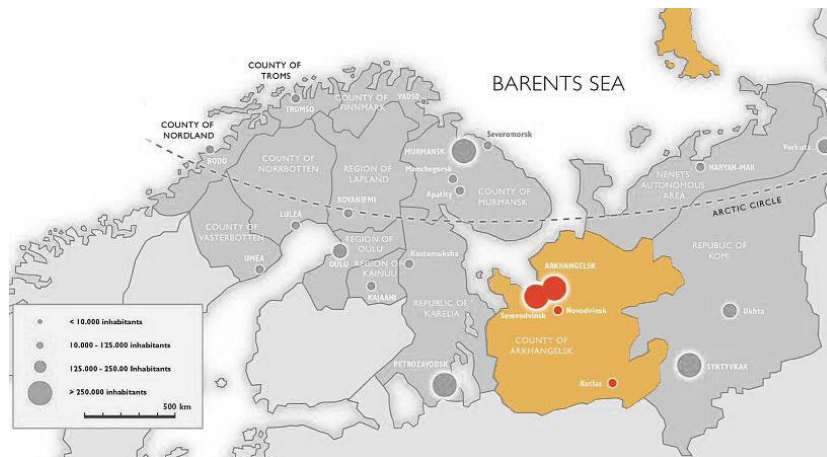


Barents Monitoring Arkhangelsk Oblast first quarter 2009

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



Trends

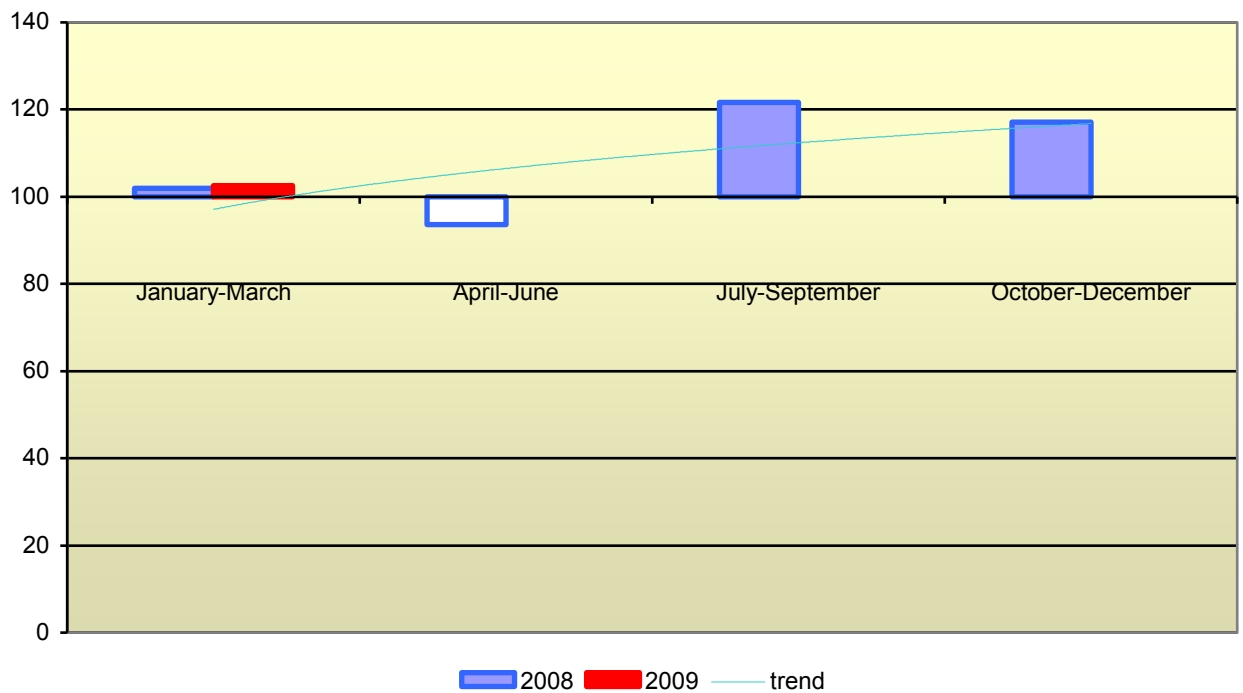
Economic figures from the first three months of 2009 show that the dramatic economic downturn caused by the industrial production slump in the middle and end of the last year have in general got its acknowledgment. Despite of the fact that some branches of the regional economy have demonstrated moderate growth, the level of production in the basic sectors still stay on a very low level. Positive industrial production indicators have been registered in the mining industry, which currently is not of decisive importance for the regional economy, especially on the background of the continuing low price levels on raw materials in the world market. Significant is the decline in investment activities, shrinking of the credit resources and the indicative drop of the share of the long-term credits, factual stagnation of the consumption sector, and the subsequent lower budget incomes. However, further economic decline is not observed. The economy is functioning on the lower level. The social consequences of the crisis appear not so threatening because neither a major growth of unemployment, nor a collapse in people's incomes have not been observed so far.

