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RUSSIA'S OLIGARCHS: WHERE ARE THEY NOW?

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Analysis

The Russian Oligarchs and the Economic Crisis

By Stephen Fortescue, Sydney

Abstract

This article makes the seldom heard argument that Russia's oligarchs have played a positive role in the country's economic development. After the Yukos affair and before the economic crisis, the oligarchs' commercial activities and their relationship with the state presented a mixed picture. The crisis reduced the oligarchs' revenue streams and therefore exposed them to debt-repayment problems, but again the picture is mixed, with the fate of each of the companies depending on its particular situation. Ultimately, the state does not see the economic crisis as an opportunity to nationalise the oligarchs' enterprises and they are likely to weather this storm.

A Positive Contribution

In 2006 I published a book entitled *Russia's Oil Barons and Metal Magnates*. There I argued, rather unfashionably, that on balance the oligarchs – by whom was meant the small group of private businesspeople who through the 1990s had built up a major presence in the Russian economy, above all in the oil and metals sectors – had played a positive role in Russian post-Soviet economic development. They were value adders rather than asset strippers. In difficult circumstances they had turned around enterprises that, when they obtained them, had been riddled with debts and run-down assets. Given that, I was critical of Putin's approach towards them, as demonstrated above all in the Yukos affair, of a refusal to recognise their right to an autonomous and legitimate role in the economy and polity, meaning at best their exclusion from the policy process and at worst their dispossession and the full nationalisation of strategically important business.

In the period between the completion of that book (roughly the end of 2005) and the unequivocal arrival of the global financial crisis in Russia (roughly September 2008), a case could be made that my confidence in the positive economic contribution of the oligarchs was given further support, and that my fears of the Yukos effect were exaggerated. At the same time, however, there were counter-indicators on both counts, indicators that became more troubling as the crisis hit. This article examines the effectiveness of the oligarchs in the management of their businesses, post-Yukos and particularly in crisis conditions, and the attitude of the state towards them, as expressed in their place in the policy process and the level of intrusion of state ownership and management in their areas of business activity.

Post-Yukos, Pre-Crisis

At the beginning of this decade the oligarchs displayed a sudden willingness to improve their standards of corporate governance, including greater transparency and a better attitude towards what minority shareholders remained. Presumably this shift derived from their desire, as they gained firm operational control of their businesses, to claim secure and legitimate property rights. It was a trend that continued post-Yukos, driven in particular by the oligarchs taking their companies public through initial public offerings (IPOs), usually on foreign exchanges. To do so required the transparent consolidation and auditing of accounts, the release of shareholder details (sometimes revealing unexpectedly large holdings of quieter partners behind the highly public oligarchs), the election of independent board members, the payment of dividends, etc. The release of shares onto the public equity markets was usually limited to 10–15 per cent and the oligarchs remained in firm control. They usually claimed that the purpose of the IPOs was not so much to raise funds, but to learn and implement the appropriate corporate practices of a large "public" company with global ambitions. Those ambitions were further realised through large-scale foreign asset purchases, particularly from about 2005. Thus Rusal became the biggest aluminium producer in the world, with extensive holdings on every continent, and Severstal became the fourth biggest steel producer in northern America. Throughout this period the oligarchs' businesses earned record revenues and profits, and they undertook substantial investment programs.

As late as the middle of 2008 one might have spoken confidently of the impressive ambitions and business skills of this small group of entrepreneurs. But already there were danger signs. Was this headlong expansion simply the "irrational exuberance" of a few individuals who had made their initial fortunes through good connections with the state and who were now doing no more than riding the wave of an unprecedented commodity boom and cheap credit? Were their management capacities being stretched as their empires expanded? Both the image and the substance of the global businesses they wanted to run needed large and complex management structures, very different from the hands-on approach to which they were used, and involved operations in a range of countries and cultures with which they were quite unfamiliar. There were signs of costs, in particular management costs, getting out of control; of difficulties controlling the activities of senior hired executives (it is said that Norilsk Nickel's ill-judged purchase of LionOre was driven by a senior foreign executive; it was certainly strongly opposed by major shareholder Mikhail Prokhorov); and of the oligarchs themselves struggling to maintain focus as they pursued a myriad of other personal business and non-business interests.

While the commercial activities of the oligarchs might have presented a mixed picture, so did their relationship with the state. Fears that the Yukos affair was the precursor of an all-out program of nationalisation of strategic assets proved unfounded. True, Roman Abramovich sold his Sibneft to the state-owned Rosneft (and used the proceeds to, among other things, buy a half share in the privately-owned coal and steel producer Evraz) and Mikhail Gurtseriev was driven out of his second-echelon oil company Russneft in a stye reminiscent of earlier oligarch dispossessions (although it was Deripaska's privately owned Basel that came forward as the recipient of the assets). Beyond that the oligarchs remained in place.

They even maintained a significant, albeit reduced, role in policy making. After a brief post-Yukos settling down period big business regained its access to the president, both on a personal and collective level (the latter through the Russian Union of Entrepreneurs and Producers, RSPP, under its new head Aleksandr Shokhin). Even in such a sensitive area as tax administration, business was heavily involved in negotiating new post-Yukos procedures for tax audits, arriving at an outcome with which the business community ultimately expressed satisfaction. The major cost to the oligarchs of the Yukos affair was the not inconsiderable one of having to pay formal taxes in full and at the onerous rates imposed on resource (particularly oil) revenues and the informal taxes that came with the "corporate social responsibility" expectations of the government. But as long as oil and metal prices were sky high, that was a burden they could manage.

The Crisis

For many the crisis has confirmed what they always knew: the oligarchs were reckless adventurers, enriching themselves by taking dubious advantage of circumstances rather than their own talents. As oil and metal prices crashed, they were left struggling with a mountain of debt, both personal and corporate. They would be unable to repay the debts and the inevitable outcome would be their assets ending up in the hands of the state (a state very likely representing the interests of a new group of would-be oligarchs).

There is no doubt that the crisis has wrought havoc with the revenue streams of the oligarchs' businesses, and so exposed them to the danger of not making debt repayments on loans for which the security is substantial shareholdings in their businesses. When those debts are owed, as many are, to state-owned banks, the spectre of nationalisation appears. Whether such an outcome will be avoided depends, firstly, on the liabilities of individual firms, secondly, on the capacity of the oligarchs to manage their businesses into a better position, and, thirdly, on the approach of the government.

