



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

Quarterly Inflation Review

2010 Q3

Research and Information Department

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<http://www.cbr.ru/publ/>.*

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Introduction

In January-September 2010, the Russian economy demonstrated gradual recovery from the global financial and economic crisis. Production growth was registered in most of the major types of economic activity. The highest growth rates in the output of goods and services were observed in the first half of the year. This growth, however, slowed down in 2010 Q3. Agricultural output declined considerably amid unfavourable weather conditions. Low production growth rates were registered in construction and transport.

As production expanded, the number of employed in the economy increased. Production growth was supported by rising consumer and investment demand. However, demand remained below the potential output level, according to estimates.

In January-July 2010, inflation was observed to decline while in August-September consumer price growth accelerated noticeably. Inflation increased as the growth in food prices quickened. However, in January-September 2010, inflation was lower than in the same period last year. Inflation is expected to be lower in 2010 than in 2009.

In these macroeconomic conditions, the Bank of Russia kept unchanged from June 2010 the band of interest rates on its operations ranging from 2.5% p.a. (standard overnight deposits) to 7.75% p.a. (overnight loans). This policy was primarily conditioned by the need to support internal factors of growth amid the persisting negative output gap. Inflationary processes accelerated in August-September 2010 due to short-term volatility in a price segment, which made the tightening of monetary policy inexpedient. The risks of slow recovery in demand and credit activity were considered as more important.

The annual rates of growth in money supply (M2) increased relatively quickly and stayed at the level of about 30% from May 2010. Seasonally-adjusted M2 monthly growth rates were on average faster in 2010 Q3 than in the previous quarter. Growth in money supply was influenced significantly by Bank of Russia interventions in the domestic foreign exchange market, and also by the gradual expansion of banks' lending to the real sector of the economy.

Although the recovery of bank lending continued in the third quarter, credit aggregates registered slow annual growth rates. The annual rate of growth in total debt on loans stood at 7.1% as of October 1, 2010. Bank lending growth was stimulated by high liquidity in the money market and the expansion of banks' deposits. Lending will further expand as the consequence of lower risks in the banking system, increased economic activity and, as a result, stronger demand for loans.

Major interest rates in the Russian financial market continued to decline in 2010 Q3, as the Bank of Russia kept its interest rates unchanged and banking sector total reserves increased.

The current economic recovery does not exert inflation pressure so far. The government's current balanced fiscal policy and its expected tightening could restrain price dynamics. At the same time, the expansion of aggregate money supply, which accelerated considerably at the end of 2009 and at the beginning of 2010 to reach the level exceeding the rates of growth in money demand, suggests that monetary factors may increase inflationary risks by the end of 2010 and in the first half of 2011.

Inflation Dynamics

Consumer prices

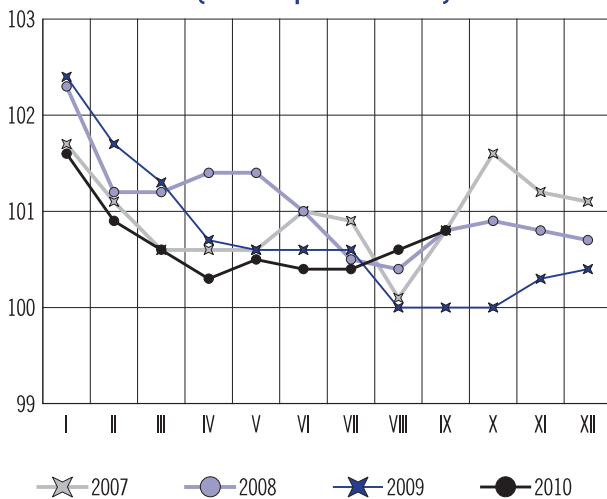
Consumer prices rose by 6.2% in the first nine months of 2010, a decrease of 1.9 percentage points on the same period last year. At the same time, consumer prices grew by 1.8% in the third quarter of 2010, which represents an increase of 1.2 percentage points as compared with the third quarter of 2009. In September 2010, consumer prices went up by 7.0% year on year and in the first nine months of the year they increased by 6.4% as compared with the same period a year earlier.

The slowing of inflation in January-September 2010 was principally the result of **core infla-**

tion, which stood at 4.3% as against 7.3% in the same period last year. The rise in the prices of goods and services taken into account when calculating core inflation accounted for an estimated 3.5 percentage points, or 55.5% of the inflation rate (this compares with 5.9 percentage points, or 73.3%, in January-September 2009). Core inflation accounted for an estimated 2.2% in the third quarter of 2010 as compared with 1.3% in the third quarter of the previous year.

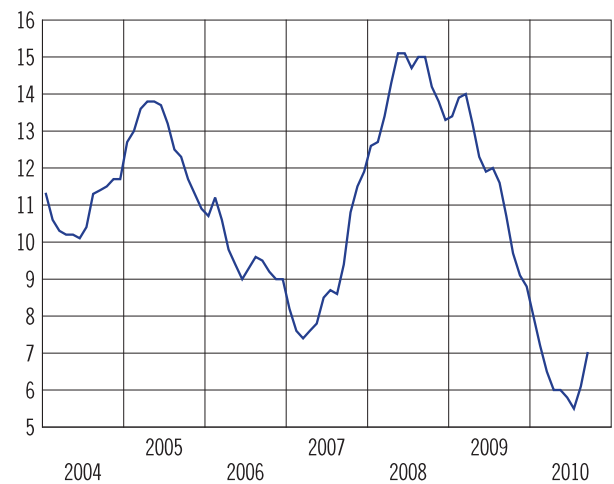
In August-September 2010, unfavourable weather conditions had an adverse impact on food prices and inflation rates. Food price indices registered their record highs in August and Sep-

Consumer prices
(as % of previous month)



Source: Rosstat.

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



Source: Rosstat.

Consumer price inflation (%)

	Growth (September 2010 on December 2009)	Growth (September 2009 on December 2008)	
Prices of goods and services, total	6.2	8.1	Slowing of growth by 1.9 percentage points
of which:			
– food prices	8.4	5.8	Acceleration of growth by 2.6 percentage points
– food prices, excluding vegetable and fruit prices	5.9	6.3	Slowing of growth by 0.4 percentage points
– non-food prices	3.1	8.3	Slowing of growth by 5.2 percentage points
– prices of paid services provided to households	7.4	11.0	Slowing of growth by 3.6 percentage points
Prices of goods and services included in core inflation calculation	4.3	7.3	Slowing of growth by 3.0 percentage points

Source: Rosstat.

Food price inflation (%)

	Growth (September 2010 on December 2009)	Growth (September 2009 on December 2008)	
Foodstuffs	8.4	5.8	Acceleration of growth by 2.6 percentage points
Bread and bakery products	4.6	2.1	Acceleration of growth by 2.5 percentage points
Groats and beans	36.6	1.9	Acceleration of growth by 34.7 percentage points
Pasta	1.4	3.4	Slowing of growth by 2.0 percentage points
Meat and poultry	4.2	5.7	Slowing of growth by 1.5 percentage points
Fish and seafood	1.8	13.5	Slowing of growth by 11.7 percentage points
Milk and dairy products	10.5	-0.8	
Butter	14.4	-0.1	
Sunflower oil	6.8	-18.2	
Granulated sugar	13.2	50.6	Slowing of growth by 37.4 percentage points
Vegetables and fruit	31.3	0.8	Acceleration of growth by 30.5 percentage points
Alcoholic beverages	6.9	7.7	Slowing of growth by 0.8 percentage points

Source: Rosstat.

tember since 1999. **Food prices** rose by 8.4% in January-September 2010 as compared with 5.8% in the same period last year.

The most significant increase in food prices, excluding vegetable and fruit prices, in January-September 2010 was registered in groats and beans (36.6% as against 1.9% in the same period a year earlier) and butter (14.4% as compared with a 0.1% decrease in January-September 2009). The prices of granulated sugar grew by 13.2% (in January-September 2009, they increased by 50.6%). Other major food price increases ranged from 1.4% to 10.5%. In January-September 2009, most of major food price increases ranged from 2.1% to 13.5%. The prices of milk and dairy products declined by 0.8%, sunflower oil by 18.2% and eggs by 16.9%.

Overall, **food prices, excluding vegetable and fruit prices**, increased by 5.9% in January-September 2010 (as against 6.3% in the same period a year earlier). Growth in food prices accounted for an estimated 2.0 percentage points, or 32.9%, of the headline inflation (this compares with an estimated 2.1 percentage points, or 26.7%, in the same period a year earlier).

Vegetable and fruit prices gained 31.3% in the first nine months of 2010 (as against 0.8% in the same period a year earlier). It has been estimated that due to the rise in vegetable and fruit prices the headline inflation went up by 1.1 percentage points, or 18.2%, of overall consumer price growth (this compares with 0.4% of over-

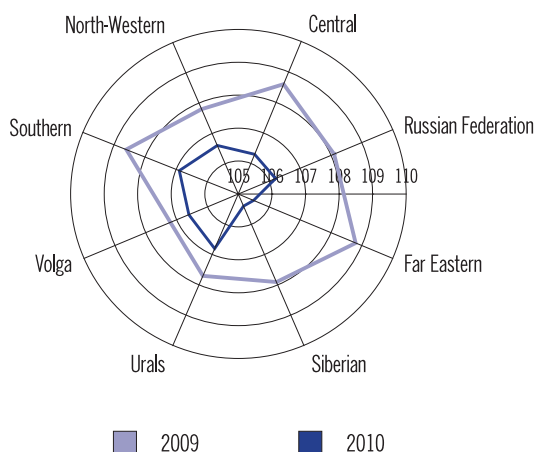
all consumer price growth in January-September 2009).

Growth in **non-food prices** slowed to 3.1% in January-September 2010 from 8.3% in the same period last year. The increase in non-food prices accounted for an estimated 1.1 percentage points, or 18.3%, of the headline inflation. In January-September 2009, it accounted for 3.1 percentage points, or 38.7%. The most significant growth was registered in the prices of tobacco products (by 15.3% as against 17.0% in January-September 2009). The prices of fabrics, clothing, underwear and footwear rose by 2.6-4.6%. The price of petrol went up by 3.8%, whereas the prices of TV sets and radios and medicine prices declined by 1.6% and 3.8%, respectively. In January-September 2009, petrol prices went up by 10.5%, medicine prices grew by 16.2% and the prices of TV sets and radios increased by 4.7%.

The prices of **paid services provided to households** gained 7.4% in January-September 2010 as against 11.0% in the same period of 2009 and accounted for an estimated 1.9 percentage points, or 30.6%, of overall consumer price growth (2.8 percentage points, or 34.2%, of the headline inflation in January-September 2009).

Administered prices of services grew by an estimated 11.3% in January-September 2010 or 2.7 percentage points slower than in the same period last year. Housing and public utility prices

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



Source: Rosstat.

rose by 12.2% as against 18.6% in January-September 2009. Passenger transport fees grew by 7.3% in the period under review as against 6.7% in the same period of 2009.

Growth in the prices of most of the services included in the core inflation calculation slowed down in January-September 2010.

Growth in the prices of paid services provided to households in the first nine months of 2010 exceeded the overall growth in the prices of goods by 1.6 percentage points (3.9 percentage points in the same period of 2009).

According to Rosstat data, in January-September 2010, consumer price growth was slower than in the same period of 2009 in all **federal districts**.

Estimates show that the difference between the constituent territories of the Russian Federation in terms of the price of a fixed set of goods and services used by the Federal State Statistics Service for interregional comparisons of the purchasing power of the population narrowed in January-September 2010. Specifically, the regional difference ratio¹ decreased to 39.6% in the first nine months of 2010 from 42.4% in the same period of 2009.

The rates of growth in food prices, excluding vegetable and fruit prices, ranged from 5.0% to

7.4% in the federal districts in January-September 2010, while the rates of non-food price growth changed within the range of 2.2-3.7%.

The rates of growth in vegetable and fruit prices differed significantly by region. For example, in the Far Eastern Federal District vegetable and fruit prices rose by 10.3%, whereas in the Southern Federal District they grew by 40.8%.

The rates of growth in the prices of paid services provided to households in most federal districts were slower in January-September 2010 than in the same period of 2009 and ranged from 6.7% to 10.7%.

Housing prices

In September 2010, housing prices rose by 0.1% as compared with December 2009 in the primary market and by 1.8% in the secondary market. In September 2009, housing prices fell by 7.1% as compared with December 2008 in the primary market and by 9.8% in the secondary market.

In January-September 2010, housing price dynamics were influenced by some rebound in the real estate market amid the contraction of commissioned housing. Specifically, in the first nine months of 2010 commissioned housing decreased by 5.5% as compared with the same period of 2009 and a year earlier the respective figure was 0.7%.

Producer prices

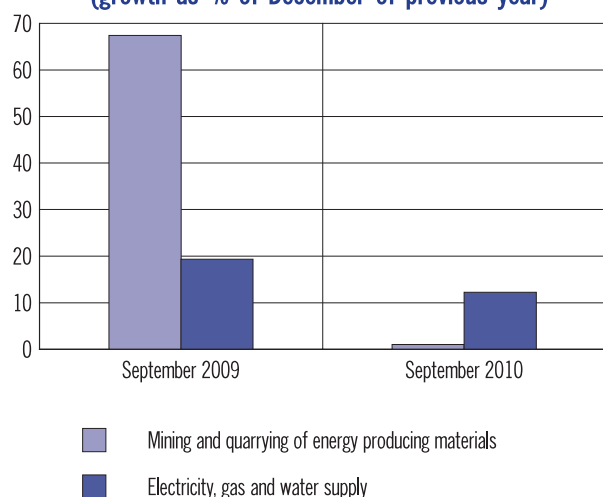
Industrial producer prices rose by 8.2% in January-September 2010 as against 14.9% in the same period a year earlier. This downturn was largely the result of the decrease in price growth rates in mining and quarrying, which fell to 1.8% in January-September 2010 from 53.5% in the same period of 2009. Producer prices in the mining and quarrying of energy producing materials went up by 0.1%, whereas in January-September 2009 they grew by 67.4%.

In January-September 2010, price growth in electricity, gas and water supply stood at 13.6%, which represents a decline of 4.4 percentage points on the same period of 2009.

In January-September 2010, producer prices in the manufacturing industries rose by 10.5%, an increase of 4.0 percentage points on the same period last year. The biggest price growth was

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

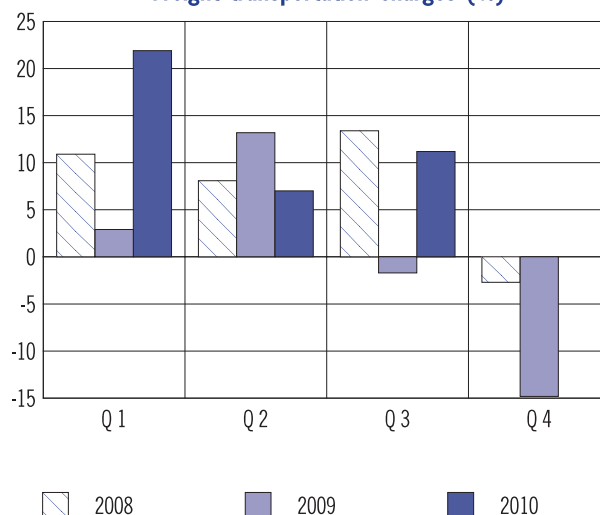
Producer prices by type of economic activity
(growth as % of December of previous year)



Source: Rosstat.

registered in the production of coke (52.7%), chemicals (19.9%) and metals (18.1%) (in January-September 2009, prices in the production of coke and chemicals declined by 12.8% and 0.5%, respectively, while prices in the production of metals went up by 4.4%). Petroleum product producer prices grew by a moderate 9.4% as against 37.2% a year earlier. Growth in producer prices of consumer goods accelerated. Specifically, growth in producer prices of foodstuffs, including beverages, and tobacco products increased by 1.5 percentage points from January-September 2009 to 7.5% and in the manufacture of textile and textile products by 0.5 percentage points to

Freight transportation charges (%)



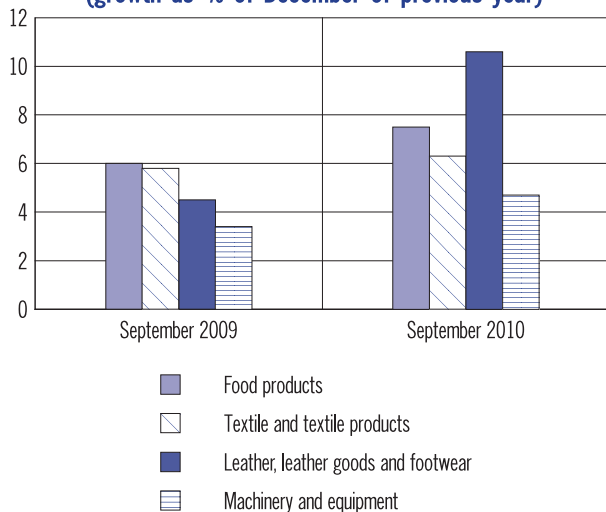
Source: Rosstat.

6.3%. Producer prices of leather, leather goods and footwear grew by 10.6%, an increase of 6.1 percentage points on January-September 2009.

Freight transportation charges rose by 45.0% in the first nine months of 2010 as against 14.4% in the same period a year earlier. Growth in pipeline transportation charges accelerated considerably to 79.0% in January-September 2010 from 21.2% in the same period last year.

