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REAL TAX REFORM IN RUSSIA – AT LONG LAST ?

Ian Cochrane¹, Xenia Tsibizova² Maria Gorban, and Niina Pautola

RECEP, Moscow

Introduction

In 1986 in the United States, when a coalition of conservatives and liberals passed the Tax Reform Act of 1986, it was called a political miracle. At the time, it was widely believed that the U.S. federal income tax code could not be reformed. Yet, due to sufficient political will, on the part of both Republicans and Democrats, it was passed and adopted.

Instead of adding new exceptions and deductions, the new U.S. federal income tax code abolished hundreds of these and simplified the tax system. Simultaneously, it shifted the tax burden from individuals to business. The tax act was considered “revenue neutral”, meaning that personal taxes were decreased and corporate taxes were increased by an equal amount. While high income tax rates were cut, many deductions (such as deductions related to loans to buy cars and boats) were eliminated. In addition, special tax breaks (for example those applying to banks and real estate companies) were abolished. As a result of the tax reform, tax rates were lowered, but the overall tax base was increased due to the abolition of various deductions and exemptions.

At present, Russia is in the process of radically reforming its tax system. Although the currently operating Russian tax system and the U.S. tax system of the 1980s may not be comparable, the U.S. experience provides at least one significant lesson, namely the important role of strong political will in making the tax reform happen. A similar type of political will and consensus is required in Russia now as well, not only among the different parties within the Duma, but also between the Duma and the Federation Council. Moreover, tax reform, like any reform, must be supported by public opinion.

In our previous report (RET June), we concluded that the most pressing problem faced by foreign investors in Russia is not as much connected with criminality, or corruption, as with an inadequate and ever changing tax system. Thus, instead of asking for temporary, preferred treatment or tax rates that fall far below international standards, foreign investors are looking for a reasonable, transparent, and predictable tax system. Naturally, the problems with the tax system are encountered not only by foreign investors, but also by Russian companies and individuals. Experience in transition countries indicates that a high level of inequality, excessive taxation and the failure of the government to provide adequate public goods have been the biggest factors leading to tax evasion.³

Tax evasion has been and remains a problem also in Russia. During the past years little has been achieved towards making the tax system more transparent. Instead of contributing to economic

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³ See, for example: Pirttila, J. (1999). *Bofit Discussion Papers* 2/1999.

Yakovlev, A. (1999). *Bofit Discussion Papers* 3/1999.

growth, the Russian tax system has been said to be an obstacle to economic development. The latest attempt to reform the Russian tax system, and particularly to increase incentives to pay taxes, follows the guidelines set in the new economic program, the Strategy of Development of the Russian Federation through 2010.

The main aims of the tax reform include: lowering the overall tax burden, increasing equality in the tax system, simplifying the tax system by eliminating inefficient taxes and reducing the number of tax rates, increasing the tax base, and improving tax administration and tax collection. Surprisingly and unlike in previous years, the tax reform is off to a good start as the State Duma recently passed, at the second reading, the chapters of Part II of the Tax Code introducing a 13% flat personal income tax and a 7.6% single social tax, which unifies current payments to the Social Insurance Fund, and Compulsory Medical Insurance Fund.

Taxes influence both allocative efficiency and the distribution of income. The elementary economics approach states that the imposition of a tax on goods, services and capital shifts the supply curve upward, raises prices of goods, services and capital, and lowers quantities traded. Moreover, a tax is shared between the producer and consumer. The overall loss suffered by both consumers and producers depends on the elasticity of demand such that highest tax rates are applied to goods and services with a low elasticity of demand. The aim of this report is to review some parts of the Russian tax reform and analyse the extent to which the suggested changes affect allocative efficiency and distribution of income.

Brief history of reforming tax legislation

For about a decade, Russian tax legislation was based on the Law on the Principles of Tax System (December 1991), which amounted to a big step forward compared to the previous system. It specified a list of federal, regional and local taxes. A set of laws on specific taxes (on VAT, on profit tax and on income for banks and insurance companies, etc) came into force starting in 1992. The tax system was structured similarly to that of developed countries, but its drawbacks - including an enormous tax burden on enterprises – became more and more obvious. During the years of transition, numerous amendments to these laws were made, in the form of laws, and Presidential decrees, and decrees and letters of different bodies of the government. Each of these ad hoc changes aimed at solving numerous isolated problems, without tackling the whole system. With the numerous changes piling up, the system became more and more complicated and inefficient. As a solution, and as a tool for a complex and comprehensive tax reform, a new Tax Code was proposed.

The Tax Code was submitted to the Duma in early 1996, after 3 years of preparatory work. It was initially expected that the General part would be passed by 1997 at the latest, and the Special Part by 1998, but this did not happen. In June 1997 was the general part passed in the first reading, but with a huge number of suggested amendments, so that the adoption of the document was postponed and discussion resumed. A new version of the Code was submitted to the Duma only in February 1998. The first (General) part was passed the same year and came into force on January 1, 1999. The discussion of the second part in Duma was resumed in spring 2000. The Duma set April 1 as a deadline for submission of the amendments and made the decision to allow discussion and enactment of the Code by chapter.

Four chapters, concerning four major federal taxes (See APPENDIX 1), have already passed the second reading. This means that it will be possible for the Duma to pass the version of the 2001 budget law based on these changes.

Part two of the Russian Tax Code – Reduced individual income tax and unified social tax on the way?

For some weeks now there has been substantial discussion and debate about proposed major changes to the taxation of individuals. The proposed changes in the various elements of tax and related legislation affecting individuals are far-reaching and generally well conceived. The main thrust is to make the tax system from 1 January 2001 simpler and less punitive, and make tax avoidance or evasion schemes for compensating employees less attractive.

The key elements of the proposed changes are outlined below.

New individual income tax rates:

- ◆ flat rate of 13% for tax residents;
- ◆ tax rate of 30% on dividends and on Russian-source income received by non-residents;
- ◆ “penalty” rates of 35% on income delivered through traditional salary schemes using interest deposit, loan and insurance based delivery methodologies.

These proposed changes clearly demonstrate an understanding of the avoidance methods being used in the market today. They are also fairly bold steps, and have been formulated on the basis of an expectation that many employers and employees will come “into the system” providing it is not too costly to do so. With a 13% basic tax rate and reduced social fund contribution obligations (discussed further below), it may become the case that employers are willing to record the remuneration paid to their employees as salary rather than keeping the cost off the books or participating in a “grey scheme”.

Sourcing of income: Russian/Non-Russian

The Tax Code will change the concept of Russian source income and bring it more in line with internationally accepted principles. At present Russian source income is not defined but is taken to be income paid in or from Russia. As of 1 January 2001 Russian source income would be defined as income relating to assets located in, or services physically performed in, Russia.

This will mean a significant change in the regime currently applicable to internationally mobile staff. Previously, where an individual spent less than 183 days in Russia and was paid abroad, he or she was not subject to tax in Russia. This will cease to apply from 1 January 2001.

We expect that this is designed to combat the planning technique whereby significant amounts of income related to services in Russia can be received tax-free by being deferred or accelerated into a year of non-residency. The main problem with the development is that individuals who are not tax residents of Russia are much more likely to be prima facie taxable in Russia and in another jurisdiction. The regime governing these situations tends to be dominated by Russia’s incomplete double tax treaty network. As a further complication, the double tax relief previously available under Russia’s domestic legislation has been abolished, and now relief can only be given by treaty. The double tax issues arising for individuals, both foreign and Russian, arising from activity in jurisdictions with which Russia does not have a double tax treaty may be complex and difficult to deal with, and often ultimately have negative consequences.

