



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

# **Quarterly Inflation Review**

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**2006 Q3**

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**Research and Information Department**



## Introduction

Consumer price growth continued to slow down in Russia in the period from January through September 2006. Core inflation and growth in the prices of goods and services not included in the calculation of the core consumer price index were slower than last year. Overall, inflation dynamics were affected by factors resulting from administrative decisions and factors controlled by the monetary and exchange rate policy pursued by the Bank of Russia.

The factor that had a favourable effect on consumer price inflation in January-September 2006 was the slowing of growth in the prices of paid services provided to the public, including administered prices. A major contributing factor was the passage in 2005 of amendments to Federal Law No. 210-FZ, dated December 30, 2004, "On the Principles of Regulating Tariffs Set by House Maintenance and Utility Services," and the Federal Tariff Service's Order No. 853-e/4, dated December 29, 2005, which set limits on growth in housing and utility charges for each region.

The reduction of core inflation was largely due to the slowing of growth in food prices, excluding vegetable and fruit prices. There was also a year-on-year slowing of growth in non-food prices, but it was not as marked as that of food prices. Motor petrol prices rose faster than non-food prices in general in January-September 2006 but slower than in the same period last year.

Stable exchange rate dynamics were a major factor of positive inflationary expectations and contributed to the slowing of inflation.

Foreign exchange continued to flow into the country in the third quarter of this year (excluding September) as the world price of Urals crude kept on rising and the dollar was sliding against the euro on the world currency market. Thanks to the maintenance of the managed floating exchange rate regime, this continued to account for the large-scale expansion of the money supply. At the same time, core inflation dynamics show that core inflation has become less sensitive to growth in the money supply.

Throughout the period of January-September 2006 the M2 growth rate increased and as of October 1, 2006, it stood at 46.6% in the moving 12-month period (as compared with October 1, 2005). Taking into consideration the current macroeconomic conditions, the Bank of Russia raised its estimate of growth in the demand for rubles from 25-28% to 36-39%. However, money supply growth remained high also from the viewpoint of the readjusted money demand projections for the year, perpetuating the monetary pressure on inflation. This acceleration of M2 growth means more uncertainty at the beginning of 2007 and, consequently, the worsening of the starting conditions.

The Bank of Russia scaled down significantly its interventions on the domestic forex market in the third quarter as compared with the second, but they were bigger than in the third quarter of last year. As a result, in the first nine months of this year the Bank of Russia purchased almost 50% more foreign exchange than in the same period last year. To reduce the effect of money supply growth on inflation in the economy, the Bank of Russia continued to take liquidity sterilisation measures in the third quarter. In August, for example, it raised for the third time this year interest rates on deposit operations conducted on standard terms and adjusted interest rates on deposit operations conducted at auctions and operations with Bank of Russia bonds (OBR).

As was the case last year, a large part of aggregate liquidity was absorbed by the Russian Government's Stabilisation Fund and settled in the federal government's accounts with the Bank of Russia.

Monetary regulation along with the Stabilisation Fund helped sterilise a large part of the money overhang. In addition, low-liquidity ruble-denominated components, such as time deposits, accounted for most of the increase in the money supply in January-September and this is a factor of great importance for alleviating the inflationary consequences of monetary growth.

At the same time, inflation dynamics and the velocity of money were favourably affected by the continued contraction of cash in the monetary aggregate M2, a trend registered during most of the period under review.

In the remaining months of this year core inflation will be affected (if other conditions remain unchanged) by first-half money supply dynamics, current exchange rate and non-interest budget expenditure dynamics and the persistent sterilising function of the budget.

# Inflation Dynamics

## Consumer Prices

According to the Federal State Statistics Service (Rosstat), consumer prices rose 7.2% in January-September 2006 as against 8.6% in the same period last year. In the first quarter consumer prices gained 5.0%, in the second 1.1% and in the third 1.0%. In July consumer prices edged up 0.7%, in August 0.2% and in September 0.1%.

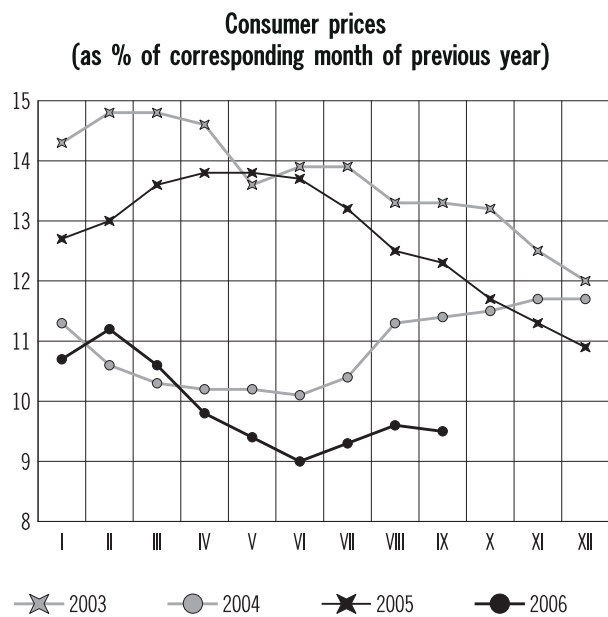
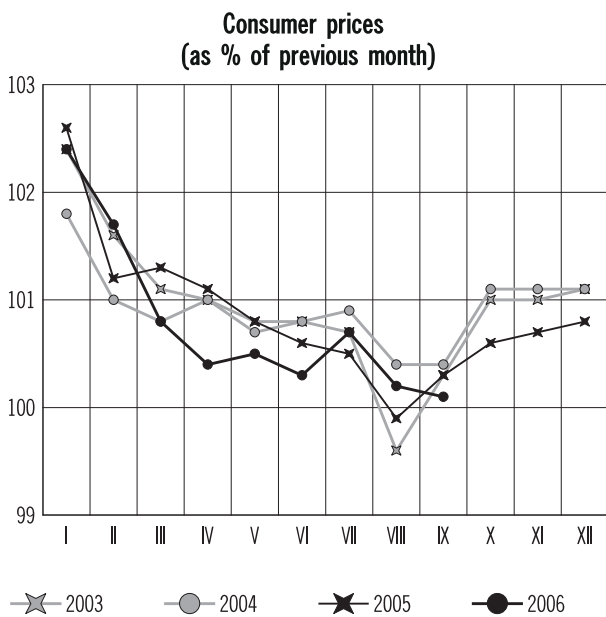
In September inflation calculated for the moving 12-month period stood at 9.5% as against 9.6% in August.

**Core inflation** stood at 5.9% in January-September 2006 as against 6.3% in the same period last year. The core consumer price index registered 2.8% in the first quarter, 1.1% in the second and 2.0% in the third. In July it registered 0.5%, in August 0.6% and in September 0.8%. In

September core inflation calculated for the moving 12-month period stood at an estimated 7.9%, unchanged from August.

According to estimates, growth in the prices of goods and services included in the calculation of the core consumer price index accounted for 4.6 percentage points, or 63.4%, of overall consumer price growth in January-September 2006 (as against 5.0 percentage points, or 58.3% in January-September 2005).

**Food prices, excluding vegetable and fruit prices**, increased 6.6% in January-September 2006 as against 7.2% in the same period of 2005. In the first quarter of the year they gained 3.9%, in the second 0.6% and in the third 2.0%. Estimates show that growth in the prices of this group of goods accounted for 2.6 percentage



**Consumer price inflation (%)**

	Growth (September 2006 on December 2005)	Growth (September 2005 on December 2004)	Outcome
Prices of goods and services included in core inflation calculation	5.9	6.3	Retardation by 1.1 times
of which:			
- food prices, excluding vegetable and fruit prices	6.6	7.2	Retardation by 1.1 times
- non-food prices	4.3	4.5	Slight retardation
Prices of services provided to households	12.0	18.5	Retardation by 1.5 times
of which:			
- administered service prices	12.2	21.4	Retardation by 1.8 times
Vegetable and fruit prices	8.2	6.2	Acceleration by 1.3 times

points, or 35.7%, of overall growth in consumer prices in January-September 2006 as against 3.0 percentage points, or 35.1%, in the same period last year.

The beginning of this year saw a sharp acceleration of growth in the price of granulated sugar: in January it rose 10.7%, in February 30.3% and in the first quarter 48.8%. In the second quarter sugar prices declined, whereas in the third they came down and went up. Overall, in January-September 2006 the price of granulated sugar gained 37.3% as against 2.2% in the same period last year. Sugar price dynamics on the consumer goods market were adversely impacted by the fall in output and growth in domestic producer prices and world prices of refined sugar.

Significant growth in sugar prices on the domestic consumer goods market in January-September 2006 is believed to have accounted for 0.6

percentage points of growth in the prices of goods and services included in the calculation of the core consumer price index.

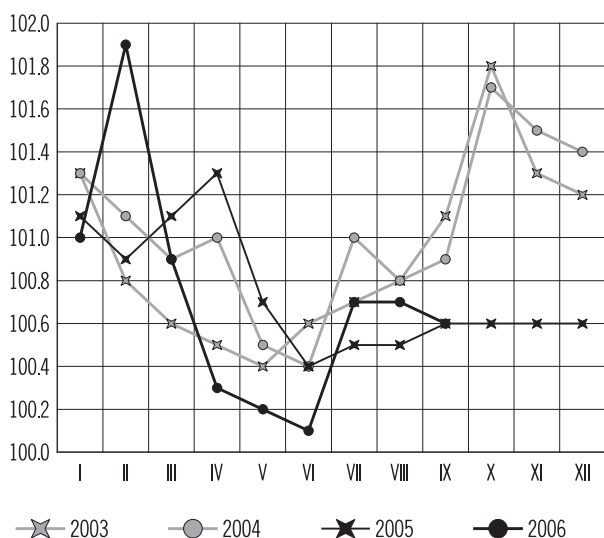
The situation on the meat market has returned to normal this year. In the first nine months of 2006 meat and poultry prices increased 3.9% as against 17.6% in the same period last year. Poultry price dynamics had a major effect on meat and poultry price dynamics. In January-September 2006 poultry prices fell 8.0%, whereas in the same period last year they rose 21.9%. Beef and pork prices went up 11.2% and 6.8%, respectively, in January-September 2006, whereas in the same period last year they rose 20.0% and 15.4%, respectively.

On December 5, 2005, the Russian Government passed Resolution No. 732, which set import quotas on meat for the next four years. This move enabled foreign trade companies to pursue a more

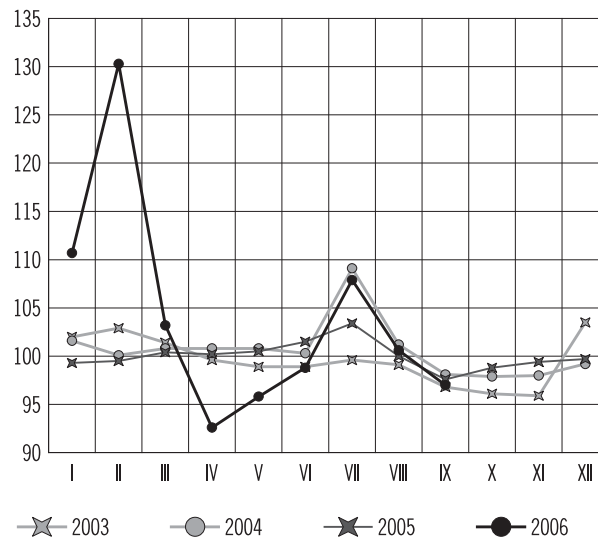
Food price inflation rates (%)

	Growth (September 2006 on December 2005)	Growth (September 2005 on December 2004)	Outcome
Bread and bakery products	7.6	2.2	Acceleration by 3.5 times
Cereals and legumes	11.0	0.4	Acceleration by 27.5 times
Pasta	3.8	1.9	Acceleration by 2.0 times
Meat and poultry	3.9	17.6	Retardation by 4.5 times
Fish and seafood	5.7	11.5	Retardation by 2.0 times
Milk and dairy products	4.6	4.7	Slight acceleration
Butter	4.0	3.8	Acceleration by 1.1 times
Sunflower oil	-1.2	2.6	
Granulated sugar	37.3	2.2	Acceleration by 17.0 times
Alcoholic beverages	7.4	6.0	Acceleration by 1.2 times

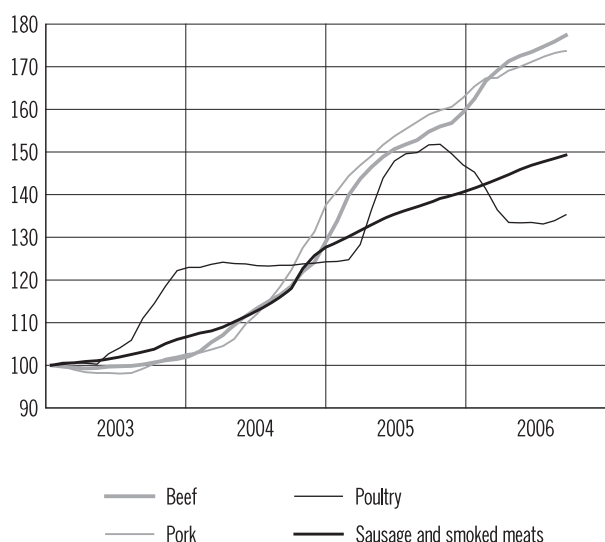
Food prices, excluding vegetable and food prices (as % of previous month)



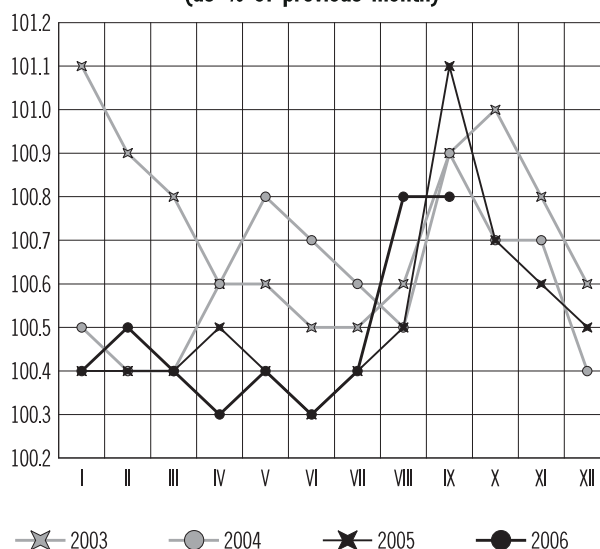
Granulated sugar prices (as % of previous month)



**Meat and meat product prices**  
(December 2002 = 100%)



**Non-food prices**  
(as % of previous month)



balanced import policy, cushioning undesirable fluctuations in supply.

Fish and seafood prices rose 5.7% in January-September 2006, or twice less than in the same period last year.

Prices of milk and dairy products rose 4.6% in the nine months of 2006 as against 4.7% in the same period last year.

Growth accelerated in January-September 2006 as compared with the same period of 2005 in the prices of bread and bakery products (to 7.6% as against 2.2%), cereals and legumes (to 11.0% as against 0.4%) and pasta (to 3.8% as against 1.9%). It was the result of a significant rise (by 16.6%) in grain producer prices (in January-September 2005 these prices had fallen 10.4%).

As in the previous three years, nine-month growth in food prices, excluding vegetable and fruit prices, was faster than non-food prices.

**Non-food prices** increased 4.3% in January-September 2006 as against 4.5% in the same period last year. In the first quarter they rose 1.3%, in the second 1.0% and in the third 1.9%.

Petrol prices soared 12.2% in the nine months of this year as against 15.1% in January-September 2005.

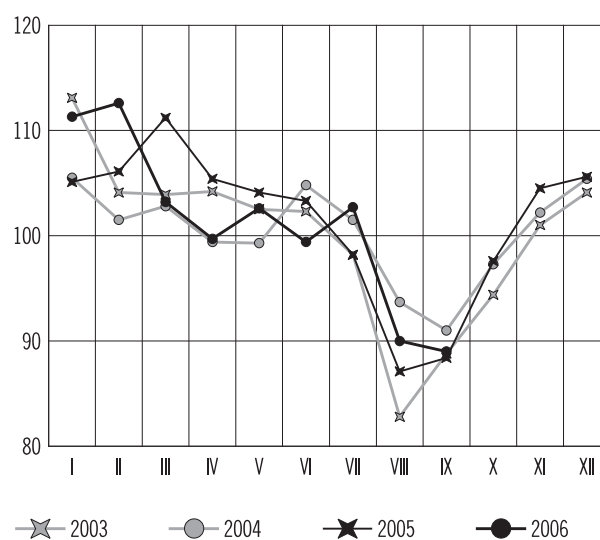
According to estimates, growth in non-food prices accounted for 1.5 percentage points, or 20.2%, of overall consumer price growth (as against 1.5 percentage points, or 17.1%, in January-September 2005).

**Vegetable and fruit prices** gained 8.2% in January-September 2006 as against 6.2% in the same period last year. Average growth in vegetable and fruit prices in January-September 2006 was higher than in the nine months of 2001-2005.

Estimates show that growth in vegetable and fruit prices in January-September 2006 accounted for 0.3 percentage points, or 4.5%, of overall consumer price growth, whereas in the same period last year it accounted for 0.3 percentage points, or 3.0%.

**Food prices** rose 6.7% in January-September 2006 as against 7.1% in the same period of 2005.

**Vegetable and fruit prices**  
(as % of previous month)



Prices of **paid services provided to the public** increased 12.0% in January-September 2006 as against 18.5% in the same period last year. In the first quarter of this year they went up 8.0%, in the second 1.9% and in the third 1.8%. Rent and utility charges rose 16.8% as against 31.2% in January-September 2005.

The reduction of consumer price inflation in the period under review was due to the slowing of growth in service prices, including administered prices. It was also the result of the amendments made in 2005 to Federal Law No. 210-FZ, dated December 30, 2004, "On the Principles of Regulating Tariffs Set by House Maintenance and Utility Services," and the Federal Tariff Service's Order No. 853-e/4, dated December 29, 2005, which set limits on growth in housing and utility charges for each region and established control over their dynamics.

Passenger transport fares rose 10.8% and communication fees 1.8% in January-September 2006 as against 11.4% and 4.9%, respectively, in the same period in 2005.

Pre-school tuition fees increased more than other service prices (by 25.6% as against 27.0% in January-September 2005).

Growth in the prices of services provided to the public stood at 5.7%, exceeding by 2.1 times growth in the prices of goods in January-Septem-

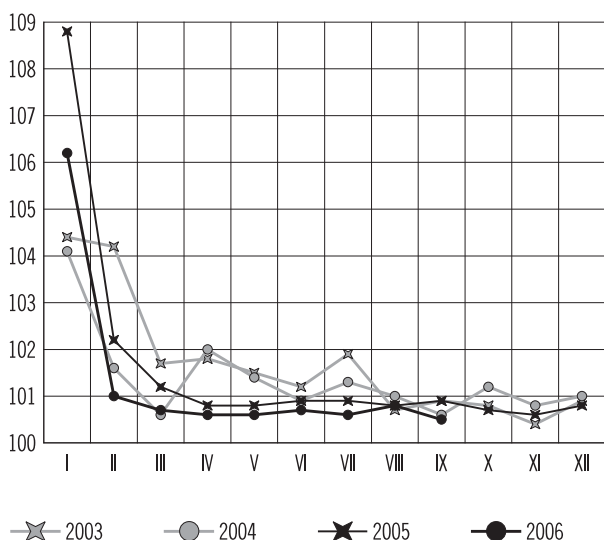
ber 2006 (in the same period last year public service prices increased 3.1 times more than the prices of goods). Estimates show that growth in public service prices in January-September 2006 accounted for 2.9 percentage points, or 39.6%, of overall consumer price growth (as against 3.9 percentage points, or 44.9%, in the same period of 2005). At the same time, the administered service prices increased by an estimated 12.2% in the period under review (as against 21.4% in January-September 2005).

**The analysis of the distribution<sup>1</sup> of price increases** (September on December of previous year) for goods and services in 2003-2006 was based on a sample of more than 400 types of consumer goods and services, without taking into account their weights in consumer spending.

