



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

# **Quarterly Inflation Review**

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***2010 Q1***

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**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

The Russian economy was gradually recovering in January-March 2010 after a steep decline in 2009. Output was registered to grow in many types of the economic activity. However, investment activity remained low. Consumer demand was also recovering slowly, although household real money incomes showed high growth rates. Total GDP remained below its potential level.

The improved terms of trade, which increased exports considerably, played an important role in maintaining economic growth in January-March 2010. This process was accompanied by the appreciation of the ruble and the growth of the country's gold and foreign exchange reserves.

The trend of the slowing of inflation, which began in the second quarter of 2009, continued in January-March 2010. This process was attributed to the persisting negative output gap and the ruble appreciation. Consumer prices in January-March 2010 registered the lowest growth rates for this period since 1999. According to estimates, inflation will be lower as a whole over the year than the level set by the guidelines of Russia's single state monetary policy for 2010.

The appreciation of the ruble, the slowing of inflation and the increase in economic activity stimulated the rise of the demand for the national currency and the resumption of growth in money supply. From the fourth quarter of 2009, the ruble supply (M2) on average started to demonstrate growth rates equalling their pre-crisis level. At the end of the first quarter of 2010, money supply on the whole matched the emerging demand for money. The persisting high rates of money sup-

ply growth may eventually form a steady positive monetary gap and create the risk of inflation acceleration.

The increase in net credit to the government and the growth of the Bank of Russia's net foreign assets were the main sources of the expansion of money supply in January-March 2010. The banks' credit activity in creating money supply remained low and the money multiplier decreased over the first quarter. Despite the growth of aggregate bank reserves, banks were unwilling to expand their credit portfolio and preferred building up alternative types of assets. Besides, growth in lending was still restrained by the low demand for loans as economic activity failed to demonstrate sufficiently rapid recovery rates.

As inflation tended to slow down, the Bank of Russia continued to reduce interest rates on its operations to make credit resources more affordable. The easing of monetary policy combined with the growth of bank liquidity amid the favourable foreign economic situation contributed to the overall decrease in interest rates on financial markets; however, its effect on the volume of credit was insignificant.

Considering positive trends forming in the economy, the growth of bank liquidity, the increase in the banks' sustainability and the reduction of systemic risks, the Bank of Russia gradually started to cut the volume of refinancing through unsecured loans initially used as an anti-crisis measure and stimulate banks to use traditional credit instruments.

# Inflation Dynamics

## Consumer Prices

According to the Federal State Statistics Service (Rosstat), consumer prices rose by 3.2% in January-March 2010 which is 2.2 percentage points less as compared with the same period of 2009. Year on year, consumer prices increased by 6.5% in March 2010 and by 7.2% in January-March 2010.

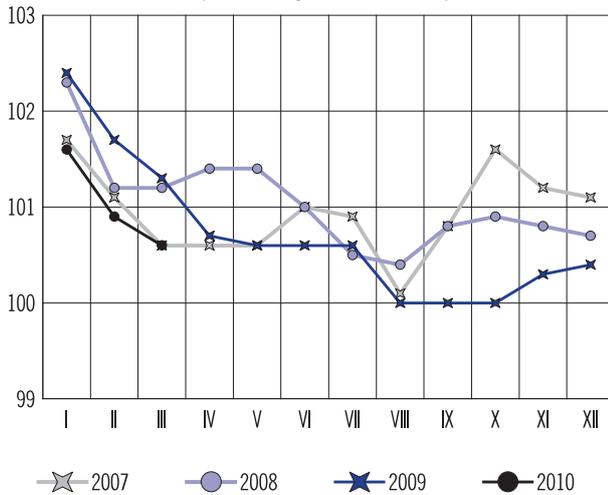
Inflation slowed down in January-March 2010 largely due to **core inflation**, which equalled 1.5% in the first quarter of 2010 as against 4.3% in the same period a year earlier. Growth in the prices of goods and services included in the core inflation calculation in the first quarter of 2010 accounted for an estimated 1.2 percentage points, or 37.4%, of overall consum-

er price growth as against 3.5 percentage points, or 64.0%, in January-March 2009.

**Food prices, excluding vegetables and fruit prices**, grew by 2.3% in January-March 2010 as against 4.0% in the first quarter of 2009. Growth in the prices of this group of food products accounted for an estimated 0.8 percentage points, or 25.2%, of overall consumer price growth in the first quarter of 2010 as against an estimated 1.4 percentage points, or 25.3%, in the first quarter of 2009.

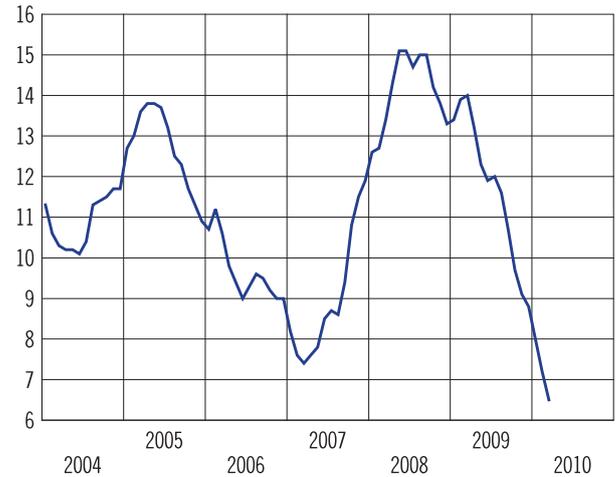
The most significant increase in food prices, excluding vegetables and fruit, in the first quarter of 2010 was registered in the prices of eggs, which grew by 12.7% (the prices of eggs decreased by 8.5% in January-March 2009) and the prices of

Consumer prices  
(as % of previous month)



Source: Rosstat.

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



Source: Rosstat.

## Consumer price inflation (%)

	Growth (March 2010 on December 2009)	Growth (March 2009 on December 2008)	
Prices of goods and services, total:	3.2	5.4	Slowing of growth by 2.2 percentage points
of which:			
– foodstuffs	3.8	5.0	Slowing of growth by 1.2 percentage points
– foodstuffs, excluding vegetables and fruit	2.3	4.0	Slowing of growth by 1.7 percentage points
– non-food goods	0.9	3.8	Slowing of growth by 2.9 percentage points
– market services rendered to population	5.4	8.5	Slowing of growth by 3.1 percentage points
Prices of goods and services included in core inflation calculation	1.5	4.3	Slowing of growth by 2.8 percentage points

Source: Rosstat.

## Food price inflation (%)

	Growth (March 2010 on December 2009)	Growth (March 2009 on December 2008)	
Food products	3.8	5.0	Slowing of growth by 1.2 percentage points
Bread and bakery products	0.6	1.3	Slowing of growth by 0.7 percentage points
Groats and beans	2.4	3.9	Slowing of growth by 1.5 percentage points
Pasta products	-0.7	3.7	—
Meat and poultry	0.0	3.6	Slowing of growth by 3.6 percentage points
Fish and sea products	1.7	8.0	Slowing of growth by 6.3 percentage points
Milk and dairy products	3.6	1.2	Acceleration of growth by 2.4 percentage points
Butter	5.2	1.4	Acceleration of growth by 3.8 percentage points
Sunflower oil	1.3	-7.1	—
Granulated sugar	10.0	28.7	Slowing of growth by 18.7 percentage points
Vegetables and fruit	18.0	14.7	Acceleration of growth by 3.3 percentage points
Alcoholic beverages	3.7	3.9	Slowing of growth by 0.2 percentage points

Source: Rosstat.

granulated sugar, which increased by 10.0% (as compared with 28.7% in the same period last year). Growth in the prices of most of other basic groups of food products (bread and bakery products, groats and beans, meat and poultry, fish and sea products, alcoholic beverages) was slower in January-March 2010 than in the same period of 2009. The prices of pasta products decreased by 0.7% whereas in the first quarter of 2009 they increased by 3.7%.

**Vegetables and fruit headline prices** increased by 18.0% in the first quarter of 2010 or 3.3 percentage points more than in the same period of 2009. Growth in vegetables and fruit prices in January-March 2010 accounted for an estimated 0.6 percentage points (20.6%) of the headline inflation. In the first quarter of 2009, growth in vegetables and fruit prices accounted for 0.5 percentage points, or 9.7%, of overall consumer price growth.

**Overall, food prices** increased by 3.8% in January-March 2010 as compared with 5.0% in the same period last year.

Growth in **non-food prices** decelerated considerably in January-March 2010, slowing to 0.9% in the reporting period as compared with 3.8% in the same period a year earlier. The increase in non-food prices accounted for an estimated 0.3 percentage points or 10.4% of overall consumer price growth in January-March 2010 as compared with 1.4 percentage points or 26.1% in the first quarter of 2009. The biggest growth

was registered in the prices of tobacco products (4.9% as compared with 6.3% in January-March 2009). The growth in the prices of fabrics, clothing, knitwear and footwear was moderate (up to 1.7%). The prices of motor petrol and medicines dropped by 0.6% and 1.4%, respectively (in January-March 2009, motor petrol prices fell by 8.1% while the prices of medicines increased by 14.2%).

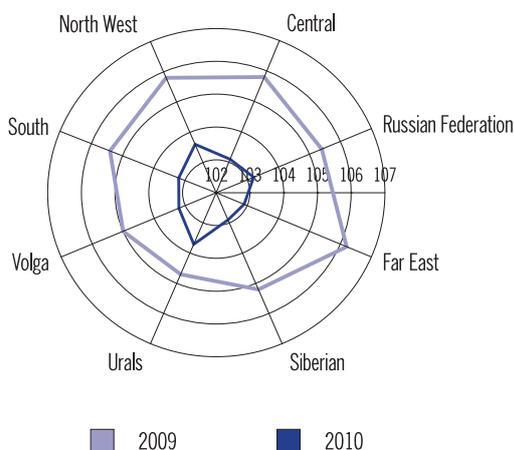
**The prices for market services rendered to population** grew by 5.4% in January-March 2010 as against 8.5% in January-March 2009 and accounted for an estimated 1.4 percentage points, or 43.9%, of overall consumer price growth (2.1 percentage points, or 38.9% of the headline inflation in the first quarter of 2009).

Administered prices of services grew by an estimated 9.8% in January-March 2010 or 2.1 percentage points slower than in the same period last year. Housing and public utility prices rose by 11.5% in the first quarter of 2010 as against 17.0% in January-March 2009. Passenger transport fees grew by 3.5% in the first quarter of 2010 as against 4.3% in January-March 2009.

There was a slowing of growth in the prices of all major services included in the core inflation calculation in January-March 2010. The prices of foreign travel services went down by 3.9% in the first quarter of 2010 (they grew by 12.3% in January-March 2009).

Growth in the prices of market services rendered to population in January-March 2009

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



Source: Rosstat

exceeded by 3.0 percentage points the overall growth in the prices of goods (4.1 percentage points in January-March 2009).

According to Rosstat data, consumer price growth in all **federal districts** in January-March 2010 was smaller than in the same period last year.

Estimates show that the difference between the Russian regions in terms of the price of the fixed set of goods and services used by the Federal State Statistics Service for interregional comparisons of the purchasing power of the population narrowed in March 2010. Specifically, the regional difference ratio<sup>1</sup> decreased to 42.3% in March 2010 from 43.1% in December 2009.

The rates of growth in food prices, excluding vegetables and fruit prices, ranged from 1.9% to 2.7% in the federal districts in January-March 2010. The rates of non-food price growth changed within the range of 0.6-1.4%.

The gap between the regions in terms of the rates of growth in vegetables and fruit prices (including potatoes) was wide. In the Far East Federal District, for example, vegetables and fruit prices grew by 8.4% in January-March 2010, whereas in the South Federal District they increased by 22.6%.

In all the federal districts, the growth in the prices of market services rendered to population

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

in January-March 2010 was considerably slower than in the same period a year earlier.

### Prices at market of dwellings

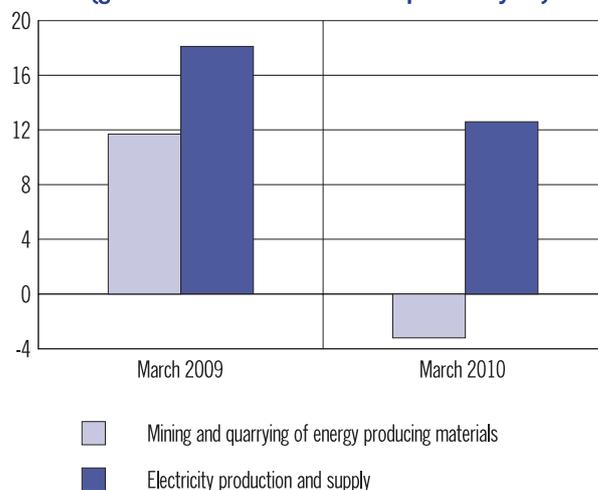
Prices at the primary market of dwellings increased by 0.5% and by 1.0% at the secondary market in January-March 2010. In the same period of 2009, prices fell by 2.2% at the primary market of dwellings and by 2.8% at the secondary market.

Prices at market of dwellings in January-March 2010 were influenced by some rebound on the real estate market amid the contraction in housing construction. Specifically, the commissioning of residential buildings in January-March 2010 contracted by 8.3% as compared with the same period of 2009 whereas it grew by 2.4% a year earlier.

### Producer prices

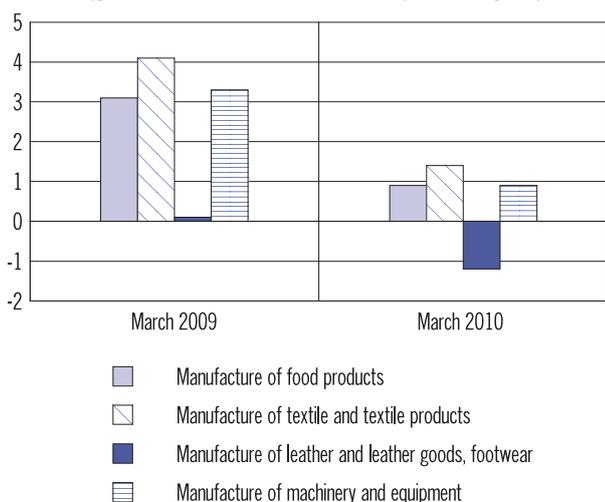
**Producer prices** in production of industrial goods rose by 2.7% in January-March 2010 as against 4.4% in January-March 2009. The slowing of growth in producer prices was largely attributable to the decrease in prices in mining and quarrying of natural minerals, which fell by 2.6% in January-March 2010 whereas in the same period of 2009 they grew by 8.5%. Producer prices in mining and quarrying of energy producing materials dropped by 3.2% in the first quarter of 2010 (in January-March 2009, they increased by 11.7%).

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



Source: Rosstat

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

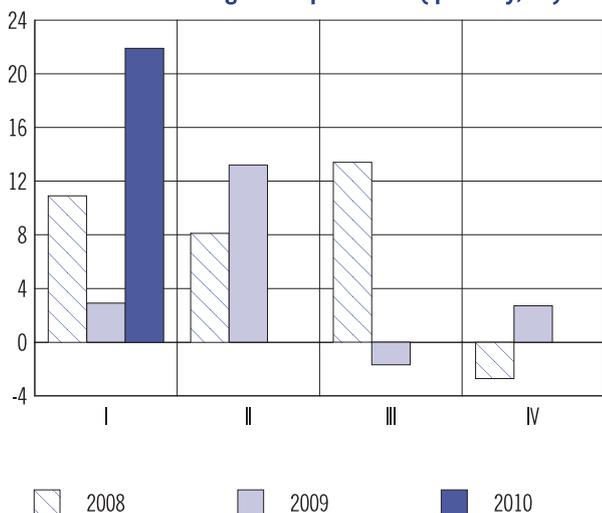


Source: Rosstat.

Price growth in the production and supply of electricity, gas and water slowed down by 5.5 percentage points to 12.6% in January-March 2010 as compared with the same period last year.

