



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

**Quarterly  
Inflation  
Review**

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**2008 Q4**

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**Research and Information Department**

*Quarterly Inflation Review is currently issued by the Bank of Russia Research and Information Department as a document primarily aimed at analysing the latest trends in consumer price dynamics. Inflation surveys in countries using inflation targeting (inflation forecasts) make projections for probable deviations from the inflation targets, analyse their causes and determine central bank actions to bring inflation back to the target. Since the end of 2006, the Bank of Russia has been developing with the technical assistance of the IMF an analysis and forecast system similar to those used by the countries implementing inflation targeting. As the analysis and forecast methods will improve, the quarterly inflation reviews will be enlarged and include new sections.*

*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

The deepening of the world financial and economic crisis had a significant impact on the monetary and exchange rate policy pursued by the Bank of Russia.

The worsening of the terms of trade and capital outflow that began in the second half of 2008 exerted strong devaluation pressure on the rouble. In the fourth quarter of the year it became clear that the dynamics of the factors determining the exchange rate of the rouble had become sustained. To ensure that the rate of the rouble corresponded to its new equilibrium value, the Bank of Russia allowed it gradually to depreciate by widening the range of fluctuations in the value of a dollar/euro basket. At the same time, it continued to conduct interventions on the foreign exchange market to ensure that the rate of the rouble changed gradually. The rouble rate adjustment was completed on January 23, 2009. To keep the value of the bi-currency basket within the established fluctuation range, the Bank of Russia used a set of monetary policy instruments.

Bank of Russia foreign exchange sales in the course of currency interventions led to the reduction in the rouble liquidity level. As Russian banks and non-financial organisations had limited access to foreign financial resources, the interbank money market narrowed and banks became increasingly distrustful of one another, there arose a threat of bank failures and an outbreak of a systemic banking crisis. Therefore, financial stability became the highest priority. The Bank of Russia carried out a series of measures to ensure the necessary level of banking sector liquidity by lowering the required reserve ratios, increasing the refinancing of banks and easing the refinancing conditions.

The gradual devaluation of the rouble in the fourth quarter of 2008 was accompanied by the escalation of the devaluation expectations, which stimulated additional speculative demand for foreign exchange to such an extent that banks and

other borrowers took rouble loans to buy foreign currency with. The dollar rapidly regained its positions in the economy and as a result of conversion of a part of money assets into foreign exchange, the rouble supply (M2) contracted in absolute terms.

The prices of Russian securities continued to fall and this made it increasingly difficult for borrowers to use these papers as collateral for loans.

At the end of the year these developments created tough monetary conditions for the economy. Interest rates on loans to non-financial borrowers rose and growth in lending volumes slowed down sharply.

The toughening of the monetary conditions has not yet caused inflation to slow down due to the time lags in the monetary policy transmission mechanism. The rouble exchange rate dynamics has been a major factor of rapid price growth in the past few months.

Despite the slowing of consumer price growth in the second half of 2008, last year's inflation was higher than it was in 2007.

At present, there are several different factors that set the rate of inflation. On the one hand, the fall in the world prices of Russian exports, such as energy resources, metals and foodstuffs, the reduction in producer prices in the Russian mining sector and agriculture, the slowing of inflation in the countries that are the major exporters of products to Russia, the slowing of growth in domestic consumer demand and the decline in investor activity are the factors that contain inflation. On the other hand, the rise in consumer import prices caused by the devaluation of the rouble and the contraction of supply of goods may accelerate inflation on the consumer market.

The principal objectives of the monetary policy in this situation are to maintain financial stability and create conditions for the reduction of inflation in the future.

# Inflation Dynamics

## Consumer prices

According to the Federal State Statistics Service (Rosstat), consumer prices in Russia rose by 13.3% in 2008, an increase of 1.4 percentage points on the previous year. Consumer prices went up 4.8% in the 1<sup>st</sup> quarter of 2008, 3.8% in the 2<sup>nd</sup>, 1.7% in the 3<sup>rd</sup> and 2.5% in the 4<sup>th</sup>.

The acceleration of inflation was due to **core inflation**, which stood at 3.2% in the 1<sup>st</sup> quarter, 3.4% in the 2<sup>nd</sup>, 3.2% in the 3<sup>rd</sup> and 3.2% in the 4<sup>th</sup>. In 2008 as a whole core inflation accelerated to 13.6% as against 11.0% in 2007.

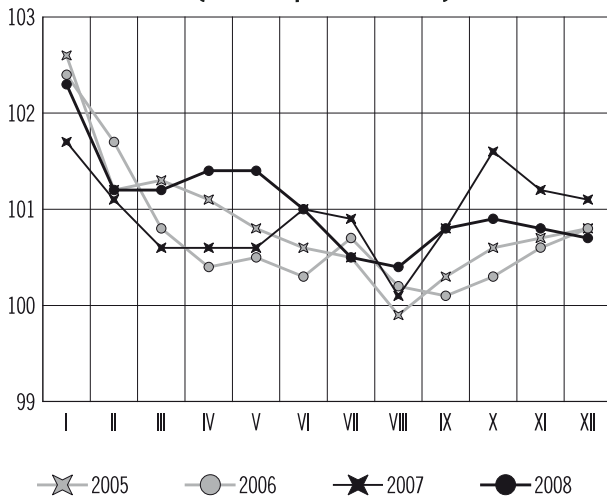
In 2008, growth in the prices of goods and services included in the calculation of the core consumer price index accounted for an estimated 10.8 percentage points, or 81.5%, of overall con-

sumer price growth (as against 8.7 percentage points, or 72.8%, in 2007). The acceleration of core inflation was largely due to higher growth in food prices, excluding vegetable and fruit prices, which began in the second half of 2007.

**Food prices, excluding vegetable and fruit prices**, gained 17.5% in 2008 as against 14.9% in 2007. In 2008, growth in these prices accounted for an estimated 6.2 percentage points, or 46.4%, of overall consumer price growth. This compares with 5.4 percentage points, or 45.8%, in 2007.

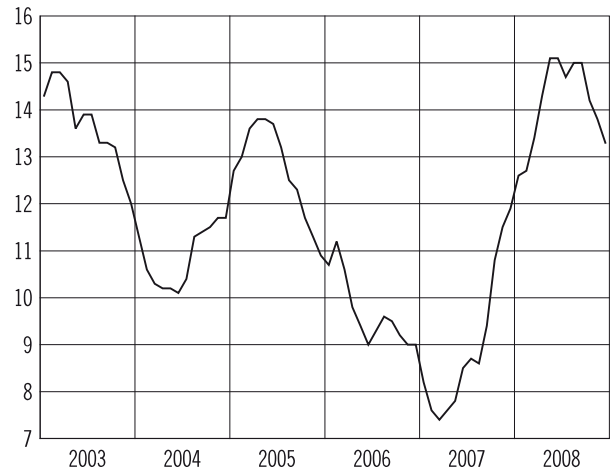
In 2008, prices of bread and bakery products rose by 25.9% as against 22.4% in 2007, pasta products were up 33.8% as against 23.6% a year earlier and meat and poultry gained 22.2% as

Consumer prices  
(as % of previous month)



Source: Rosstat.

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



Source: Rosstat.

## Consumer price inflation (%)

	Growth (December 2008 on December 2007)	Growth (December 2007 on December 2006)	
Prices of goods and services, total:	13.3	11.9	Acceleration of growth by 1.4 percentage points
of which:			
– food prices	16.5	15.6	Acceleration of growth by 0.9 percentage points
– food prices, excluding vegetable and fruit prices	17.5	14.9	Acceleration of growth by 2.6 percentage points
– non-food prices	8.0	6.5	Acceleration of growth by 1.5 percentage points
– prices of paid services provided to households	15.9	13.3	Acceleration of growth by 2.6 percentage points
Prices of goods and services included in core inflation calculation	13.6	11.0	Acceleration of growth by 2.6 percentage points

Source: Rosstat.

against 8.4%. It should be noted, however, that inflation has somewhat slowed down on the food market. The bumper harvest of grain and some other crops, the fall in agricultural producer prices in the second half of 2008 and the reduction or marked slowing of growth in world food prices led to the slowing of growth in food prices, excluding vegetable and fruit prices, to 8.0% in the second half of 2008 as against 11.9% in the same period of 2007.

After the sharp rise in 2007, prices started to fall on the world's grain and vegetable oil markets in 2008. The price of Canadian wheat began to drop in March, US wheat in April, Thai rice in May, US maize and sunflower oil in July and Canadian barley in August. As a result, in December 2008, as compared with December 2007, US and Canadian wheat prices were down 40% and 31%, respectively, the price of US maize fell by 12% and Canadian barley was down 42% (in December 2007 these prices rose by 80%, 99%, 12% and 32%, respectively). The price of sunflower oil in Europe was down 48% (it doubled a year earlier), whereas the price of Thai rice went up 47% (in December 2007 it rose 18%).

After the fall in 2006-2007, world sugar prices in 2008 began to show signs of growth. In December 2008, as compared with December 2007, the price of raw sugar rose by 3.8% and refined sugar by 9.8% (in December 2007 sugar prices fell by 18% and 26%, respectively).

The rise in prices registered on world meat markets since the beginning of 2008 gave way to a fall in the price of beef in August and pork in September. As a result, in December 2008 the price of beef was down 6% year on year, whereas pork was up 1.3% (in December 2007 beef and pork prices were lower by 1.4% and 12%, respectively). Growth in poultry prices went on until September 2008 and afterwards these prices remained virtually unchanged until the end of the year. As a result, in December 2008 poultry prices were up 13% year on year (in December 2007 they were up 10.9%).

In 2008, **vegetable and fruit prices** grew by 7.7%, a decrease of 14.5 percentage points from 2007. Estimates show that as a result of growth in vegetable and fruit prices, overall consumer price growth increased by 0.3 percentage points, or 2.2%, as against 0.9 percentage points, or 7.2%, in 2007. In 2008, vegetable and fruit prices grew less than they did on average in the previous three years.

**Food prices as a whole** rose by 16.5% in 2008 as against 15.6% in 2007.

In 2008, growth in **non-food prices** accelerated to 8.0% from 6.5% in 2007 and accounted for an estimated 2.9 percentage points, or 21.6%, of inflation (as against 2.3 percentage points, or 19.4%, a year earlier). The most significant growth was registered in the prices of detergents and cleaning products (17.5% as against

#### Food price inflation (%)

	Growth (December 2008 on December 2007)	Growth (December 2007 on December 2006)	
Food products	16.5	15.6	Acceleration of growth by 0.9 percentage points
Bread and bakery products	25.9	22.4	Acceleration of growth by 3.5 percentage points
Cereals and legumes	25.8	24.7	Acceleration of growth by 1.1 percentage points
Pasta	33.8	23.6	Acceleration of growth by 10.2 percentage points
Meat and poultry	22.2	8.4	Acceleration of growth by 13.8 percentage points
Fish and seafood	15.1	9.0	Acceleration of growth by 6.1 percentage points
Milk and dairy products	12.2	30.4	Slowing of growth by 18.2 percentage points
Butter	10.5	40.3	Slowing of growth by 29.8 percentage points
Sunflower oil	22.1	52.3	Slowing of growth by 30.2 percentage points
Granulated sugar	7.0	-4.3	
Vegetables and fruit	7.7	22.2	Slowing of growth by 14.5 percentage points
Alcoholic beverages	10.9	7.7	Acceleration of growth by 3.2 percentage points

Source: Rosstat.

8.0% in 2007), medicines (16.4% as against 5.5%) and tobacco products (16.1% as against 7.7%). The fall in oil prices caused petrol prices to decline by 14.7% in the fourth quarter of the year, whereas in 2008 as a whole petrol prices rose by 1.2% as against 8.5% a year earlier. Non-food prices, excluding petrol prices, went up by an estimated 8.4% in 2008, an increase of 2.0 percentage points over 2007.

In 2008, prices of the **paid services provided to the public** rose by 15.9% as against 13.3% in 2007. It has been estimated that they accounted for 4.0 percentage points, or 29.8%, of overall consumer price growth (as against 3.3 percentage points, or 27.7%, in 2007).

Administered prices of paid services grew by an estimated 14.5%, an increase of 0.9 percentage points on a year earlier. Housing and utility prices rose by 16.4% as against 14.0% in 2007. Passenger transport fares went up 22.5% as against 13.6% a year earlier.

In 2008, service prices increased by 3.5 percentage points faster than commodity prices in general (this compares with 2.0 percentage points in 2007).

According to Rosstat data, in 2008 consumer price growth in all **federal districts** was higher than in 2007.

Estimates show that regional differences in the cost of a fixed set of goods and services used by the Federal State Statistics Service for interregional purchasing power comparisons became

less pronounced in 2008. The regional difference ratio<sup>1</sup> decreased from 40.2% to 40.0% last year.

Growth in non-food prices was roughly the same in all federal districts in 2008 (from 7.8% to 9.9%).

As for vegetable and fruit prices, their growth differed widely region by region. In the Volga Federal District, for example, these prices rose by 3.4% (as against 32.9% in 2007), whereas in the Far Eastern Federal District they grew by 15.8% (as against 9.7% in 2007).

In 2008, growth in service prices accelerated in all federal districts, as compared with the previous year.

### Housing prices

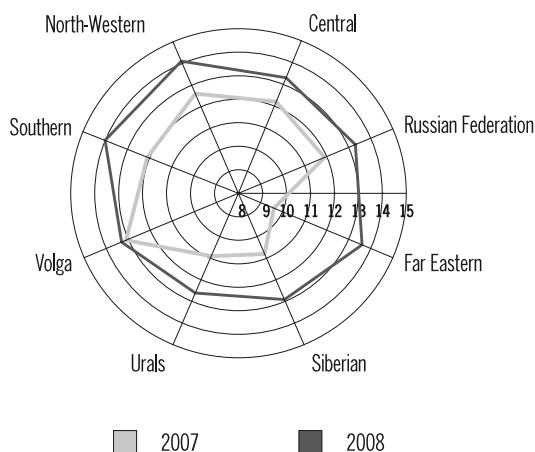
In 2008, housing prices rose by 10.3% on the primary market and 15.3% on the secondary market. Compared with 2007, growth in housing prices slowed by 13.1 percentage points and 5.3 percentage points, respectively. There was a fall in housing prices in the fourth quarter of 2008.

In 2008, growth in housing construction slowed down significantly. In 2007, it was 20.6% over 2006, whereas in 2008 it was just 4.5%. This along with the slowing of growth in housing prices on the primary market may serve as a sign of the saturation of solvent demand in this segment of the real estate market. It should be noted that as this demand was partly created by investors, the slowing of price growth may be the result of the world financial crisis.

### Producer prices

**Industrial producer prices** were down 7.0% in 2008, whereas in 2007 they rose 25.1%. The price fall began in September and was particularly marked in the mining sector, where producer prices declined by 53.6% in September-December due to the fall in world hydrocarbon and metal prices. In 2008, producer prices in the fuel and energy sector dropped by 42.2%, whereas in 2007 they rose by 58.1%. Producer prices in the ore mining sector were down 9.7%, whereas a year earlier they increased by 11.5%.

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

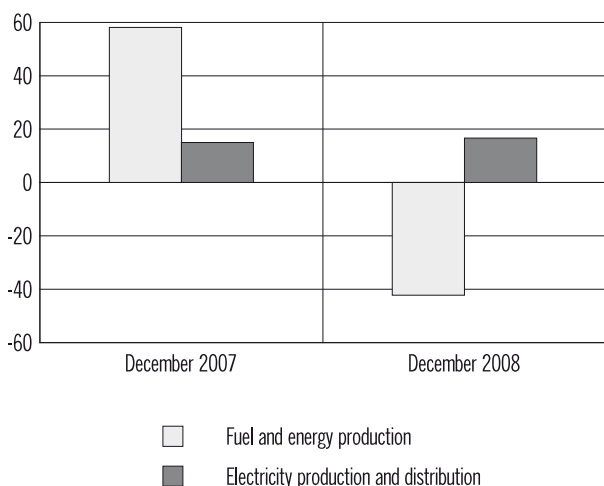


Source: Rosstat.

<sup>1</sup> The regional difference ratio is calculated by the Bank of Russia as the difference between the cost of a fixed set of goods and services in the most expensive and the cheapest regions relative to the national average cost of the set.



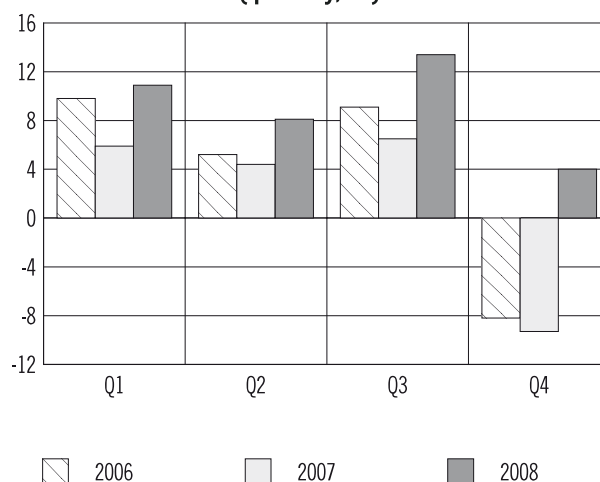
**Producer prices by type of activity**  
(growth as % of December of previous year)



Source: Rosstat.

The sharp fall in producer prices in the mining sector leads to cost reduction, which, in turn, eases the inflationary pressure. Over the year price growth in the manufacturing sector stood at 1.9% as against 17.9% in 2007. The slowing of producer price growth in the manufacturing sector in 2008 was due to the price fall in the production of coke and petroleum products by 27.3% (there was a growth of 43.4% in 2007). Price growth also slowed down in the production of foodstuffs, including beverages, and tobacco (to 12.3% as against 20.0% in 2007) and the production of leather, leather goods and footwear (to 8.4% as against 8.7%). At the same time, price growth

**Freight charges**  
(quarterly, %)



Source: Rosstat.

accelerated in the production of textile and clothing (to 10.8% as against 9.6%).

