



**THE CENTRAL BANK
OF THE RUSSIAN FEDERATION
(BANK OF RUSSIA)**

Quarterly Inflation Review

2006 Q2

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Research and Information Department

Introduction

The trend towards the slowing of growth in consumer prices continued in Russia in the first half of 2006. Core inflation decreased and growth in the prices of goods and services excluded from the calculation of the core consumer price index decelerated year on year.

The slowing of growth in the prices of paid services provided to the population, including administered prices, had a positive effect on consumer price inflation in January-June 2006. The growth in these prices was also curbed as Russia adopted in 2005 amendments to Federal Law No. 210-FZ, dated December 30, 2004, "On the Principles of Regulating Tariffs Set by House Maintenance and Utility Services" and the Federal Tariff Service's Order No. 853-e/4, dated December 29, 2005, setting limits on growth in housing and utility charges for each region.

Core inflation decreased largely due to the slowing of growth in food prices, excluding vegetable and fruit prices. The dynamics of these prices in January-June 2006 were affected by a sharp increase in granulated sugar prices due to lower domestic sugar supply and world sugar price growth, on the one hand, and a considerable slowdown in the growth of prices for meat and poultry, fish and seafood, on the other hand.

Growth in non-food prices slowed down. Motor petrol prices grew faster than non-food prices in January-June 2006; however, their growth rates did not exceed last year's level.

The stable foreign exchange rate was an important factor determining positive inflationary expectations and contributed to lower inflation.

The Bank of Russia considerably stepped up its currency interventions in January-June 2006 year on year amid a significant inflow of foreign exchange from operations registered on the current account of Russia's balance of payments, and also a large-scale net private capital inflow (in Q2). As Russia's international reserves grew significantly to exceed the figure for the entire past year, the Bank of Russia carried out more active

sterilisation measures (especially in Q2) to reduce inflationary pressure. In particular, the Bank of Russia made decisions to raise interest rates on deposit operations on standard terms and adjust rates on operations at deposit auctions and with Bank of Russia bonds (OBR bonds). Operations with OBR bonds and deposit operations remained the Bank of Russia's major instruments to attract funds.

As was the case in the previous year, the Stabilisation Fund of Russia (hereinafter the Stabilisation Fund) and the accounts of the Russian Government with the Bank of Russia absorbed a considerable part of aggregate liquidity. However, the increase in the cut-off price of oil from \$20 to \$27 per barrel from January 1, 2006, reduced the Stabilisation Fund's absorption potential. As a result, the Bank of Russia will have to take greater efforts to control money supply growth.

Monetary measures and the Stabilisation Fund helped sterilise a considerable part of free liquidity. At the same time, M2 growth in the moving 12-month period accelerated in January-June 2006 to 43.9% as of July 1, 2006, compared with July 1, 2005.

However, low-liquidity ruble components (time deposits) prevailed in the structure of ruble supply growth and represented a significant factor from the viewpoint of alleviating the inflationary consequences of monetary growth. At the same time, the trend registered for most of the period under review towards the contraction of cash in the M2 structure had a positive effect on inflation and money velocity.

Considering the macroeconomic situation and a larger-than-expected decline in money velocity, the Bank of Russia reviewed its estimate of demand for ruble supply and raised it from 25-28% to 33-37%. However, money supply continues to grow significantly from the viewpoint of complying with the adjusted indicators of demand for money this year. Therefore, monetary pressure on inflation will persist in the medium- and

long-term perspective. The accelerated growth in M2 this year means that it will exert greater influence on inflation in 2007.

Core inflation dynamics suggest that core inflation is less sensitive to short-term money supply growth. Therefore, in the second half of 2006,

core inflation will be affected (other conditions being unchanged) by money supply dynamics registered by the beginning of the year and the current foreign exchange rate, and also by the coming budget non-interest expenditures and the scope of revenue accrual in the Stabilisation Fund.

Inflation Dynamics

Consumer prices

According to the Federal State Statistics Service (Rosstat), consumer prices rose 6.2% in January-June 2006 against 8.0% in the same period of 2005. Consumer prices grew 1.1% as a whole in 2006 Q2 (5.0% in 2006 Q1). Consumer prices increased 0.4% in April, 0.5% in May and 0.3% in June 2006.

Consumer price inflation in the moving 12-month period stood at 9.0% in June 2006 (9.4% in May 2006), or 0.7 percentage points lower than the figure corresponding to the smooth movement towards achieving the 2006 monetary policy target (8.5%).

Core inflation equalled 3.9% in the first half of 2006 (4.4% in the first half of 2005). The prices of goods and services included in the calculation of core inflation rose 1.1% in 2006 Q2 (2.8% in 2006 Q1). The core consumer price index grew 0.4% in April, 0.4% in May and 0.3% in June. In the moving 12-month period, core inflation stood at an estimated 7.8% in June 2006.

Growth in the prices of goods and services included in the calculation of the core consumer price index in the first half of 2006 accounted for an estimated 3.0 percentage points, or 48.4%, of overall consumer price growth as against 3.5 percentage points, or 44.1%, in January-June 2005.

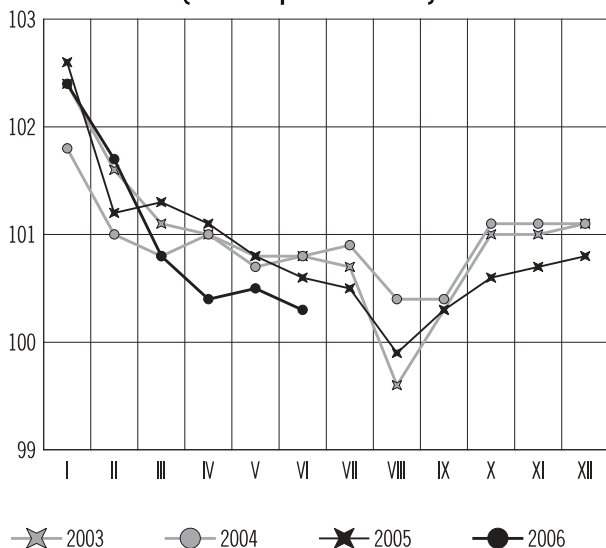
Food prices, excluding vegetable and fruit prices

Food prices, excluding vegetable and fruit prices, grew 4.5% in January-June 2006 as against 5.5% in the same period of 2005. Food prices, excluding vegetable and fruit prices, increased 3.9% in 2006 Q1 and 0.6% in 2006 Q2. Growth in food prices, excluding vegetable and food prices, accounted for an estimated 1.8 percentage points, or 28.6%, of overall consumer price growth in the first half of 2006 as against 2.3 percentage points, or 29.0%, in the same period of 2005.

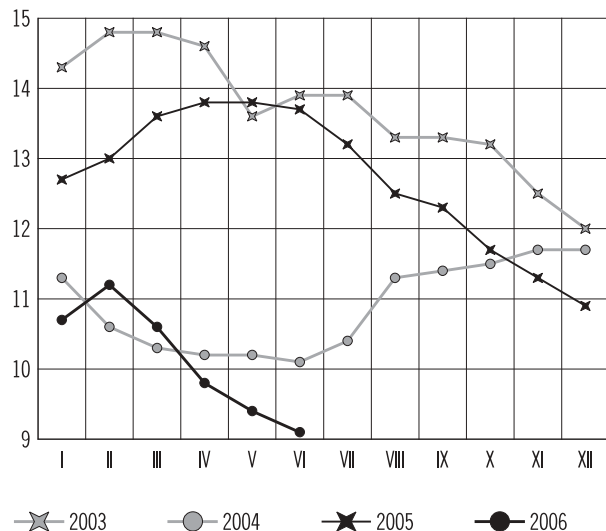
Granulated sugar prices registered a sharp increase at the beginning of 2006: they grew 10.7% in January, 30.3% in February and 48.8% in 2006 Q1. In 2006 Q2, granulated sugar prices declined. In January-June 2006, granulated sugar prices increased 30.4% (1.4% in the same period of 2005). Sugar price dynamics on the domestic market largely followed changes in the world prices of refined sugar, and also raw sugar whose imports in the first six months account for the entire output of granulated sugar in the country. Reduced domestic sugar production had an adverse effect on sugar price dynamics.

The rapid growth in sugar prices at the beginning of 2006 affected core inflation considerably. Sugar price growth in January-June 2006 contributed an estimated 0.4 percentage points

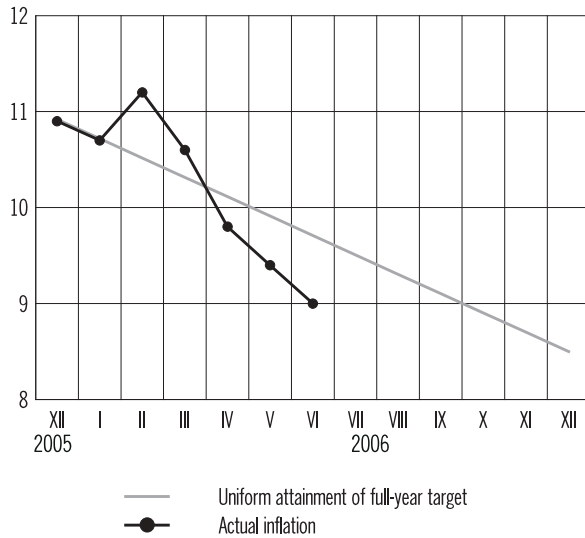
Consumer prices
(as % of previous month)



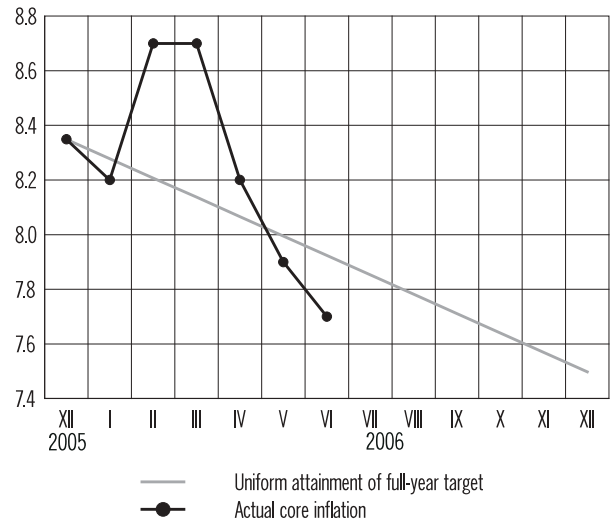
Inflation in the moving 12-month period
(as % of corresponding month of previous year)



**Inflation in the moving 12-month period
(as % of corresponding month of previous year)**



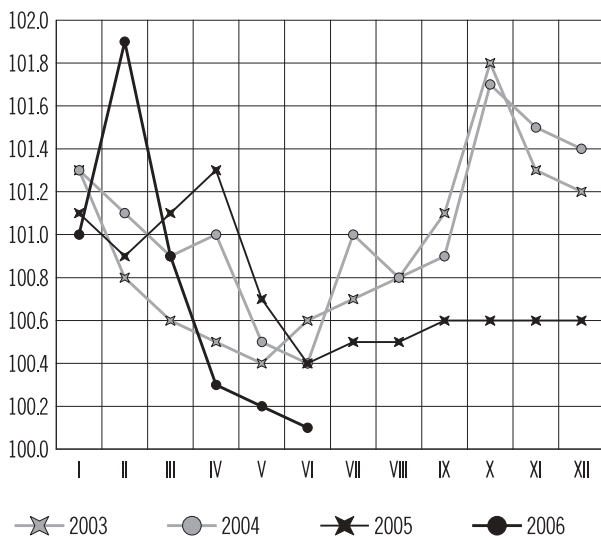
**Core inflation in the moving 12-month period
(as % of corresponding month of previous year)**



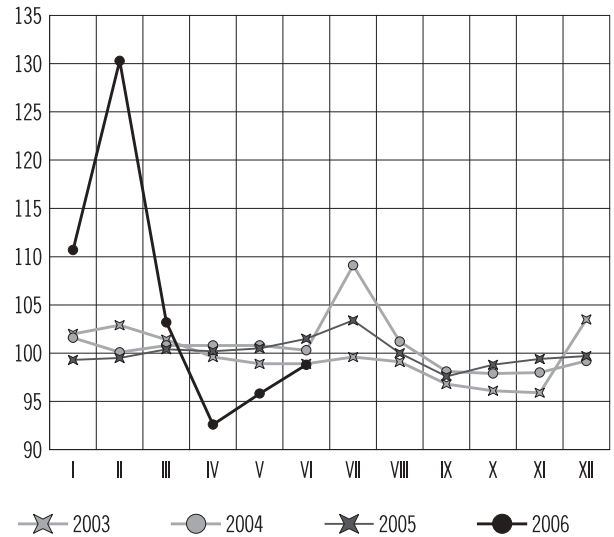
Consumer price inflation (%)

	Growth (June 2006 on December 2005)	Growth (June 2005 on December 2004)	Outcome
Prices of goods and services included in core inflation calculation	3.9	4.4	Retardation by 1.1 times
of which:			
- food prices, excluding vegetable and fruit prices	4.5	5.5	Retardation by 1.2 times
- non-food prices	2.3	2.4	Some retardation
Prices of paid services provided to households	10.0	15.4	Retardation by 1.5 times
of which:			
- administered prices of goods and services	11.1	19.3	Retardation by 1.7 times
Vegetable and fruit prices	31.5	40.6	Retardation by 1.3 times

**Food prices, excluding vegetable and fruit prices
(as % of previous month)**



**Granulated sugar prices
(as % of previous month)**



Food price inflation rates (%)

	Growth (June 2006 on December 2005)	Growth (June 2005 on December 2004)	Outcome
Bread and bakery products	6.3	1.6	Acceleration by 3.9 times
Cereals and legumes	9.0	- 1.6	
Pasta	3.2	1.7	Acceleration by 1.9 times
Meat and poultry	2.2	14.6	Retardation by 6.6 times
Fish and seafood	4.2	10.7	Retardation by 2.5 times
Milk and dairy products	3.2	2.7	Acceleration by 1.2 times
Butter	3.0	2.4	Acceleration by 1.3 times
Sunflower oil	-0.9	2.0	
Granulated sugar	30.4	1.4	Acceleration by 21.7 times
Alcoholic beverages	4.0	4.4	Retardation by 1.1 times

to overall growth in the prices of goods and services included in the calculation of the core consumer price index.

The situation on the meat market stabilised in 2006. Meat and poultry prices increased 2.2% in January-June 2006 (14.6% in the same period of 2005). Poultry price dynamics significantly affected meat and poultry prices.

Poultry prices fell 9.2% in January-June 2006, whereas they grew 18.9% in January-June 2005. Beef and pork prices went up 8.8% and 5.2%, respectively, in the first six months of 2006 compared with 16.8% and 11.7% in the same period of 2005.

On December 5, 2005, the Russian Government adopted Resolution No. 732, setting for the first time meat import quotas for four years in advance. This mechanism allows foreign trade

companies to carry out a more balanced import policy and cushion undesirable supply-related market fluctuations.

Fish and seafood prices rose 4.2% in the first half of 2006. This growth is 2.5 times slower than the figure registered in the same period of 2005 when fish and seafood prices went up 10.7%.

The prices of milk and dairy products grew 3.2% in January-June 2006 as against 2.7% in January-June 2005.

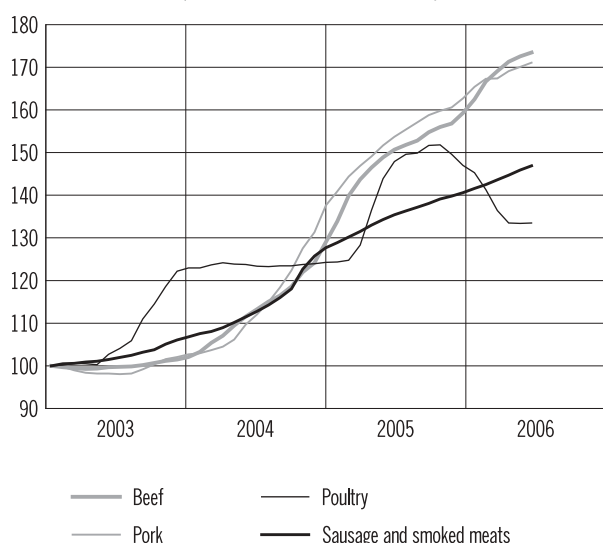
In January-June 2006, compared with the same period of 2005, growth accelerated in the prices of bread and bakery products (from 1.6% to 6.3%) and pasta (from 1.7% to 3.2%). The prices of cereals and legumes grew 9.0% (in January-June 2005, they went down 1.6%). Growth in the prices of these products accelerated as agricultural producer prices for grain crops rose considerably (by 12.6%) in January-June 2006 (in January-June 2005, these prices declined 3.2%). In the estimate of the Russian Ministry of Agriculture, the grain harvest will be smaller in 2006 than in 2005.

In January-June 2006, as in the same period of 2005, food prices, excluding vegetable and fruit prices, grew faster than non-food prices.

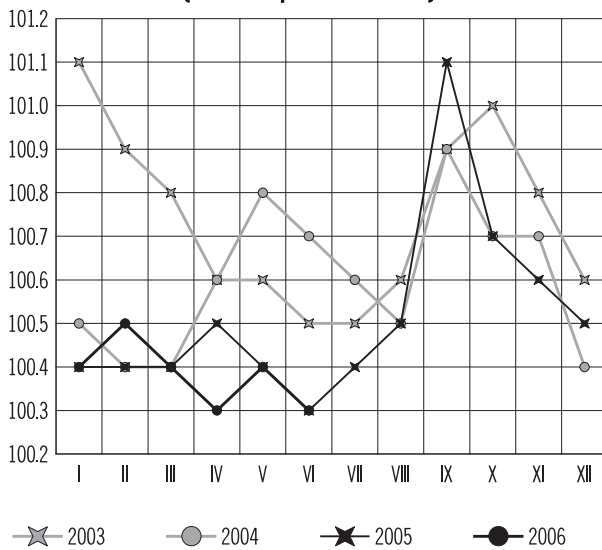
Non-food prices rose 2.3% in January-June 2006 against 2.4% in the same period of 2005. Non-food prices grew 1.3% in 2006 Q1 and 1.0% in 2006 Q2. The biggest growth in non-food prices in the first half of 2006 was registered in the prices of detergents, tobacco products and building materials, which increased 3.5%.

Petrol prices rose 2.6% in January-June 2006 (also 2.6% in January-June 2005).

**Meat and meat product prices
(December 2002 = 100%)**



Non-food prices
(as % of previous month)

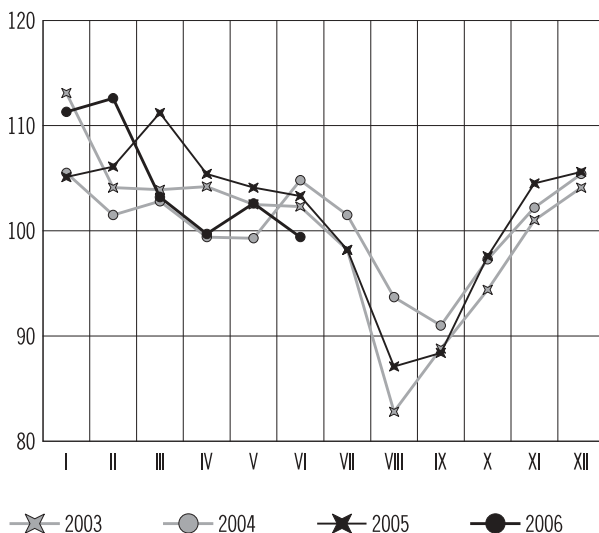


Growth in non-food prices accounted for an estimated 0.8 percentage points, or 12.9%, of overall consumer price growth in the first six months of 2006 as against 0.8 percentage points, or 9.8%, in the same period of 2005.