The debt picture is a mixed one, with not all oligarch firms equally exposed. In the oil sector the most heavily indebted company is the state-owned Rosneft. It has had to make long-term arrangements with the Chinese to shore up its finances. The privately-owned oil majors appear able to cover their debts for the moment. In the metals sector – overwhelmingly privately owned – Deripaska's Rusal (along with his struggling vehicle manufacturer GAZ) provides the most dramatic example of an overwhelming debt mountain, undoubtedly the result of "irrational exuberance". Rusal's strategic "vision" had changed regularly over the years, eventually coming to look like "buy everything", albeit with a focus on aluminium smelting and upstream integration. The other most indebted metal magnates found themselves in that position through the need to invest heavily in dilapidated plant (Evraz) or, for latecomers to the sector, to pay a high entrance fee (Usmanov's Metalloinvest). Someone like Aleksei Mordashov, who had obtained his stake in the relatively modern Severstal early and cheaply, was able to undertake his ambitious foreign expansion program with little existing debt and high cash reserves.

Of the oligarch-owned resource firms only Rusal and Evraz took advantage of the government's emergency program to provide funding through the state-owned Vneshekonombank (VEB) to pay off foreign debts. A number of other resource firms, especially Mechel and Metalloinvest, have substantial short and medium term commercial debts with state-owned banks, and some individual oligarchs, including Potanin, Deripaska and Usmanov, have substantial personal debts with shares in their businesses as security. If those debts are not repaid and, as a result, ownership of shares held as security is transferred, Russian state-owned banks could end up with major shareholdings in a substantial portion of the metals sector.

Before discussing the likelihood of that happening, we will consider the prospects for the resource sector, particularly metals, trading its way out of difficulty. With, very roughly speaking, prices currently hovering around the cost of production and future price prospects highly uncertain, producers would be unwise to rely on price increases to raise revenues to the level needed to pay off corporate debts and to provide the dividends that their owners need to pay off personal debts. They need to reduce the costs of production. They appear to have some but not unproblematic room to do so. Their biggest costs are raw material inputs, the prices of which have plummeted as rapidly as the prices of the producers' own output. However most producers own their input suppliers, so falling input prices are a mixed blessing. Labour costs offer some opportunity. Overstaffing has been a continuing feature of Russian industry, and labour costs were rising very rapidly in the lead-up to the crisis. Russian workers have shown some willingness to accept such 1990s phenomena as reduced hours for reduced pay, and even no pay at all. But the recent events at the Pikalevo alumina plant, with Putin having to intervene forcefully after stood-down workers blocked highways, suggest that care in this area is required. Although prepared to tolerate limited redundancies and reduced working hours, the government is unwilling to allow wholesale capacity closures. All oligarch firms are on the government's list of "system-forming enterprises", the clear point of which is to send precisely that message. The government would presumably have no such objection to capacity closure and asset disposal abroad, and a number of metals firms have already taken that route. Business lobbyists constantly call for tax cuts as a way to improve firms' profitability. The government has regularly made hopeful noises, including with regard to oil sector excises and export duties, but as yet has delivered little.

While none of these cost-cutting opportunities are totally convincing, the oligarchs have considerable experience of crisis management, having taken over their businesses in very difficult circumstances in the mid-1990s. In the first quarter of 2009 Rusal cut its costs by $554 million and could well meet its target for the year of $1.1 billion. With those sorts of savings available, the oligarchs might muddle through again.

While cost cutting of that level might help Rusal restore profitability over the longer term, it will not help it pay its very short-term debts. Its fate and the fate of other firms with short-term debt problems are out of their hands and in the hands of their creditors. Banks, both Western and Russian, have been prepared to help out by restructuring loans (with the exception of the obstreperous Alfa Bank). Deripaska has won short-term moratoriums on debt repayments from Western banks. The Russian government's attitude, however, is not totally clear. Its spokespeople have regularly stressed that there is no interest in seizing or managing private assets. The government now declares itself unwilling to continue to provide itself with the mechanism – state-owned banks providing credits with shares as security – to do so. The VEB program was suspended in February with only 20 per cent of its funding allocated, and private firms have been told they will receive no further loans. Igor Shuvalov, the first deputy prime minister in charge of managing the crisis, even suggested in a Bloomberg interview on 18 March that the government would rather see foreign banks take ownership of the assets than the government do so. However, with regard to the VEB-program, in his 6 April address to the Duma Putin declared that the shares would be taken over by the state if the loans were not repaid on time, an intention confirmed by VEB chair Vladimir Dmitriev in a 15 April interview in *Kommersant*. This would affect Rusal, Evraz, and, through Rusal's 25 per cent holding, Norilsk Nickel. But negotiations on rescheduling the loans are nevertheless underway, with the state's purchase of new convertible bonds being the currently favoured approach. My guess is that the government will continue to find ways to reschedule oligarch corporate debt.

In the meantime private business representatives continue to be included in the policy process. The more-or-less institutionalised meetings of president and prime minister with business associations continue; each have one-on-one meetings with individual oligarchs; and business leaders are regularly included in the *ad hoc* but increasingly institutionalised meetings (*soveshchaniia*) that appear to have taken over from formal state bodies as the primary decision-making forum in crisis conditions.

The global economic crisis is providing a stern test for businesses and governments throughout the world. I retain hesitant confidence in the capacity of the oligarchs to weather the storm. While the government might be simply playing a waiting game, it is not my sense that it wants to take advantage of the situation to carry out a major nationalisation program in the resource sector. It rather hopes that the oligarchs will, as deputy prime minister and senior silovik Igor Sechin called upon them to do, “show [your] toughness, inventiveness, energy”, and minimise the need for a hard-pressed government to become involved in their affairs.

About the Author

Stephen Fortescue is Associate Professor, School of Social Sciences and International Relations, University of New South Wales, and Principal Fellow, Contemporary European Research Centre, University of Melbourne.