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

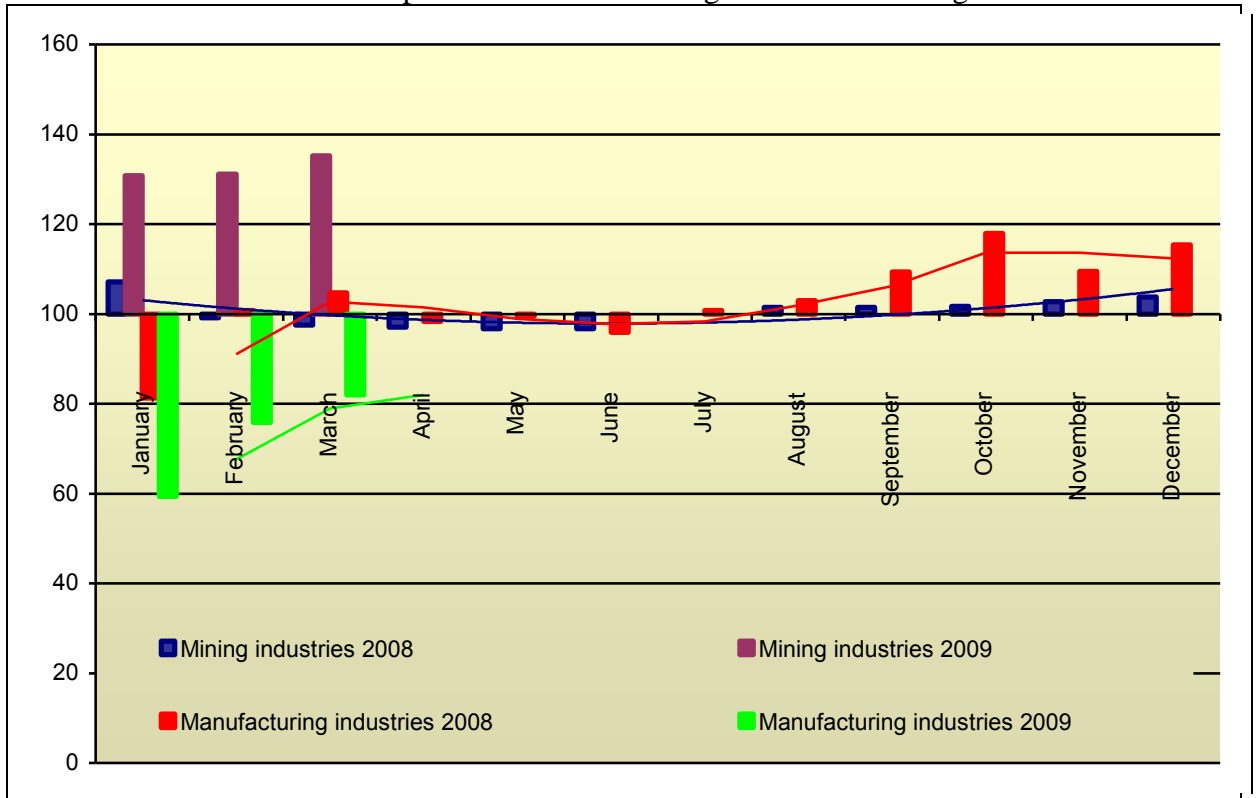
INDUSTRIAL PRODUCTION

After a drop in the end of 2008 – beginning of 2009 the regional index of industrial production has increased slightly and in the end of March reached the levels of the same period of the last year. Totally the index of industrial production in January-March grew by 2,6% and this growth was obviously achieved due to positive results in the mining industry while the manufacturing sector was developing negatively with a big gap compared with last year's levels. In the whole of Russia during the same period, the index of industrial production fell by 14,3% compared to the same period of the last year.

