



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

# **Quarterly Inflation Review**

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***2011 Q1***

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**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

In January-March 2011, output growth was registered in most of the major types of economic activity. The growth of world prices for energy products and the improved terms of trade allowed Russia to expand exports, maintain a strong balance of payments and boost international reserves.

The number of people employed in the economy increased and the unemployment rate fell noticeably but was still above the pre-crisis level. The expansion of consumer demand contributed to economic growth. At the same time, investment activity remained low and fixed capital investment was below the level registered in the same period a year earlier. Demand was estimated to remain below the potential output level, which restricted the growth of consumer prices.

The increase in consumer prices was also restrained by the appreciation of the ruble. The growth of food prices, especially vegetable and fruit prices, tended to slow down, which suggested the weakening of the supply shock in the food market caused by the drought in the summer of 2010. However, inflation remained fairly high at the beginning of 2011. From the second half of 2011, annualised inflation is expected to slow down.

In the first quarter of 2011, the Bank of Russia continued its gradual monetary policy tightening, which was started in December 2010. The Bank of Russia's efforts to gradually raise required reserve ratios and interest rates on its operations were attributable to the persisting inflation risks caused by monetary factors.

The Bank of Russia raised the refinancing rate and interest rates on some of its operations by 0.5 percentage points in January-April 2011. While credit institutions had a large amount of free liquid funds, money market rates edged up as a result of measures taken by the Bank of Russia but

stayed near the lower limit of the Bank of Russia interest rate band. High inflationary expectations and instability in foreign markets contributed to some growth in interest rates in the Russian capital market.

In efforts to make the exchange rate-setting mechanism more flexible, the Bank of Russia widened from March 1, 2011 the operational band of permissible fluctuations in the ruble value of the bi-currency basket and decreased the amount of cumulative interventions necessary for the band shift.

As interest rates remained low and banks' deposit base increased, bank lending continued to expand in the first quarter of 2011. The contribution of credit activity to the expansion of broad money supply was considerable and continued to grow. The increase in the Bank of Russia's net foreign assets was also an important source of money supply growth. The role of the budgetary factor in money supply dynamics decreased considerably as compared with the previous year.

From September 2010, annualised growth in ruble supply was observed to slow down gradually and this trend continued into the first quarter of 2011. The seasonally-adjusted monthly rates of growth in monetary aggregate M2 were also observed to decrease in the first quarter of 2011. The aggregate money supply grew in late 2009 and in 2010 to the level exceeding the rates of growth in the demand for money, which testified to increased inflation risks attributable to the monetary factors. However, current monetary dynamics may create pre-requisites for a gradual reduction in these risks.

Therefore, the growth of prices is likely to slow down in the second half of the year. The current monetary policy tightening is expected to contain inflation processes.

# Inflation Dynamics

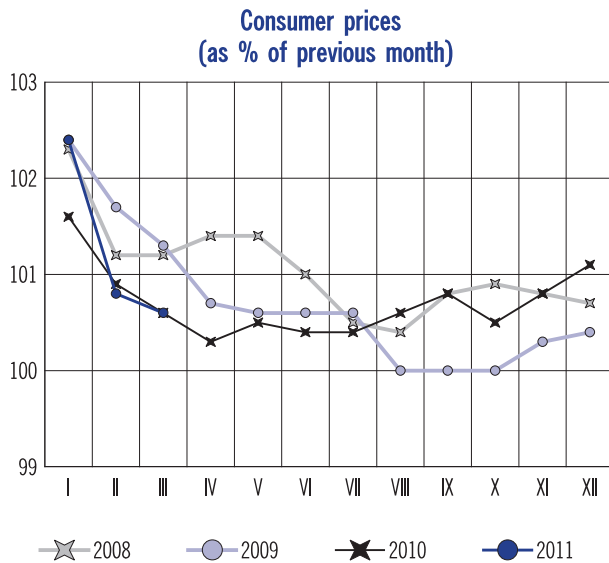
## Consumer prices

According to the Federal State Statistics Service (Rosstat), consumer prices rose by 3.8% in January-March 2011 or by 0.6 percentage points more as compared with the same period of 2010. Year on year, consumer prices increased by 9.5% in March 2011 or by 3.0 percentage points as compared with the value of this indicator in March 2010.

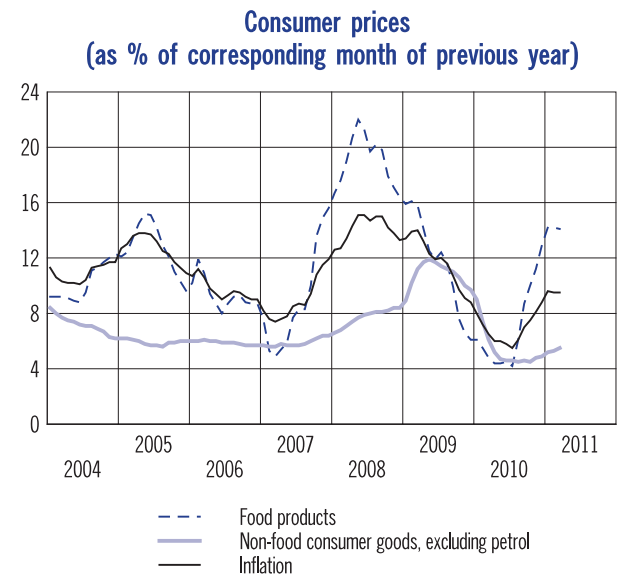
Inflation accelerated in January-March 2011 largely due to core inflation, which equalled 2.5% in the first quarter of 2011, as against 1.5% in the same period a year earlier. Growth in the prices

of goods and services included in the core inflation calculation in the first quarter of 2011, accounted for an estimated 2.0 percentage points, or 52.3%, of the inflation rate as against 1.2 percentage points, or 37.4%, in January-March 2010.

Food prices excluding vegetable and fruit prices grew by 3.5% in January-March 2011, as against 2.3% in the first quarter of 2010. Growth in the prices of this group of food products accounted for an estimated 1.2 percentage points, or 31.9%, of the inflation rate in the first quarter of 2011, as against an estimated 0.8 percentage points, or 25.2%, in the first quarter of 2010.



Source: Rosstat.



Source: Rosstat.

## Consumer price inflation (%)

	Growth		
	March 2011 on December 2010	March 2010 on December 2009	Change, percentage points
Prices of goods and services, total	3.8	3.2	Acceleration of growth by 0.6
of which:			
– food prices	4.8	3.8	Acceleration of growth by 1.0
– food prices, excluding vegetable and fruit prices	3.5	2.3	Acceleration of growth by 1.2
– non-food goods prices	1.7	0.9	Acceleration of growth by 0.8
– prices of paid services provided to households	5.2	5.4	Slowing of growth by 0.2
Prices of goods and services included in core inflation calculation	2.5	1.5	Acceleration of growth by 1.0

Source: Rosstat.

## Food price inflation (%)

	Growth		
	March 2011 on December 2010	March 2010 on December 2009	Change, percentage points
Foodstuffs	4.8	3.8	Acceleration of growth by 1.0
Bread and bakery products	5.3	0.6	Acceleration of growth by 4.7
Groats and beans	16.8	2.4	Acceleration of growth by 14.4
Pasta	3.4	-0.7	—
Meat and poultry	3.5	0.0	Acceleration of growth by 3.5
Fish and seafood	4.1	1.7	Acceleration of growth by 2.4
Milk and dairy products	2.8	3.6	Slowing of growth by 0.8
Butter	2.8	5.2	Slowing of growth by 2.4
Sunflower oil	6.6	1.3	Acceleration of growth by 5.3
Granulated sugar	6.5	10.0	Slowing of growth by 3.5
Vegetables and fruit	15.8	18.0	Slowing of growth by 2.2
Alcoholic beverages	2.7	3.7	Slowing of growth by 1.0

Source: Rosstat.

The most significant increase in basic food prices excluding vegetable and fruit prices in the first quarter of 2011 was registered in the prices of groats and beans (16.8%), sunflower oil (6.6%) and granulated sugar (6.5%). In January-March 2010, the prices of these food products went up by 2.4%, 1.3% and 10.0%, respectively. Growth rates in the prices of other basic food products were higher in January-March 2011, than in the same period a year earlier. The prices of pasta increased by 3.4%, whereas in the first quarter of 2010 they fell by 0.7%.

Vegetable and fruit prices increased by 15.8% in the first quarter of 2011 or by 2.2 percentage points less, than in the same period of 2010. Growth in vegetable and fruit prices in January-March 2011 accounted for an estimated 0.7 percentage points, or 17.3%, of the overall increase in consumer prices. In the first quarter of 2010, growth in vegetable and fruit prices accounted for 0.6 percentage points, or 20.6%, of overall consumer price growth.

Overall, food prices increased by 4.8% in January-March 2011, as compared with 3.8% in the same period last year.

Growth in non-food goods prices accelerated to 1.7% in January-March 2011 from 0.9% in the same period of 2010. The increase in non-food goods prices accounted for an estimated 0.6 percentage points, or 15.5%, of the headline inflation in January-March 2011 (as compared with 0.3 percentage points or 10.4% in the first

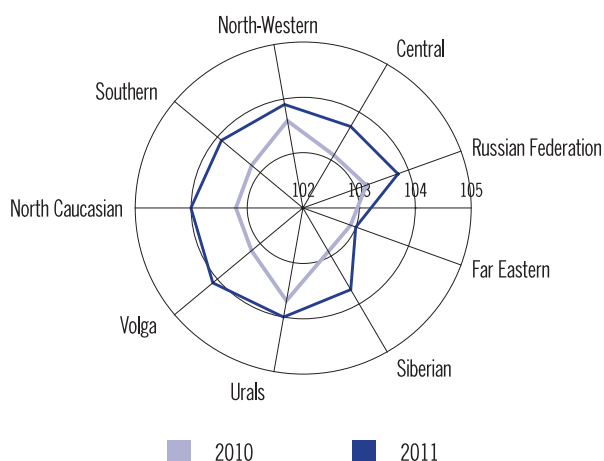
quarter of 2010). The biggest growth was registered in the prices of tobacco products (by 6.5% as compared with 4.9% in January-March 2010). The growth in the prices of fabrics, clothing, underwear, and also knitwear and footwear did not exceed 2.1%. The prices of petrol and medicine went up by 1.7% and 2.5%, respectively (in January-March 2010, petrol prices fell by 0.6% and the prices of medicine went down by 1.4%).

The prices of paid services provided to households grew by 5.2% in January-March 2011, as against 5.4% in January-March 2010, and accounted for an estimated 1.3 percentage points, or 35.3%, of the headline consumer price growth (this compares with 1.4 percentage points, or 43.9%, in the first quarter of 2010).

Administered prices of paid services grew by an estimated 8.2% in January-March 2011, which was by 1.6 percentage points slower, than in the same period last year. Housing and public utility prices rose by 10.3% in the first quarter of 2011, as against 11.5% in January-March 2010. Passenger transport fees grew by 3.0% in the first quarter of 2011, as against 3.5% in January-March 2010.

There was a slowing of growth in the prices of many types of services included in the core inflation calculation in January-March 2011. The prices of foreign travel services went down by 0.5% in the first quarter of 2011 (3.9% in January-March 2010).

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



Source: Rosstat.

Growth in the prices of paid services provided to households in January-March 2011 exceeded by 1.9 percentage points the overall growth in the prices of goods (by 3.0 percentage points in January-March 2010).

According to Rosstat data, consumer price growth in all federal districts of Russia in January-March 2011 was faster than in the same period last year.

Estimates show that the difference between the constituent territories of the Russian Federation in terms of the price of a fixed set of goods and services used by the Federal State Statistics Service for interregional comparisons of the purchasing power of the population narrowed in March 2011. Specifically, the regional difference ratio<sup>1</sup> decreased to 37.8% in March 2011 from 38.4% in December 2010.

The rates of growth in food prices, excluding vegetable and fruit prices, ranged from 2.9% to 4.3% in the federal districts in January-March 2011. The rates of growth in non-food goods prices changed within a considerably smaller range as they varied from 1.3% to 2.3% in the period under review. The rates of growth in the prices of paid services provided to households ranged from 4.2% to 5.5%.

The rates of growth in vegetable and fruit prices differed significantly by region. For exam-

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

ple, in the Far Eastern Federal District these prices rose by 10.2%, whereas in the Urals Federal District they grew by 18.9%.

**Housing prices**

Housing prices increased by 0.5% in the primary market and by 1.3% in the secondary market in January-March 2011 from December of previous year. In the same period of 2010, housing prices grew by 0.6% in the primary market and by 1.0% in the secondary market.

In January-March 2011, housing prices dynamics were influenced by some rebound in the real estate market amid the contraction of commissioned housing. Specifically, the floor space commissioned in January-March 2011 contracted by 2.2% as compared with the same period of 2010 (it decreased by 8.9% last year).

**Producer prices**

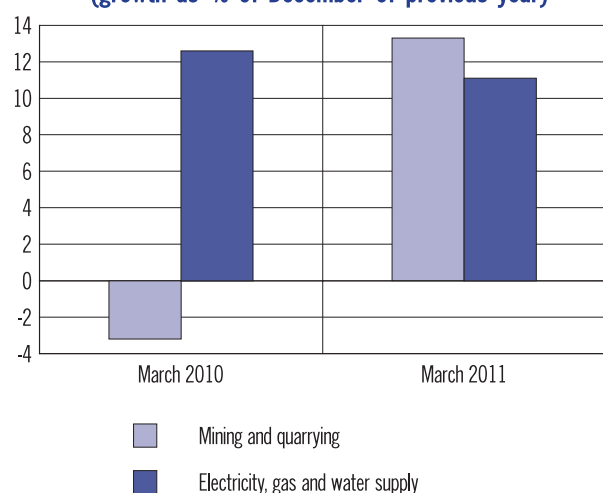
Industrial producer prices rose by 6.9% in January-March 2011, as against 2.7% in the same period a year earlier. The acceleration of growth in producer prices was attributable to the increase in mining and quarrying prices. Producer prices in this sector grew by 13.1% in January-March 2011, whereas in the same period of 2010 they fell by 2.6%. Producer prices in the mining and quarrying of energy producing materials increased by 13.3% in the first quarter of 2011 (in January-March 2010, they declined by 3.2%).

Price growth in electricity, gas and water supply slowed down by 1.5 percentage points to 11.1% in January-March 2011, as compared with the same period last year.

Producer prices in the manufacturing industries grew by 3.8% in January-March 2011, as was the case in the first quarter of 2010. The most significant price growth was registered in the production of coke where prices increased by 11.5% (by 19.5% in January-March 2010). Producer prices in the output of petroleum products fell by 0.4% (they increased by 2.9% in January-March 2010). Growth in consumer goods producer prices accelerated. Specifically, producer price growth accelerated by 9.9 percentage points to 11.3% in the textile and textile products industry and by 1.9 percentage points to 2.8% in the production of foodstuffs, including beverages, and tobacco products in January-March 2011 year on year.



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



Source: Rosstat.

Producer prices in the production of leather, leather goods and footwear increased by 2.2% (they fell by 1.2% in January-March 2010).

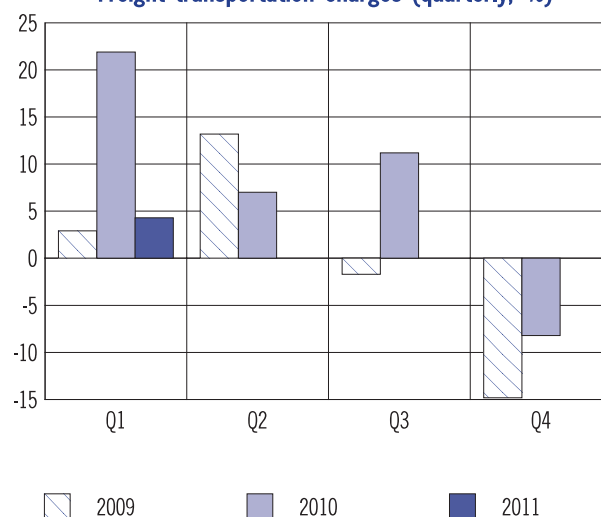
Freight transportation charges increased by 4.3% in January-March 2011, as against 21.9% in the same period of 2010. Railway transport fares went up 7.5% as against 9.4% a year earlier.

Communication fees for corporate entities grew by 3.4% in January-March 2011, as against 3.6% in the first quarter of 2010.

Producer prices of building materials grew by 1.7% in the first quarter of 2011 (they increased by 0.6% in the same period of 2010).

Agricultural producer prices grew by 6.2% in January-March 2011, as against 4.3% in the same

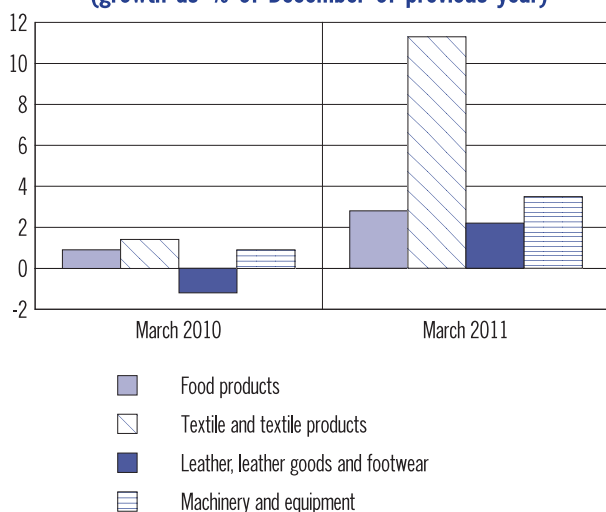
**Freight transportation charges (quarterly, %)**



Source: Rosstat.

