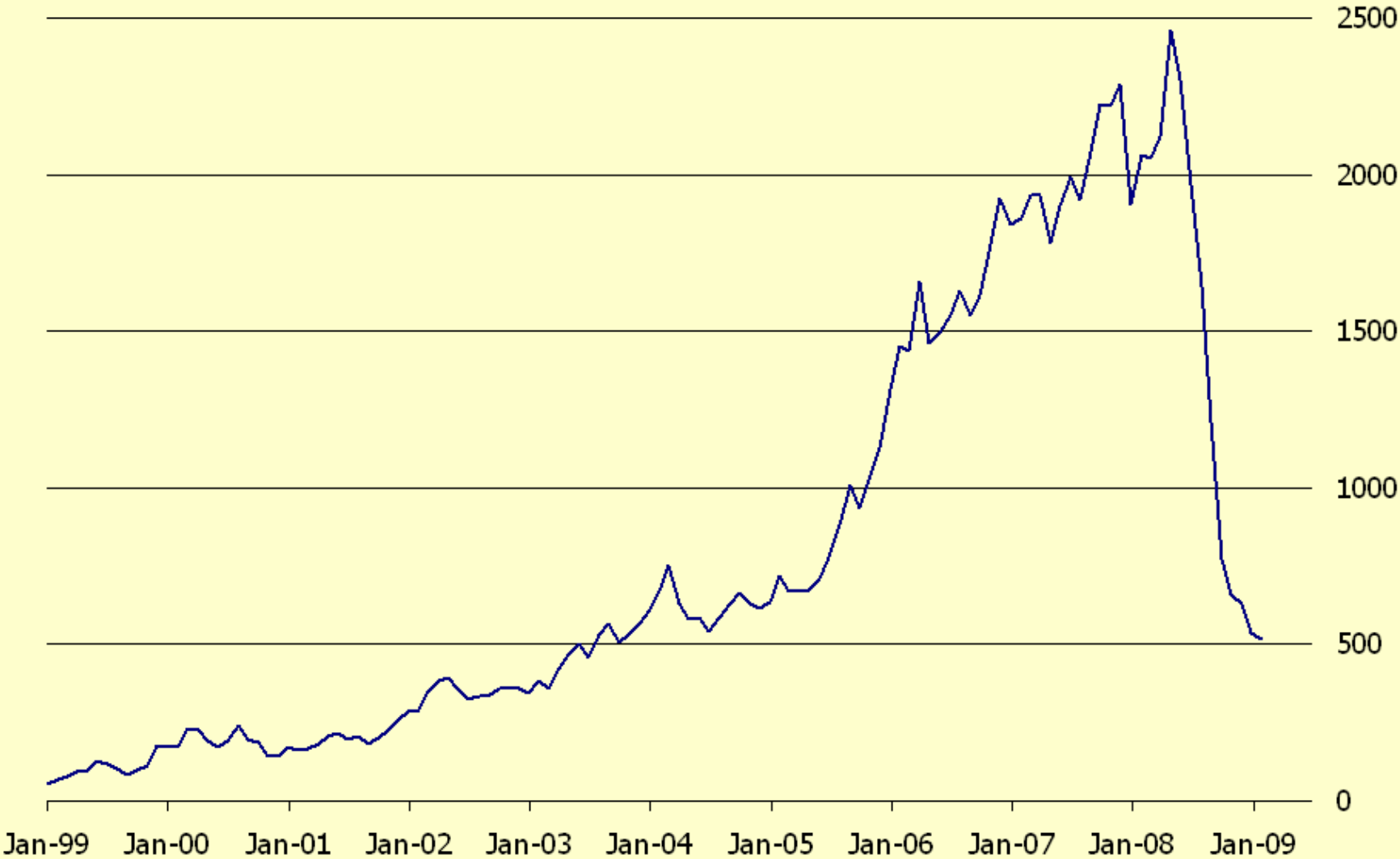


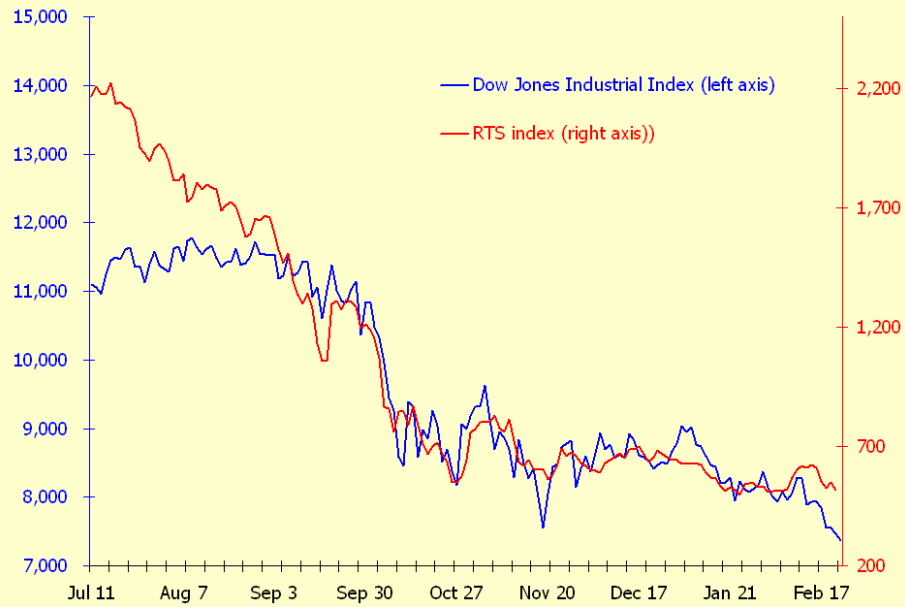
# Russia, Global Stock Markets, and Oil

- Russia's stock market index, the RTS, has lost more than other global markets in the crisis.
  - Compare the RTSI and the Dow Industrial Average
- The explanation is that Russia is following the oil price