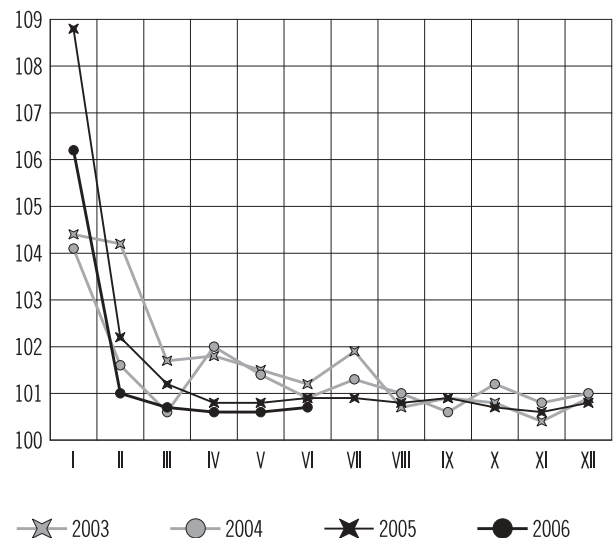
Vegetable and fruit prices rose 31.5% in January-June 2006 as against 40.6% in January-June 2005. The increase in vegetable and fruit prices in the first six months of 2006 was slower than their average growth in January-June 2001-2005.

Growth in vegetable and fruit prices accounted for an estimated 1.2 percentage points, or 20.2%, of overall consumer price growth in

Vegetable and fruit prices
(as % of previous month)



Service prices
(as % of previous month)



January-June 2006 as against 1.7 percentage points, or 20.8%, in the same period of 2005.

Food prices grew 7.0% as a whole in the first six months of 2006 compared with 8.6% in the same period of 2005.

The prices of paid services provided to households went up 10.0% in January-June 2006 as against 15.4% in January-June 2005. The prices of paid services provided to households grew 8.0% in 2006 Q1 and 1.9% in 2006 Q2. Housing and utility prices increased 16.0% in the first six months of 2006 (29.1% in January-June 2005), with housing prices rising 14.9% and utility prices 16.7%. At the beginning of 2006, the amendments to Federal Law No. 210-FZ, dated December 30, 2004, "On the Principles of Regulating Tariffs Set by House Maintenance and Utility Services" and the Federal Tariff Service's Order No. 853-e/4 of December 29, 2005, came into force, setting limits on growth in housing and utility charges for each region and establishing the procedure for monitoring their dynamics. Housing and utility prices grew 13.8% in January 2006 month on month. In the subsequent months, their growth slowed down to an estimated 0.4% in 2006 Q2.

Passenger transport fares and communication fees rose 10.9% and 0.3%, respectively, in January-June 2006 (10.4% and 0.6%, respectively, in January-June 2005).

As for other major types of services, the most significant increase in January-June 2006

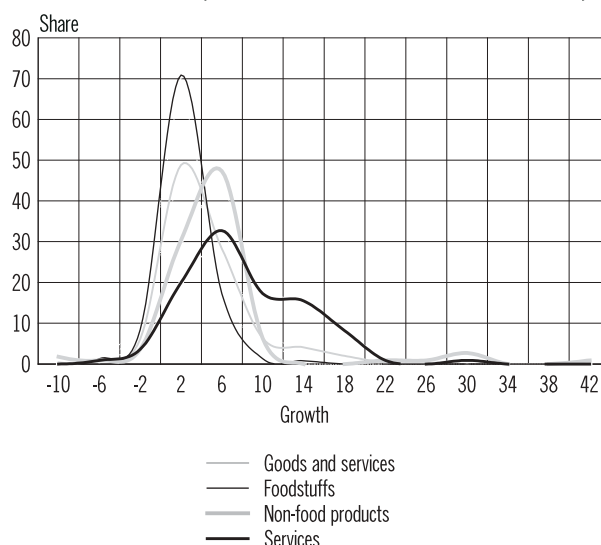
was registered in pre-school tuition fees, which rose 22.7% as against 21.9% in the same period of 2005.

Growth in paid service prices in January-June 2006 was two times faster than overall growth in the prices of goods, which stood at 5.0% (2.6 times faster in January-June 2005). Growth in paid service prices in January-June 2006 accounted for an estimated 2.4 percentage points, or 38.3%, of overall consumer price growth as against 3.2 percentage points, or 40.5%, in January-June 2005. Administered service prices rose by an estimated 11.1% in the first six months of 2006 as against 19.3% in January-June 2005.

The analysis of the distribution¹ of consumer price increases (June on December of previous year) in 2002-2006 was based on a sample of more than 400 consumer goods and services and made without taking account of their weights in consumer spending.

In the past five years, the prices of more than two-thirds of consumer goods and services included in the sample grew within the range of 2-8% in January-June. At the same time, in January-June 2006, the prices of almost a half of consumer goods and services (48.8%) grew within the range of 0-4% (45.2% of consumer goods and services in January-June 2005 and 43.1% in January-June 2004). Price increases in the first six

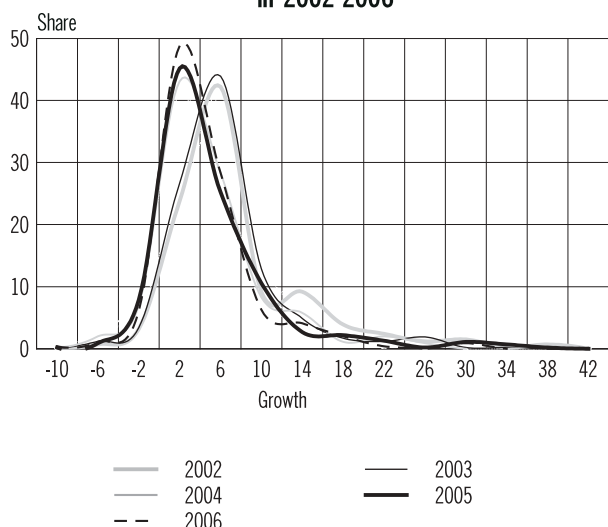
Price growth distribution by kind of consumer goods and services (June 2006 as % of December 2005)



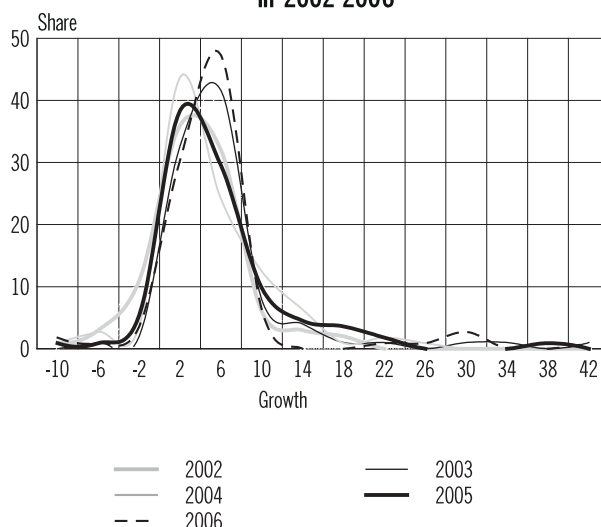
months of 2002 and 2003 were largely within the range of 4-8%.

In the past three years, the median, which in this kind of distribution, characterises growth in the prices of the bulk of goods and services has been virtually unchanged (it stood at 3.8% in January-June 2004-2005 and 3.7% in January-June 2006). The distribution average decreased 1.2 percentage points in 2006 year on year to 5.2%. The standard deviation, which characterises the extent of price growth difference from the average, declined to 7.6% from 12.4% a year earlier

Consumer price growth distribution (June as % of December of previous year) in 2002-2006



Food price growth distribution (June as % of December of previous year) in 2002-2006



¹ This distribution has been built on the basis of a smoothed histogram. The length of the interval (4 percentage points) was selected so that each interval included a sufficient number of observations, while the histogram reflected the qualitative characteristics of the sample distribution.

but was larger than in 2004 (6.3%). The dispersion of price increases narrowed in January-June 2006 year on year as the standard deviation for paid services and food products decreased considerably. In January-June 2006, the median was the highest in the sector of paid services and the lowest in the sector of non-food products.

A statistical analysis of food price increases indicated an insignificant rise in the distribution median in January-June 2006 year on year. The prices of almost a half of all foodstuffs (47.3%) grew within the range of 4-8% in the first six months of 2006. In the same period of 2005, growth in the prices of a large part of food products (38.4%) did not exceed 4%. The standard deviation decreased from 20.3% in January-June 2005 to 12.9% in January-June 2006. At the same time, there was a relatively large group of goods (over 7%) with the price growth of more than 28%.

The distribution of non-food price increases was characterised by a pronounced maximum and a small standard deviation. Therefore, the increases in the prices of most goods in this group remained within a narrow range. Thus, in January-June 2006, goods in the 0-4% price growth range accounted for 70.9% of all non-food products. In the same period of 2005, this price growth range accounted for 64.2% of goods. The standard deviation for non-food products was 2.4% or 3.2 times smaller than the standard deviation for goods and services as a whole.

The distribution of service price increases in January-June 2006 was characterised by a peak corresponding to the 4-8% price growth range. In January-June 2005, the prices of a considerable share of services (11.2%) declined, while a relatively large share of services (8.4%) registered the price increase of over 28%. In January-June 2006, the corresponding proportions of these services contracted to 4.5% and 0.9%, respectively. The standard deviation decreased to 5.8%, which is 2.2 times smaller than in the first half of 2005.

According to Rosstat's data, consumer price growth in all of **Russia's federal districts** was slower in January-June 2006 than in the same period of 2005.

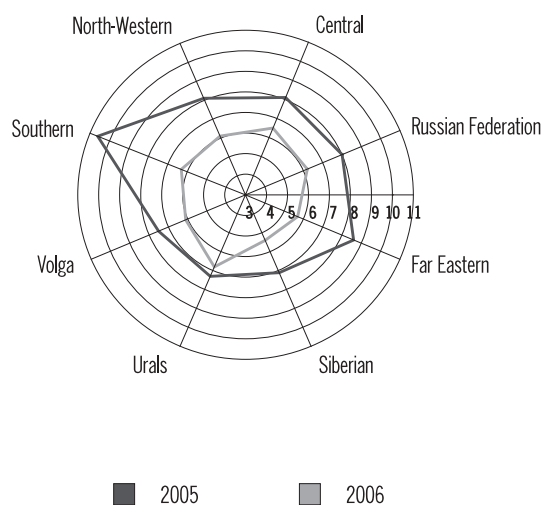
According to estimates, differences between the constituent members of the Russian Federation with respect to the cost of a fixed set of goods and services used by the Federal State Statistics Service for interregional comparisons of household purchasing power increased in January-June 2006. The regional difference ratio² increased to 44.9% in January-June 2006 from 43.1% in January-June 2005.

In January-June 2006, vegetable and fruit prices demonstrated the largest differences in growth rates by region. Thus, vegetable and fruit prices grew 43.7% in the Southern Federal District and 21.8% in the Far Eastern Federal District. Growth in the prices of non-food products and foodstuffs, excluding vegetables and fruit, was roughly the same in all the federal districts.

In January-June 2006, growth in the prices of paid services provided to households slowed down considerably in all the federal districts compared with the same period of 2005. The most considerable slowdown was registered in the Southern and Far Eastern Federal Districts where growth decelerated by 7.9 and 10.0 percentage points, respectively (growth in service prices slowed by 5.4 percentage points across Russia as a whole).

According to data provided by the Institute of the Economy of the Transitional Period, the inflationary expectations of managers at leading

Consumer price growth by federal district (June as % of December of previous year)



² The regional difference ratio is calculated as the difference between the cost of a fixed set of goods and services in the most expensive and the cheapest regions relative to the national value of the same set.

industrial enterprises were lower in January-June 2006 than in the same period of 2005. In particular, up to 36% of respondents predicted growth in selling prices (up to 38% in January-June 2005).

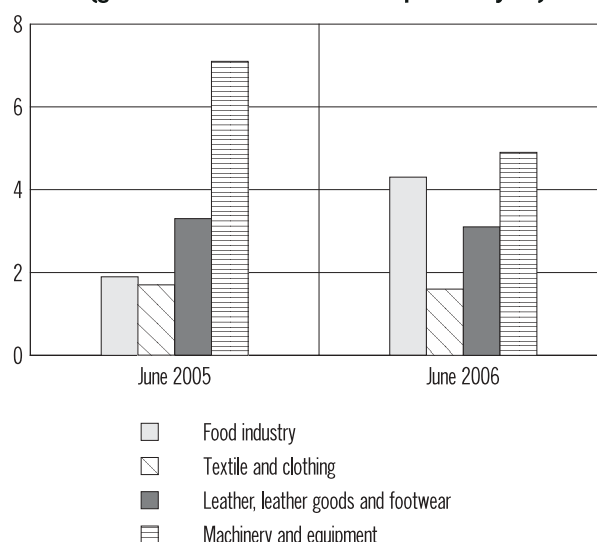
Producer Prices

Industrial producer prices gained 9.4% in the first six months of 2006 as against 9.8% in January-June 2005. Growth in producer prices in the mining sector contributed an estimated 3.1 percentage points, or 32.9%, to overall producer price growth in January-June 2006 (4.4 percentage points, or 45.1%, in the same period of 2005). Growth in producer prices in the mining sector was 1.5 times faster than in industry as a whole and stood at 13.9% in the first six months of 2006, while fuel and energy prices grew 13.7% (22.5% and 24.6%, respectively, in the same period of 2005).

Producer prices in manufacturing industries grew 7.7% in January-June 2006 compared with 5.4% in January-June 2005. The biggest producer price growth in this sector was registered in the production of petroleum products (18.3% compared with 7.3% in the same period of 2005).

Competition, especially on the part of importers, continued to affect price formation in the manufacturing sector, which is largely oriented to consumer demand. This became apparent as producer prices in the production of food, including beverages, tobacco, textile and clothing and leather, leather goods and footwear grew slower than in the manufacturing sector as a whole.

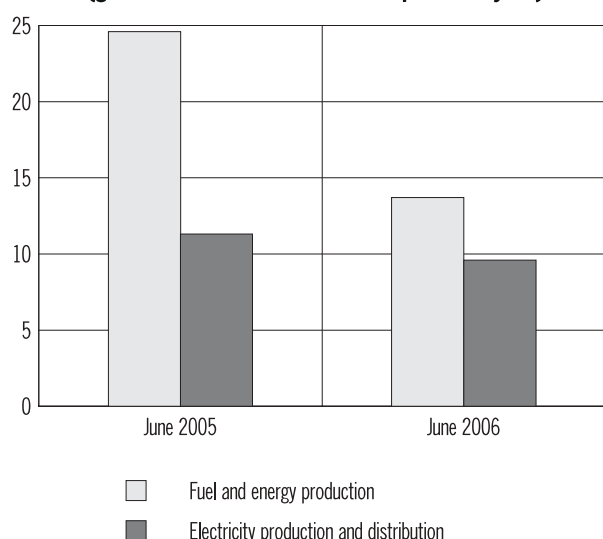
Producer prices in some manufacturing industries (growth as % of December of previous year)



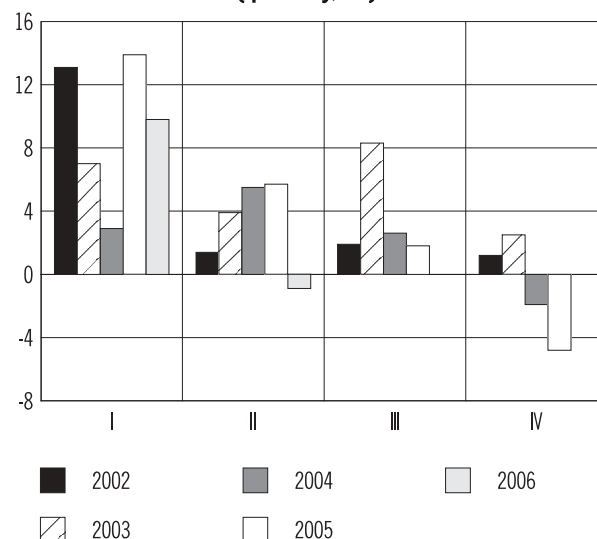
In the manufacturing industries whose output goes to the consumer goods market, price growth accelerated in January-June 2006 year on year only in the production of food, including beverages, and tobacco (from 1.9% to 4.3%). At the same time, price growth slowed to 1.6% in textile and clothing production, and to 3.1% in the production of leather, leather goods and footwear. In January-June 2005, producer prices in these types of activity rose 1.7% and 3.3%, respectively.

In January-June 2006, growth in producer prices in industries whose output goes directly to the consumer goods market accounted for an estimated 2.0 percentage points, or 51.5%, of overall

Producer prices by type of activity (growth as % of December of previous year)



Growth in freight transportation charges (quarterly, %)



growth in the prices of goods and services included in the calculation of core inflation (1.2 percentage points, or 26.6%, in the same period of 2005).

Producer prices in the production, transmission and distribution of electricity rose 9.6% in the first six months of 2006 as against 11.3% in January-June 2005.

Freight transportation charges increased 8.8% (20.3% in the same period of 2005). Railway fares grew 8.9% in January-June 2006 as against 8.8% in January-June 2005.

Communication fees for corporate entities declined 1.0% in the first six months of 2006 (in January-June 2005, they increased 0.2%).

Growth in the prices of **building materials** was moderate in January-June 2006 (4.4%) as in January-June 2005 (6.2%).

Agricultural producer prices rose 0.8% in the period under review (2.2% in January-June 2005). The main contribution to the price increase was made by growth in crop growers' prices, which went up 9.0% in the first six months of 2006 as against 1.2% in the same period of 2005. The biggest growth over that period was registered in potato and cereals prices, which increased 36.6% and 12.6%, respectively (in January-June 2005, potato prices grew 27.1%, whereas cereals prices declined 3.2%).

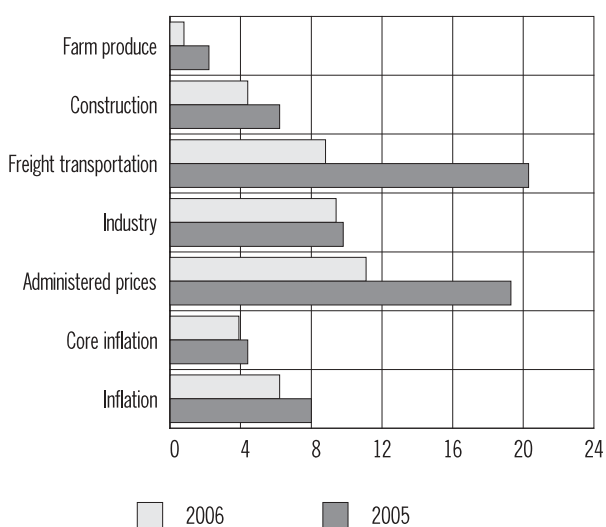
Livestock breeder prices slipped 4.0% in January-June 2006 (in January-June 2005, they went up 2.8%). Cattle and poultry prices fell 0.5% and milk prices decreased 3.0%. In January-June 2005, cattle and poultry prices went up 13.4%, whereas milk prices were down 0.3%. In January-June 2006, as in January-June 2005, egg producer prices registered a fall (18.5% as against 22.4% in the first six months of 2005).

External economic conditions

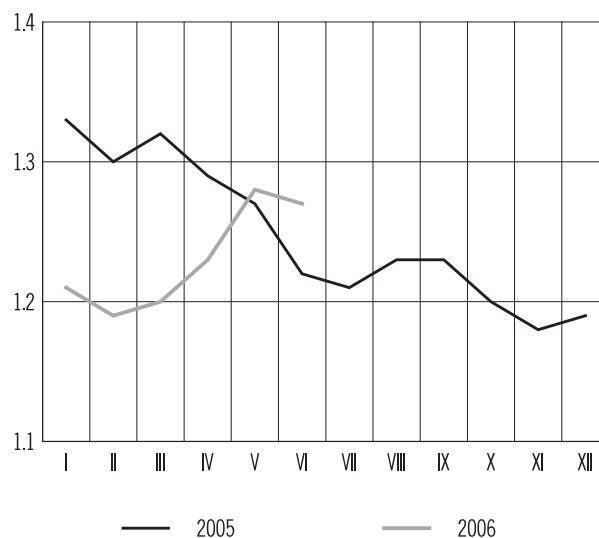
The prices of Russia's major export commodities³, especially energy products, continued to grow in the first half of 2006, although slower than in January-June 2005. The rising demand for oil and insufficient production capacities to meet it, and also the increased political tension in the world due to the Iran nuclear issue and the situation in Nigeria and Iraq were the main factors of world oil price growth. The situation on the world oil market stabilised in May and early June after the OPEC oil cartel decided to keep oil output quotas unchanged at 28 million barrels per day.

