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RUSSIAN ECONOMIC TRENDS

Monthly Update

**RUSSIAN-EUROPEAN CENTRE
FOR ECONOMIC POLICY**

in cooperation with

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



Russian-European Centre for Economic Policy (RECEP)

Potapovsky Pereulok 5, building 4, Moscow 101000 Russia
Tel: +7 (503) 232 3613, Fax: +7 (503) 232 3739

Produced by the **Russian-European Centre for Economic Policy**
in cooperation with the Working Center for Economic Reform
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Editor: Juhani Laurila (jlaurila@recep.ru)
Managing editor: Seija Lainela (slainela@recep.ru)

Written by:

Yevgenya Antonova (econ_reform@gov.ru)
Maria Boyko (mboyko@recep.ru)
Demid Golikov (dgolikov@recep.ru)
Lyubov Loukachova (lloukachova@recep.ru)
Sergei Nikolaenko (snikolaenko@recep.ru)
Svetlana Parilova (sparilova@recep.ru)
Andrei Poletayev (apoletayev@recep.ru)
Sergei Tsukhlo (tsukhlo@iet.ru)
Victor Tatuzov (vtatuzov@recep.ru)

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Russian European Centre for Economic Policy (RECEP)

Potapovsky per. 5, building 4, Moscow 101000 Russia

Tel. +7 (503) 232 3616, Fax +7 (503) 232 3739, E-mail: recep@recep.ru

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RECENT DEVELOPMENTS IN THE RUSSIAN ECONOMY

Production stagnating

RET staff estimates show that the stagnation of total month-on-month production that started in autumn of 2000 continued in February. The stagnation is notable in industry and freight transportation, while retail trade continues its brisk growth. This implies that private consumption is becoming the engine of growth, while last year exports and investment were the sectors responsible for increasing demand. The growing role of private consumption is explained by a rapid increase in real incomes of the population.

Russia's economic growth is facing serious challenges in the current year. It is disappointing that the fast growth of last year could not support continuation of a steady increase in investment. In February 2001 real investment was up by only some 6% from February 2000, decelerating significantly from growth of 17% in 2000. Furthermore, the slowdown of economic growth in the USA and Europe will most probably have some impact on the Russian economy, which is much dependent on the external environment.

Inflation, on the other hand, shows no signs of abating. On the basis of consumer price developments in early April it seems likely that the monthly CPI rise will be about the same in April as in March, i.e. almost 2%.

Reflecting these developments, the Ministry of Economic Development and Trade has drawn up and submitted to government a draft scenario for the Russian economy in the current year and up to 2004. According to the draft, GDP is expected to grow by 3.6% in 2001, down from the 4% growth estimate, on which this year's budget is based. Inflation, on the other hand, is now expected to be higher than earlier estimated – 16% instead of 14%.

Reform efforts accelerating?

In contrast to the worrying trends of economic indicators, there have recently been some encouraging developments on the economic policy front. These include the annual address of President Putin to the two chambers of the legislature on April 3. The speech, which outlined a program of action for the government in the year ahead, was realistic in acknowledging the significance of favourable external conditions for the rapid growth of the Russian economy last year. The President also noted, that in spite of the good external conditions, progress with structural transformation of the Russian economy has been disappointing. Conditions for sustainable growth of the economy have not been created. Hence, according to the President, Russia continues to be a primary producing country with an economic environment that is unfavourable for development of business and investment.

These fair assessments by the President should provide a sound basis for action. The speech listed numerous tasks that must be completed in order to reform the economy. It is noteworthy that the speech emphasised the importance of liberalisation as opposed to administrative measures for solving the country's economic problems. The President also drew attention to the problems of corruption and bureaucracy, and his comments may help strengthen efforts to combat them.

Priority steps mentioned by the President included, among others, quick completion of remaining elements of tax reform and implementation of long-overdue land reform. In order to resolve the question of agricultural land ownership, the President proposed a compromise, according to which regions could have their own rulings within the framework of federal legislation. In the foreign sector, in view of Russia's desire to access the World Trade Organisation, a new customs code should be speedily drafted. The President called for liberalisation of capital controls, demonstrating commitment to the idea that a favourable business environment is the most important factor for enhancing investment. However, the head of the Central Bank, Viktor Gerashchenko, was quick to express reservations over this proposal.

It is to be hoped that structural reforms will now regain the momentum, which was lost in the second half of last year. Indeed, several important measures – also called for in the presidential address – have recently been implemented. There was a major step towards completion of tax reform in early April, when the Duma gave first-reading approval to the chapter in the second part of the Tax Code dealing with corporate profit taxation. The government has also submitted a new privatisation bill and amendments to the law on licensing of business activities to the Duma. Further, the government has prepared amendments to the Tax Code regarding taxation of use of natural resources. All these initiatives should bring Russian legislation closer to international standards. On the other hand, the extremely important issue of restructuring natural monopolies and utility providers still remains unresolved.

Another key event in March was the decision of the Russian authorities late in the month not to sign a financial agreement with the International Monetary Fund. In practice, the lack of an agreement does not worsen Russia's financial position, because Russia does not need foreign financing during the current year. However, the message sent abroad by the decision was mixed. The major disagreements between the IMF and the Russian side concerned the IMF's requirement for more transparency regarding the CBR's activities as well as orderly settlement of the Ministry of Finance's debts to the CBR. Without an IMF agreement, there is now less hope of getting these issues in order.

Key indicators of the Russian economy (12-month %-growth unless otherwise noted)

Indicators	1996	1997	1998	1999	2000	2001	
GDP	-3.4	0.9	-4.9	3.5	7.7		
Industrial production	-4.0	2.0	-5.2	8.1	9.0	3.6	March
Fixed investment	-18.0	-5.0	-12.0	5.3	17.4	6.3	February
Inflation	21.8	11.0	84.4	36.5	20.2	23.7	March
M2	30.0	29.5	36.3	57.2	62.4	52.7	February
Unemployment rate (%)	9.3	9.0	11.8	11.7	10.2	9.6	February
Federal budget balance (% to GDP)	-7.9	-6.7	-4.9	-1.7	2.5		
Current account (% to GDP)	3.0	0.5	0.3	13.5	18.7		

Source: Goskomstat, CBR, Ministry of Finance.

ECONOMIC UPDATE

Aggregate demand

Detailed revised data on the System of National Accounts for 1998–2000 are still not available, so we have to rely on tentative current estimates of selected components of final demand. In February 2001 real consumer expenditures (a proxy for household consumption) resumed their growth in seasonally adjusted terms. As a result in February 2001 real consumer expenditures were 8.2% higher than a year ago and already 4.7% above their average 2000 level. Seasonally adjusted real gross fixed investment (a proxy for gross fixed capital formation) increased slightly in February to the previous month, but was still lower than in Q4 2000. In February 2001 real gross fixed investment was 6.3% higher than a year earlier but only 2% above its average 2000 level.

It is worth mentioning that in February the 12-month rate of growth of consumer expenditures exceeded the year-on-year rate of growth of fixed investment for the first time since the 1998 crisis. Taking into account the relative stability of net exports (see FOREIGN SECTOR) and obvious limitations on the possibilities of increase in government non-interest spending (see GOVERNMENT BUDGET), it looks as if personal consumption is currently taking the role of major driving force of economic growth.

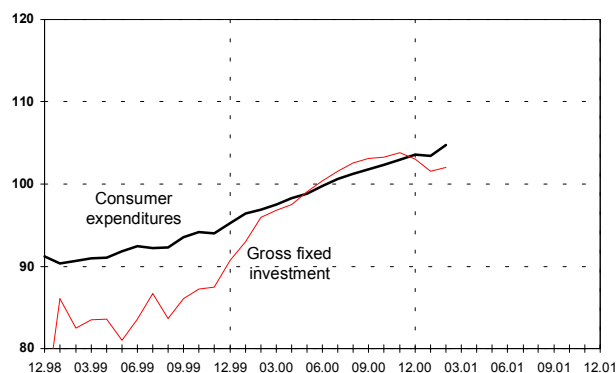
Government budget

The budget started the year with a deficit and high interest expenditure compared to previous years due to a series of foreign debt payments by the federal government, including all payments to the Paris Club. Interest spending accounted for about 40% and the deficit 17% of total expenditure in January–February.

Regional and municipal budgets also showed a deficit in January–February amounting to about 15% of their total expenditure. However, unlike the federal budget, the reason was not high debt service, which did not exceed 1% of total regional and municipal expenditure, but a sharp increase of housing subsidies and spending on the national economy while the share of expenditures on education, health, and culture was about 5% less than during the same period of 2000.

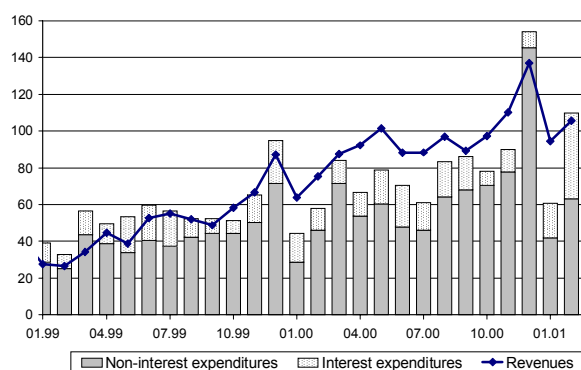
On April 3, 2001, President Putin delivered the annual presidential address to the Federal Assembly. Regarding budgeting and public finance, Putin mentioned clear division of responsibilities between federal and regional governments as a policy priority. This would entail division of revenues between the different budget levels and introduction of adequate

Current estimates of the components of final demand (2000 = 100, seasonally adjusted)



Source: Goskomstat and RET staff estimates.