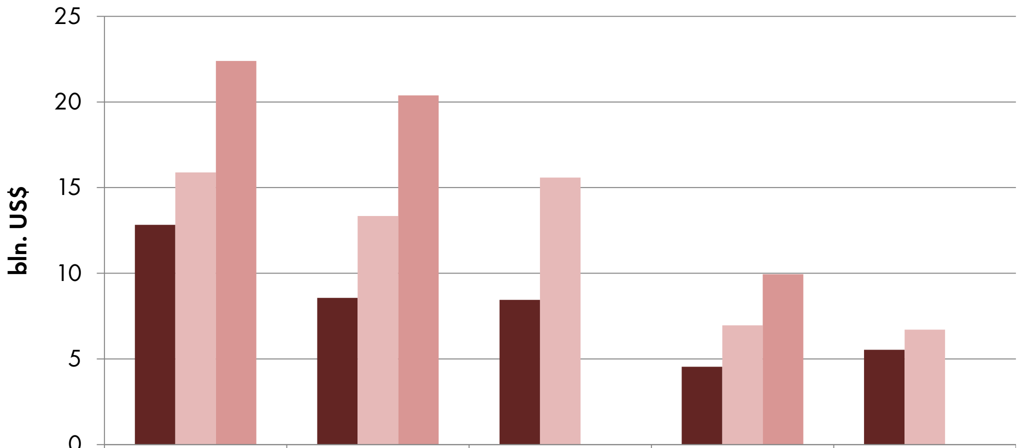
Further reading

- Stephen Fortescue, “The Russian aluminium industry in transition”, *Eurasian Geography and Economics*, vol.47, no.1, 2006, pp.76–94.
- Stephen Fortescue, “Business-state negotiations and the reform of tax procedures in post-Yukos Russia”, *Law in Context*, vol.24, no.2, 2006, pp.36–59.
- Stephen Fortescue, *Russia’s Oil Barons and Metal Magnates. Oligarchs and the state in transition*, Palgrave, London, 2006. (Available in Russian translation as *Russkie neftianye barony i magnaty metalla. Oligarkhi i gosudarstvo v perekhodnyi period,* Stolitsa-print, Moscow, 2008.)
- Stephen Fortescue, “The Russian steel industry, 1990–2009”, *Eurasian Geography and Economics*, vol.50, no.3, May–June 2009, pp.1–23 (forthcoming).
- Sergei P. Peregudov, “Konvergentsiia po-rossiiski: ‘zolotaia seredina’ ili ostanovka na poluputi”, *Polis*, no.1, 2008, pp.91–108.

Tables and Diagrams

Economic Development of Russian Metal Companies

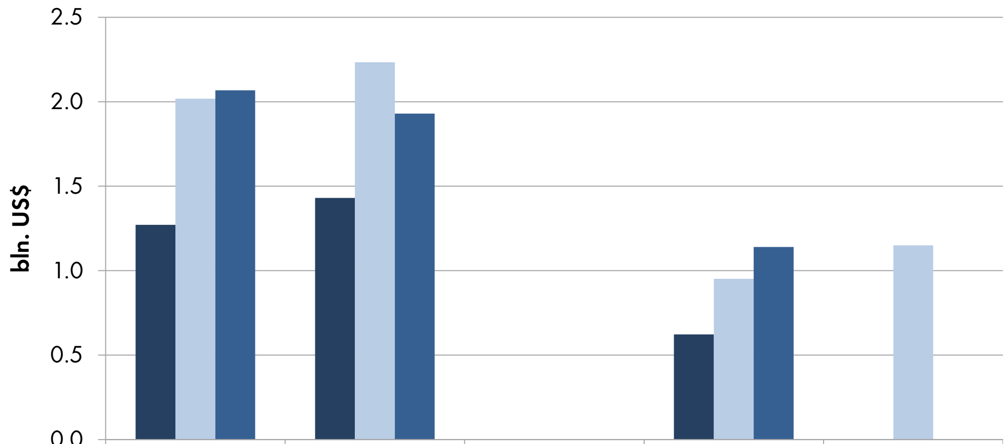
Diagram 1: Turnover of Russian Metal Companies 2006 – 2008 (in Bln. US Dollars)



	Severstal (Aleksei Mordashov)	Evraz (Roman Abramovich)	Rusal (Oleg Deripaska)	Mechel	Metalloinvest (Alisher Usmanov)
2006	12.83	8.56	8.45	4.54	5.54
2007	15.88	13.35	15.59	6.96	6.71
2008	22.39	20.38	n.a.	9.95	n.a.

Sources: magazine Ekspert, http://expert.ru/ratings/; *annual or financial reports:* http://www.evraz.com/, http://www.severstal.com/

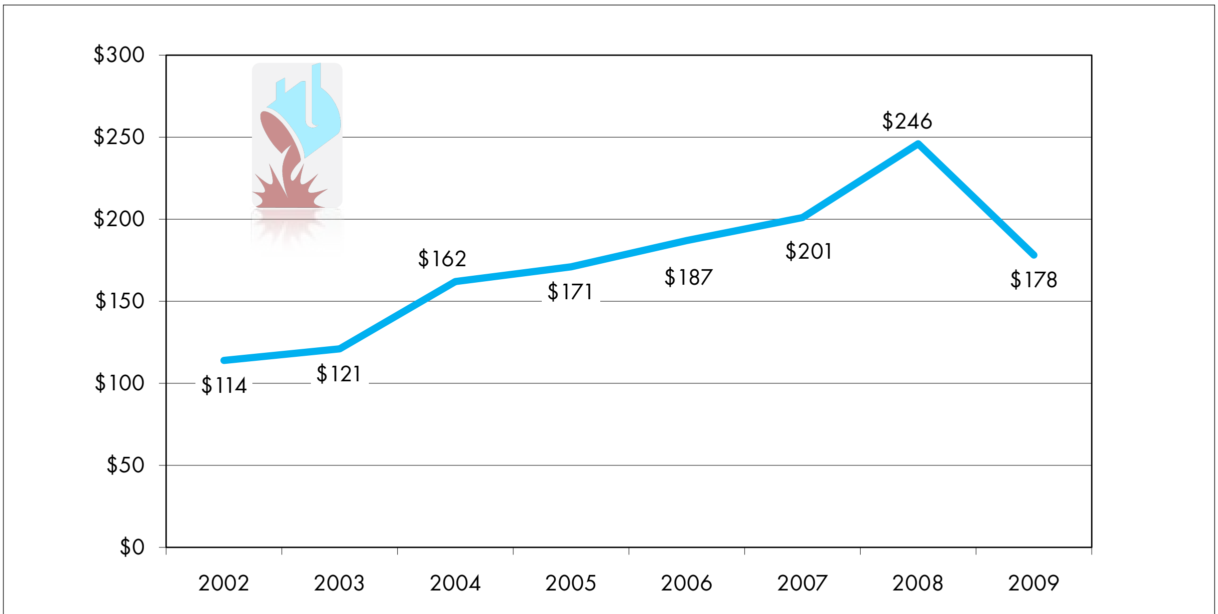
Diagram 2: Profits of Russian Metal Companies 2006 – 2008 (in Bln. US Dollars)



	Severstal (Aleksei Mordashov)	Evraz (Roman Abramovich)	Rusal (Oleg Deripaska)	Mechel	Metalloinvest (Alisher Usmanov)
2006	1.27	1.43	n.a.	0.62	n.a.
2007	2.02	2.23	n.a.	0.95	1.15
2008	2.07	1.93	n.a.	1.14	n.a.

Sources: magazine Ekspert, http://expert.ru/ratings/; *annual or financial reports:* http://www.evraz.com/, http://www.severstal.com/

Diagram 3: World Market Price of Steel 2002–2009 (in US Dollars/t)



NB: the value for 2009 is the average value for the period January to May.

