



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

**Quarterly
Inflation
Review**

2008 Q3

Research and Information Department

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

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

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Introduction

Since last July, the Russian economy has registered signs of a slowdown in inflation, especially on the food market. This is a result of the reduction or significant slowing of world prices of major food and energy products, the corresponding fall in Russian agricultural producer prices, which began in May, a good grain harvest in this country and the tightening of monetary conditions. In July-October, inflation slowed to 2.6% as against 3.4% in the same period last year. However, nine-month consumer price inflation this year was higher than last year, just as producer price growth rates in industry and construction and freight service prices.

In the third quarter of the year, the Bank of Russia continued to tighten monetary conditions for the economy because of high rates of growth in consumer prices registered since the end of 2007. To contain inflation and money supply growth, it raised interest rates (in July for the fourth time in 2008) and required reserve ratios (on July 1 and September 1).

In August and September, the world financial crisis created instability on the Russian financial market and increased uncertainty about prospects for further economic growth and inflationary expectations. Problems in some banks caused the decline in confidence in the banking system. All these developments made people less inclined to save and as a result, consumption grew, increasing inflationary pressure.

Economic agents' demand for foreign currency rose sharply due to the world financial crisis. As growth in its flow to the current account slowed down, in August and September the ruble depreciated against the dollar. Even though in September the nominal effective rate of the ruble slowed just a little more than in the previous months, the risk of the ruble devaluation in the short term increased and this may reduce the inflation decline.

Slower growth in export revenues and credit squeeze led to the scaling down of investor activ-

ity. In the short term, the slowing of investment growth and the fall in world energy prices may reduce the inflationary pressure, but in the medium term, it may increase as supply will decline due to the slowing of growth in investments.

The deepening of the world financial crisis and the exacerbation of its consequences for the domestic economy compelled the Bank of Russia to readjust its monetary policy. To prevent instability in the banking sector and payment system, it shifted emphasis to measures aimed at settling the liquidity problems, giving credit institutions wider opportunities to raise funds and lowering required reserve ratios. In September, the Bank of Russia cut interest rates on some of its operations aimed at providing liquidity to banks. In addition, it took action to keep the interbank market alive and enable enterprises to service and repay their foreign loans.

The Bank of Russia interest rate band remained unchanged in the third quarter, but in October it narrowed as a result of the raising of deposit interest rates, which was necessary to stem capital outflow.

Although banks received a considerable amount of liquidity, the money market interest rates rose as a result of higher uncertainty and inflationary expectations and decline in confidence among market participants.

As the cost of domestic funds rose amid the scarcity of funds on foreign markets, banks raised their customer credit rates, while increased competition in the banking sector and accelerated inflation pushed deposit rates up. As a result, growth in bank lending to the economy slackened and this may eventually lead to the retardation of economic growth.

At the same time, the tightening of monetary conditions and slower economic growth may somewhat reduce the inflationary pressure in the short term.

Inflation Dynamics

Consumer prices

Rosstat data show that in January-September 2008 inflation accelerated to 10.6% as against 7.5% in the same period last year. In September, price growth increased to 15.0%, as compared with the same month a year earlier, and in January-September it stood at 14.2%, as compared with the same period in 2007.

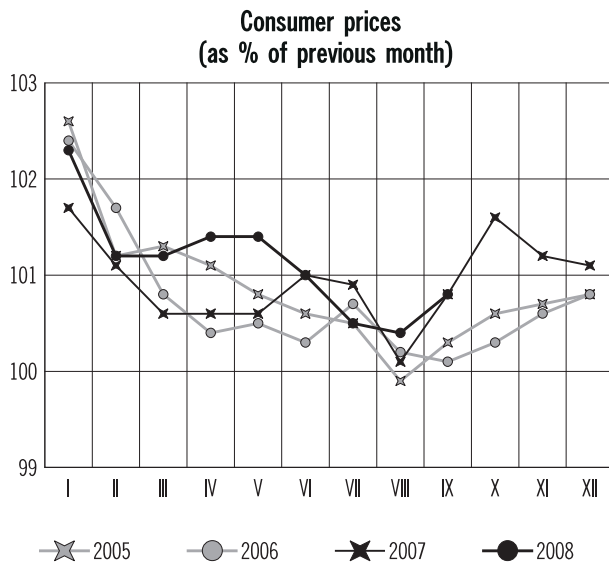
Core inflation stood at 10.1% in January-September 2008 as against 6.7% in the same period of 2007 and in September it is estimated at 14.5%, as compared with the same month of the previous year.

In January-September 2008, growth in the prices of goods and services included in the calculation of core consumer price index accounted

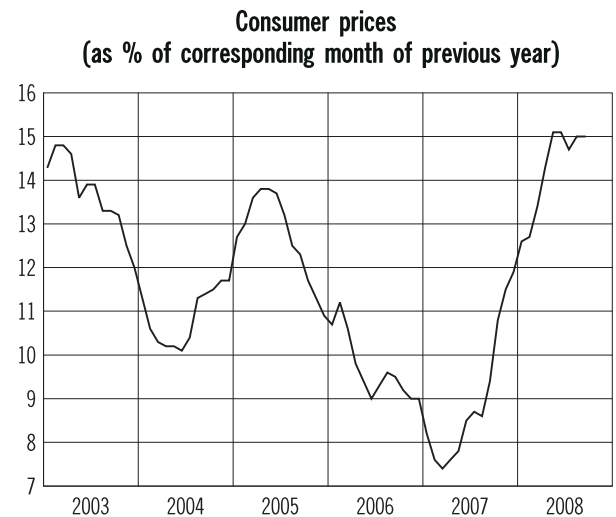
for an estimated 8.0 percentage points, or 75.7% of the inflation rate as against 5.3 percentage points, or 69.9%, in the same period of 2007. The acceleration of core inflation was largely a result of higher growth in food prices, excluding vegetable and fruit prices, which began in the latter half of 2007.

Food prices, excluding vegetable and fruit prices, gained 12.9% in January-September 2008 as against 8.1% in the same period last year. Estimates show that a rise in the prices of these products accounted for 4.5 percentage points, or 43.0%, of overall consumer price growth.

In January-September 2007, growth in food prices, net of vegetable and fruit prices, accounted for 3.0 percentage points, or 39.3%, of overall consumer price growth.



Source: Rosstat.



Source: Rosstat.

Consumer price inflation (%)

	Growth (September 2008 on December 2007)	Growth (September 2007 on December 2006)	
Prices of goods and services, total:	10.6	7.5	Acceleration of growth by 3.1 percentage points
of which:			
– food prices	12.1	8.1	Acceleration of growth by 4.0 percentage points
– food prices, excluding vegetable and fruit prices	12.9	8.1	Acceleration of growth by 4.8 percentage points
– non-food prices	6.5	4.0	Acceleration of growth by 2.5 percentage points
– prices of paid services provided to households	14.1	11.6	Acceleration of growth by 2.5 percentage points
Prices of goods and services included in core inflation calculation	10.1	6.7	Acceleration of growth by 3.4 percentage points

Source: Rosstat.

Prices of bread and bakery products went up 24.5% in nine months of the year as against 20.0% in the same period last year, pasta products were up 31.3% as against 13.8% in 2007, meat and poultry prices gained 15.6% as against 5.4% and the price of sunflower oil rose 27.9% as against 17.2%. It should be noted, however, that inflation growth is slowing down on the food market. A bumper grain harvest, a fall in agricultural producer prices registered since May, and the reduction or slowing of growth in world food prices led to lower domestic food price growth, net of vegetable and fruit prices, to 3.8% in the third quarter of this year as against 5.2% in the same period last year. As of October 14, 2008, all categories of farms (state and private farms and individual producers) reported an increase of 27.3% in the output of grain in initially recorded weight, as compared with the same period of the previous year. Overall agricultural producer price growth slowed to 1.6% in January-September 2008 as against 9.3% in the same period last year.

After a sharp rise in prices, world grain markets in various periods of this year registered a price downturn: wheat prices began to fall in March and April, rice prices in May, maize in July and barley in August. As a result, the price of American wheat declined 19.8% last September as compared with December 2007, Canadian wheat was down 21.5% and Canadian barley slipped 4.7% (in September 2007, the price of these grain crops rose 59.8%, 51.0% and 22.3%

respectively). In September 2008, the price of American maize was up 29.7% and Thai rice gained 89.6% as compared with December 2007 (in September 2007, these prices went up 2.3% and 6.6% respectively).

After a price fall last year, the world's meat markets in 2008 saw beef prices start growing again: beef prices rose 35.4% in September as compared with December 2007 (in September 2007, it fell 2.5%). After a slight price fall in the fourth quarter of 2007, pork prices kept on rising this year and in January-September 2008 it was up 33.2% as against 4.3% in the same period last year. Poultry prices continued to increase: January-September 2008 growth stood at 14.4% as against 17.7% in January-September 2007.

The tendency towards growth in vegetable oil and animal fat prices has reversed this year. In July, sunflower oil and butter prices started to fall. Sunflower oil prices declined 19.9% in September 2008 as compared with December 2007 (in September 2007, they rose 75.2%), whereas butter prices last September were 26.3% higher than in December 2007 (in September 2007, they were 62.7% higher).

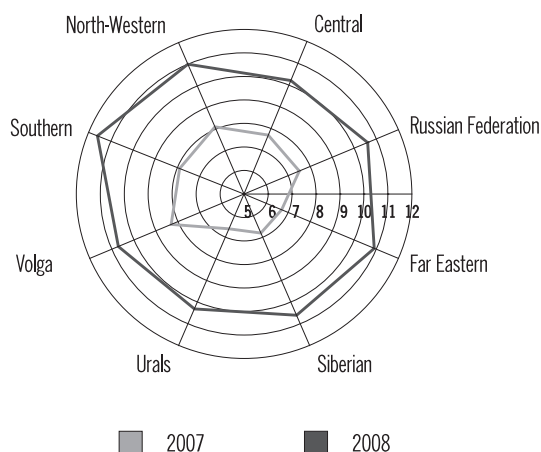
Fruit and vegetable prices rose 5.3% in January-September 2008, a decrease of 2.8 percentage points on the same period last year. As a result of growth in fruit and vegetable prices, the general rate of inflation accelerated by an estimated 0.2 percentage points (1.9% of overall consumer price growth). This compares with 0.3 percentage points and 4.1% in the same period

Food price inflation (%)

	Growth (September 2008 on December 2007)	Growth (September 2007 on December 2006)	
Food products	12.1	8.1	Acceleration of growth by 4.0 percentage points
Bread and bakery products	24.5	20.0	Acceleration of growth by 4.5 percentage points
Cereals and legumes	27.5	15.9	Acceleration of growth by 11.6 percentage points
Pasta	31.3	13.8	Acceleration of growth by 17.5 percentage points
Meat and poultry	15.6	5.4	Acceleration of growth by 10.2 percentage points
Fish and seafood	7.5	5.9	Acceleration of growth by 1.6 percentage points
Milk and dairy products	7.8	12.0	Slowing of growth by 4.2 percentage points
Butter	7.0	17.1	Slowing of growth by 10.1 percentage points
Sunflower oil	27.9	17.2	Acceleration of growth by 10.7 percentage points
Granulated sugar	12.1	0.2	Acceleration of growth by 11.9 percentage points
Vegetables and fruit	5.3	8.1	Slowing of growth by 2.8 percentage points
Alcoholic beverages	8.1	5.2	Acceleration of growth by 2.9 percentage points

Source: Rosstat.

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



Source: Rosstat

last year. Fruit and vegetable price growth in January-September 2008 was smaller than the average of the previous three years.

Food prices gained 12.1% in January-September 2008 as against 8.1% in the same period last year.

Growth in non-food prices accelerated from 4.0% in January-September 2007 to 6.5% in January-September 2008. It accounted for an estimated 2.3 percentage points, or 22.0%, of overall inflation. This compares with an estimated 1.4 percentage points, or 18.7%, in January-September 2007. The most significant growth was registered in petrol prices (18.6% as against 2.3% in January-September 2007), detergents (12.0% as against 5.3%) and tobacco products (11.9% as against 5.7%). The fall in world oil prices in September caused petrol prices to drop by 1.5%.

Paid service prices rose 14.1% in January-September 2008 as against 11.6% in the same period of 2007. Growth in the prices of services provided to households accounted for an estimated 3.5 percentage points, or 33.1%, of overall consumer price growth. This compares with 2.9 percentage points, or 37.9%, in January-September 2007.

Administered prices of paid services rose by an estimated 13.4%, an increase of 1.6 percentage points on growth in the same period last year. Housing and utility prices went up 15.5% as against 13.3% in January-September 2007 and

passenger transport fares grew 21.2% as against 10.6% in the previous year.

Paid service price growth in January-September 2008 exceeded overall growth in the prices of goods by 4.7 percentage points (in the same period last year, the excess was 5.5 percentage points).

According to Rosstat data, consumer price growth in January-September 2008 was faster than in the same period last year in all **federal districts of Russia**.

Estimates show that the differences between the Russian regions and territories in terms of the cost of a fixed set of goods and services used by the Federal State Statistics Service for interregional comparison of the purchasing power of the population narrowed in January-September 2008. The regional difference ratio¹ in that period decreased from 42.4% to 40.2% in the same period last year.

There was a relatively narrow gap between the regions in terms of the rates of food price growth, net of fruit and vegetable prices, in January-September 2008: it ranged from 11.5% to 16.1%. The rates of non-food price growth in that period were almost twice as low. Accordingly, non-food price growth rates varied by region from 6.0% to 7.9%. The gap between the regions in terms of rates of growth in fruit and vegetable prices was wide. In the Far Eastern Federal District, for example, fruit and vegetable prices grew 13.5% in January-September, whereas in the Southern Federal District they fell 1.0%.

All federal districts in that period saw paid service prices increase as compared with the same period last year.

Housing prices

Housing prices rose 10.9% on the primary market and 16.6% on the secondary market in January-September 2008. As compared with the same period last year, price growth on the primary housing market slowed down, whereas on the

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

secondary market it accelerated by 1.7 percentage points.

Growth in housing construction slowed down significantly in January-September 2008. While in the same period of 2007 year-on-year growth in housing construction stood at 30.9%, this year it was down to 3.9%. This along with lower prices on the primary market may indicate demand saturation in this segment of the real estate market. It should be noted that this demand is created, to some extent, by investors and the price slowdown may be the aftermath of the world financial crisis.

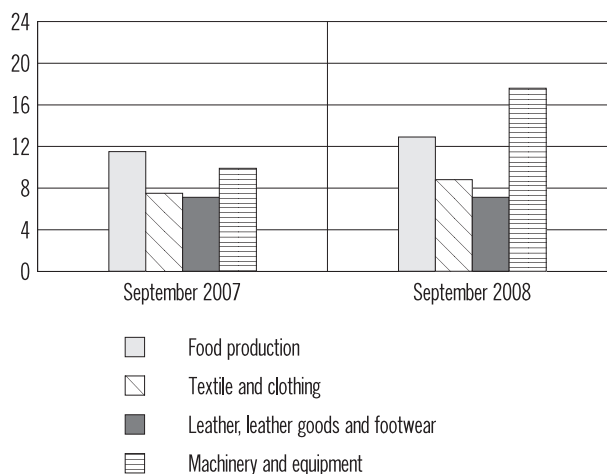
Producer prices

Industrial producer prices gained 17.6% in January-September 2008 as against 17.0% in the same period last year. The acceleration of producer price growth was primarily due to price growth in the manufacturing sector and the production and distribution of electricity, gas and water.

In the manufacturing sector, producer prices rose 19.6% in January-September 2008 as against 10.5% in the same period last year. They increased particularly in the production of coke (by 76.9% as against 21.9% in the same period of 2007) and chemicals (by 40.3% as against 6.7%) and the metallurgy sector (by 38.7% as against 7.2%).

Manufacturing industries turning out products for the consumer market saw prices rise faster in January-September 2008 than in the

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



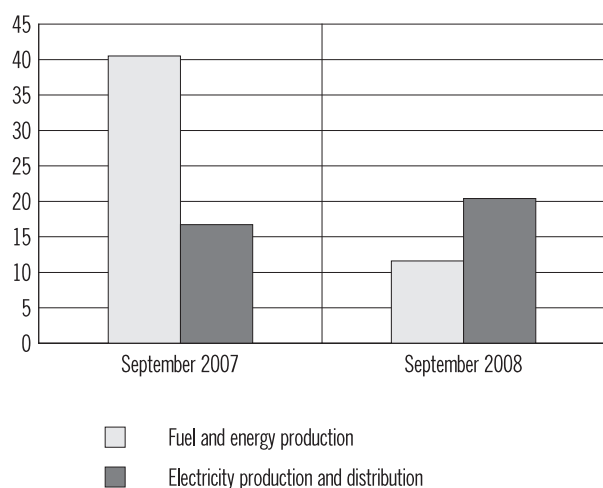
Source: Rosstat.

same period of 2007. Prices in the production of foodstuffs, including beverages, and tobacco increased 12.9% as against 11.5% in January-September 2007 and textile and clothing producer prices went up 8.8% as against 7.5%. Price growth in the production of leather, leather goods and footwear was unchanged on last year's 7.1%.

Price growth in the production, transmission and distribution of electricity accelerated from 16.7% in January-September 2007 to 20.4%.

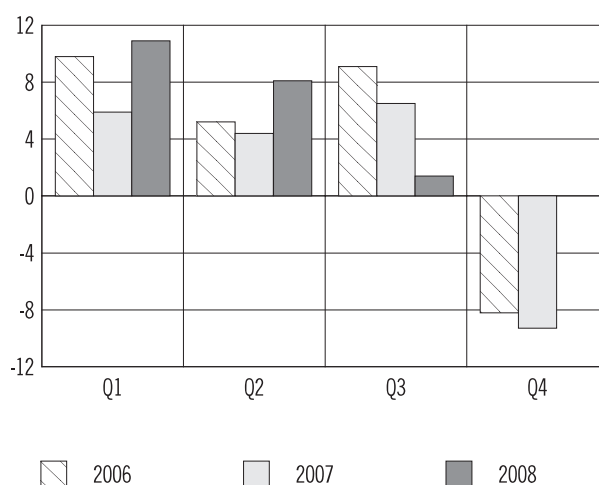
Producer price growth in the mining sector slowed from 36.4% in the same period last year to 11.7%. In the hydrocarbon extraction sector, it

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



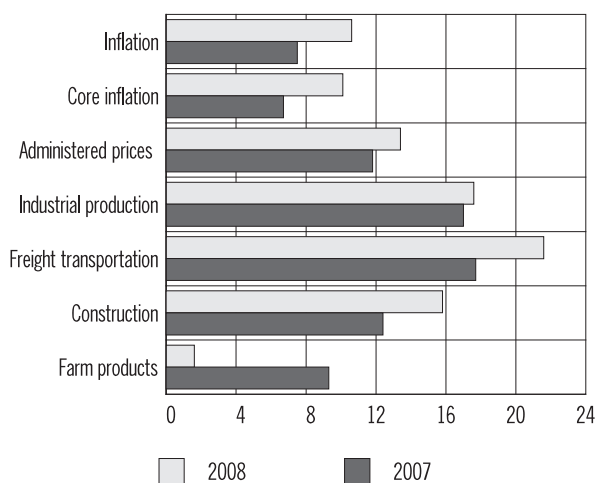
Source: Rosstat.