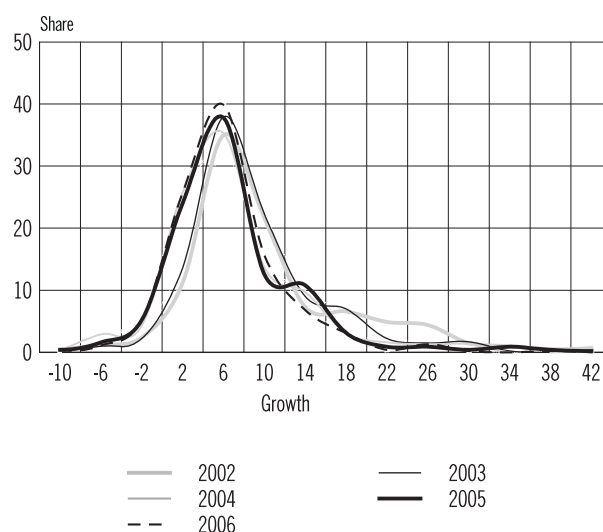
In the past four years prices of more than 70% of the consumer goods and services under review grew in the range of 0% to 12% in January-September. In January-September 2006 prices of 39.9% of goods and services increased in the range of 4% to 8% (37.8% of goods and services were in this price growth range in 2005 and 35.3% in 2004).

In the past three years the median that characterises growth in the prices of the bulk of the goods and services in this kind of distribution has remained virtually unchanged (in January-

**Paid service prices (as % of previous month)**



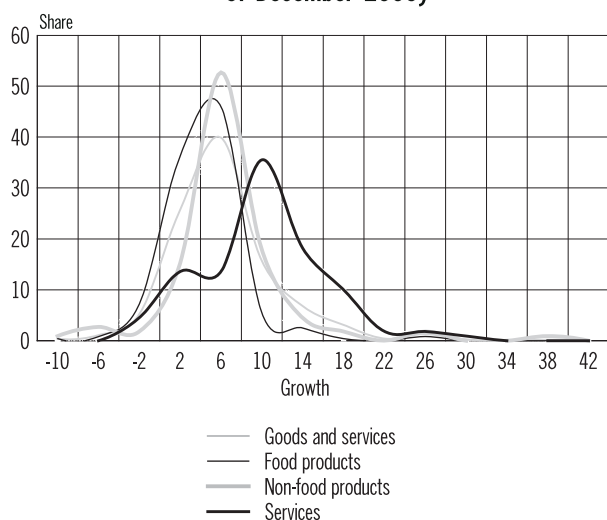
**Consumer price growth distribution in 2002-2006 (September as % of December of previous year)**



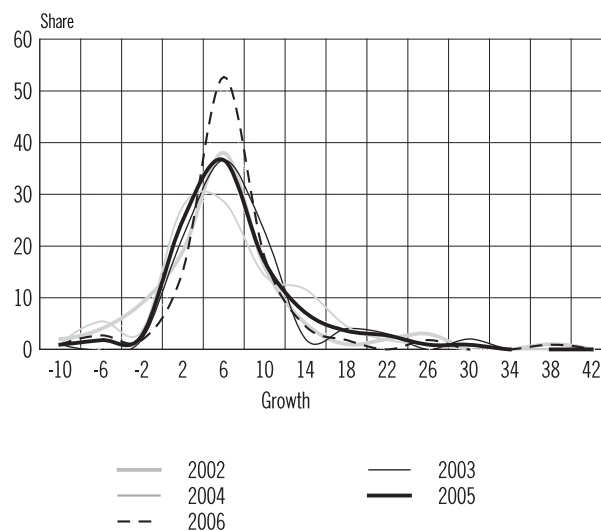
<sup>1</sup> This distribution has been built on the basis of a smoothed histogram. The length of the interval (4 percentage points) was selected so that each interval included a sufficient number of observations, while the histogram reflected the qualitative characteristics of the sample distribution.



**Price growth distribution by kind of consumer goods and services (September 2006 as % of December 2005)**



**Food price growth distribution in 2002-2006 (September as % of December of previous year)**



September of 2004 and 2005 it was 5.7% and in January-September 2006 it was 5.6%). In 2006 the average decreased by 0.9 percentage points from 2005 and stood at 6.4%. The standard deviation declined to 5.5% from 8.3% a year earlier. The narrowing of the spread between price increases in January-September 2006, as compared with the same period last year, was due to the significant decrease in the standard deviation of service prices and food prices. In January-September 2006 the price growth median was the highest in the services sector and the lowest in the non-food products sector.

The statistical analysis of food price increases has shown that in January-September 2006 the distribution median had increased as compared with the same period in 2005. In the first nine months of this year, more than a half of all food products (52.7%) were in the 4-8% price growth range (against 36.6% in the same period last year). The standard deviation decreased from 7.0% in January-September 2005 to 5.7% in the same period this year.

The distribution of non-food price increases was characterised by a pronounced maximum and a small standard deviation. Consequently, growth in the prices of most goods in this group was within a small range. In January-September 2006 goods in the price growth range of 0-8% accounted for 82.3% of the entire range of non-

food products (85.8% in the same period last year). The standard deviation of non-food prices was 3.9%, that is, 1.4 times smaller than that of goods and services as a whole.

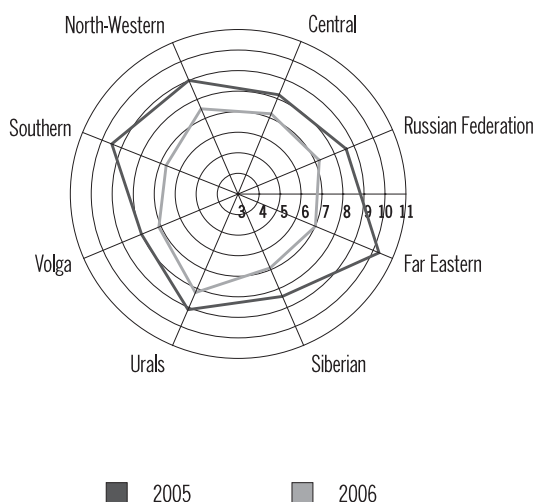
Prices of most of the paid services provided to the public in January-September 2006 rose within the range of 8% to 12%. In the same period last year prices of 12.1% of services declined, whereas prices of 11.2% of services increased by more than 24%. In January-September 2006 the respective percentages were 4.5% and 2.7%. These dynamics of the distribution of price increases were characterised by the reduction of the standard deviation to 6.2% in January-September 2006, which represents a decrease of 50% from the same period in 2005.

According to Rosstat data, consumer price growth in all **federal districts** in January-September 2006 was slower than in the same period last year.

Estimates show that the difference between various Russian territories and regions in terms of the price of the fixed set of goods and services used by the Federal State Statistics Service for interregional comparisons of the purchasing power of the population decreased in January-September 2006. The regional difference ratio<sup>2</sup> in that period decreased to 29.5% from 45.2% in January-September 2005.

<sup>2</sup> The regional difference ratio is calculated as the difference between the price of a fixed set of goods and services in the most expensive and the cheapest regions relative to the national value of the same set.

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



The rates of growth in vegetable and fruit prices differed the most by region in January-September 2006. In the Urals Federal District, for instance, vegetable and fruit prices increased 16.5%, whereas in the Volga Federal District they rose 3.1%. As for the rates of growth in non-food prices and food prices, excluding vegetable and fruit prices, they were roughly the same in all federal districts.

Growth in service prices slowed significantly in all federal districts in January-September 2006, as compared with the same period last year, especially in the Southern Federal District (by 9.5 percentage points) and the Far Eastern Federal District (by 11.1 percentage points). In Russia as a whole, growth in service prices slowed down by 6.5 percentage points.

According to data provided by the Institute for the Economy in Transition, the inflationary expectations of managers of the leading industrial enterprises somewhat subsided in January-September 2006, as compared with the same period in 2005. Growth in selling prices was predicted by no more than 36% of respondents as against 38% in January-September 2005.

**Producer prices**

**Producer prices** rose 15.2% in January-September 2006 as against 15.7% in the same period last year. The most significant producer price growth was registered in the mining sector: it exceeded producer price growth in industry as a whole by 70%. Compared to January-September

2005, however, growth in producer prices in the mining sector slowed from 45.9% to 25.8%. At the same time, fuel and energy producer prices increased 26.3% as against 53.1% in January-September 2005. Producer price growth in the mining sector accounted for 37.5%, or 5.7 percentage points, of overall producer price growth in the nine months of this year as against 57.6%, or 9.1 percentage points, in the same period of 2005.

Meanwhile, in the manufacturing sector producer price growth accelerated to 12.7% from 7.2% in January-September 2005. There was a sharp rise in producer prices in the metallurgy sector (to 23.5% as against 4.2%), which was mainly due to the acceleration of growth in the prices of non-ferrous metals amid growth in the world prices of these products. Petroleum products producer prices also increased significantly (by 28.3% as against 34.2% in January-September 2005).

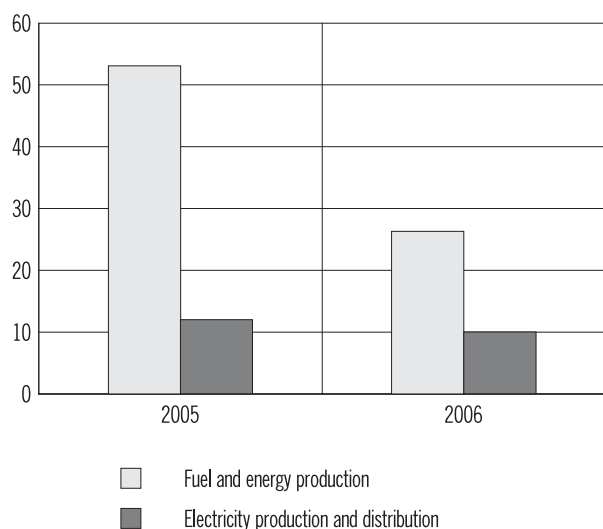
Competition, especially by imports, continued to affect price formation in the manufacturing industries, which are mostly oriented to consumer demand. As a result, producer prices in the industries producing foodstuffs and beverages, tobacco products, textile and clothing, and leather and leather goods and footwear grew more slowly in January-September 2006 than in the manufacturing sector as a whole.

As for the manufacturing industries whose output goes to the consumer goods market, price growth accelerated in January-September 2006, as compared with the same period last year, only in the production of foodstuffs including beverages and tobacco (from 2.8% to 5.6%). In the textile and clothing industry price growth slowed down to 2.8% and in the production of leather, leather goods and footwear to 6.1%. In January-September 2005, producer prices in these industries increased 3.5% and 6.3%, respectively.

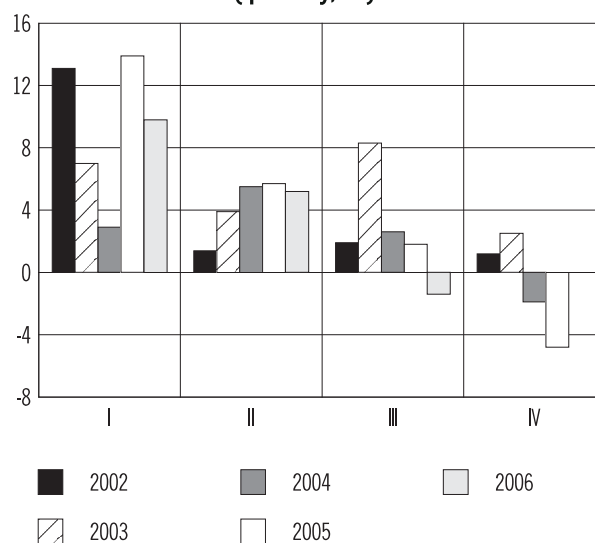
According to estimates, growth in producer prices in the industries oriented immediately to the consumer goods market in January-September 2006 accounted for 3.0 percentage points, or 50.8%, of increase in the prices of goods and services included in the core inflation calculation (2.0 percentage points, or 31.7%, in the same period in 2005).

Prices in the production, transmission and distribution of electricity rose 10.0% in January-September 2006 as against 12.0% in the same

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



**Freight transportation charges (quarterly, %)**



period last year. Freight transportation charges increased 13.9% in the nine months of the year as against 22.5% in January-September 2005. Railway fares were up 8.9% in the period under review as against 13.3% in January-September 2005.

**Communication fees for corporate entities** edged up 0.5% in January-September 2006, as in the same period last year.

Producer prices in the **construction sector** rose 8.7% in the nine months of the year as against 9.4% in January-September 2005.

**Agricultural producer prices** increased 1.2% in January-September 2006, whereas in the same period last year they fell 1.1%. Growth in pro-

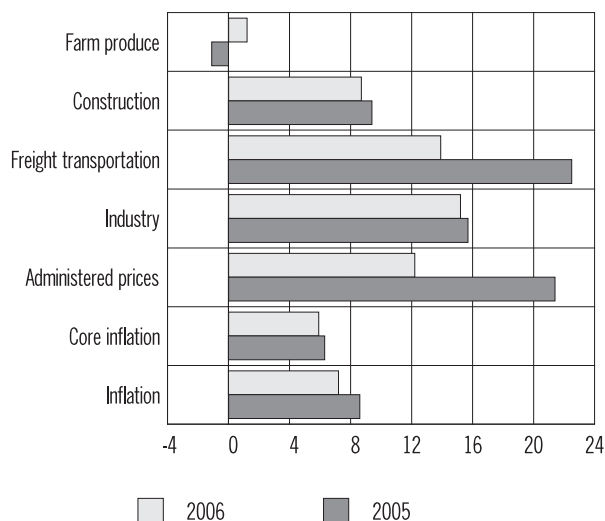
ducer prices in the crop-growing sector made the biggest contribution to the increase in agricultural producer prices. Over the nine months of this year crop grower prices increased 8.0%, whereas in the same period last year they declined 8.2%. The most significant increase was registered in potato and grain prices, which rose 17.5% and 16.6%, respectively, whereas in the same period of 2005, potato prices went up 18.8%, while grain prices dropped 10.4%.

Prices of livestock products were down 2.7% in January-September 2006, whereas in the same period last year they rose 3.7%. There was a slowing of growth in livestock and poultry prices (to

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



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



1.3% from 16.7% in January-September 2005). As last year, egg producer prices dropped (by 11.7% as against 26.3% in January-September 2005).

### Foreign trade prices

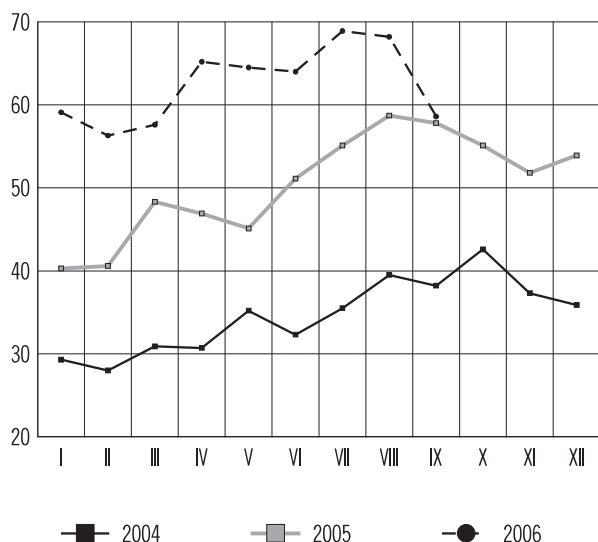
In January-September 2006, the prices of Russia's major export commodities<sup>3</sup> on world commodity markets were higher than in the same period of 2005. However, growth in energy prices has slowed down this year. The price of oil gained 26% in January-September 2006 as against 45% in the same period a year earlier, petroleum product prices went up 26% as against 47% and the price of natural gas in Europe increased 39% as against 47%. A major reason for the slowing of growth in the world price of oil was the accumulation of US commercial oil stocks, which this year have reached an 11-year high. In addition, growth in the supply of oil on the world market and the alleviation of political tension in the world led to the reduction of the price of oil, which began in the latter half of August. Last September oil prices were virtually the same as in September 2005. As a result, in the third quarter of this year the average price of oil remained virtually unchanged from the previous quarter. OPEC's decision to cut out-

put by the cartel members by 1.2 million barrels per day from November 1 has not changed the trend towards the price downturn on the oil market.

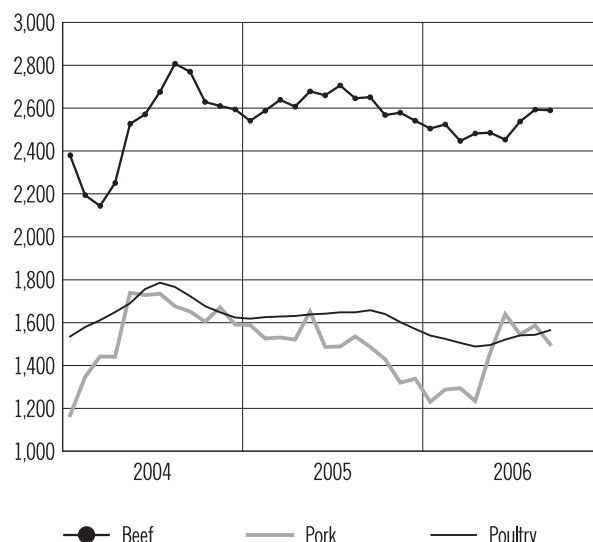
In September 2006, the price of Urals crude was 8.8% higher than in December 2005 (in September 2005 it was 1.6 times higher than in December 2004). The price of natural gas in Europe rose 17.1% as against 30%, premium petrol 8.1% as against 90%, diesel fuel 11.7% as against 50% and fuel oil 13.1% as against 100%. Ferrous metal prices were down 2.0%, whereas in September 2005 they were up 7.7%. Growth in non-ferrous metal prices slowed down and last September they increased 45% on average as against 2.2% in September 2005. As a result, in September 2006 energy prices were 11.1% higher on average than in December 2005 (in September 2005 they were 51% higher than in December 2004) and non-energy prices gained 11.2% as against 7.3% a year earlier.

Food price dynamics<sup>4</sup> were different on world markets during the first nine months of the year. Beef prices rose 1.9% last September as compared with December 2005 (in September 2005 they were 2.2% higher than in December 2004),

Urals crude world prices (\$/barrel)



World meat prices (\$/tonne)



<sup>3</sup> Average prices have been calculated on the basis of data provided daily by the following news agencies and exchanges: Reuters for oil, Petroleum Argus for petroleum products (petrol, diesel fuel and fuel oil) and the London Metal Exchange for non-ferrous metals (aluminium, copper and nickel). Average monthly prices of natural gas and ferrous metal price indices have been calculated on the basis of data provided by the World Bank and other goods on the basis of data provided by the IMF.

<sup>4</sup> Average prices of raw and refined sugar have been calculated on the basis of data provided daily by the London Commodity Exchange, average monthly prices of beef and wheat on the basis of data provided by the World Bank and pork and poultry on the basis of IMF data.

poultry prices were down 0.3% and pork prices were up 12% (in September 2005 poultry prices rose 2.2%, whereas pork prices fell 6.6%).

The price of raw sugar on the world market dropped 3% in the second quarter of the year quarter on quarter and 26% in the third. The US Department of Agriculture expects Brazil's sugar cane harvest to be 8% bigger in the 2006/2007 season than in the previous season due to good weather and has raised raw sugar output and export estimates. In addition, India is expected to gather in a record sugar cane harvest due to the expansion of plantations and abundant rainfall. A good sugar cane harvest is also expected in Thailand, while Cuba has expanded sugar cane plantations by 25% in the 2006/2007 season. The price of refined sugar will remain high due to a fall in output in the European Union and the reduction of stocks in China. At the same time, a trend towards a price downturn has emerged on the refined sugar market: in the third quarter of this year the price of refined sugar declined 7.2% quarter on quarter. As a result, in September 2006 the price of raw sugar fell 21.5% as compared with December 2005, while that of refined sugar rose 28.7% (in September 2005 the price of raw sugar increased 11.6% and refined sugar was up 30.5%).

Grain prices have increased significantly this year. In its October review, the International Grains Council lowered its estimates of the wheat and maize harvests in the 2006/2007 agricultural year,

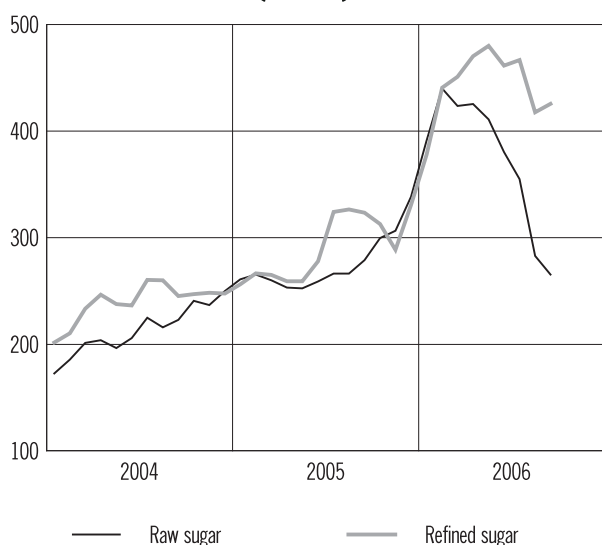
mainly because of the drought in Australia and some other countries of the southern hemisphere, and leading exporters' grain stocks (grain stocks in the EU, United States, Canada, Australia and Argentina are expected to contract by more than one-quarter as compared with the previous year). US wheat export prices last September rose 19.2% as compared with December 2005 (in September 2005 they increased 3.8%).

