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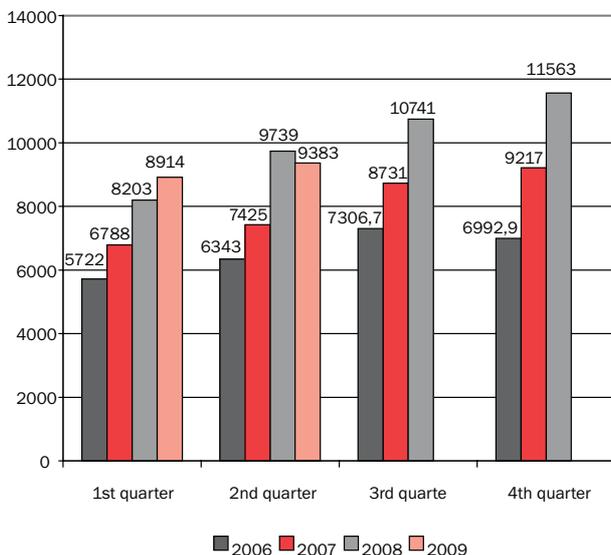
ECONOMIC SURVEY

REVIEW OF THE RUSSIAN ECONOMY IN 1H09

According to preliminary estimates of the Economic Development Ministry, Russia's GDP dropped by 10.1% in the first six months of 2009. However, growth of industrial production, with adjusted seasonal and calendar factors, was 0.8%.

1. GDP

Dynamics of Russian GDP in 2006-2009, in market prices, bn roubles



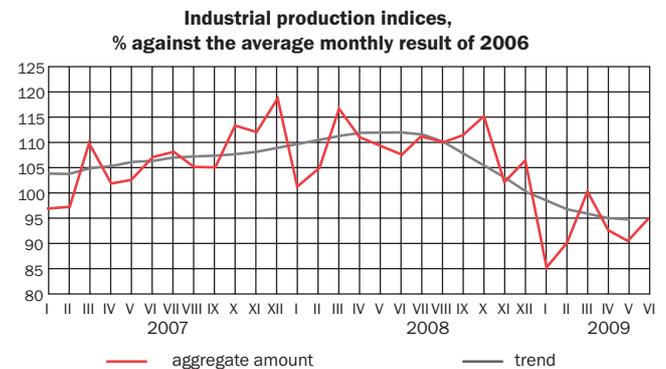
The nominal amount of GDP in the first six months of 2009 was RUR18.221tn, according to preliminary estimates, out of which GDP in the second quarter equalled RUR9.383tn.

According to the Economic Development Ministry's preliminary estimates, Russian GDP dropped by 10.1% in the first half of the year. However, growth of industrial production, adjusted to seasonal and calendar factors, was 0.8%, said Minister Elvira Nabiullina.

The GDP dynamics slowed down in the first six months of the year due to a decline both in exports and in domestic demand – a decrease of investment and a drastic slowdown of household consumption.

2. Industry and Manufacturing

The industrial production index in June 2009 was 87.9% against the same period of last year. The index for the first six months was 85.2%.



The production index in mining was 96.0% in June and 96.6% in the first six months against respective periods of last year.

The manufacturing index was 84.0% and 78.7% respectively.

The index in the production and distribution of electricity, gas and water was 92.1% and 94.4% respectively.

Retail turnover in June 2009 was RUR1.1778tn, which is 6.5% less than in June 2008 in mass of commodities. In the first six months of 2009, it fell 3.0% to RUR6.800tn.

Construction work completed in June 2009 amounted to RUR348.0bn, or 80.4% against a year before. In the first half of 2009, it was RUR1.5588tn, or 80.7%.

The number of new flats built by organisations of all forms of ownership was 55,900 in June and 233,900 in January-June.

3. Consumer Prices Index and Inflation

The consumer prices index in June 2009 was 100.6%, with prices of food products growing and services 0.5%, and of non-food products 0.8%.

In Moscow, the consumer prices index was 100.8% in June and 108.0% since the beginning of the year. In St Petersburg, it was 100.5% and 107.9%, respectively.

The average monthly cost of a fixed set of consumer goods and services for interregional comparison of the population's purchasing power was RUR7,626.30 at the end of June, up 0.7% over the month and 9.4% since the beginning of the year.

Its cost in Moscow grew 0.7% and 8.3% respectively, to RUR10,666. In St Petersburg, it was RUR8,071.90, an increase of 0.4% and 6.4%.

Food prices grew 0.5% in June 2009 compared to the previous month (in June 2008, they increased 1.1%).

The average monthly cost of a minimum food basket in Russia was RUR2,270.60 at the end of June, up 1.4% from the end of May and 7.3% from the beginning of the year.

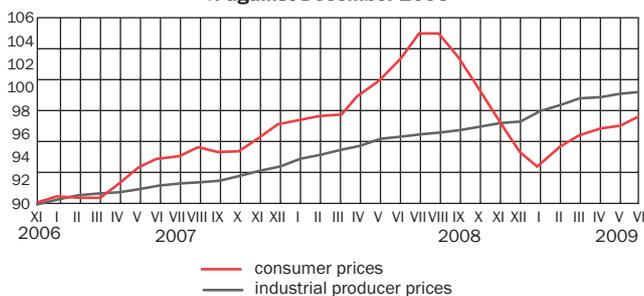
The cost of the basket in Moscow grew 1.6% and 9.9% respectively to RUR2,571.30. In St Petersburg, it was up 1.3% and 6.1% to RUR2,450.80.

Prices of food products rose 0.8% in June 2009 (compared to an increase of 0.7% in June 2008). Prices and tariffs of services were up 0.5% in June 2009 (up 1.1% in June 2008).

The index of industrial producer prices in June 2009 was 102.2%, according to preliminary estimates (110% since the beginning of the year).

4. Living Standards and Population's Income

Indices of consumer prices and industrial producer prices, % against December 2006

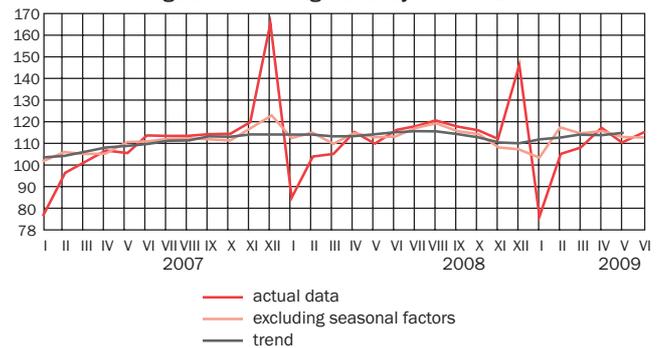


The real disposable monetary income (income excluding obligatory payments and adjusted to the consumer prices index) dropped by 1% in June 2009 against June 2008, according to preliminary estimates. In the first half of 2009, it remained the same as a year before.

The economically active population numbered 76.1mn people in June 2009, or over 53% of the country's entire population.

At the end of June, 6.3mn people, or 8.3% of the workforce, were classified as unemployed (in compliance with the methodology of the World Labour Organisation). A total of

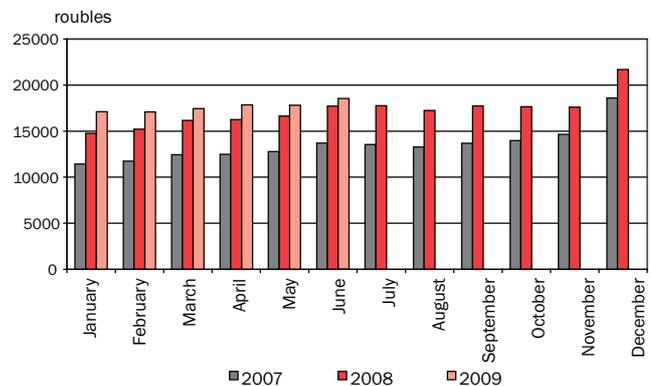
The population's real disposable monetary income, % against the average monthly result of 2006



2.1mn people were registered with government employment services, out of which 1.8mn people received unemployment benefits.

The average gross monthly payroll in June 2009 was RUR18,907, according to preliminary estimates, which is an increase of 6.1% compared to June 2008.

Dynamics of gross payroll in 2007-2009



The average gross monthly payroll in the first six months of 2009 was RUR17,875.

The aggregate wages arrears in the monitored spheres of economic operation as of July 1, 2009, was RUR7.194bn, down 18.0% from June 1, 2009.

The amount of delayed wages on July 1 equalled about 2% of the monthly wage fund for employees in the monitored economic sectors. In education, healthcare, social services and culture, it was 0.1%.

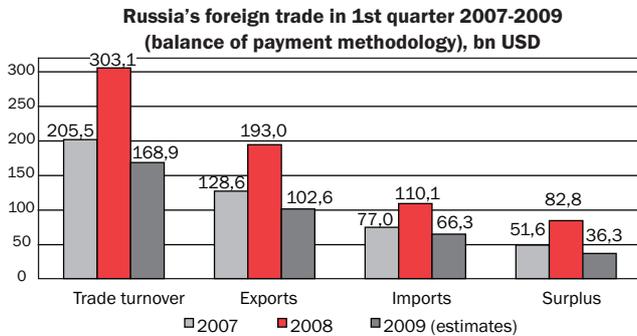
Delays caused by untimely receipt of funds from all levels of budgets amounted to RUR270mn, or 3.7% of the total delays.

