



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

Quarterly Inflation Review

2009 Q3

Research and Information Department

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

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Introduction

Since the end of 2008, the world economic and financial crisis and adverse developments it provoked in the Russian economy have been key factors of inflation. The 1st quarter of this year saw consumer prices rise at rapid rates, as the cost of consumer imports increased as a result of the devaluation of the national currency, acceleration of producer prices in the mining sector, the contraction of supply in the Russian economy and the deterioration of the financial situation of Russian enterprises. In the 2nd quarter, inflation began to slow down as consumer and especially investor demand sagged, the effect of the devaluation gradually petered out and the ruble started to appreciate. In August-October 2009, the consumer price index stood at 100%, mostly owing to the low rate of food price growth.

The principal task for the Bank of Russia in the current situation is to maintain banking sector and financial market stability and create conditions conducive to greater business activities.

Slower growth of consumer prices, the need to stimulate bank lending activities and the stabilisation of the situation on the domestic foreign exchange market allowed the Bank of Russia to ease its monetary policy in April. In the 2nd and 3rd quarters, the sustained macroeconomic trends and the monetary situation enabled the Bank of Russia to cut interest rates more significantly. It used its monetary policy instruments to stimulate the economy by cutting the cost of credit while keeping the banks sufficiently supplied with liquidity and prevent the inflow of short-term capital and the sharp appreciation of the ruble. From July to October, the Bank of Russia gradually cut interest rates on credit and deposit operations

and repo operations. Over that period, the Bank of Russia interest rate band moved down by 3.5 percentage points.

Growing liquidity in the banking sector and the ruble's appreciation had an impact on the dynamics of interbank market short-term rates and the rates on credit to the real sector. The level and volatility of interbank credit market interest rates declined, just as interest rates on bank loans and deposits for non-financial organisations and households (the only exception was short-term interest rates on loans to households).

However, credit activities remained low. The annual rate of growth in debt on credit to non-financial organisations and households in rubles and foreign currency slowed from 45.7% as of October 1, 2008, to 1.8% year on year. Moreover, debt only grew on long-term ruble-denominated loans to non-financial organisations, mostly as a result of the measures taken by the Government and Bank of Russia to support the banking system and the real economy.

The prolonged slowing of growth in monetary and credit aggregates reduced the monetary pressure on inflation this year. This factor and the end of the devaluation effect on prices, lower interest rates and the ruble's appreciation allow one to assume that inflation will continue to slow in the first half of 2010. However, as the annual rates of growth in the monetary aggregates stopped slowing in 2009 Q2 and the current and forthcoming budget policy and monetary conditions eased significantly, one cannot rule out the possibility of the acceleration of consumer price growth by the end of 2010.

Inflation Dynamics

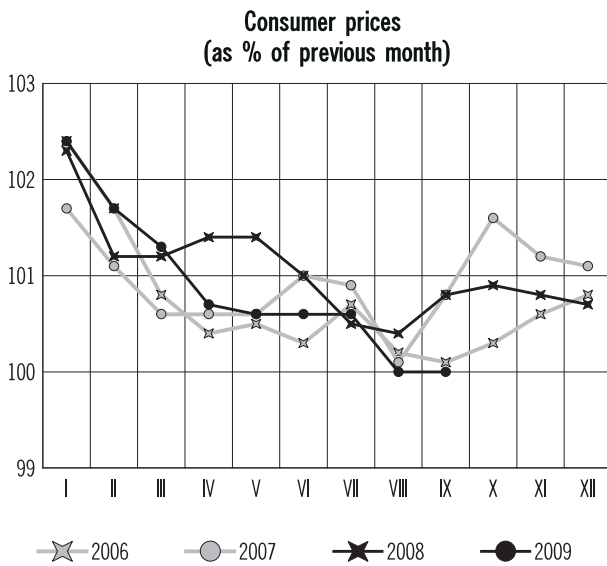
Consumer prices

According to the Federal State Statistics Service, consumer prices rose 8.1% in the first nine months of the year. This represents a decrease of 2.5 percentage points from the same period last year. In September 2009, consumer price growth was 10.7% compared to September 2008 and in January-September it was 12.5% year on year.

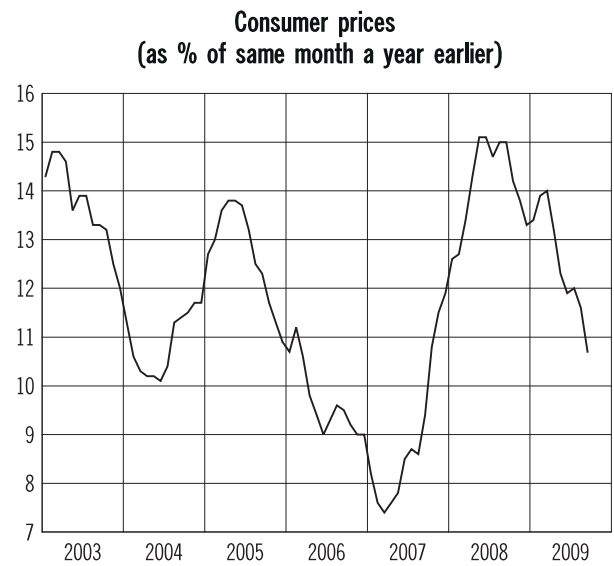
The slowing of inflation in the nine months of the year was largely the result of slower growth in the prices of food products and unregulated services. At the same time, growth in non-food prices accelerated, as compared with January-September 2008.

Core inflation slowed to 7.3% in the nine months of the year as against 10.1% in the same period of 2008. The rise in the prices of goods and services included in the core inflation calculation accounted for an estimated 5.9 percentage points, or 73.3%, of inflation (as against 8.0 percentage points, or 75.7% in 2008).

In the nine months of the year, **food prices exclusive of fruit and vegetable prices** went up 6.3% as against 12.9% in January-September 2008. Growth in the prices of this group of food products accounted for an estimated 2.1 percentage points, or 26.7%, of inflation (as against 4.5 percentage points, or 43.0%, in the same period of 2008).



Source: Rosstat.



Source: Rosstat.

Consumer price inflation (%)

	Growth (September 2009 on December 2008)	Growth (September 2008 on December 2007)	
Prices of goods and services, total:	8.1	10.6	Slowing of growth by 2.5 percentage points
of which:			
– food prices	5.8	12.1	Slowing of growth by 6.3 percentage points
– food prices, excluding vegetable and fruit prices	6.3	12.9	Slowing of growth by 6.6 percentage points
– non-food prices	8.3	6.5	Acceleration of growth by 1.8 percentage points
– prices of paid services provided to households	11.0	14.1	Slowing of growth by 3.1 percentage points
Prices of goods and services included in core inflation calculation	7.3	10.1	Slowing of growth by 2.8 percentage points

Source: Rosstat.

As regards food prices, the most significant increase in the nine months of the year was registered in the prices of granulated sugar (50.6% as against 12.1% in the same period last year) and fish and seafood (13.5% as against 7.5%). Growth in the prices of grain, cereals, legumes, meat and poultry ranged between 1.9% and 5.7%, a significant decrease from January-September 2008. Prices of milk and dairy products, butter and vegetable oil declined in the range of from 0.1% to 18.2% (January-September 2008 saw the prices of these products rise). Egg prices were down 16.9% as against 6.4% in the same period a year earlier.

Sugar prices grew rapidly on the world market throughout the nine months of the year and last August they reached the highs registered in 2006. Compared to December 2008, the price of raw sugar increased by 2.2 times last September and the price of refined sugar by 1.8 times (a year earlier these prices rose 22.5% and 27.3% respectively).

World grain prices showed a tendency towards decline in 2009 Q3 after their relative stabilisation in the period from 2008 Q4 to 2009 Q2. As a result, compared to December 2008, in September 2009, the price of US wheat fell 13.3% and Canadian wheat 20.2% and the price of US maize was down 5.0% and Canadian barley 10.2% (in September 2008, wheat prices declined 19.8% and 21.5% respectively, Canadian barley was down 4.7%, whereas US maize was

up 29.7%). The price of Thai rice last September was by 2.5% lower than in December 2008 (in September 2008, it was 89.6% higher).

The world meat markets demonstrated different dynamics in 2009. The price of beef rose 10.1% last September, as compared with December 2008, whereas pork and poultry fell 5.0% and 2.4% respectively (in September 2008, these prices were up 35.4%, 33.6% and 15.0% respectively).

After growth in the first half of the year, vegetable oil prices were down on world markets in the 3rd quarter. As a result, last September the price of palm oil was up 34.0% on December 2008 (in September 2008, it was down 18.8%).

Fruit and vegetable prices rose 0.8% in January-September 2009 (as against 5.3% in the same period last year). This represents the most significant slowing for the period in four years. Estimates show that the rise in fruit and vegetable prices had little effect on the general level of consumer prices. In the same period of 2008, growth in fruit and vegetable prices accounted for 0.2 percentage points of inflation (1.9% of the overall increase in consumer prices).

Overall food prices rose 5.8% in January-September 2009 as against 12.1% in the same period last year.

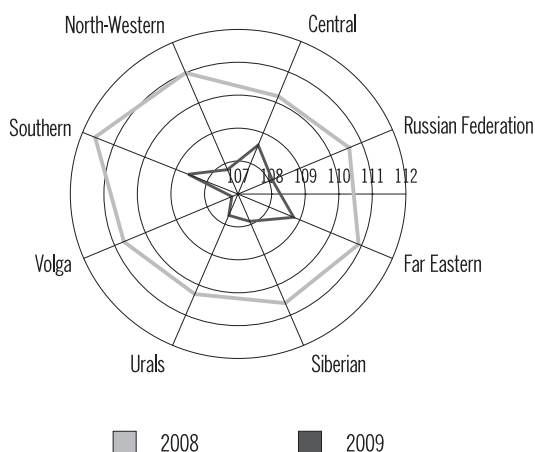
Non-food prices went up 8.3% over that period as against 6.5% in the nine months of 2008. This growth accounted for an estimated 3.1 percentage points, or 38.7%, of inflation (this

Food price inflation (%)

	Growth (September 2009 on December 2008)	Growth (September 2008 on December 2007)	
Food products	5.8	12.1	Slowing of growth by 6.3 percentage points
Bread and bakery products	2.1	24.5	Slowing of growth by 22.4 percentage points
Cereals and legumes	1.9	27.5	Slowing of growth by 25.6 percentage points
Pasta	3.4	31.3	Slowing of growth by 27.9 percentage points
Meat and poultry	5.7	15.6	Slowing of growth by 9.9 percentage points
Fish and seafood	13.5	7.5	Acceleration of growth by 6.0 percentage points
Milk and dairy products	-0.8	7.8	...
Butter	-0.1	7.0	...
Sunflower oil	-18.2	27.9	...
Granulated sugar	50.6	12.1	Acceleration of growth by 38.5 percentage points
Vegetables and fruit	0.8	5.3	Slowing of growth by 4.5 percentage points
Alcoholic beverages	7.7	8.1	Slowing of growth by 0.4 percentage points

Source: Rosstat.

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



Source: Rosstat

compares with 2.3 percentage points and 22.0% in the same period last year). The most significant increases were registered in the prices of tobacco products (17.0% as against 11.9% in January-September 2008), medicines (16.2% as against 9.6%) and detergents and cleaning products (11.5% as against 12.0%). Petrol prices were up 10.5%, whereas a year earlier they rose 18.6%.

Prices of paid services provided to households increased 11.0% in the nine months of the year as against 14.1% in the same period last year. The growth accounted for an estimated 2.8 percentage points, or 34.2% of overall consumer price increase (this compares with 3.5 percentage points and 33.1% in the same period last year).

Growth in administered service prices accelerated by 0.6 percentage points to 14.0%. Housing and utilities prices rose 18.6% as against 15.5% in the first nine months of 2008. Passenger transport fares were up 6.7% as against 21.2% a year earlier.

The first nine months of the year saw the slowing of growth in the prices of all major types of services included in the calculation of the core consumer price index. This was particularly apparent in healthcare, pre-school tuition, education and personal services.

The rise in paid service prices in January-September 2009 exceeded overall commodity price growth by 3.9 percentage points (as against 4.7 percentage points in the same period last year).

According to Rosstat data, in the nine months of the year, consumer price growth slowed in all **federal districts**, as compared with the same period in 2008. Estimates show that in September there were significant differences between the Russian regions in terms of the cost of the fixed set of goods and services used by Rosstat for interregional purchasing power comparisons. Specifically, the regional difference ratio¹ that month registered 42.4% as against 40.0% in December 2008.

As for the regional differences in the rates of growth in food prices, they varied within the relatively narrow range of from 4.8% to 7.7% (in December 2008, they ranged between 10.9% and 14.1%). The rates of growth in non-food prices ranged from 7.6% to 9.6% (6.0%-7.9% in January-September 2008). In the nine months of the year, all federal districts registered the slowing of growth in paid service prices, as compared with the same period last year.

Housing prices

Housing prices fell 7.1% on the primary market and 9.8% on the secondary market in September 2009 as compared with December 2008. In the same period last year, housing prices rose 10.9% on the primary market and 16.6% on the secondary one.

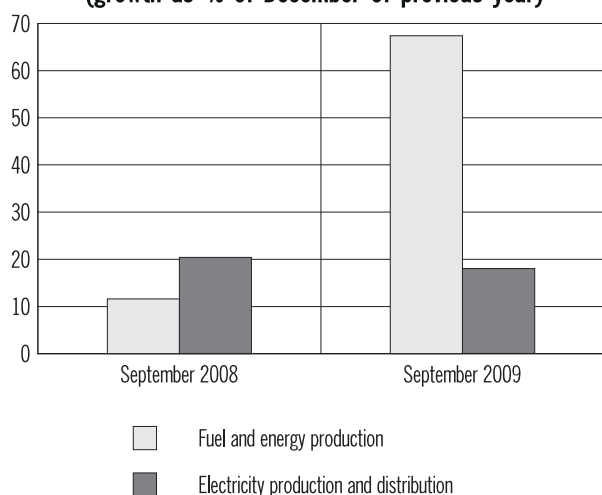
In the nine months of the year, housing prices were affected by the contraction of demand amid the financial and economic crisis. This is confirmed, among other things, by the reduction by 0.6% in the floor space built in that period, as compared with the same period in 2008 (in the first nine months of 2008, housing construction increased 3.8%, as compared with the same period a year earlier).

Producer prices

Industrial producer prices rose 14.9% in January-September 2009 as against 17.6% in the same period last year. Rapid growth in producer prices was principally the result of the acceleration of their increase in the mining sector. Over 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 and least expensive regions relative to the national average cost of the set.

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



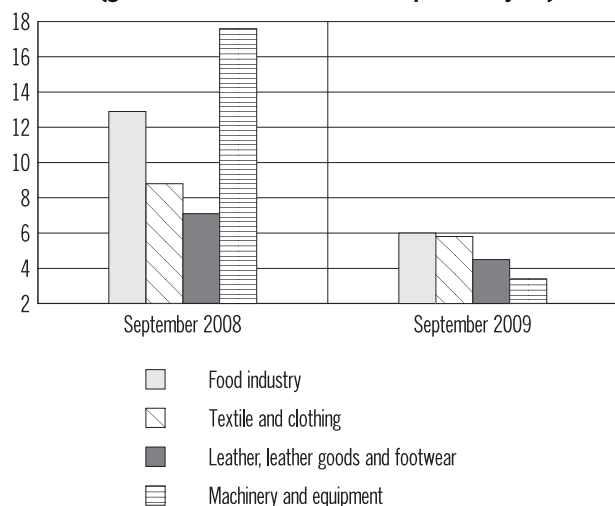
Source: Rosstat.

nine months of the year, these prices rose 53.5%, whereas in the same period of 2008 they grew 11.7%. In the fuel and energy sector, producer prices went up 67.4% and 11.6% respectively.

Price growth in the production and distribution of electricity, gas and water quickened by 2.4 percentage points to 18.0% in January-September 2009, as compared with the same period last year.

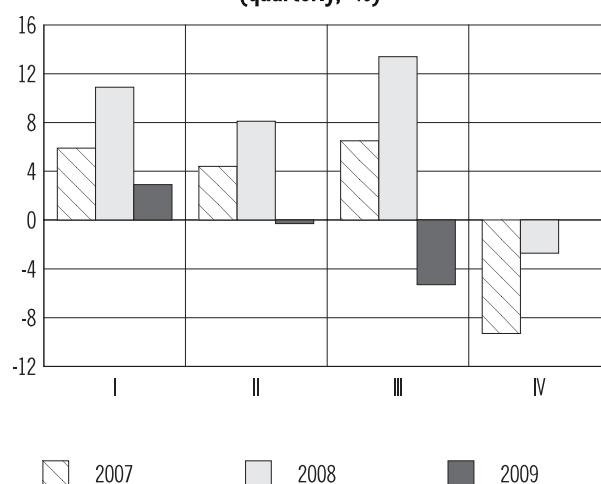
Producer prices in the manufacturing sector gained 6.5% in the nine months of the year as against 19.6% in the same period of 2008. The most significant price increase (37.2%) was registered in the production of petroleum products (this compares with 14.0% in the same pe-

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



Source: Rosstat.

**Freight charges
(quarterly, %)**

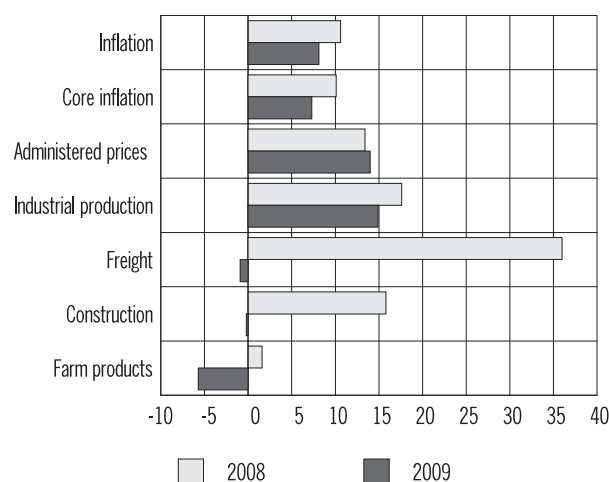


Source: Rosstat.

riod last year). Meanwhile, there was a slowing of growth in consumer goods producer prices. Producer price growth in the production of foodstuffs, including beverages, and tobacco products declined by 6.9 percentage points to 6.0%; producer prices in the textile and clothing industry slowed by 3.0 percentage points to 5.8% and in the production of leather, leather goods and footwear producer price growth declined by 2.6 percentage points to 4.5%.

