



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

Quarterly Inflation Review

2006 Q1

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Research and Information Department

Introduction

In 2006 Q1, the trend towards the slowing of growth in consumer prices continued in Russia. However, growth in the prices of goods and services included in the calculation of the core consumer price index accelerated year on year. This acceleration was attributable to faster growth in prices in February. Core inflation was lower in January and March 2006 than in 2005.

The most noticeable increase was registered in food prices, excluding vegetable and fruit prices, which rose due to considerable growth in sugar prices resulting from high world sugar prices. Growth in non-food prices also accelerated. Motor petrol prices grew faster than non-food prices in January-March 2006.

The slowing of growth in the prices of paid services provided to the population, including administered prices, had a positive effect on consumer price inflation in January-March 2006. The growth in these prices was also curbed as Russia adopted in 2005 amendments to Federal Law No. 210-FZ, dated December 30, 2004, "On the Principles of Regulating Tariffs Set by House Maintenance and Utility Services" and the Federal Tariff Service's Order No. 853-e/4, dated December 29, 2005, setting limits on growth in housing and utility charges for each region.

Despite a general reduction in inflation in January-March 2006, core inflation was higher than in the same period of 2005 largely because the markets of some commodities were unstable.

The inflow of foreign currency into the domestic market amid the policy of restricting the appreciation of the national currency generates a large-scale increase in money supply, which contributes to inflation in general, especially affecting core inflation. The dynamics of core inflation observed in this situation testify to its reduced sensitivity to money supply growth.

The trend towards the slowing of the annualised rate in M2 growth (from 38.6% as of January 1, 2006, to 37.9% as of April 1, 2006) continued in 2006 Q1. However, this trend was unstable and weakly expressed.

Money supply growth traditionally accelerates in Q2, and M2 increase over this period accounts for about a third of annual growth, according to average figures for the previous six years. The fourth scenario of Russia's economic development in 2006 projects ruble supply demand to grow 25-28% over the year as a whole. The insignificant slowing of money supply dynamics in Q1 is not enough to achieve the 2006 core inflation target. Therefore, M2 growth must slow down more considerably. Given this trend, core inflation, taking into account the existing lags for money supply growth, can reach the target figures by the end of the year, other conditions being unchanged.

Allowing for the lags that had formed by the end of March 2006, the money supply dynamics along with other factors will determine the monetary conditions of inflation in the next three quarters of 2006, and their effect will become moderate only from the middle of 2006.

The low-liquidity ruble components (time deposits) account for most of growth in the ruble supply and this represents a significant factor from the viewpoint of alleviating the inflationary consequences of monetary growth. At the same time, the trend towards the contraction of cash in the M2 structure, registered for most of the period under review, contributed to lower velocity of money and slower inflation.

The current account surplus continued to grow in 2006 Q1. As a result, foreign currency supply exceeded demand on the domestic foreign exchange market. In these conditions, the Bank of Russia conducted ruble interventions on the domestic foreign exchange market to prevent the ruble's excess appreciation. Measures to sterilise money supply were taken to restrict inflationary pressure amid growth in monetary authorities' gold and foreign exchange reserves. The Stabilisation Fund and the accounts of the Russian Government with the Bank of Russia helped sterilise a considerable part of money supply. The Bank of Russia conducted operations with its own

bonds (OBR bonds) and deposit operations as major sterilisation instruments.

At the same time, the Bank of Russia used instruments related to the provision of liquidity to credit institutions, mainly repo operations and intraday loans, more actively in 2006 Q1 year on year.

In 2006 Q2, core inflation will be affected (other conditions being unchanged) by the money supply dynamics registered in the second half of 2005, the current dynamics of the foreign exchange rate and budget non-interest expenditures, and also by the budget's continued sterilising function.

Inflation Dynamics

Consumer prices

According to the Federal State Statistics Service (Rosstat), consumer prices rose 5.0% in 2006 Q1 as against 5.3% in 2005 Q1. Consumer prices grew 2.4% in January, 1.7% in February and 0.8% in March.

Consumer price inflation in the moving 12-month period equalled 10.6% in March 2006 (11.2% in February 2006), or 0.3 percentage points higher than the figure, which corresponds to the uniform movement towards achieving the 2006 monetary policy target (8.5%).

Core inflation equalled 2.8% in 2006 Q1 (2.4% in 2005 Q1). The prices of goods and services included in the calculation of core inflation rose 0.8% in January, 1.2% in February and 0.7% in March. Core inflation in the moving 12-month period stood at an estimated 8.7% in March 2006.

Growth in the prices of goods and services included in the calculation of the core consumer price index in 2006 Q1 accounted for an estimated 2.1 percentage points, or 42.4%, of overall consumer price growth (as against 1.9 percentage points, or 36.7%, in 2005 Q1).

Food prices, excluding vegetable and fruit prices, grew 3.9% in 2006 Q1 as against 3.1% in the same period last year. Growth in food prices, excluding vegetable and food prices, accounted

for an estimated 1.5 percentage points, or 30.1%, of overall consumer price growth in 2006 Q1 (as against 1.3 percentage points, or 24.5%, in the same period last year).

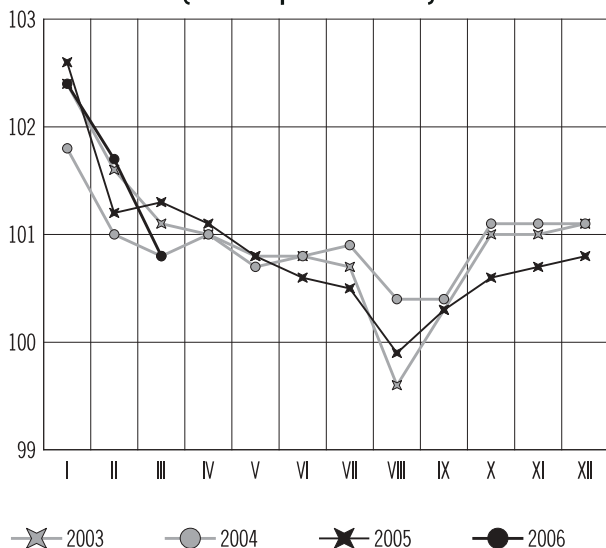
The most significant growth in food prices in 2006 Q1 was registered in the prices of granulated sugar, which increased 48.8% (in January-March 2005, they fell 0.8%).

The rapid growth of sugar prices at the beginning of the year considerably affected the level of core inflation. In January-March 2006, growth in sugar prices accounted for an estimated 0.7 percentage points of overall growth in the prices of goods and services included in the calculation of the core consumer price index.

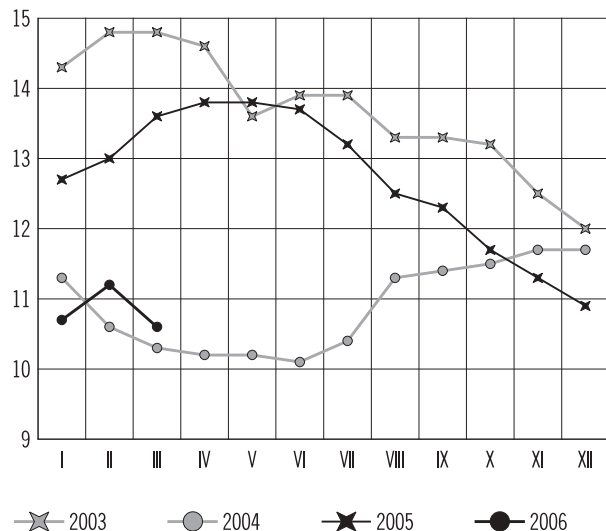
Such price dynamics corresponded to the trends registered on the world sugar markets. In January-March 2006, growth in raw sugar prices accelerated by 6.3 times and refined sugar prices by 5.2 times compared with the same period last year.

At the beginning of 2006, the situation on the meat market normalised. Meat and poultry prices increased 0.9% in 2006 Q1 as against 6.9% in the same period last year. In 2005, growth in poultry prices accelerated considerably compared with 2004 (poultry prices grew 18.2% in 2005 as against 1.1% in 2004). At the end of 2005, de-

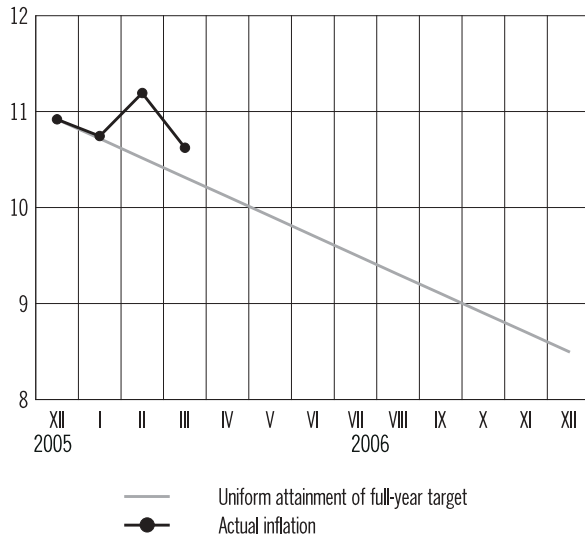
Consumer prices
(as % of previous month)



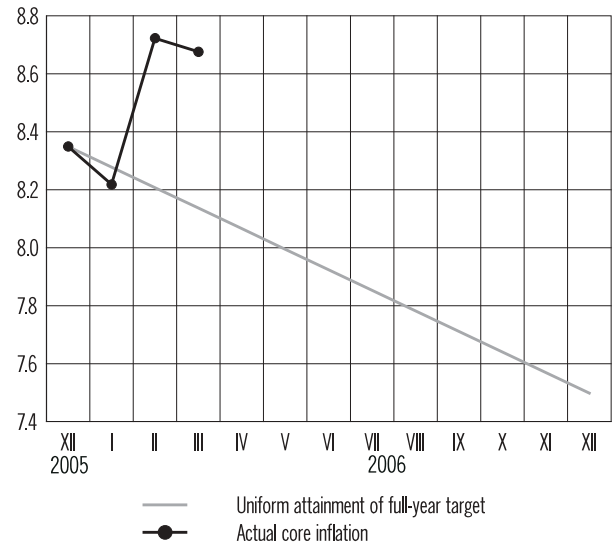
Inflation in the moving 12-month period
(as % of corresponding month of previous year)



**Inflation in the moving 12-month period
(as % of previous month)**



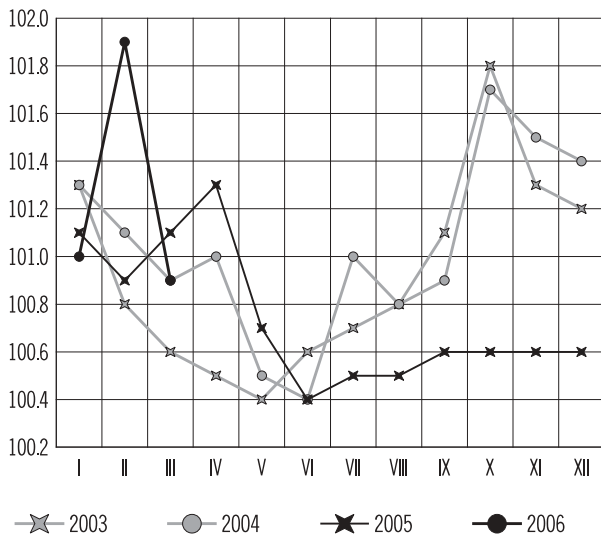
**Core inflation in the moving 12-month period
(as % of previous month)**



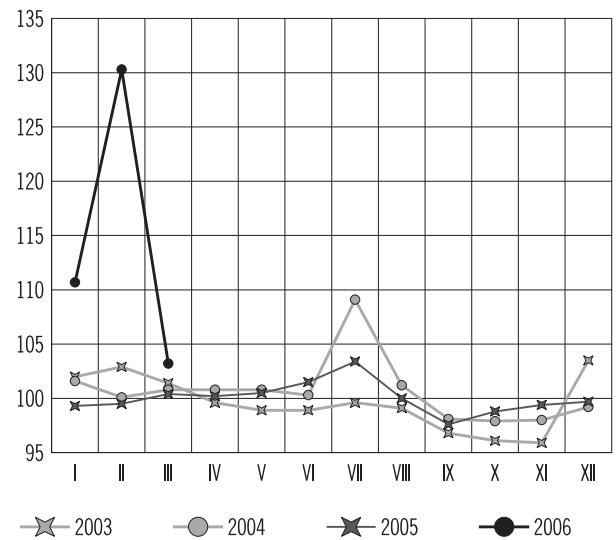
Consumer price inflation (%)

	Growth (March 2006 on December 2005)	Growth (March 2005 on December 2004)	Outcome
Prices of goods and services included in core inflation calculation	2.8	2.4	Acceleration by 1.2 times
of which:			
food prices, excluding vegetable and fruit prices	3.9	3.1	Acceleration by 1.3 times
non-food prices	1.3	1.1	Acceleration by 1.2 times
Prices of paid services provided to households	8.0	12.6	Retardation by 1.6 times
of which:			
prices of goods and services administered at regional or municipal level	9.9	16.9	Retardation by 1.7 times
Vegetable and fruit prices	29.3	24.0	Acceleration by 1.2 times

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



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



Food price inflation rates (%)

	Growth (March 2006 on December 2005)	Growth (March 2005 on December 2004)	Outcome
Bread and bakery products	4.6	1.2	Acceleration by 3.8 times
Cereals and legumes	5.7	-1.2	
Pasta	1.9	1.5	Acceleration by 1.3 times
Meat and poultry	0.9	6.9	Retardation by 7.7 times
Fish and seafood	3.3	6.3	Retardation by 1.9 times
Milk and dairy products	3.4	3.1	Acceleration by 1.1 times
Butter	2.9	2.6	Acceleration by 1.1 times
Sunflower oil	-0.2	1.7	
Granulated sugar	48.8	-0.8	
Alcoholic beverages	2.2	2.6	Retardation by 1.2 times

mand for poultry fell due to the bird flu scare and poultry prices went down 1.5% in November and 1.7% in December. At the start of 2006, this trend continued (in Q1, poultry prices went down 7.3%). Beef and pork prices rose 6.0% and 2.9%, respectively, in 2006 Q1.

On December 5, 2005, the Russian Government passed Resolution No. 732, which for the first time set meat import quotas for four years in advance. This may help foreign trade companies to implement a more balanced policy in respect to imports, cushioning undesirable supply-related market fluctuations.

Fish and seafood prices rose 3.3% in 2006 Q1 as against 6.3% in the same period last year.

The prices of milk and dairy products grew 3.4% in January-March 2006 as against 3.1% in January-March 2005.

In January-March 2006, growth accelerated in the prices of bread and bakery products (from 1.2% to 4.6%) and pasta (from 1.5% to 1.9%).

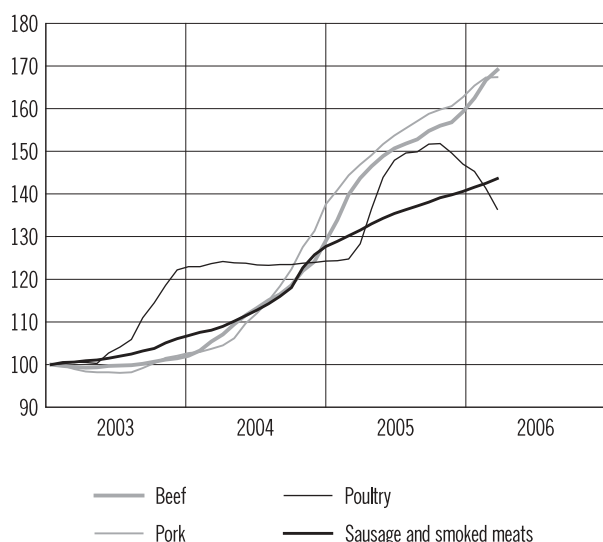
The price dynamics of these products were affected by the accelerated growth in producer prices. In particular, agricultural producer prices for cereals rose 5.5% in 2006 Q1 (in January-March 2005, they fell 0.7%).

In 2006 Q1, as in the same period of 2005, food prices, excluding vegetable and fruit prices, grew faster than non-food prices.

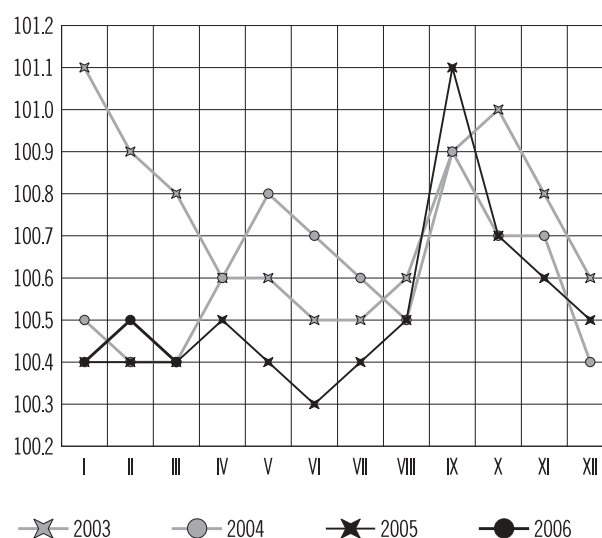
Non-food prices rose 1.3% in January-March 2006 as against 1.1% in the same period of 2005. The biggest growth in non-food prices in 2006 Q1 was registered in the prices of tobacco products (2.4%) and knitwear (2.0%).