The price of Brent, Dubai and WTI crude grew 33.5% on average in January-June 2006 year on year to \$64.7 per barrel. The price of Urals crude went up 34.7% in the first six months of 2006 to \$61.1 per barrel.

Price growth in the economy (June as % of December)



Euro versus US dollar (monthly average, dollars per euro)



³ Average prices have been calculated on the basis of data provided daily by the following news agencies and exchanges: Reuters for oil, Petroleum Argus for petroleum products (petrol, diesel fuel and fuel oil) and the London Metal Exchange for non-ferrous metals (aluminium, copper and nickel). Average monthly prices of natural gas and ferrous metal price indices have been calculated on the basis of data provided by the World Bank, and other goods on the basis of data provided by the IMF.

World oil prices went up in June on the reports of reduced US oil and petroleum product inventories (in the season of the highest demand for these products) and increased oil consumption in China. On June 30, 2006, the price of Urals crude hit its record high of \$68.6 per barrel.

Compared with December 2005, the price of Urals crude increased 18.8% in June 2006 (42.5% in June 2005) to \$64.0 per barrel. The price of natural gas on the European market rose 10.7% (18.0% a year earlier), premium petrol 42.7% (46.1%), diesel fuel 22.2% (28.1%) and fuel oil 20.6% (68.1%). Non-ferrous metal prices grew 25.3% on average in June 2006 (2.3% in June 2005), whereas ferrous metal prices dropped 5.3% (in June 2005, they went up 10.5%).

According to Bank of Russia estimates, the world price composite index adjusted for the structure of Russian exports of commodities that account for over 70% of their value equalled 1.15 in June 2006 on December 2005 as against 1.26 in June 2005. The prices of energy products increased 17% on average (33% in June 2005) and the prices of non-energy goods went up 6.2% (7.4% in June 2005).

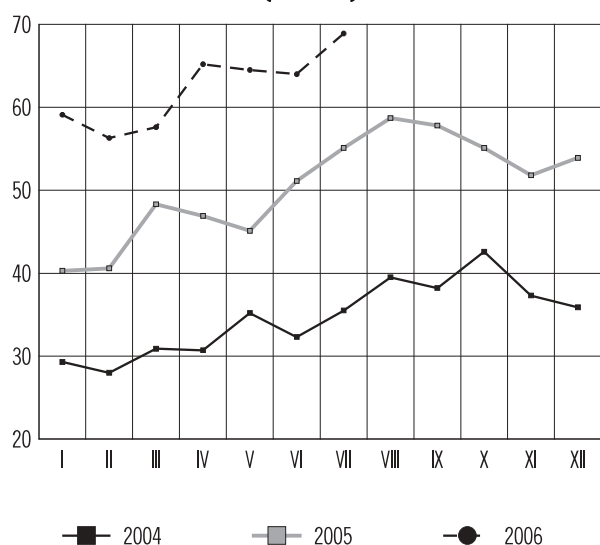
World food prices⁴ demonstrated opposite dynamics in the first half of 2006. Beef and poultry prices were largely observed to decline. The prices of beef went down 3.5% and poultry 3.1% while the prices of pork went up 21.9% in June

2006 on December 2005. In June 2005, beef prices increased 2.5% and poultry 1.2% while pork prices slipped 6.5%.

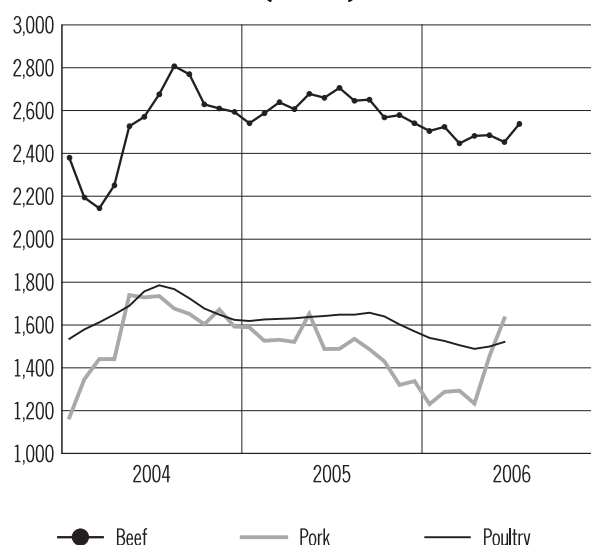
World sugar prices increase due to the persisting shortage of sugar on world markets resulting from growth in sugar demand in many countries, especially the United States and China, and limited possibilities for expanding sugar-growing areas. Refined sugar prices also grew on reports that the European Union had closed down 40% of its sugar factories due to the reform of its sugar sector, India had decided to ban the exports of sugar produced from its sugarcane and sugar stocks had fallen in China.

High price growth rates were registered in December 2005, January and February 2006 when raw sugar prices grew at a monthly rate of 10-16% while refined sugar prices went up at a monthly rate of 14-17%. However, market participants expect yields in sugarcane crops to grow 10-20% in the 2006/2007 season year on year (sugarcane yields are expected to rise 10.5% in Brazil and 22.7% in Thailand). As a result, raw sugar prices fell in March, May and June, growth in refined sugar prices slowed considerably in March-May and refined sugar prices declined in June. Raw sugar prices increased 12.4% and refined sugar prices went up 39.6% in June 2006 on December 2005 (3.6% and 12.2%, respectively, in June 2005).

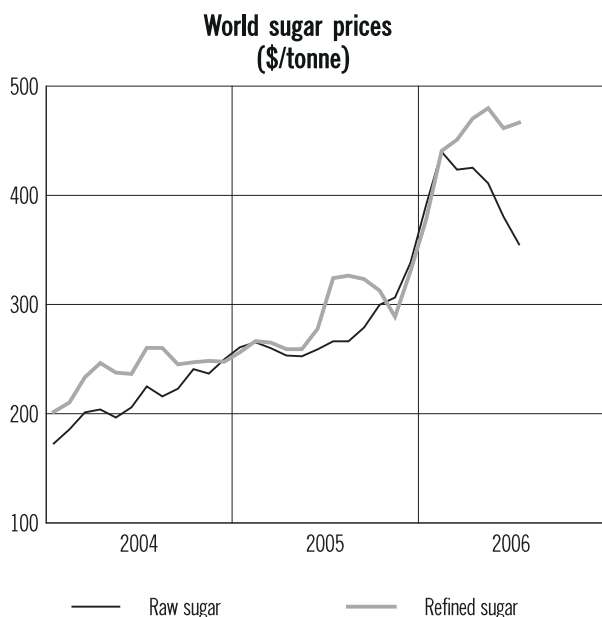
Urals crude world prices (\$/barrel)



World meat prices (\$/tonne)



⁴ Average prices have been calculated on the basis of data provided daily by the London Commodity Exchange for raw and refined sugar, average monthly prices of beef are based on data from the World Bank and the prices of pork and poultry are based on data provided by the IMF.



As the prices of Russia's major export commodities grew considerably faster than import prices, the terms of Russia's trade with foreign countries⁵ were much better in the first six months of 2006. However, growth in the terms of trade index slightly decelerated in January-June 2006 year on year.

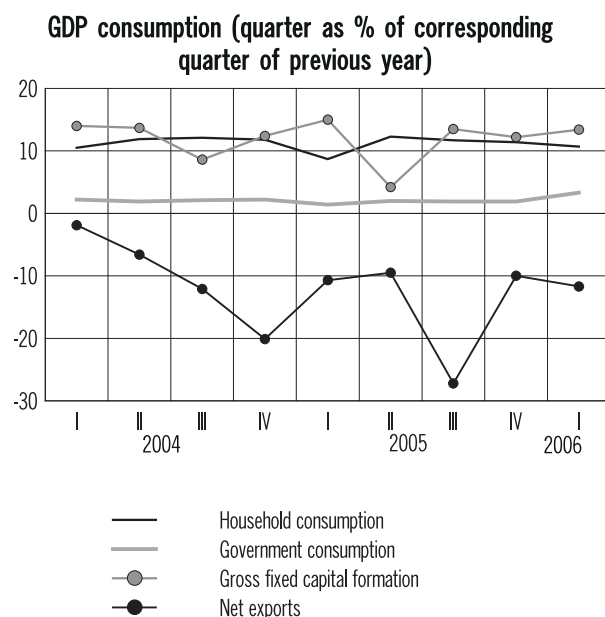
According to Bank of Russia estimates, world prices of Russia's major export commodities adjusted for their structure grew 30% on average in January-June 2006 year on year (36% in January-June 2005). Russian exports grew in the period under review as the prices of major energy products increased and export volumes expanded. Exports grew 31.2% in January-June 2006 to \$144.1 billion (in January-June 2005, exports increased 36.4%). The value of exports expanded largely due to the exportation of energy products.

Growth in imports decelerated in the first six months of 2006. Imports grew 26.1% in January-June 2006 year on year (28.4% in January-June 2005) to \$69.5 billion. The growth in imports was attributable to larger import volumes and higher contract prices. The value of imports increased mainly due to larger purchases of engineering goods.

Demand

Domestic demand

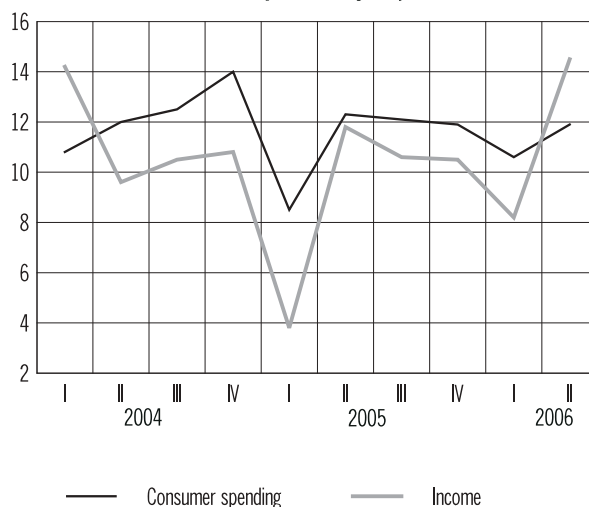
Economic development parameters in the first six months of 2006 were primarily determined



by the consumer and investor components of domestic demand.

Real consumer spending increased by an estimated 11.3% in January-June 2006 year on year. The increase in consumer demand was attributable to fast growth in household real disposable money income, which rose 11.4% in January-June 2006 (8.5% in the same period of 2005). Retail trade turnover expanded 11.3% in the first six months of 2006 year on year (12.2% in the same period of 2005). In the structure of retail trade turnover, the sales of non-food products grew faster than the sales of food products. The volume of paid services provided to the public grew 6.6% (6.3%).

Real consumer spending and household money income (growth as % of corresponding quarter of previous year)



⁵ The ratio between export and import prices.

Fixed capital investment grew 9.4% in January-June 2006 (8.9% in January-June 2005). In 2006 Q1, the largest funds were invested in the development of transport and communications, manufacturing industries, and also in the mining sector (investments in these types of activity accounted for 67.6% of total investment in the fixed assets of large and medium-sized organisations). Compared with the same period of 2005, the share of transport and communications increased from 21.9% to 25.7% and manufacturing industries from 19.9% to 21.4% in the structure of fixed capital investment. At the same time, the share of investment in the mining sector declined from 24.1% to 20.5%.

In January-June 2006, as in January-June 2005, the active part of fixed assets accounted for more than a third of fixed capital investment. Considerable investments in machinery and equipment facilitated the technical retooling of fixed assets, were a major factor of growth in labour productivity and created conditions for price control.

Foreign demand

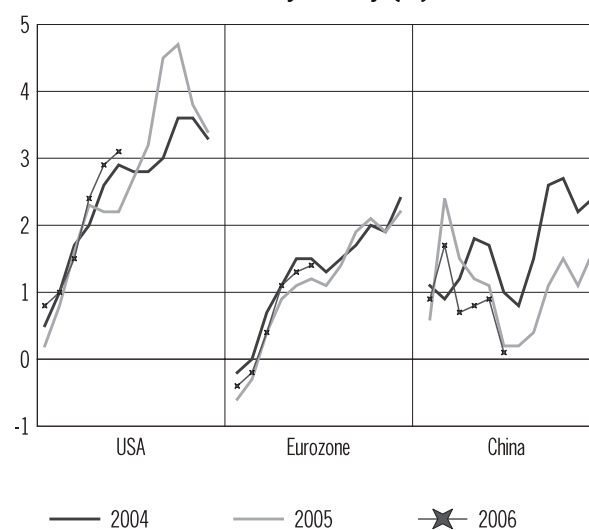
World economic growth continued in the first half of 2006. According to estimates, GDP rose 3.6% in the United States in January-June 2006 year on year (3.2% in January-June 2005), 2.2% in the eurozone (1.2%) and 10.9% in China (9.9%). The growth of industrial output, employment, household real disposable money income and domestic trade turnover in the United States suggests the continued cyclical recovery of the US economy. At the same time, a trend towards slower housing construction was registered in the United States in the first half of 2006. The growth of the US economy slowed in 2006 Q2 quarter on quarter.

The US trade deficit increased by \$43.7 billion in January-June 2006 year on year as the value of imports of goods grew faster than exports. The US trade deficit widened largely due to different rates of growth in the export and import of industrial primary goods and raw materials, especially due to accelerated growth in the imports of crude oil, petroleum products and natural gas into

the United States in terms of value. The deficit of the US merchandise trade with the member states of the North American Free Trade Agreement (Canada and Mexico), China and OPEC countries widened considerably. The deficit of US trade with China accounted for about a quarter of the United States' total trade deficit (the same ratio was registered in the first six months of 2005). In China, growth in the export of goods slowed down, while growth in imports accelerated in January-June 2006 year on year. Nevertheless, exports continued to grow faster than imports. China's trade surplus increased to \$61.4 billion in January-June 2006 from \$39.7 billion in January-June 2005.

US inflation stood at 3.1% in June 2006 compared with December 2005 (in June 2005, it stood at 2.2%). The growth in energy prices and core inflation⁶ made roughly equal contributions to the change in the general level of consumer prices in the United States in the period under review. Motor fuel prices increased 32.6% (15.1% in June 2005 on December 2004). Growth in the prices of energy products used in the housing and public utility sector⁷ decelerated to 3.3% (8% in June 2005 on December 2004). Food prices rose 0.8% (1% in June 2005 on December 2004). Their growth did not exert considerable influence on the change in the general level of consumer prices in the United States. **US core inflation** stood at 1.9% in June 2006 on December 2005 (1.4% in June

Inflation by country (%)*



* Consumer price growth on December of previous year.

⁶ Core inflation in the United States signifies growth in the prices of goods and services included in the consumer goods basket, except foodstuffs and energy products.

⁷ Fuel oil, boiler fuel, coal, household gas, electricity.

2005 on December 2004). The increase in housing charges, which grew 2.9% (2.1% in June 2005 on December 2004) traditionally made the biggest contribution to core inflation.

Eurozone inflation stood at 1.4% in June 2006 on December 2005 (1.2% in June 2005). The growth in energy prices, which went up 7.2% (7.5% in June 2005 on December 2004), was a major inflationary factor. Motor fuel and lubricant prices increased 9% (10.5% in June 2005 on December 2004) and the prices of energy products used in the housing and public utility sector rose 5.1% (3.8%). Inflation increased due to growth in the prices of foodstuffs, including beverages and tobacco, which went up 1.7% (1.2% in June 2005 on December 2004), with vegetable and fruit prices growing 5.1% (5%) and meat and dairy product prices rising 1.1% (0.4%). **Core inflation in the eurozone⁸** stood at 0.5% in June 2006 on December 2005 (also 0.5% in June 2005). Eurozone core inflation was relatively stable due to a decline in communication fees, the prices of clothing and footwear, and also the prices of goods and services in the sphere of leisure and entertainment. The increase in housing prices and charges in the hotel and restaurant business made the biggest contribution to core inflation in the euro area.

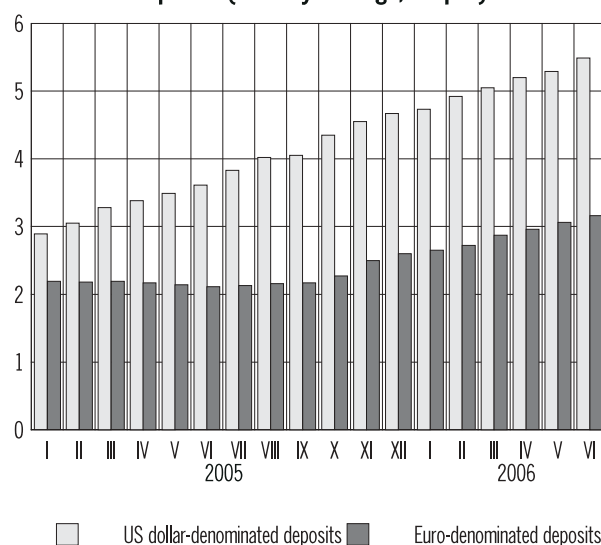
As for other countries, which account for substantial portions of Russia's trade turnover, **inflation slowed down** in June 2006 on December 2005 in Ukraine (to 2.9% from 6.4% in June 2005), Brazil (to 1.5% from 3.2%), Romania (to 2.7% from 4.2%), Belarus (to 3.1% from 4%), Hungary (to 2.9% from 3.5%), Latvia (to 3.9% from 4.4%), Iran (to 7.1% from 7.4%) and China (to 0.1% from 0.2%). At the same time, inflation increased considerably in Turkey (to 4.9% from 2.6% in June 2005), India (to 3.5% from 1.5%) and Kazakhstan (to 4.8% from 3.5%). Consumer prices in Japan rose 0.7% in June 2006 on December 2005 (they fell 0.4% in June 2005). Inflation increased in Great Britain, Sweden, Switzerland, Poland, the Czech Republic, Slovakia, Lithuania, Estonia and Israel, and was unchanged in the Republic of Korea. The largest consumer price growth in June 2006 on December 2005 was reg-

istered in Iran and the smallest consumer price increase was observed in China.

The US Federal Reserve **raised its benchmark short-term interbank interest rate** (the federal funds rate) four times in January-June 2006: from 4.25% to 4.5% in January, to 4.75% in March, to 5% in May and to 5.25% in June. From June 2004 to June 2006, the federal funds rate was raised by 4.25 percentage points. The European Central Bank raised its refinancing rate from 2% to 2.25% in December 2005, to 2.5% in March and to 2.75% in May 2006.

LIBOR rates on US dollar-denominated deposits with terms from one month to one year increased by 0.8-0.9 percentage points in June 2006 on December 2005 and LIBOR rates on euro-denominated deposits with similar maturities went up by 0.5-0.6 percentage points⁹. The yields on US treasuries with maturities from two to ten years rose by 0.6-0.7 percentage points. The yields of similar eurozone securities also grew by 0.6-0.7 percentage points. LIBOR rates on US dollar-denominated deposits with all terms and the yields on US Federal Treasury bonds with all maturities were higher in June 2006 than LIBOR rates on euro-denominated deposits and the yields on eurozone securities. The US federal funds rate has been higher than the ECB's refinancing rate since December 2004 (a difference of 2.25 percentage points since August 9, 2006). The maximum dif-

LIBOR on six-month US dollar- and euro-denominated deposits (monthly average, % p.a.)



⁸ Eurozone core inflation signifies growth in the prices of goods and services included in the consumer goods basket, except foodstuffs, alcoholic beverages, tobacco and energy products.

⁹ Source here and below: Reuters news agency.

ference for the period since the beginning of this year and for the period since December 2004 was 2.5 percentage points).

