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RUSSIAN ECONOMIC TRENDS

MONTHLY

**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

Both encouraging and disappointing news

The positive side of latest economic news from Russia is that expansion of the economy is continuing, and the most pessimistic forecasts of an abrupt growth halt have so far proved incorrect. However, there are major worries, focused on the continuing rapid inflation and related real appreciation of the rouble.

April brought certain positive developments in the macroeconomic situation. Preliminary estimates of RET staff show that domestic demand growth accelerated in April compared with the first quarter. Consumer expenditure was the main factor behind the faster growth, although fixed investment also started to increase after two months of decline (all these indicators are in real seasonally adjusted terms). However, the April growth only returned investment to its level of summer 2000. Consumer sentiment has remained relatively high in the early part of 2001, with consumers giving a fairly positive assessment of the current economic situation and future prospects.

On the other hand, business sector surveys show that managers' assessment of the current situation and their future expectations concerning production and demand are becoming more pessimistic.

Furthermore, enterprise profits declined significantly in the first quarter of the current year. The sectors most affected include many of those, for which export markets are an important outlet for production. One of the reasons is the continuing real appreciation of the rouble, although its pace slowed slightly in April.

Exports in January-April 2001 grew 5%, partly thanks to increased volumes of oil exports, while imports growth was 15%. As a result of the rise of the real value of the rouble, imports from non-CIS countries in 2001 have increased faster than those from the CIS, reversing last year's trend. The share of machinery and equipment in imports both from the CIS and other parts of the world declined along with the slowdown of investment growth.

Reflecting accelerating domestic demand in April, real seasonally adjusted growth of gross output of the five base sectors of the economy speeded up. It increased by 1.2% month-on-month, which is significantly faster than the average monthly growth in the first quarter.

Consumer price inflation continues to be disturbingly rapid, with the 12-month rate close to 25% in May. Over May consumer prices rose 1.8%, which is the same figure as in April. This is in spite of rather moderate growth of monetary aggregates compared with last year. In April and May their growth accelerated somewhat, although it remained slower than a year earlier. In total, however, monetary aggregates have increased at a rapid pace: between April 2000 and April 2001 broad money grew 56%.

Fiscal policy has been stringent with the government honouring foreign debt repayments and at the same time keeping the nominal growth of other budgetary expenditures in line with the increase of budget revenues.

Structural reforms receive increasing emphasis

In May-June the government has continued to work on structural reform measures, but there have been few concrete results in the form of new legislation so far. Revisions to banking legislation, approved by the Duma in mid-May, are among the most important measures, which have gone through. It took more than two years to secure Duma approval for these amendments, which the IMF considers crucial for improving the functioning of the Russian banking system. The changes aim at increasing credibility and transparency in the banking system and strengthening creditors' rights.

Several amendments to the second part of the Tax Code are currently under discussion in the Duma. These initiatives include reforms of taxation of operations with sub-soil resources, which touch the interests of Russia's big energy producers, and reform of corporate profit tax. Resistance from vested interests could make their adoption difficult.

In June the government started discussing the draft federal budget for 2002, which should be handed to the Duma before August. The main principles of the draft – including a surplus of over 1% to GDP – confirm the authorities' efforts to continue the reasonably stringent fiscal policy that has been followed during this year and most of last year. However, the draft contains considerable uncertainties concerning both planned revenues and expenditures.

As regards monetary policy measures, President Putin has given orders to the Central Bank to prepare a proposal by end-June for liberalising capital movements. The issue of easing capital controls, which are easily evaded in any case, has been one of the reforms emphasised by the IMF.

The Duma has several important draft laws to discuss before its summer recess at the end of July. The smooth passage of these bills is far from guaranteed, as was shown by the fierce debate over the draft Land Code in June. However, if most of these bills are adopted, it will mark a major step forward in Russian economic reforms.

Key indicators of the Russian economy

(year-on-year % growth unless otherwise noted)

	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	5.2	April
Fixed investment	-18.0	-5.0	-12.0	5.3	17.4	3.6	April
Inflation (end of period)	21.8	11.0	84.4	36.5	20.2	24.8	May
M2 (end of period)	30.0	29.5	36.3	57.2	62.4	56.0	April
Unemployment rate (%)	9.6	10.8	11.9	13.7	10.5	9.6	April
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.

To our readers

Summer will bring a few changes to the RET Monthly publication schedule. Due to the holiday season, the July Monthly will appear at the end of the month, and in August we will not publish a Monthly issue. However, updated data tables will be posted at our website in mid-August. We will return to the normal publication timetable in September, when the RET Monthly will come out in mid-month.

ECONOMIC TRENDS

Aggregate demand

According to preliminary estimates, there was some acceleration of growth of the major components of domestic final demand in April 2001. Real consumer expenditures (a proxy for households' consumption), which in January–March 2001 increased at an average rate of 0.3% per month, grew by 2.4% in April compared to March in seasonally adjusted terms. As a result real consumer expenditures in April were 7.1% above their average 2000 level and 9.0% higher than in April 2000.

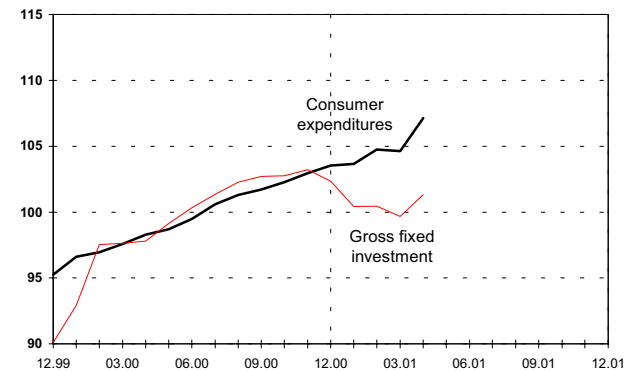
Seasonally adjusted real gross fixed investment (a proxy for gross fixed capital formation) decreased by 3.4% from November 2000 to March 2001, according to revised data. According to preliminary estimates, gross fixed investment resumed its growth in April (+1.7% to March 2001). But gross fixed investment in April 2001 was still only 1.3% above its average 2000 level and only 3.6% higher than in April 2000.

Households

In April 2001, changes in household finances were in line with the pattern that the first quarter showed. Over 12 months real personal income adjusted for inflation by consumer expenditures deflator increased 7.3%. Annual growth of consumer expenditures was about 9%. Sales of food goods grew by 7.2%. Non-food goods contributed most to the growth of consumer expenditures (more than 14% in April 2001 compared to April 2000). At the same time, both real personal income and real consumer expenditures adjusted for seasonal factors remained at the level reached in autumn 2000.

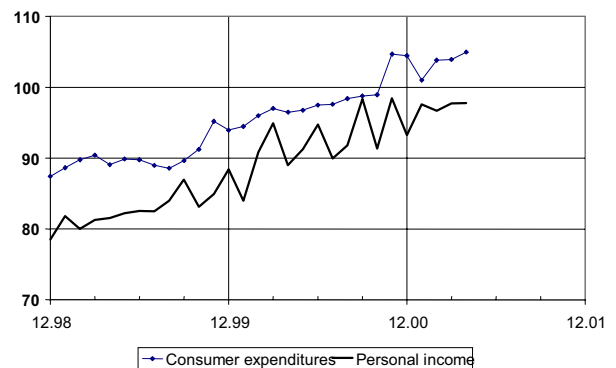
Economic development of the households sector in April formed consumer attitudes in May. The Consumer Sentiment Index calculated under a joint project between CSI Foundation, Development Centre, and VCIOM reached a new record level in May. This level was achieved primarily due to current components of the index, especially consumers' assessment of changes in their personal financial situation during the past year. Appraisal by the public of future economic situation also improved from March 2001 but was lower than a year ago. There are more people worrying about economic situation in Russia in one year's time. The indicator showing consumers' expectations concerning the general economic situation dropped below the index of prospects for personal finance. Similar attitudes were observed in the beginning of 1998, which can be interpreted as an indicator of possible difficulties in the real economy.