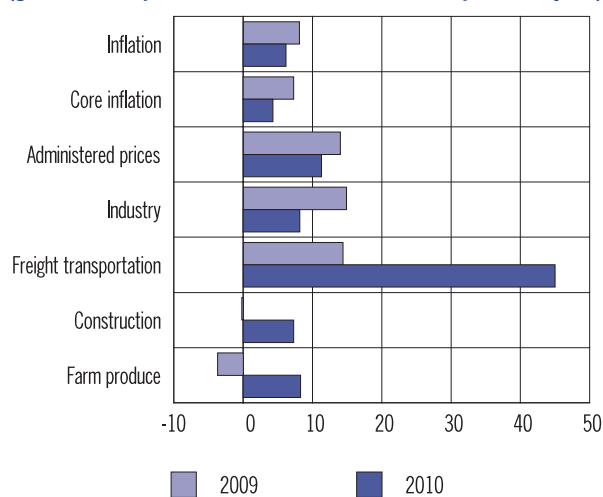
Communication fees for corporate entities increased by 7.0% in the first nine months of 2010 as against 2.0% in the same period of 2009.

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



Source: Rosstat.

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



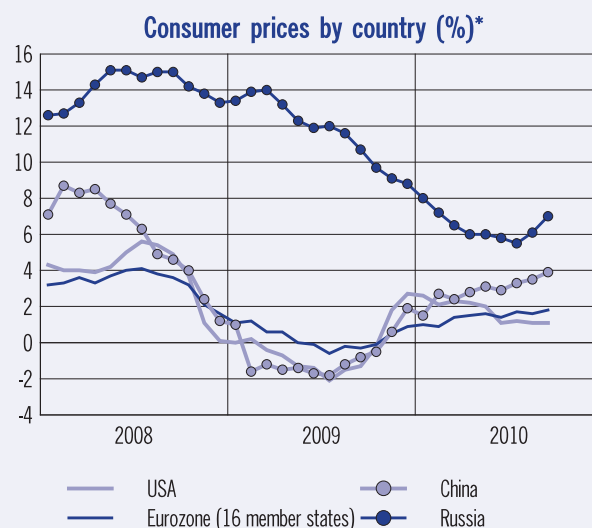
Source: Rosstat.

Inflation in countries trading with Russia¹

Inflation in the countries accounting for a substantial portion of Russian imports increased to 2.6% in January-September 2010 (September against December of the previous year) from 2.3% in the same period of 2009. This was the result of the acceleration of inflation in some of Russia's large trading partners, such as China, Germany and Turkey, and the slowing of deflation in Japan. In China, inflation was spurred by the growth in food prices and the increase in housing and public utility prices. In Germany, inflation accelerated due to the growth in food and energy prices.

Inflation rates in other countries trading with Russia were also significantly affected by the growth in food prices in recent months. This was the result of the acceleration of growth in the prices of agricultural products in world markets. In some countries, inflation rates were also noticeably affected by the growth in household energy prices. In particular, natural gas prices for households in Ukraine were raised by 50% from August 1, 2010. The contribution of energy price growth to inflation may increase taking into account a significant rise in world oil prices from mid-September. Nevertheless, fundamental factors, first of all, considerable negative output gaps in the advanced economies that are expected to persist for a long time, continue to restrain inflation processes in Russia's trading partners.

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



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

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

Producer prices of building materials

went up by 7.3% in January-September 2010, whereas in the same period last year they fell by 0.2%.

Agricultural producer prices

increased by 8.3% in January-September 2010 against a drop of 3.7% in the corresponding period of 2009. Moreover, they grew by 9.4% in August-September 2010. Crop grower prices rose by 12.0%, whereas in January-September 2009 they dropped by 6.2%. The prices of grains and legumes grew by 13.1% while sunflower prices increased by 20.9% in January-September 2010 whereas in the same period of 2009 they decreased by 5.3% and 2.3%, respectively. Livestock prices went up by 6.1% (in January-September 2009, they fell by 2.0%). Cattle and poultry prices increased by 1.6% in the first nine months of 2010 as against 7.7% in the same period of 2009. Milk prices rose by 16.6%, whereas egg prices fell by 0.8%. In January-September 2009, these prices were down by 14.8% and 18.1%, respectively.

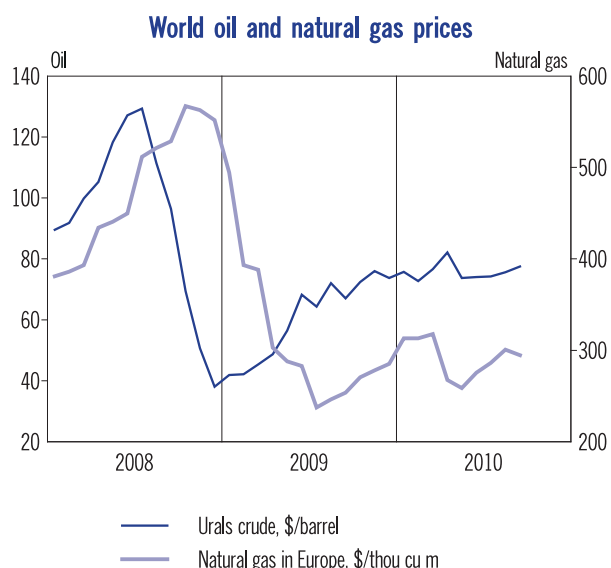
Foreign trade

In the third quarter of 2010, the price situation for major Russian export commodities² in world markets remained virtually unchanged from the previous quarter but was better than in the third quarter of 2009. In January-September 2010, world energy prices increased by a quarter on average as compared with the same period last year while non-energy prices gained 9%.

In 2010, the dynamics of world oil prices were influenced by the recovery of oil demand virtually to the 2007 level³, the faster growth in oil demand in China and other Asian countries, the raising of world oil demand forecasts in 2010-

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

³ According to data provided by the US Energy Information Administration (EIA, October 2010), the world oil demand reached its record high in 2007.



Source: Reuters, World Bank.

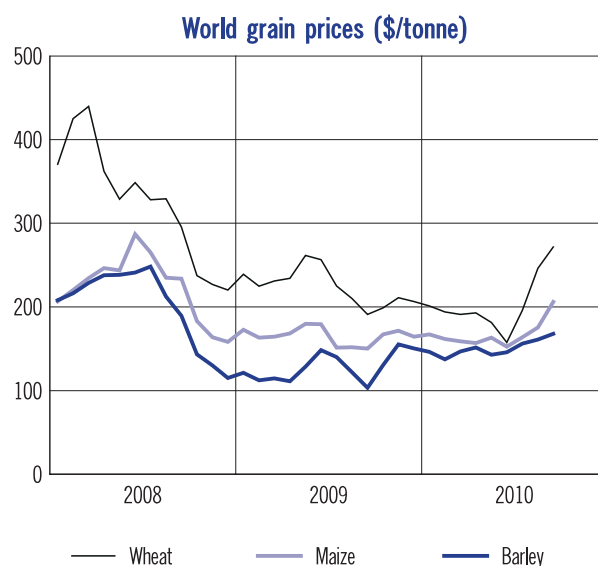
2011, the situation in the leading global foreign exchange and stock markets and the channelling of considerable funds into commodity markets for investment purposes. As a result, the world market price of Russian oil increased by 11.8% in the third quarter of 2010 as compared with the same quarter of 2009 and in January-September 2010 it was by 34.7% higher on average than in the same period last year and stood at \$75.8 per barrel.

The petroleum product price trend mostly followed that of the oil price. In January-September 2010, the price of petrol went up by 31.0%, diesel fuel 32.8% and fuel oil 36.6% as compared with the same period last year. The recovery of natural gas prices in Europe resumed in 2010 Q3. As a result, natural gas prices in Europe grew by 9.9% in the third quarter of 2010, quarter on quarter, to exceed for the first time in 2010 the price level registered in the corresponding quarter of 2009 (by 19.5%). In January-September 2010, however, natural gas prices in Europe were 9.0% lower than in the same period last year.

As ferrous metal prices recovered slowly, they remained by 2.3% lower in January-September 2010 than in the same period of 2009. In 2010, non-ferrous metal prices in the world market were influenced by the growing demand for these metals, especially from China. As a result, the price of aluminium grew by a factor of 1.4 and the price of copper and nickel by a factor of 1.5 in January-September 2010 as compared with the same period last year.

World market prices of foodstuffs and agricultural raw materials⁴ changed sharply in mid-2010: in June, the prices of sugar, Canadian wheat and barley started to grow while in July there was an increase in the prices of US wheat, maize, rice and vegetable fats. Meat prices were stable amid the growth of grain prices.

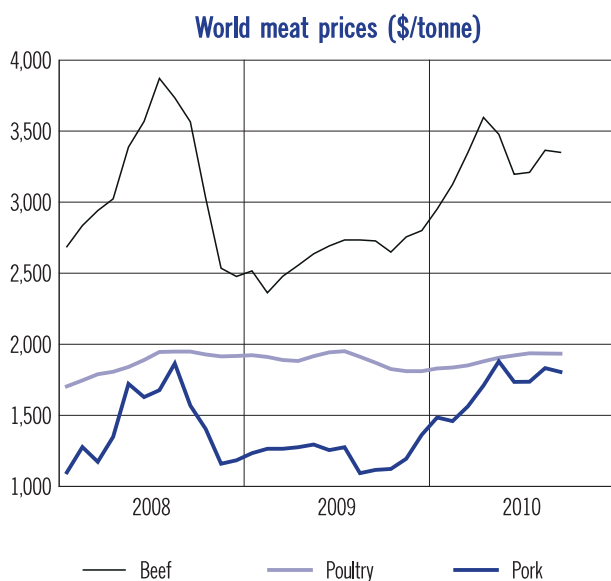
The expectations of considerably lower grain harvests as a result of extremely unfavourable weather conditions (the drought in Russia, Kazakhstan and Ukraine; heavy rains in Canada, some Asian and European countries; severe frosts in some countries in South America) predetermined sharp increases in grain prices. Russia's ban on grain exports⁵ and restrictions imposed by Ukraine on grain supplies to the world market intensified this trend. As a result, the prices of American wheat and maize went up by 34.1% and 15.2%, respectively, while the prices of Canadian wheat and barley grew by 25.0% and 10.2% in the third quarter of 2010 as compared with the previous quarter. However, the prices of US and Canadian wheat were by 11.6% and 5.7% lower in January-September 2010 than in the same period last year. At the same time, the prices of US maize and Canadian barley were higher by 1.6%



Source: World Bank.

⁴ Average sugar prices have been calculated on the basis of data provided daily by the London Commodity Exchange, while other prices are monthly averages published by the World Bank and the IMF.

⁵ Since August 15, 2010, Russia has imposed a temporary ban on the exports of wheat, meslin, barley, rye, maize, wheat or wheat and rye flour.



Source: World Bank.

and 23.0%, respectively, in the first nine months of 2010 as compared with the corresponding period a year earlier.

The steady growth of meat consumption, especially in Asian countries, amid the decrease in the world's cattle population and the expectations

of lower meat supplies to the world market from Brazil and the contraction in meat exports from Argentine pushed up beef and pork prices. The world poultry market was influenced by the expansion of poultry production in Brazil, China and Russia, the fall in demand in some countries and the lowering of demand growth forecasts for Asia and the Middle East. The growth in grain prices that determined the dynamics of fodder grain prices did not affect meat prices in the third quarter of 2010 (quarter on quarter, beef prices fell by 3.4% while the growth of poultry and pork prices slowed to 1.7% and 0.9%, respectively). In January-September 2010, beef prices rose by 26.4% and pork prices grew by 37.3% as compared with the same period of 2009, whereas poultry prices decreased by 1.0%.

The decrease in oil crop harvests as a result of unfavourable weather conditions caused a rise in the prices of vegetable fats in the world market in the third quarter of 2010. At the same time, the expectations of good soya bean harvests in some regions of the world contained growth in the prices of vegetable fats. As a result, in January-

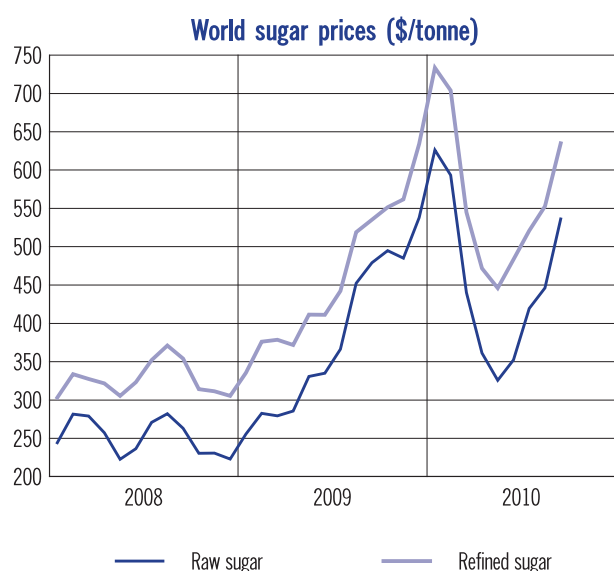
International trade

According to estimates of the International Energy Agency (IEA), in January-September 2010 the world consumption of oil increased by 2.8%, as compared with the same period last year. Half of this growth was attributable to the increase in oil consumption in Asian countries (excluding the region's countries that are members of the Organisation for Economic Cooperation and Development, OECD), primarily in China. In European countries, members of the OECD, oil consumption was 1.7% lower than in January-September 2009 but increased considerably in the third quarter of 2010. The average price of Brent, Dubai and WTI crude rose to \$76.9 per barrel in the first nine months of 2010 from \$57.2 per barrel in January-September 2009 (by 34.5%).

According to Eurostat data, EU import quantities of mineral fuel and lubricants declined by about 4.5% in January-August 2010, as compared with the same period of 2009 (the difference was largely the result of the considerable reduction in import quantities in the first quarter of 2010 as compared with the corresponding quarter of the previous year). The average unit value of imports of these commodities¹ increased by a third in January-September 2010 as compared with the same period of the previous year as a result of the rise in the world oil prices and the euro's considerable depreciation in the first half of 2010. The contract price of Russian natural gas exported to Germany in the first nine months of 2010 was on average by 16.5% lower than in the corresponding period last year. In the third quarter of 2010, this contract price was higher than both in the previous quarter and in the corresponding quarter of 2009.

According to the IEA's forecast, world oil consumption will rise by 2.5% in 2010, whereas in Europe oil consumption may decline by 1.1%. In October 2010, the IMF raised its estimate for the average price of the three blends of crude oil in 2010 as compared with its forecast published in July. According to the consensus forecasts published by the news agencies Thomson-Reuters and Bloomberg in October 2010, the price of Brent crude may equal \$78.3-78.5 per barrel on average in 2010 (in January-September 2010, it stood at \$77.2 per barrel). According to the IMF's forecast (October 2010), international trade in goods and services will grow by 11.4% in 2010.

¹ The average unit value of imports is the ratio of changes in the value of imports of particular commodities to changes in the import quantities.



Source: London Commodity Exchange.

September 2010, palm oil was by 24.7% more expensive than in the same period last year.

The growth in sugar prices resumed in the world market due to the lowering of sugarcane harvest forecasts as a result of unfavourable weather conditions in Brazil, Pakistan, Mexico and Central America, and also due to the decrease of sugar production in South Africa and the contraction in world sugar stocks. As a result, in the third quarter of 2010 the price of raw sugar grew by 34.8% and the price of refined sugar went up by 22.0% as compared with the previous quarter. In January-September 2010, the prices of raw sugar and refined sugar were by 33.7% and 34.7% higher than in the same period of 2009.

Demand

Domestic demand

Growth in both consumer and investment demand continued in the third quarter of 2010.

Wage and pension increases contributed to growth in household real disposable income, which went up by 4.8% in January-September 2010. In 2010 Q3, the household propensity to consume was higher as households purchased larger amounts of foodstuffs amid the expected increase in the prices of certain groups of foodstuffs. In January-September 2010, the share of household spending on goods and services was unchanged from the corresponding period of 2009 and stood at 71%. The household propensity for organised savings slightly declined in 2010 Q3 but increased by 1.1 percentage points in January-September 2010, as compared with the same period last year, to reach 14.2%, in which deposits and securities accounted for 6.9% (2.3% in January-September 2009). The share of household spending on the purchase of foreign currency decreased by 2.8 percentage points to 3.6% in the first nine months of 2010.

Household final consumption expenditures increased by 2.3% in the first half of 2010. The improved situation in the labour market and the revival of consumer lending stimulated growth in household real spending on goods and services, which rose by an estimated 4.3% in January-September 2010, as compared with the same period of 2009. The growth in consumer spending contributed to an increase in the retail trade turnover (by 4.4%) and the volume of paid services provided to households (by 1.1%).

In January-June 2010, the share of imported goods in the retail trade resources increased by an estimated 0.5 percentage points year on year, to 43%. The share of food imports grew by one percentage point to 35%.

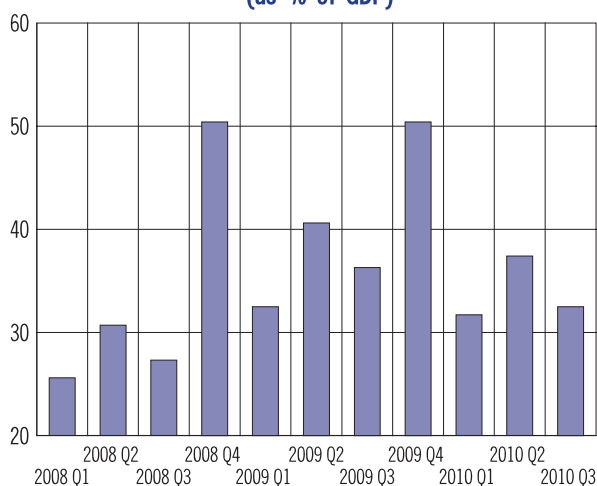
As domestic demand recovered, growth in the imports of goods continued to accelerate in 2010 Q3, mostly as a result of the expansion in

GDP by expenditure (growth as % of corresponding period of previous year)

	2009					2010	
	Q1	Q2	Q3	Q4	Full year	Q1	Q2
GDP	-9.3	-11	-8.6	-2.9	-7.9	3.1	5.2
Final consumption	-1.5	-5.3	-8	-5.4	-5.1	0.6	3.5
of which:							
– households	-2.8	-8	-11.4	-8.1	-7.7	0.1	4.6
Gross capital formation	-50.4	-50.6	-32.4	-22.5	-37.4	-1.3	33.3
Net exports	26.1	80.5	125.6	73.6	56.6	38.5	-34.3

Source: Rosstat.