Source: Price Indicator WPU101 (Iron and Steel), US Bureau of Labor Statistics, http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?series_id=wpu101&data_tool=XGtable

Analysis

It's Not Easy Being An Oligarch

By Marshall I. Goldman, Cambridge, MA

Abstract

Perhaps it was inevitable, but it is hard to ignore the irony that a country that once held itself out as a new world in which extremes in wealth would be eliminated (if need be by imprisonment or even death) by 1998 had become a society in which the differences in wealth were once again extreme. Before long, Russia's major city, Moscow, had become the home of the world's second largest concentration of billionaires, second only to New York City. In 2004, Forbes Magazine, the major collector of such data, reported that Moscow actually had more billionaires than New York City. How did this once communist country, where officially as late as 1987 there were only minor disparities in income between the richest and poorest, become so top heavy with the very wealthy? And how did Russia's newly rich, the so-called "oligarchs", fare under Putin and during the recent financial crisis?

Understanding the Rise of the Oligarchs

Moscow's oligarchs first made it into the Forbes Magazine annual tabulation of the world's richest billionaires in 1998. This achievement was notable for several reasons. The first was that none of the new billionaires had any net worth to speak of as recently as a decade earlier. They acquired all their wealth only after the collapse of the Soviet Union by seizing control of what once were state-owned assets. Second, 1998 was a disastrous year for the Russian economy. It was engulfed in a full blown recession, driving the country's leaders to throw themselves at the mercy of international lenders. Nonetheless, it was in 1998 that these individuals emerged with billions to their name despite the economic chaos around them.

The first thing to consider when trying to understand the rise of the oligarchs after 1991 is that even in the communist era, there were significant disparities, if not in money income, certainly in access to in-kind privileges and wealth. Senior members of the communist party for example, had the use of government mansions, chauffeurs and access to exclusive shops where luxury and even basic goods, such as the sugar and meat not always available to the general public, were set aside at heavily subsidized prices. The leadership at the time might have preached the virtues of equality, but out of the public view it seemed to have few qualms about enjoying its special privileges and comforts.

Open acknowledgment of inequality in wealth came only after the breakup of the USSR and the privatization of the country's assets, everything from homes to factories as well as the means of production. When Boris Yeltsin decided to privatize state industries, factory managers, in some cases even though they had been appointed by the state, simply claimed ownership of those factories for themselves.

The "Loans for Shares" Program

Much of Russia's privatization took place under what was called the "Loans for Shares" program. The Russian government found that after 70 years of communism, very few of its citizens or businesses were willing to pay a tax on their income. Without that revenue it had a hard time balancing its budget and paying its bills. The government then decided that the best way to raise the money it needed was to turn to the recently privatized banks and ask them for loans. As collateral for those loans, the government agreed to put up newly issued stock of the about-to-be-privatized state industries.

Despite the warning of critics, government officials promised that as soon as they were able to collect the taxes that were owed, the state would repay those loans and regain possession of the stock. But those taxes were not paid and so the state was unable to repay its loans. Consequently the banks and their owners were able to claim ownership of the stock and thus ownership of those enterprises which had issued that stock in the first place. As a result many of these bankers became a new wealthy class, what came to be called "oligarchs." As the Russian economy and these enterprises regained their footing and these enterprises their profits, the prices of these stocks rose quickly and almost overnight the oligarch stockholders became dollar billionaires.

Having accumulated what only months earlier would have been considered impossible sums, these new oligarchs came to believe in their own superior talents. A large number of them came to think of themselves as independent and superior to state bureaucrats, which some of them had been before. In some cases this led them to branch over from their business activities into politics. This often brought many of them into conflict with Russian leaders and when that leader was someone like Vladimir Putin, it was almost inevitable that the leader would take affront and feel it necessary to remind these upstarts just who was really in charge.

The Khodorkovsky Challenge to Putin

The Mikhael Khodorkovsky case perfectly illustrates what could happen to those who mistakenly came to assume they had become bigger and more important than the state. When someone like Khodorkovsky's net worth exceeds a billion dollars, he tends to act as if he is infallible and super insightful. (This is what I am told, since unfortunately I can not speak from first hand experience.) As Russia's richest man whose net worth at its peak, according to Forbes Magazine, exceeded $15 billion, Khordorkovsky not only controlled his own commercial bank, Menatep, but Yukos, the country's largest and most powerful oil company. But he had become insensitive to how much of a threat he was to Russia's ruling political elite, especially the so-called *siloviki*.

Among other affronts, Khordorkovsky began to enter into negotiations with Exxon-Mobil to sell it some of Yukos' oil fields. Such a deal would have meant selling off some of Russia's most precious assets to a foreign company, and an American one at that. Khodorkovsky also began to negotiate directly with the Chinese government for the sale of petroleum, something that had always been the prerogative of the Russian government. Khodorkovsky even decided that he should share his talents with the public at large and run for the post of president once Putin's term ended. He also openly boasted that he controlled as many as 100 votes in the Duma, the Russian parliament.

All of this challenged Putin and his entourage of *siloviki*. Some of the *siloviki* closest to Putin (including a few that Khodorkovsky had criticized as being incompetent), were subsequently overheard conspiring to put Khodorkovsky in his place, that is in prison. As caught in a wiretapped conversation, Sergei Bogdanchikov, the CEO of Rosneft (a rival of Yukos), and one of those criticized by Khodorkovsky for his incompetence as well as his dishonesty, is heard boasting to one of his *siloviki* friends that "Three days in Butyrka (a prison) and Khodorkovsky will understand who is really king of the forest," that is of Russia. Shortly after this conversation, Khodorkovsky was indeed arrested and eventually sentenced to an eight year term in prison, which is likely to be extended at least another 15 years.

The Impact of the Financial Crisis in Fall 2008

Remarkably Putin's rough handling of Khodorkovsky seemed to do little to dampen the enthusiasm and determination of Russian and foreign businessmen to invest in Russia. With oil prices reaching as high as $145 a barrel in 2008 and Russia racking up the world's third largest holdings of dollars and euros, few businesses could afford to ignore the Russian market, political risks and all.

The situation changed radically, however, in late 2008, largely because of the change in world financial markets as well as a miscalculation by Vladimir Putin. He failed to appreciate that once oil and commodity prices began to fall from their record heights, Russian leaders no longer could ignore world financial concerns or continue their strong- armed disregard for the rule of law. True, investors initially seemed to overlook what happened to Khodorkovsky, thereby giving Putin the sense that he could do whatever he pleased. But by 2008, with the deterioration in financial conditions, this was no longer the case.

So in mid-2008 when Putin began to threaten to punish Igor Zyuzin, the CEO of the coal and steel company Mechel, in much the same way as he did with Khodorkovsky, Russian foreign investors panicked and withdrew billions of dollars in a flight of capital from Russia. The sense that the boom days were over became even stronger after Putin went to war with Georgia. To top it off, the recession in the United States began to undermine already shaky world wide financial markets, Russia's included. Given all this bad news, by the spring of 2009, the RTS index of Russian stocks had fallen 80 percent from its high.