Treatment of foreign nationals

At present, foreigners are tax exempt on business travel expenses, company cars for business purposes and employer reimbursement of rental expenses (for Russian citizens it is deemed a taxable benefit).

The Tax Code introduces the premise of not affording any special treatment to foreigners. The Tax Code would therefore eliminate exemptions on housing and company cars for foreigners and apply the same rules as for Russians for business travel, although in the case of company cars there is still no explanation of how the benefit should be taxed. The Tax Code also makes all home country pension contributions by expatriates non-deductible for Russian income tax purposes.

We find the new restrictions as something of a step in the wrong direction. Business travel expenses should be exempt under ordinary principles, and we believe that the introduction of the miserly Russian “norms” for expatriates, rather than bringing the whole issue of business travel expenses to a more reasonable solution, is the wrong approach to this problem.

On housing, taxpayers are on less safe “moral” territory, and indeed in most jurisdictions, employer provided housing is a taxable benefit (albeit in some cases with tax exemption for part of the housing benefit). However, Russia is not “most other jurisdictions”, and this development could have the effect of making it neither in the tenant’s nor the landlord’s interest to accurately record the level of rent being paid. Over the past two years, the increasing necessity for expatriates to provide greater (probably excessive) levels of documentation to justify this exemption has meant that an ever increasing percentage of private rental income is being reported to the Russian Tax Authorities. Making housing taxable will likely reverse this trend.

Tax deductions

The main area of deductions that are of interest to most taxpayers focuses on benefits arising from the purchase and sale of assets. Historically, these have been expressed as a function of the minimum monthly wage (MMW). Now, there will be fixed ruble allowances.

- ◆ Gains on proceeds from the sale of real estate of up to Rbl 1,000,000 per annum will be exempt (currently 5,000 MMW or Rbl 417,450).
- ◆ Gains on the sale of real estate held for more than 5 years will be completely exempt.
- ◆ Gains on the sale of other property of up to Rbl 125,000 per annum will be exempt (currently 1,000 MMW or Rbl 83,490).
- ◆ Gains on the sale of other property held for more than three years will be completely exempt.

The tax deduction for the purchase of a dwelling, or construction costs thereof, is increased from 5,000 MMW (currently Rbl 417,450) to Rbl. 600,000. This deduction continues to be available to an individual only once. Mortgage interest payments relating to the dwelling on which the deduction is claimed are fully deductible, in addition to the above amount. However, whilst the levels of deductions may appear to have increased compared with those applicable today, the overall fiscal benefit is reduced when compared with the tax that would have been saved under the old rates.

Tax deductions of up to Rbl 25,000 each would also be allowed for medical costs of the taxpayer (and her/his family members) and educational costs of the taxpayer (and her/his family). It is assumed that these are annual deductions, although this is not clear.

Unified Social Tax

The main proposed changes to the social contributions are:

- ◆ Abolition of employee contributions to the Pension Fund, currently at 1%.
- ◆ Reduction in employer social security contributions via introduction of a unified social security charge with regressive employer contributions, starting at 35.6% and falling to 2% on income in excess of Rbl 600,000 (approx. \$21,000).

However, application of the regressive rates is limited if: In the previous tax period (i.e. calendar year) average taxable base per employee was less than 50,000 rubles (approx. \$1,800). However when calculating average taxable base employees with maximum salaries should not be taken into account (30% of employees if total number of employees is less than 30 and 10% otherwise).

At the moment of making the monthly tax payment, the average taxable base for an employee is less than 4,200 rubles (approx. \$150) multiplied by the number of months passed in the current tax period.

If regressive rates do not apply, social fund contributions should be paid at 35.6%. These “anti avoidance” rules might slow down the process of employers declaring salaries in full, as benefits from showing actual remuneration in 2001 will, in certain cases, arise only a year later, depending of course on the extent to which salaries are being understated in 2000. However, bearing in mind relatively small amounts of remuneration, we believe this will not become a crucial issue for most companies but could discourage employers with large numbers of employees with relatively low levels of remuneration from adopting transparent structures.

Summary

Whilst a great deal of uncertainty remains with regard to both the detail of the changes to the individual income tax and social security legislation approved by the State Duma at the second reading, there are now certainly some major and encouraging changes in this area in Russia.

It is clear that the reform of individual income tax and social security contributions is primarily intended to bring more transactions into the open, with the further intentions of simplifying tax collection and encouraging both employers and employees to be tax compliant. The draft Tax Code also appears to attempt to eliminate any differences in taxation between non-Russian and Russian citizens.

It is also very clear that some individual tax planning opportunities seem to have been removed with the proposed changes. The most significant of these relates to accommodation costs. In addition, while many human capital advisers in Russia have been extremely reluctant to advocate the use of loan-bonus arrangements due to the significant human resource issues associated with them, we are aware that some companies have continued to use such arrangements. There is clearly a very high risk that compliant taxpayers with such arrangements will face particular problems under the new provisions, since technically there may be no treaty protection.

The introduction of a 13% flat rate tax should encourage people to be more open about their earnings. Generally, it seems that things are moving in the right direction. Nonetheless, whilst one might think the effect of lower rates would make Russia a tax haven, many believe that this reduction is merely a temporary device to pull people into the tax net, with the tax burden set to increase as soon

as enough people have become part of the system and actual remuneration levels have become visible.

Hence one of the major remaining barriers to successful implementation of reform may well be “the trust (or lack thereof) factor”.

BOX1: The new program of the government suggests:

Lower tax burden:

- lower payroll tax
- abolishing the turnover tax
- investment-stimulating changes in the rules for calculation of the tax base for the profit tax

Evenly distributed tax burden:

- equalizing the burdens for profits and payroll fund
- eliminating most of the privileges

Simpler tax system:

- fixing the set of taxes
- introducing a single income tax rate
- introducing a unified social tax
- abolishing a bulk of small taxes

Better tax administration

- less discretion for the tax authorities
- higher responsibility for the taxpayers

APPENDIX 1.: Chapters of the second part of the Tax Code recently discussed in the State Duma

Area	Measure	Status	Comment
Personal Income Tax (Chapter 24)	A flat personal income tax rate of 13%. Exemptions: For individuals who are not tax residents of the Russian Federation a 30-% tax rate is applied Privileges for military personnel, prosecutors, judges, employees of the ministry of internal affairs, tax police and customs committee are abolished. A number of deductions are envisaged.	Passed the second reading on June 7, 2000.	Incentives are created for individuals and employers to declare wages and other income in full. Lowering the rate is not expected to decrease budget revenues since high incomes have not been declared.
Unified Social Tax (Chapter 25)	The tax is to replace payments to the Pension Fund, Social Insurance Fund and Medical Insurance Fund. The rates: 35.6% for annual income less than R100,000 20% for income between R100,000 and R300, 000 10% for income between R300,000 and R600, 000 2% for income higher than R600,000	Passed the second reading on June 9, 2000.	The system in which money was raised by separate social funds was inefficient and non-transparent, and created incentives for fraud.
Value added tax (Chapter 21)	20% VAT rate 10% for basic food and children's clothing (as before) 0% for exported goods (exceptions are oil and gas exported to the CIS)	Passed the second reading on June 23, 2000.	
Excises (Chapter 22)	Indexation of excises, In particular: 5% for alcohol (10% for beer), 50% for tobacco	Passed the second reading on July 5, 2000.	Excises were indexed by much less than was suggested by the government; though limiting the price growth, this will lead to losses for the budget.

ECONOMIC UPDATE

Aggregate demand

In 2000 Q1 real GDP increased by 2.7% from 1999 Q4 in seasonally adjusted terms, and was 8.4% higher than in 1999 Q1. The rate of GDP growth in 2000 Q1 increased substantially over that of 1999 Q4 (0.6%) and 1999 Q3 (1.3%). As a result, in 2000 Q1 real GDP was 2.8% above its 1997 average level and even exceeded the average level of 1995.

