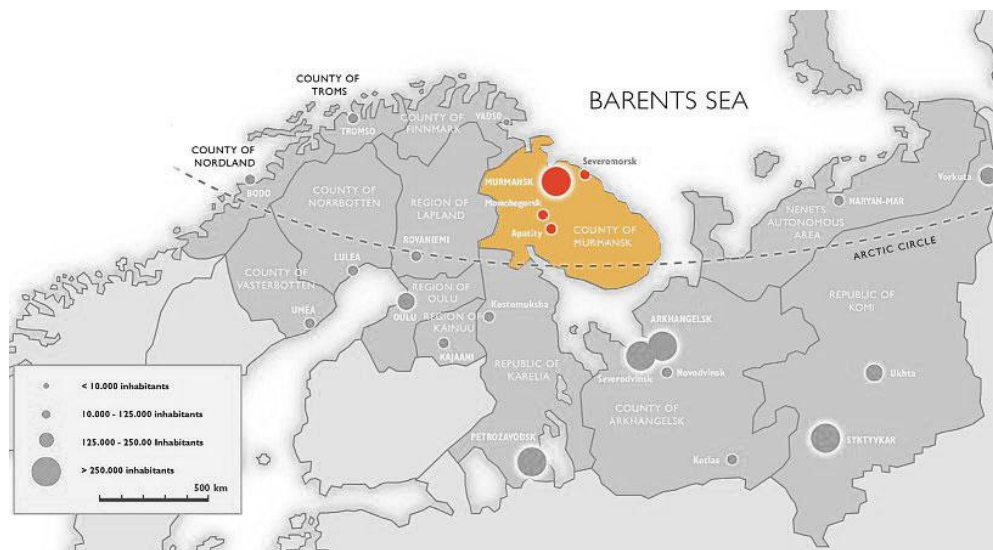


Barents Monitoring Murmansk Oblast first quarter 2009

The Social-Economic Development of Murmansk Oblast in January-March 2009¹



Trends

The impact of the world financial crisis which became evident late 2008 continued also in the first quarter of 2009.

A general decline in regional business activities has affected all sectors of the economy and led to lower economic indicators, except for a few separate branches.

Among positive tendencies is a gradual slowing down in the general decline in the affected branches. During the first quarter of 2009 the economic results on the whole revealed a considerable drop of economic indicators, while each month taken separately shows a slight improvement of the situation.

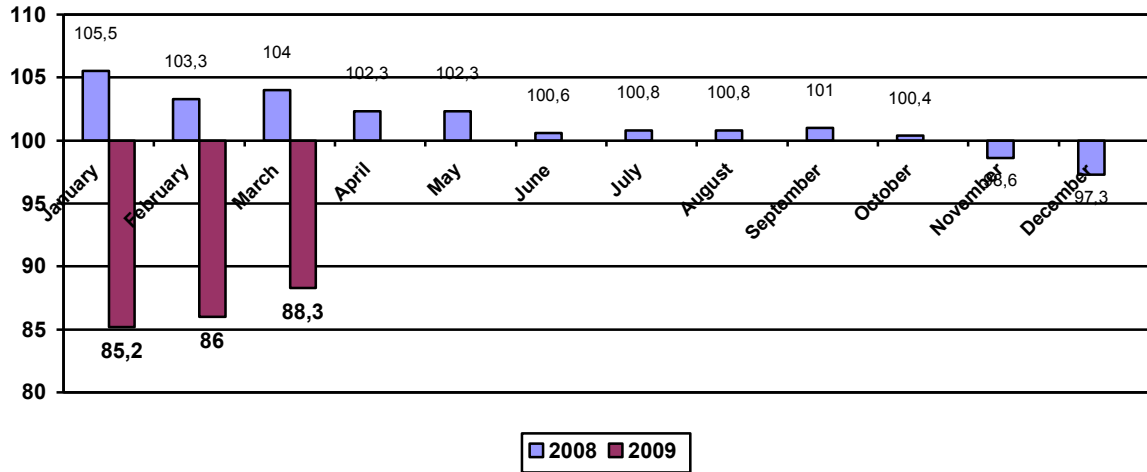
INDUSTRIAL PRODUCTION

The industrial production index for the first quarter of 2009 was 88.3% of the level of the same period last year, including different types of activities:

