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R95 **Russian Economy in 2015. Trends and Outlooks. (Issue 37) /**
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The review provides a detailed analysis of main trends in Russia's economy in 2015. The paper contains 6 big sections that highlight single aspects of Russia's economic development: the socio-political context; the monetary and credit spheres; financial sphere; the real sector; social sphere; institutional challenges. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts.

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Russia's Foreign trade in 2015[1]

4.8.1. State of global trade

In 2015, economic growth rates in countries, which are main trade partners of the Russian Federation, turned out to be below forecast of a year earlier.

In 2015, according to the data released by the National Bureau of Statistics of China[2], the China's GDP went up by 6.9% annualized, which is the minimum over the recent 25 years. Production growth in 2015 has slowed down to 6.0% and growth of the service sector up to 8.3%. In 2014, growth rates posted 7.3% and 7.8%, respectively.

According to the data of CIS Macromonitoring[3] released by Eurasian Development Bank, in Q1 2015, GDP of CIS member states contracted by 2.6% compared to the same period of last year. In Q2, reduction of CIS GDP accelerated and hit 4.4%. In Q3, aggregate GDP of CIS member states contracted by 3.9% in comparison with the same period of 2014.

At the same time, economic situation in *advanced economies* in 2015 is gradually improving contributed by easy financial conditions and low global prices on energy resources and metals as well as neutral budget and fiscal policy.

According to Eurostat[4], *Eurozone* economy (EU-18)[5] in Q2 2015 up 0.4% compared to the previous quarter and up 1.5% annualized. In Q3 2015, compared to Q2 of the same year, economic growth of Eurozone slowed down to 0.3%, and GDP of entire *European Union* (EU-28) up 0.4%. In comparison with Q3 2014, growth of Eurozone GDP came to 1.6% and of European Union – 1.9%. Growth of consumer demand and public spending maintained the Eurozone economy. That helped compensating low export growth rates.

In Q2 2015, the US GDP moved up compared to Q1 by 3.9%, which is the maximum since July-September 2014. According to the US Bureau of Economic Analysis[6], the US GDP estimate was revised upwards from 1.5% to 2.1% in annual terms. In Q4 2015, the US economy went up by 0.7% in annual terms. By the end of 2015 as a whole, the US economy grew by 2.4% as in 2014. The economy is stimulated by growing consumer demand and by positive shifts on the labor market.

According to the IMF[7] estimates, in 2015, the growth of global economy turned out to be the lowest since the end of the financial crisis (-3.1%). Meanwhile, the strongest slowdown of growth rates is observed in China and other developing economies, which leads to a reduction of growth rates of word economy despite the fact that advanced economies demonstrate better indices for economic growth since 2010 (*Table 36*).

Table 36

Dynamics of Global GDP and World Trade
(growth rates in % to previous year)

[1] Author of this section: Volovik N. – Gaidar Institute for Economic Policy.
[2] http://www.stats.gov.cn/english/PressRelease/201601/t20160119_1306072.html
[3] http://www.eabr.org/r/research/publication/makromonitor_cis/
[4] http://ec.europa.eu/eurostat/web/products-press-releases/-/2-08122015-AP
[5] Eurozone (EU-18) include Belgium, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cypress, Luxemburg, Latvia, Malta, Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland.
[6] http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm
[7] http://www.imf.org/external/pubs/ft/weo/2016/update/01/

