



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

Quarterly Inflation Review

2010 Q2

Research and Information Department

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

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Introduction

At the beginning of 2010 output began to pick up in the Russian economy after the decline in 2009. Production growth was registered in most of the major economic activity categories. The expansion of domestic demand became the principal factor of this growth in 2010 Q2: growth in consumer demand accelerated and fixed capital investment started to increase. However, demand seemed to remain below the potential output level.

As consumer demand remained low and the ruble appreciated in 2010 Q2, the slowing of inflation, registered since 2009 Q2, continued. It is believed that 2010 inflation will be below the target level envisaged in *Guidelines for the Single State Monetary Policy for 2010*.

The nascent tendency towards economic growth, the reduction of inflation, the rally of the ruble and the increased replacement of foreign currency from circulation preconditioned the rise in demand for the domestic currency. The annual rates of money supply (M2) growth quickened in 2010 Q2, but seasonally adjusted, they were slower than in 2010 Q1. Growth in the money supply was stimulated significantly by the Bank of Russia interventions on the domestic forex market and the partial financing of the federal budget deficit from the Reserve Fund. Although growth in banking sector net foreign assets was the major source of expansion of the broad money in H1 2010, the recovery of bank lending activity was also a significant positive factor. Growth in lending resumed in 2010 Q2 against the background of the significant increase in liquidity on the money market and the expansion of the deposit base of the banks. However, this process was hampered

by banks' desire to build up alternative (more liquid and less risky) kinds of assets. Lending will further expand as the consequence of the measures carried out to ease the monetary policy and also as a result of the expected further rise in business activity and demand for loans.

In the 2nd quarter of the year the Bank of Russia continued to implement an accommodative monetary policy aimed at preserving easy monetary conditions. In April-June the upper limit of the Bank of Russia interest rate band (overnight credit rate) was lowered by half a percentage point to 7.75% and the lower limit (standard overnight deposit rate) was cut by a quarter of a percentage point to 2.5%. In June and July the Bank of Russia left its interest rates unchanged and took a series of decisions to make it more difficult for credit institutions to take unsecured and long-term loans and gradually replace them by conventional tools used to provide liquidity.

Major interest rates on the Russian financial market continued to decline in 2010 Q2, as the Bank of Russia cut its interest rates and banking sector total non-cash reserves increased.

The current economic recovery has no effect on inflation yet because of the persisting negative output gap. Consumer price growth remains moderate. The significant reduction in the rates of money supply growth in 2008 and the first half of 2009 continued to make its contribution to the slowing of growth in the general level of prices in 2010. At the same time, the current easy monetary conditions and the official government policy of allowing a federal budget deficit do not preclude the growth of inflation risks at the end of 2010 and in 2011.

Inflation Dynamics

Consumer prices

According to the Federal State Statistics Service (Rosstat), consumer prices rose by 4.4% in the first six months of 2010, a decrease of 3.0 percentage points on the same period last year. In June consumer prices went up 5.8% year on year and in the first half of the year they increased by 6.6% as compared with the first half of last year.

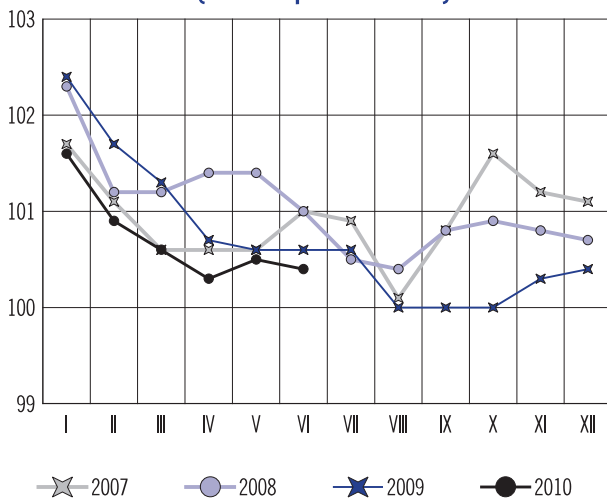
The slowing of inflation in 2010 H1 was principally the result of **core inflation**, which stood at 2.0% against 6.0% in 2009 H1. The rise in the prices of goods and services taken into account when calculating core inflation accounted for an estimated 1.6 percentage points, or 37.2% of the

inflation rate (this compares with 4.8 percentage points, or 65.0%, in 2009 H1).

Food prices excluding vegetable and fruit prices rose by 2.4% in 2010 H1 as against 5.2% in 2009 H1. The increase in the prices of these food products accounted for an estimated 0.8 percentage points, or 19.0% of the inflation rate (this compares with an estimated 1.8 percentage points, or 24.1%, in 2009 H1).

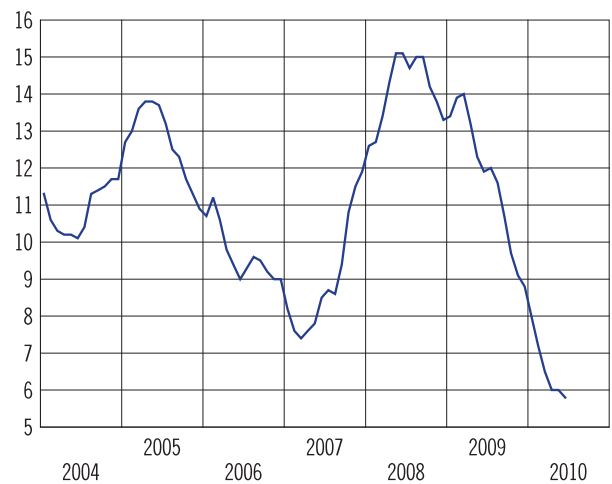
The most significant increase in food prices excluding vegetable and fruit prices was registered in 2010 H1 in alcoholic beverages (5.7% as against 6.7% a year earlier), butter (5.3% as against 0.1%) and cereals and legumes (4.5%

Consumer prices
(as % of previous month)



Source: Rosstat.

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



Source: Rosstat.

Consumer price inflation (%)

	Growth (June 2010 on December 2009)	Growth (June 2009 on December 2008)	
Prices of goods and services, total:	4.4	7.4	Slowing of growth by 3.0 percentage points
of which:			
– food prices	5.4	7.0	Slowing of growth by 1.6 percentage points
– food prices, excluding vegetable and fruit prices	2.4	5.2	Slowing of growth by 2.8 percentage points
– non-food prices	1.9	6.3	Slowing of growth by 4.4 percentage points
– prices of paid services provided to households	6.4	9.6	Slowing of growth by 3.2 percentage points
Prices of goods and services included in core inflation calculation	2.0	6.0	Slowing of growth by 4.0 percentage points

Source: Rosstat.

Food price inflation (%)

	Growth (June 2010 on December 2009)	Growth (June 2009 on December 2008)	
Food products	5.4	7.0	Slowing of growth by 1.6 percentage points
Bread and bakery products	0.9	1.9	Slowing of growth by 1.0 percentage point
Cereals and legumes	4.5	2.8	Acceleration of growth by 1.7 percentage points
Pasta	-2.7	4.1	
Meat and poultry	1.3	4.5	Slowing of growth by 3.2 percentage points
Fish and seafood	0.5	13.3	Slowing of growth by 12.8 percentage points
Milk and dairy products	3.6	-0.6	
Butter	5.3	0.1	Acceleration of growth by 5.2 percentage points
Sunflower oil	0.3	-14.4	
Granulated sugar	-3.4	28.2	
Vegetables and fruit	33.8	24.0	Acceleration of growth by 9.8 percentage points
Alcoholic beverages	5.7	6.7	Slowing of growth by 1.0 percentage point

Source: Rosstat.

as against 2.8%). At the same time, there was a fall (by 2.7-14.5%) in the prices of pasta, eggs and sugar. Other food price increases ranged from 0.3% to 3.6%. In January-June 2009 major food price increases ranged from 1.9% to 28.2%. Prices of milk and dairy products, sunflower oil and eggs declined.

Vegetable and fruit prices gained 33.8% in 2010 H1, an increase of 9.8 percentage points on the same period last year. It has been estimated that the rise in vegetable and fruit prices accounted for 1.2 percentage points, or 27.7%, of the overall increase in consumer prices (this compares with 0.9 percentage points, or 11.6%, in 2009 H1).

Overall food prices rose by 5.4% in 2010 H1 as against 7.0% in 2009 H1.

Growth in **non-food prices** slowed to 1.9% in 2010 H1 from 6.3% in 2009 H1 and it has been estimated that this growth accounted for 0.7 percentage points, or 15.8%, of the inflation rate. In 2009 H1 it accounted for 2.4 percentage points, or 31.9%. The most significant increase was registered in the prices of tobacco products (by 9.4% as against 13.1% in 2009 H1). Prices of fabrics, clothes, underwear, knitted garments and footwear rose moderately (by 2.9% at the most). The price of petrol went up by 2.3%, whereas the prices of TV sets and radios and medicine prices declined by 1.7% and 3.6%, respectively (in 2009 H1 petrol prices went down by 2.8%, while medicine prices soared by 18.3%).

Prices of **paid services provided to households** gained 6.4% in 2010 H1 as against 9.6% in 2009 H1 and it has been estimated that their increase accounted for 1.7 percentage points, or 37.5%, of the headline consumer price growth (this compares with 2.4 percentage points, or 32.4%, in 2009 H1).

Growth in the administered service prices slowed by 2.4% in 2010 H1 from 2009 H1 and stood at an estimated 10.9%. Housing and utility prices grew by 11.9% as against 17.7% in 2009 H1, whereas passenger transport fares rose by 7.0% as against 6.3%.

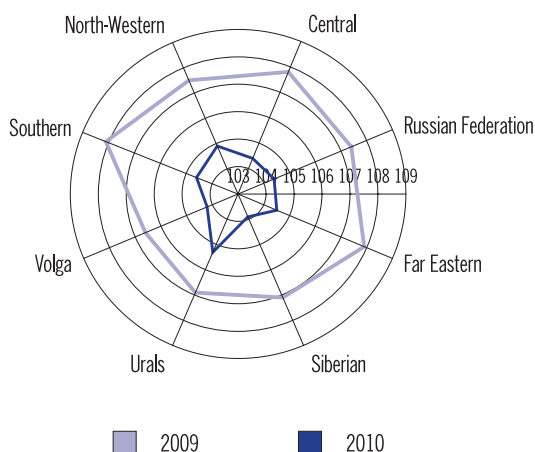
Growth in the prices of most of the services taken into account when calculating core inflation slowed down in 2010 H1. Foreign travel became cheaper by 2.0%, whereas in the same period last year foreign travel prices rose by 9.5%.

2010 H1 service price growth exceeded overall commodity price growth by 2.7 percentage points (this compares with 2.9 percentage points in 2009 H1).

According to Rosstat data, in 2010 H1 consumer price growth was slower than in 2009 H1 in all **Federal Districts**.

Estimates show that in 2010 H1 there was a slight increase in the differences between the constituent territories of the Russian Federation in terms of the cost 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. Specifically, in 2010 H1

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



Source: Rosstat

the regional difference ratio¹ rose to 42.5% as against 42.3% in 2009 H1.

Rates of growth in food prices excluding vegetable and fruit prices were roughly the same in all federal districts in 2010 H1 (2.1% to 3.4%). This range of price changes was somewhat narrower in the group of non-food products (1.2% to 2.4%).

Rates of growth in vegetable and fruit prices, including potato prices, differed significantly by region. For example, in the Far Eastern Federal District vegetable and fruit prices rose by 15.2%, whereas in the Southern Federal District they grew by 41.3%.

In 2010 H1 the rates of growth in service prices changed within the 6.3-8.7% range in the federal districts and were markedly slower than in 2009 H1.

Housing prices

In June 2010 housing prices on the primary market rose by 0.1% as compared to December 2009 and housing price growth on the secondary market stood at 1.4%. In 2009 H1 housing prices fell by 4.5% on the primary market and by 7.4% on the secondary market.

In 2010 H1 housing prices were affected by the slight rise in activity on the real estate market amid the contraction of commissioned housing.

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

Specifically, in 2010 H1 commissioned housing decreased by 0.1% as compared to 2009 H1 and a year earlier the respective figure was 0.3%.