more closely than it does the global stock market indices
  - Compare the RTSI and the world oil price
- **Russia is all about OIL**
  - **The Boom, the Bust, and the Recovery**

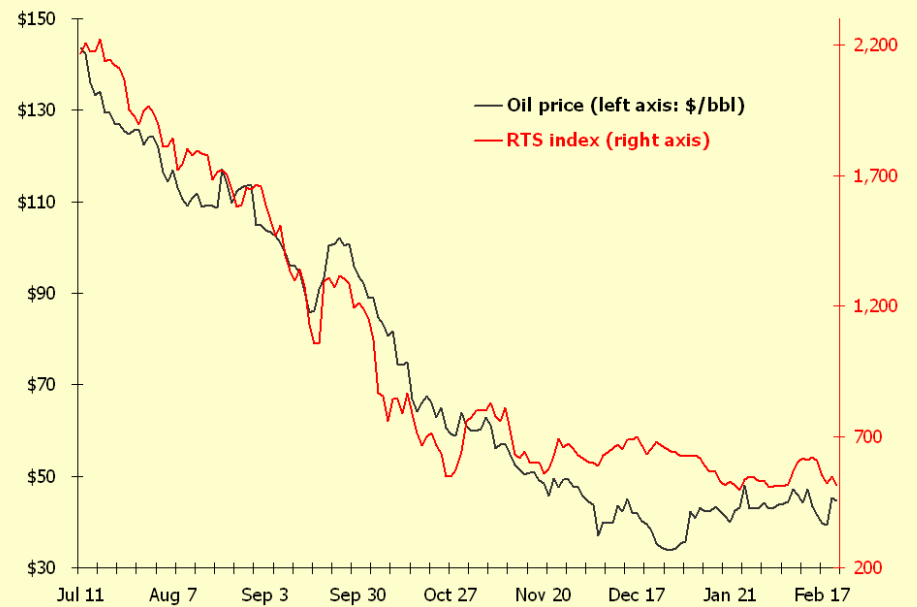
# RTS Index, 1999-2009



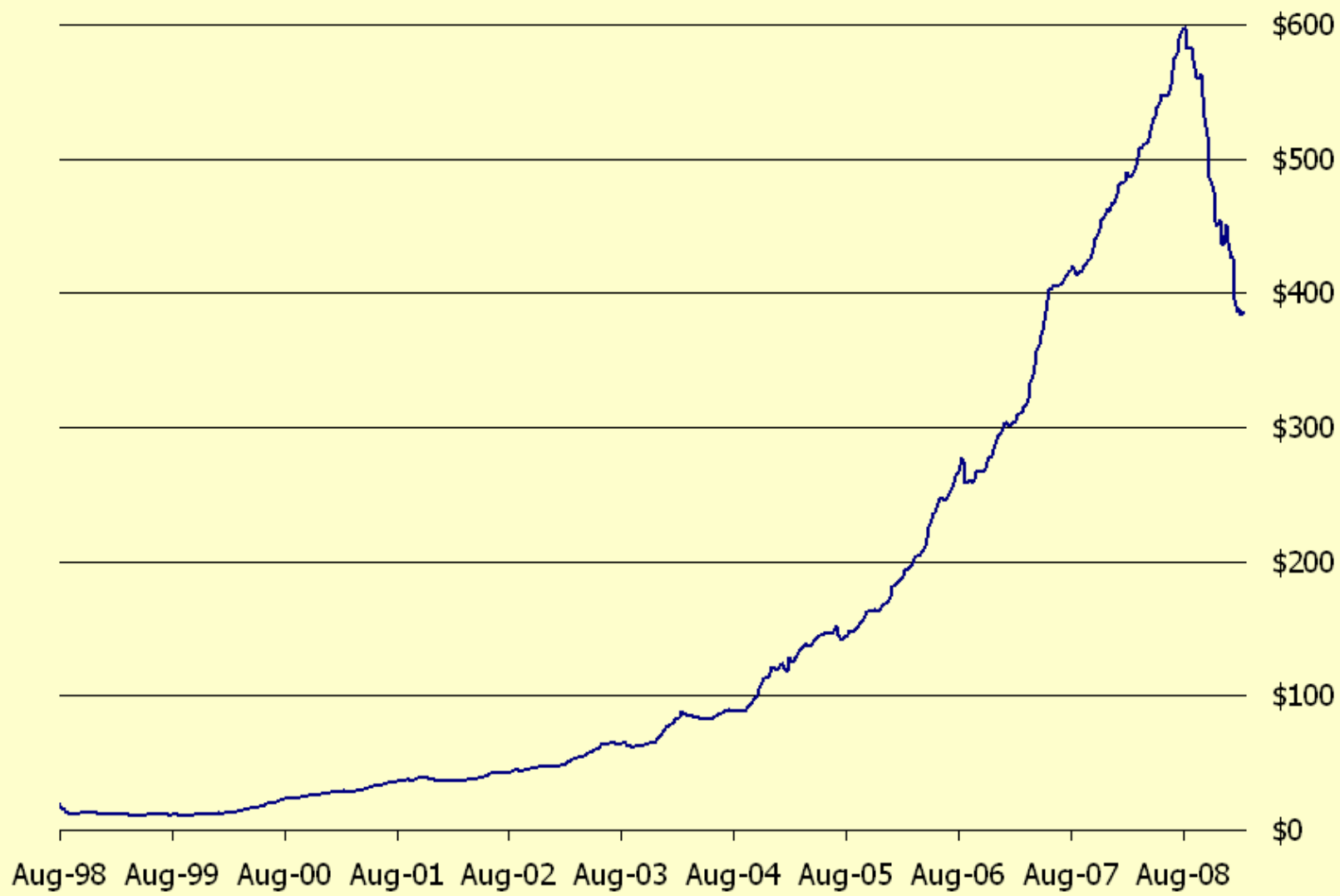
### RTSI and the Dow, July 11, 2008 to present