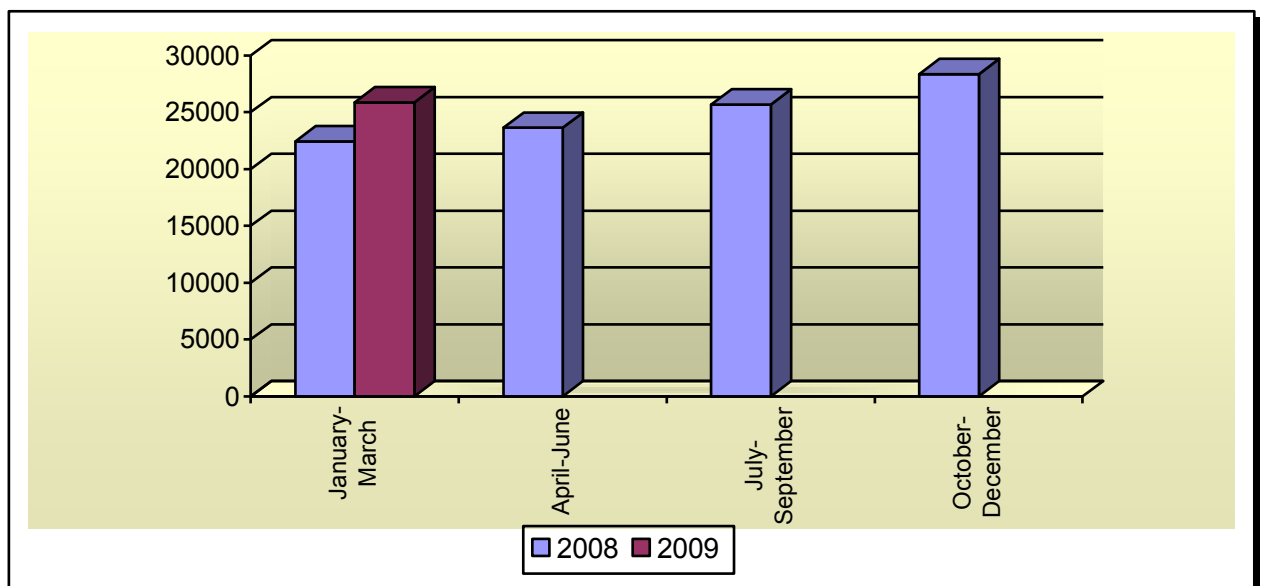
Index of industrial production 2008-2009
(% to the correspondent period of the last year)



Index of industrial production in the mining and manufacturing industries



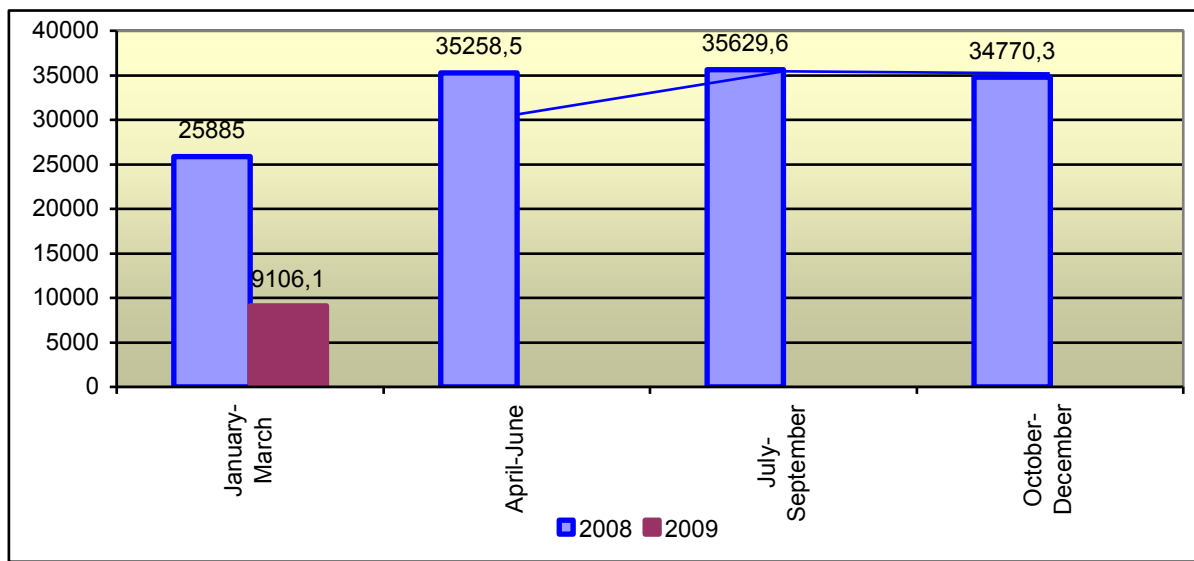
Retail trade turnover (million rubles)