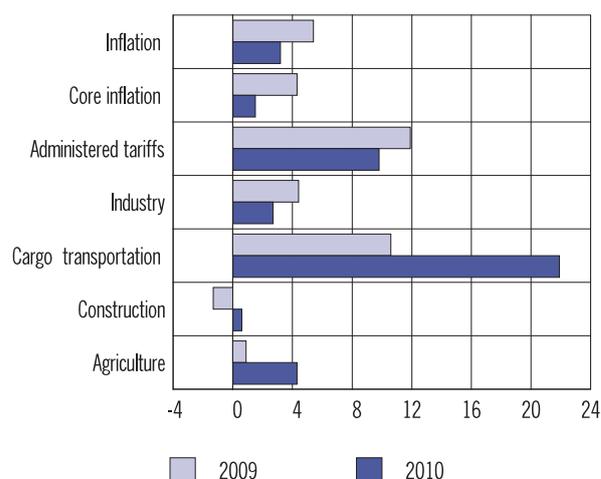
Producer prices in the manufacturing grew by 3.8% in January-March 2010, a rise of 2.5 percentage points on the previous year. The most significant price growth was registered in the manufacture of coke where prices increased by 19.5% (they fell by 18.1% in January-March 2009) and manufacture of chemicals, chemical products (13.0% as compared with 1.1% in January-March 2009). Producer prices in the manufacture of refined petroleum demonstrated a moderate growth as they increased by 2.9% in January-March 2010 (10.1% in the same period

**Tariffs for cargo transportation (quarterly, %)**



Source: Rosstat.

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



Source: Rosstat.

a year earlier). There was a slowing of growth in consumer goods producer prices. Specifically, producer price growth in the manufacture of food products, beverages and tobacco products declined by 2.5 percentage points in January-March 2010 year on year to 0.9%; producer prices in the manufacture of textile and textile products slowed by 2.8 percentage points to 1.4%. Producer prices in the production of leather and leather goods, footwear declined by 1.2% (they grew by 0.1% in January-March 2009).

**Tariffs for cargo transportation** increased by 21.9% in January-March 2010 as against 2.9% in the same period of 2009. Tariffs for cargo railway transportation went up by 9.4% as against 4.7% a year earlier.

**Tariffs for communication services rendered to corporate entities** grew by 4.6% in January-March 2010 as against 2.6% in the first quarter of 2009.

**Producer prices for construction products** edged up by 0.6% in the first quarter of 2010 (they dropped by 1.3% in the same period of 2009).

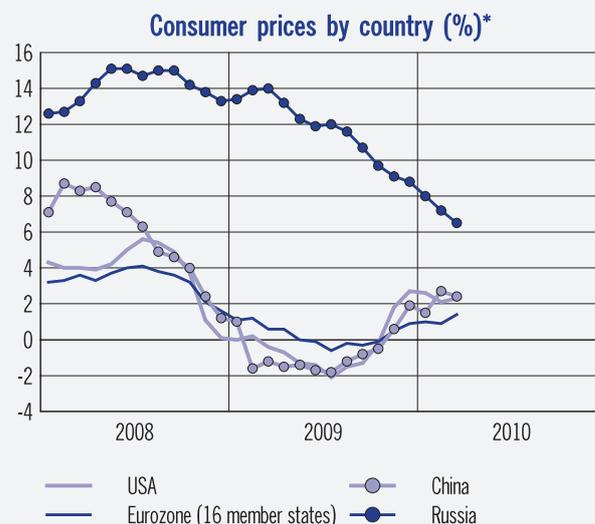
**Producer prices for agricultural products** grew by 4.3% in January-March 2010 as against 0.9% in the same period last year. Prices for plant-growing products increased by 5.2% as compared with 1.9% in January-March 2009. At the same time, cereals and pulses prices went down by 0.3% while sunflower prices grew by 12.1% (in January-March 2009, cereals and sunflower producer prices decreased by 0.3% and 5.4%,

### Inflation in countries trading with Russia<sup>1</sup>

Inflation in the countries accounting for a substantial portion of Russian imports equaled 1.4% in January-March 2010 (March against December of the previous year) and was the same as in the first quarter of 2009. Inflation pressure in most countries trading with Russia increased in January-March 2010 as compared with the same period last year but this increase was insignificant and some countries registered a slowing of inflation. Higher inflation pressure in the economies of Russia's large trading partners, such as Germany and Turkey, was compensated by slower inflation in the economies of Belarus and Ukraine also accounting for substantial portions in the geographical structure of Russia's foreign trade.

Inflation rates in the economies of European countries trading with Russia were largely affected by the growth of energy prices in the first quarter of 2010 (in January-March 2009, energy prices were observed to decline). As in the first quarter of 2009, the prices of goods and services included in the core inflation calculation (which excludes changes in the volatile energy and food prices) showed some decrease in January-March 2010. Slower core inflation in the United States decelerated headline inflation in the first quarter of 2010 as compared with the same period a year earlier.

Therefore, inflation pressure in the leading industrialized nations did not increase as a whole at the initial stage after the end of the recession; however, inflation rates were affected by the growth of energy prices. The growth of consumer prices in the countries trading with Russia was restrained by a relatively insignificant increase in tariffs for housing and public utility as well as for transportation in Belarus and Ukraine at the start of 2010.



\* Consumer price growth on the same month a year earlier.

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

<sup>1</sup> According to data reported by national statistics agencies of Russia's trading partners.

respectively). Producer prices for livestock products went up by 3.8% (0.3% in January-March 2009). The most rapid growth was registered in egg producer prices, which increased by 15.6%, and milk producer prices, which went up by 10.8% (in the first quarter of 2009, egg and milk producer prices declined by 11.4% and 2.4%, respectively). Cattle and poultry prices dropped by 2.5% (in January-March 2009, they increased by 4.2%).

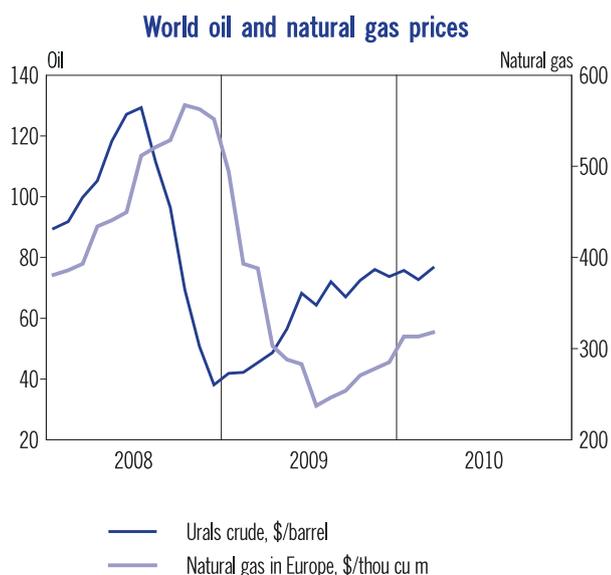
### Foreign trade

The price situation for major Russian export commodities<sup>2</sup> on world markets continued to im-

<sup>2</sup> Average prices have been calculated on the basis of data provided daily by the following news agencies and exchanges: Reuters for oil, The Financial Times 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.

prove in January-March 2010. World market energy prices increased by about a third in the first quarter of 2010 as compared with the same period last year (in the first quarter of 2009, they were 40% lower than in the same period a year earlier).

The trend towards growth in world oil prices, which was registered in 2009, continued in January-March 2010. The major factors of oil price growth were the consistent upgrades of oil demand forecasts as production started to grow in some countries of the world and the Chinese economy continued to expand. In addition, the world oil market was influenced by the US dollar dynamics against other major world currencies, which impacted the dollar-denominated prices of commodities and made commodity markets increasingly attractive for speculative and investment capital. Weather conditions also contributed to the price growth in the first months of the year.



Source: Reuters, World Bank.

As a result, the price of Urals crude rose by 73.7% in January-March 2010 year on year to \$75.0 per barrel (in the first quarter of 2009, it was lower by 53.9% than a year earlier).

Oil price dynamics affected the prices of petroleum products. Petroleum product prices were on average almost 70% higher in the first quarter of 2010 as compared with the same period last year, with petrol prices rising by 75.1%, fuel oil prices increasing by 87.8% and diesel fuel prices growing by 49.4% (in the first quarter of 2009, the prices of these petroleum products were lower by 51.1%, 46.5% and 51.9%, respectively).

The recovery of natural gas prices in Europe, which started in August 2009, continued in January-March 2010; however, these prices grew considerably slower than oil prices. As a result, natural gas prices on the European market were down by 26.0% in January-March 2010 as compared with the same period last year (they were higher by 10.0% in the first quarter of 2009 than in the same period a year earlier).

The growth in world coal prices, which started in the second half of 2009, accelerated in January-March 2010 (they grew by 22.6% in Q1 2010 as compared with 7.3% and 8.9% in the previous two quarters). As a result, coal prices were higher by 32.3% in the first quarter of 2010 as compared with the same period last year (coal prices were down by 36.9% in January-March 2009 as compared with the same period a year earlier).

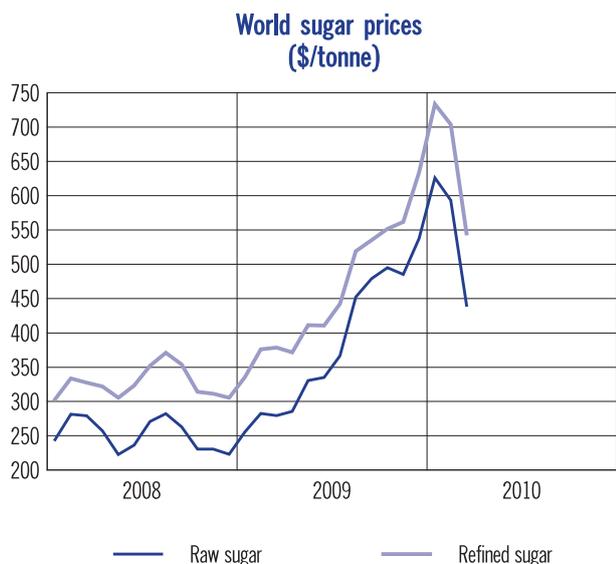
The gradual recovery of the world demand for steel along with the increase in the prices of raw materials (iron ore) stimulated the growth of ferrous metals prices, which began in 2010. However, ferrous metals prices were lower by 23.0% in January-March 2010 than in the same period last year (they increased by 19.6% in the first quarter of 2009 as compared with the same period a year earlier).

The growth of non-ferrous metals prices, which started in the second quarter of 2009, continued in January-March 2010. Non-ferrous metals prices grew in the first quarter of 2010 as a result of the expansion of industrial demand, especially from China, increased purchases by South Korea to replenish its stocks, and also due to investment demand for non-ferrous metals. An additional factor of the growth of copper prices was an earthquake that struck Chile (the world's largest copper exporter) in February this year and brought about a fifth of the country's copper production capacities to a halt for some time. The growth of aluminium and copper prices slowed to about 8% in the first quarter of 2010 (from 23% and 12%, respectively, in the previous two quarters) while nickel prices started to grow again as they increased by 14% after a slight decrease in the fourth quarter of 2009. As a result, the price of aluminium increased by 60%, copper by 110% and nickel by 90% in the first quarter of 2010 as compared with the same period last year (in January-March 2009, these prices fell by 2.0, 2.3 and 2.7 times year on year).

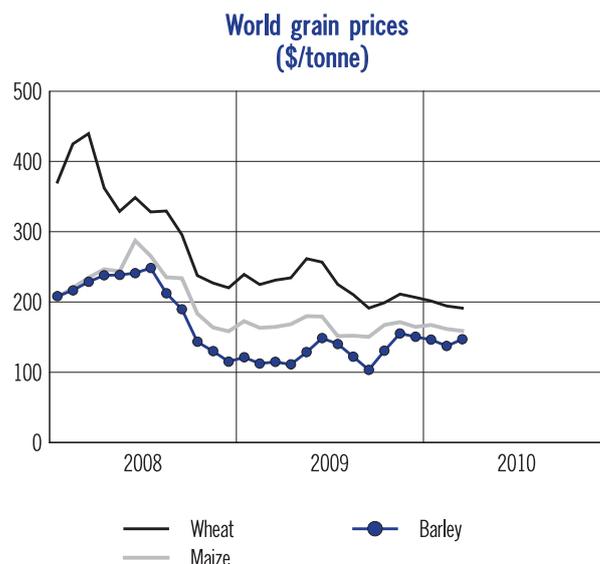
The price dynamics of other raw materials exported by Russia were also affected by the global economic situation and the state of world commodity markets. In January-March 2010, the growth of timber prices resumed while the prices of mineral fertilizer continued to fall as a result of the contraction in world demand.

Food and agricultural raw products prices dynamics<sup>3</sup> were different on world markets in the first quarter of 2010. Sugar prices reached their highest level in January 2010 but declined rapidly in February and March. A major factor affecting

<sup>3</sup> 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.



Source: The London Commodity Exchange.



Source: World Bank.

the world sugar market was an upward revision of the forecasts of sugar beet harvests in India in the 2009/2010 agricultural year. In addition, the situation on the world sugar market was aggravated by the importers' desire to revise contracts on the purchase of sugar at high prices. In particular, Indian processing enterprises refused to purchase 100,000 tonnes of raw sugar, which created the risk of the non-fulfilment of contracts on a large scale. Although sugar prices dropped by 4-5% in February and 23-26% in March, they remained high on the world market. In January-March 2010, the prices of raw sugar increased by 9.3% and refined sugar by 13.4% quarter on quarter, and by 100% and 80%, respectively, year on year (in January-March 2009, raw and white sugar prices increased by 1.6% and 13.1%, respectively, as compared with the same period a year earlier).

Vegetable oil prices continued to grow on world markets in the first quarter of 2010. The prices of palm oil increased by 10.3% in January-March 2010 quarter on quarter and by 39.9% year on year amid the expected contraction in output in Malaysia, the world's largest palm oil exporter (the prices of palm oil fell by 50.1% in January-March 2009 as compared with the same period a year earlier).

The prices of grain crops were largely observed to decline in the second half of 2009 and in the first quarter of 2010 amid the accumulation of considerable world grain stocks, the upgrade

of estimates on carryover grain reserves, the forecasts of good maize harvests, the emergence of Kazakhstan as a large supplier on the world grain market and the increase of grain supplies from Turkey. Rice prices were observed to fall in the first quarter of 2010 amid the continued rice-harvesting in Asian countries, considerable world stocks and the low demand for rice. As compared to the previous quarter, in January-March 2010, the price of US wheat fell by 4.8% and US maize by 3.0%, and the prices of Canadian wheat and barley went down by 1.6% and 1.3%, respectively, while the price of Thai rice slipped by 1.1%. As a result, the prices of US wheat and maize declined by 15.6% and 2.5%, respectively, and the price of Canadian wheat decreased by 13.3% in January-March 2010 year on year (in the first quarter of 2009, the prices of these grains were down by 43.8%, 24.3% and 48.2%, correspondingly). In January-March 2010, rice prices were lower by 8.5% than a year earlier (they were by 22.6% higher in the first quarter of 2009 as compared with the same period of the previous year), while the price of Canadian barley increased by 23.5% (it fell by 46.6% in January-March 2009 from a year earlier).

While the largest meat consumers were gradually exiting from the economic crisis and the situation in their economies improved, the contraction in the world's cattle population and the persisting high level of beef consumption in Asian countries (first of all, in China), and also the rise

### International trade

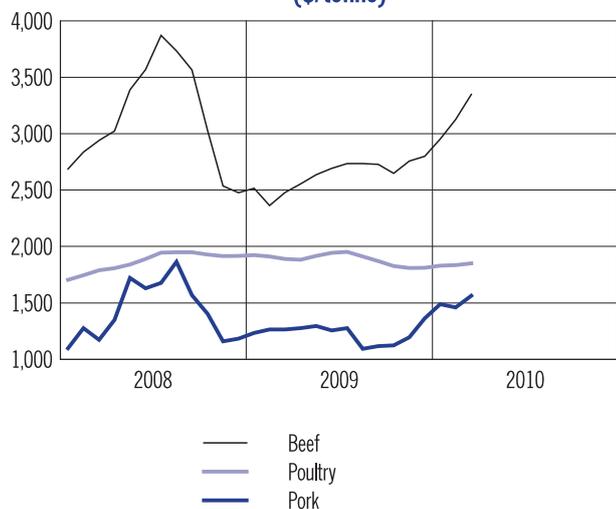
In the estimate of the International Energy Agency, world oil consumption increased 2.3% in January-March 2010 year on year largely due to the growth of consumption in Asian economies whereas in European countries it contracted by 5.4%. The average price of Brent, Dubai and WTI crude blends increased to \$77.1 per barrel in January-March 2010 from \$44.1 per barrel in January-March 2009 (by 74.7%).