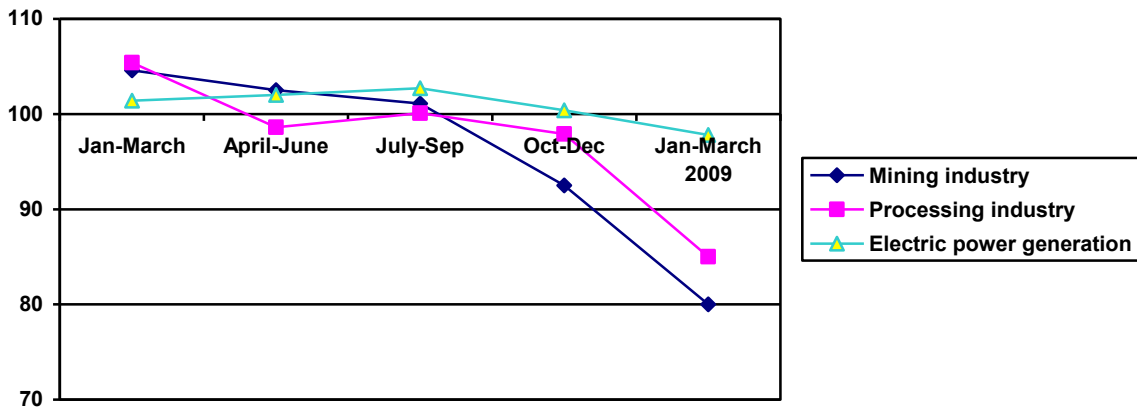
Mining– 80 %, Processing industry – 85%, electric power, gas and water generation and distribution – 97,8%. After a sudden drop in industrial production (late 2008 - early 2009) the indicators have grown in all industrial sectors already by March 2009.

¹ This report is written by the Murmansk office of the Norwegian Barents Secretariat. Figures are taken primarily from the Murmansk regional statistics service

**Diagram 1.1 Industrial production index in 2008-2009 with accumulation
(% to the correspondent period of last year)**



**Diagram 1.2 Industrial production indexes in different sectors of economy
(% to the correspondent period of last year)**

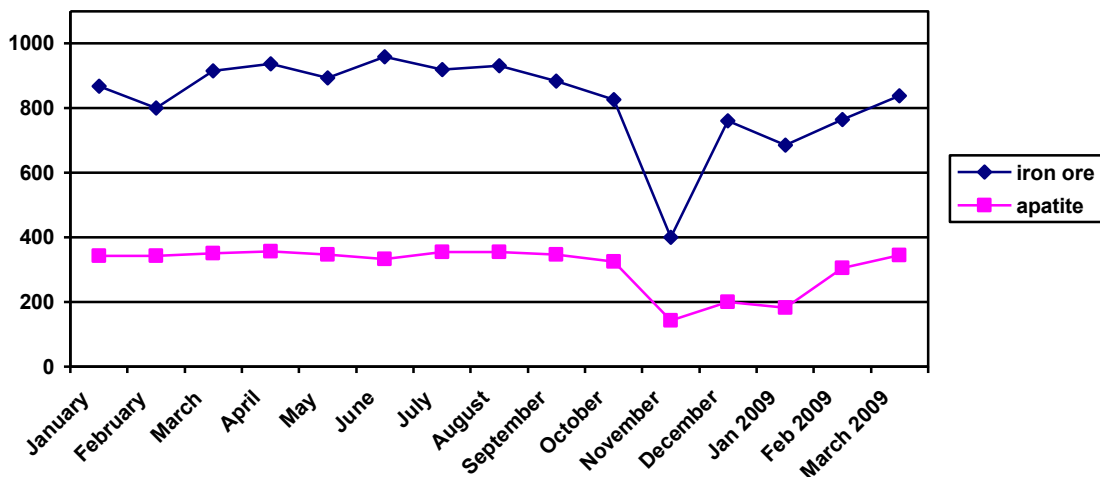


Mining

In mining sector the output of all types of production was reduced both in physical and monetary terms. The volume of iron-ore concentrate has decreased by 11,4%, apatite –by almost 20 %.

Starting form March 2009 the production of nepheline concentrate was stopped since its only consumer–Pikalevsk Alumina Refinery Plant – was suspended.