Petrol prices grew 1.9% in 2006 Q1 (0.6% in 2005 Q4). On September 19, 2005, Russia's top oil companies undertook to freeze petrol prices at their filling stations. This moratorium (it was effective until late 2005) helped curb petrol price growth considerably at the end of 2005. TNK-BP and LUKoil oil producers kept the moratorium on petrol price increases at the start of 2006 as well.

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



Non-food prices
(as % of previous month)



Growth in non-food prices accounted for an estimated 0.5 percentage points, or 9.1%, of overall consumer price growth in 2006 Q1 (as against 0.4 percentage points, or 6.8%, in 2005 Q1).

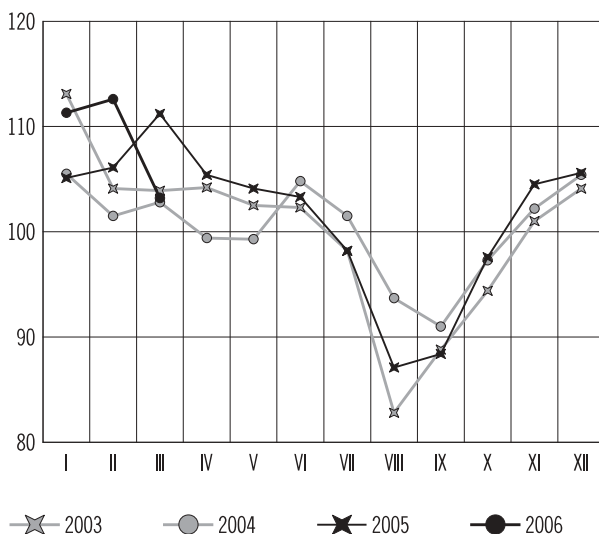
Vegetable and fruit prices rose 29.3% in January-March 2006 (as against 24.0% in January-March 2005). The increase in vegetable and fruit prices in 2006 Q1 was above the average growth figure in January-March 2001-2005.

In 2006 Q1, growth in vegetable and fruit prices accounted for an estimated 1.2 percentage points of the general rate of inflation (23.2% of overall consumer price growth). In 2005 Q1, growth in vegetable and fruit prices accounted for 1.0 percentage point, or 18.7%, of overall consumer price growth.

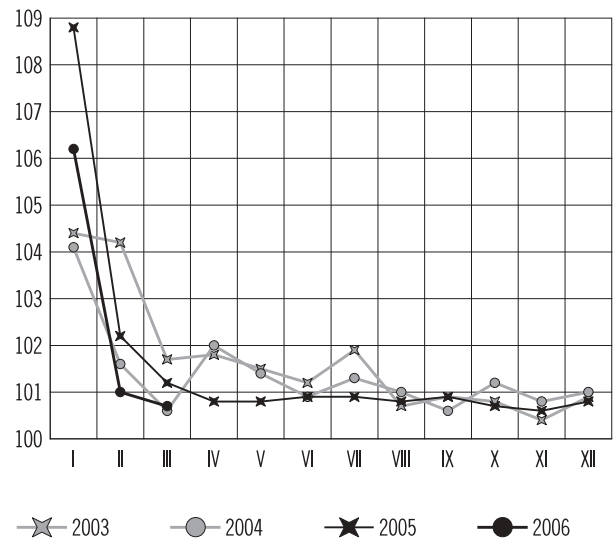
Overall growth in food prices stood at 6.2% in 2006 Q1 as against 4.9% in 2005 Q1.

The prices of paid services provided to households were up 8.0% in January-March 2006 (as against 12.6% in January-March 2005). Housing and utility prices grew 15.6% in 2006 Q1 (26.5% in January-March 2005), with housing prices rising 14.1% and utility prices 16.4%. The amendments to Federal Law No. 210-FZ, dated December 30, 2004, "On the Principles of Regulating Tariffs Set by House Maintenance and Utility Services" and the Federal Tariff Service's Order No. 853-e/4, dated December 29, 2005, came into force in early 2006, setting limits on growth

Vegetable and fruit prices
(as % of previous month)



Service prices
(as % of previous month)



in housing and utility charges for each region and establishing the procedure for monitoring their dynamics. Housing and utility prices grew 13.8% in January 2006 month on month. After that, their growth slowed down to 1.0% in February and 0.5% in March.

Passenger transport and communication fees rose 5.8% and 0.5%, respectively, in January-March 2006 (as against 5.8% and 0.3% in 2005 Q1).

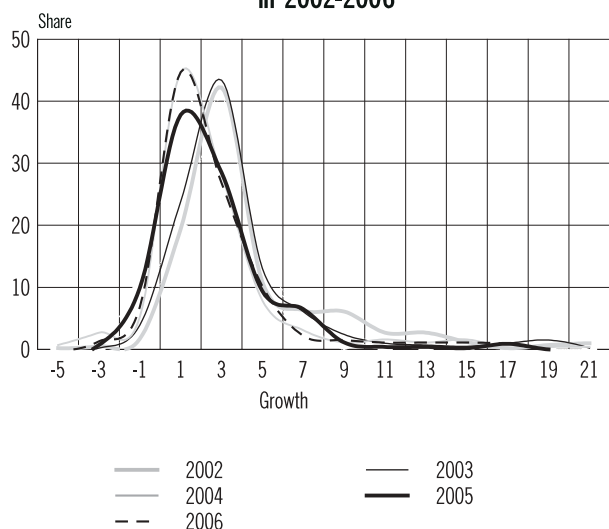
As for other major types of services, the most significant increase in 2006 Q1 was registered in pre-school tuition fees, which rose 9.4% as against 16.7% in 2005 Q1.

Growth in paid service prices in 2006 Q1 was almost two times faster than overall growth in the prices of goods, which stood at 4.1% (3.8 times faster in January-March 2005). Growth in paid service prices in January-March 2006 accounted for an estimated 1.9 percentage points, or 37.6%, of overall consumer price growth (as against 2.6 percentage points, or 50.0%, in January-March 2005). Service prices administered at the regional and municipal levels rose by an estimated 9.9% in the first three months of 2006 as against 16.9% in January-March 2005.

The analysis of the distribution¹ of consumer price increases (March on December of previous year) in 2002-2006 was made for a

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

**Consumer price growth distribution
(March on December of previous year)
in 2002-2006**



sample comprising more than 400 consumer goods and services without taking into account their weights in consumer spending.

In the past five years, increases in the prices of more than two-thirds of all consumer goods and services in Q1 have not exceeded 2-4%. At the same time, in January-March 2006, the prices of almost a half of consumer goods and services (44.7%) grew within the range of 0-2%.

Throughout the past three years, the median, which in this kind of distribution characterises growth in the prices of most of the goods and services, has been close to 2% (it stood at 1.9% in 2004 Q1, 2.1% in 2005 Q1 and 2.1% in 2006 Q1). The distribution average decreased by 0.4 percentage points in 2006 Q1 year on year and

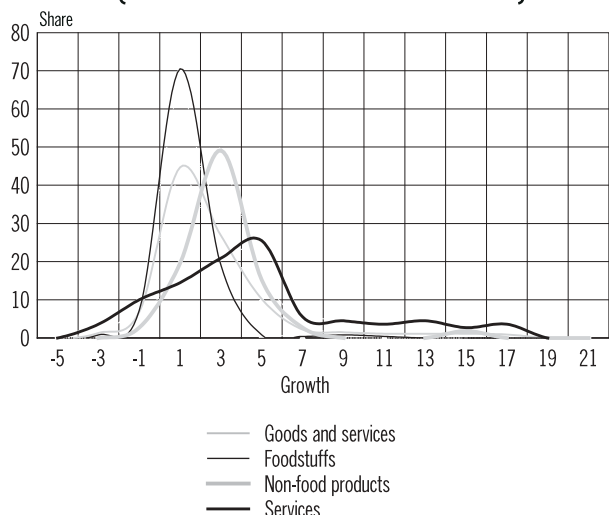
stood at 3.4%. The standard deviation, which characterises the extent of price growth difference from the average, fell to 6.3% from 7.6% a year earlier but was larger than in 2003-2004. The dispersion of price increases narrowed in January-March 2006 year on year as the standard deviation in the services sector decreased considerably (from 11.2% to 5.3%). In 2006 Q1, the median was the highest in the food products sector and the lowest in the non-food products sector.

A statistical analysis of food price increases indicated a rise in the distribution average and the distribution median in January-March 2006 year on year. In 2006 Q1, the prices of almost a half of all food products grew within the range of 2-4%. The standard deviation had been the largest since 2002 and reached almost 11% as there was a relatively large group of goods (more than 7%) with price growth of over 20%.

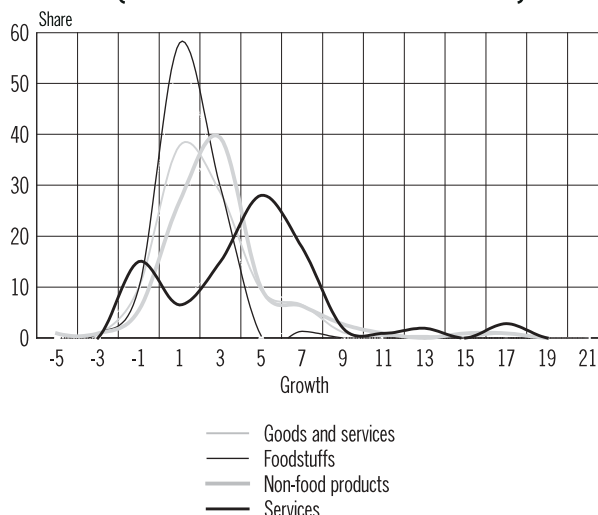
The distribution of non-food price increases was characterised by a pronounced maximum and small standard deviation. Consequently, the increases in the prices of most of the goods in this group stayed within a narrow range. The goods whose prices rose in the 0-2% range in January-March 2006 accounted for 70.5% of all non-food products (58.0% in the same period of 2005). The standard deviation for non-food products was 1.4% or 4.5 times smaller than the standard deviation for goods and services as a whole.

The distribution of service price increases in 2006 Q1 was characterised by a peak corresponding to the 2-6% price growth range. In 2005, there

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



**Price growth distribution by kind
of consumer goods and services
(March 2005 as % of December 2004)**



was a large share of services whose prices went down, and also a large share of services with the price growth of over 20%. As a result of this price distribution, the standard deviation decreased to 5.3% or 2.1 times smaller than in 2005 Q1.

According to Rosstat's data, in most of **Russia's federal districts** consumer prices grew less in 2006 Q1 than in the same period of 2005. The exceptions were the Urals and Siberian Federal Districts. In the North-Western, Siberian and Far Eastern Federal Districts consumer prices grew slower than in Russia as a whole by 0.4-1.0 percentage points.

According to estimates, differences between the constituent members of the Russian Federation with respect to the cost of a fixed set of goods and services used by the Federal State Statistics Service for interregional comparisons of household purchasing power increased in 2006 Q1. The regional difference ratio² increased to 44% in January-March 2006 as against 43% in January-March 2005.

In January-March 2006, vegetable and fruit prices demonstrated the largest differences in growth rates by region. Thus, vegetable and fruit prices grew 34.7% in the Central Federal District and 13.0% in the Far Eastern Federal District. Growth in the prices of non-food products and foodstuffs, excluding vegetables and fruit, was,

on the contrary, roughly the same in all federal districts.

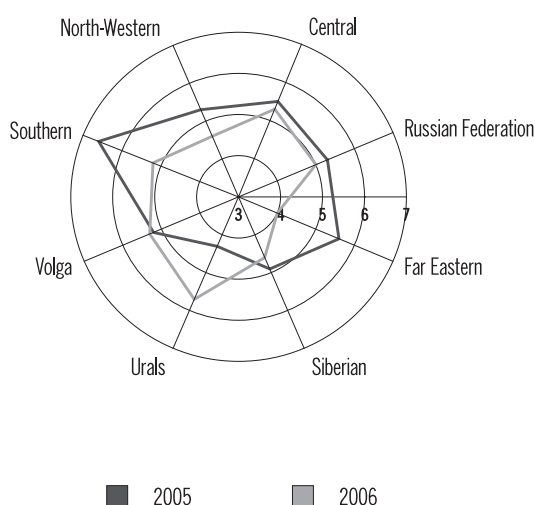
In January-March 2006, growth in the prices of paid services provided to households slowed down considerably in all federal districts compared with the same period last year. The most considerable slowdown was registered in the Southern and Far Eastern Federal Districts where growth decelerated by 7.2 and 7.9 percentage points, respectively (in Russia as a whole, growth in service prices decelerated by 4.6 percentage points).

According to data provided by the Institute of the Economy of the Transitional Period, the inflationary expectations of managers of the leading industrial enterprises in January-March 2006 were a little lower than in the same period last year. Thus, 29-36% of respondents predicted growth in selling prices in 2006 Q1 as against 28-38% in 2005 Q1.

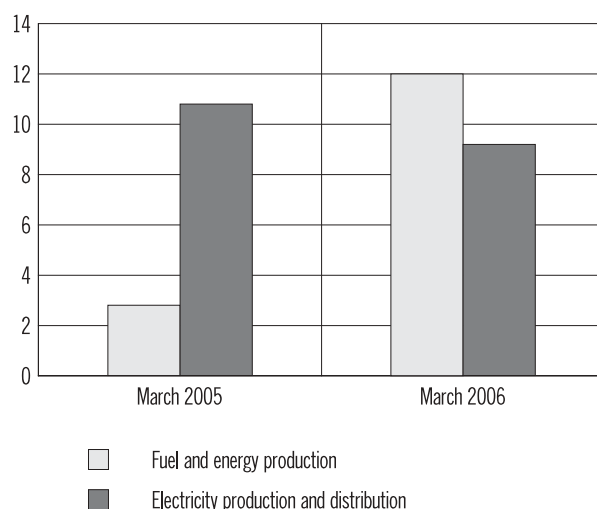
Producer Prices

Industrial producer prices gained 6.0% in 2006 Q1 as against 4.3% in January-March 2005. Compared with the previous year, the contribution of producer price increases in the mining sector to producer price growth was significant in 2006 Q1 (2.4 percentage points, or 40.4%, according to estimates). In 2005 Q1, this contribution equalled 0.6 percentage points or 14.9%. In

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

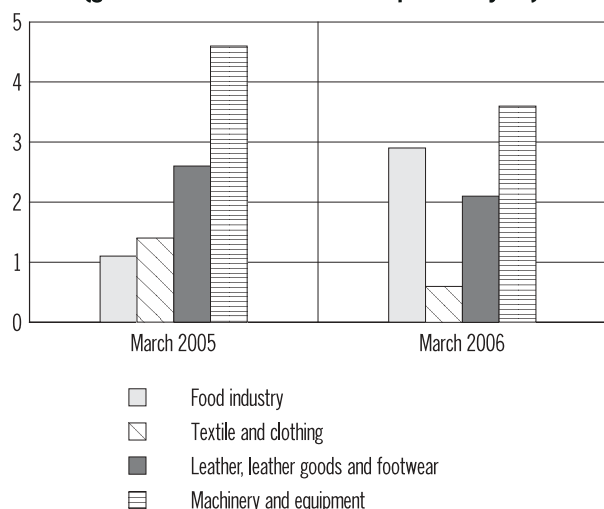


Producer prices by type of activity (growth as % of December of previous year)



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

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

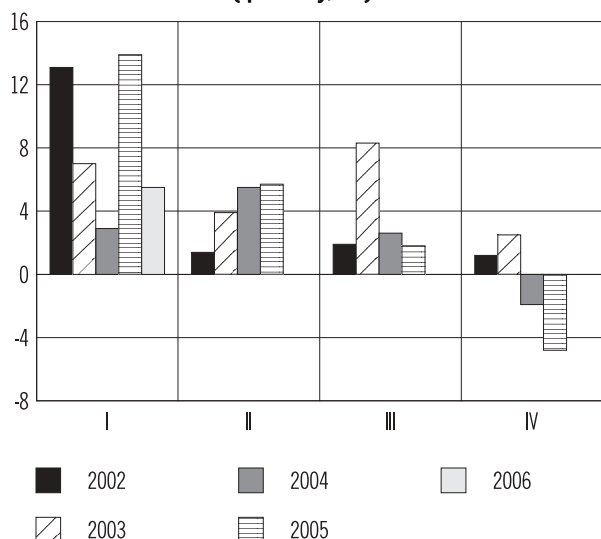


the first three months of 2006, growth in producer prices in this sector was 1.8 times faster than in industry as a whole and made up 10.8%, while fuel and energy producer prices rose 12.0% (3.3% and 2.8% in 2005 Q1).

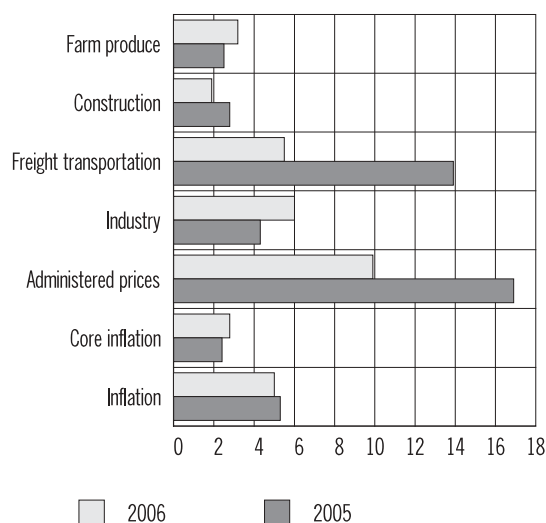
Producer prices in the manufacturing sector grew 3.5% in 2006 Q1 (2.8% in January-March 2005). The most significant producer price growth in this sector in 2006 Q1 was registered in the production of petroleum products (15.5%). In January-March 2005, producer prices of petroleum products fell 2.5%.