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



Source: Federal Treasury.

import quantities. Import prices also increased. Growth in the imports of investment goods slightly accelerated while food imports grew slower in 2010 Q3. The imports of these groups of goods expanded slower than the imports of industrial raw materials and intermediate industrial products, and also non-food consumer goods. In January-September 2010, the imports of goods (according to the balance of payments estimate as

of October 5, 2010) rose by 30.8% as compared with the same period of 2009 (the imports of goods grew by 38.8% in 2010 Q3 as compared with the corresponding quarter of the previous year).

In 2010 H1, government expenditure on final consumption increased by 1.2%. According to the Federal Treasury's data, budget expenditure decreased to 34.6% of GDP in January-September 2010 as against 37.2% in the same period of 2009. Non-interest expenditures accounted for 34.0% of GDP as against 36.6% in the same period a year earlier. These dynamics are chiefly the result of the scaling down of the anti-crisis measures implemented by the government.

In January-September 2010, the general government's budget had a surplus of 0.3% of GDP, whereas a deficit of 3.4% of GDP was registered in the same period of 2009. The Budget and Tax Policy Guidelines for 2011 and the Planning Period of 2012 and 2013 envisage a budget deficit of 6.2% of GDP in 2010, which represents a decrease from the previous year's deficit of 6.9% of GDP. The improvement of the Russian budget system, which may continue in the medium term, reflects the Russian Government's consistent ef-

Analysis of factors affecting budget balance dynamics

A change in the actual budget balance of a country, which is called the fiscal impulse¹, is an important indicator used in international practice to measure macroeconomic effects of fiscal policy. Below is the analysis of its components for the Russian general budget in 2000-2009, and also an estimate for the planning period until 2013.

The budget balance and its dynamics are influenced by several components, the main of which are the cyclical and structural ones. As Russia's budget revenue considerably depends on the proceeds from oil-and-gas exports, the budget should be examined separately for oil-and-gas and non-oil-and-gas revenues. The cyclical component of the non-oil-and-gas budget revenues comprises the so-called automatic stabilisers that directly depend on changes in economic activity: they reduce the budget balance at the time of economic downturn and increase it at the time of economic upswing. In the Russian general budget, these items comprise major budget revenues, and also some budget expenditures, such as unemployment benefits. The structural component, or the so-called discretionary policy measures, comprises budget items that mainly depend on the government's actions. In the Russian general budget, these items include almost all expenditures, and also a small part of revenues. The government's anti-crisis measures are an important part of these measures.

The base oil price is used to divide oil-and-gas revenues into the structural and cyclical components². Budget revenues resulting from the base level of prices are referred to the structural component while the cyclical component of oil-and-gas proceeds reflects revenue deviations from the base price level.

¹ See European Central Bank. *Euro Area Fiscal Policies and the Crisis. Occasional Paper Series, № 109 / April 2010, Ch. 3.*

² See, for example, Vladkova-Hollar I., Zettelmeyer J. (2008). *Fiscal Positions in Latin America: Have They Really Improved? IMF Working Paper, No. 137.*

Net interest payments (budget interest revenues net of budget interest expenditures) are treated separately. Considering the above components, the fiscal impulse may be calculated using the following formula:

$$-\Delta OB = -(\Delta NOGR_c + \Delta NOGR_s + \Delta OGR_c + \Delta OGR_s + \Delta NINT), \text{ where}$$

OB – overall budget balance;

NOGR_c – non-oil-and-gas revenue cyclical component;

NOGR_s – non-oil-and-gas revenue structural component;

OGR_c – oil-and-gas revenue cyclical component;

OGR_s – oil-and-gas revenue structural component;

NINT – net interest payments³.

The fiscal impulse components were analysed for the period of 2000-2009 (reported data), 2010 (estimate) and 2011-2013 (budget projections) based on the IMF methodology⁴ (See the Chart).

The analysis of the factors affecting budget balance dynamics offers the following conclusions. In 2000-2009, interest payment dynamics contributed to growth in Russia's budget balance as the country's public finance improved from the early 2000s as a result of a contraction in the country's sovereign debt and the accumulation of reserves mainly in the oil-and-gas wealth funds. In 2010-2013, the need to finance the budget deficit will considerably reduce reserves and increase Russia's sovereign debt, which will adversely affect the dynamics of net interest payments.

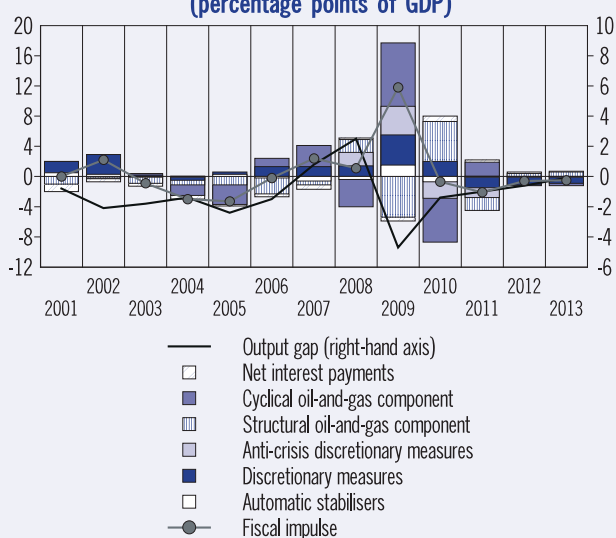
The fiscal impulse decomposition into the cyclical and structural components shows that the change in budget balance is largely the result of changes in the cyclical component of oil-and-gas revenues and the government's discretionary measures. In 2008-2009, the government's discretionary policy mainly focused on anti-crisis measures. In 2000-2008, fiscal policy tightening resulted from growth in oil-and-gas revenues while fiscal policy easing was the consequence of the negative dynamics of discretionary measures. In the medium-term perspective, the role of oil-and-gas revenues in the budget balance dynamics is expected to decline while the planned fiscal policy tightening will result from cuts in discretionary policy measures.

The analysis also allows to assess the cyclicity of the government's fiscal policy. Counter-cyclical or stabilising fiscal policy requires fiscal policy tightening or easing during the economic cycle's positive or negative phase, which may be characterised by the output gap dynamics. The government's pro-cyclical fiscal policy was observed in 2005-2008. In 2005, this policy resulted from the dynamics of the budget's oil-and-gas revenues whereas in 2006-2008 it was caused by discretionary policy measures, which added to the economy's "overheating." In 2009, however, fiscal policy easing was justified and stemmed from the need to mitigate the impact of the financial and economic crisis on the country's economy.

The Russian Government's countercyclical fiscal policy is expected to continue until 2013. As Russia is exiting from the crisis and switching to sustainable growth, the government is expected to consistently tighten its fiscal policy through cuts in discretionary policy measures.

Overall, the analysis shows that the Russian Government's current and planned medium-term fiscal policy aims to stabilise the economy.

**Fiscal impulse structure*
(percentage points of GDP)**



* Reported data for 2001-2009, an estimate for 2010, budget projections for 2011-2013.

³ Indicators as a percentage of GDP.

⁴ See Fedelino A., Ivanova A., Horton M. *Computing Cyclically Adjusted Balances and Automatic Stabilizers*. IMF Technical Notes and Manuals 09 / 05 and Vladkova-Hollar I., Zettelmeyer J. (2008). *Fiscal Positions in Latin America: Have They Really Improved?* IMF Working Paper, No. 137.

forts to tighten the fiscal policy for the sake of strengthening macroeconomic stability and long-term sustainability of public finance.

Gross fixed capital formation expanded by an estimated 1.1% in January-June 2010. As the financial position of enterprises improved and borrowed funds became more accessible, investment activity increased in 2010 Q3. In January-September 2010, fixed capital investment expanded by 3.8% year on year.

Investments in machinery, equipment and transport vehicles accounted for over a third of total investments in January-June 2010. At the same time, the share of investments made to acquire imported equipment contracted from January-June 2009 by 3.2 percentage points to 20.1%. The imports of machinery, equipment and transport vehicles grew by 27.8% in January-June 2010.

The share of own funds used to finance fixed capital investment expanded in January-June 2010. However, the investment was financed mostly by raised funds (55.1%). Bank loans accounted for 9.2%, a contraction by 2.8 percentage points from 2009 H1.

As exports grew faster than imports in real terms, net exports of goods and services increased by 8.3% in January-June 2010.

Foreign demand

Growth in foreign demand for Russian goods slowed down in 2010 Q3. Russian export quantities contracted as compared with 2010 Q1 and Q2. Exports increased by 37.8% to \$286.6 bil-

lion in January-September 2010 (according to the balance of payments estimate as of October 5, 2010), which was largely the result of the rise in prices. In January-September 2010, exports of oil, petroleum products (except petrol), natural gas, ferrous metals, mineral fertiliser, processed timber and some other commodities grew in quantity as compared with the same period last year. Growth in exports to the EU member countries was slightly faster than overall export growth. The share of the European Union in Russia's commodity exports increased in January-September 2010 due to the expansion of the share of the Netherlands and Germany as the principal importers of Russian goods. Growth in exports to the Asia-Pacific Economic Co-operation member countries and overall export growth slowed down but outpaced considerably the growth in exports to the EU member countries. Exports to Japan and other APEC member countries in the Asian region, and also to the United States grew rapidly whereas growth in exports to China continued to slow down. Exports to CIS member countries increased considerably slower than overall exports and expanded largely due to the fast growth in exports to Ukraine and the Republic of Moldova.

Supply

In January-September 2010, there was a rise in output in most of the key types of economic activity. Output in the basic economic activities increased by 4.8% on the same period last year (in January-September 2009, it contracted by 12.5%). Nevertheless, output declined in certain

Economic growth in foreign countries¹

GDP in the group of countries accounting for a large part of Russian exports increased by an estimated 3.6% in January-September 2010, as compared with the same period last year (in January-September 2009, it contracted by 4.8%). Preliminary data show that US GDP grew by 2.8%, eurozone GDP 1.5% and China's GDP 10.6%. In 2010 Q2, GDP in the economies of Russia's trading partners demonstrated higher-than-expected growth rates due to the expansion of private consumption and investment activity; however, in certain countries investment decline was observed to continue. Growth in foreign demand is expected to decelerate in 2010 Q3 and Q4, in particular under the impact of the higher statistical base effect.

According to the IMF forecast published in October 2010, the world production of goods and services will increase by 4.8% in 2010 (in July, it was expected to grow by 4.6%). US GDP is expected to expand by 2.6%, eurozone GDP 1.7% and China's GDP 10.5%. However, the economies of Russia's trading partners continue to face risks caused by possible lack of resources to boost considerably private consumption and investment activity. These risks remain high primarily for the world's leading economies, which considerably influence other economies.

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

types of economic activity in 2010 Q3. Output contracted in agriculture while growth decelerated considerably in transport and was slow in construction.

In January-September 2010, agricultural output declined by 10.7% and volume of works in construction by 0.8%. At the same time, output expanded by 8.5% in transport, 4.4% in retail trade and 1.3% in wholesale trade.

Industrial output grew by 8.9% in January-September 2010, whereas in the same period of 2009 it contracted by 12.9%. High rates of output growth were registered in the manufacturing industries (12.6%), especially the production of transport vehicles (31%), electrical, electronic and optical equipment (24.3%) and rubber and plastic products (21.2%).

Output in mining and quarrying rose by 4.2%; particularly marked growth was registered in the mining and quarrying of natural gas (14.7%) and coal (8.4%).

According to the Ministry of Agriculture's latest data, 62.3 million tonnes of grain had been threshed by mid-October, which represents a decrease of 36.8% on the same period last year.

According to data released by the Russian Economic Barometer, industrial production capacity utilisation ratio stood at 71% on average in January-September 2010 as against 64% in January-September 2009. The highest capacity utilisation ratio was registered in timber and wood-working industry (76%) and machine-building

(75%), whereas the lowest ratio was observed in the building materials industry (67%) and chemical industry (65%).

In January-September 2010, GDP grew by an estimated 3.6%, as compared with the same period last year. The output gap remained negative.

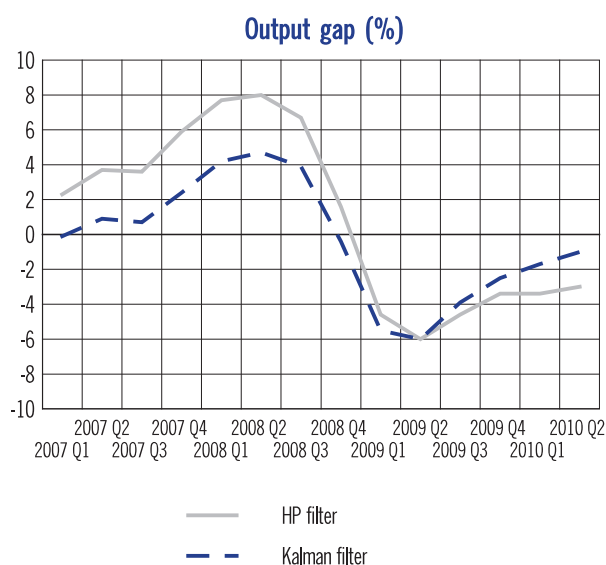
Labour market

The number of employed in the economy increased by an estimated 0.5% in January-September 2010, whereas in the same period of 2009 it fell by 2.4%.

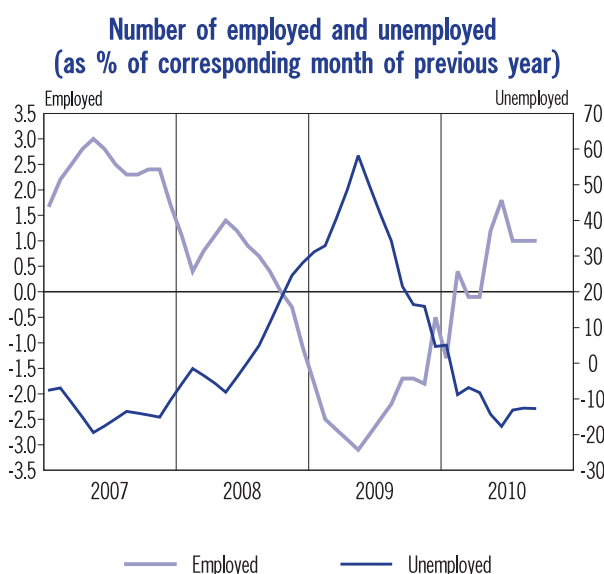
Labour productivity increased by an estimated 3.9% in 2010 H1. Estimates show that labour productivity in production of goods grew considerably faster than in production of services during this period. Growth in the output of goods considerably exceeded growth in the output of services. In 2010 H1, the number of employed in the services sector increased while the number of employed in production of goods continued to fall year on year, according to estimates.

In January-September 2010, real wage grew faster than labour productivity and stood at 5% (in January-September 2009, it contracted by 3.5%).

In 2010, wages continued to differ significantly in various types of economic activity. In January-August 2010, the highest average monthly wage was registered in the financial sector (48,439 rubles) and the mining and quarrying



Source: Bank of Russia calculations.



Source: Bank of Russia, Rosstat.

of energy producing materials (44,048 rubles), exceeding the national average by a factor of 2.4 and 2.2, respectively. The lowest wage was registered in agriculture, hunting and forestry (10,167 rubles), the manufacture of textile and textile products (9,835 rubles) and the production of leather, leather goods and footwear (10,562 rubles), representing respectively 50%, 48% and 52% of the national average. Wages below the national average were registered in the activities largely financed from the federal budget, such

as education, other utilities, public and personal services, healthcare and social services, and in the manufacturing industries, construction, wholesale and retail trade, and car and household goods repair services.

In February 2010, the total number of unemployed began to fall and in January-September it declined by 9.8% to 6.6% of the economically active population by the end of September (7.6% as of the end of September of 2009).

Monetary Conditions

Exchange rate

According to preliminary data, the current account surplus in January-September 2010 stood at \$60.9 billion. A net private capital outflow estimated at \$4.2 billion was registered in the reporting quarter, whereas in 2010 Q2 there was a net capital inflow of \$3.1 billion. As of October 1, 2010, Russia's international reserves reached \$490.1 billion, an increase of 6.3% over July-September.

In 2010 Q3, the situation in the domestic foreign exchange market remained stable, despite short-term exchange rate volatility. The Bank of Russia continued its policy of smoothing fluctuations in the value of the bi-currency basket (0.55 US dollars and 0.45 euros), an operational benchmark of its exchange rate policy. As part of its strategy aimed at improving the flexibility of the exchange rate, on October 13, 2010, the Bank of Russia widened the floating exchange rate band from 3 rubles to 4 rubles, cancelling the fixed quantitative limits on permissible fluctuations in the ruble value of the bi-currency basket.

The nominal ruble/US dollar rate slipped by 1.3% in 2010 Q3 (in 2010 Q2 it was down by 1.1%). It continued to demonstrate different dynamics in the reporting quarter. In July-August 2010, the ruble gained 1.6% and 1.1%, respec-

tively, against the US dollar but in September it slipped against the US currency, which was largely unrelated to fundamental factors and was mainly attributable to the stronger demand for foreign currency during this period amid corporate foreign debt payments.