In the first six months of 2006, **the US dollar depreciated against major international reserve currencies** on world financial markets due to rising imbalances in US foreign trade and interest rate increases in the eurozone and Japan. The dollar weakened 6.8% against the euro, 5.6% against the British pound and 3.2% against the Japanese yen in June 2006 compared with December 2005. The dollar also depreciated against most other currencies of importance for the Russian economy, including its 0.9% decrease against the Chinese yuan.

Supply

In January-June 2006, the macroeconomic situation was characterised by the growth of production in the key economic sectors. Output in the key sectors of the economy increased 6.0% in the first six months of 2006 (3.7% in the same period of 2005).

The industrial output index equalled 104.4% in the first half of 2006 (103.4% in January-June 2005). Industrial output increased faster in January-June 2006 year on year as industrial production growth accelerated from 1.5% to 2.3% in the mining sector and from 1.6% to 5.7% in the production and distribution of electricity, gas and water. Manufacturing industries made the biggest contribution to the expansion of industrial output in January-June 2006. However, the growth of output in the manufacturing sector slowed from 4.7% in January-June 2005 to 4.5% in January-June 2006.

In the manufacturing sector, output declined considerably (by 8.7%) in January-June 2006 in the production of machinery and equipment (in January-June 2005, it grew 8.7%). Growth in the production of electric, electronic and optical equipment decelerated from 22% to 5.5%. Output in all the key industries oriented to final consumption expanded in January-June 2006 year on year. The production of textile and clothing, and also leather, leather goods and footwear was observed to decrease in January-June 2005. In January-June 2006, these industries registered considerable growth rates, 10.8% and 12.3%, re-

spectively. Growth in the output of food products, including beverages, and tobacco accelerated from 2.1% in January-June 2005 to 5.2% in January-June 2006.

The output of meat and meat products increased 5.4% in the first six months of 2006 year on year, while fish and seafood production expanded 0.4%. As a result, the growth in meat and fish prices slowed down on the consumer goods market. Granulated sugar output declined 11.9% in January-June 2006 year on year and adversely affected the dynamics of consumer prices.

Agricultural output expanded 1.4% in January-June 2006 year on year (0.5% in January-June 2005). According to preliminary data, farms of all categories sowed 1.3% less grain crops for the 2006 harvest year on year, with wheat crops declining 7.3%. At the same time, sunflower, sugar beet and vegetable crops increased 10.8%, 23.7% and 1.4%, respectively. There was an increase in the output of major livestock products in January-June 2006 (except milk production, which fell 0.3%).

Labour market

The number of people employed in the economy continued to grow in the first half of 2006. The number of jobholders rose by an estimated 0.7% in January-June 2006 (1.1% in January-June 2005). The production of goods and services grew faster than job numbers, evidencing an increase in labour productivity. Labour productivity rose by an estimated 5.5% in the first six months of 2006 (4.3% in January-June 2005). Therefore, the intensive factors of growth remained important, containing price growth in the economy.

Real wages increased faster than labour productivity in the first half of 2006. The gap between growth in real wages and labour productivity widened in January-June 2006 year on year, creating conditions for further price increases.

The number of jobless calculated according to ILO methodology declined 0.3% in January-June 2006 year on year (7.5% in January-June 2005). As in the same period of 2005, the total number of unemployed accounted for an estimated 7.8% of the economically active population in January-June 2006.

Quantitative and Qualitative Monetary Indicators

Exchange rate

Against the background of high world energy prices, exporters' foreign currency earnings flowed in large amounts into the domestic market in 2006 Q2. The dollar/ruble and euro/ruble rates were determined by the changes in the dollar/euro rate on international markets. The Bank of Russia remained a net purchaser of foreign currency on the domestic foreign exchange market as it carried out operations to smooth the ruble/dollar and ruble/euro rate fluctuations. The bi-currency basket used by the Bank of Russia as an operational benchmark of its exchange rate policy was unchanged in the second quarter of 2006 (0.6 dollars and 0.4 euros).

The dollar/ruble nominal rate slipped 1.5% in April and 1.2% in May. The US currency continued to depreciate at the beginning of the first ten-day period of June and fell to 26.71 rubles to the dollar on June 6. After that, the dollar's nominal rate gained 0.4% or 10 kopecks against the ruble in the first half of June after the US Federal Reserve announced its intention to raise the federal funds rate at the end of the month. In the second half of June, the dollar/ruble rate fluctuated within the range of 26.97-27.08 rubles to the dollar but declined to 26.94 rubles to the dollar as of July 1. The dollar/ruble rate fell (even despite the increase in the federal funds rate to 5.25% p.a. at

the end of June) as traders on the international and Russian foreign exchange markets expected the US Federal Reserve to halt raising interest rates due to slower US economic growth.

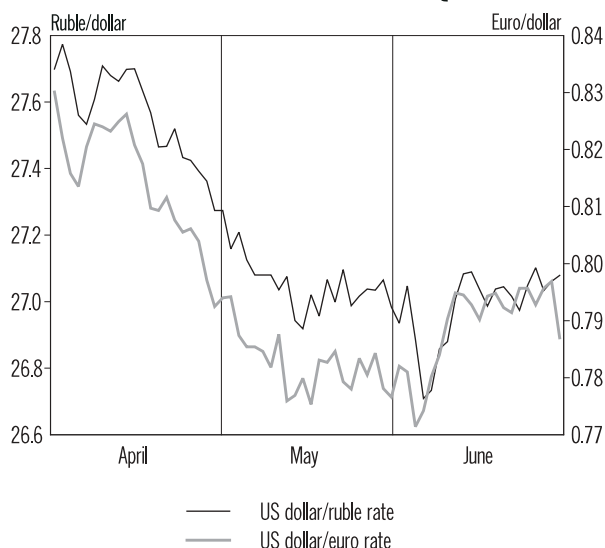
In 2006 Q2, the average dollar/ruble rate fell 3.5% quarter on quarter to 27.20 rubles to the dollar. The average dollar/ruble rate declined 1.1% in April, 1.9% in May and 0.3% in June to 27.57, 27.06 and 26.98 rubles to the dollar, respectively. The US currency depreciated 5.9% against the ruble on average in the first six months of 2006.

On the domestic euro market, changes in the euro/ruble rate followed the euro/dollar dynamics on international markets.

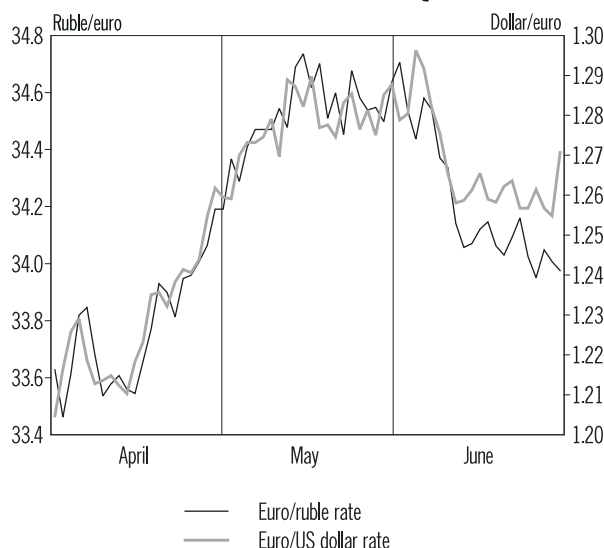
The euro/ruble nominal rate grew 1.7% in April and 1.5% in May and fell 1.3% in June on the domestic foreign exchange market. The average euro/ruble rate also registered growth in April and May (0.8% and 2.2%, respectively) but declined 0.9% in June. The average euro/dollar rate rose 1% in 2006 Q2 quarter on quarter and was unchanged compared with December 2005.

The real effective rate of the ruble against foreign currencies rose 1.8% in 2006 Q2 quarter on quarter (4.7% in 2006 Q1). It was virtually unchanged in April, declined 0.6% in May and increased 1.4% in June. The ruble's real effective rate against foreign currencies grew 6.2% in the first six months of 2006.

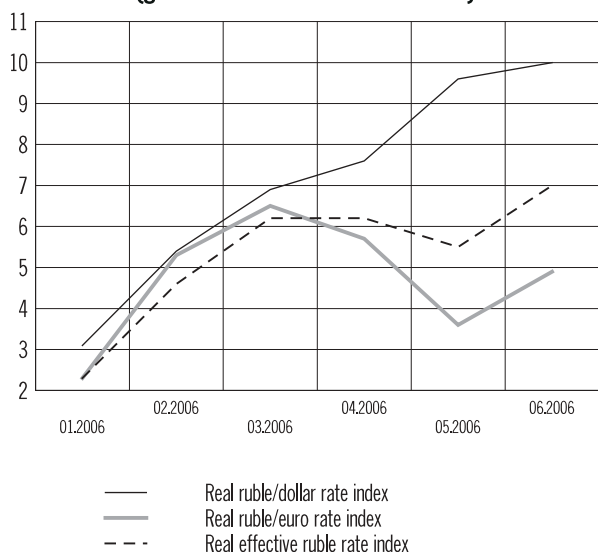
Nominal US dollar/ruble and US dollar/euro rate in 2006 Q2



Nominal euro/US dollar and euro/ruble rate in 2006 Q2



**Indices of real ruble rate in first half of 2006
(growth as % of December 2005)**



The inflow of large amounts of exporters' foreign currency earnings into the domestic market in April-June 2006 contributed to growth in Russia's international reserves. They grew by \$44.7 billion, or 22%, in the period under review (by \$23.6 billion, or 13%, in the first quarter of 2006). Since the beginning of 2006, Russia's international reserves had increased by \$68.3 billion, or 37%, to \$250.6 billion as of July 1, 2006.

Interest rates

In the first six months of 2006, the Bank of Russia took measures to narrow the band of interest rates on its operations. The lower limit of **the Bank of Russia interest rate band** formed by the rate on standard "tom-next" deposit op-

erations was raised from 1% to 1.5% p.a. in 2006 Q2 (in April) and from 1.5% to 2% p.a. in August. The upper limit (the refinance rate and the overnight credit and currency swap rates) was lowered in June from 12% to 11.5% p.a.

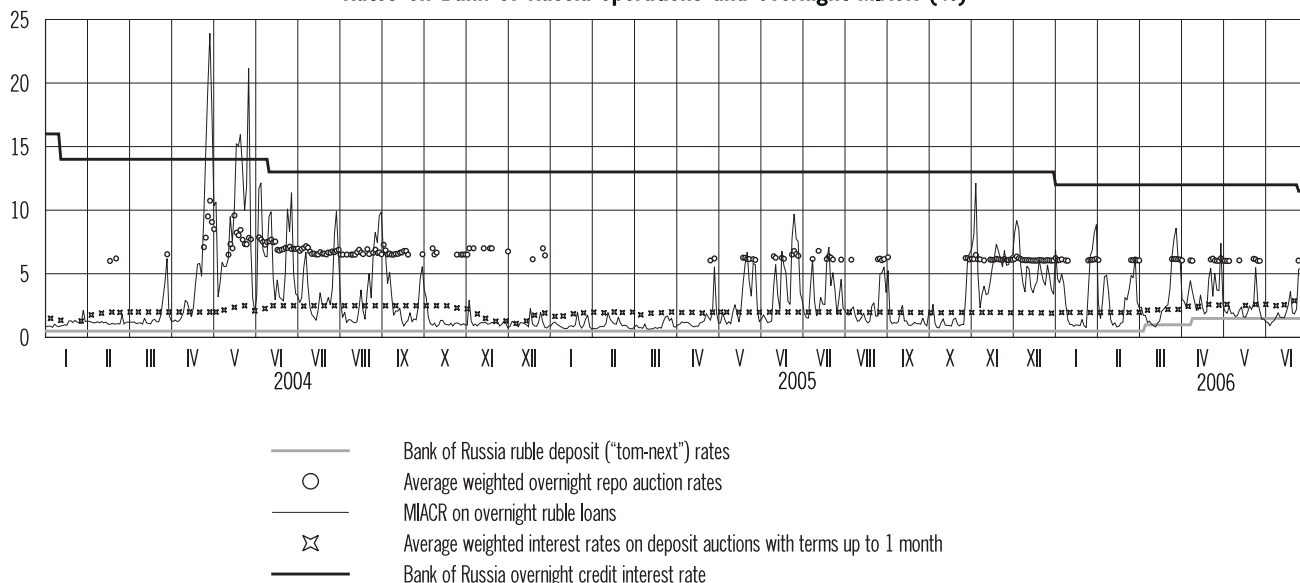
Average weighted interest rates ranged from 2.44% to 3% p.a. at four-week deposit auctions in 2006 Q2 and were higher than in 2006 Q1. At the same time, the range of their fluctuations at three-month deposit auctions narrowed in 2006 Q2 quarter on quarter to 4.43-4.85% p.a. Average weighted yields at auctions held by the Bank of Russia in 2006 Q2 to place its OBR bonds ranged from 4.53% to 5.20% p.a. This range of fluctuations was roughly the same as in 2006 Q1. The average interest rate on repo operations, the principal market instrument used in providing liquidity, decreased insignificantly to 6.10%.

The MIACR rates on overnight interbank ruble credits remained within the Bank of Russia interest rate band in 2006 Q2. The range of fluctuations of the **MIACR** on overnight ruble-denominated credit narrowed from 0.78-8.86% p.a. in 2006 Q1 to 0.93-7.40% p.a. in 2006 Q2.

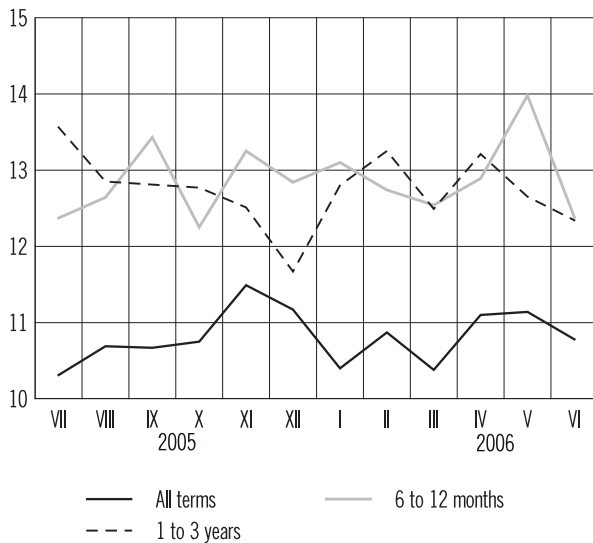
Opposite trends were registered in changes in interest rates on banks' operations with non-financial enterprises and households in 2006 Q2. Interest rates declined in the segment of household ruble deposits and moderately increased in the segment of credits to non-financial enterprises.

The average interest rate on credits extended to non-financial enterprises for all terms

Rates on Bank of Russia operations and overnight MIACR (%)



Interest rates on ruble loans to non-financial enterprises (% p.a.)



increased by 0.9 percentage points in April month on month to 11.1% p.a. It was unchanged in May and dropped by 0.4 percentage points in June. The second-quarter average grew 0.5% quarter on quarter to 11.0% p.a. The average interest rate on credits extended to non-financial enterprises for all terms increased in 2006 Q2 as interest rates on credits for a term of over three years went up by 1.1 percentage points and the share of these credits in total credit to non-financial enterprises grew considerably. Interest rates on shorter-dated credits declined moderately in 2006 Q2.

The growth in the demand for credits from households, the increase in the cost of consumer

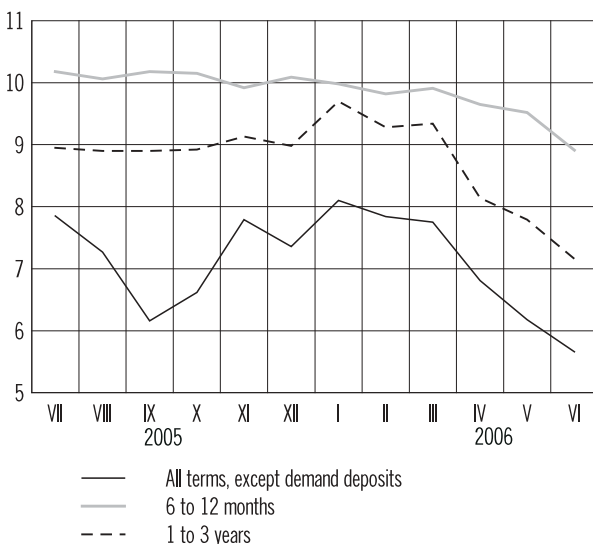
lending and the expansion of the group of borrowers enable banks to keep interest rates on credits to individuals higher than on credits to enterprises. However, increasing competition among creditors compel them to cut the cost of consumer loans. The average quarterly interest rate on credits to households for all terms decreased by 2.1 percentage points in 2006 Q2 quarter on quarter to 17.4% p.a. The largest decrease was registered in the sector of credits with a maturity of over one year. Interest rates on credits with other maturities declined more slowly.

The average interest rate on household time deposits was 6.2% p.a. in 2006 Q2 or 1.7 percentage points lower than in 2006 Q1. As in the previous quarter, deposits with a maturity of six to 12 months registered the highest interest rates in 2006 Q2. The average interest rate on these deposits fell only by 0.5 percentage points in April-June 2006 quarter on quarter to 9.4% p.a.

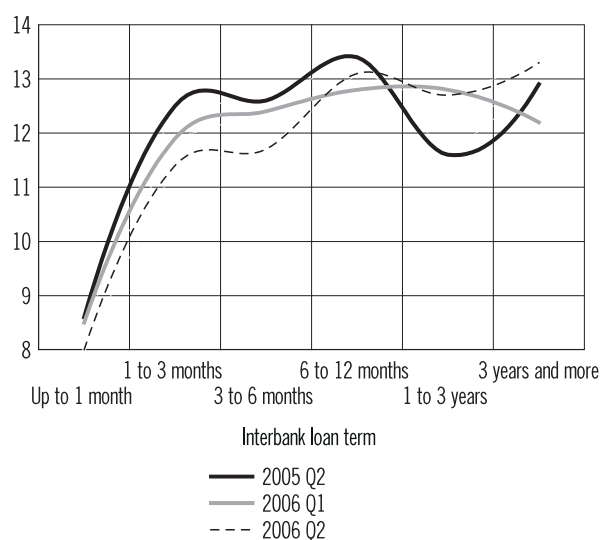
The yield curve on banks' lending operations had a rising slope in 2006 Q2, and registered an insignificant negative incline in the sector of lending operations with a maturity of one to three years. The yield curve was almost unchanged as a whole, suggesting the market operators' persisting short- and medium-term inflationary expectations.

A weak yield uptrend prevailed in all the segments of the ruble-denominated government bond market in 2006 Q2. The effective indicator of the OFZ market portfolio increased by 0.10 per-

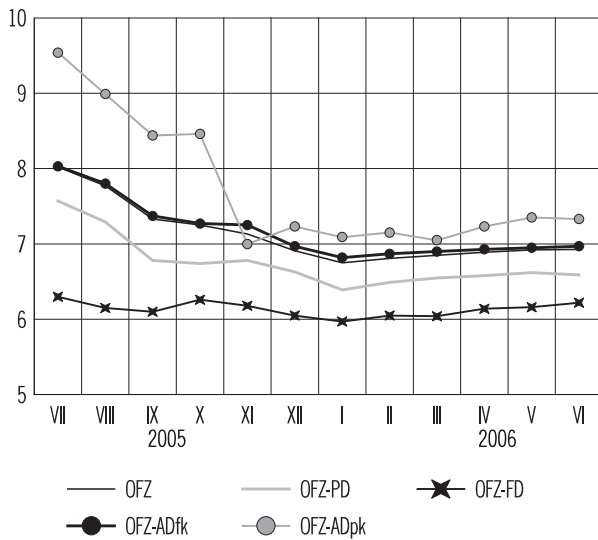
Interest rates on household ruble deposits (% p.a.)



Yield curve on bank lending operations (loans to non-financial enterprises, % p.a.)