Competition, especially by importers, continued to affect **price formation in the manufacturing sector**, which is largely oriented to con-

Growth in freight transportation charges (quarterly, %)



Price growth in the economy (March as % of December)



sumer demand. This became apparent as producer prices of food, including beverages, tobacco, textile and clothing and leather, leather goods and footwear in 2006 Q1 grew more slowly than in the manufacturing sector as a whole.

In the manufacturing industries whose output goes to the consumer goods market, price growth accelerated in 2006 Q1 year on year only in the production of food, including beverages, and tobacco (from 1.1% to 2.9%). At the same time, price growth slowed to 0.6% in textile and clothing production, and to 2.1% in the production of leather, leather goods and footwear. In January-March 2005, producer prices in these types of activity rose 1.4% and 2.6%, respectively.

Estimates indicate that growth in producer prices in industries whose output goes directly to the consumer goods market in January-March 2006 accounted for 1.4 percentage points of growth in the prices of goods and services included in the calculation of core inflation (0.6 percentage points in the same period of 2005).

Producer prices in the production, transmission and distribution of electricity in 2006 Q1 rose 9.2% as against 10.8% in January-March 2005. Freight transportation charges increased 5.5% in 2006 Q1 (13.9% in 2005 Q1). As was the case in 2005, railway fares grew 8.8% in January-March 2006.

Communication fees for corporate entities have been observed to decline over the past two years in Q1. Thus, they fell 0.3% in January-

March 2004, 0.9% in the same period of 2005 and 0.5% in 2006 Q1.

There was moderate growth in the prices of **building materials** in the first three months of 2006 (1.9%) as a year earlier (2.8%).

Agricultural producer prices rose 3.2% in 2006 Q1 (2.5% in 2005 Q1). The main contribution to price increases was made by growth in crop growers' prices, which rose 7.7% in the first three months of 2006 as against 2.4% in the same period last year. The most significant growth over that period was registered in potato and vegetable prices, which went up 27.4% and 26.1%, respectively (14.5% and 17.1% in 2005 Q1).

Livestock breeder prices rose 0.6% in January-March 2006 (2.5% in January-March 2005). Cattle and poultry prices declined 1.0% (in January-March 2005, they rose 4.8%). As was the case last year, egg producer prices went down 1.7% in 2006 Q1 (in January-March 2005, they fell 11.0%).

Demand

Domestic demand

Economic development parameters in 2006 Q1 were primarily determined by the consumer and investor components of domestic demand.

Real consumer spending increased 10.3% in January-March 2006 year on year. The increase in consumer demand was attributable to fast growth in real disposable money income, which rose 8.3% in 2006 Q1 (3.5% in the same period of 2005). Retail trade turnover expanded 10.2% in 2006 Q1

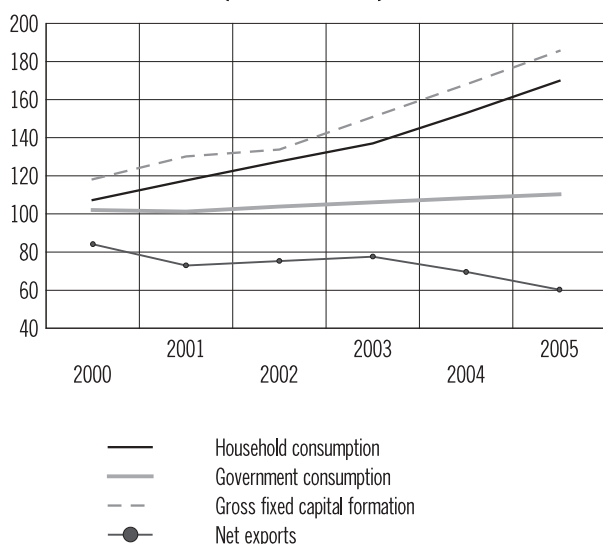
year on year (10.5% in 2005 Q1), while the amount of paid services provided to the public grew 6.3% (3.1%). In the structure of retail trade turnover, the sales of non-food products grew faster than the sales of food products.

Fixed capital investment grew 5.1% in 2006 Q1 (8.0% in January-March 2005). Fixed capital investment grew slower over that period as investment activity declined during the first two months of 2006 due to severe colds.

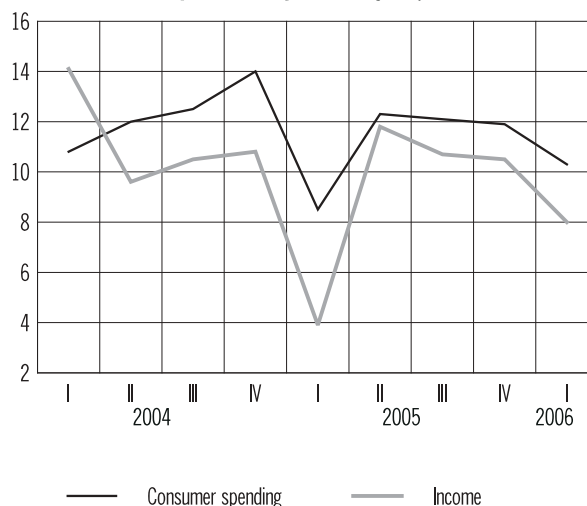
In 2005, the largest funds were invested in the development of transport and communications, manufacturing industries, and also in the mining sector (investments in these types of activity accounted for 61.6% of total investment in the fixed assets of large and medium-sized organisations). Compared with 2004, the share of manufacturing industries in the structure of fixed capital investment in 2005 increased from 17.4% to 17.6% and transport and communications from 25.0% to 28.8%, whereas the share of investment in fuel and energy production declined from 16.8% to 15.2%.

In the past few years, the structure of fixed capital investment by type has been characterised by a considerable share of investments in the active part of fixed assets (in 2005, it stood at 38.5% as against 38.8% in 2004). Considerable investments in machinery and equipment facilitated the technical retooling of fixed assets and became a major factor of growth in labour productivity and created conditions for price control.

**GDP consumption
(1999 = 100%)**



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



Foreign demand

World economy and international financial markets

World economic growth continued in 2006 Q1. According to preliminary data, GDP rose 3.5% in the United States in January-March 2006 year on year (3.6% in 2005 Q1), 2% in the eurozone (1.2%) and 10.2% in China (9.9%). Estimates show that eurozone industrial output grew considerably faster in the first three months of 2006 than in the same period of 2005. According to IMF estimates, the world production of goods and services will expand 4.9% in 2006 (4.8% in 2005)³. According to the IMF's forecast, this growth will accelerate in 2006 due to a rebound in economic activity in the eurozone, Japan and new Asian industrial centres, while GDP will continue to grow at a high rate in the United States and China.

The US trade deficit increased by \$24.4 billion in January-March 2006 year on year as imports grew faster than exports. From the viewpoint of the commodity structure, the US trade deficit widened due to different rates of growth in the export and import of industrial primary goods and raw materials, especially due to larger crude imports in terms of value. The deficit of US trade with China accounted for about a quarter of the United States' total trade deficit (the same ratio was registered in the first three months of 2005). In China, growth in the export of goods slowed down, while growth in imports accelerated in 2006 Q1 year on year. Nevertheless, exports continued to grow faster than imports. China's trade surplus increased to \$23.3 billion in January-March 2006 from \$16.6 billion in January-March 2005.

US inflation stood at 1.5% in March 2006 compared with December 2005 (in March 2005, it stood at 1.6%). Core inflation⁴ was the major factor of the change in the general level of consumer prices in the United States in the period under review. The second (considerably less important) factor was growth in energy prices. The prices of motor fuel grew 9.9% in March 2006 on

December 2005 (9.1% in March 2005 on December 2004), while the prices of energy products used in the housing and utility sector⁵ went up 0.1% (0.3%). Food prices rose 0.6% in March 2006 on December 2005 (0.3% in March 2005 on December 2004). Their growth did not exert considerable influence on the change in the general level of consumer prices.

US core inflation stood at 1.4% in March 2006 on December 2005 (1.5% in March 2005 on December 2004). The higher housing charges, which grew 1.9% (2.1% in March 2005) traditionally made the biggest contribution to core inflation. The raising of short-term interest rates by the Federal Reserve in 2005 proved to be an effective instrument to contain core inflation. In 2006 Q1, the US Federal Reserve continued to raise interest rates.

Eurozone inflation stood at 0.4% in March 2006 on December 2005 (in March 2005, it also equalled 0.4%). The growth in energy prices, which rose 3.3% (4% in March 2005), and also the prices of foodstuffs, alcoholic beverages and tobacco products, which increased 1% (also 1% in March 2005) was a principal inflationary factor. Motor fuel and lubricant prices rose 3.2% (5.1% in March 2005) and the price of energy used in the household sector gained 3.5% (2.7%). Vegetable and fruit prices grew 2.7% (5.8%) and the prices of meat and dairy products went up 0.4% (0.1%).

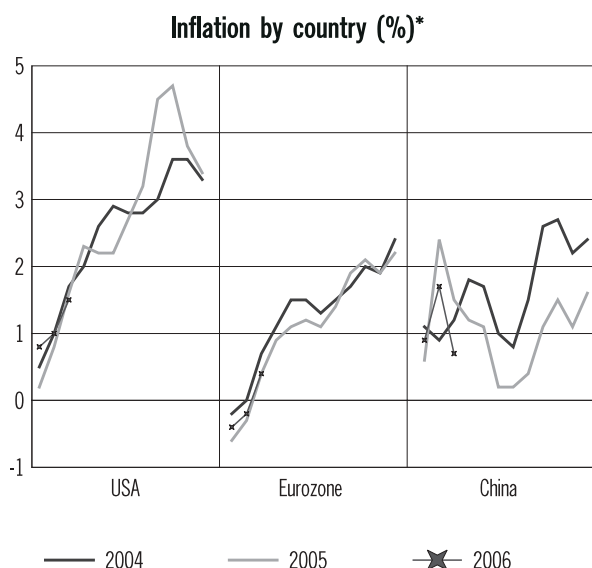
Consumer prices for a set of goods and services included in the calculation of **core inflation in the eurozone**⁶ dropped 0.2% in March 2006 on December 2005 (0.1% in March 2005) due to a decline in the prices of clothing and footwear, and in the prices of goods and services in the sphere of leisure and entertainment. In each separate month in 2006 Q1, eurozone inflation was higher than the medium-term inflation target, which the European Central Bank seeks to achieve through its monetary policy (the ECB is set to keep inflation close to consumer price growth of 2% in each reporting month relative to the same month of the previous year).

³ *World Economic Outlook (IMF), April 2006.*

⁴ *Core inflation in the United States signifies growth in the prices of goods and services included in the consumer goods basket, except foodstuffs and energy products.*

⁵ *Fuel oil, boiler fuel, coal, household gas, electricity.*

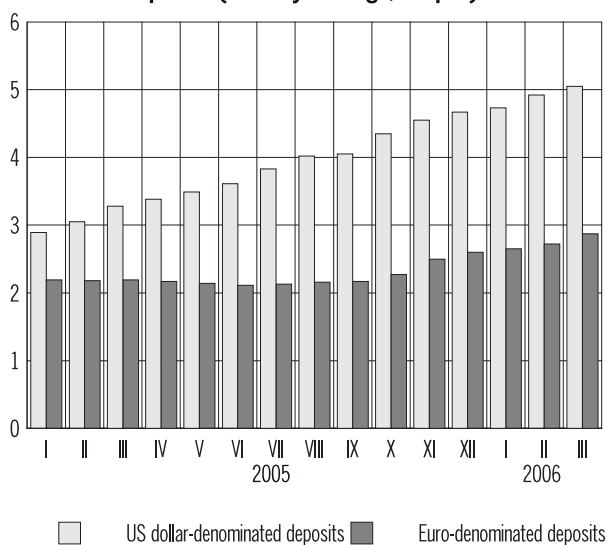
⁶ *Eurozone core inflation signifies growth in the prices of goods and services included in the consumer goods basket, except foodstuffs, alcoholic beverages, tobacco and energy products.*



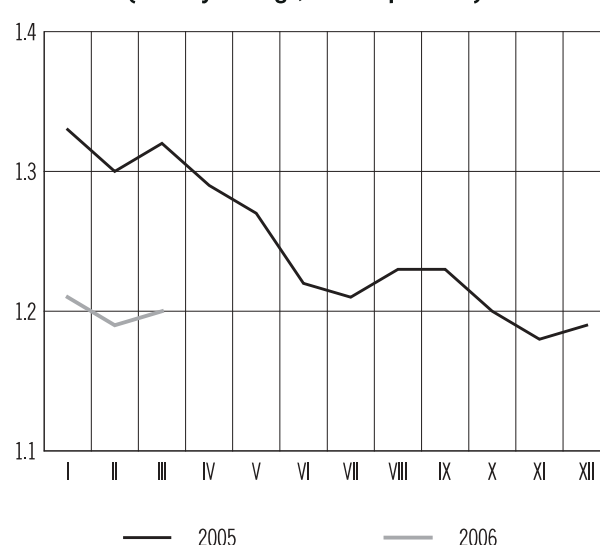
* Consumer price growth on December of previous year.

As for the emerging market countries, which account for substantial portions of Russia's trade turnover, **inflation slowed down significantly** in March 2006 on December 2005 in Ukraine (to 2.7% from 4.4% in March 2005), Belarus (to 1.6% from 2.7%), Hungary (to 0.9% from 1.8%) China (to 0.7% from 1.5%), India (to 0.2% from 0.8%) and the Republic of Korea (to 1.5% from 2.1%). At the same time, inflation increased noticeably in Kazakhstan (to 3.2% from 1.9% in March 2005), Slovakia (to 2.7% from 1.9%), and the Czech Republic (to 1.4% from 0.8%). The level of consumer prices in Japan was unchanged in March 2006 on December 2005 (it fell 0.4% in March 2005 on December 2004).

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



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



The US Federal Reserve **raised the benchmark overnight interbank interest rate** (the federal funds rate) two times in January-March 2006: from 4.25% to 4.5% in January and to 4.75% in March. From June 2004 to December 2005, the federal funds rate was raised by 3.25 percentage points. Since December 2004, it has exceeded the ECB's refinancing rate, which was raised from 2% to 2.25% in December 2005 and to 2.5% in March 2006.

LIBOR rates on US dollar-denominated deposits⁷ with terms from one month to one year increased by 0.4 percentage points in March 2006 on December 2005. The yield on US treasuries with maturities from two to ten years rose by 0.3 percentage points. LIBOR rates on US dollar-denominated deposits with all terms and the yields on US Federal Treasury bonds with all maturities were higher in March 2006 than LIBOR rates on euro-denominated deposits and the yields on eurozone securities.

In the first three months of 2006, **the US dollar depreciated against the major international reserve currencies** on foreign financial markets due to rising imbalances in US foreign trade and the forecasts of interest rate increases in the eurozone and Japan. The dollar weakened 1.5% against the euro and 0.9% against the Japanese yen in March 2006 on December 2005. The dollar also depreciated against **some other currencies of importance for the Russian economy** (the Turkish lira, Kazakhstan tenge, Polish zloty,

⁷ Source here and below: Reuters news agency.

South Korean won, Lithuanian litas, Swedish krona, Indian rupee, Czech koruna, Slovak koruna, Romanian leu, Brazilian real, Estonian kroon and Latvian lat). The dollar depreciated 0.5% against the Chinese yuan.

External economic conditions

The prices of Russia's major raw material export commodities, especially energy products, continued to grow in 2006 Q1. The aggravation of the political situation around the Iran nuclear programme and unstable oil production in some regions of the world (Iraq, Nigeria) were the main factors of growth in oil prices. Also, world demand for oil continued to grow faster than oil production and oil exports. World oil prices reached their new record high in 2006 Q1. The average price of Brent, Dubai and WTI crude in January-March 2006 rose 32.2% year on year to \$61 per barrel. The price of Urals crude increased 34.0% to \$57.7 per barrel.

The situation on world commodity markets in the first three months of 2006 was favourable for Russian exporters. The prices of major Russian export commodities⁸ continued to grow, although more slowly than in the same period of 2005. According to Bank of Russia estimates, the composite world price index adjusted for the structure of Russian exports of commodities that account for over 70% of their value equalled 1.07 in March 2006 on December 2005 (1.21 in March 2005 on December 2004). Energy prices rose 8% on average (25% in March 2005) while non-energy prices were actually unchanged (they increased 9% in March 2005).