Federal budget revenues and expenditures (R bn)



Source: Ministry of Finance.

methods of means testing for those receiving subsidies. Until now, responsibility for a large part of social expenditures and subsidies for public services has been carried by the regional and municipal governments, which calculate the sums independently and on a discretion basis. As a result, per capita consumption of goods and services financed from public funds varies greatly between regions, reflecting profound inefficiency of public spending. To improve the situation, the federal government has already taken over part of the responsibility for social and public spending and reallocated respective amount of the total revenue from regional budgets to the federal level.

The President also supported the proposal of dividing the federal budget into two parts and establishing a so-called 'future generation' budget. Such a system would be new in Russia but had already been used by some developed and developing countries. The aim in Russia's case would be to secure debt repayment when budget revenues are highly volatile due to dependence on international energy prices. The federal budget would be based on conservative forecasts of energy prices and the exchange rate. Any excess revenues with, probably, a part of rent incomes would be transferred to the future generation budget. This innovation should allow the authorities to avoid the usual haggling in adoption of the budget and end the need for revisions when there is unanticipated deviation of government revenues or liabilities from the planned figures.

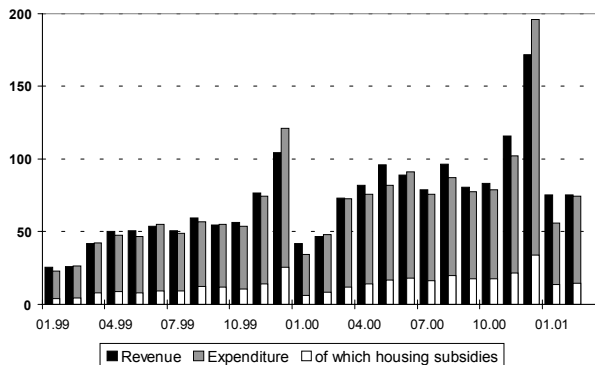
The Ministry of Finance has announced preliminary figures for federal budget execution in Q1 2001, according to which total revenue was R319 bn, expenditure R326 bn, and the primary surplus was R81 bn or 4.5% to GDP. Tax revenue has risen to 15% of GDP against approximately 10% in previous years.

Non-financial enterprises

Overdue liabilities of Russian enterprises and organisations declined sharply in January 2001. According to Goskomstat, they equalled 34% of the total volume of liabilities by the end of the month, down 10% compared with December 2000. The share of cash in sales of the biggest Russian enterprises, calculated by Goskomstat, resumed its growth after a slowdown at the end of 2000 and increased by 5% to a level of 75%. This might be explained by the lower volume of payments due at the beginning of the year (in January revenues for goods and services were 64% of their level in December).

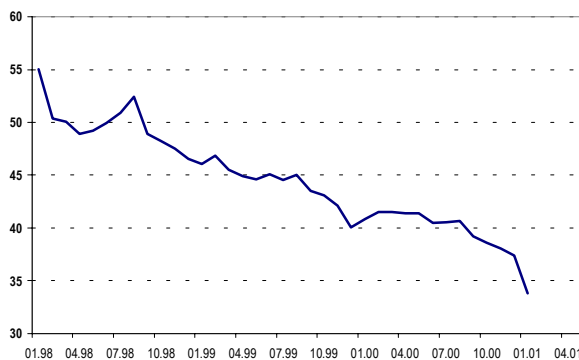
Goskomstat reported aggregate profits in the economy (profits minus losses) in January at R110 bn. The only loss-making branches of the economy in January were municipal services and tourism. Aggregate profits showed a substantial increase of 37%

Revenue and expenditure of regional and municipal governments (R bn)



Source: Ministry of Finance.

The share of overdue liabilities in total liabilities (%)



Source: Goskomstat.

in real terms from their December level. The share of profitable enterprises and organisations in the economy rose to 65% from 58% in December. However, year-on-year data are less encouraging. In January 2001 real aggregate profit was 3% lower than in January 2000. This represents only slight remission of the pronounced downward year-on-year trend of aggregate profits started last autumn (there was 5% decline in December 2000). The share of industrial enterprises in 'good' or 'satisfactory' financial condition, reported by the Russian Economic Barometer's managerial survey, dropped by 3 percentage points from December to a level of 49% in February.

According to the survey of industrial enterprises by the Institute of the Economy in Transition the industrial confidence indicator dropped in March 2001 to its lowest level since March 1999. Among the index components (assessment of the current level of demand, stocks of finished goods and production expectations) stocks of finished goods showed the worst dynamics – in March 2001 the survey indicated excess stocks in Russian industry for the first time since September 1998. Such behaviour of stocks could be a consequence of decreasing money-based demand for industrial products in January and February 2001. However, the March results of the survey showed a substantial increase of money-based demand. This could be a positive sign since this type of demand is positively correlated with the economic performance of industrial enterprises.

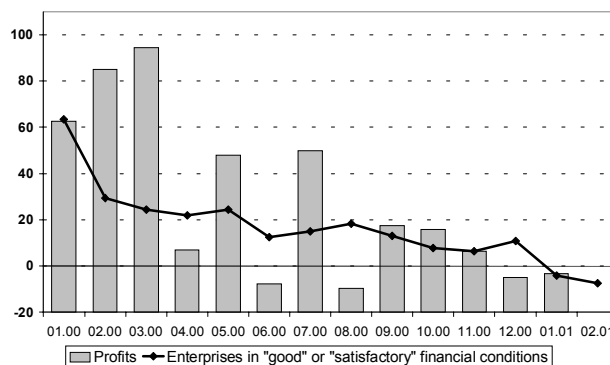
According to the survey, the volume of barter and other non-monetary types of settlements in industry are still going down but the rate of their decrease is falling.

Commercial banks

The main developments in the Russian banking sector remain quantitative rather than qualitative in nature. During the two first months of 2001 total assets of commercial banks increased by 6.2% and total capital grew by 5.9% with most of capital growth occurring in January. The rate of increase of equity capital slowed down to 1.3% in February, while the pace of asset growth accelerated, reaching 4.8%, the highest rate over the past 12 months. As a result, the capitalisation ratio, which has never returned to the pre-crisis level, is on a declining trend. It seems that chronic under-capitalisation of banks has created incentives for risk-taking, which is evidenced by a rise in banks' risky assets.

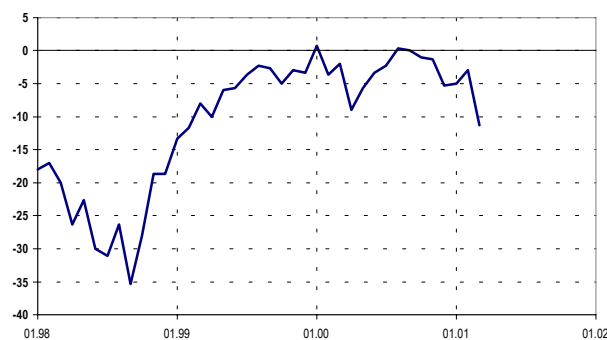
Banks continue to expand their loan portfolios. Claims on the private sector grew again in February by 5% to R922 bn (\$32 bn). But since the end of January 2001, for the first time since the beginning of credit expansion a year ago, both the share of

Year-on-year growth of aggregate profit and of the share of industrial enterprises in "good" or "satisfactory" financial conditions



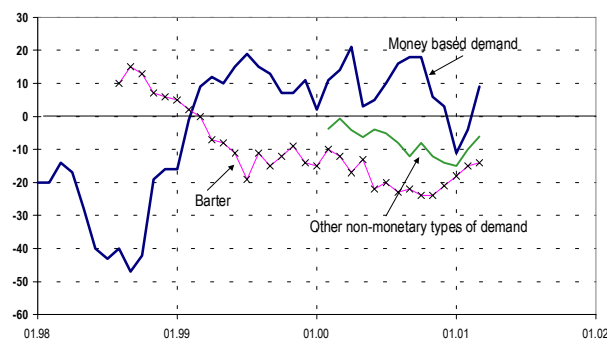
Source: Goskomstat, Russian Economic Barometer.

Industrial confidence indicator (%)



Source: IET business surveys.

Change in money-based, barter and other non-monetary types of demand (balance = %-growth – %-decline)



Source: IET business surveys.

overdue loans in total loans and their absolute amount have been on an upward trend. The growing risk exposure is reducing the stability of the banking sector, as is borne out by analysis of interest rates. The decreasing spread between loan and deposit rates gives enterprises access to cheaper banking resources but undermines banks' profitability.

As regards long-term lending to the real sector, the CBR has admitted that the risk exposure of Russian banks exceeds all reasonable limits. As of February 1, 2001, loans of commercial banks with maturity longer than one year accounted for slightly over one quarter of total loans extended by the banking system, but the share of relevant liabilities was only 14% of raised resources. Once again, this boils down to the issue of Russian banks' size. They are still too small even in comparison with Russia's economy, since investment needs of Russian enterprises are much greater than the amount of long-term credit that Russian banks can offer. In addition, household savings, which are the most stable source of long-term assets in developed countries, stand at only 2% of commercial banks' total liabilities (without Sberbank).

