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# **RUSSIAN ECONOMIC TRENDS**

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*in cooperation with*

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# INTEGRATION OF RUSSIA INTO A COMMON EUROPEAN ECONOMY - TOWARDS EU-TYPE INSTITUTIONS AND APPLYING THE EXPERIENCE OF CEECS

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## **Introduction**

On October 30, in an interview with the French and Russian media on the eve of his visit to France in the framework of the EU-Russia summit, President Vladimir Putin announced that Russia would work to promote integration with the European Union. 'Russia will work in the direction of unification of legislation, harmonisation of legislation with the European Union and will expand collaboration in every direction'. In addition, Putin underlined that Russia welcomes the enlargement of the European Union.<sup>1</sup>

At present, EU-Russia relations are based on three institutions: the Agreement on Partnership and Cooperation (PCA), the Tacis Programme and the EU's Common Strategy on Russia. The PCA, which was signed between the European Union and the Russian Federation in Corfu on June 24, 1994,<sup>2</sup> sets out the general principles and provisions governing relations between the parties. The PCA came into force, on December 1, 1997. The Agreement provides the framework and institutions for a regular political dialogue between the European Union and Russia. It determines the course of the relationship on political, economic as well as commercial and cultural matters. From Russia's point of view, the PCA reflects a choice in favour of integration into a wider European economic space. After all, the EU is by far Russia's largest trading partner, accounting for over one-third of Russia's trade. From the point of view of the EU, the Agreement signals the importance which the European Union attaches to its relations with Russia. Political and economic stability in Russia is crucial for the EU. The PCA also confirms continued EU support for Russia's democratic and market-oriented development.

Since 1991 the EU's Tacis Programme of technical assistance to the Commonwealth of Independent States and Mongolia has provided support to Russia for its economic

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<sup>1</sup> *Prime-TASS News Wire, October 30.2000.*

<sup>2</sup> *'Agreement on Partnership and Cooperation', signed in Corfu on June 24, 1994, by the European Union and the Russian Federation.*

and democratic reform process.<sup>3</sup> In the period from 1991 to 1999 Tacis committed EUR 4,226 mn to launch over 3000 projects in the CIS.<sup>4</sup> Of this amount, EUR 2,048 mn was allocated to Russia. At the beginning of this year a new Tacis regulation was adopted, covering the years 2000-2007. The new Tacis budget amounts to EUR 3,138 mn. With respect to Russia, technical assistance will be increasingly directed towards supporting implementation of the PCA. The PCA offers the prospect of a free-trade area, provided that reforms in Russia are sufficiently advanced.

The Common Strategy of the European Union on Russia was adopted on June 4, 1999, for the period of 1999-2003.<sup>5</sup> With the aim of promoting integration of Russia into a common European economic and social space, the Strategy calls for action in a number of important fields. First, effort is needed by Russia to undertake a comprehensive and sustainable economic programme, under the guidance of the IMF. In addition, attraction of domestic and foreign investment in Russia requires further strengthening of the rule of law, including establishment of a fair and transparent legislative and regulatory framework. The Common Strategy also envisages EU support for Russia's efforts to join the WTO and to meet the associated requirements. Related to this, the EU is encouraging Russia to remove existing obstacles to trade and also examining Russian concerns about access to the EU market. Finally, the Strategy calls for progressive harmonisation of legislation and standards, in accordance with the PCA and with the aim of facilitating creation of a common economic area. This particularly concerns customs, standards and certification, competition policy and the environment. With respect to instruments, the Common Strategy combines the means provided by the PCA and the Tacis Programme.

In this paper, we focus on harmonisation of legislation and standards. Since Russia acknowledges the importance of the EU's eastern enlargement on one hand, and its own integration into EU institutions on the other, the 'acquis communautaire' and the experience of the Central and Eastern European countries (CEECs) in developing EU-type institutions form the basis of the study. The discussion concentrates purely on economic matters, treating the 'acquis communautaire' as a tool for the development of integration. The discussion is mainly based on the EU law, the 1993 Copenhagen criteria, the Maastricht criteria, the EU Commission Opinions and its regular reports on progress towards EU accession.

It should be noted that while this study concentrates on accession preparations of CEECs, without presenting a detailed description of the situation in Russia, many reforms and challenges are similar to those taking place and being processed in today's Russia.

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<sup>3</sup> *The European Commission, External Relations. The EU's relations with Russia – an overview.* 3.10.2000. [www.europa.eu.int/comm/external\\_relations/russia/intro](http://www.europa.eu.int/comm/external_relations/russia/intro).

<sup>4</sup> *The Delegation of the European Commission in Moscow:* <http://www.eur.ru>.

<sup>5</sup> *The European Commission, External Relations. The EU's relations with Russia – an overview.* [www.europa.eu.int/comm/external\\_relations/russia/intro](http://www.europa.eu.int/comm/external_relations/russia/intro).

*Official Journal L/157, 24 June 1999.*

## Part I Acquis Communautaire

The 'acquis communautaire' refers to the European Community's legislation; and the rights and obligations deriving from EU treaties and laws in all areas of the Union's activity.<sup>6</sup> The 1994 Essen Summit resulted in a strategy for the associated countries.<sup>7</sup> The main part of the strategy consisted of steps to prepare the associated countries to enter the EU's internal market. Three areas were essentially important: **competition policy, control of state aid and the 'acquis communautaire' in the internal market area**. With respect to the 'acquis communautaire', a White Paper on harmonisation of laws was prepared in 1995. It should be noted that the White Paper is not part of negotiations for accession. Instead, it concentrates on those Community measures which create and maintain the internal market.

Reforms currently taking place in Central and Eastern Europe are shaping the institutions, which form the basis of a market economy. This includes reform of the system of legal and commercial rules, such as the commercial code, property law, bankruptcy legislation, contract law or consumer law. In addition, reforms cover institutions like enterprises, markets and regulatory bodies. Moreover, in order to succeed in economic reforms and accession strategy, sound macro-economic policies are essential. Against this background, the rest of the present paper concentrates on the following three areas:

- 1) The existence of a functioning market economy and the capacity to cope with competitive pressure and market forces;
- 2) Structural reforms;
- 3) A macroeconomic policy mix: monetary and fiscal policies oriented towards growth and stability.

## Part II Deregulation and the capacity to cope with competitive pressure and market forces

The fundamental features of a market economy should ensure that markets are contested fairly and freely in such a way that resources are allocated efficiently. This requires that government should provide a regulatory framework, within which market mechanisms operate, including the policing of this framework. However, government should refrain from interfering with market mechanisms once they have been established. The maintenance of a system of free and undistorted competition is one of the main principles of the European Union. **Experience within the EU suggests that liberalisation of markets leads to greater competition. Increased competition results in lower prices and better services. But free competition does not mean competition without rules.** Liberalisation is not pure 'deregulation', but rather the substitution of national monopolies by a new form of regulation, where competition works in favour of the public interest.

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<sup>6</sup> European Commission, *Enlargement; Questions and Answers*, Brussels, 30 July 1996.

<sup>7</sup> Mayhew Alan, *'Recreating Europe, The European Union's Policy towards Central and Eastern Europe'*. Cambridge University Press. 1998.

## **EU Competition Rules<sup>8</sup>**

The introduction of a competition policy is one of the most important challenges, which the Central and Eastern European countries face in their transition to market economies. EU harmonisation relates to anti-trust, merger control, state monopolies and public undertakings, as well as state aid.

Within the EU6 competition policy aims at preventing direct or indirect fixing of purchase or selling prices or any other trade conditions, and at eliminating control or limitation of production, markets, and technical development. The competition policy rules also forbid controls on investment, and discrimination between trading parties by application of different conditions to similar transactions. Abuse of a dominant market position is also forbidden, as is the granting of any state aid, which could distort or threaten to distort competition.

There are a few exceptions to the above-mentioned rules. In particular, EU rules do allow certain types of state aid, which include:

- aid having a social character, granted to individual consumers;
- aid to agriculture & fishing;
- aid to rectify damage caused by natural disasters or exceptional occurrences;
- aid to promote economic development in areas where the standard of living is abnormally low or where there is serious underemployment;
- aid to promote execution of projects or correction of disturbances, which have major significance for the economy;
- aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions;
- aid to promote culture and heritage conservation;
- all in all, competition rules allow aid for new investment and expansion, i.e. for temporary support and for achievement of various horizontal objectives, such as development of the small-and-medium-size enterprise sector, R&D, and environmental protection.

## **Policy Requirements<sup>9</sup>**

Similar to Russia, new firms in most Central and Eastern European countries tend to be very small and concentrated in certain sectors, notably in services. In many industrial sectors, the degree of concentration is still very high and entry is difficult because of the dominant position held by former state monopolies. A number of measures have been suggested to help remedy this situation.

First, any direct or indirect benefits or favours which existing monopolies receive from the state should be abolished. This refers especially to grants, soft loans, state guarantees, tax relief, debt write-offs, the sale of public land below market price, and preferential tariffs.

Second, efforts should focus on limiting state aid. If not circumscribed, state aid may be used to replace the barriers to trade that have already been dismantled. The limitations on state aid should be expanded to sectors where competition was or still is

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<sup>8</sup> *European Commission/Competition: [www.europa.eu.int/comm](http://www.europa.eu.int/comm).*

<sup>9</sup> *See: Regular Reports from the Commission on Progress towards Accession – October 13, 1999: [www.europa.eu.int/comm/enlargement](http://www.europa.eu.int/comm/enlargement).*

restricted (energy, telecommunications, postal service, and transport) and the use of aid as an instrument to combat unemployment should be avoided. Use of government aid to combat unemployment tends only to shift the problem to another firm, another sector, another area, or another country. Creation of an inventory of state aid is also recommended. This inventory should encompass existing state aid granted by all authorities, and not only aid granted through the state budget. This particularly refers to aid granted by local and regional authorities, and aid granted through privatisation funds, environment funds, or other funds or other bodies controlled by the state. The aid inventory must include both direct and indirect aid measures and it should be updated on a continuous basis. Finally, an authority to monitor state aid should be established.