According to Eurostat's data, the import volumes of oil and petroleum products decreased in the EU countries in the first two months of 2010 as compared with the same period a year earlier, whereas the average level of prices of EU oil and petroleum products imports was 30% higher as a result of growth in oil and petroleum product prices on the world market. The contract price of natural gas Russia exported to Germany in January-March 2010 was on average by more than 45.5% lower than in the corresponding quarter of 2009.

According to a forecast by the International Energy Agency, world oil consumption will grow 2.0% in 2010 but is expected to decrease 0.7% in the European economies. According to a forecast issued by the International Monetary Fund (IMF) in April 2010, the average price of the world's three oil blends will equal \$80 per barrel in 2010 or 29.5% higher than the average level registered in 2009. The IMF predicts international trade in goods and services to rise 7.0% in 2010 after its contraction by 10.7% in 2009.

in fodder prices resulting from China's increased demand for fodder, caused a growth in livestock prices. The growth of world poultry prices, on the contrary, was restrained by the expansion of poultry production in Brazil and China and the development of domestic poultry output in Russia to replace imports. In January-March 2010, the growth of beef and pork prices accelerated while poultry prices increased slightly. Quarter on quarter, the price of beef increased by 14.9%, pork by 22.6% and poultry by 1.2% in the first quarter of 2010. Year on year, the price of beef grew by 28.1% and pork by 19.9% while the price of poultry went down by 3.6% in January-March 2010 (in the first quarter of 2009, the price of beef dropped by 13.1%, while the price of pork rose by 6.1% and poultry by 9.2%).

World meat prices  
(\$/tonne)



Source: World Bank.

Russia's terms of trade improved in January-March 2010 as compared with the same period last year. The terms of trade index is estimated at 1.16 as compared with 0.59 in the first quarter of 2009.

Russia's foreign trade surplus<sup>4</sup> grew by 140% to \$46.0 billion in January-March 2010 year on year, with exports growing faster (by 60%) than imports (by 20%).

## Demand

### Domestic demand

The contraction of domestic demand slowed considerably in the first quarter of 2010. Consumer spending increased and the reduction of investment activity slowed significantly.

The rise in wages and the considerable increase in pensions amid slower inflation significantly accelerated the growth of household real disposable money income, which went up by 7.6% in January-March 2010 as compared with 0.7% in the same period last year. The households propensity to consume was lower in the first quarter of 2010 as compared with the same period a year earlier. In overall households expenditures, the share of household purchase of goods and services dropped by 3.6 percentage points to 72.8% in January-March 2010 and the share of purchases of foreign exchange decreased by 7.1 percentage points to 3.2%. The households propensity for organised savings stood at 15.8% in the first quarter of 2010 (8.7% in January-March

<sup>4</sup> According to a balance of payments as of April 2, 2010.

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

	2007	2008	2009
GDP	8.1	5.6	-7.9
Final consumption of which:	11.1	8.6	-5.1
– households	13.9	10.8	-7.7
Gross capital formation	21	10.5	-37.4
Net exports	-27.2	-35.5	56.8

Source: Rosstat.

2009), in which deposits and securities accounted for 6.4%.

Final consumption expenditure of households declined by 7.7% in 2009. Consumer expenditures increased by 1.1% in real terms in January-March 2010 as compared with the same period a year earlier largely due to growth in the purchase of food products. Retail trade turnover expanded by 1.3% in January-March 2010 year on year while the value of market services rendered to population shrank by 0.9%.

The share of import acquisitions in the retail trade commodity resources decreased by 3 percentage points in 2009 as compared with 2008 and stood at 41%. The share of imported food products was unchanged at 33%.

The imports of consumer goods, especially food products, started to increase gradually amid recovery in consumer demand in the first quarter of 2010. The imports of investment goods grew insignificantly. The imports of goods expanded largely through import quantities while import prices increased insignificantly. So far, there are no risks of the acceleration of price growth posed by imported inflation. The imports of goods increased by 17.8% in January-March 2010 as compared with the same period a year earlier.

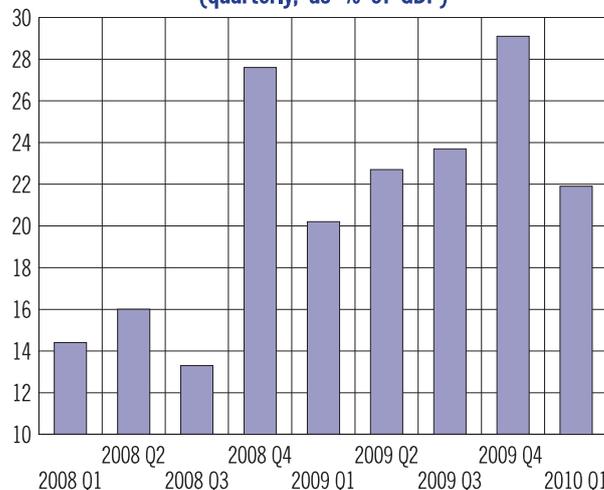
Government final consumption expenditure increased by 2% in 2009. According to the Federal Treasury's data, federal budget expenditures grew to 22.8% of GDP in the first quarter of 2010 as against 21.0% in January-March 2009. Non-interest expenditures stood at 22.0% of GDP (20.2% in January-March 2009). This represents the highest ratio in a decade and it is attributable to increased inter-budgetary transfers, and also to the improved administration of budget expenditures. As a result, budget expenditures were spread increasingly evenly throughout the financial year: federal budget non-interest

expenditures in January-March 2010 accounted for 22.2% of the budget plan for 2010 (19.2% in the same period a year earlier).

In January-March 2010, Russia registered a federal budget deficit of 2.5% of GDP, which represents an increase by 2.1 percentage points as compared with the same period a year earlier. Despite the reduction of the federal budget balance, Russia plans to tighten its fiscal policy in 2010 and in the medium-term forecast period, as the national economy recovers, to increase the sustainability of public finances.

Gross capital formation contracted by 37.4% in 2009. Investment activity continued to decline in the first quarter of 2010, although at a slower pace than a year earlier. The contraction in fixed capital investment is partly attributable to the reduction of output in the construction sector due to uncertainty on the real estate market and limited financial resources, as a result of which most of planned projects were put on hold. Fixed capital investment was observed to increase (by 0.7%)

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



Source: Federal Treasury.

in March 2010 year on year (for the first time since November 2008). A major factor contributing to the increase in investment activity was the improvement of the financial position of enterprises.

Machinery, equipment and transport vehicles accounted for about a third in the investment structure in 2009. The imports of machinery, equipment and transport vehicles contracted by 48.4% in 2009 whereas in 2008 they grew by 38.4%.

Fixed capital investment was financed mostly by raised funds (63.7%). Bank credit accounted for 9.4% or 2.4 percentage points less than in 2008.

As exports declined more slowly in real terms than imports, net exports increased by 56.8% in 2009.

### Foreign demand

Foreign demand for Russian goods continued to grow in the first quarter of 2010. Export volumes expanded considerably in January-March 2010 as compared with the same period last year largely due to the recovery of natural gas deliveries to the world market. Exports to European Union member states, especially eurozone countries, grew faster than overall exports in January-March 2010 year on year. The most significant increase was registered in Russian exports to such EU countries, as the Netherlands, Germany and Poland. The biggest rise in exports to Asia-Pacific Economic Cooperation (APEC) member countries was registered in Russian deliveries to South

Korea. Exports to CIS countries (except Ukraine) grew slower while exports to Eurasian Economic Cooperation (EurAsEC) member states, especially to Belarus, increased insignificantly. There was an expansion of Russian export volumes of energy products, primarily natural gas, and most non-energy products in January-March 2010 as compared with the same period last year.

### Supply

GDP expanded by 2.9% in January-March 2010 as compared with the same period last year.

Output expanded in most key economic activities, except construction and wholesale trade, in the first quarter of 2010. Output in the basic economic activities increased by 3.2% in January-March 2010 year on year (it contracted by 12.3% in January-March 2009).

Volume of works in construction contracted by 8.1% and wholesale trade turnover declined by 3.7% whereas transport, agriculture and retail trade registered the expansion by 11.7%, 3.6% and 1.3%, respectively, in January-March 2010 as against the same period a year earlier.

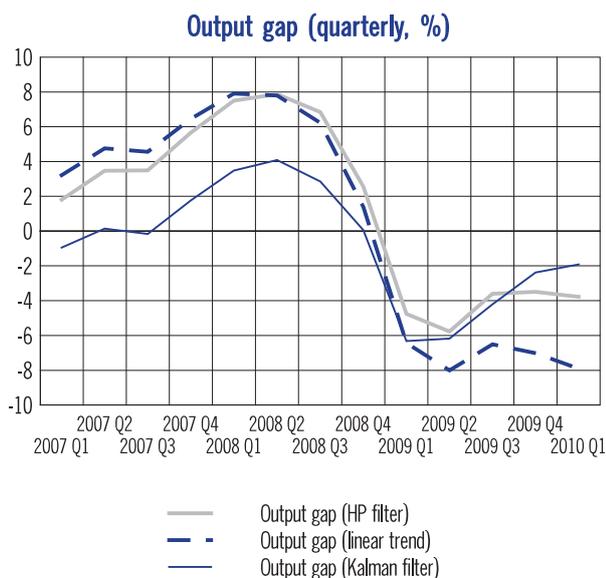
Industrial production increased by 5.8% in the first quarter of 2010 whereas in January-March 2009 it fell by 14.3%. Output expanded rapidly in the mining and quarrying of natural minerals (by 6.7%), with significant growth rates registered in mining and quarrying of metal ore and coal. Manufacturing increased by 5.2%. In January-March 2010, there was a considerable increase in the manufacture of electrical, electronic and optical equipment (31.2%), chemicals

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

GDP in the countries accounting for a large part of Russian exports increased by an estimated 2.4% in the first quarter of 2010 as compared with the same period last year (in the first quarter of 2009, it contracted 5.5%). Preliminary data indicate that US GDP expanded 2.4% and eurozone GDP 0.5% while China's GDP increased 11.9%. The economies of Russia's trading partners continued their post-crisis recovery in the reporting period. An important role in these processes was played by the expansion of US personal consumption, the dynamics of inventories in foreign economies and the situation on world commodity markets, which was improving for the countries exporting raw materials.

According to forecasts of the IMF and the European Commission published in April-May this year, the world production of goods and services will expand 4.0-4.2% in 2010 (it contracted by an estimated 0.6-0.9% in 2009). US GDP is expected to expand 2.8-3.1%, eurozone GDP 0.9-1.0% and China's GDP 10.0-10.3% in 2010. Risks for the development of the favourable world economic situation stem from the persisting high unemployment rate in the leading economies, the tense situation on foreign credit markets and the financial problems of some countries related to large budget deficits.

<sup>1</sup> According to data compiled by the national statistics agencies of Russia's trading partners.



Source: Bank of Russia calculation.

(27.6%), leather and leather products, footwear (25.6%), rubber and plastic products (19.6%).

There was a rise in production of major types of animal husbandry products in January-March 2010, including production of livestock and poultry for slaughter, which grew by 8.4%. The production of meat and meat products increased by 12.9% in the first quarter of 2010 as compared with the same period last year, of which the output of meat, including offals, expanded by 17.9%. As of the beginning of April 2010, grain stocks at agricultural, procurement and processing enterprises exceeded by 11.6% last year's levels.

According to The Russian Economic Barometer, the rate of capacity utilisation in industry stood at 69% on average in January-March 2010 as against 62% in January-March 2009. The highest rate of capacity utilisation was registered in manufacture of wood and wood products (88%), chemicals (85%) and the light industry (78%) whereas the lowest rate was observed in the production of building materials (56%) and metal products (57%). The gap between actual and potential output was estimated as negative in January-March 2010.

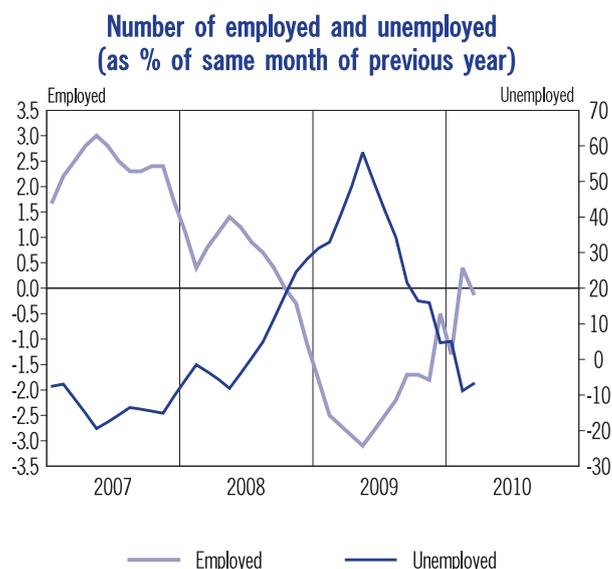
### Labour market

The number of people employed in the economy decreased by 0.4% in January-March 2010 (2.3% in January-March 2009). Labour productivity increased by an estimated 3.3% in the first quarter of 2010.

In 2009, labour productivity was observed to decline. Estimates show that the decline in labour productivity in production of goods was slower than that of services. The output of goods declined faster than the production of services. Estimates show that the number of employed producing services in 2009 was unchanged from the previous year while the number of employed producing goods declined.

Real wage grew by 3.1% in January-March 2010, whereas in the first quarter of 2009 it contracted by 0.8%. Estimates show that real wage increased more slowly than labour productivity.

Wages continued to differ significantly in various types of economic activities at the beginning of 2010. The highest average monthly wage in January-March 2010 was registered in financial activities (46,775 rubles) and mining and quarrying of energy producing materials (43,931 rubles), exceeding the national average by 2.4 times and 2.3 times, respectively. The lowest wage was registered in agriculture, hunting and forestry (9,194 rubles), manufacture of textile and textile products (9,399 rubles) and in manufacture of leather and leather goods, footwear (9,918 rubles), representing respectively 47%, 48% and 51% of the national average. Wages below the national average were registered in activities largely financed by the federal budget (education; other public utilities, public and personal services; public health and social services), and in



Source: Bank of Russia.

manufacturing, construction, wholesale and retail trade, car and other repair services.

The number of unemployed contracted in February 2010 for the first time since July 2008. The total number of unemployed calculated by

the ILO methodology declined by 3.7% to 8.8% of the economically active population in the first quarter of 2010 as against 9.1% in January-March 2009.

## Monetary Conditions

### Exchange rate

In the first quarter of 2010, the ruble exchange rate on the domestic foreign exchange market remained stable amid some improvement in the price dynamics on world commodity markets. Estimates show that the current account surplus stood at \$33.9 billion in January-March 2010. At the same time, a net private sector capital outflow of \$12.9 billion was registered in the first quarter of 2010 whereas in the fourth quarter of 2009 there was a net capital inflow of \$8.3 billion. Russia's international reserves increased 1.8% in the reporting quarter to \$447.0 billion as of April 1, 2010.

**The nominal ruble/US dollar rate** fell 1.5% in the first quarter of 2010, whereas in the fourth quarter of 2009 it gained 6.3%. In the first three months of this year, the nominal ruble/US dollar rate demonstrated different dynamics. In January 2010 no significant changes were registered in the rate. In February, however, the ruble lost 0.8% of its value against the US dollar in nominal terms, whereas in March the nominal ruble/dollar rate grew by 2.1%. As of April 1, 2010, the official rate of the US dollar against the ruble was 29.4956. In April 2010, as the world economic situation improved considerably, the nominal ruble/dollar rate continued to grow and

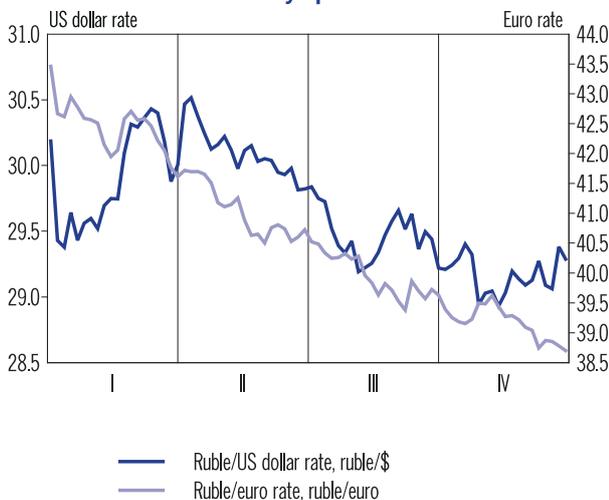
increased by 1.3%. As a result, the official rate of the US dollar against the ruble stood at 29.1537 as of May 1, 2010.