5. Foreign Trade

Russia's foreign trade turnover in January-May 2009 fell by 44.5% against the same period of last year to \$168.9bn.

Exports plunged 47.3% to \$102.6bn and imports 39.4% to \$66.3bn. Russia's foreign trade surplus plummeted 56.5% to \$36.3bn from \$82.8bn in January-May 2008.

According to preliminary estimates of the Economic Development Ministry, Russia's foreign trade surplus in the first six months of the year was \$43.3bn against \$104.8bn in the same period of 2008, said Andrei Klepach, deputy economic development minister. Exports equalled \$125.5bn (compared to \$240bn a year before) and imports \$82.2bn (\$135.2bn).



Russia's trade with its main foreign trade partners outside the CIS fell by 45.6% in January-May 2009 and equalled \$135.305bn, with trade with the EU falling by 49.4% to \$79.98bn and with APEC by 41% to \$33.381bn.

Trade with the CIS decreased by 46.9% to \$23.302bn, with members of the Eurasec by 40.4% to \$14.601bn, and with members of the Common Economic Space by 48.8% to \$20.071bn.

Exports of fuel and energy dropped by 51.1% in January-May 2009 to \$65.175bn, with exports of oil falling by 53.5% to \$32.025bn and of gas by 52.5% to \$14.067bn.

Exports of cars, equipment and vehicles fell by 41.3% to \$5.314bn, of chemical products by 41.2% to \$6.831bn, of timber products by 38% to \$3.187bn. Exports of food products and agricultural commodities increased 49.3% to \$3.839bn (with grain imports growing 250% to \$1.369bn).

Exports of metals and metal products plunged 45.9% in January-May to \$12.401bn, with exports of ferrous metals and their products down 44% to \$7.562bn and of non-ferrous metals 48.6% to \$4.473bn.

Imports of cars, equipments and vehicles fell by 53.5% to \$24.851bn in the reporting period, of food products and agricultural commodities by 18.7% to \$10.811bn, and of chemical products by 30.3% to \$9.552bn.

6. Investment

Net capital outflow from Russia in the first six months of 2009 amounted to \$27.6bn, according to a report by the Russian Central Bank.

The Bank estimates net capital inflow in the country in the second quarter of 2009 at \$7.2bn. Inflow was registered for the first time since the second quarter of 2008, when it equalled

\$40.7bn. The biggest contribution to capital inflow in the second quarter was made by the non-financial sector (\$14.2bn). In the first quarter, companies of this sector exported \$28bn.

At the same time, capital exports by banks grew by \$200mn to \$7bn in the second quarter. In the first quarter, it equalled \$6.8bn.

The Finance Ministry projects net capital outflow from Russia this year at about \$83bn. At the same time, the Central Bank expects it to be around \$70bn, while the World Bank forecasts that Russia will lose some \$170bn.

Investment in fixed assets in June 2009 dropped by 1.5% against May, with consideration of seasonal and calendar factors. Compared to June 2008, investment decreased by 20.1%.

Allocations for construction and other projects under the non-programme part of the Federal Target Investment Programme will amount to RUR208.97bn this year, which is 32.1% of the programme's total size. Out of this sum, state defence order accounts for RUR42.01bn.

Financing of budget appropriations for the programme's implementation (excluding the defence order) in January-May 2009 was RUR162.19bn, or 30.4% of the year's limit. (In April, financing of budget appropriations was 27.6%.)

Financing of the annual limit of government capital investment in production facilities was significantly higher than for construction projects for state requirements in general. Within a special package, appropriations were financed to their average amount. At the same time, financing of the social sector was significantly below average.

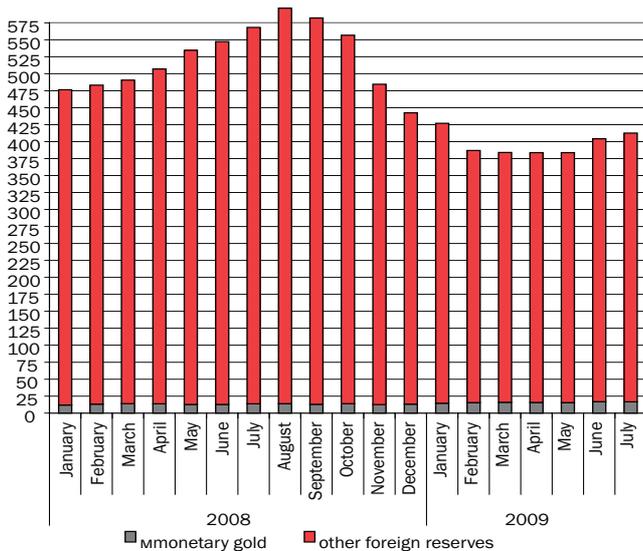
Financing and spending of funds of the Federal Target Investment Programme in January-May 2009

	Financing from government capital investment, bn roubles	Use of funds from all sources of financing, bn roubles
Industry	84.18	24.29
Social sector	49.15	22.63
Special package	28.87	18.21

Overall, state commissioners used RUR65.14bn of government capital investment in January-May 2009, which is 11% of the year's limit for construction.

7. International Reserves; Stabilisation, Reserve and National Wealth Funds

Russia's gold and foreign currency reserves equalled \$427.08bn at the beginning of 2009, but stood at \$412.590bn on July 1, 2009, down \$14.49bn, or 3.4%, in the first half of the year. Compared to the 1st quarter, the reserves grew \$28.71bn, or 7.4%.



The Reserve Fund and the National Wealth Fund dropped by almost 18% as of July 1, 2009, to \$184.45bn.

Dynamics of the Reserve Fund in 1h09

Date	bn USD
01.01.2009	137.09
01.02.2009	137.34
01.03.2009	136.33
01.04.2009	121.06
01.05.2009	106.81
01.06.2009	100.95
01.07.2009	94.52

Dynamics of the National Wealth Fund in 1h09

Date	bn USD
01.01.2009	87.97
01.02.2009	84.47
01.03.2009	83.86
01.04.2009	85.71
01.05.2009	86.30
01.06.2009	89.86
01.07.2009	89.93

8. Foreign Debt

Russia's foreign sovereign debt equalled \$39.135bn, or €27.95bn, as of July 1, 2009. Russia's Eurobond issues accounted for the biggest share of the debt, 62%, and equalled almost \$27bn on July 1.

Debt to the Paris Club member states was \$1.190bn.

Debt to international financial organisations was \$4.136bn.

Debt to countries outside the Paris Club equalled \$1.867bn, and to countries of the former Council for Mutual Economic Assistance \$1.339bn. Commercial debt was \$1.214bn and debt on domestic government foreign currency loan bonds \$1.778bn.

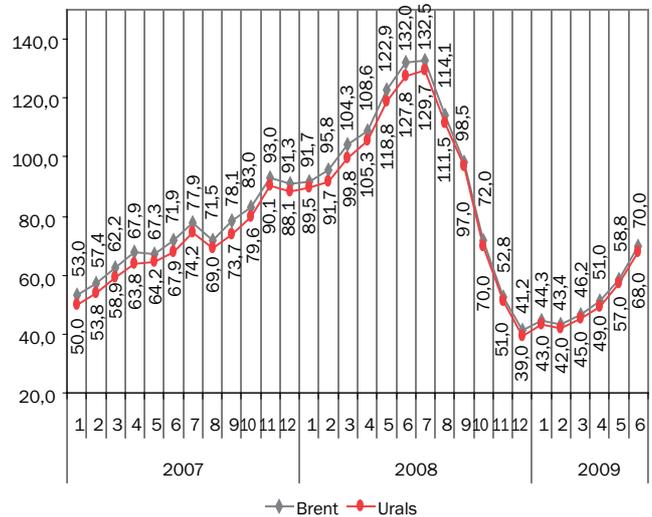
Russia's foreign debt, including the private sector, totalled \$475.1bn on July 1, 2009, down from \$483.5bn on January 1, according to the Central Bank's preliminary estimates.

This means that the country's debt dropped by \$8.4bn in January-June.

9. Oil

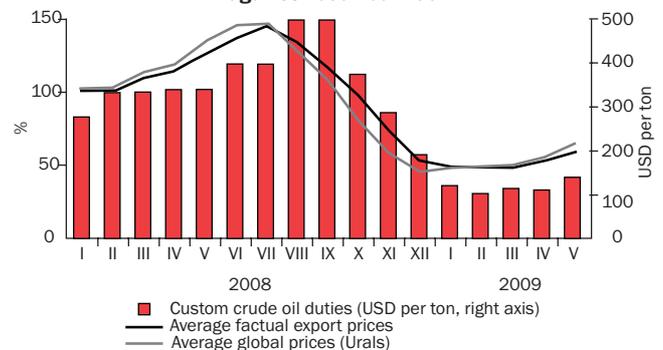
The price of Urals oil in the first six months of 2009 was \$53.5 per bbl (45.4% against the same period of last year)

Dynamics of global oil prices in 2007-2009 (USD per bbl)



On July 1, 2009, the Russian government set the export duty on crude oil at \$212.6 per metric ton.

Dynamics of oil prices and export duties, % against December 2007



■ Custom crude oil duties (USD per ton, right axis)
 — Average factual export prices
 — Average global prices (Urals)

Pavel Orekhov, leading expert with Info-Analitika, for FC Novosti

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on construction, modernisation and repair of railways, motor roads, and other objects of the transport infrastructure.

