

Trends

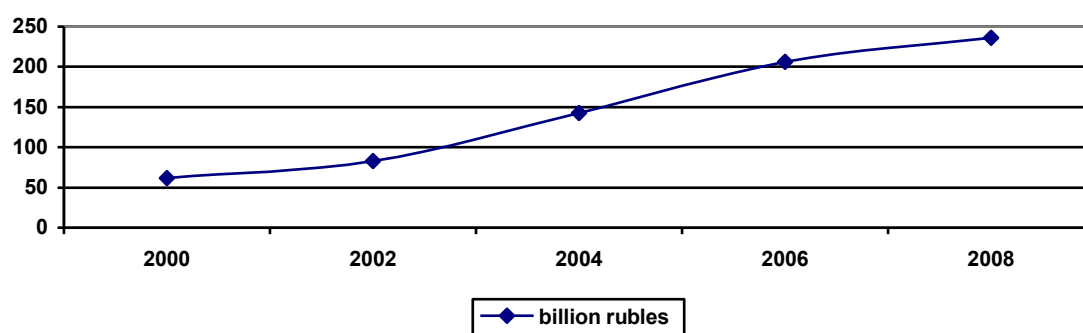
The economy of Arkhangelsk region is based on high-capacity timber industrial complex, well-developed pulp and paper industry, military-industrial complex which includes the biggest Russian military shipyards in Severodvinsk and the transport sector. In the course of the last years, the region obtained two new economic clusters: the oil and gas sector of the Nenets Autonomous Okrug and mining industry represented by the development of diamonds, basalt and gypsum.

For the last 2-3 years the industries with most dynamic rates of growth were telecommunications (around 40% of annual growth) and machine building. Also rather high rates of growth were demonstrated by the industry of building materials and construction (35-36% of annual growth). Such sectors as transport and logistics, tourism were developing with annual growth of 20%.

The general regional product in 2007 made 206 billion rubles which is three times as much as in 2000 and continued to grow in 2008. The final figures of the GRP in 2008 are not yet officially revealed but representatives of the regional administration in a conference gave the figure of approximately 237 billion rubles.

In general the year 2008 was a rather productive year for the regional economy. That resulted in an increase in revenues of the consolidated regional budget. However, at the same time, the budget expenses increased by almost 40%, which resulted in a budget deficit of over four billion rubles, which is the biggest in the last 10 years. The retail trade turnover grew by 1/3. The incomes of population have also increased sufficiently – by almost 25%. The index of industrial production was growing during the year with slight drop in the second quarter of the year and eventually made 8,7% of growth, which generally corresponds with the average figures for the last five years. The volume of investments in the main capital also showed positive dynamic with annual growth of almost 23%. The decline in the agricultural sector observed for the last 8 years continued in 2008 and made -1% of drop.