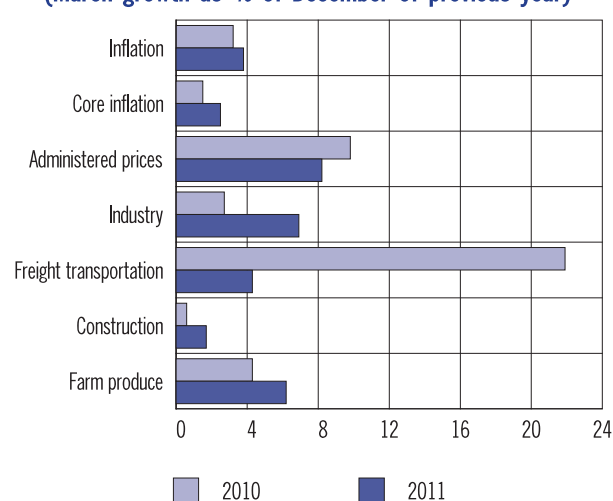
period last year. Crop grower prices increased by 11.6% as compared with 5.2% in January-March 2010. Grain prices grew by 11.2% and sunflower prices by 7.2% (in January-March 2010, grain producer prices decreased by 0.3%, while sunflower producer prices increased by 12.1%, respectively). Livestock producer prices went up 1.9% (as against 3.8% in January-March 2010). The most rapid growth was registered in milk producer prices, which grew by 3.8% (by 29.1% in January-March 2010). Egg producer prices fell by 2.6% (they increased by 15.5% in the first quarter of 2010). Cattle and poultry producer prices rose by 1.7% (in January-March 2010, they decreased by 2.5%).

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



Source: Rosstat.

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



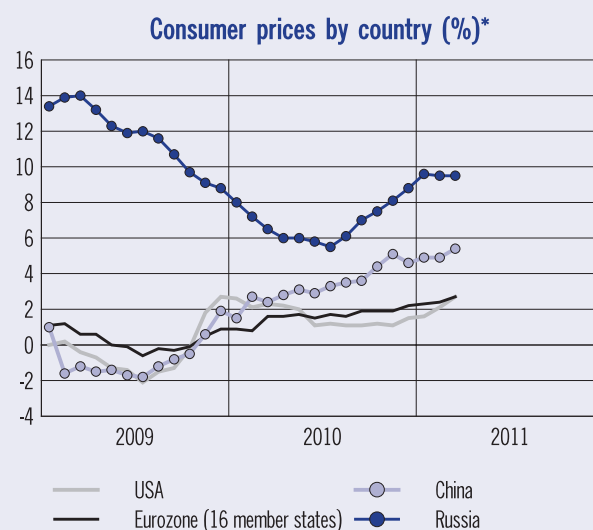
Source: Rosstat.

### Inflation in countries trading with Russia<sup>1</sup>

Inflation in the countries carrying much weight in the structure of Russian imports increased to 1.8% in January-March 2011 (March on December of the previous year) from 1.3% in the same period of 2010. The acceleration of inflation in the countries trading with Russia in January-March 2011 was largely the result of growth in energy prices. Food prices continued to rise. According to data of the Food and Agriculture Organisation of the United Nations (FAO), the weighted average of world prices for food products increased by 3.7% in January-March 2011 from previous December due to the growth of grain, meat and dairy prices. In February 2011, the FAO food price index registered the highest level for the entire period of observations. The impact of growing demand on inflation gradually intensified in the countries trading with Russia.

The consumer price headline growth in the eurozone and in the United States accelerated in January-March 2011, year on year, largely as a result of the rise in energy prices. Fundamental factors continued to restrain inflation processes both in the eurozone and the US economy. However, the faster increase in consumer prices in January-March 2011, as compared with the same period last year reflected changes in the rates of growth in the prices of goods and services included in the calculation of the core consumer price index (excluding energy and food prices).

In Belarus and Ukraine, growth in the prices of paid services (especially housing and public utility charges) accelerated sharply in January-March 2011, as compared with the same period last year. However, this acceleration did not affect the overall consumer price growth in the Ukrainian economy due to the effect of factors that restrained consumer demand and increased the supply of food products. In Belarus and Kazakhstan, the growth of food prices had a considerable impact on inflation processes. In China, the growth of food prices along with the increase in paid service prices was also a major factor causing inflationary pressure to remain relatively strong.



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

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

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

### Foreign trade

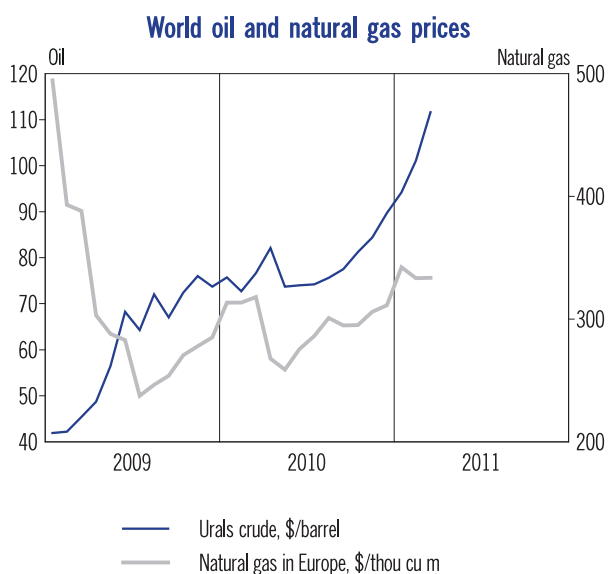
In 2011 Q1, the price situation for major Russian export commodities<sup>2</sup> in world markets continued to improve. World energy prices grew by an average of 28% in January-March 2011, as compared with the same period last year, while non-energy prices gained 22%.

World oil prices in January-March 2011 were largely influenced by the armed conflict in Libya and the aggravation of the political situation

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

in some countries of North Africa and the Middle East. The growth of world oil prices was also facilitated by the upward revision of forecasts on the global demand for oil, especially from China, and the channelling of considerable funds into commodity markets for investment purposes. The increase in US commercial oil inventories restrained world oil price growth. As a result, the price of Urals crude rose by 36.8% in January-March 2011, year on year, to \$102.6 per barrel. Natural gas prices in Europe increased by 6.8%.

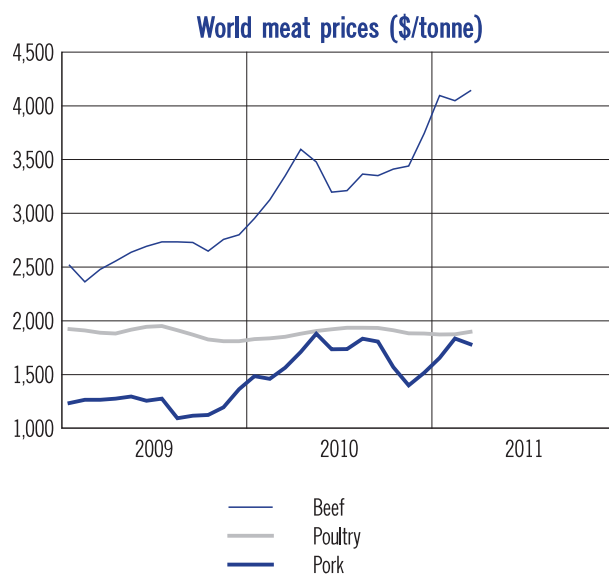
The petroleum products price trend mostly followed that of the oil price. In January-March 2011, petroleum product prices grew by 30% on average as compared with the same period last year (the price of petrol rose by 27%, diesel fuel by 38% and fuel oil by 22%).



Source: Reuters, World Bank.

Ferrous metal prices continued to recover in January-March 2011 and increased by 19% as compared with the same period last year. World non-ferrous metal prices were influenced by the growing demand for these metals, especially from China, and also by investment demand. As a result, the price of aluminium grew by 16% and the price of copper and nickel – by 33% and 35%, respectively, in January-March 2011, as compared with the same period last year.

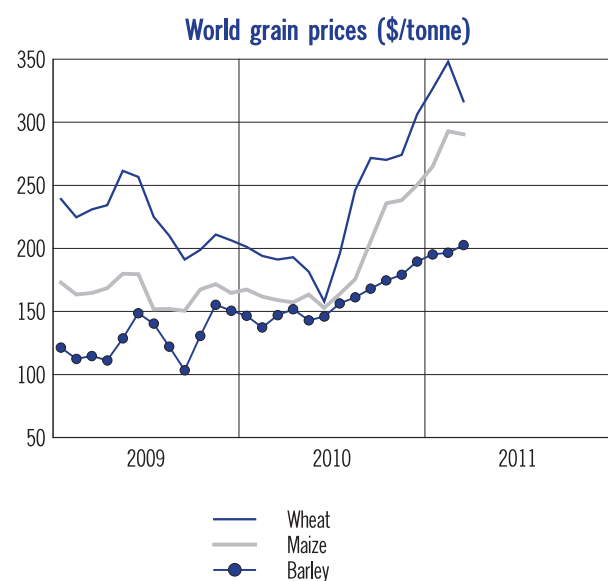
Food and agricultural raw material prices changed both ways in world markets in January-March 2011. Grain prices increased in January and February 2011 amid growing demand and the contraction of world grain stocks. In March, the



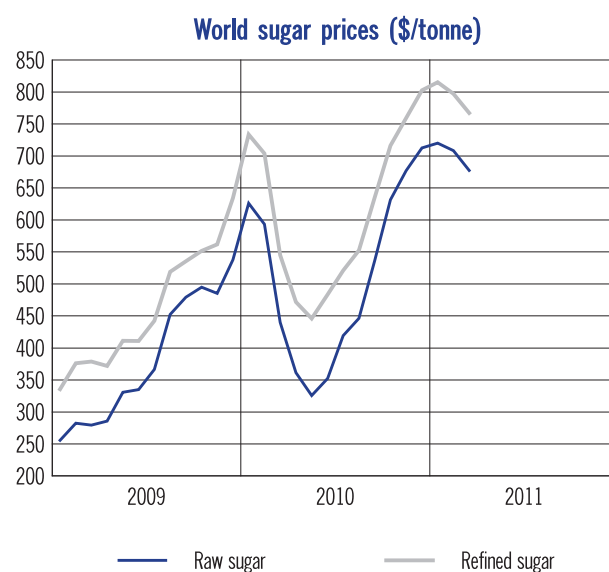
Source: World Bank.

situation in the grain market changed: the prices of wheat and maize went down largely due to the earthquake in Japan, the world's largest grain importer, which suspended grain purchases. World grain prices increased by almost 60% on average in January-March 2011, as compared with the same period last year (the price of American wheat went up by 69% and Canadian wheat – by 61%, while the price of American maize rose by 74% and Canadian barely – by 38%).

The steady growth of meat consumption, especially in Asian countries, amid the decrease in the world's livestock population, and also high fodder prices, pushed up meat prices. In the first quarter of 2011, beef and pork prices increased



Source: World Bank.



Source: London Commodity Exchange.

### International trade

The International Energy Agency (IEA) has estimated that the world consumption of oil increased by 2.6%, in January-March 2011, as compared with the same period last year, which was largely attributable to the growth of consumption in emerging market economies, especially in China and other Asian countries. In European countries that are members of the Organisation for Economic Cooperation and Development (OECD), oil consumption was unchanged from the first quarter of 2010. The IEA predicts global oil consumption to rise by 1.6% in 2011.

The average price of Brent, Dubai and West Texas Intermediate (WTI) crude rose to \$99.7 per barrel in January-March 2011 from \$77.0 per barrel in the first quarter of 2010 (by 29.4%). In April 2011, the IMF upgraded its 2011 forecast on the average price of the three crude oil benchmarks to \$107.2 per barrel as compared with its January forecast of \$89.5 per barrel. Consensus forecasts by Thomson-Reuters and Bloomberg (April-May 2011) suggest that the average price of Brent crude may equal \$105.5-109.2 per barrel in 2011, as compared with \$79.6 per barrel in 2010.

According to Eurostat data, EU import quantities of mineral fuel and lubricants declined by 1.3% in January-February 2011, as compared with the same period of 2010, while the average unit value of the imports of these commodities<sup>1</sup> increased by 34.9%. According to IMF data, the price of Russian natural gas exported to Germany was on average by 20.6% higher in January-March 2011, than in the same period last year.

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

by 30% and 17%, respectively, while poultry prices grew by 2% as compared with the same period last year.

The decrease in oil crop harvests as a result of unfavourable weather conditions and the contraction of their stocks caused a rise in the prices of vegetable fats in the world market in January-February 2011. In March 2011, these prices edged down amid the expectations of better weather conditions and higher harvests. Palm oil prices increased by 55% in January-March 2011, as compared with the same period last year.

The growth of sugar prices continued in the world market in January 2011 due to low sugar-cane harvests as a result of unfavourable weather conditions in many sugar-producing countries and the contraction in global sugar stocks. In February-March 2011, world sugar prices started to decline on the expectations of new harvests in Brazil and India, and also due to lower world sugar demand as a result of high sugar prices. As a result, raw sugar prices grew by 27% and refined sugar prices increased by 20% in January-March 2011, as compared with the same period last year.

The terms of Russia's trade improved in January-March 2011, as compared with the same period last year as export prices grew faster than import prices.

## Demand

### Domestic demand

The production of goods and services expanded in the first quarter of 2011 largely as a result of higher consumer activity. However, the contraction of fixed capital investment at the beginning of the year suggested that economic recovery was unstable.

The slowing of growth in wages and social transfers amid accelerating inflation in January-March 2011, as compared with the same period last year, affected household real disposable money income, which decreased by 2.9% in the period under review. The household propensity to consume grew by 5.2 percentage points in January-March 2011, year on year, to 78.2%. Household real consumer spending increased by an estimated 4.2% in the first quarter of 2011, as compared with the same period last year. The share of household spending on the purchase of foreign currency in the structure of household money income use increased by 0.8 percentage points to 4.0% in the first quarter. As interest rates on retail deposits remained low, the household propensity to hold organised savings decreased.

Household final consumption expenditures increased by 3.0% in 2010. The improved situation in the labour market and the increase in con-

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

	2009					2010				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
GDP	-9.2	-11.2	-8.6	-2.6	-7.8	3.5	5.0	3.1	4.5	4.0
Final consumption	-0.3	-3.6	-5.8	-4.1	-3.5	0.3	3.8	4.0	1.9	2.5
of which:										
– households	-0.2	-4.9	-7.8	-5.7	-4.8	-0.5	4.7	5.1	2.7	3.0
Gross capital formation	-53.6	-56.4	-37.3	-20.1	-41.0	0.8	27.9	29.8	39.3	28.4
Net exports	16.5	66.5	107.7	60.8	56.6	35.1	-36.2	-90.8	-76.9	-42.8

Source: Rosstat.

sumer activity stimulated growth in retail trade turnover (by 4.7%) and the value of paid services provided to households (by 2.3%). The share of imported goods in the retail trade turnover grew by an estimated 3.0 percentage points in 2010, year on year, to 44%. The share of non-food imports grew by 5.9 percentage points to 53.5%, while the share of food imports was unchanged at 34%.

The imports of goods grew rapidly in January-March 2011 amid the expansion of domestic demand and the ruble's appreciation. As a result, in the first quarter of 2011, imports exceeded the pre-crisis level registered in the first quarter of 2008. The imports of goods grew mostly as a result of the expansion of import quantities. The increase in import prices contributed less to the growth of imports in the period under review. The imports of investment goods grew faster than the imports of food products in January-March 2011. The biggest growth was registered in the imports of motor cars and trucks. The imports of goods (according to the balance of payments estimate as of April 5, 2011) grew by 40.9% in January-March 2011, year on year, to \$64.4 billion.

In 2010, general government expenditure on final consumption increased by 1.4%. According to the Federal Treasury's data, budget expenditure decreased to 31.0% of GDP in January-March 2011, as against 33.6% in the first quarter of 2010. Non-interest expenditure accounted for 30.2% of GDP as against 32.7% in the same period last year.

In January-March 2011, the general government registered a budget surplus of 7.1% of GDP, which represents an increase of 4.6 percentage points as compared with the same period last year. The improvement of the Russian budget balance, which may continue in the medium term, reflects

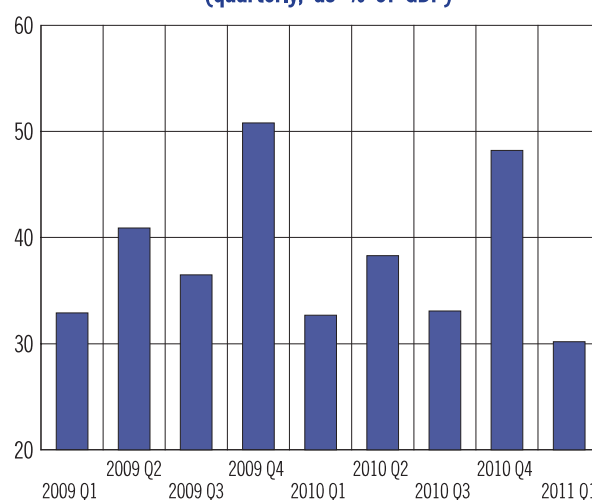
the Russian government's consistent tightening of its fiscal policy for the purpose of strengthening macroeconomic stability and long-term sustainability of public finance.

Gross fixed capital formation expanded by 6.1% in 2010. Fixed capital investment decreased by 1.5% in January-March 2011, as compared with the same period last year.

Investments in machinery, equipment and transport vehicles accounted for about a third of total investments in 2010. At the same time, the share of investments made to acquire imported equipment contracted from 2009 by 2.7 percentage points to 18%. Imports of machinery, equipment and transport vehicles grew by 40.0% in 2010.