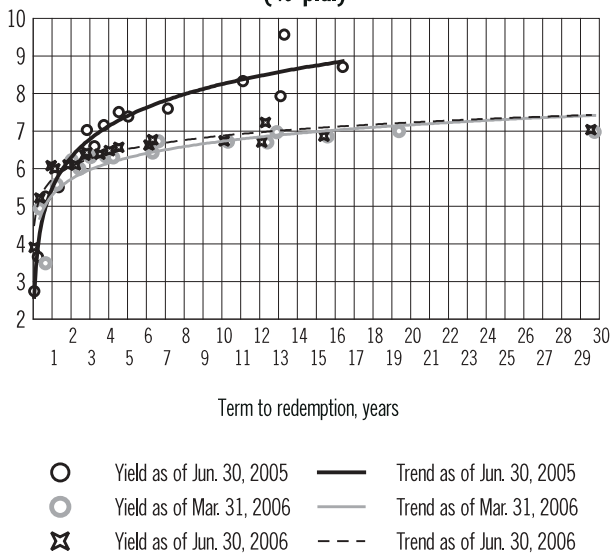
OFZ portfolio average monthly yield (% p.a.)



centage points at the end of 2006 Q2 quarter on quarter to 6.91% p.a. The average quarterly effective indicator of the OFZ market portfolio grew by 0.10 percentage points to 6.91% p.a.

The government bond yield curve retained its normal shape in the second quarter of 2006. A slight increase in yields in the period under review caused the curve to move upwards a little. The yield curve slope continued to decrease due to some growth in the yields on short- and medium-term government bonds. The yield curve in the sector of government bonds with a maturity of over 13 years remained flat as there were few instruments with this maturity and the risks of investment in such long-dated papers could not be assessed accurately. Investors' assessments of the reliability

OFZ effective yield curve (% p.a.)



and liquidity of ruble-denominated government bonds for all terms were unchanged.

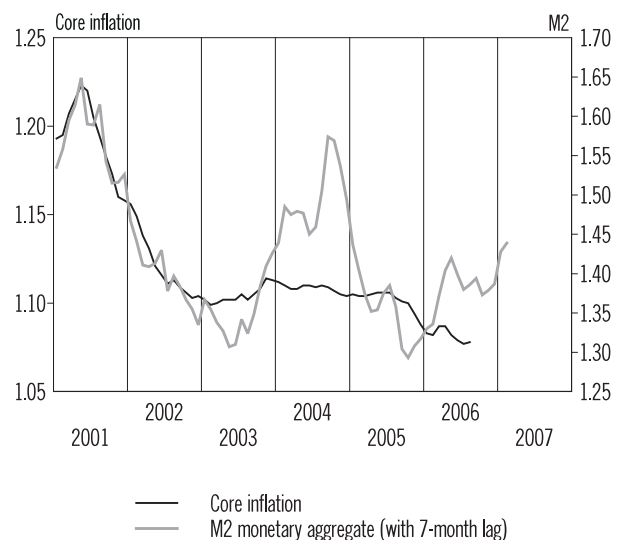
As before, the prices of most ruble-denominated instruments changed moderately on the financial market in 2006 Q2. The interest rate structure by term of instrument remained balanced enough. The yield curves of key financial instruments had a normal shape and the yield curve slope changed insignificantly, suggesting that Russian financial market players did not expect any considerable changes in short- and medium-term inflation rates.

Money

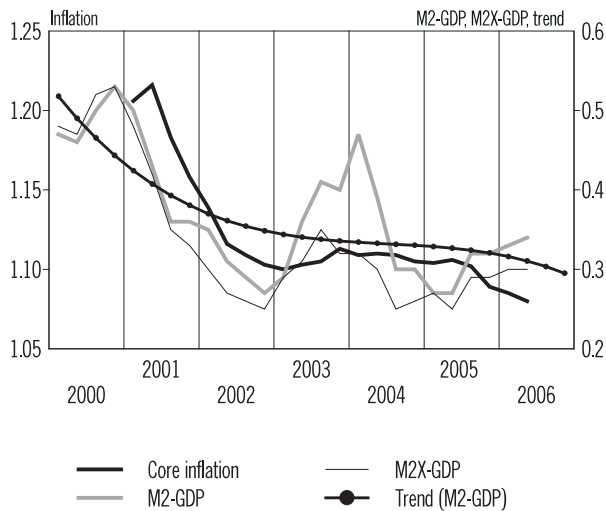
In 2006 Q2, annualised **M2** growth (month on month of previous year) accelerated from 37.9% as of April 1, 2006, to **43.9%** as of July 1, 2006. The M2 growth stood at 15% in 2006 Q2 (10.1% in 2005 Q2) and was considerably faster than in the previous quarter (2%) due to seasonal factors. In July 2006, the M2 growth rates were not lower than in July 2005, according to estimates. Therefore, the money supply growth rates remain high, even despite the adjusted target for growth in the demand for money this year, and continue to exert monetary pressure on inflation.

The current estimates of core inflation influenced by the monetary dynamics indicate that its rate may come close to the core inflation target by the end of the year, given that the annualised money supply growth eventually regains its downward path.

Core inflation and M2 (% as of corresponding date of previous year)

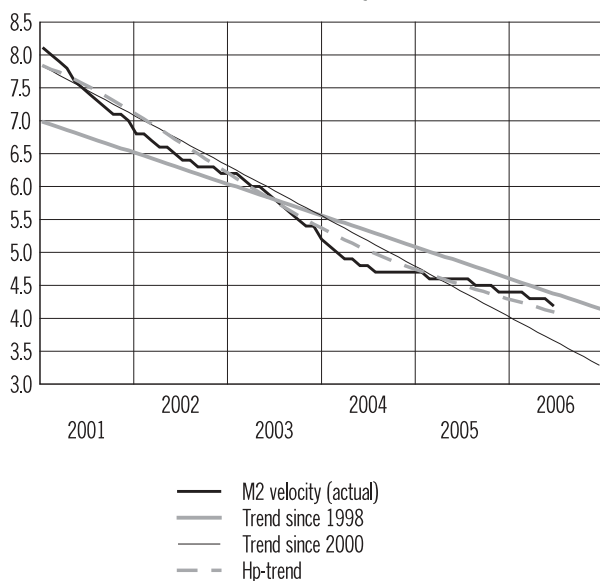


Core inflation and gap between money supply and GDP growth rates (quarter on quarter of previous year)



The gap between M2 and GDP growth rates¹, which began to widen in the second half of 2005, continued to increase in 2006 Q2. The gap between the growth rates of GDP and the broader monetary aggregate M2X comprising economic agents' foreign currency non-cash funds did not increase in 2006 Q2 due to the aggregate's slower growth. The gap between the rates of growth of the economy (in terms of GDP) and money supply (in terms of M2 and M2X) was wider at the end of 2006 Q2 than at the end of 2005 Q2. Money velocity dynamics are essential to assess the influence of this gap on inflation. In 2006 Q2, money velocity calculated by M2 fell

M2 velocity



2.6% (1.3% in the same period of 2005), retaining its downward trend observed since the second half of 2005. Therefore, money velocity declined more intensively in the first half of 2006 under the influence of money supply structural changes and a considerable fall in the demand for foreign currency, reflecting increased demand for the domestic currency and easing potential inflationary implications of monetary growth.

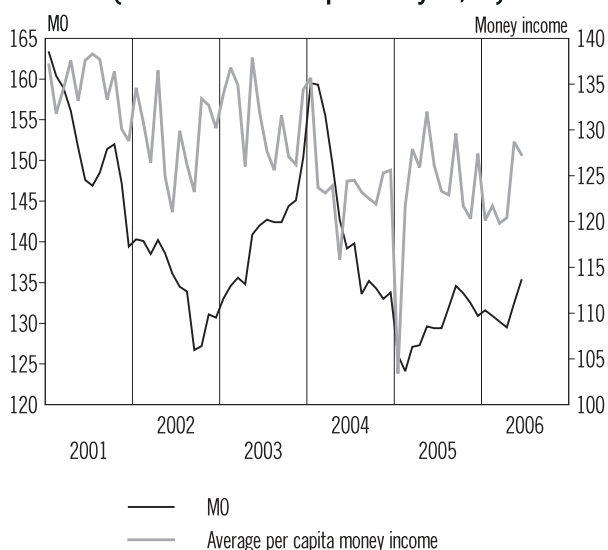
The growth rates of the aggregate Money in the monetary survey definition, which is similar to the M1 aggregate and comprises the most liquid transactional components of money supply, exceeded by two times the growth rates of less liquid savings components of money supply (Quasi-money aggregate) in April-June 2006. The Money aggregate annualised growth (relative to the corresponding date of previous year) increased considerably: from 34.8% as of April 1, 2006, to 42.5% as of July 1, 2006. This increase was attributable to the expansion of the aggregate's cash component and its non-cash part comprising funds in accounts and demand deposits (their growth was faster in April-June 2006 than growth in cash). The annualised cash growth stood at 35.3% as of July 1, 2006, and exceeded last year's figure almost by 6 percentage points. The annualised growth of the **M1 non-cash component** equalled 50.5% as of July 1, 2006, and exceeded last year's figure by 20.7 percentage points.

The M1 non-cash component is comprised by about 80% of non-financial enterprise sector funds and its increase reflects economic agents' rising demand for money to conduct transactions and service the payment turnover. The faster growth in non-cash transaction money creates less inflationary pressure compared with cash because cash has big potential and longer lag of impact on inflationary processes.

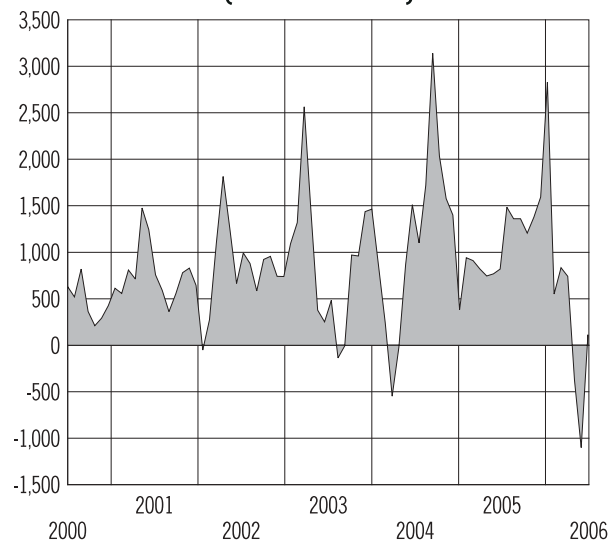
Following the seasonal trends of the past few years, **cash growth** was faster in 2006 Q2 than in 2006 Q1. As household real disposable money income increased more rapidly in the first half of 2006 year on year, growth in the M0 monetary aggregate accelerated from 7.5% in January-June 2005 to 11.2% in January-June 2006.

¹ The gap characterises the part of monetary growth that exceeds the amount necessary to finance the increased volume of transactions. The expansion of the gap may testify to the inflationary pressure of money supply growth on price dynamics.

M0 and household money income (month on month of previous year, %)



Household net demand for foreign exchange (million US dollars)

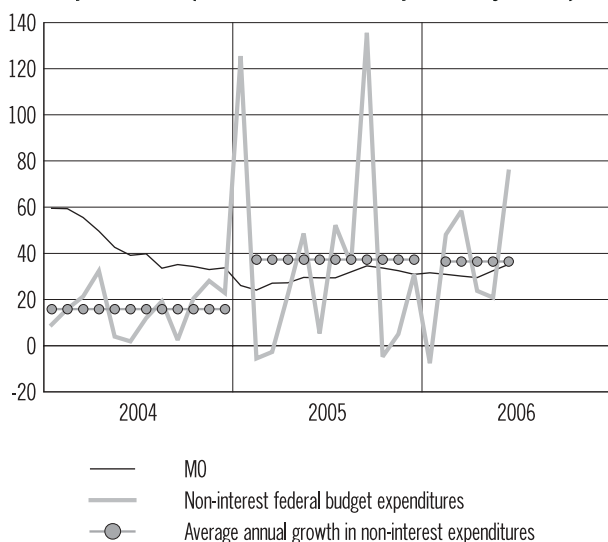


The M0 dynamics could have been especially affected by the fluctuations of household demand for foreign currency cash. As was the case in the first half of 2003 and at the beginning of 2004, the ruble’s relatively stable appreciation against the dollar in the first few months of the year was followed by a large-scale contraction in household demand for US dollar cash. As a result, the demand for foreign currency cash fell considerably in 2006 Q2 as a whole. In 2006 Q1, household operations with foreign currency cash registered a surplus, which held back M0 growth, whereas in 2006 Q2 the balance of these operations was negative and could have contributed to the increase in cash rubles. As a result, after a steady decline in the rates of cash growth in the moving

12-month period observed since November 2005, these rates increased in May-June 2006 to 35.3% as of July 1, 2006 (29.4% as of July 1, 2005).

At the same time, cash growth in the moving 12-month period was slower at the end of 2006 Q2 than M2 growth. The share of cash in the M2 structure declined from 33.5% as of July 1, 2005, to 31.5% as of July 1, 2006. The above trends in cash dynamics were positive for structural changes in ruble supply and had little effect on inflation in the first six months of 2006. At the same time, the resumption of the trend towards slower M0 growth in the moving 12-month period is essential for the government to achieve its inflation targets for 2006 and next year.

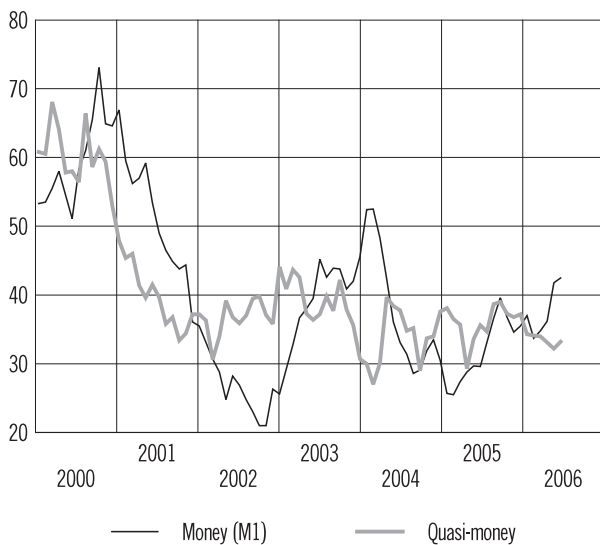
M0 monetary aggregate and non-interest federal budget expenditures (month on month of previous year, %)



Compared with the previous quarter, the aggregate **Quasi-money** increased almost 50% slower than the aggregate Money in 2006 Q2. The aggregate Quasi-money comprises less liquid components of money supply used by economic agents as savings. In April-June 2006, it grew 8.2%, while its annualised growth rates decreased to 33.2% as of July 1, 2006, compared with 34% as of April 1, 2006, and 35.6% as of July 1, 2005.

The increase in the aggregate Quasi-money in April-June 2006 was largely attributable to growth in time deposits representing **its ruble component**. In 2006 Q2, time deposits grew 12.8%, while their annualised growth accelerated by more than 3 percentage points to 46.4%. Growth in ruble time deposits also accelerated year on year (41.5% as of July 1, 2005). The persisting fast growth in ruble-denominated time deposits

Money and Quasi-Money
(% as of corresponding date of previous year)



is important from the viewpoint of mitigating the inflationary consequences of money supply growth.

Growth in **the foreign currency component** of Quasi-money (2.4%) was slower in 2006 Q2 than in the previous quarter and 2005 Q2. Annualised growth in **foreign currency-denominated deposits** (relative to the corresponding date of previous year) decelerated to 19% as of July 1, 2006, from 28.9% as of July 1, 2005, and was considerably slower than growth in ruble-denominated time deposits.

The monetary aggregate dynamics were largely determined by the flow of ruble and foreign currency funds resulting from the fluctuations of demand for the national and foreign currency. As the demand for foreign exchange fell considerably in 2006 Q2, annualised growth in the ruble monetary aggregates accelerated more significantly than growth in the monetary aggregate M2X comprising foreign currency assets (money supply plus foreign currency deposits) and the broader M2Y aggregate comprising foreign currency cash. At the same time, the rates of growth in all the monetary aggregates at the end of 2006 Q2 were higher than at the end of 2005 Q2. Annualised growth in the M2X aggregate comprising non-financial agents' non-cash foreign currency (date on corresponding date of previous year) equalled 38% as of July 1, 2006, as against 32.4% a year earlier. Annualised growth in the M2Y monetary aggregate accelerated by almost 2 percentage points in April-June 2006. At the

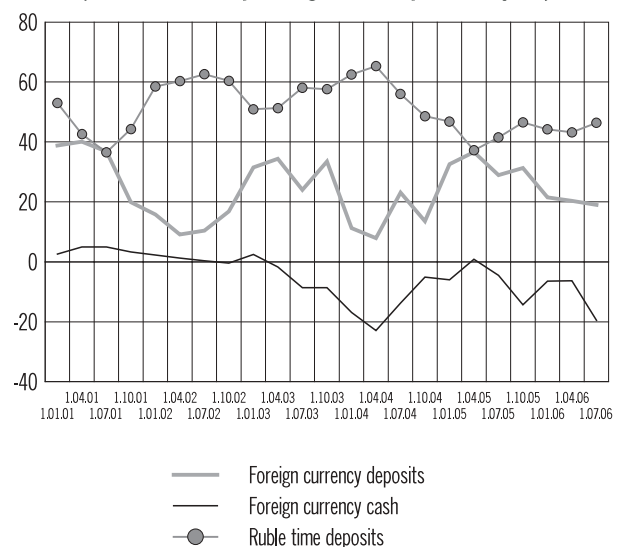
same time, while the broader aggregate demonstrated a long-term upward trend, its growth acceleration (from 26.8% as of July 1, 2005, to 30.8% as of July 1, 2006) was less considerable compared with the other aggregates.

The ratio of dollarisation, that is, the share of the foreign currency component of the money supply in the monetary survey definition (M2X), decreased by 1.6 percentage points in January-June 2006, from 16.3% to 14.7% (by 0.5 percentage points in January-June 2005). At the same time, the ruble component of Quasi-money continued to predominate in the M2X structure, accounting for 31.4% as of July 1, 2006, as against 29.6% a year earlier.

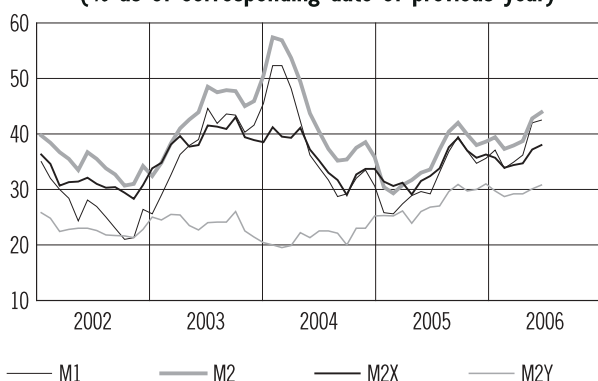
The development of the process of the Russian economy's de-dollarisation is also characterised by changes in the M2Y aggregate structure. Thus, the share of the foreign currency component of this notional broad aggregate fell in 2006 Q2 due to a contraction in the share of foreign currency deposits and the share of foreign currency cash. Moreover, the contraction in the share of foreign currency cash was more considerable. In April-June 2005, the aggregate registered similar, although less intensive dynamics of its non-cash and cash components. The share of all foreign currency funds in the M2Y broad aggregate slipped by 7 percentage points in the period since July 1, 2005.

In 2006 Q2, the growth in **the banking sector's claims on non-financial enterprises and households** (almost 670 billion rubles, or an

Individual components of M2Y notional broad aggregate
(% as of corresponding date of previous year)



Monetary aggregates
(% as of corresponding date of previous year)



Definition of aggregates:
 M1 = M0 + current accounts and demand deposits;
 M2 = M1 + ruble time deposits;
 M2X, money supply in the monetary survey definition = M2 + foreign currency deposits;
 M2Y, notional broad monetary aggregate = M2X + evaluation of foreign currency in the non-banking sector.

annualised 44.3% as of July 1, 2006) considerably exceeded the figure registered in the second quarter of 2005 and was faster quarter on quarter partially due to seasonal trends. Therefore, the role of credit to non-financial enterprises and households as a source of aggregate money expansion increased significantly in 2006 Q2. However, the growth in the banking sector's net foreign assets, which exceeded the indicators of the previous quarter and the second quarter of 2005, remained the main source of money supply expansion.