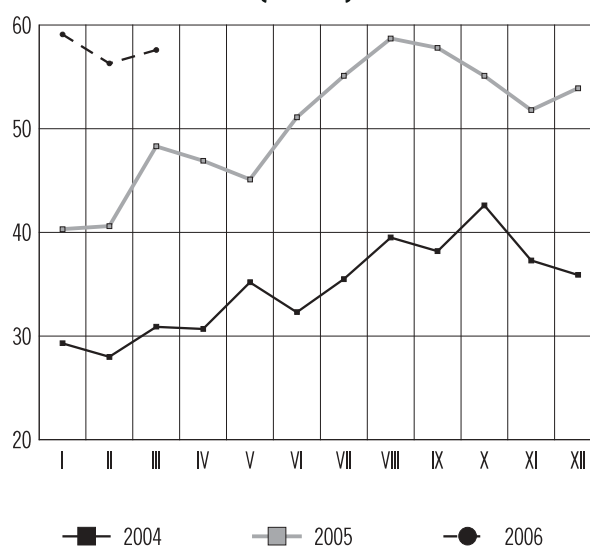
The price of Urals crude grew 7.0% in March 2006 on December 2005 to \$57.6 per barrel (34.5% in March 2005). The price of natural gas on the European market was up 6.7% (it rose 10.2% a year earlier), premium petrol 15.0% (28.3%), diesel fuel 10.9% (23.5%) and fuel oil 19.2% (45.2%). Non-ferrous metal prices rose 8.7% on average in March 2006 on December 2005 (9.8% in March 2005) while ferrous metal

prices were unchanged (they went up 6.4% a year earlier).

Food prices⁹ on world markets demonstrated different dynamics in the first three months of 2006. Meat prices, which had been high in the previous two years, were largely observed to go down in January-March 2006. Beef prices fell 3.7% in March 2006 on December 2005 (they grew 1.7% a year earlier) and poultry and pork prices declined about 3-4% (in March 2005, poultry prices rose 0.4%, whereas pork prices went down 3.8%).

Foreign analysts expect sugar price growth to continue in 2006 amid falling world sugar production and stocks and rising sugar demand in many regions of the world. The price of raw sugar rose 25.2% and the price of refined sugar went up 36.4% in March 2006 on December 2005 (in March 2005, they increased 4.0% and 7.0%, respectively). The biggest growth was registered in December 2005, January and February 2006, when the monthly price of raw sugar grew 10-16% and refined sugar 14-17%. However, the price of raw sugar went down and growth in the price of refined sugar slowed down considerably in March on favourable forecasts of sugarcane harvests in major sugar producing countries, particularly, in

Urals crude world prices
(\$/barrel)



⁸ Average prices have been calculated on the basis of data provided daily by the following news agencies and exchanges: Reuters for oil, Petroleum Argus for petroleum products (petrol, diesel fuel and fuel oil) and the London Metal Exchange for non-ferrous metals (aluminium, copper and nickel). Average monthly prices of natural gas and ferrous metal price indices have been calculated on the basis of data provided by the World Bank, and other goods on the basis of data provided by the IMF.

⁹ Average prices have been calculated on the basis of data provided daily by the London Commodity Exchange for raw and refined sugar, average monthly prices of beef are based on data from the World Bank and the prices of pork and poultry are based on data provided by the IMF.

Brazil and Thailand. Thus, the price of raw sugar fell 3.7% and the price of refined sugar went up 2.3% in March 2006 month on month.

As export prices rose faster than import prices in Russia, the terms of Russia's trade with foreign countries¹⁰ were considerably better in 2006 Q1 than in the same period last year. However, growth in the terms of trade index decelerated in January-March 2006 year on year.

The favourable price situation on world energy markets and the accelerated growth of the export volumes of some commodities affected export dynamics significantly. Exports grew 34.4% in 2006 Q1 to \$67.4 billion (34.6% in 2005 Q1). The value of exports grew largely due to the export of energy products.

Growth in imports slowed down slightly in 2006 Q1. Imports expanded 21.8% in January-March 2006 year on year to \$31.2 billion (28.8% in 2005 Q1). As was the case in 2005 Q1, growth in imports was largely due to the expansion of import volumes. Growth in the contract prices of some food and agricultural raw material imports accelerated in 2006 Q1 compared with the same period of 2005.

Supply

In January-March 2006, the macroeconomic situation was characterised by the growth of production in the key economic sectors. Output in the key sectors of the economy rose 4.8% in 2006 Q1 year on year (3.3% in January-March 2005).

The industrial output index equalled 103.0% in 2006 Q1 (103.2% in 2005 Q1). The slowing of industrial output growth in January-March 2006 was due to the slowdown of production growth in the manufacturing sector (from 4.1% in January-March 2005 to 2.8% in January-March 2006) and in the mining sector (from 2.2% to 1.3%). At the same time, growth accelerated considerably (by 3.4 times) in 2006 Q1 in the production and distribution of electricity, gas and water due to increased electricity and heating consumption in the first two months of 2006 as a result of severe colds.

In the manufacturing sector, output declined considerably (by 12.6%) in 2006 Q1 in the

production of machinery and equipment (it was observed to grow in the same period of 2005). Output in all the key industries oriented to final consumption expanded in January-March 2006 year on year. After decline in 2005 Q1, the production of textile and clothing and leather, leather goods and footwear increased considerably in January-March 2006 (9.6% and 11.8%, respectively).

High growth rates were registered in 2006 Q1 year on year in the production of meat and meat products (9.9%), and also fish and seafood (6.2%), which led to the slowing of growth in the prices of meat and fish on the consumer goods market. In January-March 2006, granulated sugar output declined 18.3% year on year. However, in March, it exceeded last year's figure by 1.6 times and this growth had a positive effect on the dynamics of granulated sugar prices on the consumer goods market.

Agricultural output expanded 1.3% in 2006 Q1 year on year (it fell 0.1% in January-March 2005). In January-March 2006, the output of major livestock products was observed to grow.

Labour market

The number of people employed in the economy in early 2006 continued to grow, as in 2005. In January-March 2006, the number of jobholders rose 1.8% (1.5% in January-March 2005). Production expanded faster than job numbers, which was evidence of increase in labour productivity. Labour productivity rose by an estimated 2.8% in 2006 Q1 (3.4% in 2005 Q1). Therefore, the intensive factors of growth remained important, containing price growth in the economy.

Wage increased at rapid rates in 2006 Q1, faster than labour productivity. The gap between growth in real wage and labour productivity widened in January-March 2006 year on year, creating conditions for further price increases.

The number of jobless calculated according to the ILO methodology continued to decline and in 2006 Q1 it fell 5.4% as against 10.3% in 2005 Q1. In January-March 2006, the total number of unemployed accounted for 7.7% of the economically active population as against 8.2% in January-March 2005.

¹⁰ The ratio between export and import prices.

Quantitative and Qualitative Monetary Indicators

Exchange rate

Against the background of favourable external economic conditions, exporters' foreign currency earnings continued to flow in large amounts into the domestic market during the first quarter of 2006 (the average price of oil exported by Russia was about \$58 per barrel over that period). The dollar/ruble and euro/ruble rates were determined by the changes in the dollar/euro rate on international markets and the policy of the Bank of Russia. The dollar/ruble and euro/ruble rates grew considerably less dependent on the world market situation in January and February 2006 year on year, as the Bank of Russia stepped up its participation in foreign currency trading and its influence on domestic foreign exchange market participants' expectations increased.

On March 27, the Bank of Russia announced its decision to lower from 10% to zero the requirement for the obligatory sale of exporters' foreign currency earnings on the domestic foreign exchange market for the purpose of its further liberalisation. Experts say that this decision, after it comes into force, will not affect considerably the volume of foreign exchange trading because the amounts of foreign currency voluntarily sold

by exporters to the Bank of Russia, a foreign exchange principal buyer, have significantly exceeded this requirement over the past few years.

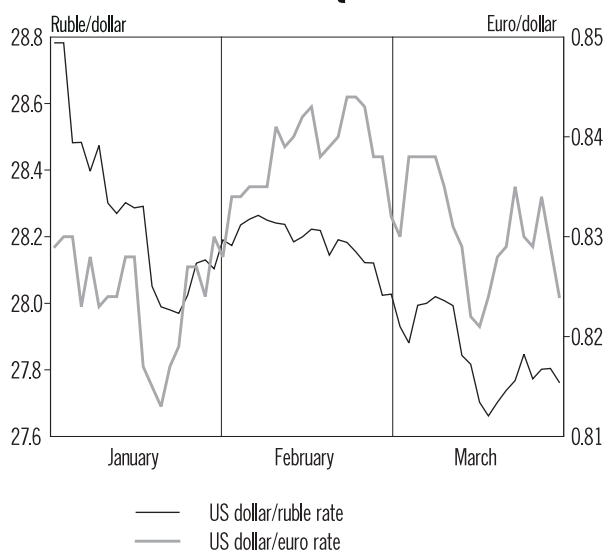
In 2006 Q1, the average dollar/ruble rate fell 1.9% to 28.16 rubles to the dollar. The US currency was observed to depreciate against the ruble during the entire quarter: the average dollar/ruble rate declined 1.4% in January, 0.8% in February and 1.1% in March to 28.41, 28.20 and 27.88 rubles to the dollar, respectively.

The dollar appreciated against the euro on international markets in February largely due to the Federal Reserve's decision to raise from January 31 the federal funds rate by 0.25% to 4.5% p.a. and the market participants' expectations of further rate increases. Despite that, the US dollar was observed to depreciate against the ruble on the Russian foreign exchange market. For the purpose of achieving the full-year inflation target, the Bank of Russia did not take any specific measures restricting the growth of the national currency. In March, the US currency continued to depreciate against the ruble due to the dollar's weakening against the euro on international foreign exchange markets. As a result, the official dollar/ruble rate had declined 3.8% since the beginning of the year.

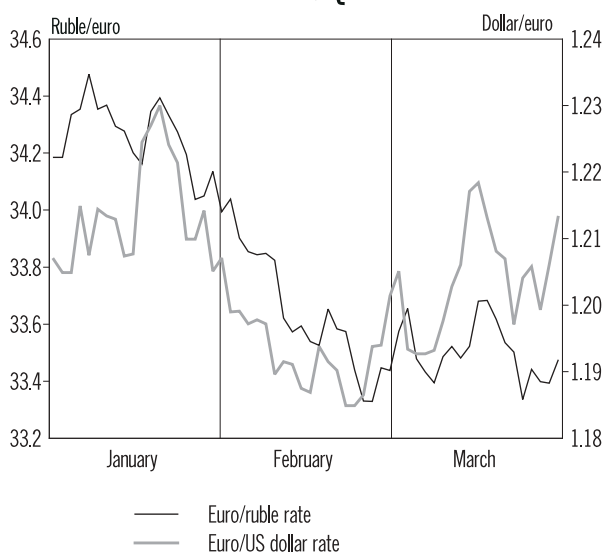
On the domestic euro market, changes in the euro/ruble rate followed the euro/dollar dynamics on international markets. At the same time, Russian foreign exchange market participants expected the ruble to continue its gradual appreciation with the support of the Bank of Russia. As a result, the euro/ruble rate in Russia grew more slowly than the euro/dollar rate on international markets during the entire quarter.

The average monthly euro/ruble rate rose 0.3% in January month on month to 34.25 rubles to the euro and fell 1.5% in February to 33.73 rubles to the euro. In March, market participants' expectations were influenced by the ECB's decision made on March 2 to raise the refinancing rate by 0.25% to 2.5% p.a. As a result, the average monthly euro/ruble rate dropped only 0.7% to 33.49 rubles to the euro.

Nominal US dollar/ruble and US dollar/euro rate in 2006 Q1



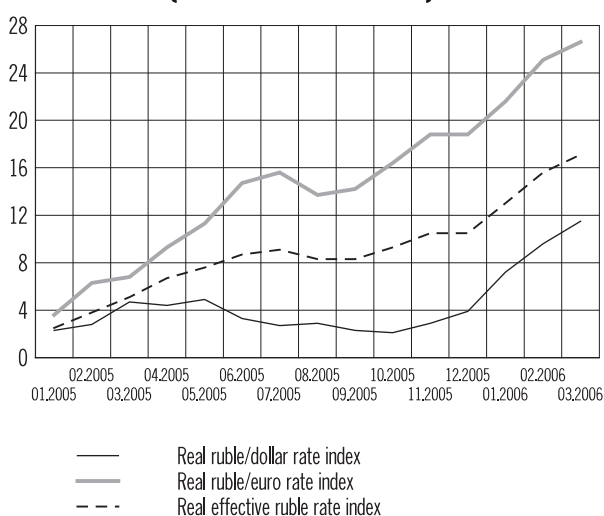
Nominal euro/US dollar and euro/ruble rate in 2006 Q1



The structure of the bi-currency basket¹ remained unchanged in 2006 Q1 at 0.6 dollars and 0.4 euros. In January-March 2006, the ruble gained 2.9% against the bi-currency basket.

The real effective rate of the ruble against foreign currencies rose 4.7% in 2006 Q1 quarter on quarter. Month on month, growth in the real effective ruble rate equalled 2.3% in January and February and slowed to 1.6% in March. The higher rates of the ruble's growth in January and February could be largely attributed to the high level of inflation rather than to measures taken by the

Indices of real and real effective ruble rates against foreign currencies (as % of December 2004)



Bank of Russia on the foreign exchange market to curb inflation.

The steady inflow of exporters' considerable foreign currency earnings into the domestic market and their purchase by the Bank of Russia during the entire quarter contributed to growth in Russia's international reserves. As a result, Russia's international reserves had grown by \$23.6 billion, or 13%, since the beginning of the year to \$205.9 billion as of April 1, 2006.

Interest rates

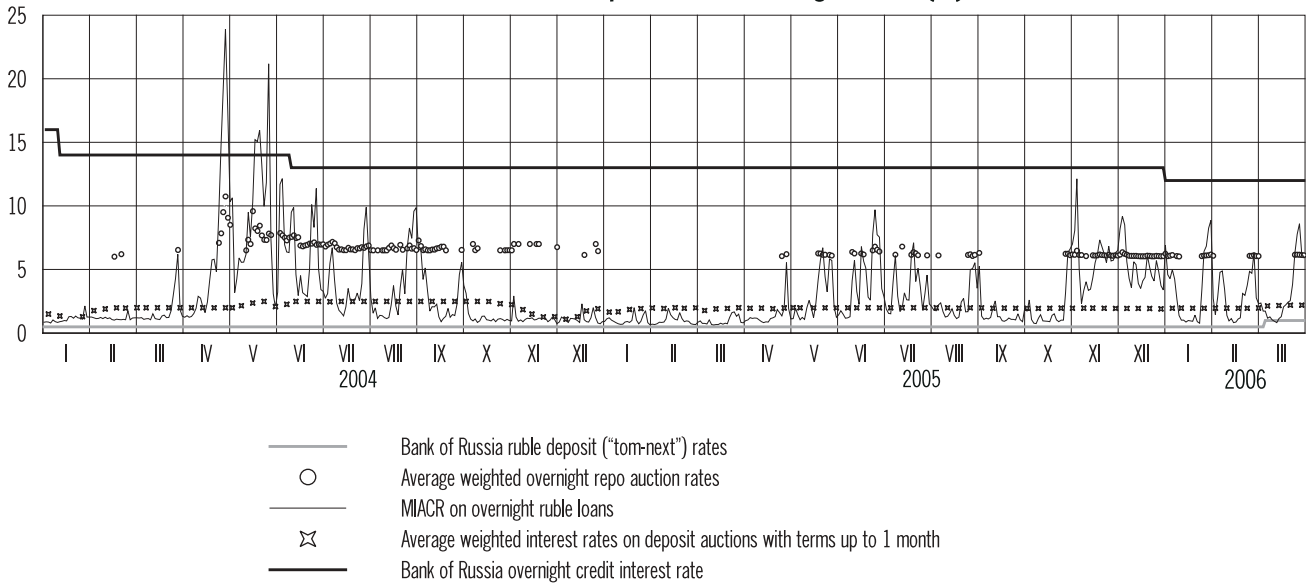
There was no single interest rate trend on the Russian financial market in 2006 Q1. The rates on loans to non-financial borrowers declined slightly, while deposit rates slightly increased. Ruble revaluation expectations prevailed on the market, inflation growth rates were traditionally high in January-March and the ruble liquidity of credit institutions remained at a high level.

The lower limit of **the Bank of Russia interest rate band** formed by the rates on deposit operations on standard terms rose from 0.5% p.a. to 1% p.a. in 2006 Q1 (in March) on "tom-next deposits." In April, it rose again to 1.5% p.a. The upper limit (overnight credit rate) was unchanged at 12% p.a. Average weighted interest rates at deposit auctions were in the narrower range than in the previous quarter: they ranged from 1.96% to 2.20% p.a. at four-week deposit auctions (a little higher than the previous quarter's level) and from 4.25% to 4.8% p.a. on three-month deposits. The average weighted yield on transactions with Bank of Russia bonds ranged from 3.8% to 4.07% p.a. The average interest rate on repo operations, the principal market instrument used in providing liquidity in the first quarter, decreased slightly to 6.14%.

Money market interest rates and rates on commercial banks' operations remained within the Bank of Russia interest rate band in 2006 Q1. **The MIACR** on overnight ruble-denominated credit ranged between 0.78% and 8.86% p.a. in January-March (in the first quarter of the previous year, it was less volatile and varied between 0.65% and 2% p.a.)

¹ The bi-currency basket has been used by the Bank of Russia as an operational benchmark of its exchange rate policy on the domestic foreign exchange market since February 1, 2005. Since December 2, 2005, the bi-currency basket has been set at 0.6 dollars and 0.4 euros.

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



The average interest rate on loans extended to non-financial enterprises for all terms fell by 0.8 percentage points in January month on month to 10.4% p.a. It rose by 0.5 percentage points in February but returned to its January level in March. The first-quarter average stood at 10.5% p.a. and was 0.6 percentage points lower than in the fourth quarter of 2005. This decrease was due to a fall in interest rates on loans with terms up to one month (by 0.9 percentage points) and in interest rates on loans with terms from one month to three months (by 0.3 percentage points). Interest rates on longer-term loans either remained unchanged or grew in the first quarter.