**The nominal ruble/euro rate** increased 5.2% in the first quarter of 2010 after gaining 2.8% in the fourth quarter of 2009. The ruble grew steadily against the single European currency in each of the three months of the reporting quarter. As of April 1, 2010, the official rate of the euro stood at 39.5713 rubles. In April 2010, the nominal rate of the ruble against the euro-zone currency continued to grow and increased by 2.3%. As a result, the official rate of the euro against the ruble stood at 38.6986 as of May 1, 2010.

**The ruble value of the bi-currency basket,** determined by the US dollar/ruble and euro/ruble dynamics, reached 34.0297 rubles as of April 1, 2010. As of May 1, 2010, the value of the operating benchmark fell to 33.4489 rubles. In January-March 2010 as a whole, the most considerable contribution to the reduction of the value of the bi-currency basket came from the growth of the nominal ruble/euro rate.

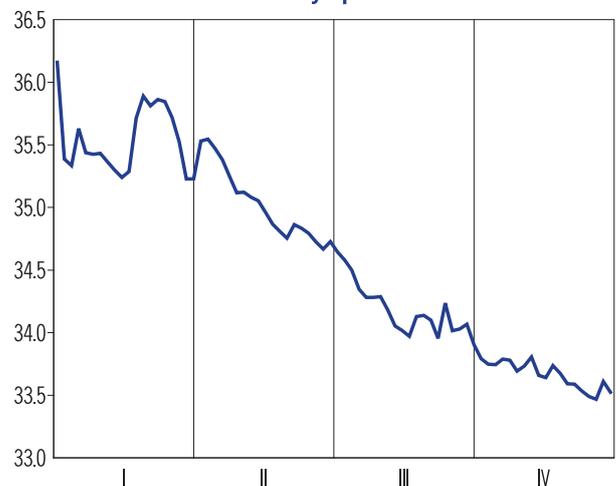
**The nominal effective rate** of the ruble against foreign currencies increased by 2.3% in the first quarter of 2010 as compared to 3.5% in the fourth quarter of 2009. Along with the higher

**Nominal ruble/US dollar and ruble/euro rate in January-April 2010**



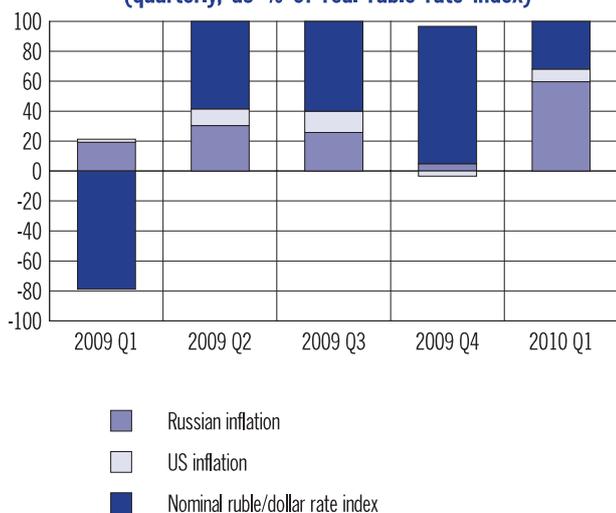
Source: Bank of Russia, Reuters.

**Ruble value of bi-currency basket in January-April 2010**



Source: Bank of Russia, Reuters.

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

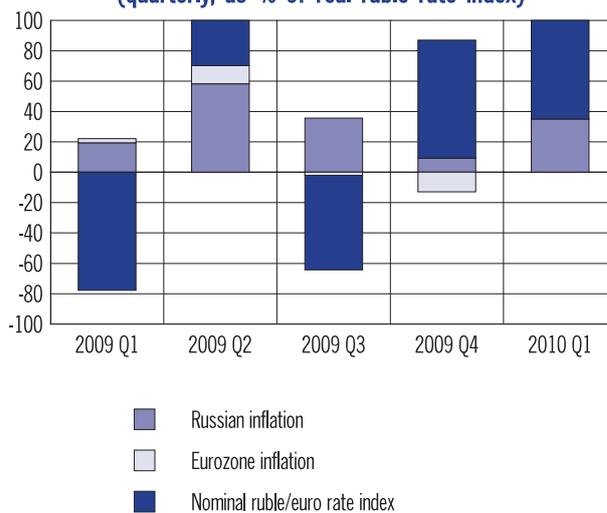


Source: Bank of Russia, Reuters.

rates of the ruble's appreciation against the euro in January-March 2010, there was also significant growth in the nominal value of the ruble against the currencies of Russia's non-eurozone trading partners.

**The real ruble/US dollar rate** increased 2.3% in the first quarter of 2010 (6.4% in the fourth quarter of 2009). As compared with the fourth quarter of 2009, a key role in the dynamics of the real ruble/US dollar rate in January-March 2010 was played by internal inflation. According to estimates, the ruble continued to appreciate

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



Source: Bank of Russia, Reuters.

against the US dollar in real terms in April 2010, gaining 1.1%.

**The real ruble/euro rate** grew 7.7% in January-March 2010 after a moderate 2.9% growth registered in the fourth quarter of 2009. The relative contribution of the nominal ruble/euro rate to the dynamics of the real rate of the ruble against the single European currency continued to exceed slightly the contribution by the inflation differential. According to preliminary estimates, the ruble strengthened by 1.9% against the euro in April 2010.

**International currency market**

The US dollar gained about 7% against the euro on the international currency market in the first quarter of 2010 (March on December 2009). The euro weakened in the reporting period due to risks related to large budget deficits and the high level of sovereign debt in some member countries of the European Economic and Monetary Union (primarily in Greece).

Among the currencies of Russia's major trading partners that rallied against the dollar and the euro were the Indian rupee, South Korean won, Kazakh tenge and Ukrainian hryvnia. The Chinese yuan, Japanese yen, Brazilian real, Turkish lira, Polish zloty and Swedish krona, and also the currencies of some other countries, including the Belarusian ruble, appreciated considerably against the euro (by more than 5%) but depreciated against the US dollar (except for the Chinese currency, which remained stable at 6.83 yuan to the dollar).

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



Source: Reuters.

**The real effective rate** of the ruble against foreign currencies rose by 4.0% in the first quarter of 2010 (in the fourth quarter of 2009 it grew by 3.0%). The real effective rate of the ruble to the currencies of the countries among Russia's main trading partners was observed to increase in each of the months of the reporting quarter, which was largely explained by the growth of the ruble/euro rate in the reporting period. According to preliminary data, the real effective rate of the ruble also increased in April 2010, gaining 1.5%. It has been estimated that the ruble exchange rate against foreign currencies, which was observed in the first quarter of 2010, will contribute to the slowing of consumer price inflation by 0.2 percentage points in 2010.

### Interest rates

As inflation and inflationary expectations changed for the better in January-April 2010, the Bank of Russia continued to cut interest rates on

its operations for making credit more accessible for economic agents and stimulating final demand. Specifically, the minimum rate at one-day repo auctions was lowered from 6.0% to 5.25% per annum while the overnight rate, which sets the upper limit of the Bank of Russia interest rate band, was cut from 8.75% to 8.0% p.a. At the same time, the lower limit of the Bank of Russia interest rate band was reduced from 3.5% p.a. (the «tom-next» deposit rate) to 2.5% p.a. (the rate on overnight deposits returned from March 29, 2010).

Average interest rates on ruble-denominated **interbank loans** with different terms to redemption decreased considerably in the first quarter of 2010. The average quarterly MIACR on overnight ruble loans fell to 3.8% p.a. in the first quarter of 2010 from 5.4% in the fourth quarter of the previous year. During the first quarter of 2010, the daily MIACR on overnight interbank ruble loans ranged between 2.9% and 5.4% p.a. (in the

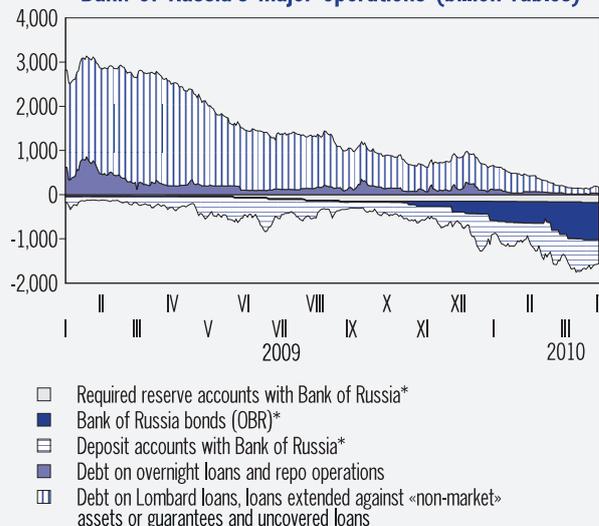
### Liquidity situation and Bank of Russia operations

The situation on the money market remained stable in January-April 2010 and the level of banking sector liquidity was high. Along with a considerable increase in the average level of aggregate banking sector reserves as a result of growth in net foreign assets and net claims on the government sector, there was a contraction in the volume of operations and debt on the Bank of Russia's refinancing instruments.

The Bank of Russia's average daily debt to credit institutions on liquidity absorption instruments increased from about 410 billion rubles in the fourth quarter of 2009 to 1,030 billion rubles in the first quarter of 2010 and to 1,460 billion rubles in April 2010. The percentage ratio between the debt on deposit operations and liabilities resulting from operations with Bank of Russia bonds (OBRs) changed from 75:25 in the fourth quarter of 2009 to 54:46 in the first quarter of 2010 and to 43:57 in April 2010, which was also due to the increased supply of OBR bonds by the Bank of Russia. The Bank of Russia's average daily claims on credit institutions on the instruments of liquidity provided in January-March 2010 decreased from 815 billion rubles in the fourth quarter of 2009 to 480 billion rubles in Q1 and to 155 billion rubles in April 2010.

Amid favourable macroeconomic and banking sector stability indicators and the overall reduction of systemic risk, the Bank of Russia took the decision to limit credit institutions' possibilities to receive unsecured loans and long-term loans and gradually replace them by the conventional methods of providing liquidity. For this purpose, the Bank of Russia on February 1, 2010 and on May 1, 2010 lowered the credit risk limits set for each credit institution on unsecured loans. In addition, from April 29, 2010, it suspended the provision of loans against «non-market» assets and guarantees for a term of 181 to 365 days.

Bank of Russia's major operations (billion rubles)



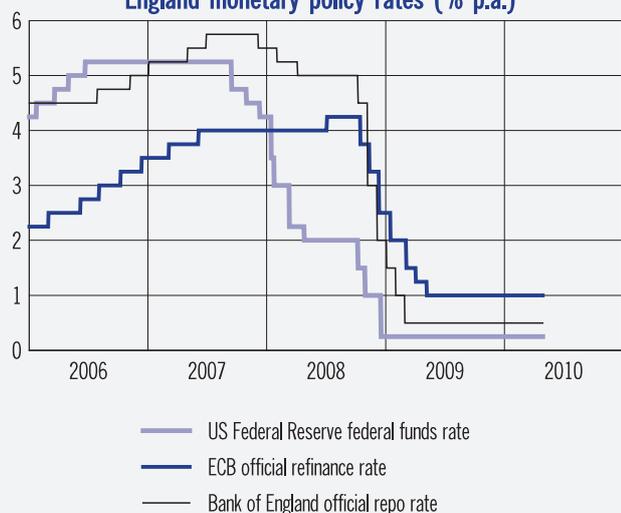
Balances of funds have the sign «-».  
Source: Bank of Russia.

### Foreign central bank policies

Most of Russia's major trading partners kept key interest rates on monetary policy instruments unchanged in January-March 2010. Interest rates were lowered in Belarus and Hungary and raised in India. Since December 2008, the US Federal Reserve has maintained the benchmark federal funds rate within the range of from 0% to 0.25% p.a. The interest rate on the main refinancing operations of the European Central Bank (ECB) has been kept at 1.0% p.a. since May 2009.

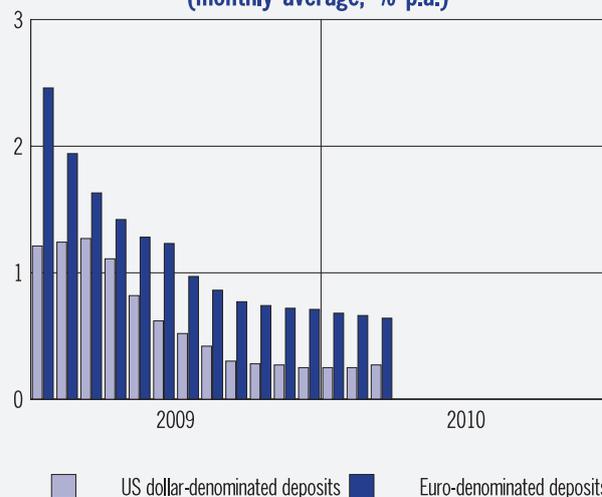
The discount rate set by the US Federal Reserve Banks (the interest rate on loans extended to commercial banks through «discount window» lending programmes) was raised in February 2010 from 0.5% to 0.75% p.a. By the end of the first quarter of 2010, the Federal Reserve had completely withdrawn its special monetary tools used during the most intense stage of the financial crisis to supply liquidity to banks and support the commercial paper market.

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



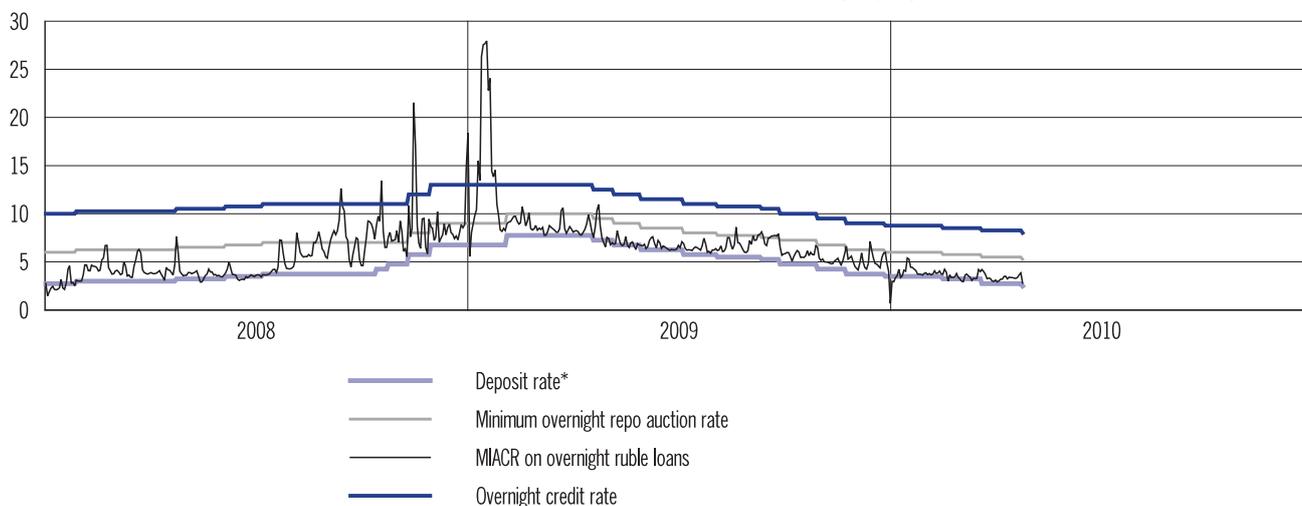
Source: the central banks of the corresponding countries.

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



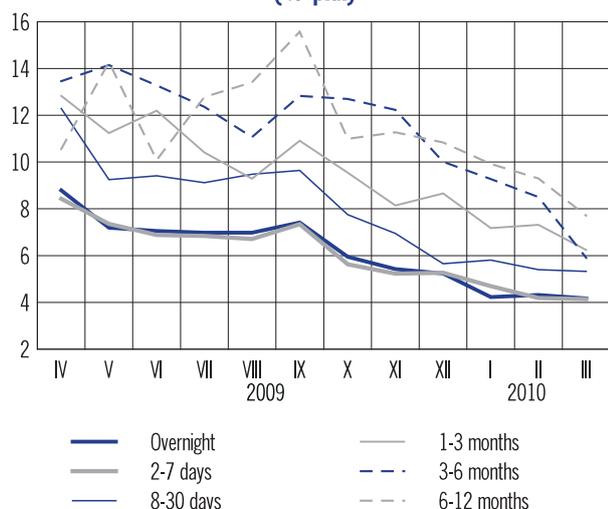
Source: Reuters.