In May 2000 real consumer expenditures on goods and services (a proxy for households' consumption expenditures) decreased for the second month in a row in seasonally adjusted terms, following the decline in real wages (see below). In May real consumer expenditures were 2% lower than in April and more than 3% below their 1997 average level.

Real fixed capital investment (a proxy for gross fixed investment) according to revised estimates, in May 2000 continued to grow, more or less steadily. In May real investment increased by 3.6% from April in seasonally adjusted terms and was 17% above the level of May 1999. In May 2000 the volume of real fixed capital investment was 10% above the 1997 average, practically returning to the level of the beginning of 1996.

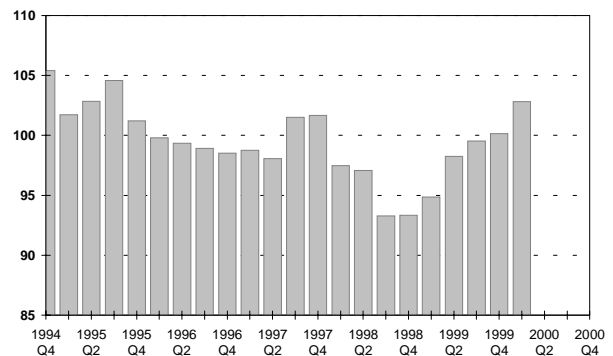
According to national product accounts, in 2000 Q1 net exports in nominal terms were equal to about 25% of GDP, compared to 16% of GDP in 1999 Q1 and 3-4% of GDP in 1995-1997. The increase in net exports became the major component of GDP growth in the first quarter, making the economy extremely vulnerable to the situation in world markets.

Output

In the goods-producing sector industrial production increased in May 2000 by 0.9% from April in seasonally adjusted terms, and was 7.2% higher than a year ago. Industrial output has exceeded the average 1997 level by almost 9%, and by 3% the 1994 level. The real volume of construction works, according to revised data, in May 2000 grew by 3.3% from April in seasonally adjusted terms and was 15.7% higher than a year ago. In May construction output exceeded the average level of 1997 by 12% and was 5% above the level of 1996.

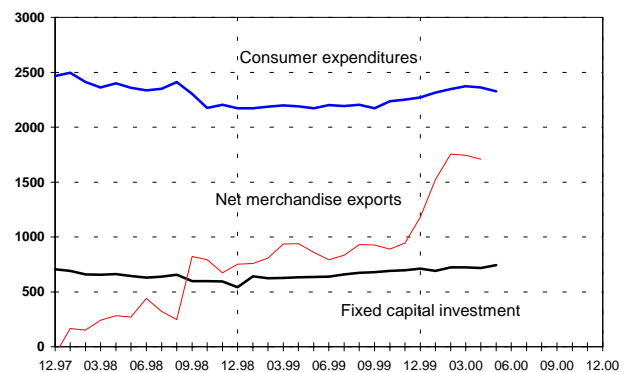
In the service-producing sector the real volume of retail trade in May 2000 dropped by 1.7% from April in seasonally adjusted terms (the first monthly fall since September 1999), and was 5.5% lower than the 1997 average. The volume of wholesale trade also continued to fall: in May 2000 it decreased by 2% from April in seasonally adjusted terms, and was 1% below the 1997 average.

Real gross domestic product (1997=100, seasonally adjusted)



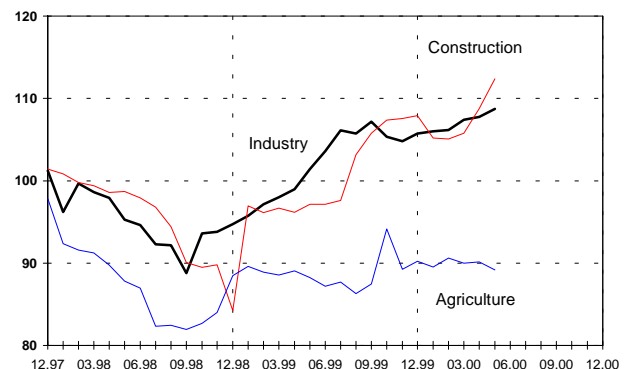
Source: Goskomstat and RET staff estimates.

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



Source: Goskomstat, CBR and RET staff estimates.

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



Source: Goskomstat and RET staff estimates.

Prices

In June 2000 the consumer price index grew by 2.6%, faster than in May (1.8%). CPI for food increased in June by 3.3% (2.2% in May). For non-food items CPI grew by 0.8% (1.1% in May), and for paid services by 3.0% (1.3%). Government officials explain the increase in the rate of CPI growth by pointing to the relatively rapid growth of the money supply. Indeed, in May the 12-month rate of growth of the money aggregate M0 was equal to 40.9%, more than two times higher than the 12-month rate of CPI growth (18.2%). This explanation, however, appears to be misleading if one looks at the structural components of price increase.

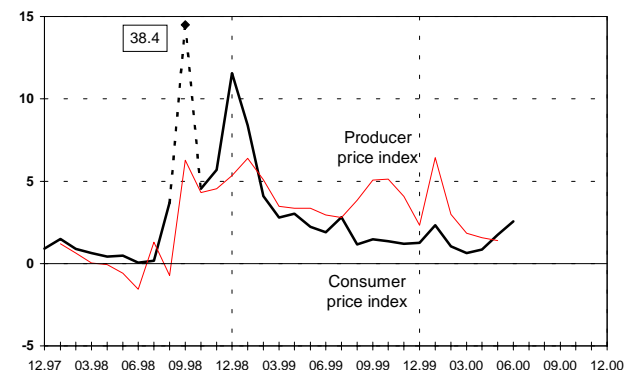
The rise in the rate of growth of total CPI was caused first of all by seasonal growth of some food prices. First, this refers to home-produced vegetables (for example, in June prices for carrots increased by 24%, for onions – by 15%, for sugar beets – by 12%). The second source of seasonal price growth is the price of sugar, which increased in June by 24%. The third source of price growth is connected with seasonal grain shortages due to the poor harvests of 1998 and 1999; as a result prices for bread and other grain-related products increased in June by about 5%. Another reason of the overall price growth in June was connected to the increase in prices for paid services, but price growth in this sector was mainly related to the higher prices for housing and public utilities (which grew by 6% in June). All of this has nothing to do with the growth in money supply, but is caused by the poor performance of the agricultural sector and monopolistic pricing in housing and public utilities, due to the absence of structural reforms in these sectors.

Rates of PPI growth in May remained about the same as in April. Composite PPI grew in May by 1.4% (1.6% in April). PPI in industry increased by 1.7% (1.5%) and PPI in construction by 1.9% (2.0%). PPI in agriculture grew by 0.3% (2.2% in April). Tariffs for freight transportation grew by 0.9% (0.3%) and for business communications remained unchanged from April. The year-on-year rate of growth of money aggregate M2 in May 2000 was equal to 53.3%, only slightly above that of the composite PPI (48.7%).