Fixed capital investment was financed mostly by raised funds (58.8%) in 2010. The share of own funds used to finance fixed capital investment expanded. Bank loans accounted for 8.7%, a contraction by 1.6 percentage points from 2009.

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



Source: Federal Treasury, Rosstat.

### **Economic growth in foreign countries<sup>1</sup>**

GDP in the group of countries carrying much weight in the structure of Russian exports increased by an estimated 4.3% in January-March 2011, as compared with the same period last year (in the first quarter of 2010, it increased by 3.3%). Preliminary data show that GDP grew by 2.3% in the United States, by 2.5% in the eurozone and by 9.7% in China. Positive trends in the economies of Russia's trading partners were attributable to the recovery of consumption and fixed capital investment and the gradual resumption of growth in banks' credit investments. The economies of Russia's trading partners continued to demonstrate high GDP growth rates under the impact of the statistical base effect in the first quarter of 2011, as compared with the same period last year.

The IMF's forecast released in April 2011 suggests that the rates of growth in the global production of goods and services will fall from 5.0% in 2010 to 4.4% in 2011. The economies of Russia's trading partners will start to show some slowing of GDP growth from the second quarter of 2011 relative to the corresponding quarter of 2010 under the impact of the statistical base effect. The IMF predicts GDP to grow by 2.8% in the United States, by 1.6% in the eurozone and by 9.6% in China in 2011. The recovery of the labour and credit markets, the higher capacity utilisation rate and the low level of real interest rates will stimulate further growth in consumption and investment in the world's advanced economies. China's GDP growth will slow down under the impact of monetary policy tightening intended to prevent the overheating of China's economy and financial market. According to the IMF forecast, international trade in goods and services will expand by 7.4% in 2011.

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

As quantities of imported goods and services grew faster than exported quantities, net exports of goods and services fell by 42.8% in 2010.

### **Foreign demand**

The value of exports increased by 22.0% to \$112.6 billion in January-March 2011 (according to the balance of payments estimate as of April 5, 2011), as a result of the rise in prices. Export quantities slightly contracted in the first quarter of 2011, as compared with the same period last year due to the decrease in the supplies of oil, petroleum products, ferrous metals, copper and some other commodities. At the same time, growth was registered in the export quantities of natural gas, aluminium, nickel, mineral fertilizer, unprocessed and processed timber and motor cars. The growth of exports to EU member countries continued to slow down in terms of value. The share of the EU member countries in Russia's commodity exports decreased by 5 percentage points in January-March 2011, as compared with the same period last year. In the structure of Russia's commodity exports to EU member countries, the share of the Netherlands, Italy and Germany as the principal importers of Russian products decreased. Growth in exports rates to the Asia-Pacific Economic Cooperation (APEC) member countries was considerably faster than overall export growth rates. The share of APEC member countries in Russia's commodity exports grew by 2.5 percentage points.

The biggest increase in this group of countries was registered in the share of China and the United States. Exports to CIS member countries increased faster than overall exports and largely expanded due to growth in exports to Ukraine and Belarus.

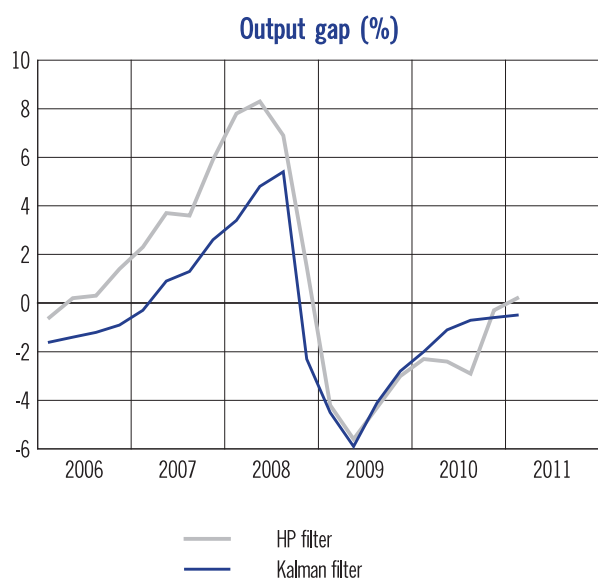
### **Supply**

In January-March 2011, output in the key sectors of economy expanded by 4.3% (by 6.4% in January-March 2010). Production growth was registered in most of the major types of economic activity, except wholesale trade. Output grew by 0.7% in agriculture and by 1.6% in construction, while transport freight turnover increased by 3.7%.

Industrial output grew by 5.9% in January-March 2011 (by 9.5% in the first quarter of 2010). High rates of output growth were registered in the manufacturing sector (by 10.6%), especially the production of transport vehicles (by 59.6%) and rubber and plastic products (by 20.6%).

Output in the mining and quarrying rose by 3.3%; particularly marked growth was registered in the mining and quarrying of metal ores (by 6.4%). Oil output expanded by 0.8% and gas production grew by 0.4%.

There was a rise in the output of major livestock products in January-March 2011, including cattle and poultry for slaughter (by 3.2%). The output of meat and meat products grew by



Source: Bank of Russia calculations.

7.5%, of which the production of meat, including by-products, rose by 4.6%. The contraction in grain stocks affects the production of bread and bakery products, flour and groats, which, in turn, exerts pressure on consumer price inflation.

Industrial production capacity utilisation ratio increased but was still below the pre-crisis level. According to data released by the Russian Economic Barometer, the industrial production capacity utilisation ratio stood at 74% on average in January-February 2011, as against 70% in January-February 2010.

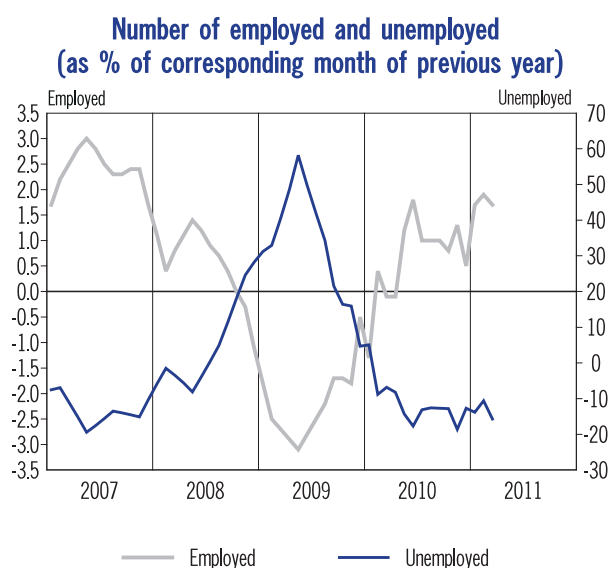
In February 2011, the highest industrial production capacity utilisation ratio was registered in the light industry (83%) and the timber and wood-working industry (82%), whereas the lowest rate was observed in the production of building materials (66%) and metallurgy (62%).

In January-March 2011, GDP grew by 4.1%, as compared with the same period last year. The output gap remained negative, according to estimates.

### Employment and unemployment

The number of people employed in the economy increased by 1.8% in January-March 2011, whereas in the same period last year it fell by 0.4%.

Labour productivity increased by an estimated 3.4% in 2010, as compared with 2009, and its growth in the manufacturing sector was faster than in the services sector. Growth in the output of services was slower than in the output



Source: Bank of Russia, Rosstat.

of goods. Estimates show that the number of employed in the services sector increased in 2010, as compared with the previous year but continued to fall in the manufacturing sector.

Real wages grew by 0.5% in January-March 2011. Estimates show that real wages increased slower than labour productivity in the period under review.

Significant differences in wage levels between various types of economic activity remained this year. In January-February 2011, the highest average monthly wage was registered in the financial sector (50,845 rubles) and in the mining and quarrying of energy producing materials (46,112 rubles); it exceeded the national average by a factor 2.5 and 2.2, respectively. The lowest wages were registered in agriculture, hunting and forestry (10,227 rubles), manufacture of textile and textile products (7,510 rubles), and the production of leather, leather goods and footwear (10,950 rubles); these made up 49%, 36% and 53% of the national average wage, respectively. Below-average wages remained in activity types that were largely financed from the budget (education and other utilities, social and personal services, healthcare) and also in the manufacturing industries, wholesale and retail trade and car and household goods repair services.

The total number of unemployed contracted in January-March 2011 by 13.4% to 7.1% of the economically active population as of the end of March (8.6% as of the end of March 2010).

## Monetary Conditions

### Exchange rate

In the first quarter of 2011, the domestic foreign exchange market was characterised by the appreciation of the ruble against major world currencies as world prices for Russian export commodities continued to grow. The Bank of Russia's exchange rate policy was aimed at keeping the ruble's volatility within the established boundaries. As part of its efforts consistently to raise the flexibility of the exchange rate-setting mechanism, the Bank of Russia widened symmetrically from March 1, 2011, the operating floating range of permissible fluctuations in the ruble value of the bi-currency basket to 5 rubles from 4 rubles, and also reduced the amount of cumulative interventions, necessary for the band shift by 5 kopecks, from \$650 million to \$600 million.

According to preliminary data, the current account surplus stood at \$31.8 billion in January-March 2011, as against \$14.1 billion in the fourth quarter of 2010. At the same time, a net private capital outflow estimated at \$21.3 billion was registered in the first quarter of 2011, as compared with \$21.5 billion in October-December 2010. Russia's international reserves grew by 4.8% in January-March 2011 to \$502.5 billion as of April 1, 2011.

The nominal ruble/US dollar rate increased by 5.0% in the first quarter of 2011, whereas in the fourth quarter of 2010 it fell by 0.3%. In the period under review, the ruble grew against the US currency in each of the three months: it gained 2.6% in January, 2.7% in February and 3.0% in March. As of April 1, 2011, the official rate of the ruble against the US dollar was 28.5162. In April 2011, amid the persistently favourable energy price dynamics, the nominal ruble/dollar rate gained another 1.2%. As a result, the official rate of the ruble against the US dollar stood at 27.5022 as of May 1, 2011.

The nominal ruble/euro rate increased by 4.3% in the first quarter of 2011 (it fell by 5.5% in the fourth quarter of 2010). In January-March 2011, the appreciation of the ruble against the single European currency in nominal terms was observed to slow down: the ruble gained 1.1% against the euro in January, 1.0% in February and 0.5% in March. As a result, the official rate of the ruble against the euro stood at 40.3875 as of April 1, 2011.

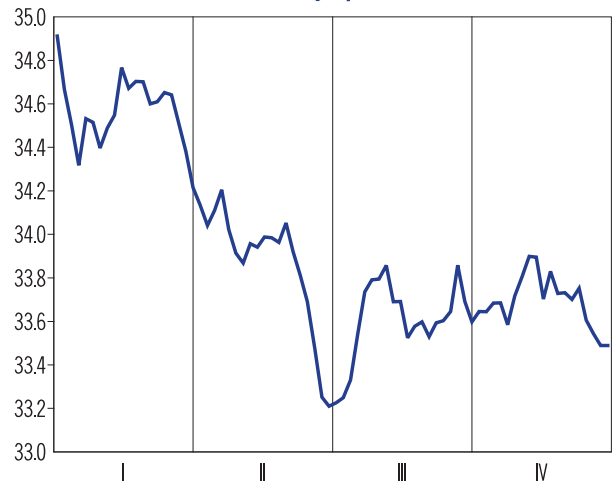
In April 2011, the nominal rate of the ruble against the eurozone currency decreased by 1.9%. As a result, the official rate of the ruble against the euro stood at 40.8078 as of May 1, 2011.

Nominal US dollar/ruble and euro/ruble rate in January-April 2011



Source: Bank of Russia, Reuters.

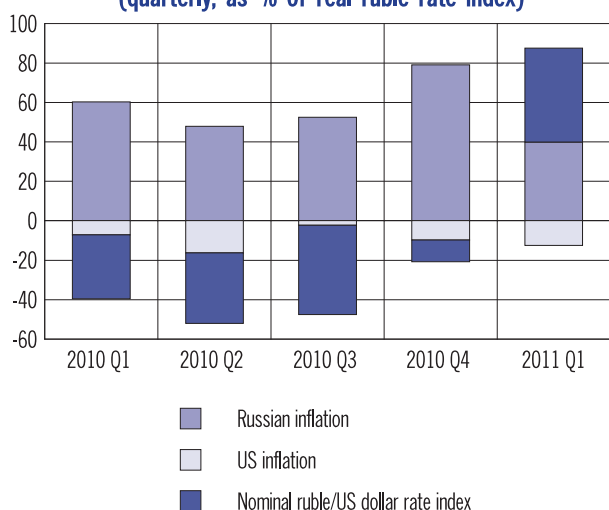
Ruble value of bi-currency basket in January-April 2011



Source: Bank of Russia, Reuters.



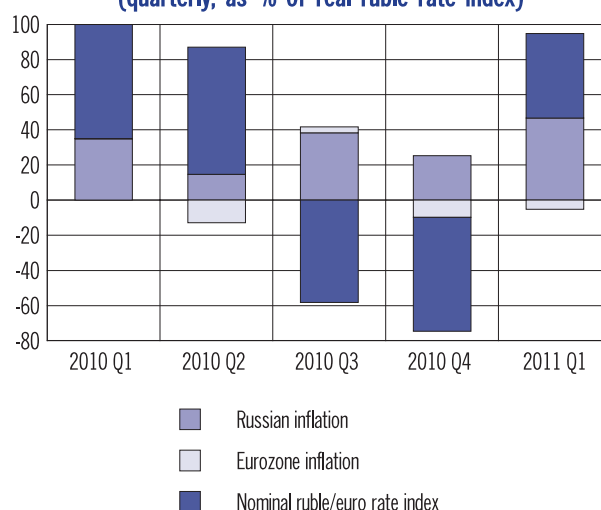
**Decomposition of change in real ruble/US dollar rate (quarterly, as % of real ruble rate index)**



Source: Bank of Russia, Reuters.

The ruble value of the bi-currency basket reached 33.8583 rubles as of April 1, 2011. During April 2011, the value of the operational benchmark registered some insignificant short-term fluctuations and amounted to 33.4897 rubles as of May 1, 2011.

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



Source: Bank of Russia, Reuters.

The nominal effective rate of the ruble against foreign currencies increased by 4.5% in January-March 2011 (in the fourth quarter of 2010, it fell by 4.0%). The growth of the nominal effective rate of the ruble in the reporting period was as a whole comparable to the appreciation

### International currency market

The US dollar depreciated by about 6% against the euro in the international foreign exchange market in the first quarter of 2011 (March on December 2010) due to the Federal Reserve's additional measures of accommodative monetary policy, the risks of the US national debt growth, and also as a result of eurozone interest rate hike expectations that increased in March. The unstable condition of public finances in some eurozone countries, particularly in Portugal, remained a factor behind the dollar/euro rate volatility.

The currencies of most of Russia's major trading partners (including China, Japan, the Republic of Korea, Great Britain, Brazil and Kazakhstan) strengthened against the US dollar and depreciated against the euro. There were no significant changes in the exchange rates of the Ukrainian hryvnia and the Indian rupee against the US dollar. Likewise, the exchange rates of the Polish zloty, Swiss franc and some European currencies tightly pegged to the euro did not change considerably against the single European currency. The official rate of the Belarussian ruble against the US dollar also did not change significantly. Owing to increased pressure on the national currency, Belarus imposed some restrictions on foreign exchange transactions and established a requirement for banks in March to reserve Belarussian rubles 30 calendar days in advance for the purchase of foreign currency at auctions at the Belarussian Currency and Stock Exchange (eventually, this requirement was lifted after the enforcement of some other changes to the procedure of conducting transactions in the foreign exchange market). The Turkish lira depreciated against the world's two leading currencies, while the currencies of some EU countries outside the eurozone (Sweden, Hungary, the Czech Republic and Romania) demonstrated growth against the dollar and the euro.

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



Source: Reuters.

of the ruble against the currency of the eurozone countries, which currently account for over 40% in Russia's foreign trade.

**The real ruble/US dollar rate** increased by 8.0% in the first quarter of 2011 (in October-December 2010, this growth was considerably slower and amounted to 1.5%). The ruble's real appreciation against the US dollar in the fourth quarter of 2010 was largely dictated by internal inflation, whereas in January-March 2011 the contribution by the nominal exchange rate and the inflationary differential to the real ruble/US dollar rate dynamics was more evenly spread. Estimates show that in April 2011 the ruble continued to appreciate against the US dollar in real terms and increased by 0.6%.

**The real ruble/euro rate** grew by 7.7% in January-March 2011, after a 3.9% decrease in the fourth quarter of 2010. The ratio of contributions by the ruble/euro nominal exchange rate and Russia's inflationary differential with eurozone states to the real ruble/euro rate dynamics has been relatively stable since the beginning of 2011. Preliminary estimates show that the ruble weakened by 2.3% in real terms against the single European currency in April 2011.

**The real effective rate of the ruble against foreign currencies** gained 7.3% in the period under review (it slipped by 3.1% in the fourth quarter of 2010). Preliminary estimates show that the real effective rate of the ruble against foreign currencies decreased by 1.2% in April 2011,

which was largely caused by the ruble's weakening against the euro in the period under review.