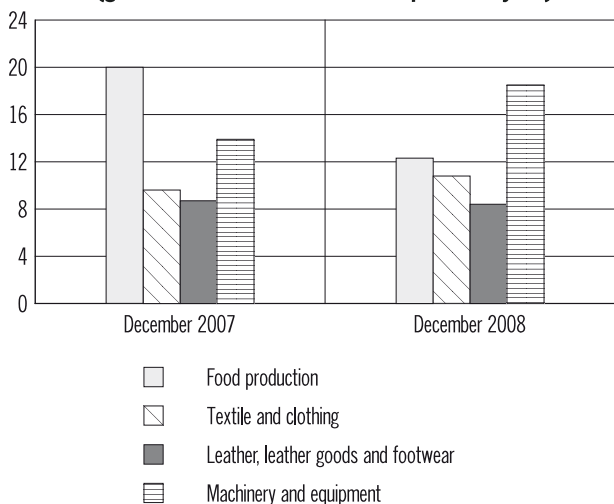
Price growth in the production, transmission and distribution of electricity, gas and water stood at 18.0% in 2008 as against 13.3% in 2007.

**Freight transportation charges** rose by 41.4% in 2008 as against 6.8% in 2007. Railway fares increased by 22.1% as against 7.7% a year earlier.

**Communication fees for corporate entities** increased by 11.5% in 2008 as against 4.0% in 2007.

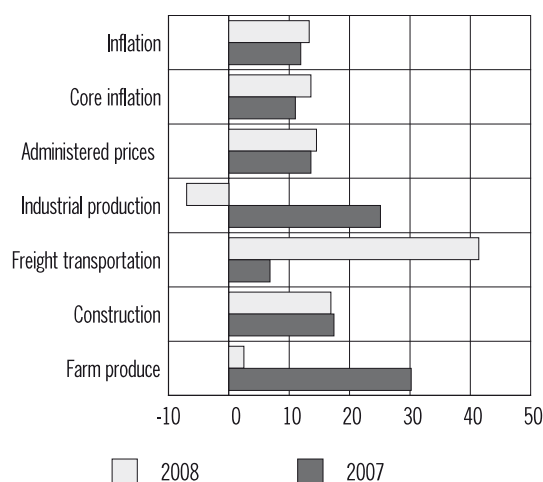
In 2008, the **aggregate building materials price index** registered 116.9% as against 117.4% in 2007.

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



Source: Rosstat.

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

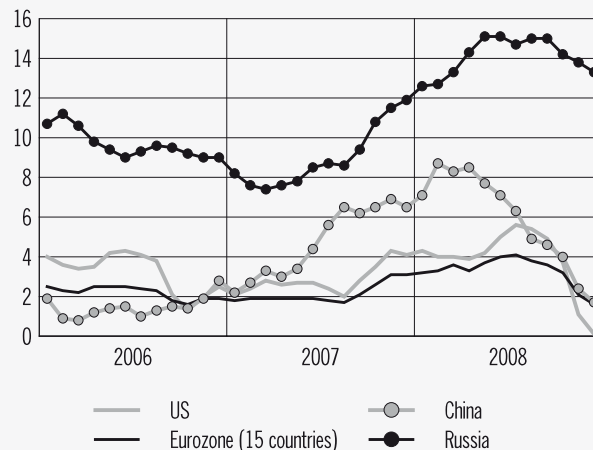


Source: Rosstat.

### Inflation in some countries of the world<sup>1</sup>

Inflation in the countries that account for a significant share of Russian imports slowed to 5% in 2008 (December on December of the previous year) from 5.9% in 2007. Most of Russia's European trading partners, the United States and China registered the slowing of price growth. The lowest inflation rate was registered in the United States (over the year the level of consumer prices remained virtually unchanged in that country), the highest in Ukraine. China, Kazakhstan, Germany and the United States made the biggest contribution to the slowing of aggregate consumer price growth among Russia's major trading partners. In the first half of the year inflation accelerated in foreign countries due to growth in energy and food prices, but in the third quarter prices on raw material markets stabilized and began to fall. This price fall continued into the fourth quarter. The contraction of domestic demand due to the recession led to the significant slowing of inflation in the developed countries in the fourth quarter of last year. The relatively high rates of inflation in the former Soviet republics in the fourth quarter were due to growth in the devaluation expectations.

Consumer prices by country (%)<sup>\*</sup>



<sup>\*</sup> Consumer price growth on the corresponding month of the previous year.  
 Source: The Bureau of Labor Statistics at the US Department of Labor, the Statistical Office of the European Communities Eurostat, China's National Statistics Bureau and Rosstat.

<sup>1</sup> According to data compiled by the Bureau of Labor Statistics at the US Department of Labor, the Statistical Office of the European Communities Eurostat and national statistical offices of other countries.

In 2008, **agricultural producer prices** edged up 2.5% as against 30.2% in 2007. Crop grower prices fell by 2.6% over the year, whereas in 2007 they increased by 37.3%. Sunflower prices were down 13.4% (in 2007 they were up 105.7%) and grain prices 4.6% (as against the rise of 45.5% a year earlier). In 2008, livestock product prices rose by 6.1% as against 25.5% in 2007. The most significant increase was registered in livestock and poultry prices (17.4% as against 8.0% a year earlier). Milk prices were down 9.2%, whereas in 2007 they jumped 56.4%.

### Foreign trade

Despite the fall in the prices of oil and many other raw materials in the second half of 2008, the price situation on the world markets for the major Russian exports<sup>2</sup> last year was much better

<sup>2</sup> Average prices are based on 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). Ferrous metal prices are the price indices and natural gas prices and prices of other commodities are monthly averages published by the World Bank and the IMF.

than in 2007. Energy prices rose by 43% on average and non-energy prices increased by 21%.

The acceleration of growth in oil prices in the first half of 2008 was due to the high demand for energy by the major consumers and investors, the reduction of world crude stocks, the devaluation of the US dollar and geopolitical instability in the world. Oil prices reached the highest level on July 11, when Urals traded for \$ 139.9 per barrel.

In the middle of July, the situation on world commodity and raw material markets changed. The dollar's appreciation, the outflow of investments from commodity markets and the expectations of a contraction in world demand for energy amid the worsening world financial crisis and recession in the United States and some European countries led to a sharp fall in oil prices in July-December. As a result, the world market saw prices fall more than four times. Specifically, the price of Urals crude plunged to \$ 32 per barrel at the end of December. As a result, the average price of Russian oil in December (\$ 38.1 per barrel) was the lowest in the past four years. In the third quarter prices fell by 4% quarter on quarter, whereas in

the fourth quarter they were down 53%. Nevertheless, the average world market price of Russian oil in 2008 was \$93.9 per barrel, an increase of 35% on the previous year (in 2007 the price of oil went up 14%).

The fall in the price of oil was followed by the decline in petroleum product prices: the price of premium petrol and diesel fuel began to fall in July and that of straight-run petrol and fuel oil in August. As a result, in the third quarter petroleum product prices were on average by 2% higher than in the second, whereas in the fourth they dropped almost by half. In 2008, average petroleum product prices were by 41% higher than a year earlier (in 2007 they were up 13.5% on the previous year). The most significant growth was registered in the price of diesel fuel (48%) and fuel oil (36%); the price of premium petrol was up 19% and straight-run petrol rose by 18% (in 2007 these prices rose by 10%, 18%, 14% and 19%, respectively).

The price of natural gas in Europe started to fall in late 2008: it dropped by 1% in November month on month and 2% in December. On average the price of natural gas in 2008 rose by 57% year on year (a year earlier it inched up 1%). Coal prices began to fall in August, but in 2008 they were on average by 90% higher than a year earlier (in 2007 they rose 30% year on year).

In 2008, the main factor of the price upturn on the world ferrous metal market was the rise in electricity prices and the prices of raw materi-

als for the production of ferrous metals (iron ore prices soared by 70% year on year, whereas a year earlier they increased by 9.5%). However, in September 2008 ferrous metal prices started to fall due to the slowing of growth in demand, especially in China. In the fourth quarter of the year ferrous metal prices were on average down 8% from the third, but in 2008 as a whole they were by 60% higher than a year earlier (in 2007 ferrous metal prices were unchanged from the previous year).

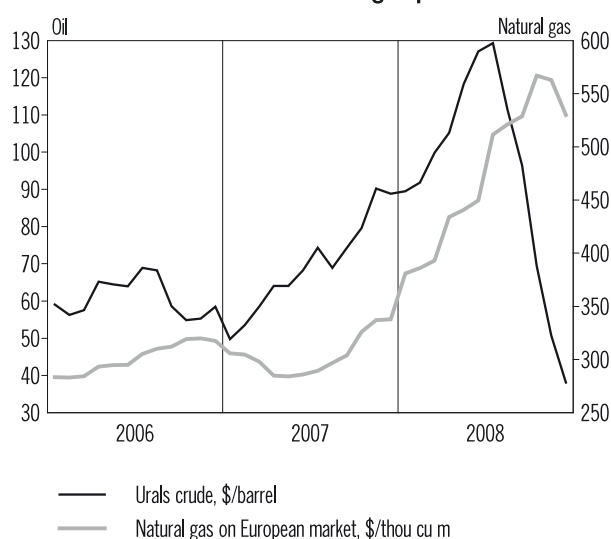
The fall in non-ferrous metal prices in 2008 was caused by the escalation of the world financial crisis and the world economic downturn, which led to the reduction of industrial producer and investor demand for non-ferrous metals. The price of aluminium started to fall in April and copper in May 2008 and the price of nickel began to slide in June 2007. On average, the price of aluminium and copper went down by 2.4% in 2008 (a year earlier they rose by 2.6% and 5.9%, respectively) and nickel prices were down 43% (in 2007 they rose by 54%).

In 2008, the prices of other Russian raw material exports, except timber and sawtimber, rose significantly on world markets. The price of mineral fertilizers doubled year on year and chemical raw materials gained 70% (a year earlier these prices rose by 30% and 20%, respectively). Timber prices were down 12% on average and sawtimber prices slipped 11% in 2008 year on year (in 2007 they were down 19% and 4.5%, respectively).

Food and agricultural raw material prices<sup>3</sup> also began to fall on the world markets in 2008, but on average they were higher than in 2007.

After the sharp rise in wheat prices in the period from May 2007 to March 2008, the price downtrend prevailed in April 2008 due to the expectations of a good harvest and the economic situation in the world. Maize and barley prices, which rose in the first half of the year due to high demand, especially in ethanol production, declined in the second: the price of maize began to fall in July and barley in August. Grain price dynamics was affected not only by the changed situ-

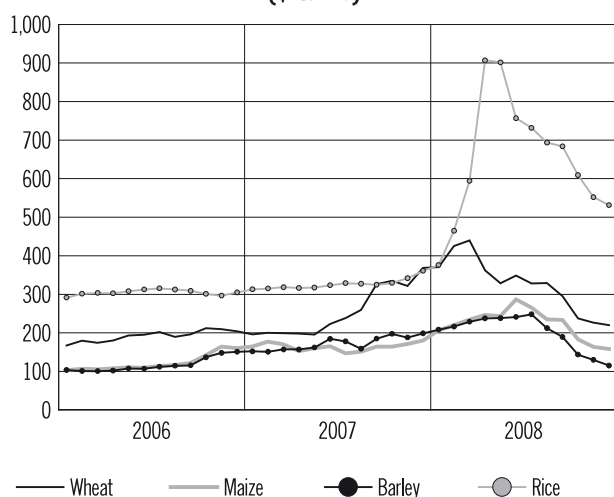
**World oil and natural gas prices**



Source: Reuters, World Bank.

<sup>3</sup> Average sugar prices have been calculated on the basis of data provided daily by the London Commodity Exchange, while other prices are monthly averages published by the World Bank and the IMF.

**World grain prices (\$/tonne)**



Source: World Bank.

ation on the world food market, but also the fall in energy prices.

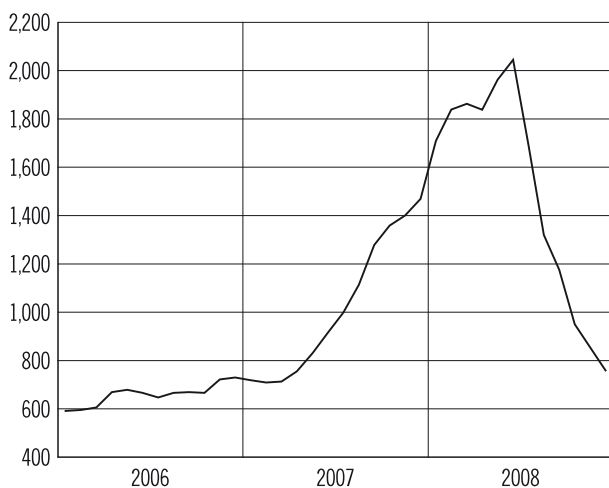
The price downturn accelerated in the fourth quarter of 2008: compared with the third quarter, the price of US wheat and maize fell by 28% and 31%, respectively, and the price of Canadian wheat and barley was down 18% and 40%, respectively. Despite the sharp fall, in 2008 these prices were higher than in 2007: the price of US wheat was higher by 28%, Canadian wheat by 51%, US maize by 36% and Canadian barley by 16% (a year earlier these grain prices rose by 33%, 39%, 34% and 48%, respectively). The sharp acceleration of growth in rice prices in the first half of 2008, caused by a relatively poor har-

vest and, as a consequence, the contraction of stocks and the restrictions imposed on rice exports by some countries, gave way to a price downturn in the second half of the year. The principal factors that affected the world rice price dynamics were the expectations of a good harvest in the major producing countries and the overall fall in prices on raw material markets. Compared to the previous quarter, the price of rice fell by 18% in the third quarter and 20% in the fourth, but in 2008 as a whole the price of rice was on average twice as high as a year earlier (in 2007 it was up 7%).

Sunflower oil prices rose in the first half of 2008 due to the reduction of production and exports from Ukraine and Argentina. In the second half of the year sunflower oil prices began to fall due to good harvests, the expansion of world stocks and the slowing of growth in demand. At the end of the year sunflower oil prices in Europe sank to the low registered in April 2007. In the third quarter of 2008, sunflower oil prices in Europe fell by 28% quarter on quarter and in the fourth 36.5%. However, in 2008 the price of sunflower oil was on average almost 50% higher than a year earlier (in 2007 it rose by 55%).

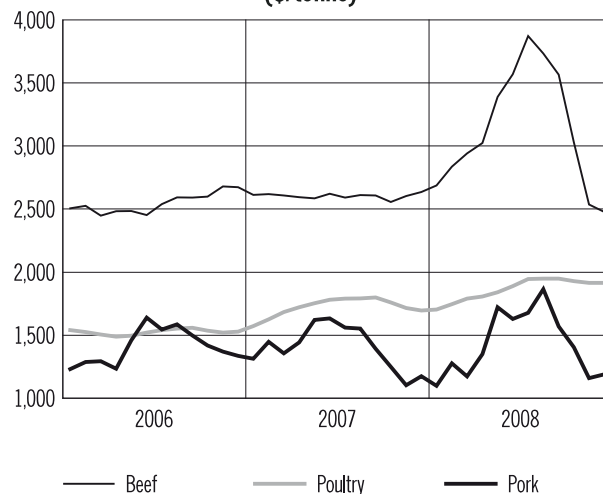
Growth in the world demand for meat, accompanied by the rise in energy and fodder prices, pushed prices up during the first eight months of 2008. Afterwards, the expectations of the slowing of growth in demand, connected with the deterioration of the economic situation in the major meat consuming countries, good grain harvests and

**Sunflower oil prices on European market (\$/tonne)**



Source: National Market Research Institute.

**World meat prices (\$/tonne)**



Source: World Bank.

### Foreign trade in some countries of the world<sup>1</sup>

In the middle of 2008, the terms of trade began to change for the worse for the oil exporting countries. Nevertheless, the mineral fuel export conditions were relatively good for Russia in 2008, as the European Union member countries, which account for a large portion of Russian exports, maintained oil consumption at a relatively stable level. In addition, natural gas supplies, which account for a large part of Russian exports to the EU countries, were conducted under fixed contract prices in the second half of the year. EU member countries increased expenditures on mineral fuel exports in 2008, but in August these expenditures began steadily to decline due to the fall in the price of oil and petroleum products. Russian exports accounted for more than a quarter of EU countries' mineral fuel consumption. Their value also began to decrease in August. According to the International Energy Agency, oil consumption in Europe fell by 0.8% in 2008.

<sup>1</sup> According to data provided by the International Energy Agency, International Monetary Fund and Statistical Office of the European Communities Eurostat.

the fall in fodder, energy and fuel prices affected the dynamics of livestock and poultry prices. Beef prices started to fall in August and pork prices in September, while poultry prices remained virtually unchanged during the last five months of 2008. As a result, in the fourth quarter of 2008 the price of beef fell by 28% quarter on quarter, pork 27% and poultry 1.4%. Despite the price downturn, in 2008 the price of beef was on average by 21% higher than a year earlier, pork by 1.6% and poultry by 8.2% (in 2007 beef and poultry prices rose by 2.2% and 13%, respectively, while pork prices were unchanged from 2006).

The world sugar market saw prices rise in the first and third quarters of the year and fall in the second and fourth. In 2008, the overall price trend was towards growth as crop areas were reduced, production declined and world stocks con-

tracted in the past two years despite high demand. In 2008, the price of raw sugar rose by 15% on average and refined sugar 14% (in 2007 these prices were down 36% and 34%, respectively).

The fall in export prices in the fourth quarter of 2008, more dramatic than the fall in import prices, led to the worsening of the terms of Russia's trade with other countries,<sup>4</sup> but overall in 2008 they were much better than in 2007.

Russia's trade surplus<sup>5</sup> contracted 2.4 times in the fourth quarter of 2008, as compared with the third, as exports declined more than imports (by 30% against 13%). However, in 2008 Russia's trade surplus increased by more than one-third year on year and stood at \$ 176.6 billion (in 2007 it contracted by 6% to \$ 130.9 billion).

## Demand

### Domestic demand

The world financial and economic crisis adversely impacted the Russian economy in the second half of 2008. The fall in revenues in various sectors of the economy and the toughening of the borrowing terms and conditions in the fourth quarter of the year led to the slowing of growth in investor and consumer demand in Russia. It has been estimated that domestic demand for imports fell in that period due to the devaluation of the rouble.

In January-September 2008, the share of imported products in retail trade commodity re-



Source: London Commodity Exchange.

<sup>4</sup> The ratio between export and import price indices.

<sup>5</sup> According to the balance of payments estimate as of January 13, 2009.

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

	2007					2008**			
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Full year
GDP	7.40	8.10	7.30	9.50	8.10	8.50	7.50	6.20	5.60
Final consumption	10.40	10.60	10.50	11.00	10.80	10.60	9.40	9.80	9.00
Of which:									
– households	12.40	12.70	12.80	13.10	13.60	14.10	12.20	12.40	11.50
Gross capital formation	24.90	25.90	18.10	23.60	21.10	10.40	17.80	14.00	13.30
Net exports	-23.90	-29.20	-41.00	-20.40	-26.90	-7.30	-32.60	-81.20	-43.80

\* Disaggregation by quarter does not match full-year data; Rosstat update is expected in March 2009.