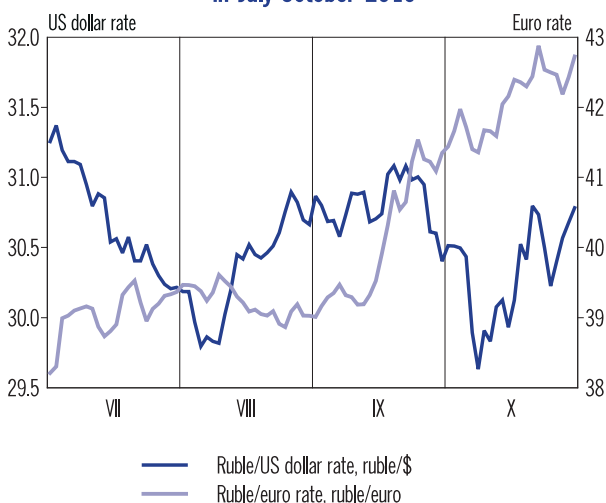
The nominal ruble/euro rate decreased by 2.3% in the quarter under review whereas in 2010 Q2 it gained 7.3%. The ruble fell against the single European currency in each of the three months of the quarter under review: by 2.5% in July, by 0.3% in August and by 2.2% in September.

The ruble value of the bi-currency basket stood at 35.4296 rubles as of October 1, 2010. In October, the value of the operational benchmark demonstrated different dynamics and as of November 1, 2010, stood at 36.1567 rubles.

The nominal effective rate of the ruble against foreign currencies decreased by 2.5% in July-September 2010 after its 3.8% growth in the previous quarter. The ruble's depreciation was largely caused by the fall in the nominal rate of the ruble against the euro during the quarter under review.

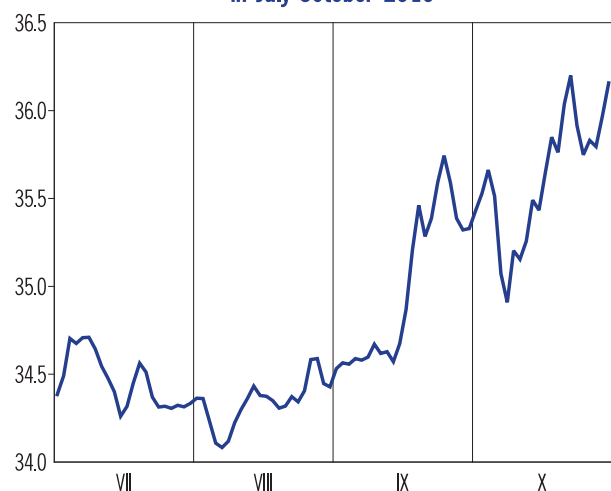
The real ruble/US dollar rate rose by 0.1% in 2010 Q3 after its decrease by the same percentage in the previous quarter. The real ruble/US

Nominal ruble/US dollar and ruble/euro rate in July-October 2010



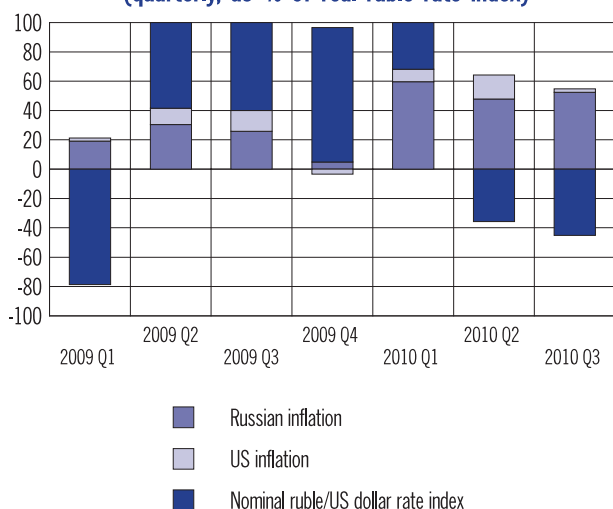
Source: Bank of Russia, Reuters.

Ruble value of bi-currency basket in July-October 2010



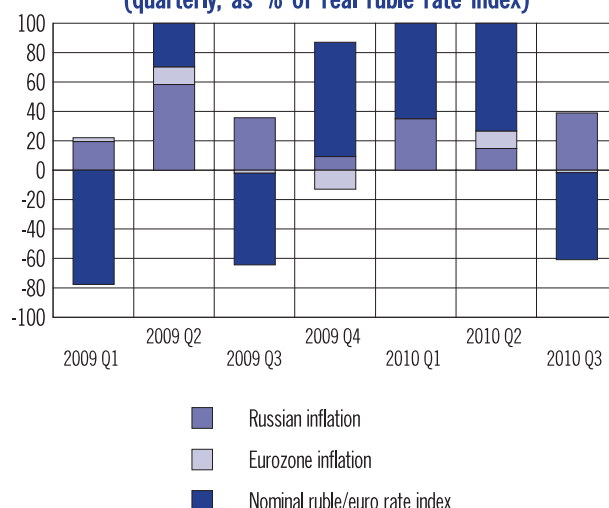
Source: Bank of Russia, Reuters.

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



Source: Bank of Russia, Reuters.

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



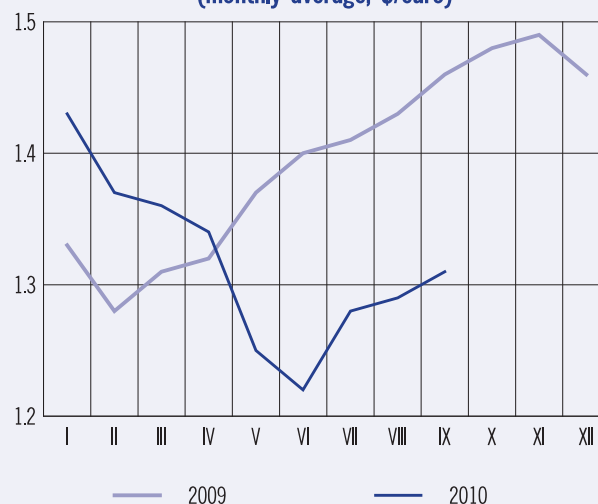
Source: Bank of Russia, Reuters.

International foreign exchange market

The US dollar gained more than 10% against the euro in the international foreign exchange market in January-September 2010 (September on December 2009). After its devaluation from the end of November 2009 to the beginning of June 2010, the euro appreciated in the subsequent period largely as a result of measures taken by the European Union and the IMF to reduce risks connected with unstable public finance in Greece and some other eurozone member states. The exchange rate of the euro against the US dollar and other currencies was influenced by the high rates of GDP growth in the member countries of the European Economic and Monetary Union in 2010 Q2.

In 2010 Q3, most world currencies appreciated against the US dollar, including the Chinese yuan (from mid-2010, China resumed the policy of more flexible exchange rate-setting). The dollar depreciated against both the currencies of the countries with higher interest rates as compared with the rates in the US financial market and the currencies of the countries with lower interest rates (including the Japanese yen and the Swiss franc). The dollar exchange rates against other currencies were affected by the risks for the US economy connected with persisting high unemployment rate. In 2010 Q3, there were increased expectations that the Federal Reserve would take additional measures to influence liquidity in the banking system.

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



Source: Reuters.

dollar rate dynamics were largely affected by the fluctuations of the ruble/US dollar nominal rate and domestic inflation.

The real ruble/euro rate dropped by 0.9% in July-September after its 8.0% growth in 2010 Q2. The relative contribution of the nominal rate of the ruble against the euro to the real ruble/euro

rate dynamics decreased slightly in the quarter under review but continued to exceed the contribution of the inflation differential.

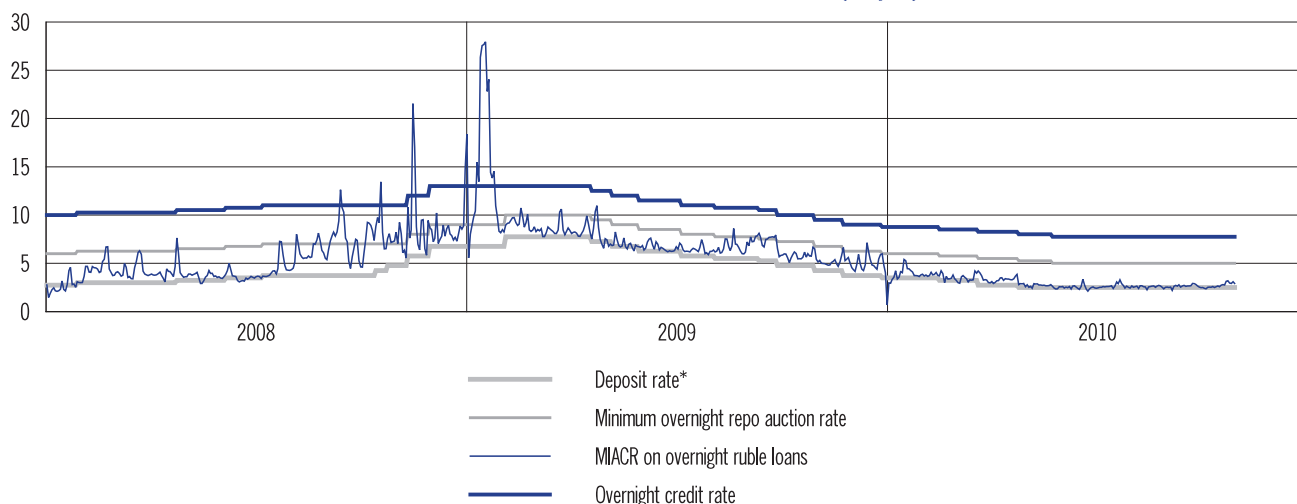
The real effective rate of the ruble against foreign currencies slipped by 1.3% in 2010 Q3 (in 2010 Q2 it gained 4.4%).

Interest rates

Taking into account the trends in economic activity and monetary conditions, the Bank of Russia Board of Directors took decisions in 2010 Q3 to keep the refinancing rate and interest rates on

its operations unchanged. Despite increased inflationary expectations in August-September 2010, the risk of inflation generated by monetary factors was moderate. The Bank of Russia considered the current level of interest rates on its operations as

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



* "Overnight" deposit rate since March 29, 2010, and "tom-next," "spot-next" and "demand" deposit rate before March 29, 2010.
Source: Bank of Russia.

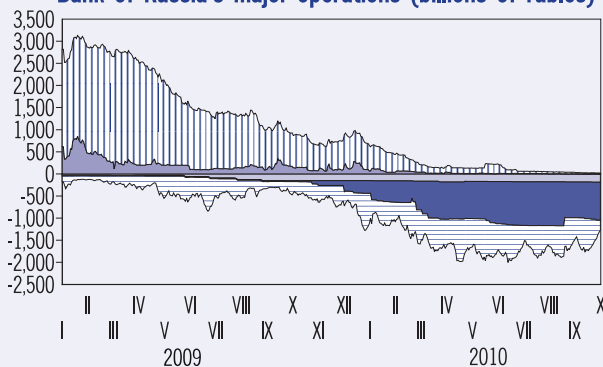
Liquidity situation and Bank of Russia operations

In July-October 2010, credit institutions placed their temporarily uncommitted funds in deposit accounts and Bank of Russia bonds amid the significant excess of banking sector liquidity, while the volume of operations and debt on refinancing instruments contracted.

The Bank of Russia's average daily liabilities to credit institutions on liquidity absorption instruments amounted to 1.6 trillion rubles in 2010 Q3 and 1.4 trillion rubles in October (1.3 trillion rubles in the first half of 2010). Bank of Russia bonds predominated in the structure of these liabilities in the period under review. The Bank of Russia's average daily claims to credit institutions on liquidity provision instruments decreased to approximately 65 billion rubles in 2010 Q3 and 25 billion rubles in October (they stood at 310 billion rubles in the first half of 2010).

Favourable dynamics of the major macroeconomic indices and banking sector stability indicators and the overall reduction of systemic risk allowed the Bank of Russia to limit access for credit institutions to unsecured and long-term loans and gradually replace them by conventional methods of providing liquidity. For this purpose, the Bank of Russia did not cut interest rates on unsecured loans and tightened twice credit risk limits. The Bank of Russia has not held 12-month repo auctions since March 2010 and 6-month repo auctions since April. On April 30, it stopped holding 12-month Lombard loan auctions and suspended the extension of loans against 'non-market' assets or guarantees for a term of 181 to 365 days. In addition, it suspended holding 6-month Lombard loan auctions and extending long-term unsecured loans from October 1, 2010, and announced it would suspend all unsecured loans starting from January 1, 2011.

Bank of Russia's major operations (billions of rubles)



- Required reserve accounts with the Bank of Russia*
- Bank of Russia bonds (OBR)*
- Deposit accounts with the Bank of Russia*
- Debt on overnight loans and repo operations
- Debt on Lombard loans, loans extended against 'non-market' assets or guarantees and unsecured loans

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

the one, which ensured an acceptable balance between major macroeconomic risks in the coming months. As a result, the overnight credit rate, which sets the upper limit of the Bank of Russia interest rate band, remained at 7.75% p.a. in July-September 2010. The standard overnight deposit rate, which sets the lower limit of the Bank of Russia interest rate band, stood at 2.5% p.a. in the period under review. The lowest interest rate at which a credit institution can receive refinancing in the Bank of Russia (at the repo auctions or Lombard loan auctions) was 5% p.a. On October 29, 2010, the Bank of Russia Board of Directors took a decision to continue pursuing an accommodative monetary policy in the coming months to support internal factors of growth and leave the refinancing rate and interest rates on its operations unchanged.

Average interest rates on ruble-denominated **interbank loans** with different terms to redemption continued to decline in 2010 Q3. The average quarterly MIACR on overnight ruble loans stood at 2.6% p.a. as against 2.9% p.a. in 2010 Q2. During the third quarter of 2010, it ranged between 2.1% and 3.3% p.a. (in 2010 Q2, it varied between 2.3% and 3.9% p.a.). In October 2010, MIACR on overnight ruble loans mostly increased, fluctuating within the range of 2.4% to 3.2% p.a. The average overnight MIACR on ruble loans gained 0.1 percentage points in October month on month to stand at 2.7% p.a. The interest rate on ruble interbank loans placed by Russian banks

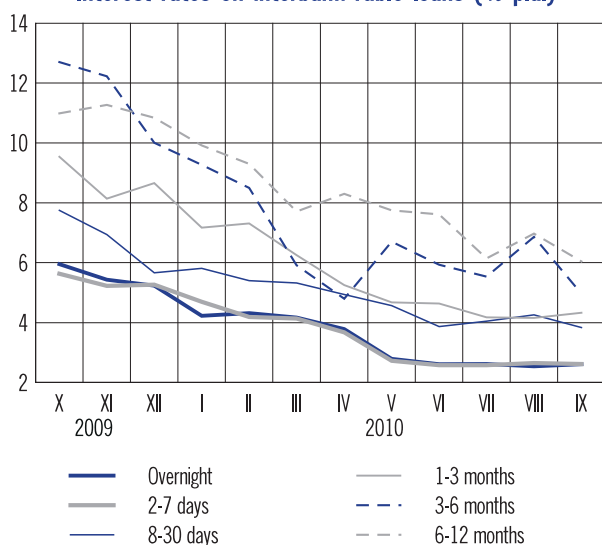
for a term of 2-7 days fell from 3.0% p.a. in 2010 Q2 to 2.6% p.a. in 2010 Q3, the rate on 8-30-day loans declined from 4.5% to 4.1% p.a. and the rate on 1-3-month loans was down from 4.9% to 4.2% p.a.

In 2010 Q3, **interest rates on household deposits** with all terms (from 1 month to 3 years) continued to decline. In 2010 Q3, the average short-term and long-term (1 year to 3 years) ruble deposit rates fell by 1.0 percentage point quarter on quarter to 6.0% p.a. and 6.5% p.a., respectively.

In 2010 Q3, the average interest rate on ruble-denominated long-term **loans to households** was 18.0% p.a., a decrease of 0.4 percentage points from 2010 Q2. The average interest rate on short-term loans increased by 0.8 percentage points to 26.8% p.a. in 2010 Q3.

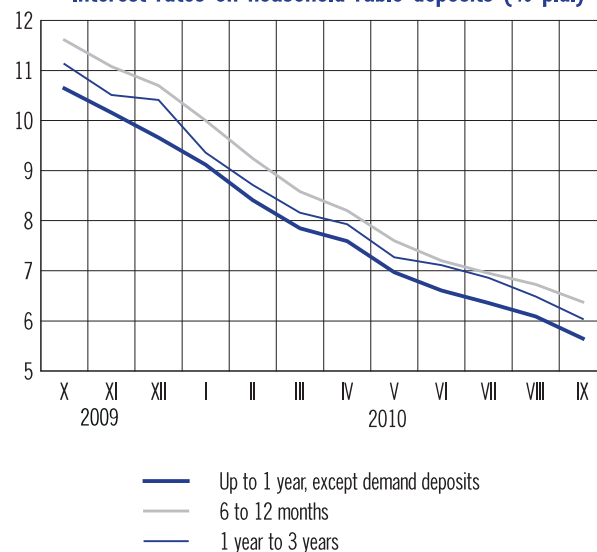
Average quarterly interest rates on **loans to non-financial organisations** continued to fall in 2010 Q3. The average interest rate on short-term loans to non-financial organisations stood at 10.0% p.a. in 2010 Q3, a drop of 1.3 percentage points from 2010 Q2. The average interest rate on long-term loans was down by 0.9 percentage points to 11.4% p.a. As before, in 2010 Q3 the most significant fall (by 1.9 percentage points) in the average interest rate was registered on loans with terms from 1 month to 3 months quarter on quarter. The yield curve for loans to non-financial organisations shifted down in 2010 Q3 compared with 2010 Q2. The yield curve continued to rise in

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



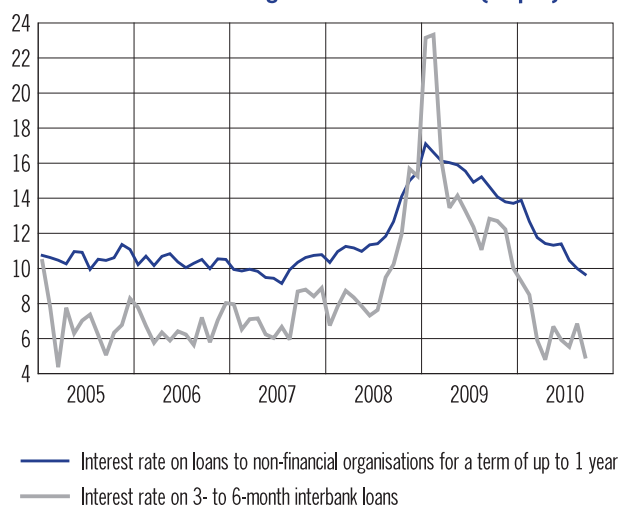
Source: Bank of Russia.

