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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**



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RECENT DEVELOPMENTS IN THE RUSSIAN ECONOMY

The Russian economy continues to grow, but at a slow pace. According to RET staff estimates, based on preliminary figures of the Ministry of Economic Development and Trade, seasonally adjusted GDP grew 0.6% in the first quarter of 2001 from the previous quarter. The growth level was the same for the second quarter in a row. Information on the corporate sector points to a similar tendency with enterprise profits falling considerably in February and stocks of finished goods rising. Furthermore, preliminary estimates show that in seasonally adjusted terms, real fixed investment actually fell during the first quarter of the current year.

In May Goskomstat released revised quarterly and annual figures for Russian GDP in 1998-2000. The new figures differ considerably from those previously published, showing a faster recovery from the crisis of 1998 than was indicated by the previous data. The revisions result from changes in the methodology of calculation of certain components of GDP, as well as updated information. According to the revised data, the GDP growth peak (10.8%) was already reached in the third quarter of 1999, while previous data put the peak in the first quarter of 2000. Since the end of 1999, year-on-year growth of GDP has been gradually slowing, amounting to 6.8% in the fourth quarter of 2000. Preliminary estimates of the Ministry of Economic Development and Trade put Q1 2001 GDP growth at about 4%.

The relatively restrictive fiscal policy of the government continues with the federal budget showing a surplus in the first quarter of 2001, partly thanks to increased budgetary income. The increase in tax revenues is due to growth in profit tax and export duties in particular. The effects of the January income tax reform are not yet visible in budget revenues.

Also monetary policy has been fairly tight with money supply growing as little as 0.5% over the first quarter of the current year. Growth of money supply accelerated in April from the previous month, but was still slower than a year earlier.

Reflecting these first quarter developments, consumer price inflation in April was the slowest to date in 2001, amounting to 1.8% month-on-month. The most recent information on consumer price growth in May points to a further slight deceleration of inflation. However, as inflation in the first four months of the current year amounted to as much as 9%, it is obvious that the figure for the whole year will be closer to 20% than to 14-16%, which is the current government forecast.

Rapid inflation combined with relative stability of the rouble in nominal terms caused the rouble to strengthen in real terms by almost 6% against the basket of currencies of Russia's main trading partners during Q1 2001. In conjunction with this strengthening, Russia's imports grew 10% year-on-year in the first quarter. However, imports are still far below their level reached before the 1998 crisis.

In April, the government and the Central Bank signed a joint statement on economic policies for the current year. The statement includes fiscal policy guidelines that stress the importance of a non-deficit budget and continuation of tax and other fiscal system reforms. As to other reform areas, it is encouraging that the joint statement also contains several measures aimed at

upgrading and normalising the Russian banking sector, in line with the reform proposals that the IMF put forward in its negotiations with the Russian authorities earlier this year.

Important structural reforms under preparation

Structural reforms are now proceeding at a more rapid pace than in the past six months, as the government has prepared or is currently working on several significant legislative initiatives. One of the most important events was submission of the draft Land Code to the Duma in late April. The draft bill covers only urban land, leaving the delicate issue of private ownership of agricultural land for decision at a later date. That should facilitate the bill's smooth passage in parliament. In May the government agreed on draft legislation concerning pension system reform, which has been under preparation for a long time. The relevant bills will be sent to the Duma during the spring session. The Duma has also received for consideration draft bills on overhaul of Russia's judicial system.

It is hoped that these important initiatives will be discussed by the Duma before its summer recess. The Duma's recent decision to extend its spring session till end-July in order to review these bills is evidence of a supportive mood prevailing in the legislature.

Regarding reform of natural monopolies, the government received a proposal on restructuring of the electricity sector from the Ministry of Economic Development and Trade. The government has already approved the basic concept of reform of the Railways Ministry, while the reform concept of Gazprom will be discussed in the autumn. These reforms involve huge assets and concern large numbers of workers, and are therefore politically extremely delicate – a fact that has been witnessed by the slow progress of the reforms so far. It remains to be seen whether the current government has the strength and will to finally get the process started.

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	5.4	8.3		
Industrial production	-4.0	2.0	-5.2	8.1	9.0	3.3	Q1
Fixed investment	-18.0	-5.0	-12.0	5.3	17.4	6.7	Q1
Inflation	21.8	11.0	84.4	36.5	20.2	24.8	April
M2	30.0	29.5	36.3	57.2	62.4	53.0	March
Unemployment rate (%)	9.3	9.0	11.8	11.7	10.2	9.6	March
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 TRENDS

Aggregate demand

According to RET staff estimates based on data from the revised Goskomstat System of National Accounts (SNA), real GDP by expenditure grew by 7.8% in 2000 (+4.7% in 1999 and -4.3% in 1998). Real GDP by expenditure in 2000 thus was only 2.9% lower than in 1994. Households' consumption increased by 8.9% in real terms in 2000 (-4.4% in 1999) and was only 0.8% lower than in 1994. Institutional consumption increased in 2000 by 1.4% (+2.6% in 1999) and was equal to that of 1994. Gross fixed capital formation increased by 15.5% (4.7% in 1999) but was still 23.2% below the level of 1994. Increase in inventories in 2000 remained negative for the third year in a row. Net exports grew by only 2.4% in real terms in 2000 after growth of 72.3% in 1999 and a tremendous 111% increase in 1998. Real net exports in 2000 exceeded the level of 1994 by 325%.

Over the year 2000 real households' consumption grew at an average rate of 2.4% per quarter and in Q4 2000 was 9.8% higher than a year ago. Gross fixed capital formation increased at an average rate of 3.5% per quarter and in Q4 2000 was 14.7% higher than a year ago. Net exports of goods and services actually declined throughout the year in real terms at an average rate of 2.0% per quarter. As a result in Q4 2000 they were 7.7% lower than in Q4 1999.

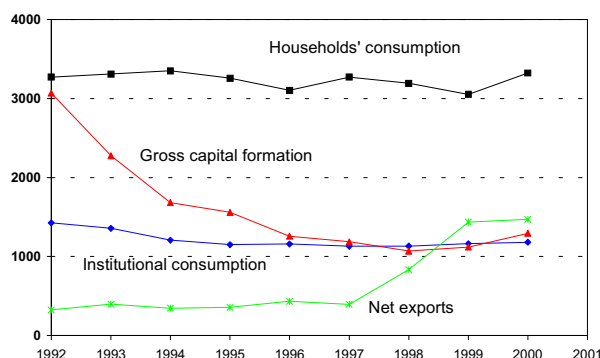
In Q1 2001 real consumer expenditures (a proxy for households' consumption) increased by 1.2% to previous quarter in seasonally adjusted terms (1.6% in Q4 2000) and were 7.4% higher than a year ago. Seasonally adjusted real gross fixed investment (a proxy for gross fixed capital formation), according to preliminary data, *decreased* by 1.6% to previous quarter (+0.9% in Q4 2000) and was 6.8% higher than in Q1 2000.

Households

The period of drastic improvements in personal finances appears to be over. In March real personal incomes adjusted for seasonal factors were at the level reached in autumn 2000. But growth is still remarkable compared to March 2000. Year-on-year growth of personal incomes, corrected for inflation by the consumer expenditures deflator, increased by 7.8%. Year-on-year growth of consumer expenditures was about 11%, although they have remained flat in seasonally adjusted terms since November 2000.