\*\* Data for 2008 Q4 are unavailable.

Source: Rosstat.

sources contracted by 0.6 percentage points, as compared with the same period of 2007, and stood at 45.7%. The share of revenues from food imports dwindled by 0.9 percentage points to 35.6% and non-food imports by 0.2 percentage points to 54%.

In the fourth quarter of 2008, imports of investment goods declined more than imports of consumer goods as compared with the previous quarter. Food imports remained virtually unchanged from the previous quarter.

The slight fall in import prices in the fourth quarter was accompanied by the significant contraction of import volumes. Growth in engineering import volumes began to slow down on a year-on-year basis in June and food and agricultural raw material import volumes in October.

Despite the fourth-quarter import dynamics, engineering imports grew considerably faster than food imports and their share in total imports reached 52.7% in 2008 as against 50.9% in 2007. Food imports increased year on year due to not only the accelerated growth in contract prices, but also the expansion of import volumes, but their share contracted to 13.2% in 2008 from 13.8% in 2007.

As import prices, especially food import prices and prices of imports of raw materials for food production, increased faster than in 2007, prices grew on the domestic market.

In the fourth quarter of 2008, household real disposable money income fell by 5.8%. As the devaluation expectations increased, people preferred to maintain the level of current consumption and buy foreign exchange. The share of household spending on the purchase of goods and services expanded by 5.8 percentage points to 71.8% in

the fourth quarter of 2008, as compared with the same period in 2007, and the share of spending on the purchase of foreign exchange expanded by 8.3 percentage points to 13.4%. The public propensity for organised savings declined significantly (from 11% to 3%).

In 2008, the share of remuneration in household money income expanded from 67.5% to 68.5% and that of social transfers from 11.6% to 12.9%. The share of consumer spending in household income use expanded over the year from 69.6% to 73.1%, compulsory payments and fees from 11.8% to 13.0% and foreign exchange purchases from 5.2% to 7.9%. The share of organised savings contracted by 3.6 percentage points to 6.0%. Household spending on final consumption increased by 11.5% in 2008 as against 13.6% in 2007.

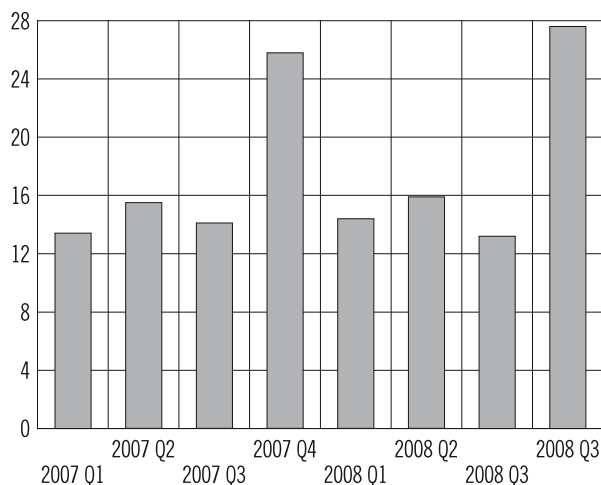
Government expenditures on final consumption increased by 2.5% in 2008 as against 3.4% a year earlier. According to the Federal Treasury's preliminary data, the federal budget surplus relative to GDP in 2008 contracted by 1.3 percentage points year on year, to 4.1%. The non-oil-and-gas deficit increased by 3.2 percentage points year on year and stood at 6.5% of GDP. These figures testify to a slight easing of the fiscal policy and the increased dependence of the revenue part of the federal budget on the oil and gas sector. Federal budget revenue decreased by 1.2 percentage points year on year and stood at 22.3% of GDP. The major factors of reduction in federal budget revenue in the fourth quarter of 2008 were the fall in the price of oil and other export commodities and the deterioration of some economic performance indicators due to the financial crisis.

In 2008, federal budget expenditure increased to 18.2% of GDP as against 18.1% in 2007. Non-interest expenditures increased by 0.2 percentage points year on year, to 17.8% of GDP, the highest level since 2000. The reason is the transfer of a part of expenditure obligations from 2007 to 2008, the implementation of measures to secure financial stability and the improved execution of 2008 budget expenditures. Budget expenditures continued to spread unevenly during 2008, especially in the fourth quarter, which accounted for 39.8% of the full-year expenditures (as against 42.7% in 2007).

The Russian government continued to absorb additional oil and gas revenues through the Reserve Fund and National Wealth Fund, which allowed it to increase the total value of these funds by 71.8% in rouble terms and contain growth in consumer prices.

Gross capital formation increased by 13.3% in 2008 as against 21.1% in 2007. Growth in fixed capital investment continued to slow down in October and November and a decline in fixed capital investment was registered in December. In the fourth quarter of the year, fixed capital investment increased by 1.8% as against 20.6% in the same period of 2007. Overall, growth in fixed capital investment in 2008 slowed to 9.1% from 21.1% a year earlier. The biggest capital investments were made in the mining sector, transport and communications.

**Federal budget non-interest expenditures  
(quarterly, as % of GDP)**



Source: Federal Treasury.

Investments in machinery, equipment and transport vehicles made up over one-third of total investments. The purchase of import equipment account for about one-fifth. Imports of machinery, equipment and transport vehicles increased by 56.8% in January-September 2008 as against 55.8% in the same period of 2007.

Most of fixed capital investments (57.2%) were financed from borrowed funds in January-September 2008. Bank loans accounted for 11% as against 10.2% in the same period a year earlier.

As import volumes grew considerably faster than exports, net exports of goods and services contracted by 43.8% in 2008.

Overall, domestic demand continued to expand at rapid rates (over 10%) in 2008, despite the significant contraction registered in the last few months, and as a result, production surpassed its natural (potential) level for most of the year.

### Foreign demand

The slowing of foreign demand and the price downturn on world commodity markets amid the worsening financial and economic crisis in the world affected Russian export dynamics in the fourth quarter of 2008. Compared to the previous quarter, Russian exports contracted not only because of the fall in prices, but also as a result of the contraction of export volumes. The fourth quarter saw the contraction of Russian oil exports to non-CIS countries.

Overall, exports of goods<sup>6</sup> increased by 32.3% in 2008 year on year and stood at \$ 469.0 billion. Exports of goods to the APEC member countries, especially the United States and Japan, and the EU members, particularly Italy and Poland, grew faster than overall exports<sup>7</sup> in 2008. Exports to Ukraine and Belarus continued to expand rapidly.

Year-on-year growth in the value of Russian exports of goods in 2008 was largely due to the rise in prices, as export volumes expanded slightly. Energy products accounted for most of this growth. The rise in energy export prices was accompanied by the expansion of natural gas and

<sup>6</sup> According to the balance of payments estimate as of January 13, 2009.

<sup>7</sup> According to Russia's Federal Customs Service.

**Economic growth in foreign countries<sup>1</sup>**

GDP growth in countries that account for a large share of Russian exports slowed to an estimated 2.7% in 2008 from 4.8% in 2007. According to preliminary data, in 2008 GDP increased by 1.3% in the United States (as against 2% in 2007), 0.7% in the eurozone (2.6%) and 9% in China (13%).

The reproduction cycle in the leading industrialised nations changed its phase from economic growth to recession. The contraction of GDP for two consecutive quarters, which signifies recession by international standards, was registered from April to September 2008 in Germany, Italy and Japan. Preliminary data show that in the fourth quarter of 2008 the United States and Britain saw their GDP continue to contract for the second quarter. According to the US methodology for determining the phases of the reproduction cycle, the recession began in that country in December 2007. The recession in the developed nations adversely impacted the situation in other countries, including Russia's trading partners in Europe and Asia, due to the weakening of demand for industrial and raw material exports and the reduction of capital inflow.

<sup>1</sup> 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.

petroleum product export volumes. The amount of oil exported to the world market declined in 2008.

**Supply**

The production of goods and services continued to grow rapidly in the first half of 2008, as the foreign trade situation remained favourable for the Russian exporters and domestic demand increased significantly. The world economic and financial crisis had a negative effect on production growth in Russia, especially in the last few months of 2008. Output in the key types of economic activity contracted by 2.7% in the fourth quarter of the year, whereas full-year growth slowed to 4.5% from 8% in 2007. There was a slowing of growth in the construction sector and retail trade

in the fourth quarter of 2008, as compared with the same period in 2007, while output declined in industry, wholesale trade and transport. Overall, retail trade turnover expanded by 13% in 2008 as against 16.1% in 2007, construction volume 12.8% (18.2%), wholesale trade turnover 4.7% (13.4%) and freight transport turnover 0.6% (2.4%).

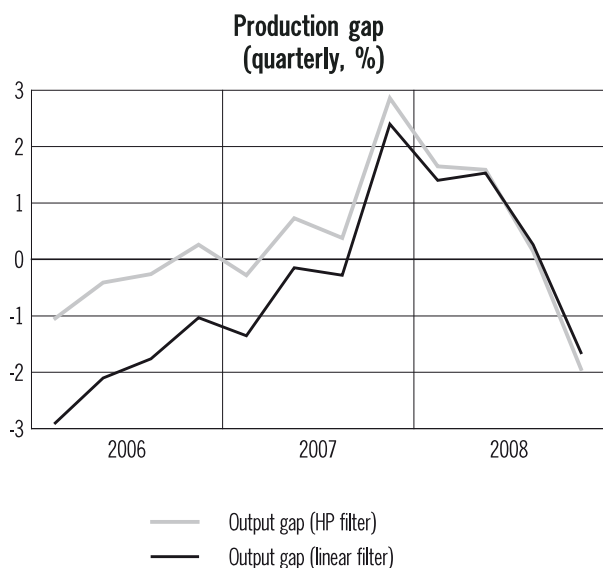
The industrial production index registered 102.1% in 2008 as against 106.3% in 2007. Production growth slowed from 9.5% in 2007 to 3.2% in 2008 in the manufacturing sector and from 1.9% to 0.2% in the mining sector.

Price dynamics in the economy was affected by the expansion of the supply of farm produce, whose output increased by 10.8% in 2008 year on year as against 3.4% in 2007. Gross production of grain in 2008 grew by 32.6%, sugar beet 0.7%, potatoes 6.2% and vegetables 12.9%. Growth was registered in the output of the major livestock products, including cattle and poultry in slaughter weight (6.5%) and milk (1.1%). The production of granulated sugar from sugar beet increased by 7.8% in 2008 year on year and meat and meat products 5.5% (of which meat, including premium quality meat sub-products, increased by 11.6%). In that situation, growth in agricultural producer prices slowed down.

GDP growth stood at 5.6% in 2008 as against 8.1% in 2007.

**Labour market**

In 2008, the number of jobs in the economy increased by 0.6% as against 2.4% in 2007.



Source: The Bank of Russia.



However, this indicator had different dynamics during the year. In September, the sustained trend towards growth gave way to decline and in the fourth quarter of the year the number of jobs fell by 0.3%, as compared with the same period of 2007.

In 2008, labour productivity rose by an estimated 5.0% as against 5.6% in 2007. In January-September the rates of growth in labour productivity in the manufacturing sector were higher than in the services sector. The production of services grew faster than the production of goods. The number of jobs increased year on year in the services sector but decreased in the manufacturing sector.

As in the previous years, real wage in 2008 rose faster (by 9.7%) than labour productivity, but the gap between real wage and labour productivity growth rates narrowed.

The share of remuneration in the GDP structure by income expanded from 46.3% in 2007 to 46.6% in 2008.

Significant differences remained in wage levels in different types of activity. The highest average monthly wage in January-November 2008 was registered in the financial sector (39,681

roubles) and the mining sector (37,680 roubles). It exceeded the national average 2.4 times and 2.2 times, respectively. The lowest wage was registered in agriculture, hunting and forestry (8,022 roubles), textile and clothing industry (8,026 roubles) and the production of leather, leather goods and footwear (9,328 roubles). It was, respectively, 47.7%, 47.7% and 55.4% of the national average. Wages and salaries below the national average were registered in the types of activity largely financed from the federal budget (education, utilities, public and personal services, healthcare and social services) and in the manufacturing sector, wholesale and retail trade, car and other repair services.

The number of unemployed, calculated according to the ILO methodology, increased by 4.3% in 2008 as against 13.3% in 2007. It should be noted that in the first half of the year the number of jobless declined, whereas in July the number of unemployed began to rise. The highest rate of growth in jobless numbers (23%) was registered in the fourth quarter of 2008. The total number of unemployed in 2008 stood at 6.3% of the economically active population (as against 6.1% in 2007).

## Monetary Conditions

### Exchange rate

The rouble exchange rate dynamics in the fourth quarter of 2008 was affected by the worsening of the foreign trade situation and the world financial crisis. According to preliminary data, the Russian balance of payments deteriorated significantly in that period: the current account surplus contracted sharply (to \$8.0 billion from \$27.6 billion in the third quarter). Private sector net capital outflow, estimated at \$130.5 billion, far surpassed the third-quarter level (\$17.4 billion).

As private capital flowed out of the country and the price of oil fell sharply on the world market, the situation on the domestic foreign exchange market was affected by the rise in the demand for foreign exchange. To keep the value of the bi-currency basket within the established range, the Bank of Russia sold large amounts of foreign currency, whose net value reached \$43.1 billion in October and \$33.8 billion in November. In the period from November 11, 2008, to January 23, 2009, the Bank of Russia conducted a large-scale gradual adjustment of the bi-currency basket fluctuation range. At the same time, it continued to buy foreign currency to ensure the smooth adjustment of the rouble rate.

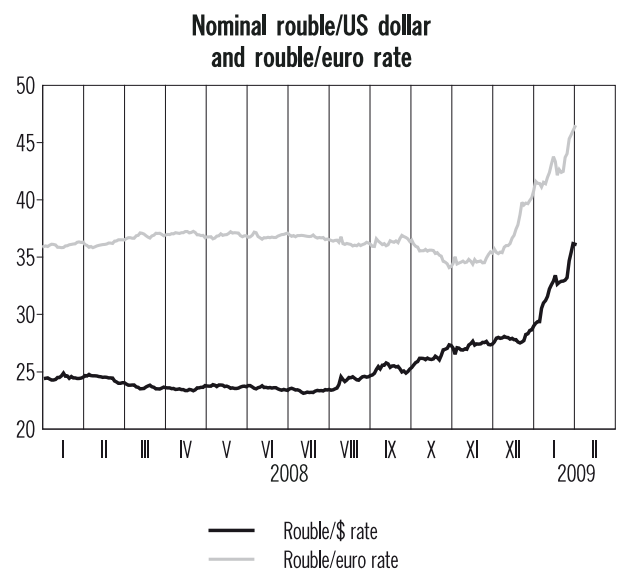
**The nominal rouble/US dollar rate** continued to fall in the fourth quarter of 2008, losing 11.1% against the previous quarter. On the one hand, the significant devaluation of the rouble against the US dollar in that period was due to the transition to a more flexible exchange rate-setting policy on the domestic foreign exchange market, which led to the substantial change in the rouble value of the bi-currency basket. On the other hand, it was the result of the continued sharp appreciation of the US dollar against the euro on the international currency market. In January 2009, the rouble lost 10.6% of its value against the dollar, as compared with the previous month. As of February 1, 2009, the rouble/dollar rate stood at 35.4146 roubles to the dollar.

**The nominal rouble/euro rate** rose by 1.4% in the fourth quarter of 2008 as compared with the third (it continued to rise for the second

consecutive month). The rouble's appreciation against the common European currency was due to the euro's fall against the US dollar on the international currency market. However, in December, when the euro appreciated against the dollar, the nominal rate of the rouble against the euro fell sharply not only month on month, but also as compared with December 2007. Compared with December 2008, in January 2009 the rouble depreciated by 10.4% against the euro and as of February 1, 2009, the rate stood at 45.6636 roubles to the euro.

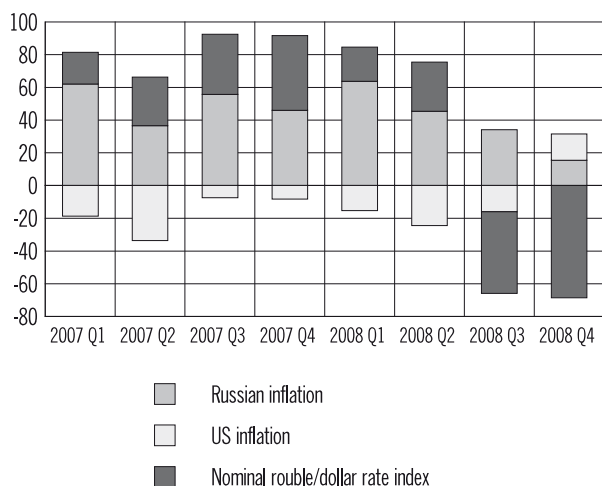
**The nominal rouble value of the bi-currency basket**, composed of 0.45 euros and 0.55 US dollars, increased by 4.8% in the fourth quarter of 2008 quarter on quarter (in the third quarter it rose by 0.5%). In January 2009, the nominal value of the bi-currency basket grew further by 11.8%. On January 23, 2009, the Bank of Russia set the upper limit on the range of fluctuations in the value of the bi-currency basket at 41 roubles. At the end of January 2009, the value of the bi-currency basket stood at 40.0267 roubles. Estimates show that the value of the bi-currency basket registered at the end of January 2009 was close to its medium-term equilibrium level.

**The real rouble/US dollar rate** fell by 6.3% in the fourth quarter of 2008 due to the decline



Source: The Bank of Russia, Reuters.

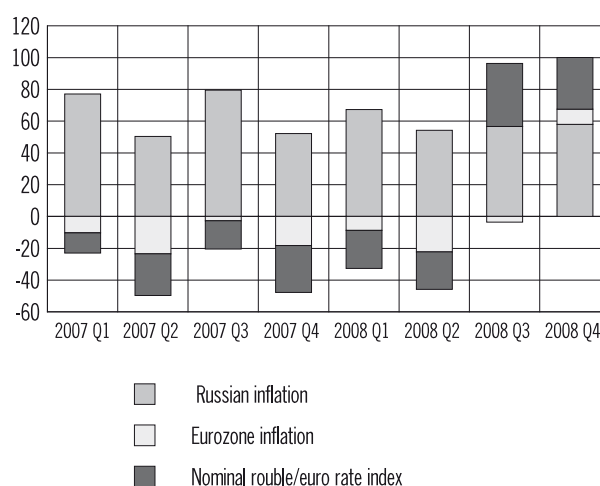
**Decomposition of change in real rouble/US dollar rate (quarterly, as % of real rouble rate index)**



Source: The Bank of Russia, Reuters.

of the nominal rate. The effect of this factor was partly offset by the increase in the inflation differential between Russia and the United States due to the reduction in the fourth quarter of 2008 of the general level of consumer prices in the United States amid the slight acceleration of inflation in the Russian economy. In January 2009, the real rouble/US dollar rate fell by an estimated 7.5%.