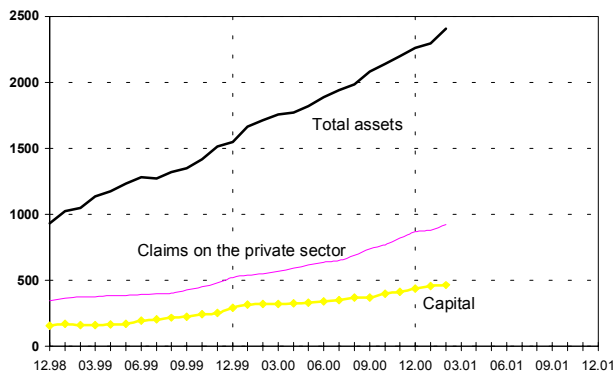
Sberbank continues to dominate the Russian banking system, and Russian private banking suffers greatly from this destructive competition. Reflecting the growing prominence of demonopolisation objectives on the policy agenda, the Antimonopoly Ministry has launched a vigorous campaign for fostering competition in the banking sector, initiating three proceedings against Sberbank and the CBR since the beginning of the year. But reduction of Sberbank's role is not easy to achieve, since the bank performs a social function in Russia. The protracted revision of the federal law on deposit insurance is a vivid illustration of the seriousness of this challenge. The Antimonopoly Ministry has to submit all key decisions concerning protection of competition in the banking industry for approval by the CBR, (effectively a state agency), and the CBR seems to deliberately hinder any attempts to achieve this task.

Foreign sector

According to CBR data, the value of Russian exports in February 2001 was \$8 bn, which is 1% less than in February 2000. This is the first time since August 1999 that exports have declined year-on-year. Exports to non-CIS countries fell by 0.2% year-on-year while exports to the CIS fell by 5.5%. In February 2001 as much as \$7 bn or 85% of Russian exports went to non-CIS countries.

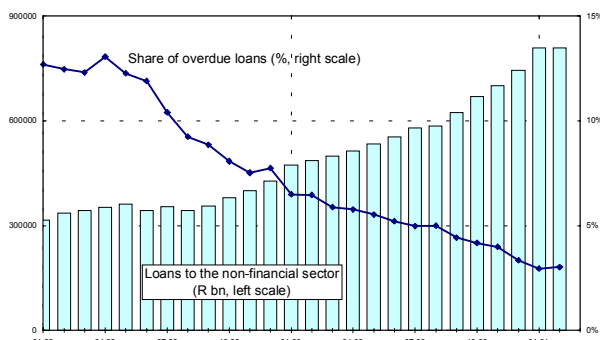
The State Customs Committee has published data on the commodity structure of foreign trade for January 2001. In January the value of fuel and energy exports grew 130% year-on-year and amounted to \$5

Main balance sheet items of commercial banks (R bn)



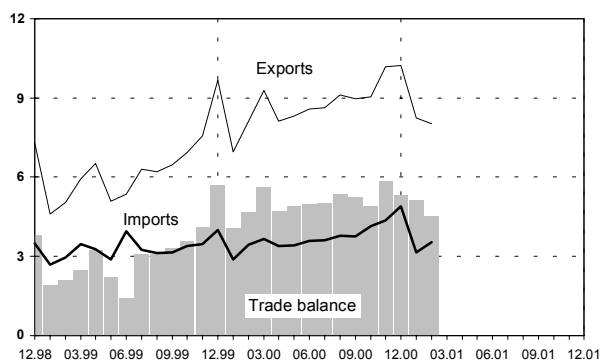
Source: CBR.

Loans to the non-financial sector (R bn) and share of overdue loans (%)



Source: CBR.

Merchandise exports and imports (\$ bn)



Source: CBR.

bn or 63% of total Russian exports. Fuel and energy represented 64% of exports to countries outside the CIS and 56% of exports to the CIS. Exports of machinery and equipment (including transport equipment) amounted to \$428 mn or 5% of total exports and grew 26% year-on-year. Exports to non-CIS countries grew 20%, while those to the CIS grew 41%. Almost 70% of exports of machinery and equipment went to non-CIS countries.

In February 2001 Russian imports increased 3.3% year-on-year and totalled \$3.5 bn. Imports from non-CIS countries declined 4%, while those from the CIS grew 28%. Imports from the CIS have grown much faster than those from the rest of the world over the last two years. Imports from countries outside the CIS accounted for 70% of total Russian imports.

In January the share of machinery and equipment in total imports was 30%. Machinery and equipment (including transport equipment) accounted for 34% of imports from countries outside the CIS and 24% of CIS imports. Year-on-year growth of these imports was 31% from non-CIS countries and 29% from CIS countries.

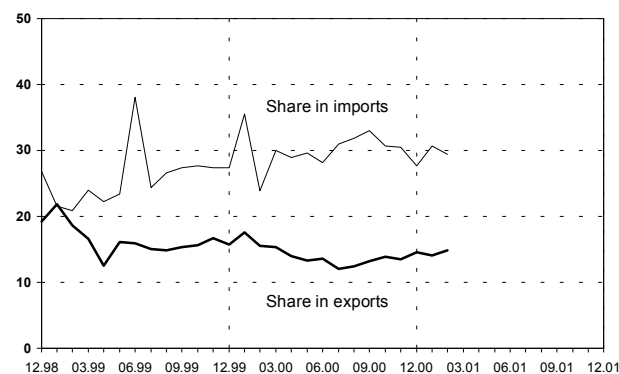
Balance of payments statistics published by the Central Bank recorded a positive merchandise trade balance of \$16.1 bn in the fourth quarter of 2000. For the whole of 2000, the surplus in the merchandise trade balance was \$60.7 bn or 25% of GDP. The current account surplus reached a record level of \$46.3 bn in 2000. However, the deficit in the service trade balance grew to \$7.8 bn in 2000 from \$4 bn in 1999. Imports of services increased substantially to \$17.4 bn in 2000, while service exports did not grow significantly. Investment income from abroad to Russia increased to \$4.3 bn while investment income from Russia abroad decreased slightly to \$11.2 bn. Hence, the balance of investment income remained strongly negative at \$6.9 bn.

Despite a considerable foreign direct investment (FDI) inflow of \$1 bn in the fourth quarter of last year, the total FDI inflow declined to \$2.7 bn in 2000 from \$3 bn in 1999. FDI outflow was \$3 bn, up from \$2 bn in 1999. Consequently, the net FDI outflow in 2000 amounted to \$0.3. However, according to Goskomstat, which uses a different method of calculation of FDI, there was 4% growth of FDI inflow in 2000.

Output of goods and services

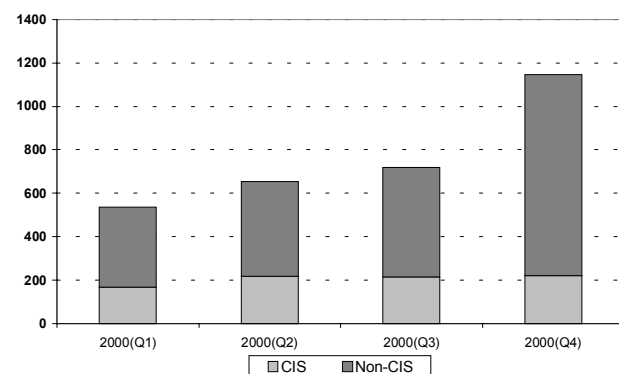
The index of real gross output of the five base sectors of the economy, covering production of goods (industry, construction, agriculture) and goods-related services (freight transportation and retail trade) remained practically unchanged from November 2000 to February 2001 in seasonally adjusted terms and was about 2.5% above the 2000 average.

Share of CIS countries in foreign trade (%)



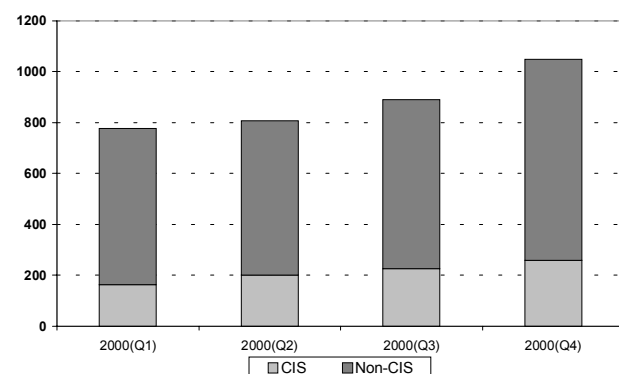
Source: CBR.

Average monthly exports of machinery and equipment to CIS and non-CIS countries in 2000 (\$ mn)



Source: Goskomstat.

Average monthly imports of machinery and equipment from CIS and non-CIS countries in 2000 (\$ mn)



Source: Goskomstat.

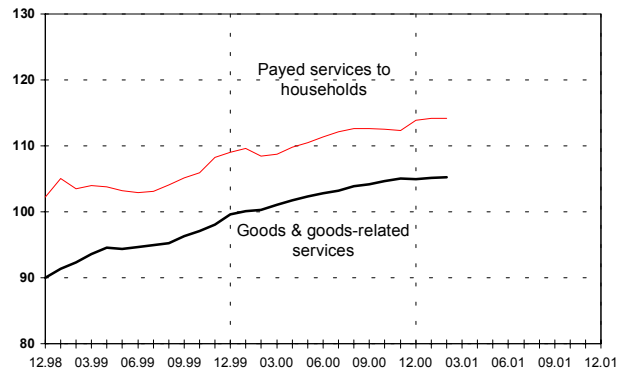
According to Goskomstat estimates, industrial production increased by 0.2% from January to February in seasonally adjusted terms. Industrial production has stagnated since autumn 2000, and in February it was at approximately the same level as in September 2000. Industrial output in seasonally adjusted terms was 4.9% higher in February than a year earlier and only 2.4% above its average 2000 level. However, the seasonally adjusted real volume of construction works continues to grow more or less steadily. In February it was 9.0% higher than a year ago and 5.2% above its average 2000 level in seasonally adjusted terms. By contrast, agricultural output has been in steady decline since autumn 2000. In February 2001 agricultural output was 1.3% lower than a year ago and was 2% below its average 2000 level in seasonally adjusted terms.