Third, there is a need to increase the transparency of the overall allocation of aid. As an example, transparency can be improved by each side reporting annually to the other party on the total amount and distribution of aid given and by providing, upon request, information on aid schemes. Transparency is also increased if the aid is given for restructuring purposes, is linked to a restructuring programme, leads to the viability of firms under normal market conditions, and is limited to what is absolutely necessary to ensure viability.

A fourth set of measures aims at abolishing, or at least limiting, barriers to market entry. This concerns access to credit facilities and access to scarce resources, such as land and distribution networks. However, exceptions are allowed and transition periods are sometimes tolerated for financial services, organisations involved in the privatisation of state-owned assets, primary agriculture, forestry, fishing, sale of long-term property lease, land and natural resources, and legal services.

Another part of CEECs' integration strategy includes the establishment of a competition authority. The competition authority needs to be independent from political interference, i.e. it has to have powers to enforce the law; and to be able to enforce decisions against enterprises, both private and public. The competition authority's independence should apply particularly to investigations concerning the abuse of dominant position, restrictive agreements, mergers, unfair competition and misleading advertising. It should also enforce the competition law and apply the law to all economic operators. In addition, it should have the power to break up firms and participate in the drafting of changes to competition law.

Further policy instructions concern the establishment of an anti-monopoly agency, which should be set up separately from the Ministry of Finance. Based on CEEC experience, it is suggested that the anti-monopoly agency should also be given quite extensive powers.

One of the tasks facing the CEECs is improvement in protection of intellectual property rights. Protection of intellectual, industrial and commercial property rights has proved difficult to achieve worldwide, and not only in the EU or the CEECs. Nevertheless, the associated countries wishing to join the EU have been required to subscribe to key international agreements on protection of property rights within a limited period of time. Actions in the field of intellectual property rights have included amendments to copyright law, broadening the definition of violations, and increasing the level of fines. Laws have also been changed to provide full

implementation of the EU's rental directive, protection directive and software directive. Law-enforcement agencies have been encouraged to step up the fight against piracy. Related to this, penal codes have been amended, and judicial procedures and border controls have been improved. As regards industrial property rights, further amendments have been required both in the field of patents and trade mark law. The need to improve enforcement of intellectual property rights has been emphasised.

National rules on public procurement should be applied equally to competitors from EU or associated countries. However, transition periods are applied. Also, some of the Central and Eastern European countries are allowed to use different procedures for companies and subsidiaries on one hand, and branches and agencies on the other.

Finally, preparations for EU membership involve a shift towards more competitive management systems.

### **Trade Integration**

One way to strengthen a country's ability to cope with competitive pressure is to increase the degree of cross-border industrial integration, and intra-industry trade. Policy measures consist both of liberalisation of trade in products and services, and of encouragement to more direct investment in exportables.

### **Part III Structural reforms<sup>10</sup>**

Within the EU area, structural policies aim at promoting welfare and productivity and raising employment levels. In particular, efforts focus on the improvement of product, service and capital markets, as well as on reducing high levels of unemployment. With respect to product, service and capital markets, reforms are needed to **complete the Single Market, enhance competition, and reduce transaction costs** of implementing and monitoring the regulatory framework. Regarding labour markets, priorities include active labour market policies, taxes and social security contributions, welfare reform and working time arrangements.

For current EU members structural reforms relate mainly to improvement of market functioning. However, the Central and Eastern European countries are in the process of building the market economy, and requirements regarding structural reforms are different.

With regard to *privatisation*, one of the most important current tasks in CEECs is improvement of government commitment to the privatisation of large enterprises. Connected to this, the privatisation process is being speeded up and the number of companies offered for sale is being increased. Laws on privatisation should be aimed at limiting preferential treatment and employee buyouts, while allowing the reduction or writing off of some company debts. In addition to the speeding-up of large-scale privatisation, the privatisation of land and dwellings should be advanced. It should be noted that privatisation schemes and their progress has varied substantially between countries and description of the challenges must therefore be very general.

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<sup>10</sup> See: *Regular Reports from the Commission on Progress towards Accession – October 13, 1999*: [www.europa.eu.int/comm/enlargement](http://www.europa.eu.int/comm/enlargement).

The legal framework for *bankruptcy and insolvency* is one of the prerequisites of a functioning market economy. In Central and Eastern European countries, only a minority of bankruptcy and liquidation procedures have concerned state-owned enterprises. This suggests a possible bias in the courts against private creditors. Bankruptcy and liquidation cases need to be more effectively applied against state-owned enterprises.

Reform requirements related to *tax systems* include measures to tighten tax administration, and changes and simplifications in tax legislation. Computerisation and use of modern information and data management systems are also priorities. Other efforts have focused on improving monitoring of taxpayers by introducing unique identification numbers for all businesses. With respect to specific taxes, reform has often included the lowering of income and corporate tax rates, combined with elimination of most remaining exemptions.

In the *banking sector* the most crucial structural reforms for CEECs concern improvement of banking supervision and adoption of laws on the supervision of credit institutions. Banking sector reform has also been helped by more effective enforcement of bankruptcy law, faster suspension of operations and revoking of licenses as well as the adoption of rehabilitation programmes involving foreign banks. To improve the supervision of banks and credit institutions in general, some countries have established administrative bodies, which are responsible for receiving, collecting, and analysing reports and other information by credit and financial institutions. This has helped to detect insolvency or illegal activities. Other restructuring measures have included adoption of deposit guarantees, for example in the form of a self-financing deposit insurance system. In some cases, banking sector reforms have required strengthened prudential standards, based on increases in minimum capital adequacy ratios and/or reduction of banks' open foreign exchange positions. Problems still to be overcome relate to high operating costs and low profitability. High spreads between lending and deposit rates in the banking sector continue to reflect the cautious approach of banks to lending and the absence of keen competition between them. Related to this, banks should build up expertise in assessing credit risk, and be in a position to enforce loan collection when necessary.

The main tasks related to *stock markets* concern creation of an appropriate regulatory framework and adequate supervision. In practice, this has meant the establishment of securities market commissions in the countries. Improving protection of minority shareholders remains a priority task.

With regard to *enterprises*, current priority tasks include limiting the losses of state-owned enterprises and promoting their restructuring. One way to tackle this issue has been to isolate the major loss-makers from the banking system, thus limiting such firms' access to loan financing. Also, in order to strengthen financial discipline in state-owned enterprises the wage bills of state-owned loss makers have been frozen. At the same time, efforts have concentrated on promoting establishment and working conditions for small-and-medium-size enterprises.

## **Part IV Creating a monetary and fiscal policy mix for growth and stability<sup>11</sup>**

Economic and Monetary Union embodies a set of institutional and legal provisions that pertain, in principle, to all EU member states no matter whether they are members of the euro zone or not. These rules relate, inter alia, to central bank independence, the maintenance of price stability as the primary statutory objective of central-bank policy and the prohibition of budgetary financing by central banks. In assessing the readiness of a country to participate in European Monetary Union (EMU), the Maastricht Treaty established convergence criteria for inflation, public finances, interest rates, and exchange rates. It should be noted that the Maastricht convergence criteria are not accession criteria. Rather, they are indicators of a country's ability to operate macroeconomic policies, which allow the smooth functioning of monetary union, with low inflation and the avoidance of spill-overs that might weaken the credibility of monetary policy. A macroeconomic policy mix aimed at growth and stability contains three main principles: 1) monetary policy aimed at price stability, 2) budgetary positions consistent with the Stability and Growth Pact, and 3) nominal wage trends consistent with the price stability objective.

### **Price stability**

Price stability is a key to sustainable longer-term economic growth. In the euro-area, the primary objective of monetary policy is to maintain inflation in the range of 0-2% a year. In addition, participating countries should avoid significant inflation differentials.

In the euro zone, it is acknowledged that adoption of inflation targeting must make allowance for lags between policy action and inflation outcome. Consequently, a variety of medium-term indicators play a significant role. Within the euro zone, these include price and wage movements, economic activity, the euro exchange rate and developments in asset markets generally.

With respect to the exchange rate, the currency of an EMU entrant should have been stable within the narrow band of the European Monetary System EMS,<sup>12</sup> without realignments or severe tensions, for at least two years. Since the launch of the EMU in 1999, the formal exchange rate arrangement agreed within the EU has been 'ERM2'. According to this system, EU countries outside the euro-area that wish to join in the new exchange rate mechanism should keep the central rates of their currencies (expressed in euros) within a fluctuation band of plus/minus 15%. Central rates exceeding the band limits suggest that a country is experiencing inflation rates higher than the target value in the euro zone.

As regards interest rate criteria, nominal long-term interest rates in the previous year (before joining EMU) should not exceed the average of the three member states with the lowest rates by more than 2%.

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<sup>11</sup> See: *Economic Policy Coordination. The Broad Economic Guidelines, July 1998*: [www.ue.eu.int/emu/broad/main.htm](http://www.ue.eu.int/emu/broad/main.htm).

*Community Legislation in force: Document 398X0454.98/454/EC: Council Recommendation of 6 July 1998 on the broad guidelines of the economic policies of the Member States and of the Community.*: [www.europa.eu.int/eur-lex](http://www.europa.eu.int/eur-lex).

<sup>12</sup> See more, for example: Hitiris Theo, 'European Union Economics', 4th Edition. Prentice Hall Europe. 1998.

### **Sound Public Finances**

With respect to creating sound public finances, the Maastricht convergence criteria included two general guidelines: the government deficit should not be higher than 3% of GDP and gross government debt to GDP should be no more than 60%. Countries, in which the debt ratio was above 60%, were required to reduce their debt ratio at a steady rate towards 60%.

Euro-zone guidelines for public finances aim to achieve low and stable inflationary expectations. Moreover, sound budgetary policies help to keep long-term interest rates low, thereby promoting investment. Finally, balanced or surplus budgets enable a country to reduce public debt.

Budget deficit reductions in most EU member states have been in the form of spending restraint, rather than tax increases. The emphasis has been on reduction of the overall tax burden, and on tax reform in general.