Finance Ministry to raise \$27.5bn from bond placement in 2010

The Russian Finance Ministry expects to raise RUR844.1bn (\$27.5bn, or €19.3bn) from placement of government bonds next year, said Alexei Lavrov, head of the ministry's department for budget policy and methodology.

The aggregate sum to be repaid next year is RUR275.7bn, which means that the domestic market will finance the federal budget's deficit of RUR394.2bn, he said.

In 2011, the government plans to borrow RUR957.5bn (\$31.1bn, or €21.9bn) on the domestic market and to repay RUR208.9bn. In 2012, it will borrow RUR755.4bn (\$24.6bn, or €17.2bn) and to repay RUR518.9bn.

In 2009, the government will borrow RUR739.5bn (\$24.1bn, or €16.9bn) and repay RUR100.4bn, the ministry estimates.

For next year, the ministry expects the interest rate to be 13%, Lavrov said.

Alfa Capital sets up Russia's first hedge fund

The Federal Financial Markets Service has registered Russia's first hedge fund, which was set up by the Alfa Capital Asset Management.

The Private Investment Fund is a hedge fund, which implies an investment declaration and asset structure, it said in a statement.

Apart from access to foreign financial tools, the fund's rules envisage a possibility of margin transactions.

Central Bank expects cash in circulation to increase soon

The Russian Central Bank expects the amount of cash in circulation to increase in the near future, which testifies

to a certain revival in the economy, said Georgy Luntovsky, the Bank's first deputy chairman.

"In the 4th quarter of 2008 and the 1st quarter of 2009, the trend was to actively withdraw money from circulation," he said. "Fortunately, we have recently been returning money to circulation for several successive months, reimbursing what was withdrawn earlier."

"This is one of the signs that the economy is reviving and it also shows that the measures taken by the Russian government to prevent wage arrears are already bringing positive results," he concluded.

IMF Executive Board backs \$250bn SDR allocation to boost global liquidity

The Executive Board of the International Monetary Fund (IMF) has backed an allocation of Special Drawing Rights (SDRs) equivalent to \$250bn to provide liquidity to the global economic system by supplementing the Fund's 186 member countries' foreign exchange reserves.

The equivalent of nearly \$100bn of the new allocation will go to emerging markets and developing countries, of which low-income countries will receive over \$18bn, the IMF said in a statement.

The SDR allocation will be made to IMF members that are participants in the SDR Department (currently all members) in proportion to their existing quotas in the Fund, which are based broadly on their relative size in the global economy. The operation will increase each country's allocation of SDRs by approximately 74% of its quota. Russia will receive 4.4bn of SDR, which is equivalent to \$6.87bn.

The SDR allocation was requested as part of a \$1.1tn plan agreed at the G20 summit in London in April and endorsed by the International Monetary and Financial Committee (IMFC), the IMF said. If approved by the Board of Governors with an 85% majority of the total voting power on August 7, the

BANKING AND FINANCE

VTB North-West loans \$32.5mn to Lengiprotrans

VTB North-West, a branch of Bank VTB operating in northwest Russia, has issued two loans aggregately worth RUR1bn (\$32.5mn, or €22.8mn) to Lengiprotrans for 12 months.

The RUR600mn loan will be used to buy into Roszheldorproject (railway design), and RUR400mn will be used to replenish the company's working capital.

Lengiprotrans is one of the largest design organisations in Russia focused

SDR allocation will be in effect on August 28.

Federal budget deficit in June reaches 8.8% of GDP

Russia's federal budget deficit in June 2009 equalled RUR277.05bn (\$8.7bn, or €6.2bn), or 8.8% of GDP, announced the Finance Ministry.

Budget revenues totalled RUR526.89bn and expenditure RUR803.94bn.

The budget's primary deficit reached RUR267.85bn, or 8.5% of GDP, last month.

Revenues ensured by the Federal Tax Service accounted for RUR218.21bn of the total, by the Federal Customs Service for RUR227.34bn, by the Federal Property Management Fund for RUR3.1bn, and by other federal bodies for RUR78.23bn.

The nominal amount of Russia's GDP in June equalled RUR3.151tn (\$98.4bn, or €70.5bn).

Bank Tatarstan issues \$1.9mn investment loan

Virazh, a company that accounts for more than 35% of the Russian industrial chemicals market, has obtained a five-year loan from Bank Tatarstan, a branch of Sberbank in the Republic of Tatarstan on the Volga.

Virazh is a major supplier of feedstock and paint and varnish materials to large companies in Tatarstan and a number of other Russian regions.

Gazprombank buys Swiss asset for \$91mn

One of Russia's four largest state banks, Gazprombank, bought the entire share capital of Russische Kommerzial Bank AG, a Zurich-based provider of commercial banking services, from Russian state-owned VTB Bank for \$91mn.

According to BFM.ru, the deal was part of the effort to streamline VTB banks in

Western Europe and was approved by Switzerland's regulators.

Gazprombank shareholders include Gazfond (50% plus one share), Gazprom (41.7%), New Financial Technologies (6.3%), and the bank's management (2%).

Russische Kommerzial Bank was set up in 1992 and was one of the Russian foreign banks VTB bought in 2007. It offers a full range of banking services, but does not accept deposits from individuals. Its clients are western and Russian banks and companies. As of late 2008, the bank's assets amounted to 2.4bn Swiss francs (€1.6bn).

Russia to allocate \$6.8bn for banks' recapitalisation through loan bonds in 2010

Next year, Russia will allocate RUR210bn (\$6.8bn, or €4.8bn), or 0.5% of GDP, for banks' recapitalisation through federal loan bonds, the Interfax news agency quoted Deputy Prime Minister, Finance Minister Alexei Kudrin as saying.

This year, allocations for the same purpose are planned at RUR250bn 250 (\$8.1bn, or €5.7bn), he said. If this sum is not spent for some reason, it may be transferred to next year, which means that the amount of money for additional capitalisation in 2010 will be increased, he said.

GLOBAL CRISIS NEWS

Russian car market to fall 50%-60% by yearend

For the full year, total car sales in Russia are expected to come to between 1.3mn and 1.6mn vehicles, a decline of between 50% and 60% on last year, PricewaterhouseCoopers writes in a recently published report.

"The negative effects of the global automotive crisis have been among the

most serious for Russia," said Stanley Root, PwC's automotive analyst in Moscow. "The development of the market will depend to a large extent on government efforts to revive it."

Heavy job losses and salary cuts have forced many Russians to delay auto purchases, while many banks have refused to give them affordable car loans due to the global credit drought, Reuters writes.

Stanley Root also said that less than 20% of cars were sold on auto loans in 1h09 compared to over 50% in 1h08. In money terms, auto loans accounted for 17% of the cars sold in 1h09 compared to 35% in 1h08.

Russia's international reserves down 10% in 1h09

On July 1, 2009, Russia's international reserve assets equalled \$412.590bn, up 2.1% from \$404.171bn on June 1 but down 3.4% from the beginning of the year, reported the Russian Central Bank.

Compared to a year ago, the reserves dropped by 27.5% from \$568.966bn on July 1, 2008.

International reserve assets in foreign currency grew 3.3% over June to \$365.382bn. Compared to the beginning of the year, they fell by 10% (\$406.205bn on January 1, 2009).

Gold reserves fell by 1.6% over June to \$16.621bn.

Russia's reserve position with the IMF dropped to \$1.701bn on July 1 from \$1.539bn on June 1.

Special drawing rights equalled \$3mn on the specified date. Other reserve assets fell by 9.5% over the specified period to \$28.883bn.

Medvedev submits agreement on Eurasec Anti-crisis Fund to parliament

Russian President Dmitry Medvedev has submitted for the parliament's ratification the agreement on the establishment of the Anti-crisis Fund of the

Eurasian Economic Community (Eurasec) and the agreement on managing the Fund's accounts. The documents were signed in Moscow on June 9, 2009.

Eurasec comprises Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan, while Moldova, Ukraine and Armenia have observer status.

INDUSTRY REPORTS

Mobile phone market shrinks 36% in 1h09

The mobile handset retail market in Russia contracted by 36% in the first half of 2009 from the year before, to 10.49mn phones, Interfax reports. The market shrank to RUR56.048bn (\$1.8bn, or €1.3bn) in money terms.

The number of mobile handsets sold in Russia in the first quarter was 5.46mn (down 29% from January-March 2008) worth RUR30.139bn (\$964.5mn, or €688.3mn). In the second quarter, the number of cell phones sold was 5.03mn worth RUR28.716bn (\$919mn, or €655.8mn), down 42%.

Finland's Nokia remained the largest supplier of cell phones to the Russian market, with 38.8% of the market in January-June. The other major suppliers are Samsung (29.6%), Sony Ericsson (13.5%), LG (6.5%), Philips (2.7%), Fly (2.5%), Motorola (2.1%) and Alcatel (1.1%).

Air passenger traffic down 11% in Russia in January-May

In January-May 2009, Russian airlines carried 11.1mn passengers, down 11.4% from the year-ago, according to federal air transport agency Rosaviatsia.

In January-April, air passenger traffic dropped by 23%.

The biggest drop in passenger service was registered at Atlant-Soyuz (down

63.5%), VIM-Avia (down 35.5%), and Sibir (S7 trademark, down 35.7%).