The overall stagnation of industrial and agricultural output is confirmed by data on freight transportation turnover, which strongly correlate with the real volume of shipments in industry and agriculture. Freight turnover remained practically unchanged in seasonally adjusted terms since mid-2000. At the same time real retail trade turnover, which strongly correlates with production of industrial and agricultural consumer goods, continues to grow more or less steadily. In February 2001 it was 8.7% higher than a year ago in seasonally adjusted terms and 5% above its average level for 2000.

These developments suggest that production of consumer goods in industry and agriculture is continuing to grow, while output of raw and intermediate products is remaining stable or even declining. The situation in the construction sector is the exact opposite: growth of the overall volume of construction is exclusively due to an increase in non-residential construction, while the volume of residential construction continues to decline (residential construction in February 2001 was 14% lower than a year earlier in seasonally adjusted terms and about 10% below its average level for 2000).

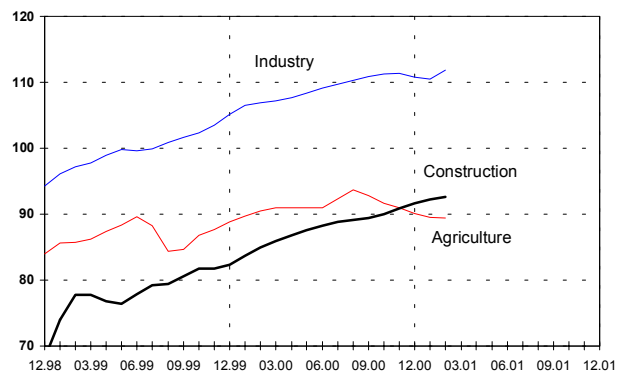
Growth also continues in several service-producing sectors, which are not directly linked to production of goods. Development of these sectors is reflected in changes in the real volume of paid services to households (including public catering), which fell slightly from January to February, but was still 6.2% higher in February than a year earlier. Among the components of paid services the highest year-on-year rates of growth are in tourism and recreation (more than 20% in February), education (19%), communications (13–18% according to different measures). The total volume of communications services was 22% higher in February than a year earlier thanks to growth of business demand (up 24% year-on-year). Data on passenger transportation

**Aggregate output indicators
(1995 = 100, seasonally adjusted)**



Source: Goskomstat and RET staff estimates.

**Real gross output of goods
(1995 = 100, seasonally adjusted)**



Source: Goskomstat and RET staff estimates.

released by Goskomstat are contradictory – according to one set of data, the rate of year-on-year growth in February was zero, but according to an alternative measure the rate of growth was 18% (!).

Prices

The consumer price index increased by 1.9% in March 2001, which is a slower rate than in February (2.3%) but much higher than in March 2000 (0.6%). In fact consumer price inflation continues to accelerate, and in March 2001 the 12-month rate of CPI growth reached 23.7% from 18.5% in September 2000. However, the rate of growth of the investment price index is gradually decreasing. In February 2001 it was equal to 1.9% (2.8% in February 2000). As a result the 12-month rate of growth of investment prices dropped to 31%.

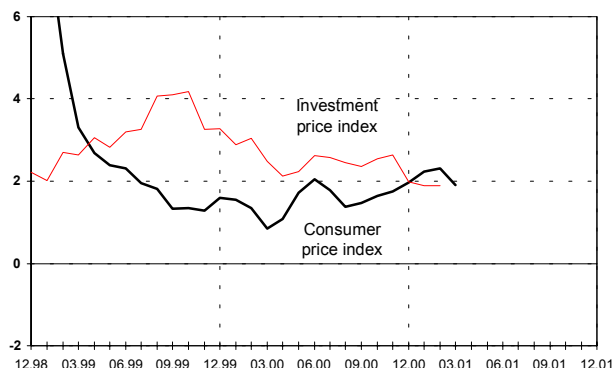
Acceleration of growth of consumer prices and deceleration of growth of investment prices are due to a number of reasons. The first reason is changes in the structure of final demand (see AGGREGATE DEMAND) in favour of consumption. This in turn is connected with relatively faster growth of personal incomes compared to business profits (see NON-FINANCIAL ENTERPRISES). These processes are also reflected in the changes in money supply – the monetary aggregate M0 continues to grow at a year-on-year rate of about 60% (!) while the 12-month rate of growth of deposits dropped from 66% in December 2000 to 49% in February 2001 (see MONEY).

The last, but not least important, reason is the cost factor. Since January 2001 year-on-year rates of growth of the industrial producer price index for consumer goods have been higher than year-on-year growth rates of the consumer price index for goods (in February 2001 – 20.9% and 19.9% respectively). The situation with investment prices is the opposite: since December 2000 year-on-year rates of growth of the industrial producer price index for investment goods have been lower than year-on-year rates of growth of the investment price index (in February 2001 – 25.1% and 31.1% respectively). In other words, consumer prices started to experience cost pressure in 2001, while the reverse is true for investment prices.

Labour market

The situation in the labour market stabilised at the beginning of 2001 after a steady worsening over previous months. The number of payroll employees at large and medium-sized enterprises in January was 0.7% higher than a year earlier. The number of officially registered unemployed increased through February from 1.05 mn to 1.09 mn, but the vacancy ratio (the number of registered job seekers per va-

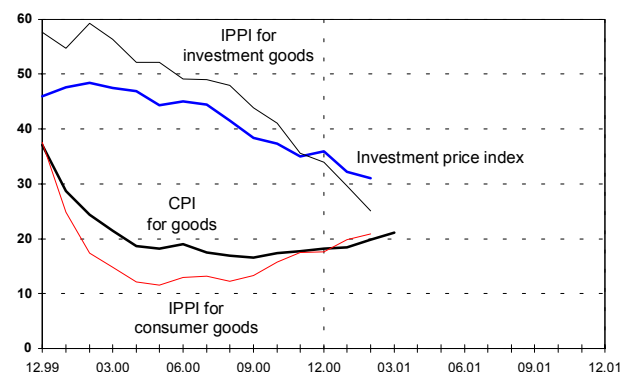
Monthly rates of growth of price indices for the components of final demand (%)*



* 3-month weighted moving averages.

Source: Goskomstat and RET staff estimates.

12-month rates of growth of industrial producer prices and prices indices for the components of final demand (%)



Source: Goskomstat and RET staff estimates.

cancy) remained unchanged at 1.66. The overall unemployment rate, according to preliminary Goskomstat estimates, also remained unchanged through February at 9.6%.

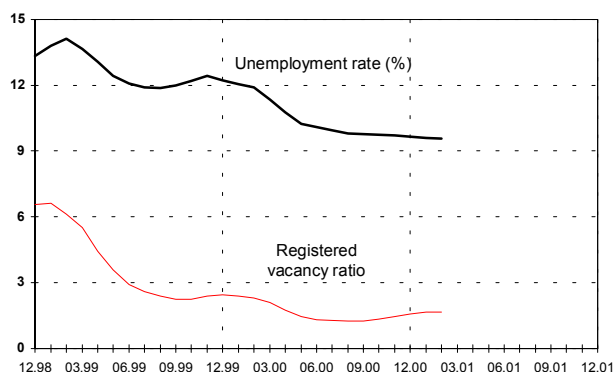
Some interesting processes related to wages were observed at the end of 2000 and beginning of 2001. The new flat tax rate on personal income, equal to 13%, was introduced on January 1, 2001. According to revised data, this led to redistribution of traditional year-end wage bonuses from December to January. As a result, according to our estimates based on the deflator for consumer expenditures, real wages in December declined slightly in seasonally adjusted terms (by 0.3%), but in January they increased by 5%. According to our estimates, the redistribution of bonuses was limited to a few sectors and was most pronounced in finance and insurance. In this sector official nominal wages in January are usually 40–50% lower than in December, but in January 2001 they were 66% higher than in December 2000. The same redistribution effect, though on a much smaller scale, was observed in construction, communications and trade. As a result the traditional year-end rise of wage differentiation was shifted from December to January.

According to our estimates, additional increase of reported wages in January connected with the introduction of the new tax rate was equal to about 7%. Basing on this figure Goskomstat produced a preliminary estimate of wages in February, thus assuming that introduction of the new tax rate will have a long-term effect on the level of reported nominal wages. However, it may be that the increase of reported nominal wages in January was only a short-term phenomenon. We tend to think that this is true, and our opinion is based on the fact that the two-month sum of wages (for December and January) was equal to the norm, observed in previous years (taking price increases into account). The same effect could have occurred in personal income tax collection, which in January 2001 appeared to be much higher than a year ago (see GOVERNMENT BUDGET). It will be possible to say next month whether the new tax rate is producing longer-term effects on reported wages and personal income tax collection.

Money

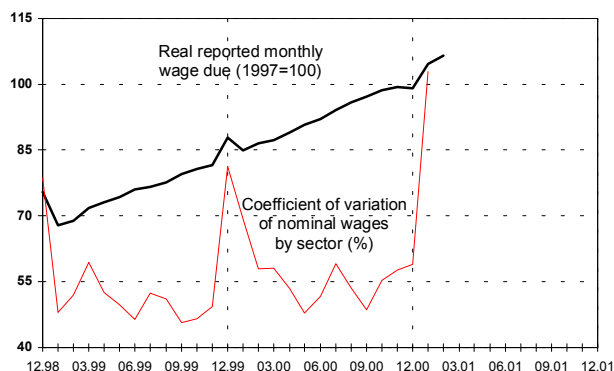
After the January correction, growth of money supply (M2) resumed in February. M2 increased by R30.4 bn or by 3% over the month. This growth was due to an increase of the rouble deposits component, while money outside commercial banks (M0) fell by 11%. The monthly growth rate of rouble deposits in February was substantial at 10%, but it should be remembered that this was from a low base in January, when rouble-denominated deposits dropped by

Unemployment indicators



Source: Goskomstat and Federal Employment Service.