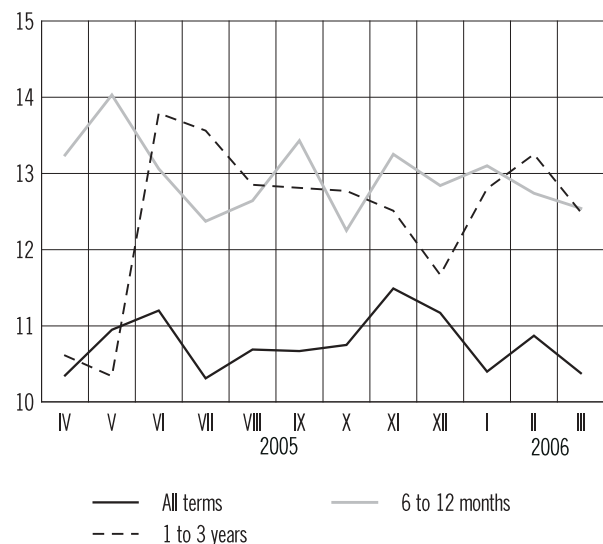
The continued growth in the demand for credit in the household sector along with the increased cost of consumer credit services and creditors' rising risks due to the active expansion of the group of borrowers prompt banks to keep interest rates on credit to individuals higher than on credit to enterprises. However, increasing competition among creditors compel them to reduce the cost of consumer credit. The average quarterly interest rate on credit to households for all terms in 2006 Q1 decreased by 1.2 percentage points quarter on quarter to 19.5% p.a. The most significant decrease in interest rates was registered in the sector of three- to six-month credits, whereas rates on credits with other terms declined more slowly or slightly increased.

The interest rate on household time deposits increased. The average interest rate on house-

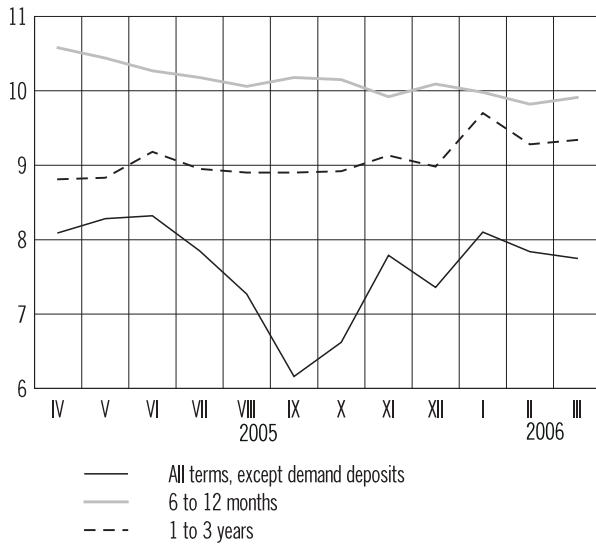
hold time deposits in the first quarter gained 0.6 percentage points quarter on quarter and stood at 7.9% p.a. This increase was attributable to growth in the rates on deposits with the term of over one year. As in the previous quarter, deposits with terms from six months to one year had the highest interest rates. However, the average interest rate on these deposits fell by 0.1 percentage points in 2006 Q1 quarter on quarter and stood at 9.9% p.a.

The yield curve on bank lending operations in the first quarter had a rising slope in the segment of credits with terms of up to three years and retained its negative inclination in the segment of credits with terms of over three years. The yield curve in the shortest-term and the longest-term

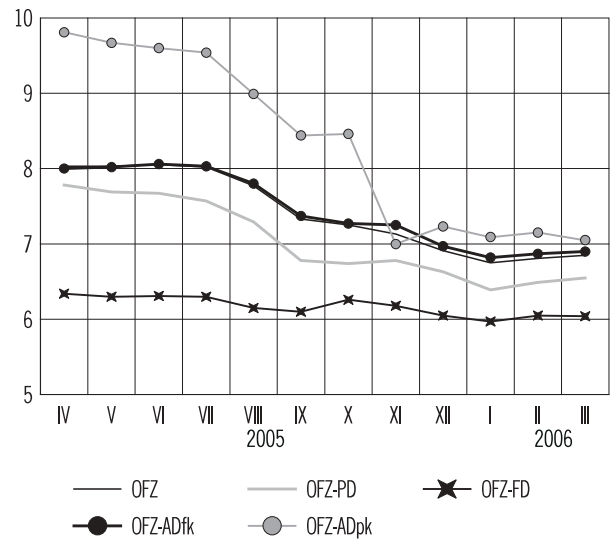
Interest rates on ruble loans to non-financial enterprises (% p.a.)



Interest rates on ruble deposits to households (% p.a.)



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

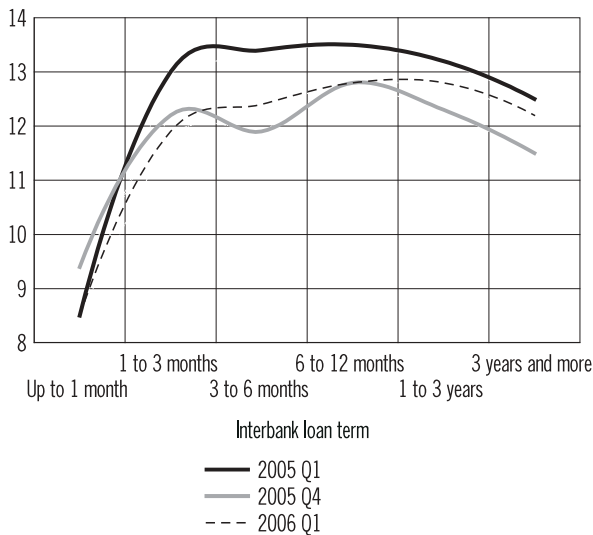


segments was almost unchanged, probably reflecting the persisting short-term inflationary expectations of market operators.

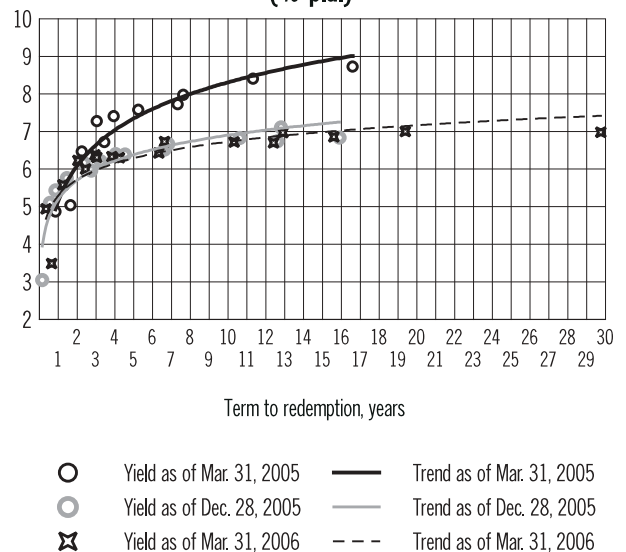
A weak yield uptrend prevailed in the first quarter in all the segments of the ruble-denominated government bond market, except the segment of OFZ-ADpk (debt depreciation and floating coupon income) federal loan bonds. The effective indicator of the OFZ market portfolio rose by 0.03 percentage points at the end of 2006 Q1 quarter on quarter to 6.81% p.a. The average quarterly effective indicator of the OFZ market portfolio declined by 0.18 percentage points to 6.81% p.a.

The government bond yield curve retained its normal shape in the first quarter. A slight decrease in yields at the end of the period under review caused the curve to move down a little. Its inclination continued to decrease as the yield on longer-term bonds declined faster than the yield on shorter-term bonds. In the segment of over 13 years, the OFZ yield curve was almost flattened as there were few instruments with this maturity and it was hard to assess accurately the risks of investment for such long periods. Investors' assessments of the reliability and liquidity of ruble-denominated government bonds for all terms were unchanged.

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



OFZ effective yield curve (% p.a.)



The prices of most ruble-denominated instruments of the financial market changed moderately in the first quarter. The interest rate structure by term of instrument remained balanced enough. The yield curves of key financial instruments had a normal shape suggesting that the yield on financial instruments was in direct proportion to their maturity periods. Russian financial market players did not expect any considerable changes in medium-term inflation rates.

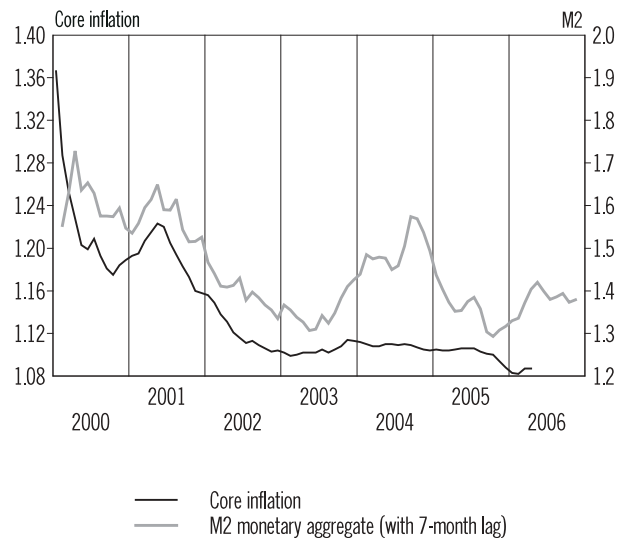
Money

The annualised **M2** growth rate (month on month of previous year) slowed from 38.6% as of January 1, 2006, to **37.9%** as of April 1, 2006. In January-March 2006, the M2 growth stood at 2% and was slower than growth in the first quarter of 2005 and the average first-quarter growth since 1999. Nevertheless, there was no stable trend towards the slowing of money supply growth in the period under review. The M2 growth was bigger in March and April 2006 than in March and April 2005. Therefore, from the viewpoint of keeping to the M2 growth projections for 2006 (25-28%), the money supply growth rates remain high and continue to exert pressure on inflation.

Allowing for the lags, the rates of growth in the money supply that have formed by now will continue to affect core inflation until the end of 2006. If M2 growth continues to slow down on an annualised basis (and money supply growth decelerates more considerably), the monetary pressure on inflation may decrease. The current assessments of core inflation affected by the monetary dynamics of the previous months suggest that the core inflation target may be exceeded by the end of 2006.

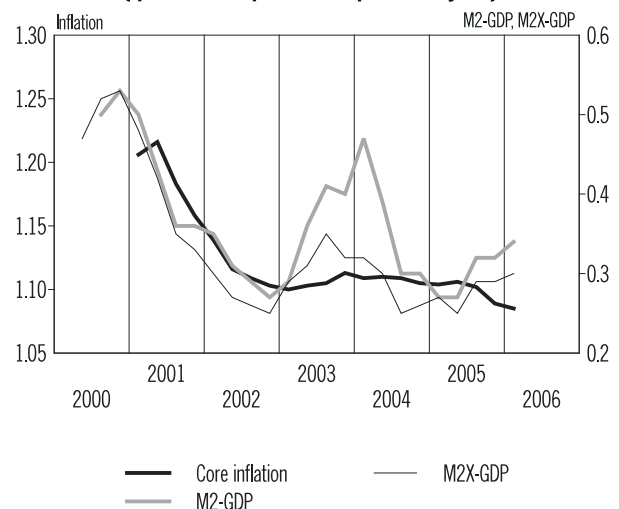
The gap between M2 and GDP growth rates² has been increasing since the second half of 2005. The gap between the rates of growth in GDP and the broader monetary aggregate M2X, which comprises non-cash foreign exchange kept by economic agents, also widened in the first quarter. However, this increase was smaller due to the aggregate's slower growth compared with growth in ruble supply. The gap between the rates of economic growth (in terms of GDP) and the money

**Core inflation and M2
(month on month of previous year)**



supply (in terms of both M2 and M2X) was wider at the end of 2006 Q1 than at the end of 2005 Q1. The dynamics of the velocity of money are important for the assessment of the effect of this gap on inflation. In 2006 Q1, the velocity of money in terms of the M2 aggregate decreased 4% as against 1.3% in the same period of 2005. Therefore, the trend towards the slowing of decline in the velocity of money, registered since the second half of 2004, came to a halt, and in the first quarter it began to decrease somewhat faster due to the structural changes in the money supply. The

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



² The gap characterises the part of monetary growth that exceeds the amount necessary to finance the increased volume of transactions. The expansion of the gap may testify to the inflationary pressure by money supply growth on price dynamics.

money velocity dynamics and a further slowing of the annualised money supply growth may ease inflationary pressure.

Cash growth (month on month of previous year) was slower than M2 growth at the end of the first quarter and the gap between M0 and M2 increases was wider as of April 1, 2006, than as of the same date a year earlier. Slower rates of M0 growth reflect favourable changes in the M2 structure and the structure of M2 growth from the viewpoint of its influence on inflation.

The aggregate Money in the monetary survey definition, which is similar to the M1 aggregate and comprises the most liquid transactional components of the money supply, reflects the economic situation and liquidity preferences. In 2006 Q1, it was actually unchanged, and its annualised growth (month on month of previous year) slowed insignificantly, from 35.5% as of January 1, 2006, to 34.8% as of April 1, 2006. The annualised rates of growth (month on month of previous year) both in cash and non-cash transaction money fell by about 1 percentage point in January-March. Annualised M0 growth was faster than in the same period last year (30.2% as of April 1, 2006, as against 27.1% as of April 1, 2005), while the annualised growth rates of **the M1 non-cash component** were considerably higher than a year earlier (40% as of April 1, 2006, and 27.8% as of April 1, 2005).

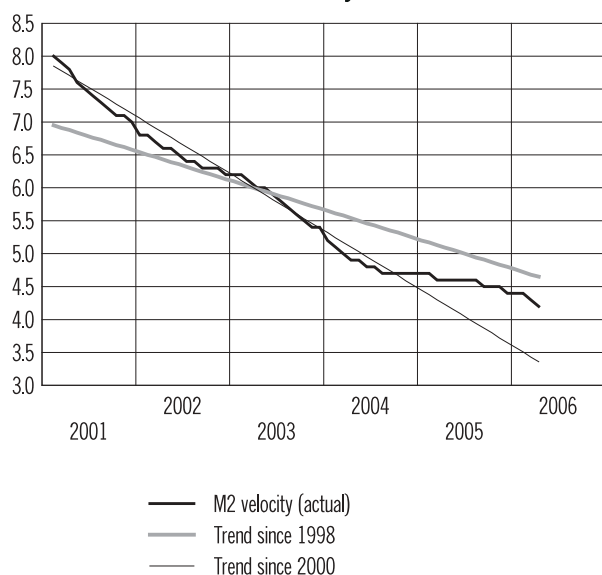
The M1 non-cash component is comprised by about 80% of non-financial enterprise sector

funds and its increase reflects economic agents' rising demand for money to conduct transactions and service the payment turnover. The faster growth in non-cash transaction money creates less inflationary pressure compared with cash because cash has great potential and a longer lag of impact on inflationary processes.

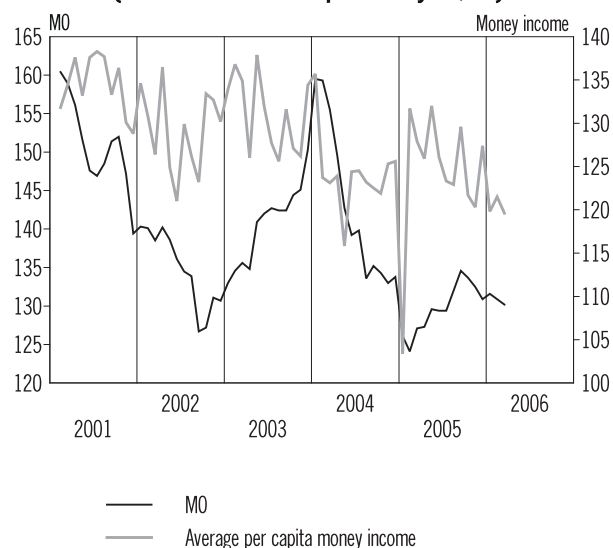
Cash growth had the biggest influence on inflationary processes in early 2006: consumer prices went up in January after the M0 aggregate grew considerably in December (mainly due to the traditional growth in budget expenditures). In February-March, the influence of cash growth dynamics on inflation was, most likely, moderate.