However, some airlines posted growth in passenger services in the first five months of 2009, including Red Wings (up 44.5%), Orenburg Airlines (35.2%), Vladivostok Avia (27.1%), and Yakutia (9.8%).

The airlines' passenger load factor (percentage of available seats occupied by fare-paying passengers) shrank by 1.8 percentage points, with Aeroflot and GTK Rossiya showing the biggest drop, to 62.1% and 65.5%, respectively.

INTERNATIONAL COOPERATION

Russian company discovers gas off Namibia

Russia's Sintezneftegaz has discovered large gas reserves in the Kunene-1 exploratory well of Block 1711 of the Namib Basin off Namibia.

Sintezneftegaz conducted oil exploration jointly with local partners through its local subsidiary, Sintezneftegaz Namibia Ltd.

Petroleum Commissioner Immanuel Mulunga in the Namibian Ministry of Mines and Energy told local newspaper New Era that drilling results reveal that the gas and condensates found in the well are not of commercial interest.

He added: "It was not possible to fully evaluate the hydrocarbon potential of the penetrated section due to operational problems during testing."

Despite this, PetroAlliance Services Co of Moscow estimates that the 4,698m – 4,748m interval could contain potential gas resources of up to 14 tcf. Initially, the Kunene-1 well was drilled for oil.

China to invest \$500mn in ore production in Baikal region

Chinese steel company Xiyang Group is willing to invest RNB3.3bn (\$483mn)

to develop an iron ore deposit in Russia's Chita Region in Siberia.

It plans to build a dressing plant and a steelmaking facility at the Berezovskoye deposit. Analysts, however, believe that the sum will suffice only to build a dressing plant with a capacity of up to 10mn metric tons of ore annually.

The Berezovskoye deposit of sideritic ores is situated in the south of the Chita Region (now the Trans-Baikal Territory). Its known reserves total 438mn metric tons of ore with an iron content of 36.6% to 50.6%, according to the Russian Federal Agency for Subsurface Use.

According to preliminary estimates, up to 71% of the ore reserves can be extracted from open-pit mining.

Vladivostok to host Third Pacific Economic Congress

The Third Pacific Economic Congress will be held in Vladivostok, on the Pacific coast, on June 25-26, 2009. It has been organised by the administration of the Primorsky Territory with the assistance of the Federation Council (upper house of Russia's parliament) and the ministries of regional development and economics.

The motto of the congress is "Russia and Asia-Pacific countries: from Cooperation to Integration." It will discuss ways to develop investment, innovation, trade and economic cooperation with the Pacific Rim countries, and the growing role of Russia's Far East in regional integration.

Eurasian Development Bank to manage Eurasec's Anti-crisis Fund

The Board of the Eurasian Development Bank (EDB) met in Almaty, Kazakhstan, last Friday to take decisions vital for the bank's effective management of the Eurasec's Anti-Crisis Fund.

In accordance with the decision of the Eurasec countries, Russia will provide 75% of the money (\$7.5bn), while Kazakhstan will donate \$1bn.

The Fund's money will be issued to member states in the form of sovereign

and stabilisation loans, and will also be used to finance interstate investment projects.

The EDB Board approved Deloitte as the bank's external auditor for 2009. The next meeting of the bank's Board is scheduled for November 2009 in St Petersburg.

Eurasec comprises Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan, while Moldova, Ukraine and Armenia have observer status.

The Eurasian Development Bank was established by Russia and Kazakhstan in 2006 to help boost investment across the former Soviet Union.

Power Machines delivers generating equipment to La Yesca hydropower plant

Russia's Power Machines has shipped the first batch of power generating equipment to the La Yesca hydropower plant being built in Mexico.

The company's press service said that under the contract worth over \$200mn Power Machines should produce and supply two 375 MW hydro-turbines, two hydro-generators and support equipment for the project.

The La Yesca project to become part of a hydroelectric cascade on the Rio Grande de Santiago River has been estimated at some \$800mn. The dam, one of the world's tallest, will be 722 ft (220 meters) high with a basin of 2.39bn cu m, the equivalent of Mexico City's water consumption over two years.

Power Machines is a leading Russian manufacturer and supplier of complex decisions in the field of power engineering.

Russian steelmakers complain about new US laws

Russian steelmakers used the first official visit by US President Barack Obama to Moscow to publicly complain about the new US laws adopted, in part, within Obama's anti-crisis package, business daily Kommersant writes.

In particular, a large steel producer, Novolipetsk Steel, had to halve production at its US plant, while steel and mining giant Mechel failed to implement the planned increase of coal production there.

Russian steelmakers claim that their American colleagues support their view, but analysts say positive changes are unlikely.

Boeing, VSMPO launch joint venture in Russia

US aircraft giant Boeing and Russia's VSMPO-Avisma, the world's top titanium maker, will launch their titanium venture on Tuesday, according to Reuters.

The venture, known as Ural Boeing Manufacturing (UBM), which had an initial investment budget of \$60mn, expects to produce \$700mn to \$900mn worth of titanium for the Boeing 787 Dreamliner. Boeing said last winter that supplies for the aircraft would begin in the first quarter of 2010.

VSMPO-Avisma, located in the Urals, exports some 65% of its output and has major aircraft firms, including Boeing and Airbus, among its clients. It will machine titanium forgings at the plant in Verkhnyaya Salda for further processing at Boeing's plant in Portland.

Castorama hypermarket unveiled in Voronezh

Castorama, a chain of DIY home and renovation hypermarkets, has opened a hypermarket in Voronezh in central Russia. The new hypermarket, worth RUR1bn (\$32mn, or €23mn), has become the chain's ninth asset in Russia.

INVESTMENT PROJECTS

VEB to finance Sollers' investment project

Russia's state development bank Vnesheconombank (VEB) has signed a

loan agreement with automaker Sollers to finance a car assembly project in Vladivostok (Primorye Territory, Russia's Far East) and auto components production in Yelabuga (Tatarstan).

The bank will open two credit facilities for Sollers' subsidiaries implementing the projects: Sollers-Far East (loan limit of RUR1.8bn), and Sollers-Shtamp (loan limit of RUR3.2bn).

The total cost of the project, which is to be implemented within six years, is RUR5.1bn (\$160.6mn, or €114.1mn).

The car assembly plant in Vladivostok will annually produce at least 10,000 vehicles of different models, including SsangYong offroaders, Isuzu trucks, and Fiat Ducato vans.

The auto parts stamping facility will be set up in the Alabuga special economic zone in Tatarstan to localise the production of Fiat Ducato, VEB reports.

These new production lines are expected to create over 1,000 jobs and to reduce the price of cars assembled in Russia.

Sollers, previously known as Severstal-Auto, is a large automaker in Russia controlling such manufacturers of automobiles and auto engines as UAZ and ZMZ and the producer of micro-cars, ZMA. The company said it boosted sales 28% in 2008, to 128,200 vehicles.

RusNano to invest in solar batteries

The Supervisory Board of the RusNano corporation for nanotechnologies has approved the idea of producing solar batteries for spacecraft and space stations jointly with the Kvant research and production association.

The batteries will be based on gallium arsenide, which allows increasing their efficiency to 32% from 15% in the case of silicon batteries. The new batteries will involve the use of three-stage 30-layer solar elements, each 10-15 nm thick.

The new batteries will meet global requirements. Their effectiveness in

space will be some 30%, and life span 15 years.

Atomenergoproject invests over \$81mn in Novovoronezh-2 nuclear plant

Atomenergoproject, general contractor for the Novovoronezh-2 nuclear power plant in the Voronezh Region (central European Russia), invested RUR2.5bn (\$81.3mn, or €57.1mn) in construction and assembly at the project in January-June 2009.

In July 2009, the company plans to disburse RUR690mn of investment.

Atomenergoproject, a 100% subsidiary of state holding Atomenergoprom, has designed the majority of nuclear power plants built in Russia, Eastern Europe and the CIS.

Russian road-building agency, Vinci Concessions sign agreement

Anatoly Chabunin, head of the Russian Federal Road Agency, and Louis-Roch Burgard, CEO of Vinci Concessions, Europe's leading operator of transport infrastructure concessions, have signed a concession agreement to finance, build and use part of the toll road between the 15th and the 58th km of the Moscow-St Petersburg route.

The average toll will be RUR3.60 (\$0.12, or €0.08) per km.

The construction is to start in 2010 after the concessioner proves its ability to pay for the project, and to be completed within 36 months.

The total cost of the toll part of the route will be RUR60bn (\$2bn, or €1.4bn), with RUR23bn (\$748mn, or €525mn) to be allocated by the Russian government and the rest attracted by the North-Western Concession Company.

Russian, Dutch automakers design new bus model

The Neftekamsk auto works (NefAZ) and the Dutch VDL group have designed

a new bus model, NefAZ, with the VDL chassis.

The three-axle 15 metre-long large capacity bus with 39 seats and a total capacity of 140 passengers has been designed for urban and suburban use. The bus weighs 25 metric tons, its maximum speed is 80 km/h (50 mph), and its fuel tank capacity is 318 litres.

The Neftekamsk automotive plant (NefAZ) is a Kamaz subsidiary producing dump trucks and buses on Kamaz chassis, as well as trailers, semi-trailers and tank trailers.

Established in 1953, the Netherlands-based VDL Group is an international industrial and manufacturing company. Its bus and coach division produces coaches, public transport buses, chassis modules, mini and midi vans.