Freight charges slipped 0.9% in January-September 2009, whereas railway fares rose 10.6%. In the same period of 2008, these prices increased 36.0% and 22.1% respectively.

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



Source: Rosstat.

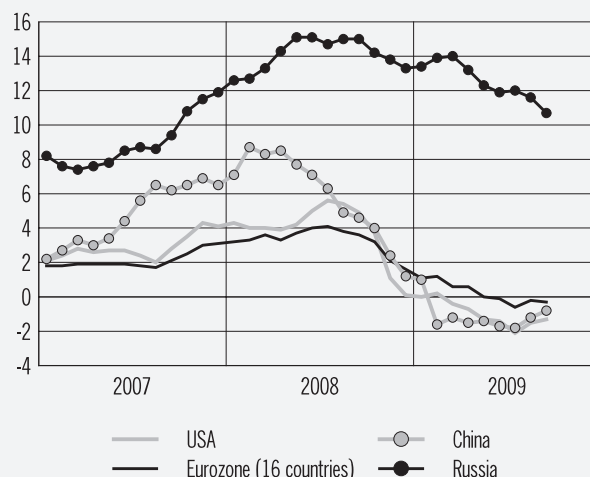
Inflation in countries trading with Russia¹

Inflation in the countries accounting for a substantial portion of Russian imports slowed from 4.7% in January-September 2008 to 2.3% in the same period last year (September against December of the previous year). The major contributor to the reduction of inflation was Ukraine. In Japan, consumer prices declined, whereas in Germany, they remained unchanged on December 2008. Most of the other countries saw price growth slow down.

Slower inflation in foreign countries was the result of the fall in food prices, especially in the 3rd quarter. Energy prices mostly demonstrated a downward trend, but it differed from country to country, depending on other factors, including exchange rate dynamics. In the 2nd quarter, higher oil prices accelerated inflation in the countries trading with Russia, but in the 3rd quarter, when oil prices fluctuated without demonstrating an obvious upward trend, most of the countries, except China, Japan and South Korea, where price dynamics was affected by the rise in business activity, registered disinflation. The relatively sustained factor of inflation in the industrialised nations was growth in the prices of goods and services included in the 'basic' set of goods in the consumer goods baskets (which does not include energy and food products). Core inflation slowed more or less, depending on the depth of the economic recession (in the eurozone more than in the United States).

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

Consumer prices by country (%)*



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

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

Communications fees for corporates

edged up 2.0% in the nine months of the year as against 11.4% in the same period last year.

Producer prices for building materials

fell 0.2% in January-September 2009, whereas in the same period of 2008 they rose 15.8%.

Agricultural producer prices

fell 3.7% in January-September 2009, whereas in the same period last year they grew 1.6%. Crop grower prices went down 6.2% (in January-September 2008, they rose 7.7%). Specifically, grain producer prices fell 5.3% and sunflower producer prices were down 2.3% (in January-September 2008, these prices increased 9.1% and 17.4% respectively). Livestock producer prices declined 2.0% as against 2.7% in the same period last year. Cattle and poultry producer prices rose 7.7% (as against 9.2% in January-September 2008), whereas milk producer prices slumped 14.8% and egg producer prices plummeted 18.1% (this compares with 13.9% and 11.5% in the same period last year).

Foreign trade

The price situation on the world markets for major Russian export commodities² in the 3rd quarter was better than in the 2nd but it was worse than in 2008 Q3, because of the sharp fall in the prices of oil, petroleum products, metals and other raw materials in the second half of last year. Energy prices rose 8.7% on average in 2009 Q3 quarter on quarter and non-energy prices gained 6.1%; compared to 2008 Q3, they declined by 44% and 31% respectively.

World oil prices resumed their growth this year after the fall in the second half of 2008. The average price of oil³ on the world market increased

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 fuel and fuel oil) and the London Metal Exchange for non-ferrous metals (aluminium, copper and nickel). Ferrous metal price indices and data on average monthly prices of natural gas and other commodities are published by the World Bank and IMF.

³ The average price of three brands of crude - Brent, Dubai and West Texas Intermediate (WTI).

70% in September 2009 as compared with December 2008; Urals was up 80%. On August 24, the price of Urals crude hit the high of nearly \$74 per barrel.

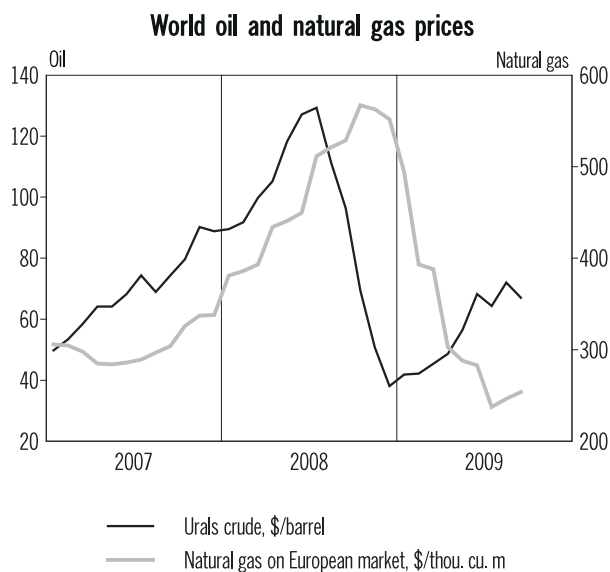
The rise in oil prices in January-September 2009 resulted from the world economic situation and the expectations of an end to the financial and economic crisis. Data indicating that several leading economies had begun to emerge from the crisis and sustained economic growth in China contributed to growth in world demand for oil. In addition, oil prices were affected by the dollar exchange rate dynamics, because the dollar's depreciation against other major world currencies led to the rise in the prices of the dollar-priced exchange commodities and the movement of a part of speculative capital from the currency market to the commodity market. In addition, the OPEC countries complied with the oil production quotas set in 2008. Traditional factors such as the geopolitical situation and weather had a negligent and short-term effect on the price of oil.

As a result, in 2009 Q3, the price of Urals crude rose 17.2% quarter on quarter and reached \$67.8 per barrel. However, this represents a decrease of 39.7% from 2008 Q3.

Compared to January-September 2008, the price of Russian oil on the world market was down 47.7% at \$56.3 per barrel (in January-September 2008, it was up 68.2% on the same period a year earlier).

The petroleum products market demonstrated the same trends as the oil market, but the rates of growth in the prices of the various petroleum products were different. In the 3rd quarter, for example, the price of fuel oil increased the most quarter on quarter (by 25%), whereas diesel fuel was up 15% and petrol 11%. Over the first nine months of the year, petroleum product prices, just as oil prices, were on average twice as low as in the same period of 2008. The biggest fall was registered in the price of diesel fuel (by 52%) in that period (in the same period a year earlier, it rose 75%). The price of petrol was down 43% and fuel oil 40% (in January-September 2008, the prices of these petroleum products rose 42% and 73% respectively).

The fall in natural gas prices in Europe, which had begun late in 2008, continued until last August. That month natural gas prices started to rise



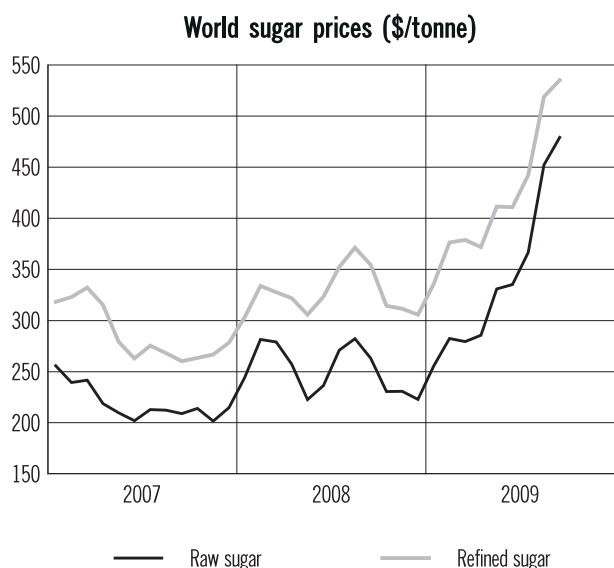
Source: Reuters, World Bank.

again but at a slow pace (in the United States, the natural gas price downturn continued until September). In 2009 Q3, natural gas prices in Europe fell 15.6% quarter on quarter (in the previous two quarters, they were down 24.2% and 31.5% respectively). Relative to 2008 Q3, they declined 52.8%. In January-September 2009, the price of natural gas in Europe was down 28.6% on the same period last year (in January-September 2008, it rose 52.5% as compared with the same period a year earlier).

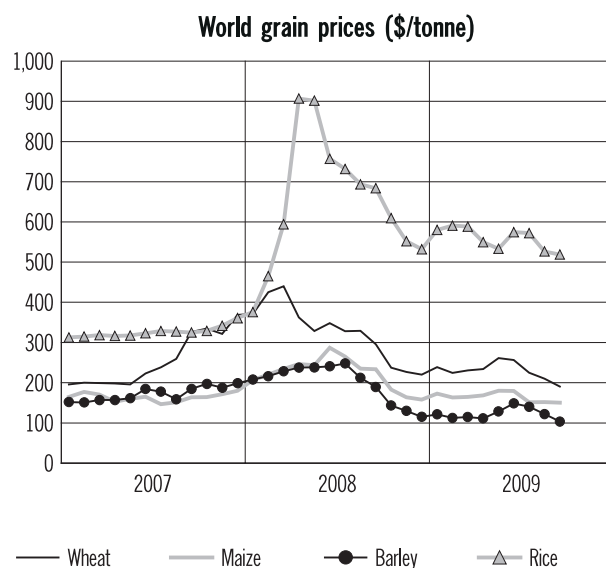
The world coal market is showing a tendency towards growth in prices this year, but the rise is small. Over the nine months of the year, the price of coal was down 49.5% on the same period of 2008 (in January-September 2008, it was by 130% higher than in the same period a year earlier).

The main factor of the price fall on the world ferrous metals market, which began in September 2008, was the recession-related slowing of growth in demand. Another contributing factor was the fall in the prices of raw materials for the production of ferrous metals (the world price of iron ore was down 28.2% in 2009⁴ year on year, whereas in 2008 it rose 66.0%). In the nine months of the year, ferrous metal prices were by 17.3% lower than in the same period last year (in January-September 2008, they were by 58.1% higher).

⁴ Iron ore prices on the world market are set for a year.



Source: London Commodity Exchange.



Source: World Bank.

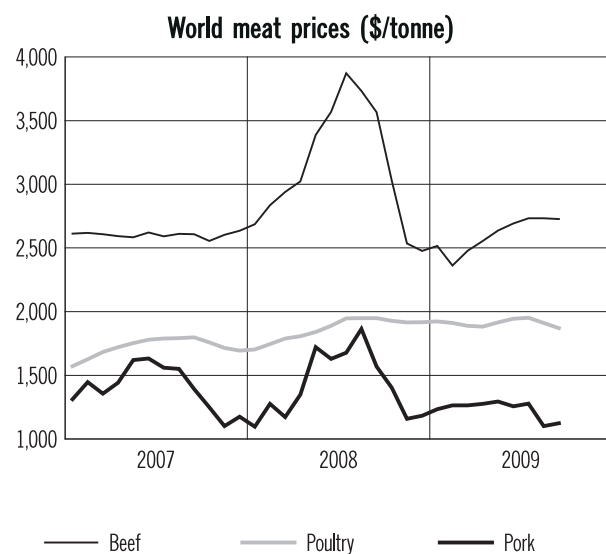
The world non-ferrous metals market in January-September 2009 saw aluminium, copper and nickel prices mostly rise, but they were considerably lower than in the same period last year. The main reasons for the price increase were the gradual recovery of world industrial demand for non-ferrous metals, especially in China, the reduction of world aluminium production, the expansion of government nickel stocks in China and the rise in investor demand for these metals. In January-September 2009, the price of aluminium fell 45.0%, as compared with the same period last year, copper was down 41.5% and nickel 44.0% (in January-September 2008, the price of aluminium rose 4.5% and copper 12.3%, whereas nickel was down 38.3%).

The prices of other raw materials exported by Russia were also affected by the global economic situation and the state of the world commodity markets. In January-September 2009, prices of mineral fertilizer, chemical raw materials and some other products were lower than in the same period last year by almost one-third.

Food and agricultural raw material prices⁵ were different on world markets during the first nine months of the year. Sugar prices grew rapidly, meat and vegetable oil prices mostly increased, while grain prices mostly declined.

The main factor of growth in sugar prices on the world market was bad harvests in Brazil and India, the global leading producers of sugar. As a result, its world stocks contracted significantly, India emerged on the market as a net importer, exports from Brazil are expected to fall on the previous year's level, while domestic demand for ethanol in that country keeps growing.

The fall in grain prices continued in 2009 Q3 after their slight rise in Q2. In the 2009/2010 agricultural year, global wheat production is expected to fall, but experts believe that the level of wheat stocks in the major producing countries (Argentina, Australia, the EU, Kazakhstan, Canada, Rus-



Source: World Bank.

⁵ Average sugar prices have been calculated on the basis of data provided daily by the London Commodity Exchange, while other prices are the monthly averages published by the World Bank and IMF.

International trade

The IMF and European Commission predicted last October that international trade in goods and services would contract by 11.9-12.9% in 2009. The terms of trade for oil exporting countries have been gradually improving since March, but in January-September they were worse than in the same period of 2008. The International Energy Agency has estimated that world oil consumption declined 2.5% in January-September 2009, as compared with the same period last year; a contraction of 1.9% is expected for this year as a whole. According to IMF estimates, the average price of Brent, Dubai and WTI will fall to \$61.5 per barrel this year as against \$97 in 2008, a decrease of 36.6%. In January-September 2009, the average price of crude oil fell 48.5%, as compared with the same period in 2008.

Eurostat's data indicate that EU oil and petroleum product import volumes contracted in January-September 2009, as compared with the same period last year, despite the fact that oil and petroleum product prices had fallen significantly before they started to rise in the middle of the 1st quarter of the year. This affected the price of Russian oil and petroleum product exports to the EU, which have been gradually rising since last February, but in January-July were considerably lower than in the same period of 2008. The International Energy Agency has estimated that oil consumption in the European member countries of the OECD fell 4.7% in January-September 2009, as compared with the same period last year (by the end of the year, it is expected to contract by 4.4%), but in the 3rd quarter it grew 3% quarter on quarter (world growth stood at 0.6%). The average contract price of natural gas Russia exported to Germany in January-September 2009 was lower than in the same period last year by more than 20%.

sia, the United States and Ukraine) will remain high. The main reason is the fall in world demand as compared with its record in the 2008/2009 agricultural year.

The world rice market saw prices fall for the most part in 2009. The price downturn was provoked by the same developments as the fall in other grain prices, but the decline in rice prices was slow as Thailand, the world leading exporter, reduced exports.

Livestock producer prices stabilised amid the world crisis, as the deteriorated economic situation of the major meat consumers slowed growth in demand, fodder prices dropped and energy and fuel prices fell from the previous year's level. Beef and pork prices in January-September 2009 were lower than in the same period last year, while poultry prices picked up slightly. However, beef prices kept rising throughout 2009 as the cattle population declined, while beef consumption remained high in China, India, South America and South East Asia.

The fall in world market prices of Russian exports significantly deteriorated the terms⁶ of Russia's trade with other countries in January-September 2009, although by the end of the year the decline of the terms of trade index has begun gradually to slow down.

In the nine months of the year, the trade surplus⁷ contracted by 2.1 times, as compared with the same period last year, and stood at \$74.8 billion. Meanwhile, exports of goods declined faster (by 44.8%) than imports (by 39.8%). However, in 2009 Q3, the year-on-year rate of decline in imports virtually equalled those of exports (about 41%).

Demand

Domestic demand

Slower growth in revenues in various sectors of the economy and tough borrowing terms have led to a fall in investors' activity, the contraction of stocks and the acceleration of the reduction of consumer spending this year. Estimates show that in the 3rd quarter of the year domestic demand continued to decline quite rapidly.

In the first half of the year, the share of imports in the retail trade commodity resources contracted by 3 percentage points, as compared with the same period in 2008, and stood at 42%. The share of food imports contracted by 2 percentage points to 34% and that of non-food imports by 3 percentage points to 50%.

The decline in imports accelerated throughout the nine months of the year. It was connected

⁶ The ratio between export and import price indices.

⁷ According to the balance of payments estimate as of October 2, 2009.

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

	2008					2009	
	Q1	Q2	Q3	Q4	Full year	Q1	Q2
GDP	8.7	7.5	6	1.2	5.6	-9.8	-10.9
Final consumption	9.3	10.3	9.7	6.6	8.9	-1.9	-4.6
Of which:							
– households	12.2	13.4	12.2	8.0	11.3	-3.2	-7
Gross capital formation	17.2	21.0	13.4	-2.1	11.1	-56	-55.0
Net exports	-9.5	-43.4	-59.4	-39.9	-36.0	17.2	65.7

Source: Rosstat.

with the significant contraction of import volumes. Imports of investment goods decreased more than imports of consumer goods in that period. At the same time, the decline in engineering imports slowed down in the 3rd quarter, imports of chemicals and related products was virtually unchanged on the previous quarter, while the contraction of imports of food products and agricultural raw materials for their production slightly accelerated.