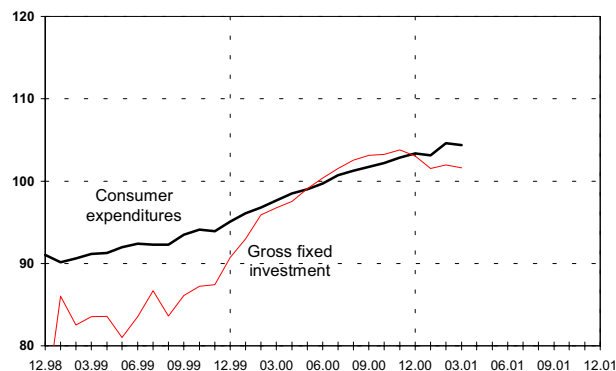
Real retail sales of goods and services increased by 7% over 12 months. Purchases of food goods grew

Components of final demand at 2000 constant prices (R bn)



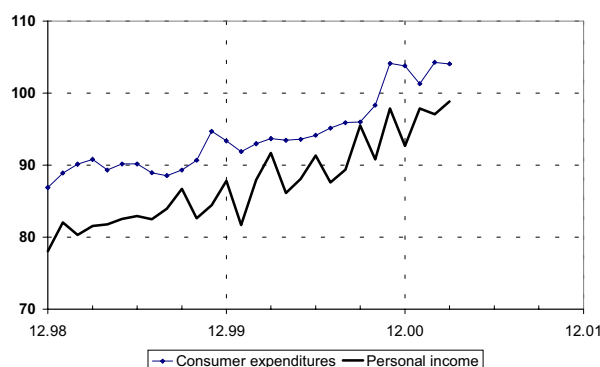
Source: Goskomstat and RET staff estimates.

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



Source: Goskomstat and RET staff estimates.

Real personal income and consumer expenditures (1997=100, seasonally adjusted)



Source: Goskomstat and RET staff estimates.

by 5.8%. The volume of paid services showed almost no change over the same period. Non-food goods contributed most to the growth of consumer expenditures.

The most remarkable change in household finances was a drastic increase in liabilities. In the first quarter of 2001, credits extended to individuals were equal to 2.5% of personal income. In a market economy such behaviour is characteristic of periods of favourable expectations. Consumer expectations were at their highest level in January 2001 but a decrease of this indicator in March might signal a coming slow-down in growth of consumer credit. In Russia official credit resources are mainly used for housing purchases. But the increase of individuals' liabilities in the first quarter of 2001 significantly exceeded households' investments in tangible assets. In other words, almost 40% of all borrowed resources were used for purposes not linked with housing purchases.

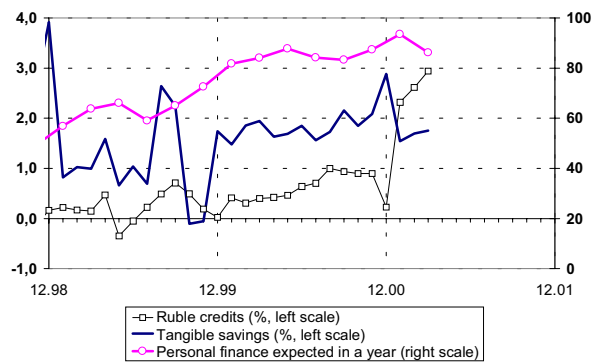
Government budget

Federal budget revenues in Q1 2001 were R318 bn and expenditures R236 bn, of which non-interest spending totalled R147 bn and debt service R88 bn. The primary surplus (i.e. without interest payments) was R171 bn and the overall surplus was R82 bn. Foreign debt principal repayment was R31 bn. Consolidated budget revenues were R516 bn and expenditures R446 bn. The Ministry of Finance also announced preliminary figures for federal budget execution in April. Total revenues were R135 bn and expenditures R101 bn, of which R94 were non-interest spending.

There has been a constant rise in non-interest expenditures by the federal budget since the beginning of the year. Non-interest expenditures are increasing more rapidly than total revenue and were two times higher in April than in January. At the same time, debt-service expenditures have also increased as large debt-service payments due in Q1 2001 were made (R88 bn out of the total R240 bn to be paid in the current year).

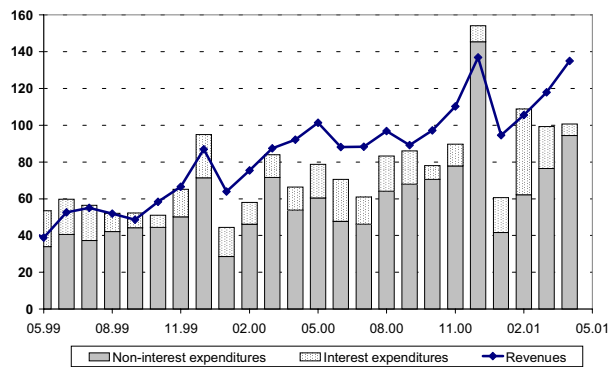
Q1 2001 brought no significant changes to the structure of federal and consolidated budget revenues. The rise in tax collection was mostly due to an increase of receipts from profit tax and taxes on foreign trade and foreign economic operations. Real VAT was collected at an even lower level than last year. Seasonally adjusted income tax receipts in real terms in January-February were slightly higher than in previous years because companies moved forward a part of their wage payments in expectation of a lower tax rate from January following implementation of Tax Code chapters. However, in March income tax was collected at the level of Q3-Q4 2000.

Liabilities, tangible savings, and consumer expectations*



Source: Goskomstat, CBR, VCIOM and RET staff estimates.
* Increase of liabilities and tangible savings as ratio to personal income. Expectations is a component of Consumer sentiment index.

Federal budget revenues and expenditures (R bn)



Source: Ministry of Finance.

Preparation of the 2002 budget started in April, when President Vladimir Putin delivered his address on budget policy to the Federation Council. According to the Budget Code, this presidential address is taken as the basis for development of the budget law for the following year. A Ministry of Finance Collegium has already discussed the basics of the 2002 budget. The President and the government agree that it is necessary to improve definition of the tax base for various taxes in order to improve efficiency of the fiscal system. The government also declared that it will meet mounting debt service obligations on time.

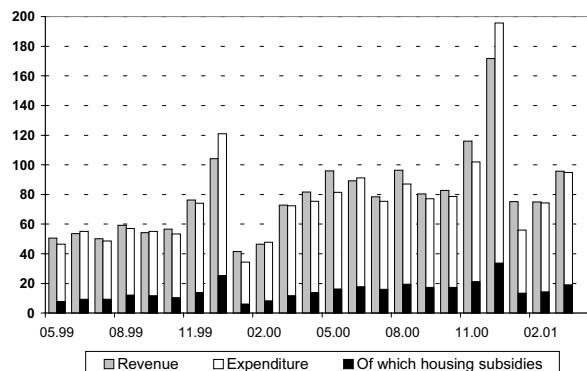
When amendments to the budget for the current year were adopted in January, the government announced that it expects to receive up to R195 bn of additional revenue due to enforcement of tax collection. It has now been acknowledged that this is hardly possible. An important prerequisite for the increase in tax collection would be the adoption of international accounting standards, introduction of which is still being discussed in the government.

Non-financial enterprises

Goskomstat reported a drop of corporate profits at medium-sized and large enterprises in February. Profits declined by 26% in real terms compared to February 2000. One of the biggest declines was in the industrial sector, which showed a 31% year-on-year real fall in profits. Such a decrease could be partly due to the decrease of export demand as year-on-year profits of the majority of export-oriented industries were down. According to a survey by Moscow Narodny Bank, the volume of export orders only started to grow in April following a decline in Q1 2001. However, this may not provide the full explanation of profit deterioration since other industries and sectors, which mainly serve the domestic market, also suffered. The decrease of profits was accompanied by growth in stocks of finished goods at industrial enterprises in January and February. According to Goskomstat, the share of finished goods in inventories at the beginning of 2001 was at its highest level since the beginning of 2000.