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



\* «Overnight» deposit rate from March 29, 2010, «tom-next», «spot-next» and «demand» deposit rate until March 29, 2010.  
Source: Bank of Russia.

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

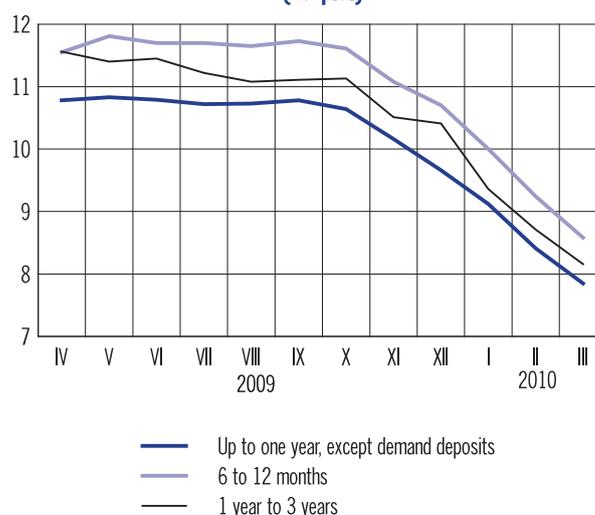


Source: Bank of Russia.

fourth quarter of 2009, it varied between 4.0% and 7.1% p.a.). In April 2010, MIACR on overnight interbank ruble loans fluctuated between 2.8% and 3.9% p.a. The average overnight ruble MIACR stood at 3.3% p.a. in April, a fall of 0.3 percentage points on March. The interest rate on ruble interbank loans placed by Russian banks for a term of 2-7 days declined from 5.4% p.a. in the fourth quarter of 2009 to 4.3% p.a. in the first quarter of 2010, the rate on 8-30 day loans fell from 6.8% to 5.5% p.a. and the rate on 1-3 month loans was down from 8.8% to 6.9% p.a.

**Interest rates on household deposits** with all terms, from 1 month to 3 years, continued to fall in the first quarter of 2010. The average short-

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



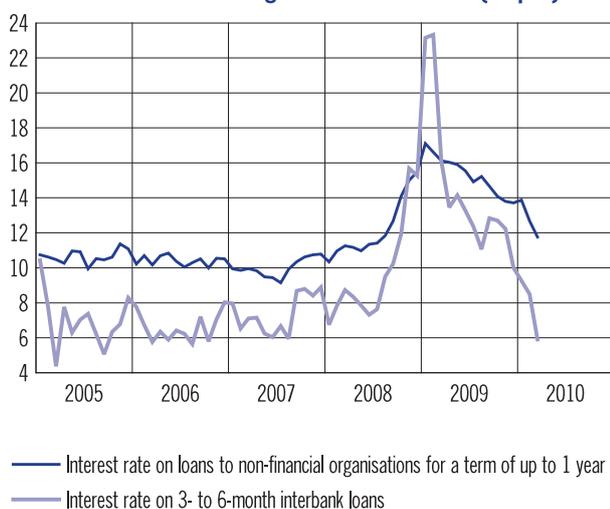
Source: Bank of Russia.

term ruble deposit rate declined by 1.7 percentage points quarter on quarter in January-March 2010 and stood at 8.5% p.a. The average rate on ruble household long-term deposits with terms ranging from 1 year to 3 years fell by 1.9 percentage points to 8.7% p.a.

The average quarterly interest rate on ruble-denominated long-term **loans to households** fell in 2010 Q1 by 0.1 percentage points quarter on quarter, to 19.4% p.a. The average short-term loan rate rose by 0.7 percentage points to 31.3% p.a. in January-March 2010.

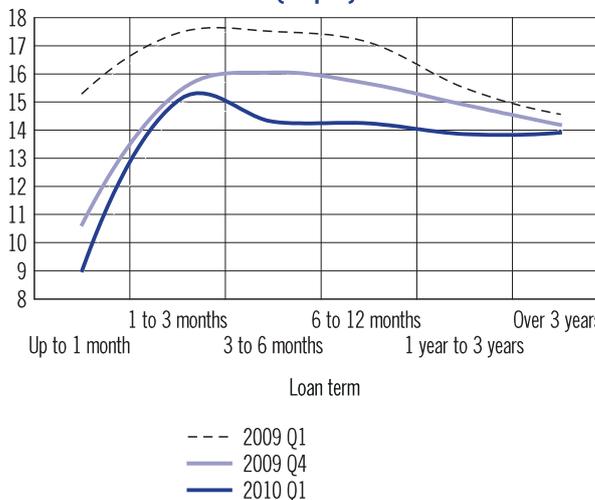
Interest rates on **loans to non-financial organisations** continued to decline. The average quarterly rate on long-term loans fell over that pe-

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



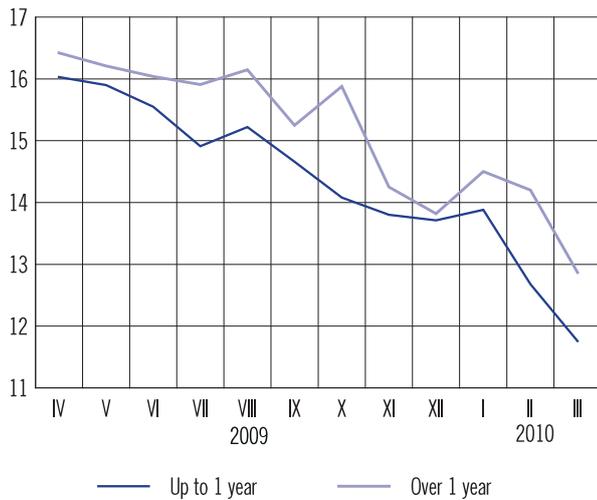
Source: Bank of Russia.

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



Source: Bank of Russia.

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

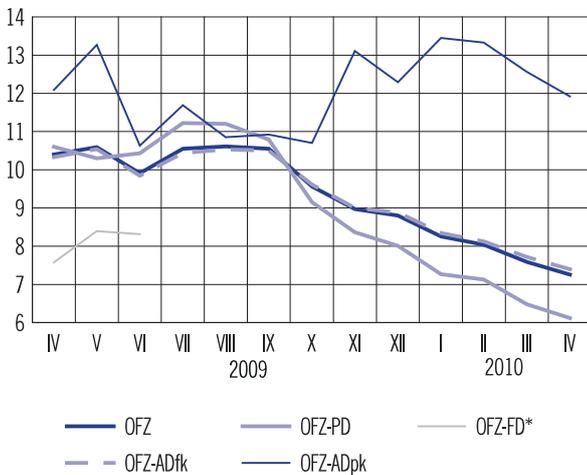


Source: Bank of Russia.

ried by 0.8 percentage points to 13.9% p.a. The average rate on short-term loans to non-financial organisations was down by 1.1 percentage points in January-March 2010 quarter on quarter to 12.8% p.a. The most significant fall in interest rates was on loans with terms up to 1 month and from 3 to 6 months (by 1.6 percentage points and by 1.8 percentage points respectively). The yield curve for loans to non-financial organisations in 2010 Q1 was rising in the up-to-3-months segment, falling in the segment of 3 months to 3 years and flat in the segment of over 3 years, moving down as compared to 2009 Q4.

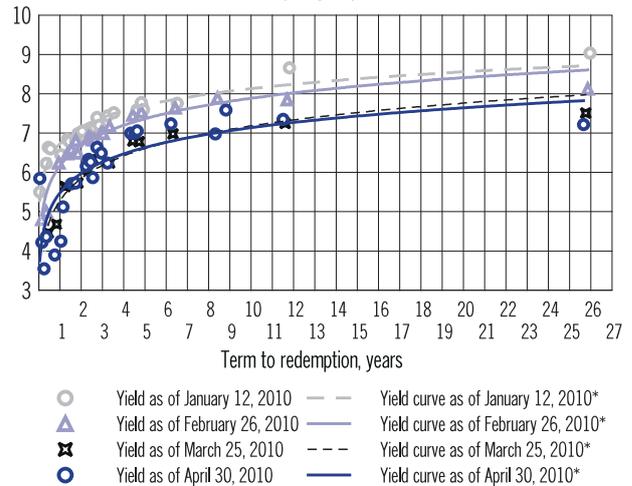
Yields mostly fell in the **OFZ market** in 2010 Q1. By the end of that period, the effective OFZ

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



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

OFZ effective yield curve (% p.a.)

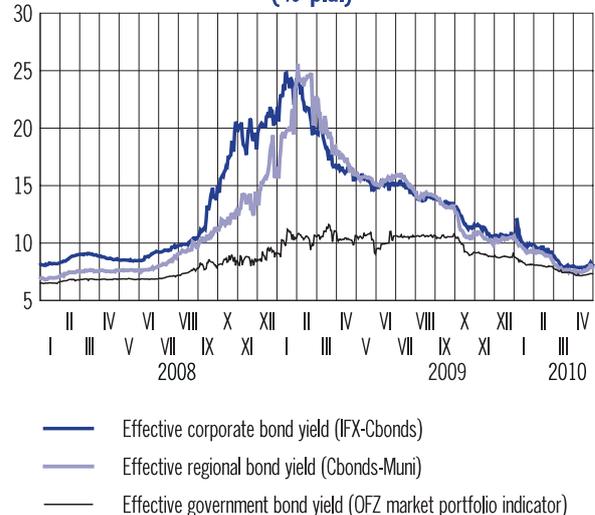


\* The yield curve is fitted using the logarithmic function.  
Source: Bank of Russia.

market portfolio indicator (MPI) declined by 1.2 percentage points quarter on quarter, to 7.4% p.a. The average quarterly effective MPI dropped by 1.2 percentage points to 7.9% p.a. OFZ yields kept falling in the first week of April and subsequently were largely observed to rise until the end of the month. As of the end of April, the effective MPI slipped by 0.1 percentage points month on month to 7.3% p.a. The average effective MPI decreased in April by 0.3 percentage points on the previous month and stood at 7.3% p.a.

The OFZ yield curve retained its upward sloping shape while shifting down in January-April 2010. By the end of April 2010, the slope of the government bond yield curve had increased

Russian bond yields (% p.a.)



Source: Bank of Russia, Cbonds.ru.

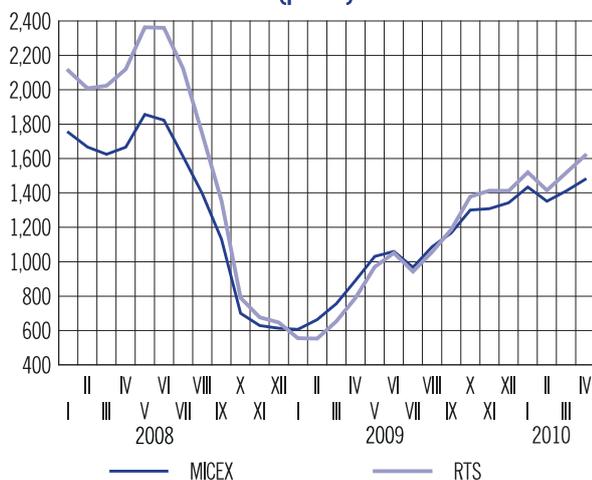
slightly compared with what it was in the first three months of the year due to the faster decline in short-term government bond yields.

Yields continued to fall in the **ruble corporate and regional bonds market** in January-April 2010. The dynamics of yields on corporate and regional bonds in that period were similar to the dynamics of OFZ bond yields. In the first quarter of 2010, the average yield on corporate and regional bonds stood at 9.1% and 8.7% p.a. respectively as against 11.2% and 10.6% p.a. in the fourth quarter of 2009. In April 2010, average corporate and regional bond yield fell by 0.3 percentage points and 0.2 percentage points month on month, to 8.0% and 7.6% p.a. respectively. Spreads between OFZ, corporate and regional bond yields continued to narrow in the January-April 2010 period.

### Asset prices

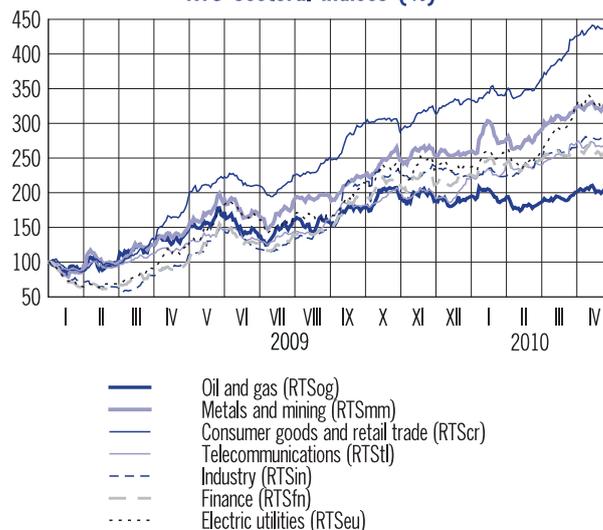
In the first quarter of 2010, securities prices in **the Russian stock market** remained highly volatile amid market participants' uncertain price expectations and the unstable world commodity and stock market situation. Share prices grew at a much slower pace in January-March 2010 than in the fourth quarter of 2009. As of March 31, 2010 the MICEX index rose by 5.8% quarter on quarter, to 1,450.15 points and the RTS index gained 8.9% and reached 1,572.48 points. The average MICEX and RTS indices in the first quarter of 2010 exceeded the previous quarter's levels by 6.0% and 5.9% respectively.

Russia's major stock indices (points)\*



\* Monthly averages.  
Source: MICEX, RTS.

RTS sectoral indices (%)\*



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

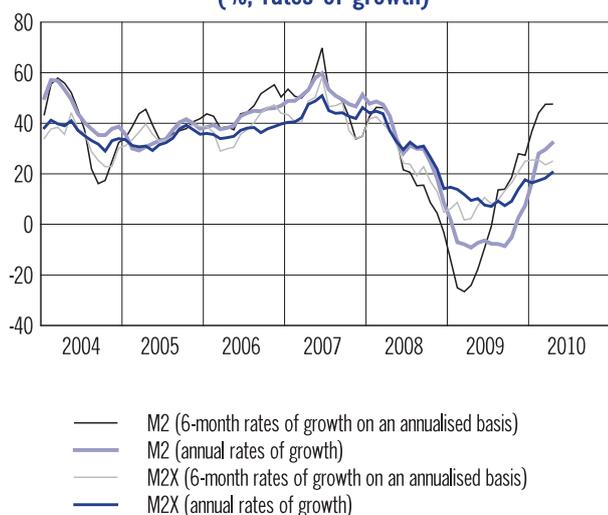
In the first quarter of 2010, there was a considerable slowing of growth in the prices of corporate stocks in the sectors of the Russian economy demonstrating the largest turnover volumes in the secondary stock market: the oil and gas sector with its largest exposure to external factors and the financial sector. The prices of corporate stocks in most other sectors of the Russian economy grew faster in January-March 2010 than in the fourth quarter of 2009. As a result, the prices of consumer goods and retail trade, electric utilities and metallurgy sector stocks increased the most in the reporting quarter.

In April 2010, Russian stock prices demonstrated different dynamics. The MICEX and RTS stock indices grew in the first half of the month whereas in the second half they declined rapidly as the world stock market situation deteriorated and financial instability in some European countries increased. By the end of that month, the MICEX index declined 1.0% month on month to 1,436.04 points while the RTS index was almost unchanged at 1,572.84 points. Most of the sectors saw prices of their corporate stocks increase in April, except the telecommunications and finance sectors.