Owing to rapid growth in prices of some imported goods on world markets, especially food and raw materials for its production, such as sugar, and risk of growth in the prices of these products on the domestic market still exists.

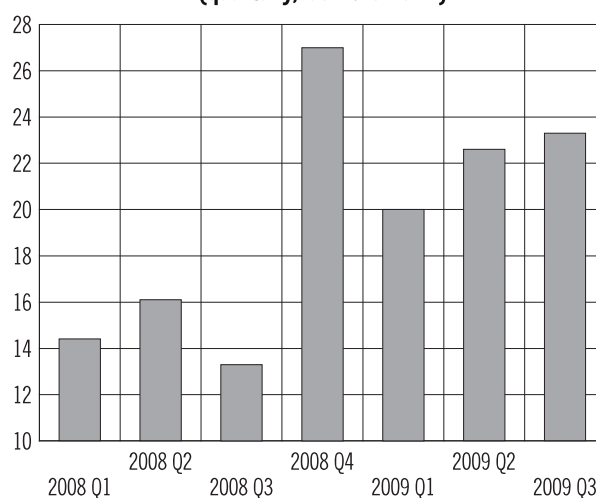
Household real disposable money income fell 0.9% in January-September 2009, as compared with the same period last year. The public propensity for consumption declined as real wage contracted and unemployment rose rapidly. The share of household spending on goods and services contracted by 2.9 percentage points in that period, as compared with January-September 2008, and stood at 70.8%; the share of household expenses on the purchase of foreign exchange expanded by 0.8 percentage points to 6.4%. The public propensity for organised savings reached 13% (as against 7.2% in the first nine months of 2008), of which the propensity for keeping money in bank deposits and securities registered 2.1% (3.6%).

Consumer demand started to contract at the beginning of the year. In the first half of 2009, household spending on final consumption declined 5.2% (in January-June 2008, it increased 12.8%). In the 3rd quarter, the decline in consumer spending accelerated. In January-September 2009, retail trade turnover contracted 5.3%, as compared with the same period last year, and the

value of paid services provided to households fell 4%.

Government expenditures on final consumption increased 1.7% in January-June 2009 as against 2.5% in the same period last year. According to the Federal Treasury, in January-September 2009, federal budget expenditures reached 22.6% of GDP as against 15.0% in the same period of 2008. Non-interest expenditures rose to 22.1% of GDP as against 14.5% in January-September 2008. This is the highest level in 10 years and it is chiefly attributable to the implementation of the anti-crisis measures in support of the real economy and the national financial system amid the financial and economic crisis. Federal budget non-interest expenditures in January-September 2009 accounted for 66.0% of the updated budget plan for 2009 (this compares with 60.3% in the same period of 2008).

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



Source: Federal Treasury.

Economic growth in foreign countries¹

GDP contracted by an estimated 4.8% in January-September 2009 year-on-year in the countries accounting for a large portion of Russian exports (in January-September 2008, it increased 3.5%). Estimates and preliminary data show that US GDP fell 3.2% and eurozone GDP 4.6%. China's GDP grew 7.7% as against 9.9% in January-September 2008.

The IMF and European Commission expect the world production of goods and services to contract 1.1-1.2% in 2009, as US GDP will decline 2.5-2.7% and eurozone GDP 4.0-4.2%, while GDP growth in China will slow from 9% in 2008 to 8.5-8.7%. The expected rates of decline in world production and GDP in some industrialised nations in 2009 were reviewed downwards as compared with the forecasts made by the same and other sources (the World Bank and OECD) and published three to six months earlier; the outlook for the economic situation in China and other emerging markets has improved. In 2009 Q2 and Q3, GDP increased quarter-on quarter in Germany, France and Japan and in Q3 the United States and Italy saw their GDP grow. In March, industrial production growth resumed in Japan and in April-June in the industrialised countries of Europe. The United States has registered growth in industrial output continuously since July 2009.

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

In the middle of 2009 Q1, the value of funds in the federal government's accounts with the Bank of Russia began to contract, as budget expenditures far surpassed budget revenues (in January-September 2009, this ratio decreased 10.5%, whereas in the same period of last year it grew 44.6%). This year's decline would have been more significant were it not for the considerable positive exchange rate difference that arose from the revaluation of the oil and gas sector funds in foreign currency-denominated accounts early in 2009.

In the first three quarters of the year, Russia registered a federal budget deficit of 4.6% of GDP, whereas in the same period last year it had a surplus of 8.3% of GDP. The contraction of the federal budget surplus at the end of 2008 and the emergence and growth of the federal budget deficit as a result of the measures taken by the Government to support the real sector and the financial system testify to the easing of the fiscal policy. At the same time, this accords with the need to implement a countercyclical budget policy.

Gross capital formation contracted 55.4% in the first half of the year (in January-June 2008, it expanded 19.2%). Fixed capital investment declined 18.9% in January-September 2009, whereas in the same period last year it increased 16.5%.

Investments in machinery, equipment and transport vehicles accounted for more than a third of total investment in January-June 2009. A fourth of these funds went to purchase import

equipment. Imports of machinery, equipment and transport vehicles declined 53.7% in January-June 2009, whereas in the same period last year they grew 58.4%.

Fixed capital investment was mostly (59.9%) financed by raised funds. Bank credit accounted for 12.0% as against 10.5% in January-June 2008.

As exports of goods and services contracted more slowly in real terms than imports, net exports increased 33.0% in January-June 2009 (in the first half of 2008, they fell 28.4%).

Foreign demand

The contraction of foreign demand and the price downturn on world commodity markets in January-September 2009 affected the dynamics of Russian exports: compared to the first nine months of 2008, they declined 44.8% to \$206.3 billion.⁸ In 2009 Q3, however, Russian export volumes expanded, export prices rose and, as a result, the value of exports increased 18% quarter on quarter. Exports to the EU countries and CIS countries in the 3rd quarter grew more slowly than to the Asia-Pacific Economic Co-operation member states. The most significant growth was registered in exports to Russia's major trading partners, such as the United States, the Netherlands, France, Turkey and Ukraine, whereas exports to Germany and Finland declined. Natural gas export

⁸ According to the balance of payments estimate as of October 2, 2009.

volumes in the 3rd quarter increased 25% quarter on quarter, oil export volumes grew 1.2% and petroleum products 4.1%. There was an expansion in export volumes of some other commodities.

Supply

Production decline somewhat slowed in the 3rd quarter in the major economic activity categories and output in these sectors contracted 9.2% year on year, but in January-September output decreased 11.8% (in January-September, it grew 7%).

Production decline slowed in the 3rd quarter in industry, construction, transport and wholesale trade but accelerated in retail trade. Overall, in January-September, output fell 18.4% year on year in the construction sector, 14% in transport, 5.3% in retail trade and 4% in wholesale trade.

Industrial output declined 13.5% (in January-September 2008, it rose 5.4%). Mining fell 3% (in January-September 2008, it grew 0.5%); the most significant decline was registered in mining other than hydrocarbon extraction. In the manufacturing sector, output was down 19.1% (in January-September 2008, it was up 7.7%). At the same time, there was a rise in output in some months of the 3rd quarter in the coke and petroleum products sector, food production and the production of leather goods.

The output of major livestock products, including meat and poultry in slaughter weight, increased 7% in January-September. The output of meat and meat products rose 2.6%, of which

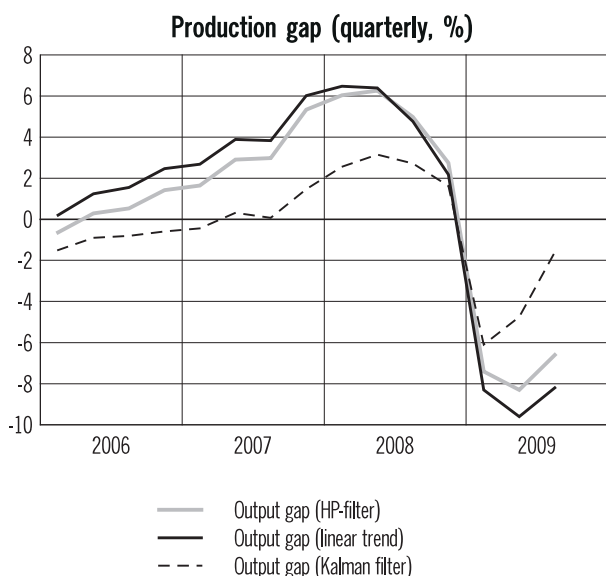
the output of meat including premium-quality by-products grew 11.8%. However, agricultural output declined in the 3rd quarter because this year's harvest was worse than last year's. Overall, in the nine months of the year, agricultural output contracted 0.8% (in the same period last year, it grew 9.6%). Grain production has also declined this year. By the middle of October, farms of all categories had threshed by 11.5% less grain than a year earlier. As a result, grain stocks accumulated by agricultural, procurement and processing organisations by the middle of last October were by 4.3% smaller than they were at the same time a year earlier. The fall in stocks may affect the dynamics of prices of bread, bakery products and pasta and eventually push consumer price inflation up.

According to The Russian Economic Barometer, the rate of utilisation of production capacity in the 3rd quarter was higher than in the 2nd at 66-67%. In August, the highest rates of utilisation of production capacity were registered by enterprises in the timber industry (83%) and food industry (72%). The lowest capacity utilisation rates were registered in the chemicals sector (58%) and the building materials and machine-building industries (62% each).

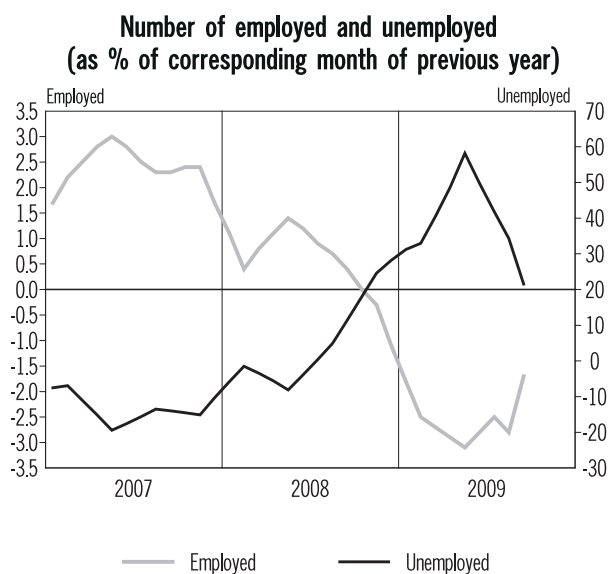
The contraction of foreign and domestic demand led to a downturn in business activities and the production of goods and services fell below its natural (potential) level. In January-September 2009, GDP shrank by an estimated 10-11%. The gap between actual and potential output is negative.

Labour market

The number of employed in the economy fell 2.4% in January-September 2009 (in January-September 2008, it rose 0.8%). Labour productivity declined by an estimated 7.6% (in January-September 2008, it increased 6.3%). Estimates show that the rates of decline in labour productivity in the services sector in the first half of this year were lower than in the manufacturing sector. The rates of decline in the output of goods were faster than the rates of decline in the production of services. The number of employed in the service sector in January-June 2009, as compared with the same period last year, decreased to a lesser extent than in the manufacturing sector.



Source: Bank of Russia calculations.



Source: Bank of Russia, Rosstat.

Real wage decreased 3.5% in January-September 2009, whereas in the same period of last year it rose 12.7%. In the 3rd quarter, the rate of decline in real wage accelerated. At the same time, real wage declined more slowly than labour productivity.

The share of wages and salaries in the income structure of GDP expanded from 47.5% in the first half of 2008 to 54.9% in the first half of this year.

Significant differences remained in compensation levels in the various activity categories. The highest average monthly wage in January-September 2009 was registered in the financial sector (40,411 rubles) and hydrocarbon extraction sector (39,461 rubles). Compensation in these sectors exceeded the national average by 2.23 times and 2.18 times respectively. The lowest wages were registered in agriculture, hunting and forestry (9,074 rubles), textile and clothing industry (8,676 rubles) and the production of leather, leather goods and footwear (9,539 rubles). These wage levels make up 50.2%, 48% and 52.7% of the national average respectively. Below-average wages and salaries were registered in the sectors largely financed from the budget (education, utilities, public and personal services, healthcare and social services) and in the manufacturing sector, construction, wholesale and retail trade and car and other repair services.

Although growth in the total number of unemployed slowed in the 3rd quarter, in January-September 2009, the number of unemployed increased 39.4%, as compared with the same period last year. As of the end of September 2009, the total number of unemployed stood at 7.6% of the economically active population (6.2% a year earlier).

Monetary Conditions

Exchange rate

The domestic foreign exchange market in the 3rd quarter of the year was mainly characterised by the stable dynamics of the ruble's exchange rate against major world currencies amid persistently favourable external economic conditions. As the ruble exchange rate dynamics was not particularly volatile in July-September, the volume of operations conducted by the Bank of Russia on the foreign exchange market to mitigate exchange rate fluctuations was small.

The current account surplus reached an estimated \$32.1 billion in January-September as against \$17.1 billion in the first half of the year. Preliminary data show that there was a private sector net capital outflow of \$31.5 in the 3rd quarter, whereas in the 2nd there was a net capital inflow of \$4.4 billion. Russia's international reserves increased 0.2% and as of October 1, 2009, they stood at \$413.4 billion.

The nominal ruble/dollar rate rose 2.8% in 2009 Q3 as against 5.3% in Q2. It should be noted that in Q3 the ruble appreciated against the dollar only in September, when it gained 2.6%, whereas in July it was down 1.6% and in August 0.4%. As the external economic conditions improved, mostly owing to growth in oil prices, the ruble appreciated further against the dollar (by

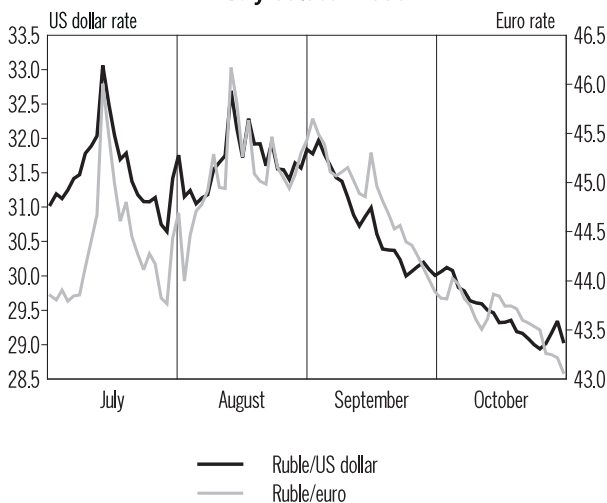
4.5% in October). As of October 27, 2009, the official rate of the dollar against the ruble declined to a 10-month low of 28.9403 rubles. By November 1, it had risen slightly and reached 29.0488 rubles.

The nominal ruble/euro rate fell 2.1% in July-September, whereas in the 2nd quarter it gained 1.4%. While in July and August the nominal rate of the ruble depreciated against the euro by 1.9% and 1.6% respectively, in September the ruble appreciated 0.6% against the European currency. In October, the nominal rate of the ruble continued to rise and gained 2.7%. As of November 1, the official euro/ruble rate stood at 43.0678 rubles to the euro.

The ruble value of the bi-currency basket declined to 36.2543 rubles in the 3rd quarter. As the ruble continued to appreciate against the dollar and the euro, the value of the bi-currency basket fell to 35.3574 rubles as of November 1.

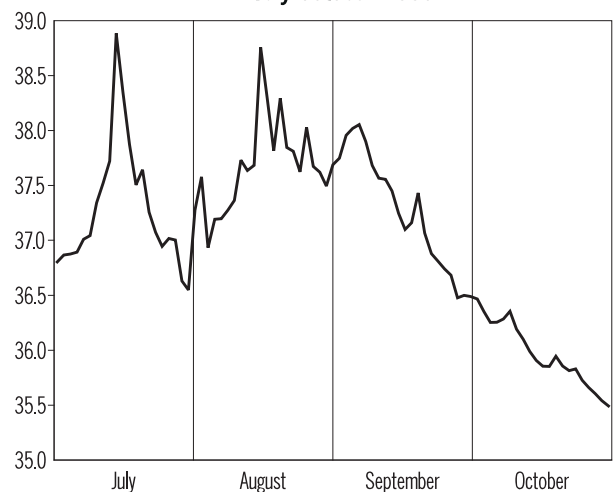
The nominal effective rate of the ruble against foreign currencies depreciated 1.0% in July-September, whereas in the 2nd quarter it appreciated 2.9%. The nominal ruble/euro exchange rate made a major contribution to the depreciation of the nominal effective rate of the ruble, as the eurozone accounted for a substantial portion of Russia's foreign trade turnover.

Nominal ruble/US dollar and ruble/euro rate in July-October 2009



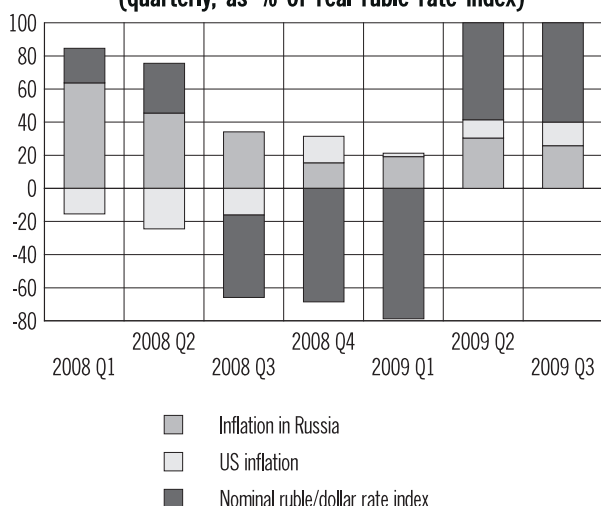
Source: Bank of Russia, Reuters.

