137,7	
04	1 934,3	81,9	83,5	613,2		
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\* 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	1577,0	729,0	622,6	39,9	921,0	7,1
04				#N/A		
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\* 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	264,2	274,4	295,8	174,9	221,3	231,7
05	268,8	280,5	299,1	177,2		
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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	74,7	18,8	11,4	40,4	9,9	34,3
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	2,8	0,9	1,8
02	5,0	0,8	1,0	3,1	0,9	1,9
03	5,9	1,1	0,9	3,6	1,0	2,3
04	6,5	1,4	0,7	3,4	1,0	3,1
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	3,4	0,7	2,9
08	6,1	1,9	0,7	3,2	0,7	2,9
09	6,3	1,7	0,7	3,3	0,7	3,0
10	6,8	2,0	1,1	3,5	0,7	3,3
11	7,4	2,0	1,3	3,6	0,8	3,8
12	9,4	2,4	1,5	4,1	1,0	5,3
01.2000	6,8	2,2	1,6	2,6	0,4	4,2
02	7,9	2,6	1,5	3,4	1,5	4,5
03	8,7	2,8	1,6	3,7	2,3	5,0
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\* 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 (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	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	101,2	27,2	-37,1	
03	221,8	196,2	179,5	30,5	-42,3	
04	314,0	277,1	249,2	52,7	-64,8	
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\* IMF definition of revenues and expenditure is used.  
Monthly data are cumulative.

**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	154,6	26,0	-6,0	
04	242,3	181,5	230,1	39,9	-12,2	
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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	-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	3,3	259,7	279,1	787,9	n.a.
05	362,2					
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Source: CBR.

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

NDA is calculated using the exchange rates of 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	1754,6	460,1	569,3	235,3	344,9	229,1
04				243,3		
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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	31,2	7,9	11,3		141,5
03	33	29,5	7,6	6,5		169,3
04	33	29,1	5,4	11,1		164,3
05	33					153,8
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Source: CBR, Moscow Times.

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

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

**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	104,4	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	68,3	17,1	3,7
05	149,0	28,303	28,250	69,2	19,6	3,7
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Source: CBR, Moscow Times.

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

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

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

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## **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