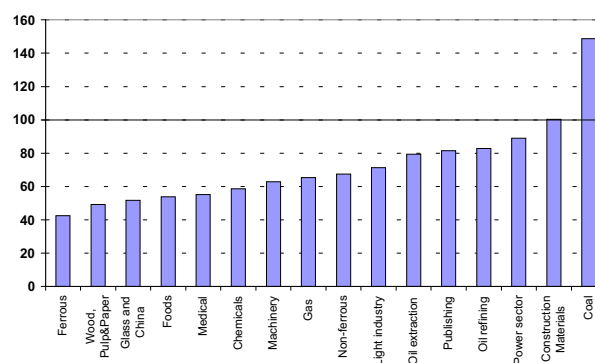
The accumulation of stocks of finished goods is also confirmed by the survey conducted by the Institute of the Economy in Transition (IET). Survey results for April show growth of stocks at industrial enterprises for the first time in 5 years. This could be explained by recent changes in demand for industrial products. After its absolute decrease in January-February money-based demand increased slightly in March-April but still not sufficiently to maintain last year's high rate of decline of non-monetary types of demand. The April decrease of barter transactions tracked by the survey was the smallest for several

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



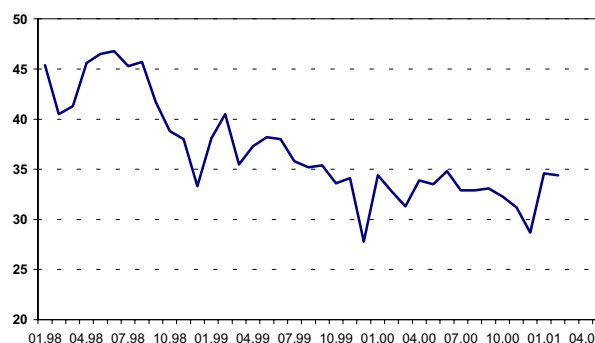
Source: Ministry of Finance.

Real year-on-year growth of profits in February 2001 (%)



Source: Goskomstat.

Share of finished goods in inventories of medium and large industrial enterprises (%)



Source: Goskomstat.

months. However, some of the managers who respond to the survey say that the present level of barter is already too low in view of huge inventories.

The industrial confidence indicator calculated by the IET did not change in April compared to its negative level in March. This indicator is calculated using European harmonised methodology and its application in Russia seems to be skewed downwards by constant negative assessment of enterprise managers regarding actual demand for their companies' products. This pessimistic attitude seems to be an inheritance of the plan-economy orientation to non-stop production increases. The low level of the confidence indicator is also due to the above-mentioned accumulation of stocks: the share of enterprise managers assessing stocks of finished goods at their enterprises as 'too high' was unusually large for the second month in a row.

One of the reasons for the decline in money-based demand in the beginning of the year could be the monetary tightening, which took place in January 2001 when M2 fell by 6%. Monetary policy declared by the Central Bank for 2001 is tighter than in 2000, and this might have an effect on money-based demand levels this year.

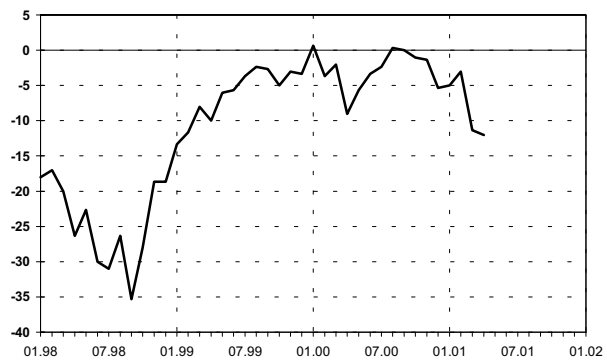
There was little change in the revenue structure of Russian enterprises in February, and all trends were continued. According to Goskomstat, the share of overdue liabilities in total liabilities of large and medium-sized enterprises did not change in February after its January drop while the absolute value of overdue liabilities increased by 3%. The volume of bank credit to enterprises and organisations increased by 2% in real terms after its 3% drop in January and was equal to R287 bn at the end of the month. The share of monetary settlements in accounts of the biggest Russian taxpayers increased slightly to 77% from 75% in January. The share of barter in sales of industrial enterprises reported by the Russian Economic Barometer decreased slightly and was equal to 17% in March.

Commercial banks

On the whole, the Russian banking system is continuing its gradual post-crisis recovery. During Q1 2001 total assets of the banking sector grew by R188 bn or by 8%. Over the same period commercial banks' equity capital increased by R33 bn and accounted for 19% of total assets.

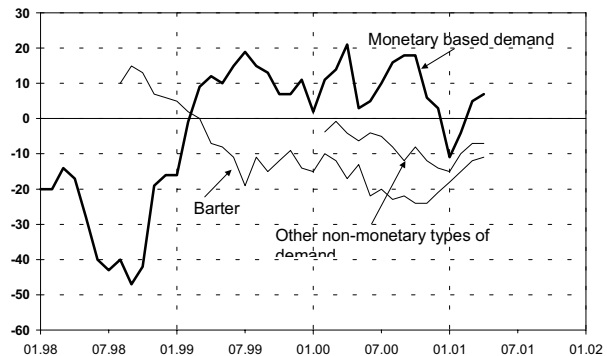
Non-equity funds of commercial banks, which showed an upward trend in 2000, have continued to grow in the current year. Corporate deposits, competition for which is fierce in the banking sector, showed an 11% increase by March 1, 2001, compared with the start of the year. Their share in liabilities of the banking sector rose from 29% to 32%

Industrial confidence indicator (%)



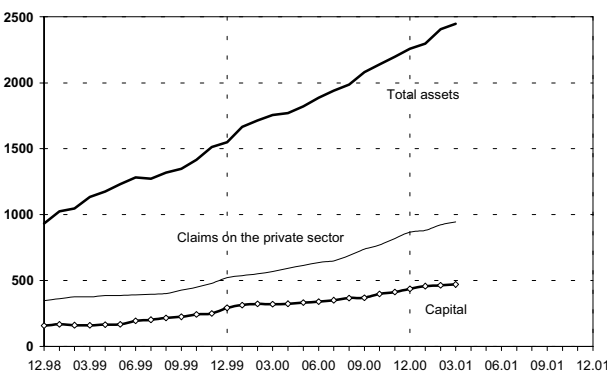
Source: IET business surveys.

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



Source: IET business surveys.

Main balance sheet items of commercial banks (R bn)



Source: CBR.

over the first two months of 2001. The Russian general public is also slowly but surely regaining trust in the banking sector. This is reflected by a gradual decline in Sberbank's share of the household deposit market. During the first two months of 2001 total rouble-denominated household deposits in Russian banks increased by 5%, while foreign currency-denominated deposits grew by 7%. Deposits with maturity longer than one year grew by 12%, which is superior to growth of deposits with shorter maturities. However, the share of deposits with maturity over one year in overall liabilities remains negligible at 2%.

Lending retains leadership in allocation of banking resources. At the beginning of spring 2001 loans accounted for 40% of total assets in the Russian banking sector. However, this still represents a meagre contribution to economic growth compared with 80-90% of loans in total assets, typical for the banking sector in Western economies. Most experts agree that Russian output growth would be much faster if commercial loans were more available. Currently the two biggest state-owned banks, Sberbank and Vneshtorgbank, are carrying out a large part of total lending to the real sector.

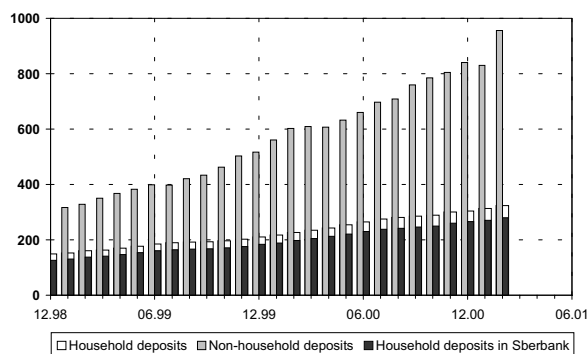
The Duma has required the CBR to divest its stakes in commercial banks by 2005. By the end of 2001 the CBR plans to withdraw from the capital of at least three foreign banks, which it now owns. In April the CBR chairman said that transfer of shares in the foreign banks to Vneshtorgbank had been approved by the relevant authorities in Austria, Luxembourg and Germany, where the banks are located.