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



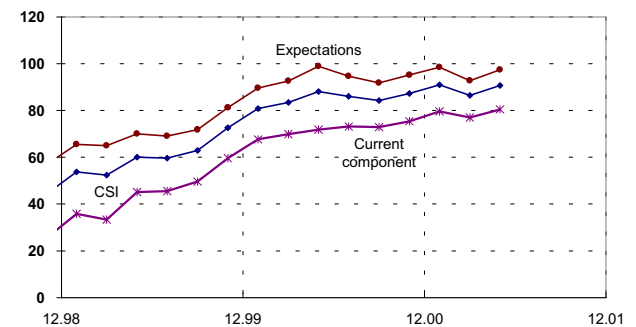
Source: Goskomstat and RET staff estimates.

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



Source: Goskomstat and RET staff estimates.

Components of Consumer Sentiment Index



Source: Development centre, VCIOM, and CSI Foundation.

Government budget

Rising revenues since the beginning of the year have allowed the government to keep non-interest expenditures at a relatively high level and fulfil the tough schedule of foreign debt payments.

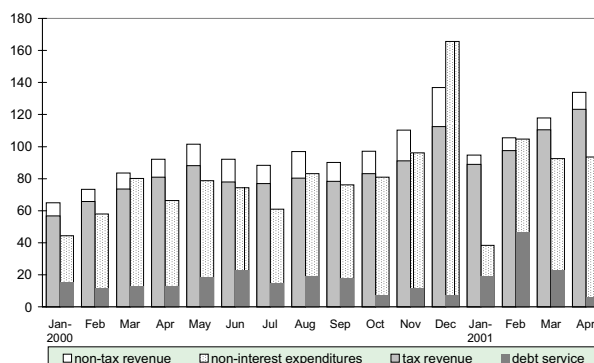
Revenues (both real and as a percentage to GDP) grew steadily during the first four months of 2001 but the reported May level of R134 bn was not higher than in the previous month (though still 14% above the planned volume set by the quarterly tax collection plan for Q2 2001). Despite the slowdown in May, real federal budget revenues in January-May were about 13% higher on a year-to-year basis. But this was largely due to increases in profit tax and excise revenues, i.e., thanks to oil exports rather than real sector growth.

Positive effects of the recent personal income tax reform – replacement of a progressive scale by a low flat rate – are barely visible. Month-on-month collection of personal income tax by the consolidated budget in real terms continues to increase at exactly the same rate as real consumption of goods and services, which is regarded as a reliable proxy for household incomes.

Non-interest expenditures (measured, in accordance with IMF methodology, on the basis of Treasury reports and records of the Central Bank) have been steadily growing from the beginning of the year in nominal terms. However, in January-April 2001, they were about 9% to GDP against 10% during the same period of last year. That is about 3% less in real terms. According to preliminary data from the Ministry of Finance, non-interest expenditures in May were R90 bn, about the same as in April. It seems that the government is keeping non-interest spending tied to revenue collection, thus maintaining a relatively constant primary surplus. Interest spending in May was R17 bn, of which foreign debt service was R14 bn, so the preliminary figure for total expenditure was R107 bn (12% below the planned level) and the preliminary figure for the overall surplus was R26 bn or 3.7% to GDP (monthly GDP estimations by the Ministry of Economic Development and Trade).

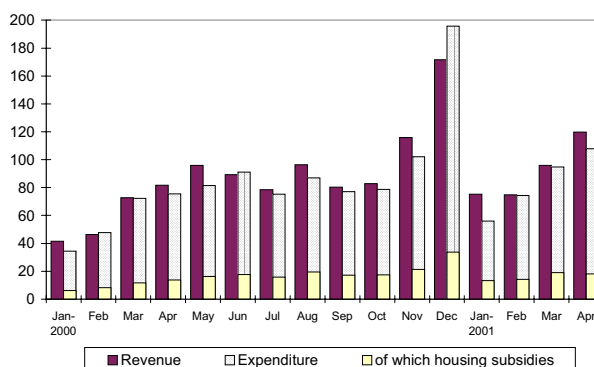
On June 7 the government considered the initial draft of the 2002 budget, which is due to be submitted to the Duma by August 1, 2001. The draft is considered to be optimistic. It assumes GDP growth of 4%, a high oil export price of \$22 per barrel, moderate annual inflation at 12-13%, and a nominal exchange rate of 31.5R/\$. The government also prepared a 'conservative scenario', based on oil prices as low as \$17, which would give 3.5% GDP growth and lower non-interest expenditures but still allow Russia to service its debt in full.

Federal budget revenues and expenditures (R bn)



Source: Economic Expert Group, Ministry of Finance.

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



Source: Ministry of Finance.

The government has emphasised ending of budget dependence on the international oil market as a long-term strategic priority. However, this can only be achieved based on development and implementation of the new Tax Code and the proposed two-level budget system (including the so-called 'stabilisation budget'). This will take several years. Until 2003, the minimum oil price allowing full debt service and principal repayments with a balanced budget and without increasing privatisation receipts or selling reserves is \$23.50 per barrel, according to the Ministry of Finance.

The government postponed introduction of a two-level budget, suggesting that money needed for debt repayments in 2002-2003 will be secured within the traditional budget framework. The idea of a stabilisation budget, introduction of which requires amendments to the Budget Code, was replaced in the government's vision by the concept of so-called stabilisation fund. Such a fund would be used, in compliance with the Budget Code, first, for replacing credits, reserve sales, and privatisation receipts, and after that, for servicing debt.

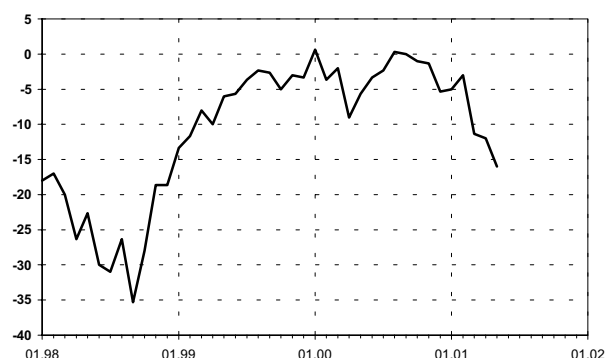
Non-financial enterprises

The industrial confidence indicator, which is calculated by the Institute for the Economy in Transition (IET) using European harmonised methodology, lost 11 points in the first five months of 2001 and in May was at its lowest level since January 1999. The most significant factor in decline of the index continues to be increasing stocks of finished goods by industrial enterprises.

In March 2001 real profits of large and medium-sized enterprises reported by Goskomstat dropped by 25% year-on-year, giving an 18% year-on-year drop for Q1 2001. The figures show that export-oriented sectors of the economy suffered most. Slowdown of the world economy and gradual real appreciation of the rouble are mainly to blame. Still, results of surveys by IET and Moscow Narodny Bank, based on perceptions of the current situation by top managers, indicate increasing internal and external demand for industrial production in Q2 2001, which, combined with rising oil prices, should boost profits of Russian enterprises.