Diagram 1.3 Mining industry (thousand tons)



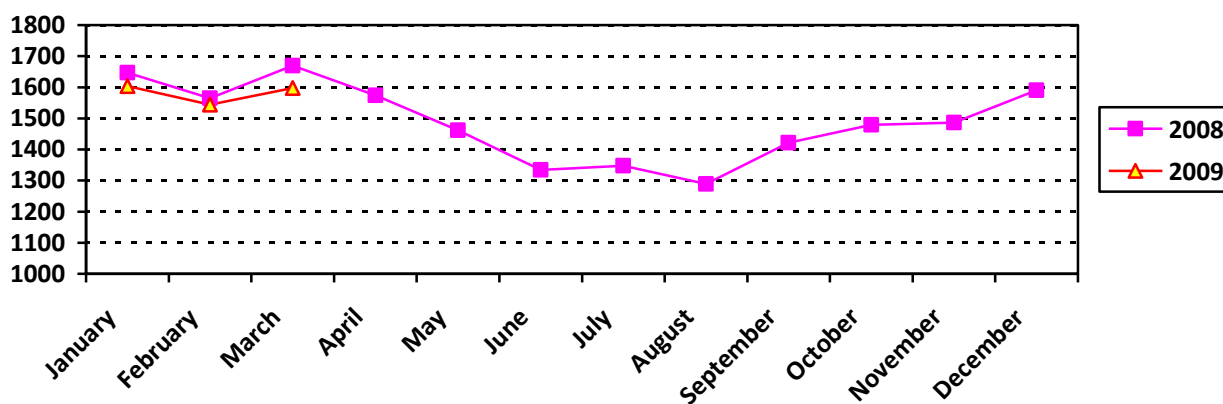
Processing industry

The regional processing industry is mainly represented by the metallurgical production and manufacturing of metal products (67,4%). In January-March 2009 the volume of this production was reduced by about 10%. Drop in overall production output has been seen practically in all other sectors, though the most considerable drop in production took place in timber processing and woodwork manufacturing (58,9%) as well as in production of non-metallic mineral products (57,8%).

Electric power generation

Economic processes which take place in the region have only slightly affected the energy sector so far. Electric power generation in the first quarter of 2009 was reduced by 2,8% and by monthly dynamics corresponds to the level of the last year.

Diagram 1.4 Electric power generation in 2007-2008.



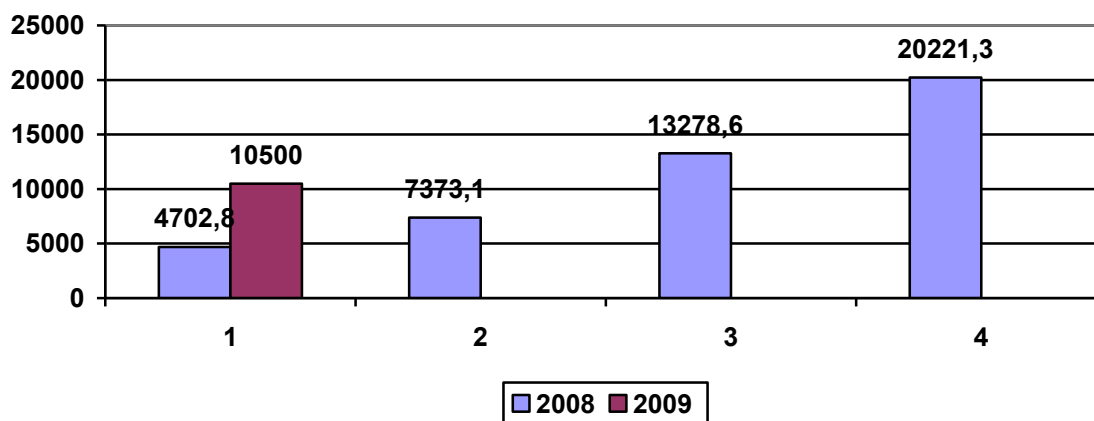
ECONOMY

Investments

Investment volumes in the period January-March was considerably down compared to late 2008, however still more than two times larger than in the 1st quarter of 2008. The major share of these investments falls within the transport and communication sector, as well as within Equipment Purchase and Assembly.

Investments within housing and industrial construction equals to 17% of the total investment volume.