Macro-economic adjustment to adverse cyclical developments and country-specific shocks in the euro area largely depends on budgetary policy. It is important that automatic stabilisers (taxes, unemployment transfers) can play their role fully.

The main condition on candidate countries wishing to join EMU is compliance with the EMU 'acquis communautaire' that any remaining restrictions on international capital movements should be abolished. In addition, monetary financing of budgetary deficits is prohibited as is privileged access of the public sector to financial institutions. Finally, the EMU 'acquis' calls for strengthened procedures in surveillance of economic policies by EU institutions.

### **Wage development consistent with the price stability objective**

One of the requirements for a functioning monetary union is flexible labour markets, based on comprehensive and sustained efforts to increase incentives to work, to acquire skills, and to create productive jobs. This requires both corrective policies and restructuring measures in the areas of social benefits, tax, minimum wage regulations, and other regulations that impede wage flexibility or discourage the creation of new jobs by limiting employers' ability to dismiss employees.

In order for wage trends to contribute to employment, member states should pursue specific principles when designing policies. First, aggregate nominal wage increases should be consistent with price stability. Excessive nominal wage increases impact upon unit labour costs and inflation, leading to a worsening of competitiveness and employment conditions. If wages are increased faster than warranted by productivity, this will result in a deterioration in competitiveness, trade performance and profitability, leading to unemployment. Second, it is recommended that differences in productivity levels according to qualifications, skills and geographical areas are taken into account when making wage agreements.

# ECONOMIC UPDATE

## Aggregate demand

Real consumer expenditures on goods and services (a proxy for households' consumption expenditures) are increasing more or less steadily this year, at an average rate of 0.4% per month (through January-September). In September real consumer expenditures grew by 0.3% from August in seasonally adjusted terms and according to revised data were only 0.3% lower than the average level of 1997. Year-on-year rate of growth of real consumer expenditures in September was equal to 8.4%.

Real gross fixed capital investment (a proxy for gross capital formation) increased at an average rate of 1.2% per month through January-September. According to preliminary data, in September real gross fixed investment grew by 1.2% from August in seasonally adjusted terms and was almost 18% above the 1997 average. Year-on-year rate of growth of real fixed capital investment in September was equal to 16.9%.

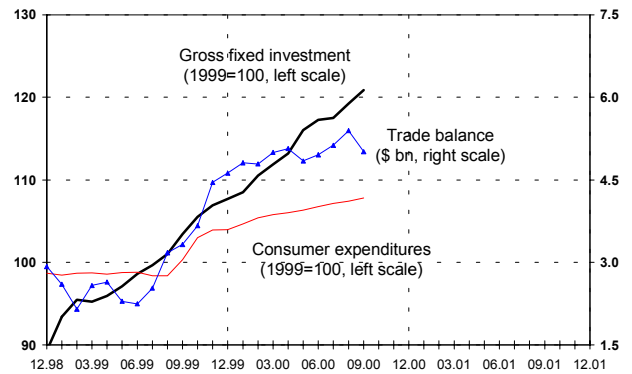
According to preliminary CBR data, net merchandise exports in dollar terms in September 2000 were equal to \$5.0 bn compared to \$5.4 bn in August 2000 and \$3.3 bn in September 1999. In the third quarter of 2000 net merchandise exports in dollar terms were equal to \$15.4 bn compared to \$13.4 bn in Q4 1999.

## Output

In September 2000 industrial production increased by 2% from August in seasonally adjusted terms and was 9% higher than a year ago. In September industrial production exceeded the 1997 average by 17%. The real volume of construction works in September 2000 increased by 1% from August in seasonally adjusted terms and was 10% higher than a year ago. In September the real volume of construction works exceeded the 1997 average by 16%. Agricultural output in September 2000 was 2% higher than a year ago. Agricultural output in the first nine months of 2000 was 4% higher than in January-September 1999.

In September 2000 freight transport turnover remained practically unchanged to August in seasonally adjusted terms and was 3% higher than a year ago. Passenger transport turnover increased by 1.5% to August in seasonally adjusted terms and was 5% higher than a year ago. Real volume of communications services, according to preliminary estimates, which may be substantially revised, increased in September by 4% to August in seasonally adjusted terms and was 16% higher than a year ago.

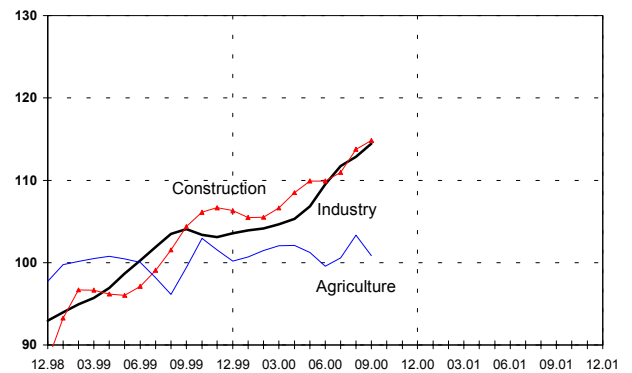
## Components of final demand\*



\* Fixed investment and consumer expenditures are given at constant prices, seasonally adjusted. Average monthly trade balance in 1999 was equal to \$3.0 bn.

Source: Goskomstat, CBR and RET staff estimates.

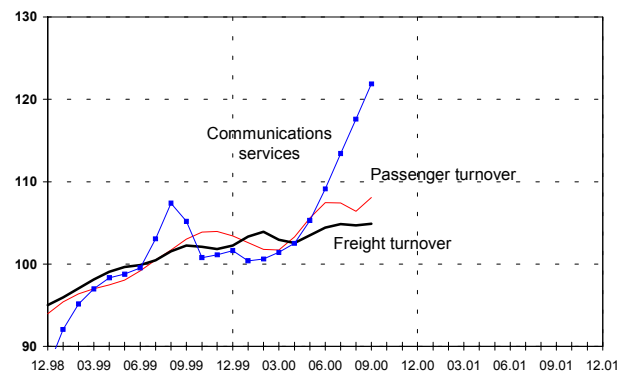
## Real gross output of goods (1999 = 100, seasonally adjusted)\*



\* Seasonal variations of agricultural output cannot be completely eliminated on monthly level.

Source: Goskomstat and RET staff estimates.

## Transport and communications services (1999 = 100, seasonally adjusted)



Source: Goskomstat and RET staff estimates.

## Prices

In October 2000 the total consumer price index grew by 2.1% (1.3% in September). CPI for food increased in October by 2.1% (0.6% in September). CPI for non-food items grew by 1.9% (2.1%), of which consumer gasoline prices grew by 8.6% in a month. CPI for paid services grew in October by 2.4% (2.8% in September). Putting aside some seasonal variations, the annual rate of consumer price inflation has remained stable since February 2000 at the level of about 19% per year (18.5% in September, 19.4% in October). At the same time the 12-month rate of growth of the money aggregate M0 continued to increase and in September it was equal to 64.9% compared to 58.0% in August.

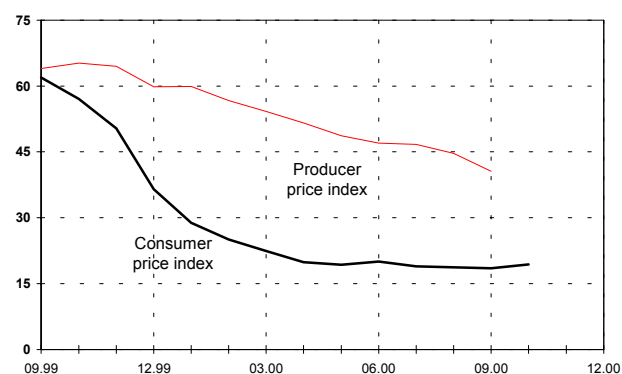
The composite producer price index grew in September by 2.1% (2.4% in August). PPI in industry increased by 1.9% (1.7%) and PPI in construction by 3.9% (1.7%). PPI in agriculture grew by 2.3% (1.2% in August). Tariffs for freight transportation increased by 2.6% (11.3% in August) with pipeline transportation tariffs going up by 6.7%. Tariffs for business communications grew by 0.1% (0.8% in August). On an annual level producer price inflation continued to decline: in September the 12-month rate of growth of PPI was equal to 40.6%, down from 44.7% in August. At the same time the year-on-year rate of growth of money aggregate M2 continues to increase. M2 growth in September 2000 was 66.1% compared with 62.5% in August.

## Labour

The number of officially registered unemployed decreased from 0.99 mn persons in July and August to 0.97 mn in September. The number of payroll employees at large and medium-sized enterprises decreased in August from July by 0.2% to 41.9 mn. As a result the reported unemployment rate in August remained unchanged from July at 2.3%. The vacancy ratio (the number of registered job seekers to the number of vacancies) in June–September remained stable at 1.3 persons per vacancy.

According to preliminary data, real wages, estimated on the basis of the deflator for consumer expenditures, increased in September by 4% from August in seasonally adjusted terms and were 4% lower than the 1997 average. According to official estimates based on CPI changes, real wages in September grew by 6% from August in seasonally adjusted terms and were 14% lower than the 1997 average. Wage arrears in September increased by 1.8% to R39.0 bn. Of this budget wage arrears increased by 2.2% to R6.4 bn. Despite the growth of arrears there was only one strike registered in September.

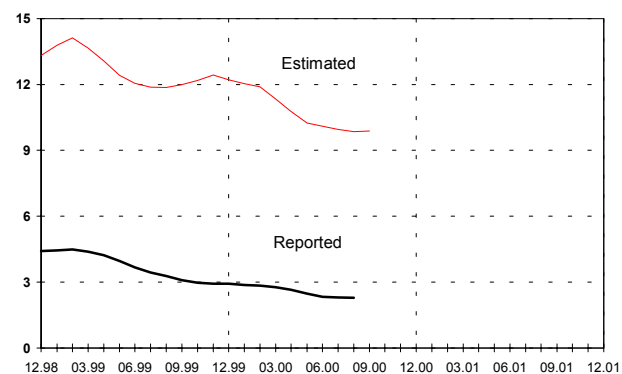
## 12-month rates of growth of price indices, %\*



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

Source: Goskomstat and RET staff estimates.