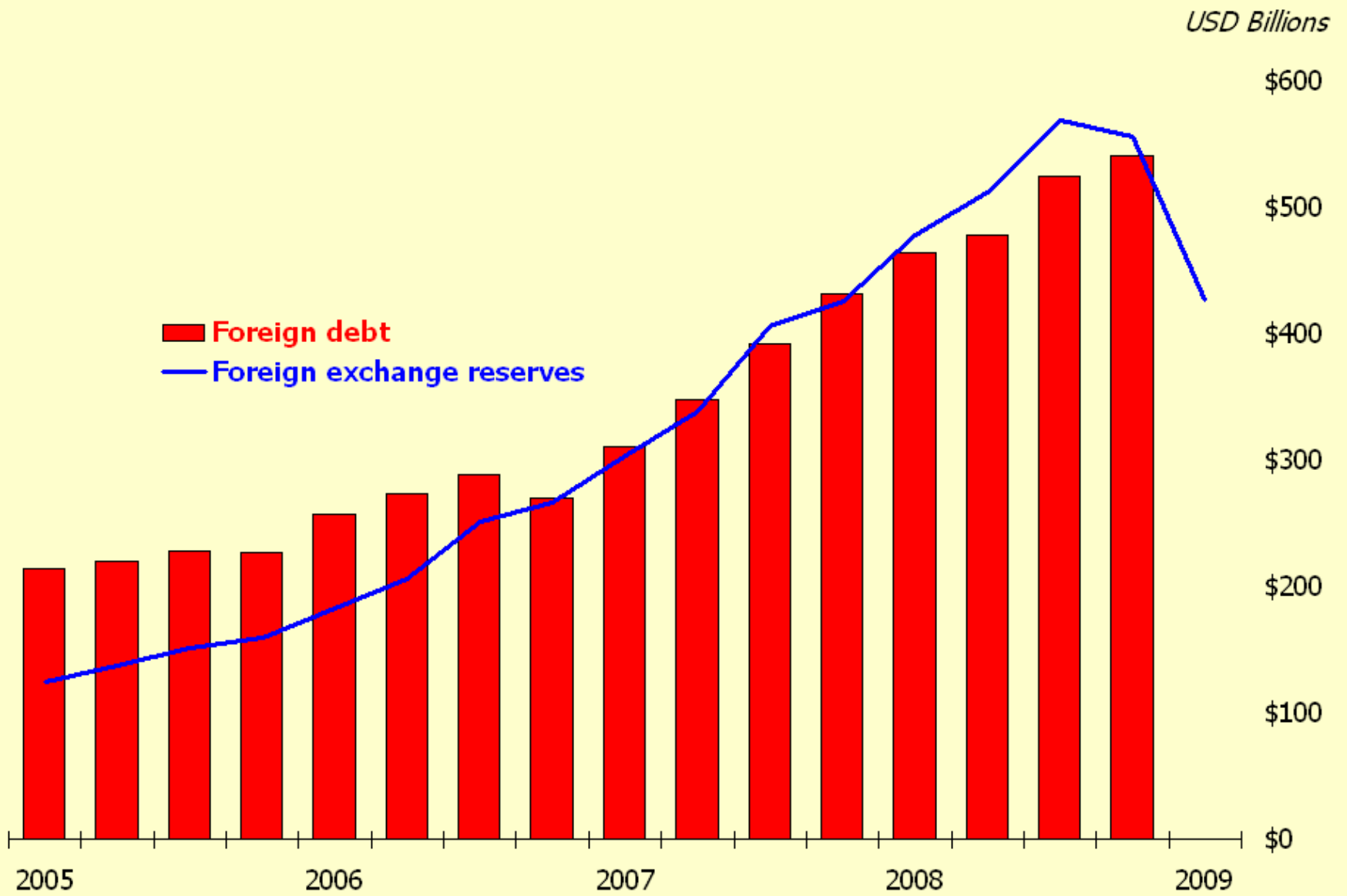


### RTS index and oil price, July 11, 2008, to present

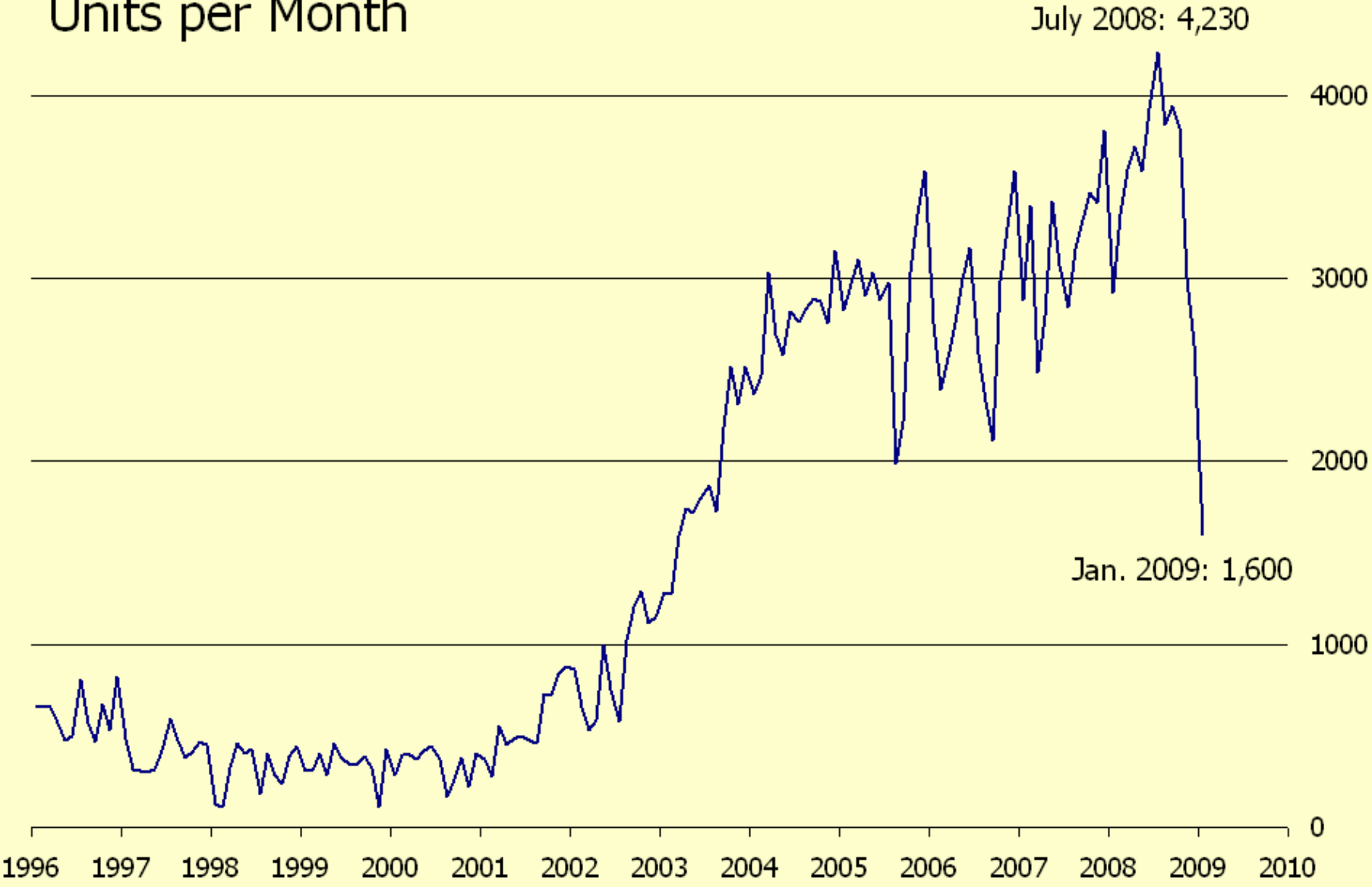


## Russia's Foreign Exchange Reserves, 1998-2009 (USD billions)



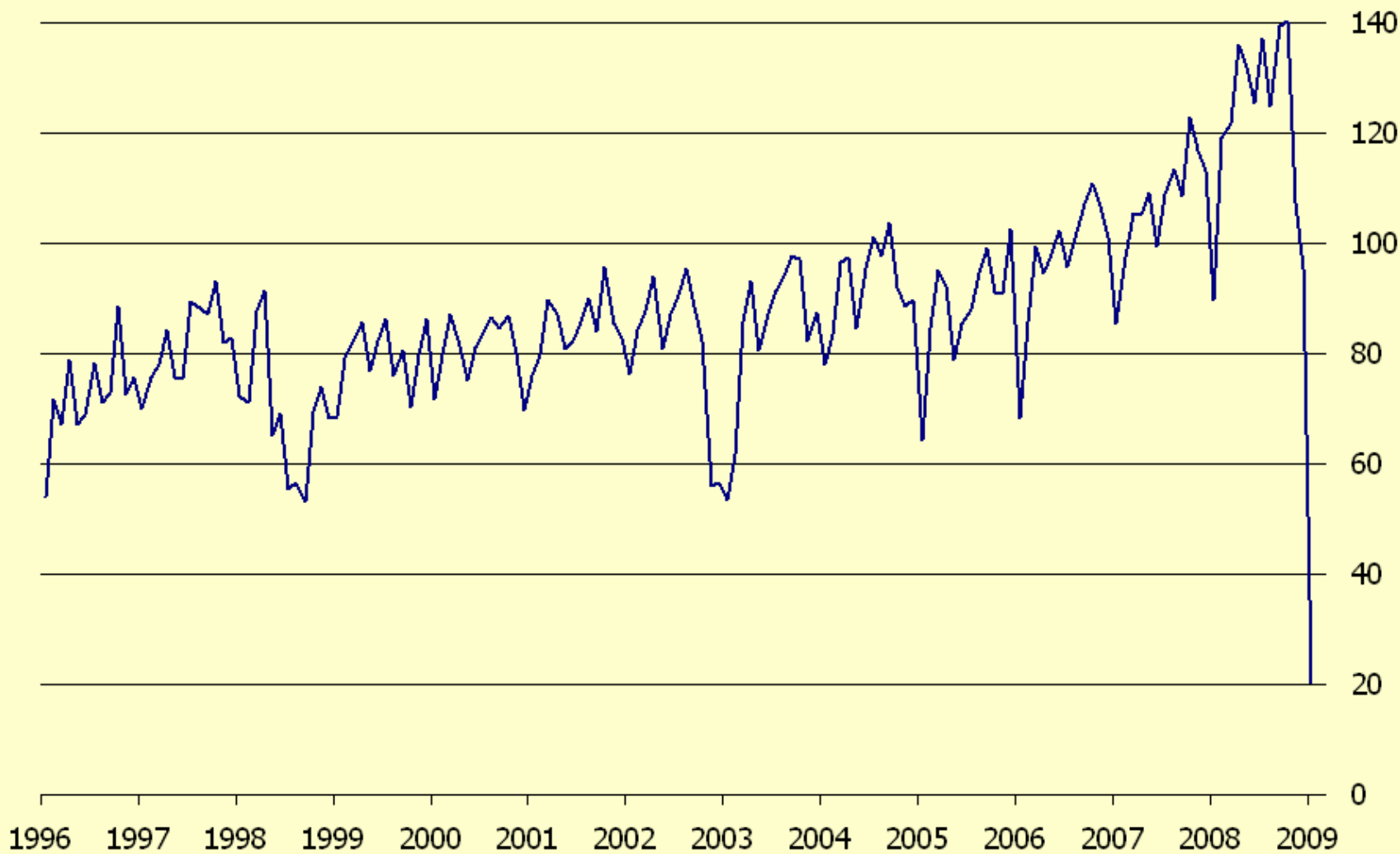


# Freight Rail Car Production, Units per Month



# Automobile production, monthly, Jan. 1996-Jan. 2009

*Thousands of cars  
per month*



# The “One-Good Economy”

- Russia’s auto industry is an example of how much of a “one-good economy” Russia is.
- Everything depends on the oil price.
- The auto industry has clearly been driven only by domestic demand, not export sales.
- Domestic demand was due to the oil rent alone, and it dries up with the end of the oil windfall.
- The industry is collapsing now more drastically than it did even in the 1998 crisis.