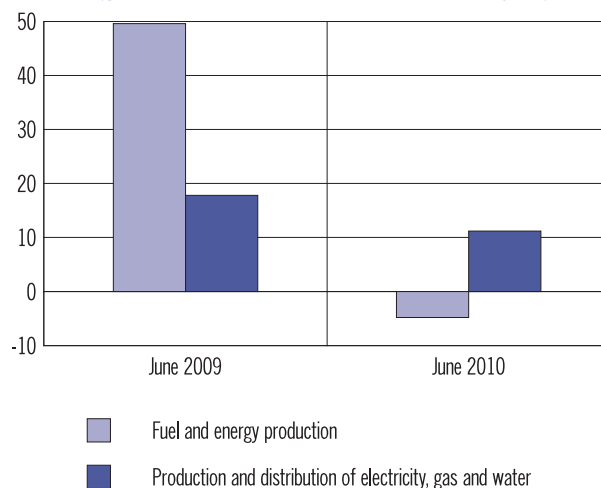
Producer prices

Industrial producer prices rose by 5.5% in 2010 H1 as against 10.0% in 2009 H1. This downturn was largely the result of the price fall in the mining sector. In the first six months of this year producer prices in the mining sector declined by 2.7%, whereas in the same period of 2009 they rose by 38.7%. Fuel and energy producer prices went down by 4.8%, whereas in 2009 H1 they grew by 49.6%.

In 2010 H1 price growth in the production and distribution of electricity, gas and water stood at 11.2% (in 2009 H1 it was higher by 6.6 percentage points).

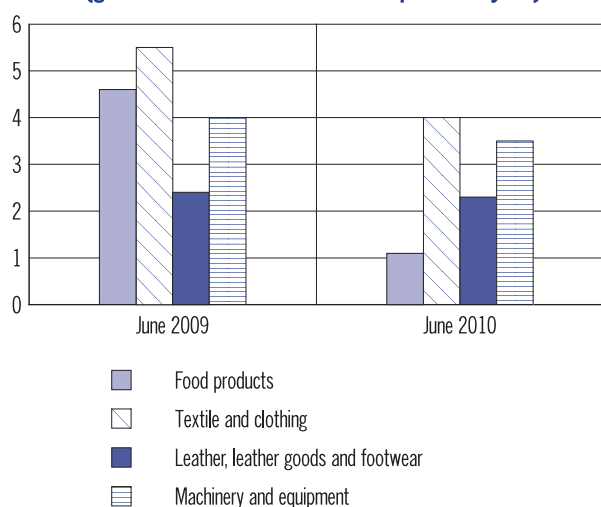
In 2010 H1 producer prices in the manufacturing sector rose by 8.6%, an increase of 5.4 percentage points on the same period last year. The biggest manufacturing sector producer price increases were registered in the production of coke (87.3%), metals (20.1%) and chemicals (13.2%) (in January-June 2009 producer prices in these types of economic activity decreased by 1.4-20.6%). Petroleum products producer prices grew by a moderate 8.5% as against 26.8% a year earlier. Growth in consumer goods producer prices slowed down. For example, growth in the producer prices of foodstuffs, including beverages, and tobacco products slowed by 3.5 percentage points from 2009 H1 down to 1.1% and in

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



Source: Rosstat

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



Source: Rosstat.

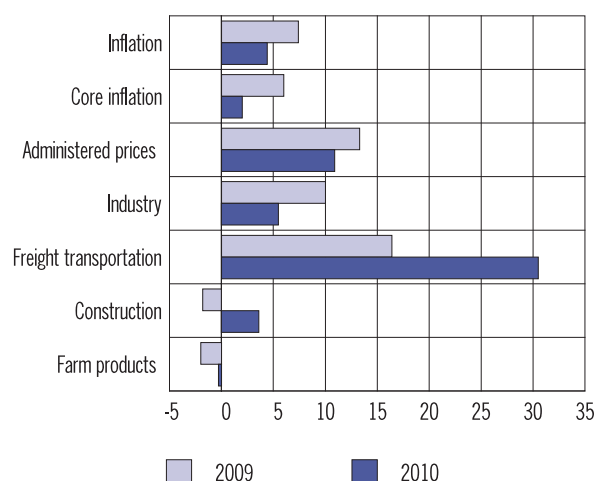
the production of textile and clothing by 1.5 percentage points down to 4.0%. Producer prices of leather, leather goods and footwear grew by 2.3%, a decrease of 0.1 percentage points from 2009 H1.

Freight transportation charges rose by 30.5% in 2010 H1 and freight railway charges were up 9.4%. The respective percentages in 2009 H1 were up 16.4% and 4.7%.

Communications fees for corporate entities increased by 5.2% in 2010 H1 as against 2.1% in 2009 H1.

Building materials producer prices went up by 3.6% in 2010 H1, whereas in the same period last year they fell by 1.8%.

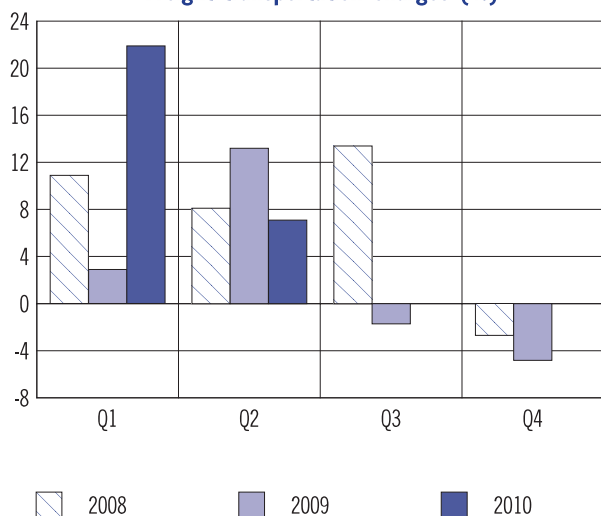
Price growth in the economy (growth in June as % of December of previous year)



Source: Rosstat.

Agricultural producer prices slipped by 0.3% in 2010 H1 against a drop of 2.0% in the corresponding period of 2009. Crop grower prices edged up 0.9%, whereas in 2009 H1 they dropped by 0.1%. At the same time, grain grower prices fell by 2.1%, whereas sunflower prices increased by 14.7% (in 2009 H1 crop grower prices were up 0.3%, whereas sunflower prices were down 3.2%). Livestock prices became cheaper by 1.0% (in 2009 H1 – by 3.4%). Meanwhile, milk prices rose by 6.4%, whereas egg prices fell by 17.5%. In 2009 H1 these prices were down by 13.6% and 25.8%, respectively. Livestock and poultry prices dropped by 1.7%, whereas in 2009 H1 they rose by 6.5%.

Freight transportation charges (%)



Source: Rosstat.

Foreign trade

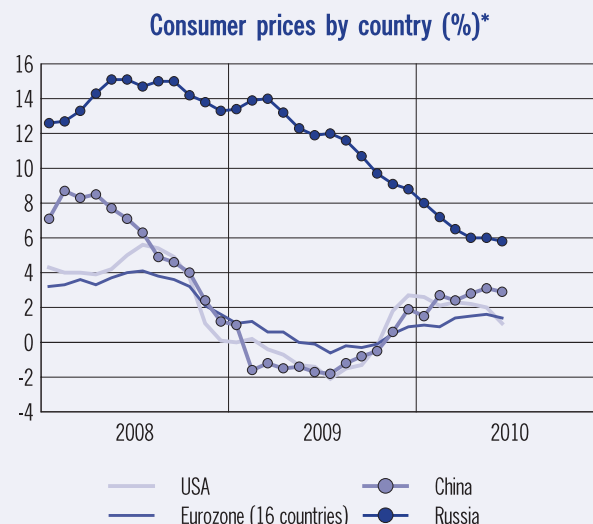
In 2010 Q2 the price situation on the major world markets for Russian exports² was slightly better overall than in the previous quarter. At the same time, prices changed both ways throughout the quarter. In April prices of most export products except natural gas reached the highest level since October 2008, whereas in May and June prices mostly declined. As a result, in 2010 H1 world energy prices were on average almost one-

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

Inflation in countries trading with Russia¹

Inflation in the countries carrying much weight in the structure of Russian imports slowed to 1.6% in 2010 H1 (June against December of the previous year) from 2.1% in 2009 H1. This was the result of the significant slowing of inflation in some of Russia's leading trading partners, such as the United States, Ukraine, Belarus, Poland and others. German inflation remained unchanged from 2009 H1 and most of the major exporters of goods to the Russian market registered moderate price growth. China and Japan, which registered disinflation in 2009 H1, in 2010 H1 experienced a slight price upturn. Inflation accelerated significantly in Turkey.

The persistent significant negative output gaps in foreign economies amid the fall in the prices of fuel, energy and other resources that began on the world market since the middle of Q2 2010 determined the moderate rate of inflation. The slowing of inflation in the United States was largely the result of the significant slowing of energy price growth. Instability in the US economy at the early stage of its recovery from the recession determined the low level of core inflation. Relatively low rates of growth administered in housing and utility prices had a restraining effect on consumer price increases in Ukraine and Belarus. The acceleration of energy price growth in eurozone countries, caused by the euro's depreciation against the US dollar, was largely offset by the low rates of core inflation.



* Consumer price growth on corresponding month of previous year.
 Source: Bureau of Labour Statistics at the US Department of Labour, the Statistical Office of the European Communities (EUROSTAT), China's National Statistics Bureau and Rosstat.

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

third higher than in 2009 H1, while non-energy prices gained 6%.

The rise in the price of oil on the world market was largely the result of the expectations of growth in demand amid the increased output in some countries, continued economic growth in China and the repeated raising of forecasts of the world demand for oil in 2010-2011. As a result, early in May the price of Russian crude Urals topped \$85 per barrel and Brent rose to \$88 per barrel. In April 2010 the average world market price of Russian oil was \$82.1 per barrel. The fall in oil prices in May and June to \$74 per barrel on average was mostly connected with the risks created by the debt crisis in some EU countries, uncertainty about the US economic outlook, weak demand for energy in Europe and the appreciation of the US dollar. Despite the price fall in May and June, in 2010 Q2 the price of Urals stood at \$76.6 per barrel, an increase of 2.1% on 2010 Q1. In 2010 H1 the world market price of Russian oil rose by 50% year on year and stood at \$75.8 per barrel (in 2009 H1 it was more than twice lower than in 2008 H1).

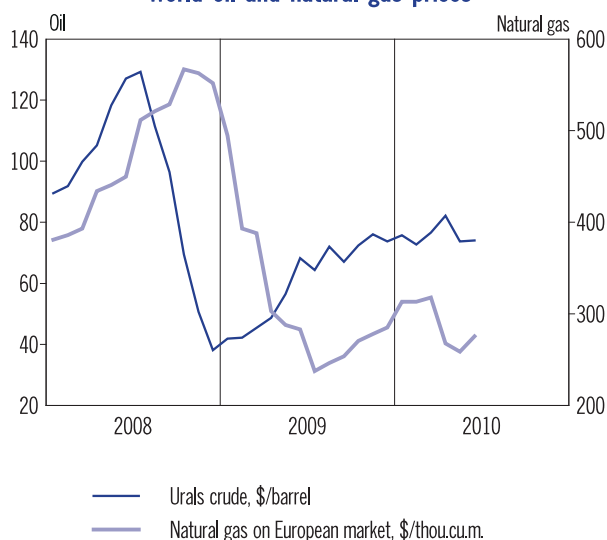
Petroleum products price trend mostly followed that of the oil price. In 2010 H1 petroleum product prices, just as oil prices, rose by 50% on average year on year. The price of petrol went up by 46%, diesel 43% and fuel oil 58% (in 2009 H1 prices of these products fell by 47%, 55% and 43%, respectively).

The recovery of natural gas prices in Europe, which began in August 2009, continued in 2010 Q1, but in 2010 Q2 natural gas prices fell slightly because of the seasonal contraction of demand. As a result, in 2010 H1 the price of natural gas in Europe remained by 19% lower than in the same period of the previous year (in 2009 H1 it was by 13% lower than in 2008 H1).

The rise in the price of coal, which started on the world market in 2009 H2, continued in 2010 H1. In 2010 H1 the price of coal was by 41% higher than in the same period of the previous year (in 2009 H1 it was by 45% lower than in 2008 H1).

The gradual recovery of world demand for steel amid the rise in the price of raw materials (iron ore) predetermined this year's growth in

World oil and natural gas prices



Source: Reuters, World Bank.

the prices of ferrous metal products. However, in 2010 H1 ferrous metal prices remained by 8% lower than in the same period of the previous year (in 2009 H1 they were by 4% lower than in 2008 H1).