Investment in YMZ-530 engines reaches \$94mn

Investment in a plant to manufacture YMZ-530 engines has reached RUR3bn (\$94.1mn, or €67.6mn), Igor Kulgan, CEO of GAZ Group's Powertrain Division, said at a presentation of MAZ trucks with YMZ-650 and YMZ-530 engines.

The engines are made at the Yaroslavl Diesel Engine Plant, Avtodiesel.

Aggregate investment was supposed to amount to RUR13.7bn, out of which RUR10.7bn was to be borrowed. That sum would have allowed launching a plant with a capacity of 110,000 engines annually, he said. However, the crisis forced the company to make adjustments.

"Now the first stage envisages a capacity of 60,000 engines annually," Kulgan said. The required sum of investment, considering that RUR3bn has already been provided, is RUR8.5bn.

At present, the group is expecting a RUR5.5bn loan from Vnesheconombank. All parameters of the loan have been coordinated, and now it is up to the government to make the decision, the official said.

Krasnaya Zarya builds \$120mn confectionary factory

The Ivanovo-based confectionary producer Krasnaya Zarya has completed the construction of a plant with a capacity of 30,000 metric tons of chocolate and waffles annually. Investment in the project has exceeded \$120mn, according to a statement by state agricultural bank Rosselkhozbank, which provided a loan for the construction.

The aggregate area of the new plant is 16,500 sq m (177,610 sq ft). It will employ about 400 people.

The launch of the new plant will make Krasnaya Zarya one of the biggest producers in the industry. The company plans to take up 4% of the Russian chocolate market and to enter foreign markets as well.

Sugar beet seed plant to be set up in Lipetsk Region

Russian Agriculture Minister Yelena Skrynnik, Lipetsk Region Governor Oleg Korolyov and Salis Karatkov, general director of Shchelkovo Agrochim, one of Russia's largest pesticide producers, have signed a cooperation agreement to increase the output of sugar beet seeds in the Lipetsk Region.

The deal envisages building a coated seed plant with a capacity of up to 400,000 sugar beet seeds in 2009-2010.

To implement the investment project, the Agriculture Ministry will issue federal budget subsidies to the central Russian region to encourage agricultural production there, with the local administration providing investor support.

Tambov Region to build pork plant

Russian Agriculture Minister Yelena Skrynnik, Tambov Region Governor Oleg Betin and Vladimir Gromov, general director of the Rusagro Group, one of Russia's biggest agro-industrial holdings, have signed an agreement to

establish a pork plant in the Tambov Region.

From 2009 through 2014, it is planned to build there a pig-breeding farm with a capacity of 1mn pigs annually, a feed plant to roll out 60 metric tons of feed per hour, and a slaughterhouse with a capacity of 320 pigs per hour.

Under the agreement, the Agriculture Ministry will grant federal budget subsidies to the Tambov Region, while the regional administration will provide assistance in building the infrastructure, including communications, and social facilities.

SZNK construction group sand quarry

The SZNK Group has commissioned its first sand quarry, Bukhary, in central Russia's Vladimir Region, with investment in the project exceeding RUR40mn (\$1.3mn, or €899,528).

The group has supplied the first sand from the quarry for a road construction project to expand Moscow's Yaroslavskoye and Dmitrovskoye highways.

The field's proven reserves amount to some 2mn cu m of sand with a potential increase.

SZNK is a holding of construction companies and organisations of northwest Russia handling a full range of construction works, from production and delivery of building materials to turnkey construction.

Boeing to invest \$27bn in Russian business within 30 years

Boeing has unveiled plans to invest up to \$27bn in Russia's aerospace sector within the next 30 years. The money will go to cooperation programmes with its Russian partners related to titanium production, design and development of civil aircraft, and also for acquisition of different services and materials.

By now, Boeing has already executed over \$5bn worth of contracts in Russia.

Boeing and Russian titanium producer VSMPO-Avisma have announced the launch of a joint enterprise, Ural Boeing Manufacturing (UBM) in Verkhnyaya Salda, Sverdlovsk Region, on July 7, 2009.

The new plant, equipped with cutting-edge equipment and technology, will machine titanium forgings for use on the Boeing 787 Dreamliner, and also for Russian aircraft.

National Reserve Corporation to build low-rise village in Kirov Region

The National Reserve Corporation plans to build a large settlement of low-rise cottages in the Kirov Region, said Alexander Lebedev, board chairman of the NRC, the majority shareholder in National Reserve Bank, one of Russia's largest.

In his words, one of Russia's largest companies building wooden houses could be re-registered from Cyprus to the Kirov Region.

The houses will cost up to RUR20,000 (\$637, or €456) per square metre.

China to build battery recycling plant in Irkutsk

Chinese businessman Jan Bo has arrived in Irkutsk (east Siberia) on the recommendation of the authorities of Shenyang, Irkutsk's fraternal city, and with the to invest some \$2mn in the construction of a plant to recycle batteries from across Russia.

Jan Bo is the owner of King Power, an empire that handles battery production and disposal and exports batteries to Japan, Germany, the United States and Singapore.

Lipetsk Region to accommodate Europe's largest meat plant

Cherkizovo Group, a leading Russian vertically integrated agro-industrial company, will build Europe's largest meat plant in the Lipetsk Region, said Oleg Korolev, governor of the southern Russian region.

He said the local baker and pasta maker, Lipetskhhlebmakaronprom, would establish two plants, and a cheese factory will be built in the Terbunyny regional economic zone. The planned unit investment dairy plant will boost competition on the dairy market in the interests of agricultural producers.

LAW AND LEGISLATION

Legislative initiatives: July 17-24, 2009

President Dmitry Medvedev proposed introducing a system of state employment for higher school graduates.

The government decided to experimentally introduce a new annual auto certification test system on January 1, 2010.

Several MPs submitted to the State Duma, the lower house of parliament, amendments to the law on advertising that stipulate new demands to the advertising of abortions.

The Federal Financial Markets Service drafted amendments to the law on the securities market that oblige the issuers to disclose information about the financial situation of guarantors.

The Industrial Policy Committee of the Federation Council, the upper house of parliament, proposed adopting the bill introducing responsibility for production and marketing of low-quality petrochemicals.

Prime Minister Vladimir Putin proposed expanding the powers of the heads of

budgetary establishments with regard to financing of their operation. In particular, he proposed giving them the right to freely use allocations for the so-called miscellaneous expenditure.

The Federal Anti-trust Service proposed allowing all banks to participate in the privileged auto loan programme.

The Government submitted to the State Duma a draft law on additional support to airlines.

The Industrial Policy Committee of the Federation Council supported the bill on state regulation of safety in the nuclear energy industry.

Legislative portfolio: July 17-24, 2009

The new terms for receiving state subsidies for the acquisition of Russian-made cars came into force.

President Dmitry Medvedev signed the decree on the establishment of the state road-building corporation, Avtodor.

The Federation Council ratified the treaty on the establishment of Eurasec's anti-crisis fund.

The Federation Council approved the bill to allow bookmakers for betting on horse racing.

The Federation Council approved the bill to replace the unified social tax with insurance premiums.

The Federation Council raised pensions for working during the Soviet era.

President Dmitry Medvedev signed the law to expand the possibilities of using the pension funds of those Russians who had not chosen a management company.

President Dmitry Medvedev signed the law on the use of cash registers by small businesses.

President Dmitry Medvedev signed the law on anti-corruption examination of laws.

President Dmitry Medvedev signed the law on loan cooperatives.

President Dmitry Medvedev signed the law on the use of state securities for recapitalisation of banks.

President Dmitry Medvedev approved the law on tax deductions for deals to buy land plots together with real estate standing on them.

President Dmitry Medvedev approved the law simplifying the registration of non-profit organisations.

President Dmitry Medvedev signed the law to postpone until October 1, 2009 the deadline for submitting the draft budgets for 2010 and the planning period of 2011-2012 to the State Duma.

Prime Minister Vladimir Putin signed the government resolution amending the customs tariff of crude oil, according to which a lower duty is stipulated for crude produced at 13 East Siberian fields.

Prime Minister Vladimir Putin signed the government resolution approving a general exception with regard to agreements between the buyer and the seller, and also agreements on joint research projects.

Prime Minister Vladimir Putin signed the government resolution to index the insured part of the labour pension by 7.5% on August 1, 2009.

The government distributed RUR70bn (\$2.25bn, or €1.58bn) of subsidies among regional budgets.

The government approved the new rules for placing the monies of the National Wealth Fund.

President signs law to approve Eurasec's anti-crisis fund

President Dmitry Medvedev signed the law on the ratification of the treaty establishing Eurasec's Anti-crisis Fund and the agreement on the management of the fund's monies.

The State Duma adopted the law on July 15, and the Federation Council approved it on July 18, 2009.

The Eurasian Economic Community, established in 2000, comprises Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan. Three other former Soviet republics – Armenia, Moldova and Ukraine – have observer status.

Code of Administrative Offences amended, other laws enforced

The amendments to the Code of Administrative Offences specifying the duration of investigation of such offences have come into force.

The law increasing the size of tour operators' capital, and the law introducing fines for violations of the marketing

rules for narcotic substances were enforced.

The Central Bank of Russia has limited the profitability of bank deposits.

The State Duma, the lower house of Russia's parliament, adopted the bill allowing higher schools to create small businesses.