**Decomposition of change in real rouble/euro rate (quarterly, as % of real rouble rate index)**



Source: The Bank of Russia, Reuters.

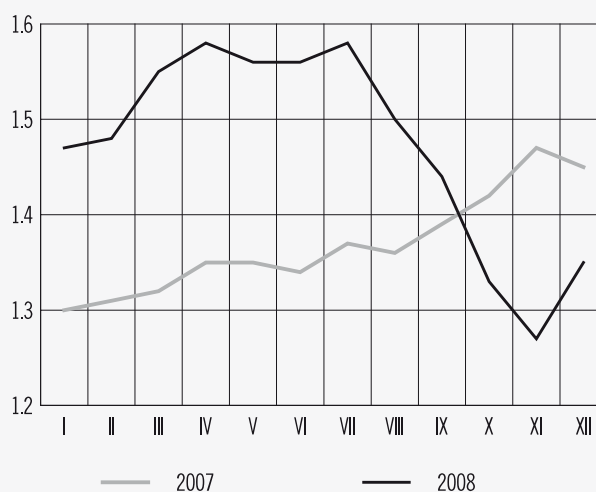
**The real rouble/euro rate** rose by 4.2% in the fourth quarter of 2008. This growth was due to the rise in the nominal rate and the increase in the inflation differential between Russia and the eurozone, caused, among other things, by the slight fall of the general level of consumer prices in Europe in the fourth quarter of last year. In Janu-

### International currency market

In the first half of 2008, the international currency market continued to register the devaluation of the US dollar against the currencies of most of Russia's trading partners, but in the second half of the year the dollar appreciated sharply. Over the year (December 2008 on December 2007) the dollar gained over 7% against the euro. The contraction amid financial market instability of the volume of transactions based on differences between interest rates and rates of return on assets denominated in different currencies resulted in the Japanese yen appreciating by more than 23% against the US dollar. The second half of the year saw the slowing of the yuan's rally against the US dollar, which amounted to 7.5% over the year.

Capital outflow led to the significant weakening of the currencies of Turkey, South Korea, India and Brazil. The currencies of some non-euro member countries of the European Union, such as Great Britain, Sweden, Poland, Hungary and Romania, depreciated against the US dollar and the euro. The currencies of other countries in this group, such as the Czech Republic, Lithuania, Estonia and Bulgaria, weakened against the US dollar. Financial market turmoil in Ukraine, accompanied by the run on banks and the rise in demand for foreign exchange, led to the sharp devaluation of the hryvnia. The currencies of Belarus and Kazakhstan remained stable in 2008 (they depreciated in the first quarter of 2009).

**Euro/US dollar rate (monthly average, \$/euro)**



Source: Reuters.

ary 2009, the real rouble/euro rate fell by an estimated 8.1%.

**The real effective rate of the rouble** gained 2.8% in the fourth quarter of 2008 as against 0.5% in the third. The main contribution to the strengthening of the real effective rate in that period was made by the accelerated inflation rate in Russia amid the reduction of the aggregate inflation rate registered by Russia's trading partners. In January 2009, the real effective rate of the rouble fell by an estimated 7.4%.

## Interest rates

### Money market and Bank of Russia interest rates

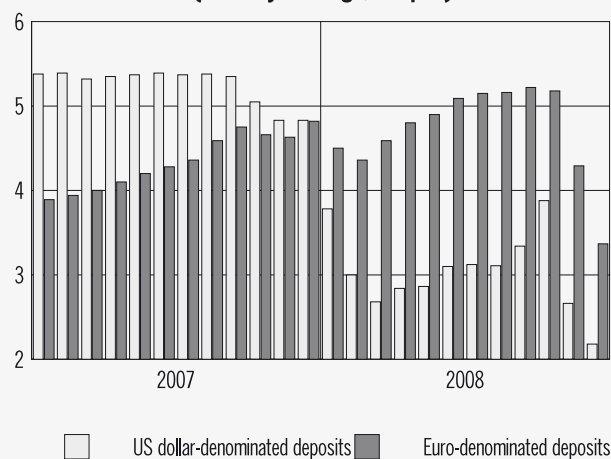
To check inflation and capital outflow, the Bank of Russia in the fourth quarter of 2008 raised interest rates on its operations. Specifically, it pushed up twice (on November 12 and December 1, 2008) the ceiling it had set on its interest rates. The overnight credit rate, which set the upper limit of the interest rate band, was lifted to

### Foreign central bank policies

The policy pursued by foreign central banks in 2008 was largely aimed at countering the negative trends in the financial sector and preventing a systemic banking crisis. However, in the first half of the year the policy pursued by the monetary authorities in some countries was seriously affected by the need to curb inflation. In the second half of the year most of Russia's trading partners changed their monetary policy to gear it towards stimulating economic growth and preventing deflation. In the second half of 2008 and the beginning of 2009 most of Russia's trading partners were cutting interest rates.

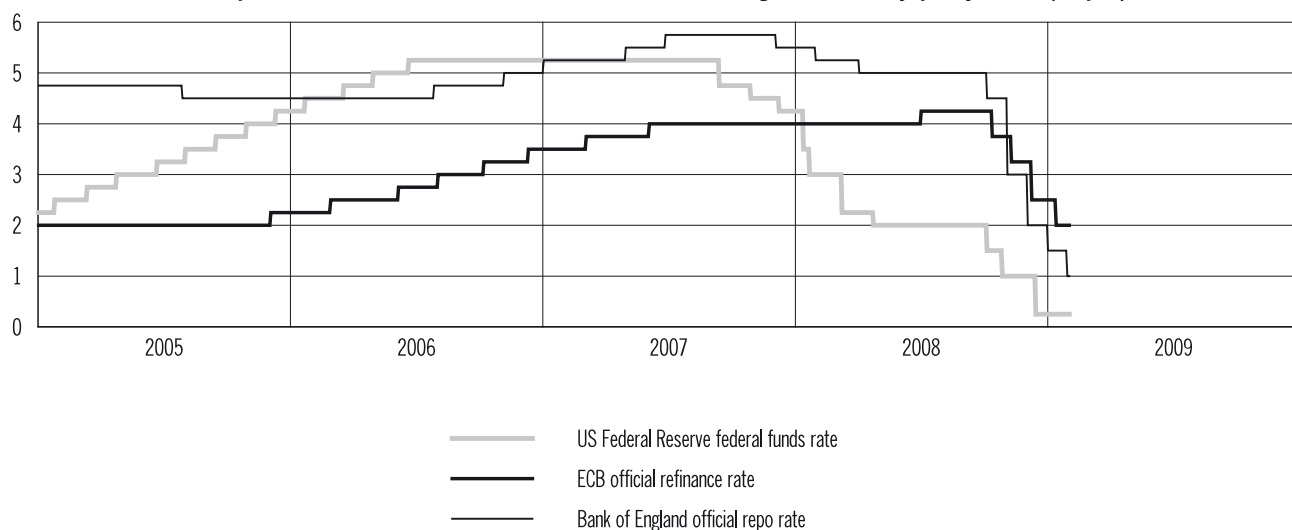
The US Federal Reserve from January to October 2008 cut the benchmark federal funds rate from 4.25% to 1% p.a. (in September 2007 the benchmark rate was 5.25% p.a.) and in December set it for the first time as an interval from 0 to 0.25% p.a. The European Central Bank (ECB) in July 2008 raised the refinancing rate from 4% to 4.25% p.a., but in the period from October to December cut it to 2.5% and in January 2009 to 2% p.a.

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



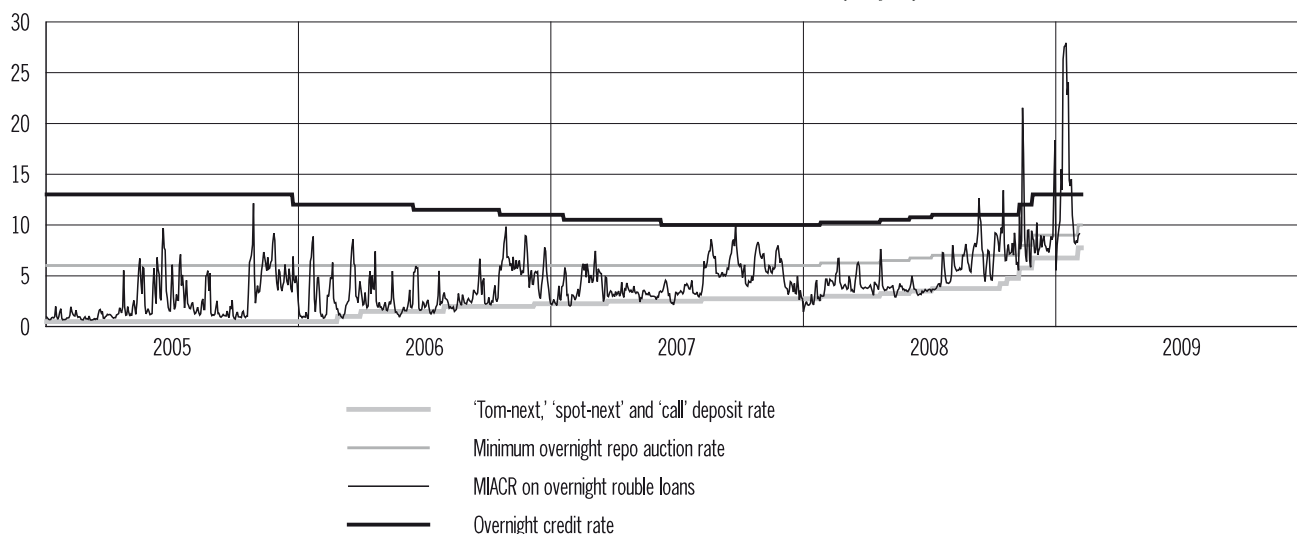
Source: Reuters.

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



Source: The Bank of Russia.

Bank of Russia interest rates and MIACR (% p.a.)



Source: The Bank of Russia.

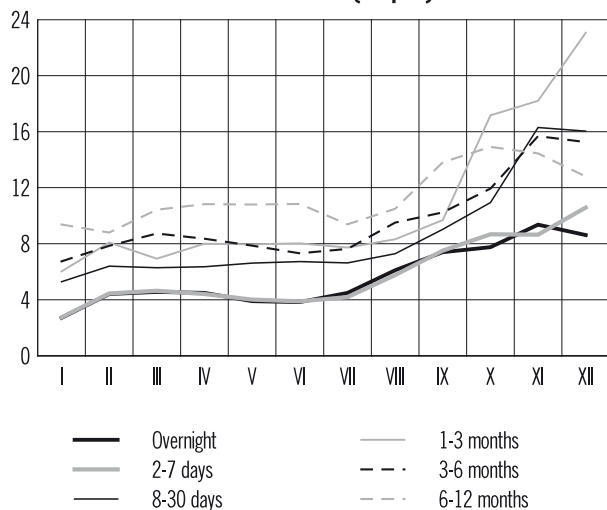
12% and later to 13% p.a. The 'tom-next' deposit rate, which set the lower limit of the band, was also raised, first from 4.75% to 5.75% p.a. and then to 6.75% p.a. At the same time, the minimum overnight repo auction rate was raised from 7% to 8% p.a. and then to 9% p.a. The Bank of Russia also raised interest rates along the entire range of its operations.

In February 2009, the Bank of Russia continued to raise interest rates on its operations. It raised the minimum overnight repo auction rate from 9% to 10% p.a. and the 'tom-next' deposit rate from 6.75% to 7.75% p.a. The overnight credit rate remained unchanged at 13% p.a. Simultaneously the Bank of Russia raised interest

rates on its other operations (see Statistical Addendum, Table 9).

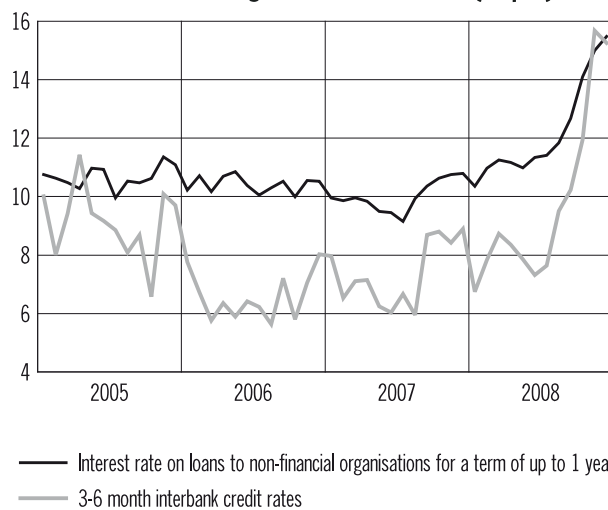
In the fourth quarter of 2008, as the world financial crisis deepened and private capital outflow from Russia increased, tension and uncertainty arose in the main segments of the Russian financial market. The banking sector continued to experience rouble shortages, despite the fact that the Bank of Russia was refinancing credit institutions on a large scale. Interest rates on rouble-denominated **interbank loans** rose significantly. The average quarterly MIACR on overnight rouble loans reached 8.4% p.a. as against 5.7% p.a. in the previous quarter. The rise in the average level of interest rates was accompanied by the sharp ex-

Interest rates on interbank rouble loans in 2008 (% p.a.)



Source: The Bank of Russia.

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



Source: The Bank of Russia.

**Bank of Russia operations to refinance credit institutions from October 2008 to January 2009**

In addition to the measures taken earlier,<sup>1</sup> the Bank of Russia Board of Directors, seeking to alleviate the aftermath of the world financial crisis, in January 2009 decided to raise the required reserve ratios on May 1 and June 1, 2009, rather than on February 1 and March 1, 2009, as it had planned earlier. At the present time, the required reserve ratios stand at 0.5% for each category of reservable obligations.

In October 2008, the Bank of Russia added unsecured loans to the set of its monetary policy instruments. On November 5, it extended the maximum term of these loans to six months for credit institutions rated BB- and higher by rating agencies Standard & Poor's and Fitch Ratings and Ba3 and higher by Moody's Investors Service. Federal Law No. 317-FZ, dated December 30, 2008, increased the maximum term of unsecured loans to one year.

To give Russian credit institutions wider opportunities to manage short-term liquidity in US dollars and euros, on December 1, 2008, the Bank of Russia began to conclude agreements with credit institutions on the opening of correspondent accounts in foreign currency.

In October 2008, the Bank of Russia continued to take action to give credit institutions wider access to its refinancing instruments. Specifically, it eased the requirements for getting funds using some types of collateral: it cancelled the 1.25% discounts for repo operations with federal loan bonds (OFZ) and Bank of Russia bonds (OBR) and raised the Bank of Russia adjustment ratios used in calculating the value of collateral for Bank of Russia loans. In addition, it lowered the requirements for the issuer/issue ratings of the bonds put on the Bank of Russia Lombard List and the rating of enterprises obliged for promissory notes and claims under credit agreements, accepted as collateral for Bank of Russia loans, by two notches to B-/B3 assigned by Fitch Ratings, Standard & Poor's and Moody's Investors Service. Seeking to facilitate access by credit institutions to refinancing instruments, the Bank of Russia Board of Directors on February 9, 2009, decided to add to the Bank of Russia Lombard List shares and bonds of issuers included in the List of Systemically Important Enterprises, if they are listed at least on one stock exchange in Russia, regardless of whether these issuers have an international rating or not. The Bank of Russia will conduct repo operations with these papers on the MICEX Stock Exchange.

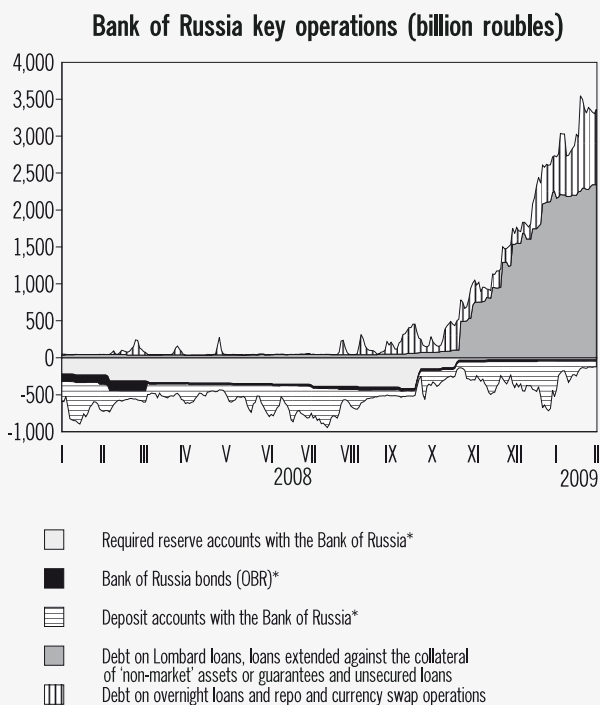
In October, the Bank of Russia resumed holding 3-month repo auctions and began to hold 3-month Lombard loan auctions. In addition, depending on the situation on the financial markets, the Bank of Russia may hold from December 12, 2008, 6-month and 12-month repo and Lombard loan auctions. On January 20, 2009, the Bank of Russia extended up to 365 days the terms of loans extended against the collateral of 'non-market' assets.

In the fourth quarter of 2008, the Bank of Russia extended over 3 trillion roubles in unsecured loans and in January 2009 it extended 0.5 trillion roubles in unsecured loans. Most of the loans extended in the fourth quarter of 2008 and all the loans extended in January 2009 were extended for a term of 5 weeks and more.

Overall, in October-December 2008, the Bank of Russia extended 365.4 billion roubles in loans with terms longer than one month against the collateral of 'non-market' assets or guarantees and 18.5 billion roubles in Lombard loans.

In the fourth quarter of 2008, the Bank of Russia extended at a fixed rate 41.1 billion roubles in 30-day Lombard loans and 3.8 billion roubles in loans against the collateral of 'non-market' assets. In all, it injected into credit institutions 414.1 billion roubles by conducting 1- and 2-week repo operations and extending fixed-rate and auction-based Lombard loans.