Thanks to growth in the prices of major export products, which exceeded growth in import prices, the terms of Russia's trade with foreign countries<sup>5</sup> improved in January-September 2006, but the rise of the terms of trade index slowed down as compared with the same period last year.

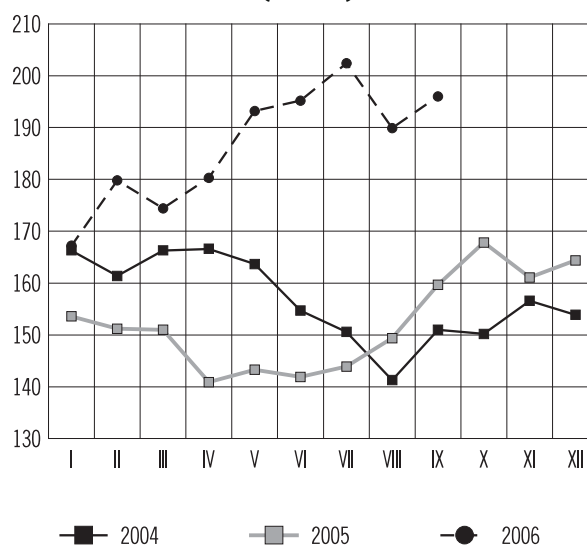
Growth in export prices, especially energy and non-ferrous metal prices, and export volumes of some products were the factors of the continued expansion of Russian exports. However, growth in Russian exports has slowed down. In the nine months of the year exports of goods increased 28.2% to \$223.9 billion, whereas in the same period last year exports grew 35.4%. Fuel and energy products accounted for most of the increase in the value of exports of goods.

Growth in imports decelerated slightly in the first nine months of 2006, but the rate of growth was close to that in exports. Compared to the same period of 2005 imports grew 28.4% to \$112.4 billion (29.0% in the first nine months of 2005). Imports increased primarily as a result of the ex-

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



**US wheat export prices (\$/tonne)**



<sup>5</sup> The ratio between export and import price indices.

pansion of import volumes and growth in contract prices of most of the imported goods. The acceleration of growth in engineering imports as compared with January-September 2005 led to significant increase in the value of imports.

## Demand

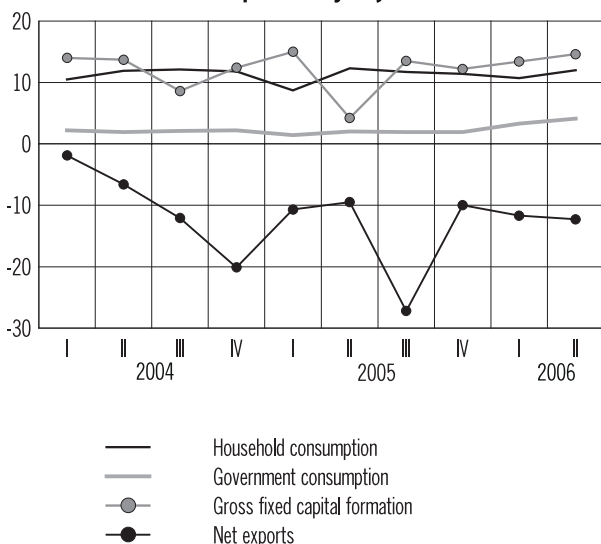
### Domestic demand

GDP increased 6.5% in January-June 2006 as against 5.4% in the same period of 2005. The parameters of economic development were principally determined by consumer and investor demand.

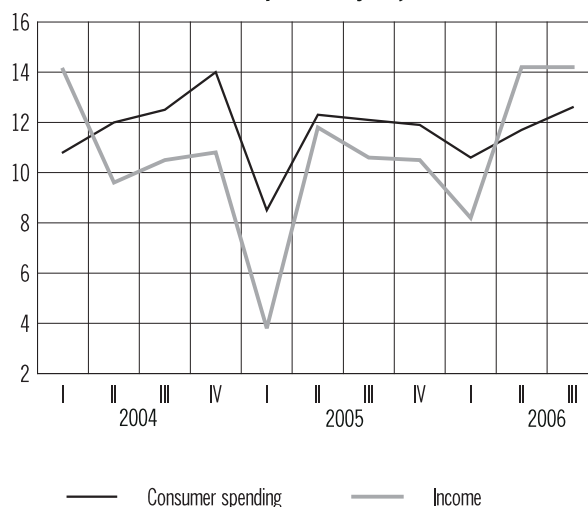
Household spending on final consumption increased 11.4% in January-June 2006 as against 10.6% in the first half of 2005. Consumer spending continued to grow in the third quarter of the year, stimulating the expansion of retail trade turnovers. In the nine months of this year retail trade turnover increased 12.3% as compared with the same period last year (in January-September 2005 it grew 12.6%). Non-food sales grew faster than food sales. The value of paid services provided to the public increased 7.8% as against 6.8% a year earlier.

Government expenditures on final consumption increased 3.7% in the first half of this year as against 1.7% in the same period last year. The sensible budget expenditure policy and the absorption of excess liquidity by the Russian Government's Stabilisation Fund contained growth in consumer prices.

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



**Real consumer spending and household money income (growth as % of corresponding quarter of previous year)**



Gross capital formation increased 14.1% in January-June 2006 as against 8.6% in the same period last year. Fixed capital investment expanded 10.8% in January-June and 11.7% in January-September (as against 9.8% in January-September 2005). In the first half of this year 63.9% of total fixed capital investment was made in large and medium-sized transport, communications, manufacturing and mining enterprises. Compared to the same period in 2005, the share of transport and communications enterprises expanded from 24.9% to 25.7% of total fixed capital investment and the share of mining enterprises increased from 17.5% to 19.5%. The share of the manufacturing sector contracted from 19.2% to 18.7% of total fixed capital investment.

In January-June 2006, as in the same period last year, more than a third of fixed capital investment was made in the active part of fixed assets, whose technical retooling was a major factor of growth in labour productivity and created conditions for the reduction of price growth.

As growth in imports of goods and services far surpassed growth in exports in the first half of the year, net exports of goods and services declined by 12%.

### Foreign demand

*World economy and international financial markets*

US GDP increased by an estimated 3.4% in the first nine months of this year as compared with the same period last year (in January-September

2005 it grew 3.2%); the eurozone registered a 2.5% increase in GDP (as against 1.4% a year earlier); China's GDP expanded 10.7% (as against 9.8% in the same period last year).

Growth in industrial output, job numbers, real disposable income and sales in the United States indicate the continuation of the cyclic economic recovery, although the first nine months of the year saw a major downturn in housing construction, a sector of the US economy highly sensitive to interest rates. There has been a slowing of growth in individual consumption and fixed capital investment. The expansion of finished product inventories made a significant contribution to GDP growth in the United States in January-September 2006. In the second quarter of the year GDP growth slowed down dramatically as compared with the first quarter and the slowdown continued in the third.

**The US trade deficit** increased by \$66.8 billion in January-September 2006 as compared with the same period last year as imports of goods, especially crude oil, grew faster in value than exports. The deficit in the 25-member European Union's trade in goods with the rest of the world rose by 62.7 billion euros, or almost doubled, mainly due to the increase in the value of energy imports. China's trade surplus amid the accelerated growth in exports expanded by \$41.5 billion. In the first nine months of the year China ranked second among the United States' trading partners in terms of import volumes (about 15% of total imports) and third in terms of trade turnover (over 11% of total trade turnover). The deficit in trade with China accounted for more than a quarter of US total trade deficit. China also accounted for 9.5% of EU trade turnover and the deficit in trade with China accounted for more than 60% of EU total trade deficit.

**US inflation** slowed to 3.1% last September from 4.5% in September 2005. Core inflation<sup>6</sup> made the biggest contribution to the change of the general level of consumer prices in the United States in the period under review. Energy prices rose 10.6% (in September 2005 they were up

35.3% on December 2004), of which the price of motor fuel rose 17.5% (54.8%) and energy products used for household needs<sup>7</sup> 4.2% (16.3%). Food prices edged up 1.7% (in September 2005 they were up 1.5% on December 2004) and their growth had no significant effect on the general level of consumer prices in the United States. Sugar, grain and vegetable and fruit prices increased at the most rapid rates.

US core inflation stood at 2.5% in September 2006 as compared with December 2005 (in September 2005 it stood at 1.8%). As before, growth in rent, which rose 3.7% as against 2.1% a year earlier, made the biggest contribution to core inflation. Among the other major contributors to core inflation were tuition fees, which increased 5.8%, and health service charges and medicine prices, which grew 3% (in September 2005 these increased 5.9% and 3.1%, respectively, against December 2004).

**Eurozone inflation** slowed to 1.4% last September from 1.9% in September 2005. Growth in energy prices and core inflation<sup>8</sup> contributed to the rise in consumer prices equally (by 0.5 percentage points). Growth in food prices, including alcoholic beverages and tobacco products, also made a substantial contribution to consumer price growth (0.4 percentage points). Energy prices gained 5.2% as against 15.2% in September 2005 relative to December 2004, of which the price of liquid fuel and lubricants for transport vehicles increased 4.4% (22.9%) and energy used for household needs 6.3% (6.1%). Growth in food prices, including drinks and tobacco products, quickened to 2% from 0.8% in September 2005 as compared with December 2004, mainly due to the increase in vegetable and fruit prices and prices of edible oils and fats and meat and meat products.

Eurozone core inflation stood at 0.7% last September as compared with December 2005 (0.6% in September 2005), mainly as a result of growth in the price of housing and furniture and other household goods, hotel and restaurant services and some kinds of individual services. The

<sup>6</sup> Core inflation in the United States signifies growth in the prices of goods and services included in the consumer goods basket, except foodstuffs and energy products.

<sup>7</sup> Fuel oil, boiler fuel, coal, household gas and electricity.

<sup>8</sup> Core inflation in the eurozone signifies growth in the prices of goods and services included in the consumer goods basket, excluding foodstuffs, alcoholic beverages, tobacco and energy products.

factor of relative price stability in this sector was the fall in communication fees and prices of clothes and footwear and cultural and recreational goods and services.

The main factor of the slowing of inflation in the United States and eurozone last September as compared with December 2005 and relative to September 2005 was the reduced effect of energy price growth on them. In both cases the contribution of energy price growth to inflation was the smallest in the past six months under review and it was many times smaller than in September 2005. Besides the energy price downtrend last September, inflation was affected by the acceleration of energy prices in September 2005, caused by fears of a fall in oil production on the Gulf of Mexico shelf after the devastating hurricane and subsequent flood on the south-east coast of the United States.

**The slowing of inflation** in September 2006 as compared with December 2005 was also registered in the following countries of importance for Russian trade turnover: in Romania inflation was down to 2.8% (5.9% in September 2005), Brazil 2% (4%), Belarus 3.1% (4.6%), Ukraine 6% (7.1%), Israel 0.8% (1.9%), Latvia 5% (5.8%), Switzerland 0.3% (0.5%), South Korea 3% (3.1%) and China 1% (1.1%). Inflation accelerated significantly in the following countries: Iran to 10.1% (7%), Turkey 6.7% (3.9%), Hungary

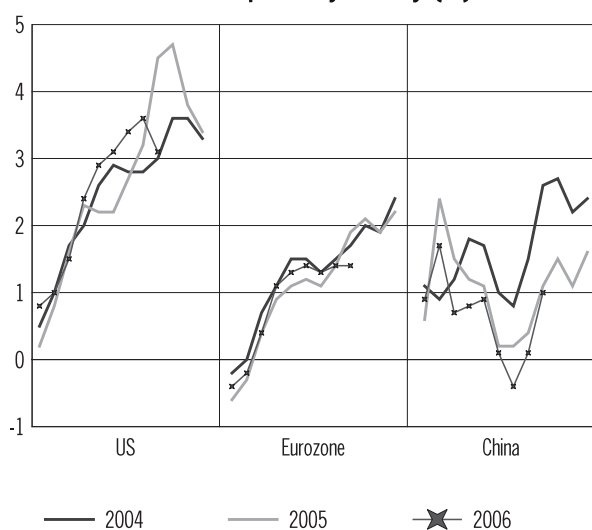
5.7% (3.2%) and India 5.2% (4%). In Japan, consumer prices inched up 0.9% last September as compared with December 2005, whereas in September 2005 they fell 0.1%. Inflation also accelerated in Kazakhstan, Slovakia, Poland, Sweden, the Czech Republic, Britain, Lithuania and Estonia.

The US Federal Reserve in the first half of this year **raised four times the benchmark interest rate on the shortest term interbank loans** (federal funds rates): from 4.25% to 4.5% p.a. in January, to 4.75% in March, to 5% in May and to 5.25% in June. In the period from June 2004 to June 2006 the benchmark federal funds rate had been raised by 4.25 percentage points. The raising of the short-term interest rates in the United States had a restraining effect on core inflation, but in the middle of this year the Federal Reserve had revised its interest rate policy and at its last three meetings held in August, September and October, the Open Market Committee left the benchmark federal funds rate unchanged.

The European Central Bank (ECB) in December 2005 raised the refinance rate from 2% to 2.5% p.a.; in March 2006 it raised it to 2.5%, in May to 2.75%, in August to 3% and in October to 3.25%. Each month in the period from January to August 2006 eurozone inflation exceeded by 0.2-0.5 percentage points the inflation target set by the ECB (in each accounting month consumer prices rose 2% year on year). In September, however, it slowed to 1.7%.

**The LIBOR on deposits placed in US dollars** for terms of one month to one year rose by 0.5-1.0 percentage points in September 2006 as compared with December 2005 and on similar deposits placed in euros it increased by 0.7-0.9 percentage points<sup>9</sup>. The yield on US government securities with terms to redemption from two to ten years increased by 0.3-0.4 percentage points, while the yield on similar eurozone financial assets gained 0.4-0.8 percentage points. The LIBOR on the dollar-denominated deposits with all maturity periods and the yield on US treasuries with all terms to redemption in September were higher than the LIBOR on the euro-denominated deposits and the yield on the eurozone government securities. Since December 2004 the US benchmark

Consumer prices by country (%)\*

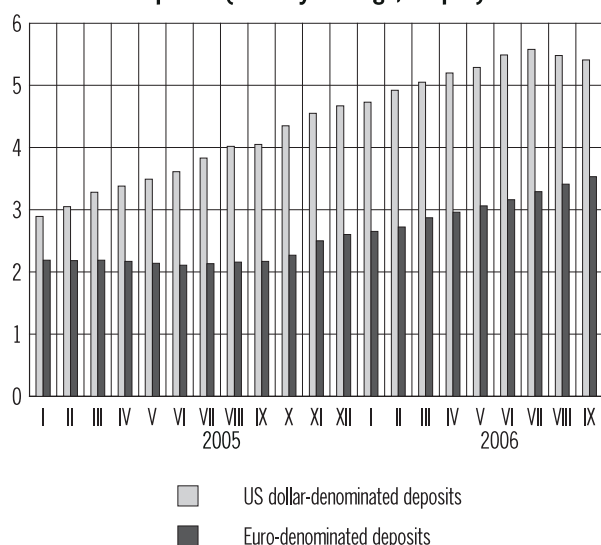


\* Consumer price growth on December of previous year.

<sup>9</sup> Here and below the source of data is the Reuters agency.



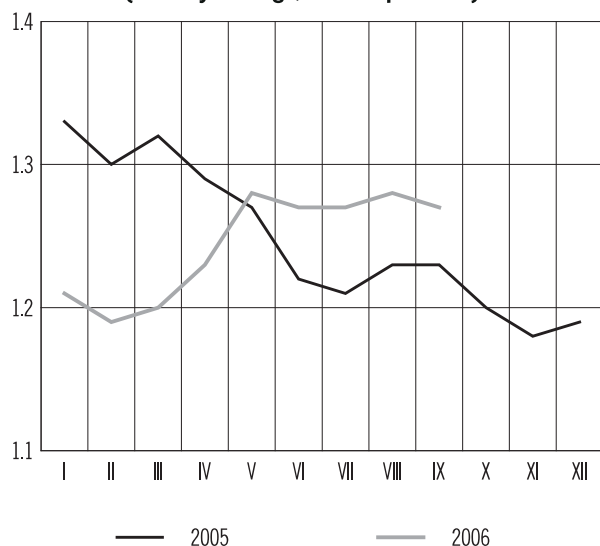
**LIBOR on six-month US dollar- and euro-denominated deposits (monthly average, % p.a.)**



federal funds rate has been higher than the ECB's refinancing rate (since October 11, 2006, the difference has been 2 percentage points and its highest level since the beginning of this year and over the period since December 2004 has been 2.5 percentage points).

**The US dollar depreciated against the major European and Asian currencies** on the world currency market in the first nine months of the year. The factors behind the dollar's depreciation were imbalances in US foreign trade, the transition by the Federal Reserve to the policy of keeping US short-term interest rates unchanged, growth in interest rates in the eurozone, Britain and Japan and a more flexible exchange rate policy pursued by China since the middle of last year. In

**Euro versus US dollar (monthly average, dollars per euro)**



September 2006 the dollar fell 7.3% against the euro, as compared with December 2005, 8% against the pound sterling, 1.8% against the yuan and 1% against the yen. It depreciated against most of the other currencies of importance for the Russian economy (the most significant depreciation of the dollar was registered against the Romanian leu, Czech koruna, Swedish krona, Slovak koruna, Lithuanian litas, Latvian lat and Estonian kroon).

### Supply

The macroeconomic situation in January-September 2006 was characterised by production growth in the major types of economic activity. Output in these types of activity increased 5.7% as against 4.5% in the same period last year.

In the nine months of this year the industrial output index registered 104.2% as against 103.6% in the same period of 2005. Industrial production growth accelerated in January-September 2006, as compared with the same period last year, due to the quickening of production growth in the mining sector (from 1.1% to 2.4%) and in the production and distribution of electricity, gas and water (from 1.7% to 5.2%). The manufacturing sector was the principal contributor to industrial production growth in January-September 2006. However, production growth rates in the manufacturing sector slowed down from the same period last year (from 5.2% to 4.4%).

There was a 3.4% fall in the output of some types of machinery and equipment (in the same period last year it grew 7.5%). Growth slowed down from 19.3% to 0.2% in the output of electrical, electronic and optical equipment. All key industries oriented to final consumption registered an increase in output in January-September 2006 as compared with the same period last year. After a downturn in January-September 2005, there was a major rise in the production of textile and clothing and leather, leather goods and footwear in January-September 2006 (8.2% and 12.9%, respectively). Growth in the production of foodstuffs, including beverages, and tobacco products accelerated from 3.5% to 5.2%.

Growth in the production of meat and meat products by 5.8% in January-September 2006, as compared with the same period last year, of which the production of meat rose 11.7% and poultry

18.5%, led to the slowing of meat prices on the consumer goods market. The production of granulated sugar in January-September 2006 was down 12.9% on the same period in 2005.

Agricultural output in January-September 2006 remained virtually unchanged from the same period of 2005, whereas in January-September 2005 it expanded 2.7%. By the middle of October farmers had thrashed 0.7% less grain than they had done by the same time a year earlier and harvested 0.4% less potatoes and 1% less vegetables. The output of major livestock products increased in January-September 2006.

### **Labour market**

The number of jobs in the economy continued to increase in January-September 2006. In the nine months of the year job numbers increased by an estimated 0.6% (in January-September 2005 the number of jobs rose 1%). Output grew

faster than job numbers, a trend indicating growth in labour productivity. Estimates show that labour productivity increased 5.9% in January-September 2006 as against 4.8% in the same period last year. Consequently, the intensive factors of growth continued to play a major role, containing price increases in the economy.

Wage rose faster than labour productivity in January-September 2006 and the gap between them widened in that period, as compared with January-September 2005, creating conditions for further price growth.