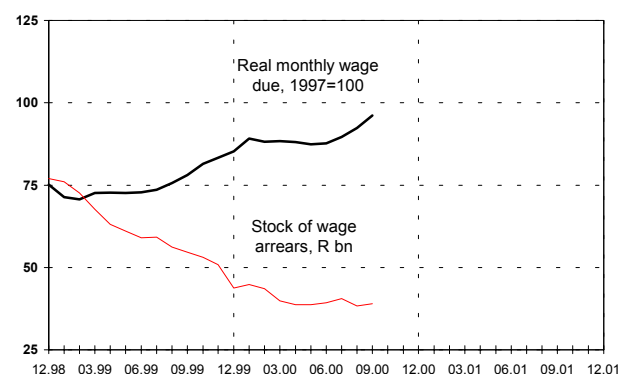
## Unemployment rates, %\*



\* Estimated rate is based on employment data from the balance of labour resources and unemployment from labour surveys data. Reported rate is based on employment reported by large and medium-sized enterprises and unemployment reported by Federal Employment Service.

Source: Goskomstat and RET staff estimates

## Real wages and wage arrears\*



\* Index of real wages is based on price deflator for consumer expenditures, seasonally adjusted.

Source: Goskomstat and RET staff estimates.

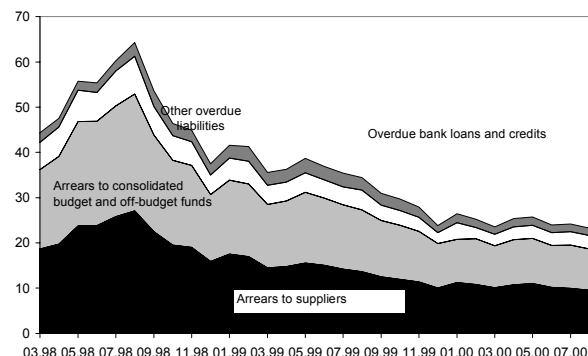
## Enterprise finances

According to Goskomstat data on overdue payables in nine sectors of the economy, in August the real value of the arrears stock decreased by 2.4% compared to July. The most significant change occurred in overdue payables to employees and suppliers, which fell by 7% and 2.5% respectively. Overdue payables to consolidated budget and off-budget funds as well as to banks showed a slight decrease by 1-1.5%. Overdue payables in industry calculated as a percentage of annualised industrial output fell by 0.8% and reached a minimum value since April 1996.

The share of profitable enterprises rose to 60.4% in comparison with 59.3% in July 2000 and 58.7% in August 1999. The share of cash payments received by the largest taxpayers (including UES, Gazprom, Aeroflot and railway organisations) and industrial monopolies was 69.8% in August, which is 3% lower than in July but still higher than in any other period in 1999-2000. As reported by the Russian Economic Barometer survey, the share of barter in sales of industrial enterprises fell from 26% in July to 21% in August 2000.

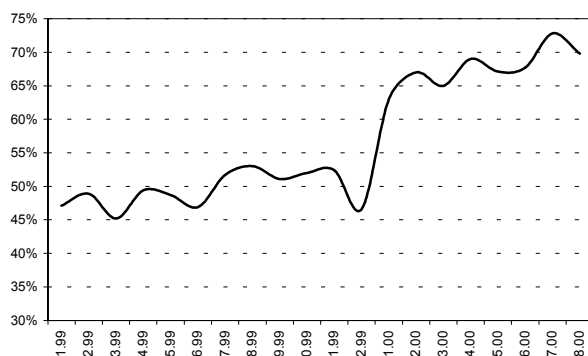
On October 27, a meeting of the board of directors took place at Gazprom, the world's largest producer of natural gas. The major issues on the agenda were softening restrictions on foreign ownership and investigation of presumed asset stripping on the part of Gazprom management. Currently the market for Gazprom shares is regulated by a special presidential decree, which states that foreigners may own no more than 20% of company stock. To ensure compliance with this restriction, the decree envisages a division of the market for company shares into domestic and overseas and prohibits foreign investors from buying shares on the domestic market. The Gazprom board appealed to the government to raise the limit on foreign ownership from current 20% to 40%, but did not ask for a complete lifting of the restrictions. It also decided to tighten control over acquisition and divestitures of subsidiaries and demanded that such deals must be approved by the board. This resolution was taken after a series of scandalous publications involving an offshore company Itera, which has received significant assets from Gazprom virtually for free, and Gazprom pipeline construction company, Stroitransgaz, which was said to be owned primarily by individuals who are either members of Gazprom senior management or their relatives.

## Arrears of industrial enterprises, % of industrial output



Source: Goskomstat.

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



Source: Goskomstat.

## Foreign trade

According to the CBR data, Russia's trade turnover in the period from January to September increased by 33%, compared to the same period last year, and totalled \$106.9 bn. Trade balance amounted to \$44.3 bn, which is about double compared to last year. Cumulative exports amounted to \$75.6 bn, up by about 47% year-on-year. Imports in the first nine months increased by 9%, totalling \$31.3 bn. Exports to non-CIS countries went up by 50%, amounting to \$65 bn. However, in the first nine months cumulative imports from non-CIS economies increased only 2.5%, totalling \$21.8 bn. Russia's exports to CIS countries in the period from January to September totalled \$10.6 bn, which is about 28% more than in the same period last year. Imports from CIS countries increased by 28%, amounting \$9.4 bn.

With respect to monthly developments, Russia's trade turnover in September totalled \$12.4 bn. This is 29% more than a year ago, but 3% less than in August this year. The value of September exports amounted to \$8.7 bn and imports \$3.7 bn. Exports increased by 34% and imports by 17% year-on-year.

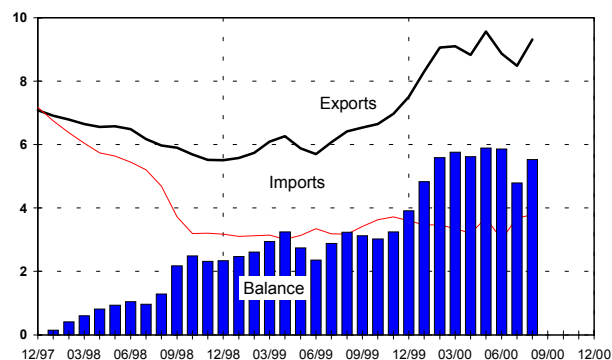
With respect to the structure of foreign trade, data available from the State Customs Committee covers the period from January to August. The share of energy in total registered exports increased from 49% to 63% in the first eight months of this year, compared to the same period in 1999. The value of exported energy amounted to \$41.2 bn, which is roughly double the level in 1999. The biggest component of imports was machinery and equipment (31% compared to 35% a year earlier), which had total value of \$6.5 bn by the end of August.

In order to capture the benefits from high world energy prices, changes in exports tariffs continue. A government resolution raised export duties on oil and petroleum products in November. Oil export duties were raised to 34 euros per tonne from November 3 onwards. The previous increase took place on September 15, to 27 euros per tonne. Export duties on petroleum products will be raised in mid-November. The export tax on light and medium distillates and diesel fuel increases from 25 to 32 euros per tonne. The export tariff on oil fuel will increase from 20 to 27 euros per tonne. On October 19, export duties on copper and aluminium scrap and wastes were raised from 30% to 50%.

## The banking sector

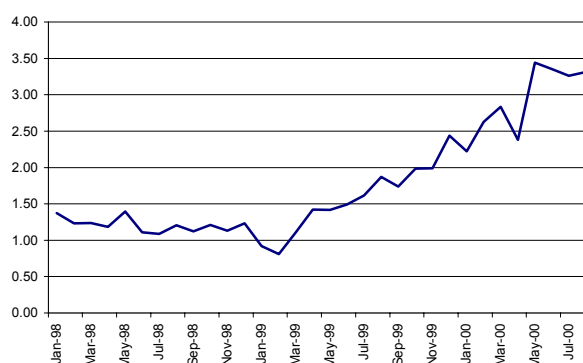
The government has supported the idea of selling the CBR's stake in commercial banks. The CBR now participates in the capital of five foreign-based banks (so called roszagranbanks) and the two largest do-

## Merchandise exports and imports, \$ bn



Source: Goskomstat and RET staff estimates.

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



Source: State Customs Committee.

mestic commercial banks, Sberbank and Vneshtorgbank, which creates a conflict of interests and market distortions. According to the preliminary government plan, to be negotiated with the Duma and the CBR itself, the CBR should sell its stake in the foreign subsidiaries by the end of 2001, in Vneshtorgbank - by the end of 2002 and in Sberbank - by the end of 2004. The task related to CBR's foreign subsidiaries is easiest to fulfill, as the CBR can transfer these banks to Vneshtorgbank. As Vneshtorgbank is almost fully owned by the CBR, the CBR will retain control over the roszagranbanks, and the deal will lead to more nominal rather than real changes. The CBR participation in Vneshtorgbank and Sberbank is a much more complicated issue, and it might take much longer to settle than envisaged under the government schedule.

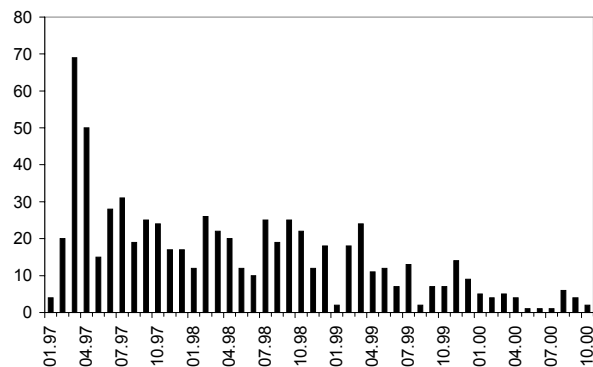
Banks from now on will receive licenses for operations with securities from the Federal Commission on Securities Markets, although previously the CBR was entitled to grant such licences to banks. The government decision that the Federal Commission will deal with licensing all players in the securities markets puts an end to a three-year-long turf war on this issue between the Federal Commission and the CBR. While this decision is quite reasonable in the sense that one market should be regulated by one authority, it will undermine the position of the CBR as a regulator of banks, especially as investment banking develops in Russia.