Russia and Germany signed agreements to set up a Russian-German energy agency and to facilitate research and technical cooperation, and adopted several other documents.

The State Duma adopted amendments to the Labour Code with regard to labour safety standards and the law replacing the unified social tax with insurance payments.

The State Duma ended its spring session and adjourned until September 9.

Finance Ministry to increase mandatory motor vehicles liability insurance

The Finance Ministry has drafted amendments to the law on the mandatory liability insurance for motor vehicles, also known under its Russian acronym of OSAGO, to increase health and life insurance to RUR500,000 (\$15,730, or €11,160) from RUR160,000, and property damage insurance to RUR150,000 (\$4,720, or €3,350) from RUR120,000.

President Dmitry Medvedev submitted the treaty establishing the Anti-crisis Fund of the Eurasec countries for ratification to the State Duma.

The Federal Migration Service recommended its territorial divisions not to issue labour permits to foreigners who plan to work in retail trade.

The Justice Ministry drafted a law on compensations to victims of terrorist attacks.

A group of MPs submitted to the State Duma a draft law recommending that bookmaker's offices should be opened at racetracks.

MP Konstantin Shipunov submitted to the State Duma a draft law allowing banks to terminate account agreements if a client conducts suspect transactions.

President Dmitry Medvedev instructed the Prosecutor General's Office to consider setting up an international court for trying sea pirates.

The Economic Development Ministry drafted a government resolution to harmonise laws with legislation on land and construction relations.

The government proposed limiting the right of retail chains to buy new premises.

President Medvedev proposed approving harsher responsibility for the sale of tobacco and alcohol to minors, and also suggested that the age of candidates to representative bodies of municipal authority should be lowered to 18 years.

Legislative initiatives: June 26-July 3, 2009

The government decided to approve the main parameters of the draft budget for 2010-2012 by July 27, 2009.

In the context of the energy-saving bill discussed at the State Duma, the lower house of parliament, President Dmitry Medvedev said at the State Council's meeting in Arkhangelsk that emergency measures must be taken to promptly introduce innovations in the sphere of renewable energy, hydrogen and nuclear power generation.

The Federal Anti-trust Service proposed introducing criminal responsibility for failure to place state orders with enterprises.

The Federal Financial Markets Service drafted new capital adequacy requirements for professional market players,

which stipulate raising it by at least 200% to enhance capitalisation and consolidation on the stock market.

Legislative portfolio: June 26-July 3, 2009

Prime Minister Vladimir Putin signed the government resolution raising the oil export duty to \$216.6 from \$152.8 per metric ton on July 1, 2009.

President Dmitry Medvedev signed the law on the terms of allocation of financial assistance from the housing and utilities support fund.

Russia and Belarus signed a memorandum on controlling the safety of imported livestock and fish breeding products.

The lower house of parliament adopted the bill postponing the submission of the draft federal budget to the State Duma.

The State Duma prolonged the operation of the dacha amnesty law, which introduced amendments to the registration of real estate rights in the countryside, until March 1, 2015.

The State Duma adopted the bill on the powers of prosecutors during examination of laws for corruption loopholes.

The State Duma adopted in the second reading the bill expanding the possibilities for investing pension savings in absence of direct instructions.

The State Duma adopted the bill changing the terms for the buyout of leased property.

The State Duma approved a statement on ensuring the safety of Russian tourists.

The lower house of parliament, the State Duma, adopted in the first reading the bill on the powers of customs brokers.

State Duma approves mortgage loans for non-residential premises

The lower house of Russia's parliament, the State Duma, has adopted in the third reading amendments to the law on mortgage to allow taking out mortgage loans for non-residential premises.

The basic law on mortgage will be amended to include a clause according to which a building or some other structure with a land plot, or other non-residential premises acquired on a bank mortgage loan or a target loan, shall be considered to be in pledge as of the day of state registration of the borrower's right of ownership.

The authors of the law say the ability to take non-residential premises in pledge will guarantee the interests of lending establishments, which will therefore be able to issue loans to small and medium-sized businesses for the purchase of non-residential premises.

MACRO-ECONOMICS

Russia to reduce dependence on imported pork, poultry by 2012

The dependence of the Russian market on imported pork and poultry may diminish by 2012, Itar-Tass quoted Russian First Deputy Prime Minister Viktor Zubkov as saying.

"Last year, pork imports accounted for 29% of the market and poultry imports for 36%," he said. "This is too much. Now we have managed to reverse the trend in favour of domestic production, and imports have been falling," he pointed out.

The government has already allocated over RUR300bn (\$9.8bn, or €6.9bn) worth of investment loans for development of specialised meat animal breeding. Subsidies for pedigree animal breeding have been increased by 40% this year, and the government reimburses 100% of the refinance rate on subsidised loans to agricultural producers.

It has also decided to set up a specialised pedigree selection centre and reserved RUR3bn for regional programmes that promote meat animal breeding.

Producers' petrol prices up 25% in June

Retail petrol prices grew 8.8% in June 2009 but dropped by 2.8% since the beginning of the year, reported the Federal State Statistics Service. Petrol producers' prices surged 25% in June and 44% since the beginning of the year.

An increase in retail petrol prices in June was registered in 77 regions of Russia, the biggest one seen in the Altai Republic (up 28.1%). In Moscow and St Petersburg, they grew 3.3% and 6.1% respectively.

An increase in producers' prices was seen in 17 regions (ranging from 0.2% in the Tyumen Region to 57.5% in Bashkortostan).

The average consumer petrol price in June was RUR16.90 (\$0.55, or €0.39) per litre for A-76, AI-80 and other low-octane fuels, RUR19.72 (\$0.64, or €0.45) for AI-92 and AI-93 regular, and RUR21.53 (\$0.70, or €0.49) for AI-95 and other premium and super fuels.

The average producers' prices were RUR9.42 for low-octane, RUR11.67 for regular, and RUR12.27 for premium and super petrol.

This means that retail petrol prices in Russia in June were higher than producers' prices by 70%-80% on average against 60%-70% in June 2008.

Russia's foreign trade down 45.8% in 1h09

In the first six months of 2009, Russia's foreign trade fell to \$158.6bn, down 45.8% compared to the same period of last year, according to the Industry and Trade Ministry's report on industrial production and retail trade in January-June.

According to the ministry, exports in January-May equalled \$100.2bn, down 47.6% year on year, while imports plunged by 42.3% to \$58.4bn.

Despite the crisis, domestic retail turnover did not drop significantly in January-July and was 97% against the same period of last year.

Russian producers suffer losses of \$2bn from other countries' restrictions

Losses incurred on Russian producers by other countries' restrictions are estimated at around \$2bn, according to the Economic Development Ministry's monitoring of Russia's social and economic development in the first six months of 2009.

As of July 1, 2009, there were 93 restrictions on Russian goods in place that were introduced by foreign countries to protect their own markets. Out of them, there were 42 anti-dumping measures, seven special protection measures, and 44 non-tariff trade regulation measures, including administrative regulation.

A total of 21 countries have restrictions against Russian goods, namely Australia, Argentina, Armenia, Belarus, Brazil, India, Indonesia, Kazakhstan, Kyrgyzstan, China, Mexico, Moldova, Peru, Azerbaijan, Turkmenistan, Uzbekistan, the United States, Thailand, Turkey, Ukraine, South Korea, the Philippines, and also all the EU member states as a single customs union.

Over half of all anti-dumping measures are aimed against Russian steel and steel products. The second biggest amount of restrictions is related to mineral fertilisers.

Car production in Russia plunges by 60% in 1h09

Car production in Russia plummeted by 60% in the first six months of 2009. Production of trucks and buses fell by 72.5% and 63.5%, respectively, the Industry and Trade Ministry said in a statement.

Production of foreign cars fell by 53.4% and of domestic brands by 65.1%.

Production of trucks was down 72.5% to 39,400. A decline was seen at all truck producers.

Production of foreign trucks fell by 44.6% against January-June 2008 to 3,100. Production of buses was down 63.5% to 13,200.

Inflation in Russia may reach 10%-11% by yearend

Inflation in Russia this year will be below the planned 13%, said Russian President Dmitry Medvedev. However, it will still be too high, he believes.

"We should curb inflation to 4%-6%," he emphasised.

Earlier, it was reported that the inflation rate in Russia was 7.9% from January 1 to July 20, 2009, compared to 9.3% in the same period of last year.

The Economic Development Ministry has downgraded its inflation forecast for the year from 13% to 12%-12.5%. Last year, inflation in Russia was 13.3%.

Investment in Russia down 20% in June

Investment in fixed assets in Russia dropped by 20.1% in June 2009 compared to June 2008, reported the Federal State Statistics Service. In May, investment was down 23.1%, in April 16.2%, and in March 15.4%.

Investment in nominal terms equalled RUR671.1bn (\$21.4bn, or €15.1bn) in June, up 18.2% from May.

In the first six months of 2009, investment fell by 18.2% against the same period of 2008, when it had grown 19.9% against January-June 2007.

Russia's GDP down 9.8% in June

In June 2009, Russia's gross domestic product fell by 9.8% year-on-year to RUR8.4828tn (\$270.4bn, or €190.8bn), reported the Federal State Statistics Service.

The industrial production index for the period was 87.9% against June 2008.