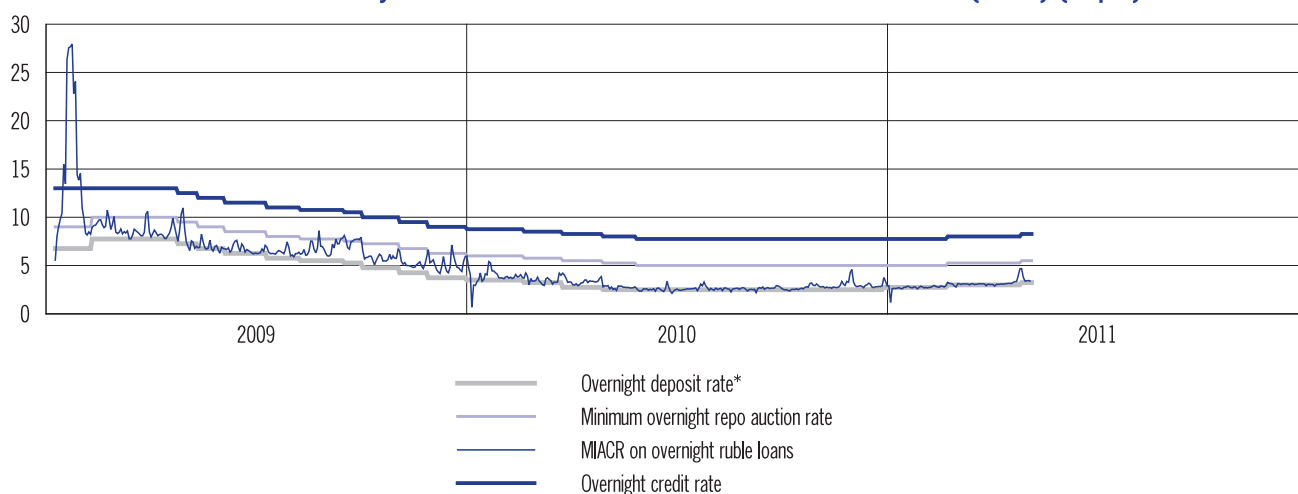
### Interest rates

Amid considerable inflationary pressure and the existence of some risks for sustainable economic growth, and also for the purpose of restraining an inflow of speculative foreign capital, the Bank of Russia took decisions in February and April 2011, to raise the refinancing rate and interest rates on some of its operations. From February 28, 2011, the Bank of Russia raised the refinancing rate and the overnight credit rate to 8% per annum and increased the overnight deposit rate to 3% p.a. As a result, the Bank of Russia's interest rate band shifted upward by 0.25 percentage points. From May 3, 2011, the Bank of Russia raised interest rates on some of its operations by another 0.25 percentage points. The smallest of all possible interest rates, at which credit institutions can be refinanced by the Bank of Russia (at repo or Lombard credit auctions), now stand at 5.50% per annum.

Also, the Bank of Russia took decisions on three occasions in 2011 to raise required reserve ratios: from February 1, March 1 and April 1. As a result, these ratios for credit institutions' obligations to non-resident institutions were raised from 2.5% to 5.5% and for other obligations from 2.5% to 4%.

Interest rates on ruble-denominated **inter-bank loans** extended for various terms fluctuated

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



\* «Overnight» deposit rate since March 29, 2010, and «tom-next» deposit rate before March 29, 2010. Source: Bank of Russia.

### Liquidity situation and Bank of Russia operations

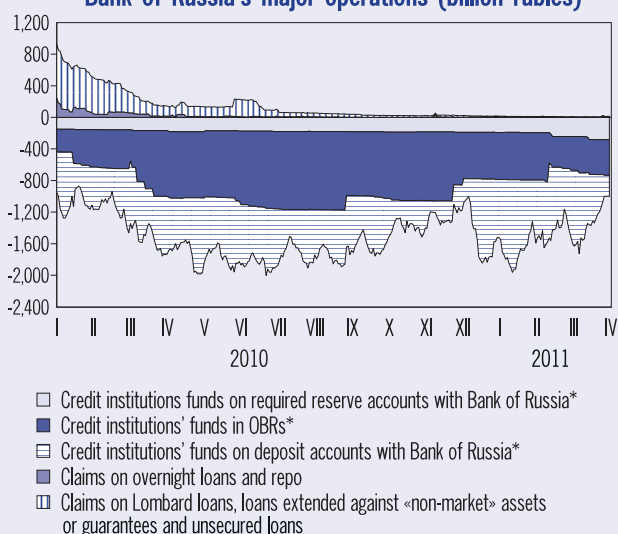
In January-April 2011, the excess of liquidity remained in the banking sector as a whole: credit institutions continued to keep their free funds on deposit accounts and in Bank of Russia bonds (OBRs). In the period under review, credit institutions' demand for Bank of Russia's liquidity provision instruments was quite insignificant but slightly increased in late April.

Bank of Russia average daily obligations to credit institutions on the liquidity absorption instruments increased from about 1.2 trillion rubles in 2010 Q4 to 1.4 trillion rubles in January-March 2011, and dropped to 1.1 trillion rubles in April 2011. Their structure also changed noticeably. The percentage ratio between the obligations on deposit operations and obligations resulting from operations with OBRs changed from 32:68 in the fourth quarter of 2010 to 61:39 in January-April 2011. Bank of Russia average daily claims to credit institutions on instruments used to provide liquidity decreased roughly to 11 billion rubles in the first quarter of 2011, and to 5 billion rubles in April 2011, whereas in October-December 2010 they amounted to 24 billion rubles.

In January-April 2011, the Bank of Russia made changes to the mechanisms of bank liquidity regulation. From January 1, 2011, the Bank of Russia suspended holding five-week unsecured loan auctions and three-month deposit auctions. From February 10, 2011, the Bank of Russia suspended operations to extend loans against "non-market assets" or guarantees with maturities from 91 to 180 days, and also Lombard loans at fixed rates with a term of 30 days.

From 2011, the Bank of Russia started to tighten requirements for collaterals accepted for refinancing instruments. In particular, from January 1, 2011, Bank of Russia List of Organisations must include those organisations that have a minimum long-term credit rating assigned by at least one international rating agency at B-/B3, which is further increased to B/B2 from April 1, and to B+/B1 from July 1. The Bank of Russia also tightened the requirement for the credit quality of debt obligations included in Bank of Russia Lombard List – the minimum required international credit rating assigned to their issuers (issues) was raised to B/B2 from April 1, and to B+/B1 from July 1.

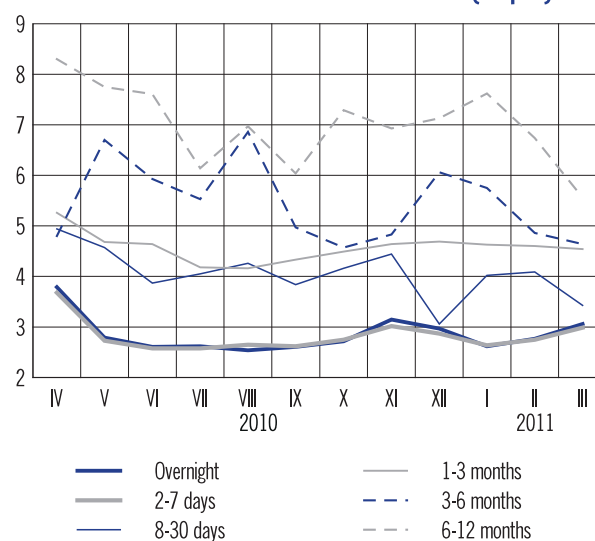
Bank of Russia's major operations (billion rubles)



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

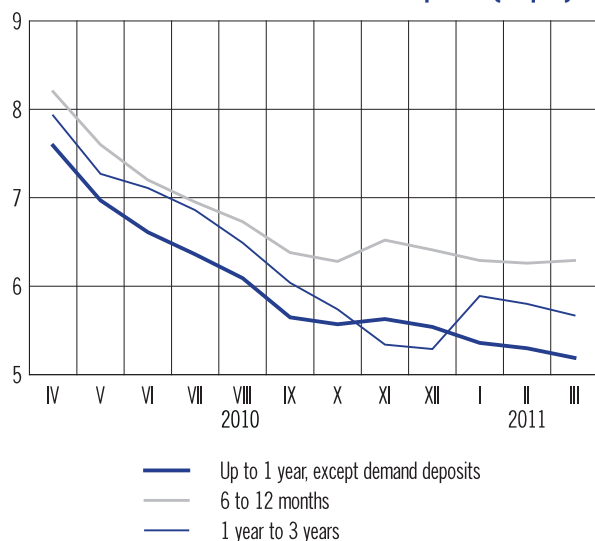
within a relatively narrow horizontal band in January-March 2011. Fluctuations in the MIACR on overnight ruble interbank loans amounted to 0.7 percentage points in the first quarter of 2011 (as compared with 2.2 percentage points in October-December 2010). The average quarterly MIACR on overnight interbank ruble loans stood at 2.9% p.a. as compared with 3.0% in the fourth quarter of 2010. In April 2011, the MIACR on overnight ruble interbank loans moved within the range of 2.9-4.6% p.a. The average MIACR on overnight interbank ruble loans in April 2011 increased by 0.3 percentage points, month on month, to 3.3% p.a. The interest rate on ruble interbank loans placed by Russian banks for a term of 2-7 days dropped from 2.9% p.a. in 2010 Q4 to 2.8% p.a.

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



Source: Bank of Russia.

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

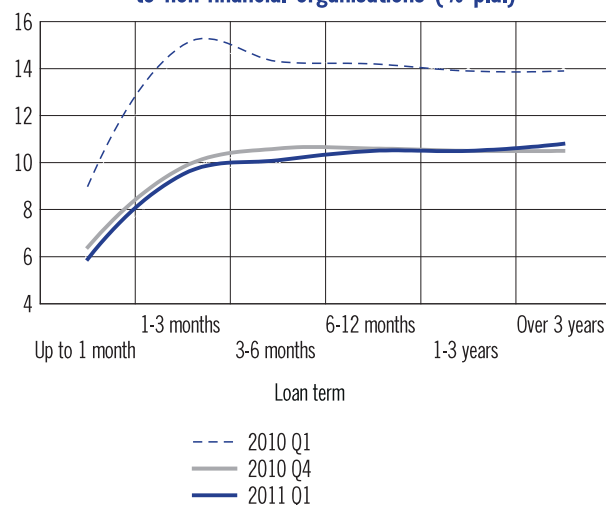


Source: Bank of Russia.

in 2011 Q1, and the rate on 8- to 30-day inter-bank loans declined from 3.9% p.a. to 3.8% p.a., while the 1- to 3-month rate was unchanged at 4.6% p.a.

The average interest rate on short-term **household ruble deposits** continued to decline in the first quarter of 2011, as it dropped by 0.3 percentage points, quarter on quarter, to 5.3% p.a. The interest rate on long-term household deposits with terms ranging from 1 to 3 years increased quite sharply in January 2011, but was eventually observed to decrease gradually. The average long-term household deposit rate increased by 0.3 percentage points in January-March 2011, quarter on quarter, to 5.8% p.a.

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

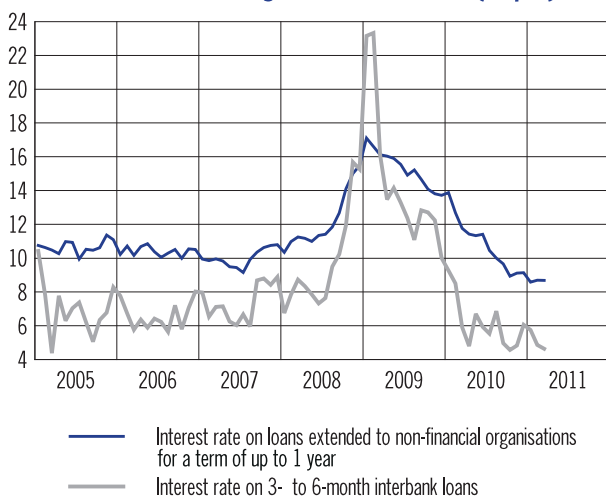


Source: Bank of Russia.

The average short-term interest rate on the ruble-denominated **household loans** fell by 0.9 percentage points in the first quarter of 2011, quarter on quarter, to 25.1% p.a., while the long-term household loan rate was unchanged at 17.5% p.a.

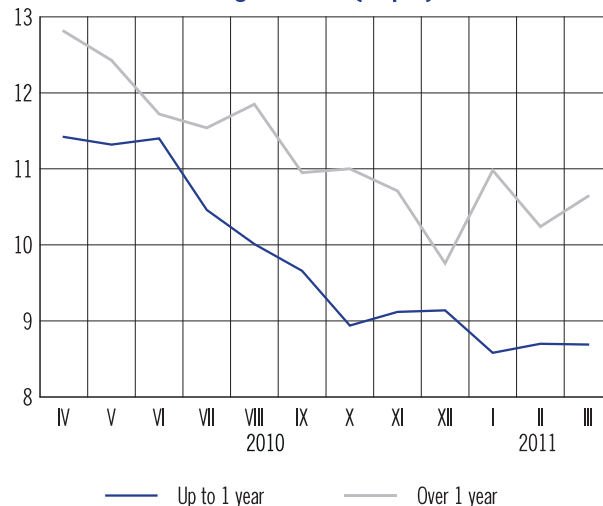
In January-March 2011, interest rates on short-term and long-term ruble **loans to non-financial organisations** changed both ways. The average interest rate on short-term loans dropped by 0.4 percentage points in the first quarter of 2011, quarter on quarter, to 8.7% p.a., while the average long-term credit rate increased by 0.1 percentage points to 10.6% p.a. In January-March 2011, the biggest fall (by 0.5 percentage

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

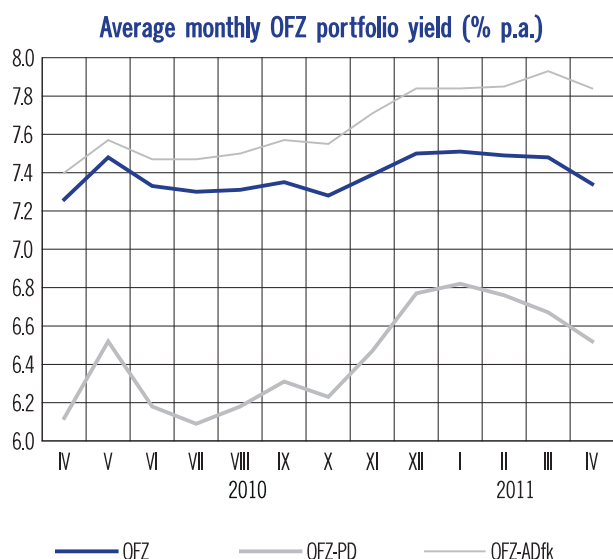


Source: Bank of Russia.

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



Source: Bank of Russia.

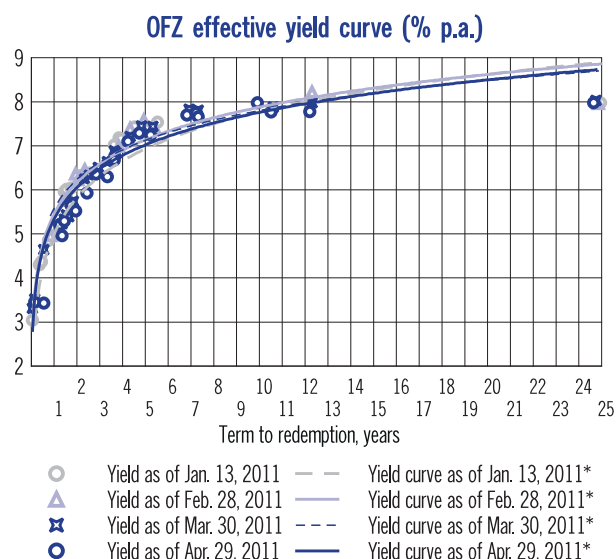


points) in the average interest rate was registered on loans with a term of up to 1 month and with terms from 3 to 6 months. The yield curve for loans to non-financial organisations shifted down in 2011 Q1, as compared with 2010 Q4 in the up-to-1-year segment and rose in the over-3-year segment. The rising yield curve sector extended from 6 months in the fourth quarter of 2010 to 1 year in the first quarter of 2011.

**OFZ market** yields changed both ways in January-March 2011, with slightly downward dynamics as the prevailing trend. The average quarterly effective OFZ market portfolio indicator (MPI)<sup>1</sup> increased by 0.1 percentage point in January-March 2011, quarter on quarter, to 7.5% p.a. As of the end of the first quarter of 2011, the OFZ yield (the effective MPI) was unchanged from the end of the fourth quarter of 2010 at 7.4% p.a. The OFZ yield as of the end of April 2011, was also unchanged from the end of the first quarter of 2011. The average effective MPI dropped by 0.1 percentage point in April 2011, month on month, to 7.3% p.a.

In January-April 2011, the OFZ yield curve remained ascending, demonstrating slight changes in its position. By the end of April 2011, the government bond yield curve and its slope did not demonstrate any significant shifts as compared with the beginning of January 2011.

<sup>1</sup> The average duration of the OFZ bond index portfolio amounted to 3.9 years in the fourth quarter of 2010, and to 3.6 years in the first quarter of 2011.