Despite the increase in the volumes of liquidity provided for terms longer than one month, the Bank of Russia provided most of the funds to credit institutions through overnight operations. The volume



\* Balances of funds have the sign "+".  
Source: The Bank of Russia.

<sup>1</sup> See Quarterly Inflation Review, 2008 Q3, p. 20.

of refinancing provided through overnight repo auctions in the fourth quarter of 2008 reached 12.4 trillion roubles, or 190.1 billion roubles a day on average; 7.4 trillion roubles, or 461.3 billion roubles a day on average, were provided in January 2009. In October-December 2008, the Bank of Russia provided 80.8 billion roubles (101.9 billion roubles in January 2009) in fixed-rate overnight loans, 397.5 billion roubles (458.8 billion roubles in January 2009) through repo operations and 15.3 billion roubles in Lombard loans.

Credit institutions also received rouble liquidity through currency swap operations. In the fourth quarter of 2008, they received 35.4 billion US dollars and 17.9 billion euros through currency swap operations and in January 2009 credit institutions received 15.6 billion US dollars and 0.6 billion euros through these operations.

As a result, credit institutions' average daily debt to the Bank of Russia on instruments used to provide liquidity increased from 145 billion roubles in the third quarter of 2008 to 1.4 trillion roubles in the fourth and to 3.1 trillion roubles in January 2009. The Bank of Russia average daily debt on instruments used to absorb credit institutions' temporarily idle funds stood at about 250 billion roubles in the third quarter of 2008, 310 billion roubles in the fourth and 157 billion roubles in January 2009.

The aforementioned measures taken by the Bank of Russia helped alleviate the liquidity crunch on the Russian money market.

pansion of the range of their fluctuations. During the fourth quarter the daily MIACR on overnight interbank rouble loans varied between 4.6% and 21.5% p.a. (as against 3.4% and 12.6% p.a. in the third quarter). In January 2009, MIACR on overnight interbank rouble loans fluctuated between 5.6% and 28.0% p.a., while the average monthly rate reached 16.3% p.a., the highest level since December 2001.

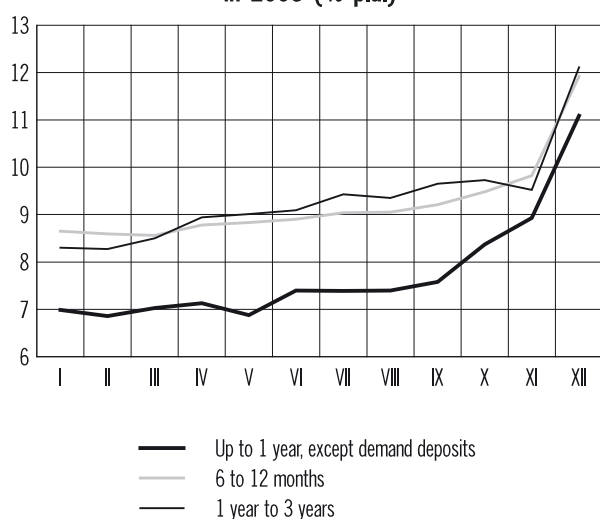
Interest rates on 2- to 7-day interbank rouble loans extended by Russian banks rose from 5.8% p.a. in the third quarter to 9.3% p.a. in the fourth; interest rates on 8- to 30-day loans went up from 7.7% to 14.4% p.a.; interest rates on 1- to 3-month loans increased from 8.6% to 19.5% p.a. As a result, in the fourth quarter the interbank credit yield curve moved up considerably and its slope increased, indicating that Russian money

market participants were expecting growth in interest rates in the short and medium term.

**Household deposit** rates continued to rise in the fourth quarter due to the increased competition on the deposit market amid growth in money demand and a fairly high inflation rate. The average short-term rouble deposit rate in the fourth quarter rose by 1.5 percentage points quarter on quarter, to 9.0% p.a. The average long-term rouble deposit rate went up by 0.6 percentage points to 10.0% p.a.

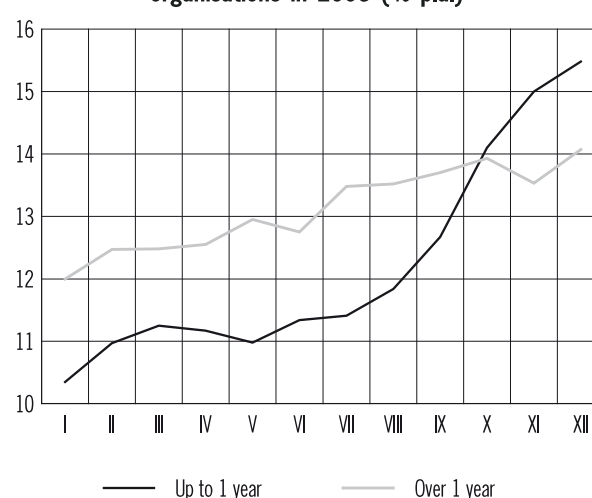
As domestic funds became increasingly expensive for Russian banks, which had limited access to foreign sources of finance, interest rates on rouble **loans to non-financial organisations** continued to rise. The average short-term rate on loans to non-financial organisations increased by 2.9 percentage points in the fourth quarter, as

Interest rates on household rouble deposits in 2008 (% p.a.)



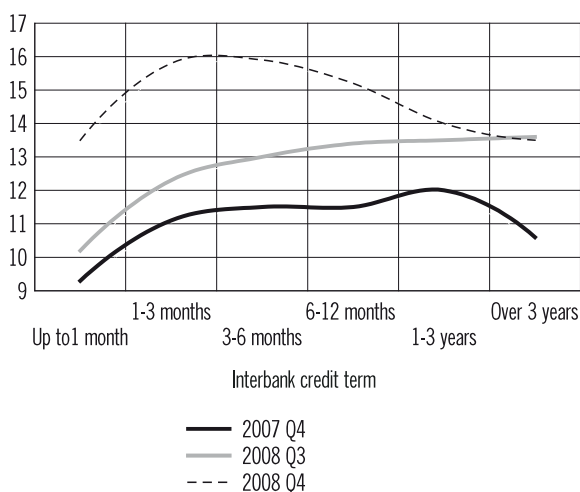
Source: The Bank of Russia.

Interest rates on rouble loans to non-financial organisations in 2008 (% p.a.)



Source: The Bank of Russia.

**Yield curve for rouble loans to non-financial organisations (% p.a.)**



Source: The Bank of Russia.

compared with the third, and stood at 14.9% p.a. The average quarterly long-term rate on loans rose by 0.3 percentage points in that period to 13.8% p.a. The most significant rise was registered in interest rates on loans with terms of up to 6 months (about 3.0 percentage points), whereas rates on loans with terms of over 3 years fell by 0.1 percentage points. The yield curve for loans to non-financial organisations in the fourth quarter retained its rising slope in the up to 6 months sector but went into decline in the longer-term sector.

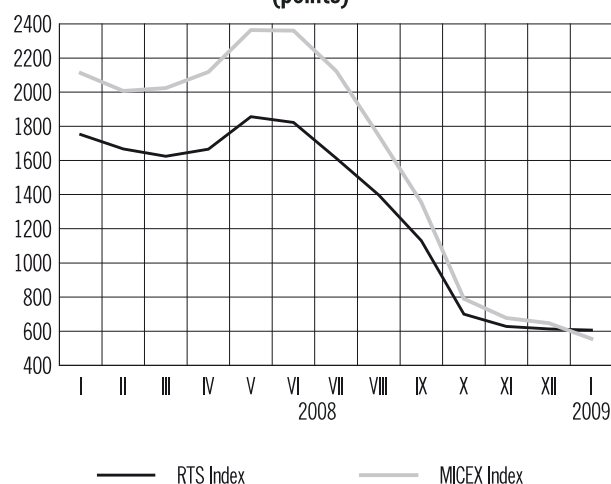
Interest rates on rouble-denominated **loans to households** and other loans increased in the fourth quarter. The average quarterly long-term credit rate gained 1.5 percentage points in that period quarter on quarter and reached 17.5% p.a. The average short-term credit rate was up 3.6 percentage points to 26.1% p.a.

### Asset prices

Prices continued to fall on the **Russian stock market** in the fourth quarter of 2008, due to the increased capital outflow from the domestic stock market, the unfavourable situation on the world financial and raw material market and the depreciation of the rouble against major foreign currencies. Russia's MICEX and RTS stock market indices plunged by more than 50% on average quarter on quarter.

Russian share prices were falling especially fast in October and their volatility increased significantly. In the last week of November the landslide stock price downturn had stopped and the

**Russia's major stock indices (points)\***

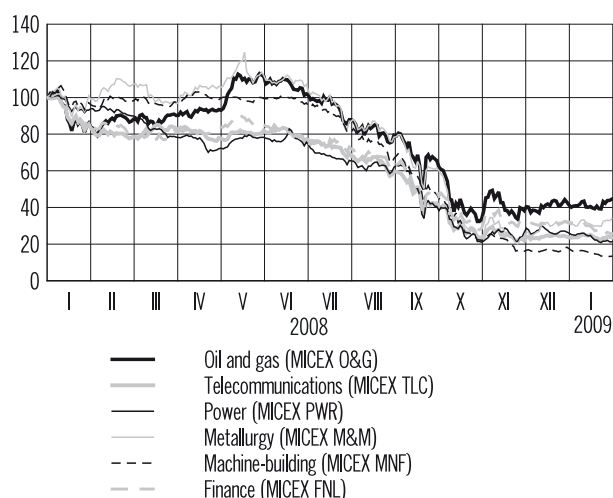


\* Monthly averages.  
Source: The Bank of Russia.

situation somewhat stabilised thanks to active government support for the stock market. However, in January 2009 stock prices resumed their fall due to market participants' uncertainty about future share price dynamics. The average monthly MICEX and RTS stock indices dropped by 1.2% and 14.1%, respectively, as compared with December 2008.

The rate of decline in the prices of all corporate stocks accelerated sharply in the fourth quarter of 2008, as compared with the third. The main losers (in terms of quarterly averages) were the machine-building, telecommunications and communications, power and metallurgy companies.

**MICEX indices by sector (%)\***



\* Indices as of December 28, 2007 = 100%.  
Source: The Bank of Russia.



**Crisis continues on Russian stock market**

The fall in the prices of financial assets on foreign stock markets and the increased capital outflow from Russia in the fourth quarter of 2008 had a strong destabilising effect on the **Russian stock market**.

In the fourth quarter of 2008, Russia's MICEX and RTS stock indices continued to fall rapidly. In the last 10 days of October they hit the lowest level since December 2004. In October and November the Federal Financial Markets Service repeatedly suspended stock trade on the MICEX Stock Exchange (in the main trading regime) and in the RTS to prevent prices from falling too much.

In late October, to stabilise the situation on the Russian stock market, the Government allocated funds from the National Wealth Fund to Vnesheconombank to invest in corporate securities. As a result of massive purchases by this bank of Russian stocks in secondary exchange trading, the rate of decline in securities prices slowed in late November and price volatility decreased significantly. On December 31, the MICEX index sank by 39.7% as compared with September 30 to 619.53 points and the RTS index went down by 47.9% to 631.89 points.

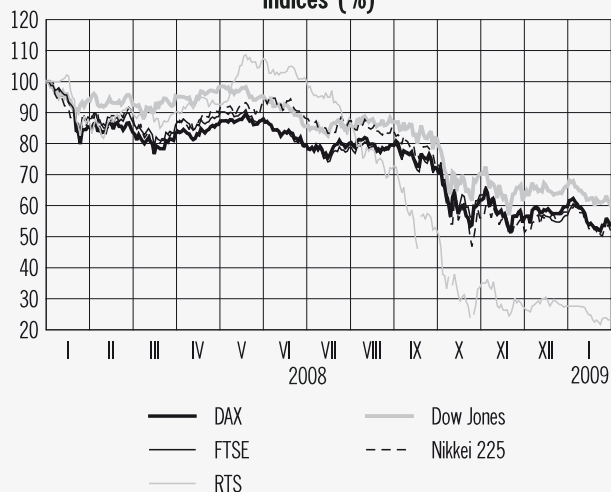
The stock market remained tense in January 2009. For most of the month Russian stock indices were falling. As a result, in January, as the rouble continued to depreciate, the MICEX and RTS indices, calculated in different currencies (the MICEX index is calculated in roubles and RTS index in US dollars), changed as follows: the MICEX index gained 0.9%, whereas the RTS index lost 15.3%.

The **corporate bond market** in the fourth quarter registered a fall in issuer and investor activity as compared with the third quarter. In January 2009, the situation deteriorated, as most of the corporate bond placements were technical. At auctions most of the papers were purchased by a small number of investors. In the period from October 2008 to January 2009, the supply of corporate bonds by far exceeded demand. In the fourth quarter scheduled redemptions and payments by tender far surpassed in value the previous quarter's levels. Strapped for money, corporate borrowers other than prime borrowers were unable to service their loans. The number of issuer defaults in the fourth quarter was the largest ever registered on the corporate bond market (there were 30 defaults in the fourth quarter and only six in the third). In January 2009, the number of issuer defaults increased as compared with December 2008 (17 defaults and 16 defaults, respectively).

The yields on the most liquid corporate bonds<sup>1</sup> in the fourth quarter of 2008 rose sharply quarter on quarter and their volatility increased. The average corporate bond yield was 10.6% p.a. in the third quarter, 19.1% p.a. in the fourth quarter and 23.6% p.a. in January 2009.

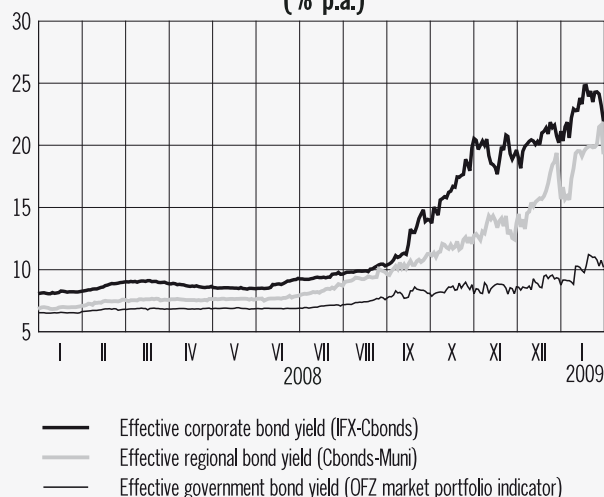
The Finance Ministry made no OFZ placements on the **government securities market** in the fourth quarter of 2008. In January 2009, it resumed offering government bonds, but there was little demand for them at auctions at the yields acceptable for the issuer. OFZ secondary trade turnovers were the lowest since August 2006.

**RTS and major foreign stock indices (%)\***



\* Indices as of December 28, 2007 = 100%.  
Source: Reuters.

**Russian bond yields (% p.a.)**



\* Source: The Bank of Russia, Cbonds.ru.

<sup>1</sup> Corporate and regional bond yields are cited according to data provided by the news agency Cbonds.ru.

As for the **regional** (sub-federal and municipal) **bond market**, demand on the primary market was low in the fourth quarter of 2008 and January 2009. Issuers placed their instruments with a handful of investors at fairly high yields. Demand and supply on the secondary regional bond market contracted significantly in the fourth quarter, as compared with the third. In January 2009, secondary regional bond market participants' activity continued to decline.

In the period from October 2008 to January 2009, yields on the major regional bond issues rose rapidly. In November 2008, the range of yield fluctuations of these instruments increased significantly and on January 29, 2009, the regional bond yield reached its historical high of 21.6% p.a. (the highest level since this indicator began to be calculated in September 2003). The average regional bond yield was 9.3% p.a. in the third quarter, 13.9% p.a. in the fourth quarter and 19.7% p.a. in January 2009.

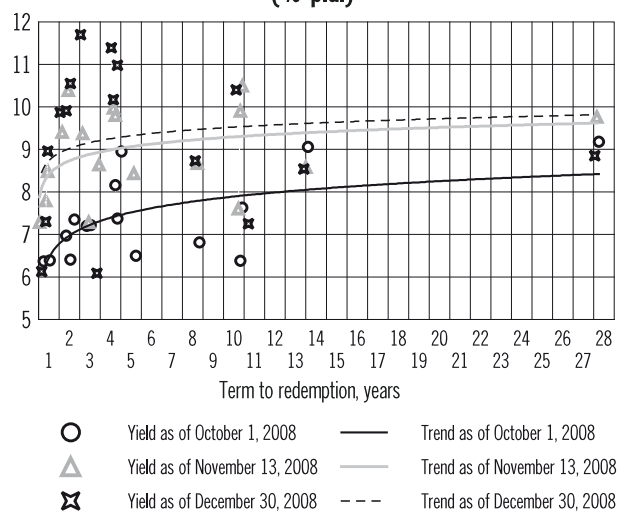
As before, it was the prices of the least liquid second- and third-tier stocks that fell most rapidly.

January 2009 saw a rise in the prices of telecommunications, oil and gas and metallurgy stocks. In the meantime, prices of the power, machine-building and bank stocks continued to fall and became even more volatile than in December 2008.

Yields rose on the **OFZ market** in the fourth quarter of 2008. At the end of that period the OFZ effective market portfolio indicator (MPI) increased by 1.2 percentage points quarter on quarter and reached 9.1% p.a. The average quarterly effective MPI gained 1.2 percentage points and stood at 8.7% p.a. In January 2009, OFZ yields varied between 8.8% and 11.2% p.a. By the end of January, the OFZ effective MPI had risen by 1.1 percentage points month on month and reached 10.3% p.a. The average effective MPI stood at 10.3% p.a. in January.

The OFZ yield curve remained rising in October and November, but in December it sloped

OFZ effective yield curve (% p.a.)



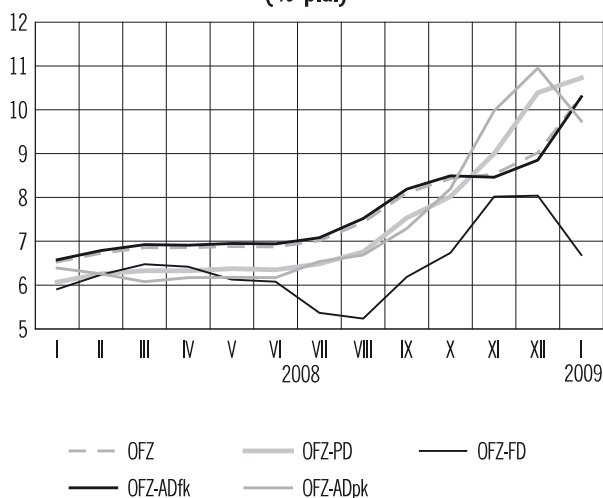
Source: The Bank of Russia.

down. The yields on bonds with different maturity periods changed unevenly. The short- and medium-term OFZ yields grew faster than the yields on long-term government securities in October and November. In December, the yield on long-dated government bonds fell from the previous months' levels. During the fourth quarter, the inclination of the yield curve decreased and by the end of December it had become negative.