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



Source: Bank of Russia.

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

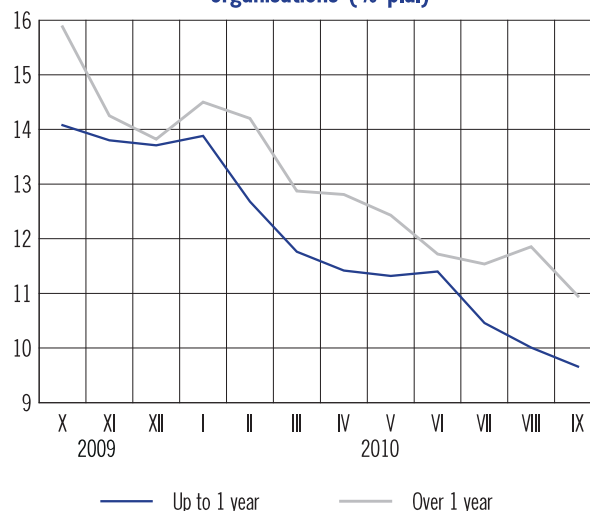


Source: Bank of Russia.

the up-to-6-months and over-3-years segments and to fall slightly in the segment of 6 months to 3 years.

OFZ market yields changed within a narrow horizontal band in July-October 2010. As of the end of 2010 Q3, the effective OFZ market portfolio indicator (MPI) increased by 0.1 percentage points quarter on quarter to 7.3% p.a. The average quarterly effective MPI fell by less than 0.1 percentage points to 7.3% p.a. Relative to the end of September, the effective MPI at the end of October remained unchanged at 7.3% p.a. The average effective MPI decreased by 0.1 percentage points in October month on month and also stood at 7.3% p.a.

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

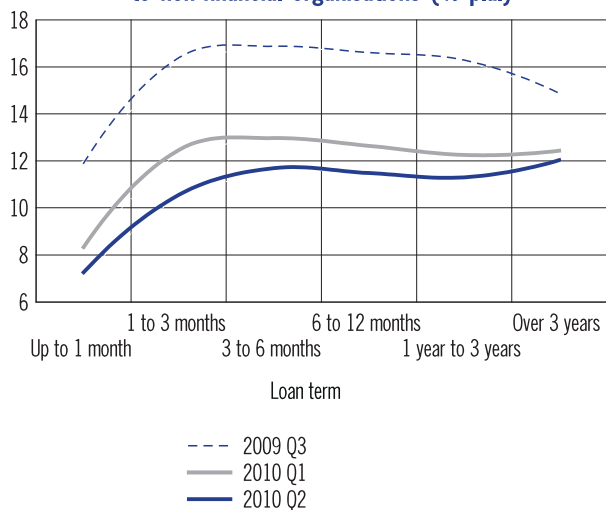


Source: Bank of Russia.

In July-October 2010, the OFZ yield curve retained its upward sloping shape, demonstrating slight changes in its position. By the end of October, the slope of the government bond yield curve had increased slightly as compared with July-September 2010.

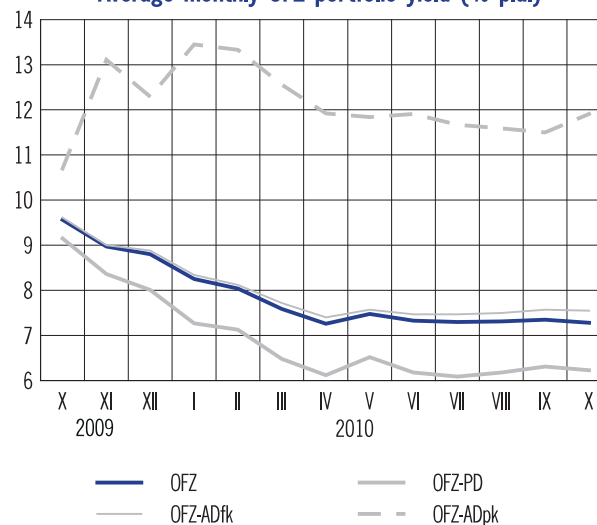
In July-October 2010, the dynamics of yields in the **ruble regional bond market** were similar to the dynamics of OFZ bond yields but were characterised by greater volatility. **Ruble corporate bond** yields continued to decline till the last week of September, after which they changed within a horizontal band. In 2010 Q3, the average regional and corporate bond yields fell by 0.5 percentage points and 0.7 percentage points, quarter on

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



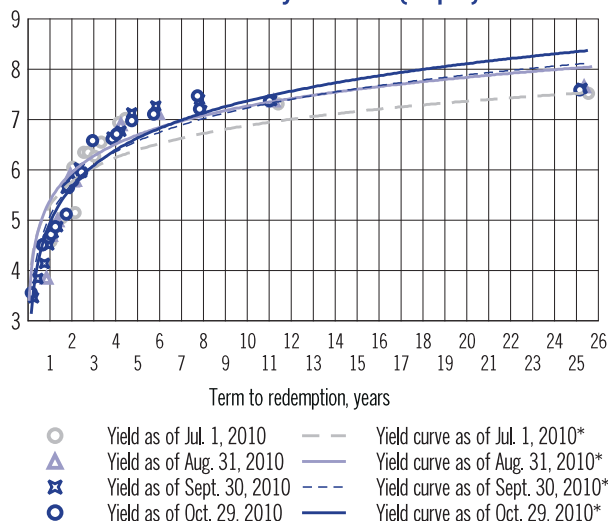
Source: Bank of Russia.

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



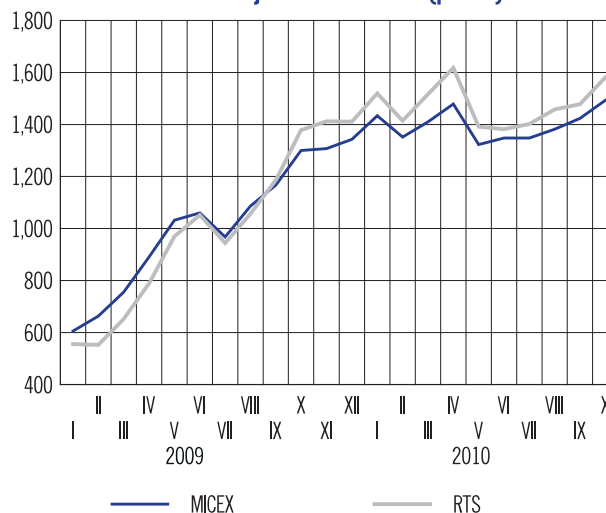
Source: Bank of Russia.

OFZ effective yield curve (% p.a.)



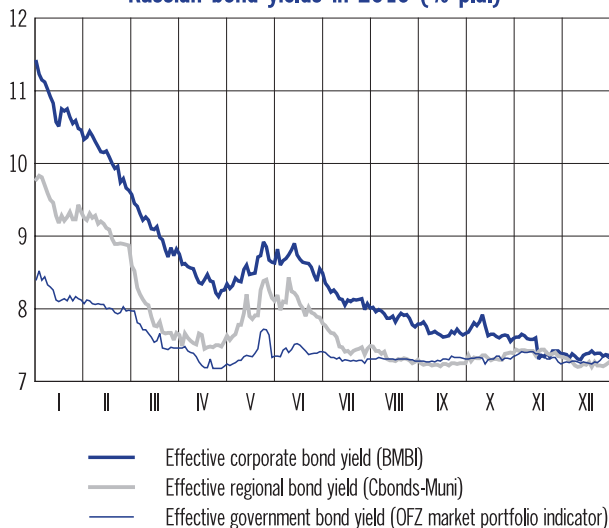
* The yield curve has been fitted using the logarithmic function.
Source: Bank of Russia.

Russia's major stock indices (points)*



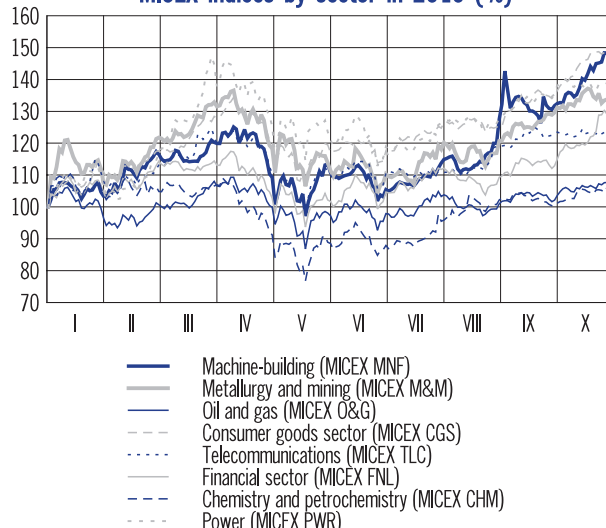
* Monthly averages.
Source: MICEX, RTS.

Russian bond yields in 2010 (% p.a.)



Source: Bank of Russia, Cbonds.ru, Bank of Moscow OJSC.

MICEX indices by sector in 2010 (%)*



* Indices as of December 31, 2009 = 100%.
Source: MICEX, Bank of Russia calculations.

quarter, to 7.3% p.a. and 7.7% p.a., respectively. In October, the average regional and corporate bond yields fell by 0.1 percentage points and 0.2 percentage points, month on month, to 7.3% p.a. and 7.4% p.a., respectively. In July-October 2010, spreads between OFZ, corporate and regional bond yields continued to narrow.

Asset prices

In 2010 Q3, the Russian stock market demonstrated upward trends in securities prices, although they remained highly volatile. As of September 30, 2010, the MICEX index grew by 10.0% quarter on quarter, to 1,440.30 points

and the RTS index was up by 12.6% to 1,507.66 points. The average MICEX and RTS indices in 2010 Q3 were lower than in 2010 Q2 by 0.1% and 1.5%, respectively.

In the third quarter of 2010, there was a considerable rise in the prices of corporate stocks in the key sectors of the economy. The most significant increase in the prices of corporate stocks in the period under review was registered in the machine-building, chemical and petrochemical industry, metallurgy, the electric power and consumer sectors.

In October 2010, Russian stock prices continued to grow due to positive price trends in the

world stock market. At the end of October, the MICEX index gained 5.8% month on month and reached 1,523.39 points and the RTS index rose by 5.3% to 1,587.14 points. In October, corporate stock prices increased in most sectors of the Russian economy, especially the machine-building, banking, and consumer sectors. Corporate stock prices in telecommunications, on the contrary, slightly decreased as compared with the end of September.

Monetary aggregates

Growth in money demand gradually recovered in 2010 after its significant contraction during the crisis. However, the current dynamics of the major macroeconomic indicators make money demand grow slower than in the pre-crisis period so far.

The annual rates of growth in monetary aggregate M2 accelerated quickly from October 2009 and reached the level of about 30% since May 2010. The dynamics of the annualised 6-month growth rates of M2, which depend to a lesser extent on the base effect, demonstrate the slowing of M2 growth rates in January-September 2010. Seasonally-adjusted monthly rates of growth in monetary aggregate M2 in July-September 2010 were on average higher than in 2010 Q2.

Household deposits were the most rapidly growing component of monetary aggregate M2. In January-September 2010, they increased by

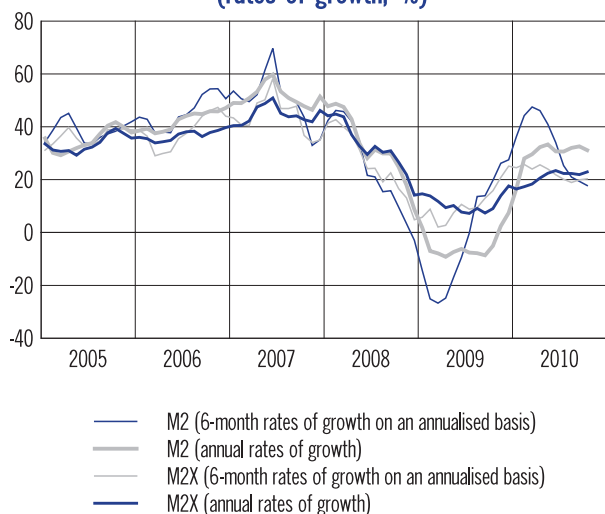
27.4%, as against 9.3% in January-September 2009. As a result, the annual rate of growth in ruble household deposits reached 48.2% as of October 1, 2010.

In January-September 2010, the non-financial organisation deposits increased by 3.1% as against 1.1% in the same period last year. The annual rate of growth in ruble non-financial organisation deposits was observed to decline from May 2010 and stood at 16.8% as of October 1, 2010, as compared with 30.2% as of May 1, 2010 (14.5% at the beginning of 2010).

Monetary aggregate M0 increased by 12% in January-September 2010, whereas in the same period of 2009 it contracted by 8.1%. The annual rate of growth in cash increased in 2010 and stood at 29.8% as of October 1, 2010. At the same time, seasonally-adjusted monthly rates of growth in monetary aggregate M0 were on average lower in 2010 Q3 than in 2010 H1.

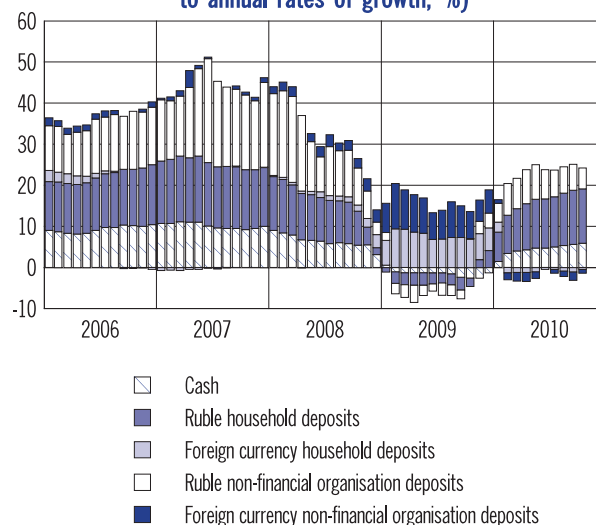
Cash dynamics were heavily dependent on changing public preferences with regard to foreign currency. In 2010 Q3, household demand for foreign currency cash increased. Net purchases of foreign currency by households through exchange offices totalled \$3.5 billion in July-September 2010 (in January-June 2010, net sales stood at \$2.4 billion). Nevertheless, according to Russia's balance of payments preliminary estimates, the value of foreign currency cash outside the banking system decreased by \$13 billion in January-September 2010.

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



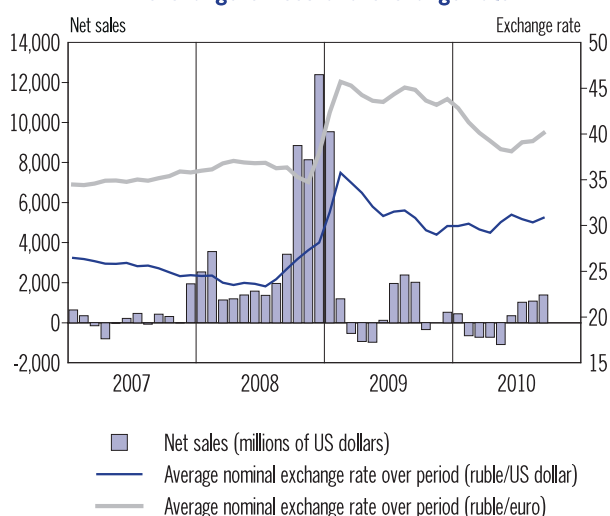
Source: Bank of Russia.

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



Source: Bank of Russia.

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

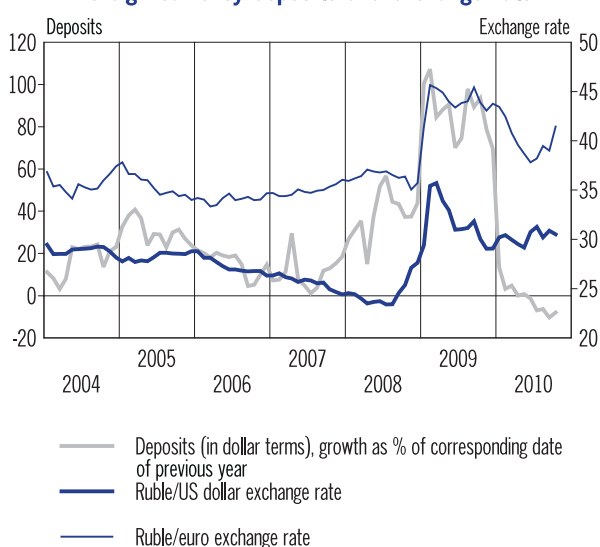


Source: Bank of Russia.