Freight charges (quarterly, %)



Source: Rosstat.

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



Source: Rosstat.

stood at 11.6% as against 40.5% in January-September 2007. The hydrocarbon extraction sector excluded, producer price growth in the mining sector accelerated to 12.9% in January-September 2008 as against 7.3% in the same period last year.

Price dynamics in the mining sector accounted for an estimated 3.1 percentage points, or 17.7%, of overall industrial producer price growth in January-September 2008. This compares with 8.2 percentage points and 47.8% in the same period last year.

Freight transportation charges grew 21.6% in January-September 2008 as against 17.7% in the same period of 2007. Railway transport fares went up 22.1% as against 7.7% in the previous year.

Communication fees for corporate entities increased 11.4% in nine months of the year as against 4.1% in the same period of 2007.

Producer price growth in the construction sector stood at 15.8% in January-September 2008 as against 12.4% in the same period of 2007.

Agricultural producer price growth slowed to 1.6% in January-September 2008 as against 9.3% in the same period last year. Prices of crop-growing sector went up 7.7% as against 16.2% in the previous year, of which grain producer prices rose 9.1% (as against 31.4% in the same period of 2007), sunflower producer prices were up 17.4% as against 16.6% and potato producer prices gained 23.7% as against 22.0%.

Vegetable producer prices dropped 26.2% (in January-September 2007, they declined 25.0%). Livestock producer prices fell 2.7%, whereas in January-September 2007 they increased 4.6%.

Foreign trade

The price situation for major Russian export commodities² on world markets in January-September 2008 was much better than in the same period last year, despite the fall in the price of oil and many other raw materials in the third quarter of the year. Energy prices rose 67% on average and non-energy prices increased 25%.

The acceleration of growth in oil prices in the first half of the year was due to high demand for energy not only by major consumers, but also investors, the contraction of world crude stocks, the devaluation of the US dollar and political instability in the world. Oil prices reached their high on July 11 when Urals traded at \$139.9 per barrel. However, in the middle of the month the situation on the raw material markets changed abruptly. As the world financial crisis deteriorated and the United States and some European countries anticipated a recession, lower world demand for energy, the appreciation of the US dollar and the outflow of investments from commodity markets led to a sharp fall in oil prices in July-September. As a result, by the end of September the price of Russian oil on the world market declined by more than one-third from its highest level and stood at \$91.8 per barrel. However, in the third quarter as a whole the average price of Urals crude fell 3.8% to \$112.4 per barrel, according to Bank of Russia estimates. The fall in oil prices was followed by a decline in the price of petroleum products. Petrol and diesel prices dropped 4-6.0% on average in the third quarter. Meanwhile, the prices of natural gas, fuel oil and coal continued to rise: as compared with the second quarter, they increased 17.9%, 12.8% and 17.4% respectively.

In nine months of this year, the average world price of Russian oil stood at \$107.6 per bar-

² Average prices are based on data provided daily by the following news agencies and exchanges: Reuters for oil, Petroleum Argus for petroleum products (petrol, diesel and fuel oil) and the London Metal Exchange for non-ferrous metals (aluminium, copper and nickel). Natural gas prices are monthly averages, ferrous metal prices are World Bank price indices and prices of other commodities are monthly averages published by the IMF.

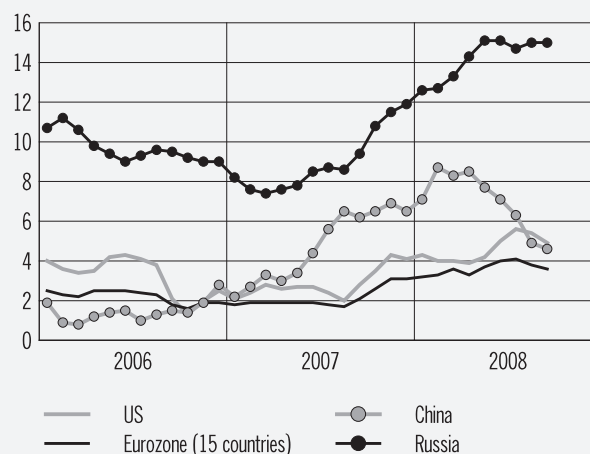
Inflation in some countries of the world¹

Inflation in the countries that account for a significant share of Russian imports increased from 3.3% in the first nine months of 2007 to 4.7% in January-September 2008 (September on December of the previous year). Most of Russia's trading partners saw price growth accelerate. Ukraine, where inflation increased to 16.1% as against 8.6% in January-September 2007, made the biggest contribution to aggregate inflation growth. Inflation in many countries was stimulated by growth in energy and food prices on world markets in the first half of the year. In the third quarter of the year, Russia's major trading partners saw inflation slow down.

US consumer price growth stood at 4.2% in September 2008 on December 2007 (in September 2007, it stood at 3.3%). Eurozone inflation quickened to 2.2% as against 1.6% in January-September 2007. In both cases, growth resulted from energy and food price increases (core inflation's contribution to overall consumer price growth remained unchanged on January-September 2007). As world oil prices fell in the third quarter, US and eurozone inflation slowed down. As a result of the decline in economic activity registered in the third quarter core inflation steadied in the United States and slowed down in the eurozone.

¹ According to data compiled by the Bureau of Labour Statistics at the US Department of Labour, the Statistical Office of the European Communities (Eurostat) and national statistical agencies of other countries. The contribution of individual factors to US and eurozone inflation has been evaluated by the Bank of Russia.

Consumer prices by country (%)*



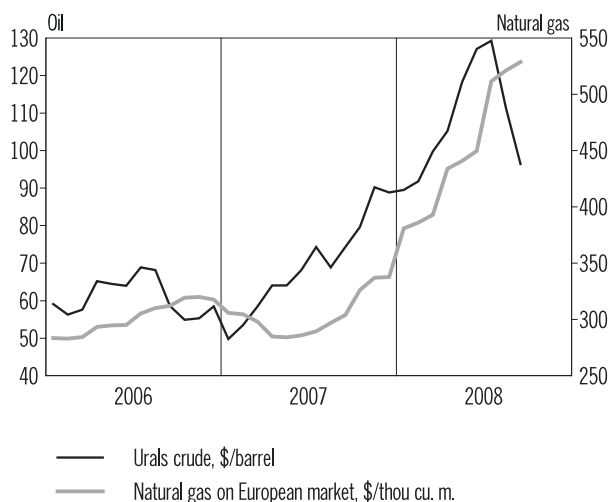
* Consumer price growth on the corresponding month of the previous year.

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

rel, an increase of 68.2% on the same period last year (in January-September 2007, it rose 2.4%). Petroleum product prices gained 72.2% on average (as against 1.5%), with diesel prices soaring 74.6% (in January-September 2007, they

declined 0.6%) and fuel oil jumping up 73.0% (as against 2.5%). In the meantime, the price of premium petrol rose 42.0% (as against 4.0% in the previous year) and straight was up 48.2% (as against 9.0%). The price of natural gas in Europe increased 52.5% (in January-September 2007, it fell 0.3%) and coal 130% (in the same period last year, it rose 19.8%).

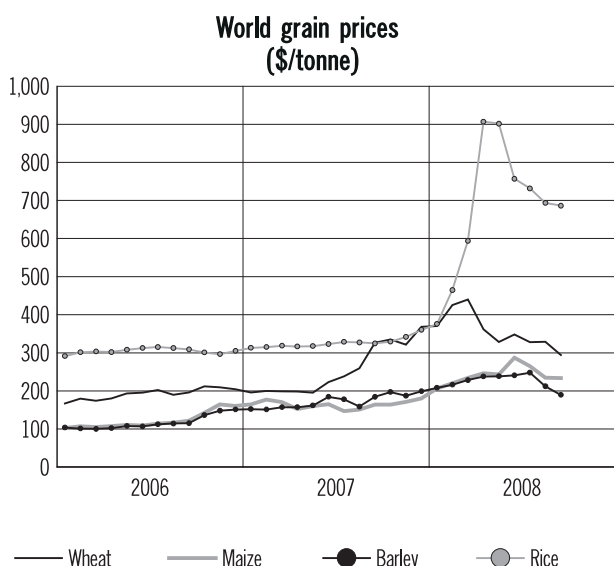
World oil and natural gas prices



Sources: Reuters, the World Bank.

The main factor of price growth on the world ferrous metal market this year has been the increase in the prices of raw materials for their production and electricity prices. In September, ferrous metal prices started to fall due to lower growth in demand, especially in China, but in the third quarter of this year they were higher than in the second. As a result, in nine months of this year, ferrous metal prices grew 58% on average on the same period last year (in January-September 2007, they rose 32%).

The escalation of the world financial crisis, which caused investor demand for non-ferrous metals to decline, lower world economic growth and industrial demand led to a fall in non-ferrous



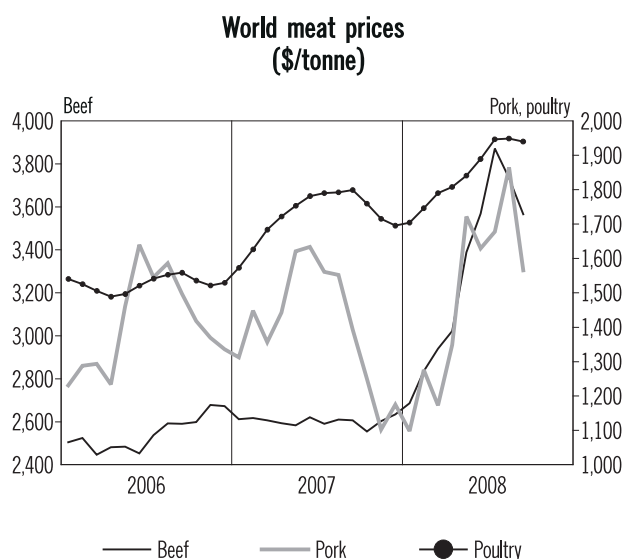
Source: The World Bank.

metal prices in the third quarter of this year. Quarter on quarter, the prices of copper fell 5.2%, aluminium 9.2% and nickel 26.0% (nickel prices had been falling for the past five quarters). As a result, in nine months of the year, the prices of aluminium were up 4.7% and copper 12.3%, as compared with the same period last year, whereas nickel was down 38.3% (in January-September 2007, the prices of aluminium rose 7.3% and copper 7.4% as compared with the same period of the previous year and the price of nickel was 90% higher). The world prices of other Russian raw material exports, except wood and saw timber, were considerably higher than in January-September 2007.

World prices of some of the major Russian food imports³ rose while some fell in the third quarter of the year. Grain, vegetable oil and animal fat prices declined, whereas meat and sugar prices increased.

After a sharp rise in world wheat prices from June 2007 to March 2008, in April they started to decline on expectations of a bumper harvest and in the third quarter this tendency increased due to lower world demand and the outflow of investment from commodity markets. The price of American wheat fell 8.3% in the third quarter of this year, as compared with the second one, and Canadian wheat was down 19.4%. Maize and

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

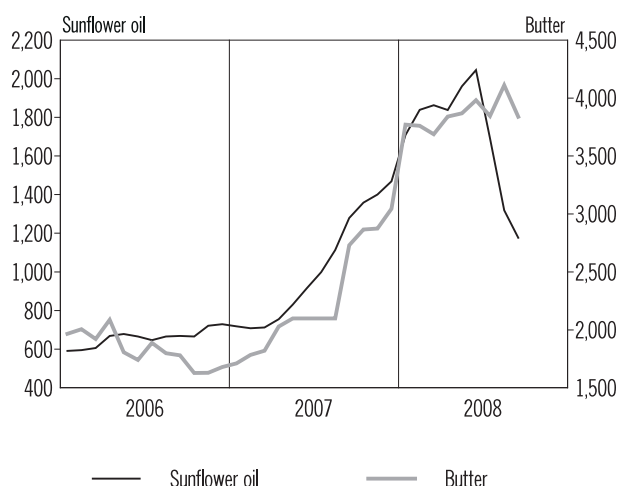


Source: The World Bank, the IMF.

barley prices kept on rising throughout the first half of 2008 due to high demand, supported, among other things, by the production of bio-fuel. In the third quarter, however, prices started to fall on these markets: maize prices began to decline in July and barley in August. As compared with the second quarter, the price of American wheat dropped 5.5% and Canadian barley went down 9.4%. However, the price downturn notwithstanding, grain prices in January-September 2008 were considerably higher than in the same period last year: the price of American wheat was higher by 58.5% (in January-September 2007, it was 21.4% higher than in the same period of 2006), Canadian wheat 90.1% (23.7%), American maize 49.5% (46.0%) and Canadian barley 36.0% (54.1%). The sharp rise in rice prices in the second quarter of this year (by 80% quarter on quarter) was caused by poor harvest, the contraction of stocks, restrictions placed on rice exports by some countries and the ensuing shortage on the world market. The expectations of a good harvest and the overall tendency towards decline in raw material prices contributed to a fall in rice prices, which dropped 17.8% in the third quarter. In nine months of this year, the price of rice was 2.1 times higher than in the same period last year (in January-September 2007, it was 4.7% higher than in the same period of the previous year).

Growth in energy and fodder prices and higher world demand led to growth in meat prices. At the same time, the expectations of bumper grain harvests, the fall in fuel and energy prices,

**World animal fat and vegetable oil prices
(\$/tonnes)**



Source: The IMF, the All-Russian Market Research Institute (VNIKI).

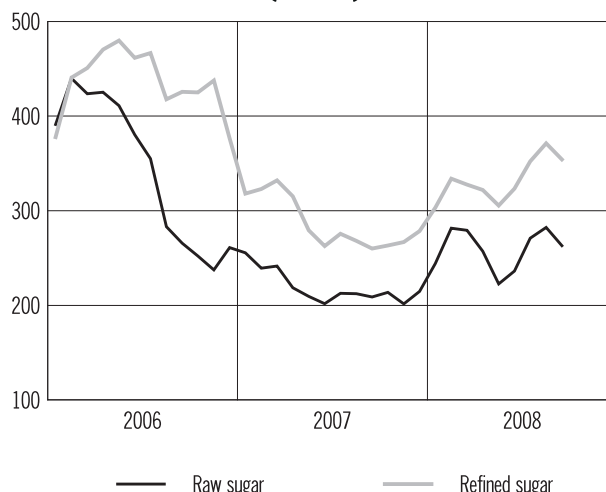
lower demand due to economic problems in the leading industrialised nations and the price downturn on most world commodity markets affected meat price dynamics: beef prices started to fall in August and pork and poultry prices in September. However, in the third quarter of this year the price of beef rose 11.9% quarter on quarter, pork 8.7% and poultry 5.4%. In January-September 2008, beef prices went up 26.3% year on year (in January-September 2007, they increased 3.7%), pork was up 0.3% (4.3%) and poultry 7.0% (13.1%).

After significant price growth on the world market of milk and dairy products in 2007, their prices mostly declined since the beginning of 2008, largely due to the increased supply to the world market. As a result, the average contract import price of milk in the third quarter of this year fell 6.1% as compared with the second quarter, whereas in January-September 2008 it rose 12.8% as compared with the same period last year (in January-September 2007, it increased 47.8%).

Growth in butter prices slowed down in the second and third quarters of this year, to 4.2% and 0.4% respectively (as against 27-28% in the previous two quarters). In January-September 2008, the world price of butter was by 90% higher than in the same period last year (in January-September 2007, it was 8.7% higher than in the same period of the previous year).

The price of sunflower oil grew in the first half of this year due to decline in production in the previous two agricultural years and a sharp

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



Source: The London Commodity Exchange.

fall in exports from Ukraine and Argentina. In the third quarter of the year, it started to fall: as compared with the previous quarter, sunflower oil prices dropped 29.4%. However, world prices of sunflower oil remained high in January-September 2008: they rose 90% year on year (in January-September 2007, they grew 40%).

Prices tended upwards on the world sugar market in January-September 2008. Sustained growth in the demand for sugar amid production decline, especially in India and Europe, led to the contraction of sugar exports and world stocks. In the third quarter of this year, price growth also accelerated quarter on quarter: the price of raw sugar rose 13.9% and refined sugar 13.4% (in the previous quarter, it fell 11.0% and 1.4% respectively). In nine months of the year, the price of raw sugar gained 16.8% and refined sugar 13.6% (in January-September 2007, sugar prices fell 40.7% and 34.0% respectively).

The price situation on world commodity markets in the third quarter of this year remained conducive to the improvement of the terms of trade⁴ between Russia and other countries, but, according to a Bank of Russia estimate, the increase of the terms of trade index slowed down as compared with the previous quarter. However, in nine months of this year, the rise of this index accelerated, compared to the same period last year, as export prices grew more rapidly than import prices.

⁴ The ratio between export and import price indices.

Foreign trade in some countries¹

In the middle of the year, the terms of trade began to change for the worse for oil exporting countries. The unfavourable situation in the world economy, caused by the financial crisis, is affecting the dynamics of demand for energy products. In the past three months, the International Energy Agency has lowered its world oil consumption estimates and forecasts for the third and fourth quarter of the year and for 2008 as a whole. The IMF believes that the average Brent, Dubai and WTI crude prices will fall by 31.8% in 2009 after the 40.2% increase in 2008 (World Economic Outlook Update, November 2008). Growth in international trade in goods and services is expected to slow down significantly in 2008-2009.

The terms of exports of mineral fuel were good for Russia in January-September 2008 as a large part of them were supplied to the European Union member countries where oil consumption is relatively stable. EU expenditures on the consumption of mineral fuel increased in the period under review (exports from Russia accounted for more than a quarter of total consumption in value).

¹ According to data provided by the International Energy Agency, International Monetary Fund, and Eurostat.