Foreign sector

According to data from the CBR, Russia's exports in Q1 2001 totalled \$25.3 bn, which is 4% more than in the same period of 2000. Exports to non-CIS countries amounted to \$21.6 bn or 85% of total exports. These exports grew 6% year-on-year while exports to the CIS fell by 5.5%. In the first quarter of 2001 imports totalled \$11 bn and increased by 10% compared to the same period of 2000. Imports from non-CIS countries were \$7.8 bn (71% of total imports). Imports from non-CIS countries increased by 11% year-on-year, while imports from the CIS were up by 8%. Although the total trade surplus stayed at the level of the first quarter of 2000, the surplus with countries outside the CIS grew 3% year-on-year while the surplus with CIS countries decreased by 46%.

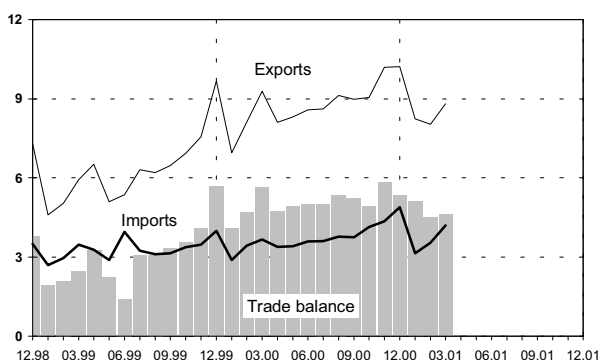
In January-February 2001 exports of fuel and energy amounted to \$9.5 bn or 60% of total exports, according to the State Customs Committee. Fuel and energy accounted for 60% of exports to countries outside the CIS and 54% of exports to the CIS. Ex-

Commercial banks' deposit taking (R bn)



Source: CBR.

Merchandise exports and imports (\$ bn)



Source: CBR.

ports of machinery and equipment (including transport equipment) were worth \$969 mn or 6% of total exports, increasing 11% year-on-year. Machinery and equipment exports to non-CIS countries grew 7% and those to the CIS grew 20%.

State Customs Committee data show that in January-February 2001 imports of machinery and equipment (including transport equipment) amounted to \$1.6 bn and the share of these imports in total Russian imports was 30%. This group's share in imports has remained relatively stable over the last two years. Machinery and equipment represented the biggest group in registered imports from non-CIS countries. This group accounted for 35% of imports from non-CIS countries compared with 40% in the first two months of 2000. Year-on-year growth of machinery and equipment imports was 7% from non-CIS countries and 20% from CIS countries.

In April the Central Bank published preliminary data on the balance of payments in the first quarter of 2001. Despite rising imports the merchandise trade balance remained very strong and totalled \$14.5 bn, reflecting continuation of substantial oil receipts. However, the surplus was only 1% bigger than in the same period of 2000 due to oil price stabilisation on world markets.

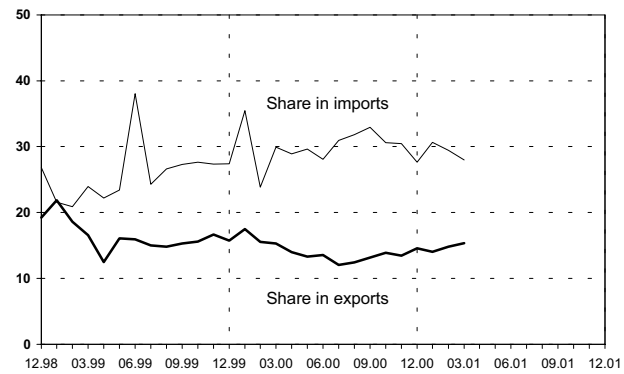
The current account surplus was \$11.4 bn in Q1 2001, down 3% year-on-year. This decline was not only due to the above-mentioned slow-down in growth of export receipts, but also to a growing deficit in the services balance. This deficit increased to \$2 bn in the first quarter of 2001 from \$1.6 bn in the first quarter of 2000. Total imports of services increased to \$3.9 bn from \$3.4 bn, while service exports did not grow significantly. Imports of travel services increased to \$2.1 bn from \$1.8 bn a year earlier.

The balance of investment income remained negative and relatively stable at \$0.9 bn in the first three months of the current year. FDI income also remained stable at \$0.4 bn. The rise of reserve assets by \$1.7 bn in Q1 2001 was much smaller than the rise of \$3.1 bn in Q1 2000, falling far behind last year's average quarterly growth of \$4 bn.

Output of goods and services

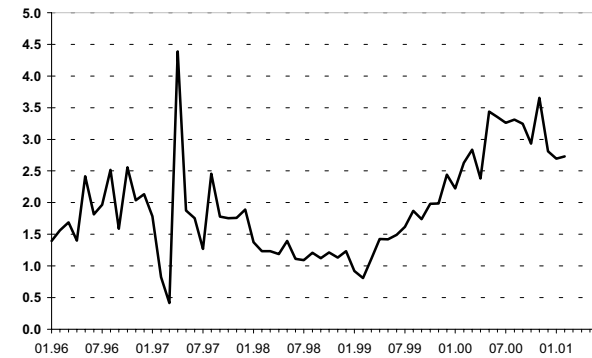
According to revised data, real GDP by output increased in 2000 by 8.3% to previous year (5.4% in 1999). Across the year quarterly rates of GDP growth declined in seasonally adjusted terms, from 3.3% in Q1 2000 to 0.6% in Q4 2000. As a result in Q4 2000 real GDP was 6.8% higher than a year ago. According to preliminary estimates, in Q1 2001 real GDP grew by 0.6% to previous quarter in seasonally adjusted terms and was about 4% higher than in Q1 2000.

Share of CIS countries in foreign trade (%)



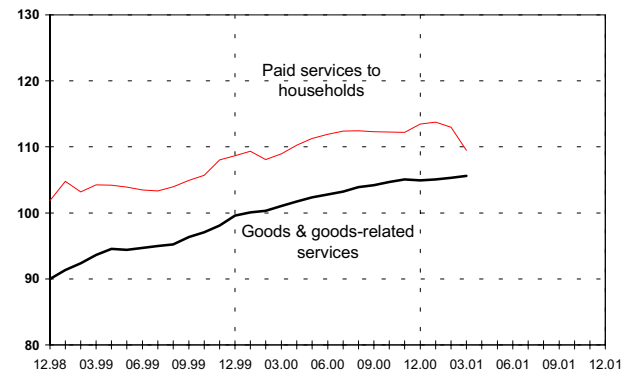
Source: CBR.

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



Source: State Customs Committee.

Aggregate output indicators (1995 = 100, seasonally adjusted)



Source: Goskomstat and RET staff estimates.

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) in Q1 2001 grew by 0.5% to previous quarter in seasonally adjusted terms, and was 3.6% higher than a year ago. The quarterly rates of growth of the components of this index in Q1 2001 in seasonally adjusted terms were equal to zero in industry, 1.6% in construction, -0.8% in agriculture, 0.1% in freight transportation, 1.0% in retail trade. Year-on-year rates of growth in Q1 2001 were equal to 4.1% for industry, 6.7% for construction, -0.3% for agriculture, 0.7% for freight transportation and 8.2% for retail trade.

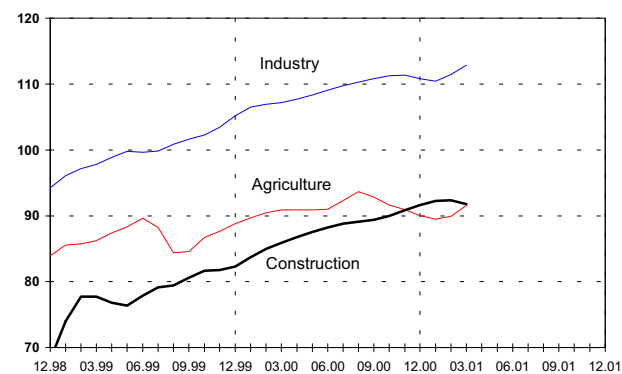
According to preliminary data, in March 2000 there was a substantial decrease in the real volume of paid services to households. Still in Q1 2001 this indicator on average was 0.7% higher than in the previous quarter in seasonally adjusted terms and 4.5% higher than a year ago. Among the components of this indicator the highest year-on-year rates of real growth in Q1 2001 were registered in cultural services (26%) and tourism (23%), communication services (16%) and educational services (15%).