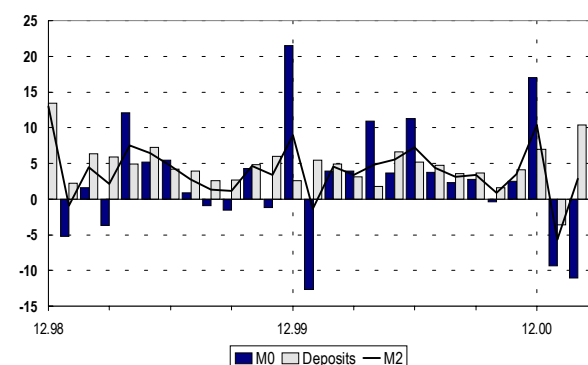
Reported average monthly wages due*



* Seasonally adjusted index of real wages is based on price deflator for consumer expenditures.

Source: Goskomstat and RET staff estimates.

Growth rate of M2, M0, and rouble deposits (%)



Source: CBR, RET staff calculations.

3.6% (see RET, March 2001). The opposite tendencies by components of money supply altered the composition of M2: the share of the cash component dropped from its usual 35% to 30% with rouble deposits accounting for the remaining 70%. Deposits denominated in foreign currency continued to rise in February. Growth of 15% observed in February is the largest monthly increase over the last two years.

Monetary base grew slightly in March, by 1.4%, reaching an absolute level of R499.6 bn by the end of the month, which implied 57% increase year-on-year. The \$300 mn decrease of Gross International Reserves (GIR) in February (as well as shortage of rouble liquidity evident in the last week of February) can be explained by repayment of Paris Club debt. According to the original schedule Russia had to pay \$1.2 bn to the Paris Club creditors in February. According to Finance Minister Alexei Kudrin Russia would follow the schedule and as of February 20, 2001 Russia already had paid out \$580 mn of this amount. Later Mr. Kudrin announced that the remaining \$686 mn were paid out as well. The longer-term trend of GIR is upward: in March GIR increased to a level of \$29.7 bn.

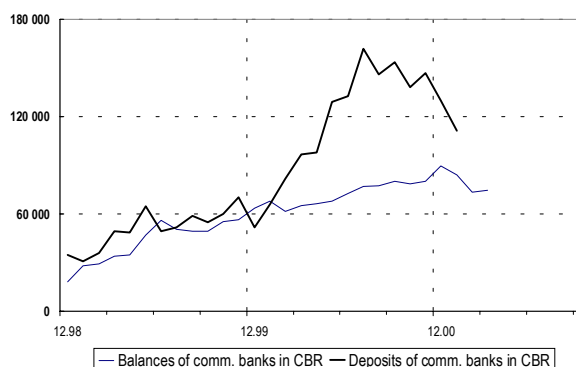
The main tool of sterilisation of excess liquidity last year was deposit operations of the CBR. According to our estimate, deposits of commercial banks at the CBR increased by 151% over 2000 (by comparison deposits grew by 49% over 1999). However, deposits started to decrease at the end of 2000 and start of 2001. The rates of decline in December 2000 and January 2001 were 11% and 14% respectively. This coincided with acceleration of inflation (see PRICES).

According to data released by the CBR in April, decline of deposit and lending rates observed since the middle of last year has halted. The deposit rate excluding Sberbank increased from 3.3% in January to 3.9% in February. The lending rate excluding Sberbank rose in February to 19.1% per annum. The average interbank rate showed a quite substantial increase from 5.4% in January to 12.1% in February. This is surprising given the common view of a liquidity overhang problem in the economy. In general, increase of interest rates might indicate increased inflationary expectations of economic agents.

Exchange rate

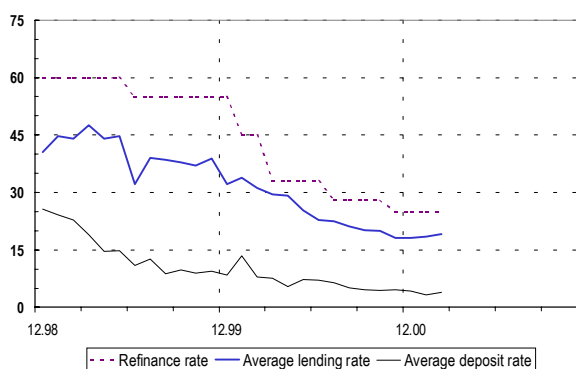
The rouble continued to depreciate against the dollar in nominal terms in March. The average MICEX exchange rate in March was 28.68R/\$ compared to 28.60R/\$ in February. Over the first quarter of 2001 the rouble lost around 2.7% to the dollar in nominal terms. However, the picture is different in real terms. The rouble continued a persistent trend of real ap-

Commercial banks' deposits and balances on the correspondent accounts in the CBR (R mn)



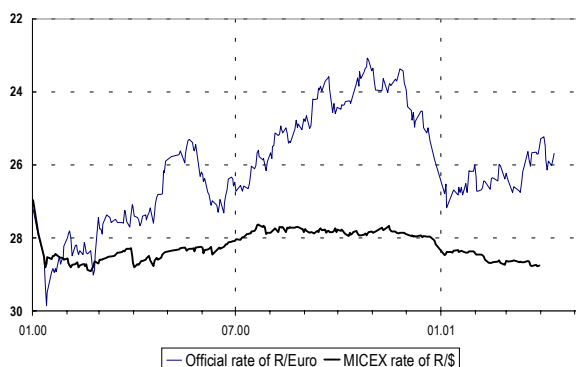
Source: CBR, RET staff calculations.

Interest rates (%)



Source: CBR.

Rouble exchange rates



Source: MICEX, Denezhnyi Rynok, CBR.

preciation against the dollar, gaining a further 1% in February. The rouble continues to appreciate in real terms against the trade-weighted basket of currencies of Russia's main foreign trade partners, with a rise of almost 1% in February. The main determinant of this movement is inflation in Russia, which remains much higher than in the countries, which are Russia's main trade partners (see PRICES).

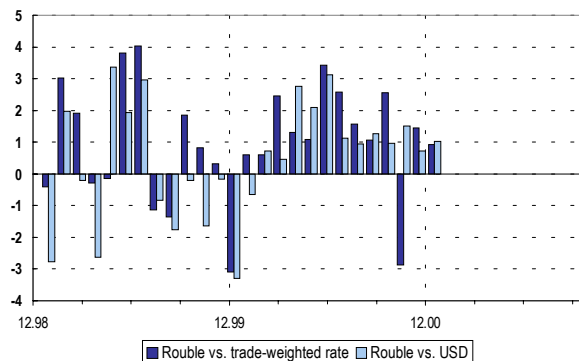
In view of the importance of Russia's trade relations with Europe it is worth taking a closer look at the development of the rouble/euro exchange rate. After strong (7%) depreciation of the rouble against the euro in January following interventions by the European Central Bank, appreciation has resumed in the last couple of months. In February–March the rouble gained 2% in nominal terms. Naturally, movements of the rouble/euro exchange rate are determined by the position of the euro against the main world currencies. Thus, the fact that the rouble has depreciated against the dollar but appreciated against the euro is explained by even more rapid depreciation of the euro against the dollar. In March the CBR quoted one euro to R26.17 on average, while the average euro exchange rate in February was R26.66.

Financial markets

The first week of March saw further independence of Russian stock movements from the US financial market. There was a strong will to buy despite falls by the NASDAQ index. All blue-chips shares grew significantly, but the best performers were UES (21% weekly growth), Mosenergo (17.7%) closely followed by Rostelecom (14.1%), Surgutneftgaz (13%), LUKoil (12.9%), and Norilsk Nickel (11.6%). However, the RTS was dragged down by negative trends on international markets in the second half of March. A significant rise by YUKOS (8.1%) following registration of its ADR program was not enough to keep the market up. The RTS index reached a maximum of 180.5 on March 7 and fluctuated around 173.5 for a week before starting its decline. The index lost 5% from March 19 to the end of the month. There was a return of upward movement at the start of April.

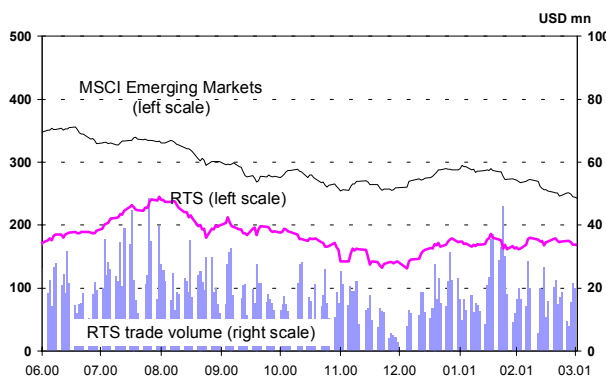
Emerging-market fixed-income debt continued to be affected by decline of the US stock market and the difficult situation in Argentina. The EMBI PLUS index, which tracks all foreign currency-denominated debt instruments on emerging markets, rose in the first week of March and then started to decline. Following slight growth in the last week of the month, the market finished March down 1.4% compared to the end of February. The Russian eurobond market showed a similar pattern. After hitting a bottom level of 140.2 on March 23 (3.5% lower than the beginning of the month) the EMBI PLUS Russia regained

Real monthly appreciation of the rouble (%)



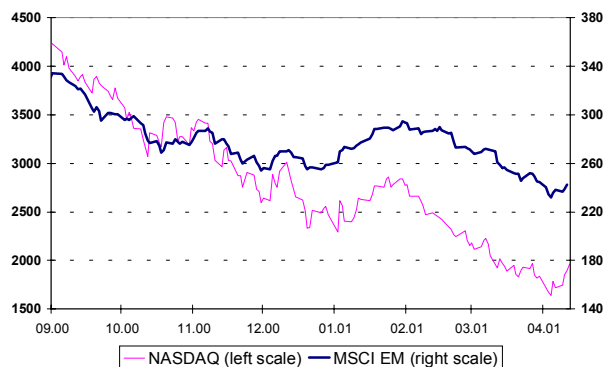
Source: Denezhnyi Rynok, CBR, Bureau of Labour Statistics, Bundesbank, UEPLAC, RET staff calculations.