Investments in the main capital (million rubles)

The investments in the main capital in the first three months of 2009 continued a negative trend that became evident in the end of the last year. Investment activities in January-March 2009 were 70 percent of the level of the last quarter of 2008. This is much more than the average in Russia, where there has been a 15 percent slump in investments in January-March 2009. The level of

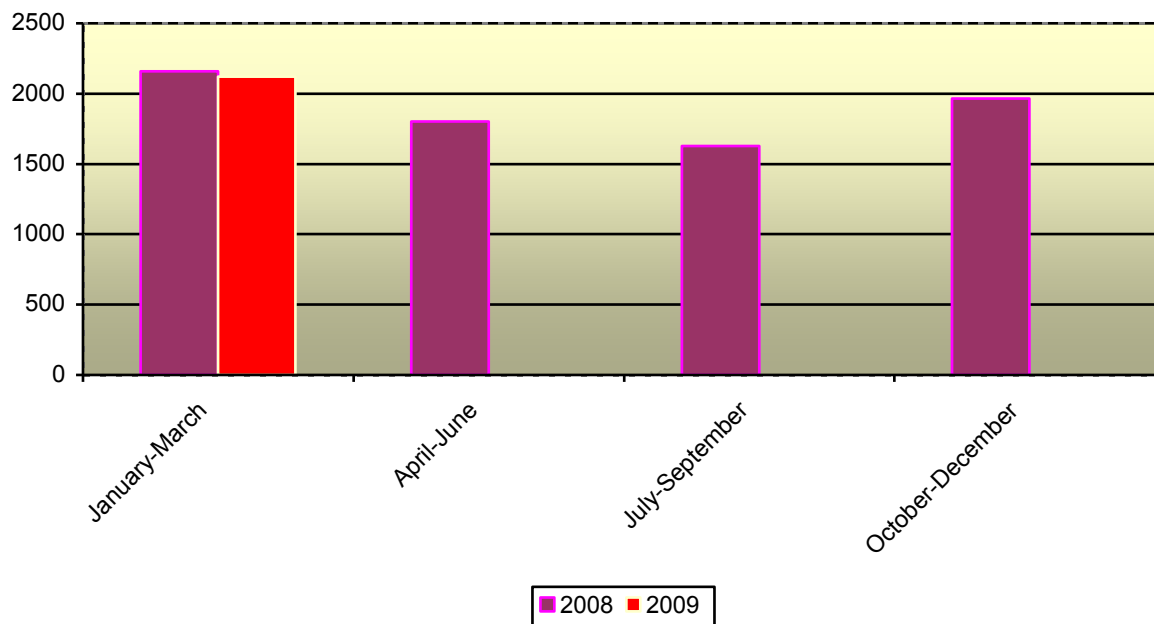
investments in Arkhangelsk Oblast is three times lower than in the same period of 2008 and 2,5 times lower than in 2007. In March 2009 the level of investments was the lowest in three years. The biggest drop was observed in the construction industry, which had a more than two times lower growth compared to the first quarter of the last year. The volume of credits and deposits given to the companies and physical persons also continues to shrink. From October last year till March 2009, the volume of crediting fell by almost 10%, thus ending a 10-year's period of uninterrupted growth.



Power generation

The electric power generation in the first three months of 2009 showed a slight tendency to overcome the negative trend observed last year and almost reached the level of the same period in 2008. Still, the volume of generated electric power is on a 5-year low.