Prices

The consumer price index increased by 1.8% in April 2001, which is slightly less than in March (1.9%) but much higher than in April 2000 (0.9%). In fact consumer price inflation continues to accelerate on a yearly basis, and in April 2001 the 12-month rate of CPI growth reached 24.8% from 18.5% in September 2000. With this tendency the target 12-month rate of CPI growth of 12–13%, settled by the government and CBR for the end of 2001, looks extremely improbable. However, the rate of growth of the investment price index is gradually decreasing. Moreover, in the first three months of 2001 monthly rates of growth of investment price index were lower than that of consumer price index. In March 2001 investment price index increased by 1.6% (1.9% in February 2001 and 2.6% in March 2000). As a result the 12-month rate of growth of investment prices dropped in March to 29.7%.

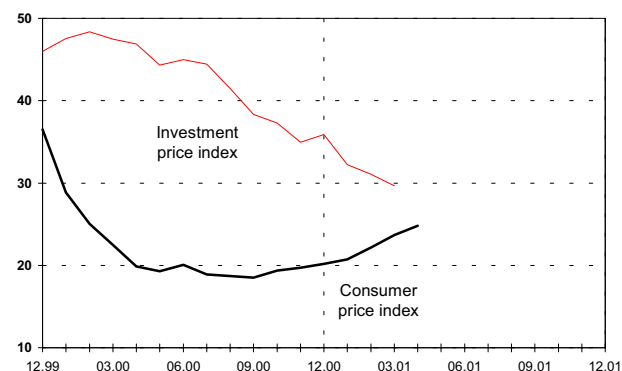
Rates of growth of producer prices continue to decline gradually. In March 2001 composite producer price index (PPI) increased by 1.2% (2.0% in February). Its 12-month rate of growth was equal to 26.8%, only slightly above that of CPI (23.7% in March). Deceleration of price growth is observed in almost all the sectors. For example, in industry PPI grew in March by 1.1% (1.7% in February), in construction PPI increased by 2.0% (2.2 in February), in agriculture prices grew by 1.9% (3.8% in February).

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



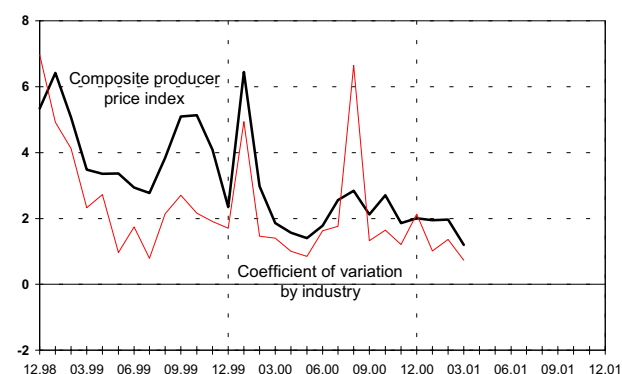
Source: Goskomstat and RET staff estimates.

12-month rates of growth of price indices for the components of final demand (%)



Source: Goskomstat.

Monthly rates of growth of producer prices and their variation by industry (%)*



* Composite producer price index covers industry, construction, agriculture, freight transportation and business communications.

Source: Goskomstat and RET staff estimates.

What is important from inflationary point of view, coefficient of variation of monthly rates of PPI growth across industries also demonstrated a declining tendency in the last several months. This means that economy is growing in a more or less stable way, without substantial structural changes.

Labour market

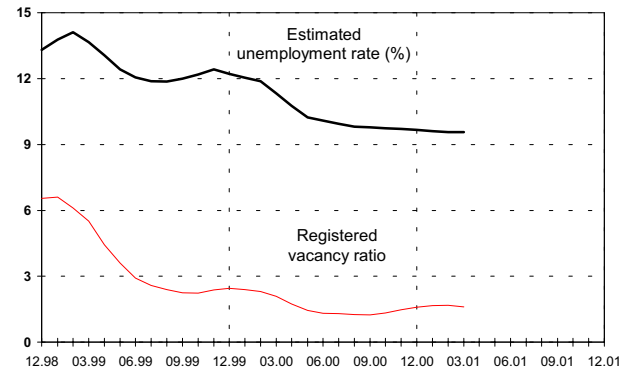
The situation in the labour market remains more or less stable. The number of payroll employees at large and medium-sized enterprises in February was 0.3% higher than a year earlier. The number of officially registered unemployed increased negligibly through March from 1.09 mn to 1.10 mn, but the vacancy ratio (the number of registered job seekers per vacancy) slightly decreased from 1.66 in end-February to 1.61 at end-March, due to some rise in the number of vacancies. The overall unemployment rate, according to preliminary Goskomstat estimates, also remained unchanged through March at 9.6%.

As we have predicted in the previous issue of RET, rise of reported monthly wages in January was a temporary one, and was connected with a shift of yearly bonuses from December to January. As we have foreseen, introduction of a flat personal income tax rate of 13% didn't provide any longer-term effects on the level of reported wages. In February–March nominal reported wages returned to their “normal” level. As a result in March real wages, according to preliminary estimates, were 2.6% lower than in January in seasonally adjusted terms. At the same time in March real wages were 2.6% higher than in November 2000. In another words, in December 2000 – March 2001 reported real wages, estimated on the basis of deflator for consumer expenditures, increased at an average rate of 0.7% per month, i.e. exactly the same rate as in November 2000.

Money

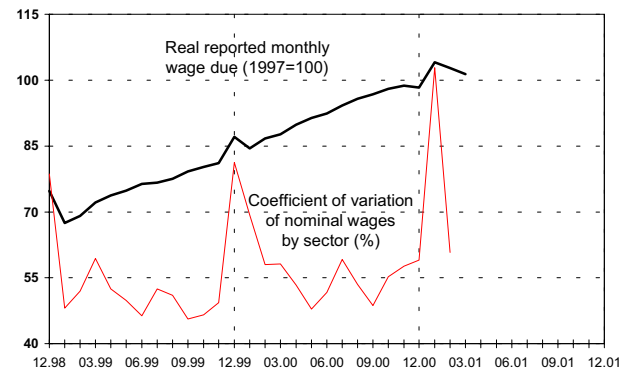
Growth of money supply, which restarted in February, continued in March: the monetary aggregate M2 rose almost 4% m-o-m. The growth rate was comparable to that observed in March 2000. However, money supply increased by only 0.5% over the first quarter of 2001 compared to a rise of more than 6% for the first three months of 2000. Thus, the effort of the CBR to curtail growth of monetary aggregates seems to be paying off. Note that in March monetary base grew by less than 1%, which is much smaller than the increase of M2. This implies a rise in the money multiplier. The money multiplier in March was 2.30 compared to 2.24 for February, 2.21 in January. If the increased money multiplier signals increased demand for money in the economy, growth of M2 will be less inflationary. Inflation in March was smaller than in previous months but still substantial at 1.9% (see PRICES).

Unemployment indicators



Source: Goskomstat and Federal Employment Service.

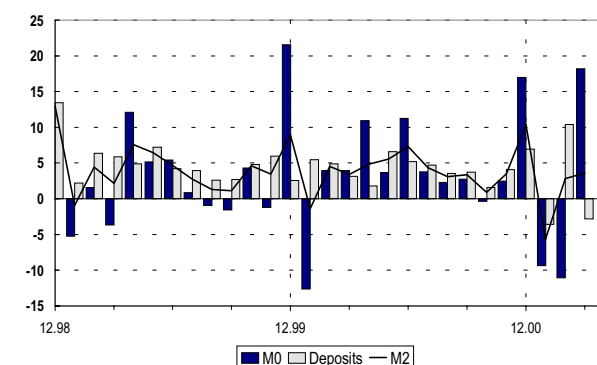
Reported average monthly wages due*



* 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.