The trade surplus expanded significantly in the third quarter and in nine months of this year, as compared with the corresponding periods last year, due to rapid growth in exports. In January-September 2008, the trade surplus⁵ increased almost 70% to \$153.3 billion (in nine months of 2007, it contracted 18.3% to \$91.0 billion).

Demand

Domestic demand

Russia's GDP grew by an estimated 7.2% in January-September 2008, as compared with the same period last year (in January-September 2007, it increased 7.6%). Domestic demand, including the demand for imported products, continued to expand. Estimates show that demand for imports grew faster than demand for domestic products.

Although imports still accounted for a large part of retail trade's goods resources, in the first half of the year, it decreased by 1.5 percentage points on the January-June 2007 level and stood at 44.9%. The share of imported food products contracted from 36.9% to 35.9% and that of non-food imports shrank by 1.9 percentage points to 52.4%.

Investment and consumer goods imports increased at rapid rates. According to a Bank of Russia estimate, growth in investment goods necessary for economic development was a little faster than growth in consumer goods imports, which, as before, was largely due to rapid

growth in imports of cars, household appliances and other non-food products. In the second and third quarters, however, growth in food imports accelerated due to both the rise in contract prices and the expansion of import volumes.

Imports from non-CIS countries, especially Asia Pacific Economic Co-operation (APEC) member states, primarily China and Japan, grew faster than overall imports⁶ in January-September 2008. Growth in imports from European Union member countries also slightly exceeded growth in imports from all other countries. CIS imports increased more slowly than overall imports amid the contraction of imports from Uzbekistan and Georgia.

Imports of goods increased in January-September 2008 due to both the expansion of import volumes and growth in import prices. In the third quarter, as in the second, growth in import volumes slowed, whereas the rise in import prices accelerated. The increase in import prices, especially the prices of imported foodstuffs and raw materials for their production, led to price growth on the domestic market. The increase in the cost of imports was largely due to growth in engineering imports. Machinery, equipment and transport vehicles accounted for 52.9% of total imports in January-September 2008 as against 49.8% in the same period last year.

Wage and social benefit increases in January-September 2008 contributed to growth (by 7.8%) in household real disposable money in-

⁵ According to the balance of payments estimate as of October 3, 2008.

⁶ Source: The Federal Customs Service.

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

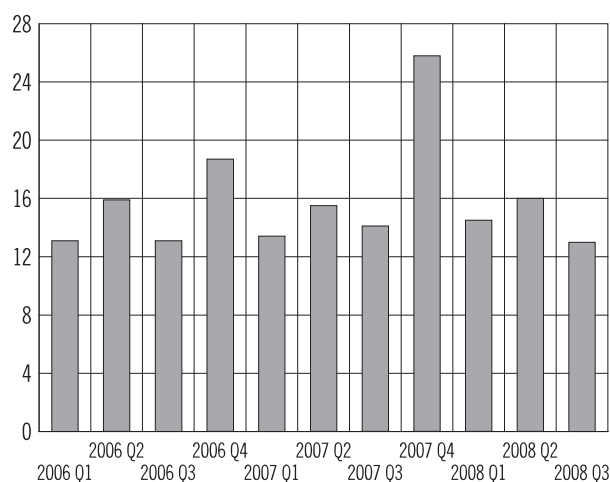
	2007			2008		
	Q1	Q2	H1	Q1	Q2	H1
GDP	7.4	8.1	7.8	8.5	7.5	8.0
Final consumption	10.4	10.6	10.5	10.6	9.4	9.9
Of which:						
– households	12.4	12.7	12.5	14.1	12.2	13.1
Gross capital formation	24.9	25.9	25.5	10.4	17.8	14.6
Net exports	-23.9	-29.2	-26.4	-7.3	-32.6	-19.2

Source: Rosstat.

come. The share of wages and salaries contracted in it from 69.3% in the same period of 2007 to 68.4%, whereas the share of social transfers expanded. The structure of household income use also changed in January-September 2008: the share of consumer spending increased from 71.4% to 73.2%, compulsory payments and duties from 12.4% to 13.0% and foreign exchange purchases from 5.2% to 5.6%. The share of organised savings contracted by a percentage point to 7.3%. Expenditures on household final consumption increased 13.1% in the first half of this year as against 12.5% in the same period last year.

Government expenditures on final consumption increased 2.3% in the first half of 2008 (5.5% in January-June 2007). According to the Federal Treasury's preliminary data, federal budget expenditures in January-September 2008 increased by 0.1 percentage points, as compared with the same period last year, and stood at 14.9% of GDP. Non-interest expenditures stood

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



Source: The Federal Treasury.

at 14.5% of GDP as against 14.4% in January-September 2007. This growth may be attributed to higher social expenditures and the carryover of a part of expenditure obligations from 2007 to the current year. Federal budget non-interest expenditures in January-September 2008 accounted for 60.3% of the updated budget projection for the year, which represents a considerable increase on the previous year's 52.4%. The federal budget surplus stood at 8.3% of GDP in January-September 2008, an increase of 1.3 percentage points on the same period last year.

Gross capital formation increased 14.6% in January-June 2008 as against 25.5% in the corresponding period last year. Growth in investor activity continued to slow down in the third quarter of the year. In January-September 2008, fixed capital investment grew 13.1% as against 21.3% in the same period of 2007. The largest sums were invested in mining, transport and communications.

Investments in machinery, equipment and transport vehicles accounted for more than a third of total investment. About one-fifth went to import equipment. Imports of machinery, equipment and transport vehicles increased 59.5% in the first half of the year as against 59.8% in January-September 2007. Growth in imports of machinery and equipment is one factor of modernisation of production and introduction of advanced technologies, which help increase labour productivity, contain price growth in the economy and create conditions conducive to sustainable economic growth.

Fixed capital investment was mostly financed by raised funds (55.7%) in January-June 2008. Bank loans accounted for 10.5% as against 9.8% in January-September 2007.

Economic growth in foreign countries¹

GDP growth rates in the countries that account for a large part of Russian exports slowed to an estimated 3.6% in January-September 2008, as compared with the same period last year. This compares with 4.9% in January-September 2007. According to estimates and preliminary data, GDP grew 1.8% in the United States as against 1.9% in the nine months of 2007, 1.4-1.5% as against 2.8% in the eurozone and 9.0% as against 12.2% in China. The IMF has lowered its world economic growth forecast for 2008 from 4.1% as of July 2008 to 3.7% as of November 2008. The escalation of the financial crisis in the United States affected other countries and world financial and commodity and raw material markets. Judging by some developments, the industrialised nations are entering a cyclic recession. The weakening of demand in the countries with a high level of per capita consumption along with world financial problems will adversely impact exports and investments of emerging markets.

¹ According to data compiled by the US Commerce Department Bureau of Economic Analysis, Eurostat, China's National Statistics Bureau and national statistics agencies of other countries.

As imports grew considerably faster than exports, net exports contracted 19.2% in January-June 2008.

Thus, growth in domestic demand stimulated rapid economic growth and caused production to surpass its natural (potential) level in January-September 2008.

Foreign demand

Despite the fall in oil prices that began in the middle of July, third-quarter export growth rates remained almost as high as in the previous two quarters. As compared with the first nine months of 2007, commodity exports⁷ increased 51.9% to \$372.0 billion. Commodity exports to EU countries, especially Italy, Germany and Poland, and APEC members, particularly Japan, the United States and South Korea, grew faster than overall exports in January-September 2008.⁸ Exports to the CIS countries grew more slowly than overall exports (exports continued to increase rapidly to Ukraine and Belarus).

Growth in the value of Russian commodity exports in January-September 2008, as compared with the same period last year, was chiefly due to higher value of energy exports, which was accompanied by the expansion of natural gas and petroleum products export volumes. Oil exports contracted in volume in January-September 2008. The expansion of commodity export vol-

umes was considerably slower than growth in commodity export prices.

Supply

Production growth continued in most of economic activities in January-September 2008. As for the structure of growth in gross value added in the first half of this year, the share of the manufacturing sector, construction, education and healthcare expanded year on year, whereas the share of the mining sector contracted.

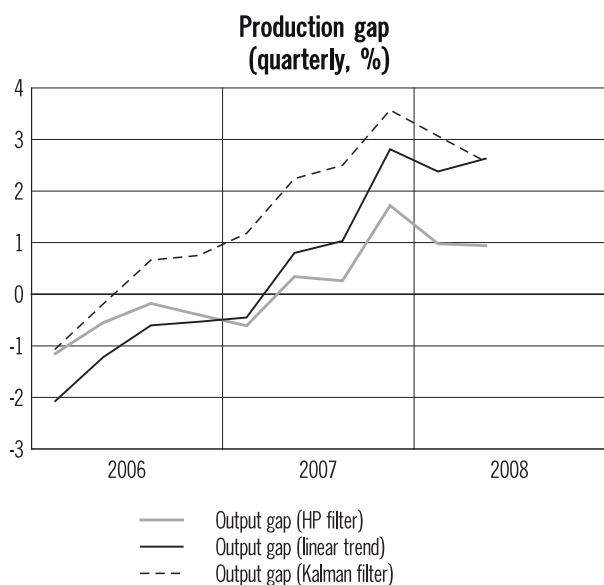
Output in the key activities in January-September 2008 increased 7.3% as against 7.8% in the same period last year. The most rapid rates of growth were registered in the construction sector and retail trade. Retail trade turnover expanded 15.0% in January-September 2008 as against 15.8% in the same period of 2007 and construction increased 17.0% as against 18.1% in the previous year.

Industrial output increased 5.4% in January-September 2008 as against 6.6% in the same period last year. This minor slowdown is largely due to lower production growth in the manufacturing sector (from 10.1% in January-September 2007 to 7.7% in January-September 2008) and mining sector (from 2.2% to 0.5%).

Prices changed in the economy amid the expansion of goods supply. Agricultural output increased 6.5% in January-September 2008 as compared with the same period last year (in January-September 2007, it grew 3.4%). Growth was registered in the output of key livestock products, such as cattle and poultry in slaughter weight, which increased 8.0%, and milk, which

⁷ According to the balance of payments estimate as of October 3, 2008.

⁸ Source: The Federal Customs Service.



Source: The Bank of Russia.

grew 1.2%. As a result, the output of meat and meat products increased 7.0% in January-September 2008, of which meat, including quality meat sub-products, grew 12.7%. As a result, producer price growth slowed down in agriculture.

Labour market

The number of people employed in the economy continued to rise in January-September 2008 but considerably more slowly than in the same period last year (0.9% as against 2.6%).

Labour productivity increased by an estimated 7% in the first half of this year as against 5% in the first half of last year, stemming price growth in the economy. An estimate shows that labour productivity in goods and services sectors grew roughly at the same rates, whereas the pro-

duction of services grew faster than the production of goods. The number of employed in the services sector increased on the previous year but decreased in the goods sector.

As in the previous years, real wage in January-September 2008 grew faster (by 12.8%) than labour productivity, but this gap narrowed as compared with the same period last year.

In the GDP structure by income, the share of wage contracted from 48.4% in the first half of last year to 47.6% in the first half of this year.

Wages continued to differ significantly in various activities in 2008. The highest average monthly wage in January-September 2008 was registered in the financial sector (40,241 rubles) and hydrocarbon extraction sector (36,963 rubles). This exceeds the national average by 2.4 times and 2.2 times respectively. The lowest wage was registered in agriculture, hunting and forestry (7,718 rubles), textile and clothing production (7,888 rubles) and the production of leather, leather goods and footwear (9,063 rubles). This represents respectively 46.8%, 47.8% and 54.9% of the national average. Wages below the national average were registered in the sectors that receive considerable government funding (education, utilities, public and personal services, healthcare and social services).

The jobless rate (calculated by the ILO methodology) fell 5.9% in January-September 2008. The total number of unemployed in that period declined to an estimated 5.9% of the economically active population as against 6.2% in January-September 2007.

Monetary Conditions

Exchange rate

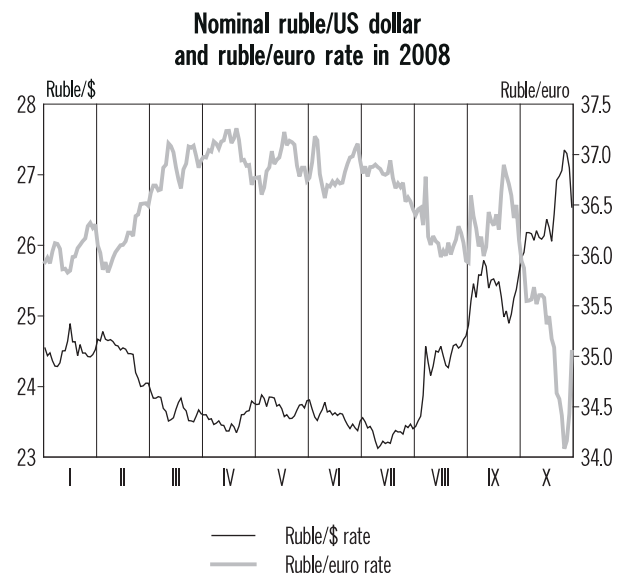
The current account surplus stood at \$27.6 billion in the third quarter of this year, according to a federal balance of payments estimate. This represents a slight increase on the previous quarter's \$26.2 billion and significant growth on the third quarter of 2007 (\$15.5 billion). Preliminary data indicate that there was a private sector net capital outflow of \$16.7 billion in the third quarter of the year, which is largely attributable to the worsening of political and external economic conditions since August.

Throughout the period under review, the Bank of Russia first bought foreign currency (in July and August) and then sold it (in August and September) on the domestic foreign exchange market. At the same time, while implementing the currency intervention strategy it proclaimed, the Bank of Russia let the bi-currency basket fluctuate within a considerably wider range than in the previous quarter. As a result, after reaching an all-time record high of \$598.1 billion early in August, international reserves decreased to \$556.8 billion at the end of the quarter. In October, the Bank of Russia remained a seller of foreign currency amid the continuing weakening of the ruble and eventually by the end of the month international reserves contracted to \$484.6 billion.

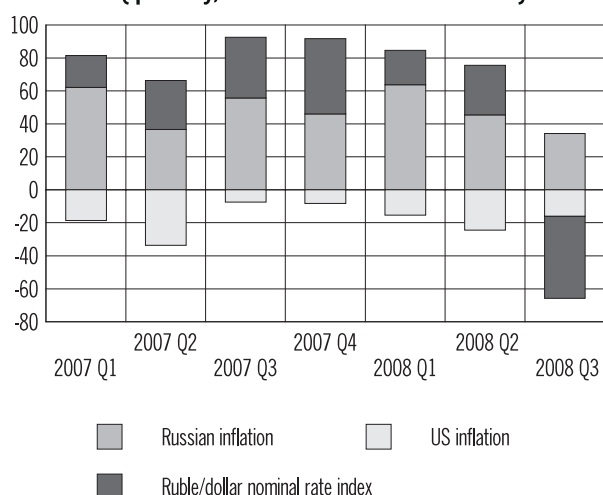
The nominal ruble /US dollar rate declined in the third quarter, the first quarter-on-quarter fall since 2005. The weakening of the ruble continued amid the sustained tendency towards the dollar's appreciation against some world currencies. This was the result of lower oil prices, the relatively favourable macroeconomic statistics on the US economy and the adoption of timely measures to prop up the US financial market, which provoked an overall favourable reaction from investors. In the period from July through September, the ruble depreciated 2.5% against the dollar, whereas in the second quarter the ruble gained 2.7% against the dollar. The dollar continued to appreciate against the ruble in October and by the end of the month the ruble depreciated 4.1% against the dollar and stood at 26.5430.

The nominal ruble /euro rate rose 1.2% in the third quarter as compared with the second, when it lost 1.7%. In October, the ruble continued to appreciate against the euro and gained 3.0% as a result. **The nominal ruble rate against the bi-currency basket** fell 0.5% in the quarter under review, whereas in the previous quarter it gained 0.2%. It depreciated 0.4% in October.

The nominal effective ruble rate against foreign currencies dropped 0.9% in July-September (0.4% in the second quarter). **The real effective ruble rate** appreciated 0.5% as against 1.5% in the previous quarter. This rally was due to the fact that Russian inflation was higher than inflation in Russia's trading partners as a whole. At the same time, price growth in Russia relative to price growth in Russia's trading partners somewhat slowed in the quarter under review, mostly due to the seasonal fluctuations of domestic inflation. In October, the nominal effective ruble rate appreciated 2.1%. The rally was largely due to the ruble's growth against the euro, the major currency of the countries trading with Russia, in that period, caused, to a great extent, by the measures taken by the Bank of Russia to keep the value of the bi-currency basket within the pre-set range. At the same time, this was also the result of the ruble's appreciation against other currencies of Russia's trading partners. According



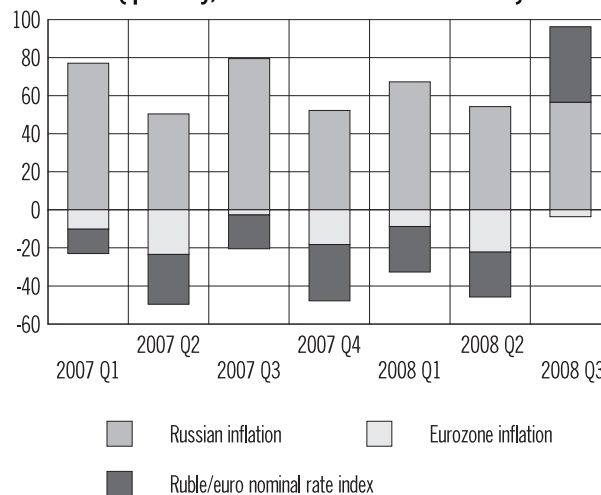
Sources: The Bank of Russia, Reuters.

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


Sources: The Bank of Russia, Reuters.

to preliminary data, the ruble appreciated 2.6% against foreign currencies in real terms.

The real ruble/US dollar rate depreciated 1.6% in the third quarter, whereas in the second it appreciated 4.4%. The ruble's nominal depreciation against the dollar was a major factor of the ruble's weakening against the dollar in real terms, as it completely offset the positive price differential between Russia and the United States.

