**Economy of Russia and Economic Crisis**

After the breakup of the USSR, Russia's first slight recovery, showing signs of open-market influence, occurred in 1997. That year, however, the Asian financial crisis culminated in the August depreciation of the ruble. This was followed by a debt default by the government in 1998, and a sharp deterioration in living standards for most of the population. Consequently, 1998 was marked by recession and an intense capital flight.

Nevertheless, the economy started recovering in 1999. The recovery was greatly assisted by the weak ruble, which made imports expensive and boosted local production. Then it entered a phase of rapid economic expansion, the GDP growing by an average of 6.7% annually in 1999-2005 on the back of higher petroleum prices, a weaker ruble, and increasing service production and industrial output.

Russia remains heavily dependent on exports of commodities (товары), particularly oil, natural gas, metals, and timber, which account for about 80% of exports, leaving the country vulnerable to swings in world prices. In recent years, however, the economy has also been driven by growing internal consumer demand that has increased by over 12% annually in 2000-2005, showing the strengthening of its own internal market.

There has been a significant inflow of capital in recent years from many European investors attracted by cheaper land, labor and higher growth rates than in the rest of Europe. Amazingly high levels of education and societal involvement achieved by the majority of the population, including women and minorities, secular attitudes, mobile class structure, better integration of various minorities in the mainstream culture set Russia far apart from the majority of the so-called developing countries and even some developed nations.

The world economic crisis is manifesting itself primarily (в первую очередь) in the area of finance (destabilisation of stock markets, bank losses, growing inflation, and rising interest rates). Following the commercial crisis and the fall in demand on the American market, the crisis spreads to the “new industrial countries”, where production starts coming to a halt (остановка). The contraction (сокращение, decline) in sales and in world industrial output leads to new collapses on the world’s stock (ценные бумаги) markets and problems from inflation to stagflation (стагфляция). Oil prices are falling (plumping) down, the number of unemployed is rising, and a massive decline in consumption takes place.

For the present, the impact of the crisis on the economy of Russia remains insignificant, affecting primarily the financial sphere. The economy of the Russian Federation is continuing to grow, but the country’s consumer market is under pressure from inflation. This is preparing the way for national commercial and mortgage crises. The advent (приход) of the global crisis in Russia will be delayed, probably occurring later than in the “new industrializing countries” and in the European Community. The decline of world oil prices will lead to a crisis in Russia’s national economy, to a collapse on the share (акции) market, to a fall in industrial production and an increase in unemployment, to a strengthening of inflation, and to sharply reduced consumption. The global crisis will be especially severe (жесткий) for Russia due to the orientation of the country’s economy to raw materials exports. The emergence of the country from the crisis will be associated with major structural changes in the economy, with social unrest, and with a decline in the role played by the raw materials corporations.