Main indicators of the Russian stock market



Source: RTS, Morgan Stanley Dean Witter.

MSCI EM (Morgan Stanley capital index for emerging markets) and NASDAQ comparative fluctuations

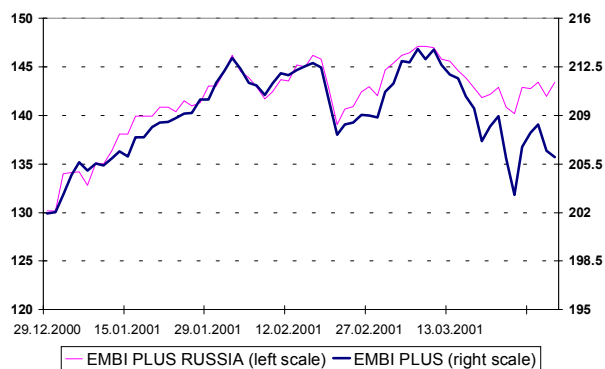


Source: Morgan Stanley Dean Witter, Raiffeisenbank.

some value and finished the month almost 1% higher than February. Country-specific issues determining the behaviour of Russian eurobonds included remaining uncertainty about the outlook for Russian economic growth (on the downside) and the President's address to the Federal Assembly (on the upside).

Several recent statements by government officials indicate that Russia may not use borrowing on the GKO market up to the limit of R30 bn allowed by budget amendments. There were two short-term bond issues in March totalling R4.6 bn at par value. The March 21 auction was remarkable for its surprisingly high average yield of 20.13%. Average weighted yield at a second auction in late March was much lower at 16.75%, closer to the levels which the market has recently come to expect.

Yield indices of emerging markets foreign currency debt instruments EMBI PLUS and EMBI PLUS Russia, Dec-93=100.



Source: JPMorgan.

Table 1: GDP and aggregate demand*

	Nominal GDP**	Real GDP**	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	2,725.8	95.1	1,339.9	95.5	407.1	88.0
1999	4,607.0	98.4	2,200.4	83.0	670.4	92.7
2000	6,946.5	106.0	2,900.3	90.6		
01.1999			148.3	77.6	28.5	93.6
02			150.1	75.5	31.8	89.8
03	836.5	88.8	164.1	80.2	36.5	90.9
04			165.6	78.6	36.9	91.0
05			169.2	78.5	41.4	88.1
06	1,041.7	95.1	175.1	79.8	52.8	90.9
07			180.6	80.0	56.2	94.3
08			193.2	84.6	61.8	91.0
09	1,275.8	103.7	198.3	85.6	67.6	93.7
10			204.4	87.1	66.5	94.9
11			210.0	88.4	72.0	95.1
12	1,391.4	106.0	241.7	100.4	118.4	98.7
01.2000			203.7	82.7	46.1	101.2
02			201.7	81.1	55.8	104.4
03	1,389.1	96.1	217.4	86.8	63.9	105.3
04			216.1	85.6	64.5	106.1
05			218.8	85.1	75.8	107.8
06	1,595.3	101.3	226.9	86.1	95.7	109.2
07			236.5	88.1	99.0	110.4
08			254.5	93.9	112.9	111.6
09	1,924.4	111.7	258.3	94.1	118.3	112.2
10			267.6	95.4	114.6	112.3
11			276.4	97.1	123.1	112.9
12			322.5	111.5	195.5	112.1
01.2001			264.3	88.9	71.1	110.5
02			267.0	87.9	82.3	110.9
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* Series on consumption and investment slightly differs from SNA concept.

** Quarterly data are not consistent with recently revised annual estimates.

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

SA - seasonally adjusted.

Table 2: Industrial production

	Industrial production, total, SA*	Industrial production, total (R bn)	Oil extraction, SAAL (mn t)	Natural gas extraction, SAAL (bn cub. m)	Electricity production, SAAL (bn kWt/h)	Coal production, SAAL (mn t)
	(1997=100)	(R bn)	(mn t)	(bn cub. m)	(bn kWt/h)	(mn t)
1995	102.1	988.9	298	595	862	262
1996	98.0	1443.4	293	601	848	255
1997	100.0	1601.0	297	571	833	245
1998	94.8	1681.4	294	591	826	232
1999	102.5	2995.2	295	592	846	250
2000	111.7	4762.5	313	584	876	258
01.1999	98.8	187.6	294	595	829	244
02	99.4	189.8	289	587	826	240
03	99.8	223.0	293	603	851	247
04	100.8	223.2	294	602	853	248
05	103.0	213.2	295	604	840	242
06	101.4	228.6	296	593	849	247
07	101.7	242.3	296	584	841	255
08	103.5	252.7	296	587	848	259
09	103.8	271.2	295	587	859	256
10	104.5	293.7	295	581	840	255
11	105.6	311.8	297	591	857	252
12	107.4	358.1	300	588	858	255
01.2000	109.6	331.7	301	590	870	256
02	109.0	350.8	308	597	881	263
03	109.7	387.5	305	581	856	255
04	110.1	359.2	308	580	859	256
05	110.7	361.1	309	578	877	263
06	111.6	384.5	311	585	871	260
07	112.2	391.6	313	591	883	254
08	112.7	407.7	316	585	879	252
09	113.4	417.6	318	583	873	256
10	113.8	442.7	320	585	896	258
11	114.0	451.9	323	575	882	263
12	113.7	476.2	321	577	884	261
01.2001	111.8	436.4	322	580	883	261
02	114.3	430.2	320	572	888	260
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* Based on the year-on-year rates of growth at prices of the previous year.
SA - seasonally adjusted, SAAL - seasonally adjusted annual level.

Table 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	3,682	1,025
1996	98.5	105.3	106.8	34.3	3,513	909
1997	100.0	100.0	100.0	32.7	3,393	887
1998	86.8	98.2	95.0	30.7	3,281	834
1999	90.4	97.4	100.8	32.0	3,452	946
2000	94.9	97.4	112.4	30.0	3,621	1,047
01.1999	89.3	97.3	98.7	22.9	3,336	868
02	88.9	96.0	99.0	29.3	3,282	880
03	89.1	96.8	99.9	40.6	3,463	895
04	91.3	97.2	97.8	27.7	3,462	910
05	91.6	97.0	96.4	27.1	3,468	934
06	92.6	97.8	99.1	36.9	3,455	943
07	95.6	97.5	102.6	31.1	3,419	962
08	82.9	97.8	99.4	32.2	3,521	974
09	89.3	98.0	103.8	34.0	3,489	988
10	90.2	97.8	104.3	32.2	3,478	984
11	90.8	97.7	104.4	32.7	3,500	1,001
12	92.6	97.9	104.1	37.2	3,550	1,016
01.2000	93.1	96.2	107.3	30.1	3,570	1,002
02	94.2	97.6	108.4	31.6	3,595	1,077
03	94.7	97.4	109.5	30.5	3,599	1,037
04	94.3	97.3	110.7	31.5	3,598	1,029
05	94.6	97.7	111.7	30.7	3,610	1,038
06	94.3	97.1	112.6	30.1	3,626	1,065
07	95.1	97.6	113.3	30.7	3,627	1,027
08	99.3	97.4	113.8	30.0	3,635	1,034
09	95.7	97.3	113.8	29.1	3,643	1,046
10	95.2	97.7	114.6	29.6	3,660	1,055
11	94.7	97.9	116.0	29.1	3,656	1,093
12	93.4	97.8	116.9	26.9	3,635	1,057
01.2001	92.8	98.4	117.8	30.1	3,619	1,013
02	92.9	96.6	118.1	27.3	3,618	1,043
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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	106.5	100.0	553.5	100.0	113.0	100.0
1996	353.4	109.2	749.0	100.1	200.3	92.1
1997	500.6	120.8	866.1	103.7	269.5	95.5
1998	607.3	130.1	1056.4	100.3	318.8	95.2
1999	1,136.5	128.6	1782.8	91.0	447.6	102.0
2000	1,721.6	152.4	2332.1	99.0	609.6	108.0
01.1999	60.4	99.5	120.5	85.8	28.7	93.7
02	62.6	99.5	121.9	83.3	29.5	90.5
03	74.4	106.7	133.3	88.5	32.4	96.5
04	77.9	99.3	134.5	86.3	32.7	96.9
05	83.8	140.3	137.6	86.2	32.8	98.5
06	88.4	139.0	141.2	86.9	36.9	101.3
07	98.3	132.5	144.5	87.0	39.1	105.0
08	103.0	123.1	155.8	92.3	40.5	107.5
09	118.6	148.6	160.2	93.2	41.4	106.4
10	114.8	152.7	166.0	95.1	41.9	106.1
11	120.0	152.7	169.0	95.7	44.5	112.7
12	134.3	149.9	198.3	111.9	47.2	109.0
01.2000	110.3	130.4	167.1	91.2	39.7	100.5
02	120.6	141.0	165.5	89.6	39.4	93.7
03	134.8	145.2	177.1	95.3	43.6	100.5
04	126.7	124.0	175.5	93.4	44.5	102.5
05	132.1	170.8	177.1	92.8	45.3	105.6
06	144.7	176.6	182.5	93.8	49.7	108.7
07	146.1	153.5	187.0	95.0	53.7	113.8
08	152.8	143.8	201.4	101.3	56.1	117.5
09	152.3	152.1	205.6	102.0	55.9	112.5
10	159.8	169.4	213.8	104.0	57.2	111.5
11	162.1	163.5	219.2	105.2	60.0	121.1
12	179.3	159.0	260.3	124.1	64.5	107.8
01.2001	161.7	157.3	212.6	98.0	56.1	107.1
02	168.0	160.6	214.2	97.2	56.0	99.7
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*Wholesalers only, including exports.