The drop in the Russian stock market inflicted a disproportionate blow on Russian oligarchs. As one measure, according to Forbes Magazine, the number of Russian billionaires which in March 2008, totaled 87, by 2009 fell to 55. In the process, an estimated $369 billion in paper assets disappeared; they simply vaporized.

The Putin Challenge to Deripaska

Wealth and power in Russia, especially when there is turbulence in financial markets, can be ephemeral. Like Khodorkovsky, Oleg Deripaska is a more recent example of how an oligarch can one day be Russia's richest man only to find the next day that a collapse in financial markets combined with a run in with Prime Minister Putin, can cut his net worth to shreds. The descent was made all the more painful when on Deripaska's way down, Putin decided to pile on, not only to put Deripaska in his place, but to use Deripaska to prove Putin's populist instincts. Putin felt it important to show that he stood for the masses against Russia's powerful business bosses.

In a scene out of Charles Dickens or Karl Marx, but in this June 2009 version, a drama portrayed not in literature but on You Tube video, Deripaska was called before Putin in Pikalyovo, a small town south of St. Petersburg. Putin was there because 500 unpaid workers from the town's three factories, all owned by Deripaska, had blockaded the main highway causing a 250-mile traffic jam. Fearing that the unrest might spread, Putin wanted to show that the wage arrears were the factory owner's fault, the unfortunate Oleg Deripaska. And as a benevolent czar might have done, Putin demanded that Deripaska pay the back wages.

At its peak in 2008, Deripaska's net worth was estimated by Forbes Magazine to amount to $28 billion. That made him Russia's richest man, at least until the recession. Revising its estimate in 2009, Forbes reported that Deripaska's net worth had fallen to $3.5 billion, a loss of almost 90 percent. By Putin's reckoning, however, though no longer Russia's richest man, Deripaska was not exactly a pauper either. If he put his mind to it, Deripaska could probably still scratch together enough to pay his workers what they were due. So Putin confronted Deripaska at one of his Pikalyovo factories where by coincidence a TV camera crew just happened to be filming. In a humiliating scene from the factory shown live on TV, Putin berated Deripaska for his greed, thereby demonstrating that it was an oligarch like Deripaska, not a caring leader like Putin, who was responsible for Russia's current economic problems. Acting on behalf of the masses, Putin then tossed Deripaska a pen and told him to sign an order directing his staff to pay his workers their back wages or else. Deripaska signed.

Of course Putin is not able or interested in micro managing all of Russia's oligarchs. But by no means is Deripaska the only oligarch to have found himself a target of Putin or other senior government officials. In other words, in a country where the rule of law is more like the rule of in-laws, wealth and power are subject to arbitrary actions that may reflect anything from incompetence on the part of the oligarch to greed on the part of the political leadership. It is not a climate where talent alone will assure success.

About the author
Marshall I. Goldman is the Davis Professor of Russian Economics, Emeritus at Wellesley College and Senior Scholar at the Davis Center for Russian Studies at Harvard University.

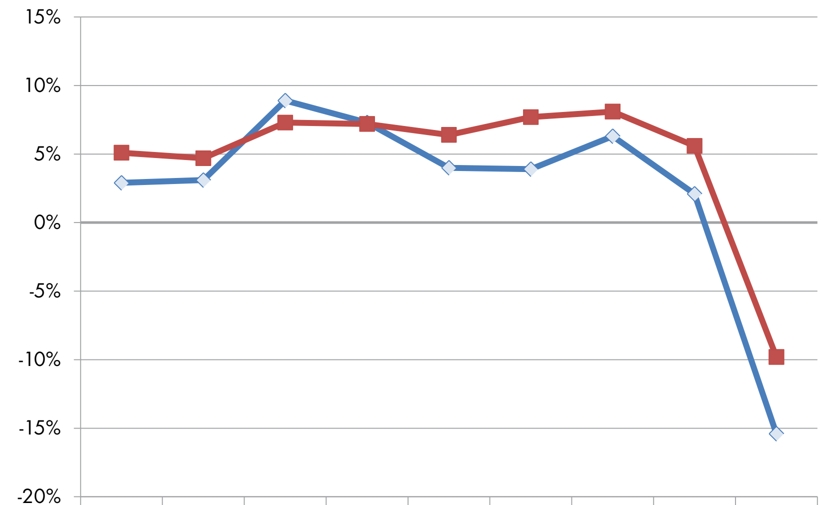
Further reading

- Marshall I. Goldman, *Petrostate: Putin, Power and the New Russia*, Oxford University Press, 2008.
- Robert Legvold, "The Russia File," *Foreign Affairs*, July/August 2009.

Statistics

Russian Economic Indicators

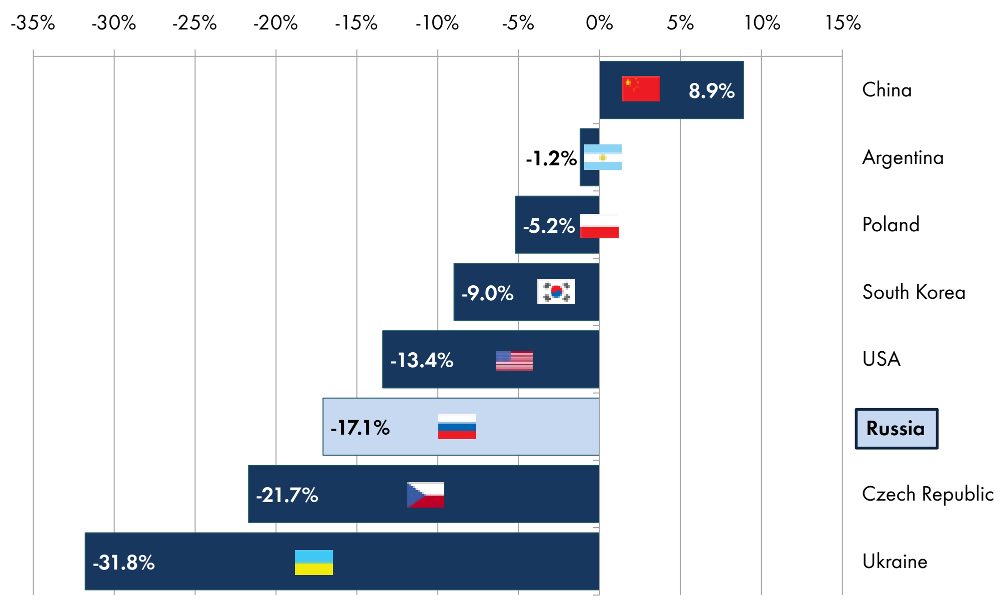
Diagram 1: GDP and Industrial Production 2001 – 2009, Q1 (Change in Comparison to the Previous Year in Percent)