						Esti-mate	Forecast		Difference between fore-casts, data in October 2015 and January 2016	
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2016**	**2017**
Global GDP	**5.1**	**3.9**	**3.4**	**3.3**	**3.4**	**3.1**	**3.4**	**3.6**	**–0.2**	**–0.2**
Advanced economies	***3.0***	***1.7***	***1.2***	***1.4***	***1.8***	***1.9***	***2.1***	***2.1***	***-0.1***	***-0.1***
United States	2.4	1.8	2.3	2.2	2.4	2.5	2.6	2.6	-0.2	-0.2
Eurozone	2.0	1.5	–0.7	-0.4	0.9	1.5	1.7	1.7	0.1	0.0
Germany	4.0	3.4	0.9	0.5	1.6	1.5	1.7	1.7	0.1	0.2
France	1.7	2.0	0.3	0.3	0.2	1.1	1.3	1.5	-0.2	-0.1
Italy	1.8	0.4	–2.4	-1.9	-0.4	0.8	1.3	1.2	0.0	0.0
Spain	–0.3	0.1	–1.6	-1.2	1.4	3.2	2.7	2.3	0.2	0.1
Japan	4.5	–0.6	1.5	1.5	-0.1	0.6	1.0	0.3	0.0	-0.1
Great Britain	1.8	1.1	0.3	1.7	2.9	2.2	2.2	2.2	0.0	0.0
Canada	3.2	2.5	1.7	2.0	2.5	1.2	1.7	2.1	0.0	-0.3
Other advanced econo-mies	5.9	3.2	2.0	2.3	2.8	2.1	2.4	2.8	-0.3	-0.1
Emerging and devel-oping economies	***7.4***	***6.2***	***5.1***	***4.7***	***4.6***	***4.0***	***4.3***	***4.7***	***-0.2***	***-0.2***
Commonwealth of In-dependent States	4.8	4.8	3.4	2.2	1.0	-2.8	0.0	1.7	-0.5	-0.3
Russia	4.3	4.3	3.4	1.3	0.6	-3.7	-1.0	1.0	-0.4	0.0
Less Russia	6.0	6.1	3.6	4.2	1.9	-0.7	2.3	3.2	-0.5	-0.8
Developing countries of Asia	9.5	7.8	6.7	6.6	6.8	6.6	6.3	6.2	-0.1	-0.1
China	10.4	9.3	7.7	7.7	7.3	6.9	6.3	6.0	0.0	0.0
India	10.1	6.3	4.7	5.0	7.3	7.3	7.5	7.5	0.0	0.0
Latina America and Caribbean	6.2	4.6	2.9	2.7	1.3	-0.3	-0.3	1.6	-1.1	-0.7
Brazil	7.5	2.7	1.0	2.5	0.1	-3.8	-3.5	0.0	-2.5	-2.3
Mexico	5.6	4.0	4.0	1.1	2.3	2.5	2.6	2.9	-0.2	-0.2
Global trade of goods and services	***12.6***	***6.1***	***2.9***	***3.0***	***3.4***	***2.6***	***3.4***	***4.1***	***-0.7***	***-0.5***
Import										
Advanced economies	11.4	4.7	1.2	1.4	3.4	4.0	3.7	4.1	-0.5	-0.4
Emerging and developing economies	14.9	8.8	6.0	5.3	3.7	0.4	3.4	4.3	-1.0	-1.1

Source: IMF, http://www.imf.org/external/pubs/ft/weo/2016/update/01/

In the forecast released in January 2016, IMF revised global GDP growth rate in 2016 downward compared to October (2015) Report from 3.6% to 3.4%. Economic development of the US was projected less dynamic (+2.6% against +2.8% in October Report). At the same time, Eurozone as a whole will accelerate growth rate to 1.7% against projected earlier 1.6%. The IMF forecast on Chinese economy stayed unchanged: growth projected at 6.3%, which is below projection of the Chinese authorities (+6.8% according to the Central bank of China).

In October 2015, The World Trade Organization (WTO) released "World Trade Report"[1] which provides main indicators characterizing current development trends of the global commerce in goods and services. Herewith, the world trade growth has come up with global GDP growth and constituted merely 2.5%, which was determined by many factor combinations. Principal among them are slowdown of GDP growth in countries with developing economy, uneven economic recovery in advanced economies and growth of geopolitical tensions.