The number of unemployed, calculated according to ILO methodology, fell 0.6% in January-September 2006 as compared with the same period last year (in January-September 2005 unemployment was down 5.5%). The total number of jobless stood at 7.1% of the economically active population as of the end of September 2006 as against 7.3% a year earlier.

# Monetary Conditions

## Exchange rates

High energy prices brought vast amounts of foreign currency earnings to the Russian forex market in the third quarter of the year. The Bank of Russia remained the net buyer of foreign currency on the domestic forex market as it conducted operations aimed at cushioning fluctuations in the exchange rate of the ruble against the dollar and the euro. The structure of the bi-currency basket, used by the Bank of Russia as an operational benchmark in its exchange rate policy, remained unchanged (0.6 dollars and 0.4 euros). The main event of the period under review was the US Federal Reserve's decision to stop raising the federal funds rate (from August 2005 to July 2006 the Federal Reserve raised this rate seven times and increased it from 3.5% to 5.25%). That decision and the release of macroeconomic data indicating the slowing of economic growth and inflation in the United States led currency traders on the foreign and domestic markets to believe that the dollar would continue to depreciate.

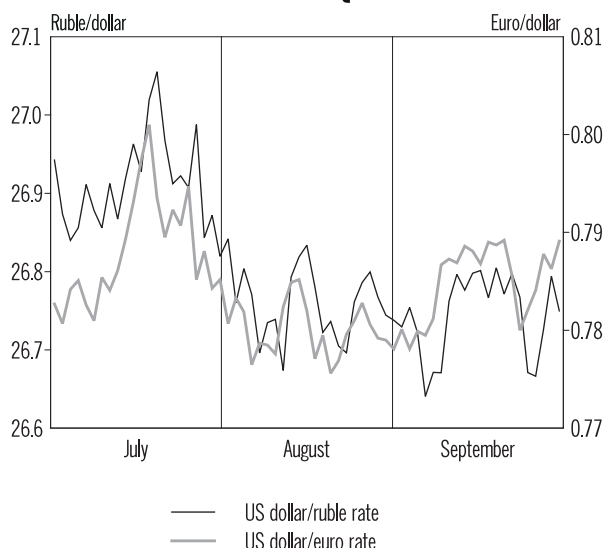
In the third quarter of the year the dollar kept on falling against the ruble in nominal terms and lost 0.6% of its value (it fell 3.8% in the first quarter and 2.7% in the second). In July the dollar slipped 0.5% against the ruble and in August it was down 0.3%, but in September it made a slight

gain of 0.2%. It appreciated on macroeconomic data indicating that US economic growth had slowed down and inflation could accelerate. This information led market participants to believe that the Federal Reserve might raise interest rates. The average rate of the dollar against the ruble had declined 7.5% since the beginning of the year, shedding 1.9% in the first quarter, 3.5% in the second and 1.5% in the third.

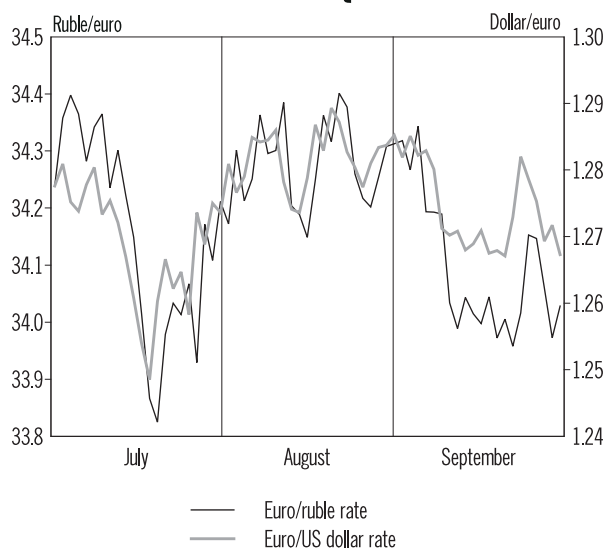
The euro/ruble dynamics on the domestic forex market matched the euro/dollar dynamics on international markets in the third quarter of the year. In July the euro fell 0.1% against the ruble and in September 1%, whereas in August the euro gained 0.3% against the ruble. The dollar/euro and dollar/ruble rates were affected by the simultaneous (August 3) raising by the European Central Bank and the Bank of England of interest rates by 0.25% to 3% and 4.75%, respectively.

In the third quarter the euro lost 0.8% to the ruble in nominal terms (in the first quarter the euro fell 1.6% against the ruble, while in the second it gained 1.8%) and since the beginning of the year the euro had lost 0.6% against the ruble. The average euro/ruble rate was up 0.1% in the third quarter (in the first the average euro/ruble rate was down 1%, whereas in the second it was up 1%) and since the beginning of the year it gained 0.1%.

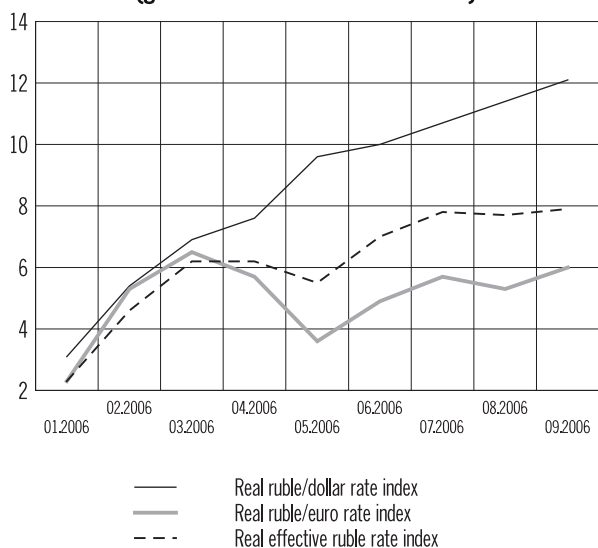
**Nominal US dollar/ruble and US dollar/euro rate in 2006 Q3**



**Nominal euro/US dollar and euro/ruble rate in 2006 Q3**



**Real ruble rate indices in 2006  
(growth as % of December 2005)**



The real rate of the ruble gained 2.2% against the dollar and 0.9% against the euro in the third quarter of the year and since the beginning of the year the ruble gained 11.4% against the dollar and 5.7% against the euro in real terms. The real effective rate of the ruble against foreign currencies rose 1.5% in the third quarter as compared with the second and since the beginning of the year it gained 7.8%.

The continuous massive inflow of exporters' foreign currency earnings to the domestic market in the third quarter of the year led to the expansion of Russia's international reserves, which increased in that period by \$15.6 billion, or 6.2%. Since the start of the year Russia's international

reserves had grown by \$84 billion, or 46%, and as of October 1, 2006, they aggregated \$266.2 billion. In the same period last year the country's international reserves had increased by \$35 billion, or 28%.

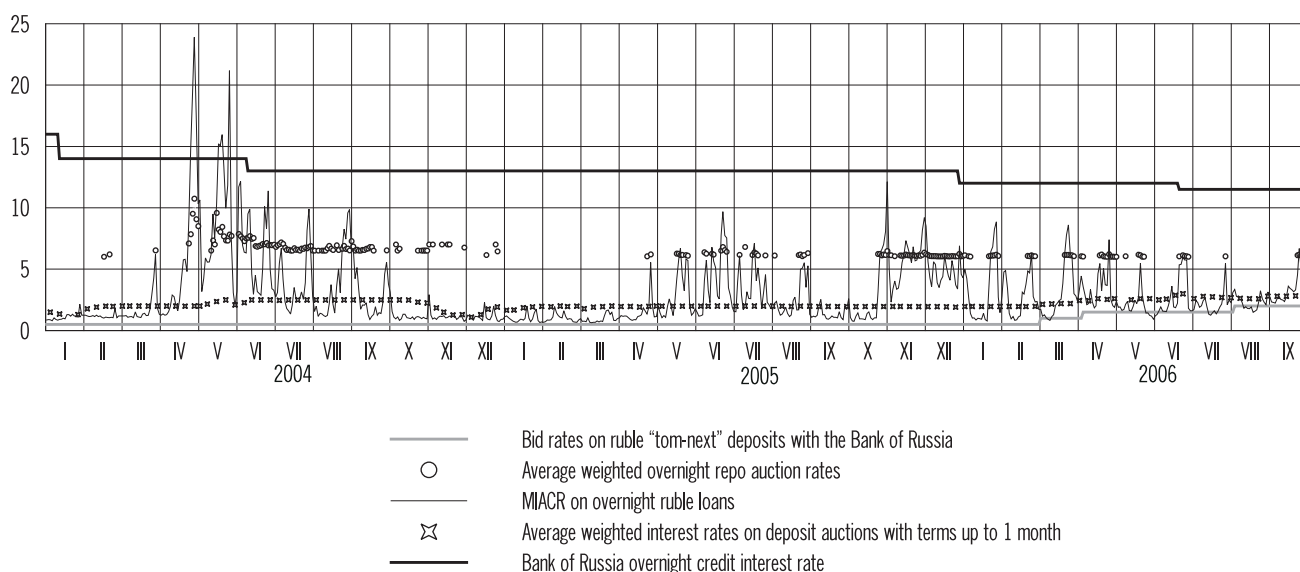
### Interest rates

The Bank of Russia this year has taken steps to narrow the spread between interest rates on its operations. The lower limit of the **Bank of Russia interest rate band**, set by the interest rate on deposit operations on standard "tom-next" conditions, was raised in the third quarter (in August) from 1.5% to 2% p.a. The upper limit (the refinancing rate and overnight and currency swap rate) was lowered in October from 11.5% to 11% p.a.

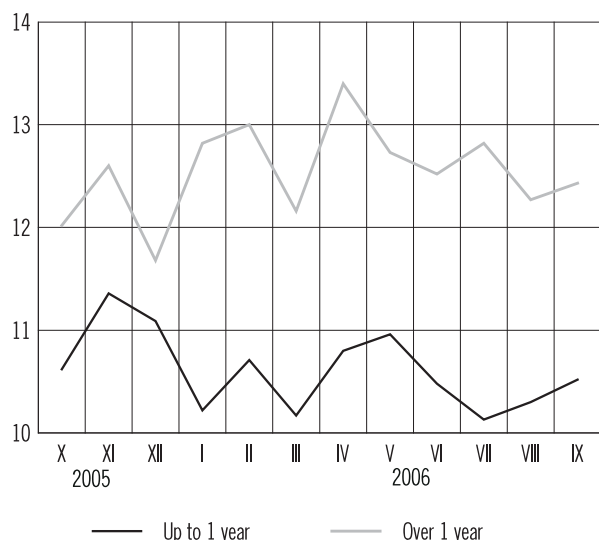
Average weighted four-week deposit auction interest rates changed within a narrower band in the third quarter as compared with the second: from 2.59% to 2.83% p.a. As for the three-month deposit auctions, the upper and lower limits of the interest rate band decreased to 3.80% and 4.45% p.a., respectively, as compared with the second quarter. The average weighted yield at the Bank of Russia bond (OBR) auctions held in the third quarter declined as compared with the second quarter and varied from 3.98% to 4.99% p.a. The average weighted interest rate on repo operations, the principal market instrument used to provide liquidity, rose slightly to stand at 6.14%.

**MIACR interest rates** on overnight loans extended in rubles on the interbank market in the

**Rates on Bank of Russia operations and overnight MIACR (%)**



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



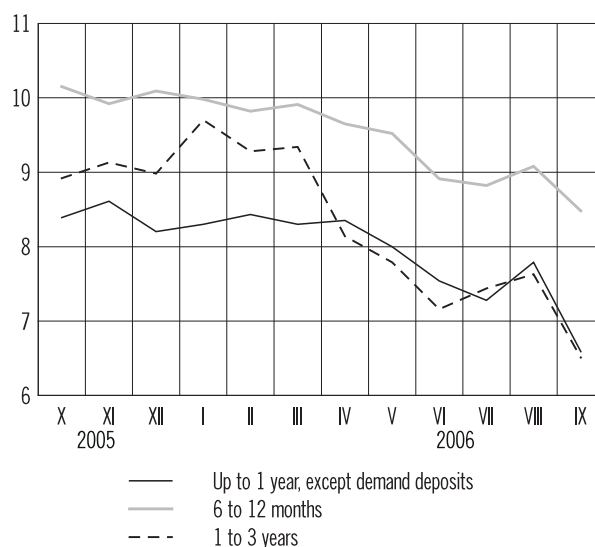
third quarter remained within the Bank of Russia interest rate band. The range of their fluctuations somewhat narrowed in the period from July through September to 1.25-6.67% p.a. from 0.93-7.40% p.a. in the second quarter.

High liquidity levels in the banking sector and the ruble's continued appreciation against the dollar in nominal terms in the third quarter encouraged financial market participants to invest in the ruble-denominated assets. Interest rates had a tendency to fall in most segments of the Russian financial market compared with the second quarter amid the seasonal slowing of inflation.

Interest rates on loans to non-financial enterprises fluctuated in the period under review but were close to those registered at the end of the previous quarter. There was no single trend in the dynamics of interest rates on instruments with different maturity periods. The average quarterly interest rates on loans with different terms declined relatively evenly. In the third quarter the average interest rate on short-term loans was 10.3% p.a. and on long-term loans 12.5% p.a., a fall of 0.4 percentage points from the previous quarter. (Since April 2006 the calculation of interest rates on loans to non-financial enterprises, deposits and loans to households includes data reported by bank branches).

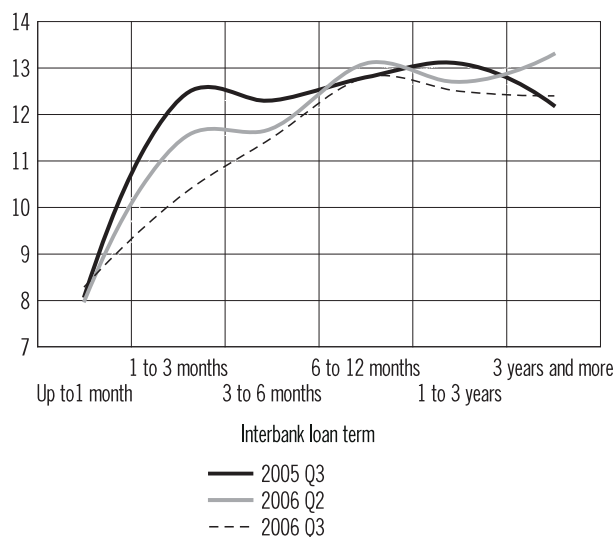
In the conditions of the household growing demand for loans, the high cost of consumer lending and the increased risk assumed by creditors due to the expansion of the range of borrowers, banks charge higher interest on loans to house-

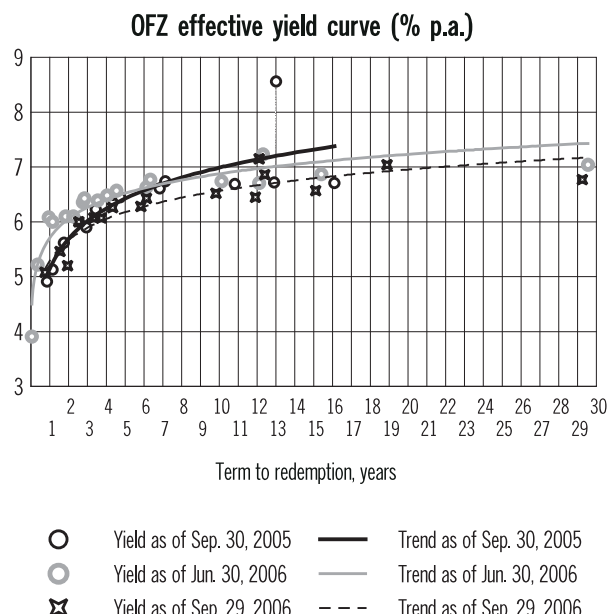
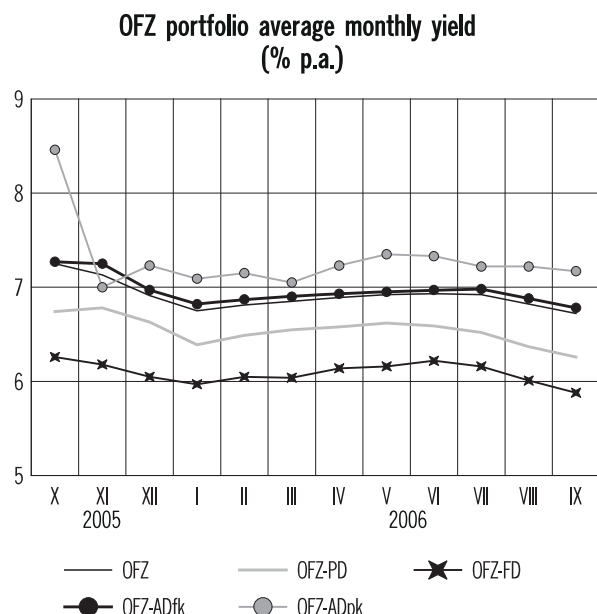
**Interest rates on household ruble deposits (% p.a.)**



holds than on loans to enterprises. At the same time, growing competition between creditors leads to the reduction in the cost of long-term credit to households. In the period under review the average monthly short- and long-term interest rates fluctuated in the range of 0.2 percentage points to 0.9 percentage points. In the third quarter the average interest rate on loans to households with terms of up to one year rose by 1.2 percentage points quarter on quarter and stood at 19.4% p.a., whereas the average interest rate on loans with terms longer than one year fell by 1.2 percentage points to 16.1% p.a. The most significant decline was registered in interest rates on loans with terms longer than three years: they dropped by 1.6 percentage points to 15.7% p.a.)

**Yield curve on bank lending operations (loans to non-financial enterprises, % p.a.)**





Interest rates on household deposits fluctuated moderately in the third quarter, coming up and going down depending on the term. Average deposit interest rates declined in the third quarter as compared with the second: interest rates on deposits with terms of up to one year fell by 0.7 percentage points to 7.2% p.a. and interest rates on deposits with terms of one year to three years were down by half a percentage point to 7.2% p.a. As in the first half of the year, deposits with terms of six months to one year had the highest interest rates.

The yield curve illustrating the lending operations by banks (loans to non-financial enterprises) retained its rising shape and drooped slightly only in the segment showing operations with terms longer than one year. Overall, the inclination of the curve became a little less pronounced as the inflationary expectations of market participants subsided a little.

The yield on the ruble-denominated government bonds in all segments of the market tended to fall slightly in the third quarter. As a result, the federal loan bond (OFZ) portfolio effective indicator stood at 6.67% p.a., a decrease of 0.24 percentage points from the end of the second quarter. The average quarterly OFZ market portfolio effective indicator declined by 0.09 percentage points to 6.82% p.a.

The government bonds yield curve retained its normal shape in the third quarter, although a minor drop in yields during the period under review pushed it down slightly. The yield curve in the

up-to-2-years sector became a little less inclined as the yields on bonds with this maturity period evened out. The 12-years-plus sector of the yield curve remained flat due to the small amount of instruments with this maturity and because it is impossible to evaluate precisely the risk involved in investments made for such a long period to come. The investor assessments of safety and liquidity of the ruble-denominated government bonds with all maturities remained unchanged.

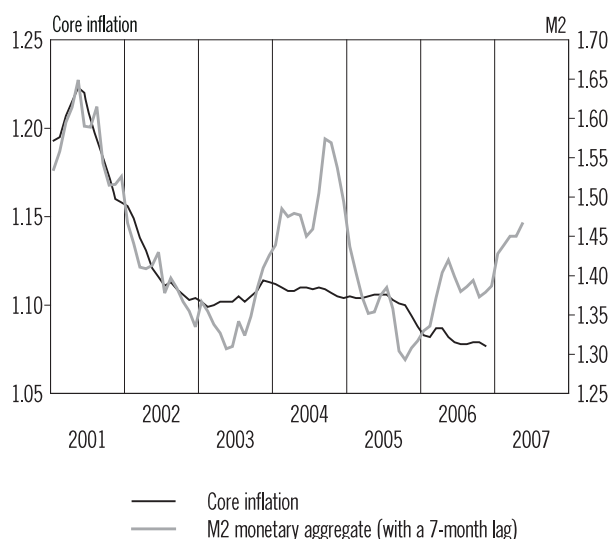
The price volatility of most of the ruble-denominated instruments on the financial market remained moderate in the third quarter and the interest rate structure by maturity was relatively balanced. The yield curves on the key financial instruments slid down, retaining their normal shape. Their inclination changed slightly, indicating that the inflationary expectations of Russian financial market participants may have abated a little.

