



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

**Quarterly
Inflation
Review**

2007 Q4

Research and Information Department

*The electronic version of Quarterly Inflation Review is available on the Bank of Russia's website:
<http://www.cbr.ru/publ/>.*

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Introduction

In 2007, inflation exceeded the projected target as well as the previous year's level. Rapid growth in domestic demand and significant increase in world food prices affected price dynamics.

Economic growth accelerated in Russia in 2007. According to estimates, actual output last year was higher than potential output and this stimulated inflation in the economy.

As wages grew faster in 2007 than in 2006, the share of expenditures on remuneration expanded in the value added. There was an acceleration of price growth in the mining sector and the production of consumer goods, such as foodstuffs, textiles and clothing, leather and leather goods and footwear.

Inflation in the countries that are the major exporters of goods to Russia, calculated taking into consideration their relative importance for Russian imports in 2007, accelerated by 2.3 percentage points on average year on year, creating conditions for faster price growth in the Russian economy.

The latter half of 2007 saw the acceleration of growth in some food prices, which largely followed world food price increases and not much could be done to mitigate the adverse effect of this process on price dynamics by using monetary policy instruments.

The rise in economic activity was the major factor of the acceleration of monetary and credit aggregates dynamics. Capital inflow was an important factor of growth in the money supply in

2007. Despite the slowing of growth of monetary aggregate M2 in the fourth quarter, it continued to increase rapidly. The positive monetary gaps that appeared in 2007 indicate that the money supply continues to pose inflationary risk in the medium and long term.

In the fourth quarter of 2007 the Bank of Russia took steps to cushion the effect of the external factors that had created harsher credit conditions for the economy in the third quarter. As foreign credit grew more expensive and the banking sector liquidity situation became more volatile, the Bank of Russia increased the internal refinancing by broadening the range of instruments used to provide liquidity and making these instruments more accessible for credit institutions. The temporary lowering of the required reserves in the fourth quarter was also aimed at enabling the banks to use a part of their reserves and reducing the cost of borrowing. Banks could satisfy their increased need in internal refinancing by conducting open-market operations and using permanent money market instruments. Bank of Russia operations to withdraw liquidity also proved useful due to the uneven formation of banking sector liquidity. The Bank of Russia interest rate band remained unchanged, whereas the range of MIACR fluctuations narrowed in the fourth quarter as compared with the third, while the MIACR level increased. Growth in credit and deposit rates was small and it has not had any significant impact on credit dynamics yet.

Inflation Dynamics

Consumer prices

According to Russia's Federal State Statistics Service (Rosstat), consumer prices rose 11.9% in 2007, an increase of 2.9 percentage points on 2006. They gained 3.4% in the first quarter, 2.2% in the second, 1.8% in the third and 4.1% in the fourth.

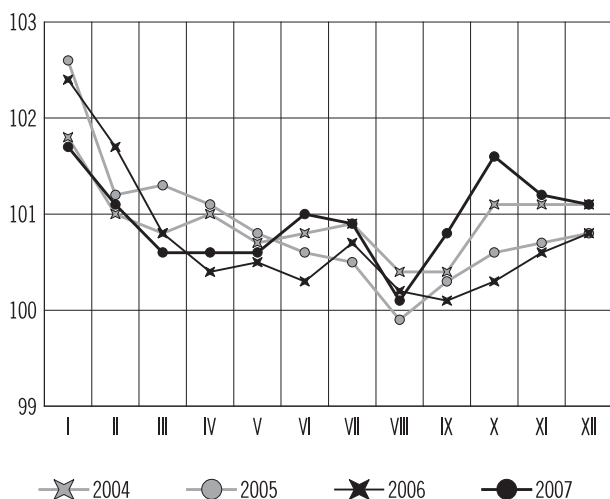
The acceleration of inflation was due to **core inflation**, which stood at 4% in the fourth quarter as against 1.7% in the first, 1.2% in the second and 3.7% in the third. Core inflation accelerated to 11% in 2007 as against 7.8% in 2006.

It is estimated that growth in the prices of goods and services included in the calculation of

the core consumer price index in 2007 accounted for 8.7 percentage points, or 72.8%, of overall consumer price growth (as against 6.1 percentage points, or 67.1%, in 2006).

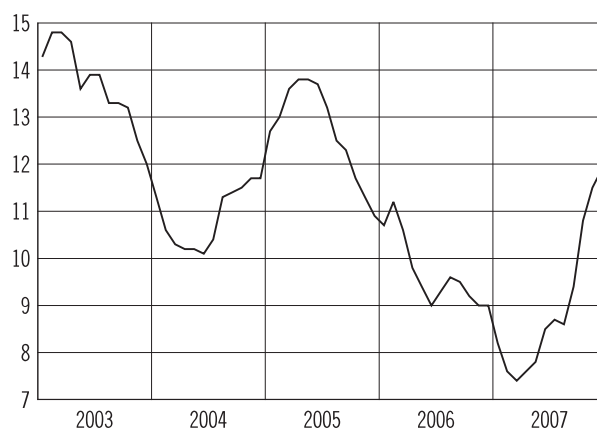
Significant growth in **food prices, excluding vegetable and fruit prices**, made the principal contribution to the acceleration of inflation. These prices gained 14.9% in 2007 year on year (in 2006 they rose 8.5%). According to estimates, growth in these prices accounted for 5.4 percentage points, or 45.6%, of overall consumer price growth in 2007. At the same time, growth in bread and bakery product prices and milk and dairy product prices accounted for about 1.3 percentage

Consumer prices (as % of previous month)



Source: Rosstat.

Consumer prices (as % of corresponding month of previous year)



Source: Rosstat.

Consumer price inflation (%)

	Growth (December 2007 on December 2006)	Growth (December 2006 on December 2005)	
Prices of goods and services, total	11.9	9.0	Acceleration of growth by 2.9 percentage points
Of which:			
- food prices	15.6	8.7	Acceleration of growth by 6.9 percentage points
- food prices, excluding vegetable and fruit prices	14.9	8.5	Acceleration of growth by 6.4 percentage points
- non-food prices	6.5	6.0	Acceleration of growth by 0.5 percentage points
- prices of paid services provided to households	13.3	13.9	Slowing of growth by 0.6 percentage points
Prices of goods and services included in core inflation calculation	11.0	7.8	Acceleration of growth by 3.2 percentage points

Source: Rosstat.

points, or 11.0%. In 2006, this group of products accounted for 0.5 percentage points, or 5.8%, of overall consumer price growth.

The acceleration of growth in food prices, excluding vegetable and fruit prices, occurred in the second half-year when there was a significant increase in the prices of fats and milk and dairy products, which reflected the expansion of domestic and world demand for foodstuffs amid the limited capabilities for production growth. The production of vegetable oil in Russia fell 3.3% in 2007 year on year. Although the output of dairy products rose by 0.3% overall, there was a decline in the output of some of these products: the output of low-fat dairy products was down 14.7% in terms of skimmed milk and the output of dry whole milk, dry cream and dry mixtures for ice-cream fell 0.1%. The production of flour decreased 2.6%, bread and bakery products 1.8% and pasta 2.7%.

In the first half of 2007, the most significant increase was registered in the prices of grain products. The price of sunflower oil rose 52.3% over the year (in 2006 it was down 1.2%), butter 40.3% (as against 6.8% in 2006), milk and dairy products 30.4% (as against 8.7%) and bread and bakery products 22.4% (as against 11.1%).

Vegetable and fruit prices gained 22.2% in 2007, an increase of 11.9 percentage points on 2006. It is estimated that growth in vegetable and fruit prices accelerated by 0.9 percentage points and accounted for 7.2% of overall consumer price

growth (as against 0.4 percentage points and 4.5% in 2006).

Overall food price growth quickened to 15.6% in 2007 from 8.7% in 2006.

As was the case in the previous years, **non-food prices** grew more slowly than the prices of other major goods and services. In 2007, their growth stood at 6.5% as against 6% in 2006. The most significant increase was registered in the prices of building materials (16.2%), car petrol (8.5%) and knitwear (8.3%). In 2006, these prices rose by 11.5%, 10.9% and 8.0%, respectively.

Service prices increased 13.3% in 2007 as against 13.9% in 2006. Estimates show that growth in service prices accounted for 3.3 percentage points, or 27.8%, of overall consumer price growth (as against 3.3 percentage points, or 36.3%, respectively, in 2006).

Housing and utility prices increased 14% in 2007 as against 17.9% in 2006, whereas growth in communications service prices accelerated to 10.8% from 2.1% as a result of significant growth in the city telephone service charges in February. Overall, growth in service prices in 2007 is estimated at 13.6%, a decrease of 0.1 percentage points from 2006.

The rise in the prices of paid services provided to the public in 2007 exceeded overall growth in the prices of goods by 2.0 percentage points (as against 6.4 percentage points in 2006).

According to Rosstat, consumer price

Food price inflation (%)

	Growth (December 2007 on December 2006)	Growth (December 2006 on December 2005)	
Food products	15.6	8.7	Acceleration of growth by 6.9 percentage points
Bread and bakery products	22.4	11.1	Acceleration of growth by 11.3 percentage points
Cereals and legumes	24.7	12.1	Acceleration of growth by 12.6 percentage points
Pasta	23.6	4.7	Acceleration of growth by 18.9 percentage points
Meat and poultry	8.4	5.9	Acceleration of growth by 2.5 percentage points
Fish and seafood	9.0	7.8	Acceleration of growth by 1.2 percentage points
Milk and dairy products	30.4	8.7	Acceleration of growth by 21.7 percentage points
Butter	40.3	6.8	Acceleration of growth by 33.5 percentage points
Sunflower oil	52.3	-1.2	
Granulated sugar	-4.3	14.9	
Vegetables and fruit	22.2	10.3	Acceleration of growth by 11.9 percentage points
Alcoholic beverages	7.7	10.1	Slowing of growth by 2.4 percentage points

Source: Rosstat.

growth in all **federal districts** in 2007 was faster than in 2006.

Estimates show that the differences between the Russian regions in terms of the price of a fixed set of goods and services used by Rosstat to make interregional comparisons of the purchasing power of the population became less pronounced in 2007. The regional difference ratio¹ decreased from 45.3% to 40.2% last year.

Growth in non-food prices in all regions ranged from 6.1% to 7.1%. The rates of growth in vegetable and fruit prices differed widely in the Russian regions. In the Volga Federal District, for instance, vegetable and fruit prices grew 32.9%, whereas in the Far Eastern Federal District they increased 9.7%.

In 2007, most of the federal districts registered the year-on-year slowing of growth in service prices. The Volga Federal District was the only exception.

Housing prices

Housing prices continued to rise faster than inflation. In the fourth quarter of 2007, housing prices increased 23.4% on the primary market and 20.6% on the secondary market, as compared with the same period in 2006². Nevertheless, they grew more slowly than in 2006 (47.7% and 54.4%, respectively).

The slowing of growth in housing prices was accompanied by rapid growth in housing construction, which accelerated to 119.4% in 2007 from 116.1% in 2006.

Producer prices

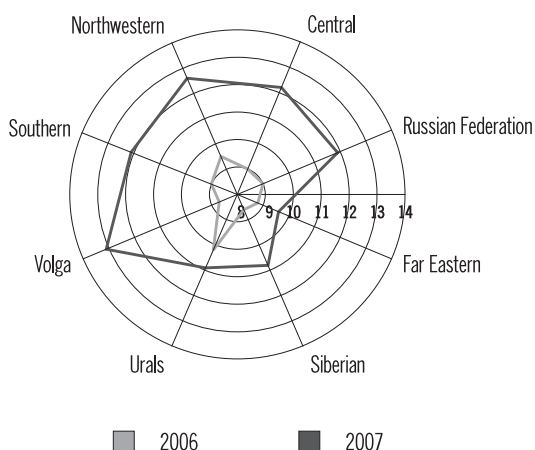
Industrial producer prices rose 25.1% in 2007 as against 10.4% in 2006. The acceleration of growth in producer prices was due to the fact that prices in the mining sector soared 52.3% as compared with 1.6% in 2006. Fuel and energy producer prices jumped 58.1%, whereas in 2006 they fell 3.6%. Metal ore producer prices increased 11.5% as against 49.4% in 2006. It has been estimated that the change in producer prices in the mining sector in 2007 accounted for 11.7 percentage points, or 46.8%, of overall growth in industrial producer prices. In 2006, it accounted for 0.4 percentage points, or 3.5%.

Rapid growth in industrial producer prices increased costs and this stimulated inflation.

In 2007, price growth in the manufacturing sector stood at 17.9% as against 13.3% in 2006.

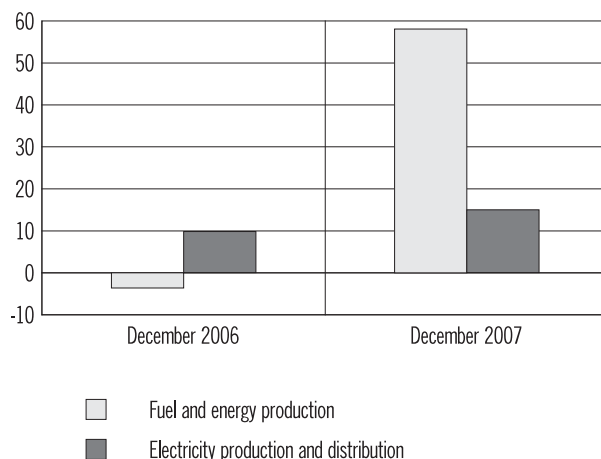
The acceleration of price growth in the manufacturing industries that supply products to the consumer goods market was a major factor of higher consumer price inflation. Specifically, price growth accelerated in 2007 year on year in the production of foodstuffs, including bever-

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



Source: Rosstat.

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



Source: Rosstat.

¹ The regional difference ratio is calculated by the Bank of Russia as the difference between the price 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.

² As of end of period.

ages, and tobacco (to 20.0% as against 8.3%), textile and clothing production (to 9.6% as against 4.0%), and the production of leather, leather goods and footwear (to 8.7% as against 6.6%).

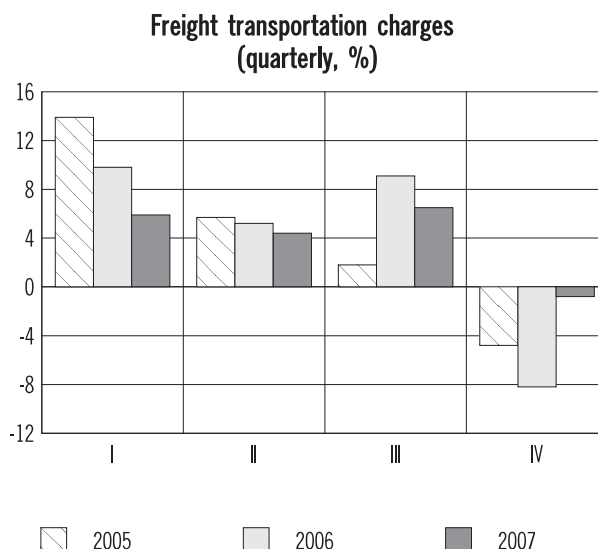
Price growth in the production, transmission and distribution of electricity, gas and water stood at 13.3% as against 10.3% in 2006.

Growth in **freight transportation** charges reached 16.7% in 2007 from 15.8% in 2006, while railway fares increased 7.7% as against 8.9% a year earlier.

Communication fees for corporate entities gained 4% in 2007 as against 1.3% in 2006.

According to preliminary data, the composite price index for **building materials** registered 117.4% as against 112.4% in 2006.

Agricultural producer prices increased 30.2% as against 10.4% in 2006. Producer prices grew in both crop farming and livestock breeding. Crop farmer prices rose 37.3% in 2007 as against 21% a year earlier. Growth was particularly high in grain production (45.5% as against 29.4% in 2006), potato production (31.1% as against 3.3%) and the production of sunflower (5.7% as against a fall of 4.4% in 2006). Livestock producer prices rose 25.5% in 2007 as against 4.2% in 2006. The biggest growth was registered in milk prices (56.4% as against 3.4% in 2006). The acceleration of agricultural producer prices



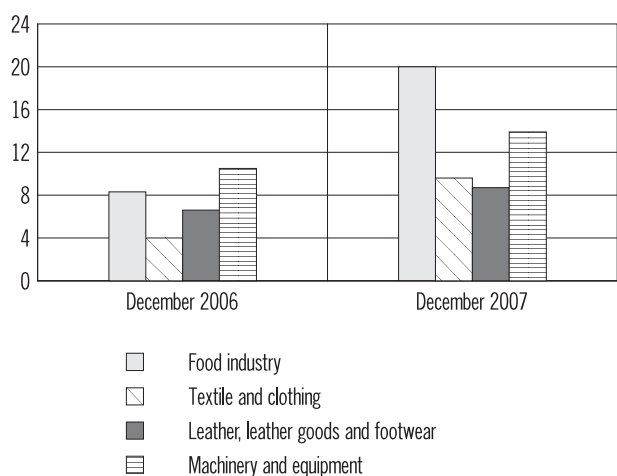
Source: Rosstat.

had an adverse effect on food price dynamics on the consumer goods market.

Inflation in some countries of the world³

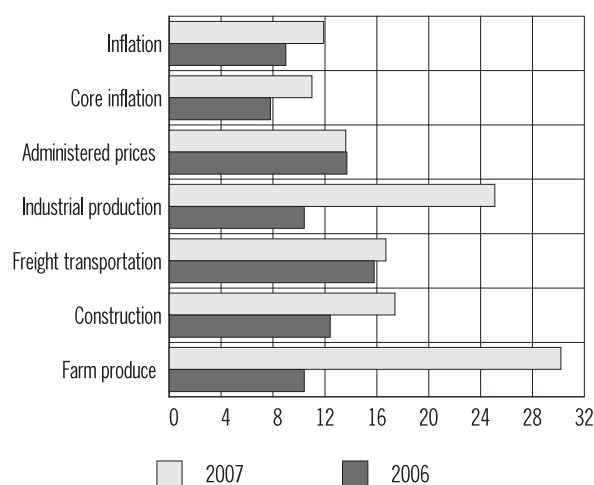
Inflation in the countries that are the major exporters of goods to Russia accelerated to 5.8% in 2007 from 3.5% in 2006 (December on December of the previous year). Price growth accelerated in most of the countries that account for a large portion of Russian imports. The biggest contribution to growth in aggregate inflation in the

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



Source: Rosstat.