Exchange rate dynamics had a marked effect on the dynamics of foreign currency deposits. In January-September 2010, their value contracted by 5.1% in ruble terms (in dollar terms, this contraction was more significant). The largest contraction was registered in the first half of 2010 whereas in the second half the downward trend in the value of foreign currency deposits came to a halt. The level of dollarisation of deposits continued to shrink in January-September 2010 and as of October 1, 2010, it fell to 16.8% as against 22.1% as of the same date a year earlier.

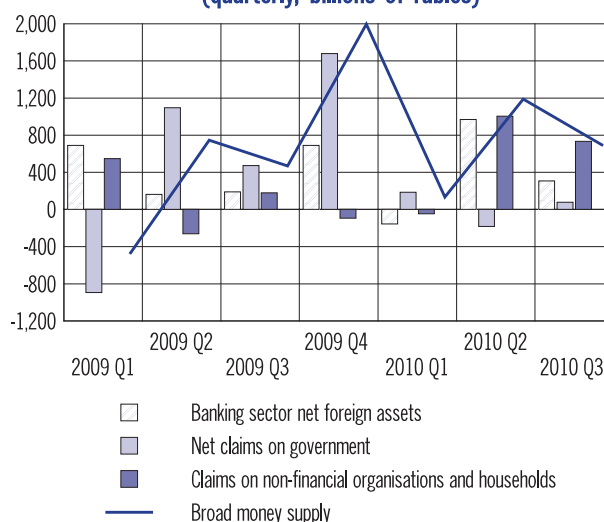
The dynamics of foreign currency deposits led to the lower annual rates of growth in monetary aggregate M2X as compared with M2. Nev-

Foreign currency deposits and exchange rate



Source: Bank of Russia.

Main sources of money supply growth (quarterly, billions of rubles)



Source: Bank of Russia.

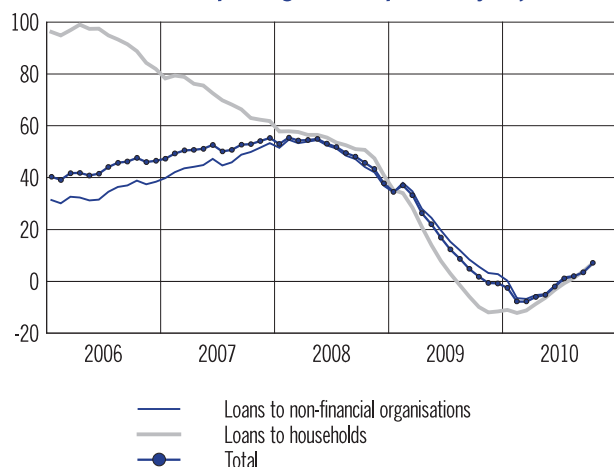
ertheless, the annual rates of growth in M2X continued to accelerate from October 2009 and on October 1, 2010, reached 22.9%. The dynamics of the annualised 6-month rates of growth in broad money M2X testify to a slight increase in M2X growth rates in 2010 Q3.

Bank of Russia interventions in the domestic foreign exchange market and the gradual increase in bank lending to the real sector of the economy (this factor played an especially important role in money supply growth in 2010 Q2 and Q3) were the main sources of the expansion of aggregate money supply in January-September 2010. The budgetary factor had a neutral effect on money supply dynamics in the first nine months of 2010. The significant acceleration of the rates of growth in aggregate money supply in late 2009 and early 2010 to the level exceeding the rates of growth in money demand suggests that the risk of inflation may increase owing to the monetary factors at the end of 2010 and in 2011.

Credit aggregates

Bank lending activity is an important indicator characterising the impact of monetary policy measures on the performance of the real sector of the economy. Debt on all categories of loans, except foreign currency loans to households, continued to grow in 2010 Q3. The debt on ruble loans extended to non-financial organisations increased by 4.4% in the period under review and on foreign currency loans by 5.1%. The debt on

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

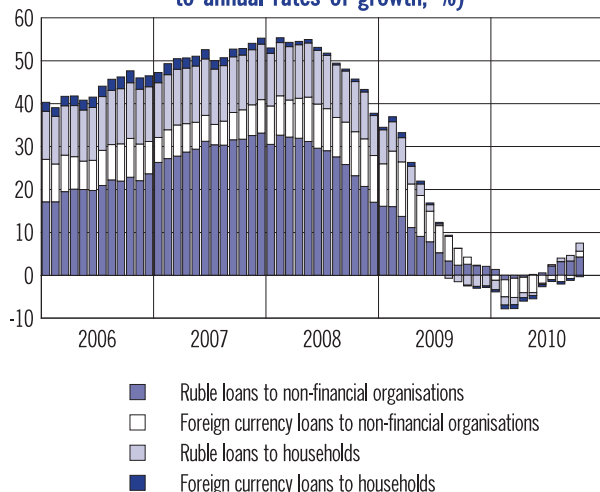


Source: Bank of Russia.

ruble loans extended to households expanded by 6.6% whereas the household debt on foreign currency loans contracted by 4.5%. As a result, the annual rate of growth in total debt on loans stood at 7.1% as of October 1, 2010.

Despite relatively low annual growth rates, credit aggregates demonstrated sufficiently fast growth in recent months. In particular, seasonally-adjusted 6-month rates of growth in debt on loans in September 2010 came close to 20% on an annualised basis (3-month growth rates reached this mark already in June). At the same time, these trends are not yet stable while the banking intermediation system has not recovered in full.

Loans to non-financial organisations and households (contribution by various types of loans to annual rates of growth, %)



Source: Bank of Russia.

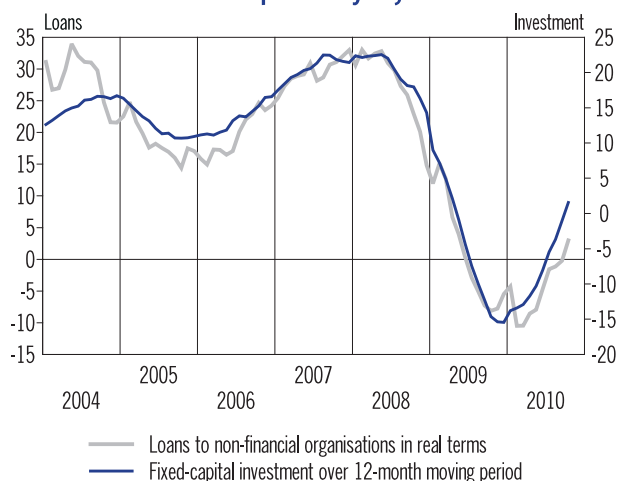
Dynamics of some kinds of bank assets (growth against corresponding date of previous year, billion rubles)



Source: Bank of Russia.

Low interest rates and the high level of liquidity registered in the money market are among major factors contributing to lending activity recovery. In addition, the continued growth of the deposit base of banks, which leads to the expansion of their liabilities, results in the corresponding increase in bank assets. Until recently, these were largely liquid risk-free assets, such as foreign assets and also Russian Government and Bank of Russia obligations. However, banks' net foreign assets started to contract from March 2010 and in August the annual growth of net foreign assets in the banking system was negative for the first time since 2008. At the same time, banks' investment in Russian Government obligations and

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



Source: Bank of Russia, Rosstat.

Bank of Russia bonds remained considerable. It is likely that as banks restore their confidence in the prospects of the real sector of the economy, they will gradually give up low-yield money market assets in favour of the expansion of lending to the non-financial sector.

Apart from the persisting risks for banks, another factor containing growth in lending activity was low demand for loans. At present this factor can also be regarded as the main cause restraining faster growth in lending. At the same time, as

aggregate demand recovers, lending activity also increases gradually. The demand for loans can be expected to grow further, if positive trends continue in the real sector of the economy.

Therefore, the negative trends developing in credit markets in the past 18 months weakened in the third quarter of 2010, which resulted primarily in the growth of debts on loans. It can be presumed that growth in credit aggregates will accelerate in the near future.

Bank of Russia press releases on monetary policy measures in 2010 Q3

July 2010

July 1

The Bank of Russia External and Public Relations Department reports that as part of the work to gradually exit from anti-crisis measures, the Bank of Russia Board of Directors made a decision to suspend auctions to extend unsecured loans to credit institutions for a term of over five weeks starting from October 1, 2010, and for all terms starting from January 1, 2011.

The mechanism to extend unsecured loans was introduced by the Bank of Russia during the most acute phase of the crisis (in the fourth quarter of 2008) and together with the Bank of Russia's other measures helped overcome the systemic shortage of liquidity in the banking sector. The debt of credit institutions on unsecured loans over the period of their extension by the Bank of Russia dropped from the peak level of 1,924 billion rubles in mid-February 2009 to 50.3 billion rubles as of July 1, 2010. Now that the situation in the domestic financial market has stabilised and, in particular, the situation with banking sector liquidity has come to normal, the demand for this refinancing instrument has declined sharply.

Therefore, the Bank of Russia's decision to halt the mechanism of extending unsecured loans will not have an adverse impact on the banking sector as a whole and will not create any additional risk for the sustainability of credit institutions.

The Bank of Russia reserves the right to use this instrument as and when necessary.

July 15

The Bank of Russia External and Public Relations Department reports that the Bank of Russia will cease from October 1, 2010, repo operations with non-government securities (except for Bank of Russia bonds and securities denominated in foreign currency) in the MICEX trading system. The Bank of Russia will strike repo deals with these securities only in compliance with Bank of Russia Regulation No. 329-P, dated November 28, 2008, 'On the Terms and Conditions of Repo Operations Conducted by the Bank of Russia with Russian Credit Institutions on the Stock Exchange'.

July 30

The Bank of Russia External and Public Relations Department reports that the Bank of Russia Board of Directors made a decision on July 30, 2010, to leave the refinancing rate and interest rates on Bank of Russia operations unchanged.

The Bank of Russia made this decision taking into consideration persisting major trends in the dynamics of economic activity indicators and the state of the monetary sphere.

In June-July 2010, inflation continued to slow down and its annual rate stood at 5.7% as of July 26. The risk of inflation estimated by the Bank of Russia for the coming months does not currently give any grounds for reviewing monetary policy parameters.

Positive trends were registered in the dynamics of Russia's key macroeconomic indicators. A considerable decrease in the unemployment rate was registered in June again. Along with the continued growth in

real wages, this factor creates conditions for the further resumption of domestic demand. Taking into account that the unemployment rate has reached the pre-crisis level by now, its further decrease may signal a return of the economy to the sustainable growth trajectory.

The continued dynamic growth of fixed capital investment and retail trade turnover in June and the further expansion of bank lending to the economy were the major signs of economic recovery. At the same time, the volume of consumer lending remains below the pre-crisis level while the volume of household deposits continues to grow. These trends testify to the persisting potential for domestic demand to grow as a result of the lower public propensity for savings and higher credit activity, which will be facilitated by the Bank of Russia's current monetary policy.

In June, the situation in the domestic financial markets remained stable while the intensity of cross-border capital flows was relatively low. In these conditions, there were no marked trends in the ruble's exchange rate dynamics while the risks of its fall or rise were counterbalanced. The volume of the Bank of Russia's operations in the domestic foreign exchange market remained moderate and contributed to the stabilisation of money supply growth.

Provided that the current macroeconomic trends persist, the Bank of Russia considers the existing level of the refinancing rate and interest rates on its deposit operations as one that ensures for the next few months an acceptable balance between the accessibility of borrowings and inflationary risks conditioned by monetary factors.

The next meeting of the Bank of Russia Board of Directors to consider interest rate policy is scheduled for August 2010.

August 2010

August 31

The Bank of Russia External and Public Relations Department reports that the Bank of Russia Board of Directors made a decision on August 31, 2010, to leave the refinancing rate and interest rates on Bank of Russia operations unchanged.

After the continued period of inflation decline, consumer price growth accelerated in August amid increased inflationary expectations conditioned by diverse estimates of the impact of abnormal weather conditions on agricultural output and the rise of grain prices in the world market. As a result, annualised inflation rose from 5.5% in July 2010 to 5.9% as of August 23. However, the Bank of Russia does not currently see any sufficient grounds for the conclusion that the above-mentioned price shocks will have a negative effect on inflation in the medium- or long-term perspective. The Bank of Russia will continue monitoring the impact of these factors on inflation processes.

The data on major macroeconomic indicators suggest that the risks for sustainable growth still persist in the Russian economy. After major economic indicators registered a considerable improvement in 2010 Q2, economic recovery slowed down in July, which was evidenced by the change of the industrial production index, investment dynamics and some deterioration of employment indices. At the same time, interest rates on bank loans to non-financial organisations continued to fall in July. This process was facilitated by the Bank of Russia's accommodative monetary policy. Besides, the trend towards the revival of consumer activity continued.

The signs of unstable economic growth recovery were registered not only in Russia but also in the world's leading economies.

Taking into account the above trends, and also the persisting moderate inflationary risks conditioned by monetary factors, the Bank of Russia considers it possible to maintain its current monetary policy parameters in the next few months to further increase bank lending and help the economy reach the trajectory of sustainable growth.

The next meeting of the Bank of Russia Board of Directors to consider interest rate policy is scheduled for September 2010.

September 2010

September 8

The Bank of Russia External and Public Relations Department reports that under the agreement with the National Foreign Exchange Association (NFEA), the Bank of Russia will calculate from September 8, 2010, the daily Ruble Overnight Index Average (RUONIA), a benchmark rate in the Russian interbank market measuring the value of unsecured borrowings by banks with minimum credit risks.

The RUONIA rate shall be calculated using the methodology developed by the NFEA jointly with the Bank of Russia, on the basis of deposit transactions between RUONIA member banks. The information required for RUONIA calculation shall be submitted pursuant to report form No. 0409701 'Report on Foreign Exchange and Money Market Operations' in compliance with Bank of Russia Ordinance No. 2332-U, dated November 12, 2009, 'On the List and Forms of and the Procedure for Compiling and Presenting Credit Institution Reports to the Central Bank of the Russian Federation'.

The list of RUONIA member banks shall be drawn up by the NFEA and comprise 31 credit institutions.

The Bank of Russia shall submit to the NFEA the data for the RUONIA rate publication no later than 5 p.m. Moscow time on the following business day and post this information on its official website.

More detailed information on the RUONIA rate is available on the website www.ruonia.ru.

September 13

The Bank of Russia External and Public Relations Department reports that for the purpose of bringing the parameters of the Bank of Russia refinancing instruments into compliance with its monetary policy goals, the Bank of Russia shall stop setting daily limits on funds provided in currency swap operations from September 10, 2010.

September 21 (extract from the press release)

The Bank of Russia External and Public Relations Department reports that pursuant to the decision taken by the Bank of Russia Monetary Policy Committee (minutes No. 12 of September 9, 2010), the Bank of Russia shall suspend auctions to extend 6-month loans from October 1, 2010.

September 28

The Bank of Russia External and Public Relations Department reports that on September 28, 2010, the Bank of Russia Board of Directors made a decision to leave the refinancing rate and interest rates on Bank of Russia operations unchanged.

The decision was made taking into consideration the trends in the dynamics of key macroeconomic indicators and the situation in the domestic financial market.

As of September 20, 2010, inflation stood at 6.7% on a year-on-year basis, which represents an increase of 0.6 percentage points as compared with the previous month. In September, increased inflationary expectations prompted by the effects of unfavourable weather conditions of the previous period, continued to exert pressure on the level of prices for some groups of foodstuffs. At the same time, the Bank of Russia still believes that inflationary risks conditioned by monetary factors are at an acceptable level, and will continue monitoring the impact of various factors on inflationary processes.

Certain production and investment indicators improved in August as compared with the previous month, although the signs of unstable economic growth still persisted.

The employment rate was unchanged, creating conditions for a further rebound of domestic demand with account taken of the continued growth in household real money income.

The dynamics of bank lending activity also remained positive: the volume of lending to the economy continued to grow in August while interest rates on loans extended to the real sector of the economy had come close to the pre-crisis level. At the same time, the increased uncertainty about developments in for-

eign markets created additional risks for the sustainable growth of the Russian economy, prompting the need for the Bank of Russia to maintain its accommodative monetary policy to support internal factors of growth.

Taking into account the above trends, the Bank of Russia believes that the current parameters of its interest rate policy ensure an acceptable balance between major macroeconomic risks.

The next meeting of the Bank of Russia Board of Directors to consider interest rate policy is scheduled for October 2010.