High exchange rate volatility including strengthening of the American dollar against a broad basket of currencies and currencies of developing countries further complicated the trade situation and outlook. Collapsing world crude oil prices in 2014-2015 and weakness in other commodity classes hit export receipts and reduced import demand in exporting countries. However, there was no significant growth of import in countries-importers.

[1] https://www.wto.org/english/res_e/publications_e/wtr15_e.htm

In 2014, foreign trade turnover of *China* amounted to $4,301bn (41.5% of GDP), which exceeded 2013 indicator by 3.4%. Since 1994, Chinese had trade surplus. In 2014, it hit $383.0bn (3.7% of GDP).

The United States whose foreign trade turnover in 2014 constituted $4,034bn (32.2% of GDP) were second. Herewith, the US retains a significant deficit of balance of trade: in 2014, it amounted $792bn (4.5% of GDP).

Germany was third. Its foreign trade turnover in 2014 amounted to $2,724bn (71.3% of GDP). Trade surplus amounted to $292bn (7.6% of GDP).

The Russian Federation with the exports volume of $498bn sank to the 11th place (in 2013 – 10th, in 2012 – 8th). The share of Russian exports on the total volume of world merchandize exports came to 2.6%. Regarding exports Russia took 17th place by purchasing abroad goods in the amount of $308bn (in 2013 – 16th). The share of Russian imports in the total volume of world imports fell to 1.6% against 1.8% in 2013.

In September 2015, The World Trade Organization revised downward its forecast for world trade growth in 2015 to 2.8% from 3.3%[1] expected in April. Revision of the forecast reflects a number of factors, which weigh on the world economy in H1 2015 including reduced demand for exports from China, Brazil and other developing countries, easing of prices on crude oil and other commodities as well as significant volatility of currencies exchange rate

Forecast for world trade growth in 2016 was revised downwards from 4.0% to 3.9%. Thus, growth rates remain significantly lower the average level of recent 20 years (5%). Further easing of economic activity in developing countries and financial instability, which can reveal itself as a result of continuation of tight monetary policy pursued by the US pose the most serious risks.

4.8.2. Russia's terms of trade: prices on major goods of Russian exports and imposts

2015 saw the continuation of price fall on commodities. For instance, the aggregate Bloomberg Commodity Index (BCOM), which embraces 22 types of commodities fell by 25% during a year to the lowest level since 2009. In early December 2015, for the first time since 1999 BCOM decreased below 80 points.

In Q3 2015, the World Bank price index on energy resources shrank compared to the previous quarter by 17%, which was due for the first time to the slowdown of the world economy, especially in China and other developing economies. This resulted in contraction of demand amid high supply of these goods on the world market. In Q4 decrease of this indicator continued. Compared with the previous quarter it contracted by 13.6%. During the year as a whole, energy resources became cheaper by 45.1%

In Q3, prices on other commodities decreased on average by 5%, and in Q4 – by 3.7%. In 2015, non-energy resources became cheaper by 15.1% compared to 2014.

Prices on metals fell in Q3 compared to Q2 by 12%, and in Q4 compared to Q3 – by 8.0%. At the same time, fifth quarter recession was observed, which reflected slowdown of demand especially from China. In 2015, prices on metals have fallen by 21.1%.

Precious metals went down in Q3 2015 compared to Q2 by 7.0%, and in Q4 compared to Q3 – by 1.7%. In 2015c in comparison with 2014, contraction of precious metals sale was observed by 10.4% due to low investment demand.

[1] https://www.wto.org/english/news_e/pres15_e/pr752_e.htm

Prices on agricultural raw materials went down by 2.5% in Q3 compared with the previous quarter and by 2.3% in Q4 compared to Q3. In 2015 in comparison with 2014, they contracted by 13.1%, reflecting high level of supplies and existing stock of grains.