**Price growth in the economy
(December as % of December of previous year)**



Source: Rosstat.

³ Based on data provided by the US Labor Department's Bureau of Labor Statistics, the Statistical Office of the European Communities EUROSTAT, China's National Statistics Bureau and national statistical offices of other countries. Contribution of individual factors to US and eurozone inflation has been evaluated by the Bank of Russia.

countries that are the major exporters of goods to Russia was made by the acceleration of price growth in Ukraine (to 16.6% from 11.6% in 2006), Kazakhstan (to 18.8% from 8.4%), Belarus (to 12.1% from 6.6%), China (to 6.5% from 2.8%), Germany (to 3.1% from 1.4%), Poland (to 4% from 1.4%), the United States (to 4.1% from 2.5%) and South Korea (to 3.6% from 2.1%).

The factors behind the accelerated inflation in foreign countries in 2007 were the increased production costs, higher energy prices and significant growth in food prices connected with poor grain harvests, the rise in fodder prices, the lifting of subsidies in agricultural production and exports in some countries, and the use of agricultural products for the production of bio-fuel. Food price growth affected the most inflation figures in the countries with a large portion of food products in their consumer goods baskets (former Soviet republics, China and Poland).

In the United States the single most important factor of accelerated inflation in 2007 was the quickening of growth in energy prices. The contribution of core inflation⁴ somewhat decreased as growth in employment figures and consumer spending slowed down. In Germany, however, the contribution of core inflation to overall consumer price growth increased and was the decisive factor of the accelerated consumer price

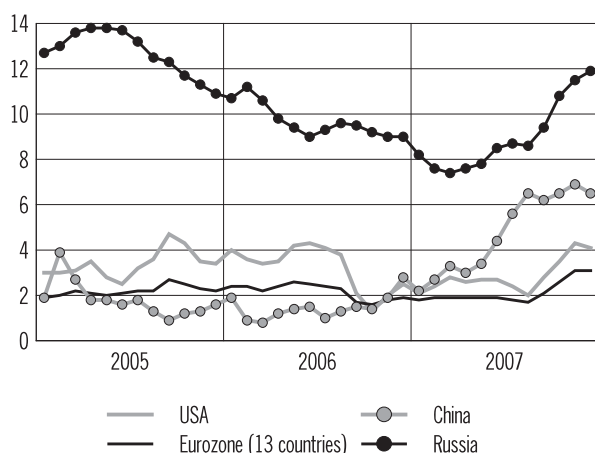
growth in 2007. The acceleration of core inflation was due to growth in university tuition fees, transport fares, communication fees and the price of insurance and other services. In the United States, as in Germany, the aggregate contribution of the changes in energy and food prices was bigger than that of core inflation. In the eurozone as a whole the acceleration of core inflation was a far less significant factor of the increase in the general level of consumer prices than growth in energy and food prices.

Foreign trade

The price situation on the world markets for the major Russian export commodities was good in 2007. Prices⁵ for the Russian exporters were on average higher than in 2006, while energy prices were higher by 11% and non-energy by 6%.

Oil prices mostly increased on the world market in 2007 after the fall in the second half of 2006 and the beginning of 2007 (in the middle of January 2007 the price of Russian oil dropped to \$46.6 per barrel). By the end of the year oil prices had doubled and reached \$97 per barrel. The main reasons for the rise in oil prices on the world market were the weakening of the US dollar against other major world currencies, faster growth in the world demand for oil, especially in the rapidly developing countries of Asia, China first and fore-

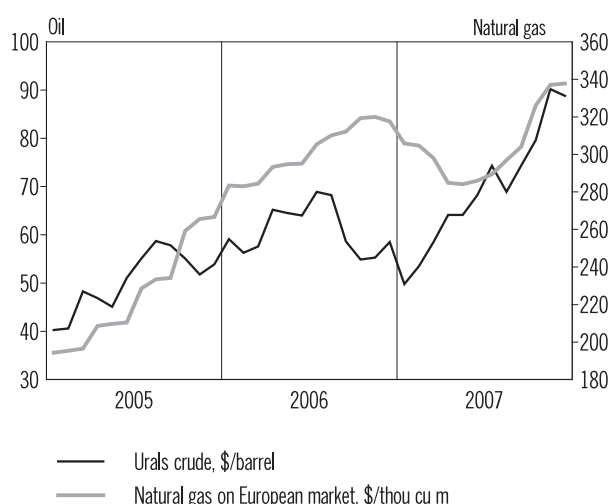
Consumer prices by country (%)*



* Consumer price growth on corresponding month of previous year.

Source: US Labor Department Bureau of Labor Statistics, Statistical Office of the European Communities EUROSTAT, China's National Statistics Bureau and Rosstat.

World oil and natural gas prices



Source: Reuters, World Bank.

⁴ Growth in prices of goods and services included in the consumer goods basket, except foodstuffs and energy products.

⁵ 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). The source of data on average monthly prices of natural gas and ferrous metal price indices is the World Bank and data on average monthly prices of other goods are provided by the International Monetary Fund.

most, the tough stand taken by the OPEC member countries on the oil production quotas (10 OPEC member countries, excluding Iraq and Angola, have not changed the oil production quotas since July 2005) and some other geopolitical and climate factors.

As a result, the average price of Urals crude in 2007 rose 14.1% year on year, to \$69.5 per barrel, according to Bank of Russia calculations. Petroleum product prices were up 13.5% on average and the price of natural gas in Europe was higher by 1.0%.

Prices changed slightly on the world ferrous metal market in 2007 and on average they remained virtually unchanged from the previous year. Non-ferrous metal prices increased year on year: aluminium was up 2.6%, copper up 5.9% and nickel up 50%. The prices of other raw materials exported by Russia, except wood and saw-timber products, were higher than in 2006.

Growth in the prices of some food products on world markets in 2007 was due to rapid increase in demand, especially in the rapidly developing countries of Asia, which grew faster than output, the increased use of agricultural raw materials in the production of bio-fuel and the reduction of raw material stocks.

The world market prices of the major food products⁶ imported by Russia in 2007 mostly increased and they rose especially fast in the second half of the year. Prices of grain, sunflower oil, butter, milk and dairy products and vegetable and fruit prices rose significantly on the world market year on year and there was also a rise in poultry and beef prices.

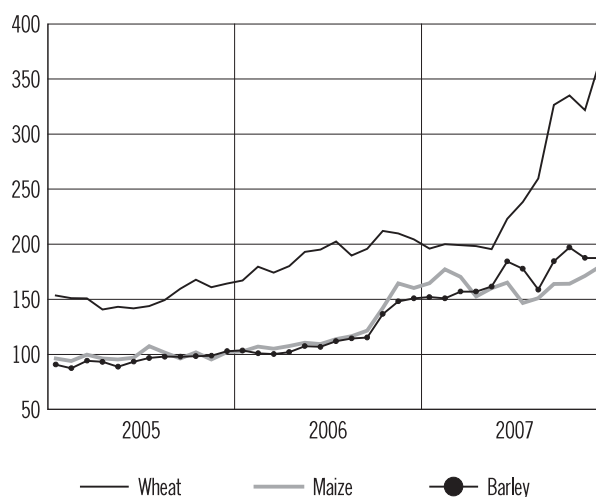
According to FAO⁷, world grain production in 2007 was slightly higher than in 2006: the output of wheat rose 1% and maize 12%. Barley production declined 1%. However, more rapid growth in demand, especially in developing countries, caused grain prices to increase. High energy prices brought about a significant rise in the demand for grain used as raw material in the production of bio-fuel (ethanol). Despite rising demand, FAO believes that world grain exports may fall in the 2007/2008 agricultural year: wheat exports may

be down 5% and barley exports may decline 6%, while maize exports are expected to rise by 1%. It is expected that the world's leading exporters such as Canada, the European Union, Argentina, Australia and Ukraine will cut wheat exports dramatically, China and Paraguay are expected to significantly reduce maize exports and Australia and Ukraine the export of barley. In June 2007, the Ukrainian government placed a temporary ban on wheat exports and on November 1 it imposed quotas on grain exports.

Growth in the world demand for grain in the consumer sector and in industrial production created preconditions for the rise in prices. The World Bank reported the following data on the major grain exporters' markets: the price of wheat rose 32.9% in the United States and 38.6% in Canada, the price of maize in the United States increased 34.3% and the price of barley in Canada grew 47.0%.

Russian wheat exports to the world market increased significantly in 2007 year on year: in January-November wheat export volumes expanded almost 50% and contract export prices rose 77.2%. Moreover, at the end of the year growth in wheat exports accelerated. In October-November 2007, wheat export volumes more than doubled as compared with the same period in 2006. At the same time, wheat imports contracted

World grain prices (\$/tonne)



Source: World Bank.

⁶ Average prices of raw and refined sugar have been calculated on the basis of data provided daily by the London Commodity Exchange. The source of data on average monthly prices of grain is the World Bank, beef, pork and poultry the International Monetary Fund and sunflower oil the All-Russia Market Research Institute's Bulletin of Commercial Information.

⁷ The United Nations Food and Agriculture Organisation (November 2007).

by two-thirds in the 11 months of 2007 even though the contract price grew 36.9%. Wheat export volumes in that period exceeded import volumes by 29.1 times (6.5 times in January-November 2006).

Prices of animal and vegetable fats rose fast on the world market in 2007, especially in the second half of the year, as the rapidly expanding bio-fuel market began increasingly to affect the balance between the resources and demand for edible animal and vegetable fats.

Fewer crops practically in all producer countries of the Northern Hemisphere and the reduction of the sunflower seed processing volumes in the EU, Ukraine, Russia and Turkey, the world's top five sunflower oil producers, led to a sharp rise in prices. According to FAO estimates, the world production of oil-bearing raw materials in the 2007/2008 agricultural year may decline by 3%; in the United States and Canada the reduction may be as much as 16%, in the EU 3%, in Turkey 9%, in Russia 5% and in Ukraine 16%. Vegetable oil exports to the world market may also fall: by 10% from the United States, by 5% from the EU, by 7% from Russia and by one-third from Ukraine. In 2007, the price of sunflower oil on the European market rose 55% year on year.

The rise in butter prices was caused by growth in consumption in some of the major importing countries amid the reduction of world stocks. Contract prices of imported butter rose 35.1% in January-November 2007, as compared

with the same period of 2006 and in the second half of the year their growth accelerated. In October-November 2007 these prices increased 80% as compared with the same period a year earlier.

The world market prices of milk and dairy products in 2007 rose due to the expansion of demand by major consumers such as the United States, Canada, China and other developing countries. In the 11 months of 2007, the contract import prices of milk increased 59.8%, whereas in October-November they more than doubled as compared with the same period of 2006.

The slight rise in beef prices and the fact that pork prices remained virtually unchanged from 2006 indicate that the situation on this market has somewhat stabilised. According to FAO estimates, world meat production increased 1% in 2007. The rise in poultry prices was due to growth in demand in the world, especially in Asian countries (China is becoming the world's leading importer of poultry). Many countries of Africa and the Middle East restored poultry imports to previous levels, while some countries increased them. Beef prices rose 2% in 2007 year on year and poultry prices grew 13%.

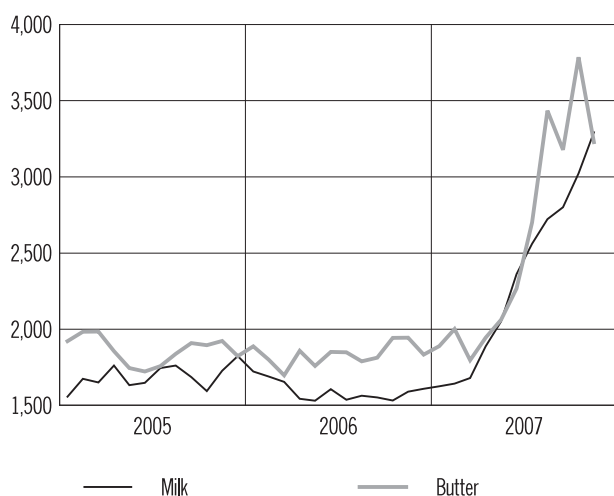
Fruit and vegetable prices grew on the world market in 2007. According to the Federal Customs Service of Russia, in the first nine months of 2007, import prices of vegetables (potatoes, tomatoes, onions, cabbage, carrots and other) increased 50%, those of apples and pears went up 24% and citrus plants 20%.

Sugar prices had been falling on the world market during the first nine months of 2007, but in the last three months of the year the price downturn had given way to price growth. As a result, the price of raw sugar was down 36% on 2006 and refined sugar was down 34%.

Significant growth in the prices of some food products on the world market, including foodstuffs imported by Russia, contributed to the acceleration of price growth on the consumer goods market.

Growth in the prices of all imported products in 2007 was slower than growth in export prices, a process that shows that the terms of Russia's trade with foreign countries⁸ in 2007 were better than in 2006.

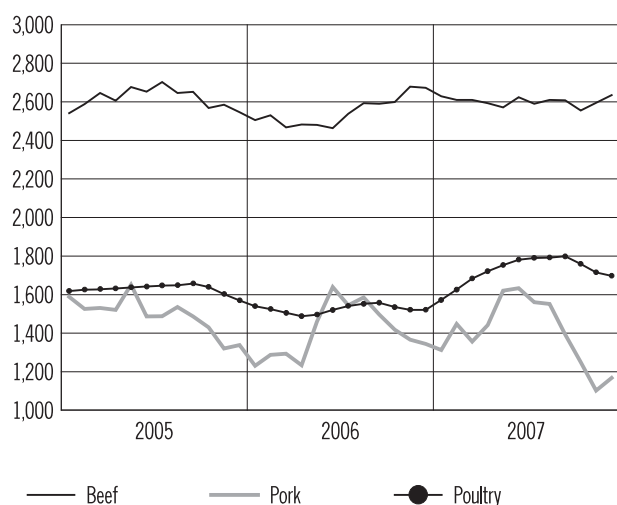
Milk and butter contract import prices (\$/tonne)



Source: Rosstat

⁸ The ratio between export and import price indices.

World meat prices (\$/tonne)



Source: International Monetary Fund.

Russia's trade balance surplus contracted year on year in 2007 due to the accelerated growth in imports. It decreased by 5.1% to \$132.1 billion (in 2006 it increased by 17.6% to \$139.2 billion).

Russia's international trade situation⁹ in 2007 was affected by uneven intrayear energy price dynamics and the reduction of foreign demand for metal products. Preliminary data show that Russian oil and petroleum product exports to the European Union, the United States and China changed little from the 2006 levels. The United States and China reduced the consumption of ferrous metals and ferrous metal products imported from Russia. In 2007, Russia registered for the first time a deficit in its trade with China. The value of Belarusian imports from Russia increased due to growth in import prices, especially energy prices, amid the slight contraction of import volumes. Russian exports to Ukraine and Kazakhstan grew, but their share in Ukraine and Kazakhstan aggregate imports contracted as demand for products with a high value added, including investment goods, increased in these countries.

Demand

Domestic demand

Growth in domestic demand, which increased by an estimated 14% (as against 11% in 2006), was a major factor of economic development in 2007, as in the previous years. Demand

grew rapidly as the incomes of all economic agents increased and domestic producers became increasingly attractive to investors.

GDP expanded 8.1% in 2007 year on year, a growth exceeding the previous five years' average. Domestic demand for imports increased faster than the demand for domestic products. Compared to the previous year, this gap widened due to more rapid growth in demand for imports.

The expansion of domestic demand due to growth in revenues in various sectors of the economy and the ruble's real appreciation against the currencies of Russia's leading trading partners facilitated dynamic growth in the import of both investment and consumer goods. At the same time, Bank of Russia estimates show that the import of investment goods necessary for economic development grew a little faster than the import of consumer goods (the latter mostly increased due to growth in the import of cars, household appliances and other non-food products).

Imports from Asia-Pacific Economic Cooperation (APEC) member countries, especially China and Japan, grew faster than overall imports¹⁰ in 2007. Imports from EU member countries, including the eurozone, and the CIS grew more slowly than overall imports.

The favourable effect of consumer demand on the expansion of the production of goods and services was limited by competitive imports. The share of imported products in the retail trade commodity resources in January-September 2007 expanded by a percentage point as compared with the same period a year earlier and stood at 46.3%. The share of revenues from food imports expanded from 35.8% to 37.6% and the share of revenues from non-food imports expanded by 0.2 percentage points to 53.4%.

Growth in imports in 2007 was largely due to the expansion of import volumes, which slightly accelerated as compared with 2006. As a year earlier, import prices increased far less than import volumes. As a result of the acceleration of growth in import prices in the fourth quarter of 2007, the import price index rose slightly in 2007 as a whole compared to 2006 due to the significant rise in food prices. The rise in the prices of some import

⁹ According to the US Department of Commerce Bureau of Census, the Statistical Office of the European Communities EURO-STAT, the Ministry of Commerce of the People's Republic of China and national statistical offices of other countries.

¹⁰ According to data compiled by Russia's Federal Customs Service.

products, particularly foodstuffs, provoked price growth on the domestic market. Growth in the import of machinery and equipment, especially motor cars, contributed to the significant increase in the cost of imports.