Following the seasonal trends of the past few years, the M0 aggregate contracted 4% in 2006 Q1 (3.5% in 2005 Q1) mainly due to the reduction of cash in circulation in January. Amid some slowing of growth in household money income, cash growth rates in February-March 2006 were lower than in January-February 2005 when the government began to replace benefits in kind with cash payments. The M0 dynamics were especially affected by the fluctuations of household demand for foreign currency cash. Household net demand for foreign currency cash was traditionally lower in 2006 Q1 than in 2005 Q4. At the same time, this demand did not change significantly compared with 2005 Q1. This means that the ruble's faster appreciation against the dollar and the euro in 2006 Q1 compared with 2005 Q1 has not yet affected considerably economic agents'

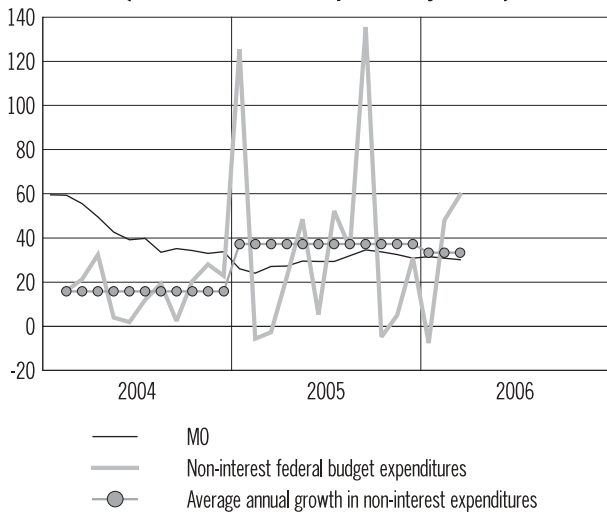
M2 velocity



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

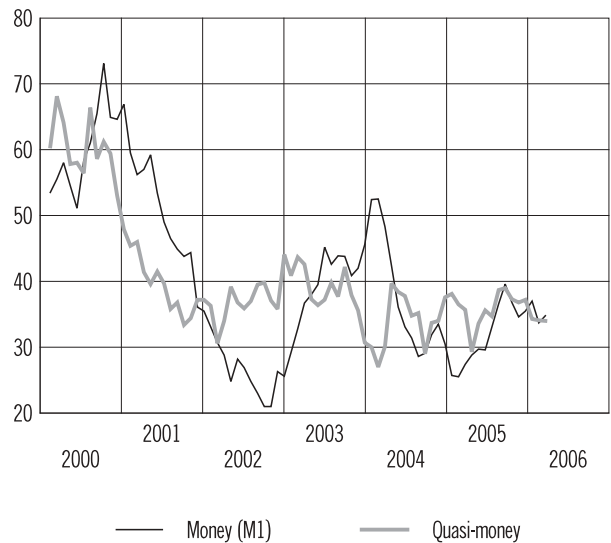


M0 monetary aggregate and non-interest federal budget expenditures (month on month of previous year, %)



asset currency preferences. The persisting surplus of household operations with foreign currency cash in January-March 2006 restrained cash growth. As a result, the trend towards the slowing of M0 growth in the moving 12-month period continued in January-March 2006 (from 30.9% as of January 1, 2006, to 30.2% as of April 1, 2006). The cash share in the M2 structure also declined steadily enough (it stood at 31.3% as of April 1, 2006, and was 1.8 percentage points smaller than as of the same date a year earlier). The above trends in the cash dynamics had little effect on inflation in 2006 Q1. The persisting trend towards the slowing of M0 growth in the moving 12-month period is a very important factor for achieving the 2006 inflation target.

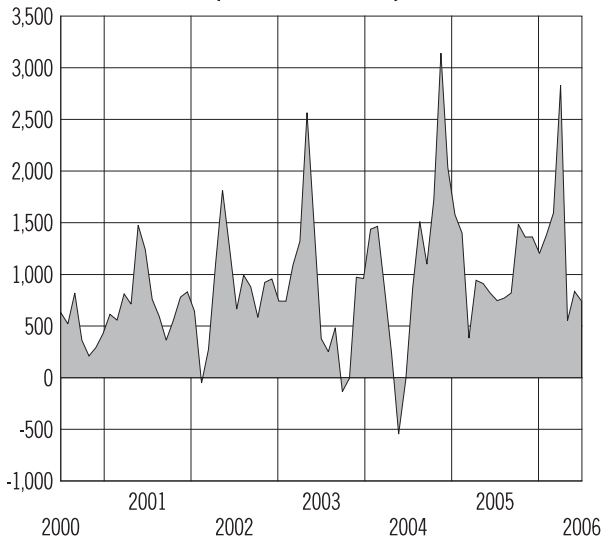
Money and Quasi-Money (month on month of previous year, %)



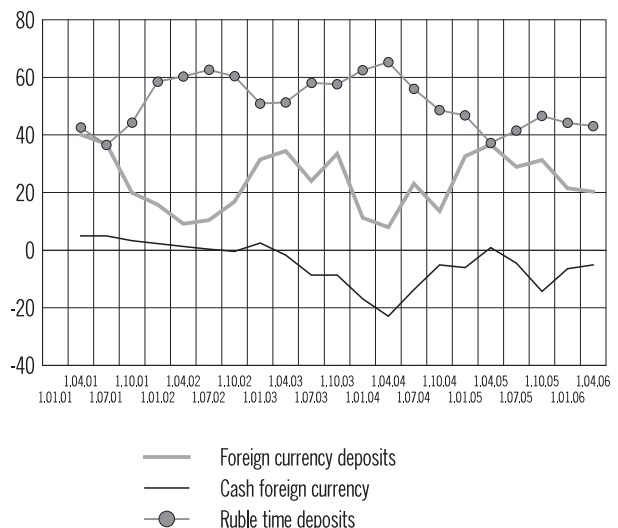
Compared with the Money aggregate, **the Quasi-money** aggregate increased in 2006 Q1. The aggregate Quasi-money comprises less liquid components of money supply used by economic agents as savings. In January-March 2006, the growth in Quasi-money stood at 5.2% but its annualised growth (month on month of previous year) decelerated to 34% as of April 1, 2006, from 37.2% as of January 1, 2006, and was slower than as of April 1, 2005 (35.7%).

The January-March Quasi-money dynamics were the result of growth in its foreign currency and ruble components, that is, time deposits. In the first quarter, time deposits increased 5.8%, but their annualised growth slowed by 2 percentage points to 44.2%. Growth in time deposits de-

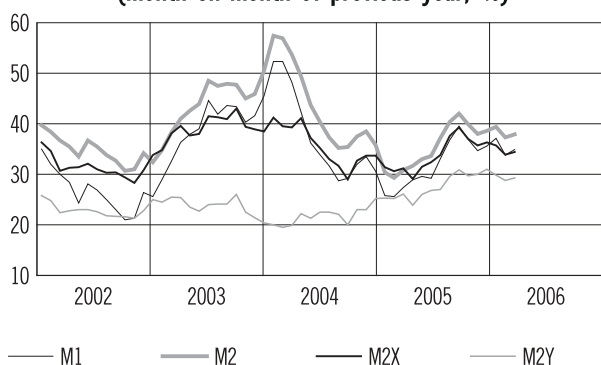
Household net demand for foreign exchange (million US dollars)



Individual M2Y components (month on month of previous year, %)



Monetary aggregates (month on month of previous year, %)



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

nominated in the national currency accelerated year on year (37.2% as of April 1, 2005). The persisting fast growth in ruble time deposits is important from the viewpoint of mitigating the inflationary consequences of money supply growth.

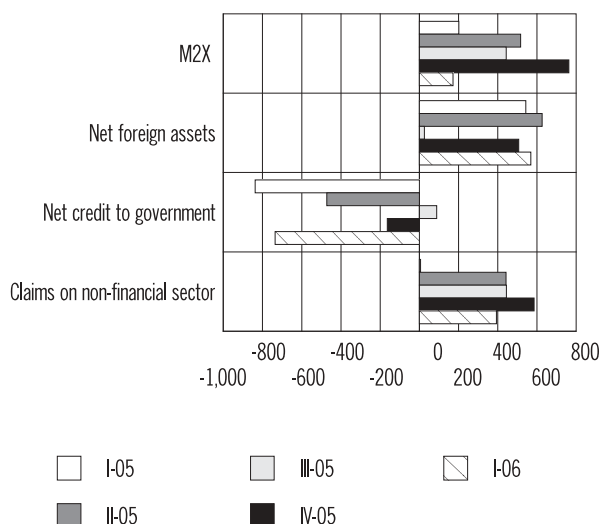
The rate of growth in foreign currency deposits, the other component of Quasi-money, was quite considerable and stood at 7.9% in the first quarter, or slightly lower than in the same period last year. However, annualised growth in ruble time deposits was considerably faster than in **foreign currency deposits** (growth in foreign currency deposits, calculated as month on month of the previous year, slowed to 20.3% as of April 1, 2006, from 36.6% a year earlier).

The persisting instability of economic agents' asset currency preferences and the corresponding fluctuations in demand for the national and foreign currency, which cause rubles and foreign exchange to flow back and forth, are among the factors that determine, along with changes in the official ruble exchange rate, the dynamics of the monetary aggregates. The slowing of the annual rates of growth in the ruble aggregates was a weakly expressed trend in the first quarter (less than 1 percentage point), whereas the slowing of growth in the broader monetary aggregates, including the aggregate that comprises foreign currency cash, was more considerable (about 2 percentage points). At the same time, the rates of growth in all the aggregates at the end of 2006 Q1 were higher than a year earlier.

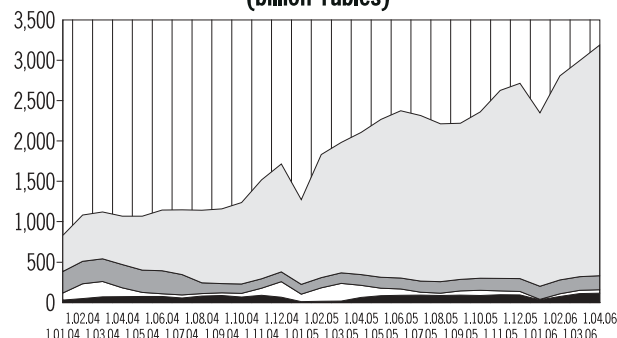
The ratio of dollarisation, that is, the share of the foreign currency component in the money supply in the monetary survey definition (M2X), was actually unchanged in the first quarter and stood at 16.6% as of April 1, 2006 (16.3% as of January 1, 2006). In the same period of 2005, the ratio of dollarisation increased by 1 percentage point to 18.6%. At the same time, the ruble component of Quasi-money continued to predominate in the M2X broad aggregate, accounting for 31.3% as of April 1, 2006, as against 29.4% a year earlier.

Growth in the non-cash component of the broad monetary aggregate, that is, growth in enterprise and household sector funds attracted by

Sources of money supply growth (change over quarter, billion rubles)



Absorbed banking sector liquidity (billion rubles)*



■ Bank of Russia OMR (reverse modified repo) and OBR (Bank of Russia bonds) obligations
 □ Credit institutions' deposits with the Bank of Russia
 ■ Credit institutions' required reserves with the Bank of Russia
 ■ Government accounts with the Bank of Russia
 * As of the first day of each month.

banks in rubles and foreign currency (36% as of April 1, 2006, on April 1, 2005), which serve as the basis for the increase of lending, was slower than the expansion of credit to the real sector (an annualised 42% as of April 1, 2006). At the same time, growth in **banking sector claims on the non-financial sector** (almost 393 billion rubles) in the first quarter of 2006 was considerably faster than in the first quarter of 2005 but slower than in the previous quarter largely due to seasonal trends. Therefore, the importance of credit to non-financial enterprises and households as a source of growth in the aggregate money supply increased considerably in the first quarter of 2006 year on year. However, growth in the banking sector's net foreign assets, which exceeded the indicators of both the fourth and the first quarters of 2005, remained the main source of money supply expansion in the period under review.

The broad **monetary base** contracted 6.6% in 2006 Q1 as a whole (5.5% in 2005). The share of funds in credit institutions' correspondent accounts with the Bank of Russia contracted from 17.5% to 11.8% in January-March 2006 (from 20.2% to 14.3% in the same period last year). The share of credit institutions' funds immobilised by the Bank of Russia by taking banks' funds on deposit and conducting operations with Bank of Russia bonds (OBR) rose from 1.7% to 6.2% of

the monetary base over the quarter and with credit institutions' required reserves from 7.2% to 12.5%.

The large-scale **increase in the general government deposits**, caused by the expansion of the Stabilisation Fund, had a serious restraining effect on money supply growth in the first quarter of 2006. World oil prices remained high in 2006 Q1 and led to a considerable increase in the Stabilisation Fund, which totalled 1,677.4 billion rubles as of April 1, 2006. The Stabilisation Fund accounted for 58.8% of the value of the government's deposits with the Bank of Russia as of April 1, 2006 (43.7% a year earlier) and for more than a half of the broad monetary base. Given that high world oil prices registered in 2006 Q1 remain at this level throughout the year, the average monthly growth of the Stabilisation Fund may slightly exceed the respective 2005 average monthly growth, even despite the increase in the cut-off price, above which oil revenues are saved into the Stabilisation Fund.

At the same time, surplus oil revenue payments into the Stabilisation Fund declined by more than one-third in February and March compared with the previous two months. This can testify to the Stabilisation Fund's reduced immobilising function after the cut-off price has been changed from \$20 to \$27 per barrel.

Statistical Addendum

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

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

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

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

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

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

* Bank of Russia estimate.

Inflation growth structure (percentage points)

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

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

* Excluding vegetables and fruit.

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

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

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

* Excluding vegetables and fruit.

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

Contribution to Inflation Growth (%)

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

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

* Excluding vegetables and fruit.

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

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

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

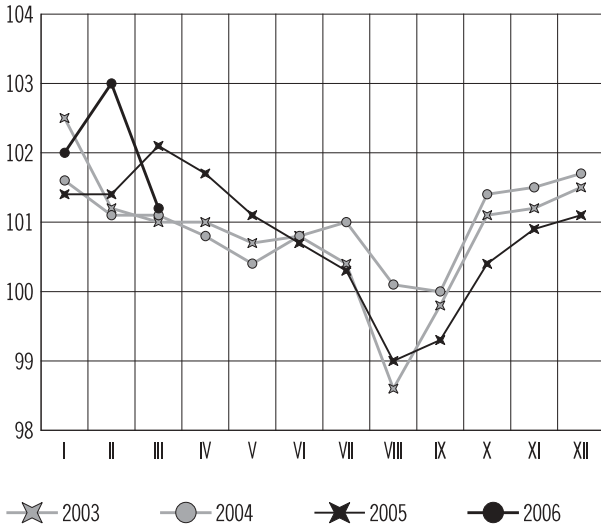
* Excluding vegetables and fruit.

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

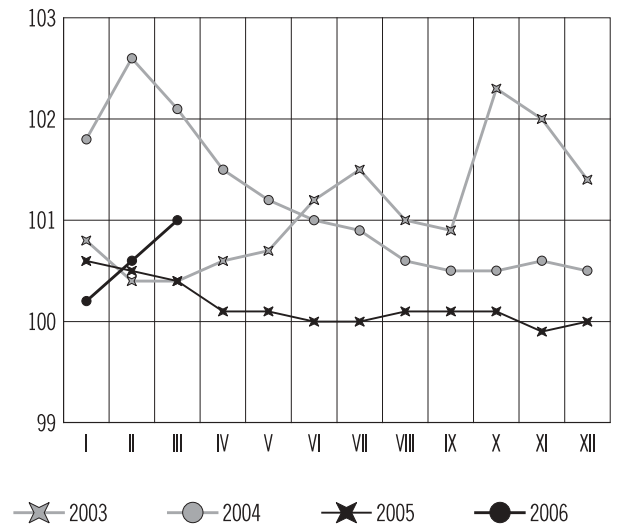
Major monetary indicators in 2005-2006

	1.01.05	1.02.05	1.03.05	1.04.05	1.07.05	1.10.05	1.01.06	1.02.06	1.03.06	1.04.06
Cash (M0), billion rubles	1,534.8	1,425.2	1,444.1	1,481.7	1,650.7	1,740.7	2,009.2	1,875.6	1,890.1	1,928.8
monthly rates of growth, %	15.2	-7.1	1.3	2.6	4.3	2.2	13.8	-6.6	0.8	2.0
rates of growth since start of year, %		-7.1	-5.9	-3.5	7.6	13.4	30.9	-6.6	-5.9	-4.0
share in M2 structure, %	35.2	34.0	33.5	33.1	33.5	32.9	33.2	32.1	31.9	31.3
Non-cash funds (M2-M0), billion rubles	2,828.5	2,765.1	2,867.3	2,992.9	3,276.7	3,552.1	4,036.3	3,967.3	4,029.6	4,240.6
monthly rates of growth, %	8.5	-2.2	3.7	4.4	5.5	3.5	10.0	-1.7	1.6	5.2
rates of growth since start of year, %		-2.2	1.4	5.8	15.8	25.6	42.7	-1.7	-0.2	5.1
M2 monetary aggregate, billion rubles	4,363.3	4,190.3	4,311.4	4,474.6	4,927.4	5,292.8	6,045.6	5,842.9	5,919.6	6,169.4
monthly rates of growth, %	10.7	-4.0	2.9	3.8	5.1	3.1	11.2	-3.4	1.3	4.2
rates of growth since start of year, %		-4.0	-1.2	2.6	12.9	21.3	38.6	-3.4	-2.1	2.0
rates of growth (month on month of previous year, %)	35.8	30.4	29.3	30.8	33.6	42.0	38.6	39.4	37.3	37.9
Foreign currency deposits, billion rubles	935.1	993.6	1,033.2	1,024.9	1,090.6	1,167.9	1,178.2	1,194.2	1,238.6	1,225.9
monthly rates of growth, %	0.9	6.3	4.0	-0.8	3.4	1.2	0.6	1.4	3.7	-1.0
rates of growth since start of year, %		6.3	10.5	9.6	16.6	24.9	26.0	1.4	5.1	4.1
share in money supply structure by monetary survey methodology, %	17.6	19.2	19.3	18.6	18.1	18.1	16.3	17.0	17.3	16.6
Money supply by monetary survey methodology, billion rubles	5,298.7	5,184.8	5,344.4	5,499.6	6,015.9	6,458.4	7,221.1	7,035.6	7,155.7	7,392.9
monthly rates of growth, %	8.9	-2.2	3.1	2.9	4.8	2.7	9.3	-2.6	1.7	3.3
rates of growth since start of year, %		-2.2	0.9	3.8	13.5	21.9	36.3	-2.6	-0.9	2.4
M2 velocity (annualised average)	4.7	4.7	4.6	4.6	4.6	4.5	4.4	4.4	4.3	4.2
change since start of year, %				-1.3			-6.1			-4.0
Monetisation (by M2 aggregate), %	21.3	21.4	21.5	21.6	21.9	22.2	22.7	23.0	23.3	23.6
Broad monetary base	2,380.3	2,144.1	2,259.9	2,250.1	2,302.8	2,538.9	2,914.1	2,636.0	2,661.0	2,721.0
monthly rates of growth, %	14.3	-9.9	5.4	-0.4	1.8	5.0	15.3	-9.5	0.9	2.3
rates of growth on accrual basis, %		-9.9	-5.1	-5.5	-3.3	6.7	22.4	-9.5	-8.7	-6.6
Multiplier (by broad monetary base)	1.8	2.0	1.9	2.0	2.1	2.1	2.1	2.2	2.2	2.3
change since start of year, %	9.2	6.6	4.1	8.5	16.7	13.7	13.2	6.8	7.2	9.3