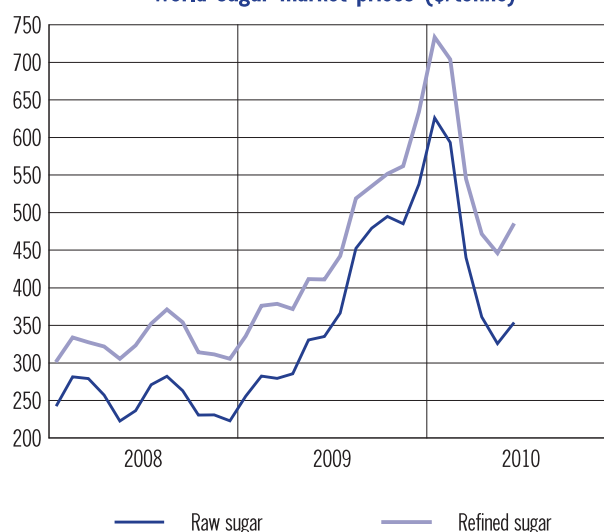
The rise in the world market prices of non-ferrous metals, which began in 2009 Q2 amid increased investor and industrial demand, especially in China, continued until May 2010, as was the case with the oil market. As a result of the fall in ferrous metal prices in May and June, in 2010 Q2 the price of aluminium and copper declined quarter on quarter, whereas the price of nickel increased quarter on quarter. In 2010 H1 the price of aluminium was 1.5 times higher than in 2009 H1 and the price of copper and nickel was 1.8 times higher (in 2009 H1 the price of aluminium and nickel fell 2.0 times and nickel 2.3 times).

The price trend of other raw materials exported by Russia was also affected by the situation in the world economy. The first four months of 2010 saw the resumption of growth in timber prices, which fell in May and June. Mineral fertilizer prices continued to decline throughout 2010 H1 because of the contraction of global demand.

World market prices of foodstuffs and agricultural raw materials³ changed both ways in 2010 H1. In January the price of sugar reached its high, but then it started to fall rapidly and this

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

World sugar market prices (\$/tonne)

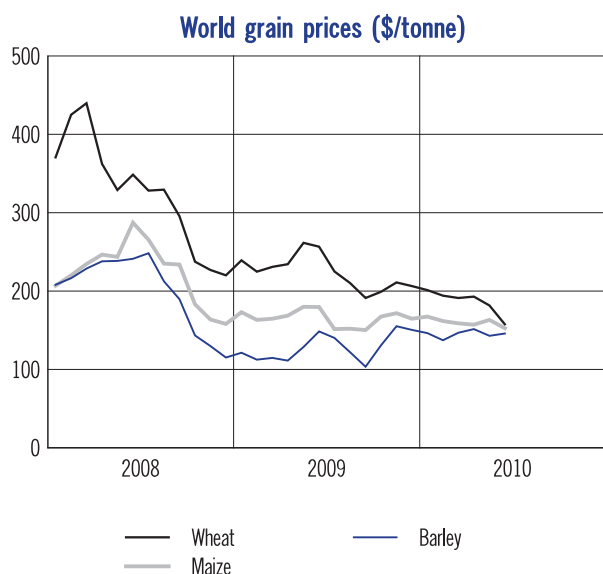


Source: London Commodity Exchange.

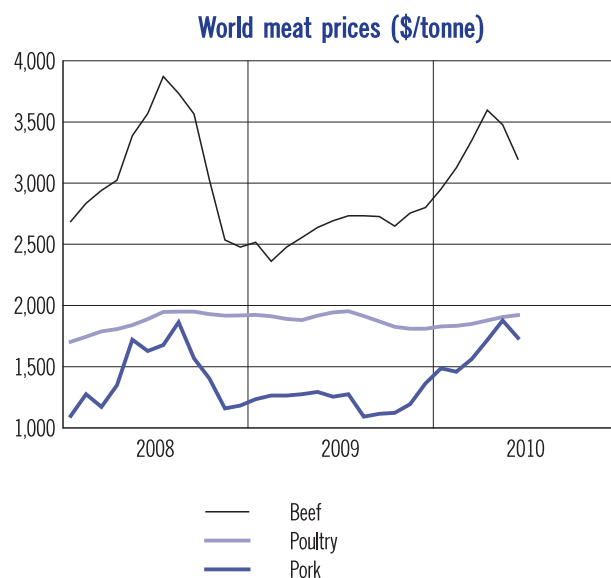
decline continued until June. Compared to January, in May the price of raw sugar fell by a factor of 1.9 and refined sugar by a factor of 1.6. Despite June price growth, in 2010 Q2 the price of raw sugar fell by 37% quarter on quarter and refined sugar was down by 29%. The main reasons for this price change on the world sugar market were the raising of the harvest forecasts and expectations of growth in sugar exports from Brazil and India in the 2010/2011 agricultural year. The increased tendency towards the sugar price downturn was also connected with the US dollar's appreciation. Despite the fall, the level of sugar prices on the world market remained high. In 2010 H1 the price of sugar was by 50% higher than in the corresponding period of the previous year (in 2009 H1 it was almost 20% higher than in the same period of 2008).

In 2010 H1 grain prices, except barley prices, continued to decline mostly because of the considerable world stocks and the raising of the estimates of carryover grain stocks and growth in grain exports from Russia, Ukraine, Kazakhstan, Turkey and other regions. The price of barley remained stable throughout 2010 H1. As a result, in 2010 H1 the price of US wheat fell by 23% and maize by 6.5% year on year and Canadian wheat was down 17%, whereas the price of barley was 18% higher (in 2009 H1 these prices were down 36%, 28%, 41% and 46%, respectively).

The expansion by the Asian rice-producing countries of the crop areas and the raising of crop yields for the purpose of ensuring food security,



Source: World Bank.



Source: World Bank.

the expectations of bumper rice harvest and the increased rice exports by most of these countries led to a price fall. In 2010 H1 the price of rice was 13% lower than in the same period of the previous year (in 2009 H1 they were 15% lower).

As the world is gradually recovering from the economic crisis and the situation is improving in the major meat-importing countries, the consumption of meat is increasing, especially in Asian countries. Meanwhile, the world's livestock population is decreasing. Demand for beef is rising rapidly in the Republic of Korea, Hong Kong, Japan and Malaysia. Livestock prices have been rising on expectation of a contraction of beef exports from Brazil and Argentina. Growth in demand for pork in Asian countries, especially China, amid the restrictions placed on pork exports in some countries affected pork price dynamics. The world

poultry market was impacted by poultry production growth in Brazil and China, the replacement of poultry imports by domestic products in Russia, the fall in demand in some countries and the lowering of demand growth forecasts for Asia and the Middle East. In 2010 H1 beef and pork prices rose by 30% on average, as compared with the same period of the previous year, whereas poultry prices declined by 2% (in 2009 H1 the price of beef was down 17% and pork 8%, while poultry prices rose by 6%).

World market prices for vegetable oil mostly increased in 2010 H1. Palm oil prices rose on expectations of a fall in output in Malaysia, the largest exporter of palm oil to the world market, and growth in demand in China. However, in 2010 Q2 the price of palm oil grew slightly quarter on quarter. In addition, the expectations of good soya

International trade

The International Energy Agency (IEA) has estimated that in 2010 H1 the world consumption of oil increased by 2.6%, as compared with the same period last year, mainly owing to growth in consumption in China. Oil consumption in Europe contracted by 3.1%. The average price of Brent, Dubai and WTI crude rose to \$77.7 per barrel in 2010 H1 from \$52.1 per barrel in 2009 H1 (by 49.2%).

According to EUROSTAT data, EU imports of mineral fuel and lubricants declined by 14% in volume in January-May 2010, as compared with the same period of the previous year. The average unit cost of their imports increased by more than 30% as a result of the rise in the world market price of oil and petroleum products from May 2009 to April 2010 and the weakening of the euro from November 2009. The contract price of Russian natural gas exported to Germany in 2010 H1 was on average by 30% lower than in 2009 H1.

According to the IEA's forecast, world oil consumption will rise by 2.1% in 2010, whereas in Europe oil consumption may decline by 1.4%. According to the IMF's June 2010 forecast, the average price of the three brands of crude in 2010 will be \$75.3 per barrel, an increase of 21.8% on the 2009 average price. The IMF expects international trade in goods and services to grow by 9.0% in 2010.

bean harvests in some regions of the world contained growth in prices of vegetable oil. In 2010 H1 palm oil was 20% more expensive than in the same period of the previous year (in 2009 H1 it was 80% cheaper than in the same period of the previous year).

In 2010 H1 the terms of Russia's trade improved compared to the same period of 2009, as export prices grew considerably faster than import prices.

In 2010 H1 the trade surplus⁴ doubled compared to the same period of 2009 and totalled \$84 billion, as exports of goods grew considerably faster than imports.

Demand

Domestic demand

Growth in domestic demand accelerated significantly in 2010 Q2 owing to the rise in consumer and investor activity.

Wage and pension increases amid the slowing of inflation led to growth in household real disposable income. In 2010 H1 real disposable income increased by 4.8%, whereas in 2009 H1 it grew by 2.1%. In 2010 Q2 the public propensity for consumption was higher than in the same period of 2009, but in the first half of this year it was lower than in the first half of last year. In 2010 H1 the spending on goods and services in the structure of household sector money income use contracted by 0.8 percentage points to 70.3% and spending on the purchase of foreign currency fell by 3.3 percentage points to 3.2%. The public propensity for organised savings was 15.8% as against 13.3% in 2009 H1, with deposits and securities accounting for 7.5%.

Household sector spending on final consumption increased by 0.3% in 2010 Q1. The improved situation on the labour market and the revival of consumer lending stimulated growth in real consumer spending, which rose by 3.1% in 2010 H1, as compared with the same period of the previous year. The 2nd quarter of the year saw an increase in non-food retail trade turnover. In 2010 H1 retail trade turnover grew by 3.4% and the value of paid services provided to households increased by 0.3%.

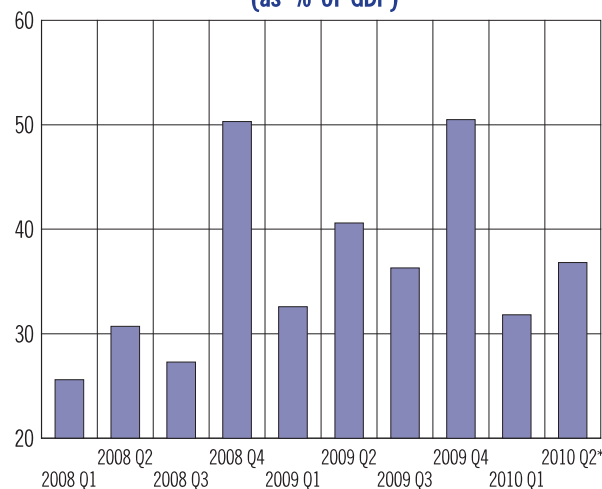
In 2010 Q1 the share of imported goods in the retail trade turnover contracted by one percentage point year on year, to 44%. The share of food imports remained unchanged at 35%.

As domestic demand recovered, growth in imports of goods accelerated in 2010 Q2, mostly as a result of the expansion of import volumes. The rise in import prices was moderate. Imports of investment goods grew more slowly than consumer goods. In 2010 H1 import of goods rose by 26.4% as compared with 2009 H1.

In 2010 Q1 government expenditures on final consumption increased by 1.8%. According to the Federal Treasury's data, budget expenditures decreased to 35.1% of GDP in 2010 H1 as against 37.4% in 2009 H1. Non-interest expenditures accounted for 34.4% of GDP as against 36.8% in the same period a year earlier. This dynamics is chiefly the result of the scaling down of the anti-crisis measures implemented by the government.

In 2010 H1 the general government's budget has a surplus of 1.3% of GDP, whereas a deficit of 3.3% of GDP was registered in the same period of 2009. *The Budget Policy Guidelines for 2011 and the Period of 2012 and 2013* envisage a budget deficit of 5.7% of GDP in 2010, which represents a decrease from the previous year's deficit of 7.1% of GDP. The improvement of the Russian budget system, which may continue in the medium term, reflects the Russian government's efforts to tighten the fiscal policy for the

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



* April-May 2010.
Source: Federal Treasury.

⁴ According to the balance of payments estimate as of July 2, 2010.

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

	2009					2010
	Q1	Q2	Q3	Q4	full-year	Q1
GDP	-9.4	-10.8	-7.7	-3.8	-7.9	2.9
Final consumption	-1.4	-4.9	-7.5	-6.3	-5.1	0.7
Of which:						
– households	-2.6	-7.5	-10.8	-9.4	-7.7	0.3
Gross capital formation	-49.7	-50.1	-31.6	-21.9	-37.4	-2.4
Net exports	16.4	66.6	108.1	61.0	56.8	37.8

Source: Rosstat.