Household sector spending on final consumption rose 13.1% in 2007 as against 11.3% in 2006. Economic growth, the financial stability of enterprises and the provision of more secure government social guarantees in 2007 led to a 12.3% increase in real money income. The share of wages and salaries in household money income expanded from 66.9% to 69.5% in January-September 2007, while the share of incomes from entrepreneurial activities contracted. The structure of household income use also changed slightly in 2007: the share of consumer spending expanded from 69.0% to 69.6% and the share of compulsory payments and duties increased from 10.5% to 12.6%. As for compulsory payments, there was an increase in taxes and duties and expenses on paying interest on loans. The share of organised savings contracted by 1.4 percentage points to 8.9%. This means that people preferred to spend more on consumption, using, among other things, bank loans, than increase organised savings amid accelerating inflation and low deposit interest rates.

Rapid increase in consumer spending stimulated retail trade, which accelerated its turnover growth to 15.2% in 2007 from 13.9% in 2006, while the value of paid services provided to the public rose 7.1% (7.9% in 2006). Transport, municipal and communications services accounted for most of the value of paid services.

Government expenditures on final consumption increased 4.9% in 2007 (as against 2.3%

in 2006). The increase in non-interest federal budget expenditures relative to GDP, the uneven spending of budget funds during the year and, as a consequence, the build-up of expenditures at the end of the year stimulated inflation, especially in the latter half of 2007. At the same time, by absorbing additional revenues from oil exports into its Stabilisation Fund the Russian Government checked growth in consumer prices.

According to Federal Treasury data, in 2007 the federal budget surplus stood at 5.5% of GDP. This represents a decrease of 1.9 percentage points from 2006, caused by significant growth in budget expenditures. Federal budget revenues in 2007 increased by 0.3 percentage points year on year and stood at 23.6% of GDP. This was due to the acceleration of economic growth and additional revenues from the sale of YUKOS assets. Meanwhile, oil revenues fell by 1.5 percentage points as compared with 2006, to 6.6% of GDP, largely as a result of the ruble's appreciation against the US dollar.

Federal budget expenditures rose to 18.1% of GDP in 2007 (as against 15.9% in 2006). Non-interest expenditures made up 17.7% of GDP (as against 15.3% in 2006), the highest ratio since 2000. Expenditures on development institutions, such as the Municipal Infrastructure Reform Fund, the Russian Nanotechnology Corporation, the Development Bank and the Investment Fund, accounted for most of the growth in expenditures. As these expenditures were financed in the fourth quarter, the spending of budget funds in 2007 did not become more even than in 2006. Meanwhile, the federal budget execution expenditures-wise in 2007 was just 91.6% of the level written down in the federal budget law (96.3% in 2006) due to

GDP consumption (growth as % of corresponding period of previous year)*

	2006					2007			
	Q1	Q2	Q3	Q4	full year	Q1	Q2	Q3	full year
GDP	5.0	7.0	6.8	7.8	7.4	7.9	7.8	7.6	8.1
Final consumption	7.9	9.1	9.6	10.2	8.9	9.7	10.0	10.2	10.8
Of which:									
- households	9.6	10.7	11.6	12.6	11.3	11.9	12.2	12.8	13.1
Gross capital formation	4.0	16.9	10.4	19.7	18.1	34.2	24.5	19.2	22.6
Net exports	-5.9	-14.3	-22.2	-24.3	-15.3	-21.9	-25.1	-36.1	-30.7
- exports	9.0	6.4	6.1	7.4	7.3	3.4	5.2	7.1	7.4
- imports	22.9	21.7	19.1	23.2	21.6	25.5	25.8	27.5	30.4

* Quarterly data have not been revised or matched with the full-year figures; they are to be updated in March 2008.
Source: Rosstat.

the underfinancing of expenditures on general government programmes, healthcare and sports and social programmes.

Gross capital formation increased 22.6% in 2007 (as against 18.1% in 2006). Last year saw a significant increase in investment activity: fixed capital investment grew 21.1% (as against 13.7% in 2006). The largest sums were invested in the mining sector, transport and communications.

Investments in machinery, equipment and transport vehicles accounted for more than a third of total investments. One-fifth was used to acquire imported equipment. Imports of machinery, equipment and transport vehicles increased 57.6% in January-November 2007 (as against 49.5% in the same period of 2006). This growth was partly the result of the strengthening of the ruble in real terms. Growth in engineering imports helps modernise production and, consequently, raise labour productivity, control price growth in the economy and create conditions for sustainable economic growth.

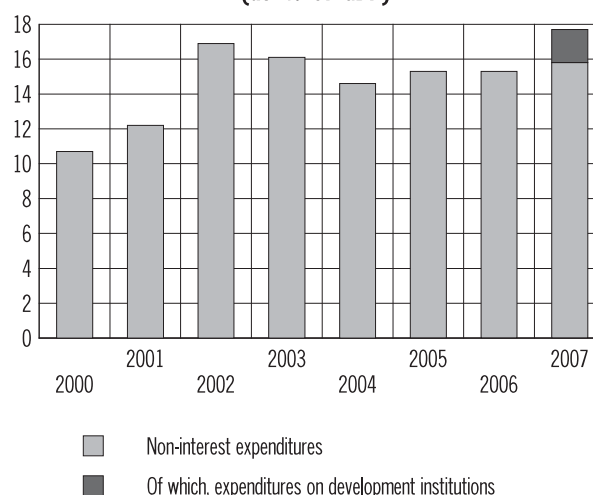
Fixed capital investments were largely financed (by 57.2%) by raising funds in January-September 2007. Growth in revenues in the economy led to the expansion of the share of budget funds in investment financing (from 17.3% to 18.5%). The share of bank loans in investment financing stood at 10.2% (as against 9.3% in January-September 2006).

According to data compiled by Rosstat in the course of studying investment activity, the principal objective of investment in 2007 was to replace worn-out technology, enhance the efficiency of production and expand production capacity. The major obstacles to growth in investment were the shortage of own funds, big risks and high interest rates on bank loans.

As imports grew considerably faster than exports, net exports of goods and services decreased by 30.7% in 2007.

As a result, on the one hand, high investment activity and growth in household incomes stimulated economic growth; on the other hand, these processes caused production to exceed its natural (potential) level and, consequently, contributed to the acceleration of price growth on the consumer goods market.

**Non-interest federal budget expenditures
(as % of GDP)**



Source: Federal Treasury.

Foreign demand¹¹

According to IMF and World Bank estimates, world production growth slowed to 5.2% in 2007 (from 5.3-5.4% in 2006). Production growth in the countries that account for a substantial part of Russian exports slowed to 4.7% (from 5% in 2006). Economic growth rates in foreign countries have been adversely impacted by slackened demand in housing construction and increased mortgage credit risks. The slowing of GDP growth in the United States and Japan was due to the reduction of housing construction. GDP growth also slowed down in Germany, France and Britain. Belarus's economy was affected by the change in the terms of trade, caused by the rise in the price of imported natural gas and the revision of export duties on oil imported from Russia and petroleum products exported from Belarus. The reduction of the external financing of Kazakhstan's economy, connected with the revaluation of risks by international investors, led to the slowing of growth in bank credit and brought about a downturn in construction and some other manufacturing sectors of the country's economy.

The value of Russian exports increased in 2007 year on year due to growth in oil and petroleum and non-energy product export prices. Export prices in 2007 grew less than in 2006. Oil export volumes expanded (they contracted in 2006), whereas natural gas and ferrous metal export volumes shrank, as they did a year earlier. Exports of

¹¹ According to data compiled by the US Department of Commerce Bureau of Economic Analysis, the Statistical Office of the European Communities EUROSTAT, China's National Statistics Bureau and national statistical offices of other countries.

goods increased 16.9% year on year to total \$355.2 billion (according to the balance of payments methodology). Export volumes grew more slowly than export prices. Exports of goods to APEC countries, especially South Korea and Japan, and CIS countries, particularly the members of the Eurasian Economic Community (EurAsEC), rose faster than overall exports of goods¹² in January-November 2007. Meanwhile, growth in exports to the EU countries, including the eurozone, slowed down.

Production

The economic situation in Russia in 2007 was characterised by the year-on-year acceleration of production growth virtually in all types of economic activity.

The manufacturing sector, trade, education and healthcare increased their contribution to value added growth in 2007 as compared with 2006, whereas the mining sector's contribution decreased. This process indicates that the Russian economy has become less susceptible to the fluctuating external economic conditions and the role of the services sector has increased.

Output in the key types of activity increased 8.7% in 2007 (as against 6.1% in 2006). The most rapid rates of growth were registered in the construction sector and retail trade. Retail trade turnover expanded 15.2% (as against 13.9% in 2006), while growth in the construction sector stood at 18.2% (as against 18.1% a year earlier). In the meantime, growth in freight transport turnover slowed to 2.2% in 2007 from 2.7% in 2006.

Price dynamics in the economy were affected by the expansion of the supply of goods. Industrial output increased 6.3% (as against 3.9% in 2006). Production growth in the manufacturing sector accelerated from 4.4% in 2006 to 9.3% in 2007. Dynamic growth was registered in the sectors that ensure investment demand: the output of machinery and equipment increased 19.3%, transport vehicles 15.9%, and non-metal mineral products 10.8%. The output of rubber and plastic goods rose by a solid 23%. As for the types of activity that ensure consumer demand, there was a fall in the production of textile and clothing and leather and footwear, while food production continued to increase (6.1%). The acceleration of growth in producer prices in these types of activ-

ity in 2007 increased the inflationary pressure on the consumer goods market.

Agricultural production increased 3.3% year on year (as against 3.6% in 2006). There was a rise in the output of major livestock products: live-stock and poultry production increased 8.6% and milk production rose 2.3%. As a result, the output of meat and meat products increased 9.2% in 2007 year on year (of which the production of meat, including premium-quality by-products, grew 14.6%) and milk production was up 0.2%.

Gross grain output in 2007 exceeded the previous year's level by 4%. However, the production of sunflower fell 12.3% and sugar beet 6.6%. As a result, domestic producers may become increasingly dependent on imported raw materials and this dependence amid growth in import prices may increase the inflationary pressure on the domestic consumer goods market.

The rate of production capacity utilisation has increased persistently in recent years. The Centre for Economic Studies has estimated that the rate of production capacity utilisation in industry stabilised at 70% in the second and third quarters of 2007, exceeding by 2 percentage points the 2006 Q3 rate. The highest capacity utilisation rate was registered at the pulp-and-paper enterprises specialising in the book publishing and printing business (80%) and enterprises turning out rubber and plastic products (79%) and other non-metal mineral products (77%). The lowest capacity utilisation rate was registered at enterprises producing foodstuffs (63%) and coke and petroleum products (62%).

Estimates show that the production gap between actual and potential output was positive in 2007, which is a sign of high inflationary pressure in the economy.

Labour market

One factor of the acceleration of inflation was the acceleration of growth in the number of people employed in the economy, which affected demand and cost dynamics. It has been estimated that this growth accelerated by 2.5% in 2007 (as against 0.8% in 2006). As output grew considerably faster, labour productivity increased by an estimated 5.5% (as against 6.5% in 2006), restraining price growth in the economy.

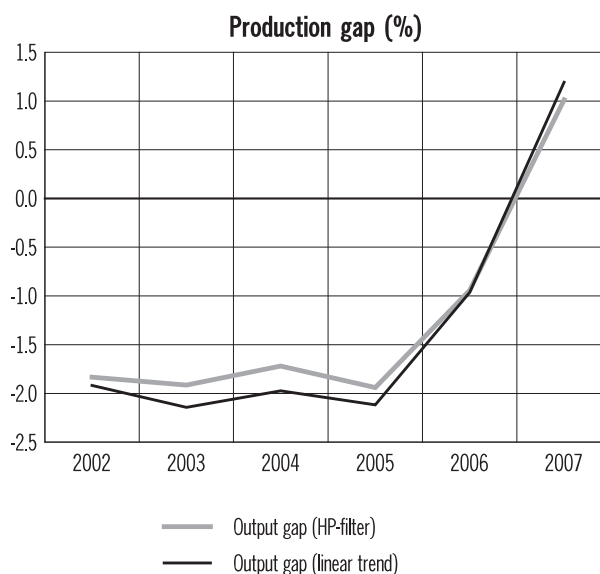
¹² Source: Federal Customs Service.

It has been estimated that unlike the situation a year earlier, in 2007 labour productivity in the services sector increased more rapidly than in the manufacturing sector and production growth in the services sector far surpassed production growth in the manufacturing sector. The number of people employed in the services sector increased year on year, whereas the manufacturing sector registered a fall in job numbers.

As in the previous years, real wage grew faster (by 16.2%) than labour productivity. The gap between real wage and labour productivity growth rates widened compared with the previous year and contributed to the inflationary trends.

The share of wages in the GDP structure by source of income expanded from 44.1% in 2006 to 44.8% in 2007.

Wages continued to differ widely in different types of activity. The highest average monthly wage in January-November 2007 was registered in the financial sector (33,812 rubles) and the mining sector (27,092 rubles). These exceed the national average by 2.6 times and 2.1 times, respectively. The lowest wages were registered in agriculture, hunting and forestry (5,947 rubles), the textile and clothing industry (6,275 rubles) and the production of leather and leather goods and footwear (6,968 rubles). These made up, respectively,



Source: Bank of Russia.

45.5%, 48% and 53.3% of the national average monthly wage. Below-average wages were characteristic of the types of activity that were funded, to a large extent, from the federal budget (education, utility, social and other services and healthcare).

The number of unemployed, calculated according to the ILO-recommended methodology, fell by an estimated 12.7% in 2007 (as against 5.1% in 2006). The total number of jobless stood at 6.2% of the economically active population (as against 7.2% in 2006).

Monetary Conditions

Exchange rate

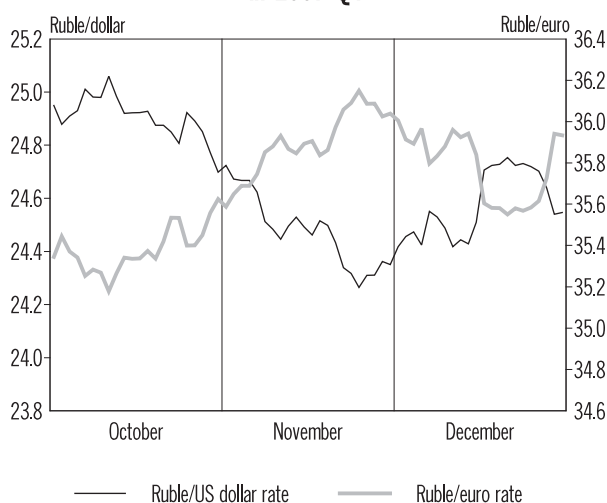
The main factor that shaped the situation on the domestic foreign exchange market in the fourth quarter of 2007 was the favourable external economic conditions, which ensured the inflow of a large amount of foreign exchange earnings due to the high level of energy prices. Judging by the evaluation of Russia's balance of payments for 2007, the current account surplus amounted to \$22.1 billion in October-December 2007 (in the third quarter it stood at \$15.8 billion). In addition, unlike the situation in the third quarter, when instability on world financial markets provoked an outflow of capital from Russia and the terms of borrowing abroad deteriorated, in the fourth quarter the private sector registered a net capital inflow of \$23.5 billion, according to preliminary data.

On the domestic forex market the Bank of Russia remained the net buyer of foreign exchange, cushioning fluctuations of the operational benchmark – cost of the bi-currency basket, whose composition remained unchanged from the third quarter (0.45 euros and 0.55 US dollars). Russia's international reserves grew more than in the previous quarter (\$51.0 billion and \$19.5 billion, respectively). Over the year they increased by \$172.7 billion (in 2006 they grew by \$121.5 billion)

and as of January 1, 2008, they stood at \$476.4 billion.

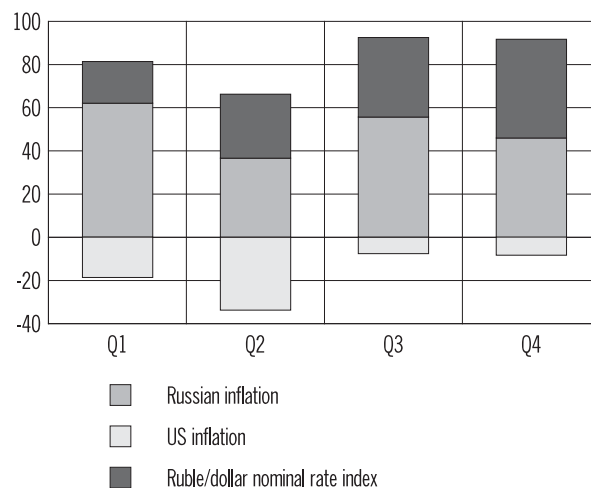
The nominal ruble/dollar rate gained more in the fourth quarter than in the third (3.5% as against 1.4%) and as a result in 2007 the ruble appreciated 6.3% against the dollar (4.0% in 2006). While in the first three weeks of October the dollar retained its positions against the ruble on the whole, later it started to lose ground. This trend was the result of the dollar's depreciation on the international market caused by the expectations of the fallout of the mortgage credit crisis and predictions of growth in the ECB and Federal Reserve interest rate differential as the eurozone economy experienced increased inflationary pressure. In the last week of November and the first half of December the dollar/ruble exchange rate fluctuated slightly, sometimes due to technical exchange rate readjustments, until the dollar began gradually to appreciate after a number of US officials claimed that growth would resume in the real sector of the US economy after the Federal Reserve cut its key interest rate. However, the release of negative statistics on the housing market by the US Department of Commerce and the increased uncertainty on world financial markets in the last week of December caused the dollar to take a deep plunge against other major world cur-

Nominal ruble/US dollar and ruble/euro rate in 2007 Q4



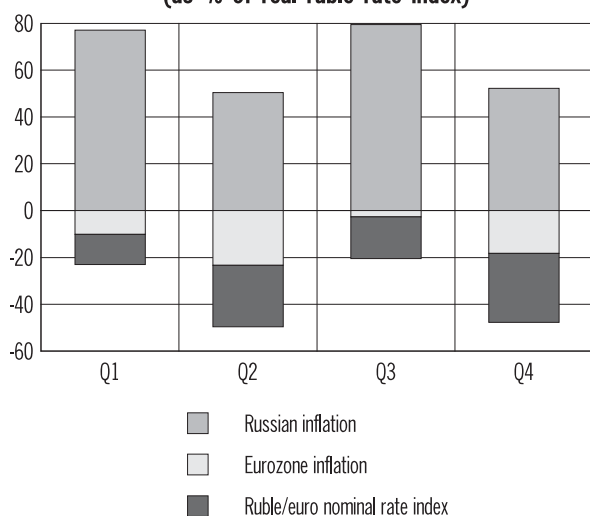
Source: Bank of Russia, Reuters.