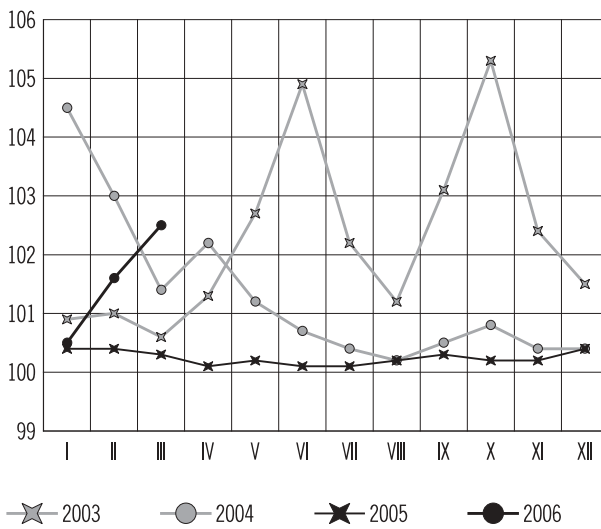
Food prices, total
(as % of previous month)



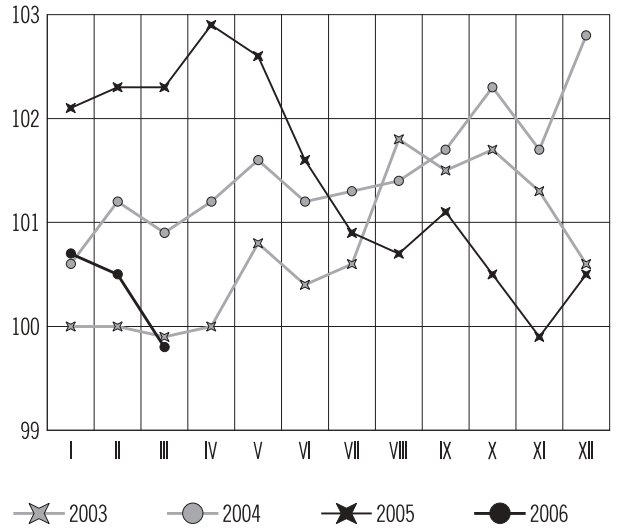
Pasta prices
(as % of previous month)



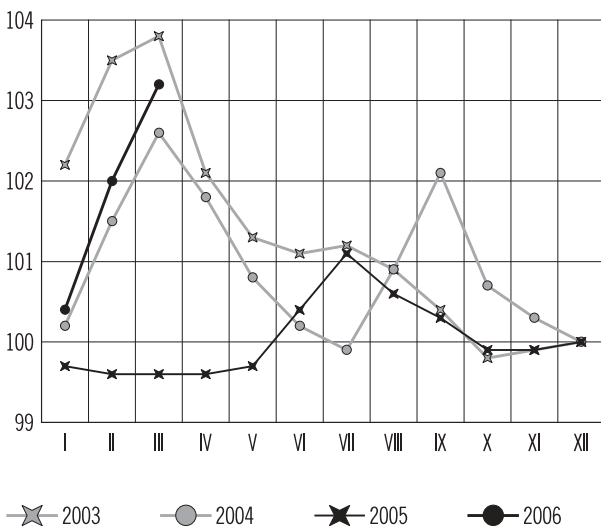
Bread and bakery product prices
(as % of previous month)



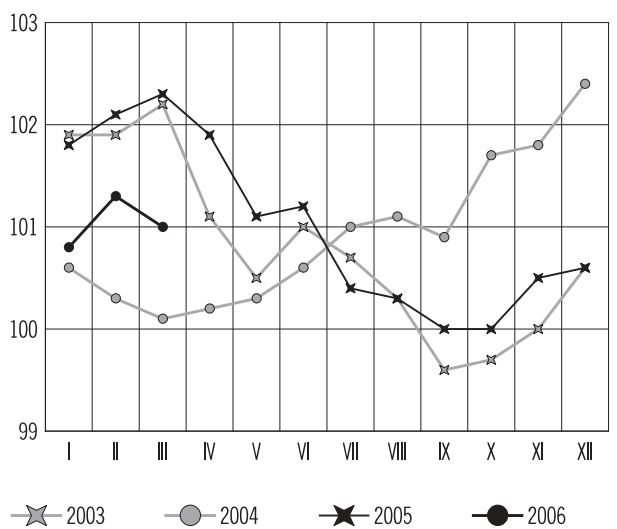
Meat and poultry prices
(as % of previous month)



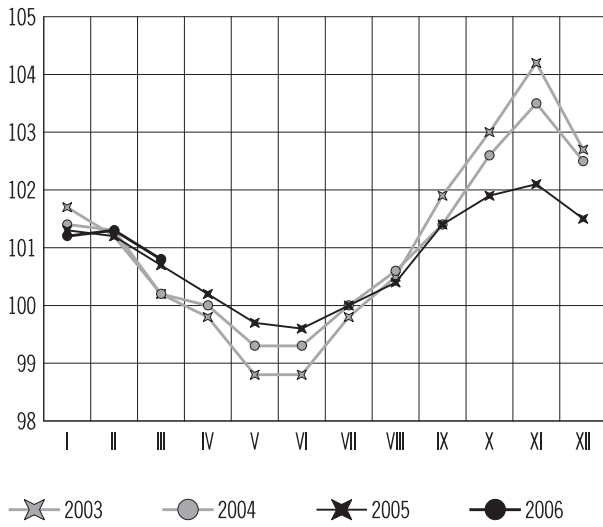
Cereal and legume prices
(as % of previous month)



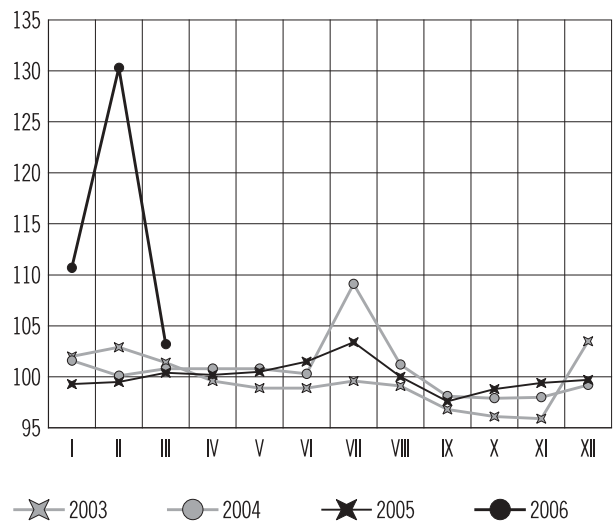
Fish and seafood prices
(as % of previous month)



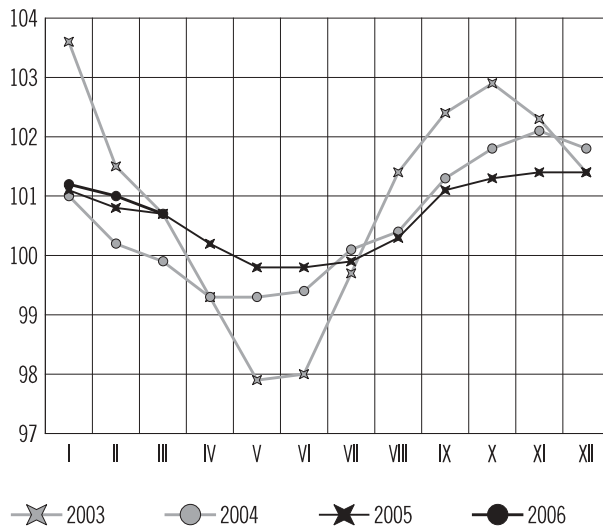
**Milk and dairy product prices
(as % of previous month)**



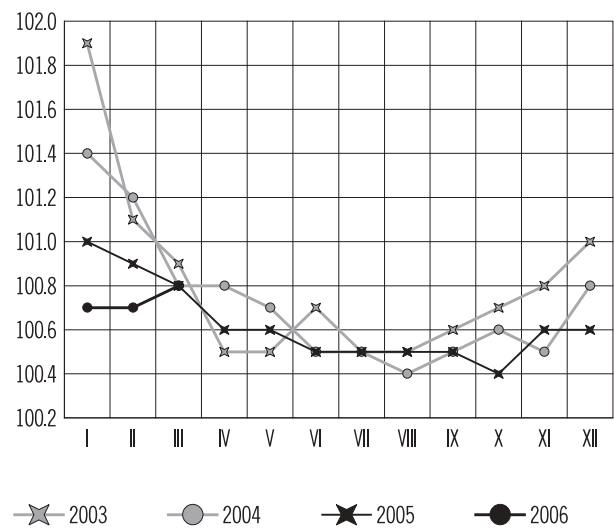
**Granulated sugar prices
(as % of previous month)**



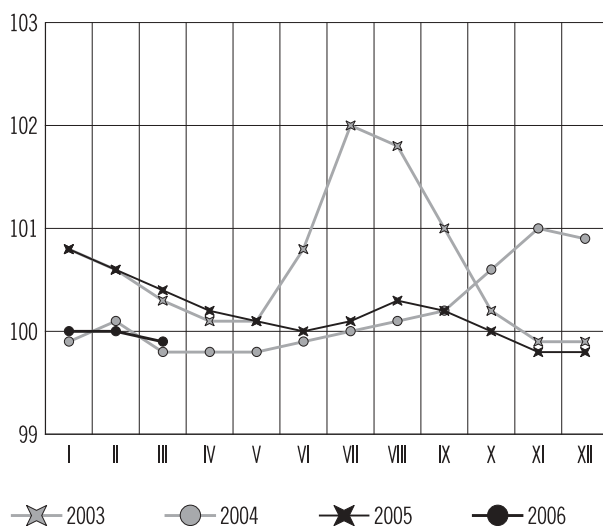
**Butter prices
(as % of previous month)**



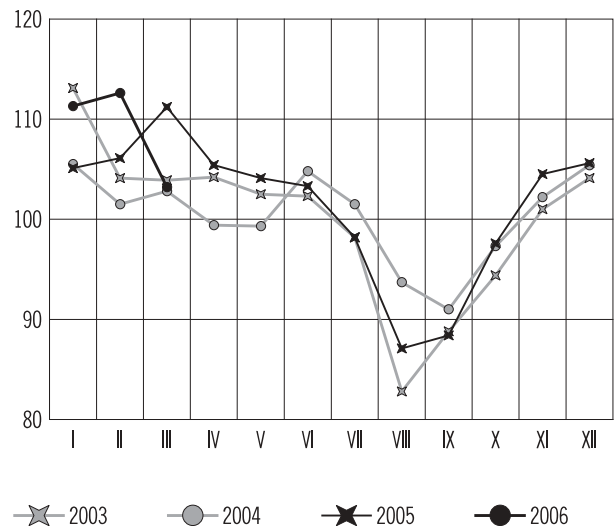
**Alcoholic beverage prices
(as % of previous month)**



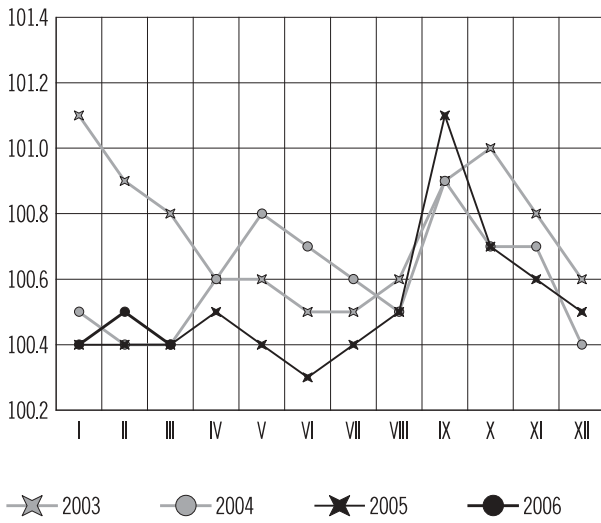
**Sunflower oil prices
(as % of previous month)**



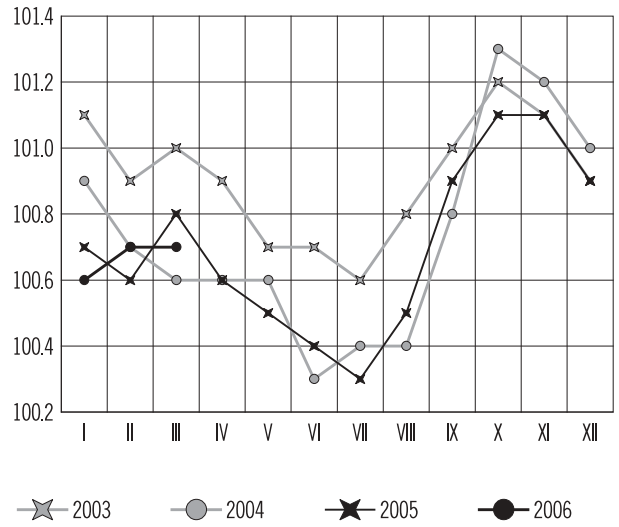
**Vegetable and fruit prices
(as % of previous month)**



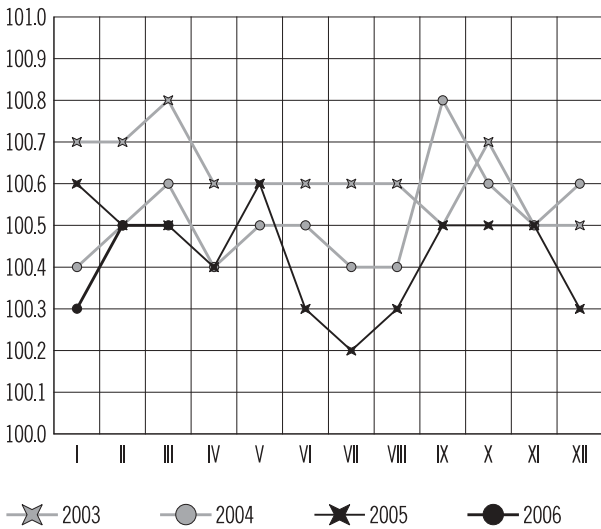
Non-food prices, total
(as % of previous month)



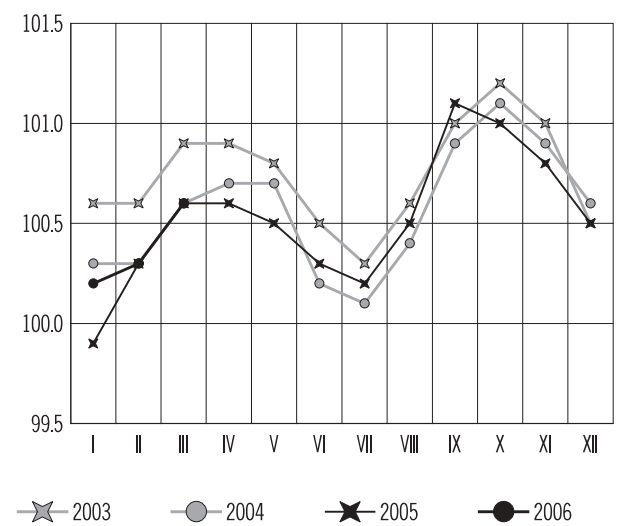
Knitwear prices
(as % of previous month)



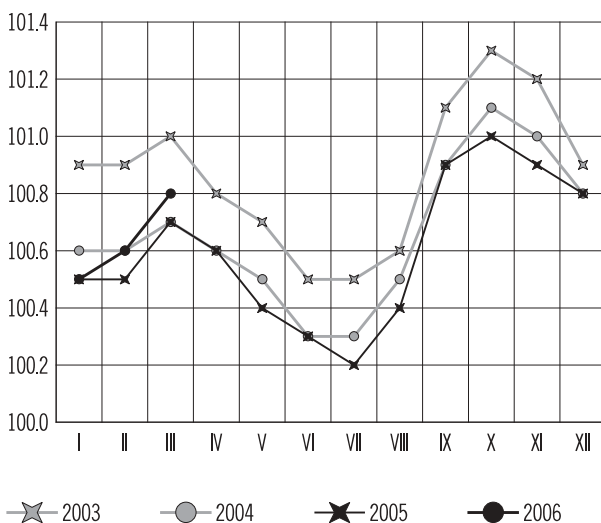
Fabrics prices
(as % of previous month)



