



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

Quarterly Inflation Review

2009 Q2

Research and Information Department

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

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Introduction

Since the end of 2008, the world financial and economic crisis and its negative impact on the Russian economy have been key factors of inflation. Rapid consumer price growth in 2009 Q1 was a result of higher consumer goods import prices due to devaluation of the national currency, general downward trends in supply, and weaker financial position of Russian enterprises. However, recession and slower growth in Russia's major trading partners, lower inflation in the countries exporting goods to Russia, as well as weaker domestic investment and consumer demand, and slackening impact of the devaluation shock and the rouble strengthening restricted price growth, which was slower in the first half of 2009 than in the same period of 2008.

The Bank of Russia's main goal under these circumstances was to maintain stability in the banking sector and financial markets and to create conditions favouring lower inflation.

Slower increase in consumer prices and stabilisation of the domestic foreign exchange market allowed the Bank of Russia to ease its monetary policy in April. The regulator focused its efforts on stimulating the economy by reducing the cost of credit and providing sufficient liquidity. From April to August, the Bank of Russia gradually cut interest rates on its credit and deposit operations, and on repo transactions. By the middle of August, the Bank of Russia's interest rate band has been shifted downwards by 225 basis points.

Growing liquidity in the banking sector, partially as a result of the Bank of Russia operations on the domestic foreign exchange market, has had a substantial downward impact on the short-term interbank interest rates. The average quarterly MIACR on overnight rouble loans equalled 7.5% p.a. in the second quarter as against 11.4% p.a. in 2009 Q1. There also was a slight downward trend in high banks' interest rates on short-term loans to the economy in some segments of the credit market. Interest rates on deposits and long-term loans continued to rise.

High credit risks, growing overdue debt and high interest rates impeded the achievement of the desired credit growth in the economy despite urgent measures taken by the Government of the Russian Federation and the Bank of Russia. The rate of growth in debt loans to non-financial institutions and households continued to decline.

After a significant slowdown in 2009 Q1, growth in the money supply accelerated in April-June, largely owing to the expansion of net credit to the federal government as a result of growth in federal government spending of money accumulated in sovereign funds. At the same time, annualised rate of growth in the M2 aggregate was negative throughout the first quarter of the year.

Slower growth in loans to the non-financial sector and in money supply during a long period, as well as weaker devaluation impact on prices reflect weakening monetary pressure on inflation.

Inflation Dynamics

Consumer prices

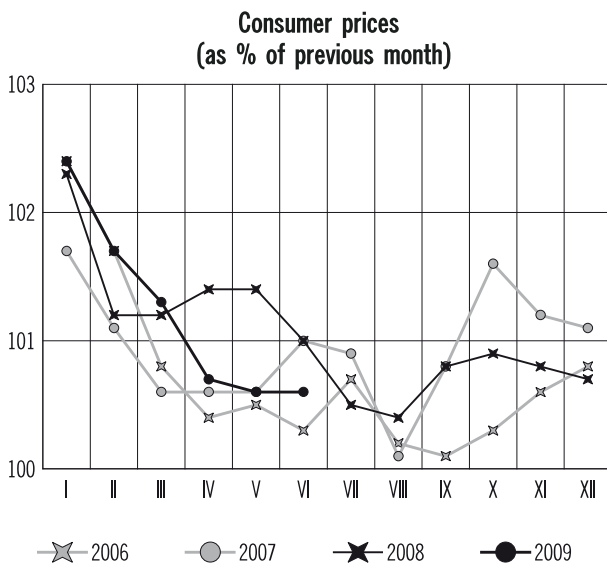
According to the Federal State Statistics Service, consumer prices rose 7.4% in the first half of 2009, which was 1.3 percentage points below their rise in the same period a year earlier. Year on year, consumer prices increased 11.9% in June 2009 and 13.1% in the first half of the year.

The slowing of inflation in the first half-year was largely the result of slower growth in food prices, excluding vegetable and fruit prices, and in most of service prices other than those regulated by the government. Growth in non-food prices, excluding petrol prices, accelerated compared to the first half of 2008. As a result, **core inflation** stood at 6.0% in the first half of 2009 as against 6.7% in the same period of last year. The rise in

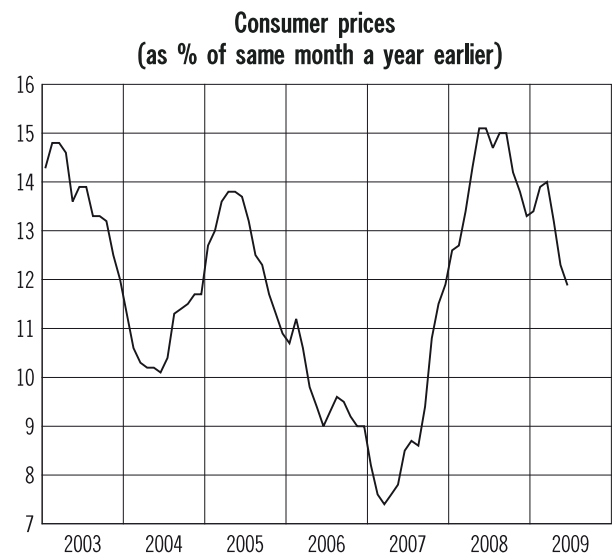
the prices of goods and services included in the core inflation calculation accounted for an estimated 4.8 percentage points, or 65.0%, of inflation (as against 5.3 percentage points, or 60.5%, in 2008).

Food prices, excluding vegetable and fruit prices, rose 5.2% in the first half of the year as against 8.7% in January-June 2008. Growth in the prices of this group of food products accounted for an estimated 1.8 percentage points, or 24.1%, of inflation (as against an estimated 3.1 percentage points, or 35.3%, in the same period of 2008).

The most significant increase in the first half of 2009 was registered in the price of granulated sugar (28.2% as against 17.5% in the same



Source: Rosstat.



Source: Rosstat.

Consumer price inflation (%)

	Growth (June 2009 on December 2008)	Growth (June 2008 on December 2007)	
Prices of goods and services, total:	7.4	8.7	Slowing of growth by 1.3 percentage points
of which:			
– food prices	7.0	11.4	Slowing of growth by 4.4 percentage points
– food prices, excluding vegetable and fruit prices	5.2	8.7	Slowing of growth by 3.5 percentage points
– non-food prices	6.3	4.4	Acceleration of growth by 1.9 percentage points
– prices of paid services provided to households	9.6	10.8	Slowing of growth by 1.2 percentage points
Prices of goods and services included in core inflation calculation	6.0	6.7	Slowing of growth by 0.7 percentage points

Source: Rosstat.

period of 2008), as sugar prices tended to grow on the world market, and in prices of fish and seafood (13.3% as against 3.9%). At the same time, growth in the prices of most of the major food products (grain products, cereals and legumes, meat and poultry and butter) was slower in January-June 2009 than in the same period of the previous year. Prices of milk and dairy products were down 0.6%, sunflower oil and eggs prices declined 14.4% and 22.1%, respectively (in January-June 2008, milk and dairy product prices rose 6.1%, sunflower oil was up 25.9% and eggs were down 9.8%).

Vegetable and fruit prices gained 24.0% in the first half of this year, a decrease of 12 percentage points from the same period of last year. Growth in vegetable and fruit prices accounted for an estimated 0.9 percentage points, or 11.6%, of inflation (as against 1.4 percentage points, or 15.7%, in the first half of 2008).

On the whole, food prices increased 7.0% in January-June 2009 as against 11.4% in the same period last year.

Non-food prices were up 6.3% in 2009 H1 as against 4.4% in the first half of 2008. Growth in non-food prices accounted for an estimated 2.4 percentage points, or 31.9%, of inflation (as against 1.6 percentage points, or 18.2%, in January-June 2008). The most significant increase was registered in the prices of medicines (18.3% as against 5.8% in January-June 2008), tobacco products (13.1% as against 6.1%) and detergents and cleaning products (9.8% as against

7.8%). At the same time, motor petrol prices fell 2.8% (in June they went up 8.8% after nine months of continuous decline). In the first half of 2008 petrol prices increased 16.1%.

The prices of paid services to households rose 9.6% in 2009 H1 as against 10.8% in the first half of last year. This increase accounted for an estimated 2.4 percentage points, or 32.4%, of overall consumer price growth in the first half of 2009 (as against 2.7 percentage points, or 30.8%, in the same period of 2008).

Regulated service prices went up by an estimated 13.3% in January-June 2009, or 1.3 percentage points faster than in the same period last year. Rent and communal service charges rose 17.7% as against 14.6% in the same period of 2008, and passenger fares gained 6.3% as against 17.0% a year earlier.

Growth in some service prices included in the core inflation calculation – in particular, prices of healthcare, sanatorium and spa treatment, pre-school tuition, education, personal services, and services of travel agencies and physical culture and sport centres – slowed down in the first half of 2009.

The rise in service prices in the first half of this year exceeded by 2.9 percentage points overall non-food price growth (2.8 percentage points in the first half of 2008).

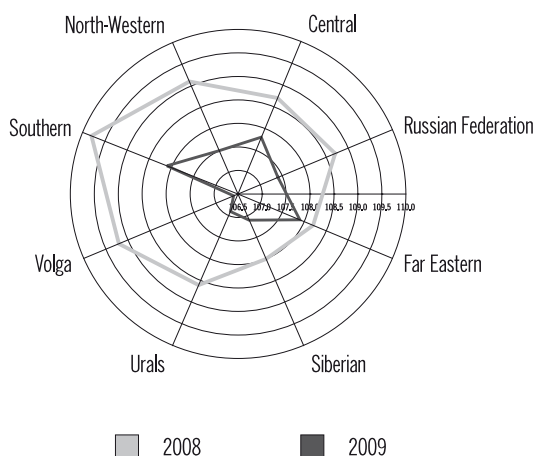
According to Rosstat, consumer prices grew slower in all **federal districts** in the first half of 2009 as compared with the same period of 2008.

Food price inflation (%)

	Growth (June 2009 on December 2008)	Growth (June 2008 on December 2007)	
Food products	7.0	11.4	Slowing of growth by 4.4 percentage points
Bread and bakery products	1.9	20.7	Slowing of growth by 18.8 percentage points
Cereals and legumes	2.8	20.4	Slowing of growth by 17.6 percentage points
Pasta	4.1	26.0	Slowing of growth by 21.9 percentage points
Meat and poultry	4.5	7.8	Slowing of growth by 3.3 percentage points
Fish and seafood	13.3	3.9	Slowing of growth by 9.6 percentage points
Milk and dairy products	-0.6	6.1	
Butter	0.1	5.6	Slowing of growth by 5.5 percentage points
Sunflower oil	-14.4	25.9	
Granulated sugar	28.2	17.5	Acceleration of growth by 10.7 percentage points
Vegetables and fruit	24.0	36.0	Slowing of growth by 12.0 percentage points
Alcoholic beverages	6.7	6.0	Acceleration of growth by 0.7 percentage points

Source: Rosstat.

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



Source: Rosstat.

In June 2009, there was a marked difference across Russian regions and territories in estimated cost of a fixed set of goods and services used by the Federal State Statistics Service for interregional comparisons of the purchasing power of the population. Specifically, the regional difference ratio¹ registered 42.2% in June 2009 as against 40.0% in December 2008.

Growth in food prices differed slightly – from 5.7% to 8.2% – by federal district in the first half of 2009 as compared with 9.7% to 13.6% in the same period last year. The rates of growth in non-food prices ranged from 5.9% to 7.0% (4.4% to 5.1% in January-June 2008). Growth in service prices accelerated in all federal districts, except the Southern Federal District, in the first half of 2009 as compared with the same period of last year.

Housing prices

Prices on the primary and secondary housing markets fell 4.5% and 7.4%, accordingly, in June 2009 as compared with December 2008. In the same period last year housing prices rose 7.7% on the primary market and 11.9% on the second market.

Housing price dynamics in the first half of 2009 were affected by the downturn in housing demand caused by the financial and economic

¹ 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 and least expensive regions relative to the national average cost of the set.

crisis. This was reflected, in particular, in slower growth in housing construction which declined 0.3% in January-June 2009, while in the same period of 2008 it increased 2.7%.

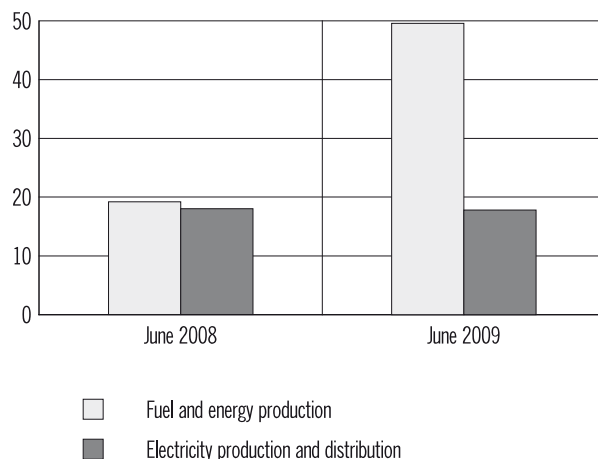
Producer prices

Industrial producer prices rose 10.0% in January-June 2009 as against 17.0% in the same period last year. The acceleration of producer price growth in the first half of the year was largely due to rapid price growth in the mining sector. In the first six months of the year producer prices went up 38.7%, whereas in the same period of 2008 they grew 18.3%. Producer prices in the fuel and energy sector grew 49.6% and 19.2% respectively.

Price growth in the production and distribution of electricity, gas and water stood at 17.8% in January-June 2009, a decrease of 0.2 percentage points on the same period last year.

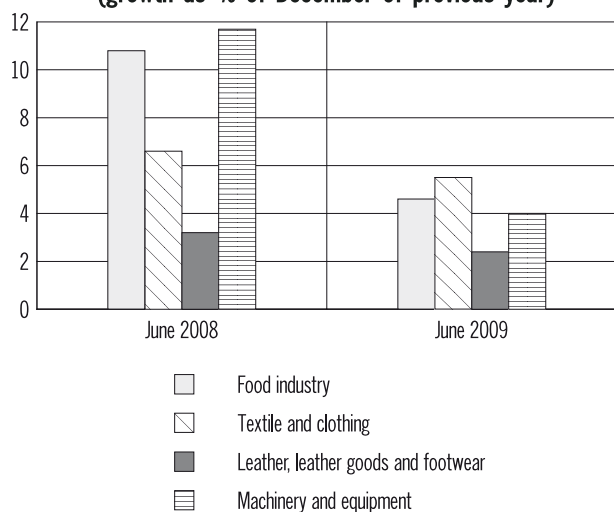
Producer prices in the manufacturing sector rose 2.8% in the first half of the year as against 16.2% in the same period last year. In January-June 2009, the most significant producer price increase in this sector was registered in the output of petroleum products (26.8% as against 19.1% in the same period of 2008). At the same time, there was a slowdown in consumer goods producer price growth. For example, there was a slowdown in producer price growth by 6.2 percentage points (to 4.6%) in food, including beverages, and tobacco production, by 1.1 percentage points (to 5.5%) in textile and clothing

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



Source: Rosstat.

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



Source: Rosstat.

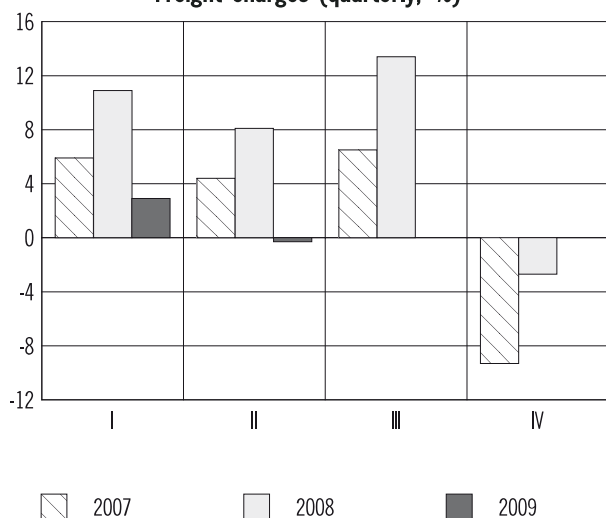
manufacturing and by 0.8 percentage points (to 2.4%) in the production of leather, leather goods and footwear in the first half of 2009, as compared with the same period of 2008.