General Regional Product growth 2000-2008

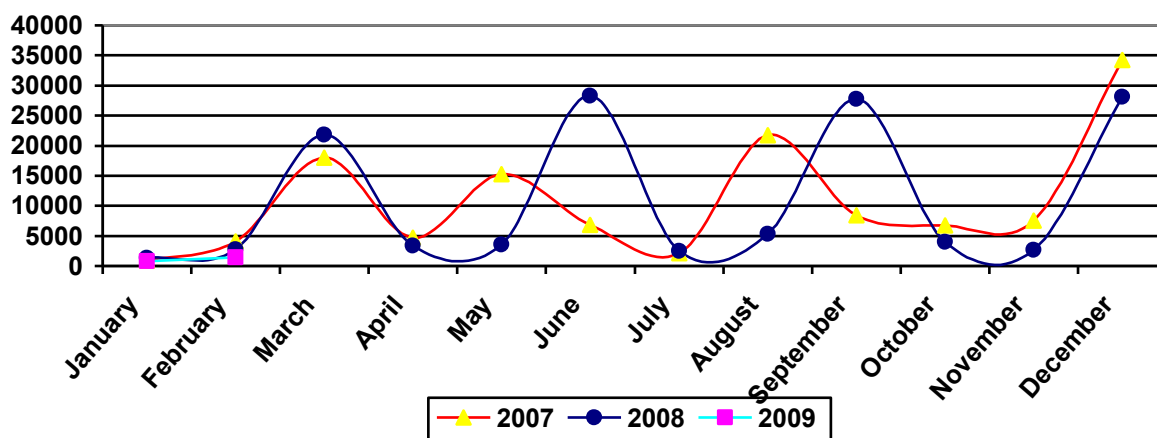


INDUSTRIAL PRODUCTION

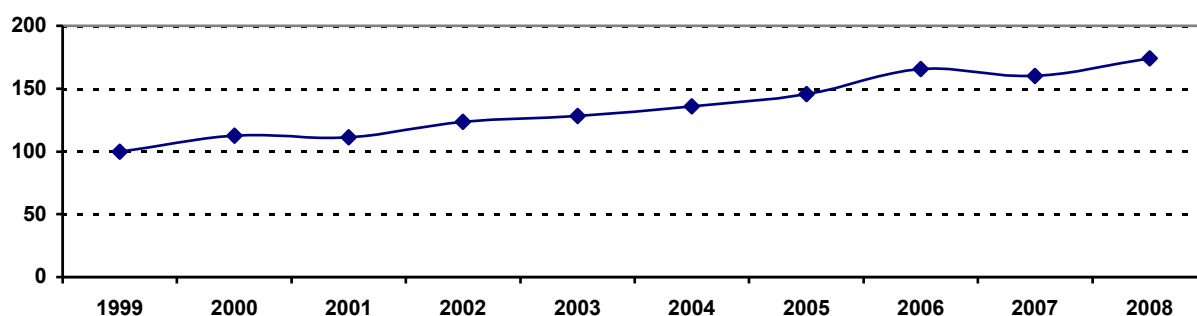
The first negative tendencies in the economy became evident in the second half of the year and in the first quarter of 2009 got the distinctive forms. The index of industrial production in the last quarter of the year made a lag compared to the correspondent period of the 2007. The cargo turnover fell sharply especially in the railroads transportation (by 12% in the end of the year). The volume of investments in the main capital started to loose the pace of the previous year from October 2008 and continued to decline in the first two months of 2009.

In the beginning of 2009 the negative dynamic of industrial production continued. In January the industrial production dropped down by almost 17% which could only partly be explained by the long New Year and Christmas holidays.

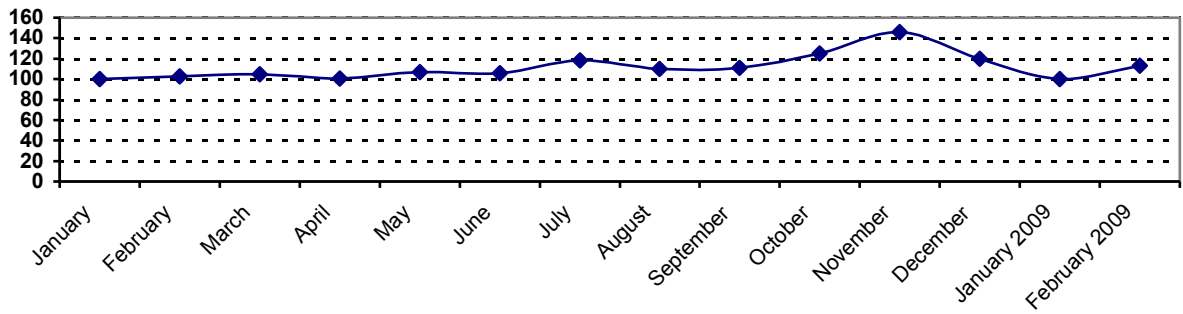
Investments in the main capital (million rubles)



Change of Index of industrial production in 1999-2008



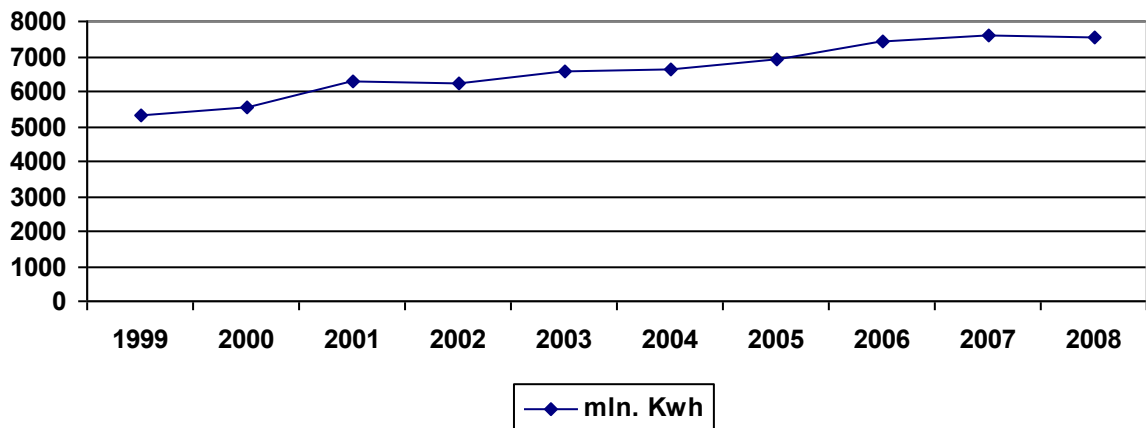
Index of industrial production 2008-2009



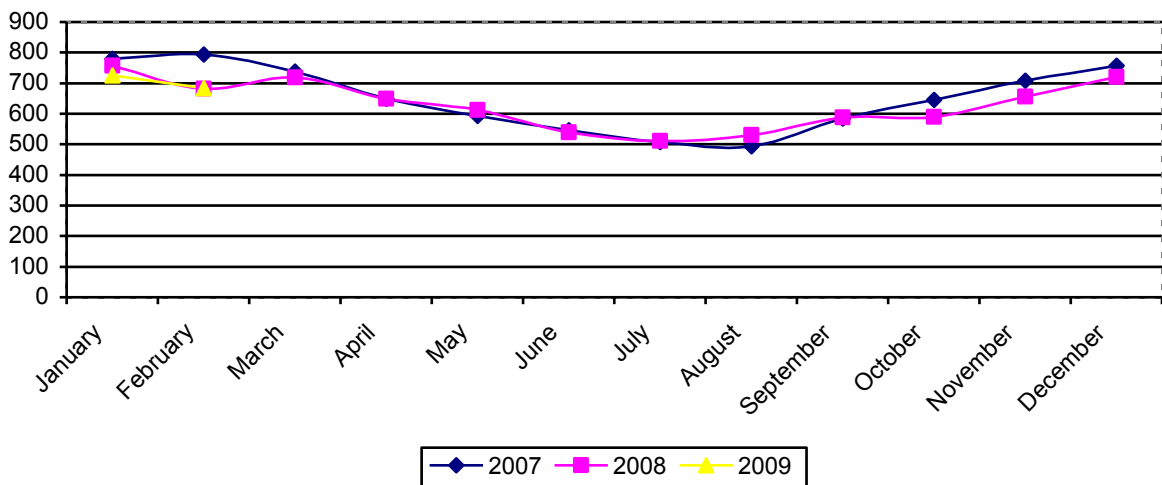
Electric power generation

In 2008 for the first time during the last 7 years the generation of electric power dropped down. This tendency seems to be continued in 2009 due to continuing decline in the industrial production which in January 2009 made almost 17%