## Money

Growth in **the monetary aggregate M2** accelerated on an annualised basis in the third quarter of the year from 43.9% as of July 1, 2006, to 46.6% as of October 1, 2006. In the period from July through September M2 growth stood at 9.4%. It was slower than in the second quarter (15%) due to seasonal factors but faster than in the third quarter of 2005 (7.4%). In October M2 growth was slightly slower than a year earlier.

Allowing for the lags that have formed by now, growth in the money supply will affect core inflation in the next three quarters. Estimates of

**Core inflation and M2 (as % of corresponding date of previous year)**

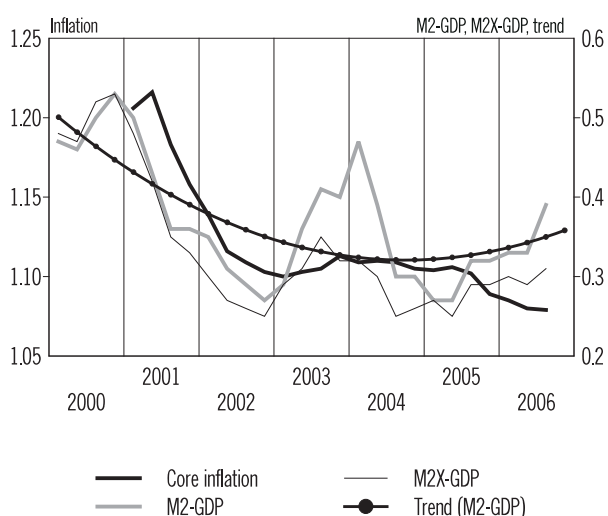


core inflation caused by the monetary dynamics of the previous months show that by the end of the year core inflation will be close to the projected target, as the money supply growth rates that had become established earlier (allowing for the time-lag of their impact) may maintain the downward trend of core inflation until the end of the year.

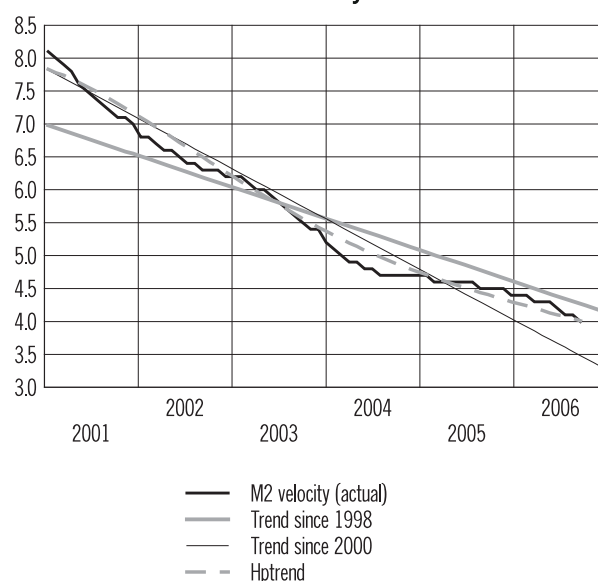
The acceleration of M2 growth registered since May means that there will be more uncertainty by the beginning of 2007 and, consequently, the next year's starting conditions will become worse.

The gap between the rates of growth in M2 and GDP<sup>1</sup>, which began to increase in the second half of 2005, continues to widen. As in the third quarter of 2005, it increased more significantly as compared with the previous period. The gap between the rates of growth in GDP and M2X, a broader monetary aggregate comprising non-cash funds of economic agents in foreign currency, increased less in the third quarter due to considerably slower rates of growth in this aggregate. The gap between the rates of economic growth (GDP growth) and growth in the money supply (growth in both M2 and M2X) was wider at the end of the third quarter of this year than at the end of the third quarter of 2005. When the effect of this gap on inflation is evaluated, the dynamics of the velocity of money are significant. In the third quarter of this year the velocity of money, calculated by the M2 aggregate, declined by 3.3% as against 1.5% in the same period last year. This means that the tendency towards decline that emerged in the second half of last year has intensified. As a result, thanks to the structural changes in the money supply and a dramatic fall in demand for foreign exchange in the first three quarters of this year, the velocity of money decreased more rapidly, a process reflecting growth in demand for the national currency and mitigating the inflationary fall-out of monetary growth.

**Core inflation and gap between money supply and GDP growth rates (quarter on quarter of previous year)**

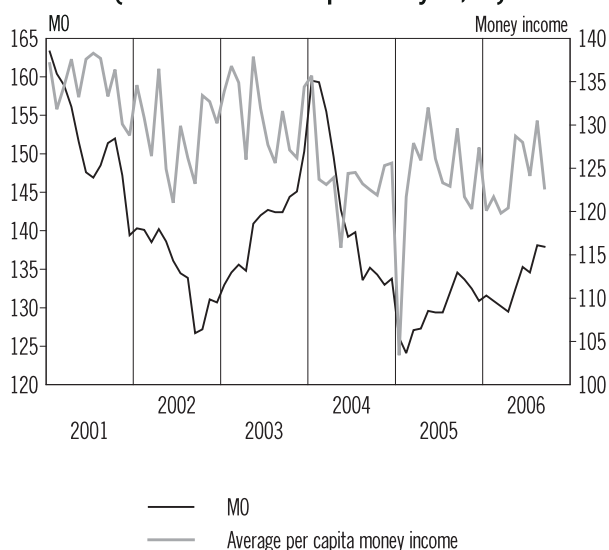


**M2 Velocity**

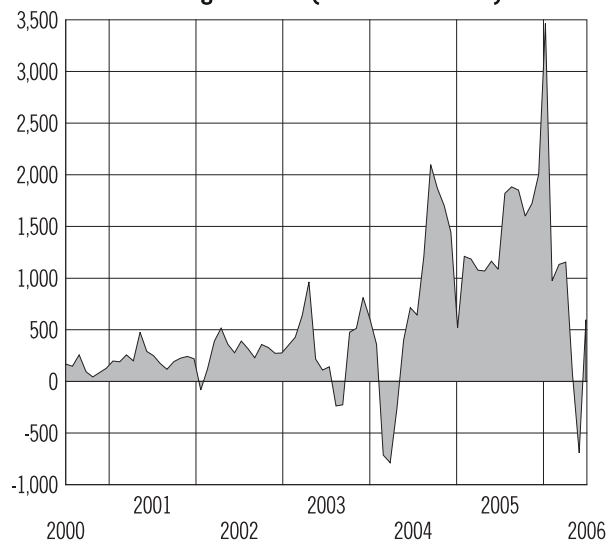


<sup>1</sup> The gap characterises the part of monetary growth that exceeds the amount necessary to finance the increased volume of transactions. The expansion of the gap may testify to the inflationary pressure of money supply growth on price dynamics.

**M0 and household money income (month on month of previous year, %)**



**Net sales of foreign exchange to households through exchange offices (million US dollars)**



**The 'money' aggregate in the monetary survey definition**, which is similar to the M1 aggregate and includes the most liquid transactional components of the money supply, reflects the economic situation and liquidity preferences. In the third quarter these funds increased and in July-September the aggregate's growth rates were faster than those of the less liquid savings components of the money supply (the aggregate 'quasi-money'). The annualised rates of growth in the 'money' aggregate (increment as compared with the same period of the previous year) accelerated from 42.5% as of July 1, 2006, to 44% as of October 1, 2006. This increase was attributable

to the expansion of the aggregate's cash component and its non-cash part comprising funds in accounts and demand deposits (their growth in July-September 2006 was faster than growth in cash). By October 2006 cash grew by an annualised 37.9%, an increase of 3 percentage points on a year earlier.

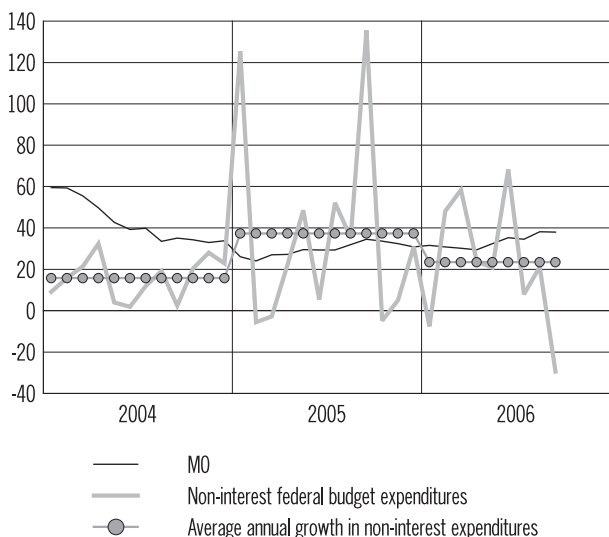
**The non-cash component of the aggregate M1** expanded 53.5% as of October 1, 2006, which represents an increase of 8 percentage points on the same date last year.

The non-cash component of M1 is comprised by 80% of non-financial enterprise funds and its growth reflects the increasing demand of economic agents for money, which they need to conduct transactions and effect payments. The accelerated dynamics of non-cash transactional funds are less inflationary than cash dynamics, because cash has greater potential and shorter lag of impact on inflationary processes.

Following the seasonal pattern of the past few years, growth in **cash** in the third quarter of this year (7.5%) was slower than in the second (15.8%) but faster than in the third quarter of 2005 (5.5%). As household real disposable income in January-September 2006 increased faster than in the same period in 2005, growth in the monetary aggregate M0 accelerated to 19.5% as against 13.4% in the same period last year.

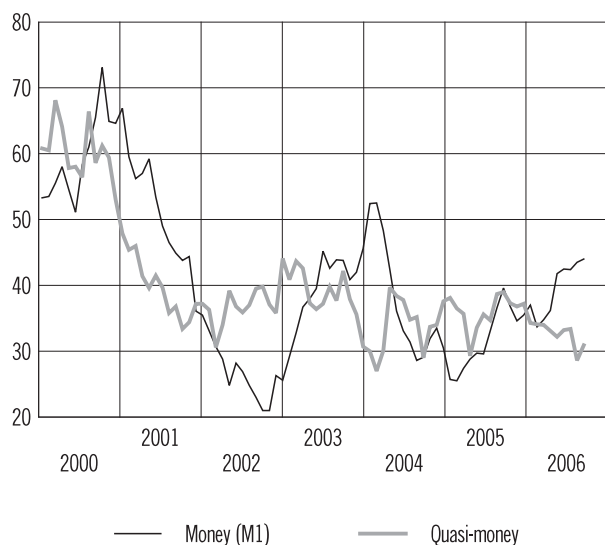
The dynamics of household demand for foreign exchange had a major effect on M0 dynamics. As the ruble appreciated against the dollar and

**M0 monetary aggregate and non-interest federal budget expenditures (month on month of previous year, %)**





**Money and Quasi-Money**  
(as % of corresponding date of previous year)



the euro, net sales of foreign exchange to households through banks contracted by more than a half in January-September 2006 as compared with the same period last year. It was the biggest reduction in net sales of foreign exchange to households since 2000.

At the end of the third quarter of the year, the rate of growth in cash, as compared with the same period in 2005, was slower than that of M2 (37.9% as against 46.6%) but faster than it was on October 1, 2005 (34.6%). Cash accounted for 30.9% of M2 as of October 1, 2006, as against 32.9% a year earlier. These structural changes in the ruble supply may somewhat mitigate the impact of money supply growth on inflation.

The aggregate **'quasi-money'** increased less than the aggregate 'money' in the third quarter of the year. 'Quasi-money' comprises less liquid components of the money supply, used by economic agents as savings. In the period from July through September 2006 'quasi-money' increased 5.6% and its annualised growth slowed to 30.9% (as of July 1, 2006, it grew 33.2% and as of October 1, 2005, 39%).

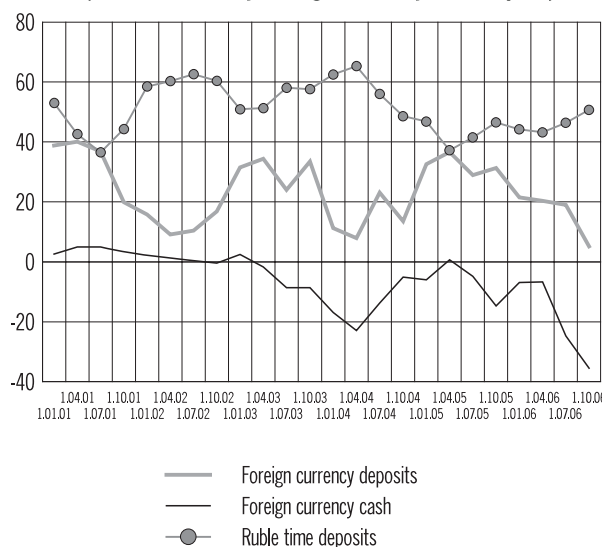
Growth in 'quasi-money' in July-September was due to the expansion of the **ruble component**: time deposits increased 10.9% over the period and their annualised growth accelerated by 4 percentage points to 50.7% as of October 1, 2006. The ruble-denominated time deposits grew faster than in the same period last year (46.5% as of October 1, 2005). These dynamics of time deposits denominated in the national currency are very

important from the viewpoint of the lessening of the inflationary consequences of money supply growth.

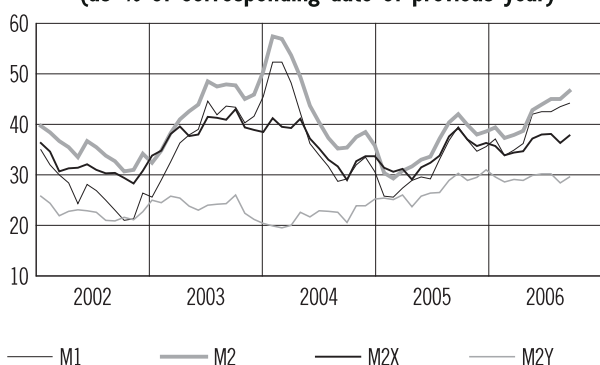
**Foreign currency-denominated deposits, the foreign currency component of 'quasi-money,'** decreased 5% in the third quarter as a result of the corresponding dynamics of household deposits. Annualised growth of **foreign currency deposits** (increment against growth registered on the same date of the previous year) slowed to 5% as of October 1, 2006, as against 31.3% a year earlier and lagged far behind the dynamics of the ruble-denominated time deposits.

One reason for the difference in the dynamics of the monetary aggregates is the back-and-forth movement of rubles and foreign currency, caused by the fluctuations in demand for the national and foreign currency. As a result of the significant fall in demand for foreign exchange in the third quarter of the year, the annual rates of growth in the ruble aggregates accelerated considerably more than the aggregate comprising foreign currency deposits, M2X. Moreover, the rates of growth in all ruble aggregates in the third quarter of this year were faster than in the same period last year. The annualised rates of growth (relative to growth rates on the same date of the previous year) in the aggregate M2X, which comprises non-cash foreign currency assets of economic agents, stood at 37.8% as of October 1, 2006, as against 39.3% a year earlier.

**Individual M2Y components**  
(as % of corresponding date of previous year)

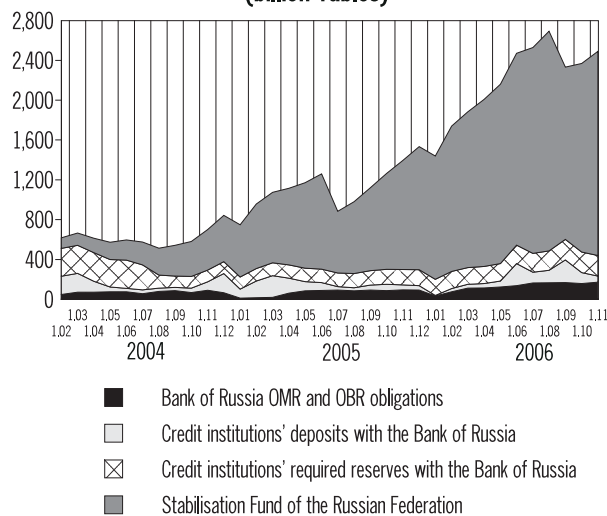


**Monetary aggregates**  
(as % of corresponding date of previous year)



Definition of aggregates:  
 M1 = M0 + current accounts and demand deposits;  
 M2 = M1 + ruble time deposits;  
 M2X, money supply in the monetary survey definition = M2 + foreign currency deposits;  
 M2Y, notional broad monetary aggregate = M2X + evaluation of foreign currency in the non-banking sector.

**Banking sector liquidity absorption**  
(billion rubles)\*



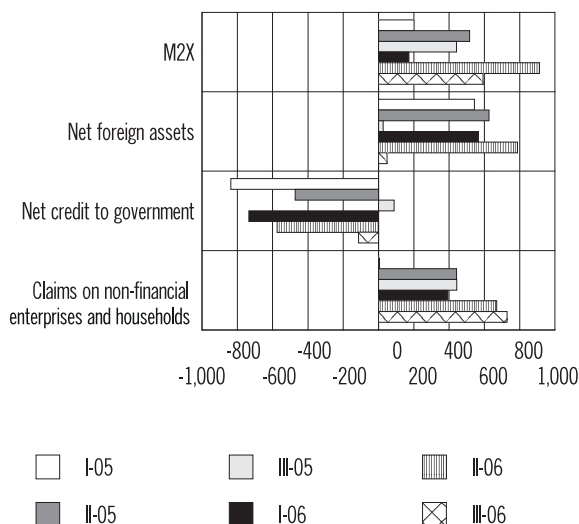
\* As of the 1st day of each month.

**The rate of dollarisation** (the share of the foreign currency component in the money supply in the monetary survey definition) decreased in the first three quarters of the year by 3.4 percentage points, to 13% from 16.3% (in the same period last year it increased by 0.4 percentage points) and the ruble component of 'quasi-money' continued to predominate in the M2X structure (it accounted for 32.5% as of October 1, 2006, as against 29.7% a year earlier).

The non-cash component of the aggregate M2X, which comprises enterprise and household funds raised by banks in rubles and foreign currency and is the main source of growth in lending volume, increased more slowly (by 37.7% as of

October 1, 2006, as compared with the same date a year earlier) than credit to the non-financial enterprises and households (which grew by an annualised 45.2% as of October 1, 2006). At the same time, growth in **banking sector claims on non-financial enterprises and households** (by almost 729 billion rubles) in the third quarter of the year far surpassed growth in the third quarter of 2005 and was higher than second-quarter growth, due in part to seasonal factors. Thus, the importance of banking sector credit to non-financial enterprises and households as a source of growth in the aggregate money supply increased significantly in the third quarter of the year.

**Sources of money supply growth**  
(quarterly change, billion rubles)



**The broad monetary base** expanded 6% in the third quarter of this year as against 10.3% in the same period in 2005. The share of credit institutions' correspondent accounts with the Bank of Russia was virtually unchanged in July-September 2006 at about 13% of broad money (in the third quarter of 2005 it expanded from 12% to 14.7%). The share of banking sector funds absorbed by the Bank of Russia by taking them on deposit and OBR operations contracted slightly in the third quarter (from 8.3% to 7.7%), but it was considerably larger than in the same period in 2005 (as of October 1, 2005, it stood at 6.0%). There was also a slight contraction (by half a percentage point to 13.6%) in the share of absorbed funds, including banks' required reserves (in the third quarter of 2005 it expanded from 11.5% to 11.9%).

The accumulation of vast amounts of funds in general government accounts, resulting above all from the expansion of the Stabilisation Fund, had a restraining effect on money supply growth in January-September 2006. High oil prices in the world in that period ensured significant growth in the Stabilisation Fund, which increased by 1,266.1

billion rubles in January-September 2006. In the third quarter of this year the Stabilisation Fund, comprised of rubles and foreign currency, decreased due to the early payment of Russia's debt to the Paris Club of creditor nations and as of October 1, 2006, it equalled 1,894.1 billion rubles.