Labour

The employment situation continues to improve. The number of payroll employees at large and medium-sized enterprises increased in April by 0.1% from March, reaching 41.9 mn. The number of registered unemployed in April was equal to 1.15 mn, or 2.7% of the registered labour force (compared to 2.8% in

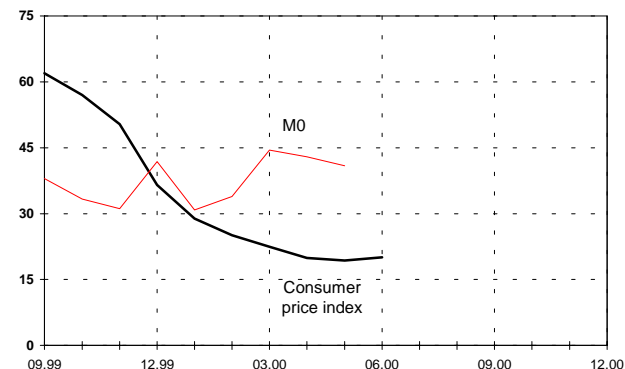
Monthly growth of price indices, %*



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

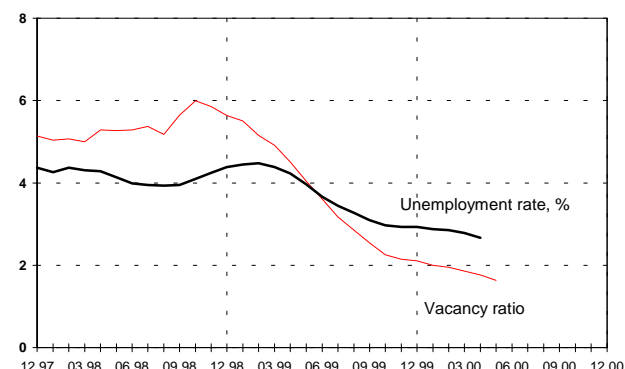
Source: Goskomstat and RET staff estimates.

Annual growth of CPI and money aggregate M0 (12-month rates of change, %)



Source: Goskomstat, CBR.

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.

March and 4.2% in April 1999). The vacancy ratio (the number of registered job seekers to the number of vacancies) by the end of May 2000 was equal to only 1.4, compared to 3.6 a year ago.

According to preliminary data, in May real wages, estimated on the basis of the deflator for consumer expenditures, remained unchanged from April in seasonally adjusted terms and were 10% lower than 1997 average. According to official estimates based on CPI changes, real wages in May 2000 fell by 2% from April in seasonally adjusted terms and were about 23% lower than the 1997 average. Real wages decreased from January to May by about 5%, which caused the decline in real consumer expenditures (see above).

Wage arrears in May remained practically unchanged from April, at the level of R38.7 bn. Of this, wage arrears of the budget remained at R6.4 bn, and wage arrears of enterprises stood at R32.3 bn. But due to the repayment of wage arrears during previous months, in May 2000 no strikes were registered at all. During the 1990's such a situation has been observed only once, in February 1991.

Enterprise finances

According to Goskomstat data on overdue payables in 9 sectors of the economy, in April the real value of the arrears stock remained unchanged compared to the previous month. Overdue payables in industry calculated as a percentage of annualized industrial output went back to their February level after slipping down in March, when a jump in nominal value of output by medium and large enterprises occurred. The real value of industrial arrears stock, calculated using industrial PPI, showed a minor decrease during April; over the first four months of 2000, they fell by 2%.

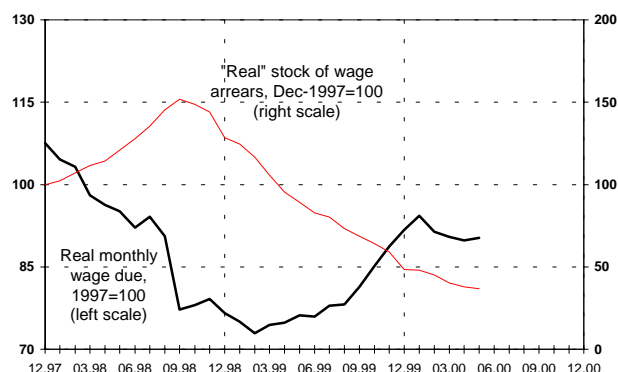
The share of cash in payments received by the largest taxpayers (which include RAO UES, Gazprom, Airoflot and Railway organizations) and industrial monopolies went up again in April and reached 69% compared to 67% in February and 65% in March.

On June 20, a case was filed by the Moscow Prosecutor's office with Moscow Arbitrage court, questioning the results of the 1995 shares-for-loans privatization of the Norilsk Nickel, a number one producer of nickel in the world (See also FINANCIAL MARKETS). The suit was turned down by the court which said it had to be re-filed as a number of separate cases. The materials of the case have been passed on to the General Prosecutor's office.

Foreign trade

Note: At the time of writing, no trade data for May were available from the CBR. Regarding the April

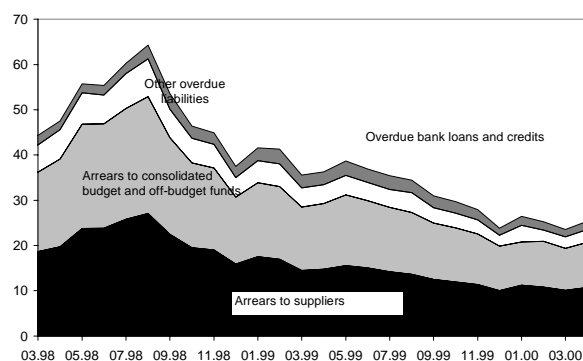
Real wages and wage arrears*



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

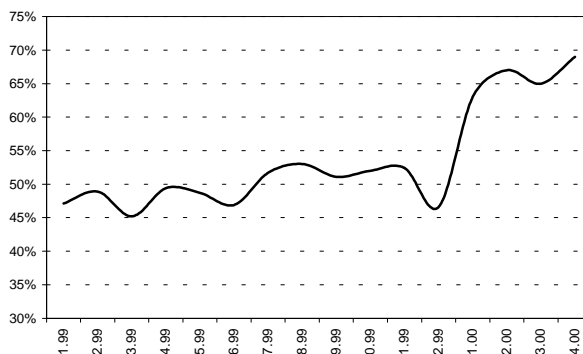
Source: Goskomstat and RET staff estimates.

Arrears of industrial enterprises, % of industrial output



Source: Goskomstat.

Share of cash in payments received by largest taxpayers and industrial monopolists



Source: Goskomstat.

trade data (RET June), some small revisions have been made. According to the revised CBR statistics, Russian trade turnover totaled \$44.5 bn in the first four months of 2000. This is 29% larger than in the same period in 1999. The trade surplus amounted to \$18.3 bn, with exports standing at \$31.4 bn and imports at \$13.1 bn. In the first four months of 2000, exports increased 42% and imports 6% compared to the same period in 1999.

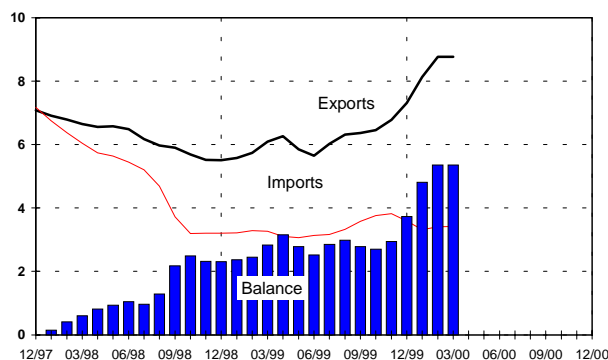
According to Goskomstat statistics, Russian trade turnover during the period of January-April totalled \$44.8 bn, 28% more than in the first four months of 1999. The trade surplus amounted to \$18.4 bn, with exports standing at \$31.6 bn and imports at \$13.2 bn. Exports in the first four months increased by 44% and imports by 2%. Non-CIS countries accounted for 83% of the overall exports and 72% of the total imports. The shares of CIS countries in the overall exports and imports were 17% and 28% respectively. Regarding the monthly developments, in April Russian trade turnover totalled \$11.7 bn, up by 18% from April 1999. The trade surplus amounted to \$4.7 bn, with exports standing at \$8.2 bn and imports at \$3.5 bn. Year-on-year, exports increased 26% and imports 3%. Compared with March, however, exports dropped about 6% and imports about 5%. In April, trade turnover with non-CIS countries amounted to \$9.4 bn, up by 12% from April 1999. Trade turnover with CIS countries totaled \$2.3 bn, which is 53% more than in April last year. Russia's exports to CIS surged, by 63%.