Economic growth in foreign countries¹

GDP in the group of countries carrying much weight in the structure of Russian exports increased by 3.0% in 2010 H1, as compared with the same period of the previous year, according to a preliminary estimate (a contraction of 5.3% was registered in 2009 H1). Preliminary data show that GDP grew by 2.8% in the United States, by 1.2% in the eurozone and by 11.1% in China. The recovery of the foreign economies was facilitated by the favourable dynamics of industrial product stocks and growth in consumer demand. There was a rise in investor activity, especially in 2010 Q2.

Russia's leading trading partners are expected to continue to register economic growth until the end of 2010 and in 2011. The IMF forecast published in June 2010 says that the world production of goods and services will increase by 4.6% this year (in 2009 it declined by an estimated 0.6%). In 2010 GDP growth is forecast at 3.3% in the United States, at 1.0% in the eurozone and at 10.5% in China. However, the economies of Russia's trading partners may face increased risks because of the persistently weak consumption and investment dynamics amid the lack of any serious capabilities to stimulate consumption and investment by monetary or fiscal policy tools.

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

sake of macroeconomic stability and long-term sustainability of government finance.

Gross fixed capital formation contracted by 7.1% in 2010 Q1, but as the financial situation of enterprises improved significantly and borrowed funds became more accessible, investor activity increased in 2010 Q2. In 2010 H1 fixed capital investment expanded by 1.3% year on year.

Investments in machinery, equipment and transport vehicles accounted for about a third of total investments in 2010 Q1. At the same time, the share of investments made to acquire imported equipment contracted from 2009 Q1 by 5.1 percentage points to 20.4%. Imports of machinery, equipment and transport vehicles increased by 10.7% in 2010 Q1.

The share of own funds used to finance fixed capital investment expanded in 2010 Q1, but 54.9% of these funds were borrowed. Bank loans accounted for 9.5%, a contraction by 3.9 percentage points from 2009 Q1.

As exports grew faster than imports in real terms, net exports of goods and services increased by 37.8% in 2010 Q1, whereas in 2010 Q2 net export growth was estimated as negative.

Foreign demand

Growth in foreign demand for Russian products slowed down in 2010 Q2. Russian export volumes contracted quarter on quarter. The significant increase in exports in 2010 H1 (to \$188.2 billion⁵) was largely the result of the rise in prices. Growth in exports to the Asia-Pacific Economic Co-operation member countries accelerated, especially to Japan, Republic of Korea and the United States (growth in exports to China slowed down). Although growth in exports to the EU member countries slowed down, it was bigger than overall export growth. The principal importers of Russian products were the Nether-

⁵ According to the balance of payments estimate as of 2 July 2010.

lands, Italy and Germany. Exports to CIS member countries, except Ukraine, increased slightly, especially to the EurAsEc member countries (there was a contraction in exports to some CIS member countries). In 2010 H1 exports of oil, natural gas, petroleum products, except petrol, ferrous metals and some other commodities grew in volume as compared with the same period of the previous year.

Supply

The first half of 2010 saw a rise in output in most of the key types of economic activity, except construction and wholesale trade. Output in the key sectors of the economy increased by 5.3% on the same period of the previous year (in 2009 H1 it was down 13.4%).

In 2010 H1 construction work volumes contracted by 3.1% and wholesale trade turnover by 4.1%. At the same time, output grew in transport by 12.2%, retail trade by 3.4% and agriculture by 2.9%.

Industrial output grew by 10.2% in 2010 H1, whereas in 2009 H1 it declined by 14.5%. High rates of output growth were registered in the manufacturing sector (14.3%), especially the production of electrical, electronic and optical equipment (28.8%), transport vehicles (28.1%) and leather, leather goods and footwear (22.8%).

Output in the mining sector rose by 5.8%; particularly marked growth was registered in the production of natural gas (21.3%) and coal (13.4%).

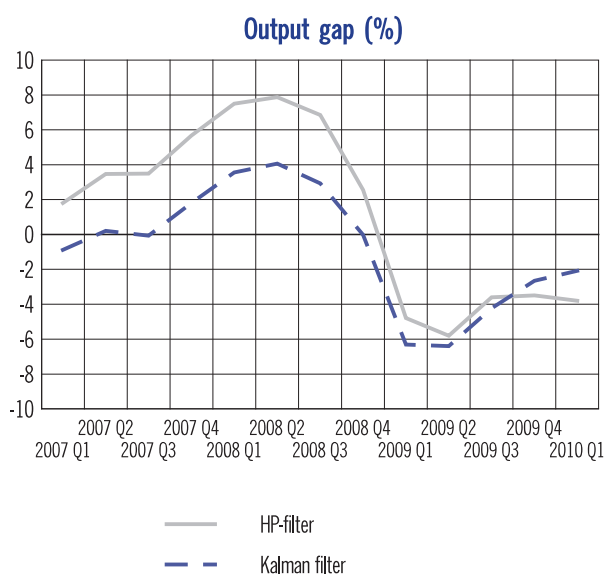
According to the Agriculture Ministry's latest data, 33 million tonnes of grain had been threshed by the end of July, which represents an increase of 5% on the same period last year. However, owing to unfavourable weather conditions, the Agriculture Ministry has lowered its grain harvest forecast for 2010 to 70-75 million tonnes, which represents a decrease of 23-28% from the 2009 level. Yet, at the beginning of July agricultural, procurement and processing organisations had grain stocks of 21.7 million tonnes, or 17.6% more than at the same time in 2009. Significant grain stocks amid the disappointing outlook for the grain harvest may reduce the risk of food price increases until the end of the year.

According to data released by the *Russian Economic Barometer*, industrial production capacity utilisation ratio in January-May 2010 on average stood at 70% of the normal level (in January-May 2009 it was 62%). In May the leading industries by production capacity utilisation ratio were timber and wood-working industry (82%) and chemical industry (79%), whereas the lowest ratio of 66% was registered in the building materials industry and metallurgy sector.

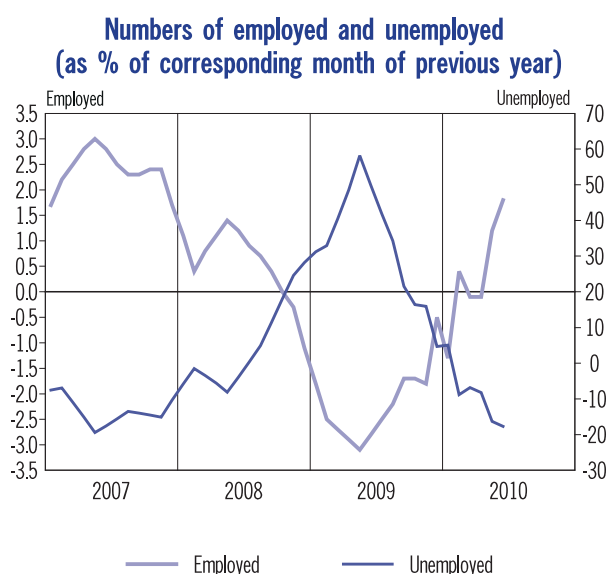
In 2010 H1 GDP grew by 4.0%, as compared with the same period of the previous year. The output gap remained negative.

Labour market

The number of people employed in the economy increased by 0.3% in 2010 H1, whereas in 2009 H1 it fell by 2.6%.



Source: Bank of Russia calculations.



Source: Bank of Russia, Rosstat.

Labour productivity increased by an estimated 3.3% in 2010 Q1. Estimates show that labour productivity grew in the manufacturing sector, whereas in the services sector it continued to decline during this period. The output of goods increased, while the output of services decreased. In 2010 Q1 the number of jobs increased in the services sector but fell in the manufacturing sector year on year. In 2010 H1 real wage grew faster (by 4.4%) than labour productivity (in 2009 H1 real wage decreased by 2.4%).

Significant differences in wage levels between various types of economic activity remain this year. In January-May 2010 the highest average monthly wage was registered in the financial sector (47,653 rubles) and the production of energy resources (43,206 rubles), it exceeded the national average 2.4 times and 2.2 times, re-

spectively. The lowest wages were registered in agriculture, hunting and forestry (9,582 rubles), the textile and clothing industry (9,633 rubles) and the production of leather, leather goods and footwear (10,310 rubles); these made up 48%, 49% and 52% of the national average wage, respectively. Below-average wages remained in activity types that were largely financed from the federal budget, such as education and other utilities, social and personal services and healthcare, and in the manufacturing sector, 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-June it declined by 8.4% down to 6.8% of the economically active population by end-June (8.3% as of the end of June of 2009).

Monetary Conditions

Exchange rate

In 2010 Q2 the domestic foreign exchange market remained stable, despite a slight increase in the intra-quarter exchange rate volatility, mainly caused by price fluctuations on the world energy market. According to preliminary data, the H1 current account surplus stood at \$50.2 billion, taking into account the Q1 current account surplus of \$33.3 billion. A net private capital inflow estimated at \$4.5 billion was registered in April-June, whereas in Q1 there was a net capital outflow of \$14.7 billion. As of 1 July 2010, Russia's international reserves reached \$461.2 billion, an increase of 3.1% over April-June.

The nominal ruble/US dollar exchange rate slipped by 1.1% in 2010 Q2 (in 2010 Q1 was down by 1.5%). It continued to change both ways under the impact of the external economic conditions. In April the ruble gained 1.3% against the dollar, but in May and June it lost 3.8% and 2.6%, respectively. As of 1 July 2010, the official US dollar/ruble rate was 31.2554 rubles to the dollar. As energy prices rose in July, the nominal ruble/dollar rate increased by 1.6%. As a result, as of 1 August 2010, the official US dollar/ruble rate stood at 30.1869 rubles to the dollar.

The nominal ruble/euro exchange rate increased by 7.3% in the quarter under review,

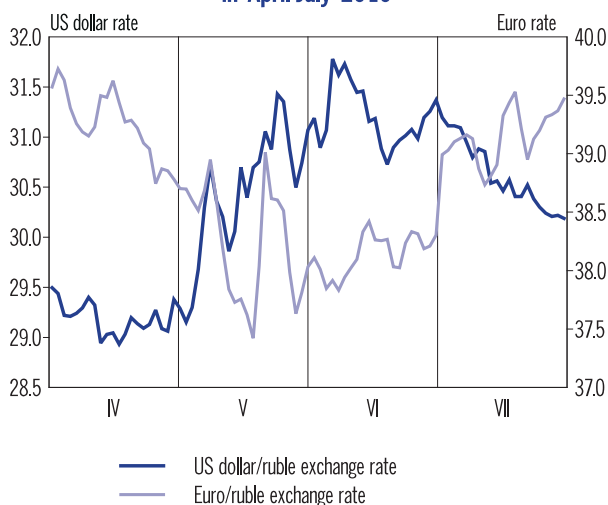
whereas in 2010 Q1 it gained 5.2%. In 2010 Q1 the ruble appreciated against the euro every month: by 2.3% in April, 2.3% in May and 0.6% in June. As of 1 July 2010, the official euro/ruble rate stood at 38.2097 rubles to the euro. In July the ruble lost 2.5% of its nominal value against the eurozone currency and as a result, on 1 August the official euro/ruble rate reached 39.4694 rubles to the euro.

The ruble value of the bi-currency basket, calculated on the basis of the dollar/ruble and euro/ruble exchange rate dynamics, stood at 34.3848 rubles as of 1 July 2010. In July, although the dollar and euro rates changed both ways against the ruble, the value of the bi-currency basket remained virtually unchanged and as of 1 August it stood at 34.3640 rubles.

The nominal effective exchange rate of the ruble against foreign currencies rose by 3.8% in April-June (Q1 growth stood at 2.3%). Since the eurozone countries account for over 40% of Russia's foreign trade turnover, the ruble's appreciation against the euro played the decisive part in the rise of the nominal effective rate of the ruble during the quarter under review.