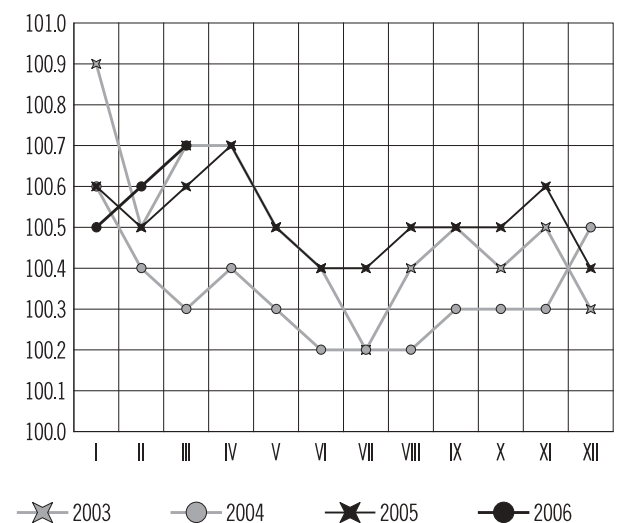
Footwear prices
(as % of previous month)



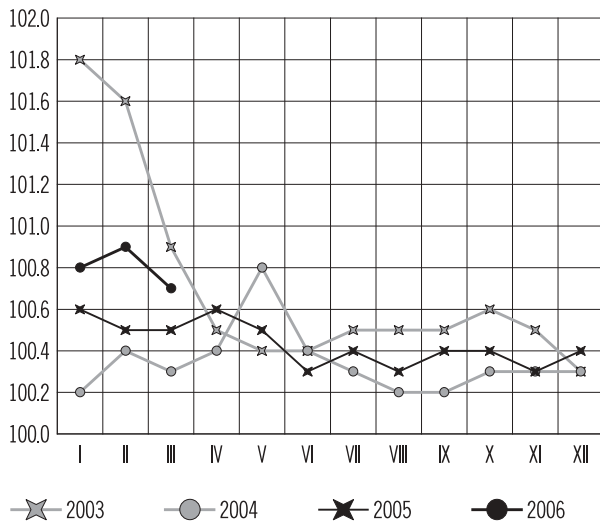
Clothing and underwear prices
(as % of previous month)



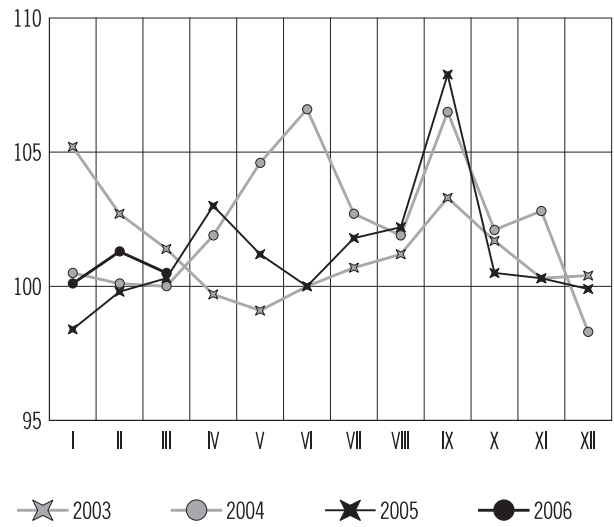
Detergent prices
(as % of previous month)



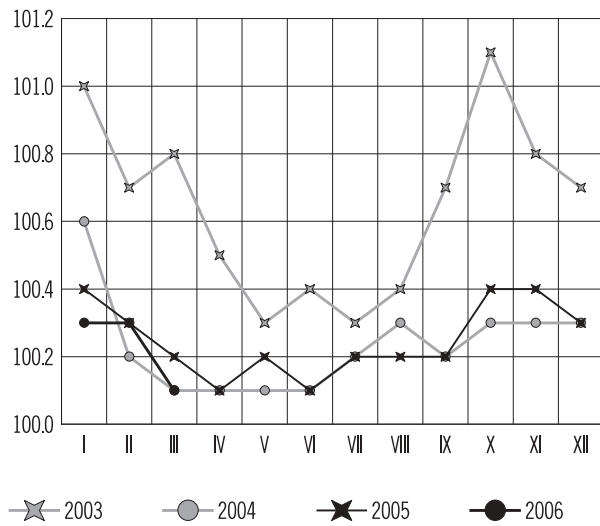
Tobacco prices
(as % of previous month)



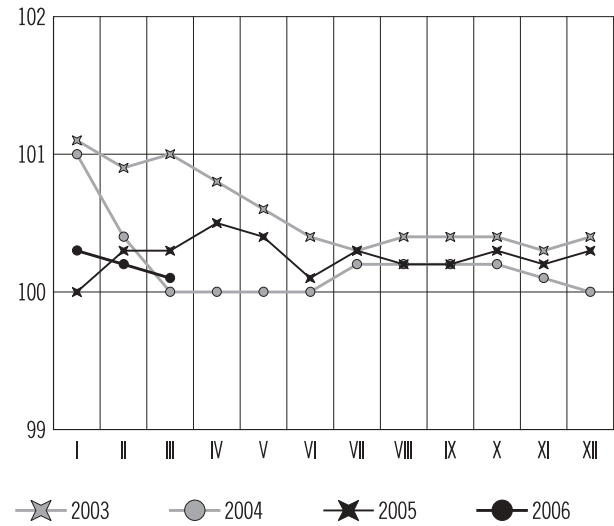
Petrol prices
(as % of previous month)



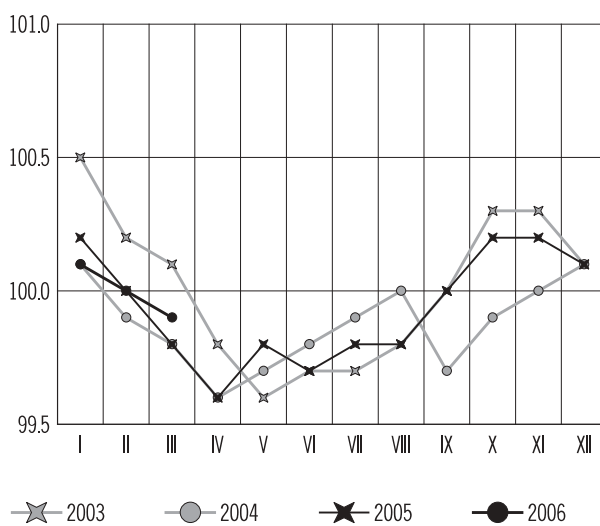
Household electric appliances prices
(as % of previous month)



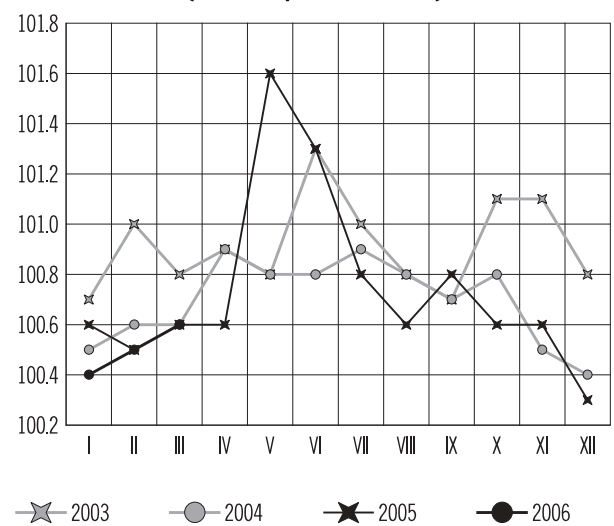
Medicine prices
(as % of previous month)



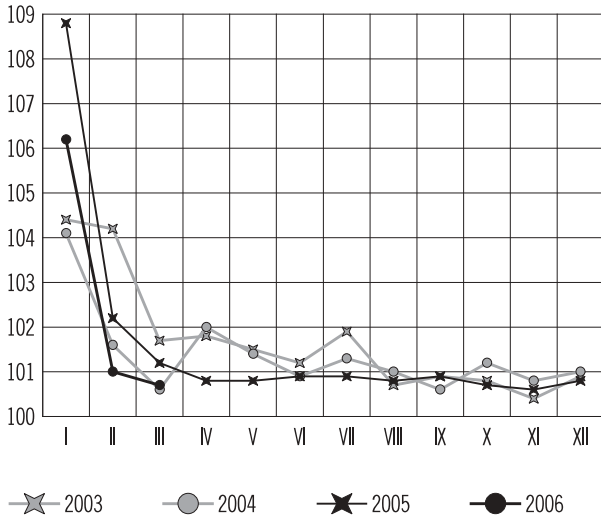
TV and radio set prices
(as % of previous month)



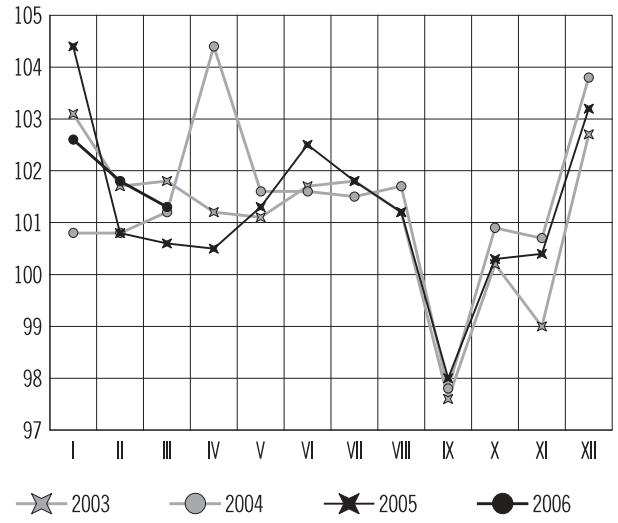
Building materials prices
(as % of previous month)



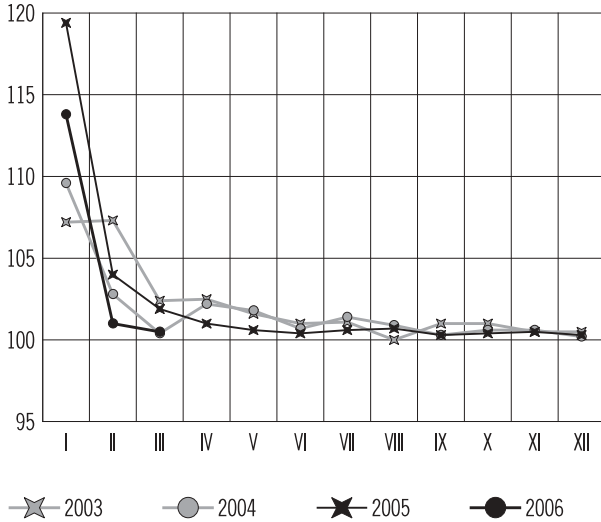
Paid service prices
(as % of previous month)



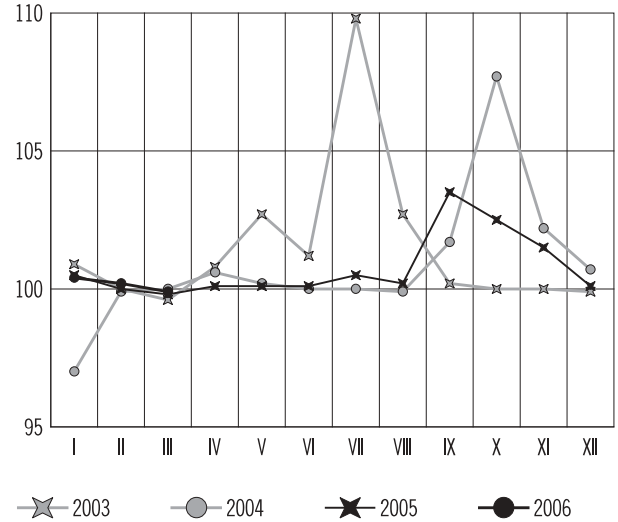
Passenger transport fares
(as % of previous month)



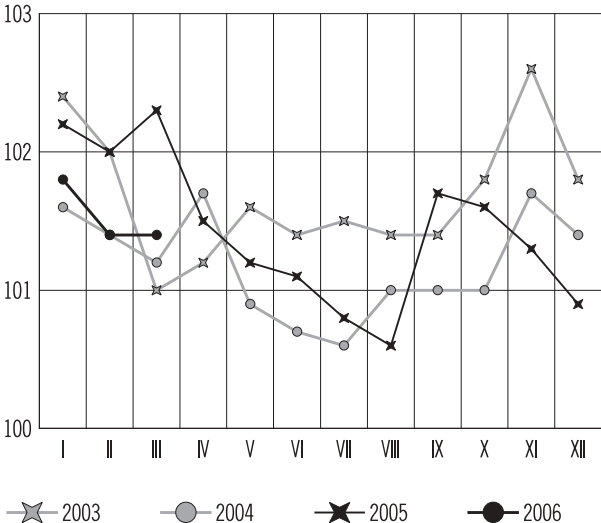
Housing and utility prices
(as % of previous month)



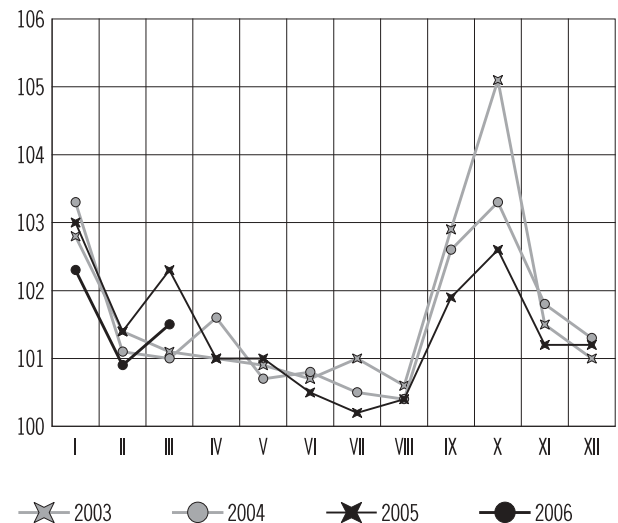
Communication fees
(as % of previous month)



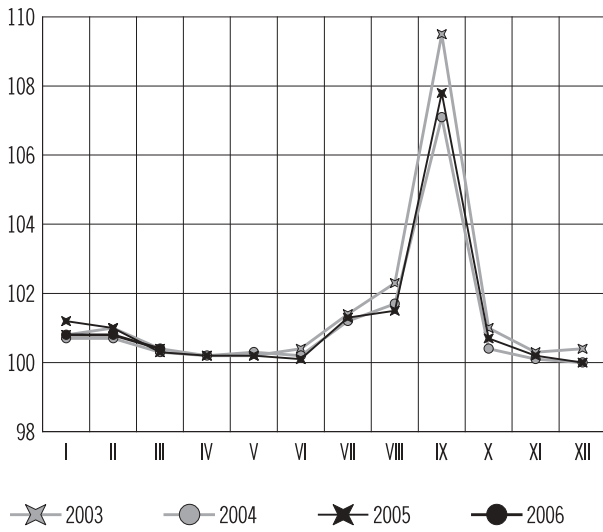
Healthcare prices
(as % of previous month)



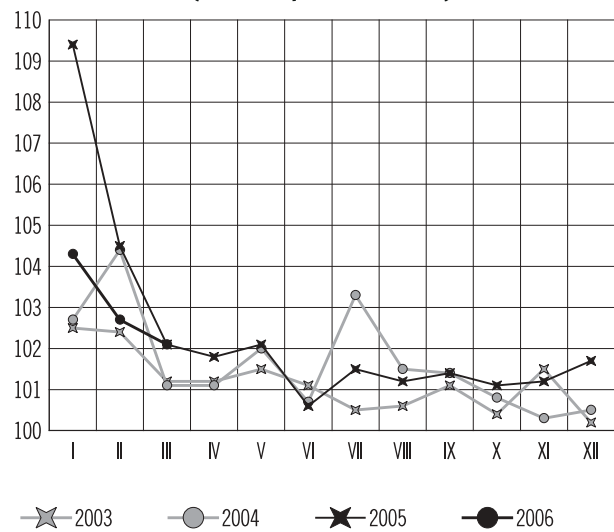
Cultural service prices
(as % of previous month)



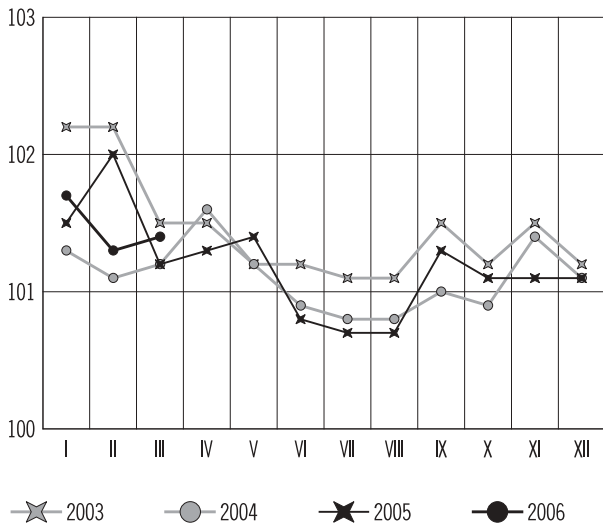
**Education fees
(as % of previous month)**



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



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



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