Electric power generation in 2008-2009

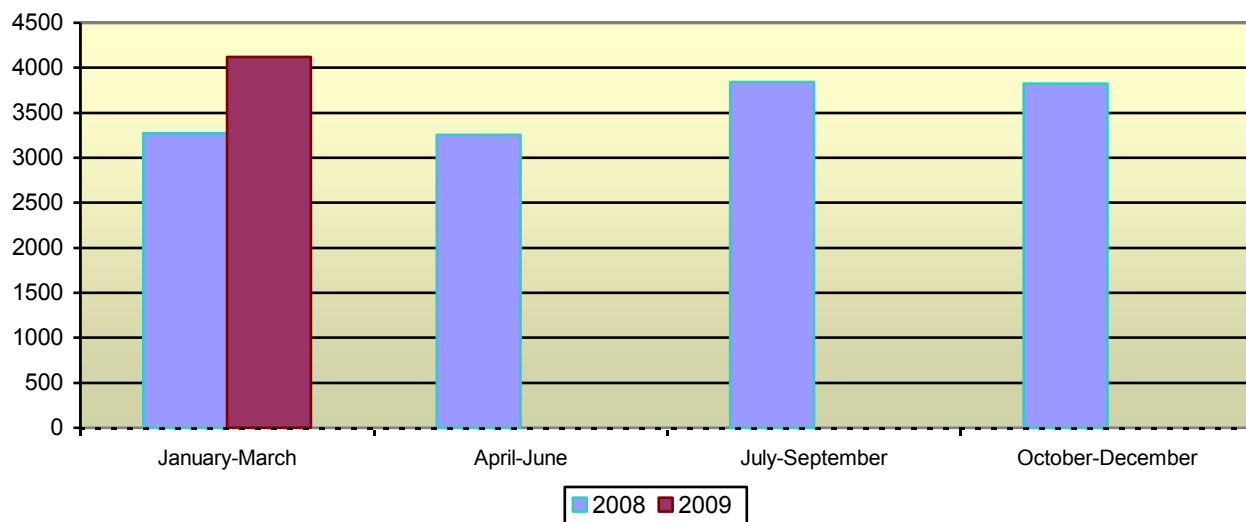


Oil and gas production.

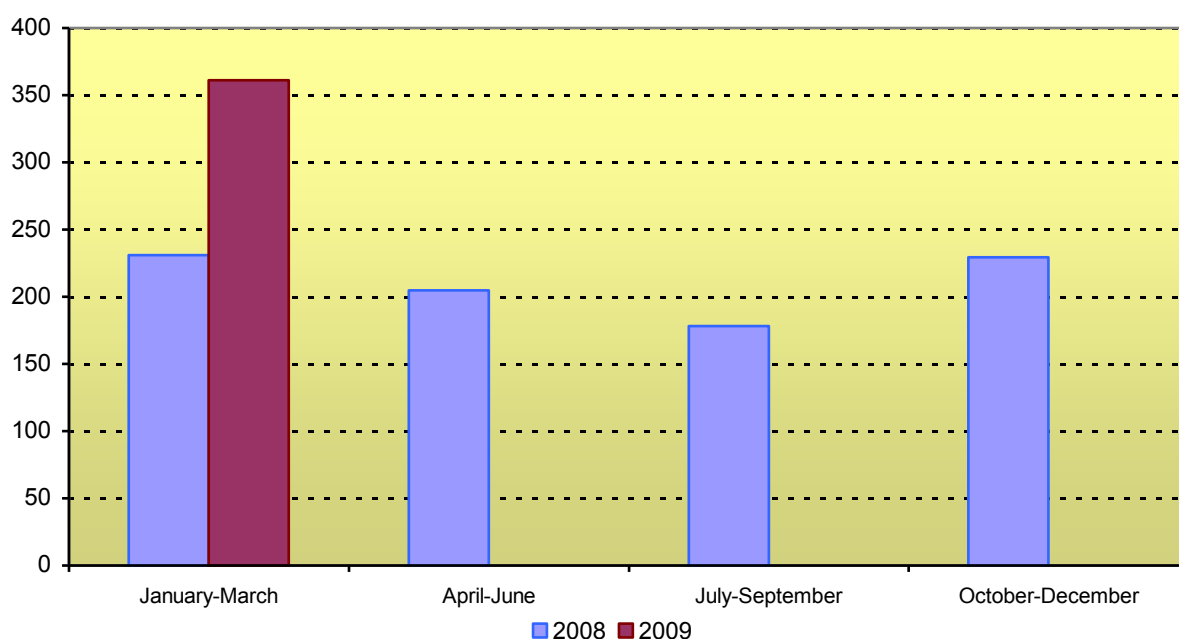
In January-March 2009 the oil production continued to grow and beat a new record with 4,117 million tons, which is almost 20 percent higher than in the same period last year. Natural gas production demonstrated even more impressive rates of growth and gave 36% surplus to the correspondent level of 2008.

The oil and gas production in the region comes from the Nenets AO, formally a part of Arkhangelsk Oblast.