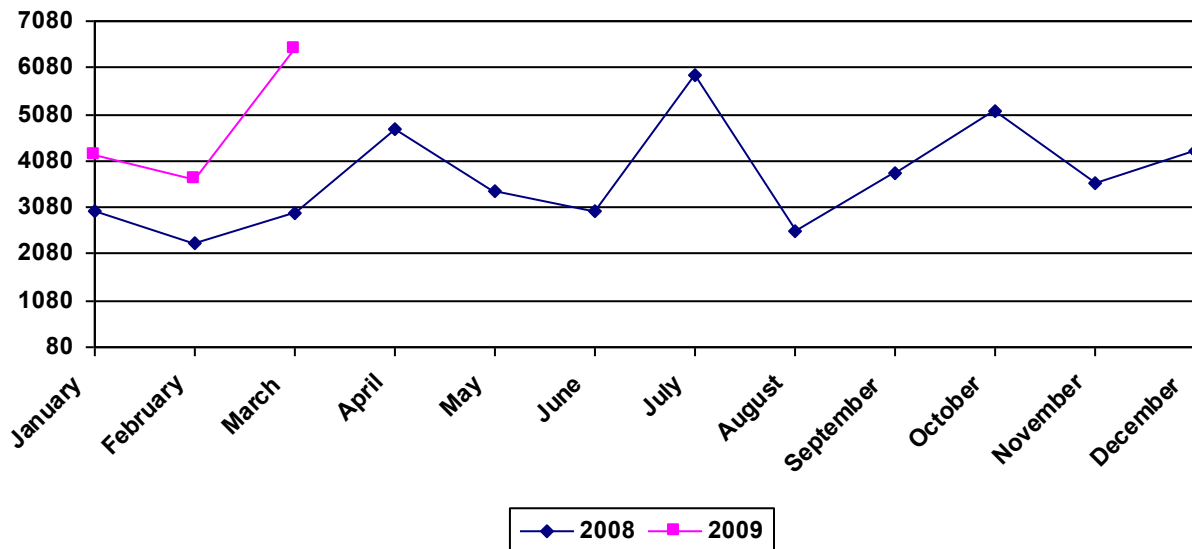
Diagram 2.1 Investments in the main capital (million rubles)



Transport

The decline in production of major industrial enterprises affected the cargo transportation (traffic volume) in the region. It first of all affected railway transport, which saw a more than 25 percent drop in transportation volumes. At the same time however sea transportation volumes increased by 15% and auto transport by 12,4 %.

Diagram 2.2 Cargo transportation turnovers in 2008-2009 (million tons/km)

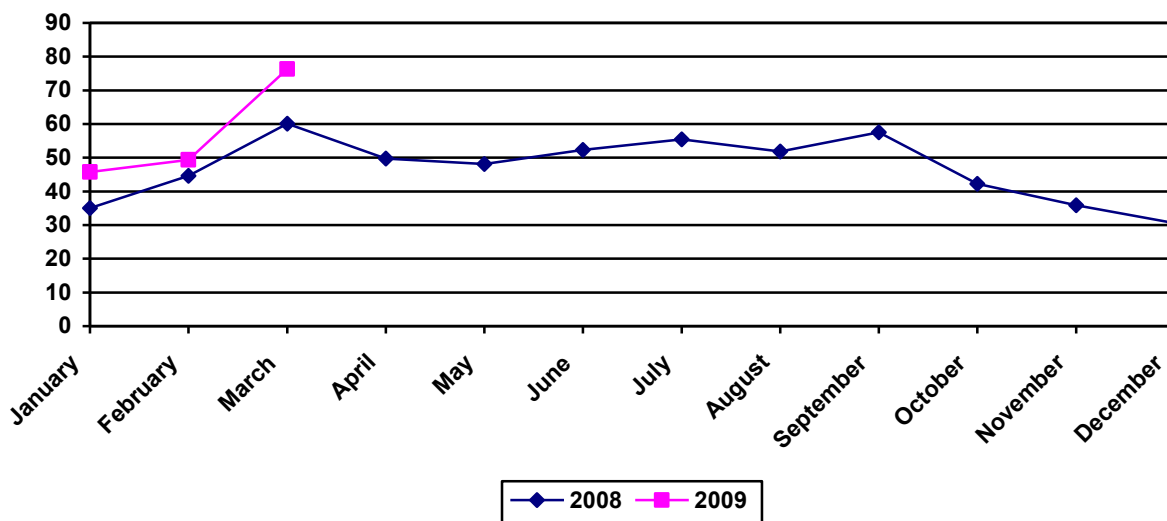


Fishing industry

The fishing industry has preserved positive dynamics. The production index in the fishery processing industry over the 1st quarter 2009 increased by 27% with the highest rise recorded in March.