Statistical Addendum

Table 1

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

	Monthly inflation	Core inflation	Food price growth	Food price growth ¹	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices ²	Service price growth
2008								
January	2.3	1.1	1.9	1.2	8.3	0.6	0.6	5.4
February	1.2	1.0	1.7	1.3	5.1	0.6	0.6	1.4
March	1.2	1.1	2.0	1.5	5.9	0.7	0.7	0.6
April	1.4	1.3	2.2	1.8	5.5	0.9	0.7	1.0
May	1.4	1.1	2.1	1.5	6.4	0.8	0.6	1.0
June	1.0	0.9	1.1	1.2	0.4	0.7	0.5	1.1
July	0.5	0.8	0.1	1.0	-6.7	0.7	0.5	0.9
August	0.4	1.0	-0.2	1.2	-11.3	0.6	0.6	0.9
September	0.8	1.4	0.7	1.5	-6.4	0.7	0.8	1.0
October	0.9	1.3	1.6	1.8	-0.4	0.8	1.0	0.0
November	0.8	1.1	1.3	1.3	1.0	0.5	0.9	0.7
December	0.7	0.8	1.0	1.0	1.7	0.1	0.6	1.0
Full year (December on December)	13.3	13.6	16.5	17.5	7.7	8.0	8.4	13.3
2009								
January	2.4	1.3	1.4	1.1	4.7	0.7	1.0	6.3
February	1.7	1.6	1.9	1.5	4.9	1.6	1.8	1.4
March	1.3	1.4	1.7	1.4	4.5	1.4	1.6	0.6
April	0.7	0.8	0.7	0.8	-0.1	1.0	1.1	0.3
May	0.6	0.5	0.7	0.3	4.1	0.7	0.8	0.3
June	0.6	0.3	0.5	0.1	3.9	0.8	0.3	0.5
July	0.6	0.3	0.6	0.2	3.2	0.6	0.2	0.8
August	0.0	0.5	-0.9	0.4	-11.0	0.6	0.4	0.4
September	0.0	0.5	-0.8	0.4	-11.5	0.7	0.6	0.1
October	0.0	0.3	-0.5	0.0	-6.1	0.6	0.7	-0.1
November	0.3	0.3	0.3	0.2	0.9	0.4	0.4	0.1
December	0.4	0.4	0.6	0.3	3.0	0.2	0.3	0.5
Full year (December on December)	8.8	8.3	6.1	6.9	-1.7	9.7	9.8	11.6
2010								
January	1.6	0.5	1.4	0.8	7.2	0.2	0.3	3.9
February	0.9	0.5	1.3	0.8	5.6	0.3	0.3	1.0
March	0.6	0.5	1.0	0.7	4.2	0.4	0.4	0.4
April	0.3	0.2	0.3	0.2	1.1	0.3	0.3	0.2
May	0.5	0.1	0.7	-0.1	7.2	0.4	0.3	0.4
June	0.4	0.2	0.5	0.0	4.6	0.2	0.2	0.4
July	0.4	0.4	0.3	0.4	-0.6	0.3	0.2	0.6
August	0.6	0.7	0.9	1.2	-1.4	0.4	0.4	0.3
September	0.8	1.1	1.6	1.8	0.2	0.6	0.6	0.0

¹ Excluding vegetables and fruit.

² Bank of Russia estimate.

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

Table 2

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

	Monthly inflation	Core inflation	Food price growth	Food price growth ¹	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices ²	Service price growth
2008								
January	2.3	1.1	1.9	1.2	8.3	0.6	0.6	5.4
February	3.5	2.1	3.6	2.5	13.9	1.2	1.2	6.8
March	4.8	3.2	5.7	4.0	20.6	2.0	1.9	7.5
April	6.3	4.5	8.0	5.9	27.2	2.9	2.6	8.5
May	7.7	5.7	10.2	7.5	35.4	3.7	3.2	9.6
June	8.7	6.7	11.4	8.7	36.0	4.4	3.7	10.8
July	9.3	7.6	11.5	9.8	26.9	5.2	4.2	11.9
August	9.7	8.6	11.3	11.2	12.5	5.8	4.9	12.9
September	10.6	10.1	12.1	12.9	5.3	6.5	5.7	14.1
October	11.6	11.5	13.9	14.9	4.8	7.3	6.8	14.1
November	12.5	12.7	15.3	16.3	5.9	7.8	7.8	14.8
December	13.3	13.6	16.5	17.5	7.7	8.0	8.4	13.3
2009								
January	2.4	1.3	1.4	1.1	4.7	0.7	1.0	6.3
February	4.1	2.9	3.3	2.6	9.8	2.3	2.8	7.8
March	5.4	4.3	5.0	4.0	14.7	3.8	4.5	8.5
April	6.2	5.2	5.8	4.8	14.6	4.8	5.7	8.7
May	6.8	5.7	6.5	5.1	19.3	5.5	6.5	9.1
June	7.4	6.0	7.0	5.2	24.0	6.3	6.9	9.6
July	8.1	6.3	7.6	5.4	28.0	7.0	7.1	10.5
August	8.1	6.8	6.6	5.8	14.0	7.6	7.6	10.9
September	8.1	7.3	5.8	6.3	0.8	8.3	8.2	11.0
October	8.1	7.6	5.2	6.3	-5.4	9.0	9.0	10.9
November	8.4	8.0	5.5	6.5	-4.5	9.4	9.4	11.1
December	8.8	8.3	6.1	6.9	-1.7	9.7	9.8	11.6
2010								
January	1.6	0.5	1.4	0.8	7.2	0.2	0.3	3.9
February	2.5	1.0	2.7	1.6	13.2	0.5	0.6	5.0
March	3.2	1.5	3.8	2.3	18.0	0.9	1.0	5.4
April	3.5	1.7	4.1	2.5	19.3	1.3	1.3	5.6
May	4.0	1.8	4.8	2.4	27.9	1.7	1.7	6.0
June	4.4	2.0	5.4	2.4	33.8	1.9	1.9	6.4
July	4.8	2.4	5.7	2.8	32.9	2.2	2.1	7.0
August	5.4	3.1	6.6	4.1	31.0	2.5	2.5	7.3
September	6.2	4.3	8.4	5.9	31.3	3.1	3.1	7.4

¹ Excluding vegetables and fruit.

² Bank of Russia estimate.

Table 3

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

	Monthly inflation	Core inflation ¹	Food price growth	Food price growth ²	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices ¹	Service price growth
2008								
January	12.6	11.5	16.7	15.7	27.2	6.8	6.6	14.1
February	12.7	12.1	17.6	16.5	29.1	7.0	6.8	12.7
March	13.3	12.7	19.1	17.6	32.6	7.4	7.1	12.7
April	14.3	13.5	20.8	19.1	35.6	8.0	7.4	13.3
May	15.1	14.5	22.1	20.8	33.9	8.4	7.7	13.9
June	15.1	15.1	21.3	21.7	19.9	8.9	7.9	14.4
July	14.7	15.0	19.8	21.2	9.8	9.2	8.0	14.7
August	15.0	14.8	20.2	20.8	16.1	9.2	8.1	15.2
September	15.0	14.5	19.9	20.0	19.0	9.1	8.1	15.9
October	14.2	13.7	17.9	18.0	17.5	9.1	8.2	15.7
November	13.8	13.7	17.2	17.7	11.9	8.6	8.4	15.8
December	13.3	13.6	16.5	17.5	7.7	8.0	8.4	13.3
2009								
January	13.4	13.9	15.9	17.3	4.1	8.1	8.9	16.9
February	13.9	14.6	16.1	17.6	3.8	9.2	10.2	17.0
March	14.0	14.9	15.8	17.4	2.5	9.9	11.2	17.0
April	13.2	14.4	14.1	16.3	-3.0	10.0	11.7	16.2
May	12.3	13.6	12.5	14.9	-5.1	9.9	11.9	15.4
June	11.9	12.9	11.9	13.7	-1.8	9.9	11.7	14.6
July	12.0	12.3	12.4	12.7	8.7	9.8	11.4	14.5
August	11.6	11.7	11.6	11.8	9.1	9.9	11.2	13.9
September	10.7	10.8	9.9	10.6	3.2	9.9	11.0	12.8
October	9.7	9.6	7.6	8.7	-2.8	9.6	10.6	12.7
November	9.1	8.8	6.6	7.6	-2.9	9.6	10.0	12.1
December	8.8	8.3	6.1	6.9	-1.7	9.7	9.8	11.6
2010								
January	8.0	7.5	6.1	6.6	0.7	9.1	9.0	9.1
February	7.2	6.3	5.5	5.8	1.4	7.7	7.4	8.7
March	6.5	5.4	4.8	5.1	1.1	6.6	6.1	8.4
April	6.0	4.8	4.4	4.5	2.4	5.9	5.2	8.4
May	6.0	4.4	4.4	4.1	5.4	5.7	4.8	8.4
June	5.8	4.3	4.5	4.0	6.1	5.1	4.6	8.4
July	5.5	4.4	4.2	4.2	2.1	4.7	4.6	8.1
August	6.1	4.7	6.1	5.1	13.1	4.5	4.5	8.0
September	7.0	5.3	8.7	6.5	28.0	4.4	4.6	8.0

¹ Bank of Russia estimate.

² Excluding vegetables and fruit.

Table 4

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

	Foodstuffs ¹	Non-food products	Paid services	Vegetables and fruit	Inflation over period, %	Core inflation	Non-core inflation ²
2008							
January	0.4	0.2	1.3	0.3	2.3	0.8	1.5
February	0.9	0.4	1.7	0.5	3.5	1.6	1.9
March	1.4	0.7	1.9	0.8	4.8	2.5	2.3
April	2.1	1.0	2.1	1.0	6.3	3.6	2.7
May	2.6	1.3	2.4	1.4	7.7	4.5	3.2
June	3.1	1.6	2.7	1.4	8.7	5.3	3.5
July	3.5	1.9	3.0	1.0	9.3	6.0	3.3
August	3.9	2.1	3.2	0.5	9.7	6.8	2.9
September	4.5	2.3	3.5	0.2	10.6	8.0	2.6
October	5.2	2.6	3.5	0.2	11.6	9.2	2.4
November	5.7	2.8	3.7	0.2	12.5	10.1	2.4
December	6.2	2.9	4.0	0.3	13.3	10.8	2.5
2009							
January	0.4	0.3	1.6	0.2	2.4	1.0	1.4
February	0.9	0.9	2.0	0.4	4.1	2.4	1.7
March	1.4	1.4	2.1	0.5	5.4	3.5	2.0
April	1.6	1.8	2.2	0.5	6.2	4.2	2.0
May	1.8	2.1	2.3	0.7	6.8	4.6	2.2
June	1.8	2.4	2.4	0.9	7.4	4.8	2.6
July	1.9	2.6	2.6	1.0	8.1	5.1	3.0
August	2.0	2.9	2.7	0.5	8.1	5.5	2.6
September	2.1	3.1	2.8	0.0	8.1	5.9	2.1
October	2.1	3.4	2.7	-0.2	8.1	6.1	1.9
November	2.2	3.5	2.8	-0.2	8.4	6.4	1.9
December	2.4	3.6	2.9	-0.1	8.8	6.7	2.1
2010							
January	0.3	0.1	1.0	0.3	1.6	0.4	1.2
February	0.6	0.2	1.3	0.5	2.5	0.8	1.7
March	0.8	0.3	1.4	0.6	3.2	1.2	2.0
April	0.9	0.5	1.4	0.7	3.5	1.4	2.1
May	0.8	0.6	1.5	1.0	4.0	1.5	2.5
June	0.8	0.7	1.7	1.2	4.4	1.6	2.8
July	1.0	0.8	1.8	1.2	4.8	1.9	2.8
August	1.4	0.9	1.9	1.1	5.4	2.5	2.8
September	2.0	1.1	1.9	1.1	6.2	3.5	2.8

¹ Excluding vegetables and fruit.

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

Table 5

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

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

¹ Excluding vegetables and fruit.

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

³ Owing to zero inflation in August-October 2009, estimates may vary.

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

	Foodstuffs ¹	Non-food products	Paid services	Vegetables and fruit	Core inflation	Non-core inflation ²
2008						
January	18.9	9.3	58.1	13.7	36.2	63.8
February	25.1	12.1	47.9	14.9	46.1	53.9
March	29.7	14.7	39.0	16.6	52.7	47.3
April	33.0	16.5	33.9	16.6	57.0	43.0
May	34.2	17.1	31.1	17.6	58.5	41.5
June	35.2	18.2	30.8	15.7	60.5	39.5
July	37.3	19.9	31.7	11.1	64.4	35.6
August	40.6	21.4	33.0	5.0	70.5	29.5
September	43.0	22.0	33.1	1.9	75.7	24.3
October	45.3	22.9	30.2	1.6	79.2	20.8
November	46.0	22.6	29.6	1.8	80.8	19.2
December	46.4	21.6	29.8	2.2	81.5	18.5
2009						
January	15.6	11.3	66.2	7.0	42.3	57.7
February	22.1	21.5	47.9	8.6	57.7	42.3
March	25.3	26.1	38.9	9.7	64.0	36.0
April	26.7	29.3	35.5	8.5	67.9	32.1
May	25.9	30.5	33.4	10.2	67.5	32.5
June	24.1	31.9	32.4	11.6	65.0	35.0
July	23.0	32.3	32.3	12.4	62.6	37.4
August	24.7	35.3	33.8	6.2	67.6	32.4
September	26.7	38.7	34.2	0.4	73.3	26.7
October	26.6	41.9	33.8	-2.4	76.3	23.7
November	26.7	42.2	33.0	-1.9	76.7	23.3
December	26.7	41.0	33.0	-0.7	76.4	23.6
2010						
January	17.3	4.7	61.6	16.3	25.6	74.4
February	22.2	7.3	51.4	19.1	31.6	68.4
March	25.2	10.4	43.9	20.6	37.4	62.6
April	25.0	13.2	41.7	20.2	39.8	60.2
May	20.9	15.3	38.5	25.3	37.2	62.8
June	19.0	15.8	37.5	27.7	37.2	62.8
July	20.5	16.6	38.0	24.9	40.4	59.6
August	26.4	17.3	35.4	20.9	47.1	52.9
September	32.9	18.3	30.6	18.2	55.5	44.5

¹ Excluding vegetables and fruit.

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

Table 7

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

	Foodstuffs ¹	Non-food products	Paid services	Vegetables and fruit	Core inflation	Non-core inflation ²
2008						
January	18.9	9.3	58.1	13.7	36.2	63.8
February	36.8	17.4	28.5	17.3	64.9	35.1
March	43.2	22.6	12.8	21.4	72.2	27.8
April	43.5	22.0	17.6	16.9	70.3	29.7
May	39.1	20.1	18.9	21.9	65.2	34.8
June	42.7	26.5	28.7	2.2	74.5	25.5
July	69.6	47.5	45.8	-62.9	125.6	-25.6
August	122.9	59.3	67.5	-149.7	225.0	-125.0
September	69.7	29.4	34.5	-33.6	136.6	-36.6
October	69.5	32.2	-0.1	-1.7	116.9	-16.9
November	54.4	19.8	21.2	4.7	100.5	-0.5
December	50.8	5.9	34.3	8.9	91.7	8.3
2009						
January	15.6	11.3	66.2	7.0	42.3	57.7
February	31.2	35.9	22.0	10.9	79.5	20.5
March	35.2	40.0	11.7	13.1	83.0	17.0
April	37.5	53.9	9.3	-0.7	97.1	2.9
May	17.1	42.5	13.3	27.1	62.6	37.4
June	5.7	46.9	20.7	26.8	38.4	61.6
July	10.8	35.8	31.6	21.8	35.3	64.7
August ³						
September ³						
October ³						
November	28.1	49.3	12.4	10.2	87.7	12.3
December	27.2	18.3	31.2	23.4	70.2	29.8
2010						
January	17.3	4.7	61.6	16.3	25.6	74.4
February	30.6	11.7	33.6	24.1	42.2	57.8
March	36.4	22.1	15.4	26.0	59.6	40.4
April	23.4	42.8	18.0	15.8	65.3	34.7
May	-5.6	29.1	18.0	58.5	20.5	79.5
June	0.9	20.8	28.1	50.2	36.6	63.4
July	38.7	26.1	43.8	-8.5	79.6	20.4
August	75.8	22.8	13.2	-11.8	102.9	-2.9
September	72.6	25.0	1.4	1.0	107.1	-7.1

¹ Excluding vegetables and fruit.

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

³ Owing to zero inflation in August-October 2009, estimates may vary.

Russia's key macroeconomic and financial indicators

		Year	Q1	Q2	Q3	Q4	
Macroeconomic indicators							
GDP	over period since start of year, billion rubles	2008	8,902	19,158	30,744	41,429	
		2009	8,403	17,692	28,204	39,101	
		2010	9,873	20,733			
	over period since start of year, as % of corresponding period of previous year	2008	109.1	...	...	105.2
		2009	90.7	89.8	90.4	92.1	
		2010	103.1	104.2			
	as % of corresponding quarter of previous year	2008	109.1	107.7	106.4	98.9	
		2009	90.7	89.0	91.4	97.1	
		2010	103.1	105.2			
Industrial output indices	as % of corresponding quarter of previous year	2008	106.0	104.3	101.9	90.9	
		2009	84.5	86.4	90.4	101.8	
		2010	109.5	110.9	106.4		
	over period since start of year, as % of corresponding period of previous year	2008	106.0	105.2	104.1	100.6	
		2009	84.5	85.5	87.1	90.7	
		2010	109.5	110.2	108.9		
Agricultural output	as % of corresponding quarter of previous year	2008	105.5	106.9	113.0	111.3	
		2009	102.2	100.7	98.9	105.1	
		2010	103.6	102.3	81.4		
	over period since start of year, as % of corresponding period of previous year	2008	105.5	...	...	110.8
		2009	102.2	101.3	100.0	101.4	
		2010	103.6	102.9	89.3		
Fixed capital investment	over period since start of year, billion rubles	2008	1,314.6	3,306.1	5,675.1	8,781.6	
		2009	1,234.5	2,915.9	4,966.1	7,930.3	
		2010	1,262.6	3,174.1	5,566.2		
	as % of corresponding quarter of previous year	2008	123.4	117.6	112.3	98.7	
		2009	82.7	77.2	81.8	90.6	
		2010	95.9	105.3	107.3		
Retail trade turnover	over period since start of year, billion rubles	2008	2,952.8	6,278.9	9,936.9	13,920.7	
		2009	3,324.0	6,836.9	10,530.1	14,602.5	
		2010	3,621.1	7,546.0	11,737.0		
	as % of corresponding quarter of previous year	2008	117.2	114.9	115.0	108.7	
		2009	100.4	94.9	91.4	94.5	
		2010	101.7	105.3	105.9		
Federal budget on accrual basis, as of end of period	revenue	billion rubles	2008	1,932.7	4,370.7	7,155.7	9,275.9
			2009	1,732.7	3,172.2	5,114.4	7,337.8
			2010	1,954.9	3,997.9	6,008.6	
		as % of GDP	2008	21.7	22.8	23.3	22.4
			2009	20.6	17.9	18.1	18.8
			2010	19.8	19.3	18.4 ¹	
	expenditure	billion rubles	2008	1,332.7	2,995.6	4,594.2	7,570.9
			2009	1,762.4	3,893.8	6,441.7	9,660.1
			2010	2,199.5	4,386.2	6,701.2	
		as % of GDP	2008	15.0	15.6	14.9	18.3
			2009	21.0	22.0	22.8	24.7
			2010	22.3	21.2	20.5 ¹	
surplus(+)/deficit(-)	billion rubles	2008	600.0	1,375.1	2,561.5	1,705.1	
		2009	-29.7	-721.7	-1,327.2	-2,322.3	
		2010	-244.6	-388.3	-692.6		
	as % of GDP	2008	6.7	7.2	8.3	4.1	
		2009	-0.4	-4.1	-4.7	-5.9	
		2010	-2.5	-1.9	-2.1 ¹		
General government budget on accrual basis, as of end of period	revenue	billion rubles	2008	3,334.2	7,543.7	12,178.9	16,169.1
			2009	3,033.5	6,042.7	9,555.0	13,599.7
			2010	3,463.1	7,603.5	11,419.4	
		as % of GDP	2008	37.5	39.4	39.6	39.0
			2009	36.1	34.2	33.9	34.8
			2010	35.1	36.7	35.0 ¹	
	expenditure	billion rubles	2008	2,335.9	5,515.5	8,741.5	14,157.0
			2009	2,807.1	6,619.7	10,503.9	16,048.3
			2010	3,220.7	7,331.2	11,309.8	
		as % of GDP	2008	26.2	28.8	28.4	34.2
			2009	33.4	37.4	37.2	41.0
			2010	32.6	35.4	34.6 ¹	
	surplus(+)/deficit(-)	billion rubles	2008	998.4	2,028.1	3,437.4	2,012.1
			2009	226.4	-577.0	-948.9	-2,448.6
			2010	242.4	272.3	109.7	
		as % of GDP	2008	11.2	10.6	11.2	4.9
			2009	2.7	-3.3	-3.4	-6.3
			2010	2.5	1.3	0.3 ¹	