Freight charges went up 2.5% and railway freight charges grew 4.7% in January-June 2009 as against 19.9% and 12.7%, respectively, in the first half of 2008.

Communication fees for corporate entities increased 2.1% in the first half of 2009 as against 10.2% in the same period last year.

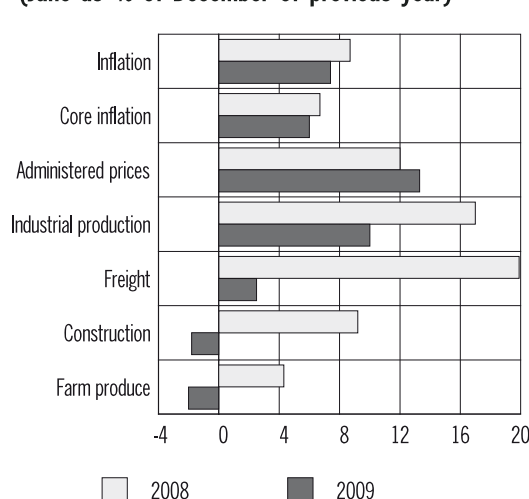
Producer prices for building materials fell 1.8% in the first half of 2009, whereas in the first half of 2008 they rose 9.2%.

Freight charges (quarterly, %)



Source: Rosstat.

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



Source: Rosstat.

Agricultural producer prices declined 2.0% in January-June 2009, whereas in the same period last year they grew 4.3%. Crop grower prices slipped 0.1%, whereas in January-June 2008 they increased 17.2%. At the same time, grain prices went up 0.4% and sunflower prices fell 3.2% (in the first half of 2008 these prices rose 20.2% and 16.7%, respectively). Livestock breeder prices declined 3.4% (in January-June 2008 they went down 4.7%), whereas meat and poultry prices gained 6.5% (as against 3.9% in the first half of 2008). Milk and eggs prices were down 13.6% and 25.8%, respectively (as against 11.6% and 14.3% in January-June 2008).

Foreign trade

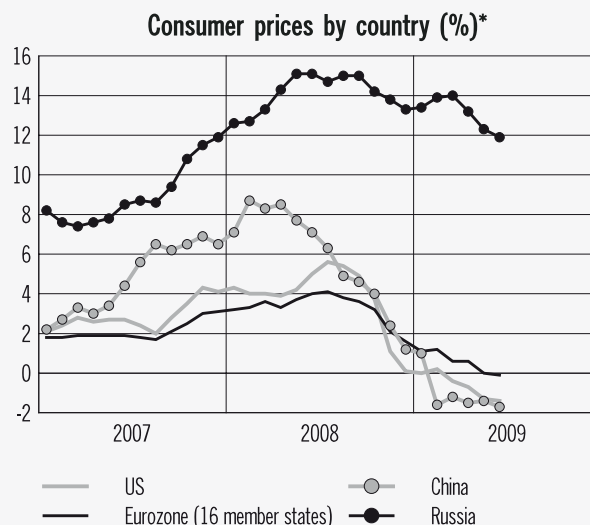
The price situation for major Russian export commodities² on the world markets improved in 2009 Q2 as compared with the first quarter of the year but it still was considerably worse than in the second quarter of 2008. Energy prices, despite a rise of 9.5% on average in the second quarter of 2009 as compared with the first quarter, were 48% lower than in the second quarter of 2008. Non-energy prices declined on average 5% quar-

² Average prices have been calculated on the basis of data provided daily by the following news agencies and exchanges: Reuters for oil, Petroleum Argus for petroleum products (petrol, diesel fuel and fuel oil) and the London Metal Exchange for non-ferrous metals (aluminium, copper and nickel). Ferrous metal price indices and data on average monthly prices of natural gas and other goods were provided by the World Bank and the IMF.

Inflation in countries trading with Russia¹

Inflation in countries with a significant weight in Russian imports slowed to 2.1% in the first half of 2009 (June to December of last year) from 4.2% in the first half of 2008. Some countries (China and Japan) registered a fall in consumer prices. In most of the other countries price growth slowed down. The most significant inflation slowdown was registered in Ukraine, Turkey, some European countries (Spain and the Czech Republic) and the Republic of Korea. Slower inflation in Germany also contributed to the reduction of aggregate consumer price growth registered by Russia's trading partners.

The slowdown in inflation was caused by several factors, including weaker demand (partially due to persisting tightness of financial markets) and the decline in prices of major raw materials, energy products and farm produce, as compared with the first half of 2008. The second quarter saw slower monthly price growth in Russia's European trading partners; in CIS countries price growth continued to slow down and Japan and China registered a price downturn. At the same time, the resumed increase in oil prices on world markets had a certain impact on inflation in foreign countries in the second quarter of the year. In the United States, for example, growth in fuel prices accelerated consumer price growth, especially in June.



* Consumer price growth on same month a year earlier.

Sources: Bureau of Labour Statistics at the US Department of Labour; Statistical Office of the European Communities (Eurostat); China's National Bureau of Statistics; Rosstat.

¹ According to data reported by national statistical agencies of Russia's trading partners.

ter on quarter, mostly owing to the fall in ferrous metal prices, and were down 29% as compared with the second quarter of 2008.

At the beginning of 2009, world oil prices (after having declined over the second half of 2008) showed signs of recovery which continued through the first half of the year. On June 11, the price of Urals crude hit its high of \$ 71.2 per barrel.

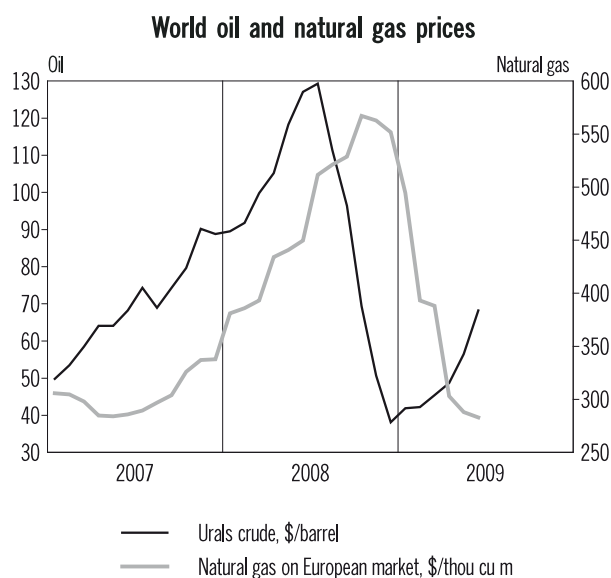
The upward price trend was largely the result of investors' reassessment of the scope and impact of the global financial and economic crisis, especially on the world energy market. The change in the trend was also the result of a more favourable forecast of economic growth in the second quarter of the year for some energy-importing countries, especially in Asia (mainly China), as well as increased energy consumption in China in May and June. In addition, the OPEC countries tried to abide by the 2008 decisions to cut oil production. The oil market was influenced by the rise in stock indices, the weakening of the US dollar in the second quarter of the year and the reports about the reduction of US crude oil stocks in May and June.

In the second quarter of 2009 the price of Urals crude was \$ 57.8 per barrel, or 34% higher than in 2009 Q1.

In the first half of the year, the world market price of Russian oil was \$ 50.5 per barrel, down 52% from the same period last year (in the first half of 2008 it was by 76% higher than in the same period a year earlier).

Petroleum product prices mostly grew in the first half of the year. Moreover, in the second quarter of the year their growth accelerated: compared to the first quarter, the price of petrol rose 42%, fuel oil 35% and diesel 15%. However, in the first half of 2009 petroleum product prices still were on average half as low as in the first half of last year: petrol prices went down 47%, diesel fuel prices fell 55% and fuel oil prices declined 43% (in the first half of 2008 petroleum product prices were higher by 45%, 81% and 75%, respectively, than in the same period a year earlier).

The upward trend in natural gas prices in Europe, registered in 2008, has changed to the opposite this year: natural gas prices were falling through the first half of the year. In 2009 Q2 the



Sources: Reuters, World Bank.

fall accelerated, and natural gas prices in Europe declined 31.5% quarter on quarter (in the first quarter they dropped 24.2%). As a result, in the first half of the year natural gas prices in Europe were by 13.5% lower than in the same period last year (in the first half of 2008 they were by 41% higher than in the same period a year earlier).

Coal prices had shown a downward trend since August 2008 but in April 2009 they started to rise again. Nevertheless, in the second quarter of 2009 they declined by 7.6% quarter on quarter, and were by 45% lower in 2009 H1 than in the same period last year (in the first half of 2008 coal prices were by 2.3 times higher than in the same period a year earlier).

A key factor behind the decline in world ferrous metals prices since September 2008 has been slower growth in demand amid the recession. Specifically, in the first five months of 2009 world steel production declined more than 20% and in Europe and North America the output of steel plunged 40%. In the second quarter of the year the ferrous metal price fall accelerated, and the prices were down 21.5% quarter on quarter (in the first quarter 2009 they fell by 11.5%). As a result, in the first half of the year ferrous metal prices were by 4% lower than in the same period last year (they were by 43% higher in the first half of 2008).

Non-ferrous metal prices had been mainly declining since April 2008. In the first half of 2009 they showed a general upward trend the key factors for which were: the reduction of major metal

stocks on the London Metal Exchange; China's policy of building up the national raw material reserves; and growing demand from investors, including investment funds, for non-ferrous metals amid rising stock market activity. In addition, growth in the world price of copper was caused by the 10-month reduction of output in Chile, a leading world supplier of copper.

The most significant rise in non-ferrous metal prices was registered in the second quarter of the year. Compared to the first quarter, the prices of aluminium rose 8.8%, copper 35% and nickel 22%. Nevertheless, compared to the first half of 2008, the prices of aluminium and copper fell 50% and nickel 57% (in the first half of 2008 the price of aluminium was by 2.4% higher and copper 20% higher, whereas the price of nickel was by 39% lower than in the same period a year earlier).

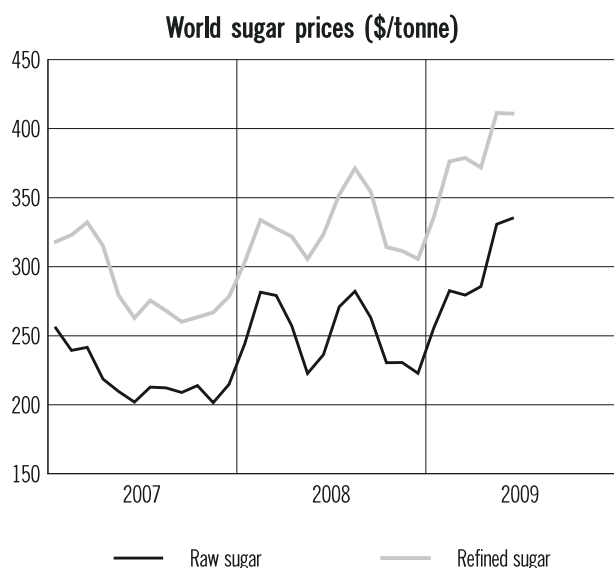
Prices of other raw materials exported by Russia were also affected by the global economic situation and the general state of the world commodity markets.

The world prices of most foodstuffs and agricultural raw materials³ began to decline in 2008. In the first quarter of 2009 the decline in the prices of some products slowed down significantly, whereas other prices steadied or started to rise. In the second quarter of the year growth in the prices of most products in this group resumed.

World sugar prices tended to rise in the first half of 2009. The major factors that played a role in the run-up in sugar prices were global reduction in sugar production, especially in India and China, growing demand for ethanol and the contraction of world sugar stocks. The world sugar market faces potential risks of inflation as the global shortage of sugar is likely to increase in the 2009/2010 agricultural year⁴ (July 1, 2009 to June 30, 2010), despite expected growth in sugar production in China, Thailand and other countries. Good sugar harvest forecasts and the reported expansion of sugar cane plantations in the major sugar-producing countries contributed

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

⁴ Forecast by the US Department of Agriculture and the International Sugar Organisation (ISO).

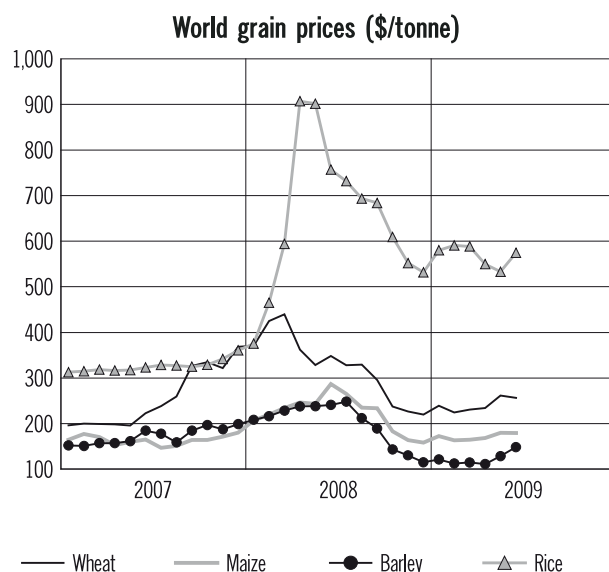


Source: London Commodity Exchange.

to the slowdown in price growth in June. In the second quarter of 2009 prices of raw sugar and refined sugar went up 16.4% and 9.5%, respectively, quarter on quarter. In the first half of 2009, prices of raw sugar rose 16.3% and refined sugar prices were up 19.3% year on year (in the first half of 2008 the respective percentages were 11.3% and 4.6%).

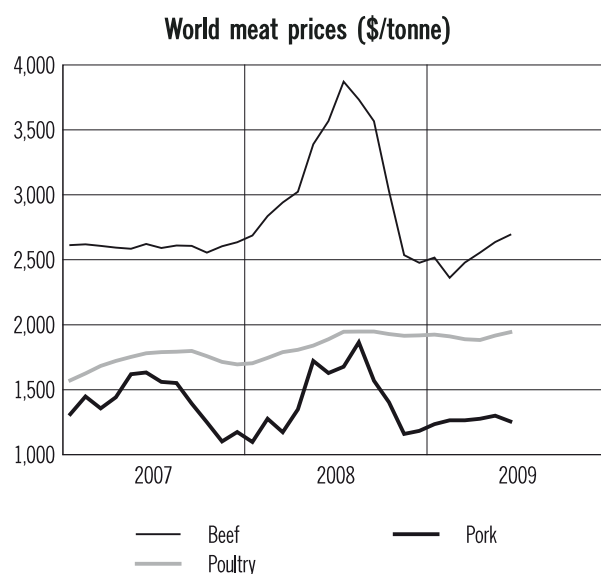
Rise in the prices of most of the grain crops in the second quarter of 2009 was caused by unfavourable weather conditions in some regions and, as a result, more pessimistic harvest forecasts, possible decrease in grain stocks, fall in yields of some crops, and growing oil prices. However, despite the possible fall in production in the 2009/2010 agricultural year, the risks of inflation growth due to grain price increases remain low, and analysts do not expect a considerable increase in grain prices by the end of the year because of significant world grain stocks and a slight decline in grain consumption.

In 2009 Q2, prices of American wheat and maize rose 8.2% and 5.4%, respectively, and prices of Canadian wheat and barley were up 1.1% and 11.4%, respectively, quarter on quarter. In 2009 H1, prices of American wheat and maize fell 36.4% and 28.5%, respectively, and prices of Canadian wheat and barley were down 41.5% and 46.2%, respectively, year on year (in the first half of 2008 prices of these grain crops rose by 1.9 times, 1.5 times, 2.3 times and 1.4 times, respectively).



Source: World Bank.

A continued decline in rice prices since May 2008 was caused by the same factors as those that affected the markets for other grains. In January and February 2009 there was a rise in rice prices on the world market, but in March-May they again suffered a downward pressure from new harvest deliveries, weak external demand, expansion of sown areas, and expectations of rice stocks reaching their seven-year high. However, encouraging economic news and expectations of recovery from recession for South East Asian economies – main consumers of rice – brought about a rise in rice prices in June. As a result, rice prices went down 5.9% in 2009 Q2, quarter on



Source: World Bank.