Ruble value of bi-currency basket in July-October 2009



Source: Bank of Russia, Reuters.

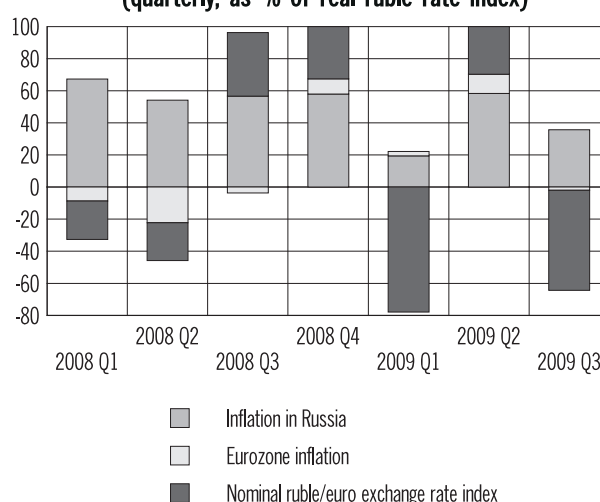
Decomposition of change in real ruble/US dollar rate (quarterly, as % of real ruble rate index)



Source: Bank of Russia, Reuters.

The real rate of the ruble against the US dollar gained 3.3% in July-September, whereas in the 2nd quarter it appreciated 7.1%. Compared to the 2nd quarter, the relative contributions of the nominal rate of the ruble against the dollar and inflation differential to the real rate dynamics remained virtually unchanged. Preliminary esti-

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



Source: Bank of Russia, Reuters.

mates show that in October the ruble rallied 4.5% against the dollar in real terms.

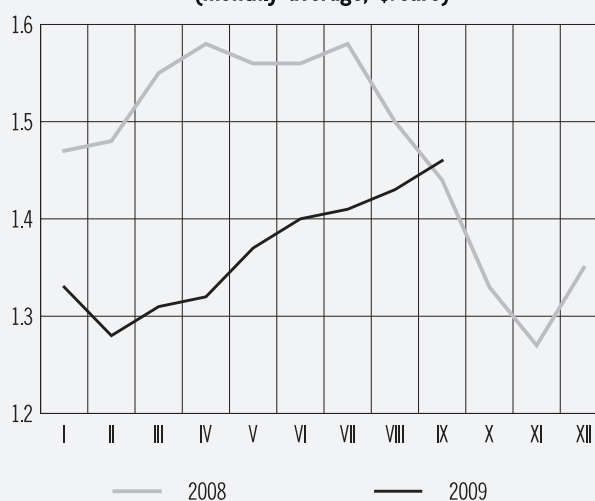
The real rate of the ruble against the euro declined 0.8% in the 3rd quarter, whereas in the 2nd it rose 3.6%. It should be noted that the relative contribution of the changes in the nominal rate to the the ruble's rate against the euro increased in

International currency market

The euro appreciated more than 7.5% against the US dollar on the international currency market in January-September 2009 (September on December 2008). As for the currencies of Russia's major trading partners, the pound sterling and Swiss franc gained about 9.5% against the dollar and 2% against the euro, the Swedish krona, South Korea's won and Brazilian real also rallied against the US and European currency. The Hungarian forint and Turkish lira appreciated against the dollar but weakened against the euro. The Japanese yen, Chinese yuan, Indian rupee and Polish zloty remained virtually unchanged against the US dollar but depreciated 7-8% against the euro. The Ukrainian hryvnia, Kazakhstan tenge and Belarusian ruble became depreciated against the dollar and the euro.

The yuan/dollar rate has been stable since the middle of 2008 (6.82-6.85 yuan to the dollar). Belarus devalued its currency against the dollar by 20% in January 2009 and Kazakhstan did the same a month later. Subsequently, Belarus allowed the Belarusian ruble value of a currency basket composed of US dollars, euros and Russian rubles to rise by 10% above the level set in January. The financial crisis in Ukraine in 2008 Q4 and early 2009 was accompanied by a significant depreciation of the hryvnia, but later the situation stabilised and the Ukrainian monetary authorities managed to set the official rate of the US dollar against the hryvnia in accordance with the current foreign exchange market conditions.

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



Source: Reuters.

July-September. Preliminary data show that in October the real rate of the ruble rose 2.7% against the euro and virtually kept pace with the nominal appreciation of the ruble against the European currency owing to a minimal inflation differential between Russia and the eurozone countries in that period.

The real effective rate of the ruble against foreign currencies was unchanged in the quarter under review, whereas in the 2nd quarter it had appreciated 4.8%. The fall in the real effective rate of the ruble by 1.3% in July and in August was offset in September, when the ruble gained 1.2% in real terms against the currencies of Russia's major trading partners. According to preliminary data, in October the real effective rate of the ruble rose 2.7% against foreign currencies.

Estimates show that the ruble's rate against foreign currencies in the period of from July to October will have no significant effect on domestic inflation until the end of the year.

Interest rates

Money market and Bank of Russia interest rates

In July-October 2009, the Bank of Russia continued to cut interest rates on its operations, taking into consideration the internal and external

macroeconomic trends, inflation and exchange rate expectations and monetary and credit aggregate dynamics.

Despite the reduction of interest rates and the measures taken by the Bank of Russia to infuse liquidity into credit institutions in the previous periods, bank credit supply and the economy's demand for credit continued to contract and adversely impact economic dynamics. In that situation, bearing in mind the tendency towards the reduction of inflation and inflationary expectations and seeking to stimulate lending and business activity, the Bank of Russia in July-October cut five times interest rates on its operations. In the period under review, the overnight credit rate (refinance rate) was cut from 11.5% to 9.5% p.a., tom-next deposit rate from 6.25% to 4.25% p.a. and the minimum overnight repo auction rate from 8.5% to 6.75% p.a. In addition, on September 30, the Bank of Russia set at the same level the minimum overnight and 7-day repo auction rates and 2-week Lombard auction rates.

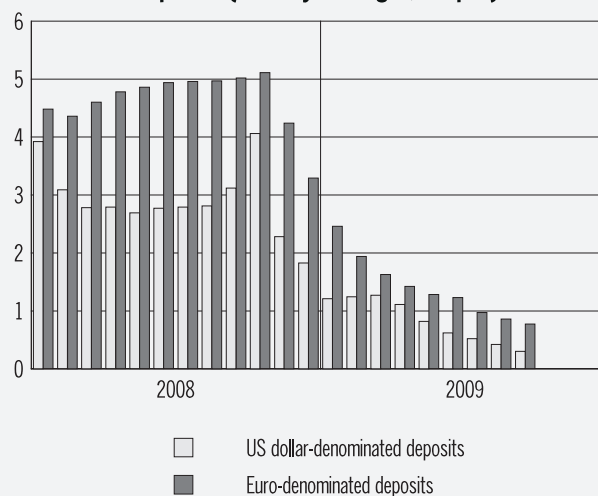
As banking sector liquidity increased, the average daily debt of banks to the Bank of Russia on the liquidity it provided to them declined from 2.5 trillion rubles in the first half of the year to 1.2 trillion rubles in July-October. The share of uncovered loans in the structure of bank obligations to the Bank of Russia contracted from 58.5% in the first

Foreign central bank policies

The US Federal Reserve maintains the federal funds rate within the range of from 0% to 0.25% p.a. and keeps buying from banks the established amounts of government securities and Fannie Mae and Freddie Mac bonds. This means that the United States continues to ease its monetary policy after cutting interest rates to zero ('quantitative easing'). The 'quantitative easing' targets are expected to be met in 2010 Q1.

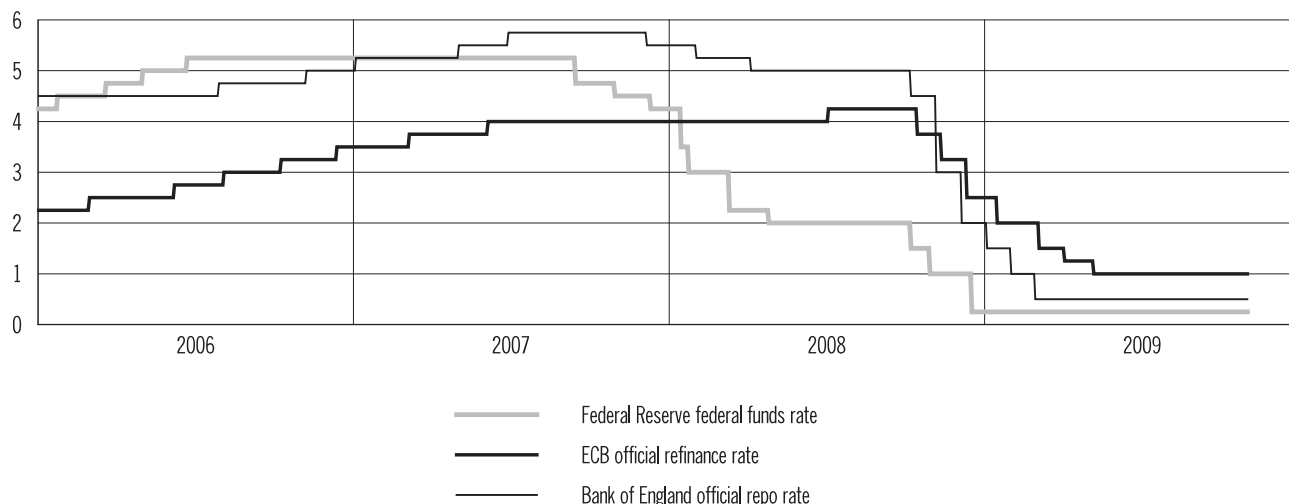
The European Central Bank cut the refinancing rate from 2.5% to 1.5% p.a. in 2009 Q1 and to 1% p.a. in Q2. In the period since the beginning of the year, the central banks of most of the countries trading with Russia and many other countries have cut interest rates on monetary policy instruments. Specifically, in Q3, interest rates were cut in Denmark, Sweden, Hungary, the Czech Republic, Turkey, Brazil, South Africa, Kazakhstan and Ukraine. China's benchmark rates on yuan-denominated deposits and loans have remained unchanged since the beginning of the year.

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



Source: Reuters.

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



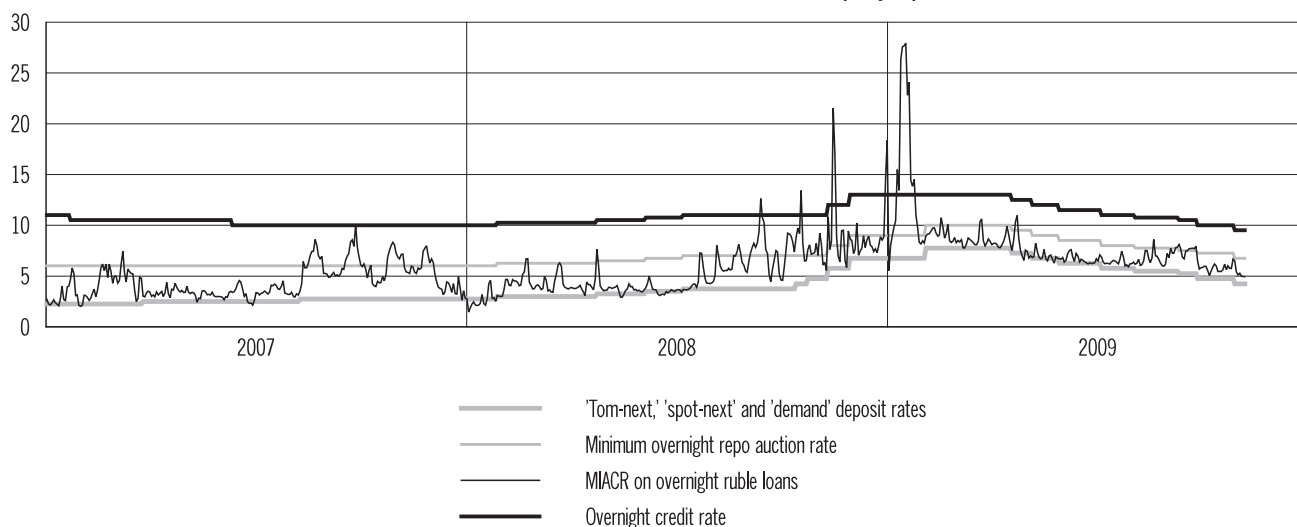
Source: Bank of Russia.

half of the year to 39.5% in July-October, while the share of loans extended against 'non-market' assets or guarantees expanded from 27.1% to 43.6% respectively. At the same time, the Bank of Russia's average daily debt on liquidity absorption instruments increased from 270 billion rubles in the first half of the year to 325 billion rubles in July-October.

The policy adopted by the Government and the monetary policy measures taken by the Bank of Russia led to the fall in interest rates on the credit and deposit market, except interest rates on short-term loans to households.

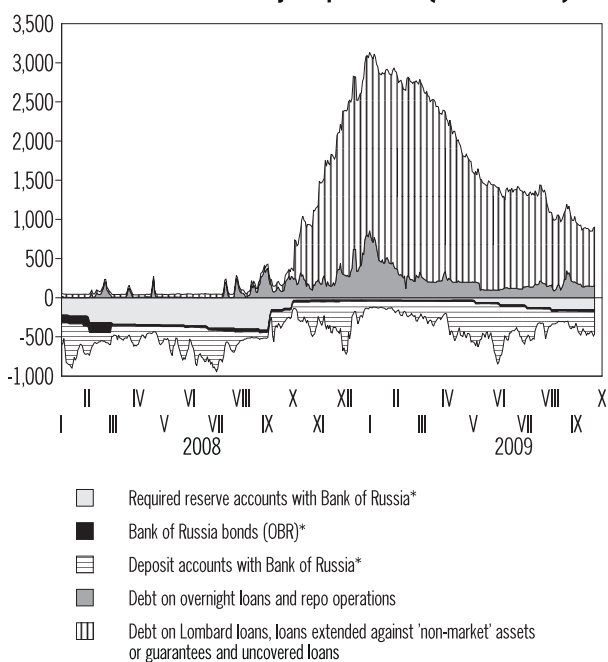
Average **interbank ruble credit rates** declined in the 3rd quarter. The average quarterly MI-ACR on overnight ruble loans fell from 7.5% p.a. in the previous quarter to 6.8% p.a. in the 3rd quarter. Throughout the 3rd quarter, the overnight ruble MIACR varied between 5.9% and 8.6% p.a. as against 6.3% and 11.0% p.a. in the 2nd quarter. In October, the overnight ruble MIACR ranged between 5.1% and 6.7% p.a. and averaged 5.8% p.a., a decrease of 1.4 percentage points on September. The rate on 2- to 7-day ruble interbank loans fell from 7.6% p.a. in the 2nd quarter to 7.0% p.a. in the 3rd, the rate on 8- to 30-day

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



Source: Bank of Russia.

Bank of Russia major operations (billion rubles)

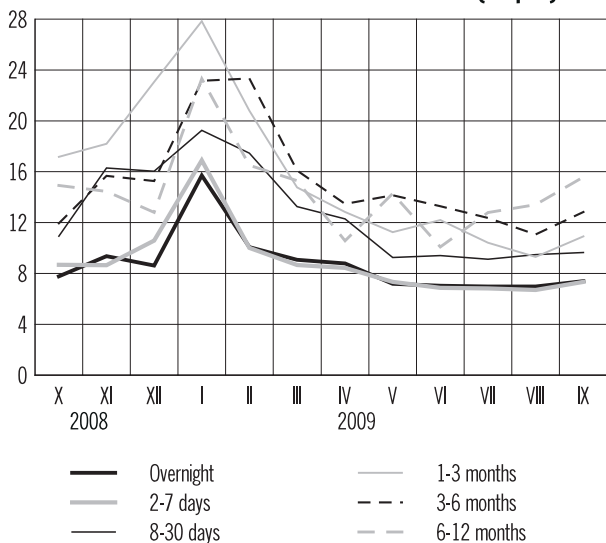


* Balances of funds have the sign "-".
Source: Bank of Russia.

interbank loans declined from 10.3% to 9.4% p.a. and the rate on 1- to 3-month interbank loans dropped from 12.1% to 10.2% p.a.

Household deposit interest rates fell slightly in the 3rd quarter. The average rate on household short-term ruble deposits in the 3rd quarter declined by 0.1 percentage points quarter on quarter, to 10.7% p.a. The average rate on household long-term ruble deposits dropped by 0.3 percentage points to 11.1% p.a.

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

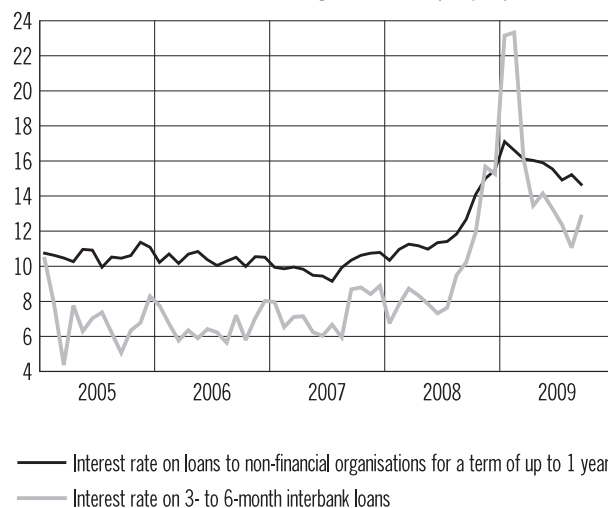


Source: Bank of Russia.

The average quarterly interest rate on long-term ruble **household loans** in the 3rd quarter was 20.2% p.a., down 0.1 percentage points on the previous quarter. The average short-term credit rate edged up by 1.2 percentage points to 30.7% p.a. in the 3rd quarter.