### Monetary aggregates

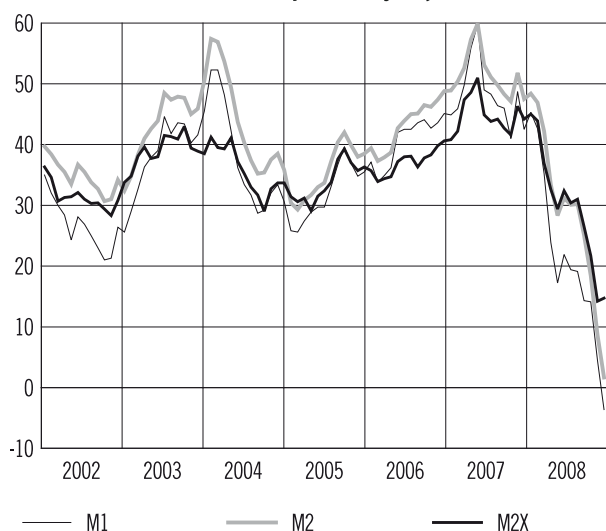
The trend towards the reduction of the annual rates of growth in the monetary aggregate M2 increased in the fourth quarter of 2008 due to the slowing of growth in money supply and the significant slowing of growth in money demand. The slowing of growth in asset prices, the weakening of the rouble, the resumption of dollarisation, the slowing of economic growth, especially in the second half of 2008 and persistently high inflation rates led to the sharp decline of growth in demand for roubles in the second half of 2008.

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



Source: The Bank of Russia.

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



Definitions of aggregates:  
 M1 is cash in circulation (M0) and demand deposits;  
 M2 = M1 + rouble-denominated time accounts of non-financial organisations and households;  
 M2X (broad money) = M2 + foreign currency deposits.  
 Source: The Bank of Russia.

As the Bank of Russia significantly increased foreign currency sales on the domestic forex market for the purpose of boosting the national currency in August-December 2008, rouble liquidity continued to contract and growth in money supply further slowed.

In the fourth quarter of 2008, the rouble stock contracted in absolute terms by 6.1% (in the same period of 2007 it expanded by 15.5%) and in 2008 as a whole the monetary aggregate

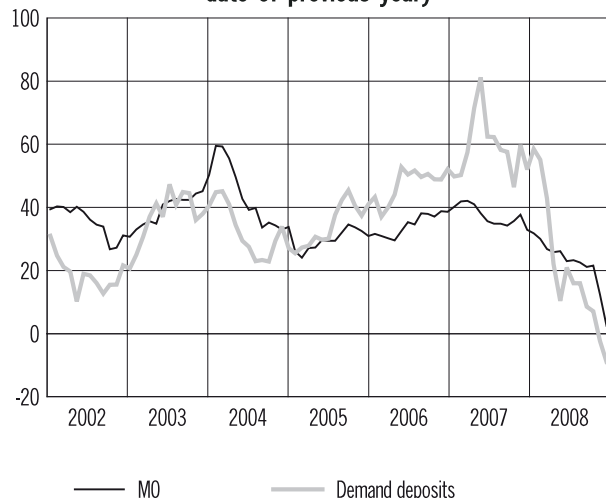
M2 increased by just 1.7%, the smallest growth in ten years.

The sharp slowing of M2 growth creates conditions for the tightening of monetary conditions, but the contraction of the rouble supply largely reflects the significant change in demand for the national currency due to conversion by economic agents of their rouble assets into foreign currency assets. Therefore, the rapid change of preferences in respect to the asset currency and increased financial and general economic uncertainty make it extremely difficult to evaluate the extent to which these processes affect aggregate demand and inflation.

The monetary aggregate M1, which comprises cash and demand deposits, contracted more than any other monetary aggregate. This monetary aggregate, which reflects the transactional needs of the economy in money, contracted by 3.4% in absolute terms in 2008 (in the fourth quarter it decreased by 5.2%). Demand deposits, which are mostly represented by non-financial organisations' settlement and current accounts, contracted by 8.9% in absolute terms in 2008, whereas in 2007 they increased by 52%.

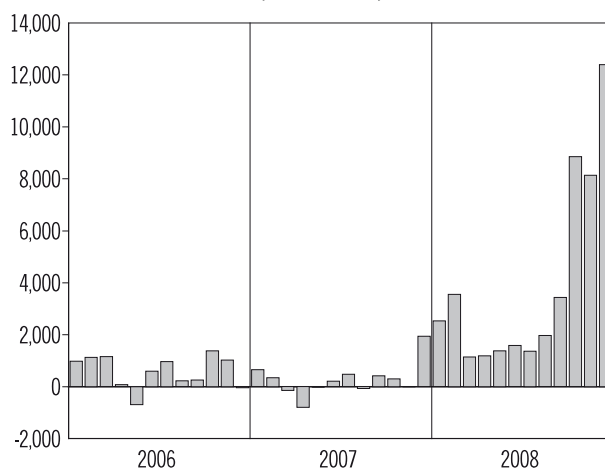
Banking sector instability, the depreciation of the rouble against the dollar and the euro and general macroeconomic uncertainty provoked a sharp rise in household demand for foreign exchange, which led to the slowing of growth in the monetary aggregate M0. In the fourth quarter of

**Major M1 components (growth as % of corresponding date of previous year)**

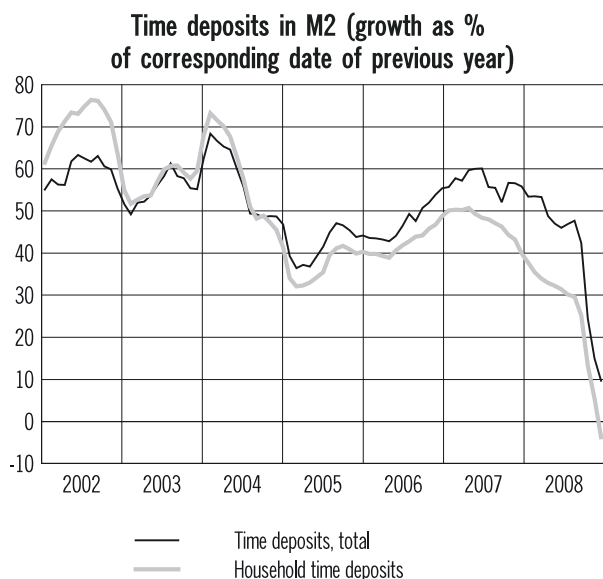


Source: The Bank of Russia.

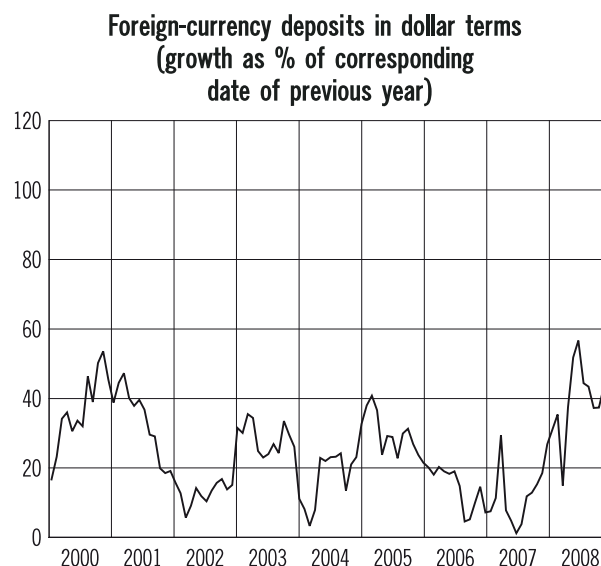
**Net sales of foreign currency to households through exchange offices (US\$ million)**



Source: The Bank of Russia.



Source: The Bank of Russia.



Source: The Bank of Russia.

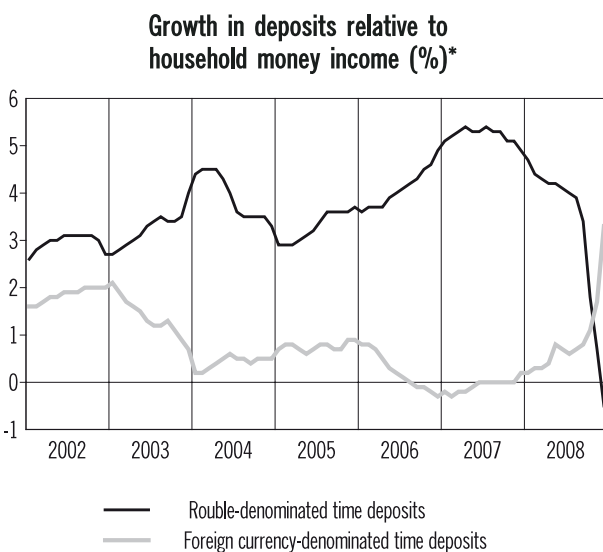
2008, net sales of foreign exchange to households reached an all-time record high of about \$30 billion. The monetary aggregate M0 contracted by 2.8% in that period in absolute terms, whereas in the previous years the fourth quarter saw significant seasonal growth in cash. Overall, in 2008 the monetary aggregate M0 increased by 2.5%.

Despite the rise in interest rates, the value of rouble time deposits decreased by 7.4% in absolute terms in the fourth quarter of 2008. As a result, growth in this type of deposits slowed significantly in 2008, to 9.7% from 55.8% in 2007.

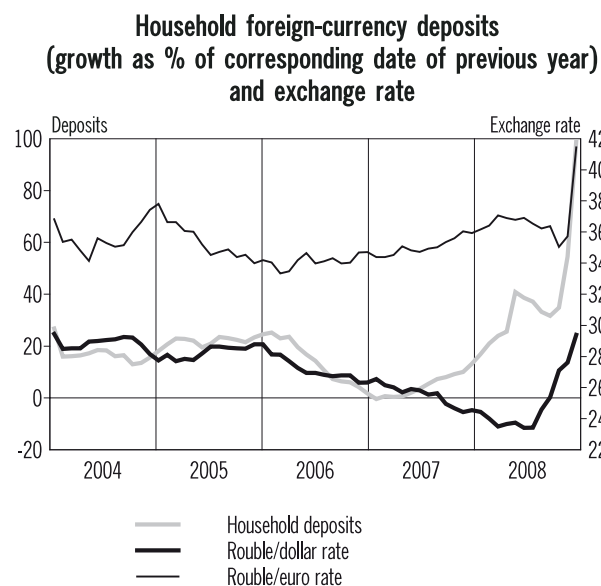
Household rouble deposits contracted the most in absolute terms (by 14.2%) in the fourth quarter, a process that affected both short- and

long-term deposits. As a result, the value of household deposits decreased by 3.4% in 2008, whereas 2007 showed a growth of 41.3%. The share of household time deposits in M2 contracted in October-December 2008 to a three-year low of 26%. The main reason for the outflow of funds from rouble deposits was the substantial depreciation of the rouble against the US dollar and the euro.

The share of household rouble time deposits in money income contracted sharply in the fourth quarter of 2008, as public propensity to save in roubles decreased amid widespread uncertainty and the evolving exchange rate dynamics. At the same time, the share of foreign currency depos-



\* Calculated for the moving 12-month period.  
Source: The Bank of Russia, Rosstat.



Source: The Bank of Russia.

its in household money income expanded significantly.

The fourth-quarter rouble exchange rate dynamics caused not only growth in household demand for foreign exchange, but also rapid increase in foreign currency deposits. In October-December 2008, the total value of non-financial organisation and household foreign currency deposits in dollar terms increased by more than 60% (40% growth was registered in December) and in 2008 as a whole it almost doubled.

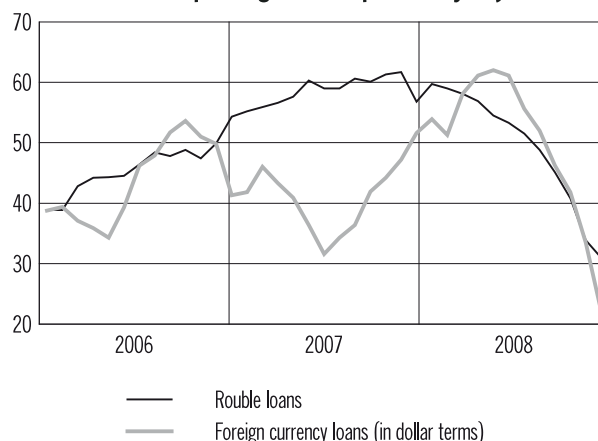
### Credit aggregates

Growth in loans to non-financial organisations and households slowed down significantly in the fourth quarter of 2008. As of January 1, 2009, the annual rate of growth in total payables decreased to 34.5% from 53% a year earlier.

The slowdown of growth in rouble credit aggregates was most significant. In the non-financial organisation sector the annual rate of growth slowed down from 54.8% as of January 1, 2008, to 28.5% as of January 1, 2009 (loan debt contracted in absolute terms in November) and in the household sector from 62.6% to 37.8% (debt contracted in absolute terms in November and December).

Growth in foreign currency credit aggregates (in rouble terms) slowed less than that of rouble credits. In the household sector it slowed from 33% to 18.7% in 2008, whereas in the non-financial organisation sector it accelerated from 42.9% to 51%. This dynamics, however,

**Rouble and foreign currency loans to non-financial organisations and households (growth as % of corresponding date of previous year)**

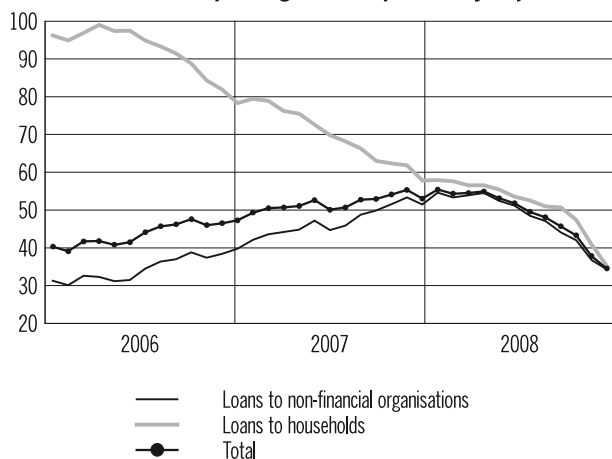


Source: The Bank of Russia.

was largely caused by the sharp depreciation of the exchange rate of the rouble and, as a consequence, the expansion of foreign currency credit in rouble terms. The slowing of the annual rate of growth in foreign currency-denominated loans in dollar terms was more significant.

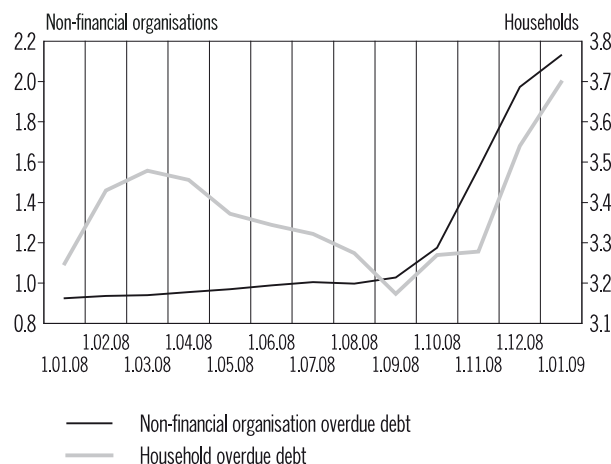
The main factors behind the dynamics of credit aggregates in the fourth quarter of 2008 were the increased cost of borrowing and the impaired solvency of borrowers amid the deterioration of the general macroeconomic situation. This process found its expression in the sharp increase in the share of overdue debt in total loans extended in the second half of 2008. Another important factor that affected credit aggregate dynamics

**Loans to non-financial organisations and households (growth as % of corresponding date of previous year)**



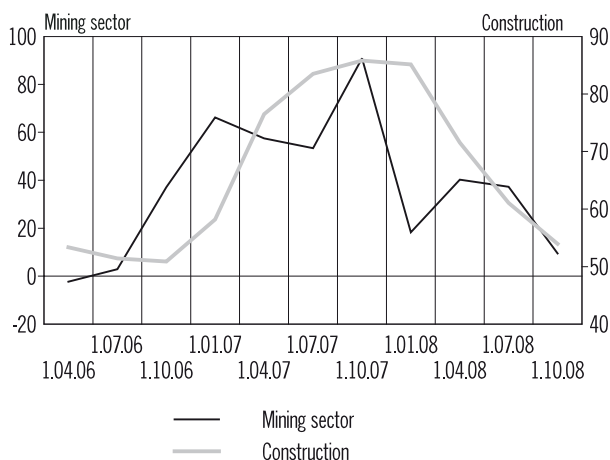
Source: The Bank of Russia.

**Overdue debt on loans to non-financial organisations and households (share in total debt, %)**



Source: The Bank of Russia.

**Loans to non-financial organisations by sector  
(growth as % of corresponding date  
of previous year)**



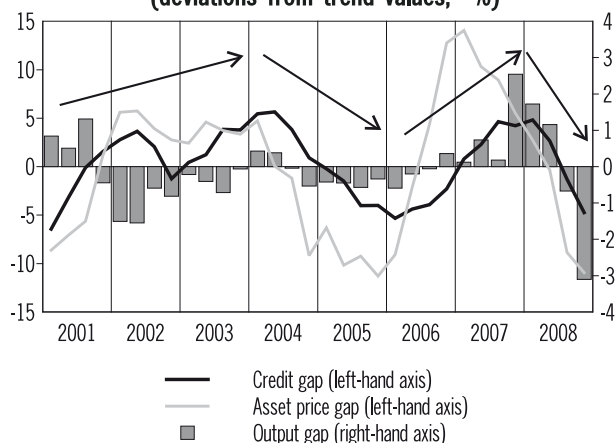
Source: The Bank of Russia.

was the increased risks involved in the exchange rate dynamics. Firstly, as the devaluation expectations persisted, banks avoided creating assets denominated in roubles. Secondly, the conversion of funds into foreign exchange by economic agents narrowed the rouble deposit base and this also contributed to the reduction of the rouble credit supply. In addition, borrowers reduced demand for foreign currency loans in a bid to avoid exchange rate risk.