# Statistical Addendum

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

	Monthly inflation	Core inflation	Food price growth	Growth in food prices, excluding vegetable prices	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices*	Service price growth
<b>2004</b>								
January	1.8	0.9	1.6	1.3	5.5	0.5	0.5	4.1
February	1.0	0.8	1.1	1.1	1.5	0.4	0.4	1.6
March	0.8	0.7	1.1	0.9	2.8	0.4	0.5	0.6
April	1.0	0.8	0.8	1.0	-0.6	0.6	0.5	2.0
May	0.7	0.6	0.4	0.5	-0.7	0.8	0.6	1.4
June	0.8	0.5	0.8	0.4	4.8	0.7	0.4	0.9
July	0.9	0.8	1.0	1.0	1.5	0.6	0.4	1.3
August	0.4	0.7	0.1	0.8	-6.3	0.5	0.5	1.0
September	0.4	0.9	0.0	0.9	-9.0	0.9	0.6	0.6
October	1.1	1.3	1.4	1.7	-2.7	0.7	0.7	1.2
November	1.1	1.1	1.5	1.5	2.2	0.7	0.5	0.8
December	1.1	1.0	1.7	1.4	5.4	0.4	0.5	1.0
Full year (December on December)	11.7	10.5	12.3	13.1	3.3	7.4	6.2	17.7
<b>2005</b>								
January	2.6	0.9	1.4	1.1	5.1	0.4	0.5	8.8
February	1.2	0.7	1.4	0.9	6.1	0.4	0.4	2.2
March	1.3	0.8	2.1	1.1	11.2	0.4	0.4	1.2
April	1.1	0.9	1.7	1.3	5.4	0.5	0.4	0.8
May	0.8	0.6	1.1	0.7	4.1	0.4	0.4	0.8
June	0.6	0.5	0.7	0.4	3.3	0.3	0.3	0.9
July	0.5	0.5	0.3	0.5	-1.8	0.4	0.4	0.9
August	-0.1	0.5	-1.0	0.5	-12.9	0.5	0.4	0.8
September	0.3	0.8	-0.7	0.6	-11.6	1.1	0.8	0.9
October	0.6	0.7	0.4	0.6	-2.4	0.7	0.7	0.7
November	0.7	0.6	0.9	0.6	4.5	0.6	0.6	0.6
December	0.8	0.6	1.1	0.6	5.6	0.5	0.5	0.8
Full year (December on December)	10.9	8.3	9.6	9.1	14.3	6.4	6.0	21.0
<b>2006</b>								
January	2.4	0.8	2.0	1.0	11.3	0.4	0.5	6.2
February	1.7	1.2	3.0	1.9	12.6	0.5	0.5	1.0
March	0.8	0.7	1.2	0.9	3.2	0.4	0.4	0.7
April	0.4	0.4	0.3	0.3	-0.3	0.3	0.3	0.6
May	0.5	0.4	0.5	0.2	2.6	0.4	0.4	0.6
June	0.3	0.3	0.0	0.1	-0.6	0.3	0.3	0.7
July	0.7	0.5	0.9	0.7	2.7	0.4	0.3	0.6
August	0.2	0.6	-0.5	0.7	-10.0	0.8	0.5	0.8
September	0.1	0.8	-0.6	0.6	-11.0	0.8	0.6	0.5

\* Beginning from March 2005: Bank of Russia estimate.

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

	Monthly inflation	Core inflation	Food price growth	Growth in food prices, excluding vegetable prices	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices*	Service price growth
<b>2004</b>								
January	1.8	0.9	1.6	1.3	5.5	0.5	0.5	4.1
February	2.8	1.7	2.8	2.3	7.1	0.9	0.9	5.8
March	3.5	2.4	3.8	3.2	10.1	1.4	1.4	6.4
April	4.6	3.2	4.7	4.2	9.5	2.0	1.9	8.5
May	5.3	3.8	5.2	4.8	8.7	2.8	2.5	10.0
June	6.1	4.3	6.0	5.2	13.9	3.4	2.9	11.0
July	7.1	5.1	7.1	6.2	15.6	4.0	3.3	12.5
August	7.6	5.8	7.2	7.1	8.3	4.6	3.8	13.6
September	8.0	6.8	7.2	8.0	-1.4	5.5	4.4	14.3
October	9.3	8.1	8.7	9.9	-4.0	6.3	5.2	15.7
November	10.5	9.3	10.4	11.5	-1.9	7.0	5.7	16.6
December	11.7	10.5	12.3	13.1	3.3	7.4	6.2	17.7
<b>2005</b>								
January	2.6	0.9	1.4	1.1	5.1	0.4	0.5	8.8
February	3.9	1.7	2.8	2.0	11.5	0.7	0.9	11.2
March	5.3	2.4	4.9	3.1	24.0	1.1	1.2	12.6
April	6.5	3.3	6.7	4.4	30.8	1.6	1.6	13.5
May	7.3	4.0	7.9	5.1	36.1	2.1	2.0	14.4
June	8.0	4.4	8.6	5.5	40.6	2.4	2.4	15.4
July	8.5	5.0	8.9	6.1	38.0	2.8	2.8	16.5
August	8.3	5.5	7.8	6.6	20.2	3.4	3.2	17.4
September	8.6	6.3	7.1	7.2	6.2	4.5	4.1	18.5
October	9.2	7.1	7.5	7.8	3.6	5.2	4.8	19.3
November	10.0	7.7	8.4	8.4	8.3	5.9	5.5	20.0
December	10.9	8.3	9.6	9.1	14.3	6.4	6.0	21.0
<b>2006</b>								
January	2.4	0.8	2.0	1.0	11.3	0.4	0.5	6.2
February	4.1	2.0	5.0	2.9	25.3	0.9	0.9	7.2
March	5.0	2.8	6.2	3.9	29.3	1.3	1.3	8.0
April	5.4	3.2	6.5	4.2	28.9	1.6	1.6	8.6
May	5.9	3.6	7.0	4.4	32.3	2.0	2.0	9.3
June	6.2	3.9	7.0	4.5	31.5	2.3	2.3	10.0
July	6.9	4.5	8.0	5.2	35.0	2.7	2.7	10.7
August	7.1	5.1	7.4	6.0	21.6	3.5	3.2	11.5
September	7.2	5.9	6.7	6.6	8.2	4.3	3.8	12.0

\* Beginning from March 2005: Bank of Russia estimate.

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

	Monthly inflation	Core inflation*	Food price growth*	Growth in food prices, excluding vegetable prices*	Vegetable and fruit price growth	Non-food price growth*	Growth in non-food prices, excluding petrol prices*	Service price growth*
<b>2004</b>								
January	11.3	11.0	9.2	11.7	-10.7	8.6	8.4	21.9
February	10.6	10.8	9.2	12.0	-12.9	8.0	8.0	18.9
March	10.3	10.8	9.2	12.2	-13.8	7.6	7.7	17.5
April	10.2	11.0	9.1	12.7	-17.8	7.6	7.5	17.8
May	10.2	11.0	8.9	12.9	-20.4	7.8	7.4	17.7
June	10.1	10.9	8.8	12.6	-18.4	7.9	7.2	17.4
July	10.4	11.0	9.5	12.9	-15.7	8.0	7.1	16.7
August	11.3	10.9	11.1	12.9	-4.6	8.0	7.1	17.0
September	11.4	10.7	11.3	12.7	-2.2	8.1	6.9	16.8
October	11.5	10.5	11.7	12.7	0.9	7.8	6.7	17.3
November	11.7	10.4	12.0	12.9	2.0	7.6	6.3	17.7
December	11.7	10.5	12.3	13.1	3.3	7.4	6.2	17.7
<b>2005</b>								
January	12.7	10.4	12.1	12.9	3.0	7.3	6.2	23.1
February	13.0	10.4	12.4	12.6	7.6	7.2	6.2	23.8
March	13.6	10.5	13.5	12.9	16.4	7.1	6.1	24.6
April	13.8	10.6	14.5	13.2	23.4	7.0	6.0	23.1
May	13.8	10.6	15.2	13.3	29.3	6.6	5.8	22.4
June	13.7	10.6	15.1	13.4	27.5	6.3	5.7	22.4
July	13.2	10.3	14.2	12.9	23.4	6.2	5.7	21.9
August	12.5	10.1	12.9	12.5	14.7	6.1	5.7	21.6
September	12.3	10.0	12.1	12.1	11.3	6.3	5.9	22.0
October	11.7	9.4	11.0	10.9	11.6	6.3	5.9	21.4
November	11.3	8.9	10.3	9.9	14.1	6.3	6.1	21.2
December	10.9	8.3	9.6	9.1	14.3	6.4	6.1	21.0
<b>2006</b>								
January	10.7	8.2	10.2	9.1	21.1	6.5	6.0	18.1
February	11.2	8.7	11.9	10.1	28.4	6.6	6.1	16.7
March	10.6	8.7	10.9	10.0	19.2	6.7	6.1	16.1
April	9.8	8.2	9.4	9.0	12.7	6.4	6.0	15.9
May	9.4	7.9	8.7	8.5	11.1	6.4	6.0	15.6
June	9.0	7.8	8.0	8.1	7.0	6.4	6.0	15.3
July	9.3	7.8	8.7	8.3	11.9	6.3	5.9	15.0
August	9.6	7.9	9.2	8.5	15.6	6.6	6.0	15.0
September	9.5	7.9	9.3	8.5	16.4	6.2	5.8	14.5

\* Bank of Russia estimate.

### Inflation Growth Structure (percentage points)

#### Inflation growth over period since start of year due to price changes by group of goods and services

	Foodstuffs*	Non-food products	Paid services	Vegetables and fruit	Inflation over period, %	Core inflation	Non-core inflation**
<b>2004</b>							
January	0.6	0.2	0.8	0.2	<b>1.8</b>	0.8	1.0
February	1.1	0.3	1.1	0.3	<b>2.8</b>	1.4	1.4
March	1.5	0.4	1.2	0.4	<b>3.5</b>	2.0	1.6
April	2.0	0.6	1.5	0.4	<b>4.6</b>	2.6	1.9
May	2.2	0.8	1.8	0.4	<b>5.3</b>	3.1	2.2
June	2.4	1.0	2.0	0.6	<b>6.1</b>	3.5	2.6
July	2.9	1.2	2.3	0.7	<b>7.1</b>	4.2	2.9
August	3.3	1.4	2.5	0.4	<b>7.6</b>	4.7	2.8
September	3.8	1.7	2.6	-0.1	<b>8.0</b>	5.5	2.5
October	4.6	1.9	2.9	-0.2	<b>9.3</b>	6.6	2.7
November	5.4	2.1	3.0	-0.1	<b>10.5</b>	7.6	2.9
December	6.1	2.3	3.2	0.1	<b>11.7</b>	8.5	3.3
<b>2005</b>							
January	0.4	0.1	1.8	0.2	<b>2.6</b>	0.7	1.9
February	0.8	0.2	2.3	0.5	<b>3.9</b>	1.3	2.6
March	1.3	0.4	2.6	1.0	<b>5.3</b>	1.9	3.3
April	1.9	0.5	2.8	1.3	<b>6.5</b>	2.7	3.8
May	2.1	0.7	3.0	1.5	<b>7.3</b>	3.1	4.1
June	2.3	0.8	3.2	1.7	<b>8.0</b>	3.5	4.5
July	2.5	0.9	3.4	1.6	<b>8.5</b>	3.9	4.5
August	2.8	1.1	3.6	0.8	<b>8.3</b>	4.4	4.0
September	3.0	1.5	3.9	0.3	<b>8.6</b>	5.0	3.6
October	3.3	1.7	4.0	0.1	<b>9.2</b>	5.6	3.6
November	3.6	1.9	4.2	0.3	<b>10.0</b>	6.1	3.9
December	3.8	2.1	4.4	0.6	<b>10.9</b>	6.6	4.3
<b>2006</b>							
January	0.4	0.2	1.5	0.4	<b>2.4</b>	0.6	1.8
February	1.1	0.3	1.7	1.0	<b>4.1</b>	1.5	2.6
March	1.5	0.5	1.9	1.2	<b>5.0</b>	2.1	2.9
April	1.6	0.6	2.0	1.1	<b>5.4</b>	2.5	2.9
May	1.7	0.7	2.2	1.3	<b>5.9</b>	2.7	3.1
June	1.8	0.8	2.4	1.2	<b>6.2</b>	3.0	3.2
July	2.0	0.9	2.5	1.4	<b>6.9</b>	3.4	3.5
August	2.3	1.2	2.7	0.9	<b>7.1</b>	3.9	3.2
September	2.6	1.5	2.9	0.3	<b>7.2</b>	4.6	2.6

\* Excluding vegetables and fruit.

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

**Monthly inflation growth due to price changes  
by group of goods and services**

	Foodstuffs*	Non-food products	Paid services	Vegetables and fruit	Inflation over period, %	Core inflation	Non-core inflation**
<b>2004</b>							
January	0.6	0.2	0.8	0.2	<b>1.8</b>	0.8	1.0
February	0.5	0.1	0.3	0.1	<b>1.0</b>	0.6	0.4
March	0.4	0.1	0.1	0.1	<b>0.8</b>	0.6	0.2
April	0.4	0.2	0.4	0.0	<b>1.0</b>	0.6	0.3
May	0.2	0.2	0.3	0.0	<b>0.7</b>	0.5	0.2
June	0.2	0.2	0.2	0.2	<b>0.8</b>	0.4	0.4
July	0.4	0.2	0.3	0.1	<b>0.9</b>	0.6	0.3
August	0.4	0.2	0.2	-0.3	<b>0.4</b>	0.5	-0.1
September	0.4	0.3	0.1	-0.4	<b>0.4</b>	0.7	-0.3
October	0.8	0.2	0.2	-0.1	<b>1.1</b>	1.0	0.2
November	0.7	0.2	0.2	0.1	<b>1.1</b>	0.9	0.2
December	0.6	0.1	0.2	0.2	<b>1.1</b>	0.8	0.3
<b>2005</b>							
January	0.4	0.1	1.8	0.2	<b>2.6</b>	0.7	1.9
February	0.4	0.1	0.5	0.3	<b>1.2</b>	0.6	0.7
March	0.5	0.1	0.3	0.5	<b>1.3</b>	0.6	0.7
April	0.5	0.2	0.2	0.3	<b>1.1</b>	0.7	0.4
May	0.3	0.1	0.2	0.2	<b>0.8</b>	0.5	0.3
June	0.2	0.1	0.2	0.2	<b>0.6</b>	0.4	0.3
July	0.2	0.1	0.2	-0.1	<b>0.5</b>	0.4	0.1
August	0.2	0.2	0.2	-0.6	<b>-0.1</b>	0.4	-0.5
September	0.2	0.4	0.2	-0.6	<b>0.3</b>	0.6	-0.4
October	0.3	0.2	0.2	-0.1	<b>0.6</b>	0.5	0.0
November	0.2	0.2	0.1	0.2	<b>0.7</b>	0.5	0.3
December	0.3	0.1	0.2	0.2	<b>0.8</b>	0.4	0.4
<b>2006</b>							
January	0.4	0.2	1.5	0.4	<b>2.4</b>	0.6	1.8
February	0.7	0.2	0.2	0.5	<b>1.7</b>	0.9	0.7
March	0.4	0.1	0.2	0.2	<b>0.8</b>	0.6	0.3
April	0.1	0.1	0.1	0.0	<b>0.4</b>	0.3	0.0
May	0.1	0.1	0.1	0.1	<b>0.5</b>	0.3	0.2
June	0.0	0.1	0.2	0.0	<b>0.3</b>	0.2	0.1
July	0.3	0.1	0.2	0.1	<b>0.7</b>	0.4	0.3
August	0.3	0.2	0.2	-0.5	<b>0.2</b>	0.5	-0.3
September	0.2	0.3	0.1	-0.5	<b>0.1</b>	0.6	-0.5

\* Excluding vegetables and fruit.

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



### Contribution to Inflation Growth (%)

#### Contribution to inflation growth over period since start of year by group of goods and services

	Foodstuffs*	Non-food products	Paid services	Vegetables and fruit	Core inflation	Non-core inflation**
<b>2004</b>						
January	33.8	8.6	43.5	14.0	43.2	56.8
February	40.0	10.2	38.3	11.5	50.0	50.0
March	42.9	11.7	32.8	12.7	55.3	44.7
April	43.5	13.3	34.0	9.2	57.5	42.5
May	42.4	15.9	34.4	7.3	58.5	41.5
June	39.8	17.2	32.9	10.1	57.2	42.8
July	40.9	17.3	32.1	9.8	58.8	41.2
August	43.8	18.4	32.8	4.9	62.6	37.4
September	47.0	21.1	32.7	-0.8	68.4	31.6
October	50.2	20.8	31.0	-1.9	70.9	29.1
November	51.5	20.4	28.9	-0.8	72.0	28.0
December	52.1	19.2	27.5	1.2	72.0	28.0
<b>2005</b>						
January	17.0	4.8	70.2	8.0	27.1	72.9
February	21.2	6.2	60.4	12.1	33.4	66.6
March	24.5	6.8	50.0	18.7	36.7	63.3
April	28.6	8.1	43.8	19.5	41.1	58.9
May	29.3	9.2	41.2	20.2	43.1	56.9
June	29.0	9.8	40.5	20.8	44.1	55.9
July	30.1	10.9	40.7	18.3	46.5	53.5
August	33.2	13.2	43.6	9.9	52.3	47.7
September	35.1	17.1	44.9	3.0	58.3	41.7
October	35.9	18.6	43.9	1.6	60.9	39.1
November	35.6	19.2	41.8	3.4	61.1	38.9
December	35.2	19.2	40.3	5.4	60.5	39.5
<b>2006</b>						
January	16.0	6.1	59.5	18.3	24.5	75.5
February	27.2	7.7	40.9	24.1	37.2	62.8
March	30.1	9.1	37.6	23.2	42.4	57.6
April	30.5	10.3	37.9	21.3	45.7	54.3
May	29.3	11.8	37.2	21.8	46.7	53.3
June	28.6	12.9	38.3	20.2	48.4	51.6
July	29.6	13.5	36.7	20.2	49.7	50.3
August	32.7	16.8	38.5	12.1	55.4	44.6
September	35.7	20.2	39.6	4.5	63.4	36.6

\* Excluding vegetables and fruit.

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

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

	Foodstuffs*	Non-food products	Paid services	Vegetables and fruit	Core inflation	Non-core inflation**
<b>2004</b>						
January	33.8	8.6	43.5	14.0	43.2	56.8
February	50.7	13.1	29.1	7.1	61.8	38.2
March	52.8	17.0	13.3	16.9	74.2	25.8
April	45.7	19.0	38.2	-2.9	65.1	34.9
May	35.7	32.6	36.6	-4.9	64.9	35.1
June	22.1	25.8	23.1	29.1	48.2	51.8
July	47.5	17.6	27.3	7.5	68.1	31.9
August	89.6	37.7	44.9	-72.2	122.3	-22.3
September	100.3	67.0	30.2	-97.5	164.9	-64.9
October	70.5	18.9	20.3	-9.7	86.8	13.2
November	60.7	18.0	13.8	7.5	79.4	20.6
December	55.8	9.0	15.5	19.7	71.7	28.3
<b>2005</b>						
January	17.0	4.8	70.2	8.0	27.1	72.9
February	30.0	9.2	40.0	20.8	46.5	53.5
March	33.6	8.4	20.9	37.0	46.1	53.9
April	46.7	14.1	15.8	23.4	60.9	39.1
May	34.9	18.4	20.6	26.1	60.1	39.9
June	25.7	15.5	32.1	26.6	54.6	45.4
July	48.4	29.6	43.6	-21.6	86.0	14.0
August	<i>estimate can't be made for negative value</i>					
September	92.7	141.5	83.9	-218.1	243.9	-143.9
October	47.2	40.9	29.7	-17.8	96.4	3.6
November	31.6	26.1	18.2	24.1	63.1	36.9
December	31.0	18.8	22.1	28.1	53.5	46.5
<b>2006</b>						
January	16.0	6.1	59.5	18.3	24.5	75.5
February	43.4	10.0	14.0	32.6	55.8	44.2
March	43.9	15.8	21.6	18.7	67.5	32.5
April	35.8	27.0	41.3	-4.2	90.9	9.1
May	16.1	27.6	29.9	26.4	57.3	42.7
June	15.3	34.9	59.7	-10.0	81.6	18.4
July	37.6	19.0	23.4	20.0	60.9	39.1
August	140.5	132.4	97.9	-270.7	249.5	-149.5
September	269.8	290.1	128.8	-588.7	678.9	-578.9

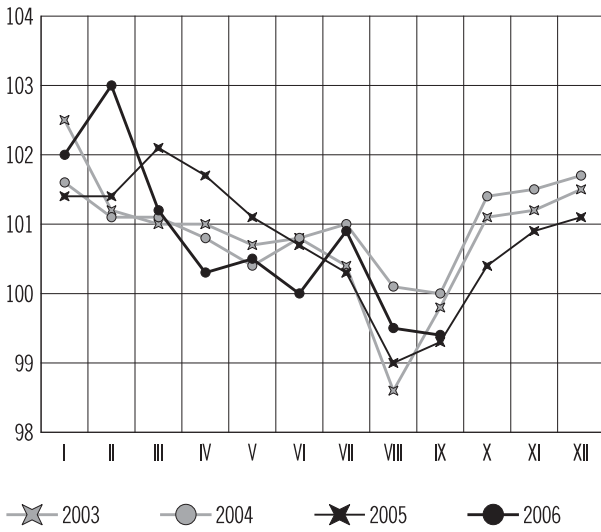
\* Excluding vegetables and fruit.