Components of M2 moved in opposite directions in March. After the decline in January and February, cash in circulation (aggregate M0) grew by a substantial 18%. Rouble deposits decreased by 3%, reversing their tendency in February. As a result the traditional composition of M2 (36:65 ratio of cash to rouble deposits) was restored after the February aberration.

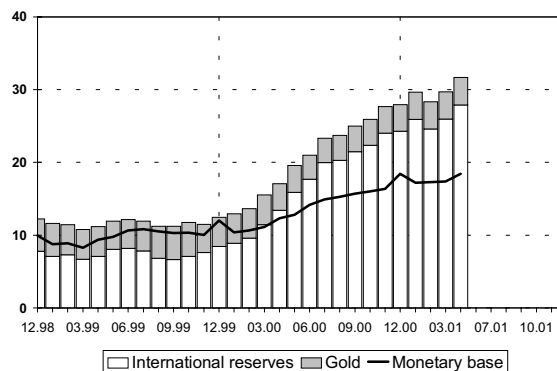
According to official information, R40 bn (\$1.4 bn) was spent on foreign debt servicing in March. Nevertheless, gross international reserves (GIR) continued to rise, reaching \$31.6 bn at the end of April. Thus, net international reserves (NIR), which is a simple difference between foreign reserves and foreign liabilities, increased by \$1.7 bn, according to our estimates. Net domestic assets (NDA), the other component of monetary base, decreased substantially.

The inter-bank market stabilised somewhat after the shock observed at the end of February when inter-bank rates skyrocketed: the 1-day MIACR (Moscow Inter-bank Actual Credit Rate) reached 54% on February 28. The inter-bank rate had some ups and downs in March but there was nothing to compare with the thirst for liquidity, which was seen in the last week of February. There was a typical end-of-month increase of demand for money in late March, which can be attributed to tax payments. A GKO auction on April 18 did not prompt any change in demand for liquidity on the inter-bank market. This is not surprising since market participants point to Sberbank as the main buyer of GKO issues at recent auctions. The current thin market with low yields holds little attraction for independent market participants.

Exchange rate

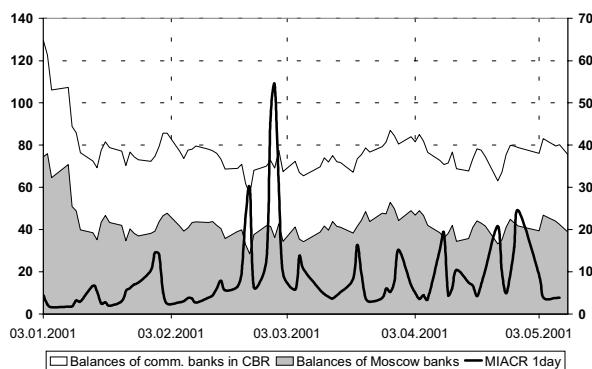
The trend of nominal depreciation by the rouble against the US dollar, which started at the beginning of 2001, seems to be persistent. In April the rouble depreciated by a further 0.6% on MICEX. The end-of-month exchange rate was R28.83/\$ with the monthly average at R28.85/\$. The trend continued in May, and in mid-May the rouble came close to the level of R29/\$. On May 15 it passed the R29 threshold on the inter-bank foreign exchange market (US_TOD and US_TOM instruments), and the exchange rate at the Unified Trading Session followed suit next day. The CBR seems to have loosened its control over the forex market or revised its position on the desirable exchange rate level. This could be a reaction to President Putin's statement in his address to the Federal Assembly on the necessity for loosening currency control. Despite its fall against the dollar the rouble strengthened by 1.17% against the euro in April as the euro lost value to the American

Monetary base and GIR, \$ bn



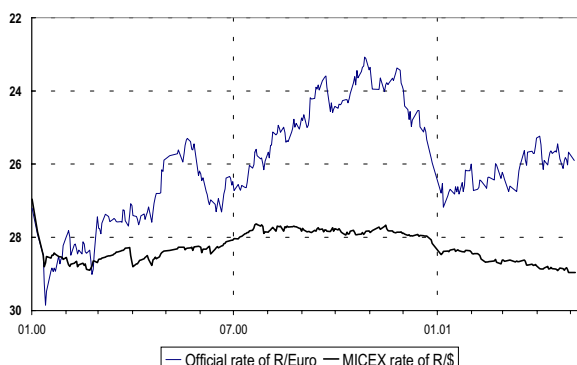
Source: CBR, RET staff calculations.

MIACR 1 day rate and commercial banks' balances on the correspondent accounts in the CBR (R mn)



Source: CBR, 'Denezhnyi Rynok'.

Rouble exchange rates



Source: MICEX, Denezhnyi Rynok, CBR.

currency.

Future development of the rouble exchange rate is currently one of the hottest issues for the Russian economy. The rationale for nominal depreciation would be to halt real appreciation, which has been continuing in a very robust fashion. In March the rouble appreciated by 3.3% in real terms against the trade-weighted basket of currencies of Russia's main trading partners and also against each of these currencies individually. The purchasing power of euro-zone currencies decreased the most compared to the rouble. Real appreciation is gradually undermining the increased competitiveness of Russian goods, which was perhaps the only positive consequence of the 1998 crisis.

Financial markets

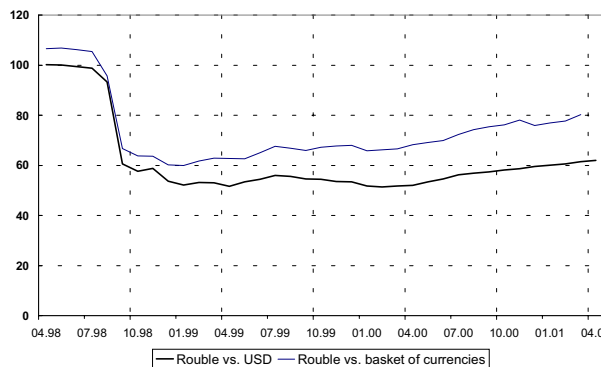
April was a good month for the Russian stock market, and the beginning of May was even better. The RTS index grew starting from the second week of April, reflecting optimism on international financial markets and positive domestic corporate news. On April 9 President Putin called for increased financial transparency of Gazprom and removal of the separation between domestic and foreign markets for Gazprom shares. The market reacted with a price increase of Gazprom stock. While Gazprom shares are not traded on the RTS and therefore do not enter the RTS index, they are highly correlated with index behaviour. However, corporate governance problems remain at Gazprom, as witnessed at the beginning of May, when Gazprom shares belonging to UFG group were arrested in what is widely seen as a Gazprom conspiracy to end minority shareholder representation on the company board.

In the third week of April the RTS grew moderately along with American stock markets. The growth was boosted the following week when the RTS gained 6.2% despite lack of growth by NASDAQ. At the beginning of May the RTS reached a year-to-date high and then went further to touch 200 points on May 18 - a level last attained in October 2000.

Apart from news regarding Gazprom, LUKoil and UES announcements of planned transformation of preferred stocks into common shares and the declaration of UES dividend plans were among positive domestic news affecting the market in April. In addition the market reacted to growth of NASDAQ after the US Federal Reserve decreased the refinance rate by 0.5 percentage points in the third week of April.