Putin expects gas demand to recover, exceed pre-crisis level

Gazprom's adjusted investment programme for 2009 will amount to RUR775bn (\$23.44bn, or €16.84bn), Russian Prime Minister Vladimir Putin said at a meeting of the government presidium.

The gas giant's programme should preserve top priority projects, such as "development of new fields on the Yamal and Kamchatka, diversification of gas transportation routes, and development of capacities producing liquefied natural gas," he said.

In the first six months of 2009, gas production in Russia dropped by 20.8%, Putin said. However, he said he was positive that as the economy recovered gas consumers both in Russia and abroad would start increasing their acquisitions within the next few months and that demand for gas would not only recover, but would also significantly exceed the pre-crisis level in the long run.

Russians see economic crisis, weak industry and agriculture as key national threats

Among major national threats Russia is facing today, the first place belongs to the economic crisis and to weak industry and agriculture, according to a

survey conducted by the VTsIOM pollster. This answer was given by 11% of respondents.

As many as 9% of Russians believe that the biggest threats are alcoholism, drug addiction and general degradation of the population, while 7% named a military threat on the part of the United States, NATO or the West in general and the possibility of a third world war.

Fewer people fear inflation, the authorities' indifference towards people, Russia's breakup, society's stratification into the rich and the poor, and exhaustion of natural resources (1% per each reason).

As many as 39% of respondents could not name any threats the country is facing.

Russia to continue decreasing meat import quotas

Russia will continue its policy of a gradual decrease of meat import quotas, First Deputy Prime Minister Viktor Zubkov told journalists in the Tyumen Region.

However, there should not be a ban in order not to affect the prices drastically, he added. Quotas will be decreased depending on domestic balance of meat production and consumption, Zubkov said.

Russian economy remains extremely closed – World Economic Forum report

Russia remains one of the world's most closed trading economies, preceding only Chad, Cote d'Ivoire, Venezuela and Zimbabwe, reads a report prepared by the World Economic Forum.

The Global Enabling Trade Report placed Russia 114th out of 121 nations in terms of ease to trade with, behind such economies as Ethiopia, Mauritania and Pakistan. The US ranked 16th, one spot ahead of France but four behind Germany. The survey found that the most open economies in the world were Singapore, Hong Kong and Switzerland.

The report, which debuted last year, determines comfort of trading by such factors as efficiency of customs administration, availability and quality of transport infrastructure, tariffs, and business administration (corruption).

Russia's foreign trade surplus down 53% in January-May

In January-May 2009, the surplus of Russia's foreign trade equalled \$41.9bn, down 53.4% from \$89.97bn in the same period of last year, reported the Federal Customs Service.

Surplus in trade with countries outside the CIS dropped by 55.6% to \$33.3bn, and in the CIS by 42.6% to \$8.6bn.

Russia's foreign trade turnover in the specified period equalled \$158.6bn, down 45.8% compared to January-May 2008.

Trade with countries outside the CIS equalled \$135.3bn (down 45.6%) and in the CIS \$23.3bn (down 46.9%).

Exports from Russia fell 47.6% to \$100.2bn. The value of exports to countries outside the CIS plunged 47.9% to \$84.3bn and to the CIS, 45.9% to \$15.9bn.

Imports in the first five months of 2009 equalled \$58.4bn, a drop of 42.3% against the same period of last year. Imports from outside the CIS fell 41.2% to \$51bn and from the CIS, 49% to \$7.4bn.

Russia's main trading partners outside the CIS in the specified period were China (bilateral turnover dropped 38.4% to \$13.3bn), Germany (\$13.2bn, down 54.2%), the Netherlands (\$12.5bn, down 48.8%), Italy (\$10.9bn, down 46.9%), Turkey (\$7bn, down 49%), the United States (\$5.9bn, down 36.8%), Japan (\$5.6bn, down 48.8%), France (\$5.6bn, down 37%), Finland (\$5.1bn, down 46.1%), and Poland (\$5.4bn, down 54.1%).

Inflation in Russia reaches 7.4% in 1h09

The inflation rate in Russia was 0.6% in June and 7.4% in the first six months of

2009, reported the Federal State Statistics Service.

In 2008, inflation was 1% in June and 8.7% in the first half of the year.

The basic inflation (without short-term uneven fluctuations of prices under the influence of some administrative and seasonal factors and events) was 0.3% in June and 6% in January-June 2009.

In Moscow, the inflation rate was 0.8% in June and 8% in the first six months. In St Petersburg, it was 0.5% and 7.9% respectively.

Budget 2010 based on oil price of \$55

The Russian Finance Ministry expects the average price of oil to be \$54 per bbl in 2009 and \$55 per bbl in 2010, said Minister Alexei Kudrin. The adjusted version of the 2009 budget is based on an oil price of \$41 and a GDP drop of 2.2%.

High oil prices will bring more revenues, but they will still not exceed the amount envisaged by the latest version of the budget, the minister added.

According to the latest forecasts, GDP in Russia may plummet by 8.5% this year, instead of the earlier predicted 2.2%.

Kaluga Region top candidate for National Innovation System project

The United Russia party presented a project, "National Innovation System," at a meeting of the Advisory Council at the Kaluga Region governor's office in Obninsk. The project stipulates providing assistance to companies active in the innovation sphere in order to develop Obninsk as a science town.

Maxim Shereikin, the Kaluga Region's economic development minister, said the region was among the leaders in the Central Federal District for socio-economic development. Investment in the region has exceeded \$1bn, which made it a top candidate for participation in the project, while

Obninsk became the first town to host a public presentation of the project.

Regional industrial zone to be set up in Lipetsk Region

The project for establishing a regional industrial zone in Yelets in the Lipetsk Region has been declared winner at a competition held by the south Russian region.

An area of 269.7 hectares (666 acres) has been allocated for the zone near the village of Olshanets, where plants to process food and produce and store combined feed, as well as processing facilities will be built.

Total investments by zone residents are expected to reach RUR12.6bn (\$403mn, or €288mn) in 2010-2017.

Public catering sees drop in revenues

Revenues of Russian public catering companies dropped by 11.2% in May 2009 against May 2008 to RUR57.6bn (\$1.85bn, or €1.31bn), reported the Federal State Statistics Service.

The aggregate turnover of cafes, restaurants, bars and canteens in January-May amounted to RUR275.5bn (\$8.85bn, or €6.27bn), down 8.2% from the same period of last year.

In 2008, the Russian catering sector saw an annual growth of 10%-15%, slowing down to 5% only in December.

At the beginning of 2009, Russia had 27,400 restaurants and cafes, 3,300 bars and 3,470 canteens and stores selling semi-finished foods.

Budget revenues from customs down 42%

In June 2009, the Russian customs transferred RUR227.29bn (\$7.3bn, or €5.2bn) to the federal budget, down 42% from RUR391.57bn a year ago, reported the Federal Customs Service.

In the first six months of the year, the Service transferred RUR1.31166tn

(\$42.1bn, or €29.9bn) to the budget, down 37.5% from RUR2.15926bn in the same period of 2008.

Russian residents' foreign debt down 6.8% in 1q09

Russian residents' foreign debt dropped 6.8% in the first quarter of 2009, to \$450.8bn on April 1 from \$483.5bn on January 1, announced the Russian Central Bank.

The foreign debt of government bodies fell to \$27.6bn from \$29.5bn, with the debt of federal government bodies dropping to \$26.4bn from \$28.2bn.

The banking system's foreign debt (excluding capital participation) fell to \$146.4bn from \$166.3bn in the specified period, while the debt of non-financial companies (excluding capital participation) was down to \$274.3bn from \$284.4bn.

MERGERS AND ACQUISITIONS

Magna, Sberbank to divide Opel stake 50:50

Magna International Inc, Canada's largest auto parts maker, will file a bid for a stake in German carmaker Opel, a division of the US concern General Motors, according to Bloomberg.

Magna would acquire 27.5% of Opel compared with the earlier proposal of 20%. State lender Sberbank, Magna's Russian partner, would own 27.5% instead of a planned 35%, the company said.

The Magna-Sberbank partnership would invest €700mn in Opel, the Magna spokesman said. The proposal calls for €4.5bn in loan guarantees from European governments.

Earlier, German Economy Minister Karl-Theodor zu Guttenberg said they did not rule out Opel's bankruptcy, adding that several important questions needed to be clarified before making a decision to sell Opel.

Russian M&A market down 50% in 1h09

The volume of the Russian M&A market totalled \$46.16bn or 314 transactions in the first half of the year, including 174 (\$18.55bn) involving a change of the controlling beneficiary and 140 deals (\$27.51bn) without such a change.

According to information analytical group M&A Online, 49 deals worth \$5.16bn were reported in June.

NEWS OF KEY COMPANIES

Uralsib to set up Russia's largest loan fund

Financial Corporation Uralsib will set up Russia's largest loan fund, Korporativny (Corporate), worth RUR3bn (\$94.5mn, or €67.1mn).

Alexander Pugach, head of asset management at Uralsib, told RBC Daily they would use the fund to securitise a pool of loans and thereby improve its liquidity.

Market players say that securitisation (pooling and repackaging of cash-flow-producing financial assets into securities, which are then sold to investors) is possible only if there is demand from the fund's investors, which will depend on the quality of the loan portfolio and its profitability.

Norilsk Nickel denies meeting with UniCredit Securities

Management of Norilsk Nickel has "held no meetings with representatives of UniCredit Securities and made no declarations with regard to dividend amounts, anticipated financial results or any plans concerning corporate assets," the company said in a statement.