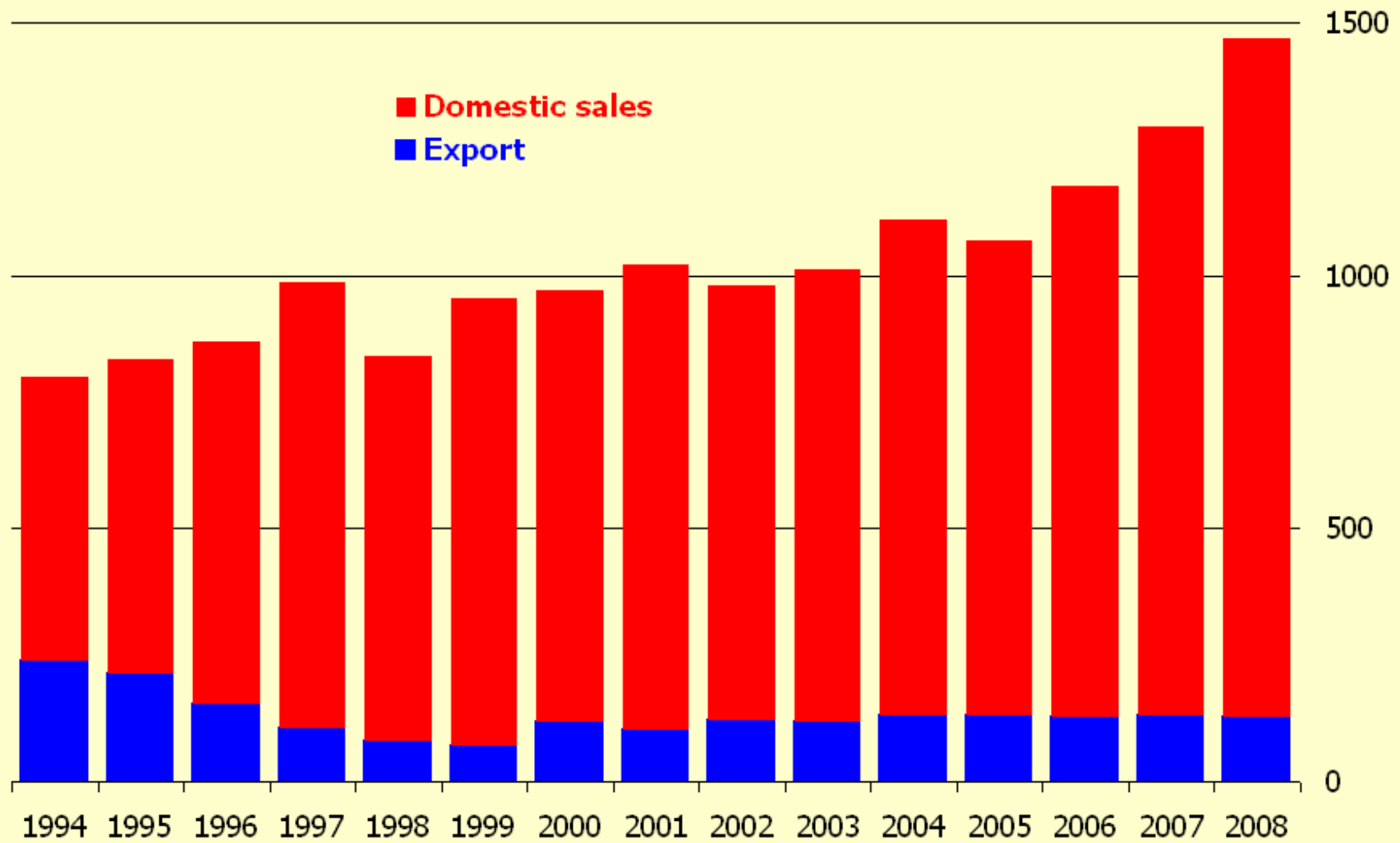


## A snapshot of Russia's auto sector:

- Russia produces fewer than 1.5 million vehicles a year.
  - Less than 10% are exported.
  - Most of those to former Soviet republics.
- The number of cars exported dropped from around 236,000 in 1994 (earliest data from GKS) to a low of 70,000 in 1999.
- The export number bounced back up to 116,000 in 2000, but it has not increased appreciably since then.
- Between 2000 and 2008, Russia's auto exports grew by an average of only 1 percent a year.
- So if export performance is a measure of the real competitiveness of a sector, the auto industry has done very poorly during the Boom.