	2001	2002	2003	2004	2005	2006	2007	2008	2009, Q1
Industrial production	2.9%	3.1%	8.9%	7.3%	4.0%	3.9%	6.3%	2.1%	-15.4%
GDP	5.1%	4.7%	7.3%	7.2%	6.4%	7.7%	8.1%	5.6%	-9.8%

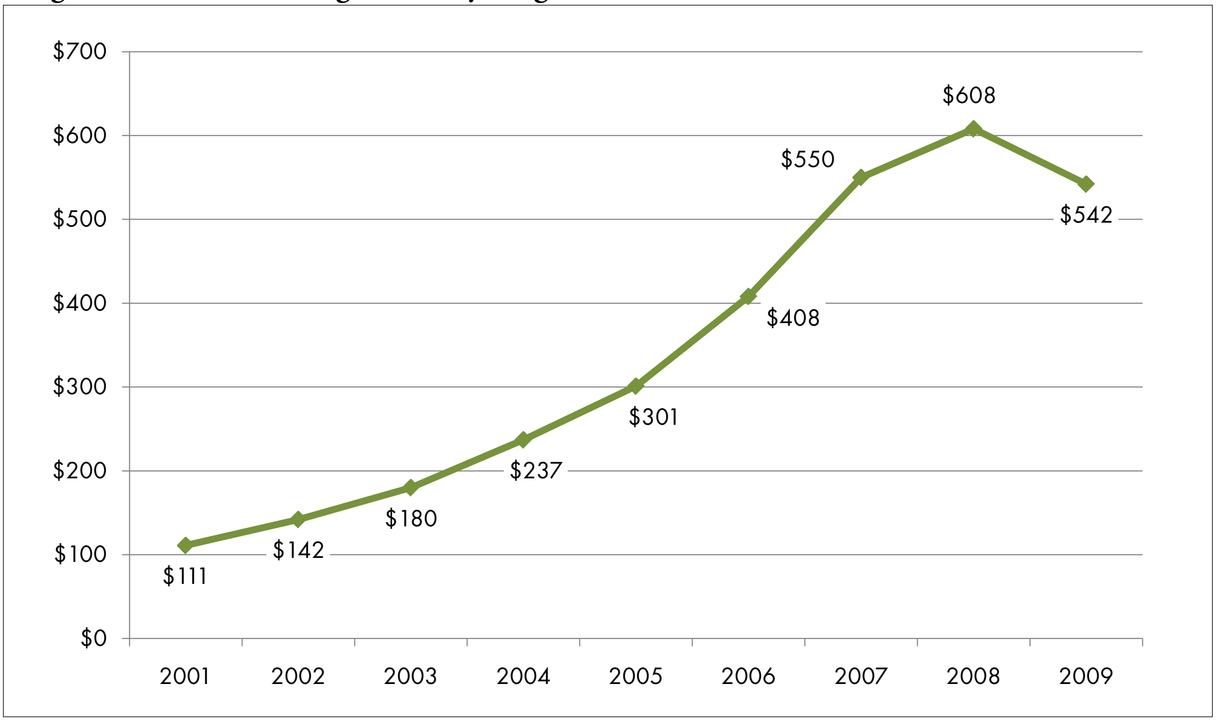
Source: Russian Federal Service of State Statistics (Rosstat), www.gks.ru

Diagram 2: Industrial Production in May 2009 in International Comparison (Change in Comparison to May 2008 in Percent)



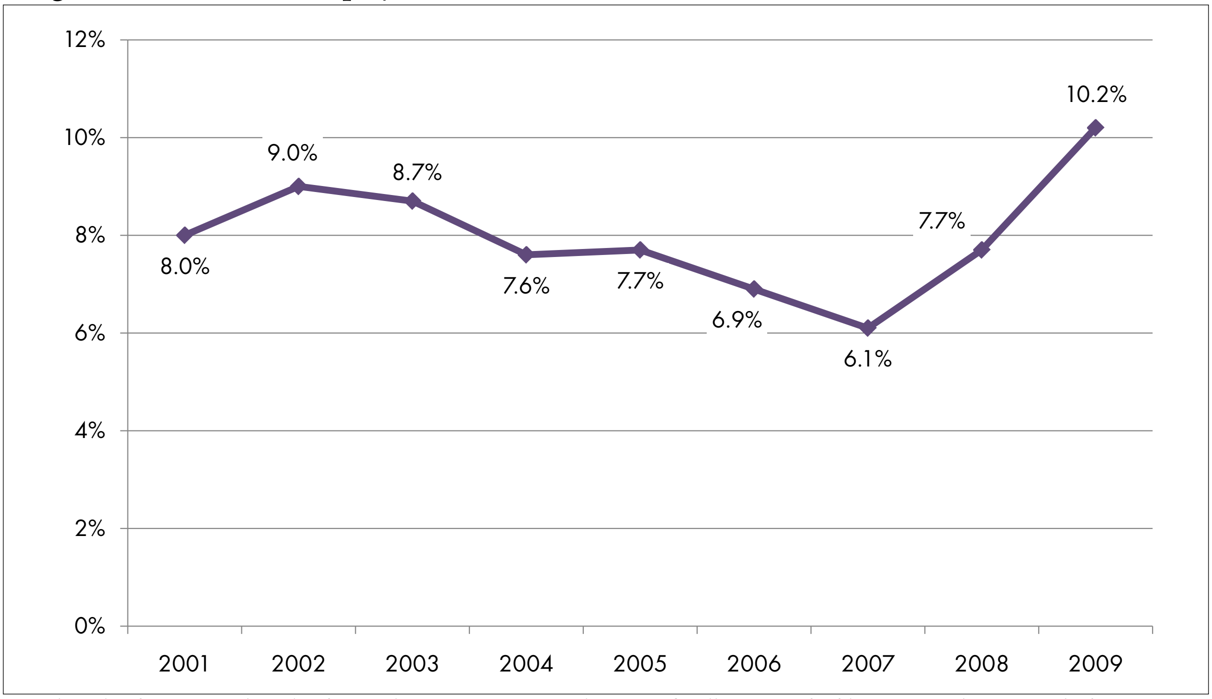
Source: The Economist, www.economist.com

Diagram 3: Russian Average Monthly Wage 2001 – 2009 (in US Dollars)