Yields in the **ruble regional and corporate bonds market** in January-April 2011 tended to decline; their volatility slightly decreased in April as compared with the first three months of 2011. The average yield on regional bonds<sup>2</sup> and the average yield on corporate bonds<sup>3</sup> increased by 0.2 percentage points and 0.1 percentage point, respectively, in January-March 2011, as compared with the previous quarter, to 7.6% p.a. each. Re-

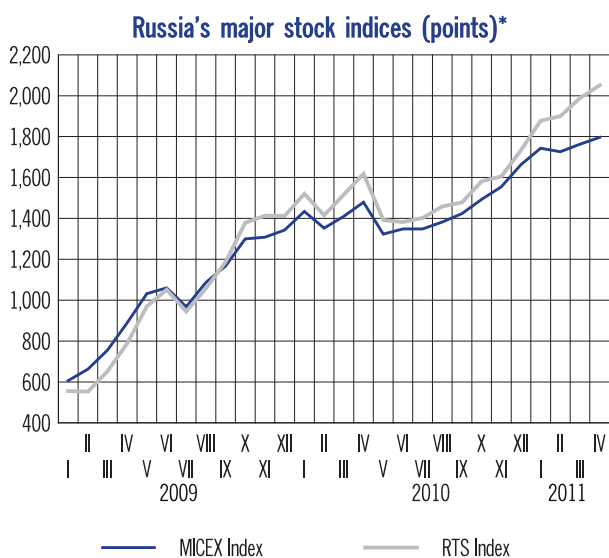
<sup>2</sup> The average duration of the regional bonds index portfolio amounted to 2.8 years in the fourth quarter of 2010, and in the first quarter of 2011.

<sup>3</sup> The average duration of the corporate bonds index portfolio amounted to 1.6 years in the fourth quarter of 2010, and to 1.7 years in the first quarter of 2011.

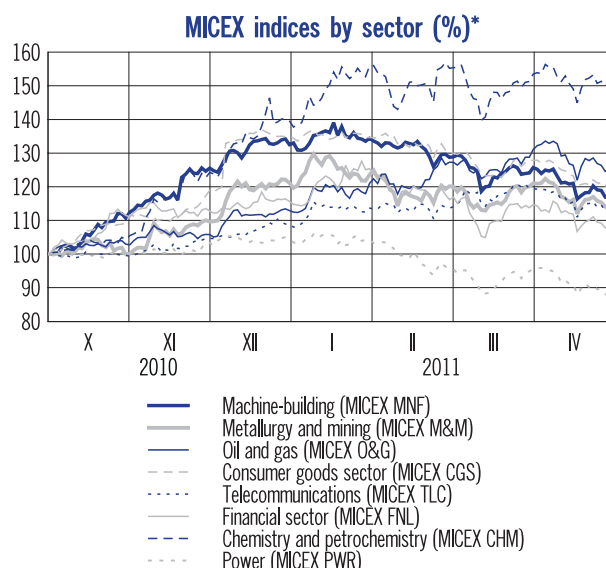
gional and corporate bond yields as of the end of the first quarter of 2011, decreased by 0.2 percentage points and 0.6 percentage points from the end of the fourth quarter of 2010, to 7.4% p.a. and 7.2% p.a., respectively. In April 2011, the average regional and corporate bond yields fell by 0.2 percentage points and 0.3 percentage points, month on month, to 7.3% p.a. and 7.1% p.a., respectively.

### Asset prices

The growth of major price indicators slowed down **in the Russian stock market** in the first quarter of 2011, as compared with the fourth quarter of 2010, while their volatility increased. Russian share prices demonstrated a downward correction on many occasions in the period under review, as instability in the world stock market was seen to intensify from time to time. The MICEX and RTS stock indices received support from a rapid growth in world oil prices that eased the effect of negative factors. In the last days of March 2011, the MICEX and RTS indices reached their record highs for the period since the start of 2011. As of March 31, 2011, the MICEX index rose by 7.4%, quarter on quarter, to 1,813.59 points and the RTS index gained 15.5% and stood at 2,044.20 points. The average MICEX and RTS indices in the first quarter of 2011 exceeded the previous quarter's levels by 11.0% and 17.5%, respectively.



\* Monthly averages.  
Source: MICEX, RTS.



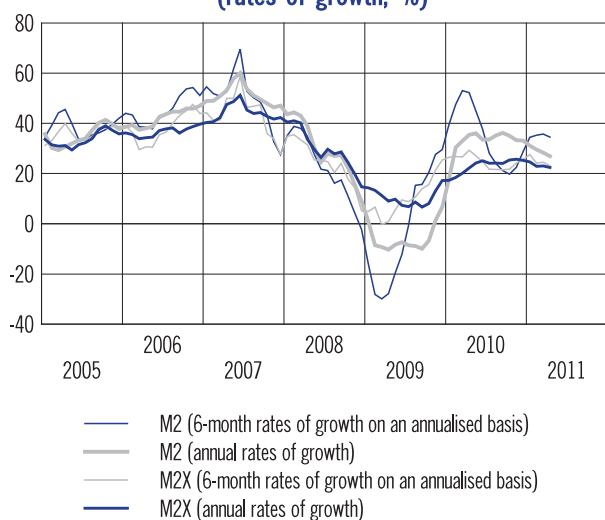
\* Indices as of September 30, 2010 = 100%.  
Source: MICEX, Bank of Russia calculations.

The Russian share prices demonstrated different dynamics in January-March 2011, depending on the sector of the Russian economy. Share prices were observed to grow in the chemical and petrochemical industry, the oil and gas and telecommunications sectors in the first quarter of 2011, whereas share prices in other industries went down.

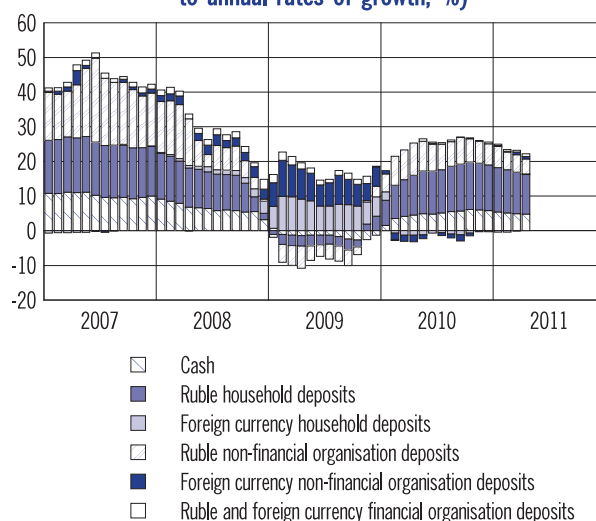
In April 2011, the Russian share prices demonstrated downward dynamics amid increased uncertainty over price expectations of market participants. As of April 29, 2011, the MICEX index fell by 4.0%, month on month, to 1,741.84 points and the RTS index was down by 0.8% to 2,026.94 points. In April 2011, share prices decreased in all the sectors of the Russian economy. The most significant decrease in share prices was registered in the electric power, machine-building and consumer sectors, and also in the share prices of credit institutions.

### Monetary aggregates

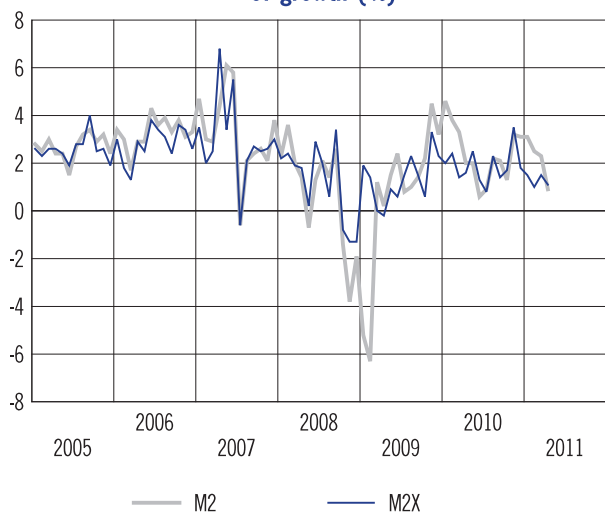
In 2010, monetary aggregate M2 demonstrated relatively high annual growth rates, which exceeded 30%. At the same time, the annual growth in ruble money supply started to slow down gradually from September 2010, and this slowdown continued into the first quarter of 2011. As a result, the M2 annual growth decelerated to 26.5% as of April 1, 2011, from 31.1% as of January 1, 2011. The seasonally adjusted

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


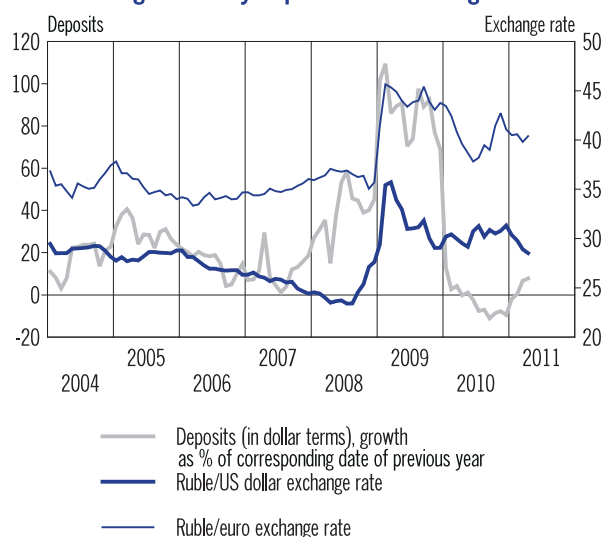
Source: Bank of Russia.

**M2X trends (contributions by various components  
to annual rates of growth, %)**


Source: Bank of Russia.

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


Source: Bank of Russia.

**Foreign currency deposits and exchange rate**


Source: Bank of Russia.

monthly rates of growth in monetary aggregate M2 also decreased in January-March 2011.

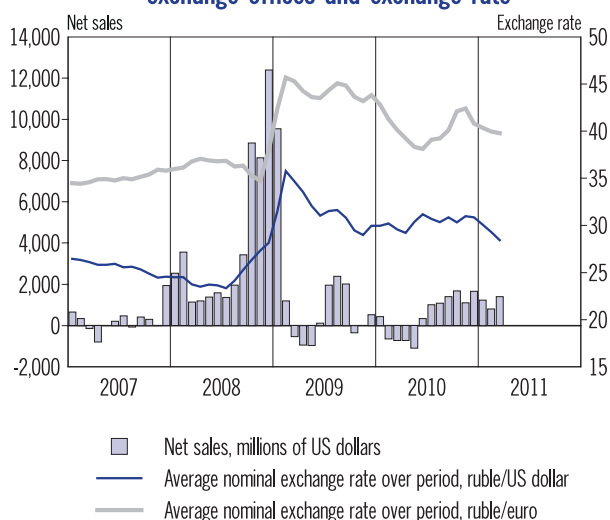
The highest rates of growth in the components of monetary aggregate M2 were demonstrated by the household deposits, which increased by 2.6% in January-March 2011. At the same time, their monthly growth rates decreased noticeably in the first quarter of 2011, as compared with the same period last year. As a result, the annual growth in the ruble household deposits slowed down in January-March 2011, to 36.5% as of April 1, 2011, from 43.6% as of January 1, 2011.

The annual rate of growth in ruble non-financial organisation deposits was observed to decrease quite steadily from May 2010. This trend continued in the first quarter of 2011. As a result, the annual rate of growth in non-financial organisation deposits stood at 18% as of April 1, 2011, as compared with 37.4% a year earlier.

Foreign currency deposits increased by 1.1% in ruble terms in January-March 2011 (in the first quarter of 2010, they fell by 4.1%). Nevertheless, the level of dollarization of deposits<sup>4</sup> was consid-

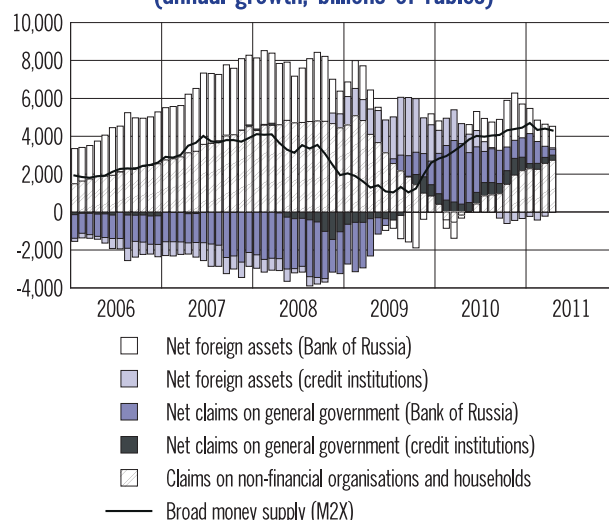
<sup>4</sup> The level of dollarization in this case is the share of foreign currency deposits (in ruble terms) in the broad money.

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



Source: Bank of Russia.

### Banking sector major assets and broad money supply (annual growth, billions of rubles)



Source: Bank of Russia.

erably lower in the first quarter of 2011, than in the same period last year and stood at 16.2% as of April 1, 2011 (19.0% as of April 1, 2010). Net foreign currency purchases by households through exchange offices totalled \$3.4 billion in the first quarter of 2011 (net sales of foreign currency equalled \$0.95 billion in the first quarter of 2010). According to Russia's balance of payments preliminary estimates, the value of foreign currency cash outside the banking system decreased by \$0.4 billion in the first quarter of 2011 (it fell by \$3.6 billion in the first quarter of 2010).

The annual rates of growth in the broad money ranged within 24-25% for most of 2010. From December 2010, this growth started to slow down gradually and stood at 22.3% as of April 1, 2011. The dynamics of annualised 6-month rates of growth in the M2X also testified to their decrease in the first quarter of 2011.

The contribution of lending activity to the growth of the broad money continued to increase

in January-March 2011. The rise in the Bank of Russia's net foreign assets was the second most important factor that prompted money supply growth. The role of the budgetary factor in money supply dynamics decreased noticeably as compared with the previous year. The aggregate money supply growth in late 2009 and in 2010 to the level exceeding the rates of growth in the demand for money testified to increased inflation risks attributable to the monetary factors. Nevertheless, the current trends in monetary indicators may create pre-requisites for a gradual decrease in these risks.

### Credit aggregates

The growth of credit aggregates continued in the first quarter of 2011. The debt on loans extended to non-financial organisations increased by 2.2% over that period and the debt on loans to households expanded by 2.6%. As a result, the annual rate of growth in total debt on loans

#### Sectoral structure of money supply

An analysis of the sectoral structure of money supply makes it possible to better understand the factors influencing the demand for money, and also to determine the contribution of these factors to overall money supply growth at different time periods.

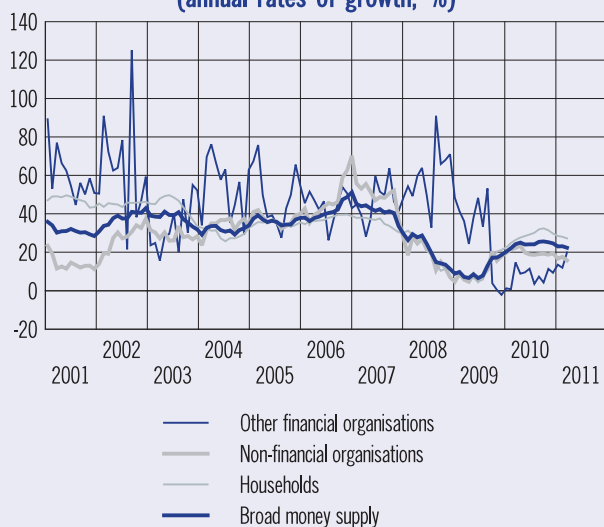
Available statistical data<sup>1</sup> can help analyse broad money supply in various money-holding sectors (other financial organisations, non-financial organisations and households)<sup>2</sup>. The decomposition analysis shows that

<sup>1</sup> Banking System Survey, Credit Institutions Survey.

<sup>2</sup> The Research and Information Department used expert estimates to show the distribution of cash foreign currency outside the banking system by sector.



**Broad money supply by sector  
(annual rates of growth, %)**



Source: Bank of Russia.

**Contributions of various sectors to annual rates  
of broad money growth (%)**



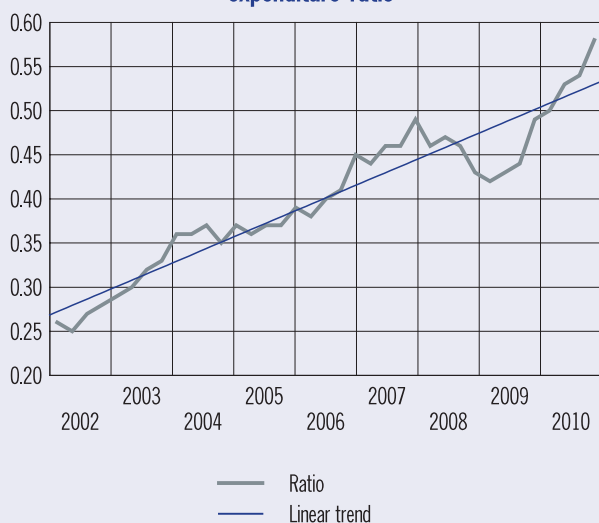
Source: Bank of Russia.

household money accounted for the largest share in broad money supply from 2001 to the first quarter of 2011 (55-56% on average), while non-financial organisations contributed about 40-41% and other financial organisations 3-4%.

The analysis of annual growth rates shows that financial organisation money dynamics was characterised by larger volatility, whereas the annual rates of growth in money supply in the sector of non-financial organisations (except for the period of 2007-2008) and households were affected by the short-term fluctuations to a smaller degree.