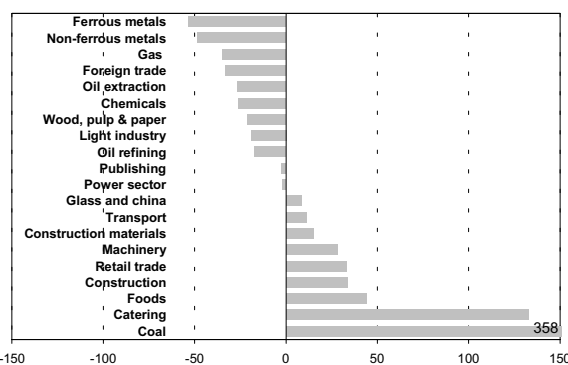
A slowdown in profit growth from October 2000 has impacted on growth of fixed capital investments. In March 2001 real year-on-year growth of fixed capital investments at large and medium-sized enterprises reported by Goskomstat was 12%, down from its 31% peak in October 2000. The financing of new capital formation at Russian enterprises comes mostly from retained earnings. Sources of financing of fixed capital investments by large and medium-sized enterprises in Q1 2001 were as follows: own

Industrial confidence indicator (%)



Source: IET business surveys.

Real year-on-year growth of profits in Q1 2001 (%)



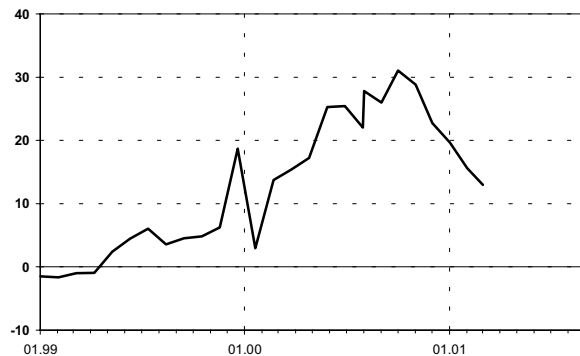
Source: Goskomstat.

funds of enterprises – 50%, commercial bank credits – 4%, other non-budgetary credits – 6%, consolidated budget and non-budgetary fund resources – 24%, new equity – 0.1%, other – 16%. It is important to note that a large part of profits and investments of Russian enterprises are unaccounted in official statistics for tax reasons. For this reason it is better to concentrate on general trends rather than focusing on exact numbers.

In March 2001 the share of arrears in total liabilities of large and medium-sized enterprises fell further and stood at 32%, according to Goskomstat. The use of credit for financing of working capital is still quite small but continues to grow. According to CBR data, commercial bank credit to enterprises and organisations in March increased by 3% and equalled R808 bn. The main beneficiaries of this credit increase are big and well-established companies, many of which have connections with banks. Thus on May 21, 2001, a one-year credit agreement for \$47 mn was signed between the huge aluminium producer Russian Aluminium and a syndicate of Russian banks. This is the biggest syndicated credit by Russian banks since the crisis of 1998. At the same time REB survey data show that the share of industrial companies which ‘are not indebted to banks and are not going to be indebted in the next 3 months’ continues to decline and stood at 40% by the end of April – down 8 percentage points from the beginning of the year. Goskomstat’s estimate of the volume of loans and bank credits to medium-sized and large enterprises by the end of March 2001 was R1.3 trillion, up 4% from the previous month. A significant part of this credit is loans from non-financial organisations, which in most cases are affiliated with recipient companies.

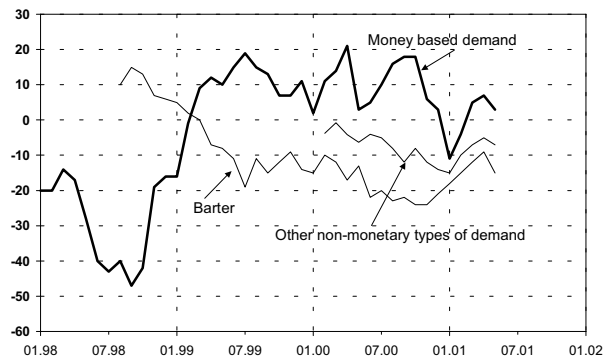
According to the business survey by the IET in March-May, money-based demand (demand which offers money in return for goods produced by respondents versus barter or other means of exchange) resumed its growth. The April growth rate of this indicator turned out to be the best since October 2000. A slowdown of growth in money-based demand in May can be attributed to seasonal factors. The upward trend in money-based demand has increased the share of cash in revenues of Russian enterprises. In May 2001 the cash share was at its highest level since measurement began in 1996 and was equal to 73% of all revenues. The share of cash in revenues is growing despite accumulation of stocks of finished goods by industrial enterprises and despite an increasing share of producers who consider their inventory levels to be excessively high (surplus inventory can be got rid of more quickly with non-monetary transactions than with monetary transactions). The results of the survey showed that desire of producers to operate without barter and other non-

Real year-on-year growth of fixed capital investments at medium and large enterprises (%)



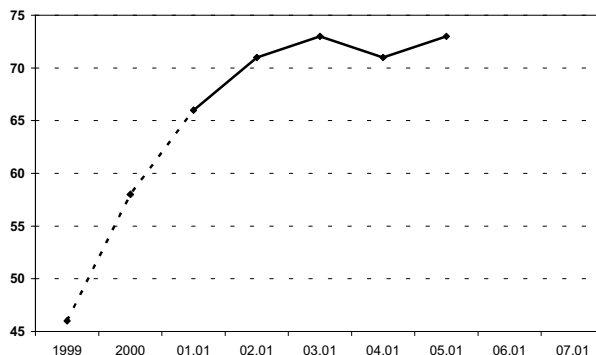
Source: Goskomstat.

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



Source: IET business surveys.

Share of cash in industrial producers’ revenues (%)*



* Before 2001 data was collected annually.

Source: IET.

monetary schemes was at the same level in March 2001 as when measurement began in 1999 (the share of respondents who wanted to operate without non-monetary types of settlement was about 90%).

In March 2001 the net business formation index increased by 3 percentage points from February. This index is calculated using the number of enterprises officially registered in and eliminated from the Unified National Register of Enterprises and Organisations, which includes all organisations in the economy including branches, representative officers, etc. The number of registered enterprises was 3.413 mn at the end of March. According to Goskomstat estimates, nearly a third of registered enterprises have ceased operations without officially registering the cessation.

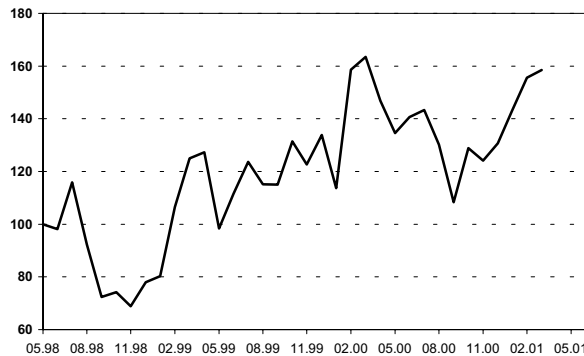
Commercial banks

Despite the challenge faced by the banking sector due to the slower pace of industrial growth in the current year, Russian commercial banks have continued to pile up assets, liabilities and capital. By the end of April 2001 total assets of the banking system were R2472 bn (\$85 bn), representing a 9% increase since the beginning of 2001. According to the CBR, at the end of Q1 2001 assets of commercial banks were restored to 93% of the pre-crisis level in real terms. The share of hard currency-denominated assets in total assets was 43%. During the first four months of 2001 the overall level of capital in the system increased by 10% to R483 bn (\$16 bn). Owing to a 3% growth in equity capital in April 2001, the capitalisation ratio of the banking sector improved somewhat. However, it is too early to draw any positive conclusions, as this dynamic is likely to be unstable.