** Including catering. Revised by Goscomstat in January 1999.

Table 5: Labour market

	Employment	Unemployment rate, ILO concept	Registered vacancy ratio*	Man-days lost in strikes	Nominal average monthly wage due**	Real average monthly wage due, SA***
	(mn)	(%)	(Ratio)	(th)	(R)	(Dec-97=100)
1995	66.4	8.5	6.1	1,366	472	83.0
1996	65.9	9.6	9.2	4,009	790	88.4
1997	64.7	10.8	7.6	6,001	950	92.4
1998	63.6	11.9	5.4	2,882	1,095	80.0
1999	64.0	12.6	3.6	1,790	1,581	62.4
2000	64.7	10.4	1.6	236	2,253	76.2
01.1999	63.2	13.8	6.6	577	1,167	55.2
02	63.2	14.1	6.1	532	1,199	56.2
03	63.5	13.7	5.5	83	1,385	58.5
04	63.8	13.1	4.4	15	1,423	59.4
05	64.2	12.4	3.6	15	1,472	60.4
06	64.5	12.1	2.9	6	1,626	62.4
07	64.6	11.9	2.6	6	1,618	62.6
08	64.6	11.8	2.4	5	1,608	63.6
09	64.4	11.9	2.2	99	1,684	65.2
10	64.3	12.1	2.2	228	1,716	66.2
11	64.1	12.3	2.4	42	1,789	67.7
12	64.0	12.2	2.5	184	2,283	71.7
01.2000	63.8	12.0	2.4	91	1,830	69.2
02	63.5	11.9	2.3	65	1,839	71.0
03	63.9	11.3	2.1	27	2,018	71.6
04	64.4	10.8	1.7	7	2,039	73.1
05	64.8	10.2	1.4	0	2,101	74.5
06	65.0	10.1	1.3	0	2,294	75.5
07	65.1	10.0	1.3	0	2,302	77.1
08	65.2	9.8	1.3	1	2,289	78.6
09	65.1	9.8	1.3	1	2,367	79.6
10	65.1	9.8	1.3	2	2,425	80.7
11	65.0	9.7	1.5	17	2,508	81.6
12	65.0	9.6	1.6	25	3,025	81.4
01.2001	64.9	9.6	1.7	4	2,733	85.6
02	64.8	9.6	1.7	12	2,760	87.2
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* Registered number of job-seekers per registered vacancy.

** 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	1044.0	39.1
2000	2,098.3	84.0	107.7	694.7	1210.4	33.7
01.1999	1,139.1	63.7	83.5	403.0		
02	1,274.9	68.5	83.5	403.1		
03	1,356.3	70.9	83.5	403.1	947.9	43.6
04	1,511.5	76.7	83.5	403.2		
05	1,456.3	72.3	83.5	451.6		
06	1,551.9	75.6	83.5	455.5	1057.1	40.7
07	1,552.7	73.6	83.5	455.7		
08	1,639.2	76.8	83.5	455.9		
09	1,643.8	75.9	83.5	456.1	1084.9	39.6
10	1,718.7	78.3	83.5	455.6		
11	1,761.2	79.2	83.5	519.2		
12	2,432.7	108.1	83.5	521.1	1085.9	32.5
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	1137.7	41.2
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	1185.0	34.7
07	2,067.7	82.4	132.0	694.4		
08	2,164.7	85.4	132.0	750.0		
09	2,224.2	86.6	132.0	750.1	1234.0	31.8
10	2,239.4	85.4	132.0	748.9		
11	2,397.6	90.1	132.0	821.3		
12	3,111.7	115.0	132.0	823.4	1285.0	26.9
01.2001	1,957.3	70.4	200.0	824.2		
02	2,308.3	81.2	200.0	900.2		
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* Since first quarter 1999 new methodology for quarterly estimates.

Table 7: Financial performance of enterprises*

	Profits minus losses**	Overall liabilities	Overdue liabilities	of which: overdue payables to suppliers	Bank credits and loans	Current assets
	R bn	R bn	R bn	R bn	R bn	R bn
1995		574.3	249.6	122.3	91.4	
1996		1065.0	538.0	245.9	123.8	
1997		1453.0	782.2	344.7	164.7	
1998	0.4	2811.5	1309.2	586.0	514.0	2686.7
1999	579.0	3609.4	1445.3	619.5	708.6	3662.5
2000	1046.5	4479.9	1675.2	712.5	965.0	4894.6
01.1999	12.8	2865.4	1319.2	583.5	518.4	2620.4
02	30.6	2927.4	1372.0	597.7	540.1	2707.9
03	27.7	3110.4	1415.6	623.8	558.8	2986.5
04	44.4	3238.1	1454.6	640.6	586.8	3004.7
05	44.4	3283.1	1463.7	639.3	615.8	3084.5
06	43.4	3305.5	1490.3	654.1	605.8	3242.9
07	50.9	3391.0	1509.6	654.4	623.7	3248.0
08	50.5	3395.6	1528.7	658.7	614.9	3297.9
09	50.6	3503.0	1523.1	665.9	648.0	3435.7
10	54.8	3580.1	1541.9	665.0	674.7	3488.1
11	87.6	3605.1	1518.2	694.4	694.2	3566.8
12	81.3	3609.4	1445.3	619.5	708.6	3662.5
01.2000	59.9	3550.8	1449.9	615.5	706.4	3582.5
02	85.6	3804.4	1580.0	685.0	740.8	3831.7
03	89.3	4042.5	1676.8	729.0	736.2	4070.0
04	75.4	4115.6	1701.9	728.4	778.8	4146.5
05	95.7	4118.4	1704.6	747.8	786.6	4203.5
06	69.5	4234.0	1713.1	748.0	804.7	4386.6
07	111.7	4311.6	1747.4	766.1	834.0	4444.3
08	86.6	4263.6	1732.2	765.9	839.1	4523.8
09	85.5	4442.3	1741.4	750.8	889.2	4737.8
10	99.9	4472.6	1724.5	748.4	906.2	4768.9
11	109.0	4490.0	1708.4	742.7	925.8	4824.7
12	78.5	4479.9	1675.2	712.5	965.0	4894.6
01.2001	110.0	4994.1	1689.2	732.8	1237.2	5232.5
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* Large and medium enterprises. Prior 1998 series include data for industry, construction, transport and agriculture. After that series include also communications, trade and catering, wholesalers, housing, 'other' sectors, and tourism since 2000.

** Excluding agriculture

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		74.1
1996	90.1	91.7	92.5	81.6		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
2000	302.5	314.1	329.1	211.9	263.1	271.3
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	241.4	253.8
09	287.2	297.3	314.6	200.5	246.5	258.5
10	293.2	303.7	320.5	205.3	253.2	265.4
11	297.6	308.2	325.2	208.6	257.9	268.8
12	302.5	314.1	329.1	211.9	263.1	271.3
01.2001	311.0	323.7	333.7	221.7	268.2	276.2
02	318.0	331.0	338.0	231.3	273.7	281.4
03	324.0	337.0	342.2	239.3		
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* 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	75.9	18.8	11.4	39.6	9.9	36.3
2000	105.2	36.1	16.6	44.2	10.6	61.0
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	5.4	1.5	0.7	3.9	0.8	1.5
07	6.3	1.6	0.7	3.3	0.7	3.0
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	9.7	2.4	1.5	4.0	1.0	5.7
01.2000	6.9	2.2	1.6	2.8	0.4	4.1
02	8.0	2.6	1.5	3.4	1.0	4.6
03	9.3	2.8	1.6	3.6	0.9	5.7
04	8.1	2.4	1.2	3.4	0.8	4.7
05	8.3	3.4	1.2	3.4	0.8	4.9
06	8.6	3.4	1.1	3.6	0.9	5.0
07	8.6	3.3	1.2	3.5	0.8	5.1
08	9.1	3.3	1.1	3.7	0.9	5.4
09	9.0	3.2	1.2	3.7	0.9	5.3
10	9.0	2.9	1.4	4.1	0.9	4.9
11	10.3	3.7	1.7	4.3	1.0	6.0
12	10.0	2.8	1.8	4.7	1.3	5.3
01.2001	8.2	2.7	2.0	3.1	0.7	5.1
02	8.0			3.5		4.5
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* Includes Goskomstat estimate of unregistered trade.