Foreign trade

According to IMF, OECD and World Bank forecasts (April-July 2009), international trade in goods and services is to contract 9.7-16% in 2009. In the first half of the year the terms of trade for the oil exporting countries were worse than in the same period last year. The International Energy Agency has estimated that world oil consumption fell 3.6% in the first half of 2009, as compared with the same period in 2008, and full-year decline is expected at 2.8%. The World Bank believes that the average Brent, Dubai and WTI crude prices will drop to \$ 55.5 per barrel, a decrease of 42.7% from \$ 97 per barrel in 2008. In the first half of 2009 they fell 52.5% year on year.

Eurostat data indicate that in January-May 2009 the European Union member countries spent less on the import of oil and petroleum product, including imports from Russia, than in the same period last year. The decrease was due both to prices and reduced consumption. The International Energy Agency has estimated that oil consumption in the European OECD member countries declined 4% in the first half of 2009, year on year (a full-year decline of 3.9% is expected). Contract prices of natural gas exported by Russia to Germany in the first half of the year were on average close to those registered in the first half of 2008, but in the second quarter of the year they were lower than in 2008 Q4 and 2009 Q1.

quarter. In the first half of the year, they were by 14.7% lower than in the same period last year (in the first half of 2008 rice prices were by 2.1 times higher than a year earlier).

The slowdown in demand growth in late 2008 caused by deteriorated economic situation in major meat-consuming countries and falling fodder, energy and fuel prices had a stabilising or downward impact on poultry and livestock product prices. However, market situation began to change and there was an upward trend in prices in January-June 2009. Specifically, beef prices were growing through the first half of the year, excluding February. The principal factors of this growth were the reported significant reduction in the cattle population amid the world crisis and the persistently high level of beef consumption in Latin America, South East Asia, China and India. In addition, the outbreak of new-strain flu amid the shortage of information also provoked a partial change in consumer preferences in favour of beef. At the same time, thanks to timely information about the new disease, most of the pork consumers did not change their eating habits. As a result, the world pork prices rose in the first half of the year, although they grew somewhat slower than beef prices. Poultry prices went up slightly due to the expectations of growth in the world poultry production as a reaction to the rise in the prices of other kinds of meat.

As a result, in the second quarter of the year beef, pork and poultry prices rose 7.2%, 3% and 0.3%, respectively, quarter on quarter. In the first half of the year prices of beef went down 17.4% and pork prices were down 7.9%, year on year,

whereas poultry prices were up 6.4% (in the first half of 2008 beef and poultry prices rose 18.0% and 6.3%, respectively, while pork prices fell 6.4% on the same period a year earlier).

The fall in the world prices of Russian export commodities considerably deteriorated the terms of Russia's trade⁵ with other countries in the first half of the year.

Compared to the first half of 2008, Russia's trade surplus⁶ contracted by 2.3 times to \$ 43.2 billion due to a slump (by \$ 111.3 billion, or 47%) in exports while imports declined by \$ 53.4 billion, or 39.4%.

Demand

Domestic demand

The fall in revenues in various sectors of the economy and tight borrowing conditions led to weaker investors' activity, contraction of reserves and acceleration of decline in consumer expenditures. In the second quarter of the year the fall in domestic demand accelerated. Domestic demand for imports also seems to have shrunk in that period.

In the first quarter of the year, as compared with the same period of 2008, the share of imported goods in retail trade commodity resources contracted by 2 percentage points to 44%. The shares of food and non-food imports decreased

⁵ The ratio between export and import price indices.

⁶ According to a balance of payments estimate as of July 3, 2009.

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

	2008					2009
	Q1	Q2	Q3	Q4	Full year	Q1
GDP	8.7	7.5	6	1.2	5.6	-9.8
Final consumption	9.3	10.3	9.7	6.6	8.9	-1.9
Of which:						
– households	12.2	13.4	12.2	8	11.3	-3.2
Gross capital formation	17.2	21.0	13.4	-2.1	11.1	-56.0
Net exports	-9.5	-43.4	-59.4	-39.9	-36.0	17.2

Source: Rosstat.

by 3 percentage points to 34% and by 0.3 percentage points to 53.4%, respectively.

Throughout the first half of 2009 the fall in imports accelerated, which was a result of significant reduction in import volumes. Imports of investment goods declined more than consumer goods imports. The decline in engineering imports quickened in the second quarter of the year, and in the first half of the year engineering imports fell by 2.2 times. The pace of decline in imports of chemicals and related products was a little higher while in imports of food products and agricultural raw materials it remained virtually unchanged in 2009 Q2, quarter on quarter. In the first half of the year these imports declined by 1.4 times and 1.2 times, respectively.

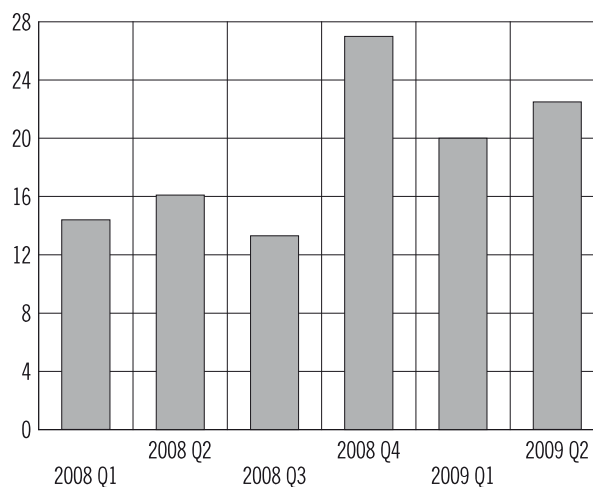
Prices of some imported products, such as foodstuffs and raw materials for their production, were higher than in the first half of 2008, and risks of their further rise still exist on the domestic market.

Household real disposable money income in the first half of the year remained unchanged from the same period last year. As real wages fell and employment decreased at high pace, people preferred to save more and spend less. As a result, the share of household expenditures on goods and services in January-June 2009 contracted by 3.8 percentage points as compared with the same period last year and stood at 70.1%, whereas the share of household expenditures on foreign exchange purchases expanded by 1 percentage point to 6.6%. However, household spending on purchase of foreign currency began to decline in the second quarter due to relative stabilisation of the rouble. The public propensity for organised savings increased to 13.3% from 8% in the first half of 2008.

Consumer demand started to fall early this year. In the first quarter household spending on final consumption declined 3.2%, whereas in January-March 2008 it increased 12.2%. Retail trade turnover contracted 3% in January-June 2009 as compared with the same period last year and the value of paid service to the public declined 3.4%.

Government expenditures on final consumption increased 1.3% in January-March 2009 as against 2.6% in the same period last year. The Federal Treasury reported data show that federal budget expenditures rose to 21.7% of GDP in the first half of 2009 as against 15.7% in the same period of 2008. Non-interest expenditures reached 21.1% of GDP (as against 15.3% in January-June 2008), the largest spending for the past decade largely caused by the implementation of anti-crisis measures to support the financial system. At the same time, federal budget non-in-

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



Source: Federal Treasury.

Economic growth in foreign countries¹

GDP in the countries accounting for a large part of Russian exports contracted by an estimated 5% in the first half of 2009 as compared with the same period last year (in the first half of 2008 it grew 4.1%). Estimates and preliminary data show that GDP declined 3.6% in the United States and 4.8% in the eurozone; China's GDP grew 7.1% as against 10.4% in January-June 2008.

The World Bank and the OECD expect world production to decline 1.7-2.2% in 2009, while GDP contraction is expected at 2.8-3% in the United States and at 4.5-4.8% in the eurozone; China may see its GDP growth slow down to 6.5-7.7% from 9% in 2008. Countries continue to register unfavourable private sector consumption and investment dynamics. Economic growth in many countries is adversely impacted by the contraction of international trade volumes and cash flows and price downturn in the export-oriented sectors. Government sector net demand dynamics (expenditures less taxes) remained counter-cyclic.

¹According to data compiled by the national statistical agencies of Russia's trading partners.

terest expenditures in the first six months of 2009 accounted for 39.9% of the budget projection for the year, or slightly less than in the same period last year (40.4%).

In the middle of the first quarter of this year funds on the government's deposit accounts with the Bank of Russia began to decline owing to a significant excess of budget expenditures over revenues. Meanwhile, in January 2009 the decrease in funds was rather slight (by 6.4%) due to revaluation of foreign currency accounts of the Reserve Fund and the National Wealth Fund (this compares with a growth of 31.3% in the same period last year). The federal budget showed a deficit of 4.0% of GDP in the first half of the year, whereas in the same period last year there was a surplus of 7.2% of GDP. The reduction of the federal budget surplus in late 2008 and a growing budget deficit in 2009 H1 as a result of measures implemented by the Government of Russia to maintain financial and economic stability testify to an easing of the fiscal policy. At the same time, this accords with the necessity of implementing a counter-cyclic budget policy.

Gross capital formation contracted 16.3% in the first quarter of the year, whereas in January-March 2008 it increased 23.5%. Fixed capital investment declined 18.2% in January-June 2009, whereas in the first half of 2008 it grew 19.9%.

Investments in machinery, equipment and transport vehicles accounted for more than a third of total investment in the first quarter of the year. A quarter of these went to import equipment. Imports of machinery, equipment and transport vehicles declined 53.7% in January-June 2009, whereas in the same period last year they increased 58.4%.

Fixed capital investments were largely financed with raised funds (59.1%), while bank loans accounted for 13.4% (as against 10.4% in January-March 2008).

As exports declined more slowly than imports, net exports of goods and services rose 17.2% in January-March 2009.

Foreign demand

The contraction of foreign demand and the price downturn on world commodity markets affected Russian export dynamics. In the first half of the year Russia registered the most significant fall in exports to European Union member countries, which decreased by a half (Russian exports to Germany declined by 2.4 times and Italy and the Netherlands by a half). Russian exports to leading Asia-Pacific Economic Cooperation member countries, such as China, the United States and Japan, shrank by more than a third. As for the CIS member countries, the most significant decline was registered in Russian exports to Ukraine, which decreased almost by two-thirds.

The fall in prices was the principal cause of the decline in exports. There was also a contraction in export volumes. Exports of Russian natural gas declined by 1.8 times in the first half of 2009 year on year, and exports of timber and timber products, chemicals, mineral fertiliser and ferrous metals fell 20-25%. In the meantime, oil exports increased 0.2% and there was a rise in petroleum product exports.

Supply

The decline in output in the key economic activity categories accelerated in the second quarter of the year. Output in the major economic ac-

tivity categories slumped 13.4% in the first half of 2009 year on year, whereas in the first half of 2008 it grew 8%.

Construction volumes contracted 19.3%, transport registered a 17.5% drop in output, retail trade declined 3% and wholesale trade was down 6.3% in January-June 2009 as against the first half of last year.

Industrial output fell 14.8%, whereas in the first half of last year it grew 5.8%. Output in the manufacturing sector was down 21.3% and in the mining sector 3.4% (the first half of 2008 saw output grow 8.4% and 0.5%, respectively).

The supply of farm produce increased 0.9% as against 6.4% in the first half of 2008. There was a rise in the output of major livestock products in the first half of the year, including cattle and poultry in slaughter weight, which grew 5.9%. As a result, in the first half of the year the output of meat and meat products rose 1.5% as compared with the same period last year, of which the output of meat, including premium quality meat by-products, increased 9.8%.

As of the beginning of July, grain stocks at agricultural, procurement and processing enterprises exceeded by 97.6% last year's levels. This growth is expected to have a favourable effect on the dynamics of prices of bread and bakery products, cereals, legumes and pasta, thus not putting upward pressure on consumer price inflation.

There was a decrease in spare production capacity in the second quarter. According to es-

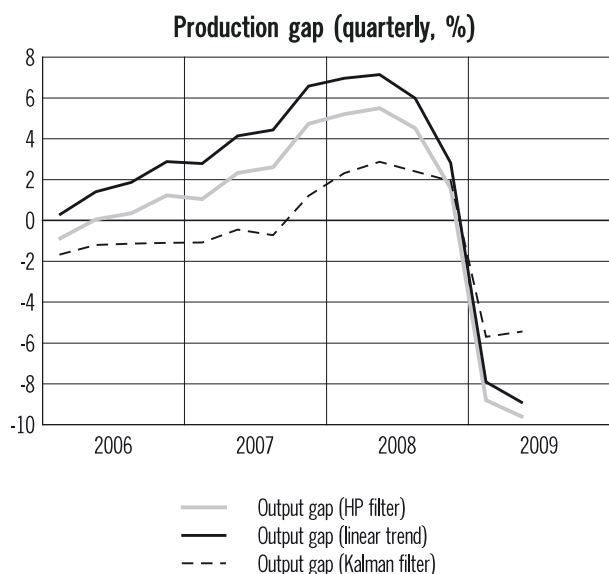
timates of the Institute of Economy in Transition, the rate of production capacity utilisation in industry rose by 5 percentage points quarter on quarter and reached 58%. The highest rate of production capacity utilisation was registered in the production of coke, petroleum products and pulp and paper, the lowest rate was observed in the production of rubber and plastic goods and transport vehicles.

The contraction in foreign and domestic demand contributed to the reduction of business activity. Production of goods and services fell below its natural (potential) level. GDP shrank by an estimated 10.4% in the first half of 2009. The gap between actual and potential output was estimated as negative.

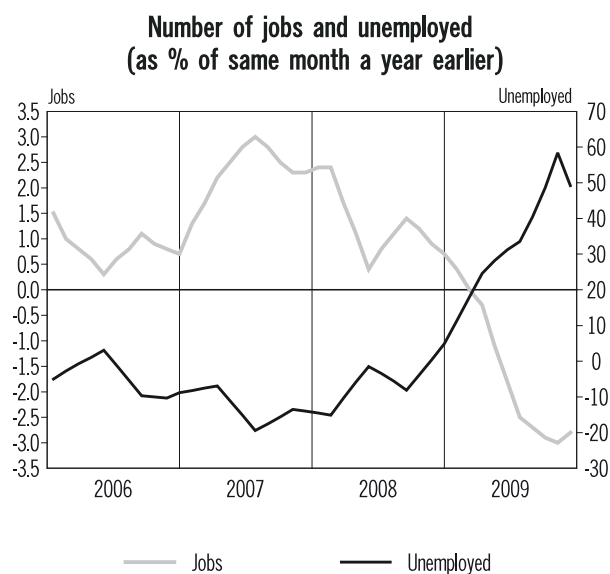
Labour market

The number of jobs fell 2.6% in January-June 2009 (it rose 0.9% in the same period last year). Labour productivity declined by an estimated 8.0% in that period (it rose 7% a year earlier). Estimates show that the decline in labour productivity in the services sector in January-March 2009 was slower than in the manufacturing sector. The pace of decline in the production of goods was greater than in the production of services. The decrease in the number of employed was smaller in the service sector than in the manufacturing sector as compared with January-March 2008.

Real wage was down 2.8% in the first half of this year, whereas in the first half of last year it



Source: Bank of Russia calculations.



Sources: Bank of Russia, Rosstat.

rose 12.9%. Real wage declined more slowly than labour productivity.

In the GDP structure by income, the share of wage expanded from 48.3% in the first quarter of 2008 to 56.2% in 2009 Q1.

Wages continued to differ significantly in various types of economic activity in the first half of the year. The highest average monthly wage in January-May 2009 was registered in the financial sector (40,284 roubles) and in fuel and energy production (38,837 roubles), exceeding the national average by 2.3 times and 2.2 times, respectively. The lowest average monthly wage was in agriculture, hunting and forestry (8,542 roubles), textile and clothing production (8,381 roubles) and in the production of leather, leather goods and shoes (9,276 roubles), representing respectively 48.3%, 47.4% and 52.5% of the national

average. Wages below the national average were registered in the sectors that receive considerable government funding (education, healthcare and social services, communal, personal and other public services) as well as in the manufacturing sector, construction, wholesale and retail trade, car and other repair services.

Growth in the number of unemployed (as calculated by the ILO methodology), which had started in the second half of 2008, has accelerated. In January-June 2009 the number of unemployed rose 42.8% as compared with the same period last year. The number of officially registered unemployed also increased significantly (by 41.2%). The total number of unemployed stood at 8.3% of the economically active population as of late June 2009 (5.6% as of late June 2008).