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

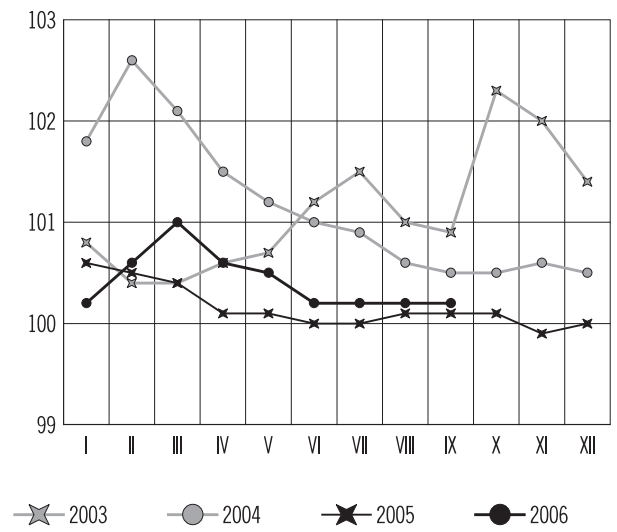
**Major monetary indicators  
in 2005-2006**

	2005						2006					
	1.01	1.04	1.07	1.08	1.09	1.10	1.01	1.04	1.07	1.08	1.09	1.10
<b>Cash (M0), billion rubles</b>	<b>1,534.8</b>	<b>1,481.7</b>	<b>1,650.7</b>	<b>1,701.8</b>	<b>1,703.3</b>	<b>1,740.7</b>	<b>2,009.2</b>	<b>1,928.8</b>	<b>2,233.4</b>	<b>2,290.3</b>	<b>2,351.6</b>	<b>2,400.8</b>
monthly rates of growth, %	15.2	2.6	4.3	3.1	0.1	2.2	13.8	2.0	6.5	2.5	2.7	2.1
rates of growth since start of year, %		-3.5	7.6	10.9	11.0	13.4	30.9	-4.0	11.2	14.0	17.0	19.5
share in M2 structure, %	35.2	33.1	33.5	34.1	33.2	32.9	33.2	31.3	31.5	31.7	31.6	30.9
<b>Non-cash funds (M2-M0), billion rubles</b>	<b>2,828.5</b>	<b>2,992.9</b>	<b>3,276.7</b>	<b>3,283.9</b>	<b>3,432.7</b>	<b>3,552.1</b>	<b>4,036.3</b>	<b>4,240.6</b>	<b>4,858.9</b>	<b>4,940.4</b>	<b>5,097.6</b>	<b>5,356.7</b>
monthly rates of growth, %	8.5	4.4	5.5	0.2	4.5	3.5	10.0	5.2	5.7	1.7	3.2	5.1
rates of growth since start of year, %		5.8	15.8	16.1	21.4	25.6	42.7	5.1	20.4	22.4	26.3	32.7
<b>M2 monetary aggregate, billion rubles</b>	<b>4,363.3</b>	<b>4,474.6</b>	<b>4,927.4</b>	<b>4,985.8</b>	<b>5,136.0</b>	<b>5,292.8</b>	<b>6,045.6</b>	<b>6,169.4</b>	<b>7,092.3</b>	<b>7,230.7</b>	<b>7,449.3</b>	<b>7,757.5</b>
monthly rates of growth, %	10.7	3.8	5.1	1.2	3.0	3.1	11.2	4.2	6.0	2.0	3.0	4.1
rates of growth since start of year, %		2.6	12.9	14.3	17.7	21.3	38.6	2.0	17.3	19.6	23.2	28.3
rates of growth (month on month of previous year, %)	35.8	30.8	33.6	37.2	40.4	42.0	38.6	37.9	43.9	45.0	45.0	46.6
foreign currency deposits, billion rubles	935.1	1,024.9	1,090.6	1,101.5	1,154.4	1,167.9	1,178.2	1,225.9	1,221.0	1,184.2	1,129.8	1,153.2
monthly rates of growth, %	0.9	-0.8	3.4	1.0	4.8	1.2	0.6	-1.0	2.4	-3.0	-4.6	2.1
rates of growth since start of year, %		9.6	16.6	17.8	23.5	24.9	26.0	4.1	3.6	0.5	-4.1	-2.1
share in money supply structure by monetary survey methodology, %	17.6	18.6	18.1	18.1	18.4	18.1	16.3	16.6	14.7	14.1	13.2	13.0
<b>Money supply by monetary survey methodology, billion rubles</b>	<b>5,298.7</b>	<b>5,499.6</b>	<b>6,015.9</b>	<b>6,087.4</b>	<b>6,286.5</b>	<b>6,458.4</b>	<b>7,221.1</b>	<b>7,392.9</b>	<b>8,304.8</b>	<b>8,407.9</b>	<b>8,570.4</b>	<b>8,897.2</b>
monthly rates of growth, %	8.9	2.9	4.8	1.2	3.3	2.7	9.3	3.3	5.4	1.2	1.9	3.8
rates of growth since start of year, %		3.8	13.5	14.9	18.6	21.9	36.3	2.4	15.0	16.4	18.7	23.2
M2 velocity (annualised average)	4.7	4.6	4.6	4.6	4.5	4.5	4.4	4.3	4.2	4.1	4.1	4.0
change since start of year, %		-1.3	-2.7	-3.0	-3.5	-4.1	-6.1	-1.7	-4.9	-6.0	-7.0	-8.0
Monetisation (by M2 aggregate), %	21.3	21.6	21.9	22.0	22.1	22.2	22.7	23.1	23.9	24.1	24.4	24.7
Broad monetary base, billion rubles	2,380.3	2,250.1	2,302.8	2,341.9	2,417.4	2,538.9	2,914.1	2,721.0	3,285.9	3,305.0	3,482.2	3,484.2
monthly rates of growth, %	14.3	-0.4	1.8	1.7	3.2	5.0	15.3	2.3	1.3	0.6	5.4	0.1
rates of growth on accrual basis, %		-5.5	-3.3	-1.6	1.6	6.7	22.4	-6.6	12.8	13.4	19.5	19.6
Multiplier (by broad monetary base)	1.83	1.99	2.14	2.13	2.12	2.08	2.07	2.27	2.16	2.19	2.14	2.23
change since start of year, %		8.5	16.7	16.1	15.9	13.7	13.2	9.3	4.0	5.5	3.1	7.3

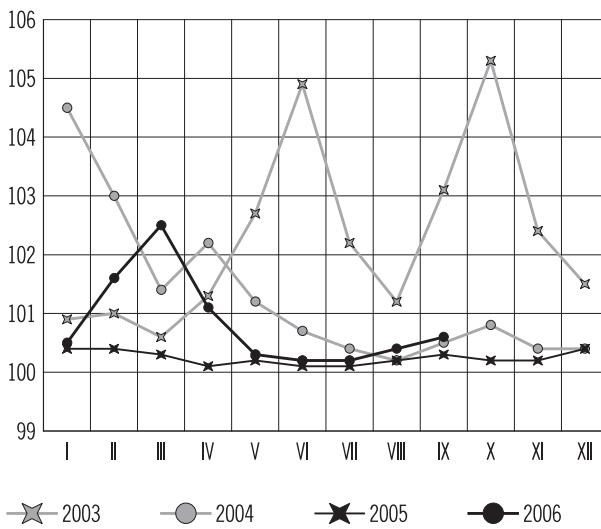
**Food prices, total**  
(as % of previous month)



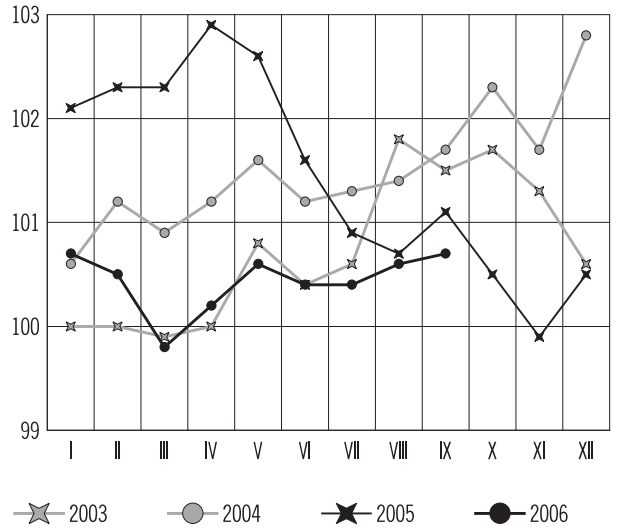
**Pasta prices**  
(as % of previous month)



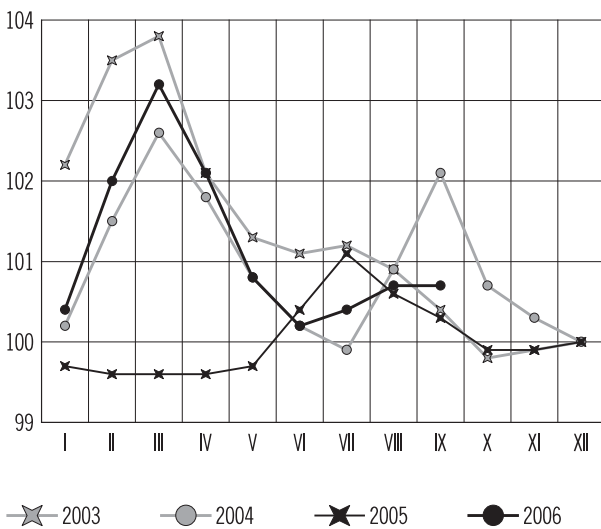
**Bread and bakery product prices**  
(as % of previous month)



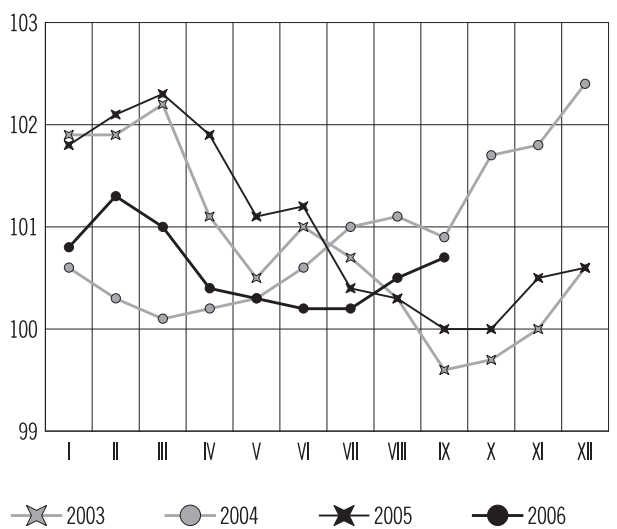
**Meat and poultry prices**  
(as % of previous month)



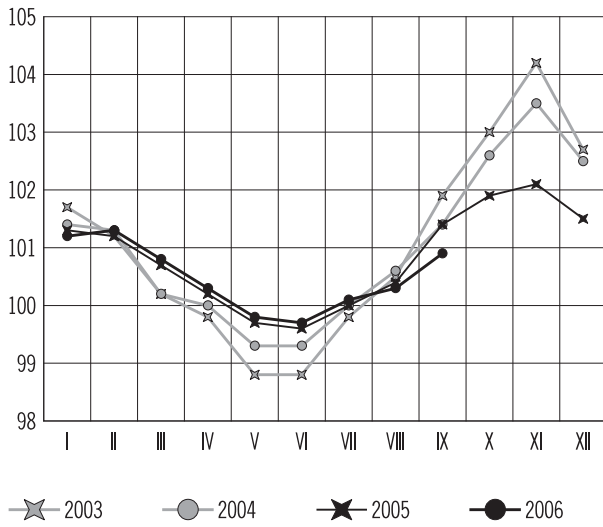
**Cereal and legume prices**  
(as % of previous month)



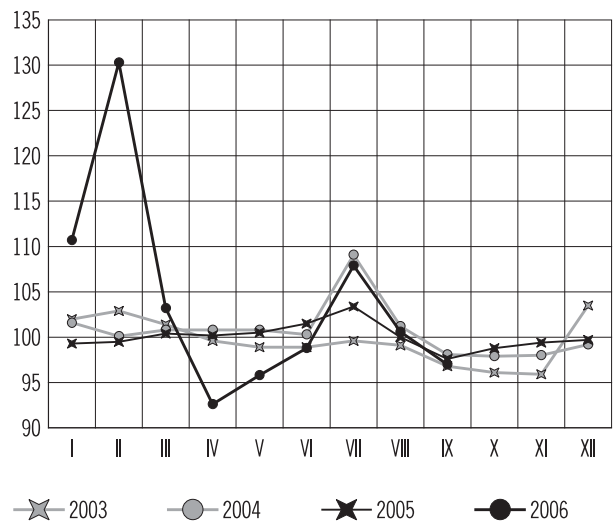
**Fish and seafood prices**  
(as % of previous month)



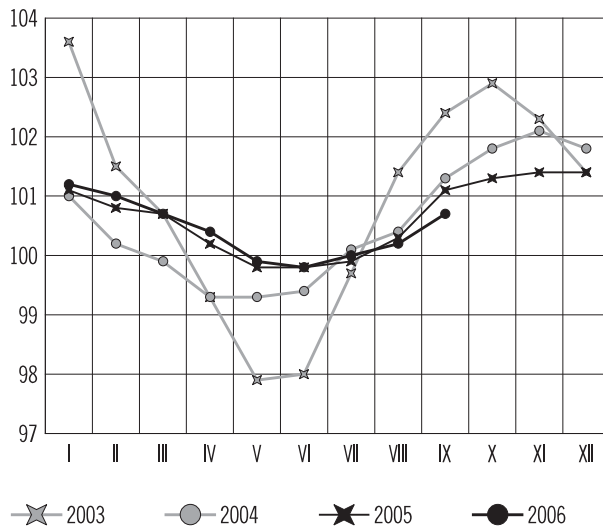
**Milk and dairy product prices  
(as % of previous month)**



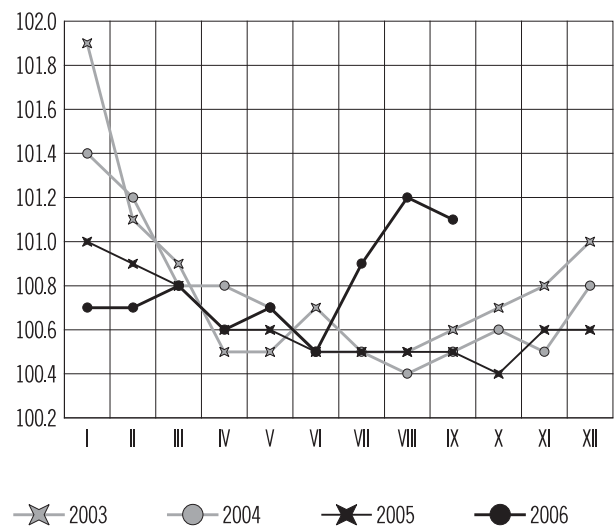
**Granulated sugar prices  
(as % of previous month)**



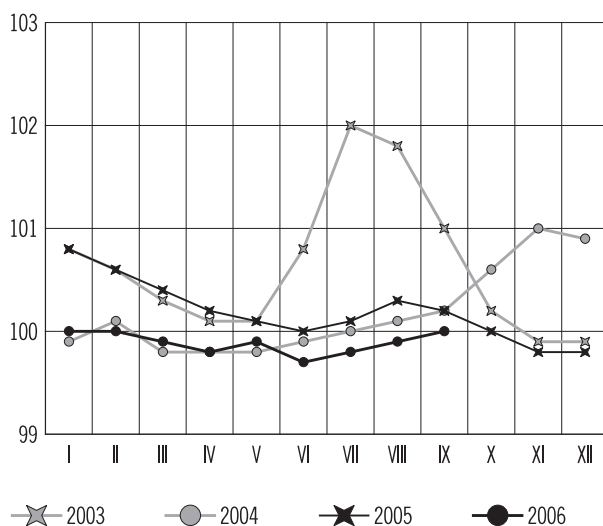
**Butter prices  
(as % of previous month)**



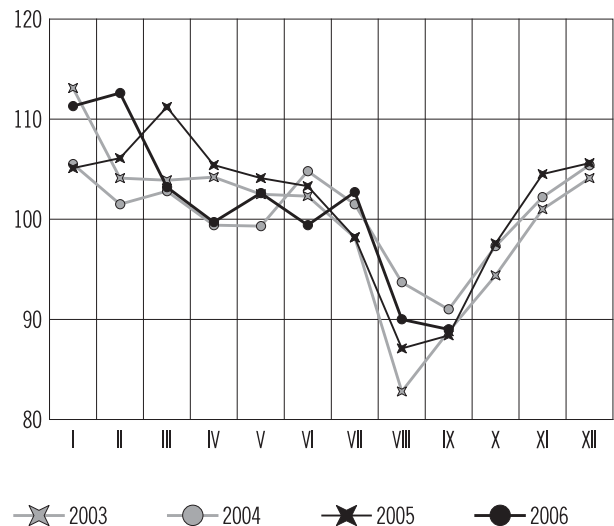
**Alcoholic beverage prices  
(as % of previous month)**



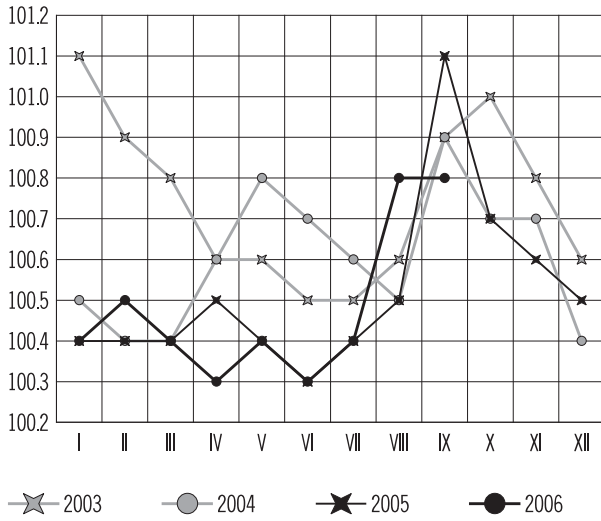
**Sunflower oil prices  
(as % of previous month)**



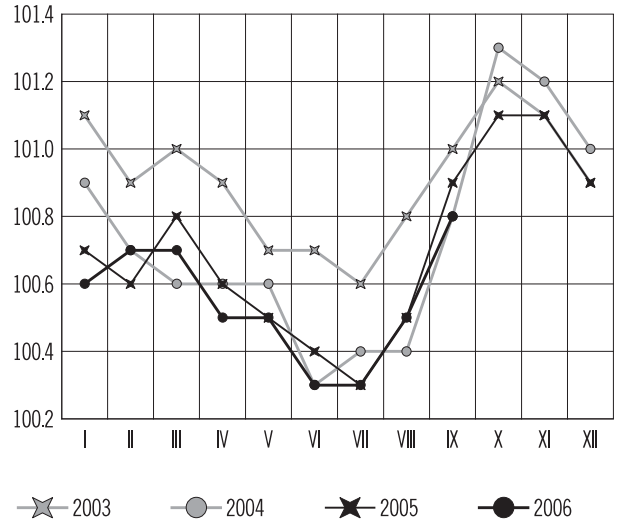
**Vegetable and fruit prices  
(as % of previous month)**