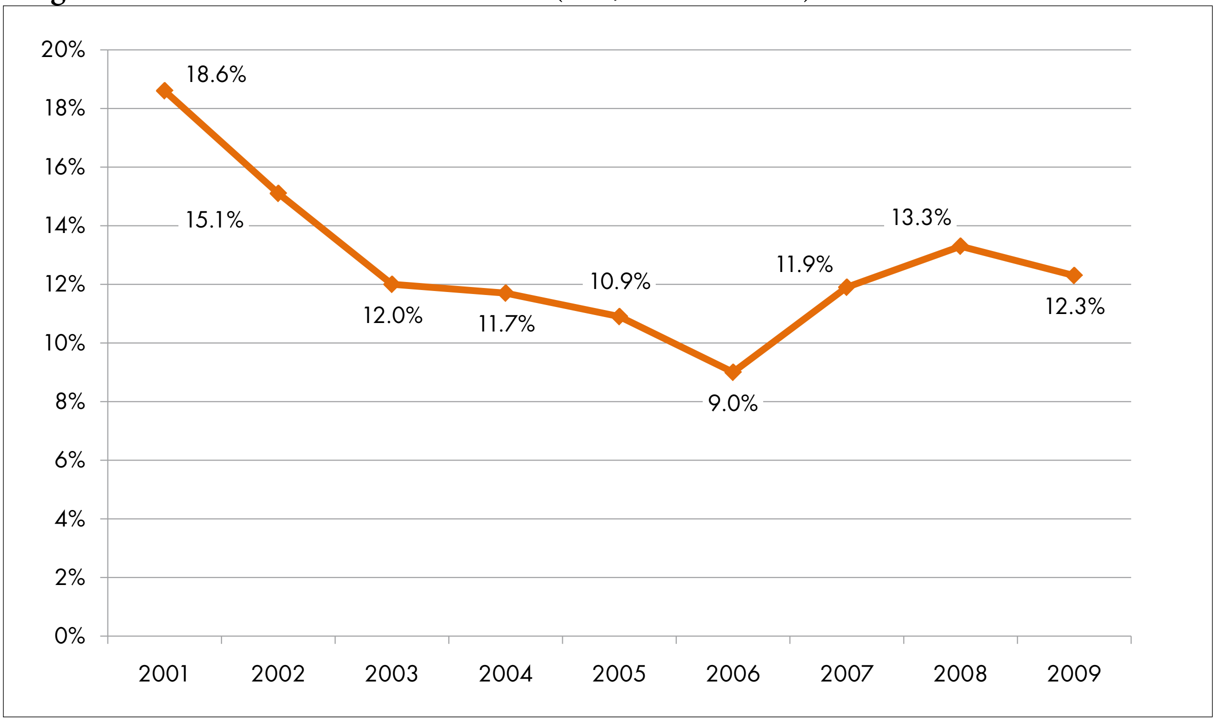
NB: the value for 2009 is the average value for the period January to April.
Source: Bank of Finland Institute for Economies in Transition, http://www.bof.fi/bofit_en/seuranta/venajatilastot/

Diagram 4: Russian Unemployment 2001 – 2009 (ILO Method, End of Period)



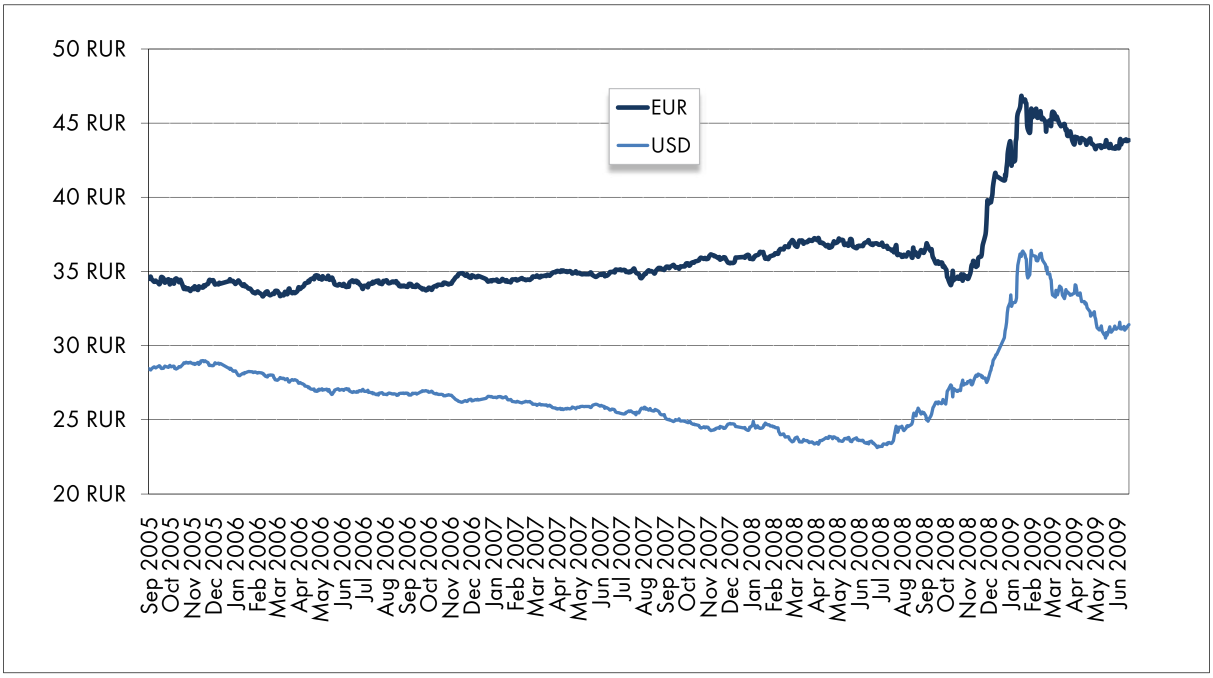
NB: the value for 2009 is the value for April. Russian statistics only cover officially registered jobless persons; the ILO method uses opinion surveys to determine all de facto jobless persons.
Source: Bank of Finland Institute for Economies in Transition, http://www.bof.fi/bofit_en/seuranta/venajatilastot/

Diagram 5: Russian Inflation 2001 – 2009 (CPI, End of Period)