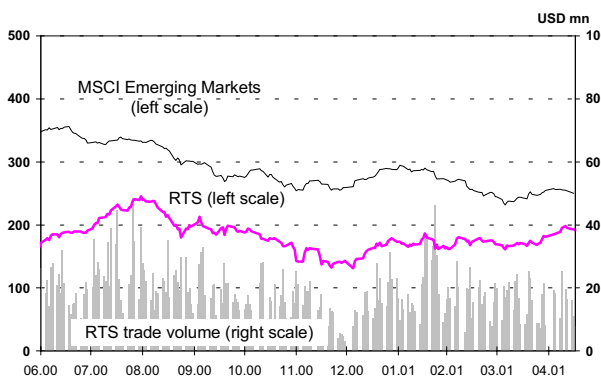
There was an interesting picture in April on the market for foreign currency-denominated debt of emerging economies. In the first half of the month the market was flat and then grew slightly reflecting the recovery of the US stock market. The growth

Real exchange rate (Dec 1995 = 100)



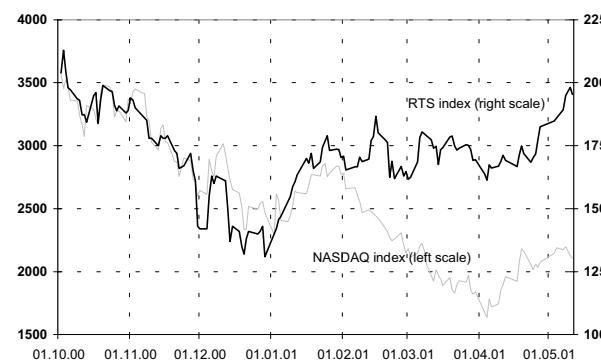
Source: Denezhnyi Rynok, CBR, Bureau of Labour Statistics, Bundesbank, UEPLAC, RET staff calculations.

Main indicators of the Russian stock market



Source: RTS, Morgan Stanley Dean Witter.

NASDAQ and RTS indices comparative fluctuations

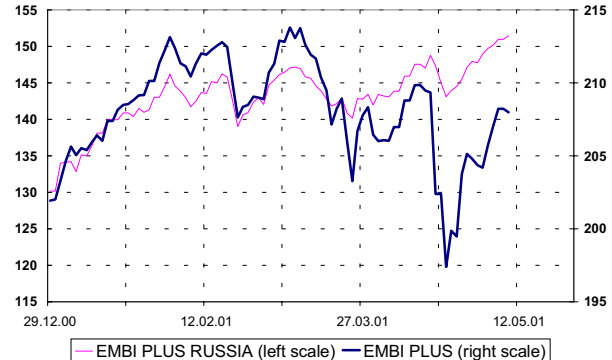


Source: RTS, www.nasdaq.com.

was also inspired by positive sentiment on Argentina in the second week of the month. On April 18 the market started declining and fell sharply on April 24. The Emerging Market Bond Index PLUS (EMBI+) lost 3.5% in one day and almost 6% week-on-week. Once again, growing concerns about the situation in Argentina and Brazil are to be blamed for failure of emerging debt market to benefit from US stock market growth following the Fed rate cut. Argentina saved the market from a major meltdown when news of its proposed \$20 bn debt swap came out on April 27.

The Emerging Market Bond Index PLUS Russia was consistently one tone higher than the tune played by the total emerging debt market. The index for Russia was flat when emerging market fell slightly, and it only fell while the overall emerging debt market was plummeting. April was rich with country-specific positive news that supported Russian external debt market. The President’s address to the Federal Assembly made a favourable impression on the market, and data released by Goskomstat and the CBR showed better-than-expected results for production growth and budget performance.

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



Source: JPMorgan, Raiffeisen bank.

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	2,741.1	95.1	1,339.9	95.5	407.1	88.0
1999	4,757.2	100.2	2,191.7	82.7	670.4	92.7
2000	7,063.4	108.6	2,846.9	88.9	1,165.2	108.8
01.1999			147.8	77.3	28.5	93.6
02			149.5	75.2	31.8	89.8
03	866.8	88.7	163.7	80.0	36.5	90.9
04			164.9	78.3	36.9	91.0
05			168.7	78.3	41.4	88.1
06	1,108.1	95.9	174.4	79.5	52.8	90.9
07			179.7	79.6	56.2	94.3
08			192.0	84.1	61.8	91.0
09	1,358.6	107.5	196.9	85.0	67.6	93.7
10			205.4	87.5	66.5	94.9
11			210.2	88.5	72.0	95.1
12	1,423.8	108.8	238.5	99.1	118.4	98.7
01.2000			198.7	80.7	46.1	101.2
02			195.6	78.6	55.8	104.4
03	1,389.1	96.7	210.2	83.9	63.9	105.3
04			210.7	83.4	64.5	106.1
05			212.5	82.7	75.8	107.8
06	1,595.3	104.2	220.3	83.6	95.7	109.2
07			231.1	86.1	99.0	110.4
08			248.8	91.8	112.9	111.6
09	1,924.4	117.0	252.5	92.0	118.3	112.2
10			267.6	95.4	114.6	112.3
11			276.4	97.1	123.1	112.9
12	1,956.0	116.3	322.5	111.5	195.5	112.1
01.2001			265.3	89.3	71.1	110.5
02			267.4	88.0	82.3	110.9
03			287.1	92.7	91.5	110.6
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* Series on consumption and investment differs slightly from SNA concept.

** 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
03	115.4	482.0	326	585	872	270
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* Based on year-on-year growth rates 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	3,569	1,002
02	94.2	97.6	108.4	31.6	3,598	1,077
03	94.7	97.4	109.5	30.5	3,599	1,037
04	94.3	97.3	110.7	31.5	3,597	1,029
05	94.6	97.7	111.7	30.7	3,610	1,038
06	94.3	97.1	112.6	30.1	3,625	1,065
07	95.1	97.6	113.3	30.7	3,626	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	3,623	1,013
02	92.9	96.6	118.1	27.3	3,639	1,043
03	95.2	97.4	117.1	31.3	3,702	1,061
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* Based on year-on-year growth rates at prices of the previous year.
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	55.7	99.3
03	189.9	165.5	231.0	103.4	59.2	100.8
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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	83.8
1996	65.9	9.6	9.2	4,009	790	89.2
1997	64.7	10.8	7.6	6,001	950	93.3
1998	63.6	11.9	5.4	2,882	1,095	80.8
1999	64.0	12.6	3.6	1,790	1,581	63.0
2000	64.7	10.4	1.6	236	2,253	76.9
01.1999	63.2	13.8	6.6	577	1,167	55.4
02	63.2	14.1	6.1	532	1,199	56.8
03	63.5	13.7	5.5	83	1,385	59.4
04	63.8	13.1	4.4	15	1,423	60.6
05	64.2	12.4	3.6	15	1,472	61.5
06	64.5	12.1	2.9	6	1,626	63.2
07	64.6	11.9	2.6	6	1,618	63.3
08	64.6	11.8	2.4	5	1,608	64.2
09	64.4	11.9	2.2	99	1,684	65.6
10	64.3	12.1	2.2	228	1,716	66.5
11	64.1	12.3	2.4	42	1,789	67.8
12	64.0	12.2	2.5	184	2,283	71.7
01.2000	63.8	12.0	2.4	91	1,830	69.4
02	63.5	11.9	2.3	65	1,839	71.8
03	63.9	11.3	2.1	27	2,018	72.8
04	64.4	10.8	1.7	7	2,039	74.5
05	64.8	10.2	1.4	0	2,101	75.8
06	65.0	10.1	1.3	0	2,294	76.5
07	65.1	10.0	1.3	0	2,302	78.0
08	65.2	9.8	1.3	1	2,289	79.3
09	65.1	9.8	1.3	1	2,367	80.1
10	65.1	9.8	1.3	2	2,425	81.0
11	65.0	9.7	1.5	17	2,508	81.7
12	65.0	9.6	1.6	25	3,025	81.4
01.2001	64.9	9.6	1.7	4	2,733	85.9
02	64.8	9.6	1.7	12	2,655	84.8
03	64.8	9.6	1.6	0	2,867	83.7
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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	1,605.5	77.5	83.5	448.6	1044.0	39.1
2000	2,145.6	85.9	107.7	694.7	1210.4	33.7
01.1999	1,141.1	63.8	83.5	403.0		
02	1,277.4	68.7	83.5	403.1		
03	1,358.9	71.1	83.5	403.1	947.9	43.6
04	1,519.8	77.1	83.5	403.2		
05	1,463.9	72.7	83.5	451.6		
06	1,560.5	76.0	83.5	455.5	1057.1	40.7
07	1,572.7	74.5	83.5	455.7		
08	1,659.8	77.7	83.5	455.9		
09	1,665.6	76.9	83.5	456.1	1084.9	39.6
10	1,744.0	79.4	83.5	455.6		
11	1,792.8	80.7	83.5	519.2		
12	2,510.0	111.5	83.5	521.1	1085.9	32.5
01.2000	1,479.2	64.2	83.5	521.6		
02	1,798.0	77.3	83.5	612.5		
03	1,970.8	84.1	83.5	613.1	1137.7	41.2
04	2,005.3	84.9	83.5	613.2		
05	1,957.3	81.4	83.5	693.8		
06	2,168.0	88.0	83.5	693.9	1185.0	34.7
07	2,119.5	84.5	132.0	694.4		
08	2,219.8	87.6	132.0	750.0		
09	2,280.5	88.8	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	1,964.7	70.7	200.0	824.2		
02	2,292.0	80.6	200.0	900.2		
03	2,469.4	85.2	200.0	910.0		
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* New methodology for quarterly estimates since Q1 1999 .