The State Customs Committee statistics, which exclude shuttle trade, show that fuel and energy continue to dominate exports. Their share in overall exports totalled about 52% in the first four months of 2000 (38% in the same period of 1999). Regarding imports, the share of machinery, which dominates imports, totalled 30% in the first four months of 2000 (same as earlier). The EU remains Russia's main trading partner, accounting over one-third of the total trade.

According to the State Customs Committee, in the first four months of this year unofficial trade increased by 3% year-on-year, compared to 1999. Overall, shuttle trade accounted about 7.7% of the total trade, about 23% of imports, but only 1.5% of exports.

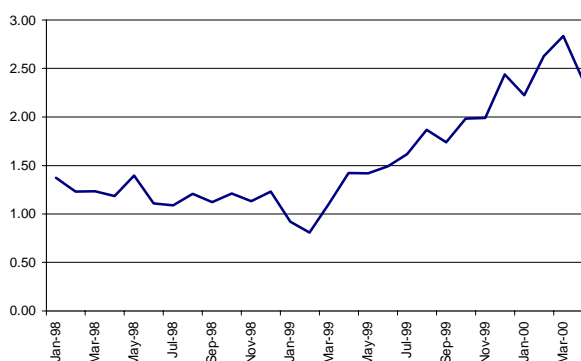
Since April 7th, the export duty on crude oil has been 20 euros per tonne. However, a resolution to increase the export tariff on crude oil to 27 euros per tonne and on fuel oil from current 12 euros to 20 euros per tonne, is expected to take effect at the beginning of August. Prime Minister Mikhail Kasyanov has announced that if the oil prices retain their currently high levels, the tariffs on crude oil and fuel oil are likely to be raised further, to 34 euros and 27 eu-

Merchandise exports and imports, \$ bn



Source: Goskomstat and RET staff estimates.

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



Source: State Customs Committee.

ros per tonne respectively. At the end of March and on June 21st, OPEC raised oil extraction quotas in order to keep oil prices at \$20-25 per barrel. However, recently, the price of one barrel of oil has still been hovering at around 30\$.

The banking sector

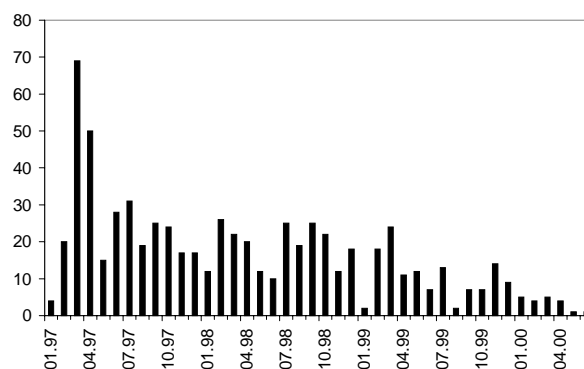
A year has elapsed since the CBR, under strong pressure from international donors, withdrew licenses from a few of the largest Russian banks, including Uneximbank and Mezhkombank. However, as time went by, it became clear that prospects for these banks look quite different. Uneximbank, which transferred assets to its bridge-bank Rosbank and managed to keep its business, had a strong negotiating position since its creditors faced a choice between accepting a debt restructuring and being repaid nothing at all. As a result, Uneximbank is now the only bank among the former market leaders that has had a debt restructuring plan approved by the creditors (who will be repaid about 20% of their total claims), and its banking license has been reinstated. Rosbank shareholders have already made a decision to merge with Uneximbank.

In contrast to Uneximbank, Mezhkombank did not use any bridge-banks to maintain its operations. While its financial position was estimated as relatively strong compared to the other banks' immediately after their licenses were revoked, Mezhkombank (unlike the more successful Uneximbank) could not rely on the financial and political support from an industrial holding and was unable to implement a feasible restructuring plan. Not surprisingly, at the last creditors' meeting more than 85% of the creditors, mainly the foreign ones, voted for bankruptcy in the hope of being repaid at least a portion of the debt.

Prudential supervision, a prerequisite for stable banking system, is still extremely weak in Russia, a fact now acknowledged by the banks' regulator, that is the CBR itself. According to CBR data, its regional offices connive at the regional banks' poor performance, overstating these credit institutions' financial position and failing to implement regulatory measures stipulated by the legislation. This might be due to political pressure from the regional authorities and interest groups or to pecuniary reasons.

Under weak supervision many banks violate accounting rules, which are rather lax compared to the international standards, and supply CBR with false financial statements. In 1999 more than 60% of banks overstated their profits and equity in their official reporting. At the same time, CBR regional offices classified 9% of these banks as stable banks without any faults. According to a conservative estimate by the CBR, at least one in five regional

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



Source: CBR.

banks classified as “stable” is in fact in trouble.

The budget

In May, budget revenues continued to grow, leading to further accumulation of the surplus in the federal budget. In May, the federal surplus calculated on a cash basis reached R26.1 bn, higher than in any previous month. The cumulative federal surplus for the first five months of 2000 reached R91 bn. Federal revenues and expenditures for this period equaled, respectively, R415.5bn and R324.5 bn. Tax revenue reached R365.2 bn for January-May; this comprised 54% of the annual target. In May alone, tax revenue equaled R88.1bn, which is R7.2 bn higher than in April.

Interest payments in May totaled R18.2 bn. Servicing of domestic and foreign debt comprised, respectively, R4.3 bn and R13.9 bn.

At the time of writing, no data on the performance of the regional and local budgets in May were available.

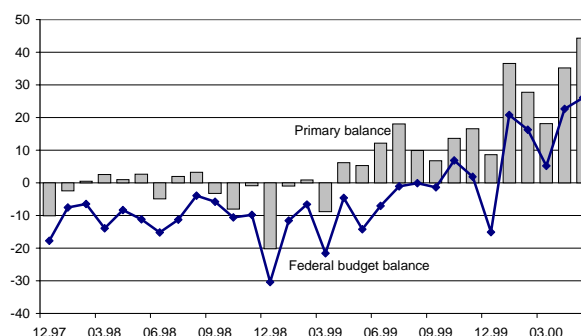
Two more chapters of the second part of the Tax Code - on the VAT and on excises - were passed by the Duma in the second reading (see this issue’s special report). On July 5 the draft “On Effectiveness of the Second Part of the Tax Code” passed the first reading; the second reading is scheduled for July 17.

The government issued a statute raising export tariffs on crude oil from 20 euros to 27 euros per tonne, and on fuel oil from 12 euros to 20 euros per tonne (See FOREIGN TRADE).