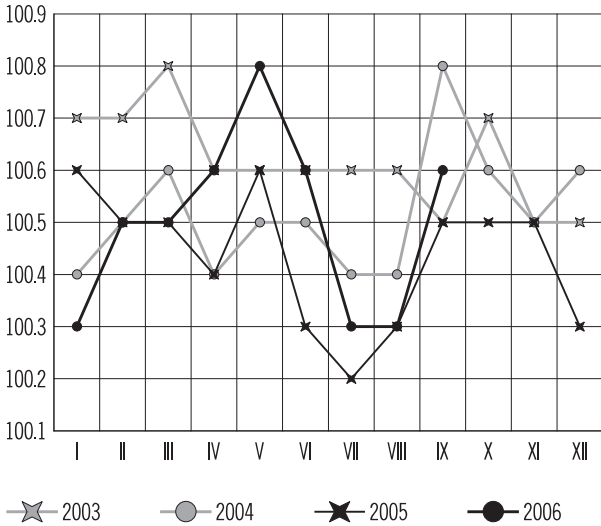
**Non-food prices, total**  
(as % of previous month)



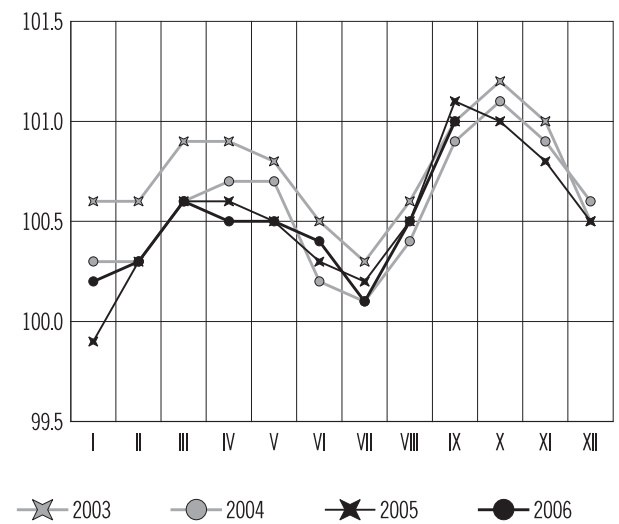
**Knitwear prices**  
(as % of previous month)



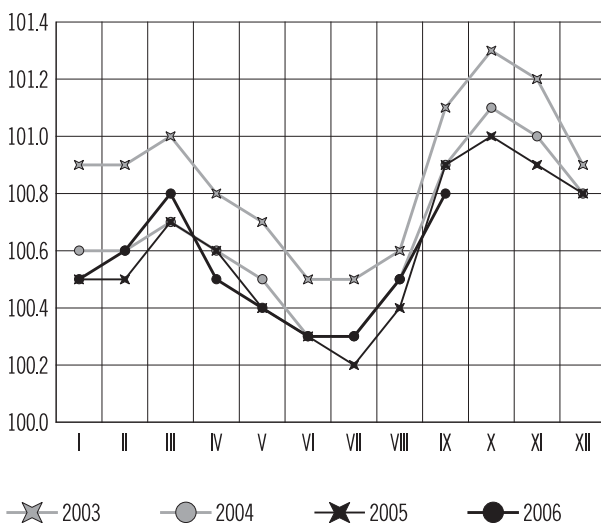
**Fabrics prices**  
(as % of previous month)



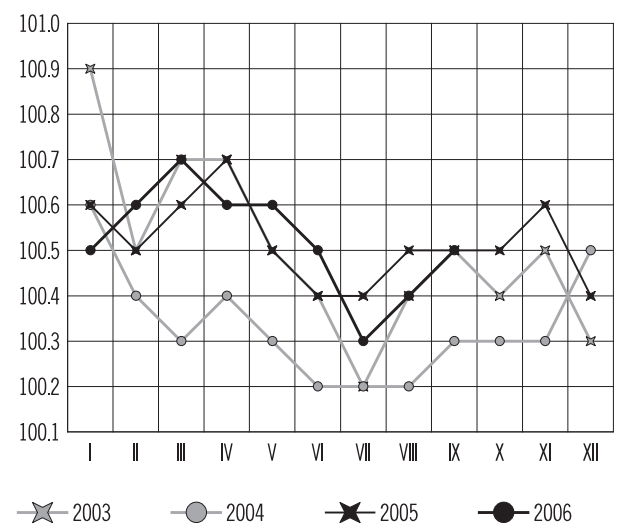
**Footwear prices**  
(as % of previous month)



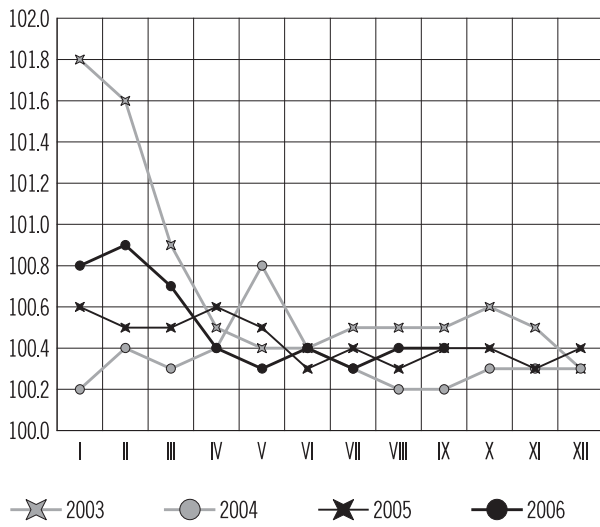
**Clothing and underwear prices**  
(as % of previous month)



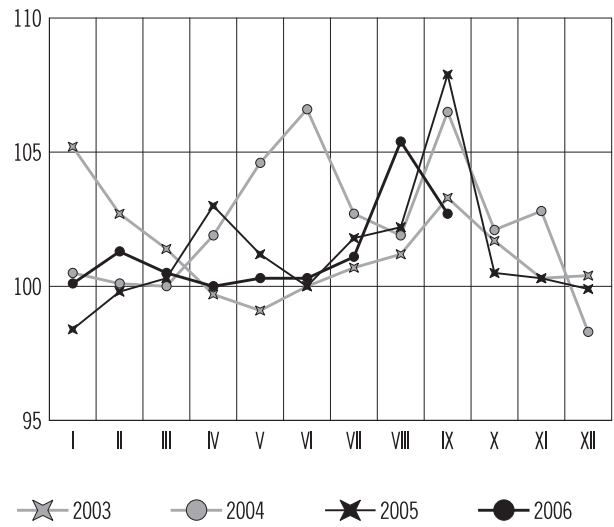
**Detergent prices**  
(as % of previous month)



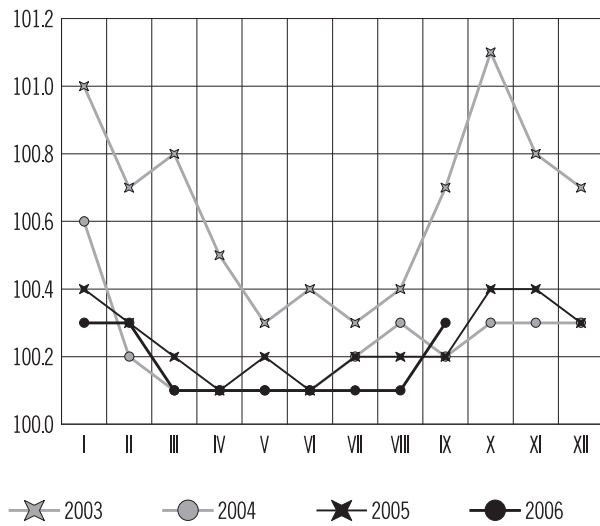
**Tobacco prices**  
(as % of previous month)



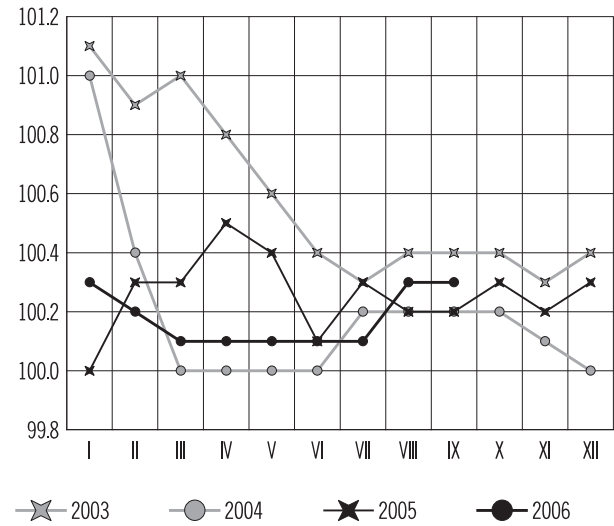
**Petrol prices**  
(as % of previous month)



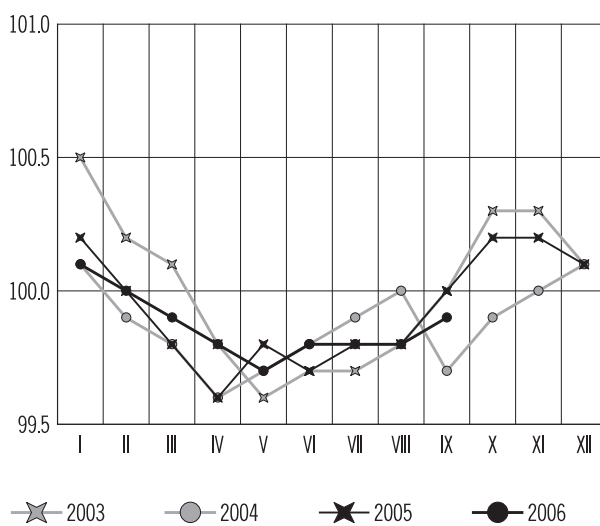
**Household electric appliances prices**  
(as % of previous month)



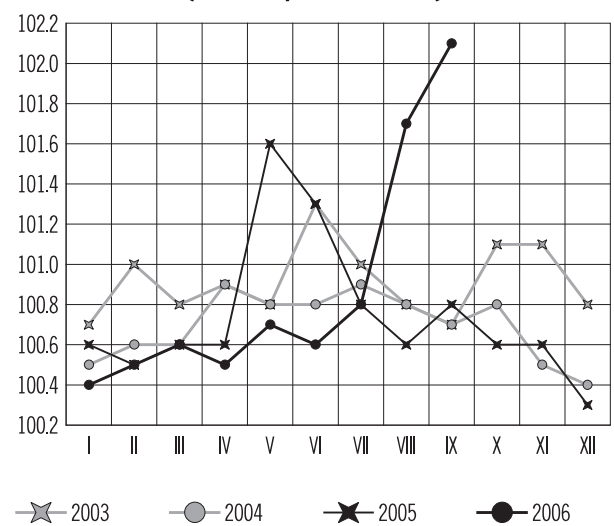
**Medicine prices**  
(as % of previous month)



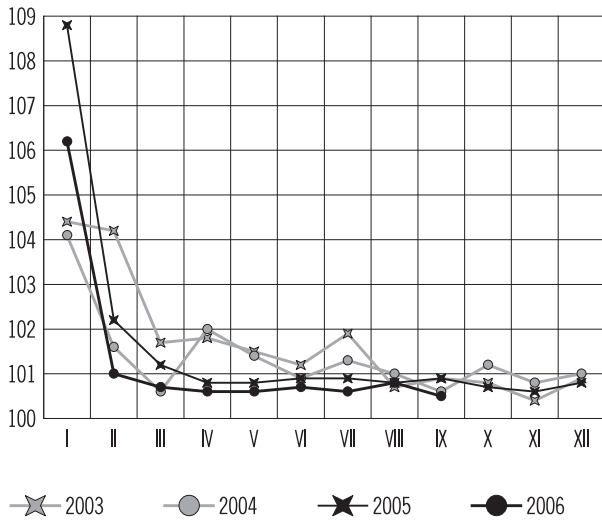
**TV and radio set prices**  
(as % of previous month)



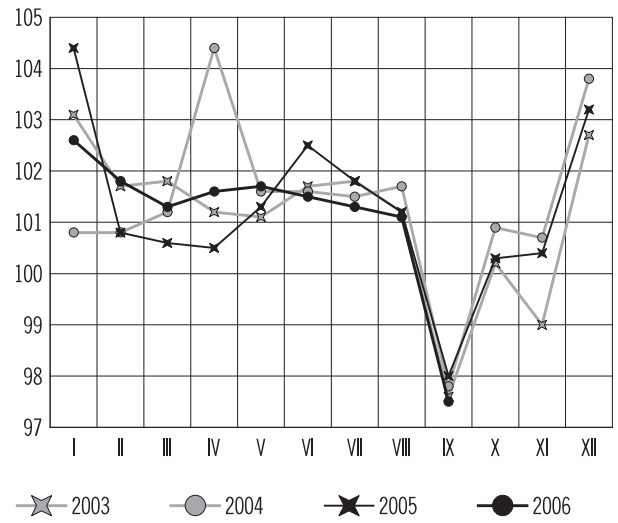
**Building materials prices**  
(as % of previous month)



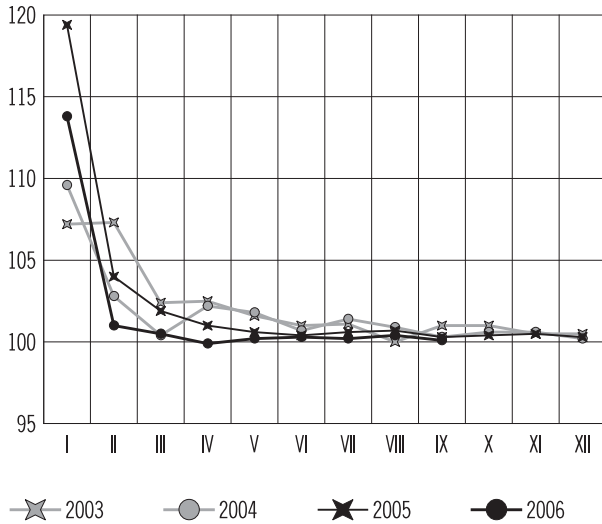
**Paid service prices**  
(as % of previous month)



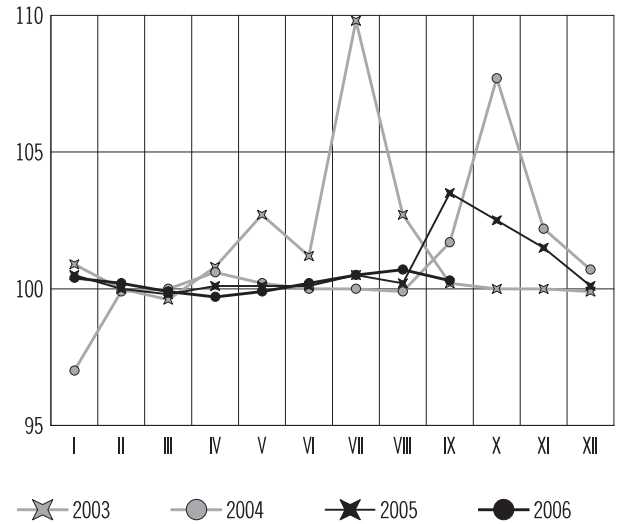
**Passenger transport fares**  
(as % of previous month)



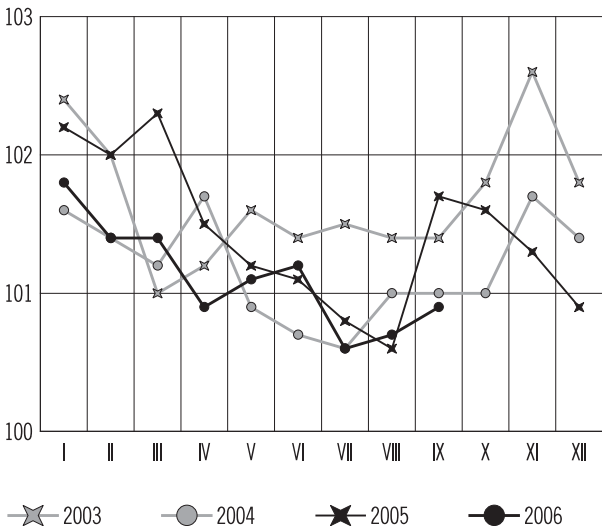
**Housing and utility prices**  
(as % of previous month)



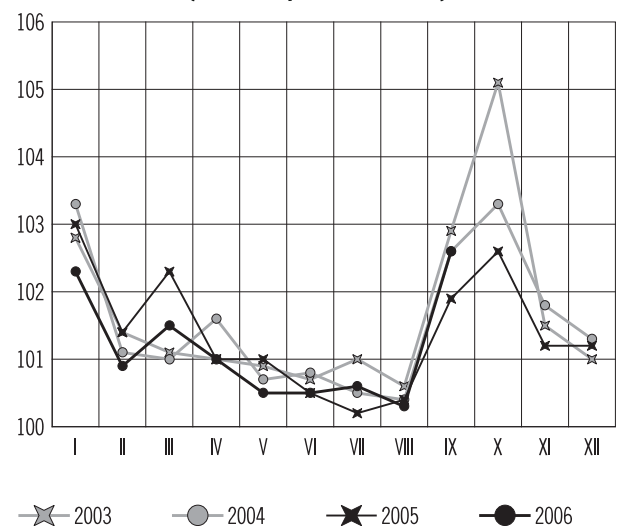
**Communication fees**  
(as % of previous month)



**Healthcare prices**  
(as % of previous month)

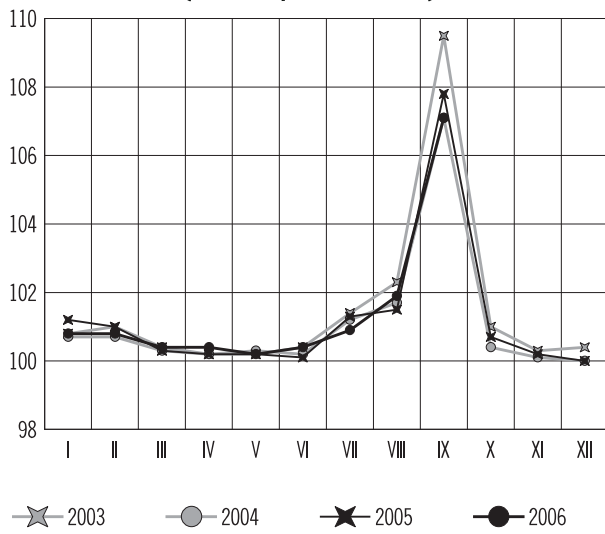


**Cultural service prices**  
(as % of previous month)

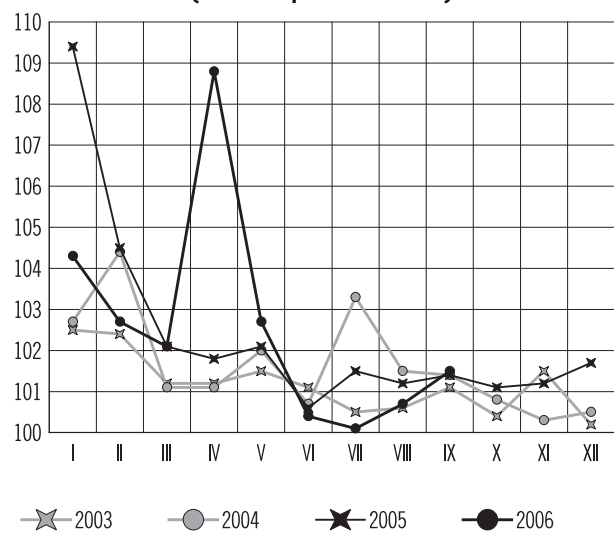




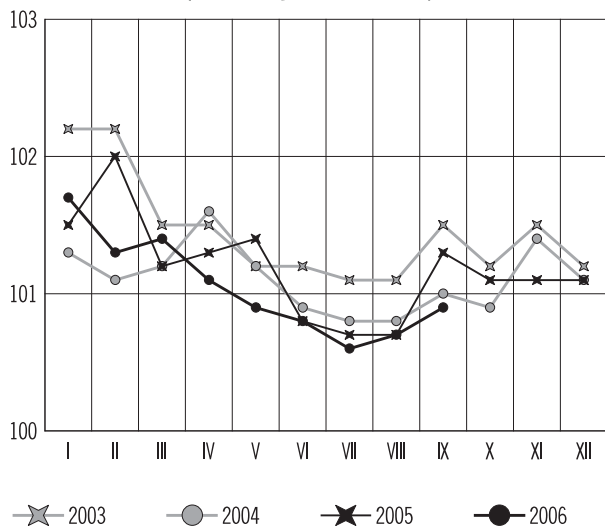
**Education fees  
(as % of previous month)**



**Pre-school tuition fees  
(as % of previous month)**



**Everyday service prices  
(as % of previous month)**



**Sanatorium and health resort accommodation prices  
(as % of previous month)**