Monetary Conditions

Exchange rate

In the second quarter the rouble exchange rate dynamics on the foreign exchange market was influenced by relatively stable external economic conditions. The current account surplus was estimated at \$ 17.2 billion in the first half of 2009 as against \$ 9.1 billion in the first quarter. According to preliminary data, an estimated \$ 7.2 billion net private sector capital inflow was registered in the second quarter of the year – for the first time since the second quarter of 2008 (there was a net capital outflow of \$ 34.8 billion in the first quarter of 2009).

National currency demand was higher than usual on the domestic foreign exchange market in the second quarter of the year. The Bank of Russia was a net purchaser of foreign exchange, smoothing the rouble exchange rate fluctuations within the technical band. As a result, the value of Russia's international reserve assets reached \$ 412.6 billion as of July 1, 2009, an increase of 7.5% in April-June.

The nominal rouble/US dollar rate gained 5.3% in the second quarter of the year, whereas in the first it slipped 19.6%, as the technical band was readjusted amid a substantial capital outflow. Amid improving economic conditions and rising energy prices, the rouble was rallying against

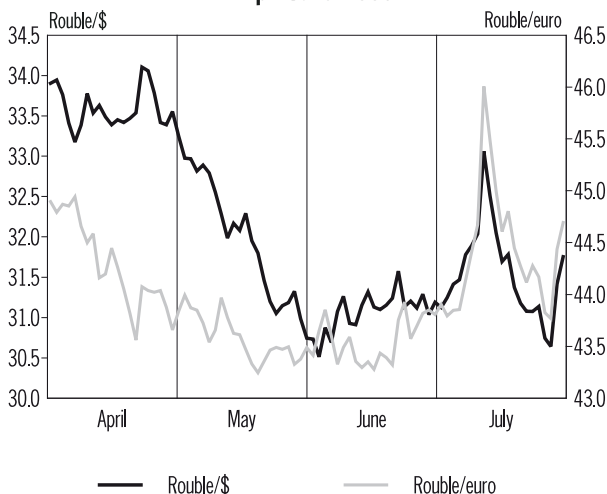
the US dollar throughout the second quarter of the year. In July, however, it lost 1.6% of its value against the dollar, largely due to significant fluctuations in the world price of oil. On August 1, 2009, the rouble/dollar rate stood at 31.1533 roubles to the dollar.

The nominal rouble/euro rate gained 1.4% in the second quarter of the year, whereas in the first quarter it was down by 19.1%. In July, the rouble weakened against the euro by 1.9% and stood at 43.9978 roubles to the euro as of August 1, 2009.

The rouble value of the bi-currency basket had a tendency to decline in the second quarter of the year and stood at 36.8042 roubles as of July 1, 2009. At the same time, after significant exchange rate fluctuations in July, the rouble value of the operating benchmark rose to 36.9333 roubles as of August 1, 2009.

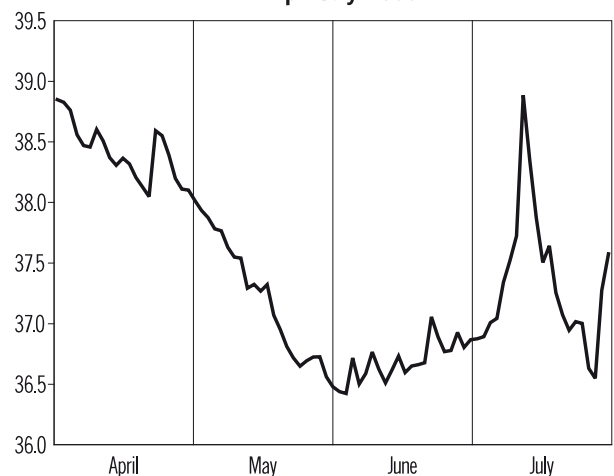
The nominal effective rate of the rouble against foreign currencies gained 2.9% in April-June after the 15.2% decline in the first quarter of the year. This exceeds the rouble's nominal rally against the euro in the second quarter. Taking into consideration that the aggregate share of the countries using the euro as the only legal tender in Russia's foreign trade turnover is over 40%, the dynamics of the rouble's nominal effective rate in

Nominal rouble/US dollar and rouble/euro rate in April-June 2009



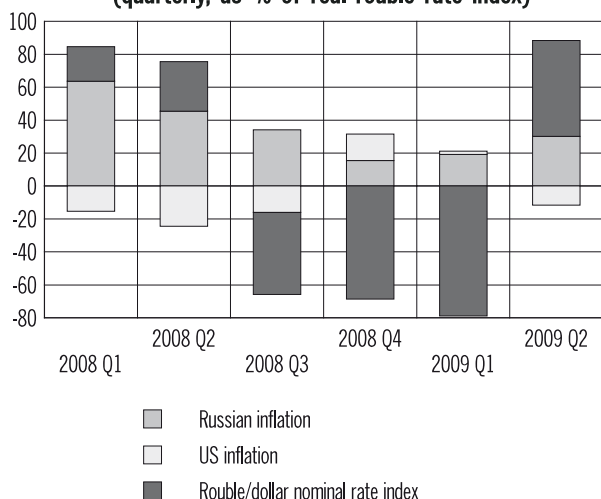
Sources: Bank of Russia, Reuters.

Rouble value of bi-currency basket in April-July 2009



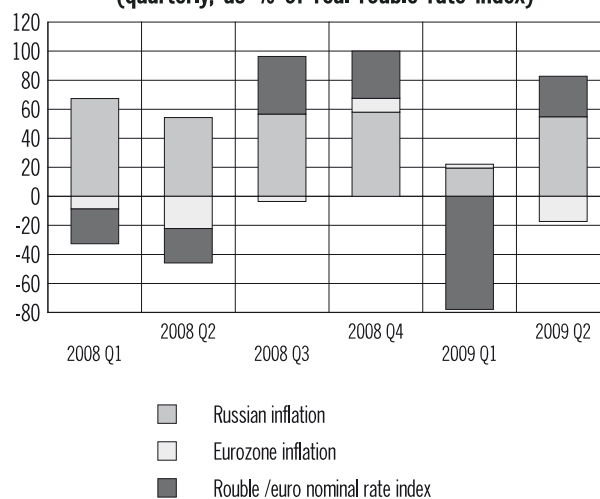
Sources: Bank of Russia, Reuters.

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



Sources: Bank of Russia, Reuters.

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



Sources: Bank of Russia, Reuters.

the second quarter was largely the result of a pronounced rise of the rouble against the currencies of Russia's non-euro trading partners.

The real rouble/US dollar rate gained 7.1% in the second quarter, whereas in the first quarter it fell 15.4%. A key factor in its dynamics was, as before, the rouble/dollar nominal rate, which increased faster than domestic or foreign inflation. Preliminary data show that in July the

rouble weakened by 1.8% against the dollar in real terms.

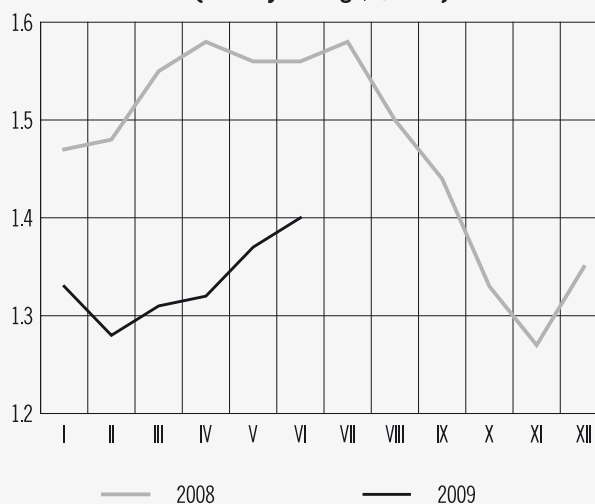
The real rouble/euro rate rose 3.6% in April-June, whereas in the first quarter of 2009 it fell 15.0%. Such dynamics of the real rouble/euro rate could have been due both to rising nominal rouble/euro rate in the reported quarter and to the inflation differential between Russia and the eurozone. While in the first quarter of the year nomi-

International currency market

The US dollar had upward and downward trends against the currencies of Russia's major trading partners in the first half of the year. The dollar lost some of its value against the euro (almost 4%, June on December 2008), the pound sterling, the Swiss franc and some others, but rose against several other currencies, in particular, against the Japanese yen (by nearly 6%). The dollar remained virtually unchanged against the yuan.

In early 2009, the National Bank of the Republic of Belarus devalued the Belorussian rouble by 20.5%. It pegged the national currency to a basket comprised of the US dollar, the euro and the Russian rouble in equal proportions. Initially, the idea was to set a limit of +/-5% on basket fluctuations in 2009, but in June the fluctuation band was widened to +/-10% to allow a more flexible exchange rate policy. Kazakhstan devalued its currency, the tenge, by 20% in February 2009. The situation on Ukraine's foreign exchange market remained unstable in early 2009 after a significant devaluation of the hryvnia in the fourth quarter of 2008, but since March there has been a progressive stabilisation and strengthening in the Ukrainian currency.

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



Source: Reuters.

nal rate fluctuations were a key factor in the real rouble/euro rate dynamics, in the second quarter it was rather a result of domestic inflation, as the rouble's rise against the euro was more moderate in nominal terms. In July the rouble weakened against the euro by 1.4% in real terms.

The real effective rate of the rouble against foreign currencies went up 4.8% in the second quarter, according to preliminary data, after the 11.8% fall in January-March. The general trend of the rouble's strengthening against the currencies of Russia's major trading partners in real terms continued throughout the quarter under review, but in July the real effective rate of the rouble fell by an estimated 1.5%.

From April to July the rouble mostly rose against foreign currencies, and its dynamics is not likely to stimulate consumer price inflation till the end of the year.

Interest rates

Money market and Bank of Russia interest rates

In April-August 2009, the Bank of Russia changed interest rate on its key operations proceeding from the analysis of prevailing macroeconomic trends, inflation trends and rouble exchange rate expectations, and monetary and credit indicators' dynamics.

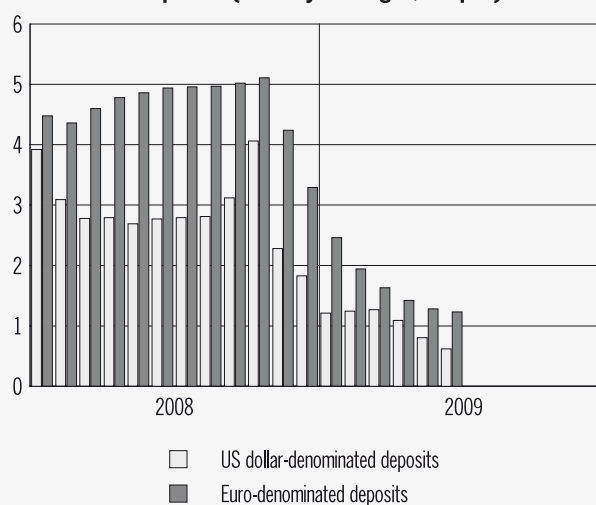
Stabilisation on the domestic foreign exchange market in April-July 2009 contributed to the decrease in devaluation expectations and strengthening of the rouble against the bi-currency basket. There has been a downward trend in inflation and inflation expectations since April 2009. At the same time, the cost of credit remained high despite the measures taken by the Bank of Russia with a view to providing rouble liquidity to credit institutions. A significant contraction both in credit supply by the banking sector and in credit demand from economic agents led to a substantial reduction in the overall debt on loans. In those circumstances, the Board of Directors of the Bank of Russia decided to cut interest rates on its operations. Interest rates on the Bank of Russia's operations were reduced by 2 percentage points in total, in April-July 2009 (see Statistical addendum, Table 9).

In August, the Bank of Russia continued to cut interest rates on its operations (see Statistical addendum, Table 9). However, those adjustments were more cautious, taking into account the previous changes in interest rates on the Bank of Russia's operations and the fact that the current inflation has nearly approached its last year level. On August 10, the Bank of Russia cut the refinancing rate and interest rates on its instruments by 0.25 percentage points. The overnight loan rate was lowered to 10.75% p.a., the tom-

Foreign central bank policy

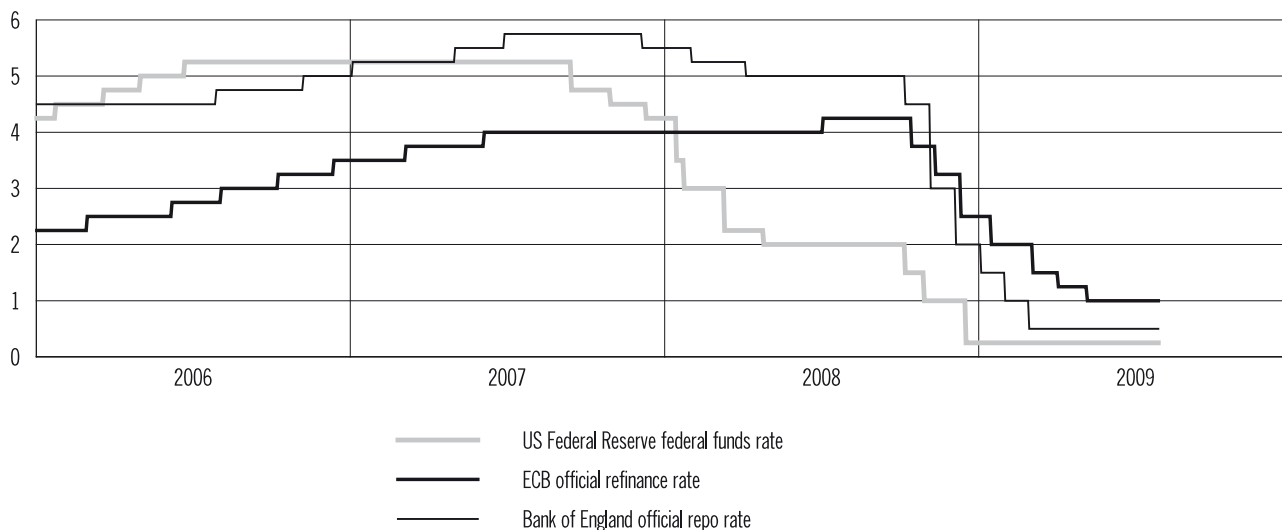
Central banks in most of Russia's trading partners lowered their interest rates on monetary policy instruments in the first half of 2009. The European Central Bank cut the refinancing rate from 2.5% p.a. to 1.5% p.a. in the first quarter and to 1% p.a. in the second quarter. The US Federal Reserve, which kept the benchmark federal funds rate within the range of 0-0.25% p.a., started operations with the banking sector to increase liquidity through the purchase of securities from banks in specified amounts. CIS countries also began to cut interest rates: the National Bank of Ukraine lowered the official refinancing rate from 12% to 11% p.a. in June, while the National Bank of Kazakhstan reduced the refinancing rate from 10.5% to 8.5% p.a. in January-June. In China, benchmark interest rates on yuan-denominated deposits and loans has not changed since the beginning of the year.

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



Source: Reuters.

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



Source: Bank of Russia.