The **monetary base** (broad definition) increased 20.8% in 2006 Q2 (2.3% in 2005 Q2). The share of credit institutions' funds in correspondent accounts with the Bank of Russia grew from 11.8% to 13.1% in April-June 2006 (it fell from 14.3% to

Absorbed banking sector liquidity
(billion rubles)*



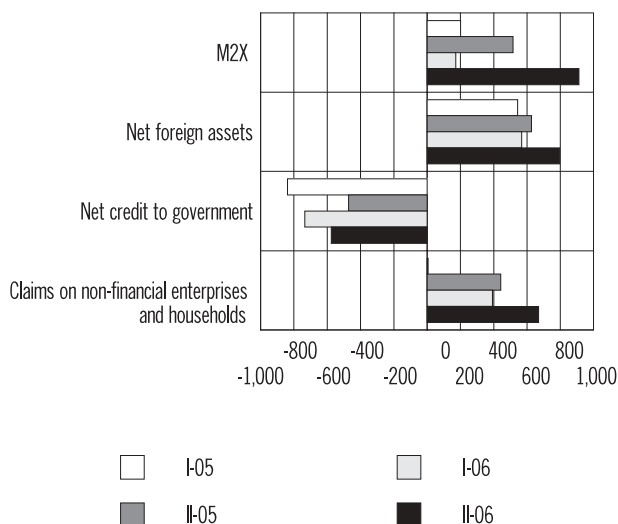
* As of the 1st day of each month.

12% in the same period of 2005). The share of credit institutions' funds absorbed by the Bank of Russia by taking banks' funds on deposit and conducting operations with Bank of Russia bonds (OBR) rose from 5.9% to 8.3% of the monetary base in 2006 Q2 (it declined from 9.4% to 5.5% in 2005 Q2) and from 12.2% to 14.1% taking into account the credit institutions' required reserves (in 2005 Q2, it dropped from 15.3% to 11.5%).

In August 2006, the Bank of Russia took a decision to raise from October 1, 2006, the required reserve ratio for Russian banks' debt obligations to non-resident banks in rubles and foreign currency from 2% to 3.5% to restrain aggregate money supply growth and limit foreign borrowings.

The large-scale increase in the general government deposits, caused by the expansion of the Stabilisation Fund, had a serious restraining effect on money supply growth in the first six months of 2006. World oil prices remained high in January-June 2006 and led to a considerable increase in the Stabilisation Fund, which totalled 2,066.8 billion rubles as of July 1, 2006. However, after the cut-off price of oil was raised from \$20 to \$27 per barrel, payments into the Stabilisation Fund declined in February, despite growing world oil prices. In the subsequent months, these contributions continued to grow but failed to reach the level registered at the end of the previous year. If the cut-off price had remained unchanged, the Stabilisation Fund could have accrued 20% more funds in February-June 2006, which suggests its reduced absorption potential.

Sources of money supply growth
(change over quarter, billion rubles)



Statistical Addendum

Consumer prices by group of goods and services (month on month, %)

	Monthly inflation	Core inflation	Food price growth	Growth in food prices net of vegetable prices	Vegetable and fruit price growth	Non-food price growth	Service price growth
2004							
January	1.8	0.9	1.6	1.3	5.5	0.5	4.1
February	1.0	0.8	1.1	1.1	1.5	0.4	1.6
March	0.8	0.7	1.1	0.9	2.8	0.4	0.6
April	1.0	0.8	0.8	1.0	-0.6	0.6	2.0
May	0.7	0.6	0.4	0.5	-0.7	0.8	1.4
June	0.8	0.5	0.8	0.4	4.8	0.7	0.9
July	0.9	0.8	1.0	1.0	1.5	0.6	1.3
August	0.4	0.7	0.1	0.8	-6.3	0.5	1.0
September	0.4	0.9	0.0	0.9	-9.0	0.9	0.6
October	1.1	1.3	1.4	1.7	-2.7	0.7	1.2
November	1.1	1.1	1.5	1.5	2.2	0.7	0.8
December	1.1	1.0	1.7	1.4	5.4	0.4	1.0
Full year (December on December)	11.7	10.5	12.3	13.1	3.3	7.4	17.7
2005							
January	2.6	0.9	1.4	1.1	5.1	0.4	8.8
February	1.2	0.7	1.4	0.9	6.1	0.4	2.2
March	1.3	0.8	2.1	1.1	11.2	0.4	1.2
April	1.1	0.9	1.7	1.3	5.4	0.5	0.8
May	0.8	0.6	1.1	0.7	4.1	0.4	0.8
June	0.6	0.5	0.7	0.4	3.3	0.3	0.9
July	0.5	0.5	0.3	0.5	-1.8	0.4	0.9
August	-0.1	0.5	-1.0	0.5	-12.9	0.5	0.8
September	0.3	0.8	-0.7	0.6	-11.6	1.1	0.9
October	0.6	0.7	0.4	0.6	-2.4	0.7	0.7
November	0.7	0.6	0.9	0.6	4.5	0.6	0.6
December	0.8	0.6	1.1	0.6	5.6	0.5	0.8
Full year (December on December)	10.9	8.3	9.6	9.1	14.3	6.4	21.0
2006							
January	2.4	0.8	2.0	1.0	11.3	0.4	6.2
February	1.7	1.2	3.0	1.9	12.6	0.5	1.0
March	0.8	0.7	1.2	0.9	3.2	0.4	0.7
April	0.4	0.4	0.3	0.3	-0.3	0.3	0.6
May	0.5	0.4	0.5	0.2	2.6	0.4	0.6
June	0.3	0.3	0.0	0.1	-0.6	0.3	0.7

**Consumer prices by group of goods and services
(since start of year on accrual basis, %)**

	Monthly inflation	Core inflation	Food price growth	Growth in food prices net of vegetable prices	Vegetable and fruit price growth	Non-food price growth	Service price growth
2004							
January	1.8	0.9	1.6	1.3	5.5	0.5	4.1
February	2.8	1.7	2.8	2.3	7.1	0.9	5.8
March	3.5	2.4	3.8	3.2	10.1	1.4	6.4
April	4.6	3.2	4.7	4.2	9.5	2.0	8.5
May	5.3	3.8	5.2	4.8	8.7	2.8	10.0
June	6.1	4.3	6.0	5.2	13.9	3.4	11.0
July	7.1	5.1	7.1	6.2	15.6	4.0	12.5
August	7.6	5.8	7.2	7.1	8.3	4.6	13.6
September	8.0	6.8	7.2	8.0	-1.4	5.5	14.3
October	9.3	8.1	8.7	9.9	-4.0	6.3	15.7
November	10.5	9.3	10.4	11.5	-1.9	7.0	16.6
December	11.7	10.5	12.3	13.1	3.3	7.4	17.7
2005							
January	2.6	0.9	1.4	1.1	5.1	0.4	8.8
February	3.9	1.7	2.8	2.0	11.5	0.7	11.2
March	5.3	2.4	4.9	3.1	24.0	1.1	12.6
April	6.5	3.3	6.7	4.4	30.8	1.6	13.5
May	7.3	4.0	7.9	5.1	36.1	2.1	14.4
June	8.0	4.4	8.6	5.5	40.6	2.4	15.4
July	8.5	5.0	8.9	6.1	38.0	2.8	16.5
August	8.3	5.5	7.8	6.6	20.2	3.4	17.4
September	8.6	6.3	7.1	7.2	6.2	4.5	18.5
October	9.2	7.1	7.5	7.8	3.6	5.2	19.3
November	10.0	7.7	8.4	8.4	8.3	5.9	20.0
December	10.9	8.3	9.6	9.1	14.3	6.4	21.0
2006							
January	2.4	0.8	2.0	1.0	11.3	0.4	6.2
February	4.1	2.0	5.0	2.9	25.3	0.9	7.2
March	5.0	2.8	6.2	3.9	29.3	1.3	8.0
April	5.4	3.2	6.5	4.2	28.9	1.6	8.6
May	5.9	3.6	7.0	4.4	32.3	2.0	9.3
June	6.2	3.9	7.0	4.5	31.5	2.3	10.0

**Consumer prices by group of goods and services
(month on month of previous year, %)**

	Inflation over period	Core inflation*	Food price growth*	Growth in food prices net of vegetable prices*	Vegetable and fruit price growth	Non-food price growth*	Service price growth*
2004							
January	11.3	11.0	9.2	11.7	-10.7	8.6	21.9
February	10.6	10.8	9.2	12.0	-12.9	8.0	18.9
March	10.3	10.8	9.2	12.2	-13.8	7.6	17.5
April	10.2	11.0	9.1	12.7	-17.8	7.6	17.8
May	10.2	11.0	8.9	12.9	-20.4	7.8	17.7
June	10.1	10.9	8.8	12.6	-18.4	7.9	17.4
July	10.4	11.0	9.5	12.9	-15.7	8.0	16.7
August	11.3	10.9	11.1	12.9	-4.6	8.0	17.0
September	11.4	10.7	11.3	12.7	-2.2	8.1	16.8
October	11.5	10.5	11.7	12.7	0.9	7.8	17.3
November	11.7	10.4	12.0	12.9	2.0	7.6	17.7
December	11.7	10.5	12.3	13.1	3.3	7.4	17.7
2005							
January	12.7	10.4	12.1	12.9	3.0	7.3	23.1
February	13.0	10.4	12.4	12.6	7.6	7.2	23.8
March	13.6	10.5	13.5	12.9	16.4	7.1	24.6
April	13.8	10.6	14.5	13.2	23.4	7.0	23.1
May	13.8	10.6	15.2	13.3	29.3	6.6	22.4
June	13.7	10.6	15.1	13.4	27.5	6.3	22.4
July	13.2	10.3	14.2	12.9	23.4	6.2	21.9
August	12.5	10.1	12.9	12.5	14.7	6.1	21.6
September	12.3	10.0	12.1	12.1	11.3	6.3	22.0
October	11.7	9.4	11.0	10.9	11.6	6.3	21.4
November	11.3	8.9	10.3	9.9	14.1	6.3	21.2
December	10.9	8.3	9.6	9.1	14.3	6.4	21.0
2006							
January	10.7	8.2	10.2	9.1	21.1	6.5	18.1
February	11.2	8.7	11.9	10.1	28.4	6.6	16.7
March	10.6	8.7	10.9	10.0	19.2	6.7	16.1
April	9.8	8.2	9.4	9.0	12.7	6.4	15.9
May	9.4	7.9	8.7	8.5	11.1	6.4	15.7
June	9.0	7.8	8.0	8.1	7.0	6.4	15.4

* Bank of Russia estimate.

Inflation growth structure (percentage points)

Inflation growth over period since start of year due to price changes by group of goods and services

	Foodstuffs*	Non-food products	Paid services	Vegetables and fruit	Inflation over period, %	Core inflation	Non-core inflation**
2004							
January	0.6	0.2	0.8	0.2	1.8	0.8	1.0
February	1.1	0.3	1.1	0.3	2.8	1.4	1.4
March	1.5	0.4	1.2	0.4	3.5	2.0	1.6
April	2.0	0.6	1.5	0.4	4.6	2.6	1.9
May	2.2	0.8	1.8	0.4	5.3	3.1	2.2
June	2.4	1.0	2.0	0.6	6.1	3.5	2.6
July	2.9	1.2	2.3	0.7	7.1	4.2	2.9
August	3.3	1.4	2.5	0.4	7.6	4.7	2.8
September	3.8	1.7	2.6	-0.1	8.0	5.5	2.5
October	4.6	1.9	2.9	-0.2	9.3	6.6	2.7
November	5.4	2.1	3.0	-0.1	10.5	7.6	2.9
December	6.1	2.3	3.2	0.1	11.7	8.5	3.3
2005							
January	0.4	0.1	1.8	0.2	2.6	0.7	1.9
February	0.8	0.2	2.3	0.5	3.9	1.3	2.6
March	1.3	0.4	2.6	1.0	5.3	1.9	3.3
April	1.9	0.5	2.8	1.3	6.5	2.7	3.8
May	2.1	0.7	3.0	1.5	7.3	3.1	4.1
June	2.3	0.8	3.2	1.7	8.0	3.5	4.5
July	2.5	0.9	3.4	1.6	8.5	3.9	4.5
August	2.8	1.1	3.6	0.8	8.3	4.4	4.0
September	3.0	1.5	3.9	0.3	8.6	5.0	3.6
October	3.3	1.7	4.0	0.1	9.2	5.6	3.6
November	3.6	1.9	4.2	0.3	10.0	6.1	3.9
December	3.8	2.1	4.4	0.6	10.9	6.6	4.3
2006							
January	0.4	0.2	1.5	0.4	2.4	0.6	1.8
February	1.1	0.3	1.7	1.0	4.1	1.5	2.6
March	1.5	0.5	1.9	1.2	5.0	2.1	2.9
April	1.6	0.6	2.0	1.1	5.4	2.5	2.9
May	1.7	0.7	2.2	1.3	5.9	2.7	3.1
June	1.8	0.8	2.4	1.2	6.2	3.0	3.2

* Excluding vegetables and fruit.

** Growth in prices of goods and paid services not included in calculation of core consumer price index.

**Monthly inflation growth due to price changes
by group of goods and services**

	Foodstuffs*	Non-food products	Paid services	Vegetables and fruit	Inflation over period, %	Core inflation	Non-core inflation**
2004							
January	0.6	0.2	0.8	0.2	1.8	0.8	1.0
February	0.5	0.1	0.3	0.1	1.0	0.6	0.4
March	0.4	0.1	0.1	0.1	0.8	0.6	0.2
April	0.4	0.2	0.4	0.0	1.0	0.6	0.3
May	0.2	0.2	0.3	0.0	0.7	0.5	0.2
June	0.2	0.2	0.2	0.2	0.8	0.4	0.4
July	0.4	0.2	0.3	0.1	0.9	0.6	0.3
August	0.4	0.2	0.2	-0.3	0.4	0.5	-0.1
September	0.4	0.3	0.1	-0.4	0.4	0.7	-0.3
October	0.8	0.2	0.2	-0.1	1.1	1.0	0.2
November	0.7	0.2	0.2	0.1	1.1	0.9	0.2
December	0.6	0.1	0.2	0.2	1.1	0.8	0.3
2005							
January	0.4	0.1	1.8	0.2	2.6	0.7	1.9
February	0.4	0.1	0.5	0.3	1.2	0.6	0.7
March	0.5	0.1	0.3	0.5	1.3	0.6	0.7
April	0.5	0.2	0.2	0.3	1.1	0.7	0.4
May	0.3	0.1	0.2	0.2	0.8	0.5	0.3
June	0.2	0.1	0.2	0.2	0.6	0.4	0.3
July	0.2	0.1	0.2	-0.1	0.5	0.4	0.1
August	0.2	0.2	0.2	-0.6	-0.1	0.4	-0.5
September	0.2	0.4	0.2	-0.6	0.3	0.6	-0.4
October	0.3	0.2	0.2	-0.1	0.6	0.5	0.0
November	0.2	0.2	0.1	0.2	0.7	0.5	0.3
December	0.3	0.1	0.2	0.2	0.8	0.4	0.4
2006							
January	0.4	0.2	1.5	0.4	2.4	0.6	1.8
February	0.7	0.2	0.2	0.5	1.7	0.9	0.7
March	0.4	0.1	0.2	0.2	0.8	0.6	0.3
April	0.1	0.1	0.1	0.0	0.4	0.3	0.0
May	0.1	0.1	0.1	0.1	0.5	0.3	0.2
June	0.0	0.1	0.2	0.0	0.3	0.2	0.1

* Excluding vegetables and fruit.

** Growth in prices of goods and paid services not included in calculation of core consumer price index.

Contribution to Inflation Growth (%)

Contribution to inflation growth over period since start of year by group of goods and services

	Foodstuffs*	Non-food products	Paid services	Vegetables and fruit	Core inflation	Non-core inflation**
2004						
January	33.8	8.6	43.5	14.0	43.2	56.8
February	40.0	10.2	38.3	11.5	50.0	50.0
March	42.9	11.7	32.8	12.7	55.3	44.7
April	43.5	13.3	34.0	9.2	57.5	42.5
May	42.4	15.9	34.4	7.3	58.5	41.5
June	39.8	17.2	32.9	10.1	57.2	42.8
July	40.9	17.3	32.1	9.8	58.8	41.2
August	43.8	18.4	32.8	4.9	62.6	37.4
September	47.0	21.1	32.7	-0.8	68.4	31.6
October	50.2	20.8	31.0	-1.9	70.9	29.1
November	51.5	20.4	28.9	-0.8	72.0	28.0
December	52.1	19.2	27.5	1.2	72.0	28.0
2005						
January	17.0	4.8	70.2	8.0	27.1	72.9
February	21.2	6.2	60.4	12.1	33.4	66.6
March	24.5	6.8	50.0	18.7	36.7	63.3
April	28.6	8.1	43.8	19.5	41.1	58.9
May	29.3	9.2	41.2	20.2	43.1	56.9
June	29.0	9.8	40.5	20.8	44.1	55.9
July	30.1	10.9	40.7	18.3	46.5	53.5
August	33.2	13.2	43.6	9.9	52.3	47.7
September	35.1	17.1	44.9	3.0	58.3	41.7
October	35.9	18.6	43.9	1.6	60.9	39.1
November	35.6	19.2	41.8	3.4	61.1	38.9
December	35.2	19.2	40.3	5.4	60.5	39.5
2006						
January	16.0	6.1	59.5	18.3	24.5	75.5
February	27.2	7.7	40.9	24.1	37.2	62.8
March	30.1	9.1	37.6	23.2	42.4	57.6
April	30.5	10.3	37.9	21.3	45.7	54.3
May	29.3	11.8	37.2	21.8	46.7	53.3
June	28.6	12.9	38.3	20.2	48.4	51.6

* Excluding vegetables and fruit.

** Growth in prices of goods and paid services not included in calculation of core consumer price index.

**Contribution to monthly inflation growth
by group of goods and services**

	Foodstuffs*	Non-food products	Paid services	Vegetables and fruit	Core inflation	Non-core inflation**
2004						
January	33.8	8.6	43.5	14.0	43.2	56.8
February	50.7	13.1	29.1	7.1	61.8	38.2
March	52.8	17.0	13.3	16.9	74.2	25.8
April	45.7	19.0	38.2	-2.9	65.1	34.9
May	35.7	32.6	36.6	-4.9	64.9	35.1
June	22.1	25.8	23.1	29.1	48.2	51.8
July	47.5	17.6	27.3	7.5	68.1	31.9
August	89.6	37.7	44.9	-72.2	122.3	-22.3
September	100.3	67.0	30.2	-97.5	164.9	-64.9
October	70.5	18.9	20.3	-9.7	86.8	13.2
November	60.7	18.0	13.8	7.5	79.4	20.6
December	55.8	9.0	15.5	19.7	71.7	28.3
2005						
January	17.0	4.8	70.2	8.0	27.1	72.9
February	30.0	9.2	40.0	20.8	46.5	53.5
March	33.6	8.4	20.9	37.0	46.1	53.9
April	46.7	14.1	15.8	23.4	60.9	39.1
May	34.9	18.4	20.6	26.1	60.1	39.9
June	25.7	15.5	32.1	26.6	54.6	45.4
July	48.4	29.6	43.6	-21.6	86.0	14.0
August	<i>estimate can't be made for negative value</i>					
September	92.7	141.5	83.9	-218.1	243.9	-143.9
October	47.2	40.9	29.7	-17.8	96.4	3.6
November	31.6	26.1	18.2	24.1	63.1	36.9
December	31.0	18.8	22.1	28.1	53.5	46.5
2006						
January	16.0	6.1	59.5	18.3	24.5	75.5
February	43.4	10.0	14.0	32.6	55.8	44.2
March	43.9	15.8	21.6	18.7	67.5	32.5
April	35.8	27.0	41.3	-4.2	90.9	9.1
May	16.1	27.6	29.9	26.4	57.3	42.7
June	15.3	34.9	59.7	-10.0	81.6	18.4

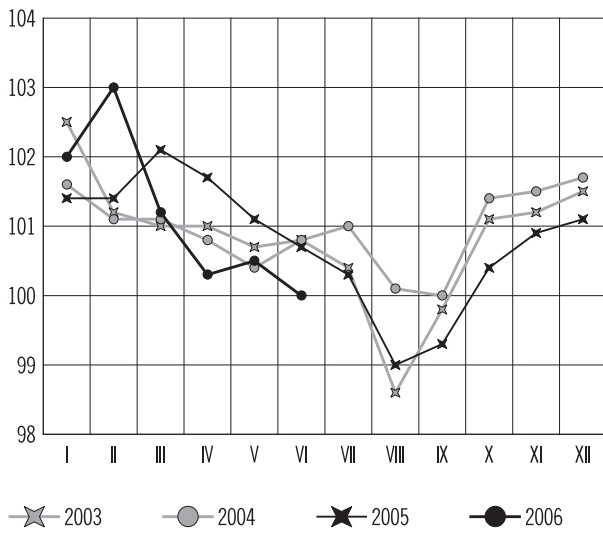
* Excluding vegetables and fruit.