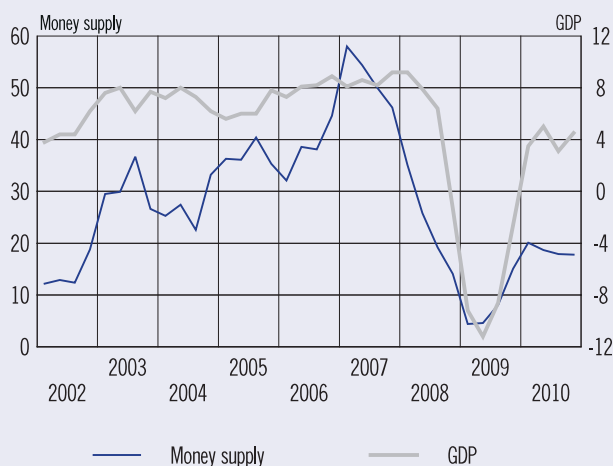
The household sector made the biggest contribution to the acceleration of annual growth in broad money supply in 2002-2011. At the same time, the role of non-financial organisations in broad money supply growth increased noticeably in 2006-2007, i.e. in the period preceding the financial and economic crisis. During the crisis, the annual rates of growth in non-financial organisation money decreased faster than in the household sector and this factor strongly affected broad money dynamics. After the crisis, the annual growth in broad money supply largely occurred on account of household money. In the last months of 2010 and in the first quarter of 2011, this growth trend started to slow down; however, household sector money continued to make the biggest contribution to the annual growth in broad money supply (in terms of both the levels and dynamics). The

**Household money to household final consumption  
expenditure ratio**



Source: Bank of Russia.

**Non-financial organisation real money supply and real  
GDP (annual rates of growth, %)**



Источник: Банк России.

contribution of financial organisations to the annual rates of growth in broad money supply was inconsiderable in 2002-2011 (some increase in this contribution was observed only in the first half of 2009).

Normally, the biggest contribution to the demand for money is made by indicators characterising transaction needs. Household final consumption expenditures can be used as one of such indicators to assess the demand for money in the sector of households. In simplified terms, the long-term relationship between household sector money supply and household final consumption expenditures is based on the interrelation of these two indicators. In 2002-2010, money supply growth in the household sector matched as a whole the dynamics of household final consumption expenditures. At the same time, there were periods when the growth of household money was observed to accelerate or decelerate considerably relative to the growth in household final consumption expenditures.

Yields on alternative assets (for example, the exchange rate or the deposit interest rate) and the wealth indicator also have considerable influence on the demand for money in the household sector. During the latest crisis, the national currency devaluation and the growth of devaluation expectations reduced considerably the household demand for rubles and caused a flow of funds into foreign currency-denominated assets (including cash). In particular, the dollarization rate of household deposits exceeded 30% at the start of 2009 (as compared with 12.4% at the beginning of 2008). As the macroeconomic situation stabilised, the share of foreign currency deposits in the total value of household deposits decreased and stood at 18.2% as of April 1, 2011.

The demand for money of non-financial organisations can be analysed using the GDP indicator as a variable characterising transaction needs. The comparison of real money dynamics in the sector of non-financial organisations and trends in real GDP shows that these two indicators are interrelated. This relationship was especially evident in the period of the financial and economic crisis and after it.

While the transaction motive plays the most important role in the demand for money for non-financial organisations, yields on alternative assets can also influence money dynamics in this sector. For example, non-financial organisation deposits, as well as household deposits, demonstrated a trend towards their dollarization. Moreover, in the past ten years, the highest level of deposit dollarization was registered specifically in the sector of non-financial organisations. At the height of the financial and economic crisis (during the first months of 2009) the share of foreign currency deposits in the total value of all deposits of non-financial organisations increased almost to 40% (as compared with about 14-16% at the start of 2008).

For financial organisations, the motive to build a portfolio of assets is more important than transaction needs. Therefore, money dynamics in the sector of financial organisations is affected by economic activity to a smaller extent as compared with other sectors. As the activity of financial organisations is closely linked to financial transactions, it can be presumed that the demand for money in this sector is largely determined by the trends of financial market indicators.

Level of dollarization of deposits by sector  
(share of foreign currency deposits  
in the total value of deposits, %)



Source: Bank of Russia

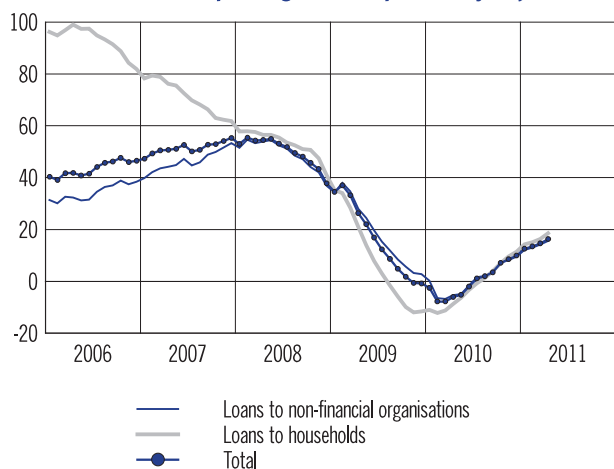
stood at 16.3% as of April 1, 2011. If the current trends persist, the annual rates of growth in the credit aggregates are likely to stabilise at 15-20% in the near future.

The dynamics of the major types of banks' liabilities is a factor that influences considerably the revival of lending activity. Now that the role of external borrowings has decreased after the crisis and the process of deposit de-dollarization con-

tinues, banks keep building up their ruble liabilities, and this factor has a definite impact on the contraction of lending in foreign currency and the increase in the supply of ruble loans.

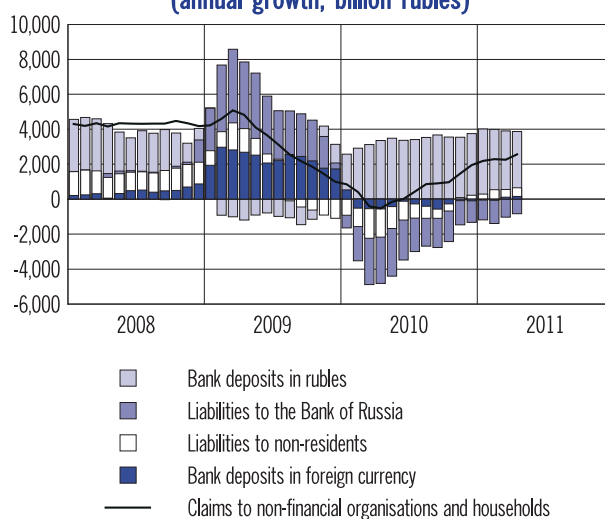
The slower growth in debt on foreign currency loans can also be explained by the reduced demand for this type of lending amid increased exchange rate volatility, and also by the revaluation effect of the ruble appreciation.

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



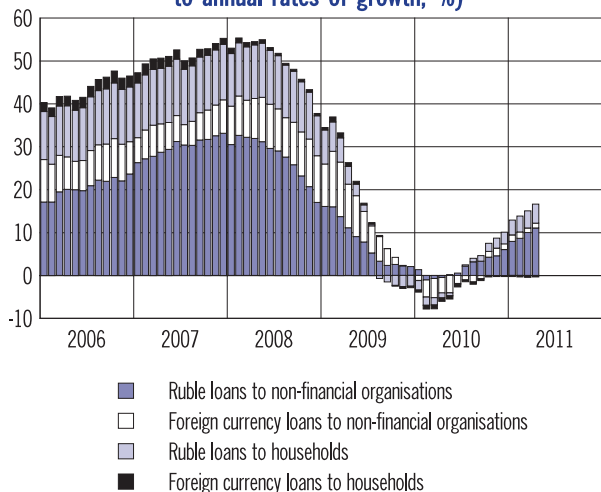
Source: Bank of Russia.

**Banks' loans and liabilities (annual growth, billion rubles)**



Source: Bank of Russia.

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



Source: Bank of Russia.

**Share of foreign currency loans in total debt on loans (%)**



Source: Bank of Russia, Rosstat.

As a result, the annual rates of growth in foreign currency loans remain low (growth in total debt on these loans stood at 3.3% as of April 1, 2011, while residents' debt on foreign currency loans contracted by 9% over the year) and their

share in the total debt on loans decreased to the lowest level. This trend may enhance the role of domestic financial markets (including interest rates on Bank of Russia instruments) in the dynamics of real sector indicators.

# Bank of Russia press releases on monetary policy measures in January–April 2011

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## January 2011

### January 31

The Bank of Russia External and Public Relations Department informs that the Bank of Russia Board of Directors took a decision on January 31, 2011, to leave the refinancing rate and interest rates on Bank of Russia operations unchanged and raise from February 1, 2011, required reserve ratios:

- from 2.5% to 3.5% for credit institutions' obligations to non-resident legal entities in the Russian and foreign currency;
- from 2.5% to 3.0% for credit institutions' obligations to individuals and other obligations in the Russian and foreign currency.

This decision was made amid growing inflationary expectations and the emergence of pre-requisites for a capital inflow into Russia as a result of high world oil prices.

Inflation accelerated in January 2011, and its annualised growth rates reached about 9% as of January 24. The growth of food prices remained a major factor in the acceleration of inflation. Additional inflationary pressure resulted from the seasonal increase in the tariffs of natural monopolies. During the past few months, inflation also accelerated in other segments of the consumer market. Supply shocks in global food markets also made their contribution to the growth of consumer prices. Owing to higher inflationary risks, including the risks attributable to the monetary factors, the monetary authorities deem it expedient to take corresponding measures.

The Bank of Russia's accommodative monetary policy has created conditions for further expansion of banks' lending operations and the recovery of economic activity. However, despite positive dynamics demonstrated by some macroeconomic indicators, the latest Rosstat data on business confidence indexes and the assessments of demand for industrial output testify to the persisting uncertainty in the assessment of economic growth sustainability.

The Bank of Russia's further measures to adjust its interest rate policy will depend on the interrelation of risks of higher inflationary pressure and the slowing of economic growth. Therefore, the Bank of Russia will continue monitoring the economic situation and promptly assessing the risks of the transformation of observed price growth into steady inflationary trends.

The next meeting of the Bank of Russia Board of Directors to consider interest rate policy is scheduled for February 2011.

### January 31

The Bank of Russia External and Public Relations Department informs that in compliance with a decision taken by the Bank of Russia Board of Directors (Minutes No. 3 of January 31, 2011), the Bank of Russia will raise the minimum requirements for international ratings assigned to the issuers (issues) of securities included in the Bank of Russia Lombard List:

- to B/B2 from B-/B3 from April 1, 2011, under the classification of international rating agencies Standard & Poor's, Fitch Ratings and Moody's Investors Service;

– to B+/B1 from B/B2 from July 1, 2011, under the classification of the above-mentioned international rating agencies.

The Bank of Russia will cease including the bonds of issuers (issues) with the international ratings of B-/B3 and B/B2 in its Lombard List from February 1, 2011 and April 1, 2011, respectively.

The bonds whose issues (issuers) have the international ratings of B-/B3 and B/B2 and were included in the Bank of Russia Lombard List before February 1, 2011 and April 1, 2011, respectively, will remain in the Bank of Russia Lombard List until they are redeemed or until the Bank of Russia Board of Directors takes a decision on excluding these securities from the Bank of Russia Lombard List.

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## **February 2011**

### **February 9**

The Bank of Russia External and Public Relations Department informs that in compliance with a decision taken by the Bank of Russia Monetary Policy Committee, from February 10, 2011, the Bank of Russia will stop extending loans to credit institutions secured by assets or guarantees, with terms from 91 to 180 calendar days, under Bank of Russia Regulation No. 312-P dated November 12, 2007, "On the Procedure for Extending Asset-Backed Loans to Credit Institutions by the Bank of Russia," and also Lombard loans at fixed rates for a term of 30 calendar days under Bank of Russia Regulation No. 236-P dated August 4, 2003, "On the Procedure for Extending Bank of Russia Loans to Credit Institutions against Securities Used as Collateral."

### **February 25 (extract from the press release)**

The Bank of Russia External and Public Relations Department informs that on February 25, 2011, the Bank of Russia Board of Directors took a decision to raise the refinancing rate and interest rates on some of the Bank of Russia's operations by 0.25 percentage points from February 28, 2011 (see the Table on Interest Rates on the Bank of Russia Operations), and also to increase required reserve ratios from March 1, 2011:

- from 3.5% to 4.5% for credit institutions' obligations to non-resident legal entities in the Russian and foreign currency;
- from 3.0% to 3.5% for credit institutions' obligations to individuals and other obligations in the Russian and foreign currency.

This decision was made due to the persistence of high inflationary expectations and the emergence of pre-requisites for an inflow of capital into Russia as a result of high world oil prices, and also owing to the existence of certain risks posed by external and internal factors for sustainable economic growth. The decision takes into account the fact that interest rates on Bank of Russia deposit operations will continue to exert a major influence on money market rates amid a steady excess of liquidity in the banking system. Also, the efforts to narrow the band of interest rates on Bank of Russia operations to provide and absorb liquidity and level off interest rates on deposit operations on standard terms are expected to raise the efficiency of interest rate policy.

Although the price growth slowed down in February 2011, inflationary pressure remains high. Consumer prices grew by an annualised 9.7% as of February 21. Rising food prices continued to make the biggest contribution to inflation. This process was also facilitated by supply shocks in the global food markets. In the past few months, the accelerated price growth has also been observed in the segment of non-food consumer goods.

Major macroeconomic indicators continue to change both ways. Industrial output has been demonstrating stable growth rates for several months now. At the same time, fixed capital investment contracted considerably in January 2011, and household income and consumer demand continued to decline.

The Bank of Russia's further measures to adjust its monetary policy will depend on the correlation of risks linked to the persistence of high inflationary pressure and the slowing of economic growth.

The next meeting of the Bank of Russia Board of Directors to consider interest rate policy is scheduled for March 2011.

## February 28

The Bank of Russia External and Public Relations Department informs that on February 25, 2011, the Bank of Russia Board of Directors took a decision on adopting the following minimum requirements for credit ratings assigned by at least one of international rating agencies to the organisations' long-term foreign currency obligations for their inclusion in the Bank of Russia List of Organisations:

- the minimum rating of B under the classification of Standard & Poor's or Fitch Ratings, or B2 under the classification of Moody's Investors Service from April 1, 2011;
- the minimum rating of B+ under the classification of Standard & Poor's or Fitch Ratings, or B1 under the classification of Moody's Investors Service from July 1, 2011.

The Bank of Russia List of Organisations will exclude:

- from March 1, 2011 – organisations with the ratings of B- or B3 assigned under the classification of Standard & Poor's, Fitch Ratings or Moody's Investors Service;
- from April 1, 2011 – organisations with the ratings of B or B2 assigned under the classification of Standard & Poor's, Fitch Ratings or Moody's Investors Service.

The obligations of organisations with the ratings of B- or B3 and B or B2, which were assigned under the classification of the above-mentioned rating agencies and were used as collateral for Bank of Russia loans as of April 1 and July 1, 2011, respectively, will continue to be used as security for the Bank of Russia loans until they are repaid.

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## March 2011

### March 1

The Bank of Russia External and Public Relations Department informs that from March 1, 2011, the Bank of Russia made the following changes to the exchange rate-setting mechanism:

the operating floating range of permissible fluctuations in the ruble value of the bi-currency basket (0.45 euros and 0.55 US dollars), used to mitigate excessive exchange rate volatility, was widened symmetrically to 5 rubles from 4 rubles,

the amount of cumulative interventions, necessary for the band shift by 5 kopecks, was decreased from \$650 million to \$600 million.

The Bank of Russia made these changes to the exchange rate-setting mechanism as part of its efforts to switch gradually to the inflation targeting regime, which is a top priority task for the Bank of Russia in the medium-term perspective in compliance with the Guidelines for the Single State Monetary Policy in 2011 and for 2012 and 2013.

These changes designed to increase the potential flexibility of the exchange rate will help raise the efficiency of the interest rate policy, which the Bank of Russia is implementing for the purposes of achieving price stability.

### March 11

The Bank of Russia External and Public Relations Department informs that the Bank of Russia has amended the methodology of calculating the nationally-defined M2 money supply to ensure the consistency of approaches to the sectoral classification of institutions in monetary, financial and government finance statistics and the system of national accounts, which is required to refer economic entities to particular sectors of the economy (in particular, this classification refers such government corporations as the Housing and Utilities Reform Fund and the Russian Nanotechnology Corporation to the general government sector). The M2 methodology has also been amended due to the use of new sources of information making it possible to improve the quality of statistical data.

Updated time series are posted on the Bank of Russia website in the Statistics section.

### **March 16**

The Bank of Russia External and Public Relations Department informs that from July 1, 2011, the Bank of Russia suspends conducting repos with credit institutions, in which the shares of Russian companies are used as collateral.

### **March 25**

The Bank of Russia External and Public Relations Department informs that the Bank of Russia Board of Directors took a decision on March 25, 2011, to leave the refinancing rate and interest rates on Bank of Russia operations unchanged and raise from April 1, 2011, required reserve ratios:

- from 4.5% to 5.5% for credit institutions' obligations to non-resident legal entities in the Russian and foreign currency;
- from 3.5% to 4.0% for credit institutions' obligations to individuals and other obligations in the Russian and foreign currency.

This decision was made due to the persistence of high inflationary expectations and the existence of risks for sustainable economic growth, and also owing to instability in the global financial and commodity markets as further volatility may adversely affect the Russian economy.

The slowing of growth in consumer prices, which started in February, continued in March 2011; however, inflation pressure remained high: the annualised consumer price index growth stood at 9.4% p.a. as of March 21, 2011 (9.5% in February). The slower price growth in February was registered across all items of the consumer goods basket, including both non-food consumer goods and services and food products, which could suggest a gradual decrease in the effect of price shocks in the domestic agricultural raw material market supported by the rapid growth of world food prices in recent months, and the positive role of the ruble's appreciation in restraining inflation.

The trend of the gradual slowdown in money supply growth continued in March and this factor with a certain time lag will help restrict inflation risks attributable to the monetary factors.

Major macroeconomic indicators changed both ways in February. Industrial output did not expand as compared with January but its annualised growth rate remained relatively stable. Retail trade turnover increased on an annualised basis. Fixed capital investment decreased for the second consecutive month in February in annualised terms.