Fish and sea food catch also increased by 23% due to increased catch quota and totaled 171,600 tons for the period January-March 2009.

Diagram 2.3 Fishery in 2008-2009 (thousand tons) .



Construction industry

In the first quarter of 2009 the construction volume has been reduced and made up only 68,6% of the overall volume in January-March last year.

However, there is a considerable increase in the volume of stocked housing materials comparison with the beginning of last year (up to 6,200 sq.m.) due to expected upcoming projects on housing construction.

Diagram 2.4 Construction industry in 2008 (million rub.)

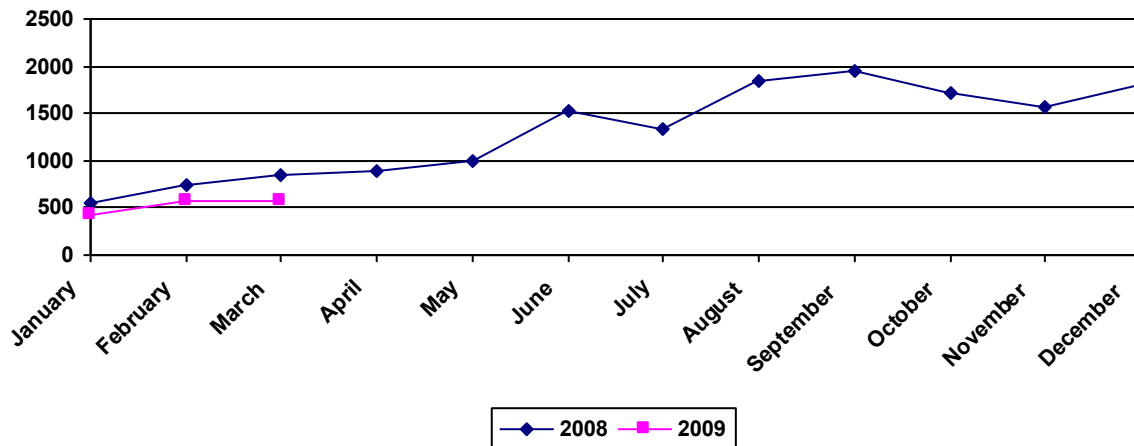
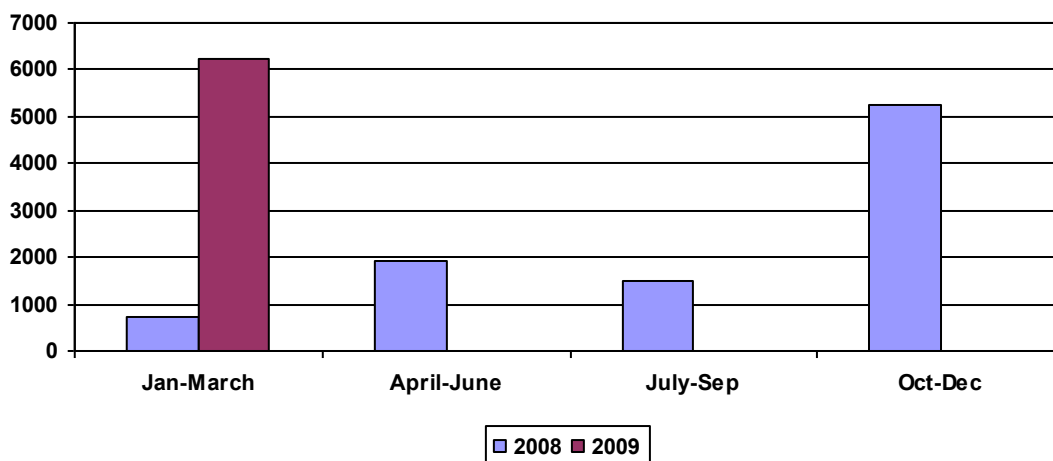


Diagram 2.5 Housing construction in 2008-2009 (sq. m)