Electric power generation in 1999-2008

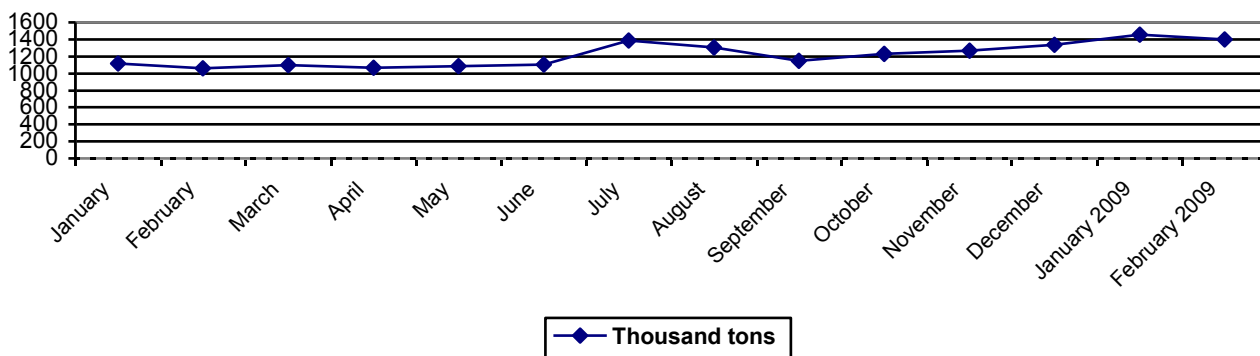


Electric power generation in 2008

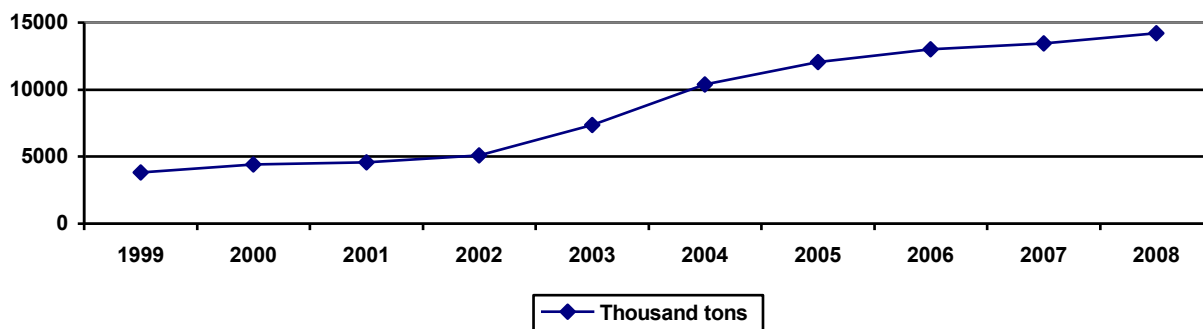


The oil production increased by over than 5% and totaled 14,190 million tons. The maximum production was reached in the middle of the year but then followed a slight decline which however has been overcome in the end of the year. In January 2009 the oil production continued to grow and reached the level of 1,456 million tons per month. Production of gas has slightly decreased and made a volume of 842.9 million cubic meters. But in January 2009 the natural gas production grew up by 23% having reached historic monthly maximum for the last 10 years.

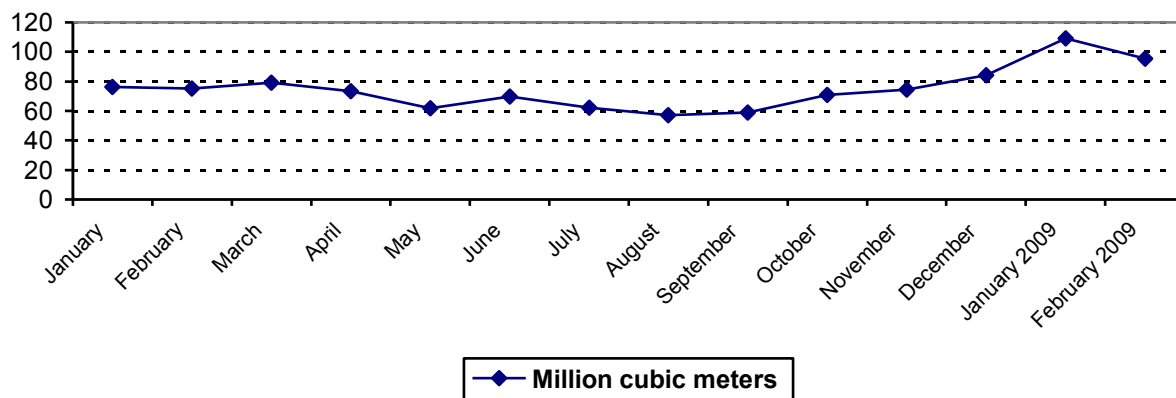
Oil production in Arkhangelsk Oblast in 2008-2009