** Growth in prices of goods and paid services not included in calculation of core consumer price index.

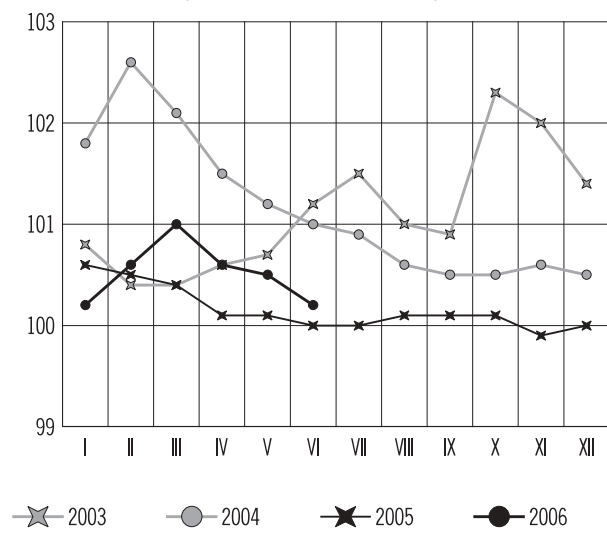
Major monetary indicators in 2005-2006

	2005						2006				
	1.01	1.04	1.05	1.06	1.07	1.10	1.01	1.04	1.05	1.06	1.07
Cash (M0), billion rubles	1,534.8	1,481.7	1,565.8	1,582.3	1,650.7	1,740.7	2,009.2	1,928.8	2,027.8	2,096.9	2,233.4
monthly rates of growth, %	15.2	2.6	5.7	1.1	4.3	2.2	13.8	2.0	5.1	3.4	6.5
rates of growth since start of year, %		-3.5	2.0	3.1	7.6	13.4	30.9	-4.0	0.9	4.4	11.2
share in M2 structure, %	35.2	33.1	34.1	33.7	33.5	32.9	33.2	31.3	31.9	31.3	31.5
Non-cash funds (M2-M0), billion rubles	2,828.5	2,992.9	3,021.0	3,106.4	3,276.7	3,552.1	4,036.3	4,240.6	4,332.3	4,596.2	4,858.9
monthly rates of growth, %	8.5	4.4	0.9	2.8	5.5	3.5	10.0	5.2	2.2	6.1	5.7
rates of growth since start of year, %		5.8	6.8	9.8	15.8	25.6	42.7	5.1	7.3	13.9	20.4
M2 monetary aggregate, billion rubles	4,363.3	4,474.6	4,586.8	4,688.6	4,927.4	5,292.8	6,045.6	6,169.4	6,360.1	6,693.1	7,092.3
monthly rates of growth, %	10.7	3.8	2.5	2.2	5.1	3.1	11.2	4.2	3.1	5.2	6.0
rates of growth since start of year, %		2.6	5.1	7.5	12.9	21.3	38.6	2.0	5.2	10.7	17.3
rates of growth (month on month of previous year, %)	35.8	30.8	31.7	33.0	33.6	42.0	38.6	37.9	38.7	42.8	43.9
Foreign currency deposits, billion rubles	935.1	1,024.9	1,007.7	1,054.9	1,090.6	1,167.9	1,178.2	1,225.9	1,177.6	1,192.1	1,221.0
monthly rates of growth, %	0.9	-0.8	-1.7	4.7	3.4	1.2	0.6	-1.0	-3.9	1.2	2.4
rates of growth since start of year, %		9.6	7.8	12.8	16.6	24.9	26.0	4.1	-0.1	1.2	3.6
share in money supply structure by monetary survey methodology, %	17.6	18.6	18.0	18.4	18.1	18.1	16.3	16.6	15.6	15.1	14.7
Money supply by monetary survey methodology, billion rubles	5,298.7	5,499.6	5,594.0	5,743.0	6,015.9	6,458.4	7,221.1	7,392.9	7,534.2	7,877.6	8,304.8
monthly rates of growth, %	8.9	2.9	1.7	2.7	4.8	2.7	9.3	3.3	1.9	4.6	5.4
rates of growth since start of year, %		3.8	5.6	8.4	13.5	21.9	36.3	2.4	4.3	9.1	15.0
M2 velocity (annualised average)	4.7	4.6	4.6	4.6	4.6	4.5	4.4	4.3	4.3	4.3	4.2
change since start of year, %		-1.3	-1.7	-2.1	-2.7	-4.1	-6.1	-1.7	-2.2	-3.0	-4.2
Monetisation (by M2 aggregate), %	21.3	21.6	21.7	21.8	21.9	22.2	22.7	23.1	23.2	23.4	23.7
Broad monetary base, billion rubles	2,380.3	2,250.1	2,237.5	2,263.1	2,302.8	2,538.9	2,914.1	2,721.0	2,863.8	3,242.6	3,285.9
monthly rates of growth, %	14.3	-0.4	-0.6	1.1	1.8	5.0	15.3	2.3	5.2	13.2	1.3
rates of growth on accrual basis, %		-5.5	-6.0	-4.9	-3.3	6.7	22.4	-6.6	-1.7	11.3	12.8
Multiplier (by broad monetary base)	1.83	1.99	2.05	2.07	2.14	2.08	2.07	2.27	2.22	2.06	2.16
Change since start of year, %		8.5	11.8	13.0	16.7	13.7	13.2	9.3	7.0	-0.5	4.0

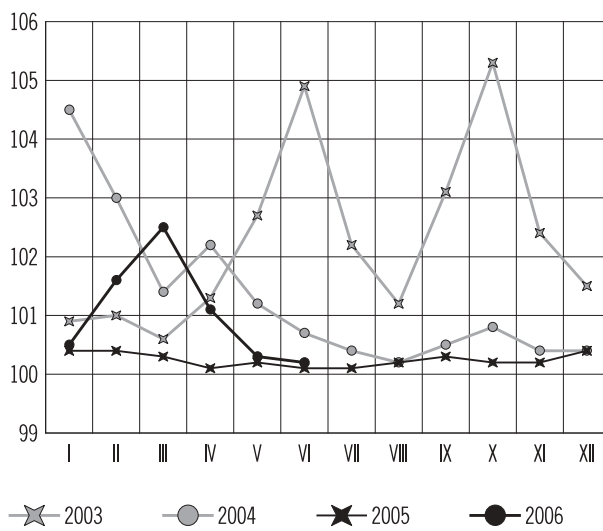
Food prices, total
(as % of previous month)



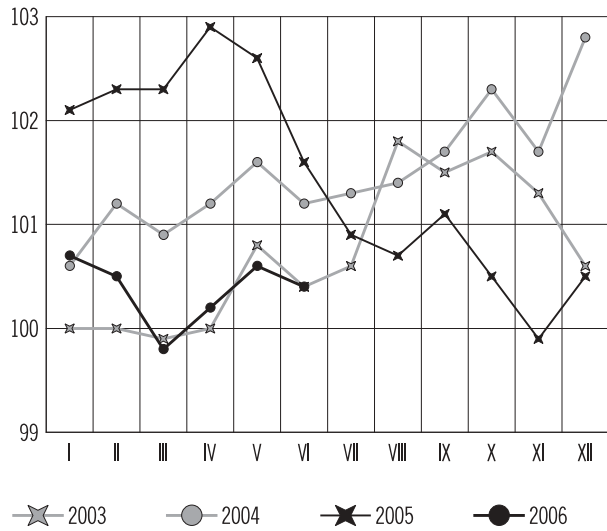
Pasta prices
(as % of previous month)



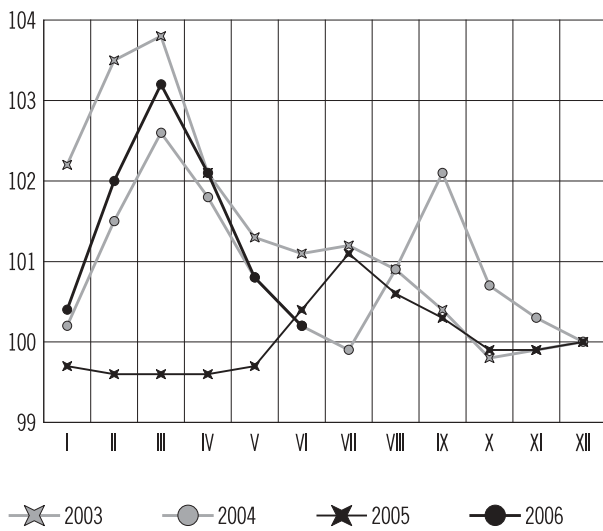
Bread and bakery product prices
(as % of previous month)



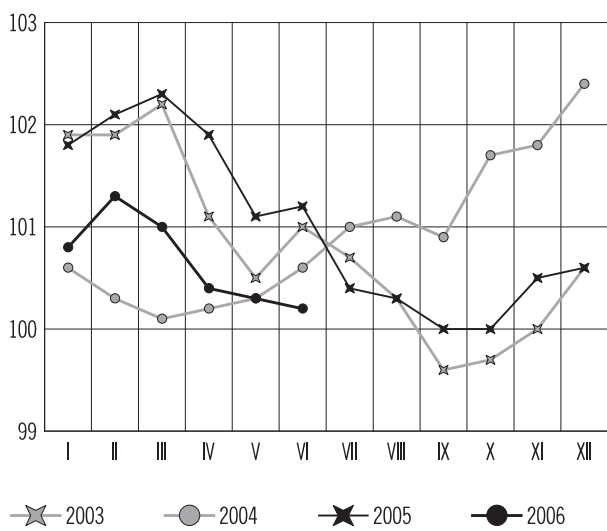
Meat and poultry prices
(as % of previous month)



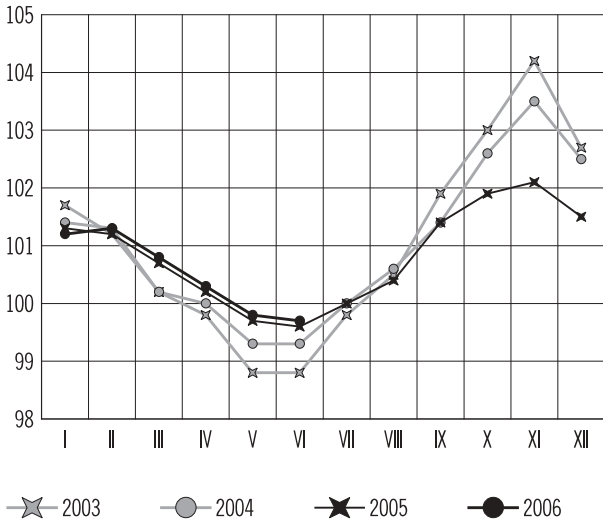
Cereal and legume prices
(as % of previous month)



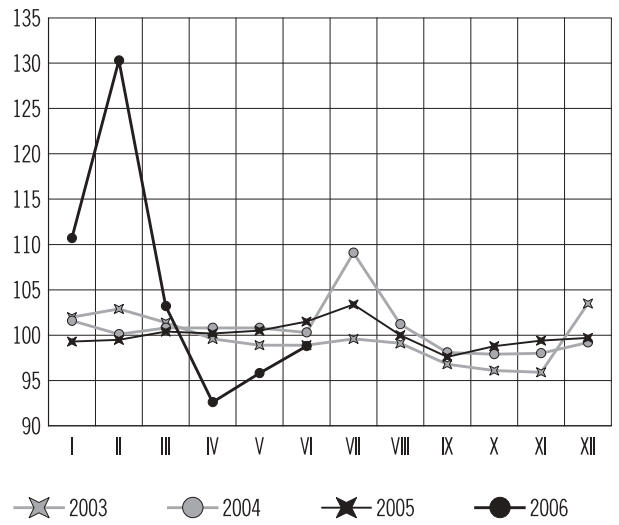
Fish and seafood prices
(as % of previous month)



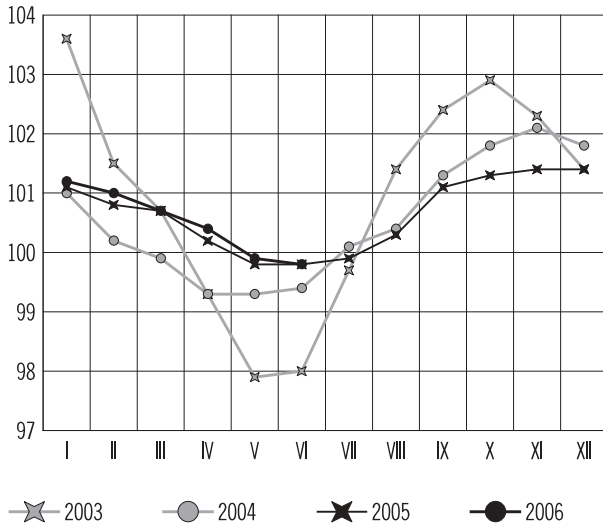
**Milk and dairy product prices
(as % of previous month)**



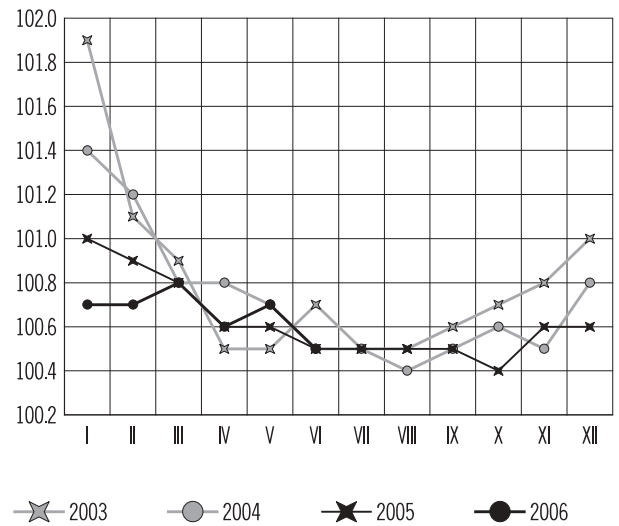
**Granulated sugar prices
(as % of previous month)**



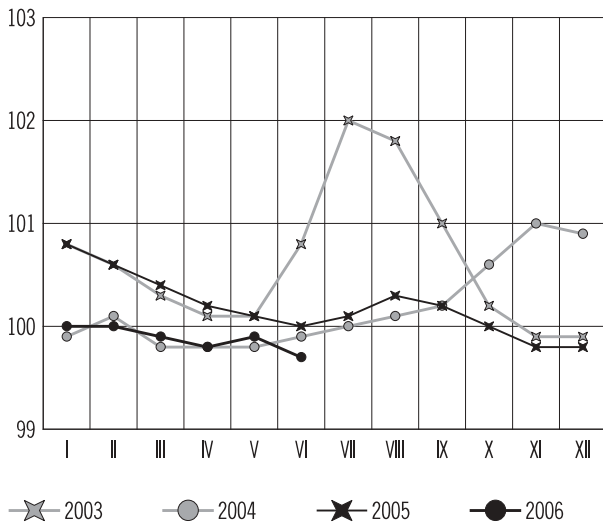
**Butter prices
(as % of previous month)**



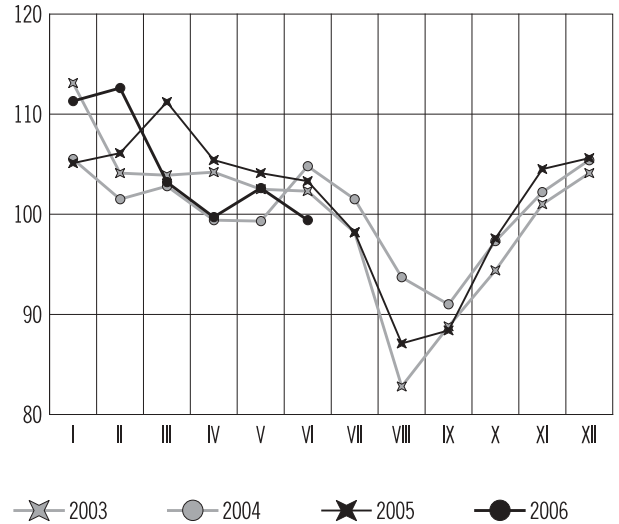
**Alcoholic beverage prices
(as % of previous month)**



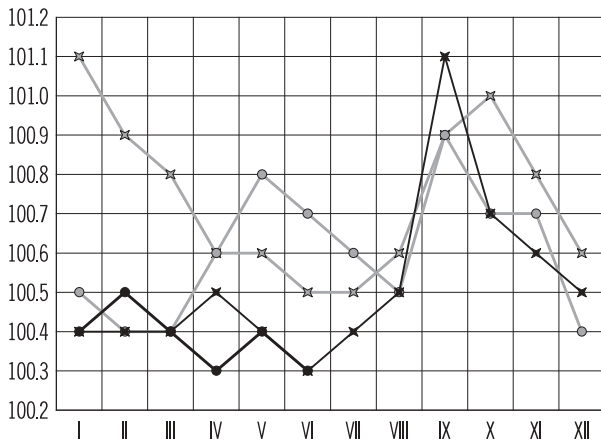
**Sunflower oil prices
(as % of previous month)**



**Vegetable and fruit prices
(as % of previous month)**

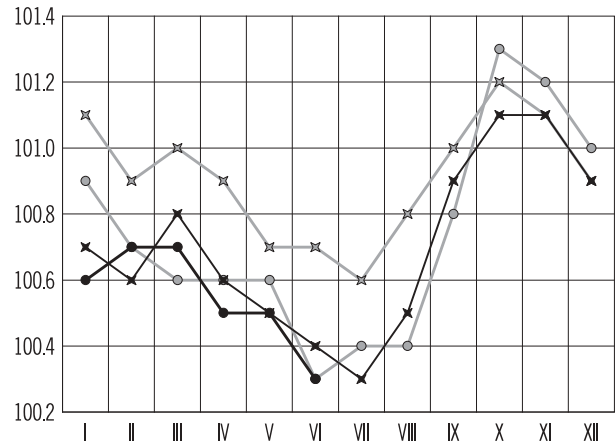


Non-food prices, total
(as % of previous month)



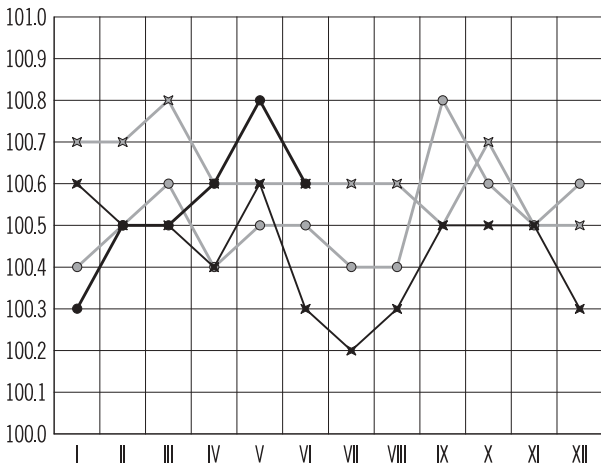
☆ 2003 ● 2004 ★ 2005 ● 2006

Knitwear prices
(as % of previous month)