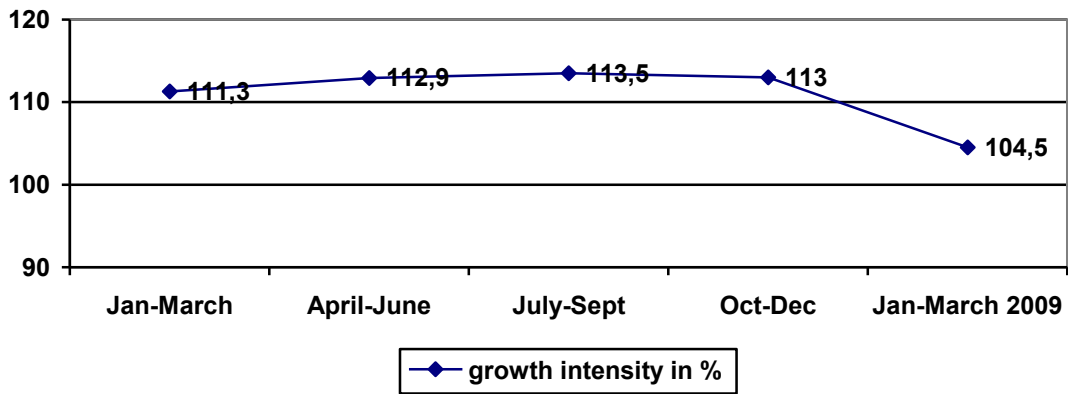


Consumer market

Influenced by the global economic crisis growth rate of retail trade and public services stagnated, but still showed a 4,5 percent increase in the period.

Consumer figures were down.

Diagram 2.6 Consumer market index 2008-2009



POPULATION

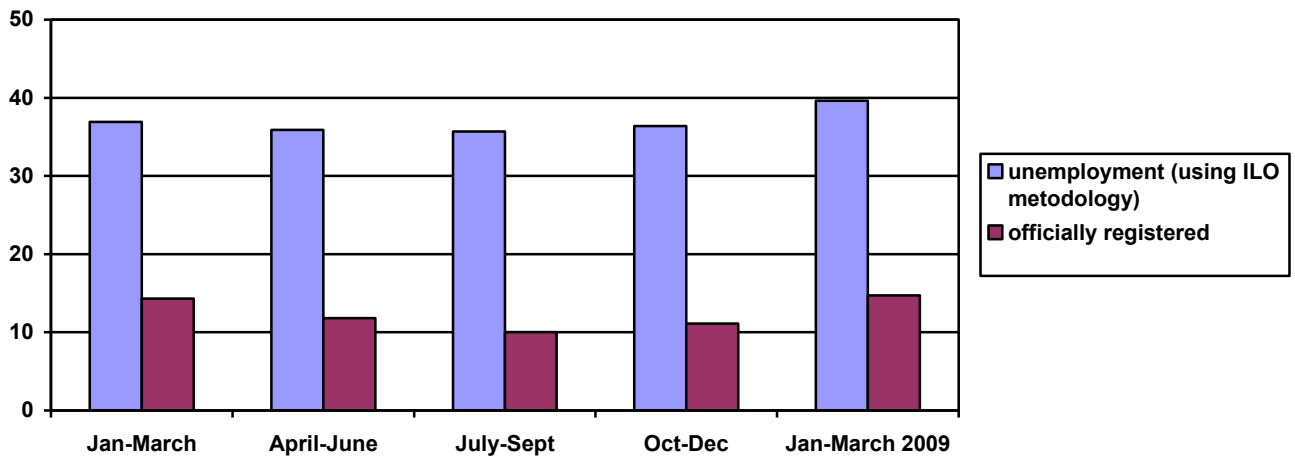
Population and labor market

The population of Murmansk Oblast keeps decreasing. On the whole, the pattern of demographic changes remains the same when compared to 2008.

Starting from this year negative tendencies on a labor market became stronger. The number of officially registered unemployed grew from 12,600 to 15,800 from beginning of the year.

The official unemployment rate made 3,1%.

Diagram 3.1 Unemployment situation (thousand people)



Standard of living

The monthly average cash income per person over January-March 2009 made up 19.021 RUB which is an increase of 14,9%. The actual increase in people's spending power is however only 0,6%.

An average monthly salary in March 2009 was a bit higher than 25 000 RUB. With inflation rates taken into account, the salary level remained the same as last year.