Oil production in Arkhangelsk Oblast in 1999-2008



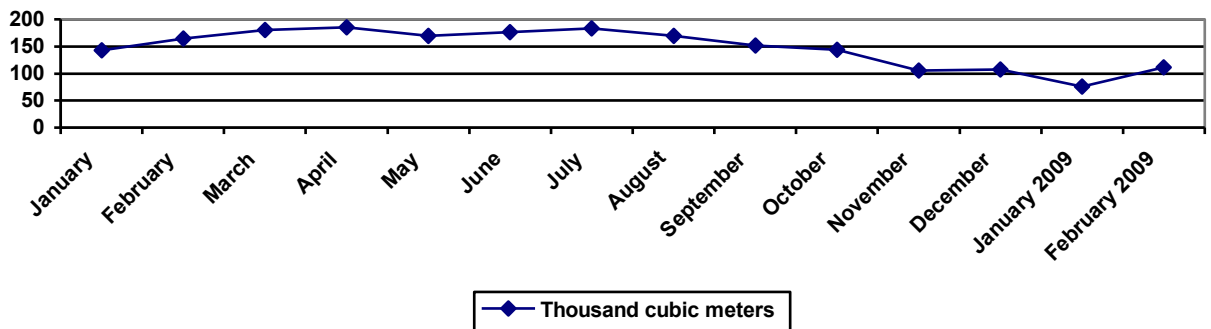
Natural gas production in Arkhangelsk Oblast in 2008-2009



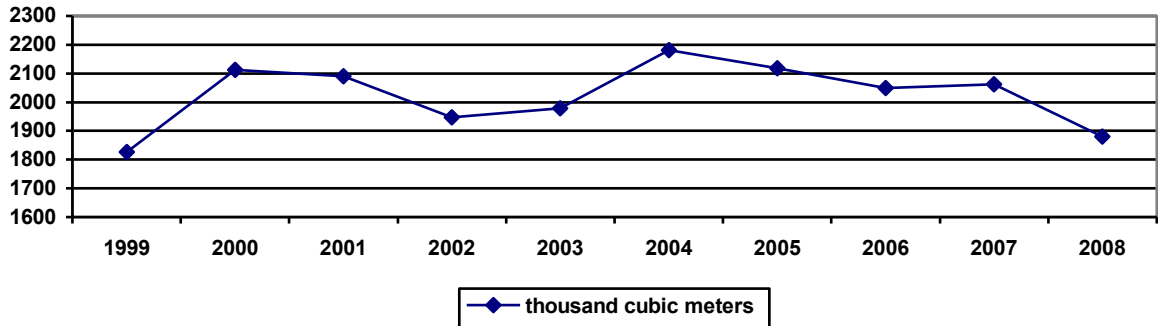
Timber industries

The timber sector is today in one of the most difficult periods for the last years. Being heavily export-oriented, the companies of the timber sector most of all suffered from the ill market situation in Europe. In the end of the year the timber materials production was thrown back to 10-years level and the year 2008 became the most difficult for the industry for the last 10 years. The especially dramatic decline in the timber materials production happened in the last quarter of the year. Also for the first time in 10 years a decline was experienced in the paper production, which over the last many years have demonstrated only positive dynamics. In the beginning of 2009 the decline in the pulp and paper production continued and exceeded 20% in January. Timber manufacturing industry dropped almost 30% in January 2009.

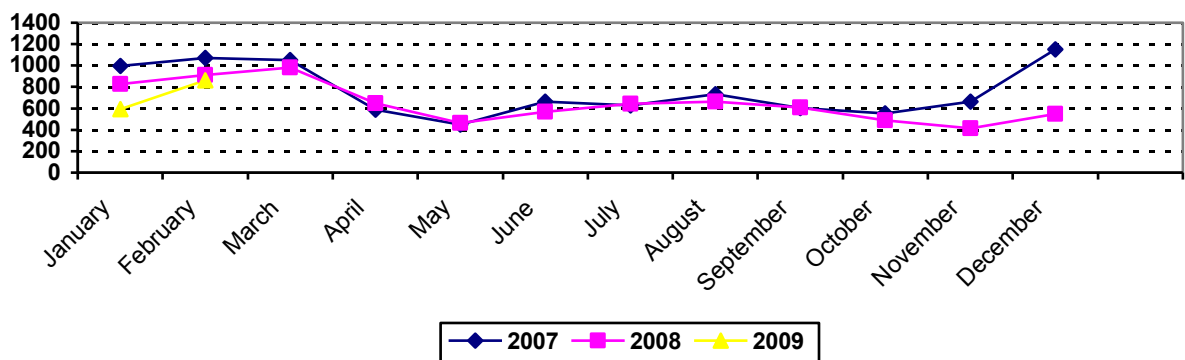
Lumber production in 2008-2009.