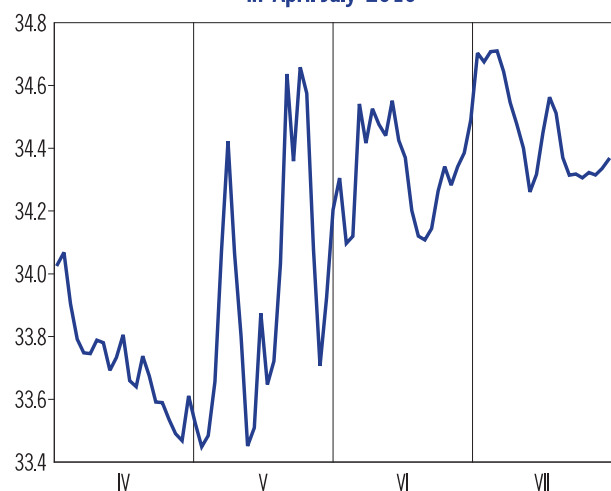
The real ruble/dollar exchange rate slipped by 0.1% in 2010 Q2, whereas in 2010 Q1 it rose by 0.9%. At the same time, as in the

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



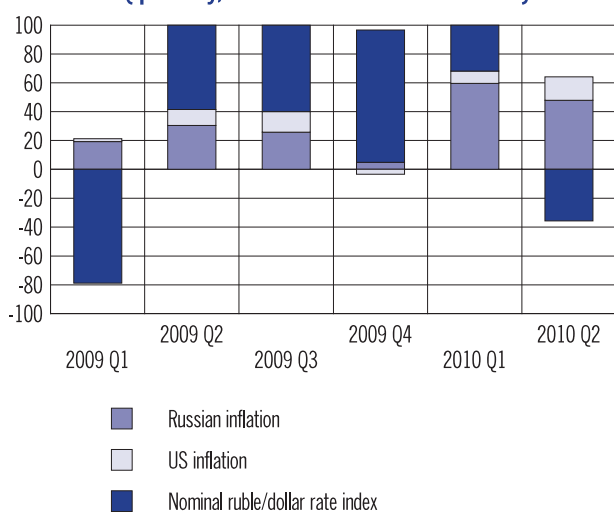
Source: Bank of Russia, Reuters.

Dynamics of the ruble value of bi-currency basket in April-July 2010



Source: Bank of Russia, Reuters.

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

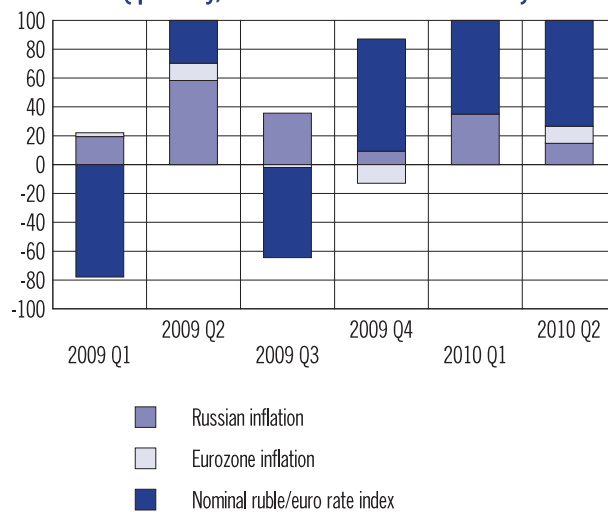


Source: Bank of Russia, Reuters.

previous quarter, the inflation differential made a more significant contribution to the real rate dynamics. Preliminary data indicate that in July the ruble gained 2.1% against the dollar in real terms.

The real ruble/euro exchange rate rose by 8.0% in April-June after a growth of 7.7% in Q1. The relative contribution of the nominal rate of the ruble against the euro to the real ruble/euro rate dynamics increased slightly in the quarter un-

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



Source: Bank of Russia, Reuters.

der review compared to the previous quarter and it continues to exceed the contribution of the inflation differential. According to estimates, in July the ruble lost 2.0% against the euro in real terms, largely owing to the dynamics of the nominal rate of the ruble against the euro in this period.

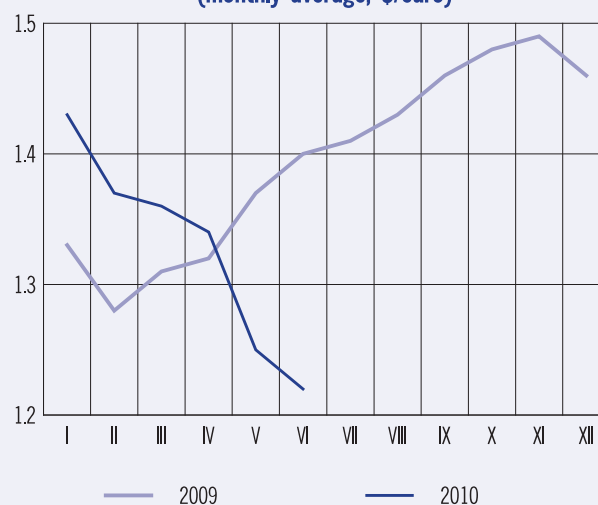
The real effective exchange rate of the ruble against foreign currencies gained 4.4% in Q2 (Q1 growth stood at 4.0%). According to

International currency market

The US dollar gained more than 16% against the euro on the international forex market in 2010 H1 (June on December 2009). The significant devaluation of the euro from the end of November 2009 to the beginning of June 2010 was the result of the increased risks connected with high budget deficit and government debt of Greece and some other member countries of the Economic and Monetary Union. However, international measures taken to reduce these risks, including the extension of loans to Greece by its European partners and the IMF, led to the stabilisation and subsequent strengthening of the euro (in the middle and at the end of June).

The currencies of most of Russia's leading trading partners depreciated against the dollar but appreciated against the euro (rates of the euro against currencies of the central European countries and Baltic States remained stable). The Ukrainian hryvnia and Kazakhstan tenge appreciated against the US dollar and the euro. The yuan remained stable against the US dollar for most of 2010 H1 (6.83 yuan to the dollar) but late in June, when China announced the resumption of a more flexible national currency rate-setting policy it suspended in the middle of 2008, the yuan gained slightly against the dollar and reached 6.78.

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



Source: Reuters.

preliminary data, in July 2010 the real effective rate of the ruble slipped by 0.8%.

Estimates indicate that the ruble dynamics against foreign currencies registered throughout Q2 may cause consumer price inflation to slow down slightly, by about 0.2-0.3 percentage points, until the end of the year.

Interest rates

To make credit more accessible to economic entities and stimulate final demand, the Bank of Russia in 2010 Q2 continued to cut interest rates on its operations amid the slowing of inflation and moderate inflationary expectations. The overnight credit rate, which sets the upper limit of the Bank of Russia interest rate band, was cut twice by a quarter of a percentage point and since 1 June 2010 it has stood at 7.75% p.a. The standard overnight deposit rate, which sets the lower limit of the Bank of Russia interest rate band, was also cut by a quarter of a percentage point and since 30 April 2010 it has stood at 2.5% p.a. Since 1 June 2010 the lowest interest rate at which a

credit institution can receive refinancing in the Bank of Russia (at the repo auctions or auctions of 1- and 7-day Lombard loans) has been 5% p.a.

In line with the decisions taken by the Bank of Russia Board of Directors on 30 June and 30 July 2010, the refinancing rate and interest rates on Bank of Russia operations remained unchanged. The current parameters of the Bank of Russia interest rate policy and some other factors involved in the money market rate-setting process ensure an acceptable balance between the accessibility of borrowings and the inflation risks created by the monetary factors.

Average interest rates on the ruble-denominated **interbank loans** extended for various terms continued to decline in 2010 Q2. The Q2 average overnight ruble MIACR stood at 2.9% as against 3.8% p.a. in Q1. The Q2 overnight ruble MIACR ranged from 2.3% to 3.9% p.a. (in Q1 it varied between 2.9% and 5.4% p.a.). In July the overnight ruble MIACR on interbank loans mostly increased, fluctuating within the range from 2.1% to 3.3% p.a. The average overnight MIACR on

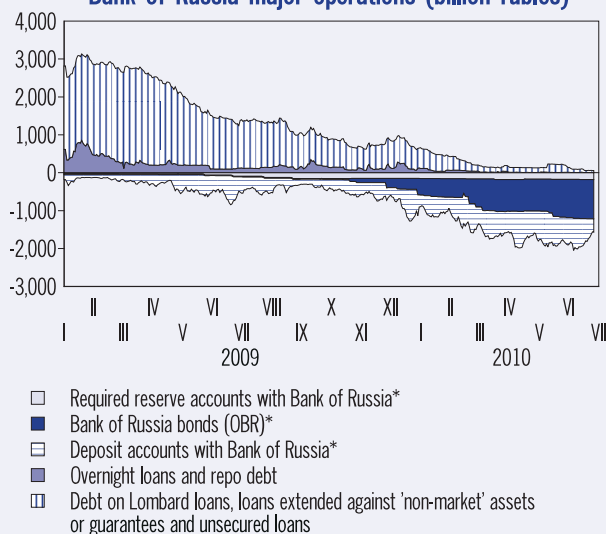
Liquidity situation and Bank of Russia operations

In April-July 2010 credit institutions' funds in deposit accounts and Bank of Russia bonds increased amid the significant surplus of banking sector liquidity, while refinancing operations and debt on refinancing instruments contracted.

Bank of Russia average daily obligations to credit institutions on the liquidity absorption instruments increased approximately from 1,030 billion rubles in Q1 to 1,575 billion rubles in Q2 and 1,680 billion rubles in July. Meanwhile, obligations on Bank of Russia bonds came to predominate in their structure. Bank of Russia average daily claims on credit institutions for instruments used to provide liquidity decreased roughly to 160 billion rubles in Q2 and 100 billion rubles in July, whereas in Q1 they amounted to 480 billion rubles.

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

Bank of Russia major operations (billion rubles)

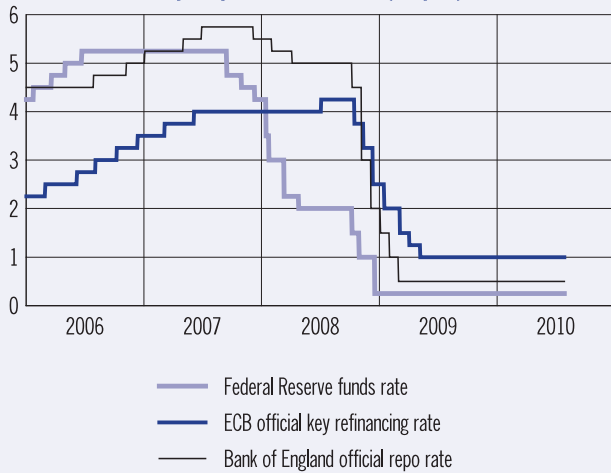


* Balances of funds have the sign «-».
Source: Bank of Russia.

Central bank policies in foreign countries

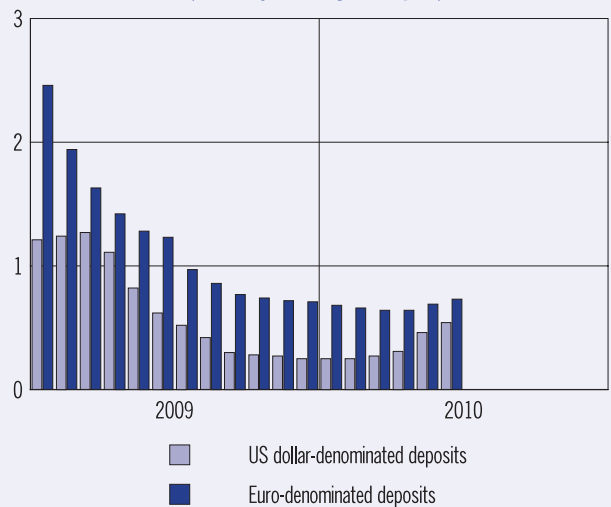
Short-term interest rates on deposits denominated in the currencies that comprise the bi-currency basket (the euro and US dollar) remained low in 2010 H1. US and eurozone monetary policy interest rates remained unchanged. The European Central Bank refinancing rate has been 1.0% p.a. since May 2009. The US Federal Reserve System has maintained the benchmark federal funds rate in the range of from 0 to 0.25% p.a. since December 2008. The US federal reserve banks' discount rate (the rate on loans extended through the discount window) was raised in February 2010 from 0.5% to 0.75% p.a. as the money market conditions stabilised. In some large foreign economies, such as Brazil, India, Canada and Republic of Korea, the central banks raised their monetary policy interest rates in January-July 2010. Meanwhile, the slowing of inflation in Belarus and Ukraine created conditions that allowed their central banks to cut interest rates in the period under review.

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



Source: central banks of corresponding countries.

US dollar and euro 6-month LIBOR (monthly average, % p.a.)