# Automobile production and exports, 1994-2008

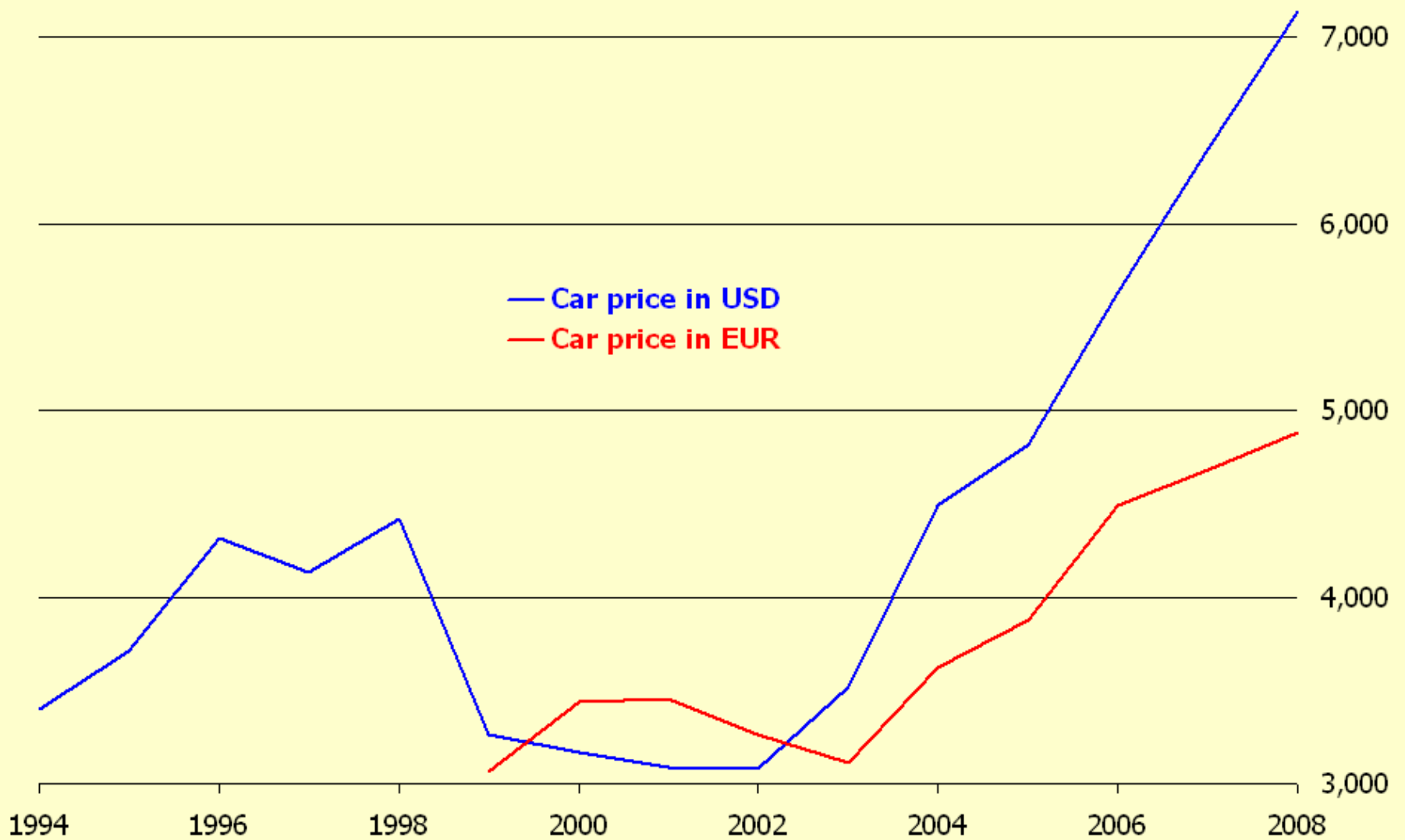
*Thousands of cars per year*



## The role of exchange rate policy:

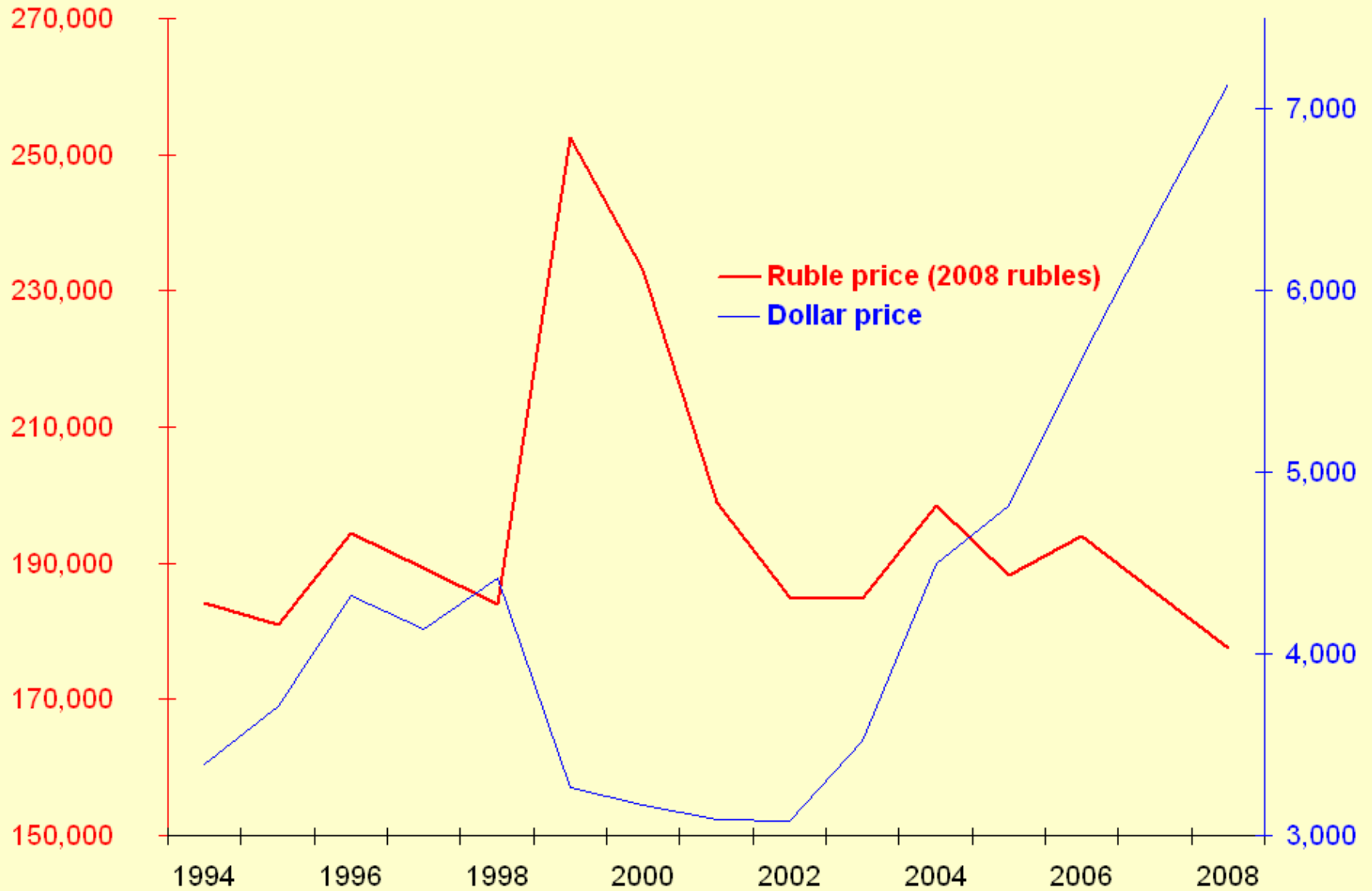
- A look at the dynamics of the export prices of Russian autos is revealing.
- There was a sharp drop (about one-third) in the dollar price of exported Russian cars after 1999. It remained low until 2002.
- From 2003 on, the dollar price rose steadily and sharply.