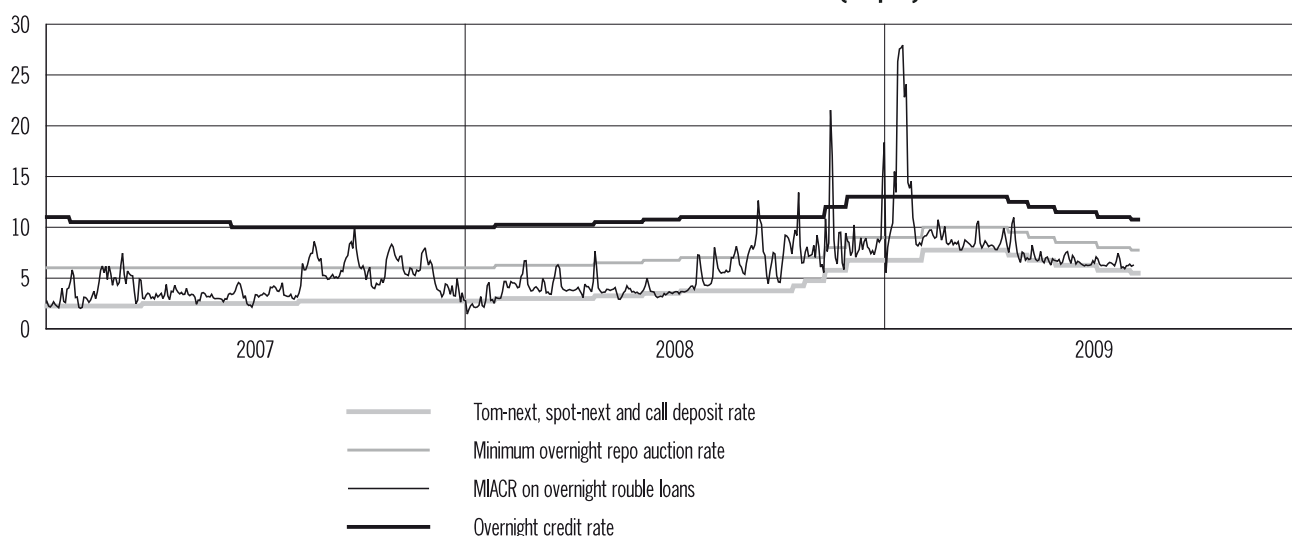
next deposit rate went down to 5.50% p.a., and the minimum overnight repo auction rate was cut to 7.75% p.a.

Liquidity supply in the banking sector has grown in general due to the Bank of Russia operations on the domestic foreign exchange market and larger net credit to the federal government in April-July 2009. At the same time, credit institutions' average daily debt to the Bank of Russia on instruments used to provide liquidity decreased from 2.8 trillion roubles to 1.8 trillion roubles quarter on quarter. The share of unsecured loans in the structure of this debt contracted from about 65% in the first quarter to 50% in April-July,

that of loans secured by «non-market» assets or guarantees expanded from 17% to 39% while the share of repo operations declined from 15% to 9%. At the same time, the Bank of Russia average daily debt to credit institutions on liquidity absorption instruments increased to 400 billion roubles in April-July 2009 from about 150 billion roubles in the first quarter.

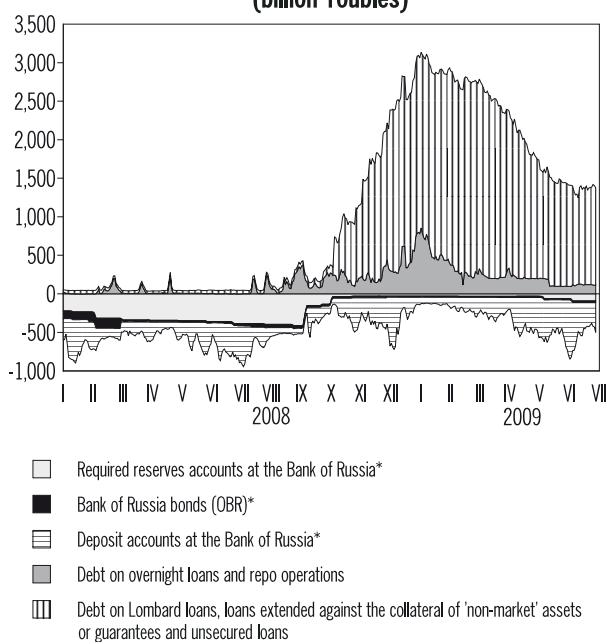
The monetary policy measures taken by the Bank of Russia led to the reduction of short-term interest rates in some segments of the credit market, but long-term credit and deposit rates continued to rise.

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



Source: Bank of Russia.

**Bank of Russia major operations
(billion roubles)**



* Balances of funds have the sign "-".
Source: Bank of Russia.

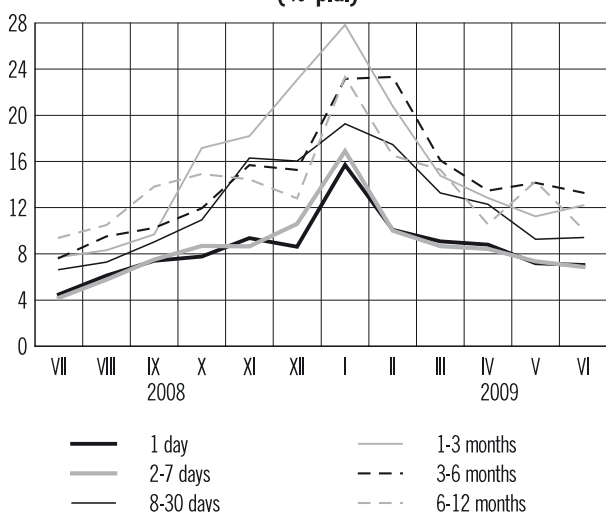
Average interest rates on rouble-denominated **interbank loans** declined significantly in the second quarter. The average quarterly MIACR on overnight rouble loans equalled to 7.5% p.a. in 2009 Q2 as against 11.4% in the first quarter. During the second quarter, the daily MIACR on overnight interbank rouble loans varied between 6.3% p.a. and 11.0% p.a. (as against 5.6% – 28.0% p.a. in the first quarter). In July, MIACR on overnight interbank rouble loans fluctuated

between 6.0% p.a. and 7.4% p.a., with the average monthly MIACR standing at 6.5% p.a., or 0.3 percentage points lower than in June. Interest rates on 2- to 7-day interbank rouble loans extended by Russian banks declined from 11.9% p.a. in the first quarter to 7.6% p.a. in the second quarter; interest rates on 8- to 30-day loans dropped from 16.7% to 10.3% p.a.; interest rates on 1- to 3-month loans went down from 21.1% to 12.1% p.a.

Household deposit rates continued to rise in the second quarter due to increased competition on the deposit market amid the persisting strong money demand in the banking sector. In the second quarter of the year, the average short-term rouble deposit rate increased by 0.8 percentage points to 10.8% p.a., quarter on quarter. The average interest rate on long-term household rouble deposits rose by 0.6 percentage points to 11.5% p.a.

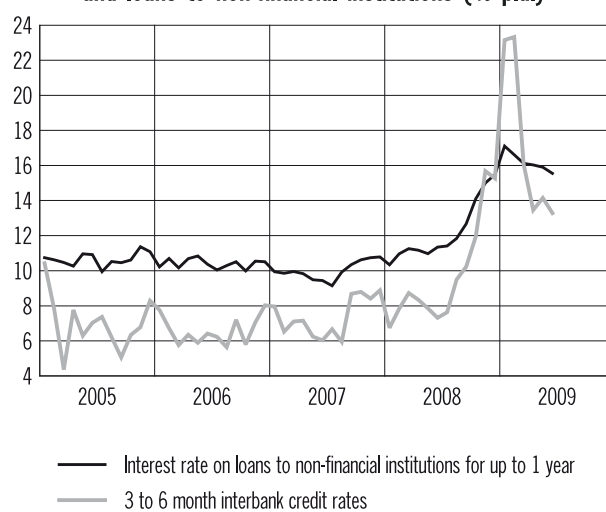
Long-term funds availability for credit institutions remained limited on the domestic and foreign markets in 2009 Q2. Besides, business activity and output decline in main economic sectors had a negative impact on the financial position of companies and as a result, the risk of default on previous loans increased. These developments led to a credit crunch and, on average, higher interest rates on long-term rouble **loans to non-financial institutions**. The average quarterly interest rate on long-term loans rose by 1.2 percentage points to 16.2% p.a. in 2009 Q2. Relative stabilisation

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

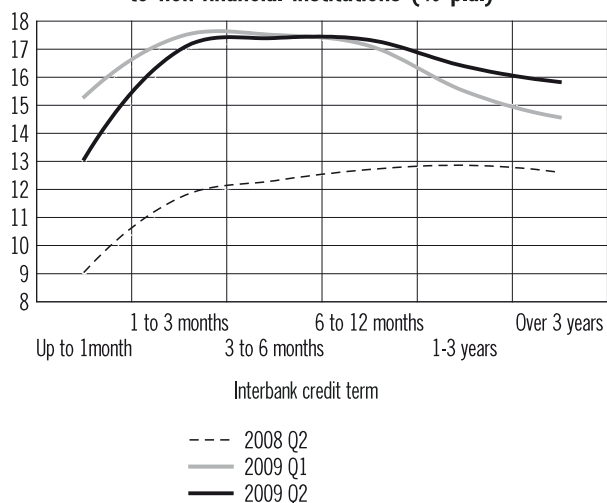


Source: Bank of Russia.

**Interest rates on rouble-denominated interbank loans
and loans to non-financial institutions (% p.a.)**

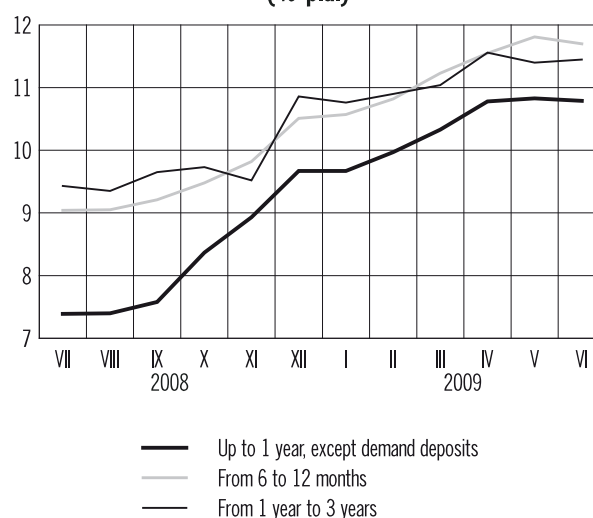


Source: Bank of Russia.

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


Source: Bank of Russia.

sation on the money market led to a decline in interest rates on short-term loans to the real sector. There was also a fall in average quarterly interest rates on loans with terms up to 6 months, whereas rates on long-term loans went up. The average rate on short-term loans to non-financial institutions was 15.8% p.a. in 2009 Q2, down by 0.8 percentage points, quarter on quarter. The most significant rise in interest rates was registered on loans for terms over 3 years (by 1.3 percentage points), while interest rates on loans for terms up to 1 month showed the most significant fall (by 2.2 percentage points). In the second quarter, there was a downward shift in the yield curve for loans to non-financial institutions in the up to 6

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


Source: Bank of Russia.

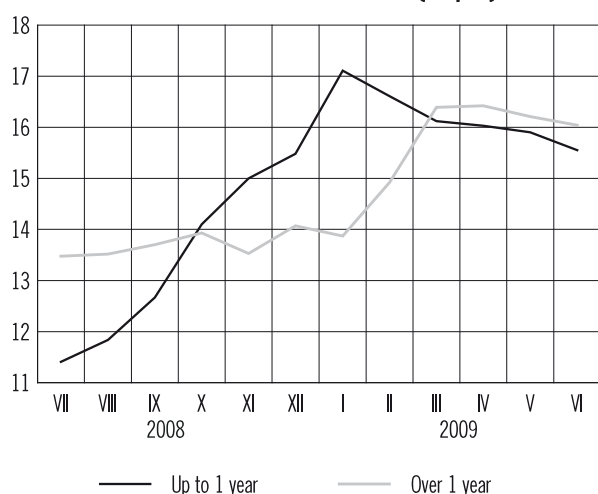
months section which retained its rising slope, while the yield curve for longer-term loans shifted down and retained its declining slope. The inclination of the yield curve became steeper, which suggests increasing credit risk and unabated inflation expectations of market participants.

Interest rates on rouble **loans to households** continued to rise in the second quarter. The average quarterly rate on long-term loans increased 0.5 percentage points quarter on quarter and reached 20.3% p.a. The average short-term credit rate went up by 1.1 percentage points to 29.5% p.a.

Asset prices

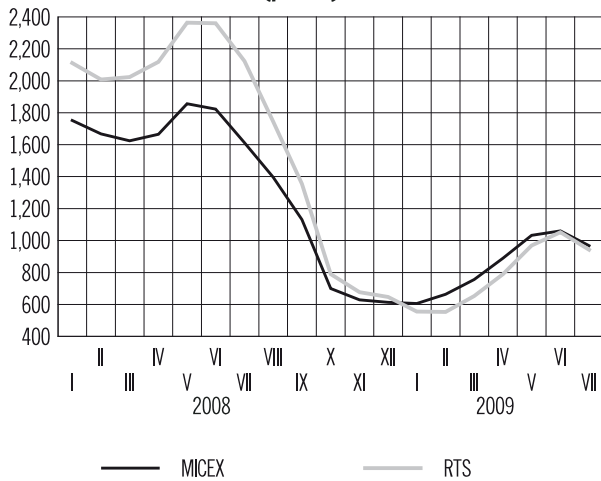
There were several periods with different share price dynamics on the Russian stock market in the second quarter of the year. In April and May, the MICEX and RTS stock indices rose rapidly reaching their six-month high by June. However, this growth in Russian share prices was largely a result of the inflow of short-term speculative capital, including foreign capital, to the stock market. Early in June, bad foreign news compelled shareholders to fix their profits and sell shares, causing a fall in prices. In the middle of the month the Russian stock price downturn accelerated, as the situation on the world oil and stock markets deteriorated, but in the last week of the month the price fall ceased.

On June, 30 the MICEX Index gained 25.7% as compared with the end of the first quarter and

Interest rates on rouble loans to non-financial institutions (% p.a.)


Source: Bank of Russia.

Russia's major stock indices (points)*



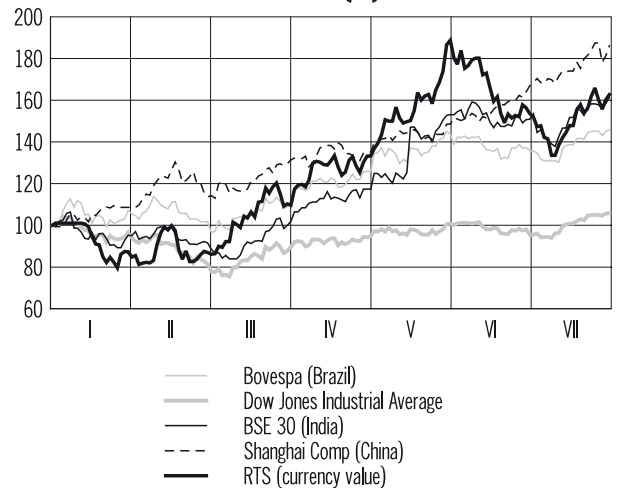
* Monthly averages.
Sources: MICEX, RTS.

reached 971.55 points while the RTS Index rose 43.1% to 987.02 points. The average MICEX and RTS stock indices in the second quarter were, respectively, by 45.3% and 57.9% higher than in the first quarter.

In the second quarter of the year, as compared with the end of the first quarter, the RTS stock index rose faster than stock indices in the most emerging economies. The stock indices in China, Brazil and India (together with Russia known as BRIC) increased 24.7%, 25.8% and 49.3%, respectively.

In the second quarter, there was a significant rise in corporate stock prices in all economic sectors. The most significant increase was registered

RTS and foreign stock indices in 2009 (%)*

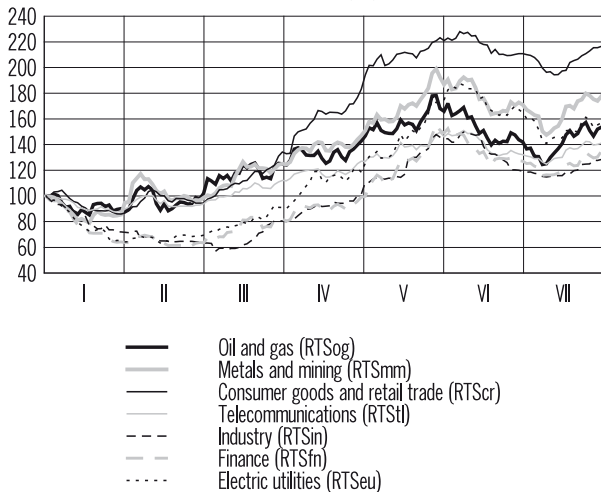


* Indices as of December 30, 2008 = 100%.
Sources: RTS, Reuters, Bank of Russia calculations.

in share prices of consumer goods and retail trade companies, and in the manufacturing, energy, finance and metallurgy sectors. Corporate stock prices in telecommunications and oil and gas sectors demonstrated more moderate growth.