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


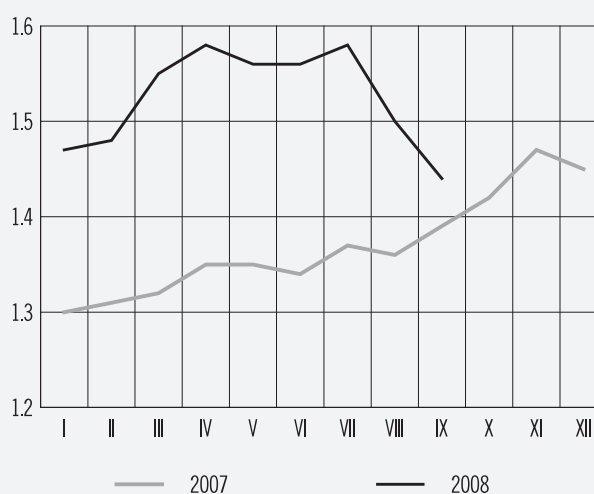
Sources: The Bank of Russia, Reuters.

The real ruble/euro rate gained 2.8% in the third quarter of this year as against 0.8% in the second. The appreciation was chiefly due to the nominal rise of the ruble against the euro in the quarter under review and the importance of this factor increased significantly as compared with the previous quarter.

International currency market

The international currency market continued to register the dollar's depreciation against the currencies of most of Russia's trading partners in the first half of this year, but in the third quarter the dollar appreciated sharply. As a result, in the nine months of the year (September to December 2007), the dollar gained about 1.5% against the euro. It also appreciated significantly against the British pound, South Korean won and Turkish lira. At the same time, the dollar depreciated about 8% against the yuan and about 5% against the yen.

The yuan's appreciation against the dollar accelerated in January-September 2008, as compared with the same period last year, as the Chinese authorities eased their exchange rate policy, but in the third quarter the yuan's rise slowed down. The National Bank of Ukraine last May revalued the hryvnia against the dollar, allowing the Ukrainian currency to appreciate from 5.05 hryvnia to the dollar in the period since May 2005 to 4.85 hryvnia. It should be noted that in October Ukraine devalued its currency because of a huge imbalance between demand and supply on the domestic foreign exchange market, which reflected the weakening of the balance of payments and financial problems of the country. The National Bank of the Republic of Belarus in 2008 began to use the Belarusian ruble/US dollar rate as a single operating benchmark on the foreign exchange market.

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


Source: Reuters.

Interest rates

Money market and Bank of Russia interest rates

As the inflationary pressure remained, on July 14, the Bank of Russia raised the limit of its interest rate band by a quarter of a percentage point: the overnight rate that set the upper limit of the

band was raised from 10.75% to 11.0% p.a. and the 'tom-next' deposit rate, which set the lower limit of the band, was increased from 3.5% to 3.75% p.a. At the same time, the minimum overnight repo auction rate was lifted from 6.75% to 7.0% p.a. In addition, the Bank of Russia hiked interest rates on all its operations by a quarter of a percentage point.

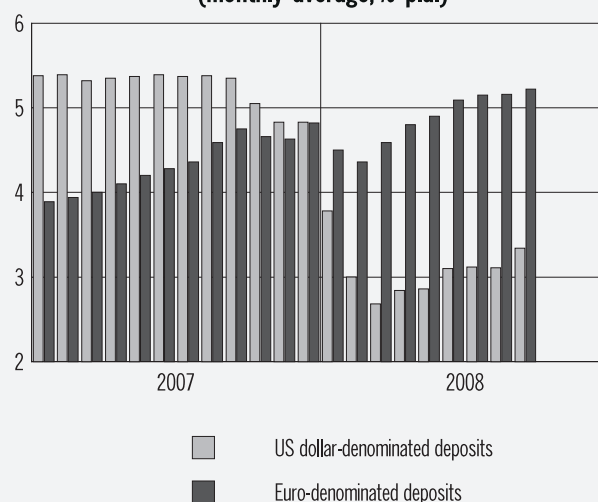
Foreign central bank policies

In January-September 2008, the policies pursued by foreign central banks aimed largely to protect the financial sector from systemic risk. This was the top priority for the US Federal Reserve and Bank of England. At the same time, the monetary authorities realised the need to stem the acceleration of inflation. It is the task of curbing inflation that forced the European Central Bank (ECB) and central banks of some other countries to change their interest rate policy. In the first half of the year, the ECB maintained the refinancing rate at 4.0% p.a., but in July it raised it to 4.25% p.a. Interest rates were also raised in Denmark, Sweden, Norway, Poland, Hungary, Turkey, India, Indonesia and Thailand.

The Federal Reserve cut the federal funds rate from 4.25% to 2.0% p.a. in the period under review. The Bank of England slashed the refinancing rate from 5.5% to 5.0% p.a. The People's Bank of China reduced the benchmark yuan credit rate in September. It should be noted that in October the central banks of many countries, including those mentioned above, undertook concerted action to cut interest rates. The LIBOR on dollar-denominated deposits in January-September 2008 were lower than the LIBOR on euro-denominated deposits.¹

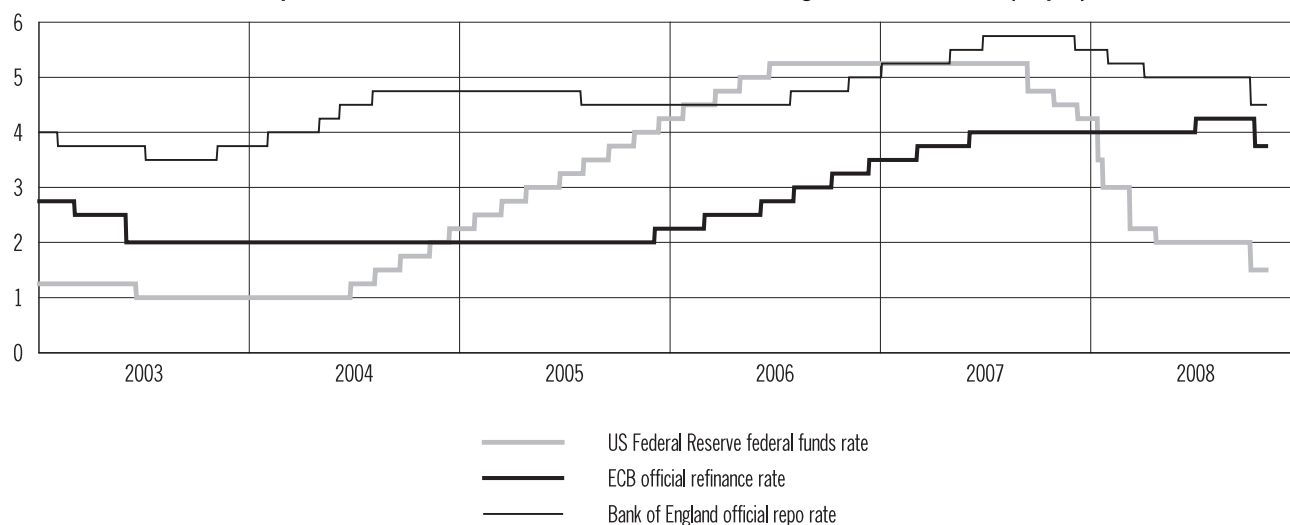
¹ Source: Reuters.

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



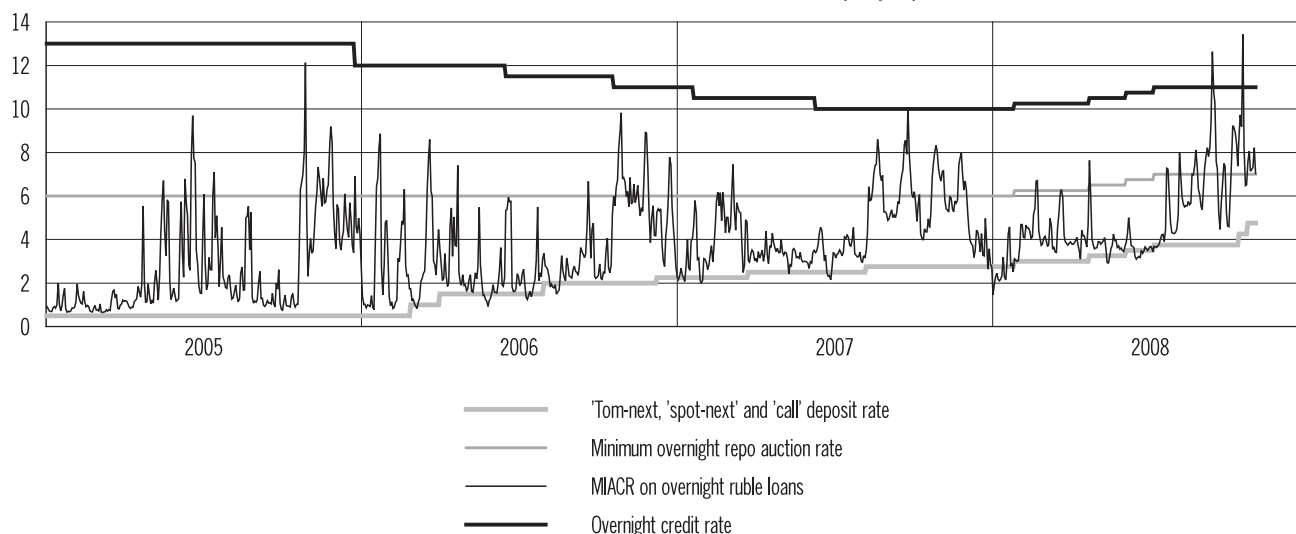
Source: Reuters.

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



Sources: ECB, Federal Reserve and Bank of England.

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



Source: The Bank of Russia.

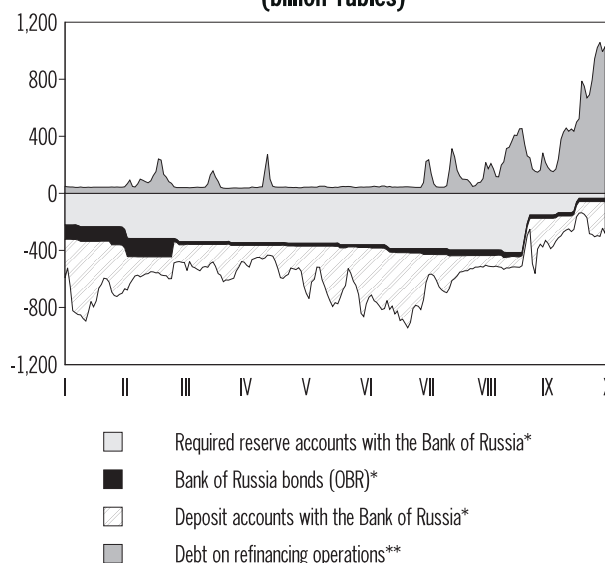
In August and September, the Bank of Russia interest rate band and minimum overnight repo auction rate remained unchanged. However, as liquidity problems exacerbated and stock market prices plummeted, on September 18 the Bank of Russia cut interest rates on some of its liquidity-boosting operations (see Box 'Measures taken by the Bank of Russia to Stabilise the Liquidity Situation in August-October 2008').

As the crisis escalated on the financial market, in October the Bank of Russia raised interest rates on 'tom-next', 'spot-next' and 'call' deposits to 4.75% p.a. and interest rates on '1-week' and 'spot-week' deposit operations to 5.25% p.a. to discourage capital outflow from Russia. As a result, the raising of the 'tom-next' deposit rate narrowed the interest rate band by a percentage point in October.

High interest rates on the Russian interbank credit market in August-October, both short- and longer-term, showed that the liquidity situation remained difficult in that period. The average daily banking sector debt to the Bank of Russia on the liquidity-boosting instruments increased from 60 billion rubles in the first half of the year to 145 billion rubles in the third quarter and almost 560 billion rubles in October. The average daily debt owned by the Bank of Russia on the bank liquidity absorption instruments stood at 250 billion rubles in the third quarter, but in October it contracted to 178 billion rubles (in the first half of the year, it stood at 288 billion rubles).

The deepening of the world financial crisis in the third quarter of the year amid the escalation of international tension provoked capital outflow from the Russian financial market and destabilised it. As Russian banks began increasingly to distrust one another, they pursued a cautious lending policy on the money market, keeping a part of their funds in reserve in correspondent accounts. Although they had considerable ruble resources, **interbank loan rates** increased significantly. The average quarterly MIACR on overnight ruble loans stood at 5.7% p.a. in the third quarter

Bank of Russia major operations in 2008 (billion rubles)



* Balances of funds with the sign (-).
 ** On overnight and Lombard loans, repo and currency swap operations, loans secured by 'non-market' assets or guarantees and unsecured loans.
 Source: The Bank of Russia.

Measures taken by the Bank of Russia to Stabilise the Liquidity Situation in August–October 2008

Higher instability on world financial markets in August and the worsening of the situation in September and October created liquidity problems on the Russian money market. As stock market prices declined, interbank credit problems arose in September and October, caused, among other things, by non-payments on inter-dealer repo operations. Liquidity shortages amid the evolving exchange rate dynamics and market participants' corresponding expectations led to significant growth in banking sector demand for foreign exchange. In August, the Bank of Russia had to sell foreign currency and in September and October it conducted currency interventions daily. In that period, Bank of Russia's net sales of foreign exchange totalled 55.8 billion US dollars and 3.9 billion euros. In that situation, the Bank of Russia Board of Directors decided to take a series of actions to shore up the banking sector's ruble liquidity.

The lowering of required reserve ratios on September 18 by 4 percentage points released nearly 260 billion rubles and their subsequent reduction on October 15 by half a percentage point for each category of the required reserves infused the banking system with an additional 100 billion rubles.

In August–October, the Bank of Russia increased significantly the funds provided to credit institutions for longer terms. As the liquidity situation exacerbated, on September 18, it cut by half a percentage point fixed interest rates on loans secured by 'non-market' assets or guarantees. In addition, on October 15, the Bank of Russia reduced by half a percentage point to 9% p.a. the interest rate on loans secured by 'non-market' assets and extended for terms of up to 30 days. Overall, in the period from August through October, the Bank of Russia extended for a term of 1 month and longer a total of 74.0 billion rubles in loans secured by 'non-market' assets and guarantees.

To scale up the liquidity-boosting operations, the Bank of Russia Board of Directors on October 16 passed the decision allowing the Bank of Russia to extend unsecured loans to Russian credit institutions and on November 5 it extended these loans for the maximum term of 6 months to credit institutions rated BB- and higher by Standard & Poor's and Fitch Ratings and Ba3 and higher by Moody's Investors Service. In October, the Bank of Russia extended a total of 631.0 billion rubles in unsecured loans at the average weighted rate of 9.89–10.53% p.a.

On October 20, it began to auction 3-month Lombard loans at the minimum offered rate of 8.5% p.a. and extend 30-day Lombard loans at the fixed rate of 8.0% p.a. Over the month, it extended 4.8 billion rubles of 3-month Lombard loans and 10.6 billion rubles of 30-day Lombard loans.

In addition, the Bank of Russia set the same minimum offered rate of 7.5% p.a. for 1-week repo auctions and 2-week Lombard loan auctions. In the period from August through October, the total volume of liquidity provided for a term of 1 week and 2 weeks through these operations reached almost 110 billion rubles.

Despite growth in liquidity provided for terms longer than 1 month, the Bank of Russia provided most of the funds to banks through overnight operations. The funds provided through overnight repo auctions in August–October totalled 10.1 trillion rubles, or 153.0 billion rubles a day on average. Overnight loans extended by the Bank of Russia during that period at the fixed rate amounted to 74.2 billion rubles, Lombard loans 13.4 billion rubles and funds provided through repo operations 40.3 billion rubles. It should be noted that on September 18 rates on repo operations and overnight Lombard loans were cut by one percentage point.

Credit institutions were also infused with ruble liquidity through currency swap operations. In September, the interest rate on the ruble part of overnight currency swap operations was cut to 8% p.a. However, to discourage speculation on the foreign exchange market, the Bank of Russia in October raised this interest rate to 10% p.a. and began to set a limit on the total amount of funds provided through these transactions. In the period from August through October, credit institutions received a total of 1.6 trillion rubles through currency swaps.

Yet another means of injecting ruble liquidity into the banks was depositing temporarily free federal budget funds with commercial banks.

To make the refinancing instruments more accessible to credit institutions, the Bank of Russia in September and October eased the conditions on which banks could get funds using some kinds of security. Specifically, it cancelled the 1.25% discount in repo operations with federal loan bonds (OFZ) and Bank of Russia bonds (OBR) and raised the Bank of Russia adjustment ratios used in calculating the value of security for Bank of Russia loans. In addition, in October the Bank of Russia lowered its issuer/issue rating requirements for the bonds included in the Bank of Russia Lombard list and the obligor ratings for promissory notes and credit claims accepted as collateral against Bank of Russia loans by two notches, to B-/B3 used by rating agencies Fitch Ratings, Standard & Poor's and Moody's Investors Service.

The Federal Law on Additional Measures to Support the Financial System of the Russian Federation, which came into force in October, granted the Bank of Russia the right (until December 31, 2009) to conclude agreements with credit institutions on compensation of a part of the losses they may incur on loans extended to credit

institutions whose licence has been revoked. In addition, to enable Vneshekonombank to extend loans to entities for foreign debt payment and service, the Bank of Russia is to deposit with this bank a total of \$50 billion for one year. To stabilise the liquidity situation, the Bank of Russia may also extend no more than 500 billion rubles in unsecured subordinated loans to the Savings Bank (Sberbank) until December 31, 2009, at the rate of 8% p.a. In addition, the law allows the National Wealth Fund to deposit no more than 450 billion rubles with Vneshekonombank until December 31, 2009, at the rate of 7% p.a. to enable this bank to extend unsecured subordinated loans to other credit institutions.

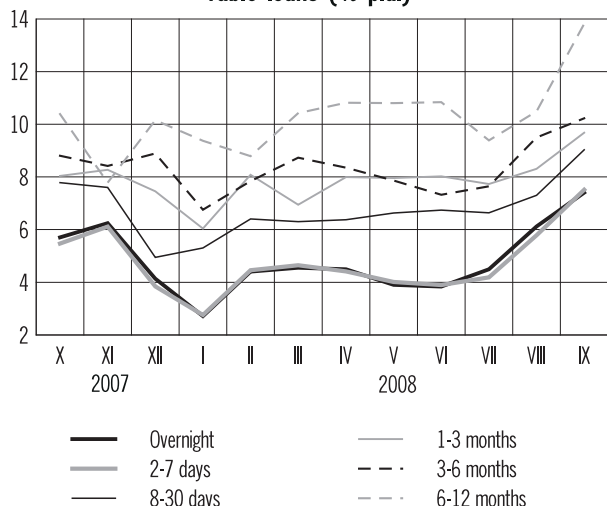
The measures taken by the Bank of Russia and the Russian Government, described above, have somewhat mitigated the liquidity crunch on the Russian money market.

as against 3.9% p.a. in the second. The increase in average interest rates was accompanied by a significant expansion of the band of their fluctuations. In the third quarter, the overnight ruble MIACR ranged from 3.4% to 12.6% p.a. (in the second quarter, it fluctuated between 2.9% and

7.6% p.a.). In October, it varied from 4.6% to 13.4% p.a. and averaged 7.6% p.a., the highest level since June 2004.