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

Table 8 (continued)

		Year	Q1	Q2	Q3	Q4	
Socio-economic indicators							
Nominal imputed average monthly per employee wage	rubles	2008	15,424	16,962	17,556	18,966	
		2009	17,441	18,419	18,673	20,670	
		2010	19,485	20,809	21,148		
	as % of corresponding quarter of previous year	2008	128.0	129.2	129.0	119.5	
		2009	112.8	108.0	105.7	108.4	
		2010	110.5	112.4	112.2		
	over period since start of year, as % of corresponding period of previous year	2008	128.0	...	...	127.2
		2009	112.8	110.3	108.6	107.8	
		2010	110.5	111.5	111.7		
Real imputed average monthly per employee wage, as % of corresponding quarter of previous year		2008	113.4	112.5	112.2	105.0	
		2009	99.2	96.1	94.8	99.3	
		2010	103.1	106.1	105.7		
Household money income (per capita monthly average), rubles		2008	12,278.1	14,828.4	15,662.4	16,973.9	
		2009	14,002.1	16,983.8	16,696.2	19,859.4	
		2010	15,942.7	18,531.8	18,424.0		
Household real disposable money income	as % of corresponding quarter of previous year	2008	107.8	106.1	104.9	93.7	
		2009	100.7	103.4	96.6	108.2	
		2010	107.4	103.2	104.2		
	over period since start of year, as % of corresponding period of previous year	2008	107.8	...	...	102.3
		2009	100.7	102.1	100.0	102.3	
		2010	107.4	105.1	104.8		
Household spending, as % of income	purchase of goods and services	2008	77.1	71.8	74.4	73.7	
		2009	76.3	66.8	70.8	64.8	
		2010	73.0	68.0	72.3		
	compulsory payments and contributions	2008	12.1	12.4	12.6	12.0	
		2009	11.3	10.3	10.9	10.3	
		2010	9.6	10.0	10.6		
	growth in savings	2008	8.3	7.1	4.6	2.2	
		2009	8.7	17.0	12.8	17.7	
		2010	15.9	15.4	11.7		
	purchase of foreign currency	2008	6.9	4.7	5.7	13.6	
		2009	10.3	3.5	6.0	3.5	
		2010	3.2	3.2	4.3		
	cash on hand	2008	-4.4	4.0	2.7	-1.5	
		2009	-6.6	2.4	-0.5	3.7	
		2010	-1.7	3.4	1.1		
	Average imputed pension, total, rubles		2008	3,823	4,044	4,383	4,545
			2009	4,614	5,151	5,330	5,670
			2010	7,126	7,580	7,596	
Real imputed pension	as % of corresponding quarter of previous year	2008	119.0	113.9	122.7	116.9	
		2009	106.1	113.3	109.1	114.2	
		2010	144.1	138.9	134.3		
	over period since start of year, as % of corresponding period of previous year	2008	119.0	...	...	118.1
		2009	106.1	109.8	109.5	110.7	
		2010	144.1	141.3	138.8		
Total number of unemployed (calculated using ILO methodology)	million	2008	5.1	4.3	4.4	5.4	
		2009	6.8	6.5	6.0	6.1	
		2010	6.6	5.6	5.2		
	as % of economically active population	2008	6.7	5.6	5.9	7.1	
		2009	9.1	8.6	7.8	8.0	
		2010	8.8	7.4	6.8		

Table 8 (continued)

		Year	Q1	Q2	Q3	Q4	
Foreign economic activity indicators							
Price of Urals crude	over period since start of year, \$/barrel	2008	93.7	105.3	107.6	93.9	
		2009	43.2	50.5	56.3	60.7	
		2010	75.0	75.8	75.8		
	as % of corresponding period of previous year	2008	173.7	176.3	168.2	135.1	
		2009	46.1	48.0	52.3	64.6	
		2010	173.7	150.1	134.7		
Exports of goods	over period since start of year, \$ billion	2008	110.1	236.8	373.6	471.6	
		2009	57.3	125.4	207.8	303.4	
		2010	92.3	189.8	286.5 ²		
	as % of corresponding period of previous year	2008	153.6	152.4	152.5	133.1	
		2009	52.0	52.9	55.6	64.3	
		2010	161.1	151.4	137.8 ²		
Imports of goods	over period since start of year, \$ billion	2008	60.2	135.7	218.6	291.9	
		2009	38.5	82.4	131.5	191.8	
		2010	45.7	103.9	172.0 ²		
	as % of corresponding period of previous year	2008	140.8	142.0	142.0	130.6	
		2009	63.9	60.7	60.1	65.7	
		2010	118.7	126.1	130.8 ²		
Current account balance (over period since start of year), \$ billion		2008	38.7	65.6	95.1	103.7	
		2009	9.7	17.9	33.3	49.4	
		2010	33.5	52.2	60.9 ²		
Private sector net capital outflow (inflow) (over period since start of year), \$ billion		2008	-24.4	15.7	-3.6	-133.9	
		2009	-35.0	-31.6	-65.5	-56.9	
		2010	-14.9	-11.8	-16.0 ²		
Foreign investment in Russia's non-financial sector (Rosstat data)	over period since start of year, \$ billion	2008	17.3	46.5	75.8	103.8	
		2009	12.0	32.2	54.7	81.9	
		2010	13.1	30.4	47.5		
	as % of corresponding period of previous year	2008	70.1	77.1	86.2	85.8	
		2009	69.7	69.1	72.2	79.0	
		2010	109.3	94.5	86.8		
of which:	direct	over period since start of year, \$ billion	2008	5.6	11.1	19.2	27.0
			2009	3.2	6.1	10.0	15.9
			2010	2.6	5.4	8.2	
		as % of corresponding period of previous year	2008	57.2	70.0	97.7	97.2
			2009	57.0	55.0	51.9	58.9
			2010	82.4	89.0	82.2	
	portfolio	over period since start of year, \$ billion	2008	0.1	1.2	1.3	1.4
			2009	0.1	0.9	1.0	0.9
			2010	0.3	0.7	0.9	
		as % of corresponding period of previous year	2008	62.5	104.4	83.7	33.7
			2009	93.5	74.9	78.6	62.3
			2010	2.5 times	81.1	85.0	
	other	over period since start of year, \$ billion	2008	11.5	34.3	55.3	75.3
			2009	8.7	25.2	43.7	65.1
			2010	10.2	24.3	38.4	
as % of corresponding period of previous year		2008	78.7	79.0	82.8	84.7	
		2009	75.6	73.5	79.1	86.5	
		2010	117.1	96.2	87.8		
Russia's international reserves (as of end of period), \$ billion		2008	512.6	569.0	556.8	426.3	
		2009	383.8	412.5	413.4	439.5	
		2010	447.4	461.2	490.1		
Real ruble exchange rate indices (last month of quarter), growth as % of December of previous year ³	ruble vs. US dollar	2008	6.5	8.5	3.2	-1.1	
		2009	-15.4	-5.0	-3.9	-0.4	
		2010	3.6	-0.7	2.0		
	ruble vs. euro	2008	0.6	3.4	6.2	5.0	
		2009	-12.0	-7.0	-9.0	-6.5	
		2010	11.7	18.6	14.5		
	effective rate	2008	1.5	3.3	3.0	4.3	
		2009	-10.0	-4.2	-5.6	-3.9	
		2010	7.4	9.7	6.8		

Table 8 (continued)

		Year	Q1	Q2	Q3	Q4
Financial market indicators (including Sberbank interest rates)						
Average for period						
Overnight interbank credit rate, % p.a.	in rubles	2008	3.9	4.1	6.0	8.6
		2009	11.6	7.7	7.1	5.5
		2010	4.2	3.1	2.6	
	in US dollars	2008	3.2	2.2	2.2	0.7
		2009	0.2	0.2	0.2	0.2
		2010	0.2	0.3	0.3	
OFZ yields, % p.a. ⁴		2008	6.7	6.9	7.5	8.7
		2009	10.5	10.3	10.6	9.1
		2010	7.9	7.4	7.3	
Interest rate on household time deposits, % p.a.	up to 1 year in rubles	2008	7.0	7.1	7.5	9.0
		2009	10.0	10.8	10.7	10.2
		2010	8.5	7.1	6.0	
	over 1 year in rubles	2008	7.4	8.0	8.5	9.1
		2009	10.0	10.3	9.3	9.2
		2010	7.7	6.2	5.3	
	up to 1 year in US dollars	2008	5.1	5.8	5.3	6.5
		2009	6.0	5.3	5.5	5.2
		2010	4.3	3.7	3.6	
	over 1 year in US dollars	2008	6.9	7.0	7.1	7.8
		2009	6.5	6.1	5.7	5.5
		2010	4.9	4.8	4.4	
Interest rate on credit to non-financial organisations, % p.a.	up to 1 year in rubles	2008	10.9	11.2	12.0	14.9
		2009	16.6	15.8	14.9	13.9
		2010	12.8	11.4	10.0	
	over 1 year in rubles	2008	12.3	12.8	13.6	13.8
		2009	15.1	16.2	15.8	14.7
		2010	13.9	12.3	11.4	
	up to 1 year in US dollars	2008	8.1	8.0	8.9	10.9
		2009	10.7	10.1	10.0	9.3
		2010	8.3	7.5	6.9	
	over 1 year in US dollars	2008	9.3	9.9	9.4	11.3
		2009	12.7	11.6	10.7	9.0
		2010	10.3	8.8	7.4	
Interest rate on ruble-denominated promissory notes discounted by banks, % p.a.		2008	10.7	11.0	12.1	14.1
		2009	15.7	14.3	14.0	11.8
Interest rate on ruble-denominated promissory notes issued by non-financial organisations and discounted by credit institutions, % p.a. ⁵		2010	14.1	11.6	10.8	
Interest rate on ruble-denominated promissory notes issued by credit institutions and discounted by credit institutions, % p.a. ⁵		2010	9.3	7.8	7.4	
MICEX rate in «tomorrow» trades, ruble/US dollar		2008	24.2286	23.6190	24.2718	27.2941
		2009	34.4761	32.2032	31.3160	29.4737
		2010	29.8318	30.2891	30.6072	
As of end of quarter						
RTS index, points		2008	2,053.93	2,303.34	1,211.84	631.89
		2009	689.63	987.02	1,254.52	1,444.61
		2010	1,572.48	1,339.35	1,507.66	
Refinance rate, % p.a.		2008	10.25	10.75	11.00	13.00
		2009	13.00	11.50	10.00	8.75
		2010	8.25	7.75	7.75	

Table 8 (end)

		Year	1.01	1.04	1.07	1.10
Monetary indicators						
M0, billion rubles		2008	3,702.2	3,475.5	3,724.9	3,904.2
		2009	3,794.8	3,278.3	3,522.5	3,485.6
		2010	4,038.1	3,986.1	4,367.7	4,524.5
M2, billion rubles		2008	13,272.1	13,382.9	14,244.7	14,374.6
		2009	13,493.2	12,111.7	13,161.0	13,649.5
		2010	15,697.7	15,996.5	17,190.3	17,909.2
Broad money, billion rubles		2008	14,636.7	14,918.3	15,926.6	16,067.8
		2009	16,774.7	16,308.4	17,055.4	17,523.4
		2010	19,520.1	19,652.8	20,841.3	21,537.8
Net foreign assets, billion rubles		2008	9,914.1	10,535.2	11,274.3	12,284.5
		2009	12,191.4	12,881.1	13,043.1	13,232.1
		2010	13,922.9	13,765.6	14,734.2	15,041.7
Domestic claims, billion rubles		2008	8,325.9	8,437.2	8,760.6	8,614.9
		2009	10,645.1	10,307.4	11,076.4	11,716.8
		2010	13,345.8	13,474.8	14,306.0	15,183.2
Broad monetary base, billion rubles		2008	5,513.3	4,871.4	5,422.9	5,317.8
		2009	5,578.7	4,298.8	4,967.6	4,803.7
		2010	6,467.3	6,363.9	7,195.0	7,126.0
Balances of correspondent accounts, billion rubles		2008	802.2	596.3	592.4	702.9
		2009	1,027.6	431.7	471.4	545.4
		2010	900.3	579.5	603.6	590.0
Monetisation of the economy (by M2 aggregate), %		2008	31.9	32.8	32.9	32.7
		2009	32.9	32.7	33.1	33.5
		2010	33.8	34.4	35.5	36.6 ¹
Money multiplier	by broad monetary base	2008	2.41	2.75	2.63	2.70
		2009	2.42	2.82	2.65	2.84
		2010	2.43	2.51	2.39	2.51
	change since start of year, %	2008	10.3 ⁶	14.1	9.1	12.3
		2009	0.5 ⁶	16.5	9.5	17.5
		2010	0.4 ⁶	3.6	-1.6	3.5
Foreign exchange rates	rubles per US dollar	2008	24.55	23.50	23.41	25.37
		2009	29.39	33.90	31.04	30.01
		2010	30.19	29.50	31.26	30.51
	rubles per euro	2008	35.93	37.09	36.97	36.50
		2009	41.43	44.89	43.85	43.89
		2010	43.46	39.57	38.21	41.44

¹ Preliminary data.

² Estimate.

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

⁴ OFZ effective market portfolio indicator.

⁵ Owing to the coming into force of Bank of Russia Instruction No. 2332-U of November 12, 2009, the set of indicators used to characterise credit institutions' interest rate policy on the promissory note market changed from January 2010. Specifically, the single yield indicator for the promissory notes discounted by banks has been replaced by two indicators: the yield indicator for promissory notes issued by credit institutions and the yield indicator for promissory notes issued by non-financial organisations. The indicators are calculated only for operations with ruble-denominated promissory notes.

⁶ Relative to beginning of previous year.

Table 9

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

Instrument	Liquidity provision/ absorption period	From 1.01.10 to 23.02.10	From 24.02.10 to 28.03.10	From 29.03.10 to 29.04.10	From 30.04.10 to 31.05.10	From 1.06.10
Providing liquidity at offered bids (including by auction)						
Repo operations ¹	1 day	6.00	5.75	5.50	5.25	5.00
	7 days	6.00	5.75	5.50	5.25	5.00
	3 months	7.50	7.25	7.00	6.75	6.50
	6 months	8.00	7.75	7.50	7.25	7.00
	1 year	8.50	8.25	8.00	7.75	7.50
Currency swap operations ²	1 day	8.75	8.50	8.25	8.00	7.75
Unsecured loans	up to 1 year	Minimum rate is set when auction is announced				
Lombard loans ^{1,3}	7 days				5.25	5.00
	14 days	6.00	5.75	5.50		
	3 months	7.50	7.25	7.00	6.75	6.50
	6 months	8.00	7.75	7.50	7.25	7.00
	1 year	8.50	8.25	8.00	7.75	7.50
Providing liquidity at fixed rates						
Overnight loans ^{3,4}	1 day	8.75	8.50	8.25	8.00	7.75
Lombard loans ³	1 day	7.75	7.50	7.25	7.00	6.75
	7 days	7.75	7.50	7.25	7.00	6.75
	30 days	7.75	7.50	7.25	7.00	6.75
Repo operations	1 day	7.75	7.50	7.25	7.00	6.75
	7 days	7.75	7.50	7.25	7.00	6.75
	1 year	8.50	8.25	8.00	7.75	7.50
Loans secured by «non-market» assets or guarantees ⁴	up to 90 days	7.75	7.50	7.25	7.00	6.75
	91 to 180 days	8.25	8.00	7.75	7.50	7.25
	181 to 365 days	8.50	8.25	8.00	7.75	7.50
Absorbing liquidity at fixed rates						
Deposit operations	Overnight			2.75	2.50	2.50
	Tom-next, spot-next and demand	3.50	3.25	3.00	2.75	2.50
	1 week, spot-week	4.00	3.75	3.50	3.25	2.75

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

² Interest rate set on the ruble part when determining the minimum offered swap difference.

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

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

Table 10

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

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

Table 11

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

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