Oil production in Arkhangelsk Oblast in 2008-2009 (thousand tons)



Natural gas production in Arkhangelsk Oblast in 2008-2009 (mln. cubic meters)



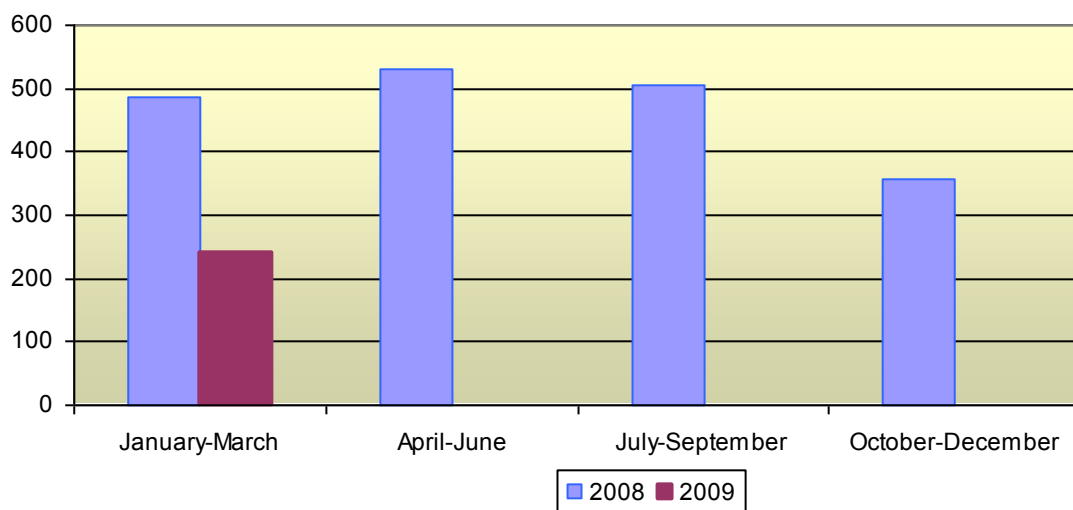
Timber industry

In February-March the lumber production slightly improved its positions with twice more surplus in March compared to January 2009 and almost 50% growth compared to December last year. But the final results so far this year look rather pessimistic with results being on 1999-level.

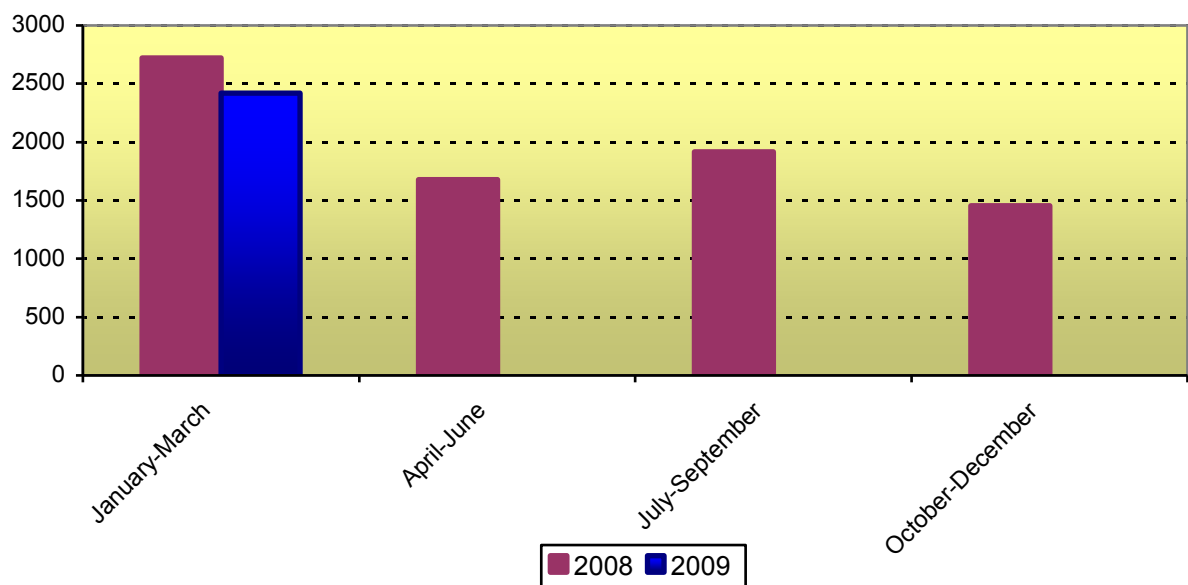
After a 25% decline in the last quarter of 2008 the timber production enjoys positive dynamics for already 6 months. However, the quarterly level is 12% behind the volumes of the same period in 2008.