The Agency for Restructuring of Credit Organisations (ARCO) is looking for opportunities to extend its responsibilities, as ARCO's core activity, i.e. bank restructuring, is slowing down due to lack of financing. The board of directors of ARCO has supported the idea of ARCO's possible evolution into an institution responsible for receivership procedures in banks under liquidation. If ARCO succeeds in implementing this plan, it will help to improve creditor rights protection as receivership procedures will be carried out by an independent institution rather than a representative of one of the creditors.

A plan to reschedule the liabilities of Most-Bank has been announced by the bank's temporary administration. Under the plan the bank's creditors are supposed to receive 10% of which is due to them in cash and the rest in veskels guaranteed by Vneshtorgbank, which recently took over Most-Bank. Small creditors (with claims of up to \$36,000) will have been paid in full by February 1, 2001. Vneshtorgbank will also pay off all individual depositors irrespective of the size of their claims. If creditors, the government being the largest of them, fail to approve the rescheduling plan, the bank will likely be liquidated.

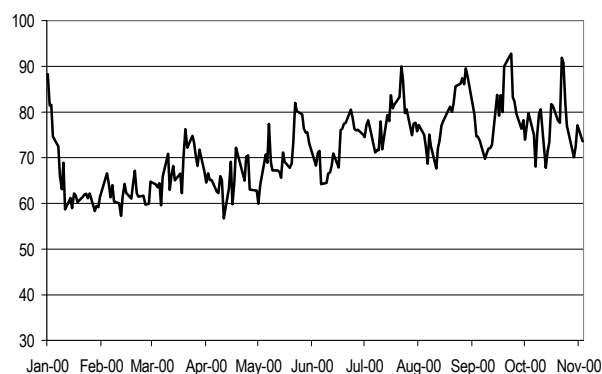
The long and agonising history of Promstroibank has

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



Source: CBR.

**Banks' excess reserves with the CBR, R bn**



Source: CBR.

entered a new stage. CBR withdrew Promstroibank's licence more than a year ago, in July 1999, and the bank was then declared bankrupt. However, after government officials, including the Prime Minister, publicly expressed their support for the bank, the bankruptcy procedure was stopped and the license withdrawal was ruled illegal although there was no doubt that the bank was insolvent. The next development came on November 9, 2000, when an arbitration court supported the CBR's position and stated that the licence withdrawal was legal. Promstoibank should be bankrupted, since its liabilities far exceed its assets, and its rehabilitation will only serve as a bad example of soft budget constraints resulting from state intervention.

### The budget

According to the Ministry of Finance, budget performance so far this year meets the control figures set by the Federal Budget Law 2000. The federal government also continued to accumulate a budgetary surplus in September. During the first nine months of the year, the federal budget surplus reached R107.8 bn, and the primary surplus amounted to R253.9 bn. According to preliminary data for October, the budget surplus has been increased further by R18.1 bn and the primary budget surplus by R25.3 bn.

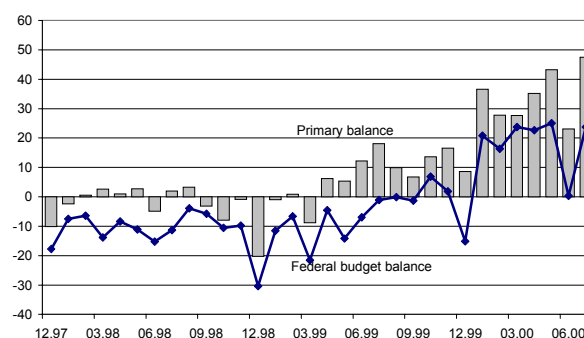
At the end of September, total federal budget revenues so far this year amounted to R782.9 bn (16.4% GDP). This is 98.2% of the annual revenue set by the Budget Law. The preliminary estimate for federal budget revenue in October is R96.8 bn or 121% of planned revenue. Of this amount, revenues controlled by the State Committee for State Property Management are R1.7 bn exceeding the planned figure by 62%, while revenues controlled by the Ministry of Finance and Ministry for the Nuclear Industry were 20% and 72% below the planned level, amounting R0.875 and R0.410 bn respectively. In October, a significant amount of fiscal duties were received from Gazprom and other large companies that had accumulated large overdue taxes.

Federal budget expenditures in 2000 totalled R626.7 bn (13% GDP) by the end of September. This is 73.3% of the annual amount budgeted for this year. The preliminary estimate for federal budget expenditures in October is R78.8 bn, of which R7.233 bn has been spent for debt service and R20.745 for defence.

### The exchange rate

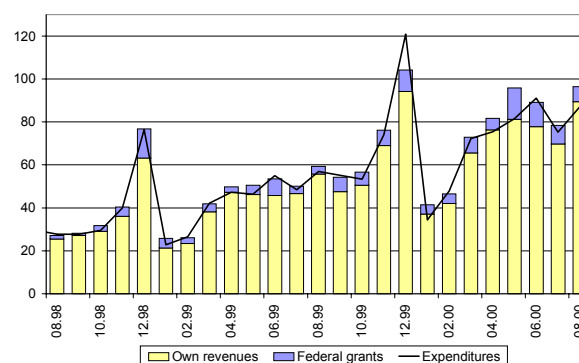
Similarly to the fluctuations reported in September, the rouble fluctuated in a narrow range (R27.76-27.94/\$) around its average monthly value of R27.86/\$ in October. The average weighted exchange rate at MICEX unified trading sessions de-

### Federal budget deficit, R bn



Source: Ministry of Finance.

### Revenues and expenditures of regional and local budgets, R bn



Source: Ministry of Finance.

preciated by 0.24% in nominal terms in October.

Currency market participants do not yet seem ready to pass the psychological threshold of R28 to the dollar, even though the general mood on the market has been quite bullish. Neither would the CBR let this happen. In fact on October 10 the market reached its monthly peak level of R28.01/\$. However, even though traders said that the CBR did not take part in that session, the dollar could not hold the bridgehead and that day closed at the level of R27.94/\$.

Another episode that affected the currency market in October was repayment of an OFZ loan, which took place on October 25. In the absence of any short-term investment instruments, the natural result would be an increase in the rouble supply on the currency market and consequent increase of the pressure on the rouble. Part of the excess liquidity was sterilised by the auction of a new GKO issue held on that same day. The nominal value at offer was R3 bn, and demand amounted to R3.029 bn in nominal terms. The total face value of the GKO's sold at the auction amounted to R2.1 bn. From the reported average weighted price of the issue (97.25% of the face value) we estimate that the total sum invested was R20.5 bn.

Summing up, the repayment did not substantially change the situation on the market. Right after the repayment the dollar gained 1.46% in one day jumping from R27.867/\$ to R27.92/\$. However, on the next day it already started to depreciate.

In October the official CBR rate fluctuated around its average value of R27.865/\$. This resembles an unspoken corridor earlier held by the CBR, which allows the rouble to fluctuate within a given interval and intervenes when the rouble moves out of this target range. At the end of the month the official rate was R27.82/\$, reflecting 0.25% depreciation by the rouble from September.

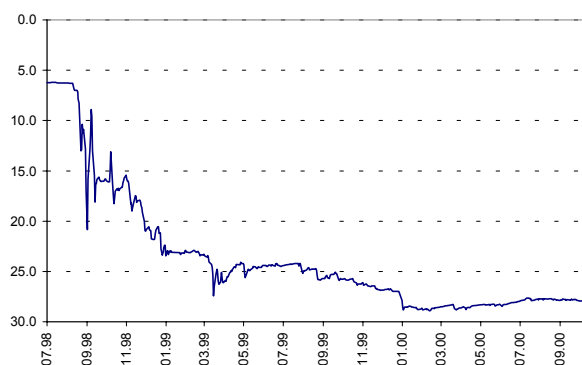
## Money

Over the period from September 25 to October 30 base money rose by R5.5 bn or by 1.2%. According to the latest figure available at the moment of writing, the monetary base had grown by an additional R9.4 bn by November 8, reaching the level of R455.4 bn. The latest figure for the money aggregate M2 is for September. M2 grew by R32.3 bn or 3% in September, totalling R992.4 bn by the end of the month. The rouble deposits component of M2 constituted 64% of M2 and equalled R641.4 bn as of the end of September.

Gross International Reserves continued to grow in October. The new record is \$25.9 bn as of November 3. From September 29 to October 27 GIR rose by \$0.7 bn, with more rapid increase observed in the

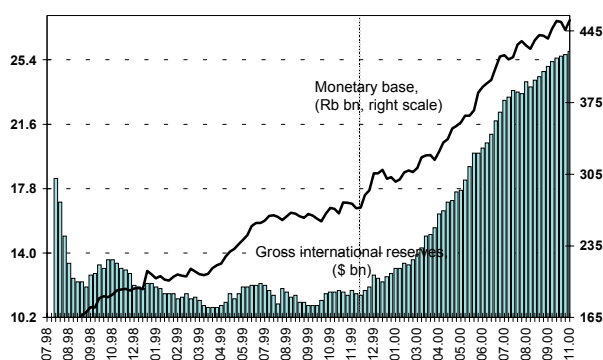
RUSSIAN ECONOMIC TRENDS, November 2000

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



\* MICEX exchange rate.  
Source: Moscow Times.

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



Source: CBR.

first half of the month (\$0.25 bn on average) and the pace slowing down in the second half (the growth of \$0.1 bn in each of the following weeks). In October, Net International Reserves increased by \$0.8 bn (R21.6 bn), whereas Net Domestic Assets dropped by R12.6 bn.