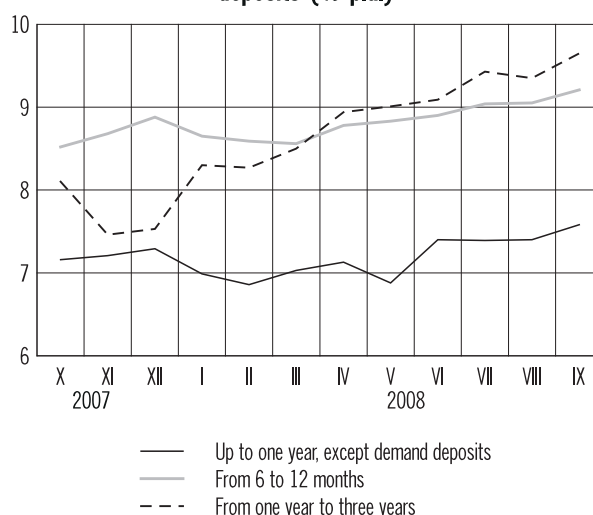
Interest rates on interbank ruble loans extended by Russian banks for a term of 2 to 7 days rose from 4.1% p.a. in the second quarter

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



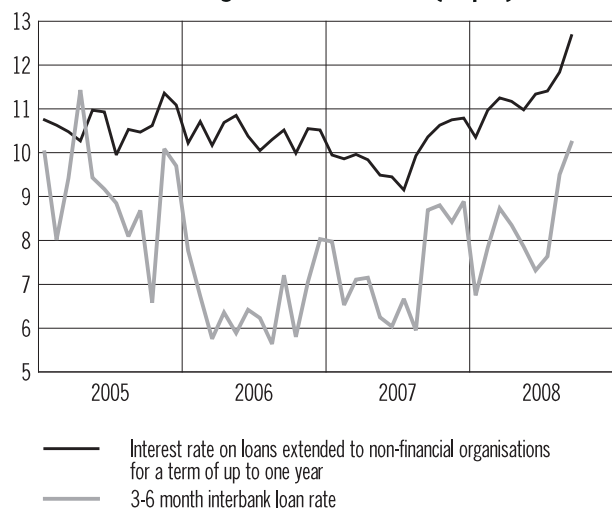
Source: The Bank of Russia.

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



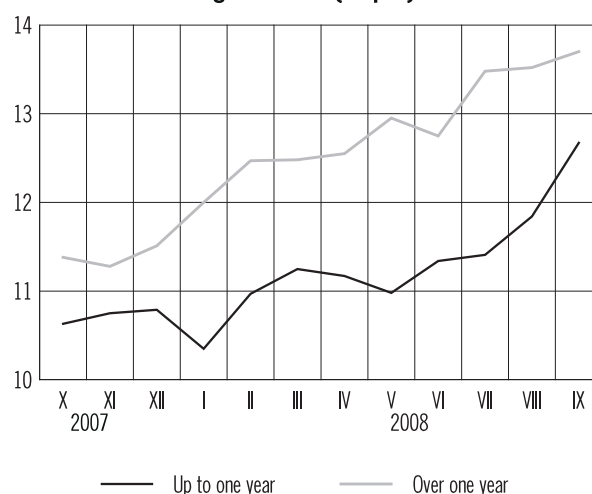
Source: The Bank of Russia.

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



Source: The Bank of Russia.

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



Source: The Bank of Russia.

ter to 5.8% p.a. in the third, 8 to 30 days from 6.6% p.a. to 7.7% p.a. and 1 month to 3 months from 8.0% p.a. to 8.6% p.a. As a result, in the third quarter, the interbank credit yield curve moved considerably higher, while its slant remained virtually unchanged. This may testify to Russian money market participants' uncertainty about future rates.

Household deposit rates continued to rise in the third quarter as competition increased on the deposit market amid rising demand for financial resources and high inflation. The average rate on household short-term ruble deposits stood at 7.5% p.a., an increase of 0.3 percentage points on the previous quarter. The average rate on household long-term ruble deposits gained half a percentage point and stood at 9.5% p.a.

As the cost of domestic funds continued to rise and Russian banks found it increasingly difficult to raise funds on foreign markets, interest rates on ruble **loans to non-financial organisations** went on rising. The average interest rate on short-term loans to non-financial organisations in the third quarter rose by 0.8 percentage points on quarter and reached 12.0% p.a. The average quarterly long-term rate also increased by 0.8 percentage points in that period and stood at 13.6% p.a. Interest rates on loans with terms from 1 month to 3 months increased the least (by 0.6 percentage points), whereas interest rates on loans with terms of up to 1 month increased the most (by 1.2 percentage points). As a result, the yield curve for loans to non-financial organisa-

tions moved up, while its slant remained almost unchanged. This may serve as an indication that market participants do not expect any significant growth in inflation or interest rates in the medium term.

There was a rise in interest rates on ruble **loans to households** and in other segments of the credit and deposit market in the third quarter. The average quarterly rate on long-term loans increased by half a percentage point in the third quarter, as compared with the second, and stood at 16.0% p.a. The average rate on short-term loans gained 1.8 percentage points reaching 22.4% p.a.

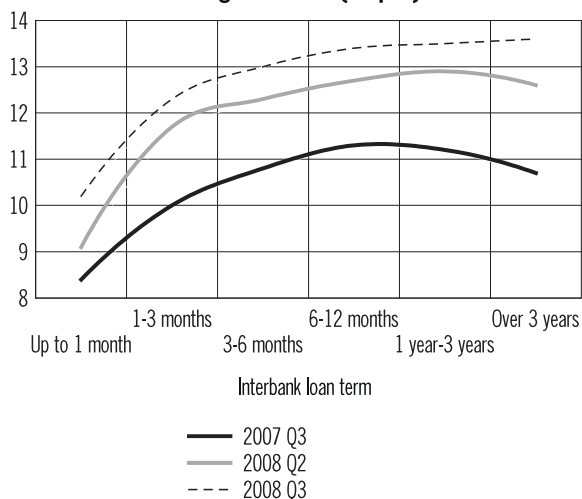
Asset prices

The Russian stock market saw a dramatic fall in prices in the third quarter of the year due to negative external developments and the failure by market participants to adequately manage risk when conducting repo, marginal and unsecured transactions. The average third-quarter levels of major Russian stock indices, MICEX and the RTS, fell respectively by 22.5% and 23.7% in the third quarter, as compared with the second.

In October, Russian stock price downturn accelerated and in the last 10 days of the month the RTS and MICEX indices dipped to their lows since December 2004. The average monthly MICEX index dropped 38.0% and RTS index 41.7% in October month on month.

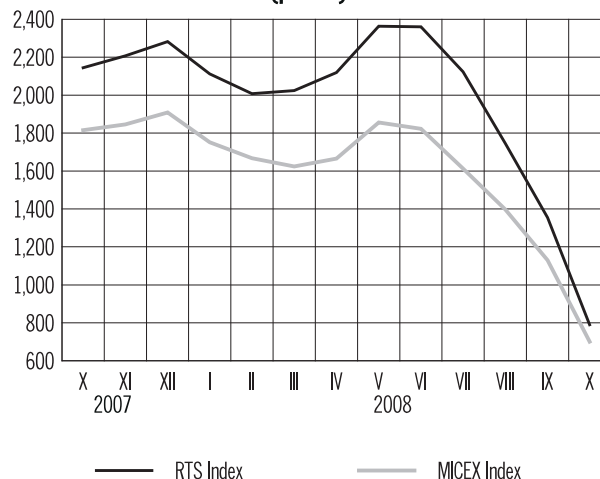
The period from July through October saw all stock prices fall steeply amid higher price vola-

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



Source: The Bank of Russia.

Russia's major stock indices (points)*



* Monthly averages.
Source: The Bank of Russia.

Russian stock market crisis

Capital outflow from Russia, caused by a new round of world financial market instability, amid the limited presence of conservative investors **on the Russian stock market** had a negative effect on it. The Russian securities market experienced the biggest shock in 10 years.

Problems began on the Russian **stock market** at the beginning of the year. In January and February, the MICEX and RTS stock indices fell 17% and 18% respectively as compared with the end of 2007. In April and May, Russian stock prices started to rise again. In the middle of May, the RTS index reached new historical highs, but then a profound and prolonged downturn of Russian stock prices followed. Until August, stock indices in Russia declined more slowly than in major foreign stock markets, but later their downfall became considerably faster.

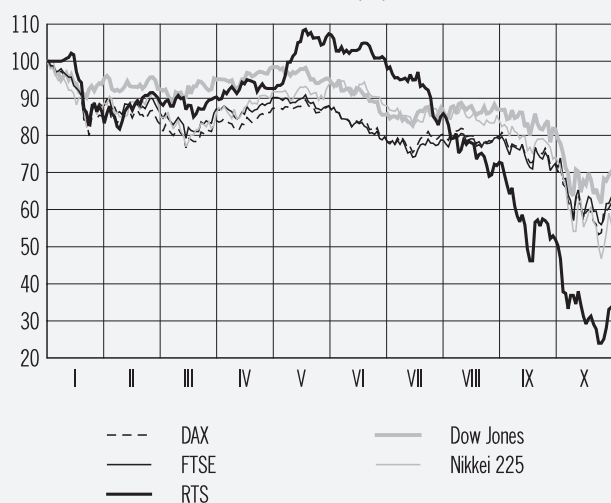
By September 17, the major Russian stock indices declined almost by half as compared with the middle of May. The MICEX index reached the lowest level since December 2005 and the RTS index since January 2006. In that situation, the Federal Financial Market Service suspended corporate securities trading on the MICEX and in the RTS and imposed a temporary ban on some operations with Russian shares. Exchange trade resumed on September 19 with pricing soaring but in the last 10 days of September and in October Russian stock indices continued to decline. Stock trading was repeatedly suspended on the MICEX (in the main trading regime) and in the RTS in October because of a sharp fall in prices. In the last 10 days of October, the RTS and MICEX indices plunged to the lowest levels since January 2005. On October 31, the RTS index fell 66.2% as compared with the end of 2007 and stood at 773.37 points and the MICEX index dropped 61.3% and stood at 731.96 points.

In January-August 2008, issuer and investor activity on the **corporate bond market** was considerably higher than in the same period of 2007. The lack of demand for corporate bonds with yields acceptable for issuers in September and October compelled sub-prime corporate borrowers to cancel the planned placements of new bond issues and in September the value of corporate bonds placed on the exchange and over-the-counter markets was the smallest in 12 months. In October, there was a marked rise in the activity of first-tier issuers, who mostly placed big bond issues.

In May, some third-tier corporate issuers began to have problems in refinancing their loans and this did not allow them to honour their debt obligations. As Russian financial market participants grew increasingly distrustful of one another in August-October and the borrowing conditions on the domestic market deteriorated, the number of such corporate borrowers increased significantly (32 technical defaults were registered from May to October, of which 24 were registered in August-October, and nine technical defaults became issuer defaults).

Yields of the most liquid corporate bonds changed both ways in January-October 2008. Before the middle of July, corporate bond yields fluctuated within the horizontal band, but then they started to rise sharply and on October 28 they reached 20.6% p.a., the highest level on record since this indicator began to be compiled in July 2003. The average corporate bond yield stood at 8.7% p.a. in the second quarter, 10.6% p.a. in the third and 17.3% p.a. in October.

RTS and major world stock indices
in 2008 (%)*



* Indices as of December 31, 2007 = 100%.

Russian bond yields
in 2008 (% p.a.)



There was a significant decline in the investment activity of **government securities market** participants. In January-October, less than 60% of the total value of federal loan bonds (OFZ) placed by the Finance Ministry were sold. Demand for government bonds was low because of their low real yield. As no primary market auctions were held in early September and auctions were cancelled in the middle of September because of the lack of demand amid the shortage of ruble liquidity, early in October the issuer suspended all OFZ auctions until the end of the year.

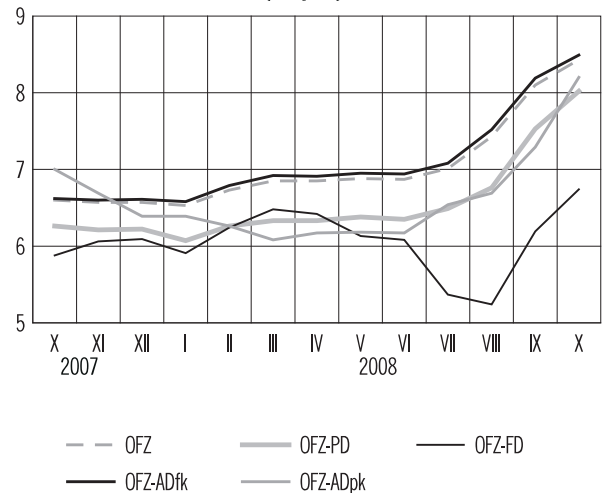
On the **regional** (sub-federal and municipal) **bond market**, demand and supply in January-June 2008 far surpassed the levels registered in the same period last year. In July-October, however, the demand for regional bonds fell sharply. The Moscow government could not auction its bonds in July because there were no bidders who offered the price acceptable for the issuer. In September, the governments of the city of Tomsk and the Krasnoyarsk Territory suspended bond placements until 2009.

Regional bond yields had a slightly rising dynamics in January-June 2008. In July, the yield on the instruments placed by leading issuers started to quickly rise amid a significant expansion of the fluctuation range and on October 29 it reached 12.9% p.a. (the highest level on record since this indicator began to be compiled in September 2003). The average yield of regional bonds was 7.6% p.a. in the second quarter, 9.3% p.a. in the third and 12.0% p.a. in October.

tility. The biggest losers in terms of the average quarterly share price fall were the metallurgy, energy, financial and oil and gas sector companies. At the same time, financial and oil and gas company share prices became particularly volatile. Share prices of the second- and third-tier companies declined at the most rapid rates because of their low liquidity.

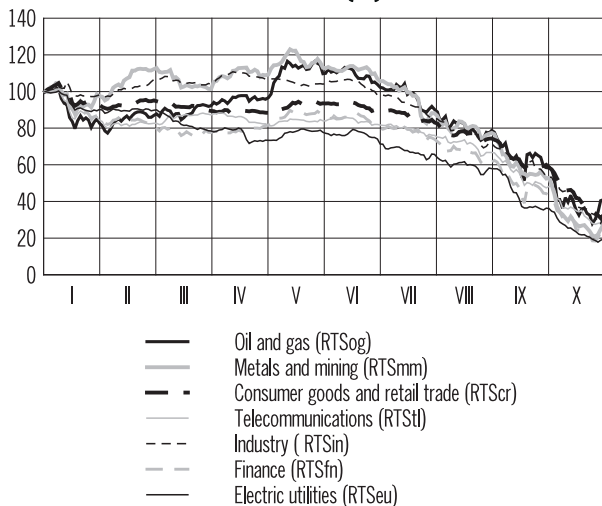
The **OFZ market** registered a rise in yields in the third quarter of the year. As of the end of the quarter, the OFZ effective market portfolio indicator (MPI) stood at 7.9% p.a., a percentage point higher than at the end of the previous quarter. The average quarterly effective MPI gained 0.6 percentage points and reached 7.5% p.a. OFZ yields in October varied between 8.0% p.a. and 9.0% p.a. At the end of October, the OFZ effective MPI stood at 8.1% p.a., an increase on

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



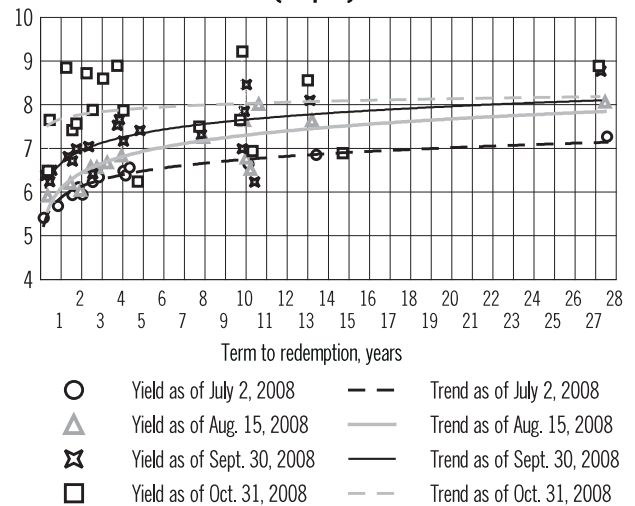
Source: The Bank of Russia.

RTS indices by sector in 2008 (%)*



* Indices as of December 28, 2007 = 100%.

OFZ effective yield curve (% p.a.)



Source: The Bank of Russia.

0.3 percentage points on a previous month. The average effective MPI stood at 8.4% p.a. in October.

The OFZ yield curve remained rising in the third quarter. Growth in yields on bonds with all terms to redemption caused the yield curve to move up at the end of September, with its slant remained virtually unchanged. In October, short- and medium-term OFZ yields grew faster than long-term government bond yields and by the end of the month the OFZ yield curve became considerably less inclined. This may serve as an indication that market participants were expecting a fall in government bond yields.

Monetary aggregates

The annual rates of money growth continued to decelerate in the third quarter of the year as growth in money supply slowed down and growth in money demand decreased significantly. Growth in the demand for money slowed significantly as economic growth rates declined amid high inflation. However, the marked increase in demand for foreign exchange and significantly slower growth in asset prices had the biggest effect on money demand.