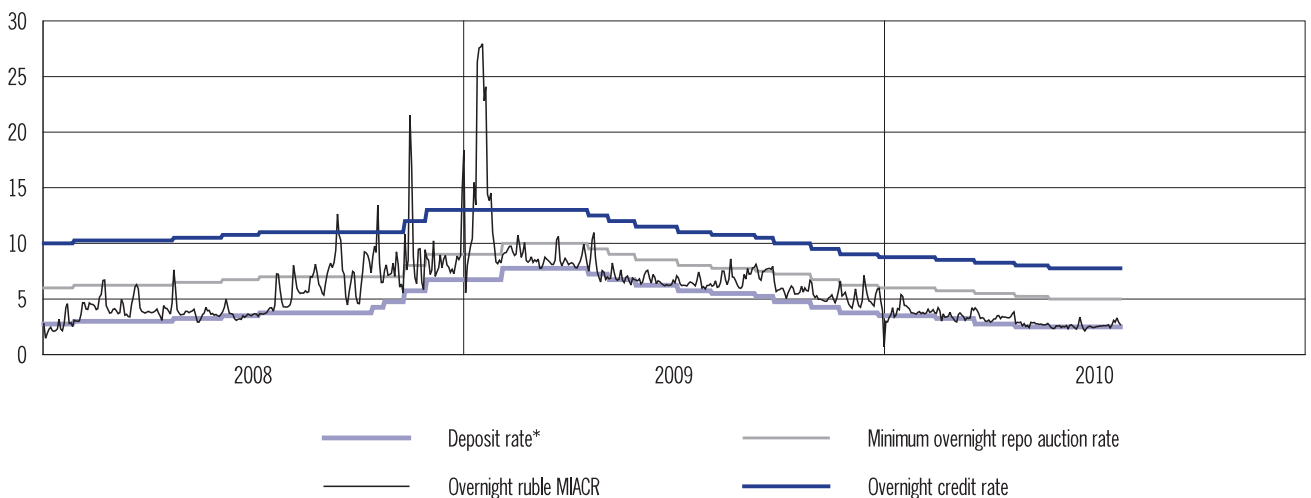


Source: Reuters.

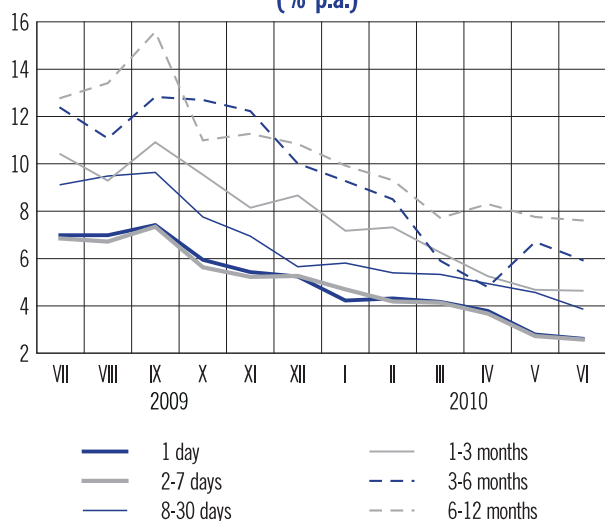
ruble loans in July gained 0.1 percentage points month on month and stood at 2.6% p.a. The interest rate on ruble interbank loans placed by Russian banks for a term of 2-7 days fell from 4.3%

p.a. in Q1 to 3.0% p.a. in Q2, the 8- to 30-day interbank credit rate declined from 5.5% p.a. to 4.5% p.a. and the 1- to 3-month rate was down from 6.9% p.a. to 4.9% p.a.

Bank of Russia key interest rates and Moscow Interbank Actual Credit Rate (MIACR) (% p.a.)



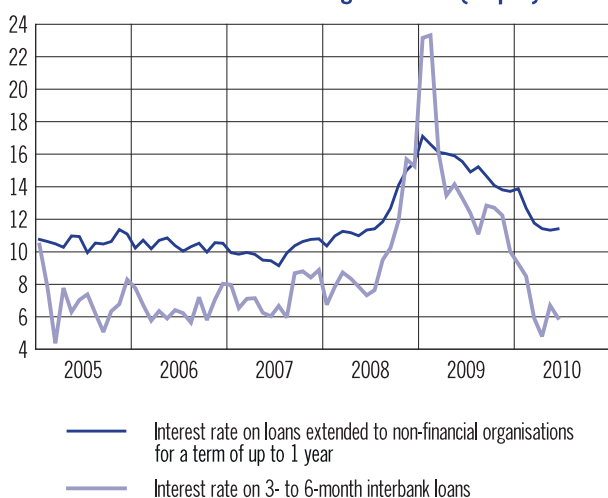
* 'Overnight' since March 29, 2010, and 'tom-next,' 'spot-next' and 'on demand' before March 29, 2010. Source: Bank of Russia.

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


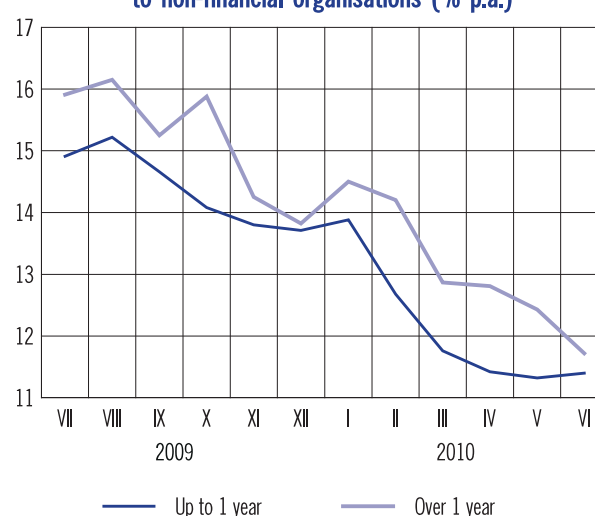
Source: Bank of Russia.

In 2010 Q2 interest rates on **household deposits** with all terms (from 1 month to 3 years) continued to decline. In 2010 Q2 the average short-term household ruble deposit interest rate fell by 1.4 percentage points quarter on quarter and stood at 7.1 p.a. The average long-term (1 year to 3 years) household ruble deposit interest rate was down by 1.3 percentage points to 7.4% p.a.

In 2010 Q2 the average long-term interest rate on the ruble **household credit** market was 18.4% p.a., marking a decrease of 1.1 percentage points from 2010 Q1. The average short-term credit rate fell by 5.2 percentage points to 26.0% p.a. in 2010 Q2.

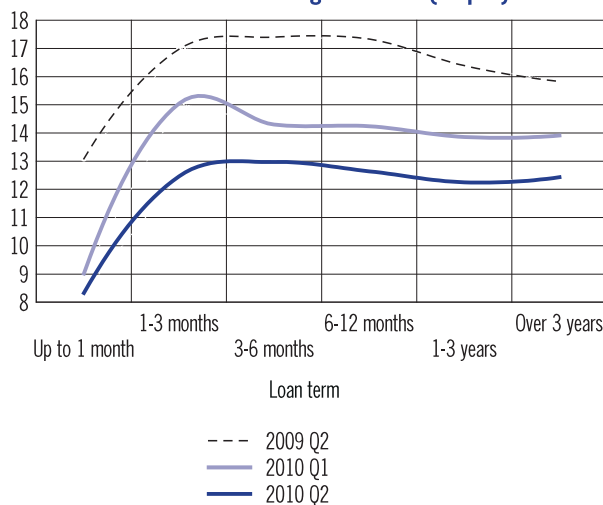
Interest rates on ruble-denominated interbank loans and loans to non-financial organisations (% p.a.)


Source: Bank of Russia.

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


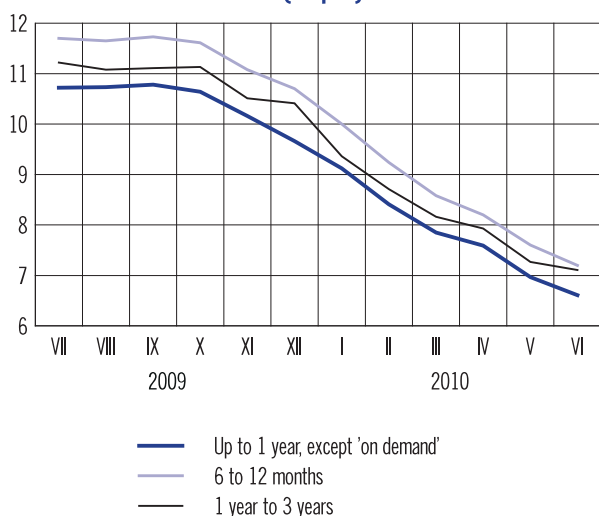
Source: Bank of Russia.

Average quarterly interest rates on **loans to non-financial organisations** continued to fall in 2010 Q2. The average interest rate on short-term loans to non-financial organisations stood at 11.4% p.a. in 2010 Q2, a drop of 1.4 percentage points from 2010 Q1. The average long-term credit rate was down by 1.5 percentage points to 12.3% p.a. in 2010 Q2. Quarter on quarter, the biggest fall (by 2.6 percentage points) in the average interest rate was registered on loans with terms from 1 month to 3 months. The yield curve for loans to non-financial organisations shifted down considerably in Q2 compared with Q1. In section for loans with terms of up to 6 months and over 3 years the yield curve was rising and in

Term structure of interest rates on ruble loans to non-financial organisations (% p.a.)


Source: Bank of Russia.

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



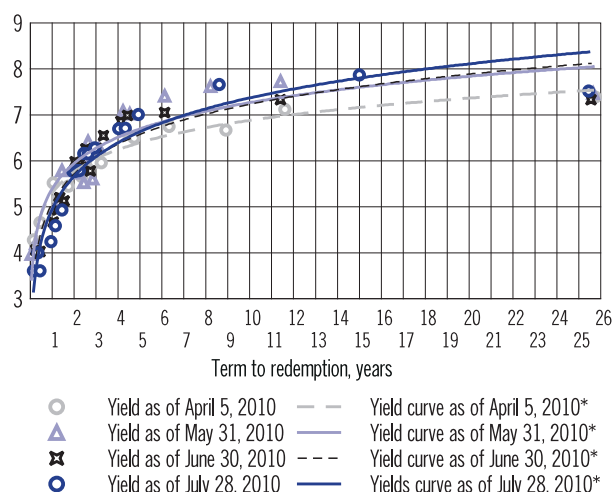
Source: Bank of Russia.

the section for loans with terms of from 6 months to 3 years it was slightly descending.

OFZ market yields changed horizontally in April-July. As of the end of Q2, the effective OFZ market portfolio indicator (MPI) slipped by 0.1 percentage points from 7.4% p.a. registered at the end of the previous quarter. The average quarterly effective MPI fell by 0.6 percentage points to 7.4% p.a. Relative to the end of June, the effective MPI at the end of July remained unchanged at 7.3% p.a. The average monthly indicator was also unchanged.

In April-July the OFZ yield curve remained rising, moving down in the section for maturities of up to 2.5 years and up in the sections for longer

OFZ effective yield term structure (% p.a.)

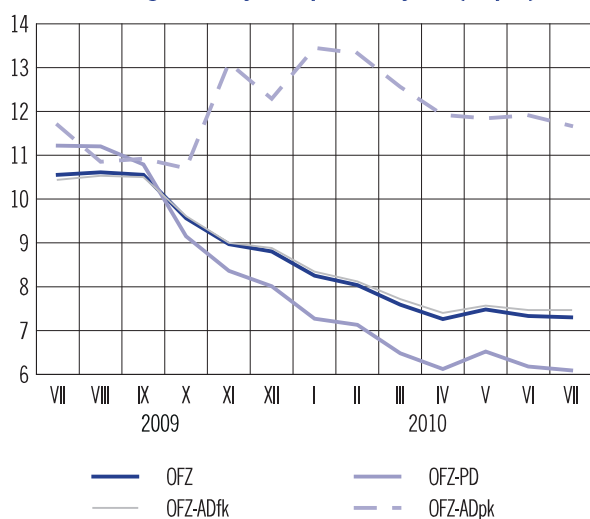


* Yield curve has been smoothed using the logarithmic function.
Source: Bank of Russia.

maturity periods. By the end of July, the slope of the government bond yield curve increased slightly as compared with April-June 2010.