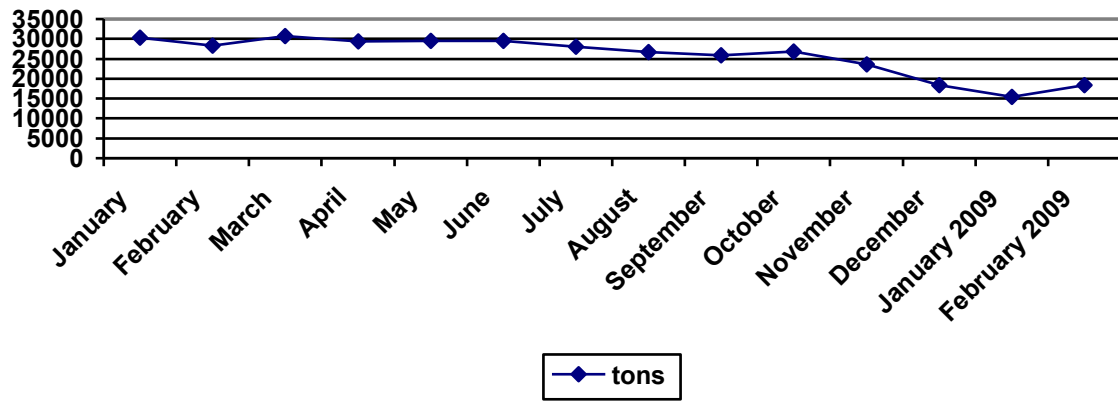
Lumber production in 1999-2008.



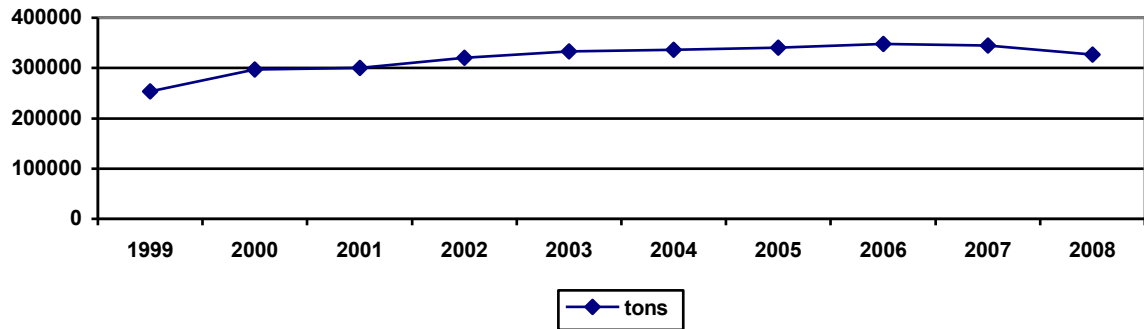
Timber production in 2008-2009



Pulp and Paper production in Arkhangelsk Oblast in 2008.



Paper production in Arkhangelsk Oblast in 1999-2008

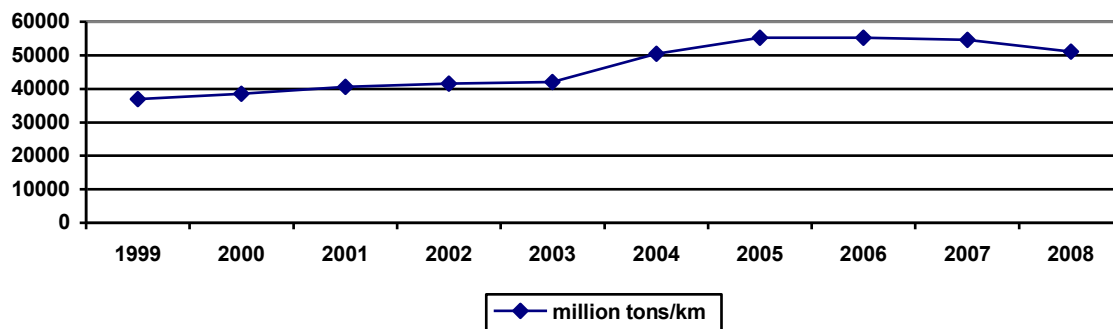


ECONOMY

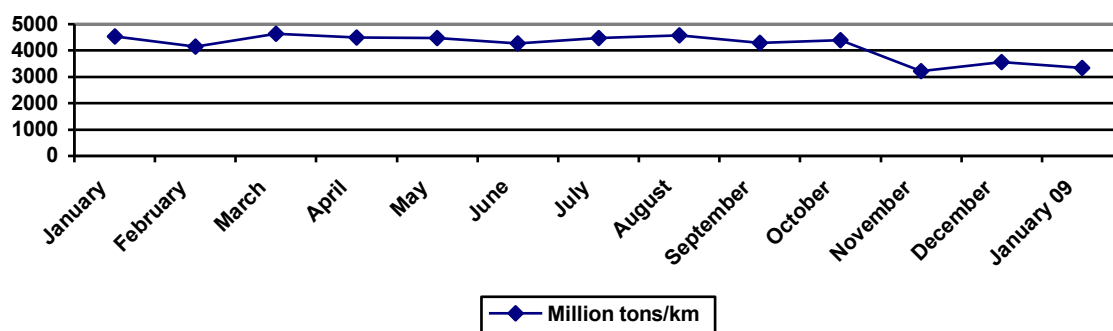
Cargo turnover

The decline in the main branches of industry has negatively influenced the cargo transport turnover, which in the end of the year dropped by more than 5%. The especially hard decline was in November and December of the last year and continued in January 2009 – by almost 7%. The railroads cargoes transportation dropped down by more than 1/3 from October 2008 to January 2009.