March 2009 had the best results for the pulp and paper industry for the last seven months with 25 951 tons of monthly production. The final quarterly records nevertheless look not so well with more than 33% gap from the levels of the same period last year, which was the best for the last decade.

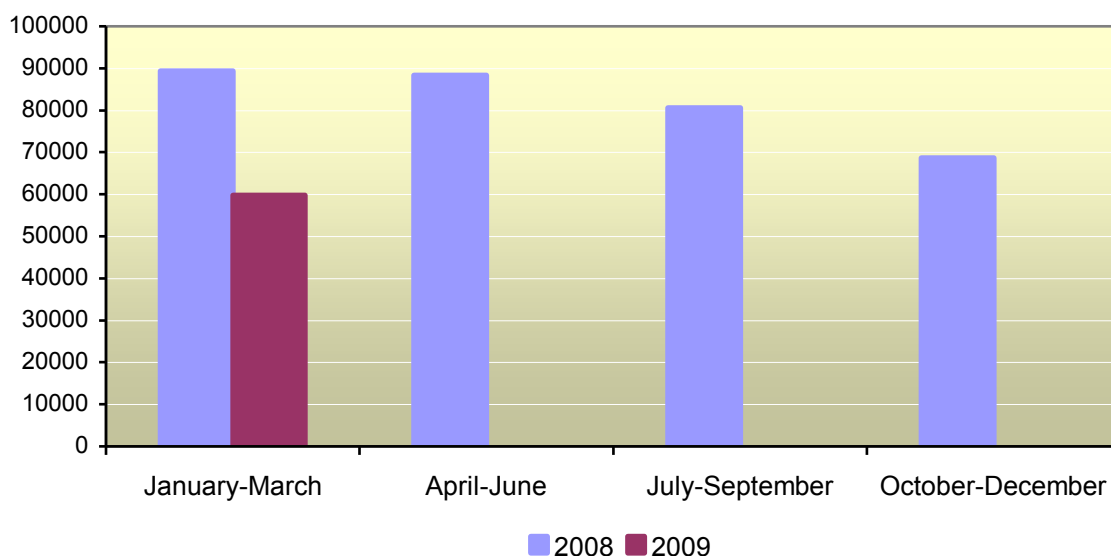
Lumber production in 2008-2009 (thousand cubic meters).



Timber production in 2008-2009



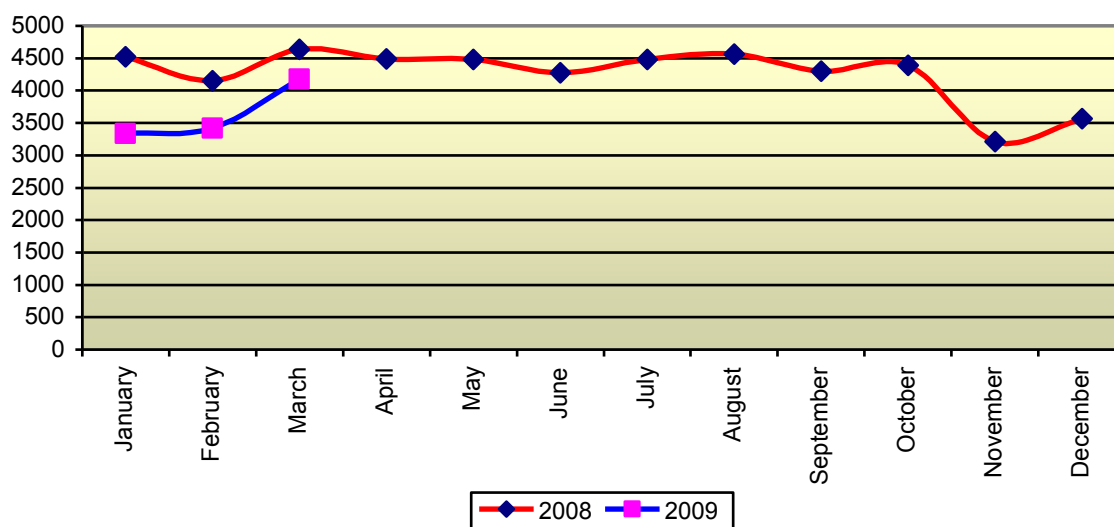
Pulp and Paper production in Arkhangelsk Oblast in 2008 (tons).