The weak capital base is putting restraints on the development of lending to the real sector. At the beginning of April 2001, loans by commercial banks to the real sector stood at R841 bn, up 6% from the beginning of the year, but credit to the financial sector increased by a whopping 38% to R182 bn. At the same time, total deposits in Russian banks grew by as much as 9.5%. This means that funds drawn from the real sector were only partly invested in the real sector.

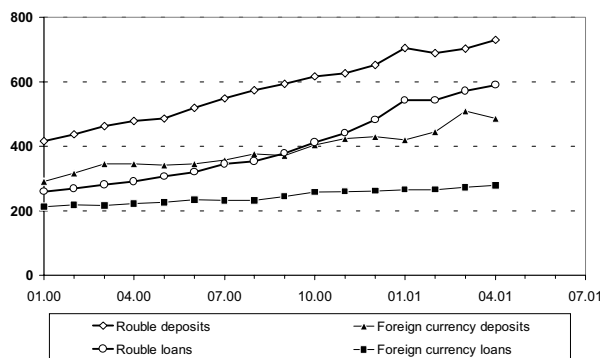
There have been interesting changes in the structure of commercial banks' liabilities. While in 2000 growth in bank deposits was primarily due to abundant flows of liquidity from enterprises and organisations, in the current year analysts point out a significant growth in household deposits. According to statistics published by the Ministry of Economic Development, household deposits in Russian banks totalled R493 bn on April 1, 2001, up 9% from the start of the year, whereas Sberbank's market share

Net business formation index (May 1998 = 100)



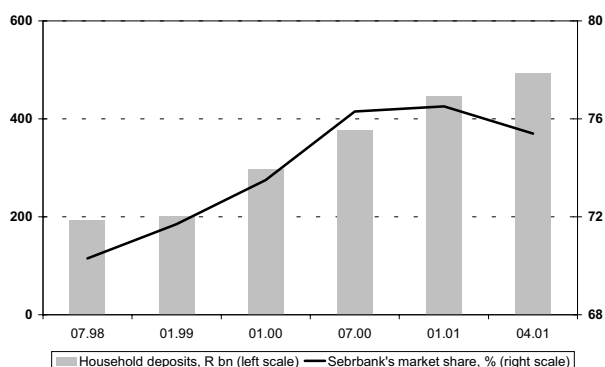
Source: Unified National Register of Enterprises and Organisations.

Lending and deposit taking by commercial banks (R bn)



Source: CBR.

Household deposits in commercial banks (R bn)



Source: CBR.

has slightly fallen from 76.5% to 75.4%. This evidences households' growing confidence in commercial banks across the board. On the one hand, such development of deposit-taking activities has been observed due to growth in real incomes of the population. On the other hand, it has also been due to high inflation and lack of investment alternatives to bank deposits.

An increase in the volume of transactions on the inter-bank market merits special attention. Experts warn that slower pace of industrial growth combined with high inflation is making the Russian banking system susceptible to the risk of a massive build-up of inter-bank debt, with the risk of a domino effect if defaults start to occur. In these circumstances bankers should carefully assess inter-bank credit risks. An alarm has already been sounded. In May 2001 Infobank, a bank with a satisfactory credit rating and a number of popular well-established retail chains among its customers, almost went bankrupt and defaulted on all payments. This was the first such incident since the 1998 crisis

Structural reform of the banking sector seemed to be set in motion at last in spring 2001. After one and a half years of discussions, the State Duma has approved three bills, usually referred to as the 'IMF package', in second and third readings. In brief, the amendments to banking legislation give the CBR additional supervision powers, introduce the concepts of a banking group and holding, streamline the procedure for bankruptcy of credit organisations and revise responsibilities of bank founders (shareholders) and managers. The CBR, equipped with the new laws, can now launch the second stage of banking sector restructuring. The main tasks for the near future are liquidation of banks, whose licenses had been previously withdrawn, and reduction of the overall number of operating banks in order to promote efficiency of the Russian banking system.

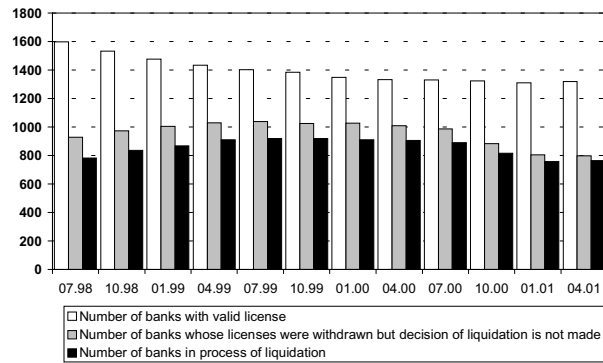
Foreign sector

According to CBR data, in January-April 2001 Russian exports grew 5% year-on-year to \$34.2 bn and showed a slow-down of growth. The State Customs Committee reported that exports of fuel and energy in Q1 2001 accounted for 57% of Russia's total exports, totalling \$14.1 bn.

In January-April 2001 exports to non-CIS countries amounted to \$29.1 bn, or 85% of total exports. Exports to these countries rose 6%, i.e. slightly more than overall exports did. Exports to CIS countries grew 1.7% year-on-year.

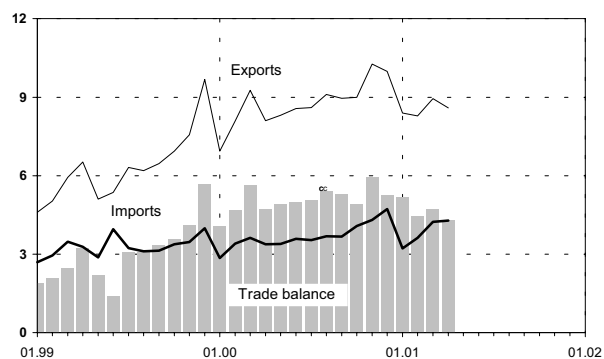
In January-April 2001 imports grew 15% year-on-year to \$15.3 bn. In Q1 2001 imports of machinery and equipment (including vehicles) reached \$ 2.6 bn. Their share in total imports was 31%.

Number of credit organisations in Russia



Source: CBR.

Merchandise exports and imports (\$ bn)



Source: CBR.

In January-April 2001 imports from non-CIS countries increased to \$11 bn or 16% year-on-year and accounted for 71% of total imports. In Q1 2001 in imports from non-CIS countries machinery and equipment represented the biggest group. This group accounted for 34% of total registered imports compared with 39% in the first three months of 2000. At the same time, year-on-year increase of machinery and equipment imports was only 2%.

In Q1 2001 imports from CIS countries grew 12% year-on-year and reached \$4.3 bn. Thus, the rate of growth of imports from CIS countries lagged slightly behind the rate of growth of overall imports.

As regards the situation on the world oil market, it can be described as favourable for Russia. At the end of May and the beginning of June Iraq stated its intention to cut exports of oil in response to UN sanctions. Also at the beginning of June OPEC decided not to take any measures to increase the production of oil. So no substantial fall in oil prices can be expected in the short term. According to the preliminary data of the Energy Ministry, in January – May 2001 the volume of Russian exports of oil and condensate to the non-CIS countries grew 12% year-on-year. In the longer term, an increase in oil production by Russia, the United States and other countries may reduce world oil prices.

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) grew by 1.2% in April 2001 from the previous month in seasonally adjusted terms, and was 5.2% higher than a year earlier.

Industrial production decreased 1% in April compared with March in seasonally adjusted terms after a two-month period of growth in February–March, and was only 3.6% higher than a year earlier. By contrast, the real volume of construction works, which remained stable in January–March, increased in April by 1.8% from the previous month in seasonally adjusted terms and was 6.4% higher than a year earlier. Agricultural output remains roughly stable: in April it was estimated to be 0.8% higher than in April 2000.