Decomposition of change in real ruble/dollar rate in 2007 (as % of real ruble rate index)



Source: Bank of Russia, Reuters.

**Decomposition of change in real ruble/euro rate in 2007
(as % of real ruble rate index)**



Source: Bank of Russia, Reuters.

rencies. As a result, at the end of the fourth quarter the ruble rose to 24.55 against the dollar.

The nominal ruble/euro rate fell by 1.9% in the fourth quarter as compared with the third (in the third quarter it slipped by 0.5%). The overall reduction of the nominal rate of the ruble against the euro stood at 2.6% on an annualised basis (in 2006 the ruble appreciated 3.3% against the euro).

The nominal rate of the ruble against the bi-currency basket gained 0.6% in the fourth quarter (as against 0.4% in the third), mainly due to the significant rise in the nominal ruble/dollar rate in that period. The nominal rate of the ruble against the bi-currency basket in 2007 gained 0.6%.

The nominal effective rate of the ruble fell by 0.6% in the fourth quarter (it was down 0.1% in the third). In 2007 as a whole it fell by about 0.6%, whereas in 2006 it gained 3.3%. **The real effective rate of the ruble** gained 0.7% in the fourth quarter (1.2% in the third) and 4.2% on an annualised basis (9.4% in 2006). Since inflation in Russia in the fourth quarter was higher than in the countries that are its leading trading partners, the slowing of growth in the real effective rate was the immediate result of the fall in the nominal effective rate of the ruble.

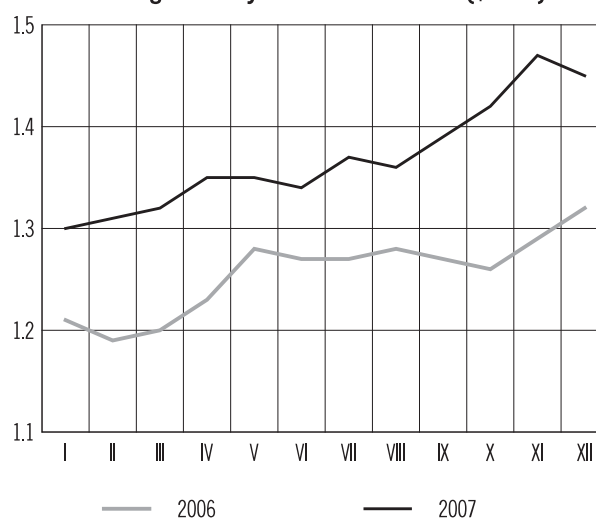
The real ruble/dollar rate appreciated 6.2% in the fourth quarter (3.2% in the third), while in 2007 as a whole the ruble's real gain against the dollar stood at 12.8% (it was 10.7% in 2006). The relative contribution of the nominal

ruble rate and Russian inflation to the strengthening of the real ruble/dollar rate gradually became more even during the year. In the fourth quarter the real rate of the ruble made the biggest gain of the year, which was equally due to the significant acceleration of price growth in the Russian economy and the rise in the nominal ruble/dollar rate.

The ruble/euro real exchange rate gained 0.6% in the fourth quarter (1.4% in the third) and in 2007 as a whole the ruble gained 4.2% against the euro in real terms (11.5% in 2006). Domestic inflation remained the main factor of ruble/euro real exchange rate dynamics.

The weakening of the US dollar in the fourth quarter contributed to the slowing of consumer price inflation in Russia by about 0.17 percentage points. However, its effect was largely offset by the strengthening of the nominal rate of the euro against the ruble in the fourth quarter. As a result, the slight increase in the nominal rate of the ruble against the bi-currency basket in October-December 2007 brought about the slowing of domestic price growth by about 0.04 percentage points. At the same time, taking into consideration that the exchange rate influences inflation during a long period of time, it is important to emphasise that the overall downward pressure on inflation by bi-currency basket dynamics in the fourth quarter will continue into the first half of this year and as a result it will not amount to more than 0.1 percentage points.

Average monthly euro/US dollar rate (\$/euro)



Source: Reuters.

On the international currency market the dollar depreciated against the currencies of most of Russia's trading partners in 2007. It lost the most against the Turkish lira and Brazilian real and the least against the Japanese yen and British pound. Compared to December 2006, in December 2007 the dollar lost more than 10% against the euro, over 6% against the yuan and nearly 4.5% against the yen. The devaluation of the dollar against the euro resulted from the fall in the yield on the dollar-denominated financial assets as compared with the yield on the euro-denominated assets. The dollar's weakening in the second half of the year was due to the mortgage crisis in the United States. To scale down currency interventions on the foreign exchange market, the People's Bank of China on May 18, 2007, broadened the range of the yuan's intraday fluctuations against the dollar from +/-0.3% to +/-0.5%. After that and until the end of 2007 the yuan had appreciated 5% against the dollar and since July 21, 2005, when the yuan revaluation began, the yuan had gained more than 13% against the dollar. The Ukrainian hryvnia remained unchanged against the dollar in 2007, just as the Belarusian ruble remained virtually unchanged against the dollar.

Interest rates

Money market and Bank of Russia interest rates

The objective of the US Federal Reserve was to maintain stability in the financial sector and avert the risk of an economic slowdown. In the period from September to December 2007, it cut the benchmark federal funds rate from 5.25% to 4.25% p.a. The European Central Bank in the first half of 2007 raised the refinancing rate from 3.5% to 4% p.a., but later it left it unchanged due to increased risks in the financial sector. The Bank of England in late 2007 switched from raising the refinancing rate to cutting it. Denmark, Sweden, Switzerland, Poland, the Czech Republic, Japan, China,

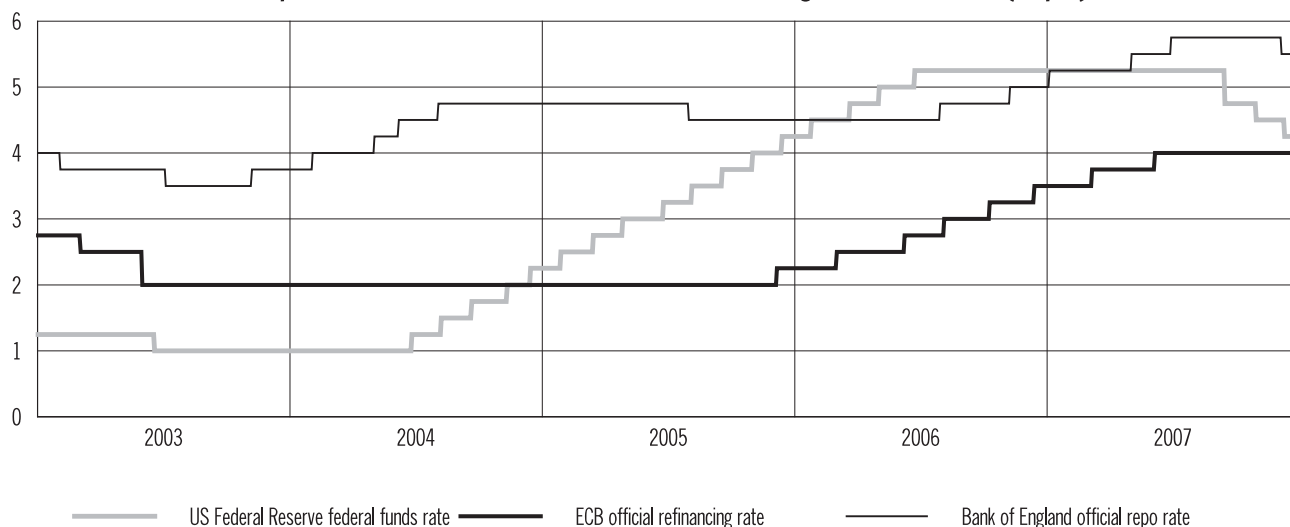
South Korea and India raised interest rates to curb inflation. Some countries, such as Hungary, Slovakia, Turkey, Indonesia, Thailand and the Philippines, where the monetary policy helped reduce inflation, lowered interest rates. LIBOR rates fell by 0.3-0.8 percentage points on the dollar-denominated deposits with terms from one month to one year in 2007 (December on December 2006) while rising by 0.9-1.1 percentage points on the euro-denominated deposits. By the end of the year LIBOR rates on the dollar-denominated deposits with terms longer than six months had fallen below LIBOR rates on the euro-denominated deposits with the same terms¹.

Interest rates that set the limits of the Bank of Russia interest rate band remained unchanged in the fourth quarter of 2007. The overnight credit rate was 10% p.a. (it remained unchanged in the third quarter too). Interest rates on standard 'tom-next' deposit operations was 2.75% p.a. (on August 14 it was raised by a quarter of a percentage point). The lowest interest rate at the one-day repo auctions remained unchanged from the third quarter at 6%.

The average weighted one-day repo auction rate ranged from 6.03% to 6.70% p.a. in October-December (in August-September it varied between 6.04% and 6.50% p.a.). The average weighted interest rate at the four seven-day auctions held during that period ranged from 6.55% to 6.85% p.a. (at the August 28 auction it was 6.99% p.a.)

The average weighted yield at the deposit and Bank of Russia bond (OBR) auctions held in the fourth quarter of 2007 was higher than in the third as the Bank of Russia set higher cut-off rates.

European Central Bank, Federal Reserve and Bank of England interest rates (% p.a.)



Source: ECB, Federal Reserve and Bank of England.

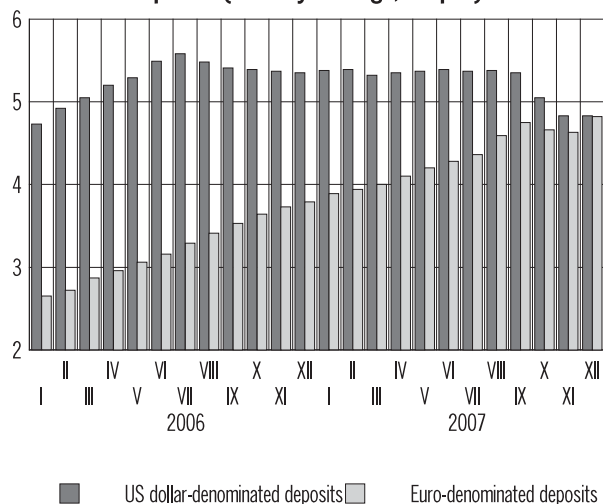
¹ Source: Reuters.

The average weighted four-week deposit auction interest rates ranged from 4.01% to 4.19% p.a. (3.20% to 4.16% p.a. in the third quarter) and the average weighted three-month deposit auction rates varied between 4.90% and 4.95% p.a. (3.79% and 4.13% p.a. in the third quarter). The average weighted yield at the Bank of Russia bond auctions ranged from 5.06% to 5.30% p.a., whereas in the third quarter it varied between 4.14% and 5.09% p.a.

Bank of Russia operations to provide liquidity to credit institutions from August to December 2007

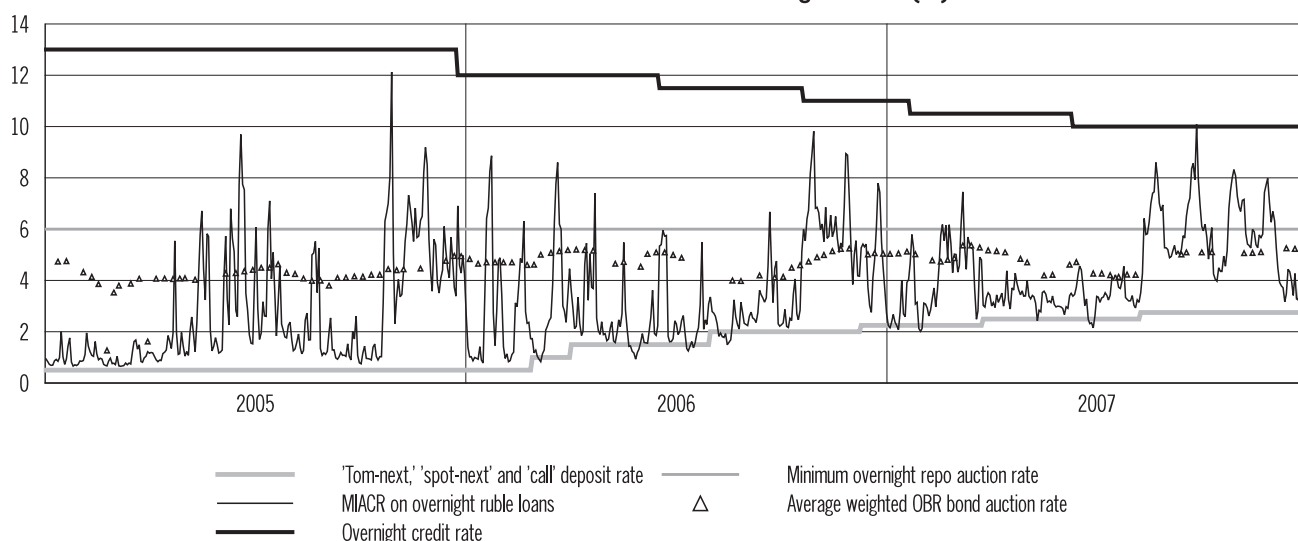
In the second half of August, when the US mortgage crisis destabilised world financial markets, the Russian money market experienced a shortage of rubles. This could be seen

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



Source: Reuters.

Bank of Russia interest rates and overnight MIACR (%)



Source: Bank of Russia.

from the rise in the level of interest rates on the Russian interbank loan market, their increased volatility, the increased interest taken by credit institutions in Bank of Russia refinancing operations and the significant reduction in the volume of deposit and Bank of Russia bond operations.

The deterioration of the situation on international financial markets was accompanied by the reduction of capital inflow (Russian balance of payments figures indicate that in August-September 2007 banking sector net capital outflow reached a two-year high. In that situation the Bank of Russia in the second half of the year, especially in August and September, scaled down dramatically its currency interventions, which in the previous years had had a decisive effect on the dynamics of the autonomous factors of liquidity and provided a substantial part of liquidity to the banking sector.

The Bank of Russia provided most of liquidity through repo auctions. From August to December banks received a total of 7.4 trillion rubles through repo auctions, whereas in 2006 as a whole banks received 2.0 trillion rubles in this manner. Most of these funds were provided in August (1.86 trillion rubles), October (1.33 trillion rubles) and November (2.92 trillion rubles). In addition, at the end of November the Bank of Russia began to conduct repo operations at fixed rates—8% for one day and 7% for one week. The volume of these operations totalled 6.6 billion rubles in November-December.

Funds provided to banks through other refinancing operations increased significantly. From August to December 2007, the value of overnight loans increased to 86.3 billion rubles as against 47 billion rubles during the entire year 2006.

In August-November, the Bank of Russia conducted currency swap transactions with credit institutions, which amounted to 7.6 billion dollars and 200 million euros (200 million dollars in 2006). To efficiently regulate banking sector liquidity and maintain stability on the domestic forex market, the Bank of Russia on October 11 cut its currency swap interest rate from 10% to 8%.

The value of Lombard loans extended in August-December also increased. The total value of one-week and two-week Lombard loans in that period reached 22.2 billion rubles at the average weighted interest rate of about 7% (6.1 billion rubles in 2006). In addition to the existing procedure for extending Lombard loans, the Bank of Russia on November 28 allowed banks to take Lombard loans for one calendar day at the fixed interest rate of 8%.

Moreover, to maintain banking sector liquidity, the Bank of Russia in August-December extended **long-term loans with a term of up to six months** at the interest rates of 7-9% and also bought securities from banks to put them in its own portfolio and repurchased a large amount of Bank of Russia bonds (OBR) on the secondary market.

Taking into consideration the ruble liquidity situation, the Bank of Russia on October 11 **lowered for three months the following required reserve ratios**: from 4.0% to 3.0% for credit institutions' obligations to private individuals in rubles and from 4.5% to 3.5% for obligations to non-resident banks in rubles and foreign currency and other obligations of credit institutions. This enabled credit institutions to use a part of their reserve funds. On November 1, the Bank of Russia raised the required reserve averaging ratio from 0.3 to 0.4.

To expand the refinancing of credit institutions, the Bank of Russia in the same period **extended the Lombard list** by including in it several new types of securities. In October it lowered by two notches the requirements for the bond issuer international rating, which should be no lower than B+ according to the Standard & Poor's and Fitch Ratings classi-

fication or B1 according to the Moody's classification. As a result, by the end of 2007, the Bank of Russia had included in its Lombard list more than 50 new securities issues and increase significantly potential security for the refinancing operations.