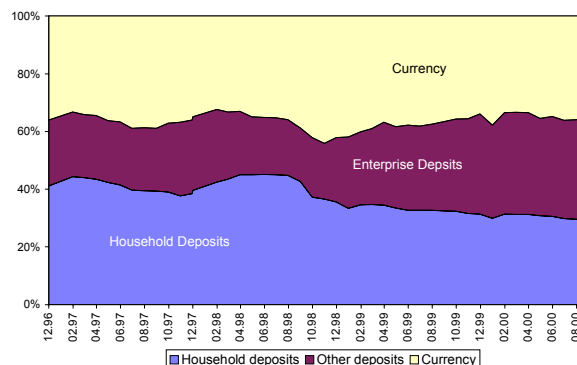
On October 4 the CBR and State Customs Committee approved the joint instructions 'On Rendering Currency Control and the Legitimacy of Payments for Imported Goods by Residents'. The new regulations, which aim at stopping capital flight, will be effective from January 1 2001 onwards. According to the authors' estimations the approved instruction allows control of 85-90% of all import operations.

On November 4 CBR lowered the refinancing rate from 28% to 25%. The refinancing rate has been lower than this only in June 1997, when it was decreased from 36 to 24%.

### Financial markets

In October, the Russian stock market continued its downward trend observed in September. From August 29, when the market hit its post-crisis high, to October 31 the Moscow Times \$ and the RTS indices fell by around 20% and 23% respectively. The Russian stock market continues to be hit by international volatility due to inability to form its own trend. In particular, movements in NASDAQ continue to affect the Russian market. In the first week of October the RTS index dropped by 0.9% over the week despite the fast passage of the 2001 budget draft in the first reading. Market performance became even weaker during the second week of the month, the RTS index dropping by 6.6% over the week. The third week of October showed some improvement, among other things, due to the successful second reading of the draft 2001 budget in the Duma. Consequently, the RTS index recovered by 7.9% over the week. The RTS dropped again in the fourth week of October, by 4.1%, following the downward movement by NASDAQ. Finally from October 20 till the end of the month the RTS index dropped by 5%. The most-traded RTS shares in October were UES, Surgutneftegaz, Lukoil and Norilsk Nickel. The overall RTS trading volume amounted to \$438 mn, with daily average turnover totalling \$20 mn.

### Composition of M2 (%)



Source: CBR.

### Moscow Times \$ Index



Source: Moscow Times.

**Table 1: GDP and aggregate demand\***

	Nominal GDP	Real GDP, SA**	Nominal consumption of goods and services	Real consumption of goods and services***	Nominal expenditures on new construction & equipment	Real expenditures on new construction & equipment, SA**
	(R bn)	(1997=100)	(R bn)	(1995 = 100)	(R bn)	(1997=100)
1995	1 540.5	102.6	664.8	100.0	267.0	128.5
1996	2 145.7	99.1	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	2 200.4	83.0	659.3	97.5
01.1998			96.3	99.2	22.1	102.0
02	551.6	97.9	91.0	92.9	23.7	97.3
03			95.9	97.4	26.1	96.8
04			97.7	98.8	25.5	97.8
05	625.9	95.9	97.0	97.6	26.6	94.2
06			98.3	98.8	31.8	92.9
07			101.2	101.6	32.9	94.3
08	693.7	93.7	111.0	107.4	35.4	95.1
09			136.8	95.6	38.8	89.2
10			125.0	83.6	36.6	89.4
11	825.2	93.7	130.2	82.4	40.5	88.7
12			159.5	90.5	62.4	81.9
01.1999			148.3	77.6	28.0	94.7
02	836.5	95.2	150.1	75.5	31.3	91.9
03			164.1	80.2	35.9	92.6
04			165.6	78.6	36.3	93.2
05	1 041.8	97.0	169.2	78.5	40.7	94.1
06			175.1	79.8	51.9	96.2
07			180.6	80.0	55.3	96.9
08	1 275.8	100.0	193.2	84.6	60.8	97.5
09			198.3	85.6	66.5	100.8
10			204.4	87.1	63.4	102.9
11	1 391.4	100.5	210.0	88.4	70.8	103.5
12			241.7	100.4	118.4	105.7
01.2000			203.7	82.7	46.1	103.8
02	1 389.1	103.2	201.7	81.1	55.8	108.5
03			217.4	86.8	63.9	108.9
04			216.1	85.6	63.5	108.7
05	1 557.3	103.5	218.8	85.1	74.0	113.9
06			226.9	86.1	93.4	114.5
07			236.5	88.1	96.9	112.9
08			252.1	93.0	108.0	116.4
09			257.2	93.7	113.4	117.9
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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	98.8	96.7	298	591	841	238
02	99.1	100.0	298	593	845	239
03	97.6	98.6	296	593	846	231
04	98.7	97.8	291	593	849	238
05	94.5	95.4	291	559	827	230
06	93.4	93.5	297	571	829	227
07	92.3	91.0	294	630	808	217
08	90.8	92.3	291	599	788	229
09	91.1	89.2	292	596	804	227
10	92.6	93.6	294	607	831	228
11	93.7	94.4	294	583	831	238
12	95.0	95.2	292	578	824	241
01.1999	96.8	96.3	293	578	820	240
02	96.6	97.4	292	576	816	236
03	98.4	98.0	293	583	863	241
04	99.7	98.9	294	578	820	244
05	100.6	101.6	296	608	861	247
06	102.3	102.4	296	611	851	254
07	104.6	104.7	295	613	853	253
08	105.8	105.9	296	618	864	252
09	110.0	107.7	297	603	868	267
10	102.6	105.3	295	581	844	253
11	106.2	105.5	295	574	854	250
12	106.0	106.2	297	570	839	251
01.2000	107.2	106.6	300	574	859	252
02	109.8	106.5	312	586	870	258
03	107.9	107.4	304	562	869	250
04	105.2	107.7	306	561	827	253
05	111.3	108.9	310	582	901	269
06	112.3	112.4	310	602	878	267
07	113.5	115.2	313	621	899	251
08	116.6	115.0	316	625	897	245
09	117.9	117.3	320	599	898	267
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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	887
1998	86.8	99.1	95.0	30.7	3 169	834
1999	88.9	95.4	100.8	32.0	3 352	946
01.1998	91.9	100.5	100.8	22.5	3 235	855
02	91.5	100.0	100.7	21.7	3 209	839
03	91.8	100.2	100.2	39.9	3 207	847
04	90.7	99.8	98.8	26.3	3 184	841
05	88.6	99.6	97.6	32.6	3 092	827
06	88.5	99.5	98.0	34.9	3 153	824
07	83.4	99.4	98.9	31.9	3 145	819
08	78.7	98.6	92.7	34.7	3 130	823
09	82.6	99.0	90.0	32.0	3 103	803
10	83.1	98.4	89.0	28.5	3 194	848
11	83.3	97.4	89.4	31.3	3 184	829
12	87.4	96.7	83.9	32.0	3 187	847
01.1999	89.1	96.6	96.9	30.9	3 225	868
02	88.8	96.1	97.1	30.6	3 217	880
03	89.1	95.8	97.5	31.1	3 292	895
04	90.0	93.9	96.5	31.6	3 314	910
05	89.1	94.5	96.1	28.9	3 372	934
06	88.8	94.5	97.3	32.8	3 349	943
07	88.8	93.8	99.8	31.5	3 361	962
08	82.4	93.8	101.3	31.0	3 405	974
09	88.1	95.6	105.7	33.8	3 449	988
10	94.6	96.6	106.8	34.4	3 387	984
11	88.5	97.0	107.2	35.6	3 392	1 001
12	89.2	96.9	107.5	31.8	3 466	1 016
01.2000	89.0	97.4	105.2	45.3	3 434	1 001
02	90.5	99.7	106.1	36.9	3 640	1 077
03	90.6	98.4	106.6	26.1	3 407	1 037
04	91.1	95.9	109.1	40.0	3 430	1 029
05	90.0	97.4	111.2	36.6	3 496	1 037
06	88.6	96.6	110.3	29.8	3 505	1 064
07	86.6	96.1	109.9	34.7	3 537	1 026
08	95.5	95.6	115.8	32.2	3 484	1 033
09	89.6	96.7	115.7	32.3	3 537	1 046
10						
11						
12						

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

\*\* Revised since 1998

SA - seasonally adjusted, SAAL - seasonally adjusted annual level.

**Table 4: Trade**

	Wholesale trade*	Real wholesale trade*	Retail sales**	Real retail sales**	Paid services, total, current prices	Real paid services, total
	(R bn)	(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	318.8	95.2
1999	3 976.5	94.5	1782.1	90.7	447.6	102.0
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	89.1	139.1	108.2	32.1	107.1
01.1999	223.4	76.3	120.5	82.9	28.7	93.7
02	236.2	81.4	121.9	83.3	29.5	90.5
03	288.6	91.9	133.2	88.4	32.4	96.5
04	291.7	95.9	134.4	86.3	32.7	96.9
05	292.6	98.8	137.5	86.2	32.8	98.5
06	313.1	90.6	141.1	86.9	36.9	101.3
07	332.4	94.3	144.5	86.9	39.1	105.0
08	348.7	96.8	155.8	92.3	40.5	107.5
09	377.4	105.4	160.1	93.1	41.4	106.4
10	390.4	100.9	165.9	95.1	41.9	106.1
11	406.9	99.6	169.0	95.6	44.5	112.7
12	475.1	101.4	198.2	111.8	47.2	109.0
01.2000	371.9	84.4	167.1	88.1	39.7	100.5
02	403.9	91.2	165.4	89.6	39.4	93.7
03	445.1	96.8	177.1	95.3	43.6	100.5
04	426.9	98.3	175.4	93.5	44.5	102.5
05	437.9	102.0	177.0	92.8	45.3	105.6
06	465.4	94.4	182.5	93.8	49.7	108.7
07			187.0	95.0	53.7	113.8
08			201.4	101.3	56.1	117.5
09			205.5	102.0	55.1	110.9
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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	3.9	1 366	472	84.4
1996	65.9	9.6	5.1	4 009	790	89.8
1997	64.7	10.8	4.8	6 001	950	93.9
1998	63.6	11.9	4.2	2 882	1 095	81.3
1999	64.0	12.6	3.7	1 790	1 581	63.4
01.1998	64.2	11.4	4.3	72	988	94.9
02	64.0	11.6	4.4	95	1 000	94.8
03	63.8	11.7	4.3	103	1 059	90.5
04	63.7	11.7	4.3	109	1 040	88.4
05	63.7	11.5	4.2	86	1 047	87.1
06	63.8	11.3	4.0	79	1 122	85.9
07	63.7	11.3	4.0	56	1 110	88.3
08	63.5	11.6	4.0	27	1 052	84.6
09	63.4	11.9	4.0	378	1 112	66.1
10	63.3	12.3	4.1	797	1 123	67.8
11	63.3	12.9	4.3	615	1 164	65.7
12	63.3	13.3	4.4	464	1 482	61.5
01.1999	63.2	13.8	4.4	577	1 167	60.2
02	63.2	14.1	4.5	532	1 199	59.2
03	63.5	13.7	4.4	83	1 385	60.3
04	63.8	13.1	4.2	15	1 423	60.1
05	64.2	12.4	4.0	15	1 472	59.8
06	64.5	12.1	3.7	6	1 626	59.7
07	64.6	11.9	3.4	6	1 618	60.1
08	64.6	11.8	3.3	5	1 608	62.0
09	64.4	11.9	3.1	99	1 684	65.4
10	64.3	12.1	3.0	228	1 716	69.8
11	64.1	12.3	2.9	42	1 789	71.1
12	64.0	12.2	2.9	184	2 283	73.4
01.2000	63.8	12.0	2.9	91	1 830	76.0
02	63.5	11.9	2.8	65	1 839	74.8
03	63.9	11.3	2.8	27	2 018	74.5
04	64.4	10.8	2.7	7	2 039	74.1
05	64.8	10.2	2.5	0	2 101	73.1
06	65.0	10.1	2.3	0	2 294	72.5
07	65.1	10.0	2.3	0	2 302	74.0
08	65.2	9.8	2.3	1	2 325	76.4
09	65.2	9.9		1	2 403	81.0
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\* According to new RET concept FES data to employment at big and medium enterprises.