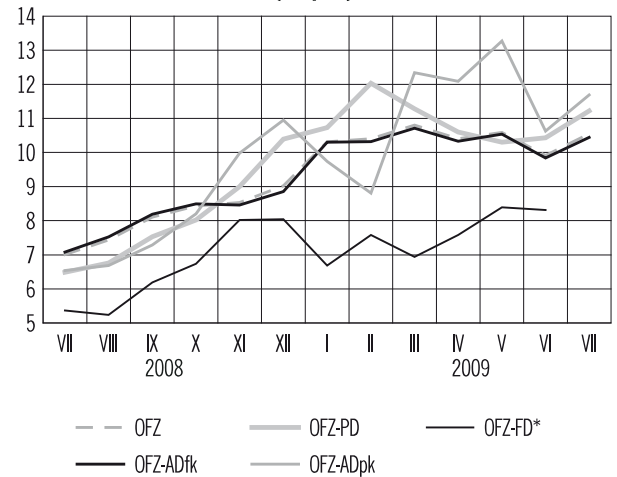
In July, Russian stock prices showed uneven dynamics. In the first 10 days of the month the MICEX and RTS stock indices declined, but by the end of the month they had partly made up for the fall registered in June and early July. At the end of July the MICEX index gained 8.4% month on month and reached 1,053.30 points and the RTS index was up 3.1% to 1,017.47 points. RTS sector indices also increased significantly.

RTS sector indices in 2009 (%)*

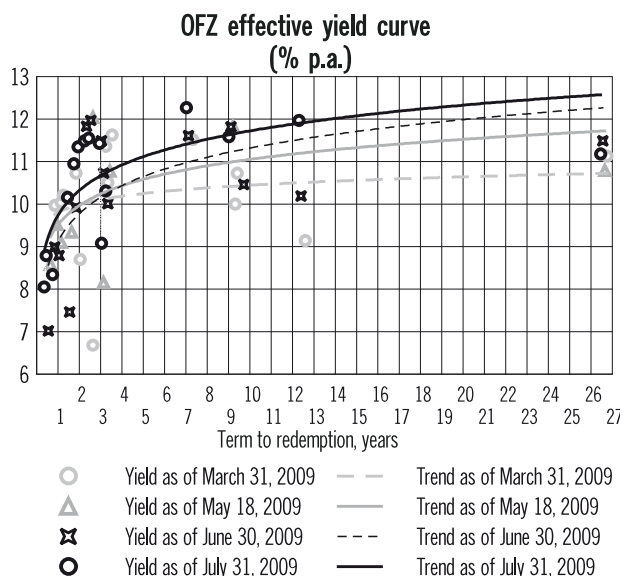


* Indices as of December 31, 2008 = 100%.
Sources: RTS, Bank of Russia calculations.

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



* Out of circulation since June 3, 2009.
Source: Bank of Russia.



Source: Bank of Russia.

Yields declined on the **OFZ bond market** in the second quarter 2009. At the end of the quarter, the OFZ effective market portfolio indicator (MPI) went up by 0.2 percentage points, quarter on quarter, and reached 10.3% p.a. The average quarterly effective MPI was down 0.2 percentage points to 10.3% p.a. In July, OFZ yields tended to rise. Government bond yields changed within the range of 10.2% to 10.7% p.a. At the end of July, the OFZ effective market portfolio indicator gained 0.2 percentage points and reached 10.6% p.a. The average effective MPI rose by 0.6 percentage points in July, month on month, and reached 10.5% p.a.

In April-July long-term government bond yield dynamics followed the changes in the short- and medium-term OFZ yields. In July, the inclination of the OFZ yield curve increased as compared with April-June, while a wide spread remained between yields on individual government bond issues, which might have reflected uncertainty in market participants' expectations of future OFZ price dynamics.

Yields on rouble corporate and regional bonds tended to decline in April-July 2009. The average yield on corporate and regional bonds in that period was 15.49% and 15.98% p.a., respectively, as against 21.43% and 21.46% p.a. in the first quarter of the year. By the end of July, the yield on corporate and regional bonds had reached late 2008 levels and stood, respectively, at 14.44% and 14.59% p.a. Since last February,



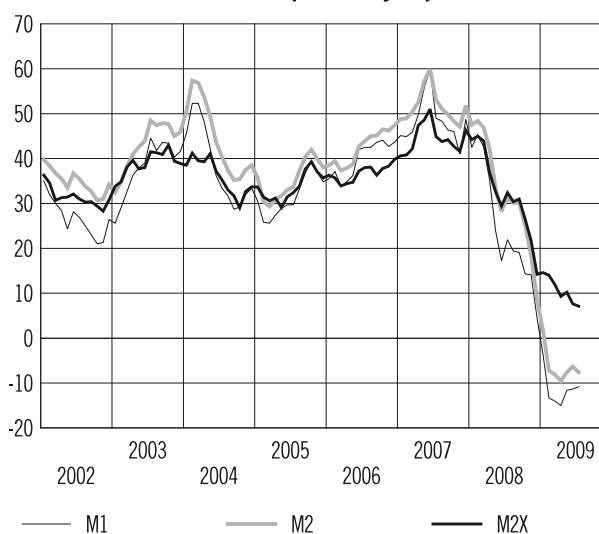
Sources: Bank of Russia, Cbonds.ru.

regional bond yields have been higher than those of corporate bonds. The spread between the yields on corporate bond and OFZ narrowed considerably in April-July 2009, as compared with the first quarter of the year.

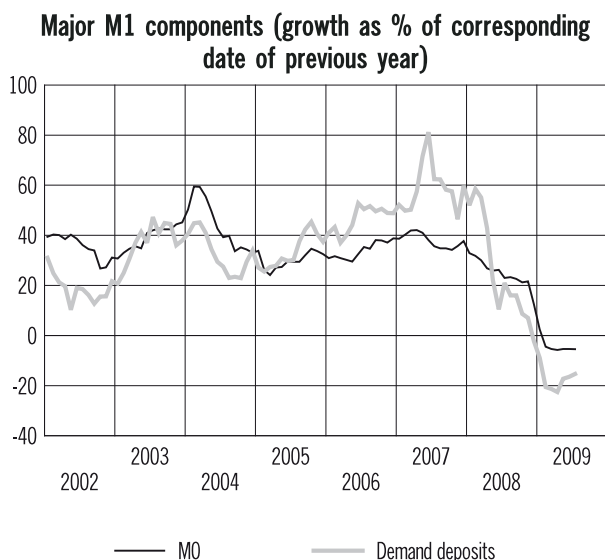
Monetary aggregates

As the rouble stabilised in the second quarter of the year, the impact on money demand of the rouble devaluation – which had caused funds flow from rouble to foreign currency assets in late

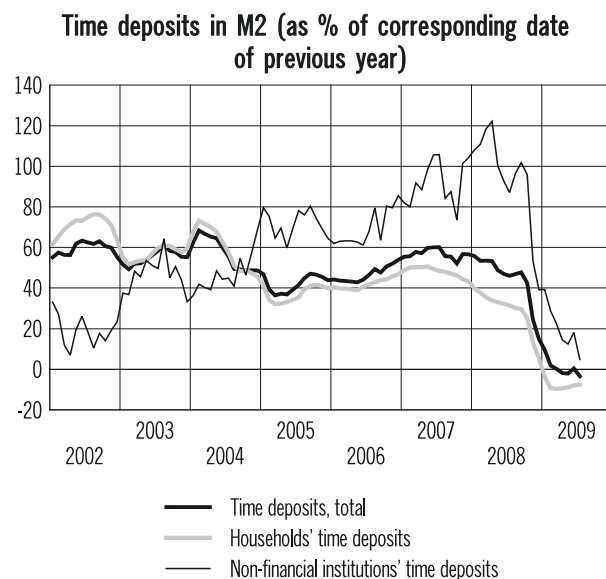
Monetary aggregates (growth as % of corresponding date of previous year)



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



Source: Bank of Russia.



Source: Bank of Russia.

2008 and January 2009 – gradually decreased. At the same time, the money demand continued to grow slowly, mainly due to a slowdown both in economic activity and in asset price growth, especially in the real estate market.¹

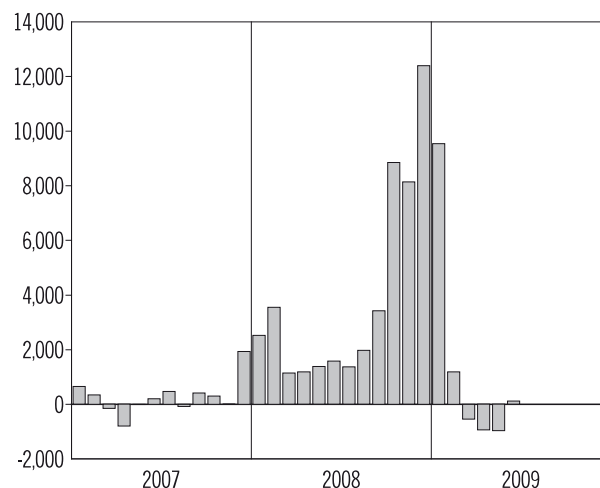
The monetary aggregate M1 (cash and demand deposits) increased 9.4% in the second quarter of 2009 as against 4.2% in the same period last year. The annual rate of M1 growth was a little higher in April-June 2009 than in the same period of 2008. At the same time, amid a considerable slowdown in economic growth, the annual rate of growth in M1, a monetary aggregate which reflects the transactional needs of the economy in money, was negative in the first half of the year. The monetary aggregate M1 contracted by 10.8% as of July 1, 2009, year on year.

Rouble-denominated time deposits of non-financial enterprises and households increased by a meagre 1.6% in January-June 2009 as against 15.3% in the same period last year. That might have been mainly a result of the rouble weakening in late 2008 and early 2009, which provoked rouble funds movement into foreign currency assets. As the rouble stabilised and began to strengthen and the deposit interest rates went up, rouble time deposits also began to increase – at a

smaller monthly pace, however, than a year earlier during the first half of the year, excluding May. Total value of rouble time deposits grew 7.7% in the second quarter of 2009 as against 9.5% in the same period last year. As a result, their annual rate of growth was negative (-3.4%) as of July 1, 2009, whereas a year earlier it stood at 46%.

As the exchange rate dynamics changed, net sales of foreign currency to households fell considerably in February-June 2009. There were similar trends in foreign currency deposits changes: after a significant increase in January, the monthly rate of growth in foreign currency deposits has been

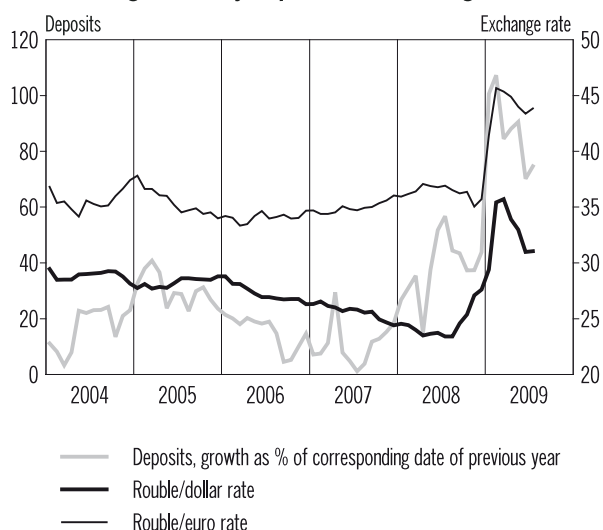
Net sales of foreign currency to households through exchange offices (US\$ million)



Source: Bank of Russia.

¹ For example, annual rates of price growth in the primary housing market continuously declined, and in the second quarter they have turned negative (-2.3%) for the first time since the observations' beginning in 1999.

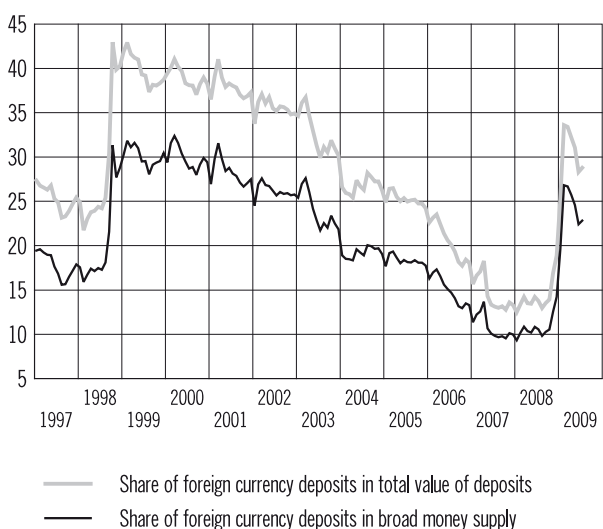
Foreign currency deposits and exchange rate



Source: Bank of Russia.

steadily declining, except in June. Nevertheless, the level of deposits dollarisation in the first half of the year was considerably higher than in the same period of 2008. For example, the share of foreign currency deposits (in rouble terms) in total value of deposits in the banking sector was 28.8% as of July 1, 2009 (as against 13.8% a year earlier), while their share in broad money supply equalled 22.8% (as against 10.6% as of July 1, 2008). As a result, the broad money supply (including foreign currency deposits) expanded by meagre 1.7% in January-June 2009 (as against 8.8% in the same period of 2008). The annual rate of

Deposits dollarisation (%)



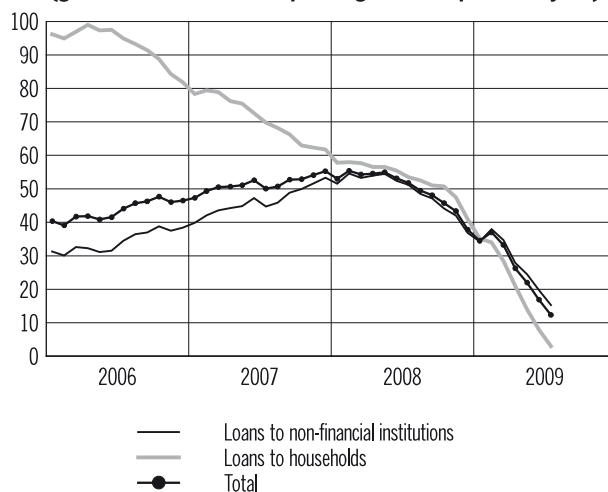
Source: Bank of Russia.

growth in board money stood at 7.1% as of July 1, 2009 (as against 32.4% a year earlier).

Credit aggregates

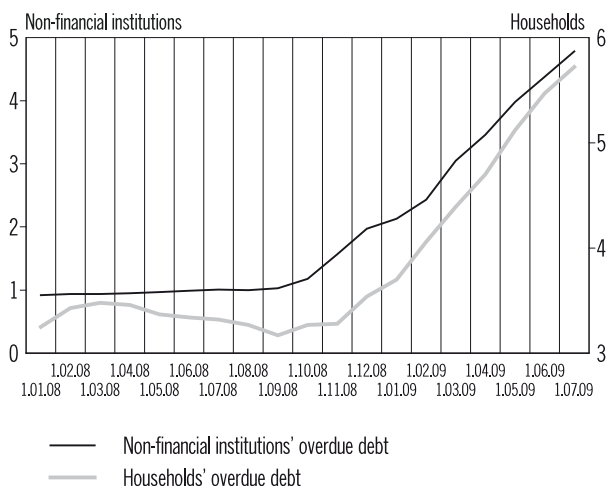
Credit aggregates contracted in absolute terms, and their annual growth rates continued to decrease in the second quarter of the year. The respective annual rates of growth in loans to non-financial institutions and to households stood at 15.3% and 3% as of July 1, 2009 (as against 51.2% and 53.5% respectively, a year earlier). As a result, the annual rate of growth in total debt on loans declined from 51.8% as of July 1, 2008, to 12.3% as of July 1, 2009.