### Monetary aggregates

In January-March 2010, **monetary aggregate M2** increased by 1.9% (in the first quarter of 2009, it contracted by 10.2%). Beginning from the second quarter of 2009, seasonally-adjusted monthly growth rates of the ruble money

Seasonally-adjusted M2 and M2X (% rates of growth)

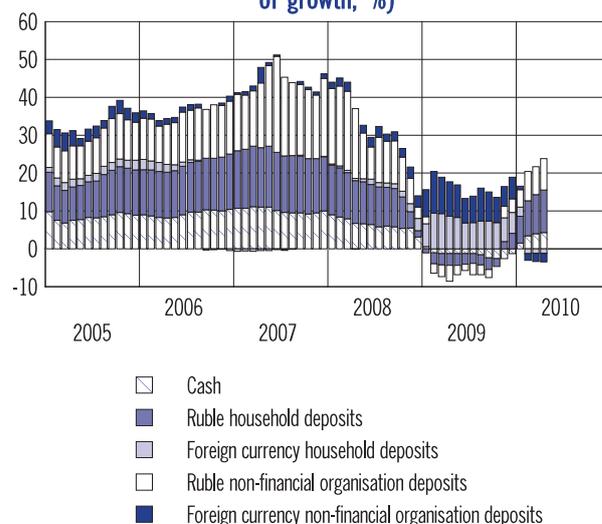


Source: Bank of Russia.

stock began to accelerate. As a result, in the first quarter of 2010 on average their value reached the pre-crisis level. The annual growth rates of the ruble money stock started to accelerate in October 2009 and reached 32.1% as of April 1, 2010, which represents the level registered in the middle of 2008. The dynamics of the annualised 6-month growth rates of M2, which depend to a lesser extent on the previous year's base effect, shows further acceleration of M2 growth rates.

The significant growth of the ruble money stock was to a certain extent attributable to the increase in demand for the national currency amid the gradual recovery of economic growth rates and the appreciation of the ruble. At the same

M2X (contribution by various components to annual rates of growth, %)

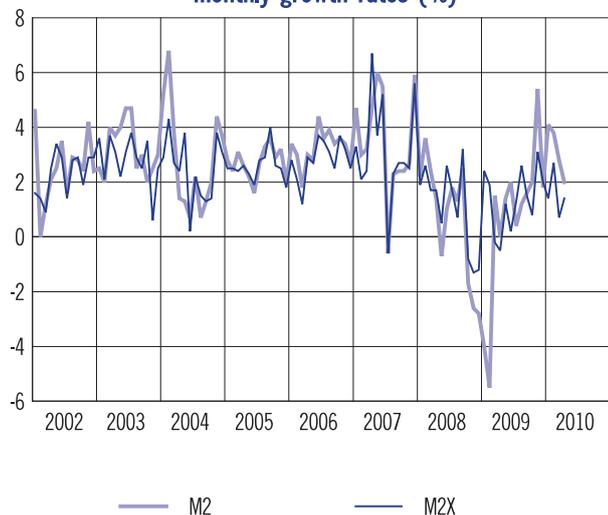


Source: Bank of Russia.

time, the continued increase in net claims on government and the Bank of Russia's interventions on the domestic foreign exchange market also maintained the high rates of growth in money supply. Specifically, the annual rate of the broad monetary base growth reached 48% as of April 1, 2010.

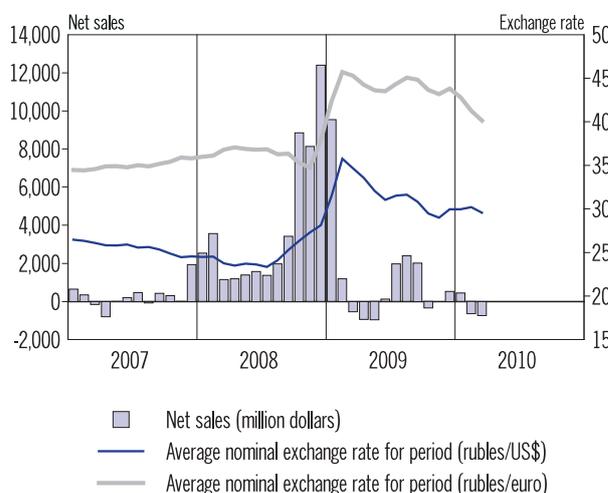
The significant slowing of the rates of growth in claims on non-financial organisations and households reflected the banking system's reduced credit activity in the creation of money supply. Despite the growth of aggregate bank reserves and the reduction of the share of cash in the structure of the broad monetary base, in general since mid-2008 there was no trend towards the growth of the money multiplier.

Seasonally-adjusted M2 and M2X monthly growth rates (%)



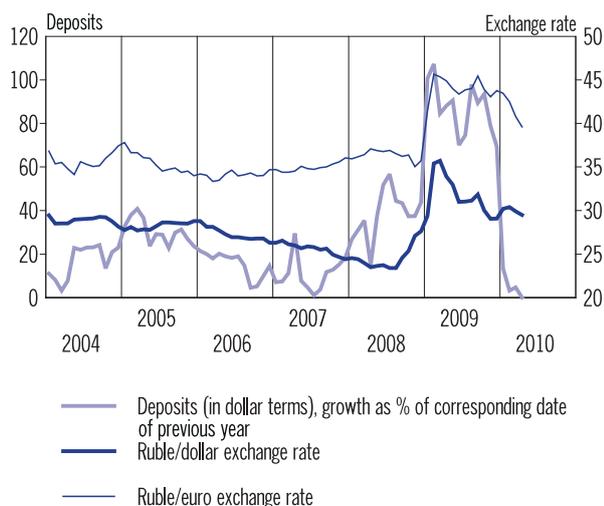
Source: Bank of Russia.

Net sales of foreign currency to households through exchange offices and exchange rate



Source: Bank of Russia.

### Foreign currency deposits and exchange rate



Source: Bank of Russia.

The highest rates of growth in the M2 components were demonstrated by the household deposits, which increased by 7.9% in January-March 2010 (they shrank by 4.2% in the first quarter of 2009 and grew by 2.4% in the first quarter of 2008). As a result, the annual rate of growth in the ruble household deposits reached 43.2% as of April 1, 2010. The non-financial organisation deposits contracted by 1.5% in the first quarter of 2010 (by 12.9% in the first quarter of 2009). As a result, the annual rate of growth in the non-financial organisation deposits stood at 29.4% as of April 1, 2010.

The average monthly rate of growth in monetary aggregate M0 in the first quarter of 2010 considerably exceeded the growth rates registered in the same period of 2008 and 2009. The M0 dynamics was significantly affected by households' changing preferences towards foreign currency. Specifically, net sales of foreign currency by households through foreign exchange offices totalled \$946.4 million in January-March 2010 whereas in the same period last year foreign currency was purchased by individuals (net purchases exceeded \$10 billion).

Amid the relatively steady trend of the ruble's appreciation, there was a considerable slowing of growth in foreign currency deposits. Their value (in dollar terms) contracted by about 2% in January-March 2010 (in January-March 2009, they grew by more than 10%). The annual rates of growth in foreign currency deposits started to

decline rapidly from the end of 2009 (largely due to the so-called «base effect» ) and fell to 0.1% as of April 1, 2010 (a decrease by 11.9% as of April 1, 2010). The level of dollarization of deposits<sup>1</sup> continued to shrink in the first quarter of 2010 and fell to 18.6% as of April 1, 2010 (25.7% as of the same date a year earlier).

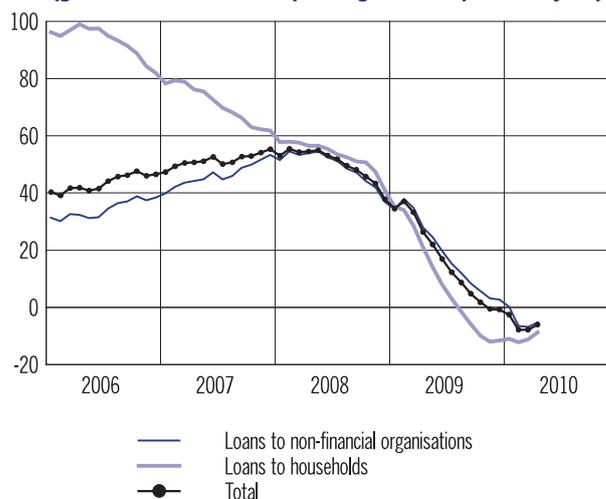
The dynamics of foreign currency deposits led to the lower annual rates of growth in **monetary aggregate M2X** as compared with M2. Nevertheless, in the first quarter of 2010 the annual rates of growth in M2X were on the rise and reached 20.5% as of April 1. The dynamics of the annualised 6-month rates of growth in broad money indicates the acceleration of M2X growth rates approximately from the middle of the third quarter of 2009.

The tightening of monetary conditions observed in 2008 and the first half of 2009 may decelerate the growth of prices in 2010. At the same time, estimates based on current monetary indicators suggest that inflation risks posed by monetary factors may increase at the end of 2010 and in the first half of 2011.

### Credit aggregates

The outstanding ruble loans grew in March 2010; however, total debts on all categories of bank loans shrank by 1% as a whole in January-

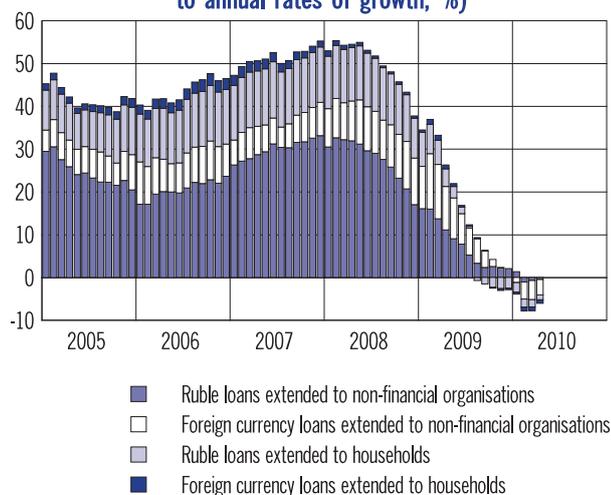
### Loans to non-financial organisations and households (growth as % of corresponding date of previous year)



Source: Bank of Russia.

<sup>1</sup> The level of dollarization in this case is the share of foreign currency deposits (in ruble terms) in the broad monetary base.

**Loans to non-financial organisations and households**  
(contributions of various kinds of loans  
to annual rates of growth, %)

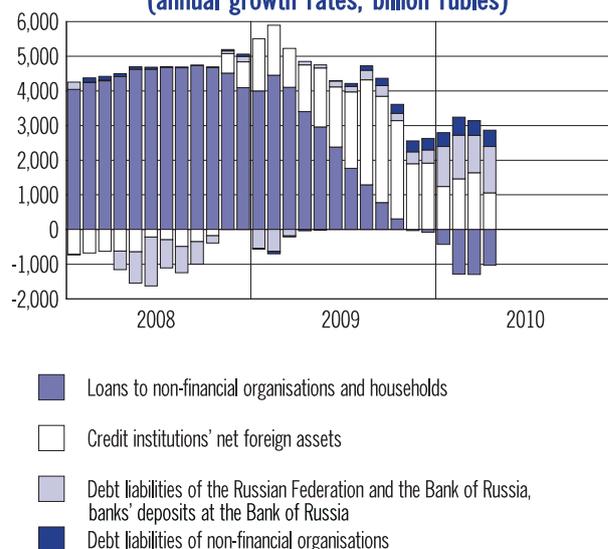


Source: Bank of Russia.

March 2010. As a result, the loans to non-financial organisations fell by 5.3% as of April 1, 2010, year on year (they grew by 27.9% as of the same date last year) while the loans to households decreased by 8.7% (they rose by 21% a year earlier).

Therefore, despite the March indicators, the dynamics of credit aggregates in the first quarter of 2010 did not suggest any changes in negative trends observed on credit markets. Despite a considerable volume of excess liquidity on the short-term money market and the continued growth of the deposit base, banks were unwilling to expand their credit portfolios, preferring to build up alter-

**Banks' assets and deposits**  
(annual growth rates, billion rubles)



native assets. Beginning from the second half of 2009, there was a rapid growth in the debt liabilities of both the private and government sectors in the structure of commercial banks' assets. This can be explained by the desire of banks to hold more liquid assets amid persisting uncertainty about the further development of the real sector of the economy. On the other hand, the growth in lending was restricted by the low demand for loans. Low lending activity as a whole matched the GDP dynamics over that period.

The recovery of the rates of growth in credit aggregates will in the future depend on the rates of economic growth.

### **Assessment of the level of the demand for loans in the Russian economy**

One of the most widespread methods of assessing the compliance of the level of lending activity with the indicators of the real sector of the economy is the calculation of the function of the demand for loans. Normally, this implies the assessment of the statistical dependence of credit aggregate dynamics on the GDP indicator reflecting changes in transaction requirements, and also the expectations of economic agents about the level of income in the formation of the demand for loans, and the interest rate indicator reflecting the cost of borrowing. Therefore, the empirical assessment of the level of the demand for loans is made using the following function:

$$L_t = \delta_0 + \delta_1 Y_t - \delta_2 R_t, \text{ where}$$

$L$  – the logarithm of debts on ruble loans to non-financial organisations in real terms;

$Y$  – the logarithm of the real GDP base index;

$R$  – the interest rate on loans to non-financial organisations with a term of up to one year.

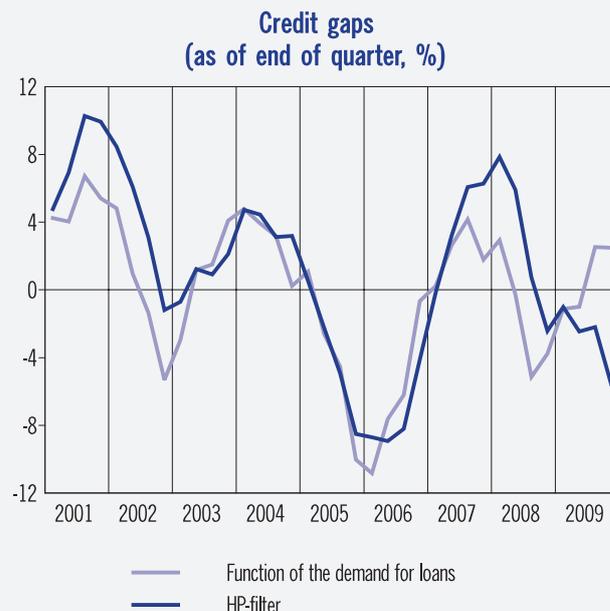
The results of statistical tests suggest the stability of this function estimated for the Russian economy, despite considerable fluctuations both in the GDP and credit aggregates. This may testify to the existence of the conformity between GDP and the loans, which also remained during the financial and economic crisis.

The assessed function can be used to calculate the credit gap (i.e. the deviation of actual loans from the estimated reference level, which can be interpreted as the level of the demand for loans). Another method of the

credit gap calculation can be filtration of the loan to GDP ratio using the HP-filter.

As a whole the dynamics of gaps calculated using different methods was co-directional. However, in 2009, the gap calculated using the filtration method continued to descend into the negative sector while the gap calculated using the function of the demand for loans turned positive.<sup>1</sup> Therefore, considering the existing uncertainty about the assessment of the level of credit gaps, and also the small range of fluctuations of both calculated indicators, it can be said that at the current moment the demand for loans matches their actual dynamics.

Given that economic growth continues, credit activity should also be expected to recover. This recovery may take place with a considerable time lag relative to economic growth rates, which can take several quarters.



<sup>1</sup> This difference can be explained, in particular, by the fact that the function of the demand for loans takes into account the effect of the decrease in demand amid the growth of interest rates.