The exchange rate

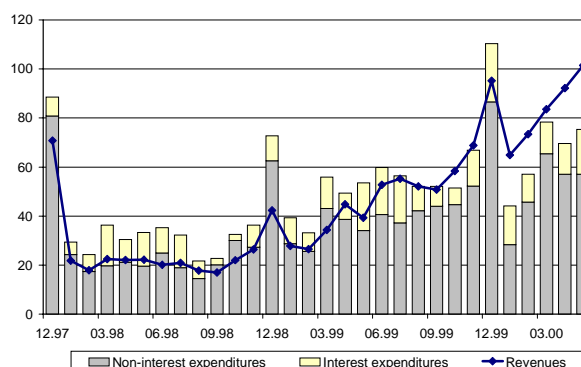
The huge trade surplus has continued to strengthen the rouble. In June the MICEX exchange rate appreciated by 0.6% to R28.08/\$ at the end of the month. In the first half of the year the rouble fell by only 4.2%, while consumer prices increased by 9.6% in the same period. This means that in six months the real appreciation of the rouble against the currencies of Russia’s main trade partners amounted to 3.3%. Though in real terms the rouble is still 33% weaker than in July 1998, some Russian exporters and senior officials, most importantly, Prime Minister M.Kasyanov, repeatedly claimed that the lowering of the exchange rate is imperative for supporting the competitiveness of domestic goods and, hence, the promotion of economic growth. For his part, the CBR Governor V. Gerashchenko was defending the current policy of the Bank aimed at balancing between purchases of excess dollars to prevent sharp real appreciation and the resulting increase in rouble liquidity (see MONEY). Though this discussion caused some uncertainty about the future exchange rate performance, the CBR had a final say, which is explained by the amount of its accumulated foreign

Federal budget balance, R bn



Source: Ministry of Finance.

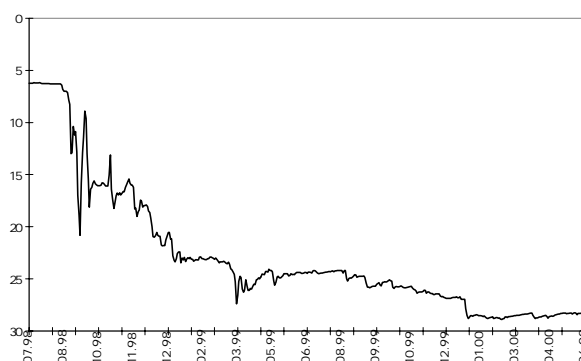
Federal revenues and expenditures, R bn



Source: Ministry of Finance.

IMF definitions of revenues, expenditure and deficit are used.

The rouble exchange rate (R/\$)*



* MICEX exchange rate.

Source: Moscow Times.

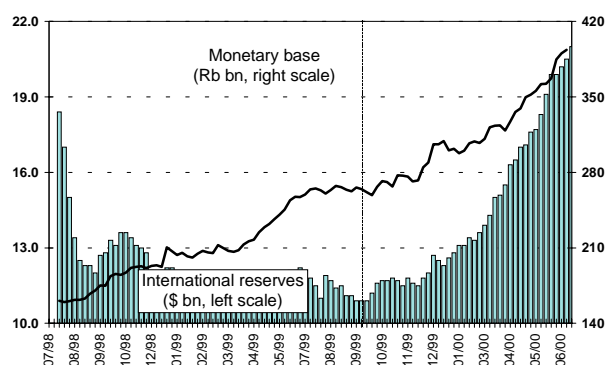
reserves. This will remain so if the CBR retains its independence and V. Gerashchenko - his position.

At the same time, the announcement of the Prime Minister on June 9 that the government would not allow unreasonable strengthening of the rouble was perceived by some market participants as a signal that the trend of the exchange rate movement might be reversed. As a result, on the same day and on June 13, which came after the holiday, the demand for dollars at the MICEX trade sessions exceeded the supply by almost 1.5 times. The CBR intervened actively trying to smooth out sharp rouble fluctuations, but on June 13 at MICEX afternoon session the daily trade volume exceeded its monthly average level by 2.6 times and at the unified session the rouble lost 20 kopecks against the dollar. However, during the next day the exchange rate appreciation resumed. Moreover, the CBR had successfully defended its policy at the meeting with the Prime Minister on June 17-18 arguing that the lowering of the exchange rate would require massive rouble printing, which, in turn, would inevitably lead to inflation acceleration, as sterilisation instruments are not available at present (see Money). After the meeting, the government officials acknowledged that Russia should take advantage of the favourable situation in the world markets for further replenishing its foreign reserves and repaying the external debt. In addition, it was admitted that the exchange rate would not be lower than R30/\$ by the end of 2000.

Money

According to the weekly data in June monetary base (MB) increased by 9% to R393.8 bn. Such a significant growth in MB may be a long-awaited consequence of massive rouble emissions due to the dollar purchases by the Central Bank. In June further efforts by the CBR to prevent a sharp real appreciation of the national currency (see Exchange Rate) resulted in an increase in gross international reserves (GIR) to \$21 bn (+\$1.4bn). Overall, in the first half of the year GIR increased by \$8.5 bn. An equivalent growth in monetary base (MB) could have amounted to about R240 bn. However, the monetary authorities succeeded in sterilising a significant amount of excess rouble liquidity, as in six months MB rose only by R69.5 bn. At the same time this increase is not negligible and corresponds to MB growth of 21%, which the Russian government sees as one factor speeding up inflation (see Prices). At the meeting on July 3 the government and the CBR agreed on a package of measures aimed at sterilising the excess money supply. As regards the monetary policy, this includes the issue of MinFin's instruments, active channelling of commercial banks' liquidity to deposits with the CBR, the raising of oil export duties and

Monetary base and gross international reserves (weekly data)



Source: CBR.

balanced allocation of the budgetary revenues to the repayment of the government's obligation to the Central Bank and the external debt service.

Some of these measures are already partly in place. As a result, in the first five months of 2000 net domestic assets (NDA), a component of MB, decreased by R196.4 bn (almost 50%) and at the end of May amounted to R204.3 bn. In turn, in the first quarter of the year the components of NDA - net credit to enlarged government (NCEG) and net credit to commercial banks (NCB) fell by R69 bn and 45.3 bn respectively. According to estimates, at the beginning of June commercial banks deposits with the CBR amounted to around R70 bn, while at the end of 1999 they stood at only R3.7 bn. Growth in GIR and repayments of liabilities to the IMF caused a further increase in the other component of MB, net international reserves (NIR), to \$5.8 bn at the end of May, up \$2.5 bn from end-April.

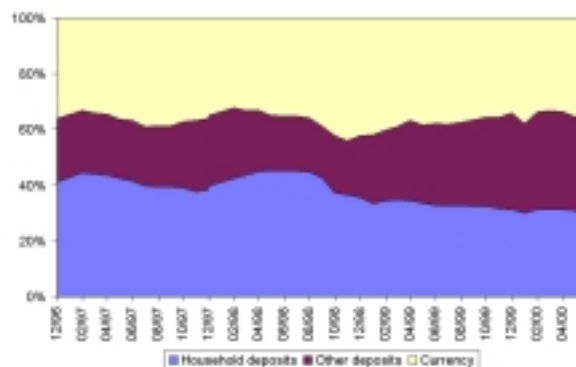
At the end of May the money supply (M2) reached R831.6 bn which is 5.6% higher than the previous month. In January-May M2 rose by 18%. The positive development of May was that the currency in circulation (M0) increased by only 4.0% and rouble deposits by 6.6%. Moreover, most of the build-up of rouble deposits was due to a pick-up in growth of corporate deposits (9.5%). At the end of May M0, household and corporate deposits stood at R289.3 bn, R251.6 and R290.7 bn respectively.

Financial markets

Contrary to the predictions of many experts, who had forecasted bright prospects for the Russian stock market in 2000, equity prices continued to stagnate in June, along with the downward trend of the previous two months. While the market yielded a few days of positive returns, on June 29 it reached its year minimum, and by the end of the month the RTS and MT indices had dropped by 9.9 and 8.9% respectively compared to end-May. Investors' passivity was also reflected in the lowest trade volume in the year for the RTS - \$412 mn.