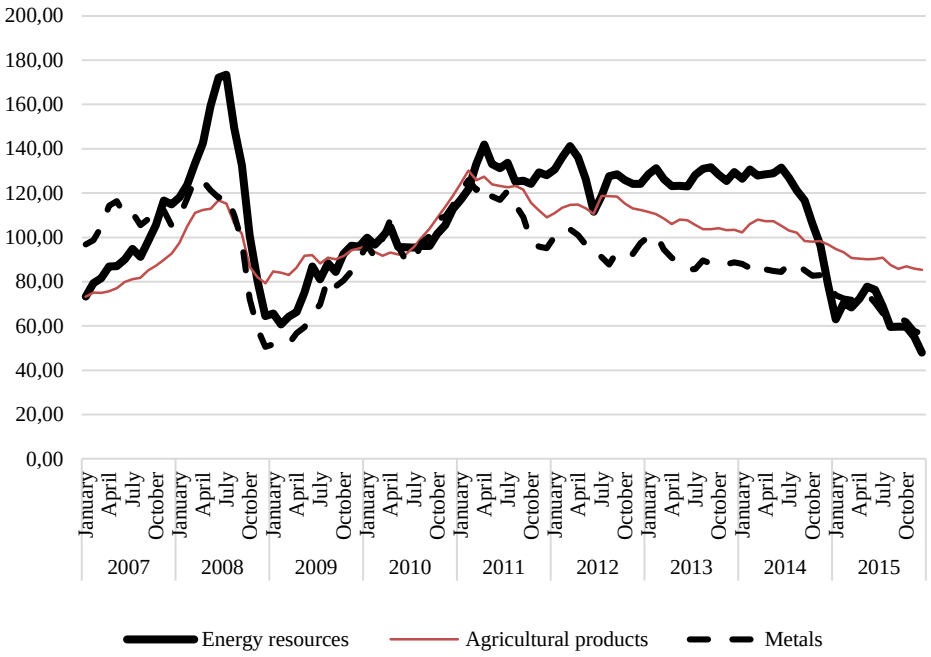

Fig. 49. Price index on commodities of World Banks (2010 = 100)

Source: http://www.worldbank.org/en/research/commodity-markets#1

One of the main factors of reduction of world prices on raw materials was slowdown of the world economy especially decline of the economic growth in China. Chinese leaders promise to preserve in 2016 economic growth within "reasonable limits" by increasing domestic demand and increasing efficiency of delivery system.

One more factor for reduction of raw materials prices in 2015 was expectation of the hick of the prime rate in the US. At the meeting of the Federal Committee for Open Markets (FOMC) held on December 15-16, 2015, a decision was taken to raise the target range for the federal funds rate to 1/4 to ½ percent.[1] This decision coincided with the expectations of economists and market agents. In medium-term perspective, the Federal Reserve Board is planning to raise the prime rate to 1.5% in 2016 and to 2.5% in 2017.

The prime rate was raised last time in June 2006. During 2008, it was reduced 7 times and in December 2008 was set at an unprecedented low level of 0-0.25% where it stayed for 7 years.

Prime rate hike in the US means strengthening of the dollar against other currencies as well as continuation of price fall on commodities.

Decline of the world oil prices weighs most painfully on the Russian economy. Factors, which determine oil price fall in 2015, were formed in 2014: significant oversupply on the world oil market, strengthening of the US dollar on the background of relatively fast recovery of the American economy, expectations of tightening of the monetary policy by FRB.

[1] http://www.federalreserve.gov/newsevents/press/monetary/20151216a.htm

Slowdown of the world economy growth resulted in contraction of demand on energy resources. The OPEC decision not to cut the level of crude oil production in response to the price fall contributed to retention of high volumes of supply on the oil market. Meanwhile, production of shale oil in the US decreased less than was expected by the market agents. Additional pressure on the oil price was exerted by the expectations of further increase of oil supply from Iran due to lifting of sanctions. Simultaneous impact of all factors resulted in a significant reduction of oil prices.

In early 2015, the price of oil was recovering following a reduction by more than twofold in 2014. Peak of growth was in May (quotations were approaching $70 per barrel). However, then prices again began falling by renewing multi-year low. As a result, in December 2015, quotations fell to the levels of mid-2014.