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



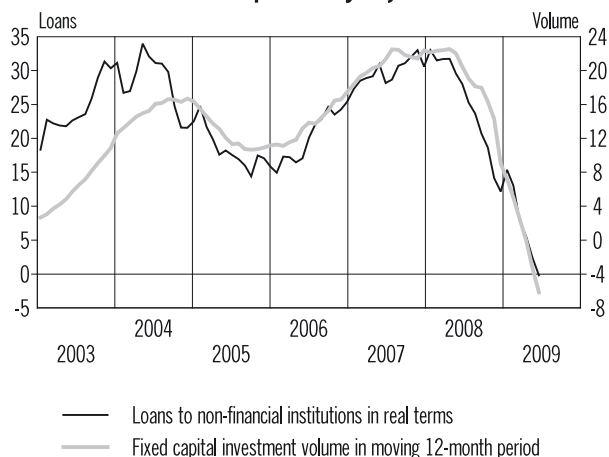
Source: Bank of Russia.

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



Source: Bank of Russia.

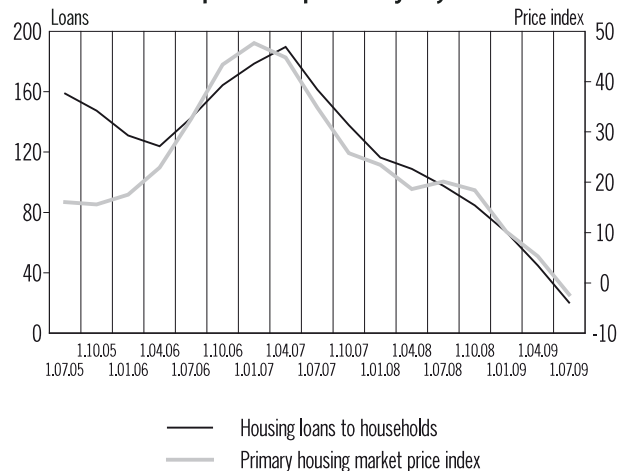
Investment activity and loans to non-financial institutions (growth as % of corresponding period of previous year)



Sources: Bank of Russia, Rosstat.

At the same time, money market stabilisation and positive trends in banking sector liquidity formed conditions for gradual credit supply recovery. Therefore, it is extremely important for the banking sector to assess its exposure to borrowers' insolvency resulting from the unfavourable macroeconomic situation. Growth in overdue debt, which reflects these risks and negatively impacts banks' balance sheet performance, continued in the second quarter of the year and became a factor restraining credit supply.

Debt on housing loans to households and housing prices (growth as % of corresponding period of previous year)



Sources: Bank of Russia, Rosstat.

Credit aggregates dynamics was negatively affected both by supply factors and by limited credit demand amid general economic slowdown and high interest rates.

The slump in credit activity was most marked in the mortgage loan market. The value of new loans decreased almost by 6 times in 2009 Q2, year on year. The annual rates of growth in mortgage credit continue to decline contributing to weaker activity in the housing market, reflected, in particular, in downward trend in prices.

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 ¹	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices ²	Service price growth
2007								
January	1.7	0.6	0.9	0.6	4.1	0.4	0.4	4.7
February	1.1	0.5	0.8	0.5	3.6	0.3	0.4	2.6
March	0.6	0.5	0.8	0.5	3.2	0.4	0.4	0.6
April	0.6	0.5	0.8	0.5	3.1	0.4	0.4	0.5
May	0.6	0.3	1.0	0.1	7.8	0.4	0.3	0.5
June	1.0	0.4	1.7	0.4	12.2	0.3	0.3	0.6
July	0.9	0.9	1.4	1.4	1.9	0.4	0.4	0.6
August	0.1	1.1	-0.6	1.6	-16.1	0.6	0.5	0.5
September	0.8	1.6	1.0	2.2	-8.8	0.8	0.8	0.4
October	1.6	2.1	3.3	3.5	0.9	0.9	0.9	0.1
November	1.2	1.1	1.9	1.5	6.2	0.9	0.8	0.6
December	1.1	0.9	1.6	1.2	5.6	0.7	0.5	0.9
Full year (December on December)	11.9	11.0	15.6	14.9	22.2	6.5	6.4	13.3
2008								
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	13.3
2009								
January	2.4	1.3	1.4	1.1	4.7	0.7	1.0	6.3
February	1.7	1.6	1.9	1.5	4.9	1.6	1.8	1.4
March	1.3	1.4	1.7	1.4	4.5	1.4	1.6	0.6
April	0.7	0.8	0.7	0.8	-0.1	1.0	1.1	0.3
May	0.6	0.5	0.7	0.3	4.1	0.7	0.8	0.3
June	0.6	0.3	0.5	0.1	3.9	0.8	0.3	0.5

¹ Excluding vegetables and fruit.

² 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 ¹	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices ²	Service price growth
2007								
January	1.7	0.6	0.9	0.6	4.1	0.4	0.4	4.7
February	2.8	1.1	1.8	1.1	7.8	0.7	0.8	7.4
March	3.4	1.7	2.6	1.7	11.2	1.1	1.2	8.0
April	4.0	2.2	3.3	2.1	14.7	1.5	1.7	8.6
May	4.7	2.5	4.3	2.3	23.6	1.9	2.0	9.1
June	5.7	3.0	6.1	2.7	38.6	2.2	2.3	9.8
July	6.6	3.9	7.6	4.1	41.2	2.6	2.8	10.5
August	6.7	5.0	7.0	5.8	18.5	3.2	3.3	11.1
September	7.5	6.7	8.1	8.1	8.1	4.0	4.2	11.6
October	9.3	8.9	11.6	11.9	9.0	4.9	5.1	11.7
November	10.6	10.1	13.7	13.5	15.7	5.8	5.9	12.4
December	11.9	11.0	15.6	14.9	22.2	6.5	6.4	13.3
2008								
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	13.3
2009								
January	2.4	1.3	1.4	1.1	4.7	0.7	1.0	6.3
February	4.1	2.9	3.3	2.6	9.8	2.3	2.8	7.8
March	5.4	4.3	5.0	4.0	14.7	3.8	4.5	8.5
April	6.2	5.2	5.8	4.8	14.6	4.8	5.7	8.7
May	6.8	5.7	6.5	5.1	19.3	5.5	6.5	9.1
June	7.4	6.0	7.0	5.2	24.0	6.3	6.9	9.6

¹ Excluding vegetables and fruit.

² 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 ¹	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices ²	Service price growth
2007								
January	8.2	7.7	7.6	8.0	3.1	6.0	5.7	12.3
February	7.6	6.9	5.3	6.6	-5.1	5.8	5.6	14.2
March	7.4	6.7	4.9	6.2	-5.2	5.8	5.6	14.0
April	7.6	6.8	5.4	6.3	-1.9	5.9	5.8	13.9
May	7.8	6.7	5.9	6.3	3.0	5.9	5.7	13.8
June	8.5	6.9	7.7	6.6	16.2	5.9	5.7	13.7
July	8.7	7.3	8.3	7.4	15.3	5.9	5.8	13.7
August	8.6	7.8	8.3	8.3	7.5	5.7	5.8	13.4
September	9.4	8.7	10.0	10.0	10.2	5.8	6.1	13.4
October	10.8	10.3	13.6	13.4	15.9	6.0	6.3	13.1
November	11.5	10.9	14.9	14.4	19.8	6.3	6.4	13.2
December	11.9	11.0	15.6	14.9	22.2	6.5	6.4	13.3
2008								
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	13.3
2009								
January	13.4	13.9	15.9	17.3	4.1	8.1	8.9	16.9
February	13.9	14.6	16.1	17.6	3.8	9.2	10.2	17.0
March	14.0	14.9	15.8	17.4	2.5	9.9	11.2	17.0
April	13.2	14.4	14.1	16.3	-3.0	10.0	11.7	16.2
May	12.3	13.6	12.5	14.9	-5.1	9.9	11.9	15.4
June	11.9	12.9	11.9	13.7	-1.8	9.9	11.7	14.6

¹ Excluding vegetables and fruit.

² Since March 2005 – Bank of Russia estimate.

Table 4

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

	Foodstuffs ¹	Non-food products	Paid services	Vegetables and fruit	Inflation over period, %	Core inflation	Non-core inflation ²
2007							
January	0.2	0.1	1.2	0.2	1.7	0.5	1.2
February	0.4	0.3	1.8	0.3	2.8	0.9	1.9
March	0.6	0.4	2.0	0.4	3.4	1.3	2.1
April	0.8	0.5	2.1	0.6	4.0	1.7	2.3
May	0.8	0.7	2.3	0.9	4.7	1.9	2.7
June	1.0	0.8	2.4	1.5	5.7	2.3	3.4
July	1.5	0.9	2.6	1.6	6.6	3.0	3.6
August	2.1	1.1	2.7	0.7	6.7	3.9	2.8
September	3.0	1.4	2.9	0.3	7.5	5.3	2.3
October	4.3	1.7	2.9	0.3	9.3	7.0	2.3
November	4.9	2.0	3.1	0.6	10.6	7.9	2.7
December	5.4	2.3	3.3	0.9	11.9	8.7	3.2
2008							
January	0.4	0.2	1.3	0.3	2.3	0.8	1.5
February	0.9	0.4	1.7	0.5	3.5	1.6	1.9
March	1.4	0.7	1.9	0.8	4.8	2.5	2.3
April	2.1	1.0	2.1	1.0	6.3	3.6	2.7
May	2.6	1.3	2.4	1.4	7.7	4.5	3.2
June	3.1	1.6	2.7	1.4	8.7	5.3	3.5
July	3.5	1.9	3.0	1.0	9.3	6.0	3.3
August	3.9	2.1	3.2	0.5	9.7	6.8	2.9
September	4.5	2.3	3.5	0.2	10.6	8.0	2.6
October	5.2	2.6	3.5	0.2	11.6	9.2	2.4
November	5.8	2.8	3.7	0.2	12.5	10.1	2.4
December	6.2	2.9	4.0	0.3	13.3	10.8	2.5
2009							
January	0.4	0.3	1.6	0.2	2.4	1.0	1.4
February	0.9	0.9	2.0	0.4	4.1	2.4	1.7
March	1.4	1.4	2.1	0.5	5.4	3.5	2.0
April	1.6	1.8	2.2	0.5	6.2	4.2	2.0
May	1.8	2.1	2.3	0.7	6.8	4.6	2.2
June	1.8	2.4	2.4	0.9	7.4	4.8	2.6

¹ Excluding vegetables and fruit.

² 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 ¹	Non-food products	Paid services	Vegetables and fruit	Inflation over period, %	Core inflation	Non-core inflation ²
2007							
January	0,2	0,1	1,2	0,2	1,7	0,5	1,2
February	0,2	0,1	0,7	0,1	1,1	0,4	0,7
March	0,2	0,1	0,1	0,1	0,6	0,4	0,2
April	0,2	0,1	0,1	0,1	0,6	0,4	0,2
May	0,1	0,1	0,1	0,3	0,6	0,2	0,4
June	0,2	0,1	0,2	0,6	1,0	0,3	0,6
July	0,5	0,1	0,2	0,1	0,9	0,7	0,2
August	0,6	0,2	0,1	-0,8	0,1	0,8	-0,7
September	0,8	0,3	0,1	-0,4	0,8	1,3	-0,5
October	1,3	0,3	0,0	0,0	1,6	1,6	0,0
November	0,5	0,3	0,2	0,2	1,2	0,8	0,4
December	0,5	0,2	0,2	0,2	1,1	0,7	0,5
2008							
January	0,4	0,2	1,3	0,3	2,3	0,8	1,5
February	0,4	0,2	0,3	0,2	1,2	0,8	0,4
March	0,5	0,3	0,2	0,3	1,2	0,8	0,3
April	0,6	0,3	0,3	0,2	1,4	1,0	0,4
May	0,5	0,3	0,3	0,3	1,4	0,9	0,5
June	0,4	0,3	0,3	0,0	1,0	0,7	0,2
July	0,4	0,2	0,2	-0,3	0,5	0,7	-0,1
August	0,4	0,2	0,2	-0,5	0,4	0,8	-0,4
September	0,5	0,2	0,3	-0,3	0,8	1,1	-0,3
October	0,6	0,3	0,0	0,0	0,9	1,1	-0,2
November	0,5	0,2	0,2	0,0	0,8	0,8	0,0
December	0,4	0,0	0,2	0,1	0,7	0,6	0,1
2009							
January	0,4	0,3	1,6	0,2	2,4	1,0	1,4
February	0,5	0,6	0,4	0,2	1,7	1,3	0,3
March	0,5	0,5	0,2	0,2	1,3	1,1	0,2
April	0,3	0,4	0,1	0,0	0,7	0,7	0,0
May	0,1	0,3	0,1	0,2	0,6	0,4	0,2
June	0,0	0,3	0,1	0,2	0,6	0,2	0,4

¹ Excluding vegetables and fruit.

² Growth in prices of goods and paid services not included in the calculation of the core consumer price index.

**Contribution to inflation growth over period since start of year
by group of goods and services (%)**

	Foodstuffs ¹	Non-food products	Paid services	Vegetables and fruit	Core inflation	Non-core inflation ²
2007						
January	13.4	8.3	69.0	9.3	29.5	70.5
February	14.9	9.2	65.3	10.6	31.3	68.7
March	17.8	11.6	58.1	12.5	38.3	61.7
April	19.6	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
2008						
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
2009						
January	15.6	11.3	66.2	7.0	42.3	57.7
February	22.1	21.5	47.9	8.6	57.7	42.3
March	25.3	26.1	38.9	9.7	64.0	36.0
April	26.7	29.3	35.5	8.5	67.9	32.1
May	25.9	30.5	33.4	10.2	67.5	32.5
June	24.1	31.9	32.4	11.6	65.0	35.0

¹ Excluding vegetables and fruit.

² 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 ¹	Non-food products	Paid services	Vegetables and fruit	Core inflation	Non-core inflation ²
2007						
January	13.4	8.3	69.0	9.3	29.5	70.5
February	17.1	10.6	59.7	12.6	34.2	65.8
March	31.4	22.7	24.5	21.4	70.7	29.3
April	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
2008						
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
2009						
January	15.6	11.3	66.2	7.0	42.3	57.7
February	31.2	35.9	22.0	10.9	79.5	20.5
March	35.2	40.0	11.7	13.1	83.0	17.0
April	37.5	53.9	9.3	-0.7	97.1	2.9
May	17.1	42.5	13.3	27.1	62.6	37.4
June	5.7	46.9	20.7	26.8	38.4	61.6

¹ Excluding vegetables and fruit.

² Growth in prices of goods and services not included in the calculation of the core consumer price index.

Russia's key macroeconomic and financial indicators

			Year	Q1	Q2	Q3	Q4	
Macroeconomic indicators								
GDP	over period since start of year, billion roubles		2007	6,750	14,515	23,419	33,111	
			2008	8,891	19,084	30,724	41,668	
			2009	8,483				
	over period since start of year, as % of corresponding period of previous year		2007	107.5	107.8	107.8	108.1	
			2008	108.7	108.0	107.3	105.6	
			2009	90.2				
	as % of corresponding quarter of previous year		2007	107.5	108.0	107.7	109.0	
			2008	108.7	107.5	106.0	101.2	
			2009	90.2				
Industrial output indices	as % of corresponding quarter of previous year		2007	107.2	107.1	105.5	105.7	
			2008	106.2	105.5	104.7	93.9	
			2009	85.7	84.6			
	over period since start of year, as % of corresponding period of previous year		2007	107.2	107.1	106.6	106.3	
			2008	106.2	105.8	105.4	102.1	
			2009	85.7	85.2			
Agricultural output	as % of corresponding quarter of previous year		2007	103.5	104.4	103.2	103.2	
			2008	105.5	106.9	113.0	115.6	
			2009	102.1	100.3			
	over period since start of year, as % of corresponding period of previous year		2007	103.5	104.1	103.5	103.4	
			2008	105.5	106.4	109.6	110.8	
			2009	102.1	100.9			
Fixed capital investment	over period since start of year, billion roubles		2007	924.0	2,387.0	4,174.1	6,716.2	
			2008	1,355.4	3,411.7	5,826.7	8,764.9	
			2009	1,285.1	3,036.6			
	as % of corresponding quarter of previous year		2007	123.8	125.4	119.8	122.8	
			2008	123.6	117.4	111.7	97.7	
			2009	84.4	80.0			
Retail trade turnover	over period since start of year, billion roubles		2007	2,257.8	4,800.4	7,599.6	10,869.0	
			2008	2,952.5	6,278.4	9,936.1	13,919.6	
			2009	3,306.6	6,800.0			
	as % of corresponding quarter of previous year		2007	114.8	115.8	116.8	116.8	
			2008	117.2	114.9	115.0	108.7	
			2009	99.9	94.4			
Federal budget on accrual basis, as of end of period	revenue	billion roubles		2007	1,421.9	3,245.7	5,087.6	7,781.1
				2008	1,932.7	4,370.7	7,155.7	9,275.9
				2009	1,732.7	3,172.2		
		as % of GDP		2007	21.1	22.3	21.7	23.5
				2008	21.7	22.9	23.3	22.3
				2009	20.4	17.7 ¹		
	expenditure	billion roubles		2007	945.6	2,169.7	3,464.3	5,986.6
				2008	1,332.7	2,995.6	4,594.2	7,570.9
				2009	1,762.4	3,893.8		
		as % of GDP		2007	14.0	14.9	14.8	18.1
				2008	15.0	15.7	15.0	18.2
				2009	20.8	21.7 ¹		
Federal budget surplus (+)/deficit (-) on accrual basis, as of end of period	billion roubles		2007	476.3	1,076.1	1,623.2	1,794.6	
			2008	600.0	1,375.1	2,561.5	1,705.1	
			2009	-29.7	-721.7			
	as % of GDP		2007	7.1	7.4	6.9	5.4	
			2008	6.7	7.2	8.3	4.1	
			2009	-0.4	-4.0 ¹			

Note: Table 8 is based on data compiled by the Bank of Russia, the Federal State Statistics Service, the Ministry of Finance of the Russian Federation and the Federal Treasury.