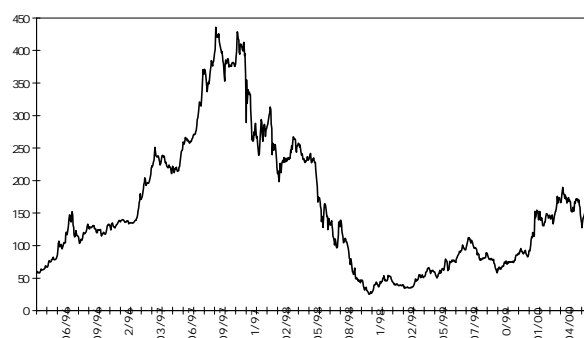
Given the macroeconomic and political stability at present, the dynamics of the corporate securities are increasingly influenced by structural and institutional issues, which have long been recognised by economists as the most pressing problems of the Russian economy. In June some progress was made on the issue of protecting minority shareholder rights in the Unified Energy Systems' (UES) restructuring programme that had provoked a conflict between portfolio investors and the company management. However, in the revised version of the programme presented by the management, some key concerns of the minority shareholders were not fully taken into account. As a result, in June the prices of UES equities fell more than the market - by 16.9%.

Composition of M2 (%)



Source: CBR

Moscow Times \$ Index

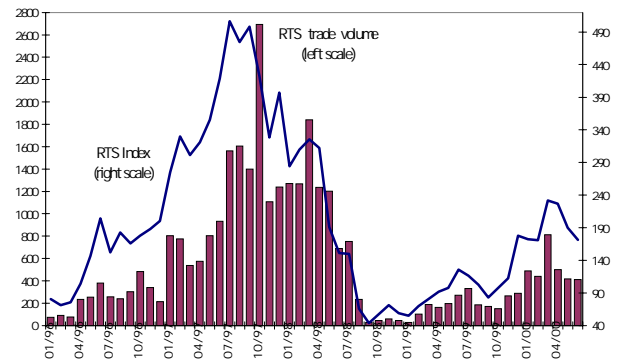


Source: Moscow Times.

In addition, the poor market performance in June was aggravated by the authorities' apparent willingness to revise privatisation results, in a way which would lead to ownership redistribution. The arrest of holding "Media-Most" head V. Gusinsky and a new investigation into the legality of Norilsk Nickel's privatisation were perceived as signs of such development. An attempt to reverse the outcome of the loans-for-share auction for Norilsk Nickel caused its equity prices to fall by 23.2% in June.

On the other hand, the OPEC countries' decision to increase crude production by a little as 700 000 barrels per day, which aimed to stabilise the prices around \$25 per barrel, has failed to produce the desired effect and prices have kept rising. The Russian oil companies continue to benefit from this situation and such blue chips as Lukoil, Surgutneftegas and Tatneft performed better than the market, losing in June only 7.4%, 9% and 4.3% respectively.

RTS index (end of month) and monthly trade volume (\$ mn)



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	102,1
02	551,6	97,5	91,0	92,9	23,7	97,2
03			95,9	97,4	26,1	97,0
04			97,7	98,8	25,5	98,1
05	625,9	97,1	97,0	97,6	26,6	95,4
06			98,3	98,8	31,8	93,2
07			101,2	101,6	32,9	94,3
08	693,7	93,3	111,0	107,4	35,4	96,9
09			136,8	95,6	38,8	88,7
10			125,0	83,6	36,6	88,5
11	825,2	93,3	130,2	82,4	40,5	88,0
12			159,5	90,5	62,4	80,2
01.1999			146,1	76,5	28,0	95,0
02	836,5	94,9	147,9	74,3	31,3	92,0
03			162,1	79,3	35,9	93,0
04			164,6	78,1	36,3	93,7
05	1 041,7	98,2	166,6	77,3	40,0	93,9
06			171,9	78,3	50,7	94,6
07			177,8	78,8	55,3	97,1
08	1 275,8	99,5	190,7	83,5	60,8	99,6
09			195,0	84,2	66,5	100,5
10			202,4	86,2	63,4	102,1
11	1 391,4	100,1	206,3	86,8	70,8	102,9
12			239,9	99,7	120,3	105,4
01.2000			201,3	81,7	45,3	102,5
02	1 389,1	102,8	199,9	80,3	54,7	106,7
03			217,7	86,9	62,3	106,9
04			217,3	86,1	61,1	106,1
05			218,7	85,1	69,1	110,0
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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	846	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	578	820	240
02	96,5	97,1	292	576	816	236
03	99,2	98,0	293	583	863	241
04	99,1	99,0	294	578	820	244
05	101,7	101,4	296	608	861	247
06	103,7	103,6	296	611	851	254
07	105,2	106,1	295	613	853	253
08	106,6	105,7	296	618	864	252
09	107,2	107,2	297	603	868	267
10	102,0	105,3	295	581	844	253
11	105,7	104,8	295	574	854	250
12	105,6	105,7	297	570	839	251
01.2000	107,8	106,0	300	574	859	252
02	109,8	106,2	312	586	870	258
03	108,7	107,4	304	562	869	250
04	104,5	107,8	306	561	827	253
05	112,4	108,7	310	582	900	269
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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	3 344	945
01.1998	92,4	100,5	100,8	22,9	3 239	865
02	91,6	100,0	99,8	22,6	3 225	848
03	91,2	100,2	99,4	40,6	3 198	848
04	89,8	99,8	98,6	27,7	3 173	844
05	87,8	99,6	98,7	34,2	3 117	832
06	87,0	99,5	97,9	31,7	3 182	827
07	82,3	99,4	96,8	29,2	3 173	819
08	82,5	98,6	94,4	32,4	3 168	818
09	81,9	99,0	90,1	30,8	3 056	792
10	82,7	98,4	89,5	30,4	3 199	839
11	84,0	97,4	89,8	33,1	3 164	823
12	88,5	96,7	84,2	32,9	3 141	852
01.1999	89,6	96,6	96,9	31,1	3 227	878
02	88,9	96,1	96,1	31,5	3 231	889
03	88,6	95,8	96,7	31,4	3 280	894
04	89,1	93,9	96,2	33,0	3 300	913
05	88,2	94,5	97,1	30,1	3 397	939
06	87,2	94,5	97,2	31,0	3 363	943
07	87,7	93,8	97,6	32,0	3 373	960
08	86,3	93,8	103,2	32,8	3 431	965
09	87,4	95,6	105,8	35,0	3 378	972
10	94,1	96,6	107,4	31,3	3 379	973
11	89,2	97,0	107,6	33,0	3 358	992
12	90,2	96,9	107,9	31,7	3 415	1 020
01.2000	89,5	97,4	105,2	45,6	3 436	1 013
02	90,6	99,7	105,1	38,0	3 654	1 088
03	90,0	98,4	105,8	26,3	3 399	1 037
04	90,1	95,9	108,8	41,9	3 407	1 031
05	89,2	97,4	112,4	38,1	3 482	1 044
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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	86,5	75,5	101,0	21,4	89,0
02	175,6	90,7	69,6	95,8	22,1	89,0
03	186,5	95,1	72,4	99,1	23,9	91,3
04	179,2	98,9	72,8	99,3	24,3	91,1
05	167,5	99,3	72,4	98,5	24,9	92,5
06	172,8	89,5	71,7	97,4	26,9	95,1
07	174,8	89,9	73,3	99,7	28,0	96,5
08	169,5	87,4	82,9	106,4	28,5	97,3
09	194,3	88,6	108,5	103,0	28,8	96,2
10	214,8	89,9	105,8	95,4	28,6	96,5
11	230,8	90,0	112,2	95,9	29,3	100,6
12	274,5	89,2	139,1	108,2	31,9	106,5
01.1999	223,4	76,3	120,5	82,9	27,5	88,5
02	236,2	81,4	121,9	83,3	28,3	86,0
03	288,6	91,9	133,2	88,4	31,4	91,2
04	291,7	95,8	134,4	86,3	32,1	91,2
05	292,6	98,8	137,5	86,2	31,0	94,9
06	313,1	90,6	141,1	86,9	34,6	100,8
07	332,4	94,3	144,5	86,9	35,7	106,4
08	348,7	96,8	155,8	92,3	37,3	99,3
09	377,4	105,4	160,1	93,1	37,9	98,2
10	390,4	100,9	165,9	95,1	39,6	102,6
11	406,9	99,6	169,0	95,6	41,4	103,6
12	475,1	101,4	198,2	111,8	44,2	105,7
01.2000	371,9	84,4	167,1	88,1	37,1	95,5
02	403,9	91,2	165,4	89,6	37,6	90,9
03	445,1	96,8	177,1	95,3	44,1	99,1
04	414,5	98,3	175,4	93,5	45,8	96,4
05	418,5	97,5	177,0	92,8	45,1	98,6
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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	2 039	74,3
05	65,1	11,5	1,5	0	2 080	72,7
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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	989,3	33,5
04	1 947,3	82,4	83,5	613,2		
05	1 881,4	78,3	83,5	693,8		
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*Old definition. Since January 2000 new quarterly estimate is equal to 1138 R.