Prices of Brent crude in 2015 averaged $52.37 per barrel, which was 47.1% cheaper than in 2014 ($98.94 per barrel).

In December 2015, price of Brent crude fell below $38 per barrel. The main reason for that was unwillingness of OPEC to cut oil production. Following the results of the summit held on December 4, 2015, the cartel decided to preserve the existing oil production quota. Herewith, since early year to November oil production of the OPEC member states went up by 1.7 mn barrels per day. Moreover, Iran's declaration to sell oil below $30 per barrel, expectations of the market regarding the US lifting a self-imposed ban on oil export and FRB decision to raise the prime rate exerted pressure on the oil quotations.

The price of Urals crude fell in 2015 against 2014 by 47.5% to $51.23 per barrel. In November, price of Urals fell below the watermark of $40 per barrel, below which according to "Main Directions of Monetary Policy" of the Bank of Russia, Russia faces 'risk' scenario of the economic development, which envisages accelerated contraction of GDP, ruble depreciation and the federal budget deficit growth.

In 2015 against 2014, the price of gas on the European market decreased by 27.8$ amid high level of stock and adjustment of contract prices tied to oil prices.

In 2015, world market condition for nonferrous metals continued deteriorating on the back of slowdown of demand from China. In November, prices on nonferrous metals high minimal levels since the crisis year of 2009.

During the year, aluminum wend down by 10.95 from $1,867.42 per ton in 2014 to $1,664.68 per ton in 2015, i.e. to the level of 2009.

Prices on nickel during the year fell by 29.8% from $16,893.37 per ton in 2014 to $11,862.63 per ton in 2015. This is the lowest price since October 2003 when nickel was $11,047.17 per ton. In the crisis year of 2009 nickel moved down in March to $9,696.4 per ton not dropping further and in April began growing. Now London Metal Exchange boasts of significant stock of this metal, which weighs on the price.

During the year copper moved down by 19.7%. In 2014, copper was $6,863.39 per ton and in 2015 solely $5,510.45 per ton.

Table 37

Average annual world prices, 2005–2015

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Brent crude, $/bbl.	54.38	65.15	72.32	97.64	61.86	79.64	110.9	111.97	108.86	98.94	52.37
Natural gas (USA), $/million BTU*	8.92	6.72	6.98	8.86	3.95	4.39	4.00	2.75	3.73	4.37	2.61

Natural gas (European market), $/million BTU	6.33	8.47	8.56	13.41	8.71	8.29	10.52	11.47	11.79	10.05	7.26
Natural gas (Japan), $/million BTU	5.99	7.08	7.68	12.55	8.94	10.85	14.66	16.55	15.96	16.04	10.42
Copper, $/ton	3679	6722	7118	6956	5149	7534	8828	7962	7332.1	6863.4	5510.4
Aluminium, $/ton	1898	2570	2638	2573	1665	2173	2401	2023.3	1846.7	1867.4	1664.7
Nickel, $/ton	14744	24254	37230	21111	14655	21809	22910	17557	15032	16893	11862

Source: calculated using data of the World Bank.

In 2015, Russia's terms of trade with countries of far abroad deteriorated considerably. In January-September 2015, terms of trade index came to 73.6 points. Meanwhile, in January-September 2014 it amounted to 97.3 points. This is owing to the fact that exports to the countries of far abroad went down in price much more than imports from these countries. Average export price index during 9 months of 2015 constituted 65.2% and index of average import prices – 88.6%.

Russia's terms of trade with CIS member states, on the contrary, improved. In January-September 2015, terms of trade index amounted to 118.8 points, meanwhile in January-September 2014 – 100.5 points. Imports to Russia from CIS member states lost less in price than exports from Russia to those countries. Index of average export prices during 9 months of 2015 amounted to 78.9%, and index of average import prices – 66.4%.