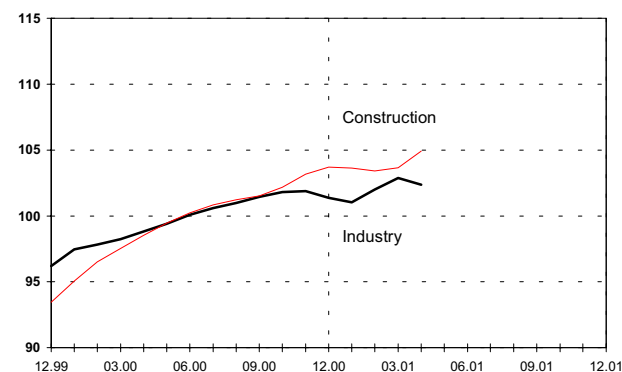
In the services-producing sector the highest rates of growth are observed in trade and communications. In April 2001 the real volume of retail trade was 11.0% higher than in April 2000, the real volume of wholesale trade was 16.6% higher, and the real volume of communication services was up 12.7% year-on-year. At the same time transportation services grew very slowly: in April 2001 freight transporta-

Share of CIS countries in foreign trade (%)



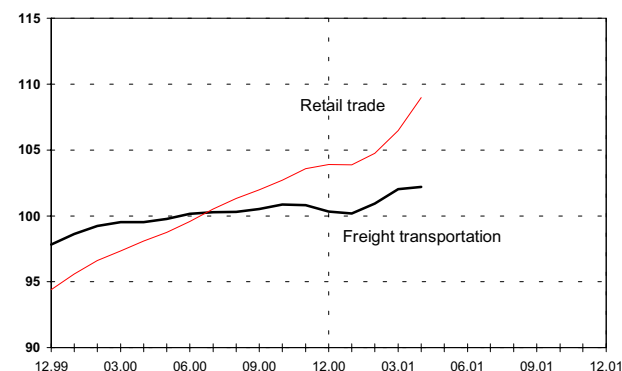
Source: CBR.

Real gross output in industry and construction (2000 = 100, seasonally adjusted)



Source: Goskomstat and RET staff estimates.

Real gross output in transportation and trade (2000 = 100, seasonally adjusted)



Source: Goskomstat and RET staff estimates.

tion turnover was only 2.9% higher than a year ago, and passenger transportation turnover was only 2.0% higher than in April 2000. The real volume of paid services to households in April was 2.3% higher than a year ago.

Prices

The consumer price index increased by 1.8% in May 2001, which is the same rate as in April 2001 and May 2000. As a result the 12-month rate of CPI growth remained unchanged at 24.8%. This can be seen as a sign of stabilisation of inflation rates in the consumer sector. Further developments depend largely on the behaviour of prices for paid services. In February–May rates of growth of prices in this sector gradually declined (from 4.6% in January to 1.8% in May), but this trend might reverse in the near future. Meanwhile, rates of growth of the investment price index sharply decreased in the first months of 2001: from 2.9% in December 2000 to 0.8% in April 2001, reflecting the fall in investment demand. As a result in April 2001 the 12-month rate of growth of the investment price index was equal to 29.0% only slightly above that of CPI.

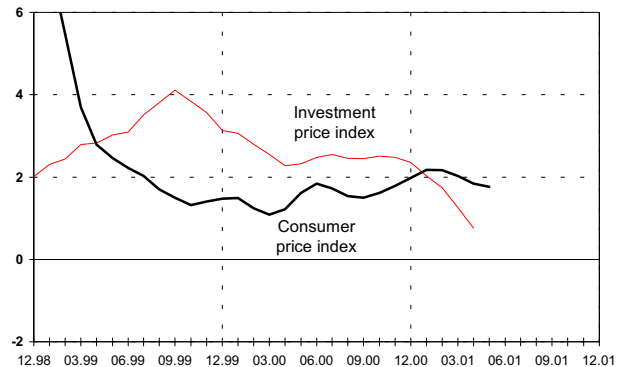
The composite producer price index (PPI) increased in April 2001 by 1.3% (1.2% in March), making its 12-month rate of growth equal to 26.5% (26.9% in March). Rates of PPI growth remained practically unchanged in industry (1.0% in April, 1.1% in March), as well as in freight transportation and business communications. In construction the rate of PPI growth decreased from 1.6% in March to 0.6% in April, while in agriculture PPI growth increased from 1.9% in March to 3.3% in April, pushing up the rate of growth of composite PPI.

Labour market

The situation in the labour market remains more or less stable. The number of employees in April was estimated to be equal to 64.8 mn, the same as in February (when the last labour survey was provided) and 0.6% higher than a year ago. The total number of unemployed in April was estimated at 6.9 mn, slightly less than in February (7.1 mn). As a result the overall unemployment rate was estimated to be equal to 9.6% in April compared to 9.9% in February. The number of officially registered unemployed decreased slightly through April (from 1.10 mn to 1.09 mn), as did the total number of job seekers. At the same time the number of registered vacancies increased, lowering the vacancy ratio from 1.7 at the end of February to 1.4 at the end of April.

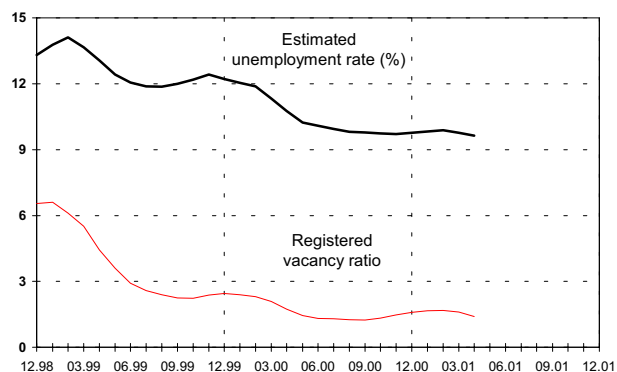
Real reported monthly accrued wages continue to grow more or less steadily, and in April 2001, according to preliminary estimate, they were about 18% higher than a year ago. Wage arrears decreased

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



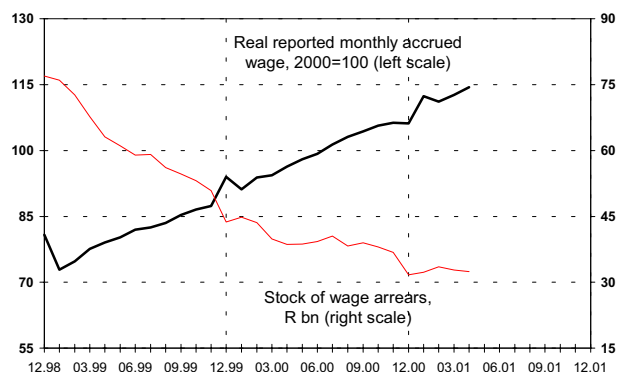
* 3-month moving averages.
Source: Goskomstat.

Unemployment indicators



Source: Goskomstat and Federal Employment Service.

Reported average monthly accrued wages*



* Seasonally adjusted index of real wages is based on price deflator for consumer expenditures.
Source: Goskomstat and RET staff estimates.

over April by 1.1% to R32.4 bn, but were still slightly higher than at the beginning of the year (R31.7 bn). Despite that the level of strike activity remains extremely low: in April 2001 only 3 strikes were registered.