The first to feel the credit crunch were enterprises in the sectors that were the hardest hit by the financial crisis. These are, above all, the construction sector and the mining industry.

Overall, the current dynamics of credit aggregates reflects the changes that took place in the

**Loans, asset prices and GDP  
(deviations from trend values,\* %)**



\* Deviations (gaps) have been calculated on the basis of credit relative to GDP (credit gap), asset price index (average weighted housing and share price index) in real terms (asset price gap) and real GDP index (output gap). HP-filter was used to determine trend values.  
Source: The Bank of Russia.

general economic trends, including global ones, in 2008. The positive phase of the economic cycle, which was characterised by the acceleration of economic growth, high asset prices and rapid expansion of payables, had reached the highest point in the middle of 2007. The second half of 2008 saw a significant decline in business activity that followed the slowing of growth in credit aggregates and the slowing of growth in asset prices, which began in late 2007. Therefore, the credit aggregate dynamics allows one to conclude that the situation on the credit markets has deteriorated dramatically and this may become a serious obstacle to rapid recovery of macroeconomic indicator dynamics to the 2006-2007 levels.

# 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 <sup>1</sup>	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices <sup>2</sup>	Service price growth
<b>2006</b>								
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
<b>2007</b>								
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
<b>2008</b>								
January	2.3	1.1	1.9	1.2	8.3	0.6	0.6	5.4
February	1.2	1.0	1.7	1.3	5.1	0.6	0.6	1.4
March	1.2	1.1	2.0	1.5	5.9	0.7	0.7	0.6
April	1.4	1.3	2.2	1.8	5.5	0.9	0.7	1.0
May	1.4	1.1	2.1	1.5	6.4	0.8	0.6	1.0
June	1.0	0.9	1.1	1.2	0.4	0.7	0.5	1.1
July	0.5	0.8	0.1	1.0	-6.7	0.7	0.5	0.9
August	0.4	1.0	-0.2	1.2	-11.3	0.6	0.6	0.9
September	0.8	1.4	0.7	1.5	-6.4	0.7	0.8	1.0
October	0.9	1.3	1.6	1.8	-0.4	0.8	1.0	0.0
November	0.8	1.1	1.3	1.3	1.0	0.5	0.9	0.7
December	0.7	0.8	1.0	1.0	1.7	0.1	0.6	1.0
Full year (December on December)	13.3	13.6	16.5	17.5	7.7	8.0	8.4	15.9

<sup>1</sup> Excluding vegetables and fruit.

<sup>2</sup> 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 <sup>1</sup>	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices <sup>2</sup>	Service price growth
<b>2006</b>								
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
<b>2007</b>								
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
<b>2008</b>								
January	2.3	1.1	1.9	1.2	8.3	0.6	0.6	5.4
February	3.5	2.1	3.6	2.5	13.9	1.2	1.2	6.8
March	4.8	3.2	5.7	4.0	20.6	2.0	1.9	7.5
April	6.3	4.5	8.0	5.9	27.2	2.9	2.6	8.5
May	7.7	5.7	10.2	7.5	35.4	3.7	3.2	9.6
June	8.7	6.7	11.4	8.7	36.0	4.4	3.7	10.8
July	9.3	7.6	11.5	9.8	26.9	5.2	4.2	11.9
August	9.7	8.6	11.3	11.2	12.5	5.8	4.9	12.9
September	10.6	10.1	12.1	12.9	5.3	6.5	5.7	14.0
October	11.6	11.5	13.9	14.9	4.8	7.3	6.8	14.1
November	12.5	12.7	15.3	16.3	5.9	7.8	7.8	14.8
December	13.3	13.6	16.5	17.5	7.7	8.0	8.4	15.9

<sup>1</sup> Excluding vegetables and fruit.

<sup>2</sup> 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 <sup>1</sup>	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices <sup>2</sup>	Service price growth
<b>2006</b>								
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
<b>2007</b>								
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
<b>2008</b>								
January	12.6	11.5	16.7	15.7	27.2	6.8	6.6	14.1
February	12.7	12.1	17.6	16.5	29.1	7.0	6.8	12.7
March	13.3	12.7	19.1	17.6	32.6	7.4	7.1	12.7
April	14.3	13.5	20.8	19.1	35.6	8.0	7.4	13.3
May	15.1	14.5	22.1	20.8	33.9	8.4	7.7	13.9
June	15.1	15.1	21.3	21.7	19.9	8.9	7.9	14.4
July	14.7	15.0	19.8	21.2	9.8	9.2	8.0	14.7
August	15.0	14.8	20.2	20.8	16.1	9.2	8.1	15.2
September	15.0	14.5	19.9	20.0	19.0	9.1	8.1	15.9
October	14.2	13.7	17.9	18.0	17.5	9.1	8.2	15.7
November	13.8	13.7	17.2	17.7	11.9	8.6	8.4	15.8
December	13.3	13.6	16.5	17.5	7.7	8.0	8.4	15.9

<sup>1</sup> Excluding vegetables and fruit.

<sup>2</sup> Since March 2005 – Bank of Russia estimate.

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

	Foodstuffs <sup>1</sup>	Non-food products	Paid services	Vegetables and fruit	Inflation over period, %	Core inflation	Non-core inflation <sup>2</sup>
<b>2006</b>							
January	0.4	0.2	1.5	0.4	<b>2.4</b>	0.6	1.8
February	1.1	0.3	1.7	1.0	<b>4.1</b>	1.5	2.6
March	1.5	0.5	1.9	1.2	<b>5.0</b>	2.1	2.9
April	1.6	0.6	2.0	1.1	<b>5.4</b>	2.5	2.9
May	1.7	0.7	2.2	1.3	<b>5.9</b>	2.7	3.1
June	1.8	0.8	2.4	1.2	<b>6.2</b>	3.0	3.2
July	2.0	0.9	2.5	1.4	<b>6.9</b>	3.4	3.5
August	2.3	1.2	2.7	0.9	<b>7.1</b>	3.9	3.2
September	2.6	1.5	2.9	0.3	<b>7.2</b>	4.6	2.6
October	2.7	1.7	3.0	0.1	<b>7.5</b>	5.0	2.5
November	3.0	1.9	3.1	0.3	<b>8.2</b>	5.5	2.7
December	3.3	2.0	3.3	0.4	<b>9.0</b>	6.1	3.0
<b>2007</b>							
January	0.2	0.1	1.2	0.2	<b>1.7</b>	0.5	1.2
February	0.4	0.3	1.8	0.3	<b>2.8</b>	0.9	1.9
March	0.6	0.4	2.0	0.4	<b>3.4</b>	1.3	2.1
April	0.8	0.5	2.1	0.6	<b>4.0</b>	1.7	2.3
May	0.8	0.7	2.3	0.9	<b>4.7</b>	1.9	2.7
June	1.0	0.8	2.4	1.5	<b>5.7</b>	2.3	3.4
July	1.5	0.9	2.6	1.6	<b>6.6</b>	3.0	3.6
August	2.1	1.1	2.7	0.7	<b>6.7</b>	3.9	2.8
September	3.0	1.4	2.9	0.3	<b>7.5</b>	5.3	2.3
October	4.3	1.7	2.9	0.3	<b>9.3</b>	7.0	2.3
November	4.9	2.0	3.1	0.6	<b>10.6</b>	7.9	2.7
December	5.4	2.3	3.3	0.9	<b>11.9</b>	8.7	3.2
<b>2008</b>							
January	0.4	0.2	1.3	0.3	<b>2.3</b>	0.8	1.5
February	0.9	0.4	1.7	0.5	<b>3.5</b>	1.6	1.9
March	1.4	0.7	1.9	0.8	<b>4.8</b>	2.5	2.3
April	2.1	1.0	2.1	1.0	<b>6.3</b>	3.6	2.7
May	2.6	1.3	2.4	1.4	<b>7.7</b>	4.5	3.2
June	3.1	1.6	2.7	1.4	<b>8.7</b>	5.3	3.5
July	3.5	1.9	3.0	1.0	<b>9.3</b>	6.0	3.3
August	3.9	2.1	3.2	0.5	<b>9.7</b>	6.8	2.9
September	4.5	2.3	3.5	0.2	<b>10.6</b>	8.0	2.6
October	5.2	2.6	3.5	0.2	<b>11.6</b>	9.2	2.4
November	5.8	2.8	3.7	0.2	<b>12.5</b>	10.1	2.4
December	6.2	2.9	4.0	0.3	<b>13.3</b>	10.8	2.5

<sup>1</sup> Excluding vegetables and fruit.

<sup>2</sup> 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 changes  
by group of goods and services (percentage points)**

	Foodstuffs <sup>1</sup>	Non-food products	Paid services	Vegetables and fruit	Inflation over period, %	Core inflation	Non-core inflation <sup>2</sup>
<b>2006</b>							
January	0.4	0.2	1.5	0.4	<b>2.4</b>	0.6	1.8
February	0.7	0.2	0.2	0.5	<b>1.7</b>	0.9	0.7
March	0.4	0.1	0.2	0.2	<b>0.8</b>	0.6	0.3
April	0.1	0.1	0.1	0.0	<b>0.4</b>	0.3	0.0
May	0.1	0.1	0.1	0.1	<b>0.5</b>	0.3	0.2
June	0.0	0.1	0.2	0.0	<b>0.3</b>	0.2	0.1
July	0.3	0.1	0.2	0.1	<b>0.7</b>	0.4	0.3
August	0.3	0.2	0.2	-0.5	<b>0.2</b>	0.5	-0.3
September	0.2	0.3	0.1	-0.5	<b>0.1</b>	0.6	-0.5
October	0.1	0.2	0.1	-0.2	<b>0.3</b>	0.4	-0.1
November	0.2	0.2	0.1	0.1	<b>0.6</b>	0.5	0.2
December	0.3	0.1	0.2	0.1	<b>0.8</b>	0.5	0.3
<b>2007</b>							
January	0.2	0.1	1.2	0.2	<b>1.7</b>	0.5	1.2
February	0.2	0.1	0.7	0.1	<b>1.1</b>	0.4	0.7
March	0.2	0.1	0.1	0.1	<b>0.6</b>	0.4	0.2
April	0.2	0.1	0.1	0.1	<b>0.6</b>	0.4	0.2
May	0.1	0.1	0.1	0.3	<b>0.6</b>	0.2	0.4
June	0.2	0.1	0.2	0.6	<b>1.0</b>	0.3	0.6
July	0.5	0.1	0.2	0.1	<b>0.9</b>	0.7	0.2
August	0.6	0.2	0.1	-0.8	<b>0.1</b>	0.8	-0.7
September	0.8	0.3	0.1	-0.4	<b>0.8</b>	1.3	-0.5
October	1.3	0.3	0.0	0.0	<b>1.6</b>	1.6	0.0
November	0.5	0.3	0.2	0.2	<b>1.2</b>	0.8	0.4
December	0.5	0.2	0.2	0.2	<b>1.1</b>	0.7	0.5
<b>2008</b>							
January	0.4	0.2	1.3	0.3	<b>2.3</b>	0.8	1.5
February	0.4	0.2	0.3	0.2	<b>1.2</b>	0.8	0.4
March	0.5	0.3	0.2	0.3	<b>1.2</b>	0.8	0.3
April	0.6	0.3	0.3	0.2	<b>1.4</b>	1.0	0.4
May	0.5	0.3	0.3	0.3	<b>1.4</b>	0.9	0.5
June	0.4	0.3	0.3	0.0	<b>1.0</b>	0.7	0.2
July	0.4	0.2	0.2	-0.3	<b>0.5</b>	0.7	-0.1
August	0.4	0.2	0.2	-0.5	<b>0.4</b>	0.8	-0.4
September	0.5	0.2	0.3	-0.3	<b>0.8</b>	1.1	-0.3
October	0.6	0.3	0.0	0.0	<b>0.9</b>	1.1	-0.2
November	0.5	0.2	0.2	0.0	<b>0.8</b>	0.8	0.0
December	0.4	0.0	0.2	0.1	<b>0.7</b>	0.6	0.1

<sup>1</sup> Excluding vegetables and fruit.

<sup>2</sup> 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 <sup>1</sup>	Non-food products	Paid services	Vegetables and fruit	Core inflation	Non-core inflation <sup>2</sup>
<b>2006</b>						
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
<b>2007</b>						
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	19.6	13.5	52.9	14.1	42.8	57.2
May	18.0	14.3	48.3	19.4	41.6	58.4
June	17.6	13.7	42.7	26.0	40.4	59.6
July	22.9	13.9	39.2	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	45.7	19.4	27.8	7.2	72.8	27.2
<b>2008</b>						
January	18.9	9.3	58.1	13.7	36.2	63.8
February	25.1	12.1	47.9	14.9	46.1	53.9
March	29.7	14.7	39.0	16.6	52.7	47.3
April	33.0	16.5	33.9	16.6	57.0	43.0
May	34.2	17.1	31.1	17.6	58.5	41.5
June	35.2	18.2	30.8	15.7	60.5	39.5
July	37.3	19.9	31.7	11.1	64.4	35.6
August	40.6	21.4	33.0	5.0	70.5	29.5
September	43.0	22.0	33.1	1.9	75.7	24.3
October	45.3	22.9	30.2	1.6	79.2	20.8
November	46.0	22.6	29.6	1.8	80.8	19.2
December	46.4	21.6	29.8	2.2	81.5	18.5

<sup>1</sup> Excluding vegetables and fruit.

<sup>2</sup> 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 <sup>1</sup>	Non-food products	Paid services	Vegetables and fruit	Core inflation	Non-core inflation <sup>2</sup>
<b>2006</b>						
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
<b>2007</b>						
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	30.0	24.6	22.3	23.1	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	724.2	250.9	165.2	-1,040.4	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	19.2	20.0	56.7	43.3
<b>2008</b>						
January	18.9	9.3	58.1	13.7	36.2	63.8
February	36.8	17.4	28.5	17.3	64.9	35.1
March	43.2	22.6	12.8	21.4	72.2	27.8
April	43.5	22.0	17.6	16.9	70.3	29.7
May	39.1	20.1	18.9	21.9	65.2	34.8
June	42.7	26.5	28.7	2.2	74.5	25.5
July	69.6	47.5	45.8	-62.9	125.6	-25.6
August	122.9	59.3	67.5	-149.7	225.0	-125.0
September	69.7	29.4	34.5	-33.6	136.6	-36.6
October	69.5	32.2	-0.1	-1.7	116.9	-16.9
November	54.4	19.8	21.2	4.7	100.5	-0.5
December	50.8	5.9	34.3	8.9	91.7	8.3

<sup>1</sup> Excluding vegetables and fruit.

<sup>2</sup> Growth in prices of goods and 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	
<b>Macroeconomic indicators</b>							
GDP	over period since start of year, billion roubles	2006	5,845	12,206	19,487	26,904	
		2007	6,748	14,497	23,324	33,114	
		2008	8,838	19,113	30,760	41,540	
	over period since start of year, as % of corresponding period of previous year	2006	106.3	106.9 <sup>1</sup>	107.1 <sup>1</sup>	107.7	
		2007	107.4	107.8	107.6	108.1	
		2008	108.5	108.0	107.3	105.6	
	as % of corresponding quarter of previous year	2006	106.3	107.4	107.5	108.0	
		2007	107.4	108.1	107.3	109.5	
		2008	108.5	107.5	106.2		
Industrial output indices	as % of corresponding quarter of previous year	2006	104.1	106.6	106.9	107.5	
		2007	107.2	107.1	105.5	105.7	
		2008	106.2	105.5	104.7	93.9	
	over period since start of year, as % of corresponding period of previous year	2006	104.1	105.3	105.9	106.3	
		2007	107.2	107.1	106.6	106.3	
		2008	106.2	105.8	105.4	102.1	
Agricultural output	as % of corresponding quarter of previous year	2006	102.1	101.8	101.4	110.4	
		2007	103.5	104.4	103.2	103.2	
		2008	105.5	106.9	113.0	115.6	
	over period since start of year, as % of corresponding period of previous year	2006	102.1	101.9	101.6	103.6	
		2007	103.5	104.1	103.5	103.4	
		2008	105.5	106.4	109.6	110.8	
Fixed capital investment	over period since start of year, billion roubles	2006	658.4	1,676.0	2,963.3	4,730.0	
		2007	916.6	2,365.7	4,129.3	6,626.8	
		2008	1,295.9	3,256.1	5,598.7	8,606.7	
	as % of corresponding quarter of previous year	2006	108.8	117.7	116.1	120.3	
		2007	122.8	124.2	118.2	120.6	
		2008	119.1	113.0	109.8	101.8	
Retail trade turnover	over period since start of year, billion roubles	2006	1,857.2	3,925.3	6,162.6	8,711.9	
		2007	2,257.3	4,799.2	7,597.6	10,866.2	
		2008	2,938.4	6,248.5	9,888.7	13,853.2	
	as % of corresponding quarter of previous year	2006	111.4	113.6	115.3	115.3	
		2007	114.7	115.7	116.7	116.7	
		2008	116.7	114.4	114.5	108.2	
Federal budget on accrual basis, as of end of period	revenue	billion roubles	2006	1,399.1	2,938.1	4,561.0	6,278.9
			2007	1,421.9	3,245.7	5,087.6	7,781.1
			2008	1,932.7	4,370.7	7,155.7	9,274.1
		as % of GDP	2006	24.0	24.1	23.4	23.3
			2007	21.1	22.4	21.8	23.5
			2008	21.9	22.9	23.3	22.3
	expenditure	billion roubles	2006	823.2	1,854.7	2,866.5	4,284.8
			2007	945.6	2,169.7	3,464.3	5,986.6
			2008	1,332.7	2,995.6	4,594.2	7,566.6
		as % of GDP	2006	14.1	15.2	14.7	15.9
			2007	14.0	15.0	14.8	18.1
			2008	15.1	15.7	15.0	18.2
Federal budget surplus on accrual basis, as of end of period	billion roubles	2006	575.9	1,083.4	1,694.6	1,994.1	
		2007	476.3	1,076.1	1,623.2	1,794.6	
		2008	600.0	1,375.1	2,561.5	1,707.5	
	as % of GDP	2006	9.9	8.9	8.7	7.4	
		2007	7.1	7.4	7.0	5.4	
		2008	6.8	7.2	8.3	4.1	