\*\* 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	997.6	90.7	83.5	399.0	493.3	24.6
1999	1 586.5	76.6	83.5	448.6	907.8	34.1
01.1998	801.4	88.3	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	1 185.1	84.8	83.5	403.1	572.9	28.6
11	1 187.7	80.4	83.5	403.2	618.5	29.5
12	1 651.3	100.2	83.5	402.9	716.8	27.3
01.1999	1 139.1	63.7	83.5	403.0	786.9	38.2
02	1 274.9	68.5	83.5	403.1	829.1	n.a.
03	1 356.3	70.9	83.5	403.1	856.8	37.7
04	1 511.5	76.7	83.5	403.2	884.0	n.a.
05	1 456.3	72.3	83.5	451.6	923.6	n.a.
06	1 551.9	75.6	83.5	455.5	950.0	35.0
07	1 552.7	73.6	83.5	455.7	974.0	n.a.
08	1 639.2	76.8	83.5	455.9	936.4	n.a.
09	1 643.8	75.9	83.5	456.1	919.8	33.5
10	1 718.7	78.3	83.5	455.6	926.8	n.a.
11	1 761.2	79.2	83.5	519.2	943.1	n.a.
12	2 432.7	108.1	83.5	521.1	963.0	26.3
01.2000	1 434.3	62.3	83.5	521.6		
02	1 734.5	74.5	83.5	612.5		
03	1 895.6	80.9	83.5	613.1	989.3	33.5
04	1 938.5	82.1	83.5	613.2		
05	1 886.7	78.5	83.5	693.8		
06	2 084.9	84.6	83.5	693.9	1030.4	27.6
07	2 067.7	82.4	132.0	694.4		
08	2 146.8	84.7	132.0	750.0		
09	2 192.5	85.4	132.0	750.1		
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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	Of which:			Total overdue receivables of enterprises	Government wage arrears**
		to suppliers	to the budget & non-budgetary funds	wage arrears**		
	R bn	R bn	R bn	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
05	1602.2	747.8	632.3	38.7	959.2	6.4
06	1614.1	748.0	630.1	39.3	944.2	6.9
07	1647.1	766.1	653.4	40.5	957.9	7.1
08	1631.1	765.9	653.3	38.3	966.2	6.3
09				39.0		6.4
10						
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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	Consumer price index, food & beverages	Consumer price index, non-food goods	Consumer price index, paid services	Composite producer price index*	Industrial producer price index
	(Dec-97=100)	(Dec-97=100)	(Dec-97=100)	(Dec-97=100)	(Dec-97=100)	(Dec-97=100)
1995	74.0	77.9	78.5	55.0	74.4	74.1
1996	90.1	91.7	92.5	81.6	94.2	93.0
1997	100.0	100.0	100.0	100.0	100.0	100.0
1998	184.4	196.0	199.5	118.3	122.4	123.2
1999	251.7	266.4	277.7	158.5	195.6	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	101.9	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	101.2	100.5
06	104.1	105.0	101.3	106.7	99.7	100.5
07	104.2	104.9	101.3	108.0	100.9	99.7
08	108.1	107.4	108.6	109.3	100.2	98.5
09	149.6	149.8	167.5	113.0	106.5	105.8
10	156.4	155.6	180.0	114.8	111.1	112.0
11	165.3	167.5	187.7	116.2	116.2	117.6
12	184.4	196.0	199.5	118.3	122.4	123.2
01.1999	199.9	216.2	211.9	123.2	130.2	131.7
02	208.1	225.6	220.2	127.1	136.8	139.1
03	213.9	231.9	227.4	129.5	141.6	144.4
04	220.4	238.0	236.6	133.6	146.3	149.7
05	225.3	242.7	243.0	136.4	151.3	155.1
06	229.6	247.0	246.8	141.1	155.7	160.9
07	236.0	254.8	251.6	145.6	160.0	165.9
08	238.8	255.8	257.6	148.5	166.2	173.8
09	242.3	257.9	264.5	151.4	174.6	184.0
10	245.6	260.1	270.3	154.5	183.6	194.2
11	248.6	262.7	274.5	157.1	191.1	201.7
12	251.7	266.4	277.7	158.5	195.6	206.2
01.2000	257.6	272.1	283.8	163.8	208.2	214.4
02	260.3	273.4	287.4	168.7	214.4	222.5
03	262.0	273.6	291.5	171.2	218.4	228.2
04	264.2	274.4	295.8	174.9	221.8	231.7
05	268.8	280.5	299.1	177.2	224.9	235.8
06	275.7	289.6	301.6	182.6	228.9	241.2
07	280.7	294.7	304.1	189.4	234.8	249.5
08	283.4	295.5	308.3	195.1	240.4	253.8
09	287.2	297.3	314.6	200.5	245.5	258.5
10	293.2	303.7	320.5	205.3		
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12						

\* Revised since December 1997

**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	76.0	18.8	11.4	39.6	9.9	36.4
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	2.7	0.9	1.9
02	5.0	0.8	1.0	2.9	0.9	2.1
03	6.0	1.1	0.9	3.4	1.0	2.6
04	6.5	1.4	0.7	3.3	1.0	3.2
05	5.1	1.4	0.7	2.9	0.7	2.2
06	5.3	1.5	0.7	3.9	0.8	1.4
07	6.4	1.6	0.7	3.3	0.7	3.1
08	6.2	1.9	0.7	3.1	0.7	3.1
09	6.5	1.7	0.7	3.2	0.7	3.3
10	7.0	2.0	1.1	3.4	0.7	3.6
11	7.6	2.0	1.3	3.5	0.8	4.1
12	9.8	2.4	1.5	4.0	1.0	5.8
01.2000	6.9	2.2	1.6	2.8	0.4	4.1
02	8.1	2.6	1.5	3.4	1.0	4.7
03	9.3	2.8	1.6	3.5	0.9	5.8
04	8.1	2.4	1.2	3.4	0.8	4.7
05	8.2	3.4	1.2	3.4	0.8	4.8
06	8.4	3.4	1.1	3.5	0.9	4.9
07	8.7	3.3	1.2	3.6	0.8	5.1
08	8.9	3.3	1.1	3.6	0.9	5.3
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10						
11						
12						

\* Includes Goskomstat estimate of unregistered trade.