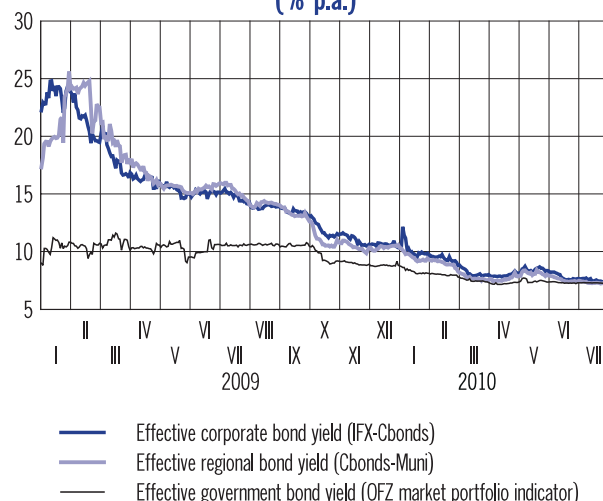
In April-July the **ruble corporate and regional bond market** demonstrated similar securities yield dynamics. In April and May yields mostly rose, while in June and July they fell. In Q2 the average corporate and regional bond yields stood at 8.1% and 7.8% p.a., respectively, as against 9.1% and 8.7% p.a. in Q1. In July the average corporate and regional bond yields fell month on month by 0.4 percentage points and 0.3 percentage points, respectively, and stood at 7.5% and 7.3% p.a. In April and May the spreads between yields on federal loan bonds (OFZ), cor-

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



Source: Bank of Russia.

Russian ruble bond yield indicators on domestic market (% p.a.)



Source: Bank of Russia, 'Cbonds.ru' agency.

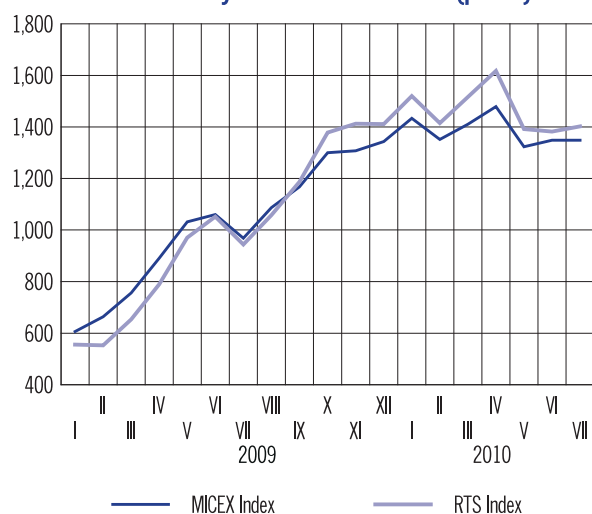
porate bonds and regional bonds widened and by the last week of May they reached the levels registered at the end of February and the beginning of March. In June and July these spreads narrowed sharply.

Asset prices

The Russian stock market in 2010 Q2 demonstrated massive share price fluctuations because of the increased uncertainty of domestic market participants about future prices. In the first half of April the MICEX and RTS stock market indices continued to rise and in the middle of the month they reached the highest levels since the beginning of 2009. Afterwards, these indices started to plummet down because of the deterioration of the situation in some segments of the world financial market and the accelerated withdrawal of non-resident funds from the domestic stock market. By the end of May the Russian stock market indices returned to the October 2009 level. In June they fluctuated within a wide horizontal band. On 30 June the MICEX Index fell by 9.7% as compared to the level registered at the end of 2010 Q1, to 1,309.31 points and the RTS Index was down by 14.8% to 1,339.35 points. The average MICEX and RTS indices in Q2 were lower than in Q1 by 0.7% and 1.0%, respectively.

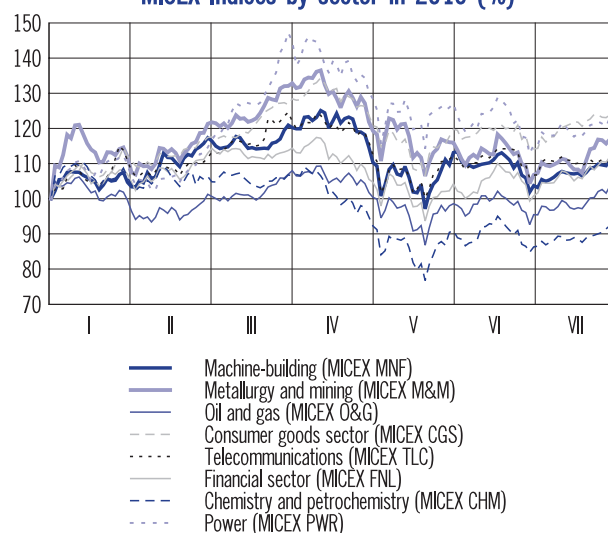
All sectors of the economy saw prices of their shares fall considerably in 2010 Q2. The most significant decline in share prices in the period under review was registered in the metallurgy and power sectors, which demonstrated the highest rates

Russia's key stock market indices (points)*



* Monthly averages.
Source: MICEX, RTS.

MICEX Indices by sector in 2010 (%)*



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

of growth in share prices in the previous quarter, and chemical and petrochemical industry.

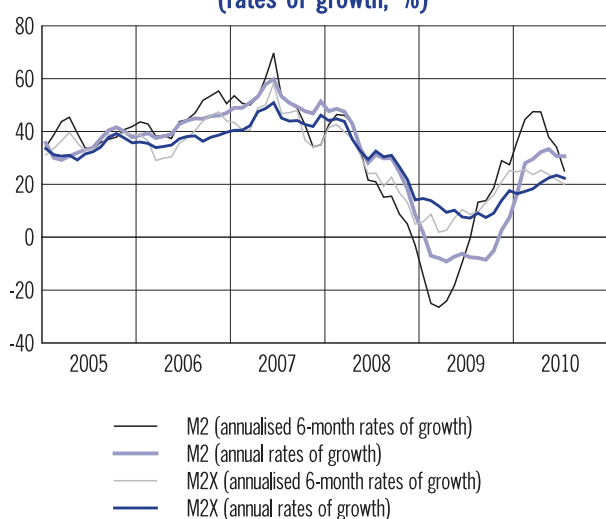
In July Russian share prices increased against the background of favourable price trends on the world's stock and oil markets. At the end of July the MICEX Index gained 6.7% month on month and reached 1,397.12 points and the RTS Index rose by 10.5% to 1,479.73 points by the end of July. Share prices grew in all sectors of the Russian economy, especially the oil and gas sector, chemical and petrochemical industry and banking sector.

Monetary aggregates

The annual rates of growth in monetary aggregate M2 accelerated and as of 1 July 2010, they stood at 30.6% as against 16.3% on 1 January 2010. However, seasonally adjusted monthly rates of growth in the ruble supply in Q2 were lower than in Q1. As a result, the dynamics of 6-month rates of M2 growth (calculated on annualised basis), which is less affected by the base effect, demonstrates the slowing of M2 growth rates in 2010 Q2.

The economic recovery, the ruble's appreciation, mostly in Q1, the replacement of foreign exchange by the domestic currency and the slowing of inflation led to further growth in the demand for money. Money supply growth was strongly impacted by Bank of Russia interventions on the domestic forex market and the partial financing of the federal budget deficit from the Reserve Fund. In addition, the resumption of growth in lending

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



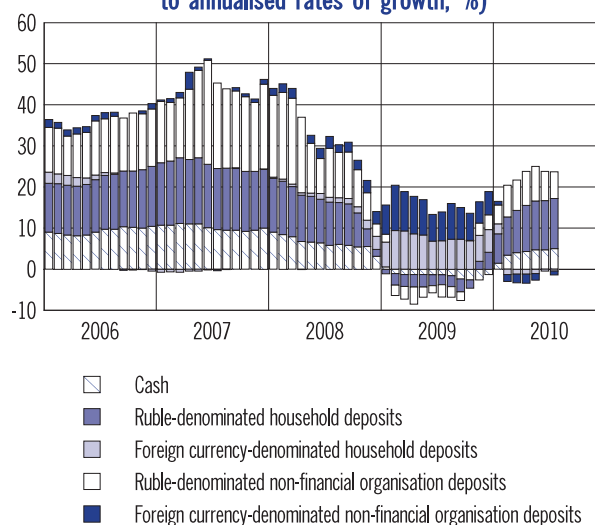
Source: Bank of Russia.

activity in 2010 Q2 also came to play a more important role in money supply growth.

Household deposits were the most rapidly growing component of monetary aggregate M2. In 2010 H1 they increased by 20.1% in value (as against growth by 5.6% in 2009 H1 and by 10.8% in 2008 H1). As a result, the annualised rate of growth in ruble-denominated household deposits reached 44.5% as of 1 July 2010. In 2010 H1 non-financial organisations' deposits increased by 0.6%, whereas in the same period of the previous year they contracted by 5.8%. The annualised rate of growth in non-financial organisation deposits reached 22.3% as of 1 July 2010.

Monetary aggregate M0 increased by 8.2% in 2010 H1, whereas in 2009 H1 it contracted

M2X trends (contributions by the various components to annualised rates of growth, %)

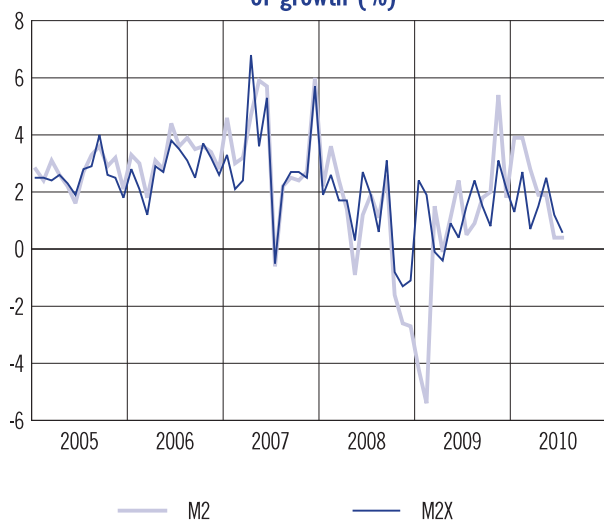


Source: Bank of Russia.

by 7.2%. The annualised rate of growth in cash stood at 24% as of 1 July 2010. Cash dynamics was heavily dependent on public preferences with regard to foreign currency. In 2010 H1 net sales of foreign currency (by households) through exchange offices aggregated to nearly \$2.4 billion. According to Russia's balance of payments preliminary estimates, foreign currency outside the banking system decreased by \$10.1 billion in 2010 H1.

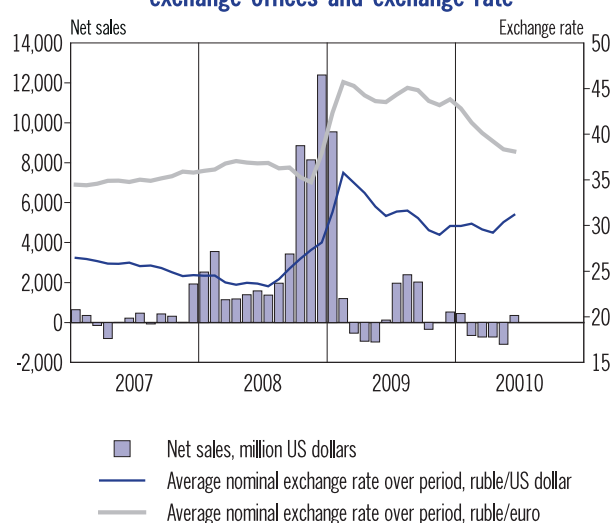
Exchange rate dynamics had marked effect on the dynamics of foreign currency deposits. In 2010 H1 these deposits contracted by nearly 8% (in dollar terms), whereas in 2009 H1 they increased by more than 12%. The annualised rates of growth in foreign currency-denominated

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



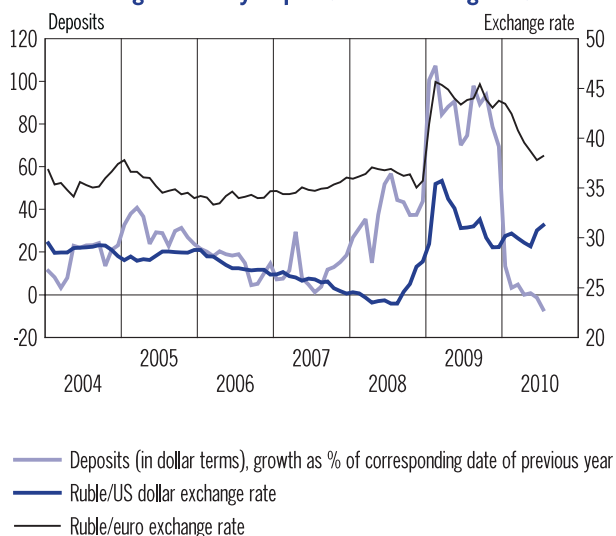
Source: Bank of Russia.

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



Source: Bank of Russia.