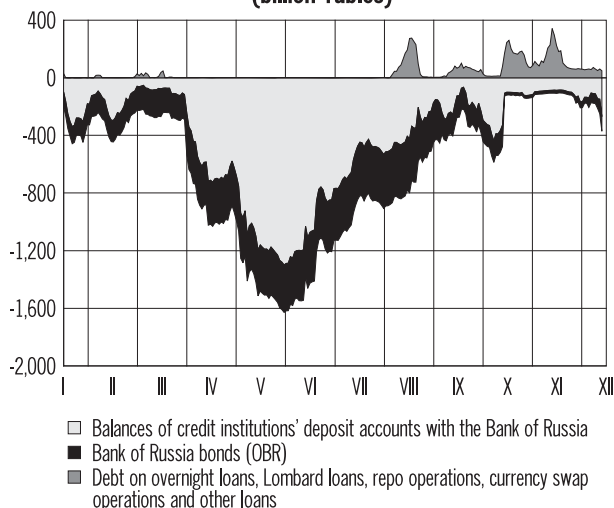
In addition, the Bank of Russia increased the correction factors used in calculating the value of securities accepted as collateral for Bank of Russia loans and reduced the discounts used in conducting repo transactions with the Bank of Russia.

As a result of the liquidity control measures taken by the Bank of Russia, by the end of December the interest rate on overnight ruble loans on the interbank market had fallen close to the level registered in April-July. In addition, they allowed the banking system to maintain growth in credit to the economy at a level no lower than that registered in first half of the year.

Bank interest rates on overnight ruble loans on the interbank loan market remained within the Bank of Russia interest rate band in the fourth quarter and only on December 27 the rate fell by 12 basis points below the 'tom-next' deposit rate. The overnight ruble MIACR range of fluctuations narrowed to 2.63-8.32% p.a. in the fourth quarter from 2.15-10.09% p.a. in the third. The average MIACR on overnight ruble-denominated loans stood at 5.43% p.a. in the fourth quarter as against 4.94% p.a. in the third. In 2007, the average MIACR on overnight ruble loans stood at 4.43% p.a. as against 3.42% p.a. in 2006. The overnight ruble MIACR range of fluctuations in 2007 was higher (2.02-10.09%) than in 2006 (0.78-9.82%), but it became narrower by 97 basis points. Growth in the level of interest rates as compared with the previous periods, which continue to fluctuate within a wide range, is the natural reaction of the domestic market to the increased cost of the external funding for credit institutions.

Folded cumulative frequency distribution curves were used to analyse the deviations of money market short-term interest rates (MIACR rates² and overnight interdealer repo rates³) from interest rates on the largest Bank of Russia operations (deposit and repo rates⁴). Taking into consideration the development of the liquidity

Bank of Russia major operations in 2007
(billion rubles)



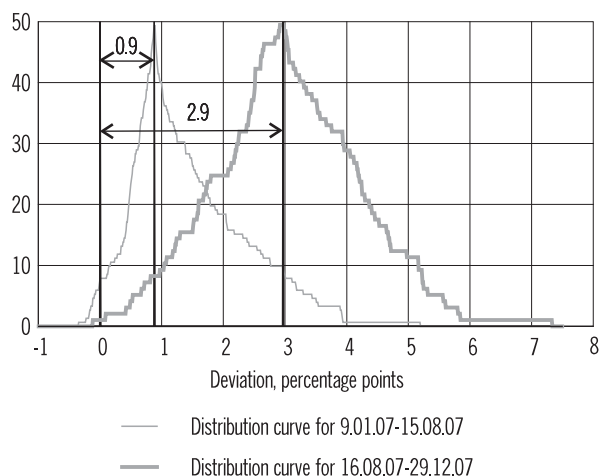
Source: Bank of Russia.

² Average weighted interest rate on overnight interbank ruble-denominated loans on the Moscow market (extended mostly without security).

³ Average weighted interest rate on overnight interdealer repo operations in the securities sector of MICEX (bonds on the Bank of Russia Lombard List are used as security).

⁴ Interest rate on 'tom-next', 'spot-next' and 'call' deposits, which sets the lower limit of the Bank of Russia interest rate band, has been used as the deposit rate. Average weighted overnight repo auction rate has been used as the repo rate. On days when Bank of Russia did not conduct repo operations the lowest possible repo rate (6%) was assumed as the repo rate.

Folded distribution curve for cumulative frequencies of MIACR deviation from Bank of Russia deposit rates (%)



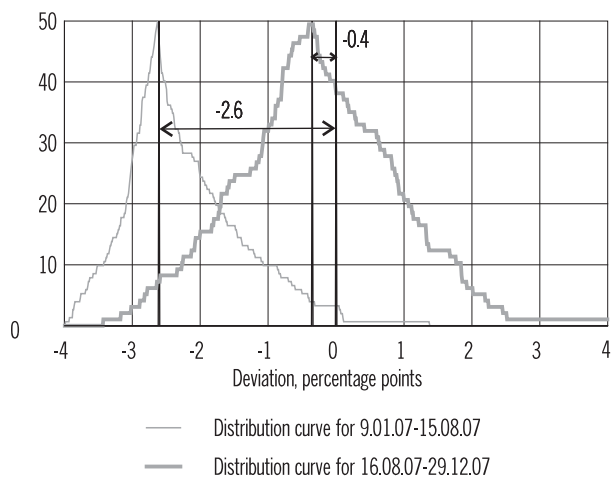
Source: Bank of Russia.

situation in the banking sector in 2007, the year was divided into two periods, one from January 9 to August 15 and the other from August 16 to December 29.

The period from the beginning of 2007 to the middle of August was characterised by excess liquidity. MIACR dynamics largely followed Bank of Russia deposit interest rate dynamics. This is confirmed by the fact that the absolute value of the median deviation of MIACR from the 'tom-next' deposit rate (0.9 percentage points) in that period was smaller than it was after August 15 (2.9 percentage points).

The MIACR median deviation from the Bank of Russia repo rate decreased significantly in the

Folded distribution curve for cumulative frequencies of MIACR deviation from Bank of Russia repo rates (%)



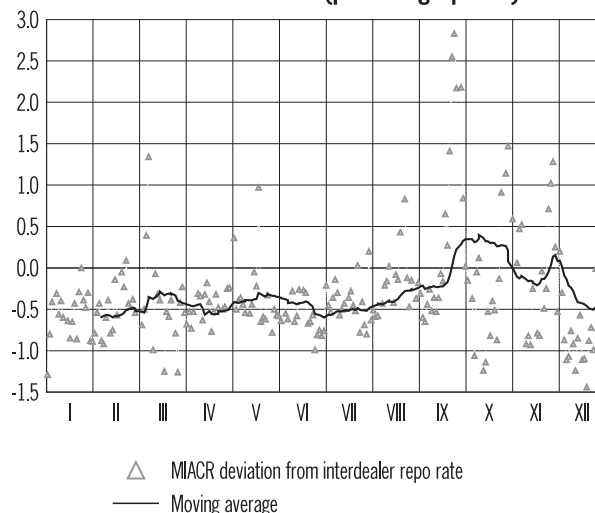
Source: Bank of Russia.

period after August 15 and stood at -0.4 percentage points as against -2.6 percentage points in the period before August 15. This change shows that banks have become more active in using refinancing operations and similar dynamics of deviations of the average weighted overnight interdealer repo rate, which characterises the short-term secured credit market, from the Bank of Russia key rates confirm this conclusion.

The period after August 15 is also characterised by the increased volatility of deviations of interbank market rates from Bank of Russia rates. The volatility of MIACR deviations from the Bank of Russia deposit rate was considerably lower in the period from January 9 to August 15: in that period 80% of deviations had an interval of 2.6 percentage points, whereas in the period from August 16 to December 29, 80% of deviations had an interval of 4.1 percentage points. Growth in deviation volatility was due to the increased uncertainty on the money market.

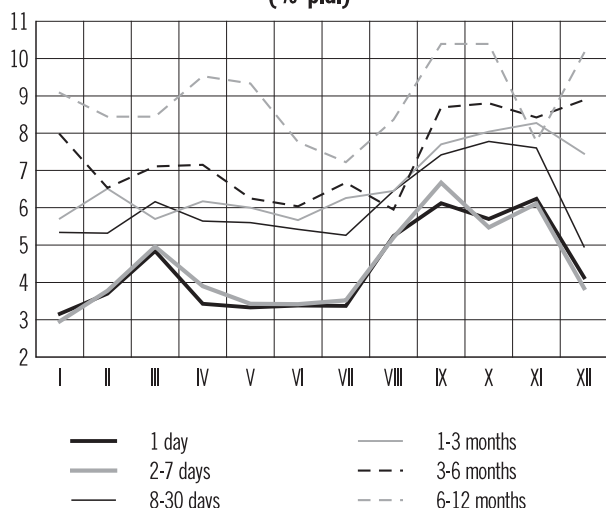
The dynamics of the spread between rates on secured loans (interdealer repo rate) and unsecured loans (MIACR) testified to the increased instability on the interbank market and the increased uncertainty of its participants in the second half of 2007. The increased volatility of the spreads and the fact that the interest rates on unsecured loans had risen far more than the interest rates on secured loans indicate that the market had become more uncertain and one of the consequences of this uncertainty was growth in risk premiums.

Spreads between interest rates on secured and unsecured loans (percentage points)



Source: Bank of Russia, MICEX.

Interest rates on interbank ruble loans in 2007 (% p.a.)

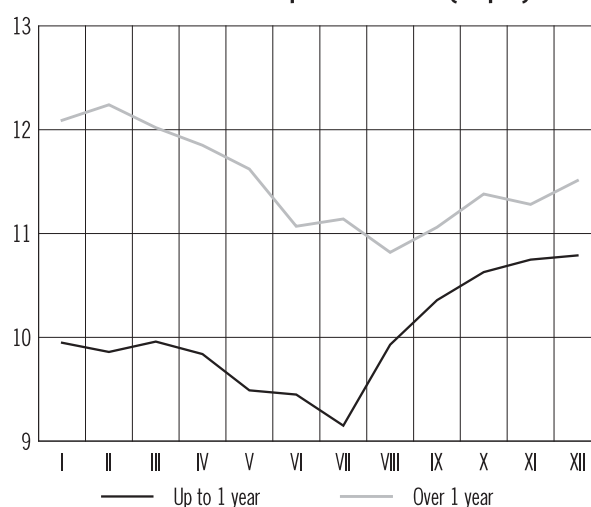


Source: Bank of Russia.

The deterioration of the external funding conditions also affected longer-term interbank credit rates. The average monthly interest rate on the interbank ruble-denominated loans with terms from one month to three months, which ranged from 5.7% to 6.5% p.a. in January-July, rose to 7.7% p.a. in September. The interest rate on the ruble-denominated interbank loans with terms from three to six months increased from 6.0-8.0% to 8.7% p.a. in that period and the interest rate on interbank loans with terms from six to 12 months grew from 7.2-9.5% to 10.4% p.a.

The September level of interest rates on loans with terms longer than one month remained unchanged until the end of the year, despite the fact that interest rates on interbank loans with

Interest rates on ruble loans to non-financial enterprises in 2007 (% p.a.)



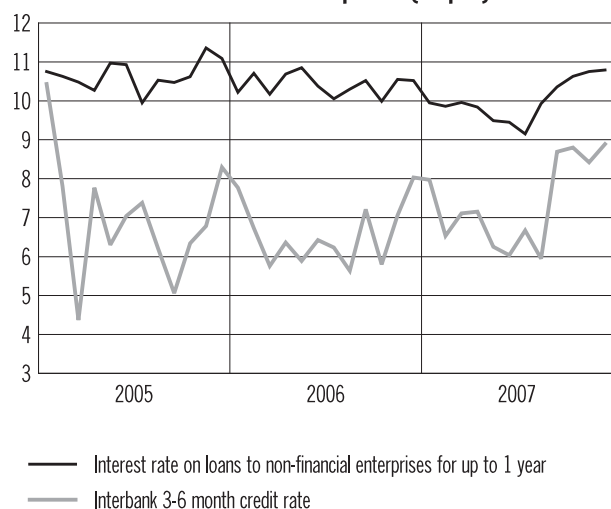
Source: Bank of Russia.

terms of up to one month had fallen significantly in December. As a result, the spread between interest rates on interbank ruble loans with terms of three to six months and overnight loans stood at 4.8 percentage points in December (the average annual spread was 3.0 percentage points). The increase in risk premiums on longer-term loans may indicate that uncertainty remains on the interbank loan market.

The rise in the general level of interbank money market rates, for its part, affected to some extent the cost of **bank credit to non-financial enterprises**.

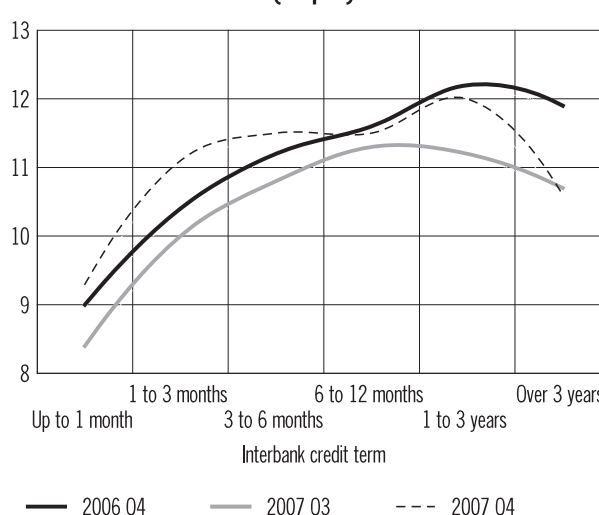
The average interest rate on short-term loans to non-financial enterprises rose by 91 basis points in the fourth quarter as compared with the

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



Source: Bank of Russia.

Yield curve for ruble loans to non-financial enterprises (% p.a.)



Source: Bank of Russia.

third and reached 10.72% p.a. and the long-term credit rate increased by 38 basis points to 11.39% p.a. However, compared to 2006, 2007 saw the average interest rate on short-term loans to non-financial enterprises fall by 40 basis points to 10.01% p.a. and on long-term loans by 98 basis points to 11.51% p.a.

Compared to the third quarter, the fourth quarter saw the yield curve for loans to non-financial enterprises move up all along its length, while its rising sector extended to the term of up to three years. This change reflects growth in risk premiums on loans amid credit market participants' persistent inflationary expectations.

The average interest rate on **loans to households** with terms of up to one year rose by 130 basis points in the fourth quarter as compared with the third and stood at 19.65% p.a. and the rate on loans with terms longer than one year increased by 2 basis points to 14.81% p.a. Compared to 2006, in 2007 the average interest rate on loans to households with terms of up to one year fell by 44 basis points to 18.62% p.a. and the rate on loans with terms longer than one year dropped by 166 basis points to 15.13% p.a.

The average interest rate on **household deposits** with terms of up to one year in the fourth quarter rose by 21 basis points as compared with the third and stood at 7.22% p.a., whereas the rate on deposits with terms of one year to three years fell by 79 basis points to 7.70% p.a. Compared to

2006, in 2007 the average interest rate on household deposits with terms of up to one year dropped by 63 basis points to 7.24% p.a., whereas the rate on one- to three-year household deposits rose by 50 basis points to 8.62% p.a.

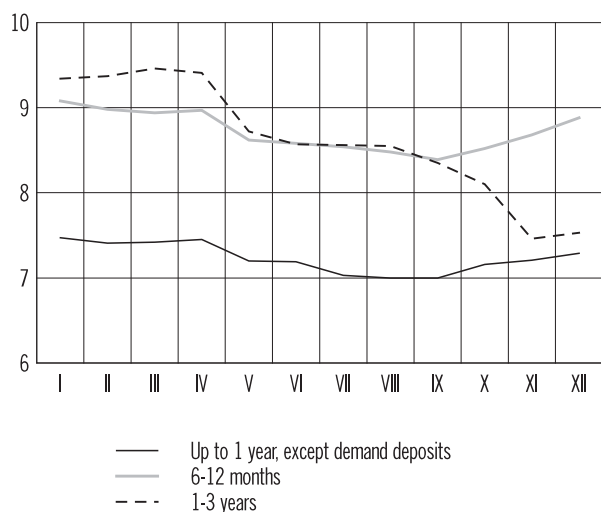
Asset prices

For most of the fourth quarter yields on the **federal loan bond (OFZ) market** demonstrated a downward dynamics while trade turnovers on the secondary market⁵ contracted by almost 40% quarter on quarter. By the end of the fourth quarter the OFZ market portfolio effective indicator had sunk by 7 basis points as compared with the end of the previous quarter and stood at 6.53% p.a. The average quarterly market portfolio effective indicator lost 2 basis points and stood at 6.58% p.a. The 2007 market portfolio effective indicator shed 22 basis points as compared with 2006 and stood at 6.59% p.a.

The OFZ yield curve retained its rising direction in the fourth quarter, although its inclination decreased, reflecting the fall in yields on government bonds with maturity of more than 2 years in 2007. This change indicates that the inflationary expectations of investors who put their money in medium- and long-term domestic government debt instruments have abated slightly.

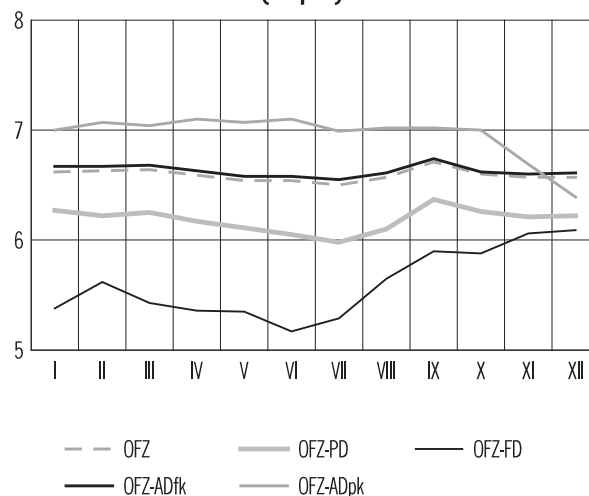
The Russian stock market demonstrated a price uptrend in the fourth quarter of 2007. In the middle of December, Russia's major stock in-

Interest rates on household ruble deposits in 2007 (% p.a.)