The significant increase in foreign exchange sales by the Bank of Russia on the domestic market amid rising demand for foreign exchange

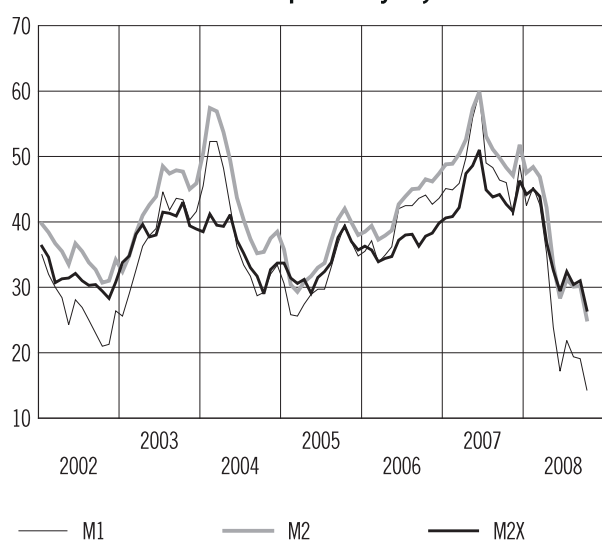
in August-October led to a sharp fall in ruble liquidity, which was previously provided through currency interventions. As funds in government accounts with the Bank of Russia continued to increase, massive foreign exchange sales by the Bank of Russia contributed to further slowing of growth in money supply. As a result, the annual rate of growth in **M2 monetary aggregate** declined in the third quarter of the year from 31.2% as of July 1 to 25.1% as of October 1 (as against 48.3% as of October 1, 2007). The most significant reduction in the annual rate of growth was registered in September, when the ruble supply contracted by 1.1% in absolute terms.

As we can see, the dynamics of monetary aggregates lead to the tightening of monetary conditions in the economy. Moreover, rapidly changing foreign currency preferences of economic agents make it increasingly difficult to determine the extent to which these developments affect aggregate demand. The positive monetary gap does not allow one to draw the conclusion about the complete disappearance of inflation risk in the medium term. However, the effect of the monetary gap on the acceleration of price growth amid higher economic and financial uncertainty is unlikely in the short term.

M1 monetary aggregate, which comprises cash and demand deposits, demonstrated more significant contraction than other monetary aggregates. The annual rates of growth in M1 monetary aggregate, which represents the transactional capacity of the economy in cash, slowed in the third quarter of the year from 21.9% to 14.3%, the lowest level in recent years (46.0% as of October 1, 2007). Meanwhile, the annual rates of growth in demand deposits, which are largely represented by settlement and current accounts of non-financial organisations, had slowed to 8.6% by October 1, 2008 (as against 57.6% in the previous year). There is reason to believe, therefore, that the continued slowing of M1 growth may be accompanied by the reduction of aggregate expenditures in the economy and the further slowing of GDP growth (see Box 'Monetary and credit aggregates and economic growth').

The tendency towards the slowing of annual growth in cash, which emerged amid marked growth in the value of individual bank card op-

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



Definitions of aggregates:

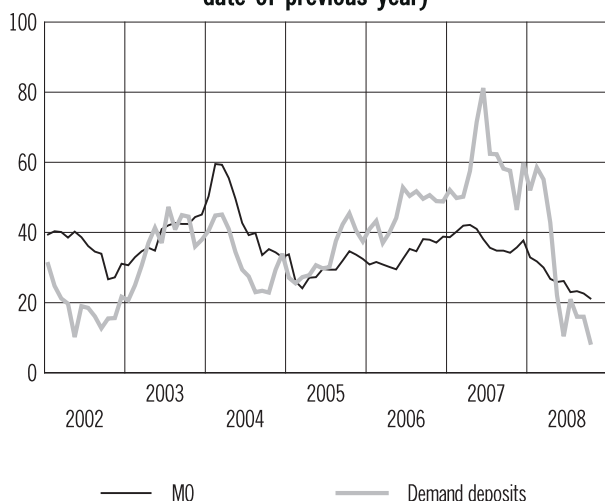
M1 is cash in circulation (M0) and demand deposits;

M2=M1+ruble-denominated time accounts of non-financial organisations and households;

M2X (broad money)=M2+foreign currency deposits.

Source: The Bank of Russia.

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

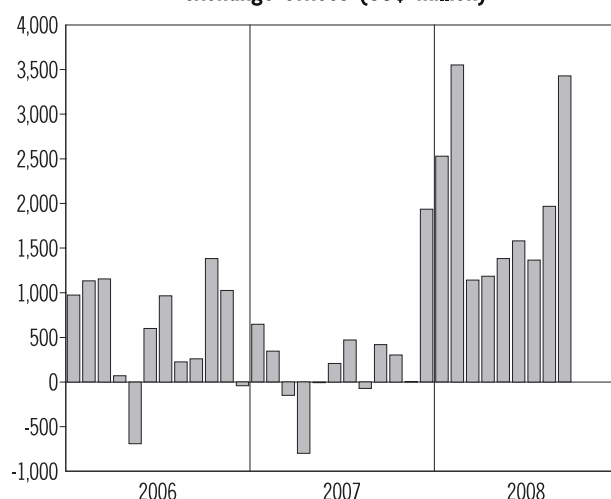


Source: The Bank of Russia.

erations, continued in the third quarter of this year. Against the background of banking sector instability and the ruble's depreciation against the US dollar higher foreign exchange purchases by households, especially in September, contributed towards lower cash growth. In the third quarter, these purchases increased by more than 1.5 times as compared with the second. As a result, the annual rate of M0 growth slowed from 34.2% as of October 1, 2007, to 21.2% as of October 1, 2008.

Despite growth in interest rates, the annual rate of growth in total **ruble-denominated time deposits** slowed from 46.0% to 42.4% in the third quarter of this year (as against 52.1% as of October 1, 2007). Meanwhile, the annual rate of growth in household ruble time deposits

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

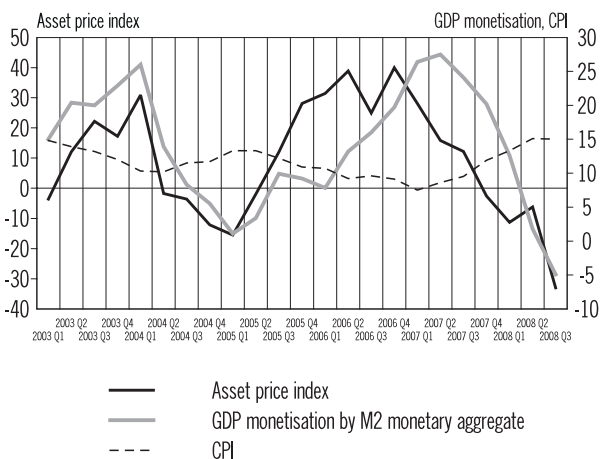


Source: The Bank of Russia.

slowed to 25.2% by the end of the third quarter (as against 46.3% as of October 1, 2007), whereas growth in corporate time deposits accelerated to 95.9% (as against 73.5% as of October 1, 2007). Thus, lower growth in ruble time deposits was due to the significant slowing of growth in household time deposits, which began in 2007 and continued in January-September 2008.

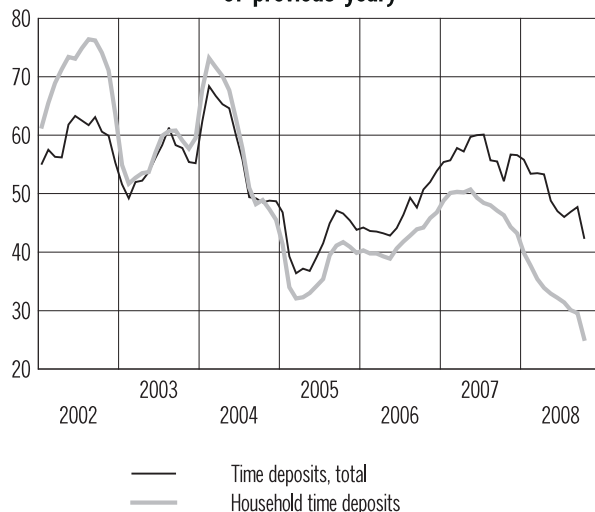
Growth in the value of household ruble deposits decelerated from 8.2% in the second quarter to 1.5% in the third. The value of household short-term ruble deposits decreased 6.4% in September and as a result, the outflow of household short-term deposits stood at 4.0%. There was only growth in long-term ruble deposits in the third quarter, but as compared with the sec-

Asset price index* (in real terms), CPI and monetisation of the economy (as of end of period, growth as % of corresponding period of previous year)

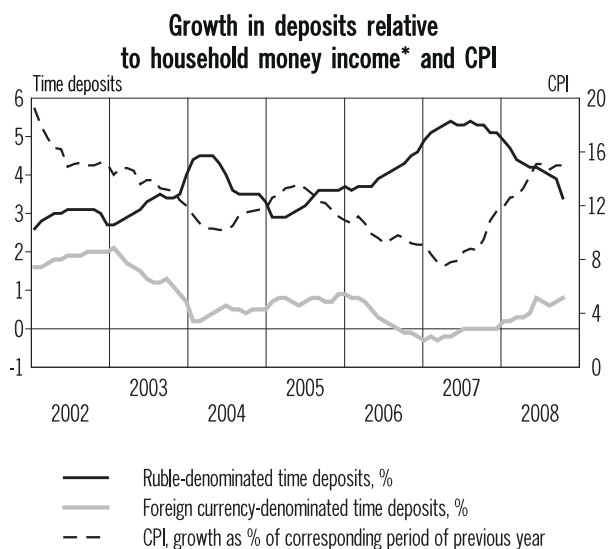


* Geometric mean of RTS index (in ruble terms) and housing price index.
Source: The Bank of Russia, Rosstat.

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



Source: The Bank of Russia.



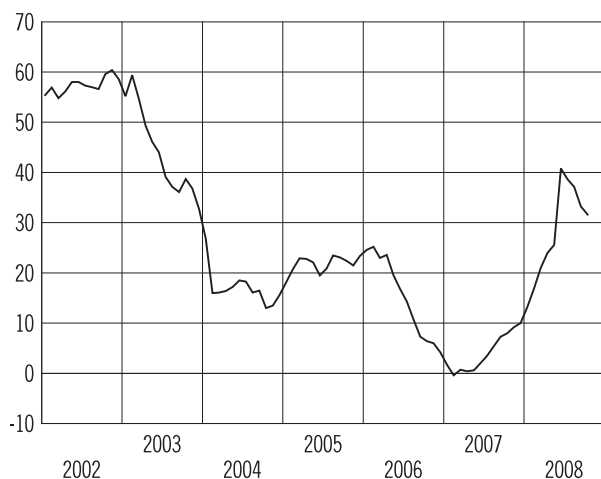
* Calculated for the moving 12-month period.
 Source: The Bank of Russia, Rosstat.

ond quarter it slowed almost by half, from 8.2% to 4.5%.

The share of household time deposits in M2 structure in January-September 2008 was on average smaller than in past three years.

The share of growth in ruble time deposits in household money income began to contract in the second half of 2007 and in the third quarter of this year this trend intensified, reflecting amid extraordinary uncertainty, instability of the banking system and the devaluation of the ruble the weakening of the incentives for households to save in the form of ruble deposits. The share of growth in foreign currency time deposits in money income retained an upward trend on the whole.

Household foreign-currency deposits (growth as % of corresponding date of previous year)



Source: The Bank of Russia.

One reason for the decrease of household ruble deposits is rapid price growth. This bank deposit dynamics may be not only the result of inflation, but also one of its causes. The acceleration of price growth makes savings and, consequently, money demand less attractive to households and stimulates the use of money for consumption. This increases aggregate demand and leads to further growth in consumer prices.

Beginning from the middle of 2007, the annual rates of growth in household foreign currency deposits have accelerated significantly. At the same time, in the third quarter of this year, growth in this kind of deposits somewhat slowed down (to 31.6% as of October 1, 2008). However, it far surpassed growth in the previous three years and growth in household ruble deposits as of the same date in the previous year (25.8%). The slowing of growth in household foreign currency deposits in the third quarter amid banking sector instability was, to some extent, the result of higher public uncertainty and partly reflected the movement of funds from foreign currency deposits into cash.

Credit aggregates

After significant growth in total loans to non-financial organisations and households in 2006 and 2007, in January-September 2008, their annual growth rates decelerated from 53.0% to 45.7%. This mostly reflected the tightening of borrowing conditions inside the country and abroad, the rise in internal and external interest rates and lower economic growth. As the credit market situation remains highly uncertain, the slowing of growth in credit aggregates, which began in the second quarter and accelerated in the third, serves as a major indicator of the seriousness of the changes in the monetary sphere of the economy. The annual rate of growth in loans to non-financial organisations in January-September 2008 decelerated from 51.5% to 44.1%. Moreover, in September they increased 1.7%, the slowest rate since the beginning of 2007. The annual rate of growth in loans to households slowed from 57.8% to 50.7% in nine months of the year.

Lower growth in credit to non-financial organisations in the second quarter of the year was accompanied by the simultaneous reduction of

the rates of growth in fixed capital investment and the reduction of growth in long-term credit to non-financial organisations (loans with terms over 1 year) from 70.6% as of the beginning of the year to 53.3% as of October 1 could be especially painful for the real economy.

Growth in loans extended to non-financial organisations in rubles slowed from 8.4% in the second to 5.3% in the third quarter, while overdue debt on these loans accelerated and stood at 20.4% as against 14.8% in the previous quarter.

Bank loans extended to organisations for terms up to one year grew at the slowest pace, 1.8% as against 6.2% quarter on quarter. In September, total ruble loans extended to organisations increased at the slowest rate in the third quarter (0.6%), whereas growth in loans extended for terms up to one year became negative (-1.1%).

Growth in loans extended to households in rubles decelerated from 13.5% in the second quarter to 12.1% in the third. For the first time on record, the value of new loans ex-

Monetary and credit aggregates and economic growth

Monetary aggregate dynamics may provide some information about the change of the current and future level of economic activities. The kernel of the matter is that monetary indicators are closely connected with eco-

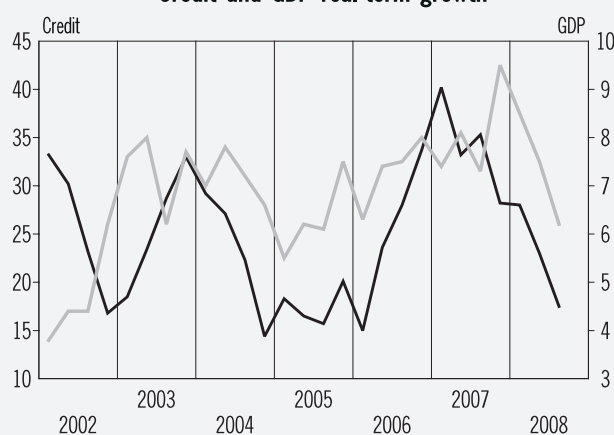
M1 and GDP real-term growth



— M1 as of end of quarter, as % of corresponding date of previous year
 — GDP, quarterly, as % of corresponding quarter of previous year

Source: The Bank of Russia, Rosstat.

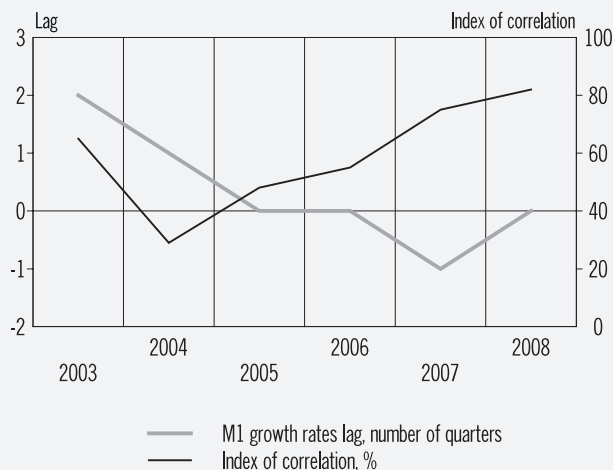
Credit and GDP real-term growth



— Credit as of end of quarter, as % of corresponding date of previous year
 — GDP, quarterly, as % of corresponding period of previous year

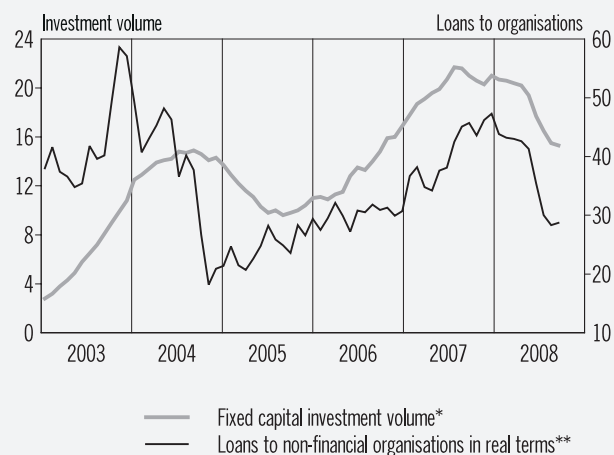
Source: The Bank of Russia, Rosstat.

Maximum index of correlation* and corresponding lag between GDP and M1 real-term annual growth rates



* Correlation has been calculated in 3-year moving time periods.
 Source: The Bank of Russia, Rosstat.

Investment activity and loans extended to non-financial organisations for terms over one year



* Calculated for 12-month moving period (growth as % of corresponding period of previous year).
 ** As of the 1st day of the month (growth as % of corresponding date of previous year).
 Source: The Bank of Russia, Rosstat.

economic agents' actual expenditures. Specifically, M1 aggregate, which comprises cash and demand deposits, is in real terms the most informative indicator for the transactional component of money supply and may be used as a source of information on GDP dynamics¹.

M1 and GDP annual growth fluctuations do not coincide, but the points of change in the trend, that is, the transition from the acceleration to the slowing of growth and back, in the dynamics of both indicators only differ by several quarters. There is reason to believe, therefore, that the continuing decline in M1 growth may be accompanied by the reduction of aggregate expenditures in the economy and lower GDP growth.

Credit aggregates may also reflect some trends in the real sector, because the decisions taken by economic agents in regard to lending volumes are mostly based on the current and expected levels of economic activities. Borrowers will take more loans when they expect high returns and, consequently, have no problem repaying loans. Banks, for their part, will also expand credit when they are confident of their borrowers' creditworthiness. Thus the same dynamics of credit aggregates and economic activity evolve.

At the same time, the change in the accessibility of credit may affect economic agents' decisions in regard of consumption and investment volumes. Rising interest rates are indicative of the worsening credit conditions. However, in the times of crisis and uncertainty on the financial markets market participants change their behaviour dramatically. As a result, credit volume becomes a more important indicator than credit price for the analysis of the monetary sphere, because it is the volume of credit extended that affects aggregate demand dynamics in the final analysis.

In addition to the comparative analysis of the rates of growth in total credit and GDP growth rates, information about current and future economic dynamics may be received from the analysis of the interrelationship between fixed capital investment and loans extended to non-financial organisations for terms over one year. This interrelationship has become increasingly pronounced in recent years.

Consequently, the 2008 monetary and credit aggregate dynamics may reflect the possibility of a further slowing of growth in economic activities.