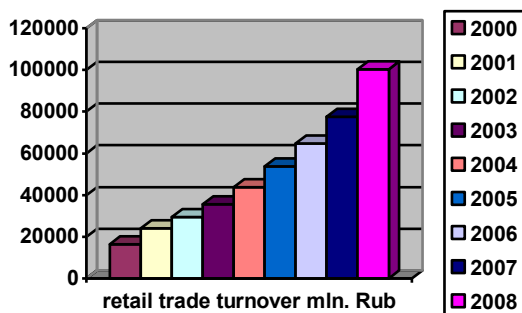
Cargo transportation turnover in Arkhangelsk Oblast in 1999-2008.



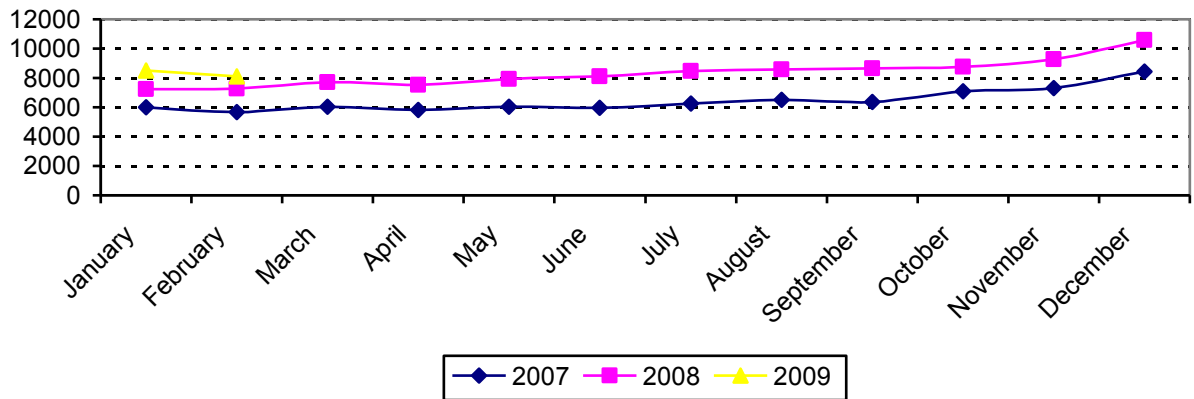
Cargo transportation turnover in Arkhangelsk Oblast in 2008-2009.



Retail trade turnover 2000-2008 (million rubles)



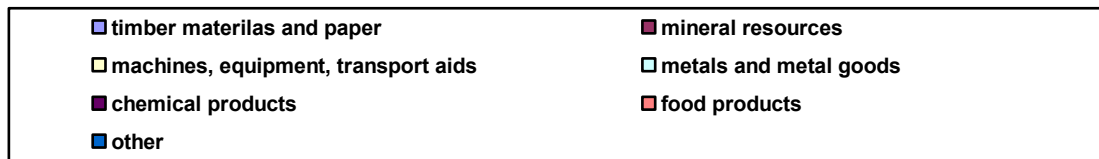
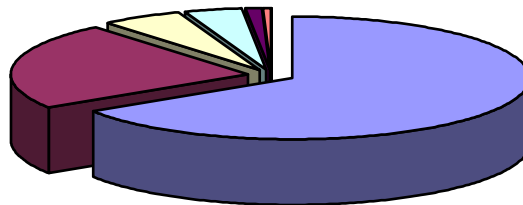
Retail trade turnover 2007-2009 (million rubles)



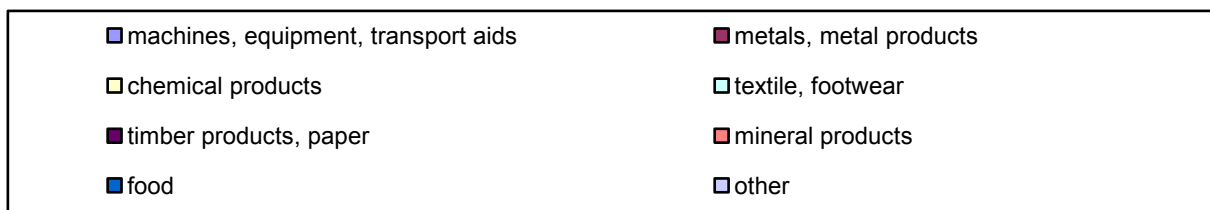
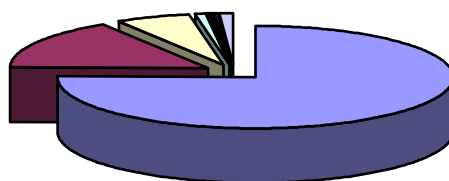
Foreign trade

The foreign trade turnover in 2008 grew more than 61% and in absolute figures totaled 2800 million US Dollars. Export operations grew 71% and totaled 86% of total turnover. Import grew 22%.