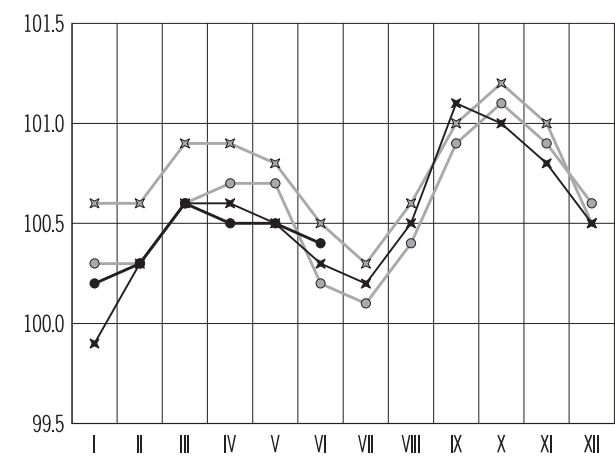
☆ 2003 ● 2004 ★ 2005 ● 2006

Fabrics prices
(as % of previous month)



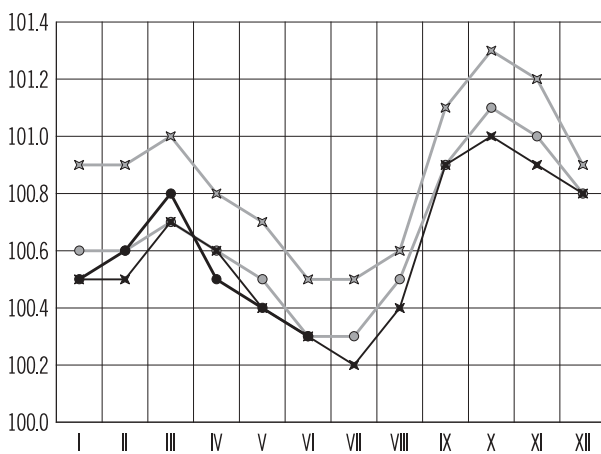
☆ 2003 ● 2004 ★ 2005 ● 2006

Footwear prices
(as % of previous month)



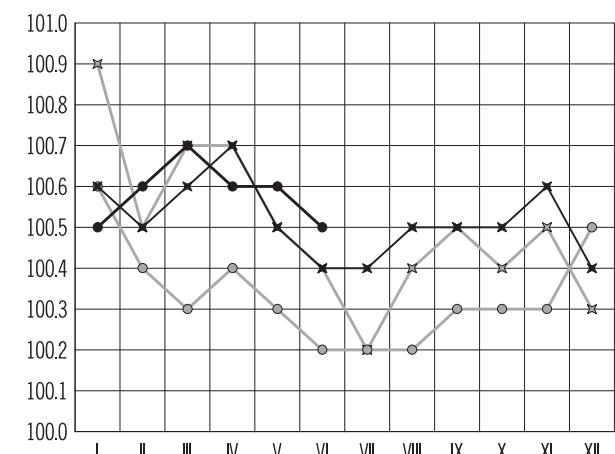
☆ 2003 ● 2004 ★ 2005 ● 2006

Clothing and underwear prices
(as % of previous month)



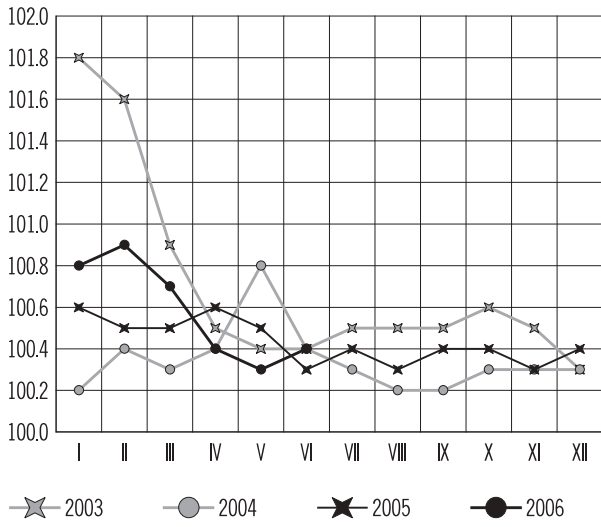
☆ 2003 ● 2004 ★ 2005 ● 2006

Detergent prices
(as % of previous month)

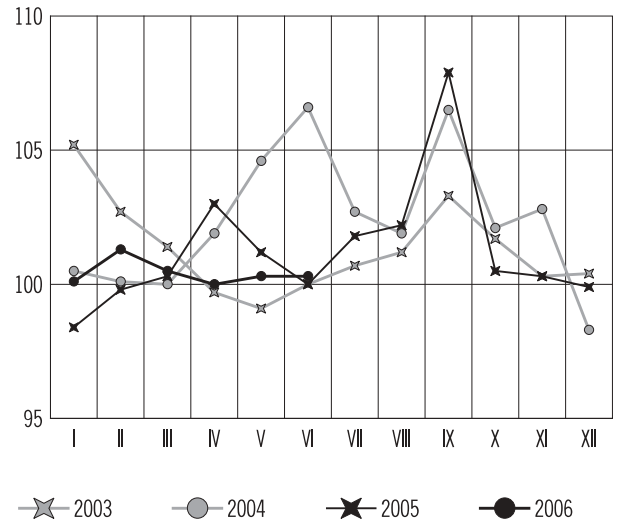


☆ 2003 ● 2004 ★ 2005 ● 2006

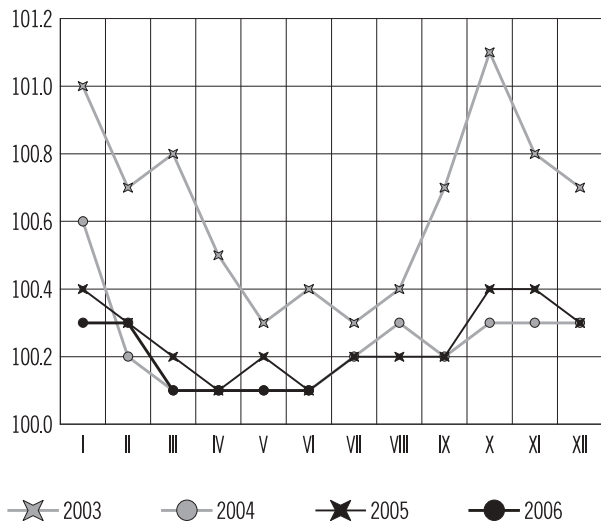
Tobacco prices
(as % of previous month)



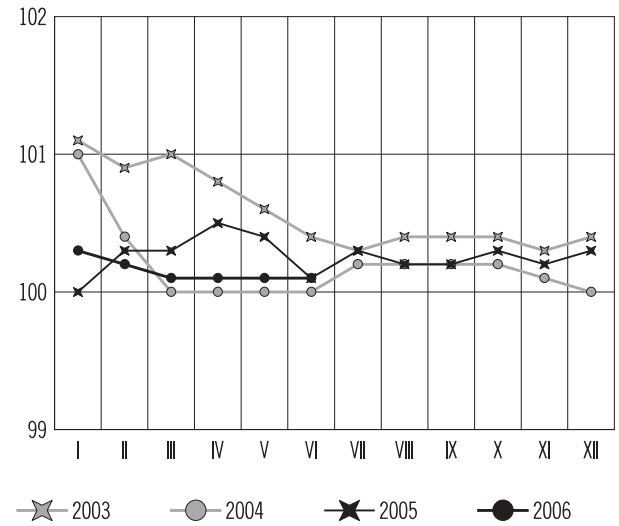
Petrol prices
(as % of previous month)



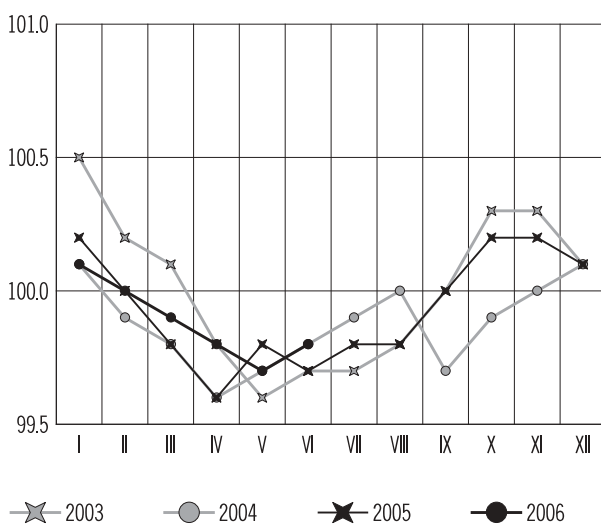
Household electric appliances prices
(as % of previous month)



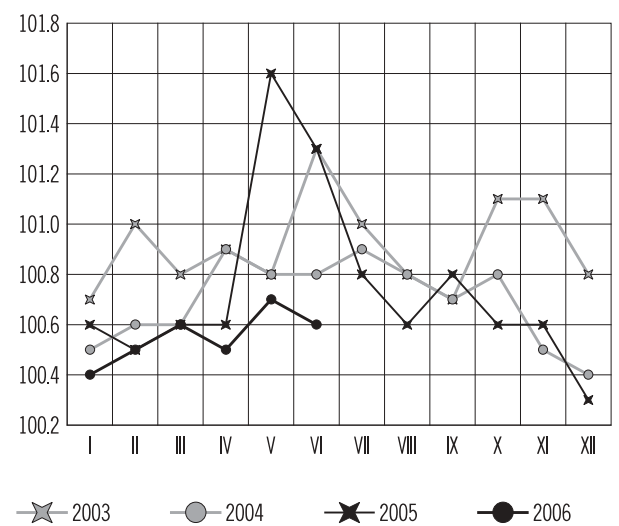
Medicine prices
(as % of previous month)



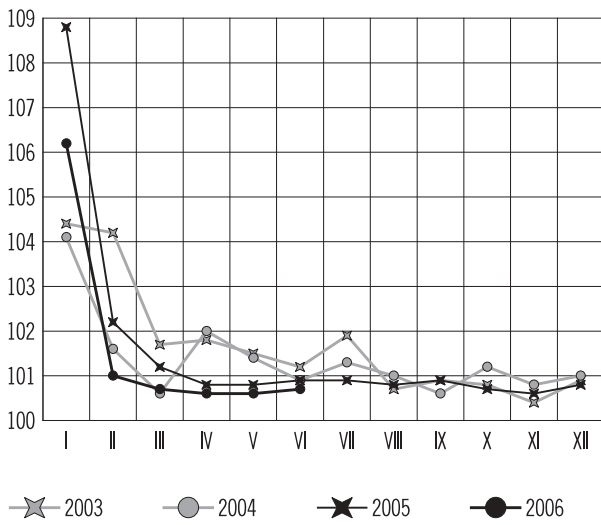
TV and radio set prices
(as % of previous month)



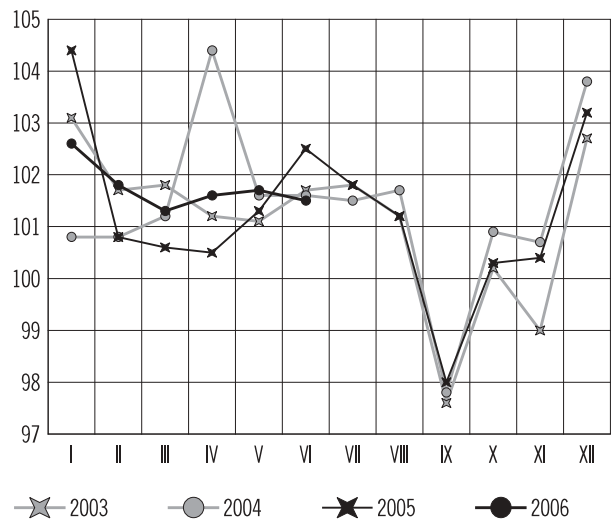
Building materials prices
(as % of previous month)



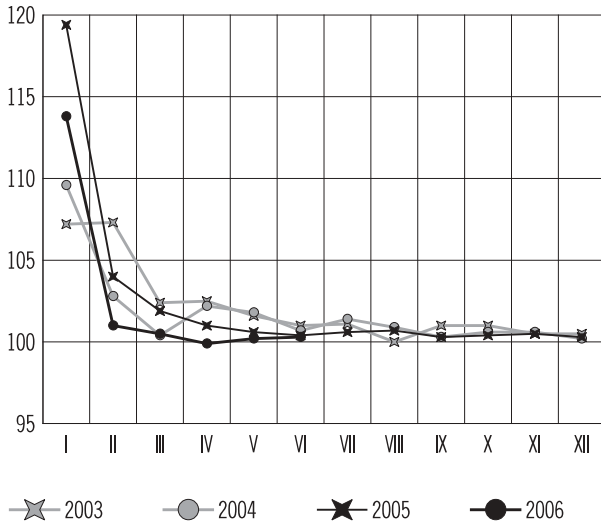
Paid service prices
(as % of previous month)



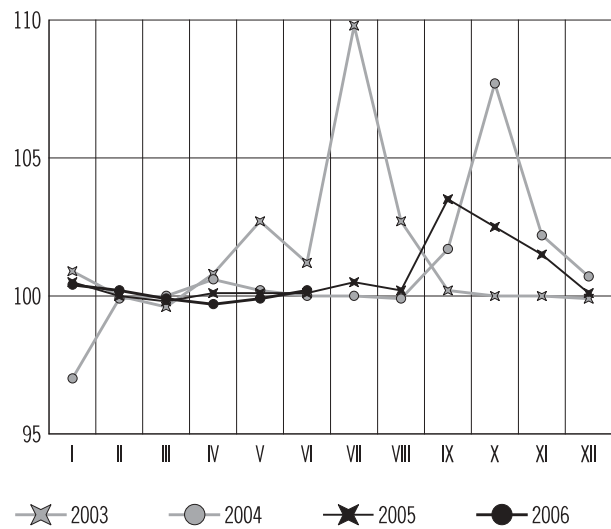
Passenger transport fares
(as % of previous month)



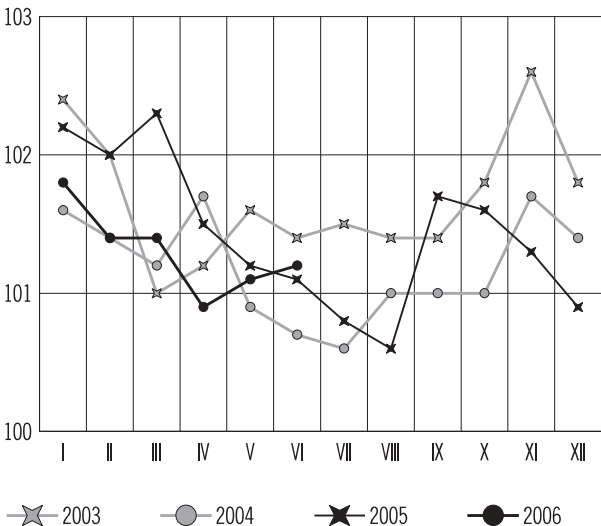
Housing and utility prices
(as % of previous month)



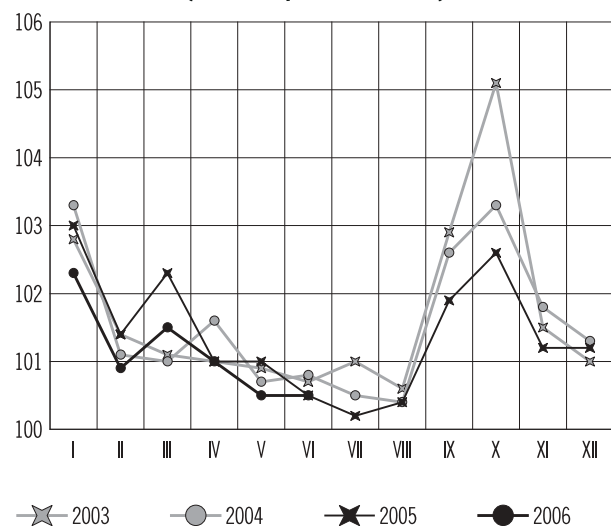
Communication fees
(as % of previous month)



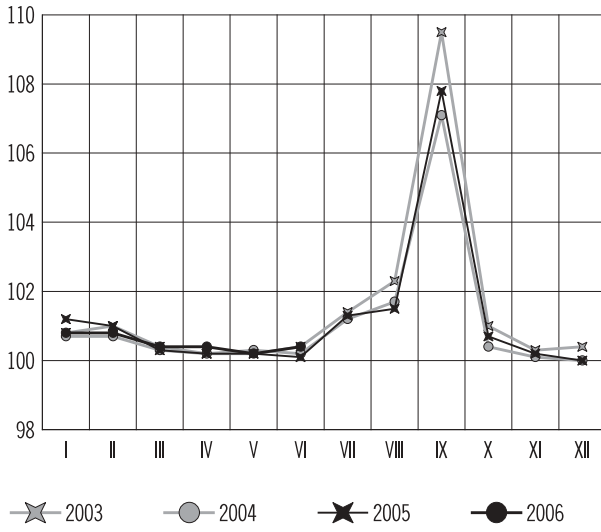
Healthcare prices
(as % of previous month)



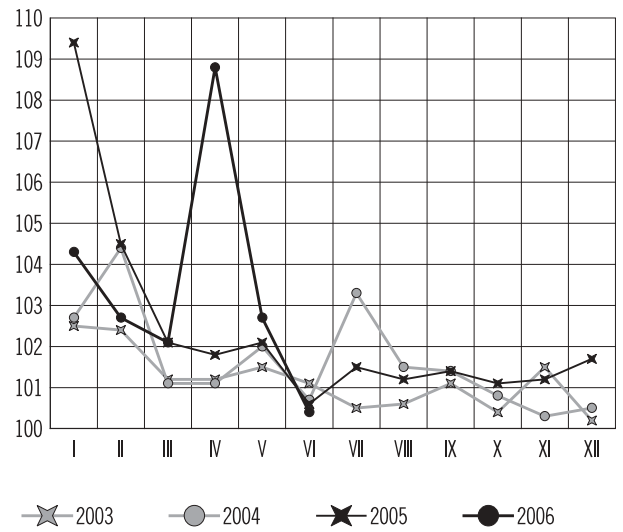
Cultural service prices
(as % of previous month)



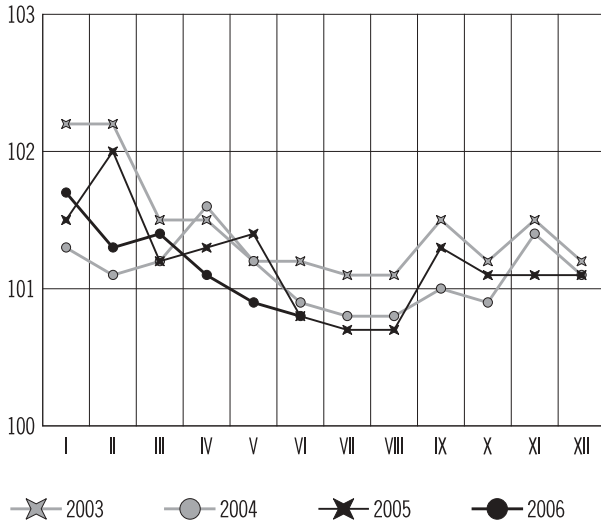
**Education fees
(as % of previous month)**



**Pre-school tuition fees
(as % of previous month)**



**Everyday service prices
(as % of previous month)**



**Sanatorium and health resort accommodation prices
(as % of previous month)**