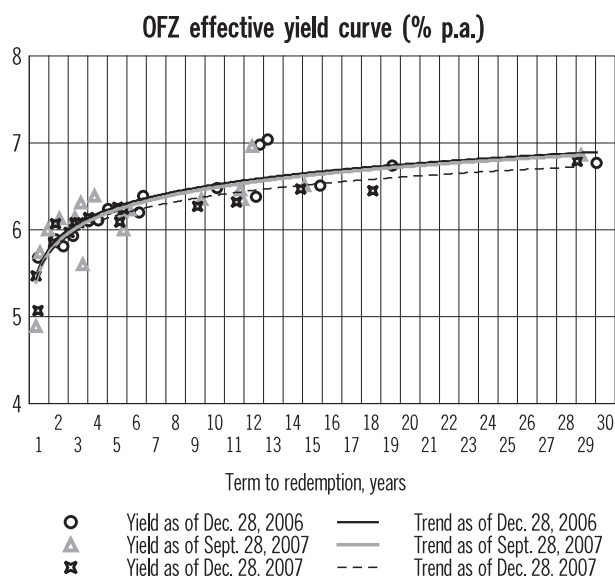
Source: Bank of Russia.

OFZ portfolio average monthly yield in 2007 (% p.a.)



Source: Bank of Russia.

⁵ In the main course of trade, excepting technical transactions.



Source: Bank of Russia.



*Monthly averages.
Source: Bank of Russia.

indices RTS and MICEX reached historical highs and their average quarterly levels surpassed the third-quarter levels by 13% and 9%, respectively. The prices of telecommunications and communications stocks and metallurgy and oil and gas sector shares rose at the most rapid rates in the fourth quarter, while other share prices grew more slowly. On average, the leaders of price growth in 2007 were the shares of industrial, power engineering, metallurgy and financial sector companies, whereas the prices of oil and gas shares declined.

Growth in share prices in October-December 2007 was due to the escalation of capital inflow to the domestic stock market in the fourth quarter of the year. The main impetus for investment in Russian stocks and shares amid reports about Russia's good macroeconomic performance was the fact that they were undervalued due to the weak share price dynamics of the first half of the year and the price fall in the middle of the third quarter, caused by the crisis on the world financial market. Given the situation, growth of prices for Russian stocks and shares could resume. However, the demand for Russian stocks and shares was largely stimulated by speculative investors, who made short-term investments for the purpose of fixing their profits at the end of the year. This created conditions for a major price readjustment on the Russian stock market in the first quarter of 2008.

Monetary aggregates

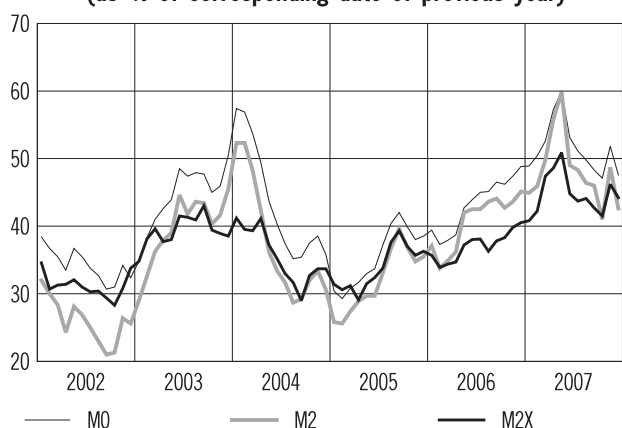
The analysis of monetary aggregate dynamics reveals a number of sustained trends that have evolved in the past few years and continued in 2007.

One key factor of growth in the demand for money is, as before, rapid economic growth, especially the acceleration of growth in domestic demand, which began in the second half of 2005. This process continues significantly to affect growth in the economy's transactional needs in money. Estimates show that in 2007 domestic demand increased at the most rapid rate in recent years and this growth made the biggest contribution to the acceleration of growth in the demand for money. Another major factor of the demand for money is, as before, the dynamics of the exchange rate of the ruble, especially against the US dollar, which has commonly been used in Russia as an alternative store of value. In addition, it should be noted that wealth creation in the Russian economy, which is accompanied by growth in asset prices⁶, is yet another factor of the increased demand for money. All these considerations allow one to conclude that the acceleration of growth in the demand for money, which started in late 2005, continued in 2007.

Actual M2 dynamics amid massive capital inflow/outflow were to a great extent the result of the actions taken by the monetary authorities

⁶ A sharp rise in prices on the housing market in the second half of 2006 and early 2007 may also serve as an indicator for growth in asset prices.

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



Definitions of aggregates:
 MO — cash in circulation (outside banks);
 M2 = MO + ruble accounts of resident non-financial enterprises and resident individuals;
 M2X (money supply in the monetary survey definition) = M2 + foreign currency deposits.
 Source: Bank of Russia.

to maintain the managed floating exchange rate and the corresponding change in net foreign assets. This became particularly obvious in 2007. As the inflow of foreign exchange increased, mostly through the capital account, and currency interventions reached record levels, the annual rate of growth in monetary aggregate M2 had reached almost 60% by June 1, 2007. In the second half of August instability on world financial markets began to make it increasingly difficult for Russian banks and corporations to borrow abroad and in the third quarter of the year this created a net outflow of capital from the private sector and, as consequence, led to the significant scaling down

of currency interventions. As a result, the annual rate of M2 growth had slowed down since August 2007 and as of January 1, 2008, it stood at 47.5%.

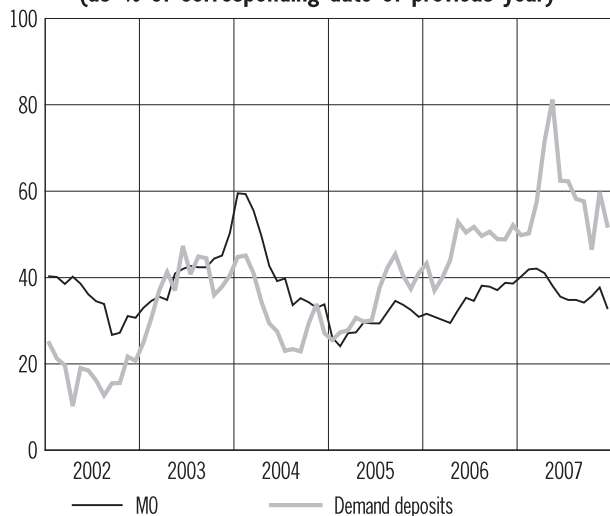
Nevertheless, despite the slowing of growth in the money supply in the second half of 2007, it continues to increase rapidly. As monetary gaps remained on positive ground for most of the year, the risk of growth in the money supply persisted and this may affect price stability in the medium and long term.

In 2007, as in the previous years, the biggest contribution to M2 growth was made by **monetary aggregate M1** (cash in circulation and demand deposits), which largely reflects the transactional needs in the economy. As for the M1 structure, the most rapid rates of growth were demonstrated by the demand deposits (these are mostly created from non-financial enterprise funds), which started to increase significantly in 2005. Overall, in 2007 M1 growth was markedly faster than a year earlier.

Non-financial enterprise ruble accounts

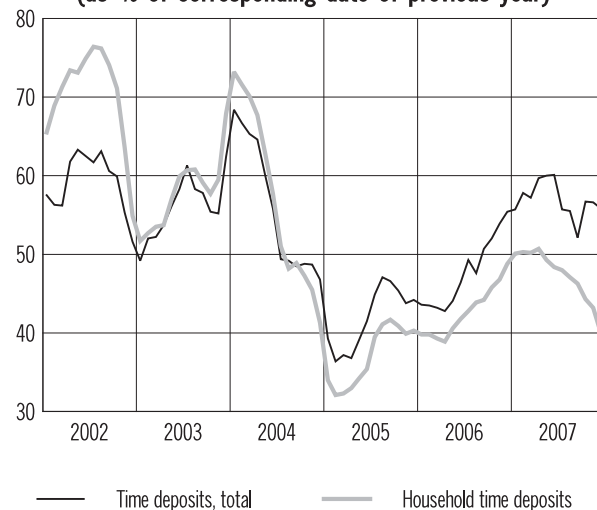
have been growing since 2005 amid growth in investment and, consequently, credit activity. In April-May 2007, there was a surge in annual rates of growth (by more than 80%) as non-financial enterprises accumulated funds in their current accounts to participate in auctions and IPOs. Subsequently, this growth slowed down due to some extent to the completion of the auction transactions and the beginning of YUKOS debt payments

M1 major components
(as % of corresponding date of previous year)

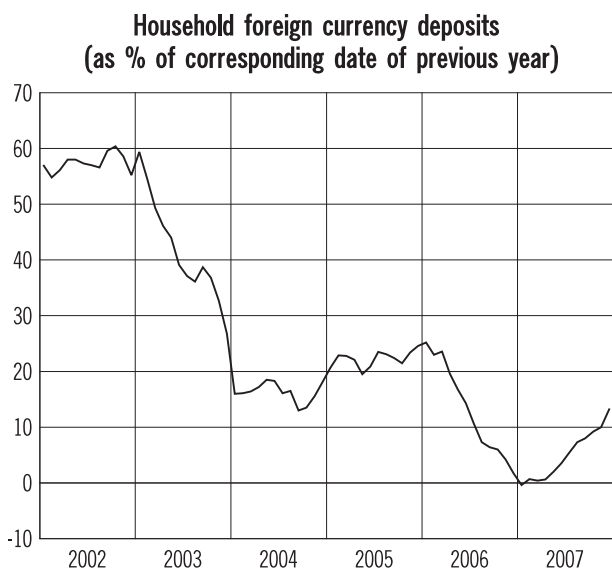


Source: Bank of Russia.

Time deposits in M2
(as % of corresponding date of previous year)



Source: Bank of Russia.



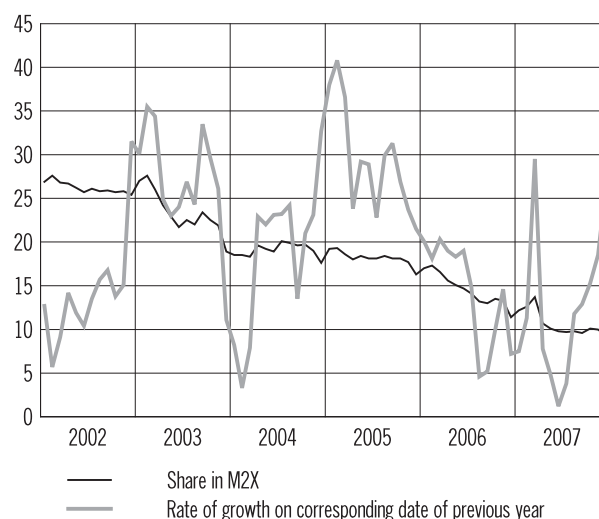
Source: Bank of Russia.

to the budget. In November, growth in enterprise accounts accelerated as budget funds were transferred to the development institutions.

Last year saw the beginning of the reversal of the trend in the dynamics of annual growth in **time deposits**, in which household time deposits account for 70-80%. The period of their sustainable growth in 2005 and 2006 was followed by a slowdown in 2007. The slowing of growth was mostly demonstrated by one- to three-year household deposits. It was probably due to the persistently high rates of growth in consumer credit, which discouraged people from keeping their money in bank accounts, and growth in household investments in alternative sources of stores of value, the most popular of them being the unit investment funds. In addition, the period of continuous decline in household foreign currency deposits in 2006 ended and their growth began in 2007, which may be due to the flow of funds from ruble to foreign currency deposits.

The dynamics of the total value of **foreign currency deposits** in 2007 were volatile. The major surges in annual growth rates in March and December mostly reflected the corresponding increase in foreign currency deposits in non-financial enterprises. Nevertheless, as the process of de-dollarisation continued in 2007, the share of foreign currency deposits in the structure of the M2X monetary aggregate contracted from 11.4% to 9.3%.

Foreign currency deposits and their share in M2X (%)



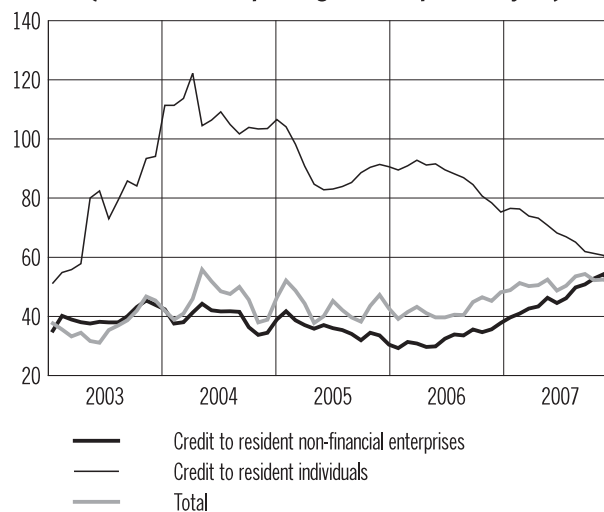
Source: Bank of Russia.

Credit aggregates

Several sustainable trends have characterised the dynamics of credit aggregates⁷ since the second half of 2006.

Loans extended to individuals remain the most rapidly growing component. In the past four years they increased by an annualised 81.5% on average. At the same time, since the second half of 2006 their growth has been slowing down and as of January 1, 2008, it stood at an annualised 57.1% as against 75.3% a year earlier. It should be noted that the share of housing loans has been expanding in total household loans in the past two years and it has increased even in the period after August 2007.

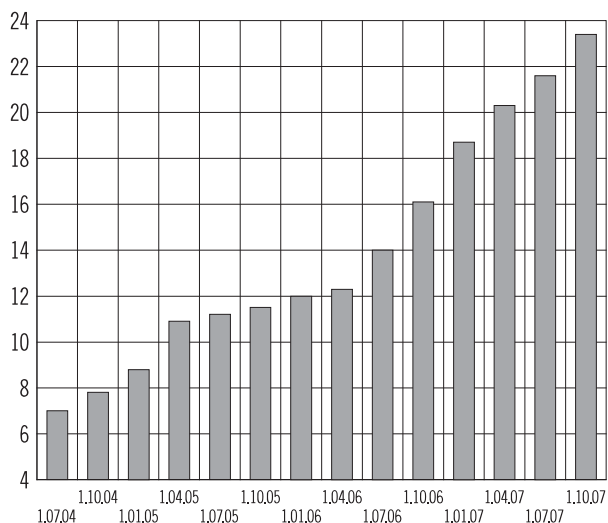
Credit aggregates (as % of corresponding date of previous year)



Source: Bank of Russia.

⁷ Credit aggregates in rubles and foreign currency are considered here and below.

Housing loans in total household loans (%)



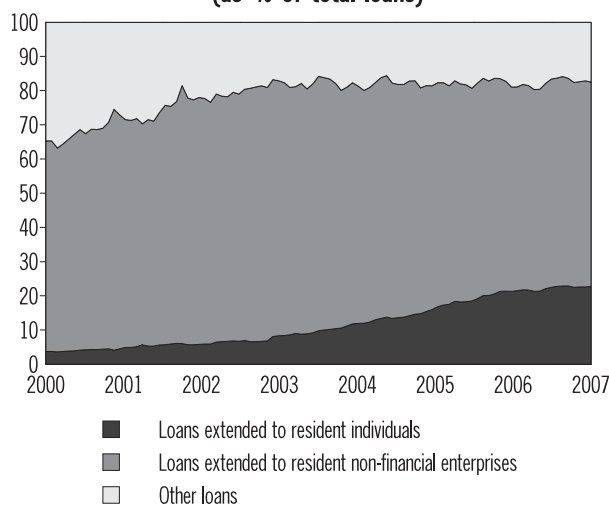
Source: Bank of Russia.

Although real estate prices remain a major factor of housing loan dynamics, this kind of loans continues to grow at extremely rapid rates, even in real terms.

Despite the slowing of growth in credit to households, total loans extended to non-financial enterprises and households have increased since the second half of 2006. This growth was the result of the dynamics of loans to non-financial enterprises, which made up the bulk of total loans (about 60% as of January 1, 2008).

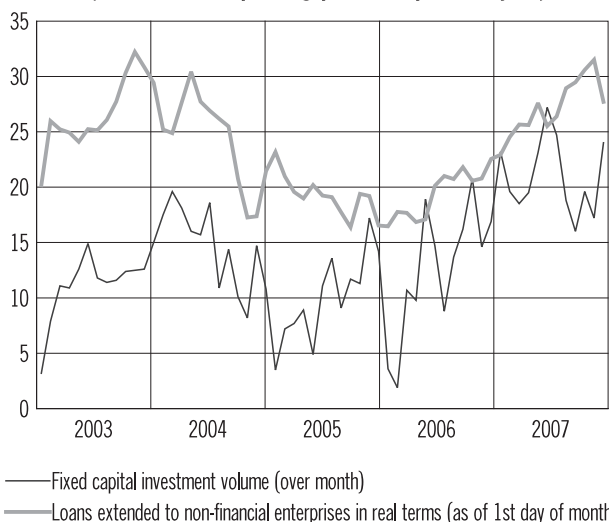
Growth in credit to non-financial enterprises accelerated significantly (by an annualised 50.6% as of January 1, 2008, as against 37.8% a year earlier) was accompanied by the rise in economic activity, including investment activity. The accel-

Structure of loans extended by sector (as % of total loans)



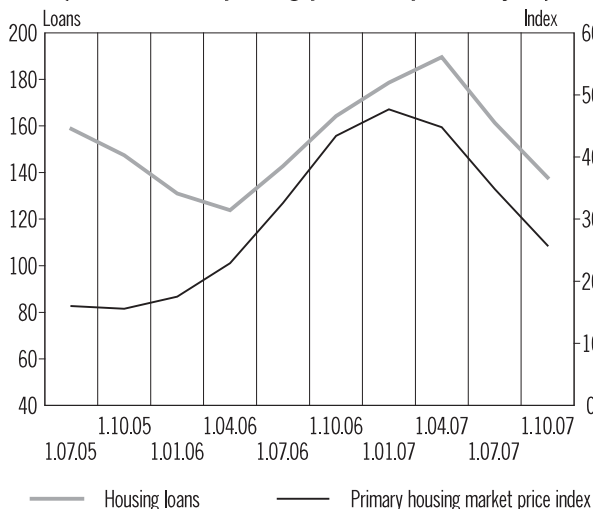
Source: Bank of Russia.