Money

While the CBR managed to moderate movements of monetary base (MB) over Q1, the growth rate accelerated already in April with MB increasing 6% month-on-month. An increase of monetary base is typical for the Russian economy in April and this year's increase was much lower than 10% rises in the same month of 2000 and 1999. MB continued to grow at a substantial rate of 4% in May (compared with 3% in May 2000). In April the increase of MB was almost two times lower than the growth of NIR (\$1 bn and \$2 bn respectively). It is fair to say, therefore, that the CBR has been successful in sterilisation (see figure). However, holding back monetary base is by itself insufficient to curb inflation, which has accelerated since the beginning of the year. Over the first four months the consumer price index (CPI) rose 9% compared to 5% for the same period last year (see PRICES).

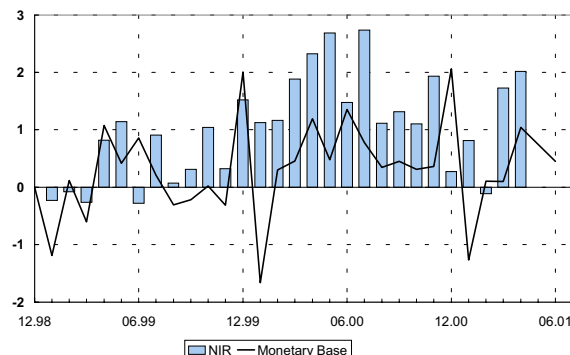
Money supply (M2) has increased for three months in a row. The month-on-month growth rate in April was 5%. Growth of M2 still exceeds that of MB, which implies increase of the money multiplier (MM), which has been rising steadily since July last year. Fluctuations of MM are largely determined by movements of its excess reserves component (see figure). Excess reserves (ER) rose until July 2000 then they started to decrease. Generally speaking, growth of the money multiplier is positive for the economy. Note, however, that ER includes deposits of commercial banks at the CBR - the main tool of sterilisation for the Central Bank. This reveals the reverse side of the medal: increase of MM without appropriate increase of money demand can push up inflation. High rate of inflation observed since the beginning of the year suggests inflationary nature of MM growth.

There was a quite substantial liquidity squeeze on the inter-bank market at the end of April with the one-day MIACR (Moscow Inter-bank Actual Credit Rate) rate reaching 24.5%. Balances of commercial banks were not at a particularly low level, so the increased demand for money was attributed to the forthcoming May holidays. The inter-bank money market was relatively calm in May after the holiday period (see figure).

Exchange rate

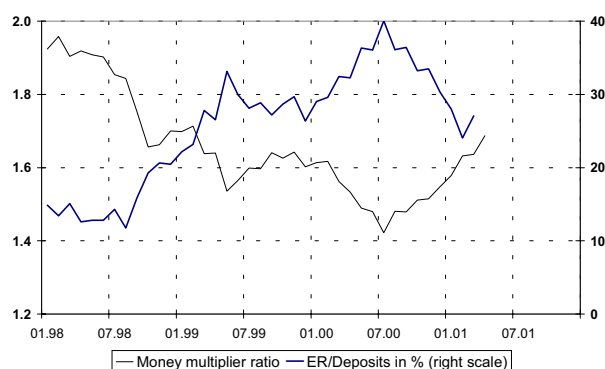
Nominal depreciation of the rouble against the dollar has continued. In mid-May the rouble passed the

Changes of monetary base and net international reserves (\$ bn)



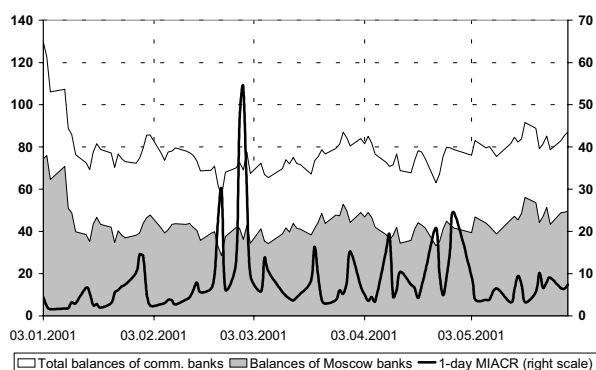
Source: CBR, RET staff calculations.

Money multiplier ratio and excess reserves to deposits ratio



Source: CBR, RET staff calculations.

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



Source: CBR, Denezhnyi Rynok.

level of 29R/\$. As a result the average exchange rate for the month was 29.03R/\$. Altogether the rouble has depreciated by more than 4% in nominal terms since the beginning of the year. Despite such loosening of the grip on the exchange rate, it is unlikely that the CBR would allow significant depreciation of the rouble. Rouble devaluation contradicts such state interests as reducing inflationary expectations and the cost of servicing the external debt.

The rouble continues to appreciate against the dollar in real terms, although the pace of appreciation slowed to 0.8% in April. The slowdown is explained by faster nominal depreciation of the rouble. The rouble appreciated slightly (0.02%) against a trade-weighted basket of currencies, in which the dollar has the largest weight. However, the rouble even depreciated in April in real terms against other currencies in the basket, the Ukrainian hryvna and German mark, by 0.2% and 0.4% respectively.

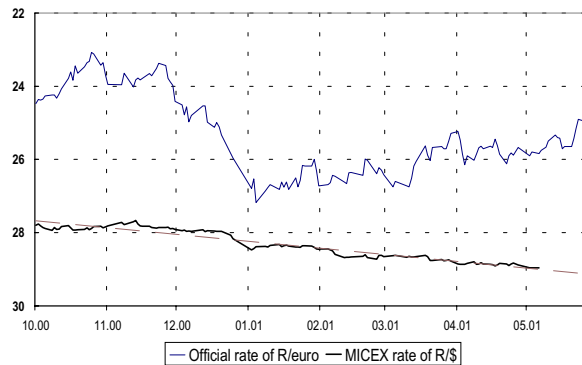
There is a respite from servicing of foreign debt in the second quarter of this year, and the CBR has taken advantage of this to accumulate foreign reserves. In April-May gross international reserves (GIR) rose by \$3.9 bn to reach \$33.6 bn at end-May. At the moment Russian GIR cover almost 8 months of imports of goods. According to CBR chairman, Viktor Gerashchenko, Russia may increase its GIR by \$9 bn over the current year.

On April 18 the Duma approved amendments to the law on currency control. These amendments increase the number of non-commercial operations, which are not subject to currency control (e.g. payments for education, wages, representative office expenditures, etc.). Russian citizens are now allowed to invest up to \$75 000 per year in foreign securities without obtaining special permission from the CBR. There were no changes, however, to repatriation rules, which have been the main bone of contention between the CBR and other more liberally oriented bodies.

Financial markets

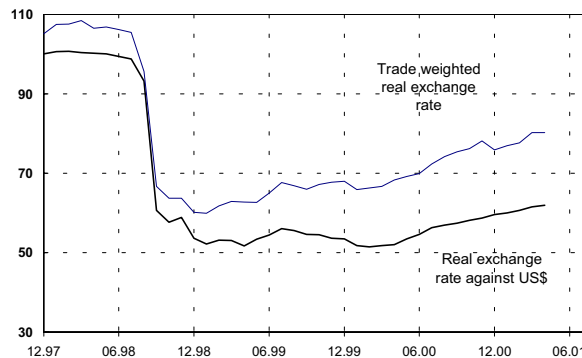
The RTS index kept growing through the whole of May and beginning of June. The index currently stands 60% higher than at the beginning of the year. According to the popular version, growth of Russian shares was driven by an upturn of American financial markets. However, we would put this in less categorical terms - there was no significant decline of NASDAQ to impede growth of the RTS. There have been recent signs that the Russian stock market is becoming less dependent on developed financial markets. RTS daily trading volumes exceeded \$30 mn in the last week of May and the beginning of June. However, apart from these two rises average daily turnovers have not changed substantially

Rouble exchange rates



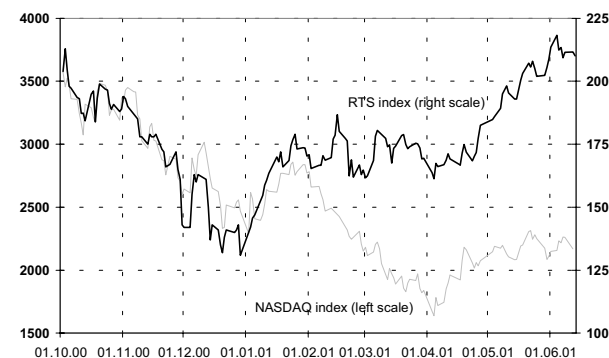
Source: MICEX, Denezhnyi Rynok, CBR.