# Statistical Addendum

Table 1

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

	Monthly inflation	Core inflation	Food price growth	Food price growth <sup>1</sup>	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices <sup>2</sup>	Service price growth
<b>2008</b>								
January	2.3	1.1	1.9	1.2	8.3	0.6	0.6	5.4
February	1.2	1.0	1.7	1.3	5.1	0.6	0.6	1.4
March	1.2	1.1	2.0	1.5	5.9	0.7	0.7	0.6
April	1.4	1.3	2.2	1.8	5.5	0.9	0.7	1.0
May	1.4	1.1	2.1	1.5	6.4	0.8	0.6	1.0
June	1.0	0.9	1.1	1.2	0.4	0.7	0.5	1.1
July	0.5	0.8	0.1	1.0	-6.7	0.7	0.5	0.9
August	0.4	1.0	-0.2	1.2	-11.3	0.6	0.6	0.9
September	0.8	1.4	0.7	1.5	-6.4	0.7	0.8	1.0
October	0.9	1.3	1.6	1.8	-0.4	0.8	1.0	0.0
November	0.8	1.1	1.3	1.3	1.0	0.5	0.9	0.7
December	0.7	0.8	1.0	1.0	1.7	0.1	0.6	1.0
Full year (December on December)	13.3	13.6	16.5	17.5	7.7	8.0	8.4	13.3
<b>2009</b>								
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
July	0.6	0.3	0.6	0.2	3.2	0.6	0.2	0.8
August	0.0	0.5	-0.9	0.4	-11.0	0.6	0.4	0.4
September	0.0	0.5	-0.8	0.4	-11.5	0.7	0.6	0.1
October	0.0	0.3	-0.5	0.0	-6.1	0.6	0.7	-0.1
November	0.3	0.3	0.3	0.2	0.9	0.4	0.4	0.1
December	0.4	0.4	0.6	0.3	3.0	0.2	0.3	0.5
Full year (December on December)	8.8	8.3	6.1	6.9	-1.7	9.7	9.8	11.6
<b>2010</b>								
January	1.6	0.5	1.4	0.8	7.2	0.2	0.3	3.9
February	0.9	0.5	1.3	0.8	5.6	0.3	0.3	1.0
March	0.6	0.5	1.0	0.7	4.2	0.4	0.4	0.4

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

<sup>2</sup> Bank of Russia estimate.

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

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

	Inflation	Core inflation	Food price growth	Food price growth <sup>1</sup>	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices <sup>2</sup>	Service price growth
<b>2008</b>								
January	2.3	1.1	1.9	1.2	8.3	0.6	0.6	5.4
February	3.5	2.1	3.6	2.5	13.9	1.2	1.2	6.8
March	4.8	3.2	5.7	4.0	20.6	2.0	1.9	7.5
April	6.3	4.5	8.0	5.9	27.2	2.9	2.6	8.5
May	7.7	5.7	10.2	7.5	35.4	3.7	3.2	9.6
June	8.7	6.7	11.4	8.7	36.0	4.4	3.7	10.8
July	9.3	7.6	11.5	9.8	26.9	5.2	4.2	11.9
August	9.7	8.6	11.3	11.2	12.5	5.8	4.9	12.9
September	10.6	10.1	12.1	12.9	5.3	6.5	5.7	14.1
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
<b>2009</b>								
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
July	8.1	6.3	7.6	5.4	28.0	7.0	7.1	10.5
August	8.1	6.8	6.6	5.8	14.0	7.6	7.6	10.9
September	8.1	7.3	5.8	6.3	0.8	8.3	8.2	11.0
October	8.1	7.6	5.2	6.3	-5.4	9.0	9.0	10.9
November	8.4	8.0	5.5	6.5	-4.5	9.4	9.4	11.1
December	8.8	8.3	6.1	6.9	-1.7	9.7	9.8	11.6
<b>2010</b>								
January	1.6	0.5	1.4	0.8	7.2	0.2	0.3	3.9
February	2.5	1.0	2.7	1.6	13.2	0.5	0.6	5.0
March	3.2	1.5	3.8	2.3	18.0	0.9	1.0	5.4

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

<sup>2</sup> Bank of Russia estimate.

Table 3

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

	Inflation	Core inflation <sup>1</sup>	Food price growth	Food price growth <sup>2</sup>	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices <sup>1</sup>	Service price growth
<b>2008</b>								
January	12.6	11.5	16.7	15.7	27.2	6.8	6.6	14.1
February	12.7	12.1	17.6	16.5	29.1	7.0	6.8	12.7
March	13.3	12.7	19.1	17.6	32.6	7.4	7.1	12.7
April	14.3	13.5	20.8	19.1	35.6	8.0	7.4	13.3
May	15.1	14.5	22.1	20.8	33.9	8.4	7.7	13.9
June	15.1	15.1	21.3	21.7	19.9	8.9	7.9	14.4
July	14.7	15.0	19.8	21.2	9.8	9.2	8.0	14.7
August	15.0	14.8	20.2	20.8	16.1	9.2	8.1	15.2
September	15.0	14.5	19.9	20.0	19.0	9.1	8.1	15.9
October	14.2	13.7	17.9	18.0	17.5	9.1	8.2	15.7
November	13.8	13.7	17.2	17.7	11.9	8.6	8.4	15.8
December	13.3	13.6	16.5	17.5	7.7	8.0	8.4	13.3
<b>2009</b>								
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
July	12.0	12.3	12.4	12.7	8.7	9.8	11.4	14.5
August	11.6	11.7	11.6	11.8	9.1	9.9	11.2	13.9
September	10.7	10.8	9.9	10.6	3.2	9.9	11.0	12.8
October	9.7	9.6	7.6	8.7	-2.8	9.6	10.6	12.7
November	9.1	8.8	6.6	7.6	-2.9	9.6	10.0	12.1
December	8.8	8.3	6.1	6.9	-1.7	9.7	9.8	11.6
<b>2010</b>								
January	8.0	7.5	6.1	6.6	0.7	9.1	9.0	9.1
February	7.2	6.3	5.5	5.8	1.4	7.7	7.4	8.7
March	6.5	5.4	4.8	5.1	1.1	6.6	6.1	8.4

<sup>1</sup> Bank of Russia estimate.

<sup>2</sup> Excluding vegetables and fruit.

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

	Foodstuffs <sup>1</sup>	Non-food products	Paid services	Vegetables and fruit	Inflation over period, %	Core inflation	Non-core inflation <sup>2</sup>
<b>2008</b>							
January	0.4	0.2	1.3	0.3	<b>2.3</b>	0.8	1.5
February	0.9	0.4	1.7	0.5	<b>3.5</b>	1.6	1.9
March	1.4	0.7	1.9	0.8	<b>4.8</b>	2.5	2.3
April	2.1	1.0	2.1	1.0	<b>6.3</b>	3.6	2.7
May	2.6	1.3	2.4	1.4	<b>7.7</b>	4.5	3.2
June	3.1	1.6	2.7	1.4	<b>8.7</b>	5.3	3.5
July	3.5	1.9	3.0	1.0	<b>9.3</b>	6.0	3.3
August	3.9	2.1	3.2	0.5	<b>9.7</b>	6.8	2.9
September	4.5	2.3	3.5	0.2	<b>10.6</b>	8.0	2.6
October	5.2	2.6	3.5	0.2	<b>11.6</b>	9.2	2.4
November	5.7	2.8	3.7	0.2	<b>12.5</b>	10.1	2.4
December	6.2	2.9	4.0	0.3	<b>13.3</b>	10.8	2.5
<b>2009</b>							
January	0.4	0.3	1.6	0.2	<b>2.4</b>	1.0	1.4
February	0.9	0.9	2.0	0.4	<b>4.1</b>	2.4	1.7
March	1.4	1.4	2.1	0.5	<b>5.4</b>	3.5	2.0
April	1.6	1.8	2.2	0.5	<b>6.2</b>	4.2	2.0
May	1.8	2.1	2.3	0.7	<b>6.8</b>	4.6	2.2
June	1.8	2.4	2.4	0.9	<b>7.4</b>	4.8	2.6
July	1.9	2.6	2.6	1.0	<b>8.1</b>	5.1	3.0
August	2.0	2.9	2.7	0.5	<b>8.1</b>	5.5	2.6
September	2.1	3.1	2.8	0.0	<b>8.1</b>	5.9	2.1
October	2.1	3.4	2.7	-0.2	<b>8.1</b>	6.1	1.9
November	2.2	3.5	2.8	-0.2	<b>8.4</b>	6.4	1.9
December	2.4	3.6	2.9	-0.1	<b>8.8</b>	6.7	2.1
<b>2010</b>							
January	0.3	0.1	1.0	0.3	<b>1.6</b>	0.4	1.2
February	0.6	0.2	1.3	0.5	<b>2.5</b>	0.8	1.7
March	0.8	0.3	1.4	0.6	<b>3.2</b>	1.2	2.0

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

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

Table 5

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

	Foodstuffs <sup>1</sup>	Non-food products	Paid services	Vegetables and fruit	Inflation over period, %	Core inflation	Non-core inflation <sup>2</sup>
<b>2008</b>							
January	0.4	0.2	1.3	0.3	<b>2.3</b>	0.8	1.5
February	0.4	0.2	0.3	0.2	<b>1.2</b>	0.8	0.4
March	0.5	0.3	0.2	0.3	<b>1.2</b>	0.8	0.3
April	0.6	0.3	0.3	0.2	<b>1.4</b>	1.0	0.4
May	0.5	0.3	0.3	0.3	<b>1.4</b>	0.9	0.5
June	0.4	0.3	0.3	0.0	<b>1.0</b>	0.7	0.2
July	0.4	0.2	0.2	-0.3	<b>0.5</b>	0.7	-0.1
August	0.4	0.2	0.2	-0.5	<b>0.4</b>	0.8	-0.4
September	0.5	0.2	0.3	-0.3	<b>0.8</b>	1.1	-0.3
October	0.6	0.3	0.0	0.0	<b>0.9</b>	1.1	-0.2
November	0.4	0.2	0.2	0.0	<b>0.8</b>	0.8	0.0
December	0.4	0.0	0.2	0.1	<b>0.7</b>	0.6	0.1
<b>2009</b>							
January	0.4	0.3	1.6	0.2	<b>2.4</b>	1.0	1.4
February	0.5	0.6	0.4	0.2	<b>1.7</b>	1.3	0.3
March	0.5	0.5	0.2	0.2	<b>1.3</b>	1.1	0.2
April	0.3	0.4	0.1	0.0	<b>0.7</b>	0.7	0.0
May	0.1	0.3	0.1	0.2	<b>0.6</b>	0.4	0.2
June	0.0	0.3	0.1	0.2	<b>0.6</b>	0.2	0.4
July	0.1	0.2	0.2	0.1	<b>0.6</b>	0.2	0.4
August <sup>3</sup>					<b>0.0</b>		
September <sup>3</sup>					<b>0.0</b>		
October <sup>3</sup>					<b>0.0</b>		
November	0.1	0.1	0.0	0.0	<b>0.3</b>	0.3	0.0
December	0.1	0.1	0.1	0.1	<b>0.4</b>	0.3	0.1
<b>2010</b>							
January	0.3	0.1	1.0	0.3	<b>1.6</b>	0.4	1.2
February	0.3	0.1	0.3	0.2	<b>0.9</b>	0.4	0.5
March	0.2	0.1	0.1	0.2	<b>0.6</b>	0.4	0.3

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

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

<sup>3</sup> Owing to zero inflation in August-October 2009, estimates may vary.

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

	Foodstuffs <sup>1</sup>	Non-food products	Paid services	Vegetables and fruit	Core inflation	Non-core inflation <sup>2</sup>
<b>2008</b>						
January	18.9	9.3	58.1	13.7	36.2	63.8
February	25.1	12.1	47.9	14.9	46.1	53.9
March	29.7	14.7	39.0	16.6	52.7	47.3
April	33.0	16.5	33.9	16.6	57.0	43.0
May	34.2	17.1	31.1	17.6	58.5	41.5
June	35.2	18.2	30.8	15.7	60.5	39.5
July	37.3	19.9	31.7	11.1	64.4	35.6
August	40.6	21.4	33.0	5.0	70.5	29.5
September	43.0	22.0	33.1	1.9	75.7	24.3
October	45.3	22.9	30.2	1.6	79.2	20.8
November	46.0	22.6	29.6	1.8	80.8	19.2
December	46.4	21.6	29.8	2.2	81.5	18.5
<b>2009</b>						
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
July	23.0	32.3	32.3	12.4	62.6	37.4
August	24.7	35.3	33.8	6.2	67.6	32.4
September	26.7	38.7	34.2	0.4	73.3	26.7
October	26.6	41.9	33.8	-2.4	76.3	23.7
November	26.7	42.2	33.0	-1.9	76.7	23.3
December	26.7	41.0	33.0	-0.7	76.4	23.6
<b>2010</b>						
January	17.3	4.7	61.6	16.3	25.6	74.4
February	22.2	7.3	51.4	19.1	31.6	68.4
March	25.2	10.4	43.9	20.6	37.4	62.6

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

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

Table 7

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

	Foodstuffs <sup>1</sup>	Non-food products	Paid services	Vegetables and fruit	Core inflation	Non-core inflation <sup>2</sup>
<b>2008</b>						
January	18.9	9.3	58.1	13.7	36.2	63.8
February	36.8	17.4	28.5	17.3	64.9	35.1
March	43.2	22.6	12.8	21.4	72.2	27.8
April	43.5	22.0	17.6	16.9	70.3	29.7
May	39.1	20.1	18.9	21.9	65.2	34.8
June	42.7	26.5	28.7	2.2	74.5	25.5
July	69.6	47.5	45.8	-62.9	125.6	-25.6
August	122.9	59.3	67.5	-149.7	225.0	-125.0
September	69.7	29.4	34.5	-33.6	136.6	-36.6
October	69.5	32.2	-0.1	-1.7	116.9	-16.9
November	54.4	19.8	21.2	4.7	100.5	-0.5
December	50.8	5.9	34.3	8.9	91.7	8.3
<b>2009</b>						
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
July	10.8	35.8	31.6	21.8	35.3	64.7
August <sup>3</sup>						
September <sup>3</sup>						
October <sup>3</sup>						
November	28.1	49.3	12.4	10.2	87.7	12.3
December	27.2	18.3	31.2	23.4	70.2	29.8
<b>2010</b>						
January	17.3	4.7	61.6	16.3	25.6	74.4
February	30.6	11.7	33.6	24.1	42.2	57.8
March	36.4	22.1	15.4	26.0	59.6	40.4

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

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

<sup>3</sup> Owing to zero inflation in August-October 2009, estimates may vary.

## Russia's key macroeconomic and financial indicators

			Year	Q1	Q2	Q3	Q4	
<b>Macroeconomic indicators</b>								
GDP	over period since start of year, billion rubles		2007	6,783	14,553	23,458	33,258	
			2008	8,907	19,166	30,755	41,445	
			2009	8,397	17,680	28,185	39,064	
	over period since start of year, as % of corresponding period of previous year		2007	107.5	107.8	107.8	108.1	
			2008	109.3	108.4	107.7	105.6	
			2009	90.6	89.8	90.7	92.1	
	as % of corresponding quarter of previous year		2007	107.5	108.0	107.7	109.0	
			2008	109.3	107.7	106.6	100.0	
			2009	90.6	89.2	92.3	96.2	
Industrial output indices	as % of corresponding quarter of previous year		2008	106.2	105.5	104.7	93.9	
			2009	85.7	84.6	89.0	97.4	
			2010	105.8				
	over period since start of year, as % of corresponding period of previous year		2008	106.2	105.8	105.4	102.1	
			2009	85.7	85.2	86.5	89.2	
			2010	105.8				
Agricultural output	as % of corresponding quarter of previous year		2008	105.5	106.9	113.0	111.3	
			2009	102.3	100.8	99.0	105.2	
			2010	103.6				
	over period since start of year, as % of corresponding period of previous year		2008	105.5	106.4	109.6	110.8	
			2009	102.3	101.4	100.1	101.2	
			2010	103.6				
Fixed capital investment	over period since start of year, billion rubles		2008	1,314.6	3,306.1	5,675.1	8,781.6	
			2009	1,234.5	2,915.9	4,966.1	7,930.3	
			2010	1,238.1				
	as % of corresponding quarter of previous year		2008	123.4	117.6	112.3	98.7	
			2009	82.7	77.2	81.8	90.6	
			2010	95.3				
Retail trade turnover	over period since start of year, billion rubles		2008	2,952.8	6,278.9	9,936.9	13,920.7	
			2009	3,324.0	6,836.9	10,530.1	14,602.5	
			2010	3,607.6				
	as % of corresponding quarter of previous year		2008	117.2	114.9	115.0	108.7	
			2009	100.4	94.9	91.4	94.5	
			2010	101.3				
Federal budget on accrual basis, as of end of period	revenue	billion rubles		2008	1,932.7	4,370.7	7,155.7	9,275.9
				2009	1,732.7	3,172.2	5,114.4	7,337.8
				2010	1,954.9			
		as % of GDP		2008	21.7	22.8	23.3	22.4
				2009	20.6	17.9	18.1	18.8
			2010	20.2 <sup>1</sup>				
	expenditure	billion rubles		2008	1,332.7	2,995.6	4,594.2	7,570.9
				2009	1,762.4	3,893.8	6,441.7	9,660.1
				2010	2,199.5			
		as % of GDP		2008	15.0	15.6	14.9	18.3
			2009	21.0	22.0	22.9	24.7	
	2010		22.8 <sup>1</sup>					
Federal budget surplus (+)/deficit (-) on accrual basis, as of end of period	billion rubles		2008	600.0	1,375.1	2,561.5	1,705.1	
			2009	-29.7	-721.7	-1,327.2	-2,322.3	
			2010	-244.6				
	as % of GDP		2008	6.7	7.2	8.3	4.1	
			2009	-0.4	-4.1	-4.7	-5.9	
			2010	-2.5 <sup>1</sup>				