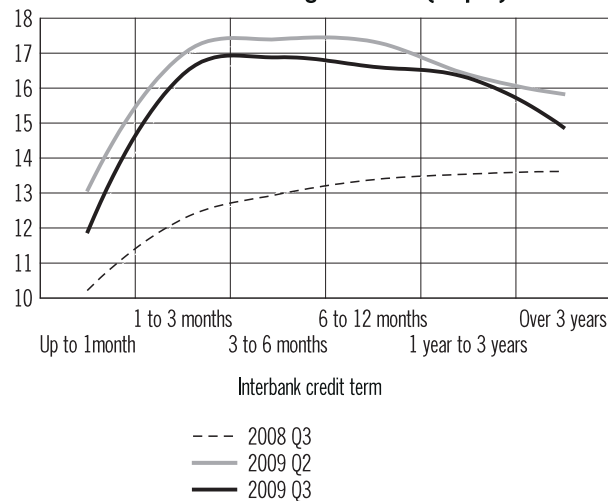
As the credit market somewhat stabilised, the rates on **ruble loans to non-financial organisations** with all terms declined. The average quarterly long-term credit rate fell by half a percentage point to 15.8% p.a. in that period. The average rate on short-term loans to non-financial organisations was 14.9% p.a. in the 3rd quarter, down 0.9 percentage points on the previous

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



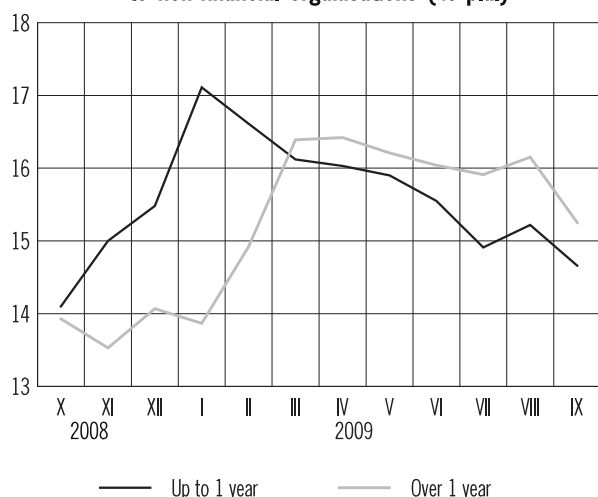
Source: Bank of Russia.

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



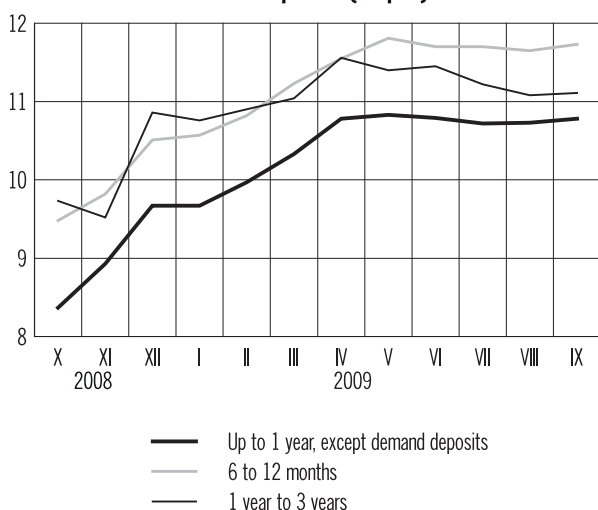
Source: Bank of Russia.

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



Source: Bank of Russia.

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



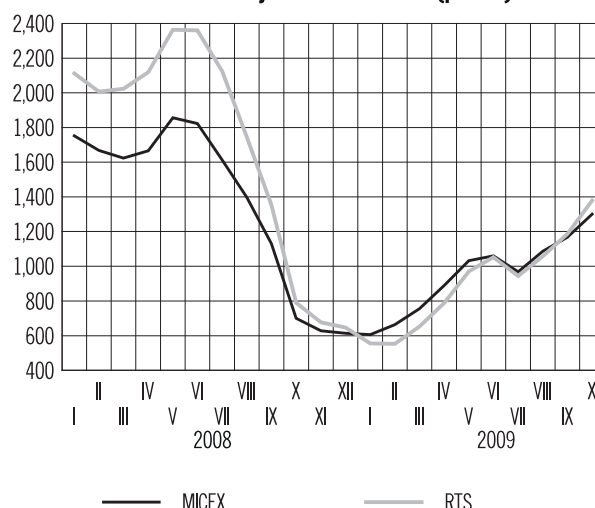
Source: Bank of Russia.

quarter. Interest rates on loans with terms shorter than 1 month and longer than 3 years declined the most (by 1.2 percentage points and 0.9 percentage points respectively). The yield curve for loans to non-financial organisations moved down in the 3rd quarter, continuing to ascend in the up-to-6-months sector and to descend in the longer-term sector.

Asset prices

Securities prices rose rapidly on the Russian **stock market** in the 3rd quarter amid the increase of the world major stock indices and favourable external economic situation. In September, the MICEX and RTS indices reached the highest lev-

Russia's major stock indices (points)*



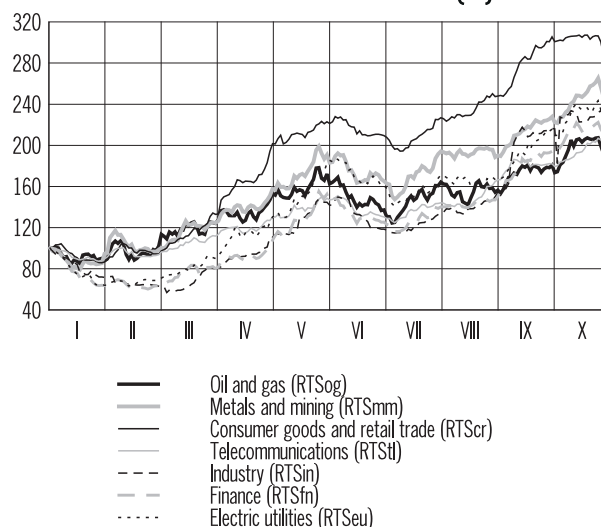
* Monthly averages.
Source: MICEX, RTS.

els in nine months. The MICEX index gained 23.2% on September 30, as compared with the end of the 2nd quarter, and reached 1,197.20 points, while the RTS index climbed up 27.1% to 1,254.52 points. The average MICEX and RTS indices exceeded their previous quarter's levels by 8.1% and 13.6% respectively.

In 2009 Q3, the RTS index rose faster than similar indices in most of the emerging market countries. The stock indices in India and China gained 18.2% and 19.5% respectively, whereas China's index sank 6.1%.

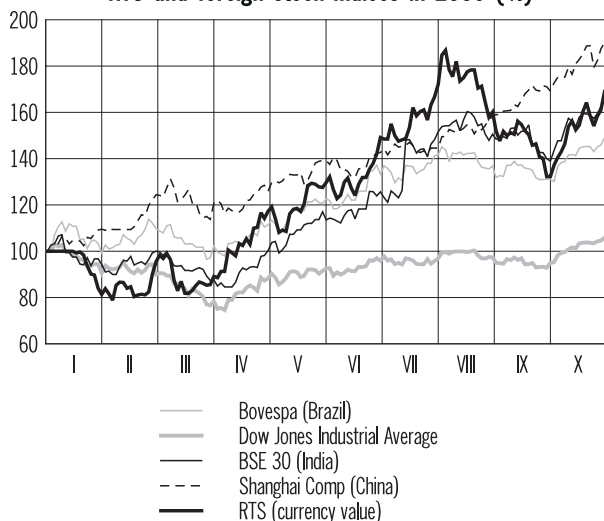
Prices of Russian companies' shares in all sectors of the economy continued to rise precipitously in the 3rd quarter. As in the previous quarter, the biggest growth was registered in the prices of

RTS sectoral indices in 2009 (%)*



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

RTS and foreign stock indices in 2009 (%)*



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

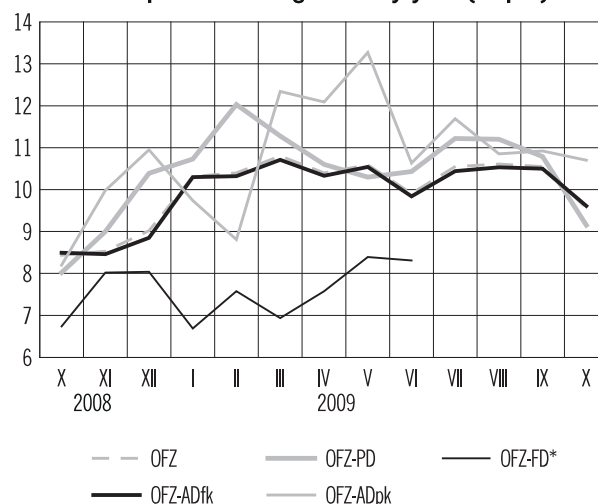
shares in the consumer goods and retail trade sectors, the manufacturing sector and the financial sector.

In October, growth in Russian share prices slowed down slightly, as in the last 10 days of the month external adversities brought about a downward correction in stock market prices. Compared with September, the MICEX index rose 3.3% to 1,237.18 points and the RTS index gained 7.5% and reached 1,348.54 points. The dynamics of most of the RTS sectoral indices was more moderate than in September. Consumer goods and retail trade company stock prices that led the market in the 3rd quarter dropped in October.

OFZ market yields changed within a broad range in the 3rd quarter. The effective OFZ market portfolio indicator (MPI) gained 0.4 percentage points quarter on quarter and stood at 10.7% p.a. The average quarterly effective MPI rose by 0.3 percentage points to 10.6% p.a. There was a marked downward trend in OFZ yield dynamics in October. Government bond yields fluctuated between 8.9% and 10.5% p.a. By the end of October, the effective MPI decreased 1.5 percentage points, as compared with the previous month, and stood at 9.2% p.a. The average effective MPI registered 9.6% p.a. in October, a fall of 1.0 percentage point on September.

Long-term government bond yields changed following the changes in short- and medium-term OFZ yields. In July and August, there remained a wide spread between yields on various government bond issues and in September it began to

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

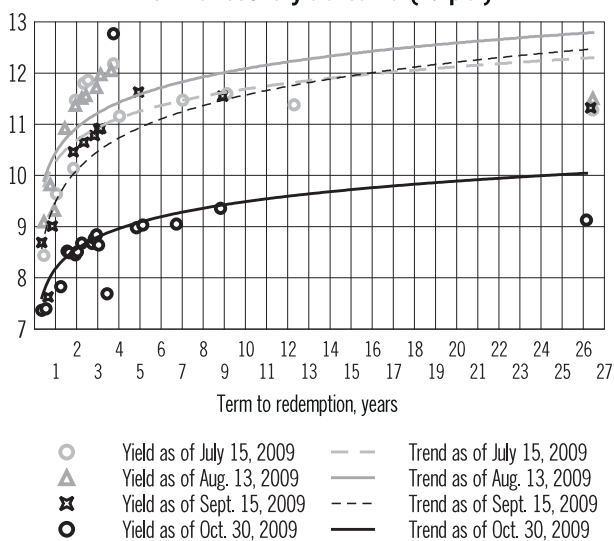


* Out of circulation since June 3, 2009.
Source: Bank of Russia.

narrow. In September and October, the OFZ yield curve was clearly rising, even though at a lower level. By the end of October, the government bond yield curve's slope decreased as compared with September, as the spread between short-term and longer-term bond yields narrowed.

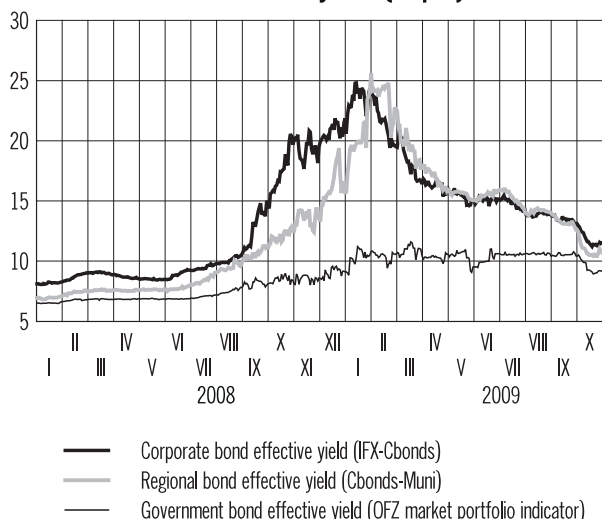
Yields had a tendency to fall on the **ruble corporate and regional bonds market** in July-October. In the 3rd quarter, the average yield of corporate and regional bonds was 14.1% and 14.4% p.a. respectively as against 15.7% and 16.2% p.a. in the 2nd quarter. In October, the average corporate and regional bond yields declined month on month by 1.6 percentage points and 2.4 percentage points to 11.9% and 11.0% p.a.

OFZ effective yield curve (% p.a.)



Source: Bank of Russia.

Russian bond yields (% p.a.)



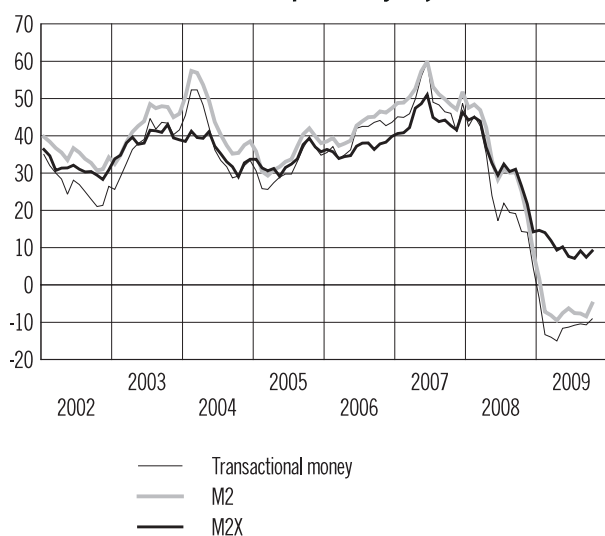
Source: Bank of Russia, Cbonds.ru.

respectively. In the middle of September, the regional bond yield fell below the corporate bond yield. July-October saw the spreads between OFZ yields and corporate and regional bond yields continue to narrow.

Monetary aggregates

Despite instability, the demand for money in January-September 2009 grew slower than in the same period last year and it was largely affected by the significant contraction of GDP, slower growth in asset prices and exchange rate dynamics. Nev-

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



Definitions of aggregates:

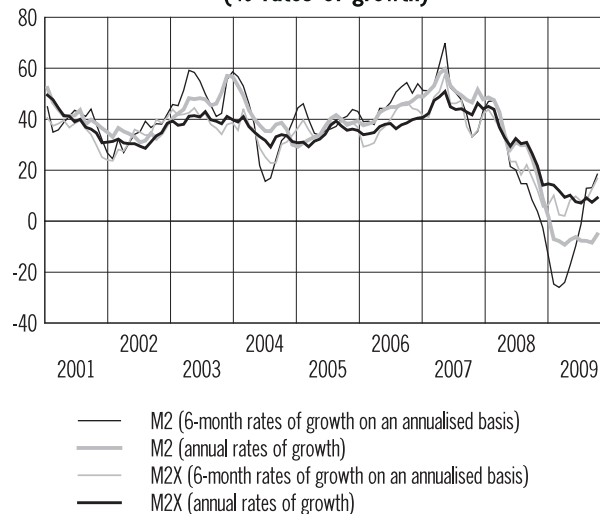
Transactional money is cash in circulation (M0) and demand deposits;

M2 = cash in circulation + demand deposits + ruble-denominated time accounts of resident non-financial organisations and individuals;

M2X (broad monetary base) = M2 + foreign currency deposits.

Source: Bank of Russia.

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



Source: Bank of Russia.

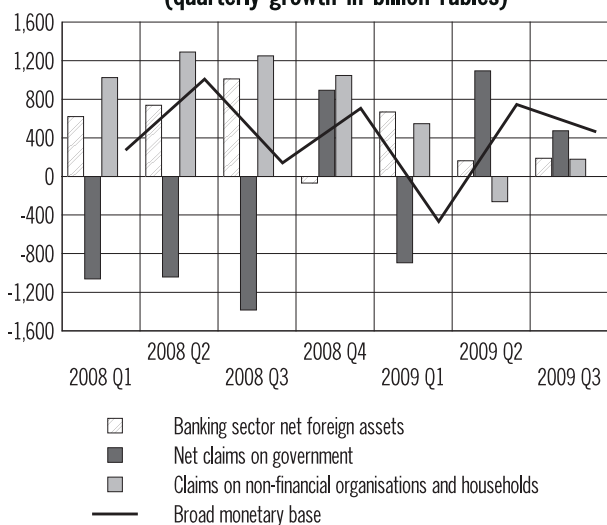
ertheless, the demand for the national currency as the store of value began gradually to increase in the 3rd quarter of the year, as the ruble appreciated and the devaluation expectations subsided. At the same time, the slackening of business activity and asset price dynamics, mostly on the real estate market,¹ continued to adversely affect growth in the demand for money in that period.

In the 2nd quarter, the slowing of M2 growth stopped and in the 3rd quarter the annual rates of M2 growth somewhat stabilised. As a result, data as of October 1, 2009, indicate that M2 contracted 5% year on year. This dynamics of the annual rates of growth was largely the result of the base effect, which is characterised by the precipitous decline in the annual rates of M2 growth since the second half of 2008. At the same time, if we consider the dynamics of the 6-month rates of M2 growth (on an annualised basis), which is less dependent on last year's base effect, we shall see that M2 growth has been accelerating since the 2nd quarter of the year.

The annual rates of growth in the narrow monetary base declined in January-August and increased slightly only in September and October. As of November 1, 2009, the narrow monetary base contracted 8.3% year on year. At the same time, viewed on the basis of the 6-month rates of growth (on an annualised basis), the narrow monetary base dynamics demonstrated acceler-

¹ Annualised rates of growth in housing prices on the primary market continued to fall in the 3rd quarter, as well.