Real exchange rate (Dec 1995 = 100)



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

RTS and NASDAQ stock market indices



Source: RTS, www.nasdaq.com.

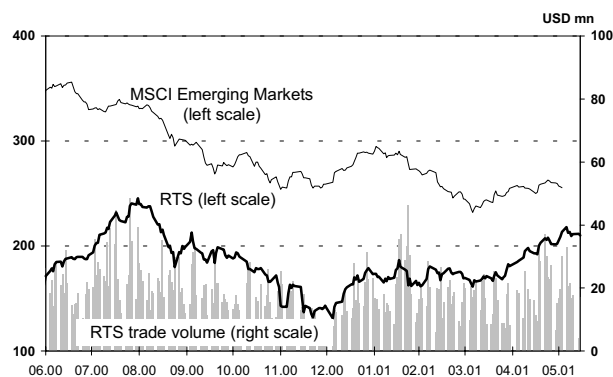
(\$20 mn in May). Total monthly volume on the RTS in May, although higher than the previous month (\$405.7 mn vs. \$330 mn in April), was comparable to the February figure. Since the RTS is the main vehicle for trade by foreign investors, the sustainable foreign money inflows, awaited since the Russian market started to rise, have clearly not yet arrived.

There was important news from Gazprom at the end of May when the board of directors unexpectedly sacked company CEO, Rem Vyakhirev. The ousting of Mr Vyakhirev who was top manager of the gas giant for more than 8 years, is viewed as a move to increase efficiency of Gazprom. This piece of news triggered the second escalation of Gazprom share prices over the past two months: the first such rise was set off by creation of a working group on liberalisation of the Gazprom share market (see figure).

Russian foreign currency debt paper rallied during the first three weeks of May. Spreads of both Russian Eurobonds and MinFins gradually decreased. The last week of May was a week of mild correction. Yield declines ceased to affect all Eurobond issues, which were outperformed by MinFins (prices of all MinFins continued to rise with the exception of MinFin 6). The overall upward trend resumed at the beginning of June along with general rise of the emerging debt market due to successful completion of the Argentinean debt swap. The Russian foreign debt market continues to outperform the total emerging debt market: as of June 14 the EMBI+ Russia is 29% (!) higher than at the beginning of the year while the EBMI+ is only 7% higher.

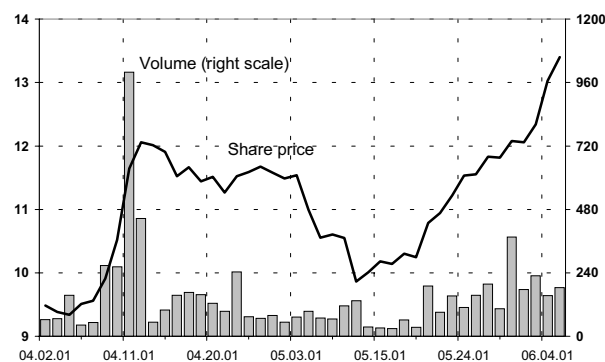
As promised, the Ministry of Finance placed a three-year OFZ issue on June 6, the first long-term instrument issued since the 1998 crisis. This is a fixed coupon paper, however, the coupon will decrease each year: from 16% in the first year to 14% in the second year and 12% in the last year before maturity. Total announced value of the placement was R5 bn (\$172 mn), but the Ministry of Finance placed only R2 bn at this auction in order to keep yields down. Bids at the auction ranged from 70% to 90.7% of face value. The market and Ministry of Finance reached consensus at 19.5% average weighted yield on the paper. Thus the market now has a long-term interest rate benchmark. Secondary market trading volumes will show whether the three-year OFZ is real market paper, as the Ministry of Finance presented it, or whether it was yet more quasi-market paper going straight to the portfolio of Sberbank.

Main indicators of the Russian stock market

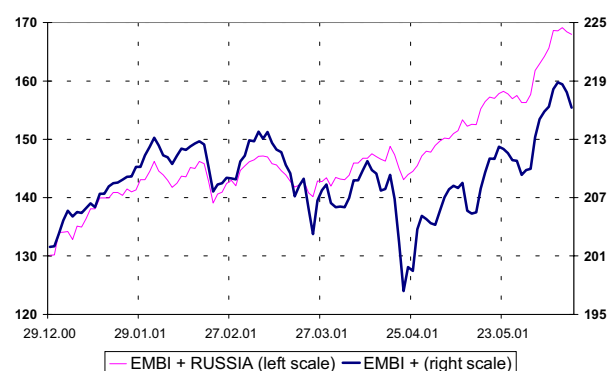


Source: RTS, Morgan Stanley Dean Witter.

Gazprom share prices and volume traded on MSE (R mn)



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



Source: JPMorgan, Raiffeisen bank.