The same picture was observed in the crisis year of 2009 (*Fig. 50*).

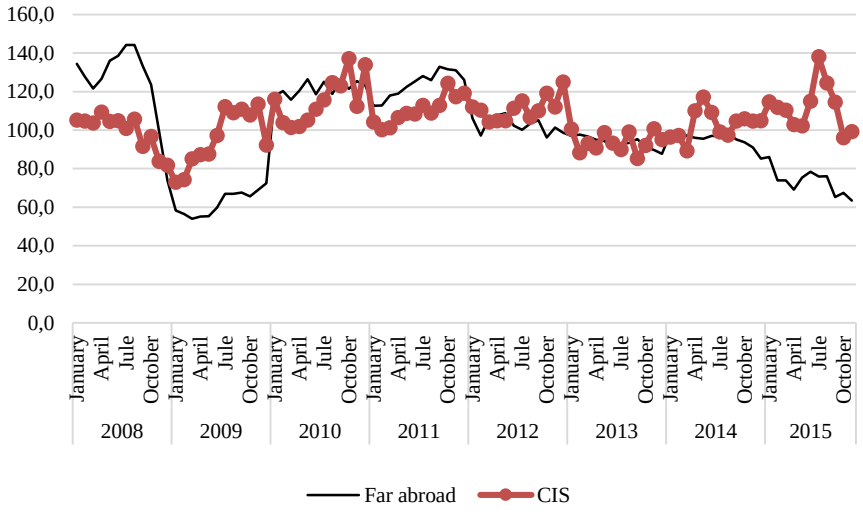

Fig. 50. Russia's terms of trade, 2008–2015

Source: Ministry of Economic Development.

4.8.3. Main indicators of Russian foreign trade

In 2015, reduction of foreign trade indicators was observed similar to the crisis one of 2009. According to data released by the Bank of Russia, foreign trade turnover calculated according to the balance of payments' methodology amounted to $534.4bn, which is down 33.7% against the same indicator last year. Foreign trade turnover with countries of far abroad contracted by 33.9% to $463.2bn, with CIS member states down 32.1% to $71.2bn.

In 2015, Russian export shrank compared to 2014 by 31.8% to $340.3bn, and Russian imports down 37% to $194.1bn. Thus, imports were contracting faster than exports due to slowdown of economic growth and ruble devaluation as well as in the context of international trade sanctions. Consequently, in 2015, there was trade surplus in the amount of $146.2bn, but contracted by 22.9% compared to 2014 (*Fig. 51*).

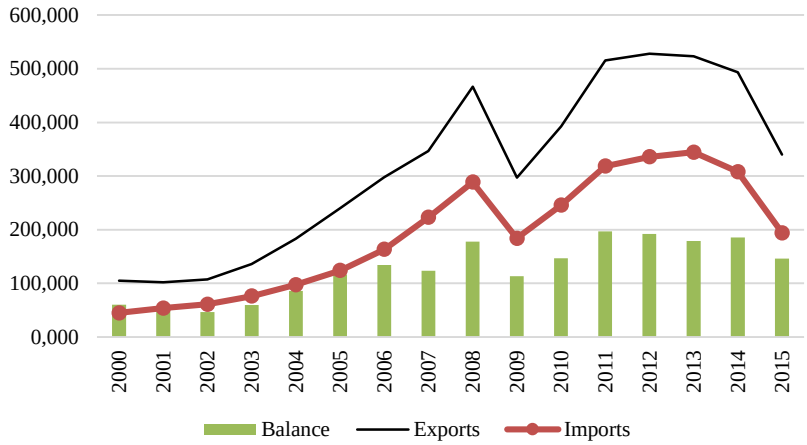

Fig. 51. Main indicators of Russian foreign trade in 2000–2015, USD bn.

Source: Bank of Russia.