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	
<b>Socio-economic indicators</b>							
Nominal imputed average monthly per employee wage	rubles	2008	15,424	16,962	17,556	18,966	
		2009	17,441	18,419	18,673	20,670	
		2010	19,485				
	as % of corresponding quarter of previous year	2008	128.0	129.2	129.0	119.5	
		2009	112.8	108.0	105.7	108.4	
		2010	110.5				
	over period since start of year, as % of corresponding period of previous year	2008	128.0	128.6	128.7	127.2	
		2009	112.8	110.3	108.6	108.5	
		2010	110.5				
Real imputed average monthly per employee wage, as % of corresponding quarter of previous year		2008	113.4	112.5	112.2	105.0	
		2009	99.2	96.1	94.8	99.3	
		2010	103.1				
Household money income (per capita monthly average), rubles		2008	12,278.1	14,828.4	15,662.4	16,973.9	
		2009	14,002.1	16,983.8	16,696.2	19,859.4	
		2010	15,923.1				
Household real disposable money income	as % of corresponding quarter of previous year	2008	107.8	106.1	104.9	93.7	
		2009	100.7	103.4	96.6	108.2	
		2010	107.6				
	over period since start of year, as % of corresponding period of previous year	2008	107.8	...	...	102.3	
		2009	100.7	102.1	100.0	102.3	
		2010	107.6				
Household spending, as % of income	purchase of goods and services	2008	77.1	71.8	74.4	73.7	
		2009	76.4	66.8	70.8	64.8	
		2010	72.8				
	compulsory payments and contributions	2008	12.1	12.4	12.6	12.0	
		2009	11.2	10.3	10.9	10.3	
		2010	9.9				
	growth in savings	2008	8.3	7.1	4.6	2.2	
		2009	8.7	17.0	12.8	17.7	
		2010	15.8				
	foreign exchange purchase	2008	6.9	4.7	5.7	13.6	
		2009	10.3	3.5	6.0	3.5	
		2010	3.2				
	cash on hand	2008	-4.4	4.0	2.7	-1.5	
		2009	-6.6	2.4	-0.5	3.7	
		2010	-1.7				
	Average imputed pension, total, rubles		2008	3,823	4,044	4,383	4,545
			2009	4,614	5,151	5,330	5,670
			2010	7,126			
Real imputed pension	as % of corresponding quarter of previous year	2008	119.0	113.9	122.7	116.9	
		2009	106.1	113.3	109.1	114.2	
		2010	144.1				
	over period since start of year, as % of corresponding period of previous year	2008	119.0	116.4	118.6	118.1	
		2009	106.1	109.8	109.5	110.7	
		2010	144.1				
Total number of unemployed (calculated using ILO methodology)	million	2008	5.1	4.3	4.5	5.4	
		2009	6.8	6.5	6.0	6.1	
		2010	6.6				
	as % of economically active population	2008	6.7	5.6	5.9	7.1	
		2009	9.1	8.6	7.8	8.0	
		2010	8.8				

Table 8 (continued)

		Year	Q1	Q2	Q3	Q4	
<b>Foreign economic activities</b>							
Price of Urals crude	over period since start of year, \$/barrel	2008	93.7	105.3	107.6	93.9	
		2009	43.2	50.5	56.3	60.7	
		2010	75.0				
	as % of corresponding period of previous year	2008	173.7	176.3	168.2	135.1	
		2009	46.1	48.0	52.3	64.6	
		2010	173.7				
Exports of goods	over period since start of year, \$ billion	2008	110.1	236.8	373.6	471.6	
		2009	57.3	125.4	207.8	303.4	
		2010	91.3 <sup>2</sup>				
	as % of corresponding period of previous year	2008	153.6	152.4	152.5	133.1	
		2009	52.0	52.9	55.6	64.3	
		2010	159.5 <sup>2</sup>				
Imports of goods	over period since start of year, \$ billion	2008	60.2	135.7	218.6	291.9	
		2009	38.5	82.4	131.5	191.8	
		2010	45.3 <sup>2</sup>				
	as % of corresponding period of previous year	2008	140.8	142.0	142.0	130.6	
		2009	63.9	60.7	60.1	65.7	
		2010	117.8 <sup>2</sup>				
Current account (over period since start of year), \$ billion		2008	38.9	65.6	95.0	103.7	
		2009	9.7	17.0	32.7	49.0	
		2010	33.9 <sup>2</sup>				
Private sector net capital outflow (inflow) (over period since start of year), \$ billion		2008	-24.5	15.6	-3.5	-133.9	
		2009	-35.0	-30.9	-65.1	-56.9	
		2010	-12.9 <sup>2</sup>				
Foreign investment in Russia's non-financial sector (Rosstat data)	over period since start of year, \$ billion	2008	17.3	46.5	75.8	103.8	
		2009	12.0	32.2	54.7	81.9	
		2010	13.1				
	as % of corresponding period of previous year	2008	70.1	77.1	86.2	85.8	
		2009	69.7	69.1	72.2	79.0	
		2010	109.3				
of which:	direct	over period since start of year, \$ billion	2008	5.6	11.1	19.2	27.0
			2009	3.2	6.1	10.0	15.9
			2010	2.6			
		as % of corresponding period of previous year	2008	57.2	70.0	97.7	97.2
			2009	57.0	55.0	51.9	58.9
			2010	82.4			
	portfolio	over period since start of year, \$ billion	2008	0.1	1.2	1.3	1.4
			2009	0.1	0.9	1.0	0.9
			2010	0.3			
		as % of corresponding period of previous year	2008	62.5	104.4	83.7	33.7
			2009	93.5	74.9	78.6	62.3
			2010	2.5 times			
	other	over period since start of year, \$ billion	2008	11.5	34.3	55.3	75.3
			2009	8.7	25.2	43.7	65.1
			2010	10.2			
as % of corresponding period of previous year		2008	78.7	79.0	82.8	84.7	
		2009	75.6	73.5	79.1	86.5	
		2010	117.1				
Russia's international reserves (as of end of period), \$ billion		2008	512.6	569.0	556.8	426.3	
		2009	383.8	412.5	413.4	439.0	
		2010	447.0				
Real ruble exchange rate indices, last month of quarter (growth as % of December of previous year) <sup>3</sup>	ruble vs. US dollar	2008	6.5	8.5	3.2	-1.1	
		2009	-15.4	-5.0	-3.9	-0.4	
		2010	3.6				
	ruble vs. euro	2008	0.6	3.4	6.2	5.0	
		2009	-12.0	-7.0	-9.0	-6.5	
		2010	11.7				
	effective rate	2008	1.5	3.3	3.0	4.3	
		2009	-10.0	-4.2	-5.6	-3.9	
		2010	7.4				

Table 8 (continued)

		Year	Q1	Q2	Q3	Q4
<b>Financial market indicators (including Sberbank rates)</b>						
Average for period						
Overnight interbank credit rate, % p.a.	in rubles	2008	3.9	4.1	6.0	8.6
		2009	11.6	7.7	7.1	5.5
		2010	4.2			
	in US dollars	2008	3.2	2.2	2.2	0.7
		2009	0.2	0.2	0.2	0.2
		2010	0.2			
OFZ yields <sup>4</sup> , % p.a.		2008	6.7	6.9	7.5	8.7
		2009	10.5	10.3	10.6	9.1
		2010	7.9			
Interest rate on household time deposits, % p.a.	up to 1 year in rubles	2008	7.0	7.1	7.5	9.0
		2009	10.0	10.8	10.7	10.2
		2010	8.5			
	over 1 year in rubles	2008	7.4	8.0	8.5	9.1
		2009	10.0	10.3	9.3	9.2
		2010	7.7			
	up to 1 year in US dollars	2008	5.1	5.8	5.3	6.5
		2009	6.0	5.3	5.5	5.2
		2010	4.3			
	over 1 year in US dollars	2008	6.9	7.0	7.1	7.8
		2009	6.5	6.1	5.7	5.5
		2010	4.9			
Interest rate on credit to non-financial organisations, % p.a.	up to 1 year in rubles	2008	10.9	11.2	12.0	14.9
		2009	16.6	15.8	14.9	13.9
		2010	12.8			
	over 1 year in rubles	2008	12.3	12.8	13.6	13.8
		2009	15.1	16.2	15.8	14.7
		2010	13.9			
	up to 1 year in US dollars	2008	8.1	8.0	8.9	10.9
		2009	10.7	10.1	10.0	9.3
		2010	8.3			
	over 1 year in US dollars	2008	9.3	9.9	9.4	11.3
		2009	12.7	11.6	10.7	9.0
		2010	10.3			
Interest rate on ruble-denominated notes discounted by banks, % p.a.		2008	10.7	11.0	12.1	14.1
		2009	15.7	14.3	14.0	11.8
Interest rate on ruble-denominated notes issued by non-financial organisations and discounted by credit institutions, % p.a. <sup>5</sup>		2010	14.1			
Interest rate on ruble-denominated notes issued by credit institutions and discounted by credit institutions, % p.a. <sup>5</sup>		2010	9.3			
MICEX rate in «tomorrow» trades, ruble/US dollar		2008	24.2286	23.6190	24.2718	27.2941
		2009	34.4761	32.2032	31.3160	29.4737
		2010	29.8318			
As of end of quarter						
RTS index, points		2008	2,053.93	2,303.34	1,211.84	631.89
		2009	689.63	987.02	1,254.52	1,444.61
		2010	1,572.48			
Refinance rate, % p.a.		2008	10.25	10.75	11.00	13.00
		2009	13.00	11.50	10.00	8.75
		2010	8.25			

Table 8 (end)

	Year	1.01	1.04	1.07	1.10	
<b>Monetary indicators</b>						
M0, billion rubles	2008	3,702.2	3,475.5	3,724.9	3,904.2	
	2009	3,794.8	3,278.3	3,522.5	3,485.6	
	2010	4,038.1	3,986.1			
M2, billion rubles	2008	13,272.1	13,382.9	14,244.7	14,374.6	
	2009	13,493.2	12,111.7	13,161.0	13,649.5	
	2010	15,697.7	15,996.5			
Obligations included in broad money, billion rubles	2008	14,636.7	14,918.3	15,926.6	16,067.8	
	2009	16,774.7	16,308.4	17,055.4	17,523.4	
	2010	19,520.1 <sup>1</sup>	19,652.8 <sup>1</sup>			
Net foreign assets, billion rubles	2008	9,914.1	10,535.2	11,274.3	12,284.5	
	2009	12,191.4	12,881.1	13,043.1	13,232.1	
	2010	13,916.1 <sup>1</sup>	13,761.4 <sup>1</sup>			
Domestic claims, billion rubles	2008	8,325.9	8,437.2	8,760.6	8,614.9	
	2009	10,645.1	10,307.4	11,076.4	11,716.8	
	2010	13,345.7 <sup>1</sup>	13,474.8 <sup>1</sup>			
Broad monetary base, billion rubles	2008	5,513.3	4,871.4	5,422.9	5,317.8	
	2009	5,578.7	4,298.8	4,967.6	4,803.7	
	2010	6,467.3	6,363.9			
Balances of correspondent accounts, billion rubles	2008	802.2	596.3	592.4	702.9	
	2009	1,027.6	431.7	471.4	545.4	
	2010	900.3	579.5			
Monetisation of the economy (by M2 aggregate), %	2008	31.9	32.8	32.9	32.7	
	2009	32.9	32.7	33.1	33.5	
	2010	33.8	35.2 <sup>1</sup>			
Money multiplier	by broad monetary base	2008	2.41	2.75	2.63	2.70
		2009	2.42	2.82	2.65	2.84
		2010	2.43	2.51		
	change since start of year, %	2008	10.3 <sup>6</sup>	14.1	9.1	12.3
		2009	0.5 <sup>6</sup>	16.5	9.5	17.5
		2010	0.4 <sup>6</sup>	3.6		
Foreign exchange rates	rubles per US dollar	2008	24.55	23.50	23.41	25.37
		2009	29.39	33.90	31.04	30.01
		2010	30.19	29.50		
	rubles per euro	2008	35.93	37.09	36.97	36.50
		2009	41.43	44.89	43.85	43.89
		2010	43.46	39.57		

<sup>1</sup> Preliminary data.

<sup>2</sup> Estimate.

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

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

<sup>5</sup> Due to the entry into force of Bank of Russia Instruction No. 2332-U of November 12, 2009, the structure of indicators used to characterize the credit institutions' interest rate policy on the promissory note market has changed. In particular, the uniform indicator of yields on promissory notes discounted by banks has been replaced by two indicators: yields on discount notes issued by credit institutions and yields on discount notes issued by non-financial organisations. The indicators are calculated only for transactions in ruble-denominated promissory notes.

<sup>6</sup> Relative to beginning of previous year.

Table 9

## Bank of Russia interest rates in January-April 2010 (% p.a.)

Instrument	Liquidity provision/ absorption period	From 1.01.10 to 23.02.10	From 24.02.10 to 28.03.10	From 29.03.10 to 29.04.10	From 30.04.10
<b>Providing liquidity at offered bids (including by auction)</b>					
Repo operations <sup>1</sup>	1 day	6.00	5.75	5.50	5.25
	7 days	6.00	5.75	5.50	5.25
	3 months	7.50	7.25	7.00	6.75
	6 months	8.00	7.75	7.50	7.25
	1 year	8.50	8.25	8.00	7.75
Currency swap operations <sup>2</sup>	1 day	8.75	8.50	8.25	8.00
Unsecured loans	up to 1 year	Minimum rate is set when auction is announced			
Lombard loans <sup>1,3</sup>	7 days				5.25
	14 days	6.00	5.75	5.50	
	3 months	7.50	7.25	7.00	6.75
	6 months	8.00	7.75	7.50	7.25
	1 year	8.50	8.25	8.00	7.75
<b>Providing liquidity at fixed rates</b>					
Overnight loans <sup>3,4</sup>	1 day	8.75	8.50	8.25	8.00
Lombard loans <sup>3</sup>	1 day	7.75	7.50	7.25	7.00
	7 days	7.75	7.50	7.25	7.00
	30 days	7.75	7.50	7.25	7.00
Repo operations	1 day	7.75	7.50	7.25	7.00
	7 days	7.75	7.50	7.25	7.00
	1 year	8.50	8.25	8.00	7.75
Loans secured by «non-market» assets or guarantees <sup>4</sup>	up to 90 days	7.75	7.50	7.25	7.00
	91 to 180 days	8.25	8.00	7.75	7.50
	181 to 365 days	8.75	8.50	8.25	8.00
<b>Absorbing liquidity at fixed rates</b>					
Deposit operations	Overnight			2.75	2.50
	Tom-next, spot-next and demand	3.50	3.25	3.00	2.75
	1 week, spot-week	4.00	3.75	3.50	3.25

<sup>1</sup> Minimum interest rate set by Bank of Russia Board of Directors.

<sup>2</sup> Interest rate set on the ruble part when determining the minimum offered swap difference.

<sup>3</sup> Pursuant to Bank of Russia Regulation No. 236-P of August 4, 2003.

<sup>4</sup> Pursuant to Bank of Russia Regulation No. 312-P of November 12, 2007.

Table 10

**Credit institutions' required reserve ratios  
(from July 1, 2007 to October 31, 2009, %)**

	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—October 31, 2009	2.5	2.5	2.5

Table 11

**Credit institutions' required reserve ratios  
(from November 1, 2009 up to present, %)**

	Required reserve ratio for obligations to non-resident corporates in Russian currency	Required reserve ratio for obligations to non-resident individuals in Russian currency	Required reserve ratio for obligations to individuals in Russian currency	Required reserve ratio for obligations to individuals in foreign currency	Required reserve ratio for other bank obligations in Russian currency	Required reserve ratio for other bank obligations in foreign currency
November 1, 2009—	2.5					