Structure of export



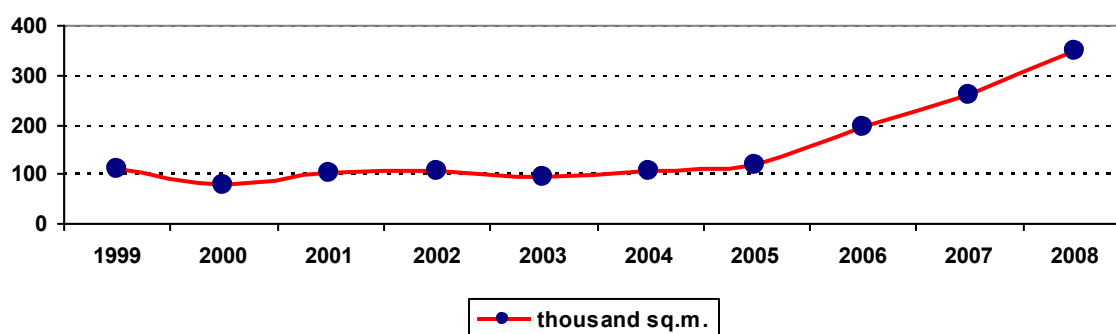
Structure of import



Housing construction

Housing construction grew significantly (by more than 17%) although the absolute growth was not as big as in the previous years.

Volume of housing construction



POPULATION

The population in Arkhangelsk Oblast has been steadily decreasing from the beginning of the 1990s, although the rate of change is not so negative as before due to gradual improvement of the natality index. The total population in 2008 decreased by almost 8000 and totaled 1,262 million people at the end of the year. According to the expectations of the regional administration the negative tendency in the population growth will remain during the next 3 years and the regional population will decrease by approximately 29 000 and total 1,204 million by year 2011.

The number of people employed in the economy of Arkhangelsk Oblast demonstrates a tendency of decrease in the course of the last two years. At the same time the number of unemployed in 2008 increased by 23% and totaled almost 48 000 including both officially registered and unregistered in the employment offices.

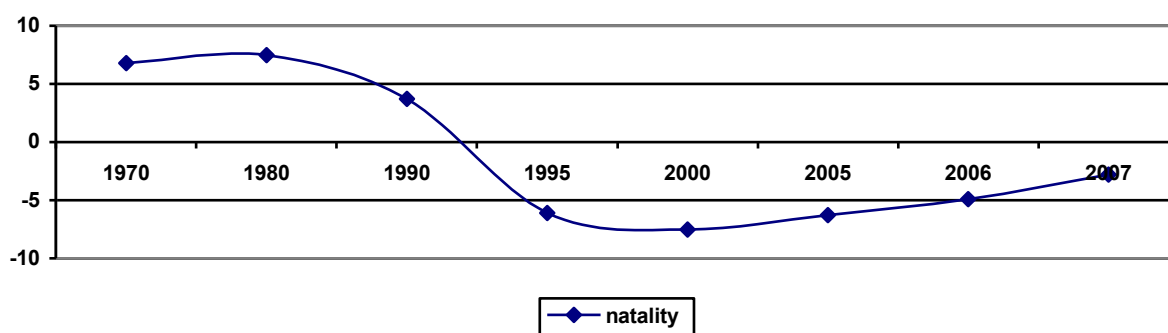
The level of unemployment began to grow from November 2008 and this trend continued in the beginning of 2009. In the end of 2008 the number of officially registered unemployed people

totaled 14,500. In January 2009 this figure reached 15,800 people. Concurrently the declared need of employees in companies and organizations has sharply dropped (more than twice in the second half of 2008).

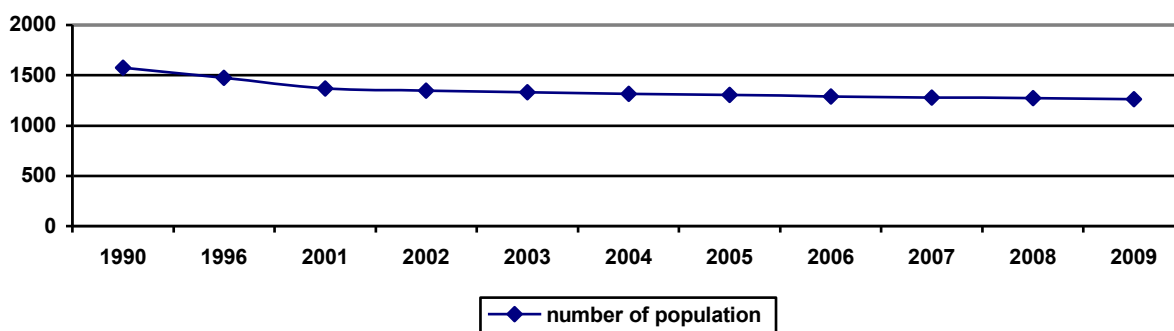
The tempo of growth in money incomes of the population has slightly decreased compared to the previous years, but still increased 8% in 2008. The increase in retirement pension was not so fast and the difference between the average salary of the working population and the incomes of the pensioners continued to grow. As a matter of fact, the average retirement pension was only slightly higher than the official regional minimum living cost.

The number of people in Arkhangelsk Oblast with incomes lower than the official minimum cost of living started to rise in the end of 2008. This share was steadily going down for the last 10 years. In the end of 2008 the official cost of living in Arkhangelsk Oblast was 5661 rubles (125 Euro) per month. In the fourth quarter of the last year the share of population getting incomes lower than officially established minimum cost of living totaled 14,6%, which is 1 percent more than in the third quarter. However, in general the incomes in the population have increased. The share of population with upper level of incomes (over 12000 rubles or 265 Euro per month) has increased by 10%.