Note. Table 8 is based on data compiled by the Bank of Russia, Federal State Statistics Service and Federal Treasury. 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
<b>Socio-economic indicators</b>						
Nominal imputed average monthly per employee wage	roubles	2006	9,397	10,401	10,949	12,203
		2007	11,876	12,993	13,494	15,742
		2008	15,424	16,962	17,556	18,528
	as % of corresponding quarter of previous year	2006	122.3	125.1	125.1	125.2
		2007	127.3	125.9	124.0	129.3
		2008	128.0	129.2	129.0	116.6
	over period since start of year, as % of corresponding period of previous year	2006	122.3	123.7	124.1	124.3
		2007	127.3	126.6	125.7	127.8
		2008	128.0	128.6	128.7	125.2
Real imputed average monthly per employee wage, as % of corresponding quarter of previous year		2006	110.3	114.3	114.3	114.8
		2007	118.2	116.6	113.9	116.1
		2008	113.4	112.5	112.2	102.5
Household money income (per capita monthly average), roubles		2006	8,200.0	9,933.9	10,253.3	12,316.8
		2007	9,975.5	11,986.2	12,724.1	15,675.9
		2008	12,345.0	14,842.7	15,837.9	17,396.6
Household real disposable money income	as % of corresponding quarter of previous year	2006	109.9	115.5	114.5	113.7
		2007	111.9	110.0	112.4	113.0
		2008	107.8	106.0	106.0	94.2
	over period since start of year, as % of corresponding period of previous year	2006	109.9	...	...	113.5
		2007	111.9	110.8	111.4	112.1
		2008	107.8	106.9	106.6	102.7
Household spending, as % of income	purchase of goods and services	2006	73.1	67.7	71.0	65.6
		2007	73.6	67.7	71.2	66.0
		2008	76.5	71.6	73.4	71.8
	compulsory payments and contributions	2006	10.8	10.3	10.4	10.5
		2007	12.0	11.9	11.6	11.6
		2008	12.7	12.5	12.7	14.0
	growth in savings	2006	11.1	10.7	8.3	11.3
		2007	10.2	9.0	8.1	11.0
		2008	7.7	8.2	5.8	3.0
	purchase of foreign exchange	2006	7.4	7.0	7.2	6.0
		2007	5.2	5.2	5.2	5.1
		2008	6.9	4.7	5.6	13.4
	cash on hand	2006	-2.5	4.3	3.2	6.7
		2007	-1.0	4.6	3.9	6.3
		2008	-3.8	3.0	2.5	-2.2
Average imputed pension, total, roubles		2006	2,539	2,727	2,800	2,839
		2007	2,846	3,091	3,108	3,418
		2008	3,823	4,044	4,383	4,545
Real imputed pension	as % of corresponding quarter of previous year	2006	107.8	107.2	103.7	102.5
		2007	104.1	104.9	102.0	108.1
		2008	119.0	113.9	122.7	116.9
	over period since start of year, as % of corresponding period of previous year	2006	107.8	107.5	106.1	105.1
		2007	104.1	104.5	103.6	104.8
		2008	119.0	116.4	118.6	118.1
Total number of unemployed (calculated using ILO methodology)	million	2006	5.7	5.5	5.0	5.0
		2007	5.2	4.5	4.3	4.4
		2008	5.1	4.3	4.5	5.4
	as % of economically active population	2006	7.8	7.4	6.7	6.8
		2007	7.0	6.0	5.7	5.8
		2008	6.7	5.6	5.9	7.1

Table 8 (continued)

		Year	Q1	Q2	Q3	Q4	
<b>Foreign economic activities</b>							
Price of Urals crude	over period since start of year, \$/barrel	2006	57.7	61.1	62.5	60.9	
		2007	54.0	59.7	64.0	69.5	
		2008	93.7	105.3	107.6	93.9	
	as % of corresponding period of previous year	2006	134.0	134.7	126.7	120.9	
		2007	93.5	97.7	102.4	114.1	
		2008	173.7	176.3	168.2	135.1	
Exports of goods	over period since start of year, \$ billion	2006	67.3	143.9	223.7	303.6	
		2007	71.7	155.4	244.9	354.4	
		2008	110.1	236.8	373.7	469.0	
	as % of corresponding period of previous year	2006	134.1	131.1	128.1	124.5	
		2007	106.5	108.0	109.5	116.8	
		2008	153.6	152.4	152.6	132.3	
Imports of goods	over period since start of year, \$ billion	2006	30.9	69.7	112.3	164.3	
		2007	42.8	95.5	153.9	223.5	
		2008	60.2	135.4	219.3	292.5	
	as % of corresponding period of previous year	2006	120.1	126.4	128.2	131.0	
		2007	138.6	137.1	137.0	136.0	
		2008	140.7	141.7	142.5	130.9	
Current account (over period since start of year), \$ billion		2006	30.4	54.7	78.6	94.3	
		2007	22.4	36.8	52.3	76.2	
		2008	37.4	63.2	90.8	98.9 <sup>1</sup>	
Private sector net capital outflow (inflow) (over period since start of year), \$ billion		2006	-5.6	15.0	27.4	41.8	
		2007	13.9	68.4	61.4	83.1	
		2008	-23.1	18.0	0.6	-129.9 <sup>1</sup>	
Foreign investment in non-financial sector (according to Rosstat data)	over period since start of year, \$ billion	2006	8.8	23.4	35.3	55.1	
		2007	24.6	60.3	87.9	120.9	
		2008	17.3	46.5	75.8		
	as % of corresponding period of previous year	2006	146.0	141.9	131.7	102.7	
		2007	2.8 times	2.6 times	2.5 times	2.2 times	
		2008	70.1	77.1	86.2		
of which:	direct	over period since start of year, \$ billion	2006	3.8	6.4	10.3	13.7
			2007	9.8	15.8	19.6	27.8
			2008	5.6	11.1	19.2	
		as % of corresponding period of previous year	2006	2.0 times	143.6	155.5	104.6
			2007	2.5 times	2.5 times	191.3	2.0 times
			2008	57.2	70.0	97.7	
	portfolio	over period since start of year, \$ billion	2006	0.2	0.5	0.7	3.2
			2007	0.2	1.1	1.5	4.2
			2008	0.1	1.2	1.3	
		as % of corresponding period of previous year	2006	2.9 times	2.9 times	182.3	7.0 times
			2007	85.8	2.2 times	2.3 times	131.8
			2008	62.5	104.4	83.7	
	other	over period since start of year, \$ billion	2006	4.7	16.5	24.4	38.2
			2007	14.7	43.4	66.7	89.0
			2008	11.5	34.3	55.3	
		as % of corresponding period of previous year	2006	117.2	139.1	122.8	95.3
			2007	3.1 times	2.6 times	2.7 times	2.3 times
			2008	78.7	79.0	82.8	
Russia's international reserves (as of end of period), \$ billion		2006	205.9	250.6	266.2	303.7	
		2007	338.8	405.8	425.4	478.8	
		2008 <sup>2</sup>	512.6	569.0	556.8	427.1	
Real rouble exchange rate indices, last month of quarter (growth as % of December of previous year) <sup>3</sup>	rouble vs. US dollar	2006	6.9	10.0	12.1	16.7	
		2007	2.3	3.8	8.1	15.0	
		2008	6.5	8.5	3.2	-1.1	
	rouble vs. euro	2006	6.5	4.9	6.0	5.6	
		2007	3.1	4.1	4.5	5.8	
		2008	0.6	3.4	6.2	5.0	
	effective rate	2006	6.2	7.0	7.9	7.4	
		2007	2.7	3.3	3.8	5.1	
		2008	1.5	3.3	3.0	4.3	



Table 8 (continued)

		Year	Q1	Q2	Q3	Q4	
<b>Financial market indicators (including Sberbank rates)</b>							
Average for period							
Overnight interbank credit rate, % p.a.	in roubles	2006	3.2	2.8	2.6	5.1	
		2007	3.9	3.4	4.9	5.4	
		2008	3.9	4.1	6.0	8.6	
	in US dollars	2006	4.4	4.8	5.2	5.2	
		2007	5.2	5.2	5.1	4.5	
		2008	3.2	2.2	2.2	0.7	
OFZ yields <sup>4</sup> , % p.a.		2006	6.8	6.9	6.8	6.7	
		2007	6.6	6.6	6.6	6.6	
		2008	6.7	6.9	7.5	8.7	
Interest rate on household time deposits, % p.a.	up to 1 year in roubles	2006	8.3	7.9	7.6	7.7	
		2007	7.4	7.3	7.0	7.2	
		2008	7.0	7.1	7.5	9.0	
	over 1 year in roubles	2006	7.6	5.2	5.2	5.4	
		2007	7.9	7.5	7.1	6.8	
		2008	7.4	8.0	8.5	9.1	
	up to 1 year in US dollars	2006	5.6	5.7	5.7	5.9	
		2007	5.4	5.3	5.2	5.2	
		2008	5.1	5.8	5.3	6.5	
	over 1 year in US dollars	2006	6.2	4.6	5.0	5.5	
		2007	6.8	6.6	6.4	7.0	
		2008	6.9	7.0	7.1	7.8	
Interest rate on credit to non-financial organisations, % p.a.	up to 1 year in roubles	2006	10.4	10.6	10.3	10.4	
		2007	9.9	9.6	9.8	10.7	
		2008	10.9	11.2	12.0	14.9	
	over 1 year in roubles	2006	12.7	12.7	12.5	12.1	
		2007	12.1	11.5	11.0	11.4	
		2008	12.3	12.8	13.6	13.8	
	up to 1 year in US dollars	2006	8.6	8.4	8.6	8.5	
		2007	8.7	8.8	8.4	9.1	
		2008	8.1	8.0	8.9	10.9	
	over 1 year in US dollars	2006	10.5	10.2	10.4	10.0	
		2007	10.3	10.1	9.3	9.8	
		2008	9.3	9.9	9.4	11.3	
Interest rate on rouble-denominated promissory notes discounted by banks, % p.a.		2006	12.9	8.7	9.2	9.7	
		2007	9.5	8.9	10.8	10.8	
		2008	10.7	11.0	12.1	14.1	
MICEX rate in 'tomorrow' trades, rouble/\$		2006	28.0733	27.1897	26.8053	26.5910	
		2007	26.3056	25.8599	25.5043	24.6525	
		2008	24.2286	23.6190	24.2718	27.2941	
As of end of quarter							
RTS index, points			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
			2008	2,053.93	2,303.34	1,211.84	631.89
Refinance rate, % p.a.			2006	12.0	11.5	11.5	11.0
			2007	10.5	10.0	10.0	10.0
			2008	10.25	10.75	11.0	13.0

Table 8 (end)

		Year	1.01	1.04	1.07	1.10
<b>Monetary indicators</b>						
M0, billion roubles		2007	2,785.2	2,741.2	3,027.5	3,220.9
		2008	3,702.2	3,475.5	3,724.9	3,904.2
		2009	3,794.8			
M2, billion roubles		2007	8,995.8	9,412.6	10,857.7	11,494.0
		2008	13,272.1	13,382.9	14,244.7	14,374.6
		2009	13,493.2			
Obligations included in broad money, billion roubles <sup>5</sup>		2007	10,149.4	10,898.4	12,033.4	12,699.7
		2008	14,636.7	14,918.3	15,926.6	16,067.8
		2009	16,774.7			
Net foreign assets, billion roubles <sup>5</sup>		2007	6,881.5	7,927.4	8,714.1	9,047.0
		2008	9,923.5	10,541.0	11,282.7	12,267.3
		2009	12,218.0			
Domestic claims, billion roubles <sup>5</sup>		2007	5,799.2	5,798.6	6,331.1	6,771.7
		2008	8,325.9	8,437.2	8,760.6	8,614.9
		2009	10,787.8			
Broad monetary base, billion roubles		2007	4,122.4	4,210.2	5,139.1	4,587.2
		2008	5,513.3	4,871.4	5,422.9	5,317.8
		2009	5,578.7			
Balances of correspondent accounts, billion roubles		2007	638.1	518.1	528.7	576.3
		2008	802.2	596.3	592.4	702.9
		2009	1,027.6			
M2 velocity	annual average	2007	3.8	3.6	3.4	3.2
		2008	3.1	3.0	3.0	3.1
		2009	3.0 <sup>6</sup>			
	change since start of year, %	2007	-13.2 <sup>7</sup>	-6.1	-12.2	-16.3
		2008	-18.8 <sup>7</sup>	-2.6	-2.7	-1.6
		2009	-2.0 <sup>7</sup>			
Monetisation of the economy (by M2 aggregate), %		2007	26.1	27.8	29.8	31.2
		2008	32.2	33.0	33.1	32.7
		2009	32.8 <sup>6</sup>			
Money multiplier	by broad monetary base	2007	2.18	2.24	2.11	2.51
		2008	2.41	2.75	2.63	2.70
		2009	2.42			
	change since start of year, %	2007	5.2 <sup>7</sup>	2.5	-3.2	14.8
		2008	10.3 <sup>7</sup>	14.1	9.1	12.3
		2009	0.5 <sup>7</sup>			
Foreign exchange rates	roubles per US dollar	2007	26.33	26.01	25.82	24.95
		2008	24.55	23.50	23.41	25.37
		2009	29.39			
	roubles per euro	2007	34.70	34.69	34.72	35.35
		2008	35.93	37.09	36.97	36.50
		2009	41.43			

<sup>1</sup> Estimate.

<sup>2</sup> According to new accounting methodology.

<sup>3</sup> (+) signifies appreciation of the rouble, (-) signifies depreciation of the rouble.

<sup>4</sup> OFZ effective market portfolio indicator.

<sup>5</sup> Presented in new format in compliance with requirements of the Monetary and Financial Statistics Manual (IMF, 2000).

<sup>6</sup> Preliminary data

<sup>7</sup> Relative to beginning of previous year.

Table 9

## Bank of Russia interest rates (% p.a.)

Instrument	Liquidity provision/ absorption period	1.10.08 - 14.10.08	15.10.08 - 19.10.08	20.10.08 - 23.10.08	24.10.08 - 11.11.08	12.11.08 - 30.11.08	1.12.08 - 1.02.09	2.02.09 - 9.02.09	10.02.09
<b>Providing liquidity at offered bids (including by auction)</b>									
Repo operations <sup>1</sup>	1 day	7.0	7.0	7.0	7.0	8.0	9.0	9.0	10.0
	1 week	7.5	7.5	7.5	7.5	8.5	9.5	9.5	10.5
	3 months	—	8.5	8.5	8.5	9.5	10.5	10.5	11.5
	6 months <sup>2</sup>	—	—	—	—	—	11.25	11.25	12.25
	12 months <sup>2</sup>	—	—	—	—	—	11.75	11.75	12.75
Currency swap operations <sup>3</sup>	1 day	—	—	10.0	10.0	12.0	13.0	13.0	13.0
Unsecured loans <sup>1</sup>	up to 6 months	—	—	minimum rate is set when auction is announced					
Lombard loans <sup>1,4</sup>	2 weeks	7.5	7.5	7.5	7.5	8.5	9.5	9.5	10.5
	3 months	—	—	8.5	8.5	9.5	10.5	10.5	11.5
	6 months <sup>2</sup>	—	—	—	—	—	11.25	11.25	12.25
	12 months <sup>2</sup>	—	—	—	—	—	11.75	11.75	12.75
<b>Providing liquidity at fixed rates</b>									
Overnight loans <sup>4,5</sup>	1 day	11.0	11.0	11.0	11.0	12.0	13.0	13.0	13.0
Lombard loans <sup>4</sup>	1 day	8.0	8.0	8.0	8.0	9.0	10.0	11.0	12.0
	7 days <sup>6</sup>	9.0	8.0	8.0	8.0	9.0	10.0	11.0	12.0
	30 days	—	—	8.0	8.0	9.0	10.25	11.0	12.0
Repo operations	1 day	8.0	8.0	8.0	8.0	9.0	10.0	11.0	12.0
	1 week	8.0	8.0	8.0	8.0	9.0	10.0	11.0	12.0
Currency swap operations	1 day	8.0	10.0	—	—	—	—	—	—
Loans secured by 'non-market' assets <sup>5</sup>	up to 30 days	9.5	9.0	9.0	9.0	10.0	11.0	11.25	12.0
	31 to 90 days	—	—	9.0	9.0	10.0	11.0	11.25	12.0
	91 to 180 days	—	—	—	—	—	12.0	12.0	12.5
	181 to 365 days <sup>7</sup>	—	—	—	—	—	13.0	13.0	13.0
Loans against the collateral of promissory notes, credit claims and bank guarantees <sup>8</sup>	up to 90 days	7.5	7.5	7.5	7.5	8.5	8.5	—	—
	91 to 180 days	8.5	8.5	8.25	8.25	9.25	9.25	—	—
<b>Absorbing liquidity at fixed rates</b>									
Deposit operations	Tom-next, spot-next and call	3.75	4.25	4.25	4.75	5.75	6.75	6.75	7.75
	1 week, spot-week	4.25	4.75	4.75	5.25	6.25	7.25	7.25	8.25

<sup>1</sup> Minimum interest rate.<sup>2</sup> From December 12, 2008.<sup>3</sup> Interest rate set on the rouble part when determining the minimum offered swap difference.<sup>4</sup> Pursuant to Bank of Russia Regulation No. 236-P of August 4, 2003.<sup>5</sup> Pursuant to Bank of Russia Regulation No. 312-P of November 12, 2007.<sup>6</sup> If two consecutive Lombard auctions have been declared invalid. Otherwise set at average weighted Lombard auction rate.<sup>7</sup> From January 20, 2009.<sup>8</sup> Pursuant to Bank of Russia Regulation No. 273-P of July 14, 2005 (invalid since January 1, 2009).

Table 10

**Bank required reserve ratios (%)**

	Required reserve ratio for bank obligations to non-resident banks in Russian and foreign currency	Required reserve ratio for obligations to individuals in Russian currency	Required reserve ratio for other bank obligations in Russian and foreign currency
July 1, 2007 – October 10, 2007	4.5	4.0	4.5
October 11, 2007 – January 14, 2008	3.5	3.0	3.5
January 15, 2008 – February 29, 2008	4.5	4.0	4.5
March 1, 2008 – June 30, 2008	5.5	4.5	5.0
July 1, 2008 – August 31, 2008	7.0	5.0	5.5
September 1, 2008 – September 17, 2008	8.5	5.5	6.0
September 18, 2008 – October 14, 2008	4.5	1.5	2.0
October 15, 2008 – April 30, 2009	0.5	0.5	0.5
May 1, 2009 – May 31, 2009	1.5	1.5	1.5
June 1, 2009 –	2.5	2.5	2.5