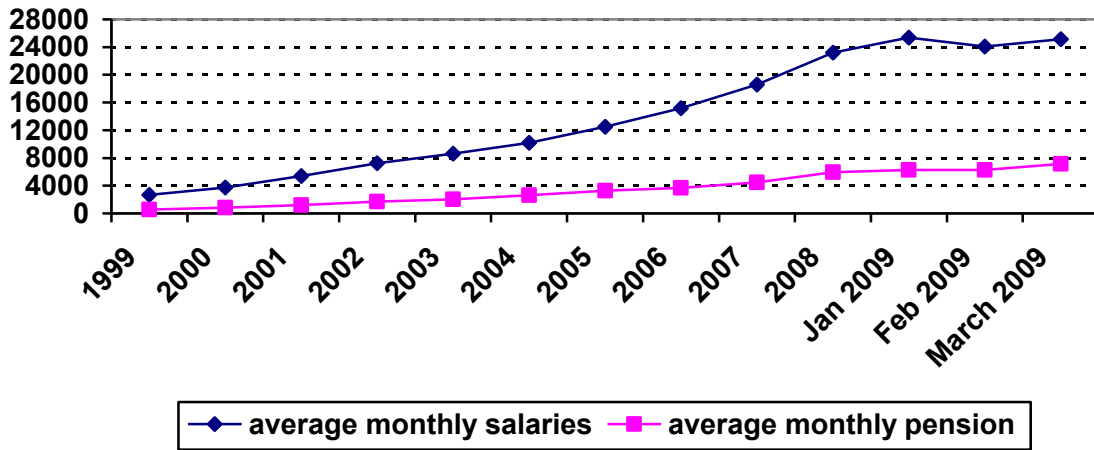
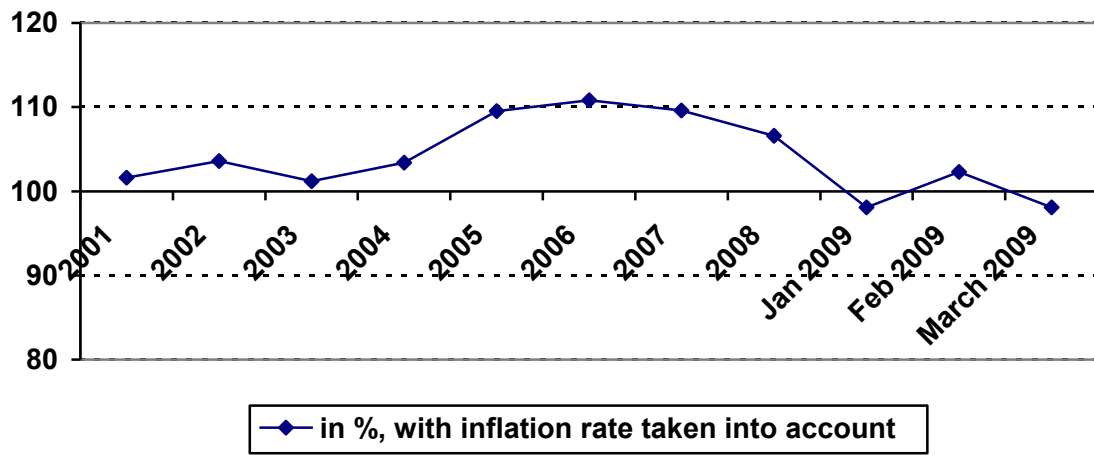


Diagram 3.3 True incomes of population



Territory:	144,900 sq. km. (0,8% of the territory of Russia)
Population:	842,500 people
Population density:	5, 8 per sq. km.
Level of urbanization:	91 %
Ethnic structure:	85,25 % Russians 6,37 % Ukrainians 2,28 % Belorussians 0,89 % Tatars 0,2 % Saami
GRP:	195 billion rubles (average estimation)
Main cities:	Murmansk - 311, 200 people Apatity – 61, 600 people Severomorsk – 53, 500 people Monchegorsk – 48, 100 people
Main industries:	mining industry, fishery, energy complex and transport complex

REFERENCES:

Report is based on the materials of:

- the Federal service of state statistics for Murmansk oblast - murmanskstat.gks.ru
- the Social-economical and sectoral reports, presentations and press-releases of the Murmansk regional Administration – www.gov-murman.ru