**Principal sources of growth in money supply
(quarterly growth in billion rubles)**



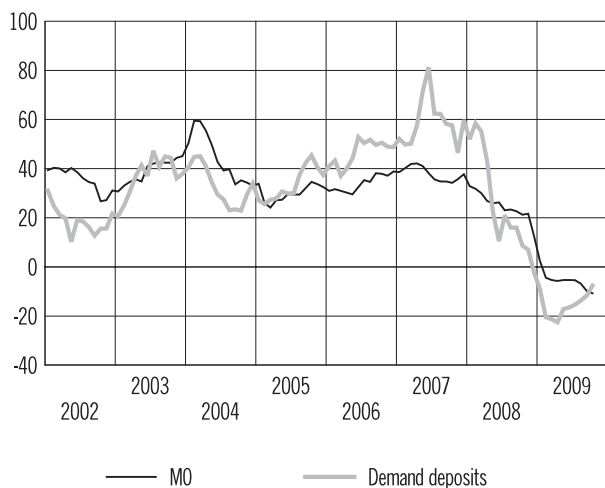
Source: Bank of Russia.

ated growth since last May, which continued until October. The sources of growth in the monetary base were the expansion of net credit to the federal government and the increase in the monetary authorities' net international reserves.

The M2 in 2009 Q3 increased 3.7% as against 0.9% in the same period last year. The principal source of growth in the money supply in the 3rd quarter, as in the 2nd, was the increase in net claims on government. In 2009 Q2 and Q3, their growth exceeded several times aggregate growth in the banking sector's net foreign assets and claims on non-financial organisations and households.

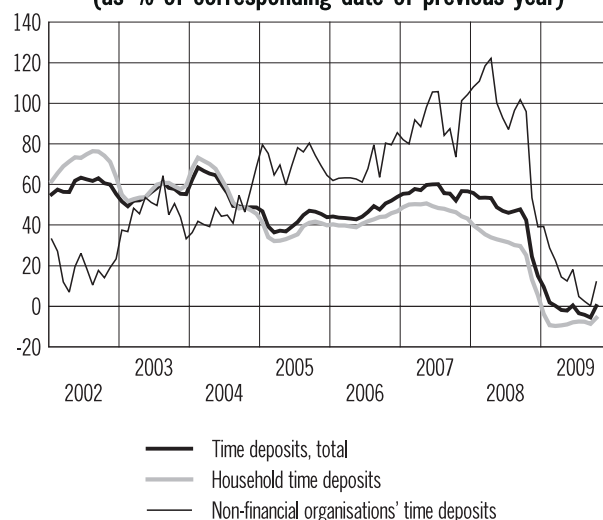
Transactional money, a monetary aggregate reflecting the transactional needs of the economy

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



Source: Bank of Russia.

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

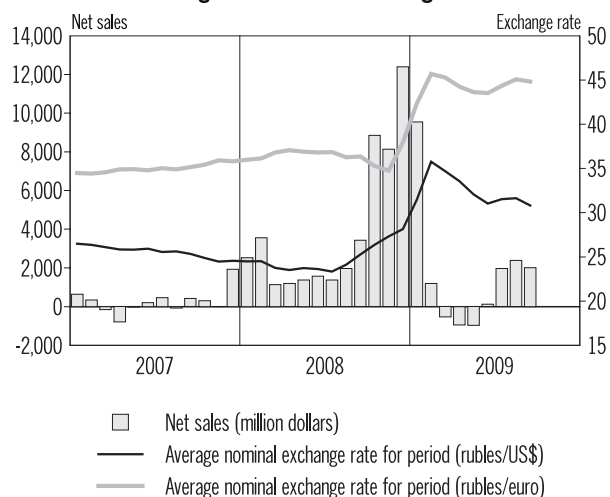


Source: Bank of Russia.

in money and comprising cash and demand deposits, increased 1.4% in the 3rd quarter of the year, whereas in the same period of last year it contracted 0.4%. At the same time, the annualised rates of growth in this monetary aggregate were negative in January-September amid the significant decline in business activity and as of October 1, 2009, it contracted 9.1% year on year (a year earlier, it expanded 14.3%). Demand deposits, which are mainly represented by funds in non-financial organisations' settlement and current accounts, increased 3.7% in the 3rd quarter, whereas in the same period last year they declined 4.8%.

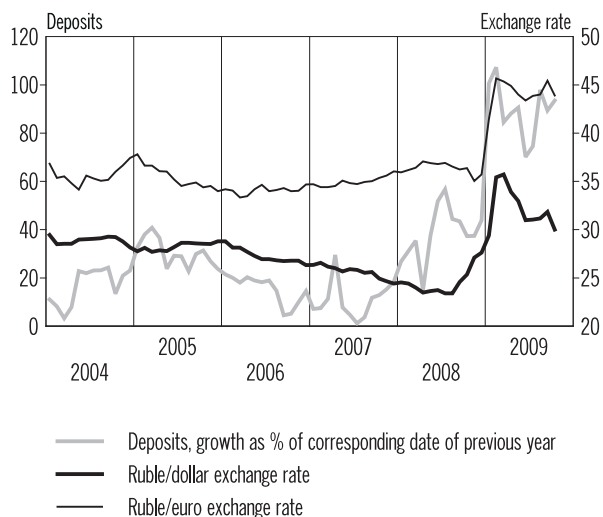
Cash in circulation decreased 1% in 2009 Q3 (in Q2, it grew 7.4%). This may be attribut-

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



Source: Bank of Russia.

Foreign currency deposits and exchange rate



Source: Bank of Russia.

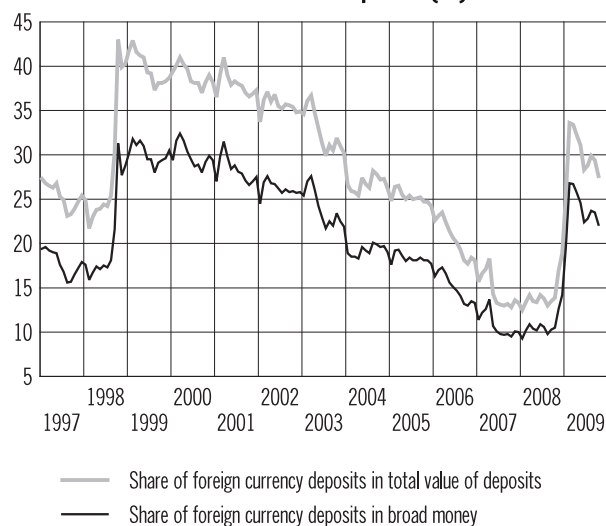
able, to some extent, to higher net sales of foreign exchange to households in July-September as compared with the 2nd quarter of the year. As a result, cash in circulation demonstrated negative growth in 2009 Q3 and according to data as of October 1, 2009, its volume contracted 10.7% year on year.

Throughout the 3rd quarter, the monthly rates of growth in ruble-denominated time deposits accelerated in the household sector as well as the non-financial organisation sector. As a result, the value of ruble-denominated time deposits increased 6.5% in the 3rd quarter and exceeded by more than two times 3rd quarter growth last year (2.7%). This dynamics was largely the result of the gradual stabilisation and subsequent appreciation of the ruble and high deposit interest rates. At the same time, the annual rate of growth in ruble-denominated time deposits remained low and as of October 1, 2009, it stood at 0.2% as against 42.4% a year earlier.

Net sales of foreign exchange to households through banks in the 3rd quarter increased significantly, whereas in February-June they had fallen dramatically. As the dollar and euro appreciated against the ruble in nominal terms in July and August, net sales of foreign exchange to households through exchange offices increased to \$6.4 billion in the 3rd quarter (in February-June, total net sales were negative at about \$1.5 billion).

After significant decline in the annual rates of growth in foreign currency deposits (in dollar terms) in February-May, in June-September

Dollarisation of deposits (%)



Source: Bank of Russia.

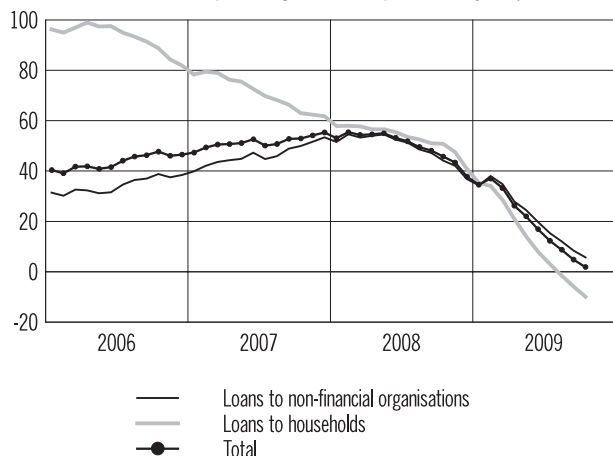
they rose again. Moreover, their monthly rates of growth in June, July and September were faster than in the same months of last year. Despite a slight fall as compared with the beginning of the year, the rate of deposit dollarisation in the first nine months of the year was markedly higher than in the same period of 2008. As of October 1, 2009, foreign currency deposits (in ruble terms) accounted for 27.6% of total bank deposits as against 13.9% as of October 1, 2008 and 22.1% of broad money as against 10.5% a year earlier.

The broad money, which comprises foreign currency deposits, expanded 4.5% in January-September 2009 as against 9.8% in the same period last year. The annual rate of growth in broad money changed but slightly and as of October 1, 2009, it stood at 9.1% as against 26.5% a year earlier. At the same time, the dynamics of the 6-month rate of growth in broad money (on an annualised basis), which is less vulnerable to last year's base effect, has demonstrated the acceleration of growth in M2X since the 2nd quarter of the year.

Credit aggregates

Lending activities remained low in 2009 Q3. Of all the components of credit aggregates, only debt on ruble loans to non-financial organisations increased in absolute terms in that period. This may be a sign of some stabilisation on the credit markets, but does not indicate a reversal of the negative trend. Debt on foreign currency-denominated loans to non-financial organisations

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

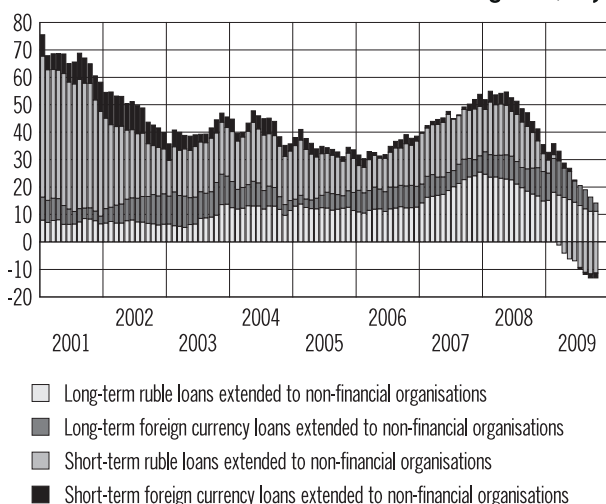


Source: Bank of Russia.

and all kinds of debt on loans to households continued to contract in absolute terms. As a result, as of October 1, 2009, growth in debt on loans to non-financial organisations slowed from 44.1% in 2008 to 5.7%. Debt on loans to households contracted by 9.9% in absolute terms year on year (in 2008, it grew 50.7%). The annual rate of growth in total debt on credit to non-financial organisations and households stood at 1.8% as of October 1, 2009 as against 45.7% as of October 1, 2008.

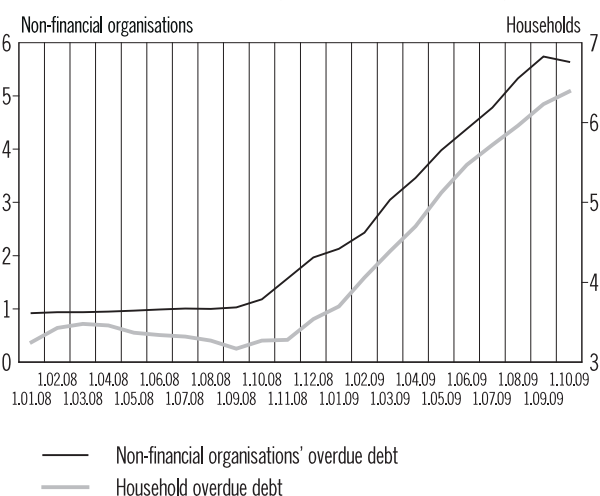
As the macroeconomic situation deteriorated and the cost of borrowing on the domestic market soared, the current credit aggregates dynamics reflected both the significantly lower demand for

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



Source: Bank of Russia.

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



Source: Bank of Russia.

credit by economic agents and the undersupply of credit by the banking sector. At the same time, the favourable liquidity situation on the interbank money market, the fall in Bank of Russia interest rates and the expanding ruble deposit base create conditions conducive to the recovery of the banking sector credit supply. Debt on long-term ruble-denominated loans (over one year) to non-financial organisations demonstrated positive annual growth rates and continued to increase in absolute terms throughout the year. This may indicate that large banks had the capacity to provide funds on a long-term basis, due to the measures taken by the Bank of Russia and the Government in support of the banking system and the real economy. At the same time, the sharp contraction of debt on short-term loans (up to one year) to non-financial organisations may reflect a fall in the demand for credit.

Overall, overdue debt on loans to non-financial organisations and households continued to increase in 2009 Q3, although in September overdue debt on loans to non-financial organisations contracted for the first time this year in absolute terms and in total loans. The trend towards the stabilisation of overdue debt may contribute to the gradual recovery of credit supply.

Thus, the prolonged reduction of the annual rates of growth in all monetary aggregates and the rates of growth in credit to the non-financial sector contributed to the lessening of pressure put by the monetary factors on inflation this year.

Statistical Addendum

Table 1

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

	Monthly inflation	Core inflation	Food price growth	Food price growth ¹	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices ²	Service price growth
2007								
January	1.7	0.6	0.9	0.6	4.1	0.4	0.4	4.7
February	1.1	0.5	0.8	0.5	3.6	0.3	0.4	2.6
March	0.6	0.5	0.8	0.5	3.2	0.4	0.4	0.6
April	0.6	0.5	0.8	0.5	3.1	0.4	0.4	0.5
May	0.6	0.3	1.0	0.1	7.8	0.4	0.3	0.5
June	1.0	0.4	1.7	0.4	12.2	0.3	0.3	0.6
July	0.9	0.9	1.4	1.4	1.9	0.4	0.4	0.6
August	0.1	1.1	-0.6	1.6	-16.1	0.6	0.5	0.5
September	0.8	1.6	1.0	2.2	-8.8	0.8	0.8	0.4
October	1.6	2.1	3.3	3.5	0.9	0.9	0.9	0.1
November	1.2	1.1	1.9	1.5	6.2	0.9	0.8	0.6
December	1.1	0.9	1.6	1.2	5.6	0.7	0.5	0.9
Full year (December on December)	11.9	11.0	15.6	14.9	22.2	6.5	6.4	13.3
2008								
January	2.3	1.1	1.9	1.2	8.3	0.6	0.6	5.4
February	1.2	1.0	1.7	1.3	5.1	0.6	0.6	1.4
March	1.2	1.1	2.0	1.5	5.9	0.7	0.7	0.6
April	1.4	1.3	2.2	1.8	5.5	0.9	0.7	1.0
May	1.4	1.1	2.1	1.5	6.4	0.8	0.6	1.0
June	1.0	0.9	1.1	1.2	0.4	0.7	0.5	1.1
July	0.5	0.8	0.1	1.0	-6.7	0.7	0.5	0.9
August	0.4	1.0	-0.2	1.2	-11.3	0.6	0.6	0.9
September	0.8	1.4	0.7	1.5	-6.4	0.7	0.8	1.0
October	0.9	1.3	1.6	1.8	-0.4	0.8	1.0	0.0
November	0.8	1.1	1.3	1.3	1.0	0.5	0.9	0.7
December	0.7	0.8	1.0	1.0	1.7	0.1	0.6	1.0
Full year (December on December)	13.3	13.6	16.5	17.5	7.7	8.0	8.4	13.3
2009								
January	2.4	1.3	1.4	1.1	4.7	0.7	1.0	6.3
February	1.7	1.6	1.9	1.5	4.9	1.6	1.8	1.4
March	1.3	1.4	1.7	1.4	4.5	1.4	1.6	0.6
April	0.7	0.8	0.7	0.8	-0.1	1.0	1.1	0.3
May	0.6	0.5	0.7	0.3	4.1	0.7	0.8	0.3
June	0.6	0.3	0.5	0.1	3.9	0.8	0.3	0.5
July	0.6	0.3	0.6	0.2	3.2	0.6	0.2	0.8
August	0.0	0.5	-0.9	0.4	-11.0	0.6	0.4	0.4
September	0.0	0.5	-0.8	0.4	-11.5	0.7	0.6	0.1

¹ Excluding vegetables and fruit.

² Bank of Russia estimate.