Foreign currency deposits and exchange rate



Source: Bank of Russia.

deposits began to slow down rapidly at the end of 2009. As a result, as of 1 July 2010, they decreased by 6.9% in value year on year (as of 1 July 2009, there was a rise by 74.6%). The foreign currency deposit ratio¹ continued to contract in 2010 H1 and on 1 July 2010, it stood at 17.5% as against 22.8% a year earlier.

The dynamics of foreign currency deposits accounted for the fact that the annualised rates of growth in monetary aggregate M2X were lower than those of M2. Nevertheless, over 2010 H1 the M2X annualised growth rates continued to accelerate and on 1 July they reached 22.2%. The dynamics of annualised 6-month rates of growth in broad money M2X testifies to a slight slowing of the rates of M2X growth in 2010 Q2.

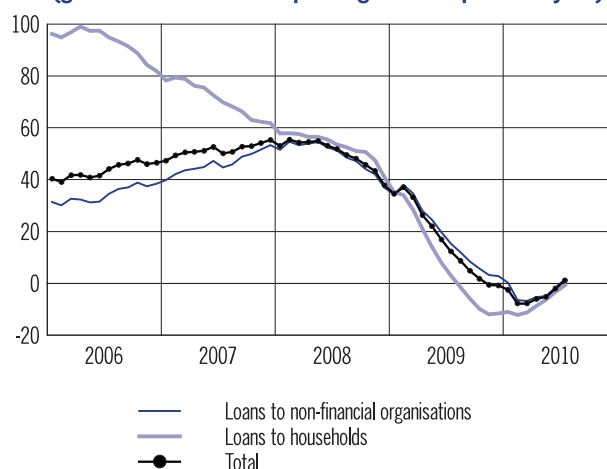
The significant decline in the annualised rates of growth in the money supply in 2008 and the first half of 2009 led to slowing of price growth in 2009 and in 2010. At the same time, the current monetary indicators show that the risk of inflation may increase owing to the monetary factors at the end of 2010 and in 2011.

Credit aggregates

Debt on all categories of loans grew every month in 2010 Q2. The debt on loans extended to non-financial organisations in rubles increased by 4.1% over that period and on loans in foreign currency by 7.2%. The debt on loans to individu-

¹ The foreign currency deposit ratio in this case signifies the share of foreign currency-denominated deposits (in ruble terms) in the broad monetary base.

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

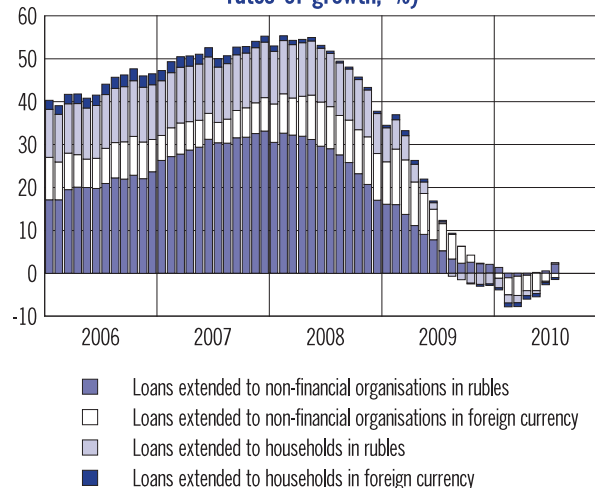


Source: Bank of Russia.

als expanded by 4.0% and by 2.3%, respectively. As a result, overall growth in debt on loans to non-financial organisations and households stood at 4.7%, the biggest quarterly increase since 2008 Q3. However, the annualised rate of growth in total debt on loans remained low and as of 1 July 2010, it stood at 1.1%.

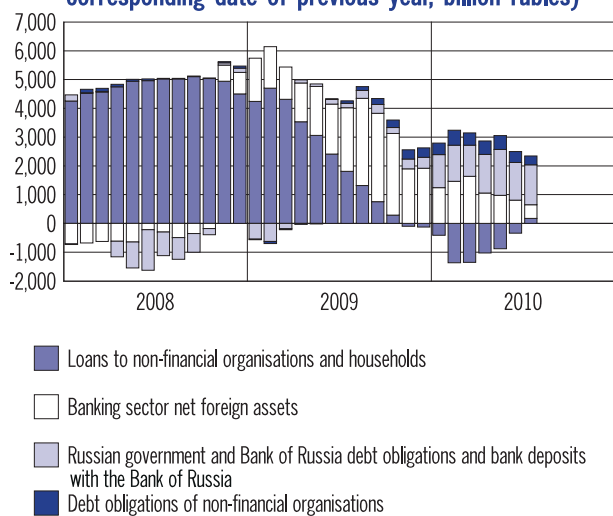
As there was a significant amount of liquidity on the short-term money market and the deposit base grew, banks did not want to expand their credit portfolios and preferred to build up alternative (more liquid and less risky) types of assets, such as Bank of Russia and Russian Government bonds and foreign assets, and place deposits with the Bank of Russia. At the same time, in March 2010 bank claims on non-residents began to de-

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



Source: Bank of Russia.

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

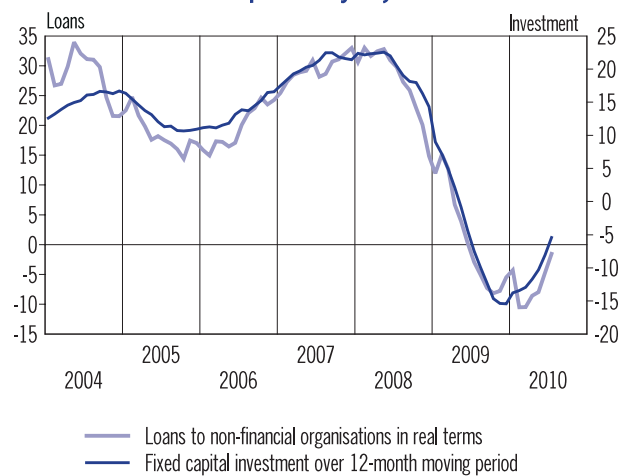


Source: Bank of Russia.

crease gradually. Yet, the amount of Bank of Russia bonds owned by credit institutions and bank deposits with the Bank of Russia remained significant.

One factor containing growth in lending activity was low demand for loans. However, as aggregate demand recovered, lending activity gradually rose, confirming the fact that there is

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



Source: Bank of Russia, Rosstat.

a certain time lag between credit and real sector dynamics.

Lending may further expand as a result of the monetary policy easing as well as the anticipated further rise in business activity. Credit growth will have a stimulating effect on aggregate demand and play a more active role as a source of money supply.

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

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

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

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

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

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

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	20.0	80.0
June	0.9	20.8	28.1	50.2	37.2	62.8

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	8,907	19,166	30,755	41,445	
		2009	8,397	17,680	28,185	39,064	
		2010	9,862				
	over period since start of year, as % of corresponding period of previous year	2008	109.3	108.4	107.7	105.6	
		2009	90.6	89.8	90.7	92.1	
		2010	102.9				
	as % of corresponding quarter of previous year	2008	109.3	107.7	106.6	100.0	
		2009	90.6	89.2	92.3	96.2	
		2010	102.9				
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			
	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			
Agricultural output	as % of corresponding quarter of previous year	2008	105.5	106.9	113.0	111.3	
		2009	102.3	100.8	99.0	105.2	
		2010	103.6	102.3			
	over period since start of year, as % of corresponding period of previous year	2008	105.5	106.4	109.6	110.8	
		2009	102.3	101.4	100.1	101.2	
		2010	103.6	102.9			
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			
	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			
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	3,615.9	7,535.3			
	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	101.5	105.1			
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		
		as % of GDP	2008	21.7	22.8	23.3	22.4
			2009	20.6	17.9	18.1	18.8
			2010	19.8	19.1 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		
		as % of GDP	2008	15.0	15.6	14.9	18.3
			2009	21.0	22.0	22.9	24.7
			2010	22.3	21.0 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		
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 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		
		as % of GDP	2008	37.4	39.4	39.6	39.0
			2009	36.1	34.2	33.9	34.8
			2010	35.1	36.4 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		
		as % of GDP	2008	26.2	28.8	28.4	34.2
			2009	33.4	37.4	37.3	41.1
			2010	32.7	35.1 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		
		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 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	20,734			
	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	111.9			
	over period since start of year, as % of corresponding period of previous year	2008	128.0	128.6	128.7	127.2	
		2009	112.8	110.3	108.6	107.8	
		2010	110.5	111.2			
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	105.6			
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	15,930.4	18,488.7			
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	107.3	102.8			
	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	107.3	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	67.9			
	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	10.2			
	growth in savings	2008	8.3	7.1	4.6	2.2	
		2009	8.7	17.0	12.8	17.7	
		2010	15.9	15.7			
	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			
	cash on hand	2008	-4.4	4.0	2.7	-1.5	
		2009	-6.6	2.4	-0.5	3.7	
		2010	-1.7	3.0			
	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		
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			
	over period since start of year, as % of corresponding period of previous year	2008	119.0	116.4	118.6	118.1	
		2009	106.1	109.8	109.5	110.7	
		2010	144.1	141.3			
Total number of unemployed (calculated using ILO methodology)	million	2008	5.1	4.3	4.5	5.4	
		2009	6.8	6.5	6.0	6.1	
		2010	6.6	5.6			
	as % of economically active population	2008	6.7	5.6	5.9	7.1	
		2009	9.1	8.6	7.8	8.0	
		2010	8.8	7.4			

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			
	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			
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	188.2 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	150.1 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	104.2 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	126.4 ²			
Current account balance (over period since start of year), \$ billion		2008	38.7	65.6	95.1	103.7	
		2009	9.8	18.0	33.6	49.5	
		2010	33.3	50.2 ²			
Private sector net capital outflow (inflow) (over period since start of year), \$ billion		2008	-24.4	15.7	-3.6	-133.9	
		2009	-35.2	-31.9	-65.9	-57.2	
		2010	-14.7	-10.2 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				
	as % of corresponding period of previous year	2008	70.1	77.1	86.2	85.8	
		2009	69.7	69.1	72.2	79.0	
		2010	109.3				
of which:	direct	over period since start of year, \$ billion	2008	5.6	11.1	19.2	27.0
			2009	3.2	6.1	10.0	15.9
			2010	2.6			
		as % of corresponding period of previous year	2008	57.2	70.0	97.7	97.2
			2009	57.0	55.0	51.9	58.9
			2010	82.4			
	portfolio	over period since start of year, \$ billion	2008	0.1	1.2	1.3	1.4
			2009	0.1	0.9	1.0	0.9
			2010	0.3			
		as % of corresponding period of previous year	2008	62.5	104.4	83.7	33.7
			2009	93.5	74.9	78.6	62.3
			2010	2.5 times			
	other	over period since start of year, \$ billion	2008	11.5	34.3	55.3	75.3
			2009	8.7	25.2	43.7	65.1
			2010	10.2			
as % of corresponding period of previous year		2008	78.7	79.0	82.8	84.7	
		2009	75.6	73.5	79.1	86.5	
		2010	117.1				
Russia's international reserves (as of end of period), \$ billion		2008	512.6	569.0	556.8	426.3	
		2009	383.8	412.5	413.4	439.5	
		2010	447.4	461.2			
Real ruble exchange rate indices (last month of quarter), growth as % of December of previous year ³	rubles per 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			
	rubles per euro	2008	0.6	3.4	6.2	5.0	
		2009	-12.0	-7.0	-9.0	-6.5	
		2010	11.7	18.6			
	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			

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		
	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		
OFZ yields ⁴ , % p.a.		2008	6.7	6.9	7.5	8.7
		2009	10.5	10.3	10.6	9.1
		2010	7.9	7.4		
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		
	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		
	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		
	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		
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		
	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		
	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		
	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		
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		
Interest rate on ruble-denominated promissory notes issued by credit institutions and discounted by credit institutions, % p.a. ⁵		2010	9.3	7.8		
MICEX rate in «tomorrow» trades, ruble/\$		2008	24.2286	23.6190	24.2718	27.2941
		2009	34.4761	32.2032	31.3160	29.4737
		2010	29.8318	30.2891		
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		
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		

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	
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	
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	
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	13,774.2	14,734.2	
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	14,306.1	
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	7,244.1	
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	
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	35.4 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	2.37	
	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	-2.4	
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	
	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	

¹ Preliminary data.

² Estimate.

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

⁴ Effective OFZ market portfolio indicator.

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

⁶ Relative to beginning of previous year.

Table 9

Bank of Russia interest rates in January-July 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	8.75	8.50	8.25	8.00	7.75
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 Bank of Russia Board of Directors.

² Interest rate set on the ruble part when determining 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					