Cargo turnover

After a hard decline in the end of the last year the cargo turnover January-March 2009 demonstrated positive tendencies, thus compensating partly for the losses. Nevertheless the volumes of cargo turnover are still lower than the levels of last year and even the levels of 2007. The Arkhangelsk Sea Commercial Port experiences hard times having almost 30% of turnover decline and 38,3% vessels deliveries decrease in January-March 2009. The trans-shipment of containers for this period dropped by 74,6%.

Cargo transportation turnover in Arkhangelsk oblast in 2008-2009.



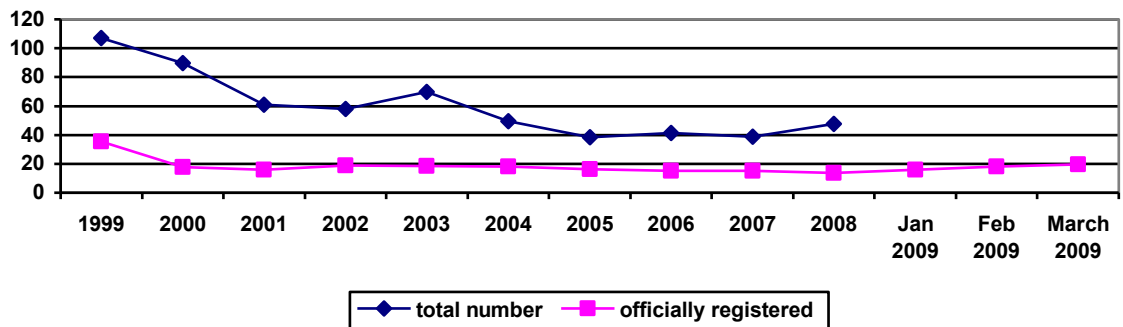
Andrey: I do not understand the text about regional budget below. What is budget receipts and what is on-budget expenditures?

Regional budget

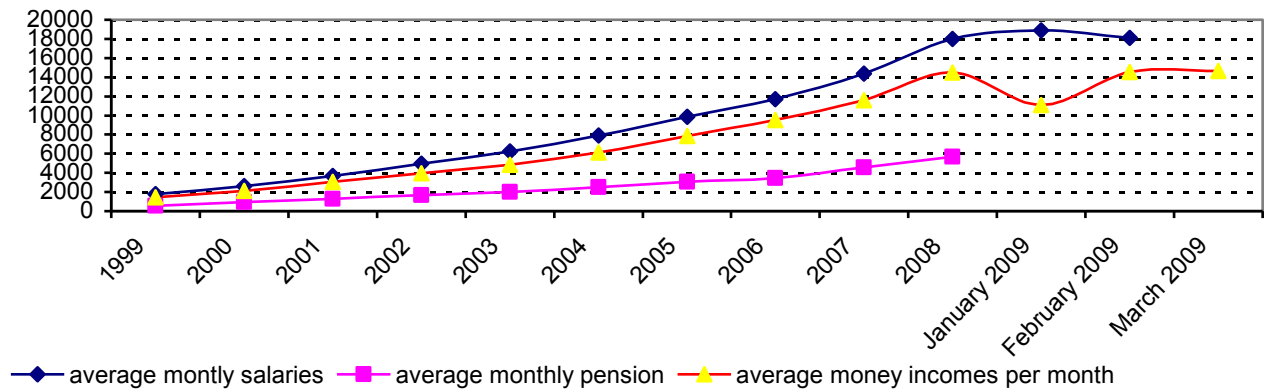
The regional budget receipts fell down for the first two months of the year by 226 million rubles which is only 3% less than in the last year. The on-budget expenditures are lowering more substantially – by 5,3% to the last year level.

POPULATION

Level of unemployment in Arkhangelsk Oblast (thousand people).



Incomes of population (rubles)



General information about Arkhangelsk Oblast

Territory:	587 400 sq. km. (including Nenets Autonomous Okrug, Novaya Zemlya and Franz Jozef Land archipelagos)
Population:	1 262 000 people
Population density:	2, 15 per sq. km.
Level of urbanization:	74,7%
Ethnic structure:	94,2% Russians 2,1% Ukrainians 0,8% Belorussians 0,6% Nenets 0,4% Komi
GRP:	237 billion rubles (average estimation)
Main cities:	Arkhangelsk - 354, 6 thousand people Severodvinsk – 195, 1 thousand people Kotlas – 72, 6 thousand people Koryazhma – 42, 7 thousand people Novodvinsk – 42, 4 thousand people
Main industries:	timber industry, fishery, shipbuilding, mineral resources development, transport complex, military-industrial complex