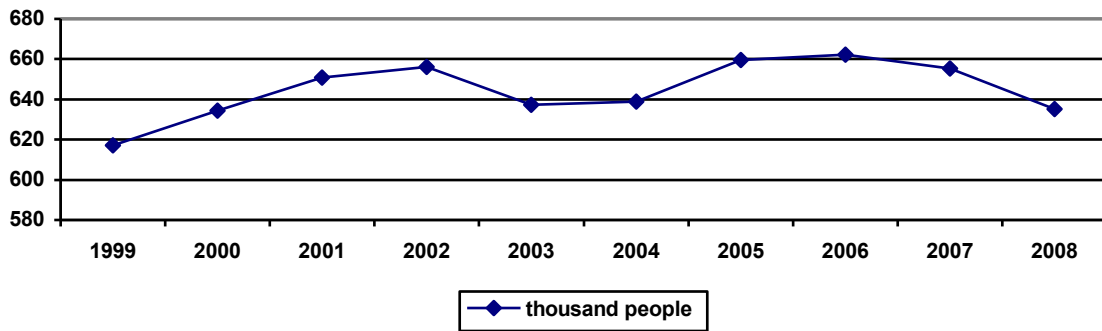
Nativity index



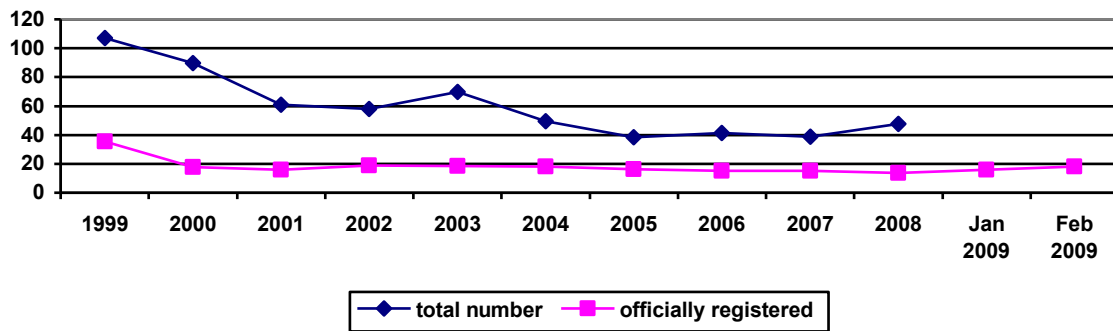
Number of population on January 1 (thousand people)



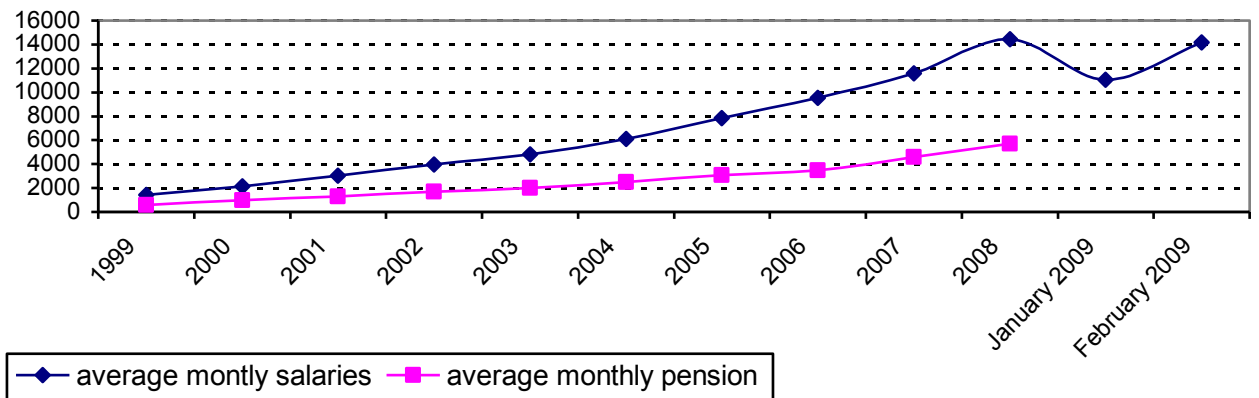
Number of population employed in the economy of Arkhangelsk Oblast



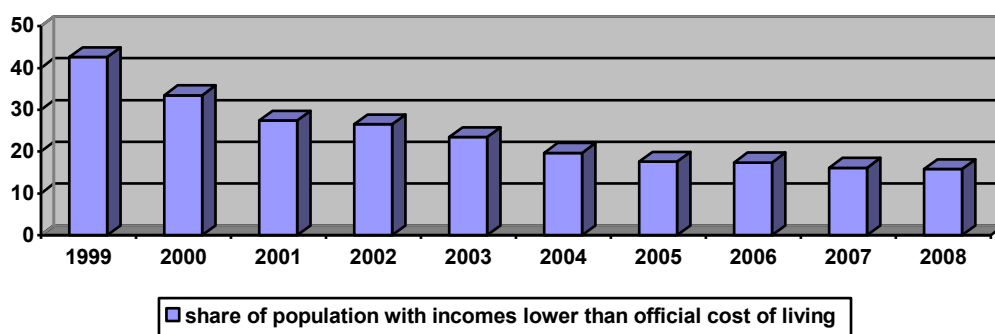
Level of unemployment in Arkhangelsk Oblast (thousand people).



Incomes of population (rubles)



Share of population with incomes lower than official living cost.



Real money incomes of population