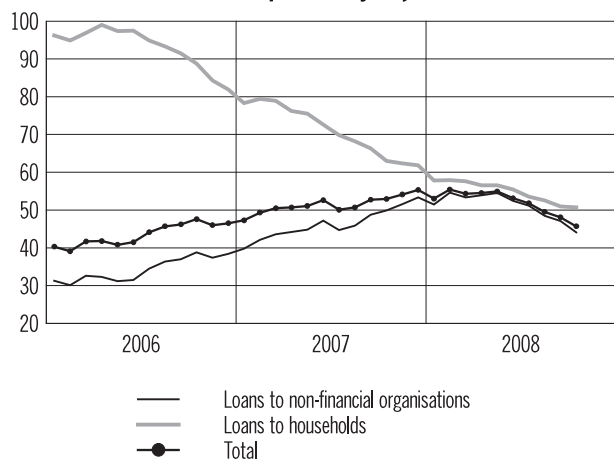
¹ GDP growth in 2008 Q3 cited here and below is an estimate.

tended in the period under review was smaller than in the previous quarter (by 7.7%).

The annual rates of growth in housing loans slowed from 116.3% as of the beginning of the year to 84.6% as of October 1. At

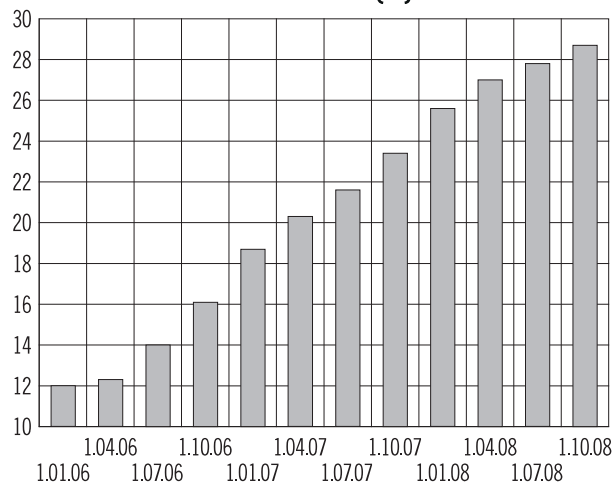
the same time, loans of this kind continue to increase in value more rapidly than loans to households in general and the share of housing loans in total household loan debt is expanding.

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



Source: The Bank of Russia.

Housing loans in total loans extended to households (%)



Source: The Bank of Russia.

Statistical Addendum

Table 1

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

	Monthly inflation	Core inflation	Food price growth	Food price growth ¹	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices ²	Service price growth
2006								
January	2.4	0.8	2.0	1.0	11.3	0.4	0.5	6.2
February	1.7	1.2	3.0	1.9	12.6	0.5	0.5	1.0
March	0.8	0.7	1.2	0.9	3.2	0.4	0.4	0.7
April	0.4	0.4	0.3	0.3	-0.3	0.3	0.3	0.6
May	0.5	0.4	0.5	0.2	2.6	0.4	0.4	0.6
June	0.3	0.3	0.0	0.1	-0.6	0.3	0.3	0.7
July	0.7	0.5	0.9	0.7	2.7	0.4	0.3	0.6
August	0.2	0.6	-0.5	0.7	-10.0	0.8	0.5	0.8
September	0.1	0.8	-0.6	0.6	-11.0	0.8	0.6	0.5
October	0.3	0.5	0.0	0.4	-4.1	0.6	0.7	0.4
November	0.6	0.6	0.8	0.6	2.7	0.6	0.6	0.5
December	0.8	0.7	1.1	0.8	3.6	0.5	0.5	0.7
Full year (December on December)	9.0	7.8	8.7	8.5	10.3	6.0	5.7	13.9
2007								
January	1.7	0.6	0.9	0.6	4.1	0.4	0.4	4.7
February	1.1	0.5	0.8	0.5	3.6	0.3	0.4	2.6
March	0.6	0.5	0.8	0.5	3.2	0.4	0.4	0.6
April	0.6	0.5	0.8	0.5	3.1	0.4	0.4	0.5
May	0.6	0.3	1.0	0.1	7.8	0.4	0.3	0.5
June	1.0	0.4	1.7	0.4	12.2	0.3	0.3	0.6
July	0.9	0.9	1.4	1.4	1.9	0.4	0.4	0.6
August	0.1	1.1	-0.6	1.6	-16.1	0.6	0.5	0.5
September	0.8	1.6	1.0	2.2	-8.8	0.8	0.8	0.4
October	1.6	2.1	3.3	3.5	0.9	0.9	0.9	0.1
November	1.2	1.1	1.9	1.5	6.2	0.9	0.8	0.6
December	1.1	0.9	1.6	1.2	5.6	0.7	0.5	0.9
Full year (December on December)	11.9	11.0	15.6	14.9	22.2	6.5	6.4	13.3
2008								
January	2.3	1.1	1.9	1.2	8.3	0.6	0.6	5.4
February	1.2	1.0	1.7	1.3	5.1	0.6	0.6	1.4
March	1.2	1.1	2.0	1.5	5.9	0.7	0.7	0.6
April	1.4	1.3	2.2	1.8	5.5	0.9	0.7	1.0
May	1.4	1.1	2.1	1.5	6.4	0.8	0.6	1.0
June	1.0	0.9	1.1	1.2	0.4	0.7	0.5	1.1
July	0.5	0.8	0.1	1.0	-6.7	0.7	0.5	0.9
August	0.4	1.0	-0.2	1.2	-11.3	0.6	0.6	0.9
September	0.8	1.4	0.7	1.5	-6.4	0.7	0.8	1.0

¹ Excluding vegetable and fruit prices.

² Since March 2005 – Bank of Russia estimate.

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

Table 2

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

	Monthly inflation	Core inflation	Food price growth	Food price growth ¹	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices ²	Service price growth
2006								
January	2.4	0.8	2.0	1.0	11.3	0.4	0.5	6.2
February	4.1	2.0	5.0	2.9	25.3	0.9	0.9	7.2
March	5.0	2.8	6.2	3.9	29.3	1.3	1.3	8.0
April	5.4	3.2	6.5	4.2	28.9	1.6	1.6	8.6
May	5.9	3.6	7.0	4.4	32.3	2.0	2.0	9.3
June	6.2	3.9	7.0	4.5	31.5	2.3	2.3	10.0
July	6.9	4.5	8.0	5.2	35.0	2.7	2.7	10.7
August	7.1	5.1	7.4	6.0	21.6	3.5	3.2	11.5
September	7.2	5.9	6.7	6.6	8.2	4.3	3.8	12.0
October	7.5	6.5	6.7	7.0	3.7	5.0	4.5	12.5
November	8.2	7.1	7.5	7.6	6.5	5.5	5.2	13.0
December	9.0	7.8	8.7	8.5	10.3	6.0	5.7	13.9
2007								
January	1.7	0.6	0.9	0.6	4.1	0.4	0.4	4.7
February	2.8	1.1	1.8	1.1	7.8	0.7	0.8	7.4
March	3.4	1.7	2.6	1.7	11.2	1.1	1.2	8.0
April	4.0	2.2	3.3	2.1	14.7	1.5	1.7	8.6
May	4.7	2.5	4.3	2.3	23.6	1.9	2.0	9.1
June	5.7	3.0	6.1	2.7	38.6	2.2	2.3	9.8
July	6.6	3.9	7.6	4.1	41.2	2.6	2.8	10.5
August	6.7	5.0	7.0	5.8	18.5	3.2	3.3	11.1
September	7.5	6.7	8.1	8.1	8.1	4.0	4.2	11.6
October	9.3	8.9	11.6	11.9	9.0	4.9	5.1	11.7
November	10.6	10.1	13.7	13.5	15.7	5.8	5.9	12.4
December	11.9	11.0	15.6	14.9	22.2	6.5	6.4	13.3
2008								
January	2.3	1.1	1.9	1.2	8.3	0.6	0.6	5.4
February	3.5	2.1	3.6	2.5	13.9	1.2	1.2	6.8
March	4.8	3.2	5.7	4.0	20.6	2.0	1.9	7.5
April	6.3	4.5	8.0	5.9	27.2	2.9	2.6	8.5
May	7.7	5.7	10.2	7.5	35.4	3.7	3.2	9.6
June	8.7	6.7	11.4	8.7	36.0	4.4	3.7	10.8
July	9.3	7.6	11.5	9.8	26.9	5.2	4.2	11.9
August	9.7	8.6	11.3	11.2	12.5	5.8	4.9	12.9
September	10.6	10.1	12.1	12.9	5.3	6.5	5.7	14.0

¹ Excluding vegetable and fruit prices.

² Since March 2005 – Bank of Russia estimate.

Table 3

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

	Monthly inflation	Core inflation	Food price growth	Food price growth ¹	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices ²	Service price growth
2006								
January	10.7	8.2	10.2	9.1	21.1	6.5	6.0	18.1
February	11.2	8.7	11.9	10.1	28.4	6.6	6.1	16.7
March	10.6	8.7	10.9	10.0	19.2	6.7	6.1	16.1
April	9.8	8.2	9.4	9.0	12.7	6.4	6.0	15.9
May	9.4	7.9	8.7	8.5	11.1	6.4	6.0	15.6
June	9.0	7.8	8.0	8.1	7.0	6.4	6.0	15.3
July	9.3	7.8	8.7	8.3	11.9	6.3	5.9	15.0
August	9.6	7.9	9.2	8.5	15.6	6.6	6.0	15.0
September	9.5	7.9	9.3	8.5	16.4	6.2	5.8	14.5
October	9.2	7.8	8.8	8.3	14.4	6.1	5.7	14.1
November	9.0	7.8	8.7	8.3	12.4	6.0	5.7	13.9
December	9.0	7.8	8.7	8.5	10.3	6.0	5.7	13.9
2007								
January	8.2	7.7	7.6	8.0	3.1	6.0	5.7	12.3
February	7.6	6.9	5.3	6.6	-5.1	5.8	5.6	14.2
March	7.4	6.7	4.9	6.2	-5.2	5.8	5.6	14.0
April	7.6	6.8	5.4	6.3	-1.9	5.9	5.8	13.9
May	7.8	6.7	5.9	6.3	3.0	5.9	5.7	13.8
June	8.5	6.9	7.7	6.6	16.2	5.9	5.7	13.7
July	8.7	7.3	8.3	7.4	15.3	5.9	5.8	13.7
August	8.6	7.8	8.3	8.3	7.5	5.7	5.8	13.4
September	9.4	8.7	10.0	10.0	10.2	5.8	6.1	13.4
October	10.8	10.3	13.6	13.4	15.9	6.0	6.3	13.1
November	11.5	10.9	14.9	14.4	19.8	6.3	6.4	13.2
December	11.9	11.0	15.6	14.9	22.2	6.5	6.4	13.3
2008								
January	12.6	11.5	16.7	15.6	27.1	6.8	6.6	14.1
February	12.7	12.1	17.6	16.4	29.1	7.0	6.8	12.7
March	13.3	12.7	19.1	17.5	32.5	7.4	7.1	12.7
April	14.3	13.5	20.7	19.1	35.6	8.0	7.4	13.3
May	15.1	14.5	22.1	20.7	33.9	8.4	7.7	13.9
June	15.1	15.1	21.3	21.6	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

¹ Excluding vegetable and fruit prices.

² Since March 2005 – Bank of Russia estimate.

Table 4

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

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

¹ Excluding vegetables and fruit.

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

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

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

¹ Excluding vegetables and fruit.

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

Table 6

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

	Foodstuffs ¹	Non-food products	Paid services	Vegetables and fruit	Core inflation	Non-core inflation ²
2006						
January	16.0	6.1	59.5	18.3	24.5	75.5
February	27.2	7.7	40.9	24.1	37.2	62.8
March	30.1	9.1	37.6	23.2	42.4	57.6
April	30.5	10.3	37.9	21.3	45.7	54.3
May	29.3	11.8	37.2	21.8	46.7	53.3
June	28.6	12.9	38.3	20.2	48.4	51.6
July	29.6	13.5	36.7	20.2	49.7	50.3
August	32.7	16.8	38.5	12.1	55.4	44.6
September	35.7	20.2	39.6	4.5	63.4	36.6
October	36.3	22.4	39.4	2.0	66.7	33.3
November	36.2	22.9	37.8	3.2	67.3	32.7
December	36.5	22.5	36.4	4.5	67.1	32.9
2007						
January	13.4	8.3	69.0	9.3	29.5	70.5
February	14.9	9.2	65.3	10.6	31.3	68.7
March	17.8	11.6	58.1	12.5	38.3	61.7
April	19.6	13.5	52.9	14.1	42.8	57.2
May	18.0	14.3	48.3	19.4	41.6	58.4
June	17.6	13.7	42.7	26.0	40.4	59.6
July	22.9	13.9	39.2	23.9	45.8	54.2
August	31.7	16.9	40.8	10.6	58.5	41.5
September	39.3	18.7	37.9	4.1	69.9	30.1
October	46.6	18.6	31.1	3.7	75.4	24.6
November	46.3	19.2	28.8	5.7	74.5	25.5
December	45.7	19.4	27.8	7.2	72.8	27.2
2008						
January	18.9	9.3	58.1	13.7	36.2	63.8
February	25.1	12.1	47.9	14.9	46.1	53.9
March	29.7	14.7	39.0	16.6	52.7	47.3
April	33.0	16.5	33.9	16.6	57.0	43.0
May	34.2	17.1	31.1	17.6	58.5	41.5
June	35.2	18.2	30.8	15.7	60.5	39.5
July	37.3	19.9	31.7	11.1	64.4	35.6
August	40.6	21.4	33.0	5.0	70.5	29.5
September	43.0	22.0	33.1	1.9	75.7	24.3

¹ Excluding vegetables and fruit.

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

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

	Foodstuffs ¹	Non-food products	Paid services	Vegetables and fruit	Core inflation	Non-core inflation ²
2006						
January	16.0	6.1	59.5	18.3	24.5	75.5
February	43.4	10.0	14.0	32.6	55.8	44.2
March	43.9	15.8	21.6	18.7	67.5	32.5
April	35.8	27.0	41.3	-4.2	90.9	9.1
May	16.1	27.6	29.9	26.4	57.3	42.7
June	15.3	34.9	59.7	-10.0	81.6	18.4
July	37.6	19.0	23.4	20.0	60.9	39.1
August	140.5	132.4	97.9	-270.7	249.5	-149.5
September	269.8	290.1	128.8	-588.7	678.9	-578.9
October	51.0	73.9	34.6	-59.5	145.8	-45.8
November	34.7	29.1	19.3	16.9	74.1	25.9
December	39.6	19.0	23.2	18.2	64.4	35.6
2007						
January	13.4	8.3	69.0	9.3	29.5	70.5
February	17.1	10.6	59.7	12.6	34.2	65.8
March	31.4	22.7	24.5	21.4	70.7	29.3
April	30.0	24.6	22.3	23.1	69.6	30.4
May	8.4	19.5	20.6	51.6	34.4	65.6
June	15.8	10.7	17.0	56.5	35.1	64.9
July	55.9	15.7	17.4	10.9	79.2	20.8
August	724.2	250.9	165.2	-1,040.4	1,016.5	-916.5
September	99.9	33.4	14.7	-48.0	160.7	-60.7
October	78.5	18.2	1.2	2.1	99.3	0.7
November	43.6	23.6	13.3	19.5	67.8	32.2
December	39.2	21.6	19.2	20.0	56.7	43.3
2008						
January	18.9	9.3	58.1	13.7	36.2	63.8
February	36.8	17.4	28.5	17.3	64.9	35.1
March	43.2	22.6	12.8	21.4	72.2	27.8
April	43.5	22.0	17.6	16.9	70.3	29.7
May	39.1	20.1	18.9	21.9	65.2	34.8
June	42.7	26.5	28.7	2.2	74.5	25.5
July	69.6	47.5	45.8	-62.9	125.6	-25.6
August	122.9	59.3	67.5	-149.7	225.0	-125.0
September	69.7	29.4	34.5	-33.6	136.6	-36.6

¹ Excluding vegetables and fruit.

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

Table 8

Russia's key macroeconomic and financial indicators

		Year	Q1	Q2	Q3	Q4	
Macroeconomic indicators							
GDP	over period since start of year, billion rubles	2006	5,845	12,206	19,487	26,880	
		2007	6,748	14,497	23,324	32,987	
		2008	8,838	19,113			
	over period since start of year, as % of corresponding period of previous year	2006	106.3	106.9 ¹	107.1 ¹	107.4	
		2007	107.4	107.8	107.6	108.1	
		2008	108.5	108.0			
	as % of corresponding quarter of previous year	2006	106.3	107.4	107.5	108.0	
		2007	107.4	108.1	107.3	109.5	
		2008	108.5	107.5			
Industrial output indices	as % of corresponding quarter of previous year	2006	104.1	106.6	106.9	107.5	
		2007	107.2	107.1	105.5	105.7	
		2008	106.2	105.5	104.7		
	over period since start of year, as % of corresponding period of previous year	2006	104.1	105.3	105.9	106.3	
		2007	107.2	107.1	106.6	106.3	
		2008	106.2	105.8	105.4		
Agricultural output	as % of corresponding quarter of previous year	2006	102.1	101.8	101.4	110.4	
		2007	103.4	104.3	103.0	103.1	
		2008	104.5	104.2	108.5		
	over period since start of year, as % of corresponding period of previous year	2006	102.1	101.9	101.6	103.6	
		2007	103.4	104.0	103.4	103.3	
		2008	104.5	104.3	106.5		
Fixed capital investment	over period since start of year, billion rubles	2006	658.4	1,676.0	2,963.3	4,730.0	
		2007	916.6	2,365.7	4,129.3	6,626.8	
		2008	1,295.9	3,256.1	5,598.7		
	as % of corresponding quarter of previous year	2006	108.8	117.7	116.1	120.3	
		2007	122.8	124.2	118.2	120.6	
		2008	119.1	113.0	109.9		
Retail trade turnover	over period since start of year, billion rubles	2006	1,857.2	3,925.3	6,162.6	8,711.9	
		2007	2,257.3	4,799.2	7,597.6	10,866.2	
		2008	2,938.4	6,248.5	9,885.6		
	as % of corresponding quarter of previous year	2006	111.4	113.6	115.3	115.3	
		2007	114.7	115.7	116.7	116.7	
		2008	116.7	114.4	114.4		
Federal budget on accrual basis, as of end of period	revenue	billion rubles	2006	1,399.1	2,938.1	4,561.0	6,278.9
			2007	1,421.9	3,245.7	5,087.6	7,781.1
			2008	1,932.7	4,370.7	7,155.7	
		as % of GDP	2006	24.0	24.1	23.4	23.4
			2007	21.1	22.4	21.8	23.6
			2008	21.9	22.9	23.2 ²	
	expenditure	billion rubles	2006	823.2	1,854.7	2,866.5	4,284.8
			2007	945.6	2,169.7	3,464.3	5,986.6
			2008	1,332.7	2,995.6	4,594.2	
		as % of GDP	2006	14.1	15.2	14.7	16.0
			2007	14.0	15.0	14.8	18.2
			2008	15.1	15.7	14.9 ²	
Federal budget surplus on accrual basis, as of end of period	billion rubles	2006	575.9	1,083.4	1,694.6	1,994.1	
		2007	476.3	1,076.1	1,623.2	1,794.6	
		2008	600.0	1,375.1	2,561.5		
	as % of GDP	2006	9.9	8.9	8.7	7.4	
		2007	7.1	7.4	7.0	5.4	
		2008	6.8	7.2	8.3 ²		

Note. Table 8 has been compiled on the basis of data collected by the Bank of Russia, Federal State Statistics Service and Federal Treasury. Beginning from April 2006, pursuant to Bank of Russia Ordinance No. 1660-U, dated February 17, 2006, interest rates on credit and deposit operations conducted by banks include data reported by branches of credit institutions.