As in 2014, negative dynamics of Russian exports in 2015 was owing to mainly price factor amid insignificant growth of exports volume. Reduction of the imports volume was due both to a decline of average import prices and to contraction of delivered to Russia imports physical volumes of goods.

Table 38

Indices of Russian foreign trade in 2011–2015 (% to previous year)

	2011		2012		2013		2014		2015	
	Volume	Average prices	Volume	Average prices	Volume	Average prices	Volume	Average prices	Volume	Average prices
Exports	97.8	132.9	99.9	101.6	104.9	95.7	100.0	94.3	105.4	64.8
Imports	122.2	109.1	105.1	97.3	97.8	102.5	92.5	98.2	77.7	81.1

Source: FCS of Russia.

Despite the easing of foreign demand, exports volume moved up by 5.4% which was due to a significant ruble devaluation in real terms in late 2014 - early 2015. This fact supported export oriented sectors of the Russian economy and partially offset enterprises losses incurred due to the fall of commodities prices. Prices on Russian goods have fallen by 35.2% with outstripping rates on energy resources including on crude oil by 46.8% and on oil products by 44.0%.

Reduction of imports was driven by a contraction of physical volumes of deliveries by 22.3% with price fall at 18.9%. Main factors were recession in the Russian economy, Russia's restrictive measures regarding imports of certain categories of goods and contraction of income of the population. Ruble depreciation positively affected imports.

Excess of exports over imports went up from 160.3% in 2014 to 175.1% in 2015.

Coefficient of foreign trade imbalance (ratio between balance and trade turnover) moved up from 23.15% in 2014 to 27.29% in 2015.

Structure and dynamics of exports

In 2015, Russian exports shrank compared to 2014 by 31.6% to $340.3bn. Herewith, significantly fell proceeds from exports to the countries of far abroad (by 31.8%) and to CIS member states (by 30.3%). In the total exports volume the share of far abroad countries decreased to 85.9% compared to 86.2% in 2014 (*Table 39*).

Table 39

Dynamics of Russian exports in 2004–2015

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Exports, USD bn	183.2	243.8	303.6	354.4	471.6	303.4	400.6	515.4	529.1	523.3	493.6	340.3
Including far abroad	153.0	210.2	260.2	300.6	400.5	255.3	338.0	436.7	443.8	445.2	428.6	292.4
Growth rates, % to previous year												
Volume index	110.7	104.7	105.8	105.0	96.8	97.0	110.0	97.8	99.9	104.9	100.0	105.4
Price index	122.7	126.9	119.7	110.9	137.4	76.4	119.8	132.9	101.6	95.7	94.3	64.8

Sources: Bank of Russia, RF Ministry for Economic Development.

Growth of exports efficiency due to the ruble devaluation has contributed to increase of physical volume of shipments of goods abroad. For instance, in 2015 compared to 2014, exports volume of crude oil moved up by 9.4%, oil products – by 4.1%, natural gas – by 7.5%, potassium fertilizers – by 6.9%, mixed fertilizers – by 7.1%, lumber – by 10.7%, plywood – by 12.2%, wood pulp – by 10.1%, cotton cloth – by 6.6%, ferrous metals – by 7.5%, refined copper – by 94.1%, and green aluminum – by 18.9%.

Growth of Russian exports volume could not compensate losses incurred from the decrease of average export prices on practically all products exported abroad. Significant contraction of exports value volumes was observed across all merchandise line of extended classification. "Mineral products" suffered most of all. This group of products of Russian export shrank by 37.4% since 2014. Therewith, the share of this merchandise group in the overall structure of Russian exports fell by 6.7 p.p. to 63.8%. Export of metals and metal products contracted by 18.6%, timber and pulp and paper products – by 15.5% and chemical products – by 13.0%.

By 2015-end compared to 2014, the Russian exports pattered suffered the following changes: with the reduction of share of mineral products the share of metals and metal products, machines, equipment and means of transport, chemical products and rubber, foodstuffs and agricultural raw materials and timber and pulp and paper products went up (*Fig. 52*). The share of hi-tech products increased to 10.1% of the overall exports volume (in 2014 it constituted 8.5%).