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

Table 2

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

	Monthly inflation	Core inflation	Food price growth	Food price growth ¹	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices ²	Service price growth
2007								
January	1.7	0.6	0.9	0.6	4.1	0.4	0.4	4.7
February	2.8	1.1	1.8	1.1	7.8	0.7	0.8	7.4
March	3.4	1.7	2.6	1.7	11.2	1.1	1.2	8.0
April	4.0	2.2	3.3	2.1	14.7	1.5	1.7	8.6
May	4.7	2.5	4.3	2.3	23.6	1.9	2.0	9.1
June	5.7	3.0	6.1	2.7	38.6	2.2	2.3	9.8
July	6.6	3.9	7.6	4.1	41.2	2.6	2.8	10.5
August	6.7	5.0	7.0	5.8	18.5	3.2	3.3	11.1
September	7.5	6.7	8.1	8.1	8.1	4.0	4.2	11.6
October	9.3	8.9	11.6	11.9	9.0	4.9	5.1	11.7
November	10.6	10.1	13.7	13.5	15.7	5.8	5.9	12.4
December	11.9	11.0	15.6	14.9	22.2	6.5	6.4	13.3
2008								
January	2.3	1.1	1.9	1.2	8.3	0.6	0.6	5.4
February	3.5	2.1	3.6	2.5	13.9	1.2	1.2	6.8
March	4.8	3.2	5.7	4.0	20.6	2.0	1.9	7.5
April	6.3	4.5	8.0	5.9	27.2	2.9	2.6	8.5
May	7.7	5.7	10.2	7.5	35.4	3.7	3.2	9.6
June	8.7	6.7	11.4	8.7	36.0	4.4	3.7	10.8
July	9.3	7.6	11.5	9.8	26.9	5.2	4.2	11.9
August	9.7	8.6	11.3	11.2	12.5	5.8	4.9	12.9
September	10.6	10.1	12.1	12.9	5.3	6.5	5.7	14.1
October	11.6	11.5	13.9	14.9	4.8	7.3	6.8	14.1
November	12.5	12.7	15.3	16.3	5.9	7.8	7.8	14.8
December	13.3	13.6	16.5	17.5	7.7	8.0	8.4	13.3
2009								
January	2.4	1.3	1.4	1.1	4.7	0.7	1.0	6.3
February	4.1	2.9	3.3	2.6	9.8	2.3	2.8	7.8
March	5.4	4.3	5.0	4.0	14.7	3.8	4.5	8.5
April	6.2	5.2	5.8	4.8	14.6	4.8	5.7	8.7
May	6.8	5.7	6.5	5.1	19.3	5.5	6.5	9.1
June	7.4	6.0	7.0	5.2	24.0	6.3	6.9	9.6
July	8.1	6.3	7.6	5.4	28.0	7.0	7.1	10.5
August	8.1	6.8	6.6	5.8	14.0	7.6	7.6	10.9
September	8.1	7.3	5.8	6.3	0.8	8.3	8.2	11.0

¹ Excluding vegetables and fruit.

² Bank of Russia estimate.

Table 3

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

	Monthly inflation	Core inflation ¹	Food price growth	Food price growth ²	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices ¹	Service price growth
2007								
January	8.2	7.7	7.6	8.0	3.1	6.0	5.7	12.3
February	7.6	6.9	5.3	6.6	-5.1	5.8	5.6	14.2
March	7.4	6.7	4.9	6.2	-5.2	5.8	5.6	14.0
April	7.6	6.8	5.4	6.3	-1.9	5.9	5.8	13.9
May	7.8	6.7	5.9	6.3	3.0	5.9	5.7	13.8
June	8.5	6.9	7.7	6.6	16.2	5.9	5.7	13.7
July	8.7	7.3	8.3	7.4	15.3	5.9	5.8	13.7
August	8.6	7.8	8.3	8.3	7.5	5.7	5.8	13.4
September	9.4	8.7	10.0	10.0	10.2	5.8	6.1	13.4
October	10.8	10.3	13.6	13.4	15.9	6.0	6.3	13.1
November	11.5	10.9	14.9	14.4	19.8	6.3	6.4	13.2
December	11.9	11.0	15.6	14.9	22.2	6.5	6.4	13.3
2008								
January	12.6	11.5	16.7	15.7	27.2	6.8	6.6	14.1
February	12.7	12.1	17.6	16.5	29.1	7.0	6.8	12.7
March	13.3	12.7	19.1	17.6	32.6	7.4	7.1	12.7
April	14.3	13.5	20.8	19.1	35.6	8.0	7.4	13.3
May	15.1	14.5	22.1	20.8	33.9	8.4	7.7	13.9
June	15.1	15.1	21.3	21.7	19.9	8.9	7.9	14.4
July	14.7	15.0	19.8	21.2	9.8	9.2	8.0	14.7
August	15.0	14.8	20.2	20.8	16.1	9.2	8.1	15.2
September	15.0	14.5	19.9	20.0	19.0	9.1	8.1	15.9
October	14.2	13.7	17.9	18.0	17.5	9.1	8.2	15.7
November	13.8	13.7	17.2	17.7	11.9	8.6	8.4	15.8
December	13.3	13.6	16.5	17.5	7.7	8.0	8.4	13.3
2009								
January	13.4	13.9	15.9	17.3	4.1	8.1	8.9	16.9
February	13.9	14.6	16.1	17.6	3.8	9.2	10.2	17.0
March	14.0	14.9	15.8	17.4	2.5	9.9	11.2	17.0
April	13.2	14.4	14.1	16.3	-3.0	10.0	11.7	16.2
May	12.3	13.6	12.5	14.9	-5.1	9.9	11.9	15.4
June	11.9	12.9	11.9	13.7	-1.8	9.9	11.7	14.6
July	12.0	12.3	12.4	12.7	8.7	9.8	11.4	14.5
August	11.6	11.7	11.6	11.8	9.1	9.9	11.2	13.9
September	10.7	10.8	9.9	10.6	3.2	9.9	11.0	12.8

¹ Bank of Russia estimate.

² Excluding vegetables and fruit.

Table 4

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

	Foodstuffs ¹	Non-food products	Paid services	Vegetables and fruit	Inflation over period, %	Core inflation	Non-core inflation ²
2007							
January	0.2	0.1	1.2	0.2	1.7	0.5	1.2
February	0.4	0.3	1.8	0.3	2.8	0.9	1.9
March	0.6	0.4	2.0	0.4	3.4	1.3	2.1
April	0.8	0.5	2.1	0.6	4.0	1.7	2.3
May	0.8	0.7	2.3	0.9	4.7	1.9	2.7
June	1.0	0.8	2.4	1.5	5.7	2.3	3.4
July	1.5	0.9	2.6	1.6	6.6	3.0	3.6
August	2.1	1.1	2.7	0.7	6.7	3.9	2.8
September	3.0	1.4	2.9	0.3	7.5	5.3	2.3
October	4.3	1.7	2.9	0.3	9.3	7.0	2.3
November	4.9	2.0	3.1	0.6	10.6	7.9	2.7
December	5.4	2.3	3.3	0.9	11.9	8.7	3.2
2008							
January	0.4	0.2	1.3	0.3	2.3	0.8	1.5
February	0.9	0.4	1.7	0.5	3.5	1.6	1.9
March	1.4	0.7	1.9	0.8	4.8	2.5	2.3
April	2.1	1.0	2.1	1.0	6.3	3.6	2.7
May	2.6	1.3	2.4	1.4	7.7	4.5	3.2
June	3.1	1.6	2.7	1.4	8.7	5.3	3.5
July	3.5	1.9	3.0	1.0	9.3	6.0	3.3
August	3.9	2.1	3.2	0.5	9.7	6.8	2.9
September	4.5	2.3	3.5	0.2	10.6	8.0	2.6
October	5.2	2.6	3.5	0.2	11.6	9.2	2.4
November	5.8	2.8	3.7	0.2	12.5	10.1	2.4
December	6.2	2.9	4.0	0.3	13.3	10.8	2.5
2009							
January	0.4	0.3	1.6	0.2	2.4	1.0	1.4
February	0.9	0.9	2.0	0.4	4.1	2.4	1.7
March	1.4	1.4	2.1	0.5	5.4	3.5	2.0
April	1.6	1.8	2.2	0.5	6.2	4.2	2.0
May	1.8	2.1	2.3	0.7	6.8	4.6	2.2
June	1.8	2.4	2.4	0.9	7.4	4.8	2.6
July	1.9	2.6	2.6	1.0	8.1	5.1	3.0
August	2.0	2.9	2.7	0.5	8.1	5.5	2.6
September	2.1	3.1	2.8	0.0	8.1	5.9	2.1

¹ Excluding vegetables and fruit.

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

Table 5

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

	Foodstuffs ¹	Non-food products	Paid services	Vegetables and fruit	Inflation over period, %	Core inflation	Non-core inflation ²
2007							
January	0.2	0.1	1.2	0.2	1.7	0.5	1.2
February	0.2	0.1	0.7	0.1	1.1	0.4	0.7
March	0.2	0.1	0.1	0.1	0.6	0.4	0.2
April	0.2	0.1	0.1	0.1	0.6	0.4	0.2
May	0.1	0.1	0.1	0.3	0.6	0.2	0.4
June	0.2	0.1	0.2	0.6	1.0	0.3	0.6
July	0.5	0.1	0.2	0.1	0.9	0.7	0.2
August	0.6	0.2	0.1	-0.8	0.1	0.8	-0.7
September	0.8	0.3	0.1	-0.4	0.8	1.3	-0.5
October	1.3	0.3	0.0	0.0	1.6	1.6	0.0
November	0.5	0.3	0.2	0.2	1.2	0.8	0.4
December	0.5	0.2	0.2	0.2	1.1	0.7	0.5
2008							
January	0.4	0.2	1.3	0.3	2.3	0.8	1.5
February	0.4	0.2	0.3	0.2	1.2	0.8	0.4
March	0.5	0.3	0.2	0.3	1.2	0.8	0.3
April	0.6	0.3	0.3	0.2	1.4	1.0	0.4
May	0.5	0.3	0.3	0.3	1.4	0.9	0.5
June	0.4	0.3	0.3	0.0	1.0	0.7	0.2
July	0.4	0.2	0.2	-0.3	0.5	0.7	-0.1
August	0.4	0.2	0.2	-0.5	0.4	0.8	-0.4
September	0.5	0.2	0.3	-0.3	0.8	1.1	-0.3
October	0.6	0.3	0.0	0.0	0.9	1.1	-0.2
November	0.5	0.2	0.2	0.0	0.8	0.8	0.0
December	0.4	0.0	0.2	0.1	0.7	0.6	0.1
2009							
January	0.4	0.3	1.6	0.2	2.4	1.0	1.4
February	0.5	0.6	0.4	0.2	1.7	1.3	0.3
March	0.5	0.5	0.2	0.2	1.3	1.1	0.2
April	0.3	0.4	0.1	0.0	0.7	0.7	0.0
May	0.1	0.3	0.1	0.2	0.6	0.4	0.2
June	0.0	0.3	0.1	0.2	0.6	0.2	0.4
July	0.1	0.2	0.2	0.1	0.6	0.2	0.4
August ³							
September ³							

¹ Excluding vegetables and fruit.

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

³ Owing to zero inflation in August and September 2009, estimates may vary.

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

	Foodstuffs ¹	Non-food products	Paid services	Vegetables and fruit	Core inflation	Non-core inflation ²
2007						
January	13.4	8.3	69.0	9.3	29.5	70.5
February	14.9	9.2	65.3	10.6	31.3	68.7
March	17.8	11.6	58.1	12.5	38.3	61.7
April	19.6	13.5	52.9	14.1	42.8	57.2
May	18.0	14.3	48.3	19.4	41.6	58.4
June	17.6	13.7	42.7	26.0	40.4	59.6
July	22.9	13.9	39.2	23.9	45.8	54.2
August	31.7	16.9	40.8	10.6	58.5	41.5
September	39.3	18.7	37.9	4.1	69.9	30.1
October	46.6	18.6	31.1	3.7	75.4	24.6
November	46.3	19.2	28.8	5.7	74.5	25.5
December	45.7	19.4	27.8	7.2	72.8	27.2
2008						
January	18.9	9.3	58.1	13.7	36.2	63.8
February	25.1	12.1	47.9	14.9	46.1	53.9
March	29.7	14.7	39.0	16.6	52.7	47.3
April	33.0	16.5	33.9	16.6	57.0	43.0
May	34.2	17.1	31.1	17.6	58.5	41.5
June	35.2	18.2	30.8	15.7	60.5	39.5
July	37.3	19.9	31.7	11.1	64.4	35.6
August	40.6	21.4	33.0	5.0	70.5	29.5
September	43.0	22.0	33.1	1.9	75.7	24.3
October	45.3	22.9	30.2	1.6	79.2	20.8
November	46.0	22.6	29.6	1.8	80.8	19.2
December	46.4	21.6	29.8	2.2	81.5	18.5
2009						
January	15.6	11.3	66.2	7.0	42.3	57.7
February	22.1	21.5	47.9	8.6	57.7	42.3
March	25.3	26.1	38.9	9.7	64.0	36.0
April	26.7	29.3	35.5	8.5	67.9	32.1
May	25.9	30.5	33.4	10.2	67.5	32.5
June	24.1	31.9	32.4	11.6	65.0	35.0
July	23.0	32.3	32.3	12.4	62.6	37.4
August	24.7	35.3	33.8	6.2	67.6	32.4
September	26.7	38.7	34.2	0.4	73.3	26.7

¹ Excluding vegetables and fruit.

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

Table 7

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

	Foodstuffs ¹	Non-food products	Paid services	Vegetables and fruit	Core inflation	Non-core inflation ²
2007						
January	13.4	8.3	69.0	9.3	29.5	70.5
February	17.1	10.6	59.7	12.6	34.2	65.8
March	31.4	22.7	24.5	21.4	70.7	29.3
April	30.0	24.6	22.3	23.1	69.6	30.4
May	8.4	19.5	20.6	51.6	34.4	65.6
June	15.8	10.7	17.0	56.5	35.1	64.9
July	55.9	15.7	17.4	10.9	79.2	20.8
August	724.2	250.9	165.2	-1,040.4	1,016.5	-916.5
September	99.9	33.4	14.7	-48.0	160.7	-60.7
October	78.5	18.2	1.2	2.1	99.3	0.7
November	43.6	23.6	13.3	19.5	67.8	32.2
December	39.2	21.6	19.2	20.0	56.7	43.3
2008						
January	18.9	9.3	58.1	13.7	36.2	63.8
February	36.8	17.4	28.5	17.3	64.9	35.1
March	43.2	22.6	12.8	21.4	72.2	27.8
April	43.5	22.0	17.6	16.9	70.3	29.7
May	39.1	20.1	18.9	21.9	65.2	34.8
June	42.7	26.5	28.7	2.2	74.5	25.5
July	69.6	47.5	45.8	-62.9	125.6	-25.6
August	122.9	59.3	67.5	-149.7	225.0	-125.0
September	69.7	29.4	34.5	-33.6	136.6	-36.6
October	69.5	32.2	-0.1	-1.7	116.9	-16.9
November	54.4	19.8	21.2	4.7	100.5	-0.5
December	50.8	5.9	34.3	8.9	91.7	8.3
2009						
January	15.6	11.3	66.2	7.0	42.3	57.7
February	31.2	35.9	22.0	10.9	79.5	20.5
March	35.2	40.0	11.7	13.1	83.0	17.0
April	37.5	53.9	9.3	-0.7	97.1	2.9
May	17.1	42.5	13.3	27.1	62.6	37.4
June	5.7	46.9	20.7	26.8	38.4	61.6
July	10.8	35.8	31.6	21.8	35.3	64.7
August ³						
September ³						

¹ Excluding vegetables and fruit.

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

³ Owing to zero inflation in August and September 2009, estimates may vary.

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		2007	6,750	14,515	23,419	33,111	
			2008	8,891	19,084	30,724	41,668	
			2009	8,483	17,809			
	over period since start of year, as % of corresponding period of previous year		2007	107.5	107.8	107.8	108.1	
			2008	108.7	108.0	107.3	105.6	
			2009	90.2	89.6			
	as % of corresponding quarter of previous year		2007	107.5	108.0	107.7	109.0	
			2008	108.7	107.5	106.0	101.2	
			2009	90.2	89.1			
Industrial output indices	as % of corresponding quarter of previous year		2007	107.2	107.1	105.5	105.7	
			2008	106.2	105.5	104.7	93.9	
			2009	85.7	84.6	89.0		
	over period since start of year, as % of corresponding period of previous year		2007	107.2	107.1	106.6	106.3	
			2008	106.2	105.8	105.4	102.1	
			2009	85.7	85.2	86.5		
Agricultural output	as % of corresponding quarter of previous year		2007	103.5	104.4	103.2	103.2	
			2008	105.5	106.9	113.0	115.6	
			2009	102.3	100.9	98.0		
	over period since start of year, as % of corresponding period of previous year		2007	103.5	104.1	103.5	103.4	
			2008	105.5	106.4	109.6	110.8	
			2009	102.3	101.4	99.2		
Fixed capital investment	over period since start of year, billion rubles		2007	924.0	2,387.0	4,174.1	6,716.2	
			2008	1,355.4	3,411.7	5,826.7	8,764.9	
			2009	1,285.1	3,014.9	5,000.9		
	as % of corresponding quarter of previous year		2007	123.8	125.4	119.8	122.8	
			2008	123.6	117.4	111.7	97.7	
			2009	84.4	79.0	81.0		
Retail trade turnover	over period since start of year, billion rubles		2007	2,257.8	4,800.4	7,599.6	10,869.0	
			2008	2,952.5	6,278.4	9,936.1	13,919.6	
			2009	3,307.6	6,801.8	10,463.3		
	as % of corresponding quarter of previous year		2007	114.8	115.8	116.8	116.8	
			2008	117.2	114.9	115.0	108.7	
			2009	99.9	94.4	90.6		
Federal budget on accrual basis, as of end of period	revenue	billion rubles		2007	1,421.9	3,245.7	5,087.6	7,781.1
				2008	1,932.7	4,370.7	7,155.7	9,275.9
				2009	1,732.7	3,172.2	5,114.4	
		as % of GDP		2007	21.1	22.3	21.7	23.5
				2008	21.7	22.9	23.3	22.3
				2009	20.4	17.8	17.9 ¹	
	expenditure	billion rubles		2007	945.6	2,169.7	3,464.3	5,986.6
				2008	1,332.7	2,995.6	4,594.2	7,570.9
				2009	1,762.4	3,893.8	6,441.7	
		as % of GDP		2007	14.0	14.9	14.8	18.1
				2008	15.0	15.7	15.0	18.2
				2009	20.8	21.9	22.6 ¹	
Federal budget surplus (+)/deficit (-) on accrual basis, as of end of period	billion rubles		2007	476.3	1,076.1	1,623.2	1,794.6	
			2008	600.0	1,375.1	2,561.5	1,705.1	
			2009	-29.7	-721.7	-1,327.2		
	as % of GDP		2007	7.1	7.4	6.9	5.4	
			2008	6.7	7.2	8.3	4.1	
			2009	-0.4	-4.1	-4.7 ¹		