Table 8 (continued)

		Year	Q1	Q2	Q3	Q4	
Socio-economic indicators							
Nominal imputed average monthly per employee wage	rubles	2006	9,397	10,401	10,949	12,203	
		2007	11,876	12,993	13,494	15,742	
		2008	15,424	16,962	17,580		
	as % of corresponding quarter of previous year	2006	122.3	125.1	125.1	125.2	
		2007	127.3	125.9	124.0	129.3	
		2008	128.0	129.2	129.2		
	over period since start of year, as % of corresponding period of previous year	2006	122.3	123.7	124.1	124.3	
		2007	127.3	126.6	125.7	127.8	
		2008	128.0	128.6	128.8		
Real imputed average monthly per employee wage, as % of corresponding quarter of previous year		2006	110.3	114.3	114.3	114.8	
		2007	118.2	116.6	113.9	116.1	
		2008	113.4	112.5	112.4		
Household money income (per capita monthly average), rubles		2006	8,200.0	9,933.9	10,253.3	12,316.8	
		2007	9,901.4	11,953.8	12,700.8	15,604.6	
		2008	12,345.0	14,824.7	16,093.3		
Household real disposable money income	as % of corresponding quarter of previous year	2006	109.9	115.5	114.5	113.7	
		2007	110.0	109.1	111.8	111.0	
		2008	109.5	106.9	107.1		
	over period since start of year, as % of corresponding period of previous year	2006	109.9	113.5	
		2007	110.0	109.5	110.4	110.7	
		2008	109.5	108.2	107.8		
Household spending as % of income	purchase of goods and services	2006	73.1	67.7	71.0	65.6	
		2007	74.1	69.4	71.3	65.8	
		2008	76.5	71.6	72.2		
	compulsory payments and contributions	2006	10.8	10.3	10.4	10.5	
		2007	12.8	12.4	12.0	13.0	
		2008	12.7	12.5	13.6		
	growth in savings	2006	11.1	10.7	8.3	11.3	
		2007	9.8	8.5	6.8	10.6	
		2008	7.7	8.2	6.3		
	purchase of foreign exchange	2006	7.4	7.0	7.2	6.0	
		2007	5.2	5.3	5.2	5.2	
		2008	6.9	4.7	5.4		
	cash on hand	2006	-2.5	4.3	3.2	6.7	
		2007	-1.9	4.4	4.7	5.4	
		2008	-3.8	3.0	2.5		
	Average imputed pension, total, rubles		2006	2,539	2,727	2,800	2,839
			2007	2,846	3,091	3,108	3,418
			2008	3,823	4,044	4,383	
Real imputed pension	as % of corresponding quarter of previous year	2006	107.8	107.2	103.7	102.5	
		2007	104.1	104.9	102.0	108.1	
		2008	119.0	113.9	122.7		
	over period since start of year, as % of corresponding period of previous year	2006	107.8	107.5	106.1	105.1	
		2007	104.1	104.5	103.6	104.8	
		2008	119.0	116.4	118.6		
Total number of unemployed (calculated using ILO methodology)	million	2006	5.7	5.5	5.0	5.0	
		2007	5.2	4.5	4.3	4.4	
		2008	5.1	4.2	4.0		
	as % of economically active population	2006	7.8	7.4	6.7	6.8	
		2007	7.0	6.0	5.7	5.8	
		2008	6.7	5.6	5.3		

Table 8 (continued)

		Year	Q1	Q2	Q3	Q4	
Foreign economic activities							
Price of Urals crude	over period since start of year, \$/barrel	2006	57.7	61.1	62.5	60.9	
		2007	54.0	59.7	64.0	69.5	
		2008	93.7	105.3	107.6		
	as % of corresponding period of previous year	2006	134.0	134.7	126.7	120.9	
		2007	93.5	97.7	102.4	114.1	
		2008	173.7	176.3	168.2		
Exports of goods	over period since start of year, \$ billion	2006	67.3	143.9	223.7	303.6	
		2007	71.7	155.4	244.9	354.4	
		2008	110.2	237.3	372.0 ¹		
	as % of corresponding period of previous year	2006	134.1	131.1	128.1	124.5	
		2007	106.5	108.0	109.5	116.8	
		2008	153.7	152.7	151.9 ¹		
Imports of goods	over period since start of year, \$ billion	2006	30.9	69.7	112.3	164.3	
		2007	42.8	95.5	153.9	223.5	
		2008	60.2	135.4	218.7 ¹		
	as % of corresponding period of previous year	2006	120.1	126.4	128.2	131.0	
		2007	138.6	137.1	137.0	136.0	
		2008	140.7	141.7	142.1 ¹		
Current account (over period since start of year), \$ billion		2006	30.4	54.7	78.6	94.3	
		2007	22.4	36.8	52.3	76.2	
		2008	37.5	63.6	91.2 ¹		
Private sector net capital outflow (inflow) (over period since start of year), \$ billion		2006	-5.6	15.0	27.4	41.8	
		2007	13.9	68.4	61.4	83.1	
		2008	-23.2	17.5	0.8 ¹		
Foreign investment in non-financial sector (according to Rosstat data)	over period since start of year, \$ billion	2006	8.8	23.4	35.3	55.1	
		2007	24.6	60.3	87.9	120.9	
		2008	17.3	46.5	75.8		
	as % of corresponding period of previous year	2006	146.0	141.9	131.7	102.7	
		2007	2.8 times	2.6 times	2.5 times	2.2 times	
		2008	70.1	77.1	86.2		
of which:	direct	over period since start of year, \$ billion	2006	3.8	6.4	10.3	13.7
			2007	9.8	15.8	19.6	27.8
			2008	5.6	11.1	19.2	
		as % of corresponding period of previous year	2006	2.0 times	143.6	155.5	104.6
			2007	2.5 times	2.5 times	191.3	2.0 times
			2008	57.2	70.0	97.7	
	portfolio	over period since start of year, \$ billion	2006	0.2	0.5	0.7	3.2
			2007	0.2	1.1	1.5	4.2
			2008	0.1	1.2	1.3	
		as % of corresponding period of previous year	2006	2.9 times	2.9 times	182.3	7.0 times
			2007	85.8	2.2 times	2.3 times	131.8
			2008	62.5	104.4	83.7	
	other	over period since start of year, \$ billion	2006	4.7	16.5	24.4	38.2
			2007	14.7	43.4	66.7	89.0
			2008	11.5	34.3	55.3	
		as % of corresponding period of previous year	2006	117.2	139.1	122.8	95.3
			2007	3.1 times	2.6 times	2.7 times	2.3 times
			2008	78.7	79.0	82.8	
Russia's international reserves (as of end of period), \$ billion		2006	205.9	250.6	266.2	303.7	
		2007	338.8	405.8	425.4	478.8 ³	
		2008 ³	512.6	569.0	556.8		
Real ruble exchange rate indices, last month of quarter (as % of December of previous year) ⁴	ruble vs. US dollar	2006	6.9	10.0	12.1	16.7	
		2007	2.3	3.8	8.1	15.0	
		2008	6.5	8.5	3.2		
	ruble vs. euro	2006	6.5	4.9	6.0	5.6	
		2007	3.1	4.1	4.5	5.8	
		2008	0.6	3.4	6.2		
	effective rate	2006	6.2	7.0	7.9	7.4	
		2007	2.7	3.3	3.8	5.1	
		2008	1.5	3.3	3.0		

Table 8 (continued)

		Year	Q1	Q2	Q3	Q4
Financial market indicators (including Sberbank rates)						
Average for period						
Overnight interbank credit rate, % p.a.	in rubles	2006	3.2	2.8	2.6	5.1
		2007	3.9	3.4	4.9	5.4
		2008	3.9	4.1	6.0	
	in US dollars	2006	4.4	4.8	5.2	5.2
		2007	5.2	5.2	5.1	4.5
		2008	3.2	2.2	2.2	
OFZ yields ⁵ , % p.a.		2006	6.8	6.9	6.8	6.7
		2007	6.6	6.6	6.6	6.6
		2008	6.7	6.9	7.5	
Interest rate on household time deposits, % p.a.	up to 1 year in rubles	2006	8.3	7.9	7.6	7.7
		2007	7.4	7.3	7.0	7.2
		2008	7.0	7.1	7.5	
	over 1 year in rubles	2006	7.6	5.2	5.2	5.4
		2007	7.9	7.5	7.1	6.8
		2008	7.4	8.0	8.5	
	up to 1 year in US dollars	2006	5.6	5.7	5.7	5.9
		2007	5.4	5.3	5.2	5.2
		2008	5.1	5.8	5.3	
	over 1 year in US dollars	2006	6.2	4.6	5.0	5.5
		2007	6.8	6.6	6.4	7.0
		2008	6.9	7.0	7.1	
Interest rate on credit to non-financial organisations, % p.a.	up to 1 year in rubles	2006	10.4	10.6	10.3	10.4
		2007	9.9	9.6	9.8	10.7
		2008	10.9	11.2	12.0	
	over 1 year in rubles	2006	12.7	12.7	12.5	12.1
		2007	12.1	11.5	11.0	11.4
		2008	12.3	12.8	13.6	
	up to 1 year in US dollars	2006	8.6	8.4	8.6	8.5
		2007	8.7	8.8	8.4	9.1
		2008	8.1	8.0	8.9	
	over 1 year in US dollars	2006	10.5	10.2	10.4	10.0
		2007	10.3	10.1	9.3	9.8
		2008	9.3	9.9	9.4	
Interest rate on ruble-denominated promissory notes discounted by banks, % p.a.		2006	12.9	8.7	9.2	9.7
		2007	9.5	8.9	10.8	10.8
		2008	10.7	11.0	12.1	
MICEX rate in 'tomorrow' trades, ruble/\$		2006	28.0733	27.1897	26.8053	26.5910
		2007	26.3056	25.8599	25.5043	24.6525
		2008	24.2286	23.6190	24.2718	
As of end of quarter						
RTS index, points		2006	1,434.99	1,494.63	1,549.99	1,921.92
		2007	1,935.72	1,897.70	2,071.80	2,290.51
		2008	2,053.93	2,303.34	1,211.84	
Refinance rate, % p.a.		2006	12.0	11.5	11.5	11.0
		2007	10.5	10.0	10.0	10.0
		2008	10.25	10.75	11.00	

Table 8 (end)

		Year	1.01	1.04	1.07	1.10		
Monetary indicators								
M0, billion rubles		2006	2,009.2	1,928.8	2,233.4	2,400.8		
		2007	2,785.2	2,741.2	3,027.5	3,220.9		
		2008	3,702.2	3,475.5	3,724.9	3,904.2		
M2, billion rubles		2006	6,044.7	6,169.4	7,090.8	7,750.7		
		2007	8,995.8	9,412.6	10,857.7	11,494.0		
		2008	13,272.1	13,382.9	14,244.7	14,374.6		
Obligations included in broad money, billion rubles ⁶		2007	10,149.4	10,898.4	12,033.4	12,699.7		
		2008	14,636.7	14,918.3	15,926.6	16,067.8 ²		
Net foreign assets, billion rubles ⁶		2007	6,881.5	7,927.4	8,714.1	9,047.0		
		2008	9,923.1	10,540.8	11,282.4	12,264.3 ²		
Domestic claims, billion rubles ⁶		2007	5,799.2	5,798.6	6,331.1	6,771.7		
		2008	8,325.9	8,437.2	8,760.6	8,614.9 ²		
Broad monetary base, billion rubles		2006	2,914.2	2,721.4	3,287.0	3,486.0		
		2007	4,122.4	4,210.2	5,139.1	4,587.2		
		2008	5,513.3	4,871.4	5,422.9	5,317.8		
Balances of correspondent accounts, billion rubles		2006	508.6	320.0	430.9	443.7		
		2007	638.1	518.1	528.7	576.3		
		2008	802.2	596.3	592.4	702.9		
M2 velocity	annual average	2006	4.4	4.3	4.2	4.0		
		2007	3.8	3.6	3.4	3.2		
		2008	3.1	3.0	3.0	3.0 ²		
	change since start of year, %	2006	-6.5 ⁷	-1.4	-4.8	-8.3		
		2007	-13.2 ⁷	-6.1	-12.2	-16.3		
		2008	-18.8 ⁷	-2.7	-2.9	-1.9 ²		
Monetisation of the economy (by M2 aggregate), %		2006	22.7	23.0	23.8	24.7		
		2007	26.1	27.8	29.8	31.2		
		2008	32.2	33.1	33.1	32.8 ²		
Money multiplier	by broad money	2006	2.07	2.27	2.16	2.23		
		2007	2.18	2.24	2.11	2.51		
		2008	2.41	2.75	2.63	2.70		
	change since start of year, %	2006	13.2 ⁷	9.3	4.0	7.3		
		2007	5.2 ⁷	2.5	-3.2	14.8		
		2008	10.3 ⁷	14.1	9.1	12.3		
Foreign exchange rates		rubles per US dollar		2006	28.78	27.70	26.94	26.78
				2007	26.33	26.01	25.82	24.95
				2008	24.55	23.50	23.41	25.37
		rubles per euro		2006	34.19	33.63	34.24	33.98
				2007	34.70	34.69	34.72	35.35
				2008	35.93	37.09	36.97	36.50

¹ Estimate.² Preliminary data.³ According to a new accounting methodology.⁴ (+) signifies appreciation of the ruble, (-) signifies depreciation of the ruble.⁵ OFZ effective market portfolio indicator.⁶ Presented in new format in compliance with requirements of the Monetary and Financial Statistics Manual (IMF, 2000).⁷ Relative to beginning of previous year.

Table 9

Bank of Russia interest rates in 2008 (% p.a.)

Instrument	Liquidity infusion/absorption period	01.07.08 - 13.07.08	14.07.08 - 17.09.08	18.09.08 - 14.10.08	15.10.08 - 19.10.08	20.10.08 - 23.10.08	24.10.08 - 31.10.08
Providing liquidity at offered bids (including by auction)							
Repo operations ¹	1 day	6.75	7.0	7.0	7.0	7.0	7.0
	1 week	7.25	7.5	7.5	7.5	7.5	7.5
	3 months	—	—	—	8.5	8.5	8.5
Currency-swap operations ²	1 day	—	—	—	—	10.0	10.0
Unsecured loans ¹	5 weeks	—	—	—	—	8.5	9.5
	3 months	—	—	—	—	—	9.75
Lombard loans ^{1,3}	2 weeks	7.75	8.0	7.5	7.5	7.5	7.5
	3 months	—	—	—	—	8.5	8.5
Providing liquidity at fixed rates							
Overnight loans ^{3,4}	1 day	10.75	11.0	11.0	11.0	11.0	11.0
Lombard loans ³	1 day	8.75	9.0	8.0	8.0	8.0	8.0
	7 days ⁵	8.75	9.0	9.0	8.0	8.0	8.0
	30 days	—	—	—	—	8.0	8.0
Repo operations	1 day	8.75	9.0	8.0	8.0	8.0	8.0
	1 week	7.75	8.0	8.0	8.0	8.0	8.0
Currency-swap operations	1 day	8.75	9.0	8.0	10.0	—	—
Loans secured by 'non-market' assets ⁴	Up to 30 days	9.75	10.0	9.5	9.0	9.0	9.0
	31 to 90 days	—	—	—	—	9.0	9.0
Loans against promissory notes, credit claims and bank guarantees ⁶	91 to 180 days	7.75	8.0	7.5	7.5	7.5	7.5
	от 91 до 180 дней	8.75	9.0	8.5	8.5	8.25	8.25
Absorbing liquidity at fixed rates							
Deposit operations	'Tom-next, 'spot-next' and 'call'	3.5	3.75	3.75	4.25	4.25	4.75
	'1 week, 'spot-week'	4.0	4.25	4.25	4.75	4.75	5.25

¹ Minimum offered interest rate.² Interest rate set on the ruble part when determining the minimum offered swap difference.³ Pursuant to Bank of Russia Regulation No. 236-P of August 4, 2003.⁴ Pursuant to Bank of Russia Regulation No. 312-P of November 12, 2007.⁵ If two consecutive Lombard auctions have been declared invalid. Otherwise set at average weighted Lombard auction rate.⁶ Pursuant to Bank of Russia Regulation No. 273-P of July 14, 2005.

Table 10

Credit institutions' required reserve ratios (%)

	Required reserve ratio for bank obligations to non-resident banks in Russian and foreign currency	Required reserve ratio for obligations to individuals in Russian currency	Required reserve ratio for other bank obligations in Russian and foreign currency
July 1, 2007—October 10, 2007	4.5	4.0	4.5
October 11, 2007—January 14, 2008	3.5	3.0	3.5
January 15, 2008—February 29, 2008	4.5	4.0	4.5
March 1, 2008—June 30, 2008	5.5	4.5	5.0
July 1, 2008—August 31, 2008	7.0	5.0	5.5
September 1, 2008—September 17, 2008	8.5	5.5	6.0
September 18, 2008—October 14, 2008	4.5	1.5	2.0
October 15, 2008—January 31, 2009	0.5	0.5	0.5
February 1, 2009—February 28, 2009	1.5	1.5	1.5
March 1, 2009---	2.5	2.5	2.5