Investment activity and loans to non-financial enterprises (as % of corresponding period of previous year)



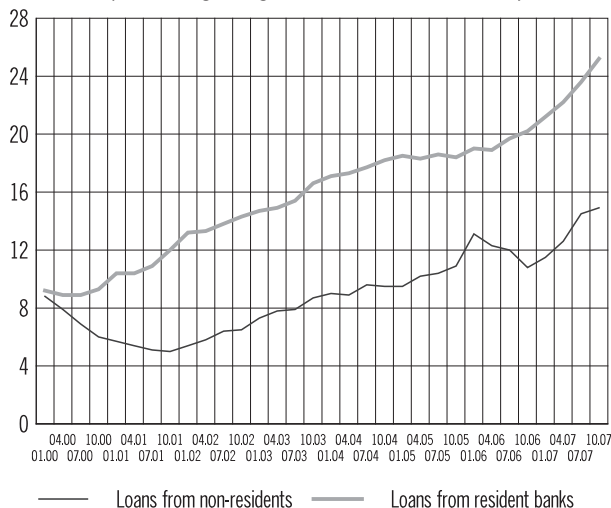
Source: Bank of Russia, Rosstat.

Housing loans and housing prices (as % of corresponding period of previous year)



Source: Bank of Russia, Rosstat.

Loans taken by non-financial enterprises (as of beginning of month, as % of GDP)



Source: Bank of Russia, Rosstat.

eration of economic growth and fixed capital investment probably became a major factor of the increase in the credit activity of non-financial enterprises.

In the second half of 2007, the borrowing conditions deteriorated slightly and this became manifest in the rise in interest rates on the domestic and foreign credit market, which remained a

major source of additional funds for Russian companies. These changes, however, had no marked effect on credit dynamics in August-November 2007. In December growth in credit to non-financial enterprises slowed on an annualised basis from 54.3% as of December 1, 2007, to 50.6% as of January 1, 2008.

Statistical Addendum

Table 1

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

	Monthly inflation	Core inflation	Food price growth	Food price growth*	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices**	Service price growth
2005								
January	2.6	0.9	1.4	1.1	5.1	0.4	0.5	8.8
February	1.2	0.7	1.4	0.9	6.1	0.4	0.4	2.2
March	1.3	0.8	2.1	1.1	11.2	0.4	0.4	1.2
April	1.1	0.9	1.7	1.3	5.4	0.5	0.4	0.8
May	0.8	0.6	1.1	0.7	4.1	0.4	0.4	0.8
June	0.6	0.5	0.7	0.4	3.3	0.3	0.3	0.9
July	0.5	0.5	0.3	0.5	-1.8	0.4	0.4	0.9
August	-0.1	0.5	-1.0	0.5	-12.9	0.5	0.4	0.8
September	0.3	0.8	-0.7	0.6	-11.6	1.1	0.8	0.9
October	0.6	0.7	0.4	0.6	-2.4	0.7	0.7	0.7
November	0.7	0.6	0.9	0.6	4.5	0.6	0.6	0.6
December	0.8	0.6	1.1	0.6	5.6	0.5	0.5	0.8
Full year (December on December)	10.9	8.3	9.6	9.1	14.3	6.4	6.0	21.0
2006								
January	2.4	0.8	2.0	1.0	11.3	0.4	0.5	6.2
February	1.7	1.2	3.0	1.9	12.6	0.5	0.5	1.0
March	0.8	0.7	1.2	0.9	3.2	0.4	0.4	0.7
April	0.4	0.4	0.3	0.3	-0.3	0.3	0.3	0.6
May	0.5	0.4	0.5	0.2	2.6	0.4	0.4	0.6
June	0.3	0.3	0.0	0.1	-0.6	0.3	0.3	0.7
July	0.7	0.5	0.9	0.7	2.7	0.4	0.3	0.6
August	0.2	0.6	-0.5	0.7	-10.0	0.8	0.5	0.8
September	0.1	0.8	-0.6	0.6	-11.0	0.8	0.6	0.5
October	0.3	0.5	0.0	0.4	-4.1	0.6	0.7	0.4
November	0.6	0.6	0.8	0.6	2.7	0.6	0.6	0.5
December	0.8	0.7	1.1	0.8	3.6	0.5	0.5	0.7
Full year (December on December)	9.0	7.8	8.7	8.5	10.3	6.0	5.7	13.9
2007								
January	1.7	0.6	0.9	0.6	4.1	0.4	0.4	4.7
February	1.1	0.5	0.8	0.5	3.6	0.3	0.4	2.6
March	0.6	0.5	0.8	0.5	3.2	0.4	0.4	0.6
April	0.6	0.5	0.8	0.5	3.1	0.4	0.4	0.5
May	0.6	0.3	1.0	0.1	7.8	0.4	0.3	0.5
June	1.0	0.4	1.7	0.4	12.2	0.3	0.3	0.6
July	0.9	0.9	1.4	1.4	1.9	0.4	0.4	0.6
August	0.1	1.1	-0.6	1.6	-16.1	0.6	0.5	0.5
September	0.8	1.6	1.0	2.2	-8.8	0.8	0.8	0.4
October	1.6	2.1	3.3	3.5	0.9	0.9	0.9	0.1
November	1.2	1.1	1.9	1.5	6.2	0.9	0.8	0.6
December	1.1	0.9	1.6	1.2	5.6	0.7	0.5	0.9
Full year (December on December)	11.9	11.0	15.6	14.9	22.2	6.5	6.4	13.3

* Excluding vegetables and fruit.

** Since March 2005 - Bank of Russia estimate.

Note: Tables 1 to 7 are based on Rosstat data and Bank of Russia calculations.

Table 2

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

	Monthly inflation	Core inflation	Food price growth	Food price growth*	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices**	Service price growth
2005								
January	2.6	0.9	1.4	1.1	5.1	0.4	0.5	8.8
February	3.9	1.7	2.8	2.0	11.5	0.7	0.9	11.2
March	5.3	2.4	4.9	3.1	24.0	1.1	1.2	12.6
April	6.5	3.3	6.7	4.4	30.8	1.6	1.6	13.5
May	7.3	4.0	7.9	5.1	36.1	2.1	2.0	14.4
June	8.0	4.4	8.6	5.5	40.6	2.4	2.4	15.4
July	8.5	5.0	8.9	6.1	38.0	2.8	2.8	16.5
August	8.3	5.5	7.8	6.6	20.2	3.4	3.2	17.4
September	8.6	6.3	7.1	7.2	6.2	4.5	4.1	18.5
October	9.2	7.1	7.5	7.8	3.6	5.2	4.8	19.3
November	10.0	7.7	8.4	8.4	8.3	5.9	5.5	20.0
December	10.9	8.3	9.6	9.1	14.3	6.4	6.0	21.0
2006								
January	2.4	0.8	2.0	1.0	11.3	0.4	0.5	6.2
February	4.1	2.0	5.0	2.9	25.3	0.9	0.9	7.2
March	5.0	2.8	6.2	3.9	29.3	1.3	1.3	8.0
April	5.4	3.2	6.5	4.2	28.9	1.6	1.6	8.6
May	5.9	3.6	7.0	4.4	32.3	2.0	2.0	9.3
June	6.2	3.9	7.0	4.5	31.5	2.3	2.3	10.0
July	6.9	4.5	8.0	5.2	35.0	2.7	2.7	10.7
August	7.1	5.1	7.4	6.0	21.6	3.5	3.2	11.5
September	7.2	5.9	6.7	6.6	8.2	4.3	3.8	12.0
October	7.5	6.5	6.7	7.0	3.7	5.0	4.5	12.5
November	8.2	7.1	7.5	7.6	6.5	5.5	5.2	13.0
December	9.0	7.8	8.7	8.5	10.3	6.0	5.7	13.9
2007								
January	1.7	0.6	0.9	0.6	4.1	0.4	0.4	4.7
February	2.8	1.1	1.8	1.1	7.8	0.7	0.8	7.4
March	3.4	1.7	2.6	1.7	11.2	1.1	1.2	8.0
April	4.0	2.2	3.3	2.1	14.7	1.5	1.7	8.6
May	4.7	2.5	4.3	2.3	23.6	1.9	2.0	9.1
June	5.7	3.0	6.1	2.7	38.6	2.2	2.3	9.8
July	6.6	3.9	7.6	4.1	41.2	2.6	2.8	10.5
August	6.7	5.0	7.0	5.8	18.5	3.2	3.3	11.1
September	7.5	6.7	8.1	8.1	8.1	4.0	4.2	11.6
October	9.3	8.9	11.6	11.9	9.0	4.9	5.1	11.7
November	10.6	10.1	13.7	13.5	15.7	5.8	5.9	12.4
December	11.9	11.0	15.6	14.9	22.2	6.5	6.4	13.3

* Excluding vegetables and fruit.

** Since March 2005 - Bank of Russia estimate.

Table 3

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

	Monthly inflation	Core inflation	Food price growth	Food price growth*	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices**	Service price growth
2005								
January	12.7	10.4	12.1	12.9	3.0	7.3	6.2	23.1
February	13.0	10.4	12.4	12.6	7.6	7.2	6.2	23.8
March	13.6	10.5	13.5	12.9	16.4	7.1	6.1	24.6
April	13.8	10.6	14.5	13.2	23.4	7.0	6.0	23.1
May	13.8	10.6	15.2	13.3	29.3	6.6	5.8	22.4
June	13.7	10.6	15.1	13.4	27.5	6.3	5.7	22.4
July	13.2	10.3	14.2	12.9	23.4	6.2	5.7	21.9
August	12.5	10.1	12.9	12.5	14.7	6.1	5.7	21.6
September	12.3	10.0	12.1	12.1	11.3	6.3	5.9	22.0
October	11.7	9.4	11.0	10.9	11.6	6.3	5.9	21.4
November	11.3	8.9	10.3	9.9	14.1	6.3	6.1	21.2
December	10.9	8.3	9.6	9.1	14.3	6.4	6.1	21.0
2006								
January	10.7	8.2	10.2	9.1	21.1	6.5	6.0	18.1
February	11.2	8.7	11.9	10.1	28.4	6.6	6.1	16.7
March	10.6	8.7	10.9	10.0	19.2	6.7	6.1	16.1
April	9.8	8.2	9.4	9.0	12.7	6.4	6.0	15.9
May	9.4	7.9	8.7	8.5	11.1	6.4	6.0	15.6
June	9.0	7.8	8.0	8.1	7.0	6.4	6.0	15.3
July	9.3	7.8	8.7	8.3	11.9	6.3	5.9	15.0
August	9.6	7.9	9.2	8.5	15.6	6.6	6.0	15.0
September	9.5	7.9	9.3	8.5	16.4	6.2	5.8	14.5
October	9.2	7.8	8.8	8.3	14.4	6.1	5.7	14.1
November	9.0	7.8	8.7	8.3	12.4	6.0	5.7	13.9
December	9.0	7.8	8.7	8.5	10.3	6.0	5.7	13.9
2007								
January	8.2	7.7	7.6	8.0	3.1	6.0	5.7	12.3
February	7.6	6.9	5.3	6.6	-5.1	5.8	5.6	14.2
March	7.4	6.7	4.9	6.2	-5.2	5.8	5.6	14.0
April	7.6	6.8	5.4	6.3	-1.9	5.9	5.8	13.9
May	7.8	6.7	5.9	6.3	3.0	5.9	5.7	13.8
June	8.5	6.9	7.7	6.6	16.2	5.9	5.7	13.7
July	8.7	7.3	8.3	7.4	15.3	5.9	5.8	13.7
August	8.6	7.8	8.3	8.3	7.5	5.7	5.8	13.4
September	9.4	8.7	10.0	10.0	10.2	5.8	6.1	13.4
October	10.8	10.3	13.6	13.4	15.9	6.0	6.3	13.1
November	11.5	10.9	14.9	14.4	19.8	6.3	6.4	13.2
December	11.9	11.0	15.6	14.9	22.2	6.5	6.4	13.3

* Excluding vegetables and fruit.

** Since March 2005 - Bank of Russia estimate.

Table 4

**Inflation growth over period since start of year due to price changes
by group of goods and services (percentage points)**

	Foodstuffs*	Non-food products	Paid services	Vegetables and fruit	Inflation over period, %	Core inflation	Non-core inflation**
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
July	2.0	0.9	2.5	1.4	6.9	3.4	3.5
August	2.3	1.2	2.7	0.9	7.1	3.9	3.2
September	2.6	1.5	2.9	0.3	7.2	4.6	2.6
October	2.7	1.7	3.0	0.1	7.5	5.0	2.5
November	3.0	1.9	3.1	0.3	8.2	5.5	2.7
December	3.3	2.0	3.3	0.4	9.0	6.1	3.0
2007							
January	0.2	0.1	1.2	0.2	1.7	0.5	1.2
February	0.4	0.3	1.8	0.3	2.8	0.9	1.9
March	0.6	0.4	2.0	0.4	3.4	1.3	2.1
April	0.8	0.5	2.1	0.6	4.0	1.7	2.3
May	0.8	0.7	2.3	0.9	4.7	1.9	2.7
June	1.0	0.8	2.4	1.5	5.7	2.3	3.4
July	1.5	0.9	2.6	1.6	6.6	3.0	3.6
August	2.1	1.1	2.7	0.7	6.7	3.9	2.8
September	3.0	1.4	2.9	0.3	7.5	5.3	2.3
October	4.3	1.7	2.9	0.3	9.3	7.0	2.3
November	4.9	2.0	3.1	0.6	10.6	7.9	2.7
December	5.4	2.3	3.3	0.9	11.9	8.7	3.2

* Excluding vegetables and fruit.

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

Table 5

**Monthly inflation growth due to price change
by group of goods and services (percentage points)**

	Foodstuffs*	Non-food products	Paid services	Vegetables and fruit	Inflation over period, %	Core inflation	Non-core inflation**
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
July	0.3	0.1	0.2	0.1	0.7	0.4	0.3
August	0.3	0.2	0.2	-0.5	0.2	0.5	-0.3
September	0.2	0.3	0.1	-0.5	0.1	0.6	-0.5
October	0.1	0.2	0.1	-0.2	0.3	0.4	-0.1
November	0.2	0.2	0.1	0.1	0.6	0.5	0.2
December	0.3	0.1	0.2	0.1	0.8	0.5	0.3
2007							
January	0.2	0.1	1.2	0.2	1.7	0.5	1.2
February	0.2	0.1	0.7	0.1	1.1	0.4	0.7
March	0.2	0.1	0.1	0.1	0.6	0.4	0.2
April	0.2	0.1	0.1	0.1	0.6	0.4	0.2
May	0.1	0.1	0.1	0.3	0.6	0.2	0.4
June	0.2	0.1	0.2	0.6	1.0	0.3	0.6
July	0.5	0.1	0.2	0.1	0.9	0.7	0.2
August	0.6	0.2	0.1	-0.8	0.1	0.8	-0.7
September	0.8	0.3	0.1	-0.4	0.8	1.3	-0.5
October	1.3	0.3	0.0	0.0	1.6	1.6	0.0
November	0.5	0.3	0.2	0.2	1.2	0.8	0.4
December	0.5	0.2	0.2	0.2	1.1	0.7	0.5

* Excluding vegetables and fruit.

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

Table 6

**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**
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
July	29.6	13.5	36.7	20.2	49.7	50.3
August	32.7	16.8	38.5	12.1	55.4	44.6
September	35.7	20.2	39.6	4.5	63.4	36.6
October	36.3	22.4	39.4	2.0	66.7	33.3
November	36.2	22.9	37.8	3.2	67.3	32.7
December	36.5	22.5	36.4	4.5	67.1	32.9
2007						
January	13.4	8.3	69.0	9.3	29.5	70.5
February	14.9	9.2	65.3	10.6	31.3	68.7
March	17.8	11.6	58.1	12.5	38.3	61.7
April	19.5	13.5	52.9	14.0	42.8	57.2
May	18.0	14.3	48.4	19.3	41.6	58.4
June	17.6	13.6	42.8	26.0	40.4	59.6
July	22.9	13.9	39.3	23.9	45.8	54.2
August	31.7	16.9	40.8	10.6	58.5	41.5
September	39.3	18.7	37.9	4.1	69.9	30.1
October	46.6	18.6	31.1	3.7	75.4	24.6
November	46.3	19.2	28.8	5.7	74.5	25.5
December	45.6	19.4	27.8	7.2	72.8	27.2

* Excluding vegetables and fruit.

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

Table 7

**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**
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>No estimate 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
July	37.6	19.0	23.4	20.0	60.9	39.1
August	140.5	132.4	97.9	-270.7	249.5	-149.5
September	269.8	290.1	128.8	-588.7	678.9	-578.9
October	51.0	73.9	34.6	-59.5	145.8	-45.8
November	34.7	29.1	19.3	16.9	74.1	25.9
December	39.6	19.0	23.2	18.2	64.4	35.6
2007						
January	13.4	8.3	69.0	9.3	29.5	70.5
February	17.1	10.6	59.7	12.6	34.2	65.8
March	31.4	22.7	24.5	21.4	70.7	29.3
April	29.9	24.5	22.6	23.0	69.6	30.4
May	8.4	19.5	20.6	51.6	34.4	65.6
June	15.8	10.7	17.0	56.5	35.1	64.9
July	55.9	15.7	17.4	10.9	79.2	20.8
August	725.2	251.6	162.3	-1,039.0	1,016.5	-916.5
September	99.9	33.4	14.7	-48.0	160.7	-60.7
October	78.5	18.2	1.2	2.1	99.3	0.7
November	43.6	23.6	13.3	19.5	67.8	32.2
December	39.2	21.6	19.1	20.1	56.7	43.3

* Excluding vegetables and fruit.