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

Table 8 (continued)

		Year	Q1	Q2	Q3	Q4
Socio-economic indicators						
Nominal imputed average monthly per employee wage	rubles	2007	11,876	12,993	13,494	15,742
		2008	15,424	16,962	17,556	18,966
		2009	17,441	18,419	18,609	
	as % of corresponding quarter of previous year	2007	127.3	125.9	124.0	129.3
		2008	128.0	129.2	129.0	119.5
		2009	112.8	108.0	105.4	
	over period since start of year, as % of corresponding period of previous year	2007	127.3	126.6	125.7	127.8
		2008	128.0	128.6	128.7	127.2
		2009	112.8	110.3	108.6	
Real imputed average monthly per employee wage, as % of corresponding quarter of previous year		2007	118.2	116.6	113.9	116.1
		2008	113.4	112.5	112.2	105.0
		2009	99.2	96.1	94.6	
Household money income (per capita monthly average), rubles		2007	9,976.9	11,987.8	12,725.8	15,677.9
		2008	12,374.8	14,876.2	15,866.8	17,396.6
		2009	13,976.4	16,933.2	16,726.7	
Household real disposable money income	as % of corresponding quarter of previous year	2007	111.9	110.0	112.4	113.0
		2008	108.0	106.2	106.2	94.2
		2009	99.9	102.6	95.4	
	over period since start of year, as % of corresponding period of previous year	2007	111.9	112.1
		2008	108.0	107.1	106.8	102.9
		2009	99.9	101.3	99.1	
Household spending, as % of income	purchase of goods and services	2007	73.6	69.3	71.2	66.0
		2008	76.5	71.6	73.4	71.7
		2009	76.3	66.6	70.5	
	compulsory payments and contributions	2007	12.0	11.9	11.6	11.6
		2008	12.7	12.5	12.7	14.1
		2009	11.3	10.4	11.6	
	growth in savings	2007	10.2	9.0	8.1	11.0
		2008	7.7	8.2	5.8	2.5
		2009	8.7	17.1	12.3	
	foreign exchange purchase	2007	5.2	5.2	5.2	5.1
		2008	6.9	4.7	5.6	13.3
		2009	10.3	3.5	6.0	
	cash on hand	2007	-1.0	4.6	3.9	6.3
		2008	-3.8	3.0	2.5	-1.6
		2009	-6.6	2.4	-0.4	
Average imputed pension, total, rubles		2007	2,846	3,091	3,108	3,418
		2008	3,823	4,044	4,383	4,545
		2009	4,614	5,151	5,330	
Real imputed pension	as % of corresponding quarter of previous year	2007	104.1	104.9	102.0	108.1
		2008	119.0	113.9	122.7	116.9
		2009	106.1	113.3	109.1	
	over period since start of year, as % of corresponding period of previous year	2007	104.1	104.5	103.6	104.8
		2008	119.0	116.4	118.6	118.1
		2009	106.1	109.8	109.5	
Total number of unemployed (calculated using ILO methodology)	million	2007	5.2	4.5	4.3	4.4
		2008	5.1	4.3	4.5	5.4
		2009	6.8	6.5	6.0	
	as % of economically active population	2007	7.0	6.0	5.7	5.8
		2008	6.7	5.6	5.9	7.1
		2009	9.1	8.6	7.8	

Table 8 (continued)

		Year	Q1	Q2	Q3	Q4	
Foreign economic activities							
Price of Urals crude	over period since start of year, \$/barrel	2007	54.0	59.7	64.0	69.5	
		2008	93.7	105.3	107.6	93.9	
		2009	43.2	50.5	56.3		
	as % of corresponding period of previous year	2007	93.5	97.7	102.4	114.1	
		2008	173.7	176.3	168.2	135.1	
		2009	46.1	48.0	52.3		
Exports of goods	over period since start of year, \$ billion	2007	71.7	155.4	244.9	354.4	
		2008	110.1	236.8	373.6	471.6	
		2009	57.4	125.7	206.3 ²		
	as % of corresponding period of previous year	2007	106.5	108.0	109.5	116.8	
		2008	153.6	152.4	152.5	133.1	
		2009	52.1	53.1	55.2 ²		
Imports of goods	over period since start of year, \$ billion	2007	42.8	95.5	153.9	223.5	
		2008	60.2	135.7	218.6	291.9	
		2009	38.4	82.3	131.5 ²		
	as % of corresponding period of previous year	2007	138.6	137.1	137.0	136.0	
		2008	140.8	142.0	142.0	130.6	
		2009	63.7	60.6	60.2 ²		
Current account (over period since start of year), \$ billion		2007	22.6	37.1	52.8	77.0	
		2008	38.0	64.3	93.9	102.4	
		2009	9.4	17.1	32.1 ²		
Private sector net capital outflow (inflow) (over period since start of year), \$ billion		2007	13.8	68.1	60.9	82.4	
		2008	-23.7	17.0	-2.3	-132.8	
		2009	-35.2	-30.8	-62.2 ²		
Foreign investment in Russia's non-financial sector (Rosstat data)	over period since start of year, \$ billion	2007	24.6	60.3	87.9	120.9	
		2008	17.3	46.5	75.8	103.8	
		2009	12.0	32.2	54.7		
	as % of corresponding period of previous year	2007	2.8 times	2.6 times	2.5 times	2.2 times	
		2008	70.1	77.1	86.2	85.8	
		2009	69.7	69.1	72.2		
of which:	direct	over period since start of year, \$ billion	2007	9.8	15.8	19.6	27.8
			2008	5.6	11.1	19.2	27.0
			2009	3.2	6.1	10.0	
		as % of corresponding period of previous year	2007	2.5 times	2.5 times	191.3	2.0 times
			2008	57.2	70.0	97.7	97.2
			2009	57.0	55.0	51.9	
	portfolio	over period since start of year, \$ billion	2007	0.2	1.1	1.5	4.2
			2008	0.1	1.2	1.3	1.4
			2009	0.1	0.9	1.0	
		as % of corresponding period of previous year	2007	85.8	2.2 times	2.3 times	131.8
			2008	62.5	104.4	83.7	33.7
			2009	93.5	74.9	78.6	
	other	over period since start of year, \$ billion	2007	14.7	43.4	66.7	89.0
			2008	11.5	34.3	55.3	75.3
			2009	8.7	25.2	43.7	
as % of corresponding period of previous year		2007	3.1 times	2.6 times	2.7 times	2.3 times	
		2008	78.7	79.0	82.8	84.7	
		2009	75.6	73.5	79.1		
Russia's international reserves (as of end of period), \$ billion		2007	338.8	405.8	425.4	478.8	
		2008	512.6	569.0	556.8	427.1	
		2009	383.9	412.6	413.4		
Real ruble exchange rate indices, last month of quarter (growth as % of December of previous year) ³	ruble vs. US dollar	2007	2.3	3.8	8.1	15.0	
		2008	6.5	8.5	3.2	-1.1	
		2009	-15.4	-5.0	-3.9		
	ruble vs. euro	2007	3.1	4.1	4.5	5.8	
		2008	0.6	3.4	6.2	5.0	
		2009	-12.0	-7.0	-9.0		
	effective rate	2007	2.7	3.3	3.8	5.1	
		2008	1.5	3.3	3.0	4.3	
		2009	-10.0	-4.2	-5.6		

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	2007	3.9	3.4	4.9	5.4	
		2008	3.9	4.1	6.0	8.6	
		2009	11.6	7.7	7.1		
	in US dollars	2007	5.2	5.2	5.1	4.5	
		2008	3.2	2.2	2.2	0.7	
		2009	0.2	0.2	0.2		
OFZ yields ⁴ , % p.a.		2007	6.6	6.6	6.6	6.6	
		2008	6.7	6.9	7.5	8.7	
		2009	10.5	10.3	10.6		
Interest rate on household time deposits, % p.a.	up to 1 year in rubles	2007	7.4	7.3	7.0	7.2	
		2008	7.0	7.1	7.5	9.0	
		2009	10.0	10.8	10.7		
	over 1 year in rubles	2007	7.9	7.5	7.1	6.8	
		2008	7.4	8.0	8.5	9.1	
		2009	10.0	10.3	9.3		
	up to 1 year in US dollars	2007	5.4	5.3	5.2	5.2	
		2008	5.1	5.8	5.3	6.5	
		2009	6.0	5.3	5.5		
	over 1 year in US dollars	2007	6.8	6.6	6.4	7.0	
		2008	6.9	7.0	7.1	7.8	
		2009	6.5	6.1	5.7		
Interest rate on credit to non-financial organisations, % p.a.	up to 1 year in rubles	2007	9.9	9.6	9.8	10.7	
		2008	10.9	11.2	12.0	14.9	
		2009	16.6	15.8	14.9		
	over 1 year in rubles	2007	12.1	11.5	11.0	11.4	
		2008	12.3	12.8	13.6	13.8	
		2009	15.1	16.2	15.8		
	up to 1 year in US dollars	2007	8.7	8.8	8.4	9.1	
		2008	8.1	8.0	8.9	10.9	
		2009	10.7	10.1	10.0		
	over 1 year in US dollars	2007	10.3	10.1	9.3	9.8	
		2008	9.3	9.9	9.4	11.3	
		2009	12.7	11.6	10.7		
Interest rate on ruble-denominated promissory notes discounted by banks, % p.a.		2007	9.5	8.9	10.8	10.8	
		2008	10.7	11.0	12.1	14.1	
		2009	15.7	14.3	14.0		
MICEX rate in 'tomorrow' trades, ruble/\$		2007	26.3056	25.8599	25.5043	24.6525	
		2008	24.2286	23.6190	24.2718	27.2941	
		2009	34.4761	32.2032	31.3160		
As of end of quarter							
RTS index, points			2007	1,935.72	1,897.70	2,071.80	2,290.51
			2008	2,053.93	2,303.34	1,211.84	631.89
			2009	689.63	987.02	1,254.52	
Refinance rate, % p.a.			2007	10.5	10.0	10.0	10.0
			2008	10.25	10.75	11.0	13.0
			2009	13.0	11.5	10.0	

Table 8 (end)

		Year	1.01	1.04	1.07	1.10
Monetary indicators						
M0, billion rubles		2007	2,785.2	2,741.2	3,027.5	3,220.9
		2008	3,702.2	3,475.5	3,724.9	3,904.2
		2009	3,794.8	3,278.3	3,522.5	3,485.6
M2, billion rubles		2007	8,995.8	9,412.6	10,857.7	11,494.0
		2008	13,272.1	13,382.9	14,244.7	14,374.6
		2009	13,493.2	12,111.7	13,161.0	13,649.5
Obligations included in broad money, billion rubles		2007	10,149.4	10,898.4	12,033.4	12,699.7
		2008	14,636.7	14,918.3	15,926.6	16,067.8
		2009	16,774.7	16,308.4	17,055.4	17,523.4 ¹
Net foreign assets, billion rubles		2007	6,881.5	7,927.4	8,704.7	9,038.1
		2008	9,914.3	10,535.2	11,274.3	12,284.4
		2009	12,214.9	12,883.8	13,046.0	13,234.6 ¹
Domestic claims, billion rubles		2007	5,799.2	5,798.6	6,331.1	6,771.7
		2008	8,325.9	8,437.2	8,760.6	8,614.9
		2009	10,645.1	10,307.4	11,076.4	11,716.8 ¹
Broad monetary base, billion rubles		2007	4,122.4	4,210.2	5,139.1	4,587.2
		2008	5,513.3	4,871.4	5,422.9	5,317.8
		2009	5,578.7	4,298.8	4,967.6	4,803.7
Balances of correspondent accounts, billion rubles		2007	638.1	518.1	528.7	576.3
		2008	802.2	596.3	592.4	702.9
		2009	1,027.6	431.7	471.4	545.4
M2 velocity	annual average	2007	3.8	3.6	3.4	3.2
		2008	3.1	3.0	3.0	3.1
		2009	3.1	3.1	3.1	3.0 ¹
	change since start of year, %	2007	-13.2 ⁵	-6.0	-12.1	-16.1
		2008	-18.6 ⁵	-2.6	-3.0	-2.2
		2009	-2.1 ⁵	0.8	-0.1	-2.2 ¹
Monetisation of the economy (by M2 aggregate), %		2007	26.1	27.8	29.7	31.1
		2008	32.1	32.9	33.1	32.8
		2009	32.7	32.5	32.8	33.5 ¹
Money multiplier	by broad monetary base	2007	2.18	2.24	2.11	2.51
		2008	2.41	2.75	2.63	2.70
		2009	2.42	2.82	2.65	2.84
	change since start of year, %	2007	5.2 ⁵	2.5	-3.2	14.8
		2008	10.3 ⁵	14.1	9.1	12.3
		2009	0.5 ⁵	16.5	9.5	17.5
Foreign exchange rates	rubles per US dollar	2007	26.33	26.01	25.82	24.95
		2008	24.55	23.50	23.41	25.37
		2009	29.39	33.90	31.04	30.01
	rubles per euro	2007	34.70	34.69	34.72	35.35
		2008	35.93	37.09	36.97	36.50
		2009	41.43	44.89	43.85	43.89

¹ Preliminary data.

² Estimate.

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

⁴ OFZ effective market portfolio indicator.

⁵ Relative to beginning of previous year.

Table 9

Bank of Russia interest rates in 2009 (% p.a.)

Instrument	Liquidity provision/ absorption period	Prior to 2.02	Rate changed since:									
			2.02	10.02	24.04	14.05	5.06	13.07	10.08	15.09	30.09	30.10
Providing liquidity at offered bids (including by auction)												
Repo operations ¹	1 day	9.00	9.00	10.00	9.50	9.00	8.50	8.00	7.75	7.50	7.25	6.75
	1 week	9.50	9.50	10.50	10.00	9.50	9.00	8.50	8.25	8.00	7.25	6.75
	3 months	10.50	10.50	11.50	11.00	10.75	10.25	9.75	9.50	9.25	8.75	8.25
	6 months	11.25	11.25	12.25	11.75	11.25	10.75	10.25	10.00	9.75	9.25	8.75
	12 months	11.75	11.75	12.75	12.25	11.75	11.25	10.75	10.50	10.25	9.75	9.25
Currency swap operations ²	1 day	13.00	13.00	13.00	12.50	12.00	11.50	11.00	10.75	10.50	10.00	9.50
Unsecured loans	up to 6 months	Minimum rate is set when auction is announced										
Lombard loans ^{1,3}	2 weeks	9.50	9.50	10.50	10.00	9.50	9.00	8.50	8.25	8.00	7.25	6.75
	3 months	10.50	10.50	11.50	11.00	10.75	10.25	9.75	9.50	9.25	8.75	8.25
	6 months	11.25	11.25	12.25	11.75	11.25	10.75	10.25	10.00	9.75	9.25	8.75
	12 months	11.75	11.75	12.75	12.25	11.75	11.25	10.75	10.50	10.25	9.75	9.25
Providing liquidity at fixed rates												
Overnight loans ^{3,4}	1 day	13.00	13.00	13.00	12.50	12.00	11.50	11.00	10.75	10.50	10.00	9.50
Lombard loans ³	1 day	10.00	11.00	12.00	11.50	11.00	10.50	10.00	9.75	9.50	9.00	8.50
	7 days	10.00	11.00	12.00	11.50	11.00	10.50	10.00	9.75	9.50	9.00	8.50
	30 days	10.25	11.00	12.00	11.50	11.00	10.50	10.00	9.75	9.50	9.00	8.50
Repo operations	1 day	10.00	11.00	12.00	11.50	11.00	10.50	10.00	9.75	9.50	9.00	8.50
	7 days	10.00	11.00	12.00	11.50	11.00	10.50	10.00	9.75	9.50	9.00	8.50
	1 year	—	—	—	—	—	11.25	10.75	10.50	10.25	9.75	9.25
Loans secured by "non-market" assets or guarantees ⁴	up to 90 days	11.00	11.25	12.00	11.50	11.00	10.50	10.00	9.75	9.50	9.00	8.50
	91 to 180 days	12.00	12.00	12.50	12.00	11.50	11.00	10.50	10.25	10.00	9.50	9.00
	181 to 365 days	13.00	13.00	13.00	12.50	12.00	11.50	11.00	10.75	10.50	10.00	9.50
Absorbing liquidity at fixed rates												
Deposit operations	Tom-next, spot-next and demand	6.75	6.75	7.75	7.25	6.75	6.25	5.75	5.50	5.25	4.75	4.25
	1 week, spot-week	7.25	7.25	8.25	7.75	7.25	6.75	6.25	6.00	5.75	5.25	4.75

¹ Minimum interest rate set by Bank of Russia Board of Directors.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.

Table 10

Bank required reserve ratios (%)

	Required reserve ratio for bank obligations to non-resident banks in Russian and foreign currency	Required reserve ratio for obligations to individuals in Russian currency	Required reserve ratio for other bank obligations in Russian and foreign currency
July 1, 2007 – October 10, 2007	4.5	4.0	4.5
October 11, 2007 – January 14, 2008	3.5	3.0	3.5
January 15, 2008 – February 29, 2008	4.5	4.0	4.5
March 1, 2008 – June 30, 2008	5.5	4.5	5.0
July 1, 2008 – August 31, 2008	7.0	5.0	5.5
September 1, 2008 – September 17, 2008	8.5	5.5	6.0
September 18, 2008 – October 14, 2008	4.5	1.5	2.0
October 15, 2008 – April 30, 2009	0.5	0.5	0.5
May 1, 2009 – May 31, 2009	1.0	1.0	1.0
June 1, 2009 – June 30, 2009	1.5	1.5	1.5
July 1, 2009 – July 31, 2009	2.0	2.0	2.0
August 1, 2009 –	2.5	2.5	2.5