Table 7: Financial performance of enterprises*

	Profits minus losses**	Overall liabilities	Overdue liabilities	of which: overdue payables to suppliers	Loans and bank credits	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
02	99.0	5194.1	1735.4	739.9	1274.6	5376.4
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* Large and medium enterprises. Pre 1998 series include data for industry, construction, transport and agriculture.

From 1998 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	273.5	281.1
03	324.0	337.0	342.2	239.3	276.8	284.1
04	329.8	343.6	345.2	245.9		
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Table 9: Foreign Trade

	Exports total*	Export of oil & oil products	Export of natural 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	8.4	2.7	2.0	3.2	0.7	5.2
02	8.2	2.7	1.7	3.6	0.9	4.6
03	8.8			4.2		4.6
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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>	<i>12902</i>	<i>31984</i>	<i>52904</i>	<i>12133</i>	<i>12812</i>	<i>12545</i>	<i>13372</i>	<i>14175</i>
Export	87255	84747	115197	26561	26173	27357	29653	32014
Import	-74353	-52763	-62294	-14428	-13361	-14813	-16280	-17840
<i>Merchandise trade balance</i>	<i>16869</i>	<i>36156</i>	<i>60703</i>	<i>13346</i>	<i>14384</i>	<i>14630</i>	<i>15601</i>	<i>16089</i>
Export	74884	75692	105565	24179	24364	25009	26728	29464
Import	-58015	-39537	-44862	-10833	-9980	-10379	-11127	-13375
<i>Service balance</i>	<i>-3967</i>	<i>-4172</i>	<i>-7800</i>	<i>-1212</i>	<i>-1572</i>	<i>-2086</i>	<i>-2228</i>	<i>-1914</i>
Export	12371	9055	9632	2382	1809	2348	2925	2550
Import	-16338	-13227	-17432	-3595	-3381	-4434	-5153	-4464
<i>Income and Wages</i>	<i>-11773</i>	<i>-7474</i>	<i>-6651</i>	<i>-1674</i>	<i>-949</i>	<i>-1697</i>	<i>-2793</i>	<i>-1212</i>
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>	<i>-409</i>	<i>539</i>	<i>90</i>	<i>305</i>	<i>63</i>	<i>95</i>	<i>-33</i>	<i>-35</i>
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>	<i>-382</i>	<i>-328</i>	<i>10955</i>	<i>-78</i>	<i>22</i>	<i>-39</i>	<i>10976</i>	<i>-4</i>
<i>Direct investments abroad</i>	<i>-958</i>	<i>-1709</i>	<i>-3050</i>	<i>-449</i>	<i>-541</i>	<i>-372</i>	<i>-837</i>	<i>-1301</i>
<i>Direct investments into Russia</i>	<i>2761</i>	<i>3309</i>	<i>2704</i>	<i>1257</i>	<i>569</i>	<i>518</i>	<i>694</i>	<i>1048</i>
<i>Portfolio investments abroad</i>	<i>-257</i>	<i>254</i>	<i>-380</i>	<i>172</i>	<i>37</i>	<i>9</i>	<i>-292</i>	<i>-135</i>
<i>Portfolio investments into Russia</i>	<i>8876</i>	<i>-1289</i>	<i>-10148</i>	<i>-612</i>	<i>583</i>	<i>-1530</i>	<i>-8766</i>	<i>-435</i>
<i>Other investment - assets</i>	<i>-15907</i>	<i>-15369</i>	<i>-16993</i>	<i>-3620</i>	<i>-6675</i>	<i>-1959</i>	<i>-2815</i>	<i>-5545</i>
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>	<i>8663</i>	<i>-682</i>	<i>-4094</i>	<i>-871</i>	<i>-602</i>	<i>-280</i>	<i>-2885</i>	<i>-327</i>
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>	<i>-50</i>	<i>-176</i>	<i>17</i>	<i>-158</i>	<i>92</i>	<i>-52</i>	<i>-158</i>	<i>-182</i>
<i>Net international reserves</i>	<i>5305</i>	<i>-1778</i>	<i>-16010</i>	<i>-2227</i>	<i>-3102</i>	<i>-6219</i>	<i>-3979</i>	<i>-2710</i>
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	-5.5
1996	253.8	218.7	427.1	124.5	-173.3	-8.1
1997	311.6	262.1	494.8	117.8	-183.2	-7.4
1998	273.0	236.0	407.2	106.8	-134.2	-4.9
1999	592.0	440.2	663.0	162.6	-71.0	-1.5
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	-4.6
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	-3.0
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	-1.8
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	-1.2
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	3.3
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	2.6
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	2.2
01.2001	94.6	88.9	60.6	18.9	34.0	
02	200.1	186.5	169.5	65.6	30.5	
03	318.0	297.0	268.8	88.4	49.2	4.4
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* Data for 2001 according to Ministry of Finance methodology.
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	-0.6
1996	321.2	254.3	342.8	88.6	-21.6	-1.0
1997	410.4	329.0	446.9	106.0	-36.5	-1.5
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	0.2
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	0.3
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	0.8
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	0.7
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	0.4
01.2001	75.2	43.4	56.0	13.4	19.2	
02	150.1	89.5	130.3	27.7	19.8	
03	245.9	152.5	225.2	46.8	20.7	
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* Data for 2001 according to Ministry of Finance methodology.
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***	Oustanding stock of GKO's 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	18.3	4.5	399.4	1149.5	185.7
04	531.1					189.5
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Source: CBR.

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

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

NDA is calculated using exchange rates of R27/\$ for 2000, R24.18/\$ for 1999, R6.0/\$ for 1998, R5,560/\$ for 1997, R4,640/\$ for 1996, R3,550/\$ for 1995. In 1999 there were some changes in methodology for NDA and NIR data.

*** 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 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	323.8	509.8	245.3
03	2447.6	546.9	944.0	333.6	486.2	261.8
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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	18.7	3.7			172.9
04	25					0.0
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Source: CBR, RTS

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

** Data prior to January 1997 are not compatible with current methodology. From 1998 data on lending rate are for commercial banks excluding Sberbank.

Table 16: Exchange rates and stock market

	MT \$ index, end of period	Exchange rate (MICEX), period average*	Exchange rate (MICEX), end of period*	Real exchange rate, period average**	Gross international reserves (including gold, end of period)	<u>of which:</u> Gold reserves (valued at \$300 per ounce)
	(end Aug-	R/\$	R/\$	(Dec-95 = 100)	\$ bn	\$ bn
1995	64.0	4.562	4.640	82.4	17.2	2.8
1996	148.4	5.126	5.570	100.1	15.3	4.1
1997	302.7	5.785	5.974	104.4	17.8	4.9
1998	38.4	9.965	21.140	91.6	12.2	4.4
1999	114.6	24.836	26.959	64.9	12.5	4.0
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	80.2	29.7	3.8
04		28.852	28.830		31.7	3.8
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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 for US, 40% for Germany, and 20% for Ukraine.

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