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

	1997	1998	1999	1999	1999	1999	2000	2000
				Q2	Q3	Q4	Q1	Q2
<b>Current Account</b>	<b>2 047</b>	<b>699</b>	<b>25 301</b>	<b>4 206</b>	<b>5 801</b>	<b>10 838</b>	<b>12 159</b>	<b>10 804</b>
<i>Trade balance</i>	<i>11 107</i>	<i>12 902</i>	<i>32 319</i>	<i>5 963</i>	<i>8 530</i>	<i>12 231</i>	<i>13 001</i>	<i>12 404</i>
Export	103 088	87 255	84 889	19 275	21 606	26 684	26 090	27 081
Import	-91 980	-74 353	-52 571	-13 312	-13 076	-14 453	-13 089	-14 677
<i>Merchandise trade balance</i>	<i>17 025</i>	<i>16 869</i>	<i>36 220</i>	<i>6 881</i>	<i>9 525</i>	<i>13 361</i>	<i>14 440</i>	<i>14 350</i>
Export	89 008	74 884	75 845	16 999	19 011	24 285	24 294	24 752
Import	-71 983	-58 015	-39 625	-10 118	-9 486	-10 923	-9 854	-10 402
<i>Service balance</i>	<i>-5 918</i>	<i>-3 967</i>	<i>-3 902</i>	<i>-918</i>	<i>-995</i>	<i>-1 130</i>	<i>-1 439</i>	<i>-1 945</i>
Export	14 080	12 371	9 044	2 276	2 595	2 399	1 796	2 329
Import	-19 997	-16 338	-12 946	-3 194	-3 590	-3 529	-3 235	-4 275
<i>Income and Wages</i>	<i>-8 705</i>	<i>-11 795</i>	<i>-7 559</i>	<i>-1 835</i>	<i>-2 936</i>	<i>-1 699</i>	<i>-890</i>	<i>-1 681</i>
Received	4 366	4 301	3 881	721	420	463	2 506	714
Paid	-13 071	-16 097	-11 440	-2 556	-3 356	-2 162	-3 396	-2 394
Wages	-342	-164	221	59	49	56	52	42
Received	227	301	425	111	111	102	103	116
Paid	-568	-465	-204	-53	-62	-45	-50	-73
Income	-8 363	-11 631	-7 780	-1 894	-2 985	-1 755	-943	-1 723
Received	4 140	4 000	3 456	610	310	361	2 403	598
Paid	-12 503	-15 632	-11 236	-2 504	-3 294	-2 116	-3 346	-2 321
<i>Current Transfers</i>	<i>-356</i>	<i>-409</i>	<i>541</i>	<i>78</i>	<i>206</i>	<i>306</i>	<i>49</i>	<i>80</i>
Received	410	269	1 027	220	330	425	165	193
Paid	-766	-677	-485	-142	-124	-119	-116	-112
<b>Capital Account</b>	<b>3 667</b>	<b>8 309</b>	<b>-17 776</b>	<b>-2 950</b>	<b>-4 183</b>	<b>-6 669</b>	<b>-9 214</b>	<b>-9 236</b>
<i>Capital transfers (net)</i>	<i>-797</i>	<i>-382</i>	<i>-328</i>	<i>-95</i>	<i>-81</i>	<i>-122</i>	<i>4</i>	<i>-39</i>
<i>Direct investments abroad</i>	<i>-2 603</i>	<i>-1 027</i>	<i>-2 145</i>	<i>-563</i>	<i>-597</i>	<i>-570</i>	<i>-380</i>	<i>-202</i>
<i>Direct investments into Russia</i>	<i>4 865</i>	<i>2 761</i>	<i>3 309</i>	<i>751</i>	<i>659</i>	<i>1 257</i>	<i>569</i>	<i>517</i>
<i>Portfolio investments abroad</i>	<i>-156</i>	<i>-257</i>	<i>254</i>	<i>-202</i>	<i>306</i>	<i>172</i>	<i>37</i>	<i>9</i>
<i>Portfolio investments into Russia</i>	<i>45 931</i>	<i>8 876</i>	<i>-1 287</i>	<i>-418</i>	<i>-347</i>	<i>-612</i>	<i>585</i>	<i>-1 638</i>
<i>Other investment - assets</i>	<i>-26 619</i>	<i>-15 907</i>	<i>-15 093</i>	<i>-317</i>	<i>-4 899</i>	<i>-3 571</i>	<i>-6 459</i>	<i>-1 206</i>
Hard currency	-13 444	824	806	1 025	-473	68	-33	430
Bank accounts and deposits	988	1 200	-3 889	-1 535	-473	-786	-1 476	-595
Trade credits	-6 534	-6 818	-5 773	788	-2 570	-1 961	-1 106	12
Loans provided (not overdue)	7 004	5 345	4 857	2 187	139	731	1 622	985
Overdue payments	-3 048	-7425	-5 805	-1 312	-231	-188	-3 808	-690
Non-repatriated export revenue	-11 591	-7 959	-5 051	-1 504	-1 342	-1 245	-944	-1 087
Other assets	124	-338	-42	-123	-62	89	-101	-216
<i>Other investment - liabilities</i>	<i>-14 998</i>	<i>8 991</i>	<i>-532</i>	<i>-388</i>	<i>-301</i>	<i>-838</i>	<i>-560</i>	<i>-407</i>
National currency	-38	65	3	1	-7	11	23	42
Bank accounts and deposits	-4 694	-3 050	162	644	-378	153	148	-348
Trade credits and advances	-64	321	5	77	48	-224	0	0
Loans received (not overdue)	13 616	6 977	-2 535	-2 134	2 250	-1 333	-1 083	-1 378
Overdue payments	-24 338	5 331	2 036	1 198	-2 200	601	296	1 190
Other liabilities	521	-654	-201	-174	-14	-46	56	88
<i>Adjustments</i>	<i>-20</i>	<i>-50</i>	<i>-176</i>	<i>-107</i>	<i>-14</i>	<i>-158</i>	<i>92</i>	<i>-52</i>
<i>Net international reserves</i>	<i>-1 936</i>	<i>5305</i>	<i>-1 778</i>	<i>-1 611</i>	<i>1 091</i>	<i>-2 227</i>	<i>-3 102</i>	<i>-6 219</i>
<b>Errors and omissions</b>	<b>-5 714</b>	<b>-9 008</b>	<b>-7 525</b>	<b>-1 611</b>	<b>1 091</b>	<b>-2 227</b>	<b>-2 946</b>	<b>-1 568</b>

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

	<u>Revenues</u>		<u>Expenditures</u>		<u>Deficit(+) or surplus(-)</u>	
	Total	of which: tax revenues	Total	of which: interest payments	Total	% GDP
	(R bn)	(R bn)	(R bn)	(R bn)	(R bn)	(%)
1995	201.0	175.3	286.2	54.6	85.2	5.4
1996	253.8	218.7	427.1	124.5	173.3	7.9
1997	311.6	262.1	494.8	117.8	183.2	7.0
1998	273.0	236.0	407.2	106.8	134.2	5.0
1999	606.0	509.5	680.2	162.6	74.2	1.7
01.1998	21.8	15.8	29.3	5.1	7.5	4.0
02	39.8	31.2	53.7	12.0	13.9	3.7
03	62.2	49.9	89.9	28.5	27.8	4.9
04	84.3	68.8	120.4	37.8	36.1	4.7
05	106.5	87.9	153.7	51.6	47.2	4.8
06	126.6	105.3	189.0	62.0	62.4	5.3
07	147.6	123.7	221.3	75.3	73.7	5.3
08	165.3	139.2	242.9	82.4	77.6	4.8
09	182.3	154.6	265.7	85.1	83.4	4.4
10	204.3	173.9	298.3	87.6	94.0	
11	230.7	197.8	334.5	96.6	103.8	
12	273.0	236.0	407.2	106.8	134.2	5.0
01.1999	27.8	24.6	39.3	10.6	11.5	
02	54.3	48.6	72.4	18.1	18.1	
03	88.6	80.1	128.2	30.8	39.6	4.8
04	133.4	119.3	177.6	41.5	44.2	
05	172.7	152.9	231.1	61.0	58.4	
06	225.5	195.2	290.9	80.3	65.4	3.5
07	280.8	242.9	347.3	99.4	66.5	
08	332.9	285.8	399.5	109.4	66.6	
09	383.7	326.0	451.6	117.5	67.9	2.2
10	442.0	375.6	503.0	124.2	61.0	
11	510.8	433.1	569.9	138.9	59.1	
12	606.0	509.5	680.2	162.6	74.2	1.7
01.2000	66.2	56.1	45.4	15.7	-20.8	
02	139.6	122.7	102.5	27.2	-37.1	
03	223.2	196.2	162.4	31.1	-60.8	-4.4
04	318.0	277.1	234.6	43.7	-83.4	
05	419.5	365.2	311.1	61.9	-108.4	
06	507.7	443.2	399.0	84.7	-108.7	-7.0
07	596.1	520.2	463.7	108.5	-132.4	
08	693.0	600.5	547.6	127.5	-145.4	
09	783.2	678.8	613.4	145.6	-169.8	
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\* Data for 2000 are under revision.  
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	-0.4
04	242.3	181.5	230.1	39.9	-12.2	
05	338.2	251.8	311.6	56.2	-26.6	
06	427.3	313.5	402.7	73.8	-24.6	-1.6
07	505.7	370.2	478.0	89.7	-27.7	
08	602.1	444.0	565.1	109.2	-37.0	
09	682.3	503.5	642.3	126.5	-40.1	
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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 - currency in circulation	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	397.2	7.5	194.9	321.8	892.2	n.a.
07	415.7	10.2	139.9	334.0	931.2	n.a.
08	425.0	11.3	120.3	341.6	960.1	n.a.
09	437.6	12.6	97.8	351.0	992.4	n.a.
10	446.0	13.4	85.2			
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Source: CBR.

\* Since June 2000 NIR and NDA are estimated by RET.

\*\* 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 fo NDA and NIR data.

\*\*\* M2 includes currency in circulation, demand deposits, and time deposits (there is a break in the series from December1996, 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	234.9	344.9	229.1
04	1771.2	467.0	591.0	243.0	341.0	227.0
05	1820.2	470.0	614.6	254.8	345.4	221.0
06	1885.8	471.1	637.0	265.9	356.5	222.5
07	1940.3	440.2	649.5	275.3	375.9	215.3
08	1985.8	489.3	688.8	280.8	371.7	214.5
09	2080.6	498.9	737.5	285.9	404.5	231.3
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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	n.a.	101.5
08	55	38.6	8.8	9.3	n.a.	82.2
09	55	37.9	9.7	18.2	n.a.	70.1
10	55	37.0	9.0	16.1	n.a.	72.5
11	55	38.8	9.4	13.2	n.a.	84.9
12	55	32.1	8.5	11.8	n.a.	96.9
01.2000	45	33.8	13.4	11.8	n.a.	143.1
02	45	31.2	7.9	11.3	n.a.	141.5
03	33	29.5	7.6	6.5	17.2	169.3
04	33	29.1	5.4	11.1	14.9	164.3
05	33	25.3	7.3	7.6	11.4	153.8
06	33	22.8	7.1	5.1	13.1	147.3
07	28	22.5	6.4	3.4	12.9	146.7
08	28	21.2	5.1	4.6	10.3	174.8
09	28				10.6	166.9
10	28					153.6
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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 excluding Sberbank.

**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	65.9	12.9	4.0
02	138.8	28.732	28.690	66.3	13.7	4.1
03	178.0	28.457	28.680	66.7	15.5	4.1
04	171.5	28.593	28.395	68.3	17.1	3.7
05	149.0	28.300	28.250	69.2	19.6	3.7
06	135.8	28.239	28.080	70.0	21.0	3.3
07	152.1	27.834	27.851	72.4	23.3	3.3
08	187.9	27.746	27.830	74.2	23.7	3.4
09	157.9	27.809	27.835	75.4	25.0	3.5
10	152.2	27.863	27.834		25.9	3.5
11						
12						

Source: CBR, Moscow Times.

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

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

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

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