The Bank of Russia's further measures to adjust its monetary policy will depend on the correlation of risks linked to the persistence of high inflationary pressure and the slowing of economic growth.

The next meeting of the Bank of Russia Board of Directors to consider interest rate policy is scheduled for April 2011.

### **March 30**

The Bank of Russia External and Public Relations Department informs that as part of its work to improve the mechanism of regulating the banking sector liquidity, the Bank of Russia has taken a decision to switch to three-month repo auctions on a monthly basis from April 1, 2011.

The Bank of Russia will additionally inform on the date of holding a three-month repo auction in April 2011.

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## **April 2011**

### **April 29 (extract from the press release)**

The Bank of Russia External and Public Relations Department informs that the Bank of Russia Board of Directors took a decision on April 29, 2011, to raise the refinancing rate and interest rates on some of the Bank of Russia's operations by 0.25 percentage points from May 3, 2011 (see the Table on Interest Rates on the Bank of Russia's Operations).

This decision was made due to the persistence of high inflationary expectations exceeding the inflation targets for this year, and also taking into account the ambiguous effect, which the developments in

the global financial and commodity markets may have on the Russian economy. The decision takes into account the fact that interest rates on Bank of Russia deposit operations will continue to exert a major influence on money market rates amid a steady excess of liquidity in the banking system. Also, the efforts to narrow the band of interest rates on Bank of Russia operations to provide and absorb liquidity are expected to raise the efficiency of interest rate policy.

In April 2011, inflationary pressure remained high: the annualised rate of inflation stood at 9.6% as of April 25, 2011 (9.5% in February-March 2011). The monthly growth of consumer prices, especially the prices of some food products, continued to slow down, which testified to the gradual decrease of the effect of price shocks in the domestic agricultural raw material market supported by the rapid growth of world food prices. At the same time, monetary factors remained a major cause of inflationary pressure.

Basic macroeconomic indicators continued to change both ways in March 2011. Industrial output expanded as compared with February but its annual growth slightly slowed down. The unemployment rate continued to decrease. As before, fixed capital investment demonstrated weak dynamics. At the same time, the faster growth in retail trade turnover in the past few months as compared with household income, coupled with the larger volume of lending to individuals and the slower increase in household deposits may suggest the public's lower propensity to save and may lead to higher inflation risks.

The Bank of Russia's further measures to adjust its monetary policy will depend on the correlation of risks linked to the persistence of high inflationary pressure and the slowing of economic growth, and also on the external economic environment.

The next meeting of the Bank of Russia Board of Directors to consider interest rate policy is scheduled for May 2011.



# 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 <sup>1</sup>	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices <sup>2</sup>	Service price growth
<b>2009</b>								
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	-6.2	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	0.5	0.3	3.0	0.2	0.3	0.4
Full year (December on December)	8.8	8.3	6.1	6.9	-1.7	9.7	9.7	11.6
<b>2010</b>								
January	1.6	0.5	1.4	0.8	7.2	0.2	0.3	3.9
February	0.9	0.5	1.3	0.8	5.6	0.3	0.3	1.0
March	0.6	0.5	1.0	0.7	4.2	0.4	0.4	0.4
April	0.3	0.2	0.3	0.2	1.1	0.3	0.3	0.2
May	0.5	0.1	0.7	-0.1	7.2	0.4	0.3	0.4
June	0.4	0.2	0.5	0.0	4.6	0.2	0.2	0.4
July	0.4	0.4	0.3	0.4	-0.6	0.3	0.2	0.6
August	0.6	0.7	0.9	1.2	-1.4	0.4	0.4	0.3
September	0.8	1.1	1.6	1.8	0.2	0.6	0.6	0.0
October	0.5	0.8	0.7	1.0	-1.8	0.6	0.7	0.0
November	0.8	0.7	1.4	1.0	4.0	0.7	0.7	0.2
December	1.1	0.7	2.1	1.2	8.6	0.4	0.4	0.4
Full year (December on December)	8.8	6.6	12.9	9.4	45.6	5.0	4.9	8.1
<b>2011</b>								
January	2.4	1.1	2.6	1.6	11.2	0.9	0.6	4.1
February	0.8	0.7	1.2	1.0	2.7	0.3	0.4	0.8
March	0.6	0.7	0.9	0.9	1.4	0.5	0.6	0.3

<sup>1</sup> Excluding vegetables and fruit.

<sup>2</sup> 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 <sup>1</sup>	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices <sup>2</sup>	Service price growth
<b>2009</b>								
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	9.7	11.6
<b>2010</b>								
January	1.6	0.5	1.4	0.8	7.2	0.2	0.3	3.9
February	2.5	1.0	2.7	1.6	13.2	0.5	0.6	5.0
March	3.2	1.5	3.8	2.3	18.0	0.9	1.0	5.4
April	3.5	1.7	4.1	2.5	19.3	1.3	1.3	5.6
May	4.0	1.8	4.8	2.4	27.9	1.7	1.7	6.0
June	4.4	2.0	5.4	2.4	33.8	1.9	1.9	6.4
July	4.8	2.4	5.7	2.8	32.9	2.2	2.1	7.0
August	5.4	3.1	6.6	4.1	31.0	2.5	2.5	7.3
September	6.2	4.3	8.4	5.9	31.3	3.1	3.1	7.4
October	6.8	5.1	9.1	7.0	28.9	3.8	3.8	7.4
November	7.6	5.8	10.6	8.1	34.0	4.5	4.5	7.6
December	8.8	6.6	12.9	9.4	45.6	5.0	4.9	8.1
<b>2011</b>								
January	2.4	1.1	2.6	1.6	11.2	0.9	0.6	4.1
February	3.2	1.8	3.9	2.6	14.2	1.2	1.1	4.9
March	3.8	2.5	4.8	3.5	15.8	1.7	1.7	5.2

<sup>1</sup> Excluding vegetables and fruit.

<sup>2</sup> 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 <sup>1</sup>	Food price growth	Food price growth <sup>2</sup>	Vegetable and fruit price growth	Non-food price growth	Growth in non-food prices, excluding petrol prices <sup>1</sup>	Service price growth
<b>2009</b>								
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	3.9	9.2	10.2	17.0
March	14.0	14.9	15.8	17.5	2.5	9.9	11.2	17.0
April	13.2	14.4	14.1	16.3	-3.0	10.0	11.7	16.1
May	12.3	13.6	12.5	14.9	-5.1	9.9	11.9	15.3
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	9.7	11.6
<b>2010</b>								
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	4.7	8.4
June	5.8	4.3	4.5	4.0	6.1	5.1	4.6	8.4
July	5.5	4.4	4.2	4.2	2.1	4.8	4.6	8.2
August	6.1	4.7	6.1	5.1	13.1	4.5	4.5	8.0
September	7.0	5.3	8.7	6.5	28.0	4.4	4.6	8.0
October	7.5	5.8	10.0	7.6	33.9	4.4	4.5	8.1
November	8.1	6.2	11.2	8.5	38.0	4.7	4.8	8.1
December	8.8	6.6	12.9	9.4	45.6	5.0	4.9	8.1
<b>2011</b>								
January	9.6	7.2	14.2	10.2	51.1	5.6	5.2	8.2
February	9.5	7.4	14.2	10.5	46.9	5.6	5.3	7.9
March	9.5	7.7	14.1	10.8	42.9	5.8	5.5	7.9

<sup>1</sup> Bank of Russia estimate.

<sup>2</sup> 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 <sup>1</sup>	Non-food products	Paid services	Vegetables and fruit	Inflation over period, %	Core inflation	Non-core inflation <sup>2</sup>
<b>2009</b>							
January	0.4	0.3	1.6	0.2	<b>2.4</b>	1.0	1.4
February	0.9	0.9	2.0	0.4	<b>4.1</b>	2.4	1.7
March	1.4	1.4	2.1	0.5	<b>5.4</b>	3.5	2.0
April	1.6	1.8	2.2	0.5	<b>6.2</b>	4.2	2.0
May	1.8	2.1	2.3	0.7	<b>6.8</b>	4.6	2.2
June	1.8	2.4	2.4	0.9	<b>7.4</b>	4.8	2.6
July	1.9	2.6	2.6	1.0	<b>8.1</b>	5.1	3.0
August	2.0	2.9	2.7	0.5	<b>8.1</b>	5.5	2.6
September	2.1	3.1	2.8	0.0	<b>8.1</b>	5.9	2.1
October	2.1	3.4	2.7	-0.2	<b>8.1</b>	6.1	1.9
November	2.2	3.5	2.8	-0.2	<b>8.4</b>	6.4	1.9
December	2.4	3.6	2.9	-0.1	<b>8.8</b>	6.7	2.1
<b>2010</b>							
January	0.3	0.1	1.0	0.3	<b>1.6</b>	0.4	1.2
February	0.6	0.2	1.3	0.5	<b>2.5</b>	0.8	1.7
March	0.8	0.3	1.4	0.6	<b>3.2</b>	1.2	2.0
April	0.9	0.5	1.4	0.7	<b>3.5</b>	1.4	2.1
May	0.8	0.6	1.5	1.0	<b>4.0</b>	1.5	2.5
June	0.8	0.7	1.7	1.2	<b>4.4</b>	1.6	2.8
July	1.0	0.8	1.8	1.2	<b>4.8</b>	1.9	2.8
August	1.4	0.9	1.9	1.1	<b>5.4</b>	2.5	2.8
September	2.0	1.1	1.9	1.1	<b>6.2</b>	3.5	2.8
October	2.4	1.4	1.9	1.0	<b>6.8</b>	4.1	2.7
November	2.8	1.6	2.0	1.2	<b>7.6</b>	4.7	2.9
December	3.3	1.8	2.1	1.7	<b>8.8</b>	5.3	3.5
<b>2011</b>							
January	0.5	0.3	1.1	0.4	<b>2.4</b>	0.8	1.5
February	0.9	0.4	1.3	0.6	<b>3.2</b>	1.4	1.7
March	1.2	0.6	1.3	0.7	<b>3.8</b>	2.0	1.8

<sup>1</sup> Excluding vegetables and fruit.

<sup>2</sup> 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 <sup>1</sup>	Non-food products	Paid services	Vegetables and fruit	Inflation over period, %	Core inflation	Non-core inflation <sup>2</sup>
<b>2009</b>							
January	0.4	0.3	1.6	0.2	<b>2.4</b>	1.0	1.4
February	0.5	0.6	0.4	0.2	<b>1.7</b>	1.3	0.3
March	0.5	0.5	0.2	0.2	<b>1.3</b>	1.1	0.2
April	0.3	0.4	0.1	0.0	<b>0.7</b>	0.7	0.0
May	0.1	0.3	0.1	0.2	<b>0.6</b>	0.4	0.2
June	0.0	0.3	0.1	0.2	<b>0.6</b>	0.2	0.4
July	0.1	0.2	0.2	0.1	<b>0.6</b>	0.2	0.4
August <sup>3</sup>					<b>0.0</b>		
September <sup>3</sup>					<b>0.0</b>		
October <sup>3</sup>					<b>0.0</b>		
November	0.1	0.1	0.0	0.0	<b>0.3</b>	0.3	0.0
December	0.1	0.1	0.1	0.1	<b>0.4</b>	0.3	0.1
<b>2010</b>							
January	0.3	0.1	1.0	0.3	<b>1.6</b>	0.4	1.2
February	0.3	0.1	0.3	0.2	<b>0.9</b>	0.4	0.5
March	0.2	0.1	0.1	0.2	<b>0.6</b>	0.4	0.3
April	0.1	0.1	0.1	0.0	<b>0.3</b>	0.2	0.1
May	0.0	0.1	0.1	0.3	<b>0.5</b>	0.1	0.4
June	0.0	0.1	0.1	0.2	<b>0.4</b>	0.2	0.3
July	0.1	0.1	0.2	0.0	<b>0.4</b>	0.3	0.1
August	0.4	0.1	0.1	-0.1	<b>0.6</b>	0.6	0.0
September	0.6	0.2	0.0	0.0	<b>0.8</b>	0.9	-0.1
October	0.4	0.2	0.0	-0.1	<b>0.5</b>	0.6	-0.1
November	0.3	0.2	0.1	0.2	<b>0.8</b>	0.6	0.3
December	0.4	0.2	0.1	0.4	<b>1.1</b>	0.6	0.5
<b>2011</b>							
January	0.5	0.3	1.1	0.4	<b>2.4</b>	0.8	1.5
February	0.3	0.1	0.2	0.2	<b>0.8</b>	0.6	0.2
March	0.3	0.2	0.1	0.1	<b>0.6</b>	0.6	0.1

<sup>1</sup> Excluding vegetables and fruit.

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

<sup>3</sup> Owing to zero inflation in August-October 2009, estimates may vary.

Table 6

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

	Foodstuffs <sup>1</sup>	Non-food products	Paid services	Vegetables and fruit	Core inflation	Non-core inflation <sup>2</sup>
<b>2009</b>						
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	41.1	32.9	-0.7	76.4	23.6
<b>2010</b>						
January	17.3	4.7	61.6	16.3	25.6	74.4
February	22.2	7.3	51.4	19.1	31.6	68.4
March	25.2	10.4	43.9	20.6	37.4	62.6
April	25.0	13.2	41.7	20.2	39.8	60.2
May	20.9	15.3	38.5	25.3	37.2	62.8
June	19.0	15.8	37.5	27.7	37.2	62.8
July	20.5	16.6	38.0	24.9	40.4	59.6
August	26.4	17.3	35.4	20.9	47.1	52.9
September	32.9	18.3	30.6	18.2	55.5	44.5
October	35.9	20.5	28.2	15.5	60.5	39.5
November	36.7	21.6	25.7	16.1	61.5	38.5
December	37.0	20.6	23.7	18.8	60.3	39.7
<b>2011</b>						
January	23.2	13.4	45.8	17.7	35.5	64.5
February	28.2	13.0	40.0	18.8	45.1	54.9
March	31.9	15.5	35.3	17.3	52.5	47.5

<sup>1</sup> Excluding vegetables and fruit.

<sup>2</sup> 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 <sup>1</sup>	Non-food products	Paid services	Vegetables and fruit	Core inflation	Non-core inflation <sup>2</sup>
<b>2009</b>						
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 <sup>3</sup>						
September <sup>3</sup>						
October <sup>3</sup>						
November	28.1	49.4	12.3	10.2	87.7	12.3
December	27.3	19.3	30.1	23.3	70.2	29.8
<b>2010</b>						
January	17.3	4.7	61.6	16.3	25.6	74.4
February	30.6	11.7	33.6	24.1	42.2	57.8
March	36.4	22.1	15.4	26.0	59.6	40.4
April	23.4	42.8	18.0	15.8	65.3	34.7
May	-5.6	29.1	18.0	58.5	20.5	79.5
June	0.9	20.8	28.1	50.2	36.6	63.4
July	38.7	26.1	43.8	-8.5	79.6	20.4
August	75.8	22.8	13.2	-11.8	102.9	-2.9
September	72.6	25.0	1.4	1.0	107.1	-7.1
October	71.1	46.0	-0.8	-16.3	119.3	-19.3
November	42.4	30.1	6.3	21.2	68.8	31.2
December	38.9	14.1	10.7	36.3	52.4	47.6
<b>2011</b>						
January	23.2	13.4	45.8	17.7	35.5	64.5
February	43.0	11.8	22.7	22.4	73.9	26.1
March	50.0	27.6	12.4	10.0	88.2	11.8

<sup>1</sup> Excluding vegetables and fruit.

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

<sup>3</sup> Owing to zero inflation in August-October 2009, estimates may vary.