Table 10: Balance of payments (\$ mn)

	1998	1999	2000	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4
Current Account	721	25049	46342	10764	11926	10943	10546	12927
<i>Trade balance</i>	12902	31984	52904	12133	12812	12545	13372	14175
Export	87255	84747	115197	26561	26173	27357	29653	32014
Import	-74353	-52763	-62294	-14428	-13361	-14813	-16280	-17840
<i>Merchandise trade balance</i>	16869	36156	60703	13346	14384	14630	15601	16089
Export	74884	75692	105565	24179	24364	25009	26728	29464
Import	-58015	-39537	-44862	-10833	-9980	-10379	-11127	-13375
<i>Service balance</i>	-3967	-4172	-7800	-1212	-1572	-2086	-2228	-1914
Export	12371	9055	9632	2382	1809	2348	2925	2550
Import	-16338	-13227	-17432	-3595	-3381	-4434	-5153	-4464
<i>Income and Wages</i>	-11773	-7474	-6651	-1674	-949	-1697	-2793	-1212
Received	4301	3881	4753	463	2510	718	713	812
Paid	-16075	-11355	-11404	-2137	-3459	-2415	-3506	-2024
Wages	-164	221	268	56	55	59	69	85
Received	301	425	500	102	103	116	129	152
Paid	-465	-204	-232	-45	-48	-57	-61	-67
Income	-11609	-7695	-6919	-1730	-1004	-1756	-2861	-1298
Received	4000	3456	4253	361	2407	602	584	659
Paid	-15610	-11151	-11172	-2091	-3411	-2358	-3445	-1957
<i>Current Transfers</i>	-409	539	90	305	63	95	-33	-35
Received	269	1027	807	426	220	251	153	183
Paid	-677	-489	-717	-121	-157	-155	-187	-218
Capital Account	8050	-17768	-37000	-6586	-9650	-9984	-7778	-9588
<i>Capital transfers (net)</i>	-382	-328	10955	-78	22	-39	10976	-4
<i>Direct investments abroad</i>	-958	-1709	-3050	-449	-541	-372	-837	-1301
<i>Direct investments into Russia</i>	2761	3309	2704	1257	569	518	694	1048
<i>Portfolio investments abroad</i>	-257	254	-380	172	37	9	-292	-135
<i>Portfolio investments into Russia</i>	8876	-1289	-10148	-612	583	-1530	-8766	-435
<i>Other investment - assets</i>	-15907	-15369	-16993	-3620	-6675	-1959	-2815	-5545
Hard currency	824	921	-321	116	-27	439	289	-1022
Bank accounts and deposits	1200	-3889	-3616	-786	-1476	-597	-603	-940
Trade credits	-6818	-5733	-4156	-1928	-687	-178	-866	-2425
Loans provided (not overdue)	5345	4855	5365	730	1622	977	400	2367
Overdue payments	-7425	-5809	-7488	-193	-3812	-694	-869	-2114
Liabilities on shipments under intergovernmental agreements	-737	-195	-534	-281	-596	-276	666	-328
Non-repatriated export revenue	-7959	-5051	-5293	-1245	-1598	-1266	-1513	-915
Other assets	-338	-470	-950	-32	-101	-362	-319	-168
<i>Other investment - liabilities</i>	8663	-682	-4094	-871	-602	-280	-2885	-327
National currency	65	3	155	11	23	42	35	55
Bank accounts and deposits	-3050	162	751	153	148	-326	497	432
Trade credits and advances	321	30	0	-225	0	0	0	0
Loans received (not overdue)	6666	-2703	-3550	-1366	-1126	-1194	-540	-690
Overdue payments	5315	2027	-1637	601	297	1116	-2862	-187
Other liabilities	-654	-201	187	-46	56	82	-14	64
<i>Adjustments</i>	-50	-176	17	-158	92	-52	-158	-182
<i>Net international reserves</i>	5305	-1778	-16010	-2227	-3102	-6219	-3979	-2710
Errors and omissions	-8771	-7281	-9342	-4179	-2276	-959	-2768	-3339

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	592.0	440.2	663.0	162.6	-71.0	-1.6
2000	1127.6	964.6	954.1	173.5	173.5	2.5
01.1999	27.5	24.6	39.1	10.6	-11.6	
02	53.9	48.6	71.9	18.1	-18.0	
03	88.1	80.1	128.3	30.8	-40.2	-4.9
04	132.9	119.3	177.7	41.5	-44.8	
05	171.7	152.9	231.2	61.0	-59.5	
06	224.4	195.2	291.0	80.3	-66.6	-3.6
07	279.4	242.9	347.4	99.4	-68.0	
08	331.3	285.8	399.6	109.4	-68.2	
09	380.0	326.0	451.9	117.5	-71.9	-2.3
10	438.4	375.6	503.0	124.2	-64.6	
11	505.0	433.1	568.1	139.1	-63.1	
12	592.0	440.2	663.0	162.6	-71.0	-1.6
01.2000	63.9	56.1	44.4	15.7	19.5	
02	139.3	122.7	102.4	27.6	36.9	
03	226.8	196.2	186.4	40.0	40.4	2.9
04	319.0	277.1	252.8	52.6	66.2	
05	420.4	365.2	331.5	70.9	88.9	
06	508.7	443.2	402.0	93.6	106.7	6.8
07	597.1	520.2	462.9	108.4	134.2	
08	694.0	600.5	546.1	127.4	147.9	
09	783.2	678.8	632.2	145.5	151.0	3.1
10	880.4	761.9	710.2	152.9	170.2	
11	990.7	853.1	800.0	164.8	190.7	
12	1127.6	964.6	954.1	173.5	173.5	2.5
01.2001	94.6	88.9	60.6	18.9	34.0	
02	200.1	186.5	170.4	65.6	29.7	
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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
2000	1052.6	742.2	1018.7	198.9	33.9	0.5
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	0.8
10	765.1	562.3	720.9	143.9	44.2	
11	881.0	645.7	822.9	165.1	58.1	
12	1052.6	742.2	1018.7	198.9	33.9	0.5
01.2001	75.2	26.5	56.0	13.4	19.2	
02	150.1	55.3	130.3	27.7	19.8	
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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.
2000	519.6	15.9	90.0	419.3	1144.3	184.2
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	258.5
02	306.0	-0.9	331.1	242.0	726.6	253.9
03	318.9	1.3	284.6	251.5	751.4	255.9
04	349.6	3.3	259.7	279.1	787.9	256.8
05	361.4	5.8	204.3	289.3	831.6	255.9
06	397.2	7.5	194.9	321.8	892.2	258.3
07	415.7	10.2	139.9	334.0	931.2	255.1
08	425.0	11.3	120.3	341.6	960.1	259.2
09	437.6	12.6	97.8	351.0	992.4	247.3
10	446.0	13.7	75.9	349.7	1001.2	235.6
11	457.1	15.6	34.9	358.4	1036.4	229.7
12	519.6	15.9	90.0	419.3	1144.3	184.2
01.2001	488.0	16.7	36.5	380.1	1079.3	175.1
02	494.7	16.6	46.2	338.0	1109.7	180.2
03	499.6					185.7
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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 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
2000	2259.4	526.0	867.1	304.2	420.1	249.0
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	280.9	371.7	214.5
09	2080.6	498.9	737.5	286.5	404.5	231.3
10	2140.6	516.7	769.5	289.4	423.2	221.7
11	2197.6	520.5	818.7	301.0	428.3	230.4
12	2259.4	526.0	867.1	304.2	420.1	249.0
01.2001	2295.7	527.5	880.7	314.2	445.1	248.6
02	2405.7	538.1	922.3	324.6	509.8	245.3
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Source: CBR, Goskomstat.

* 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	RTS index, monthly average (01.09.95 = 100)
	(%)	(%)	(%)	(%)	(%)	
1995	185	320.3	102.0	190.4	161.8	80.9
1996	110	146.8	55.1	47.6	85.8	160.3
1997	32	32.0	16.8	21.0	26.0	427.9
1998	60	41.5	17.1	50.6	n.a.	277.6
1999	57	40.1	13.7	14.8	n.a.	106.9
2000	32					199.5
01.1999	60	44.8	24.2	28.1	n.a.	57.4
02	60	44.0	22.8	20.4	33.4	67.5
03	60	47.5	18.9	20.7	30.7	81.3
04	60	44.1	14.6	15.2	27.4	79.9
05	60	44.7	14.7	7.1	20.2	96.7
06	55	32.1	11.0	8.4	16.0	116.3
07	55	39.0	12.6	9.0	n.a.	135.5
08	55	38.6	8.8	9.3	n.a.	107.2
09	55	37.9	9.7	18.2	n.a.	93.3
10	55	37.0	9.0	16.1	n.a.	95.0
11	55	38.8	9.4	13.2	n.a.	113.7
12	55	32.1	8.5	11.8	n.a.	130.7
01.2000	45	33.8	13.4	11.8	n.a.	189.8
02	45	31.2	7.9	11.3	n.a.	179.7
03	33	29.5	7.6	6.5	17.2	219.9
04	33	29.1	5.4	11.1	14.9	217.9
05	33	25.3	7.3	7.6	11.4	200.2
06	33	22.8	7.1	5.1	13.1	187.6
07	28	22.5	6.4	3.4	12.9	185.8
08	28	21.2	5.1	4.6	10.3	225.2
09	28	20.2	4.6	3.3	10.6	210.4
10	28	19.9	4.5	5.2	11.3	195.0
11	25	18.2	4.6	8.5	12.2	174.3
12	25	18.1	4.2	7.3	12.8	148.5
01.2001	25	18.5	3.3	5.4	8.1	165.9
02	25	19.1	3.9	12.1		172.0
03	25					172.9
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Source: CBR, RTS

* 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* R/\$	Exchange rate (MICEX), end of period* R/\$	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
2000		28.145	28.163	71.5	28.0	3.7
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	27.864	27.824	76.2	25.9	3.5
11		27.811	27.891	78.1	27.7	3.6
12		27.940	28.163	75.9	28.0	3.7
01.2001		28.382	28.404	77.0	29.6	3.7
02		28.603	28.622	77.7	28.3	3.8
03		28.684	28.743		29.7	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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Russian-European Centre for Economic Policy

Potapovsky Pereulok 5, building 4, Moscow 101000 Russia

<http://www.recep.org>

e-mail: recep@recep.ru

tel +7 (503) 232 3613 fax+7 (503) 232 3739