Table 1: GDP and aggregate demand*

	Nominal GDP	Real GDP, SA	Nominal consumption of goods and services	Real consumption of goods and services**	Nominal expenditures on new construction & equipment	Real expenditures on new construction & equipment, SA
	(R bn)	(1997=100)	(R bn)	(1995 = 100)	(R bn)	(1997=100)
1995	1 540.5	102.6	664.8	100.0	267.0	128.5
1996	2 145.7	99.1	950.1	97.9	376.0	105.3
1997	2 478.6	100.0	1 124.0	100.9	408.8	100.0
1998	2 741.1	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	2 911.4	91.0	1 165.2	108.8
01.1999			147.8	77.3	28.5	93.5
02			149.5	75.2	31.8	91.3
03	866.8	88.5	163.7	80.0	36.5	91.7
04			164.9	78.3	36.9	91.2
05			168.7	78.3	41.4	88.2
06	1 108.1	96.0	174.4	79.5	52.8	90.8
07			179.7	79.6	56.2	94.2
08			192.0	84.1	61.8	90.7
09	1 358.6	107.6	196.9	85.0	67.6	93.3
10			205.4	87.5	66.5	94.4
11			210.2	88.5	72.0	94.6
12	1 423.8	108.8	238.5	99.1	118.4	98.0
01.2000			204.9	83.2	46.1	101.1
02			202.8	81.5	55.8	106.1
03	1 461.4	96.7	218.6	87.3	63.9	106.2
04			218.0	86.3	64.5	106.4
05			220.5	85.8	75.8	107.8
06	1 641.9	104.2	229.1	86.9	95.7	109.2
07			236.9	88.3	99.0	110.2
08			255.3	94.2	112.9	111.3
09	2 004.0	117.1	258.9	94.3	118.3	111.8
10			267.6	95.4	114.6	111.8
11			276.4	97.1	123.1	112.3
12	1 956.0	116.2	322.5	111.5	195.5	111.3
01.2001			265.3	89.3	70.9	109.3
02			267.4	88.0	80.5	109.3
03			288.4	93.1	89.6	108.4
04			293.2	93.0	90.0	110.2
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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	Oil extraction, SAAL	Natural gas extraction, SAAL	Electricity production, SAAL	Coal production, SAAL
	(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	877	258
01.1999	98.7	187.6	294	595	829	244
02	99.2	189.8	289	587	826	240
03	99.9	223.0	293	603	851	247
04	101.0	223.2	294	602	853	248
05	103.2	213.2	295	604	840	242
06	101.5	228.6	296	593	849	247
07	101.9	242.3	296	584	841	255
08	103.4	252.7	296	587	848	259
09	103.8	271.2	295	587	859	256
10	104.4	293.7	295	581	840	255
11	105.5	311.8	297	591	857	252
12	107.2	358.1	300	588	858	255
01.2000	109.6	331.7	302	590	870	256
02	108.8	350.8	308	597	881	263
03	109.8	387.5	305	581	857	255
04	110.3	359.2	306	580	860	256
05	110.9	361.1	310	578	878	263
06	111.7	384.5	311	585	872	260
07	112.4	391.6	314	591	885	254
08	112.6	407.7	316	585	880	252
09	113.3	417.6	319	583	875	256
10	113.7	442.7	320	585	898	258
11	113.8	451.9	323	575	884	263
12	113.5	476.2	322	577	884	261
01.2001	111.7	436.4	322	580	883	261
02	114.1	430.2	320	572	888	260
03	115.5	482.0	326	585	872	270
04	114.3	467.2	326	583	893	259
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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	3 597	1 077
03	94.7	97.4	109.5	30.5	3 610	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	3 635	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	3 631	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	3 627	1 057
01.2001	92.8	98.4	116.2	30.1	3 622	1 013
02	92.9	96.6	116.3	27.3	3 639	1 043
03	95.2	97.4	115.8	31.3	3 718	1 062
04	95.0	97.9	117.8	29.4	3 700	1 036
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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	55.8	99.3
03	189.9	165.5	231.6	103.6	59.9	101.8
04	183.8	144.6	234.9	103.5	61.5	104.4
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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	83.6
1996	65.9	9.6	9.2	4 009	790	88.9
1997	64.7	10.8	7.6	6 001	950	93.0
1998	63.6	11.9	5.4	2 882	1 095	80.5
1999	64.0	12.6	3.6	1 790	1 581	62.8
2000	64.7	10.4	1.6	236	2 253	76.6
01.1999	63.2	13.8	6.6	577	1 167	55.5
02	63.2	14.1	6.1	532	1 199	56.9
03	63.5	13.7	5.5	83	1 385	59.0
04	63.8	13.1	4.4	15	1 423	60.1
05	64.2	12.4	3.6	15	1 472	61.1
06	64.5	12.1	2.9	6	1 626	62.9
07	64.6	11.9	2.6	6	1 618	63.1
08	64.6	11.8	2.4	5	1 608	64.0
09	64.4	11.9	2.2	99	1 684	65.4
10	64.3	12.1	2.2	228	1 716	66.4
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	69.5
02	63.5	11.9	2.3	65	1 839	71.8
03	63.9	11.3	2.1	27	2 018	72.3
04	64.4	10.8	1.7	7	2 039	74.0
05	64.8	10.2	1.4	0	2 101	75.3
06	65.0	10.1	1.3	0	2 294	76.1
07	65.1	10.0	1.3	0	2 302	77.7
08	65.2	9.8	1.3	1	2 289	79.0
09	65.1	9.8	1.3	1	2 367	79.9
10	65.1	9.8	1.3	2	2 425	80.9
11	65.0	9.7	1.5	17	2 508	81.7
12	65.0	9.8	1.6	25	3 025	81.4
01.2001	64.9	9.8	1.7	4	2 733	86.0
02	64.8	9.9	1.7	12	2 655	84.9
03	64.8	9.8	1.6	0	2 964	86.0
04	64.8	9.6	1.4	1	2 994	87.1
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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	2 534.0	87.5	200.0	916.4		
04	2 700.2	91.6	200.0	917.3		
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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	<u>of which:</u> 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
03	81.7	5388.4	1736.1	748.0	1324.0	5752.8
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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	Consumer price index, food & beverages	Consumer price index, non-food goods	Consumer price index, paid services	Composite producer price index	Industrial producer price index
	(Dec-97=100)	(Dec-97=100)	(Dec-97=100)	(Dec-97=100)	(Dec-97=100)	(Dec-97=100)
1995	74.0	77.9	78.5	55.0		74.1
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	310.9	323.7	333.7	221.7	268.5	276.2
02	318.0	331.0	338.0	231.3	273.8	281.1
03	324.0	337.0	342.2	239.3	277.0	284.1
04	329.8	343.6	345.2	245.9	280.5	286.8
05	#N/A	#N/A	348.2	250.3		
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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	8.3	2.7	1.7	3.6	0.9	4.7
03	9.0	2.9	1.7	4.2	1.0	4.7
04	8.6			4.3		4.3
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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	-5.5
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	2.8
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	3.2
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	2.5
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	65.5	30.5	
03	318.0	297.0	268.8	88.4	49.2	4.4
04	451.9	420.3	365.2	94.4	86.7	
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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	0.7
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	
04	365.7	230.8	332.9	64.9	32.7	
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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***	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	0.0	266.5	704.7	n.a.
2000	519.6	16.0	88.6	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	0.0	212.8	597.4	n.a.
10	269.0	-5.0	0.0	222.0	625.1	n.a.
11	267.1	-4.7	0.0	219.3	646.6	n.a.
12	324.3	-3.2	0.0	266.5	704.7	n.a.
01.2000	296.5	-2.1	0.0	232.9	695.0	258.5
02	306.0	-0.9	0.0	242.0	726.6	253.9
03	318.9	1.3	0.0	251.5	751.4	255.9
04	349.6	3.3	0.0	279.1	787.9	256.8
05	361.4	5.8	0.0	289.3	831.6	255.9
06	397.2	7.5	194.9	321.8	892.2	258.3
07	415.7	10.2	139.5	334.0	931.2	255.1
08	425.0	11.3	118.7	341.6	960.1	259.2
09	437.6	12.7	95.9	351.0	992.4	247.3
10	446.0	13.8	74.5	349.7	1001.2	235.6
11	457.1	15.7	33.5	358.4	1036.4	229.7
12	519.6	16.0	88.6	419.3	1144.3	184.2
01.2001	488.0	16.8	35.1	380.1	1079.3	175.1
02	494.7	16.7	44.9	338.0	1109.7	180.2
03	499.6	18.4	3.2	399.4	1149.5	185.7
04	531.1	20.4		435.4	1210.0	189.5
05	550.0					191.7
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Source: CBR.

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

** Net Domestic Assets (NDA) of the monetary authorities 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	#VALUE!	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
04	2472.0	561.3	989.2	342.5	477.1	256.4
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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	17.4	3.5			166.0
05	25					203.7
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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 (end Aug-94=100)	Exchange rate (MICEX), period average*	Exchange rate (MICEX), end of period*	Real exchange rate, period average** (Dec-95 = 100)	Gross international reserves (including gold, end of period) \$ bn	of which: Gold reserves (valued at \$300 per ounce) \$ bn
1995	64.0	4.562	4.640	82.4	17.2	2.8
1996	148.4	5.126	5.570	100.1	15.3	4.1
1997	302.7	5.785	5.974	104.4	17.8	4.9
1998	38.4	9.965	21.140	91.6	12.2	4.4
1999	114.6	24.836	26.959	64.9	12.5	4.0
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	80.3	31.7	3.8
05		29.033	29.143		33.6	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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