Table 8 (continued)

		Year	Q1	Q2	Q3	Q4	
Socio-economic indicators							
Nominal imputed average monthly per employee wage	roubles	2007	11,876	12,993	13,494	15,742	
		2008	15,424	16,962	17,556	18,966	
		2009	17,441	18,309			
	as % of corresponding quarter of previous year	2007	127.3	125.9	124.0	129.3	
		2008	128.0	129.2	129.0	119.5	
		2009	112.8	107.3			
	over period since start of year, as % of corresponding period of previous year	2007	127.3	126.6	125.7	127.8	
		2008	128.0	128.6	128.7	127.2	
		2009	112.8	109.9			
Real imputed average monthly per employee wage, as % of corresponding quarter of previous year		2007	118.2	116.6	113.9	116.1	
		2008	113.4	112.5	112.2	105.0	
		2009	99.2	95.4			
Household money income (per capita monthly average), roubles		2007	9,976.9	11,987.8	12,725.8	15,677.9	
		2008	12,374.8	14,876.2	15,866.8	17,396.6	
		2009	13,971.3	16,889.0			
Household real disposable money income	as % of corresponding quarter of previous year	2007	111.9	110.0	112.4	113.0	
		2008	108.0	106.2	106.2	94.2	
		2009	99.8	100.2			
	over period since start of year, as % of corresponding period of previous year	2007	111.9	112.1	
		2008	108.0	107.1	106.8	102.9	
		2009	99.8	100.0			
Household spending, as % of income	purchase of goods and services	2007	73.6	69.3	71.2	66.0	
		2008	76.5	71.6	73.4	71.7	
		2009	76.3	65.0			
	compulsory payments and contributions	2007	12.0	11.9	11.6	11.6	
		2008	12.7	12.5	12.7	14.1	
		2009	11.3	12.4			
	growth in savings	2007	10.2	9.0	8.1	11.0	
		2008	7.7	8.2	5.8	2.5	
		2009	8.7	17.1			
	foreign exchange purchase	2007	5.2	5.2	5.2	5.1	
		2008	6.9	4.7	5.6	13.3	
		2009	10.3	3.5			
	cash on hand	2007	-1.0	4.6	3.9	6.3	
		2008	-3.8	3.0	2.5	-1.6	
		2009	-6.6	2.0			
	Average imputed pension, total, roubles		2007	2,846	3,091	3,108	3,418
			2008	3,823	4,044	4,383	4,545
			2009	4,614	5,151		
Real imputed pension	as % of corresponding quarter of previous year	2007	104.1	104.9	102.0	108.1	
		2008	119.0	113.9	122.7	116.9	
		2009	106.1	113.3			
	over period since start of year, as % of corresponding period of previous year	2007	104.1	104.5	103.6	104.8	
		2008	119.0	116.4	118.6	118.1	
		2009	106.1	109.8			
Total number of unemployed (calculated using ILO methodology)	million	2007	5.2	4.5	4.3	4.4	
		2008	5.1	4.3	4.5	5.4	
		2009	6.8	6.5			
	as % of economically active population	2007	7.0	6.0	5.7	5.8	
		2008	6.7	5.6	5.9	7.1	
		2009	9.1	8.6			

Table 8 (continued)

		Year	Q1	Q2	Q3	Q4	
Foreign economic activities							
Price of Urals crude	over period since start of year, \$/barrel	2007	54.0	59.7	64.0	69.5	
		2008	93.7	105.3	107.6	93.9	
		2009	43.2	50.5			
	as % of corresponding period of previous year	2007	93.5	97.7	102.4	114.1	
		2008	173.7	176.3	168.2	135.1	
		2009	46.1	48.0			
Exports of goods	over period since start of year, \$ billion	2007	71.7	155.4	244.9	354.4	
		2008	110.1	236.8	373.6	471.6	
		2009	57.4	125.5 ²			
	as % of corresponding period of previous year	2007	106.5	108.0	109.5	116.8	
		2008	153.6	152.4	152.5	133.1	
		2009	52.1	53.0 ²			
Imports of goods	over period since start of year, \$ billion	2007	42.8	95.5	153.9	223.5	
		2008	60.2	135.7	218.6	291.9	
		2009	38.4	82.2 ²			
	as % of corresponding period of previous year	2007	138.6	137.1	137.0	136.0	
		2008	140.8	142.0	142.0	130.6	
		2009	63.7	60.6 ²			
Current account (over period since start of year), \$ billion		2007	22.6	37.1	52.8	77.0	
		2008	38.0	64.3	93.9	102.4	
		2009	9.1	17.2 ²			
Private sector net capital outflow (inflow) (over period since start of year), \$ billion		2007	13.8	68.1	60.9	82.4	
		2008	-23.7	17.0	-2.3	-132.8	
		2009	-34.8	-27.6 ²			
Foreign investment in Russia's non-financial sector (Rosstat data)	over period since start of year, \$ billion	2007	24.6	60.3	87.9	120.9	
		2008	17.3	46.5	75.8	103.8	
		2009	12.0				
	as % of corresponding period of previous year	2007	2.8 times	2.6 times	2.5 times	2.2 times	
		2008	70.1	77.1	86.2	85.8	
		2009	69.7				
of which:	direct	over period since start of year, \$ billion	2007	9.8	15.8	19.6	27.8
			2008	5.6	11.1	19.2	27.0
			2009	3.2			
		as % of corresponding period of previous year	2007	2.5 times	2.5 times	191.3	2.0 times
			2008	57.2	70.0	97.7	97.2
			2009	57.0			
	portfolio	over period since start of year, \$ billion	2007	0.2	1.1	1.5	4.2
			2008	0.1	1.2	1.3	1.4
			2009	0.1			
		as % of corresponding period of previous year	2007	85.8	2.2 times	2.3 times	131.8
			2008	62.5	104.4	83.7	33.7
			2009	93.5			
	other	over period since start of year, \$ billion	2007	14.7	43.4	66.7	89.0
			2008	11.5	34.3	55.3	75.3
			2009	8.7			
as % of corresponding period of previous year		2007	3.1 times	2.6 times	2.7 times	2.3 times	
		2008	78.7	79.0	82.8	84.7	
		2009	75.6				
Russia's international reserves (as of end of period), \$ billion		2007	338.8	405.8	425.4	478.8	
		2008	512.6	569.0	556.8	427.1	
		2009	383.9	412.6			
Real rouble exchange rate indices, last month of quarter (growth as % of December of previous year) ³	rouble vs. US dollar	2007	2.3	3.8	8.1	15.0	
		2008	6.5	8.5	3.2	-1.1	
		2009	-15.4	-5.0			
	rouble vs. euro	2007	3.1	4.1	4.5	5.8	
		2008	0.6	3.4	6.2	5.0	
		2009	-12.0	-7.0			
	effective rate	2007	2.7	3.3	3.8	5.1	
		2008	1.5	3.3	3.0	4.3	
		2009	-10.0	-4.2			

Table 8 (continued)

		Year	Q1	Q2	Q3	Q4
Financial market indicators (including Sberbank rates)						
Average for period						
Overnight interbank credit rate, % p.a.	in roubles	2007	3.9	3.4	4.9	5.4
		2008	3.9	4.1	6.0	8.6
		2009	11.6	7.7		
	in US dollars	2007	5.2	5.2	5.1	4.5
		2008	3.2	2.2	2.2	0.7
		2009	0.2	0.2		
OFZ yields ⁴ , % p.a.		2007	6.6	6.6	6.6	6.6
		2008	6.7	6.9	7.5	8.7
		2009	10.5	10.3		
Interest rate on household time deposits, % p.a.	up to 1 year in roubles	2007	7.4	7.3	7.0	7.2
		2008	7.0	7.1	7.5	9.0
		2009	10.0	10.8		
	over 1 year in roubles	2007	7.9	7.5	7.1	6.8
		2008	7.4	8.0	8.5	9.1
		2009	10.0	10.3		
	up to 1 year in US dollars	2007	5.4	5.3	5.2	5.2
		2008	5.1	5.8	5.3	6.5
		2009	6.0	5.3		
	over 1 year in US dollars	2007	6.8	6.6	6.4	7.0
		2008	6.9	7.0	7.1	7.8
		2009	6.5	6.1		
Interest rate on credit to non-financial organisations, % p.a.	up to 1 year in roubles	2007	9.9	9.6	9.8	10.7
		2008	10.9	11.2	12.0	14.9
		2009	16.6	15.8		
	over 1 year in roubles	2007	12.1	11.5	11.0	11.4
		2008	12.3	12.8	13.6	13.8
		2009	15.1	16.2		
	up to 1 year in US dollars	2007	8.7	8.8	8.4	9.1
		2008	8.1	8.0	8.9	10.9
		2009	10.7	10.1		
	over 1 year in US dollars	2007	10.3	10.1	9.3	9.8
		2008	9.3	9.9	9.4	11.3
		2009	12.7	11.6		
Interest rate on rouble-denominated promissory notes discounted by banks, % p.a.		2007	9.5	8.9	10.8	10.8
		2008	10.7	11.0	12.1	14.1
		2009	15.7	14.3		
MICEX rate in 'tomorrow' trades, rouble/\$		2007	26.3056	25.8599	25.5043	24.6525
		2008	24.2286	23.6190	24.2718	27.2941
		2009	34.4761	32.2032		
As of end of quarter						
RTS index, points		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
		2009	689.63	987.02		
Refinance rate, % p.a.		2007	10.5	10.0	10.0	10.0
		2008	10.25	10.75	11.0	13.0
		2009	13.0	11.5		

Table 8 (end)

		Year	1.01	1.04	1.07	1.10
Monetary indicators						
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	3,278.3	3,522.5	
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	12,111.7	13,161.0	
Obligations included in broad money, billion roubles		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	16,308.4	17 055.4 ¹	
Net foreign assets, billion roubles		2007	6,881.5	7,927.4	8,714.1	9,047.0
		2008	9,923.4	10,541.0	11,278.7	12,287.4
		2009	12,215.5	12,884.6	13,053.1 ¹	
Domestic claims, billion roubles		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	10,645.1	10,307.4	11 076.4 ¹	
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	4,298.8	4,967.6	
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	431.7	471.4	
M2 velocity	annual average	2007	3.8	3.6	3.4	3.2
		2008	3.1	3.0	3.0	3.1
		2009	3.1	3.1	3.0 ¹	
	change since start of year, %	2007	-13.2 ⁵	-6.0	-12.1	-16.1
		2008	-18.6 ⁵	-2.6	-3.0	-2.2
		2009	-2.1 ⁵	0.8	-0.5 ¹	
Monetisation of the economy (by M2 aggregate), %		2007	26.1	27.8	29.7	31.1
		2008	32.1	32.9	33.1	32.8
		2009	32.7	32.5	32.9 ¹	
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	2.82	2.65	
	change since start of year, %	2007	5.2 ⁵	2.5	-3.2	14.8
		2008	10.3 ⁵	14.1	9.1	12.3
		2009	0.5 ⁵	16.5	9.6	
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	33.90	31.04	
	roubles per euro	2007	34.70	34.69	34.72	35.35
		2008	35.93	37.09	36.97	36.50
		2009	41.43	44.89	43.85	

¹ Preliminary data.

² Estimate.

³ (+) signifies appreciation of the ruble, (-) signifies depreciation of the ruble.

⁴ OFZ effective market portfolio indicator.

⁵ Relative to beginning of previous year.

Table 9

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

Instrument	Liquidity provision/ absorption period	Interest rate							
		1.01.09- 1.02.09	2.02.09- 9.02.09	10.02.09- 23.04.09	24.04.09- 13.05.09	14.05.09- 4.06.09	5.06.09- 12.07.09	13.07.09- 9.08.09	Since 10.08.09
Providing liquidity at offered bids (including by auction)									
Repo operations ¹	1 day	9.00	9.00	10.00	9.50	9.00	8.50	8.00	7.75
	1 week	9.50	9.50	10.50	10.00	9.50	9.00	8.50	8.25
	3 months	10.50	10.50	11.50	11.00	10.75	10.25	9.75	9.50
	6 months	11.25	11.25	12.25	11.75	11.25	10.75	10.25	10.00
	12 months	11.75	11.75	12.75	12.25	11.75	11.25	10.75	10.50
Currency swap operations ²	1 day	13.00	13.00	13.00	12.50	12.00	11.50	11.00	10.75
Unsecured loans	up to 6 months	minimum rate is set when auction is announced							
Lombard loans ^{1,3}	2 weeks	9.50	9.50	10.50	10.00	9.50	9.00	8.50	8.25
	3 months	10.50	10.50	11.50	11.00	10.75	10.25	9.75	9.50
	6 months	11.25	11.25	12.25	11.75	11.25	10.75	10.25	10.00
	12 months	11.75	11.75	12.75	12.25	11.75	11.25	10.75	10.50
Providing liquidity at fixed rates									
Overnight loans ^{3,4}	1 day	13.00	13.00	13.00	12.50	12.00	11.50	11.00	10.75
Lombard loans ³	1 day	10.00	11.00	12.00	11.50	11.00	10.50	10.00	9.75
	7 days	10.00	11.00	12.00	11.50	11.00	10.50	10.00	9.75
	30 days	10.25	11.00	12.00	11.50	11.00	10.50	10.00	9.75
Repo operations	1 day	10.00	11.00	12.00	11.50	11.00	10.50	10.00	9.75
	7 days	10.00	11.00	12.00	11.50	11.00	10.50	10.00	9.75
	1 year						11.25	10.75	10.50
Loans secured by "non-market" assets or guarantees ⁴	up to 90 days	11.00	11.25	12.00	11.50	11.00	10.50	10.00	9.75
	91 to 180 days	12.00	12.00	12.50	12.00	11.50	11.00	10.50	10.25
	181 to 365 days ⁵	13.00	13.00	13.00	12.50	12.00	11.50	11.00	10.75
Absorbing liquidity at fixed rates									
Deposit operations	Tom-next, spot-next and call	6.75	6.75	7.75	7.25	6.75	6.25	5.75	5.50
	1 week, spot-week	7.25	7.25	8.25	7.75	7.25	6.75	6.25	6.00

¹ Minimum interest rate.² Interest rate set on the ruble part when determining the minimum offered swap difference.³ Pursuant to Bank of Russia Regulation No. 236-P of August 4, 2003.⁴ Pursuant to Bank of Russia Regulation No. 312-P of November 12, 2007.⁵ From January 20, 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	1.0	1.0	1.0
June 1, 2009 – June 30, 2009	1.5	1.5	1.5
July 1, 2009 – July 31, 2009	2.0	2.0	2.0
August 1, 2009 –	2.5	2.5	2.5