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

Table 8

Russia's key macroeconomic and financial indicators

		Year	Q1	Q2	Q3	Q4	
Macroeconomic indicators							
GDP	over period since start of year, billion rubles	2005	4,479	9,652	15,524	21,625	
		2006	5,662	11,988	19,236	26,883	
		2007	6,566	14,213	23,066	32,989	
	over period since start of year, as % of corresponding period of previous year	2005	105.0	105.3	105.8	106.4	
		2006	105.0	106.1	106.3	107.4	
		2007	107.9	107.9	107.8	108.1	
	as % of corresponding quarter of previous year	2005	105.0	105.6	106.6	108.0	
		2006	105.0	107.0	106.8	107.8	
		2007	107.9	107.8	107.6		
Industrial output indices	as % of corresponding quarter of previous year	2005	103.2	103.6	104.1	104.9	
		2006	103.0	106.0	103.8	103.0	
		2007	108.4	106.7	104.9	105.6	
	over period since start of year, as % of corresponding period of previous year	2005	103.2	103.4	103.6	104.0	
		2006	103.0	104.4	104.2	103.9	
		2007	108.4	107.7	106.6	106.3	
Agricultural output	as % of corresponding quarter of previous year	2005	100.3	101.1	103.7	101.4	
		2006	102.1	101.8	101.4	110.4	
		2007	103.4	104.3	103.0	103.1	
	over period since start of year, as % of corresponding period of previous year	2005	100.3	100.9	102.7	102.3	
		2006	102.1	101.9	101.6	103.6	
		2007	103.4	104.0	103.4	103.3	
Fixed capital investment	over period since start of year, billion rubles	2005	540.5	1,316.8	2,310.4	3,611.1	
		2006	636.5	1,622.1	2,868.4	4,580.5	
		2007	866.5	2,265.1	3,992.7	6,418.7	
	as % of corresponding quarter of previous year	2005	106.3	108.4	111.4	114.3	
		2006	105.7	114.7	113.0	117.2	
		2007	120.1	123.8	119.6	120.9	
Retail trade turnover	over period since start of year, billion rubles	2005	1,511.1	3,185.9	4,982.7	7,040.9	
		2006	1,853.2	3,916.9	6,149.4	8,693.4	
		2007	2,234.9	4,751.3	7,521.9	10,757.8	
	as % of corresponding quarter of previous year	2005	110.5	113.8	113.3	113.5	
		2006	111.2	113.4	115.1	115.1	
		2007	113.8	114.8	115.8	115.8	
Federal budget on accrual basis, as of end of period	revenue	billion rubles	2005	1,196.4	2,386.4	3,681.7	5,127.2
			2006	1,399.1	2,938.1	4,561.0	6,278.9
			2007	1,421.9	3,245.7	5,087.6	7,779.1
		as % of GDP	2005	26.7	24.7	23.7	23.7
			2006	24.7	24.5	23.7	23.3
			2007	21.7	22.8	22.1	23.6
	expenditure	billion rubles	2005	671.1	1,444.2	2,519.7	3,514.3
			2006	823.2	1,854.7	2,866.5	4,284.8
			2007	945.6	2,169.7	3,464.3	5,983.0
		as % of GDP	2005	15.0	15.0	16.2	16.2
			2006	14.5	15.5	14.9	15.9
			2007	14.4	15.2	15.0	18.1
Federal budget surplus on accrual basis, as of end of period	billion rubles	2005	525.3	942.2	1,162.1	1,612.9	
		2006	575.9	1,083.4	1,694.6	1,994.1	
		2007	476.3	1,076.1	1,623.2	1,796.1	
	as % of GDP	2005	11.7	9.7	7.5	7.5	
		2006	10.2	9.0	8.8	7.4	
		2007	7.3	7.6	7.1	5.5	

Note. Table 8 is based on data compiled by the Bank of Russia, Federal State Statistics Service and on Federal Treasury reported data. From April 2006, pursuant to Bank of Russia Ordinance No. 1660-U, dated February 17, 2006, the calculation of interest rates on bank lending and deposit operations includes data reported by bank branches.

Table 8 (continued)

		Year	Q1	Q2	Q3	Q4
Socio-economic indicators						
Nominal imputed average monthly per employee wage	rubles	2005	7,638	8,234	8,674	9,651
		2006	9,397	10,401	10,949	12,203
		2007	11,876	12,993	13,494	15,699
	as % of corresponding quarter of previous year	2005	122.6	122.4	123.9	126.2
		2006	122.3	125.1	125.1	125.2
		2007	127.3	125.9	124	129.3
	over period since start of year , as % of corresponding period of previous year	2005	122.6	122.4	123	126.9
		2006	122.3	123.7	124.1	124.3
		2007	127.3	126.6	125.7	126.7
Real imputed average monthly per employee wage	as % of corresponding quarter of previous year	2005	108.4	107.6	110	113.4
		2006	110.3	114.3	114.3	114.8
		2007	118.2	116.6	113.9	116.1
Household money income	per capita monthly average, rubles	2005	6,583.2	7,766.8	8,148.7	9,864.4
		2006	8,187.7	9,919.9	10,238.2	12,304.9
		2007	9,852.2	11,898.3	12,639.7	15,570.5
Household real disposable money income	as % of corresponding quarter of previous year	2005	105.9	115.1	114.0	114.1
		2006	109.8	115.3	114.3	113.5
		2007	109.6	108.7	111.4	110.8
	over period since start of year, as % of corresponding period of previous year	2005	105.9	109.8	110.8	112.4
		2006	109.8	112.7	113.3	113.3
		2007	109.6	109.1	110.0	110.4
Household spending, as % of income	purchase of goods and payment of services	2005	73.1	69.4	71.2	66
		2006	73.1	67.7	70.9	65.6
		2007	74.0	69.2	71.1	65.7
	compulsory payments and contributions	2005	9.0	9.5	10.6	10.7
		2006	10.8	10.3	10.4	10.5
		2007	12.8	12.5	12.0	13
	growth in savings	2005	13.0	10.3	9.2	9.7
		2006	11.1	10.7	8.3	11.3
		2007	9.8	8.5	6.9	10.2
	foreign exchange purchase	2005	7.6	8.0	9.0	9.1
		2006	7.5	7.0	7.2	6.0
		2007	5.3	5.3	5.2	5.2
	cash on hand	2005	-2.7	2.8	0	4.5
		2006	-2.5	4.3	3.2	6.6
		2007	-1.9	4.5	4.8	5.9
Average imputed pension	total, rubles	2005	2,125	2,324	2,467	2,540
		2006	2,539	2,727	2,800	2,839
		2007	2,846	3,091	3,108	3,299
Real imputed pension	as % of corresponding quarter of previous year	2005	106.6	108.2	110.6	112.6
		2006	107.8	107.2	103.7	102.5
		2007	104.1	104.9	102.0	104.3
	over period since start of year, as % of corresponding period of previous year	2005	106.6	107.4	108.5	109.6
		2006	107.8	107.5	106.1	105.1
		2007	104.1	104.5	103.6	103.8
Total number of unemployed (calculated by ILO methodology)	million	2005	6.0	5.5	5.4	5.5
		2006	5.7	5.5	5.0	5.0
		2007	5.2	4.5	4.3	4.5
	as % of economically active population	2005	8.2	7.4	7.3	7.5
		2006	7.8	7.4	6.7	6.8
		2007	7.0	6.0	5.7	5.9

Table 8 (continued)

		Year	Q1	Q2	Q3	Q4	
Foreign economic activities							
Price of Urals crude	over period since start of year, \$/barrel	2005	43.1	45.4	49.3	50.4	
		2006	57.7	61.1	62.5	60.9	
		2007	54.0	59.7	64.0	69.5	
	as % of corresponding period of previous year	2005	146.4	146.1	148.2	145.6	
		2006	134.0	134.7	126.7	120.9	
		2007	93.5	97.7	102.4	114.1	
Exports of goods	over period since start of year, \$ billion	2005	50.2	109.8	174.7	243.8	
		2006	67.4	143.9	223.8	303.9	
		2007	72.0	156.1	245.7	355.2	
	as % of corresponding period of previous year	2005	134.6	136.4	135.4	133.1	
		2006	134.2	131.1	128.1	124.7	
		2007	106.9	108.4	109.8	116.9	
Imports of goods	over period since start of year, \$ billion	2005	25.7	55.1	87.6	125.4	
		2006	31.0	69.8	112.6	164.7	
		2007	43.1	95.5	153.5	223.1	
	as % of corresponding period of previous year	2005	129.1	128.6	129.1	128.8	
		2006	120.6	126.6	128.6	131.3	
		2007	139.0	136.8	136.3	135.4	
Current account (over period since start of year), \$ billion		2005	20.1	42.4	62.5	84.4	
		2006	30.3	54.6	78.3	94.3	
		2007	22.9	38.8	54.5	76.6**	
Net capital outflow (inflow) by private sector (over period since start of year), \$ billion		2005	1.7	-3.6	4.5	0.1	
		2006	-5.5	15.1	27.7	42.0	
		2007	13.5	66.4	58.8	82.3**	
Foreign investment in Russia's non-financial sector (Rosstat data)	over period since start of year, \$ billion	2005	6.0	16.5	26.8	53.6	
		2006	8.8	23.4	35.3	55.1	
		2007	24.6	60.3	87.9		
	as % of corresponding period of previous year	2005	97.6	86.9	92.1	132.4	
		2006	146.0	141.9	131.7	102.7	
		2007	280.0	260.0	250.0		
Of which	direct	total, \$ billion	2005	1.9	4.5	6.6	13.1
			2006	3.8	6.4	10.3	13.7
			2007	9.8	15.8	19.6	
		as % of corresponding period of previous year	2005	130.0	131.0	118.1	138.8
			2006	200.0	143.6	155.5	104.6
			2007	250.0	250.0	191.3	
	portfolio	total, \$ billion	2005	0.1	0.2	0.4	0.5
			2006	0.2	0.5	0.7	3.2
			2007	0.2	1.1	1.5	
		as % of corresponding period of previous year	2005	89.9	135.2	160.5	136.3
			2006	290.0	290.0	182.3	700.0
			2007	85.8	220.0	230.0	
	other	total, \$ billion	2005	4.0	11.8	19.9	40.1
			2006	4.7	16.5	24.4	38.2
			2007	14.7	43.4	66.7	
as % of corresponding period of previous year		2005	87.3	76.7	85.2	130.5	
		2006	117.2	139.1	122.8	95.3	
		2007	310.0	260.0	270.0		
Russia's international reserves (as of end of period), \$ billion		2005	137.4	151.6	159.6	182.2	
		2006	205.9	250.6	266.2	303.7	
		2007	338.8	405.8	425.4	476.4	
Real ruble exchange rate indices, last month of quarter (as % of December of previous year)***	ruble vs. dollar	2005	4.7	3.3	2.3	3.9	
		2006	6.9	10.0	12.1	16.7	
		2007	2.3	3.8	8.1	15.0	
	ruble vs. euro	2005	6.8	14.7	14.2	18.8	
		2006	6.5	4.9	6.0	5.6	
		2007	3.1	4.1	4.5	5.8	
	effective rate	2005	5.1	8.7	8.3	10.5	
		2006	6.2	7.0	7.9	7.4	
		2007	2.7	3.3	3.8	5.1	

Table 8 (continued)

		Year	Q1	Q2	Q3	Q4
Financial market indicators (including Sberbank rates)						
Average for period						
Overnight interbank credit rate, % p.a.	in rubles	2005	1.2	3.0	2.3	4.6
		2006	3.2	2.8	2.6	5.1
		2007	3.9	3.4	4.9	5.4
	in US dollars	2005	2.3	2.8	3.3	3.9
		2006	4.4	4.8	5.2	5.2
		2007	5.2	5.2	5.1	4.6
OFZ yields****, % p.a.	2005	7.9	8.0	7.7	7.1	
	2006	6.8	6.9	6.8	6.7	
	2007	6.6	6.6	6.6	6.6	
Interest rate on household time deposits, % p.a.	up to 1 year in rubles	2005	9.5	8.6	8.5	8.4
		2006	8.3	8.0	7.6	7.7
		2007	7.4	7.3	7.0	7.2
	over 1 year in rubles	2005	8.4	7.9	6.2	6.4
		2006	7.6	5.1	5.2	5.4
		2007	7.9	7.5	7.1	6.8
	up to 1 year in US dollars	2005	5.6	5.7	5.6	5.6
		2006	5.6	5.7	5.7	5.9
		2007	5.4	5.3	5.2	5.2
	over 1 year in US dollars	2005	6.1	5.6	5.8	5.5
		2006	6.2	4.7	5.0	5.5
		2007	6.8	6.6	6.4	7.0
Interest rate on credit to non-financial institutions, % p.a.	up to 1 year in rubles	2005	10.6	10.7	10.3	11.0
		2006	10.4	10.8	10.3	10.4
		2007	9.9	9.6	9.8	10.7
	over 1 year in rubles	2005	13.0	11.7	12.9	12.1
		2006	12.7	12.9	12.5	12.1
		2007	12.1	11.5	11.0	11.4
	up to 1 year in US dollars	2005	7.9	8.6	9.0	8.8
		2006	8.6	8.4	8.6	8.5
		2007	8.7	8.8	8.4	9.1
	over 1 year in US dollars	2005	9.6	9.6	10.4	10.4
		2006	10.5	10.2	10.4	10.0
		2007	10.3	10.1	9.3	9.8
Interest rate on ruble promissory notes discounted by banks, % p.a.	2005	10.9	10.6	9.9	10.0	
	2006	12.9	8.7	9.2	9.7	
	2007	9.5	8.9	10.8	10.8	
MICEX rate in 'tomorrow' trades, rubles/\$	2005	27.8560	28.1012	28.5150	28.7151	
	2006	28.0733	27.1897	26.8053	26.5910	
	2007	26.1795	25.8599	25.5043	24.6527	
As of end of quarter						
RTS index, points	2005	669.07	706.38	1,007.76	1,125.60	
	2006	1,434.99	1,494.63	1,549.99	1,921.92	
	2007	1,935.72	1,897.70	2,071.80	2,290.51	
Refinance rate, % p.a.	2005	13	13	13	12	
	2006	12	11.5	11.5	11	
	2007	10.5	10	10	10	

Table 8 (end)

		Year	1.01	1.04	1.07	1.10
Monetary indicators						
M0, billion rubles		2006	2,009.2	1,928.8	2,233.4	2,400.8
		2007	2,785.2	2,741.2	3,027.5	3,220.9
		2008	3,702.2			
M2, billion rubles		2006	6,044.7	6,169.4	7,090.8	7,750.7
		2007	8,995.8	9,412.6	10,857.7	11,494.0
		2008	13,272.1			
Net foreign assets of monetary authorities and credit institutions, billion rubles		2006	4,867.9	5,433.6	6,221.1	6,281.9
		2007	6,927.5	7,988.8	8,787.8	9,129.7
		2008	9,915.0			
Domestic claims, billion rubles		2006	4,460.8	4,129.4	4,256.2	4,944.1
		2007	5,727.7	5,696.9	6,241.6	6,670.5
		2008	8,224.3			
Money (monetary survey definition), billion rubles		2006	3,858.5	3,855.9	4,479.3	4,856.1
		2007	5,598.4	5,774.3	6,676.5	7,088.4
		2008	7,974.3			
Quasi-money (monetary survey definition), billion rubles		2006	3,362.6	3,537.0	3,825.5	4,041.1
		2007	4,548.3	5,120.2	5,352.7	5,605.4
		2008	6,653.8			
Foreign currency deposits, billion rubles		2006	1,178.2	1,225.9	1,221.0	1,153.2
		2007	1,155.4	1,490.6	1,183.7	1,212.4
		2008	1,366.1			
Broad monetary base, billion rubles		2006	2,914.2	2,721.4	3,287.0	3,486.0
		2007	4,122.4	4,210.2	5,139.1	4,587.2
		2008	5,513.3			
Balances in correspondent accounts, billion rubles		2006	508.6	320.0	430.9	443.7
		2007	638.1	518.1	528.7	576.3
		2008	802.2			
M2 velocity	annual average	2006	4.4	4.3	4.1	4.0
		2007*	3.8	3.6	3.4	3.2
		2008*	3.1			
	change since start of year, %	2006	-6.5*****	-2.2	-5.9	-9.3
		2007*	-13.2*****	-5.9	-12.0	-15.8
		2008*	-18.8*****			
Monetisation of the economy (by M2 aggregate), %		2006	22.7	23.2	24.1	25.0
		2007*	26.1	27.8	29.7	31.0
		2008*	32.2			
Money multiplier	by broad monetary base	2006	2.07	2.27	2.16	2.23
		2007	2.18	2.24	2.11	2.51
		2008	2.41			
	change since start of year, %	2006	13.2*****	9.3	4.0	7.3
		2007	5.2*****	2.5	-3.2	14.8
		2008	10.3*****			
Foreign exchange rates	rubles per UD dollar	2006	28.78	27.70	26.94	26.78
		2007	26.33	26.01	25.82	24.95
		2008	24.55			
	rubles per euro	2006	34.19	33.63	34.24	33.98
		2007	34.69	34.69	34.72	35.35
		2008	35.93			

* Preliminary data.

** Estimate.

*** Appreciation of the ruble (+), depreciation of the ruble (-).

**** Effective indicator of the OFZ market portfolio.

***** Relative to start of previous year.