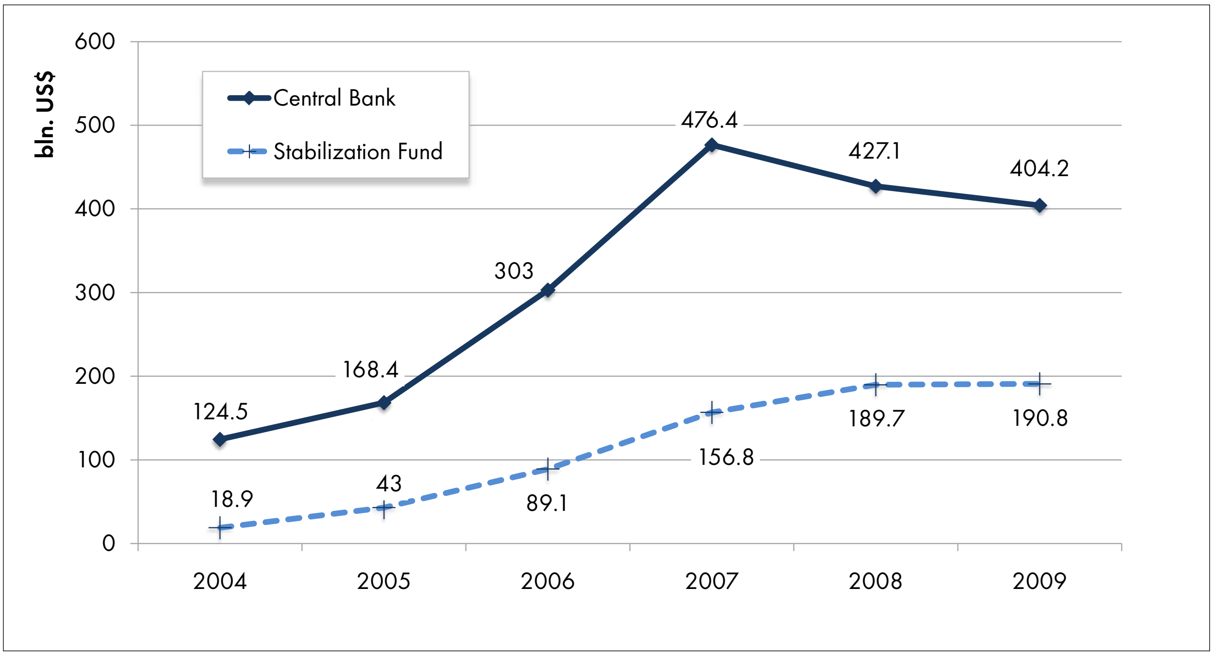
NB: the value for 2009 is the value for May.
Source: Bank of Finland Institute for Economies in Transition, http://www.bof.fi/bofit_en/seuranta/venajatilastot/

Diagram 6: Exchange Rate of the Ruble to US Dollar and Euro 2005 – 2009



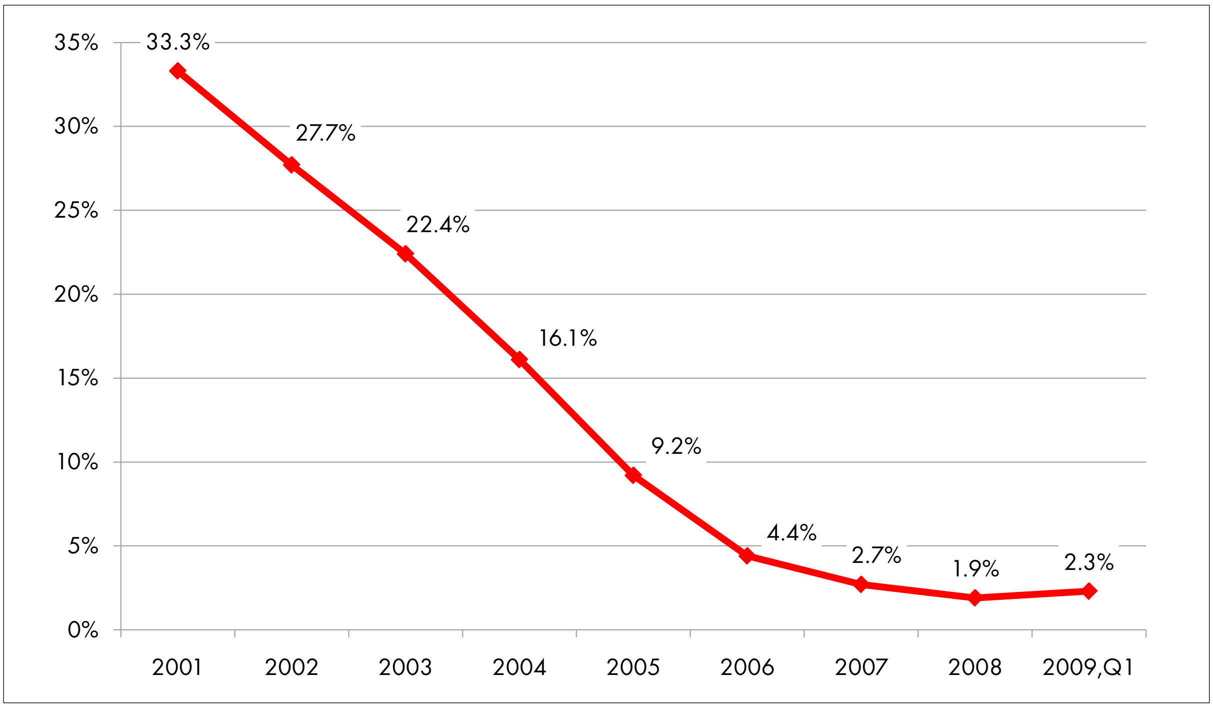
Source: Russian Central Bank, http://www.cbr.ru/currency_base/dynamics.asp

Diagram 7: Foreign Currency Reserves of the Russian Central Bank and Assets of the State Stabilization Fund 2004 – 2009 (End of Period, in bln. US Dollars)



NB: the value for 2009 is the value for May. In 2008, the Stabilization Fund was split into the Reserve Fund and the National Welfare Fund; the foreign currency reserves of the Central Bank include the gold reserves.
Source: Bank of Finland Institute for Economies in Transition, http://www.bof.fi/bofit_en/seuranta/venajatilastot/

Diagram 8: External Debt 2001 – 2009, Q1 (End of Period, in Percent of GDP)



Source: Bank of Finland Institute for Economies in Transition, http://www.bof.fi/bofit_en/seuranta/venajatilastot/

About the Russian Analytical Digest

Editors: Matthias Neumann, Robert Orttung, Jeronim Perović, Heiko Pleines, Hans-Henning Schröder

The Russian Analytical Digest is a bi-weekly internet publication jointly produced by the Research Centre for East European Studies [Forschungsstelle Osteuropa] at the University of Bremen (www.forschungsstelle.uni-bremen.de) and the Center for Security Studies (CSS) at the Swiss Federal Institute of Technology Zurich (ETH Zurich). It is supported by the German Association for East European Studies (DGO). The Digest draws on contributions to the German-language Russlandanalysen (www.laender-analysen.de/russland), the CSS analytical network on Russia and Eurasia (www.res.ethz.ch), and the Russian Regional Report. The Russian Analytical Digest covers political, economic, and social developments in Russia and its regions, and looks at Russia's role in international relations.

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