# USD and EUR Price of Exported Russian Cars, 1994-2008



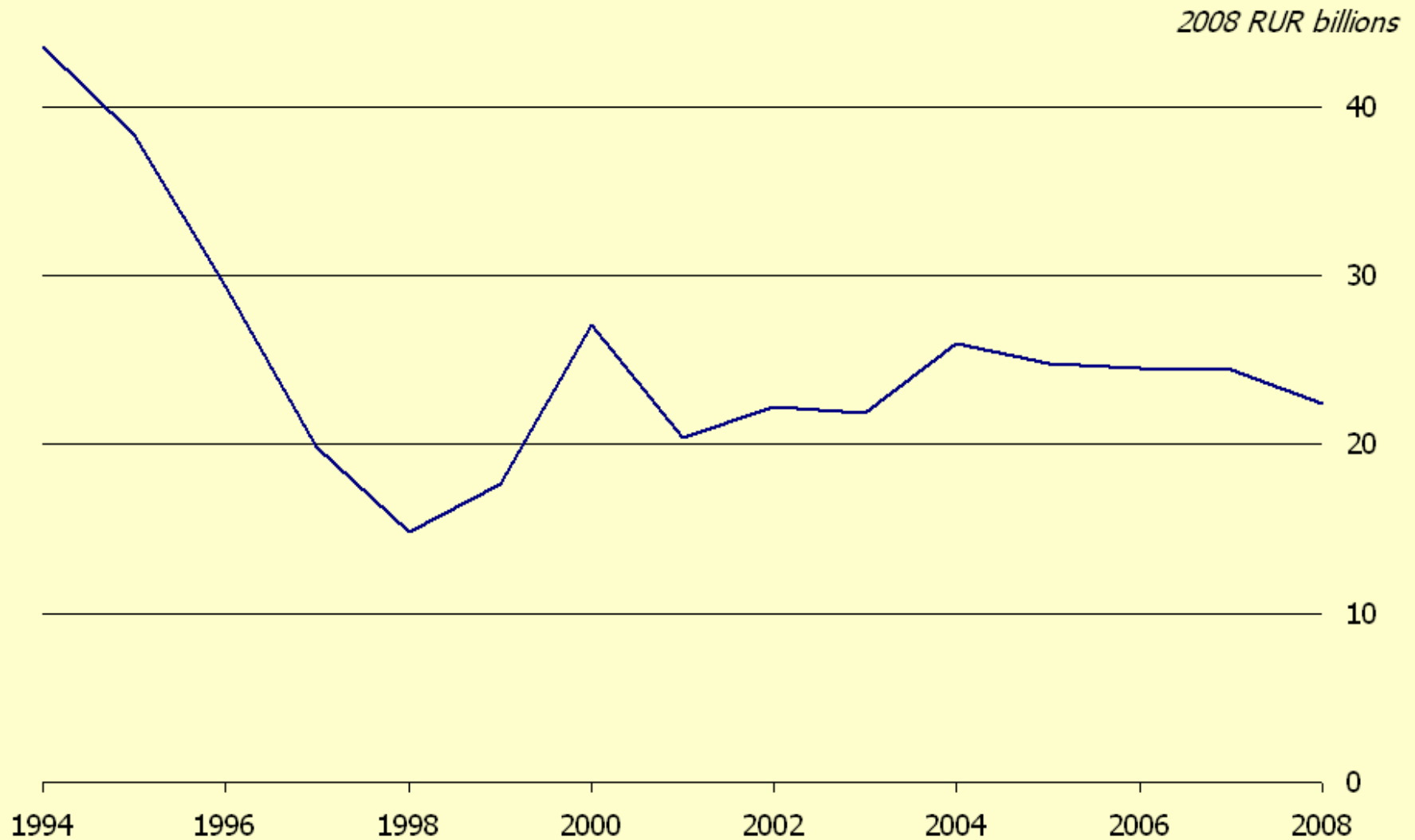
- However, if those dollar prices are converted into ruble prices, and then the ruble prices are adjusted to get real purchasing price at home in Russia (in other words, if the export price of a Russian car is measured in 2008 rubles), then the picture is entirely different:
  - Rather than the cars bringing in more value, it turns out that each exported car brings in 24 percent less value now than in 2000.
  - In 1999-2000 Russia was able to sell cars for a low dollar price (a bit over \$3,000) and still get lots of rubles.
  - From 2002, the dollar price rises from 3K to 7K (and the euro price from 3K to 5K), but the ruble value stays the same.
- So Russian car exports become much less price competitive on the export markets.

# USD and RUR Price of Exported Russian Cars



- Because volume remained flat and the real ruble value per car changed little, gross sales revenues from car exports, measured in 2008 rubles, have remained more or less flat since 2000 (about RUR 20-25 bn).
- In other words, the importance of the export market for Russia's auto sector is minor.

# Revenues from Russian Car Exports, 1994-2008, Real (2008) Rubles





# To repeat...

- Russia's auto industry is an example of how much of a "one-good economy" it is.
- Everything depends on the oil price.
- The auto industry has clearly been driven only by domestic demand, not export sales.
- Domestic demand dries up with the end of the oil windfall.
- **The industry is collapsing much more drastically now than it did even in the 1998 crisis.**

# Automobile production, monthly, Jan. 1996-Jan. 2009

*Thousands of cars  
per month*