Russia's key macroeconomic and financial indicators

		Year	Q1	Q2	Q3	Q4	
<b>Macroeconomic indicators</b>							
GDP	over period since start of year, billion rubles	2008	8,878	19,116	30,658	41,277	
		2009	8,307	17,529	27,968	38,786	
		2010	9,572	20,195	31,968	44,939	
	over period since start of year, as % of corresponding period of previous year	2008	109.2	...	...	105.2	
		2009	90.8	...	...	92.2	
		2010	103.5	...	...	104.0	
	as % of corresponding quarter of previous year	2008	109.2	107.9	106.4	98.7	
		2009	90.8	88.8	91.4	97.4	
		2010	103.5	105.0	103.1	104.5	
Industrial output indices	as % of corresponding quarter of previous year	2009	84.5	86.4	90.4	101.8	
		2010	109.5	110.9	106.4	106.5	
		2011	105.9	...	...	...	
	over period since start of year, as % of corresponding period of previous year	2009	84.5	85.5	87.1	90.7	
		2010	109.5	110.2	108.9	108.2	
		2011	105.9	...	...	...	
Agricultural output	as % of corresponding quarter of previous year	2009	102.2	100.7	98.9	105.1	
		2010	103.6	102.3	80.3	91.8	
		2011	100.7	...	...	...	
	over period since start of year, as % of corresponding period of previous year	2009	102.2	...	...	101.4	
		2010	103.6	102.8	88.3	88.1	
		2011	100.7	...	...	...	
Fixed capital investment	over period since start of year, billion rubles	2009	1,224.3	2,946.4	5,007.4	7,976.0	
		2010	1,242.6	3,205.1	5,566.2	9,151.4	
		2011	1,343.0	...	...	...	
	as % of corresponding quarter of previous year	2009	82.0	79.1	82.3	90.7	
		2010	95.2	105.6	105.3	111.1	
		2011	98.5	...	...	...	
Retail trade turnover	over period since start of year, billion rubles	2009	3,327.2	6,836.5	10,521.3	14,584.7	
		2010	3,625.7	7,560.2	11,764.0	16,468.6	
		2011	4,163.7	...	...	...	
	as % of corresponding quarter of previous year	2009	100.5	94.8	91.2	94.3	
		2010	102.2	106.9	108.4	107.4	
		2011	104.7	...	...	...	
Federal budget on accrual basis, as of end of period	revenue	billion rubles	2009	1,732.7	3,172.2	5,114.4	7,337.8
			2010	1,954.9	3,997.9	6,008.6	8,305.4
			2011	2,392.8	...	...	...
		as % of GDP	2009	20.9	18.1	18.3	18.9
			2010	20.4	19.8	18.8	18.5
	2011		20.8 <sup>1</sup>	...	...	...	
	expenditure	billion rubles	2009	1,762.4	3,893.8	6,441.7	9,660.1
			2010	2,199.5	4,386.2	6,701.2	10,117.4
			2011	2,214.7	...	...	...
		as % of GDP	2009	21.2	22.2	23.0	24.9
			2010	23.0	21.7	21.0	22.5
	2011		19.2 <sup>1</sup>	...	...	...	
	surplus(+)/deficit(-)	billion rubles	2009	-29.7	-721.7	-1,327.2	-2,322.3
			2010	-244.6	-388.3	-692.6	-1,812.0
			2011	178.0	...	...	...
as % of GDP		2009	-0.4	-4.1	-4.7	-6.0	
		2010	-2.6	-1.9	-2.2	-4.0	
	2011	1.5 <sup>1</sup>	...	...	...		
General government budget on accrual basis, as of end of period	revenue	billion rubles	2009	3,033.5	6,042.7	9,555.0	13,599.7
			2010	3,463.1	7,603.5	11,419.4	16,031.9
			2011	4,392.5	...	...	...
		as % of GDP	2009	36.5	34.5	34.2	35.1
			2010	36.2	37.6	35.7	35.7
	2011		38.1 <sup>1</sup>	...	...	...	
	expenditure	billion rubles	2009	2,807.1	6,619.7	10,503.9	16,048.3
			2010	3,220.7	7,331.2	11,309.8	17,616.6
			2011	3,575.4	...	...	...
		as % of GDP	2009	33.8	37.8	37.6	41.4
			2010	33.6	36.3	35.4	39.2
	2011		31.0 <sup>1</sup>	...	...	...	
	surplus(+)/deficit(-)	billion rubles	2009	226.4	-577.0	-948.9	-2,448.6
			2010	242.4	272.3	109.7	-1,584.6
			2011	817.0	...	...	...
as % of GDP		2009	2.7	-3.3	-3.4	-6.3	
		2010	2.5	1.3	0.3	-3.5	
	2011	7.1 <sup>1</sup>	...	...	...		

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	
<b>Socio-economic indicators</b>							
Nominal imputed average monthly per employee wage	rubles	2009	17,441	18,419	18,673	20,670	
		2010	19,485	20,809	21,031	23,491	
		2011	21,167				
	as % of corresponding quarter of previous year	2009	112.8	108.0	105.7	108.4	
		2010	110.5	112.4	111.6	112.7	
		2011	110.1				
	over period since start of year, as % of corresponding period of previous year	2009	112.8	...	...	107.8	
		2010	110.5	111.5	111.5	111.8	
		2011	110.1				
Real imputed average monthly per employee wage, as % of corresponding quarter of previous year		2009	99.2	96.1	94.8	99.3	
		2010	103.1	106.1	105.1	104.2	
		2011	100.5				
Household money income (per capita monthly average), rubles		2009	14,009.3	16,921.1	16,656.8	19,761.3	
		2010	15,807.5	18,388.7	18,236.8	21,756.9	
		2011	16,840.4				
Household real disposable money income	as % of corresponding quarter of previous year	2009	100.7	102.9	96.3	108.0	
		2010	107.3	103.7	104.5	102.1	
		2011	97.1				
	over period since start of year, as % of corresponding period of previous year	2009	100.7	...	...	102.0	
		2010	107.3	105.3	105.0	104.2	
		2011	97.1				
Household spending, as % of income	purchase of goods and payment for services	2009	76.6	67.1	71.2	65.0	
		2010	73.0	68.0	72.6	67.0	
		2011	78.2				
	compulsory payments and contributions	2009	11.2	10.4	10.9	9.9	
		2010	9.6	10.0	10.3	10.4	
		2011	9.9				
	growth in savings	2009	8.3	16.6	12.3	17.5	
		2010	15.9	15.4	11.8	14.9	
		2011	11.7				
	purchase of foreign currency	2009	10.2	3.5	6.0	3.5	
		2010	3.2	3.2	4.3	4.0	
		2011	4.0				
	cash on hand	2009	-6.3	2.4	-0.4	4.1	
		2010	-1.7	3.4	1.1	3.7	
		2011	-3.8				
	Average imputed pension, total, rubles		2009	4,614	5,151	5,330	5,670
			2010	7,126	7,580	7,596	7,604
			2011	8,011			
Real imputed pension	as % of corresponding quarter of previous year	2009	106.1	113.3	109.1	114.2	
		2010	144.1	138.9	134.3	124.1	
		2011	102.7				
	over period since start of year, as % of corresponding period of previous year	2009	106.1	...	...	110.7	
		2010	144.1	141.3	138.8	134.8	
		2011	102.7				
Total number of unemployed (calculated using ILO methodology)	million	2009	6.8	6.5	6.0	6.1	
		2010	6.6	5.6	5.2	5.2	
		2011	5.6				
	as % of economically active population	2009	9.1	8.6	7.8	8.0	
		2010	8.8	7.4	6.8	6.9	
		2011	7.5				

Table 8 (continued)

		Year	Q1	Q2	Q3	Q4	
<b>Foreign economic activity indicators</b>							
Price of Urals crude, over period since start of year	\$ /barrel	2009	43.2	50.5	56.3	60.7	
		2010	75.0	75.8	75.8	78.2	
		2011	102.6				
	as % of corresponding period of previous year	2009	46.1	48.0	52.3	64.6	
		2010	173.7	150.1	134.7	128.9	
		2011	136.8				
Exports of goods, over period since start of year	\$ billion	2009	57.3	125.4	207.8	303.4	
		2010	92.2	189.6	287.3	400.1	
		2011	112.6 <sup>2</sup>				
	as % of corresponding period of previous year	2009	52.0	52.9	55.6	64.3	
		2010	161.1	151.3	138.2	131.9	
		2011	122.0 <sup>2</sup>				
Imports of goods, over period since start of year	\$ billion	2009	38.5	82.4	131.5	191.8	
		2010	45.7	103.9	172.3	248.7	
		2011	64.4 <sup>2</sup>				
	as % of corresponding period of previous year	2009	63.9	60.7	60.1	65.7	
		2010	118.8	126.0	131.1	129.7	
		2011	140.9 <sup>2</sup>				
Current account balance (over period since start of year), \$ billion		2009	9.7	17.6	32.7	48.6	
		2010	33.3	51.3	57.0	71.1	
		2011	31.8 <sup>2</sup>				
Private sector net capital outflow (inflow) (over period since start of year), \$ billion		2009	-35.0	-31.4	-64.9	-56.1	
		2010	-14.7	-10.7	-13.8	-35.3	
		2011	-21.3 <sup>2</sup>				
Foreign investment in Russia's non-financial sector (Rosstat data), over period since start of year	\$ billion	2009	12.0	32.2	54.7	81.9	
		2010	13.1	30.4	47.5	114.7	
		2011	44.3				
	as % of corresponding period of previous year	2009	69.7	69.1	72.2	79.0	
		2010	109.3	94.5	86.8	140.1	
		2011	3.4 times				
of which:	direct	\$ billion	2009	3.2	6.1	10.0	15.9
			2010	2.6	5.4	8.2	13.8
			2011	3.9			
		as % of corresponding period of previous year	2009	57.0	55.0	51.9	58.9
			2010	82.4	89.0	82.2	86.8
			2011	148.3			
	portfolio	\$ billion	2009	0.1	0.9	1.0	0.9
			2010	0.3	0.7	0.9	1.1
			2011	0.1			
		as % of corresponding period of previous year	2009	93.5	74.9	78.6	62.3
			2010	2.5 times	81.1	85.0	121.9
			2011	41.8			
	other	\$ billion	2009	8.7	25.2	43.7	65.1
			2010	10.2	24.3	38.4	99.9
			2011	40.3			
as % of corresponding period of previous year		2009	75.6	73.5	79.1	86.5	
		2010	117.1	96.2	87.8	153.3	
		2011	3.9 times				
Russia's international reserves (as of end of period), \$ billion		2009	383.8	412.5	413.4	439.5	
		2010	447.4	461.2	490.1	479.4	
		2011	502.5				
Real ruble exchange rate indices (last month of quarter), growth as % of December of previous year <sup>3</sup>	ruble vs. US dollar	2009	-15.4	-5.0	-3.9	-0.4	
		2010	3.6	-0.7	2.0	4.0	
		2011	10.5				
	ruble vs. euro	2009	-12.0	-7.0	-9.0	-6.5	
		2010	11.7	18.6	14.5	14.5	
		2011	5.2				
	effective rate	2009	-10.0	-4.2	-5.6	-3.9	
		2010	7.4	9.7	6.8	6.9	
		2011	6.9				

Table 8 (continued)

		Year	Q1	Q2	Q3	Q4
<b>Financial market indicators (including Sberbank interest rates)</b>						
Average for period						
Overnight interbank credit rate, % p.a.	in rubles	2009	11.6	7.7	7.1	5.5
		2010	4.2	3.1	2.6	2.9
		2011	2.8			
	in US dollars	2009	0.2	0.2	0.2	0.2
		2010	0.2	0.3	0.3	0.3
		2011	0.2			
OFZ yields, % p.a. <sup>4</sup>		2009	10.5	10.3	10.6	9.1
		2010	7.9	7.4	7.3	7.4
		2011	7.5			
Interest rate on household time deposits, % p.a.	up to 1 year in rubles	2009	10.0	10.8	10.7	10.2
		2010	8.5	7.1	6.0	5.6
		2011	5.3			
	over 1 year in rubles	2009	10.0	10.3	9.3	9.2
		2010	7.7	6.2	5.3	4.8
		2011	5.6			
	up to 1 year in US dollars	2009	6.0	5.3	5.5	5.2
		2010	4.3	3.7	3.6	3.7
		2011	3.5			
	over 1 year in US dollars	2009	6.5	6.1	5.7	5.5
		2010	4.9	4.8	4.4	4.7
		2011	4.5			
Interest rate on credit to non-financial organisations, % p.a.	up to 1 year in rubles	2009	16.6	15.8	14.9	13.9
		2010	12.8	11.4	10.0	9.1
		2011	8.7			
	over 1 year in rubles	2009	15.1	16.2	15.8	14.7
		2010	13.9	12.3	11.4	10.5
		2011	10.6			
	up to 1 year in US dollars	2009	10.7	10.1	10.0	9.3
		2010	8.3	7.5	6.9	6.1
		2011	6.2			
	over 1 year in US dollars	2009	12.7	11.6	10.7	9.0
		2010	10.3	8.8	7.4	8.0
		2011	7.3			
Interest rate on ruble-denominated promissory notes discounted by banks, % p.a.		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. <sup>5</sup>		2010	14.1	11.6	10.8	10.2
		2011	8.4			
Interest rate on ruble-denominated promissory notes issued by credit institutions and discounted by credit institutions, % p.a. <sup>5</sup>		2010	9.3	7.8	7.4	7.5
		2011	7.4			
MICEX rate in «tomorrow» trades, ruble/US dollar		2009	34.4761	32.2032	31.3160	29.4737
		2010	29.8318	30.2891	30.6072	30.7248
		2011	29.1281			
As of end of quarter						
RTS index, points		2009	689.63	987.02	1,254.52	1,444.61
		2010	1,572.48	1,339.35	1,507.66	1,770.28
		2011	2,044.20			
Refinance rate, % p.a.		2009	13.00	11.50	10.00	8.75
		2010	8.25	7.75	7.75	7.75
		2011	8.00			

Table 8 (end)

		Year	1.01	1.04	1.07	1.10
<b>Monetary indicators</b>						
M0, billion rubles		2009	3,794.8	3,278.3	3,522.5	3,485.6
		2010	4,038.1	3,986.1	4,367.7	4,524.5
		2011	5,062.7	4,916.4		
M2, billion rubles		2009	12,975.9	11,581.6	12,650.5	13,101.9
		2010	15,267.6	15,639.4	16,900.9	17,690.2
		2011	20,011.9	19,786.8		
Broad money, billion rubles		2009	16,276.7	15,810.4	16,579.8	17,004.5
		2010	19,095.8	19,309.7	20,557.1	21,318.6
		2011	23,791.2 <sup>1</sup>	23,609.0 <sup>1</sup>		
Net foreign assets, billion rubles		2009	12,190.8	12,877.9	13,040.6	13,221.6
		2010	13,904.7	13,770.6	14,779.7	15,081.2
		2011	14,993.6 <sup>1</sup>	14,984.9 <sup>1</sup>		
Domestic claims, billion rubles		2009	10,078.2	9,994.9	10,864.9	11,539.1
		2010	13,241.8	13,460.4	14,097.3	15,003.0
		2011	17,468.2 <sup>1</sup>	16,974.8 <sup>1</sup>		
Broad monetary base, billion rubles		2009	5,578.7	4,298.8	4,967.6	4,803.7
		2010	6,467.3	6,363.9	7,195.0	7,126.0
		2011	8,190.3	7,514.2		
Balances of correspondent accounts, billion rubles		2009	1,027.6	431.7	471.4	545.4
		2010	900.3	579.5	603.6	590.0
		2011	994.7	597.2		
Monetisation of the economy (by M2 aggregate), %		2009	32.1	31.9	32.2	32.5
		2010	32.8	33.6	35.0	36.5
		2011	37.5	38.4 <sup>1</sup>		
Money multiplier	by broad monetary base	2009	2.33	2.69	2.55	2.73
		2010	2.36	2.46	2.35	2.48
		2011	2.44	2.63		
	change since start of year, %	2009	-0.4 <sup>6</sup>	15.8	9.5	17.3
		2010	1.5 <sup>6</sup>	4.1	-0.5	5.2
		2011	3.5 <sup>6</sup>	7.8		
Foreign exchange rates	rubles per US dollar	2009	29.39	33.90	31.04	30.01
		2010	30.19	29.50	31.26	30.51
		2011	30.35	28.52		
	rubles per euro	2009	41.43	44.89	43.85	43.89
		2010	43.46	39.57	38.21	41.44
		2011	40.49	40.39		

<sup>1</sup> Preliminary data.

<sup>2</sup> Estimate.

<sup>3</sup> (+) signifies appreciation of the ruble, (-) signifies depreciation of the ruble.

<sup>4</sup> OFZ effective market portfolio indicator.

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

<sup>6</sup> Relative to beginning of previous year.

Table 9

## Bank of Russia interest rates in January-May 2011 (% p.a.)

Instrument	Liquidity provision/ absorption period	From 1.01.11 to 27.02.11	From 28.02.11 to 2.05.11	From 3.05.11
<b>Providing liquidity at offered bids (including by auction)</b>				
Repo operations <sup>1</sup>	1 day	5.00	5.25	5.50
	1 week	5.00	5.25	5.50
	3 months	6.50	6.75	7.00
	6 months <sup>2</sup>	7.00	7.25	7.50
	12 months <sup>2</sup>	7.50	7.75	8.00
Lombard loans <sup>1,3</sup>	1 week	5.00	5.25	5.50
	3 months	6.50	6.75	7.00
	6 months <sup>2</sup>	7.00	7.25	7.50
	12 months <sup>2</sup>	7.50	7.75	8.00
Currency swap operations <sup>4</sup>	1 day	7.75	8.00	8.25
<b>Providing liquidity at fixed rates</b>				
Overnight loans <sup>3,5</sup>	1 day	7.75	8.00	8.25
Lombard loans <sup>3</sup>	1 day	6.75	6.75	6.75
	7 days	6.75	6.75	6.75
	30 days <sup>2</sup>	6.75	6.75	6.75
Repo operations	1 day	6.75	6.75	6.75
	7 days <sup>2</sup>	6.75	6.75	6.75
	12 months <sup>2</sup>	7.50	7.75	8.00
Loans secured by «non-market» assets or guarantees <sup>5</sup>	up to 90 days	6.75	7.00	7.25
	91 to 180 days <sup>2</sup>	7.25	7.50	7.75
	181 to 365 days <sup>2</sup>	7.75	8.00	8.25
<b>Absorbing liquidity</b>				
Deposit auctions <sup>6</sup>	1 month	5.00	5.00	5.25
	3 months <sup>2</sup>	6.00	6.00	6.25
Deposit operations at fixed rates	overnight, tom-next, spot-next and demand	2.75	3.00	3.25
	1 week, spot week	3.00	3.00	3.25

<sup>1</sup> Minimum interest rate set by the Bank of Russia Board of Directors.

<sup>2</sup> Operations have been currently suspended.

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

<sup>4</sup> Interest rate set on the ruble part when determining the minimum offered swap difference.

<sup>5</sup> Pursuant to Bank of Russia Regulation No.312-P of November 12, 2007.

<sup>6</sup> Maximum interest rate set by the Bank of Russia Board of Directors.

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 bank obligations to non-resident corporates in Russian currency	Required reserve ratio for bank 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—January 31, 2011	2.5					
February 1, 2011—February 28, 2011	3.5		3.0		3.0	
March 1, 2011—March 31, 2011	4.5		3.5		3.5	
April 2011—	5.5		4.0		4.0	