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	1598,9	728,4	634,8	38,7	937,5	6,4
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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	223,9	235,8
06	275,7	289,6	301,6	182,6		
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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
04	8,2	2,4	1,2	3,5	3,1	4,7
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* Includes Goskomstat estimate of unregistered trade.

Table 10: Balance of payments (\$ mn)

	1997	1998	1999	1999 Q1	1999 Q2	1999 Q3	1999 Q4	2000 Q1
Current Account	2545	1040	24961	4490	4313	5634	10523	11200
<i>Trade balance</i>	<i>11611</i>	<i>13250</i>	<i>32058</i>	<i>5636</i>	<i>6083</i>	<i>8376</i>	<i>11963</i>	<i>12072</i>
Export	103088	87255	84346	17325	19270	21398	26354	25127
Import	-91476	-74005	-52288	-11688	-13187	-13022	-14391	-13055
<i>Merchandise trade balance</i>	<i>17361</i>	<i>17101</i>	<i>35847</i>	<i>6482</i>	<i>6939</i>	<i>9352</i>	<i>13074</i>	<i>13606</i>
Export	89008	74884	75306	15550	16998	18803	23955	23302
Import	-71647	-57783	-39459	-9069	-10059	-9451	-10881	-9696
<i>Service balance</i>	<i>-5750</i>	<i>-3851</i>	<i>-3789</i>	<i>-845</i>	<i>-856</i>	<i>-977</i>	<i>-1111</i>	<i>-1534</i>
Export	14080	12371	9040	1774	2272	2595	2399	1824
Import	-19829	-16222	-12829	-2620	-3127	-3572	-3510	-3359
<i>Income and Wages</i>	<i>-8706</i>	<i>-11801</i>	<i>-7631</i>	<i>-1098</i>	<i>-1846</i>	<i>-2948</i>	<i>-1739</i>	<i>-914</i>
Received	4366	4301	3841	2268	713	415	445	2493
Paid	-13073	-16102	-11472	-3366	-2559	-3363	-2184	-3406
Wages	-342	-164	221	57	59	49	56	63
Received	227	301	425	102	111	111	102	103
Paid	-568	-465	-204	-45	-53	-62	-45	-40
Income	-8365	-11637	-7852	-1155	-1905	-2997	-1795	-976
Received	4140	4000	3416	2167	601	304	344	2390
Paid	-12504	-15637	-11267	-3322	-2506	-3301	-2139	-3366
<i>Current Transfers</i>	<i>-360</i>	<i>-409</i>	<i>534</i>	<i>-48</i>	<i>76</i>	<i>206</i>	<i>300</i>	<i>42</i>
Received	410	269	1027	52	220	330	425	164
Paid	-770	-678	-493	-100	-143	-124	-125	-122
Capital Account	5480	8193	-17403	-3975	-3005	-4784	-5640	-8894
<i>Capital transfers (net)</i>	<i>-797</i>	<i>-382</i>	<i>-328</i>	<i>-30</i>	<i>-95</i>	<i>-81</i>	<i>-122</i>	<i>4</i>
<i>Direct investments abroad</i>	<i>-2603</i>	<i>-1027</i>	<i>-2145</i>	<i>-415</i>	<i>-563</i>	<i>-597</i>	<i>-570</i>	<i>-380</i>
<i>Direct investments into Russia</i>	<i>6639</i>	<i>2761</i>	<i>3309</i>	<i>642</i>	<i>751</i>	<i>659</i>	<i>1257</i>	<i>569</i>
<i>Portfolio investments abroad</i>	<i>-156</i>	<i>-257</i>	<i>254</i>	<i>-23</i>	<i>-202</i>	<i>306</i>	<i>172</i>	<i>37</i>
<i>Portfolio investments into Russia</i>	<i>45963</i>	<i>8876</i>	<i>-868</i>	<i>89</i>	<i>-419</i>	<i>-436</i>	<i>-102</i>	<i>103</i>
<i>Other investment - assets</i>	<i>-26608</i>	<i>-16003</i>	<i>-15124</i>	<i>-6306</i>	<i>-367</i>	<i>-5399</i>	<i>-3052</i>	<i>-5792</i>
Hard currency	-13444	900	848	203	1017	-458	86	-16
Bank accounts and deposits	988	1200	-3889	-1095	-1535	-473	-786	-1648
Trade credits	-6785	-6818	-5773	-2032	788	-3077	-1453	-428
Loans provided (not overdue)	7004	5345	4857	1800	2187	139	731	1622
Overdue payments	-3048	-7425	-5765	-4065	-1304	-226	-170	-3799
Non-repatriated export revenue	-11458	-8879	-5384	-1173	-1402	-1254	-1554	-1611
Other assets	135	-327	-19	54	-117	-50	95	88
<i>Other investment - liabilities</i>	<i>-15002</i>	<i>8971</i>	<i>-548</i>	<i>995</i>	<i>-392</i>	<i>-313</i>	<i>-838</i>	<i>-425</i>
National currency	-38	65	0	-2	-2	-7	11	23
Bank accounts and deposits	-4694	-3050	162	-258	644	-378	153	148
Trade credits and advances	-64	321	5	104	77	48	-224	0
Loans received (not overdue)	13622	7003	-2670	-1319	-2144	2263	-1470	-978
Overdue payments	-24339	5296	2168	2437	1208	-2213	737	326
Other liabilities	511	-666	-212	33	-174	-25	-46	56
<i>Adjustments</i>	<i>-20</i>	<i>-50</i>	<i>-176</i>	<i>104</i>	<i>-107</i>	<i>-14</i>	<i>-158</i>	<i>92</i>
<i>Net international reserves</i>	<i>-1936</i>	<i>5305</i>	<i>-1778</i>	<i>969</i>	<i>-1611</i>	<i>1091</i>	<i>-2227</i>	<i>-3102</i>
Errors and omissions	-8025	-9234	-7558	-515	-1308	-851	-4883	-2306

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	40,1	-42,3	-3,0
04	314,0	277,1	249,1	52,7	-64,9	
05	415,5	365,2	324,5	70,9	-91,0	
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* 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	154,6	26,0	-6,0	-0,44
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	361,4	5,8	204,3	289,3	831,6	n.a.
06	393,8					
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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	1771,2	467,0	591,0	243,3	341,0	227,0
05				251,6		
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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	25,3	7,3	7,6		153,8
06	33					147,3
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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 (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	68,3	17,1	3,7
05	149,0	28,304	28,250	69,2	19,6	3,7
06	135,8	29,304	28,080	70,2	21,0	0,0
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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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