Therefore, the Company deems statements and figures presented in the UniCredit Securities' analytical review inaccurate.

Earlier it was announced that the Norilsk Nickel board of directors decided not to pay 2008 dividend. "As for any future dividend payout, the decision will depend on the Company's financial liabilities including debt repayment requirements and 2009-2010 investment programme execution, as well as on its financial performance as reported in IFRS compliant statements," the statement reads.

Norilsk Nickel is a diversified mining and metal producing company, the world's largest producer of nickel and palladium and one of the global leaders in the production of platinum, cobalt, copper and rhodium.

Tenex to supply low-enriched uranium to US

Techsnabexport (brand name Tenex) has signed the 6th long-term low-enriched uranium contract with Constellation Energy Nuclear Group (CENG).

Under it, Tenex will supply part of CENG's nuclear fuel requirements in 2015-2025. Low-enriched uranium will be supplied from any of the four Russian enrichment plants equipped with cutting-edge centrifuges.

The deal follows the signing of five agreements on uranium supplies signed in May and June between Tenex and American companies. The first two agreements were approved by the US Department of Commerce.

Techsnabexport, a Russian company that exports goods and services produced by the nuclear power sector, is a 100% subsidiary of state nuclear group Atomenergoprom.

CENG is a division Constellation Energy, a leading supplier of energy products and services to wholesale and retail electric and natural gas customers, with three nuclear stations (five reactors) in the states of Maryland and New York.

Rusal not to increase aluminium production until middle of 2011

United Company Russian Aluminium (UC Rusal) does not intend to increase

its output until the middle of 2011, when it plans to launch the first lines of the Taishet and Boguchany aluminium plants, expecting the balance of supply and demand on the global market to fully recover by that time, the company's press service announced quoting Alexei Arnautov, director of Rusal's aluminium division.

Earlier it was reported that Rusal planned to reduce aluminium production in 2009 by 500,000 metric tons, or 11%.

X5's discounters report unprecedented profit for 2q09

The consolidated net retail sales of X5 Retail Group, Russia's largest retailer in terms of revenue, surged 46% in roubles (to RUR67.826bn) and by 7% in US dollars (to \$2.100bn) in the second quarter of 2009 year on year, the company said in a press release.

On a pro-forma basis, net retail sales grew 26% in roubles and dropped 8% in dollars due to the rouble's devaluation (down 34%).

In the second quarter of 2009, the company discounters' LFL sales grew 11% in rouble terms year-on-year, supported by 6% traffic growth. Moscow and regional stores reported record high traffic growth of 13% and 16%.

In 2q09, X5 added a net 20 stores, including 14 soft discounters, two supermarkets and four hypermarkets with a total net selling space of 28,700 sq m (308,930 sq ft).

Pharmstandard becomes first Russian member of IPEC Europe

Pharmstandard, the third largest pharmaceutical company operating in Russia, is the first Russian company to become a full member of the International Pharmaceutical Excipients Council Europe (IPEC Europe), reads the company's press release.

This was made possible thanks to the organisation's strategy to expand and invite new members. At present, IPEC Europe has 79 full members, including Eli Lilly, GlaxoSmithKline, Merck, Novartis, Pfizer, Sanofi-Aventis, Solvay, etc.

AllTech Group seeks partners to develop field

AllTech Group plans to invest \$3.2bn in gas refining in the Nenets Autonomous Area (northeast of European Russia) and is seeking partners for these projects, the Vedomosti business daily writes.

AllTech has obtained an oil and gas licence for the Korovinsky block in the Nenets area.

Though the block's total reserves have not been assessed yet, one of the fields, the Korovinskoye gas condensate field, contains 40.85 bcm (1.44 tcf) of C1 natural gas.

AllTech Group is an asset management company active in the oil and gas sector (CH-Oil&Gas LLC), the coal and chemicals industry (JSC Siberian Anthracite) and development projects in the Moscow Region (AllTech Development).

Total assets managed by the Group exceed \$2bn.

EBRD to lend \$500mn to Russian Railways

The European Bank for Reconstruction and Development (EBRD) is planning to provide a \$500mn loan to Russian Railway. The bank's board of directors will discuss the issue on July 14, 2009.

The rail monopoly expects to receive the long-term loan – for 10-15 years – at the end of July or the beginning of August.

Earlier, its senior vice president said: "The borrowing will not cost more than rouble bonds. It will be used to restructure our debt."

This year, Russian Railways has placed several issues of rouble bonds with rates ranging between 14.25% and 15% annually.

Russian companies prefer issuing rouble bonds

Russian companies shut out of the international debt markets are selling

more rouble bonds than dollar notes for the first time since 2006, London financial analysts say.

Foreign investors' interest in the Russian market is the result of the Russian government's policy, which prevented the national currency's plunge after the collapse of global oil prices and supported the rouble's appreciation and growth.

The Russian rouble is one of the most attractive currencies among emerging economies.

RusNano attracts \$500mn to Russian innovations fund

US investment fund DFG is prepared to invest some \$500mn in establishing an innovations fund in Russia. The intention was announced at DFG's talks with RusNano, said Anatoly Chubais, head of the nanotechnologies corporation.

Chubais said that RusNano's supervisory board had decided to establish funds, in particular venture and seed ones. The largest of them will be worth \$1bn, with half of the money to be provided by DFG.

RusNano plans to use the funds to attract additional money from private investors in Russia and abroad for nanotech projects, for encouraging the transfer of cutting-edge international technologies to Russia, and for creating additional market mechanisms of assisting projects at different stages of development.

Trading in wheat futures up by over 8% in Russia in six months

The volume of Russian wheat futures grew by over 8% in January-June 2009 at the National Mercantile Exchange (NME), a division of the MICEX, to RUR24.2bn (\$779.6mn, or €551.9mn), or 72,000 contracts for a total of 4.6mn metric tons.

The MICEX and the NME said in a joint press release that the largest monthly turnover on the market of wheat futures at the NME was registered in

June – RUR4.1bn, or 12,430 contracts for a total of 787,480 tons, up nearly 9% month on month.

Aggregate turnover on the wheat futures market from April 9, 2008 to June 30, 2009 amounted to 9.7mn metric tons of grain worth RUR50.6bn.

RATINGS

S&P revises outlook on Ingosstrakh to negative, affirms rating

Standard & Poor's Ratings Services has revised its outlook on Russian Ingosstrakh Insurance Co to Negative from Stable. At the same time, it affirmed the BBB- long-term counterparty credit and insurer financial strength ratings and the ruAA+ Russia national scale rating of the insurer.

The negative outlook reflects heightened industry and country risk and the possibility of further deterioration of Ingosstrakh's investment portfolio quality.

Ingosstrakh Insurance Co continues to demonstrate strong competitive advantages in Russia and the management team has maintained a positive track record, the rating agency said.

REGIONS

Tatarstan produced over 16mn tons of oil in 1h09

Oil companies in Russia's Volga republic of Tatarstan produced 16,066,886 metric tons (118.1mn bbl) of oil in the first half of 2009. Of that amount, the republic's largest crude producer, Tatneft, accounted for 12,792,565 tons (94mn bbl), up 1.7% from the target plan.

The company said 12,829,760 tons (94.3mn bbl) of oil had been shipped,

including 571,140 tons (4.2mn bbl) in excess of the plan.

STATE CONTROL

FAS to hear case against Microsoft on September 7

A commission of the Federal Anti-trust Service (FAS) of Russia has started hearing the case against Microsoft for violations of anti-trust legislation.

The FAS press service said that, in keeping with a court ruling, the FAS commission decided to postpone the hearing at Microsoft's request.

The corporation is charged with violating the Russian law on competition.

The anti-trust authority accused Microsoft of abusing its dominant position in the operating system market by pulling Windows XP from retail in June 2008, thus forcing users to buy Vista even though demand for the former remained high, and of setting different prices for the same product, a possible reference to the practice where Microsoft lets computer makers factory-downgrade PCs to XP Professional from either Vista Business or Vista Ultimate, the two highest-priced retail editions of that 2007 operating system.

Anti-trust watchdog to collect multimillion-dollar fines from oil majors

Russia's Federal Anti-trust Service expects to collect hundreds of millions of dollars from the largest Russian crude producers – Rosneft, LUKoil, TNK-BP and Gazprom Neft – for hiking prices on the petrochemical market again.

We hope to win the lawsuit filed against them in the Supreme Arbitration Court, said Igor Artemyev, head of the regulator.

"The fine will be larger than the first time because this is a second offence," he said.

STOCK MARKET

Evraz to raise \$900mn through bonds, GDR

Evraz Group, one of Russia's biggest steel producers, intends to raise \$900mn via a \$600mn convertible bond offering with maturity in 2014 and a \$300mn issue of global depositary receipts (GDRs) on the London Stock Exchange, the company said in a statement.

The money will be used to refinance its debt and for corporate purposes, said the company, which is part-owned by billionaire Roman Abramovich.

Evraz's main shareholder, Lanebrook (77.6%), intends to sign up for \$400mn, acquiring bonds and GDR in approximately equal parts.

The placements will be coordinated by Goldman Sachs International and Morgan Stanley & Co. Deutsche Bank AG will act as the bookrunner and Lazard & Co as the company's financial advisor.