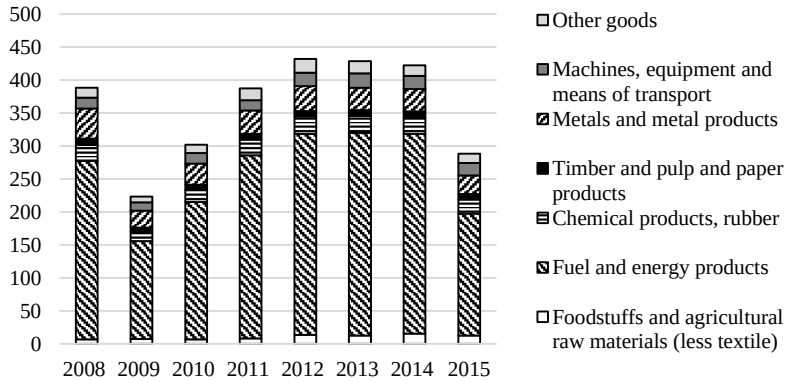

Fig. 52. Goods dynamics of Russian exports, 2008–2015, USD bn.

Source: FCS of Russia.

The Netherlands are the main customer of Russian goods. That country is the largest gateway for Russian energy resources. In 2015, the share of that country amounts to 11.9% of total Russian exports (in 2014 – 13.7%). *China* stays second importing 8.3% of the total Russian exports (in 2014 – 7.5%). *Germany* is third with 7.4% of the total Russian exports in 2015 (in 2014- 7.5%).

Structure and dynamics of imports

In 2015, Russian imports contracted compared to 2014 by 37% to $194.1bn. Reduction of imports volume was owing to a decrease of deliveries both from countries of far abroad, which exported goods to the tune of $170.9bn (down 37.2% against the same indicator of 2014) and from CIS member states, which exported to Russia goods to the tune of $23.2bn (down 35.6% against 2014). In the total volume of imports the share of countries of far abroad remained at the 2014 level of 88%.

Contraction of imports was observed across all major classification of goods. The largest reduction was observed in relation to imports of automobiles (by 50.5%) and trucks (by 57%), flying machines (by 56.2%) and spare parts for means of transport (by 45.1%).

At the beginning of august 2014, Russia banned imports of foodstuffs from countries, which imposed sanctions against it: from the US, EU member states, Canada, Australia and Norway. The following foodstuffs were banned: beef, pork, poultry, sausages, fish, vegetables, fruit, dairy products, etc. In 2015 compared to 2014, import of banned products in value terms fell by 46% to $7.6bn. The biggest reduction was observed in relation to meat (cattle and pork), dairy products (first of all, cheeses and butter), apples and pears, fresh and frozen fish.

Table 40

Dynamics of Russian imports, 2004–2015

	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Imports, USD bn.	97.4	125.4	164.3	223.5	291.9	191.8	248.6	318.6	335.8	341.3	308.0	194.1
Including countries of far abroad	76.4	103.5	138.6	191.2	253.1	167.7	213.3	275.5	288.5	295.0	271.7	170.9
Growth rates, % to previous year												
Volume index	124.2	122.4	130.1	127.1	113.5	63.3	135.4	122.2	105.1	97.8	92.6	77.7
Price index	106.1	106.5	105.5	107.6	117.8	99.1	101.6	109.1	97.3	102.5	99.8	81.1

Sources: Bank of Russia, Ministry of Economic Development.

Imports of many consumer goods shrank due to decrease of real income of the population. Russian import pattern (*Fig. 53*):

– Increased the share of chemical products and rubber, fuel and energy products, foodstuffs and agricultural raw materials, textile and textile products and footwear;
– Fell the share of machines, equipment and means of transport, metals and metal products;
– The share of timber and pulp and paper products remained unchanged.

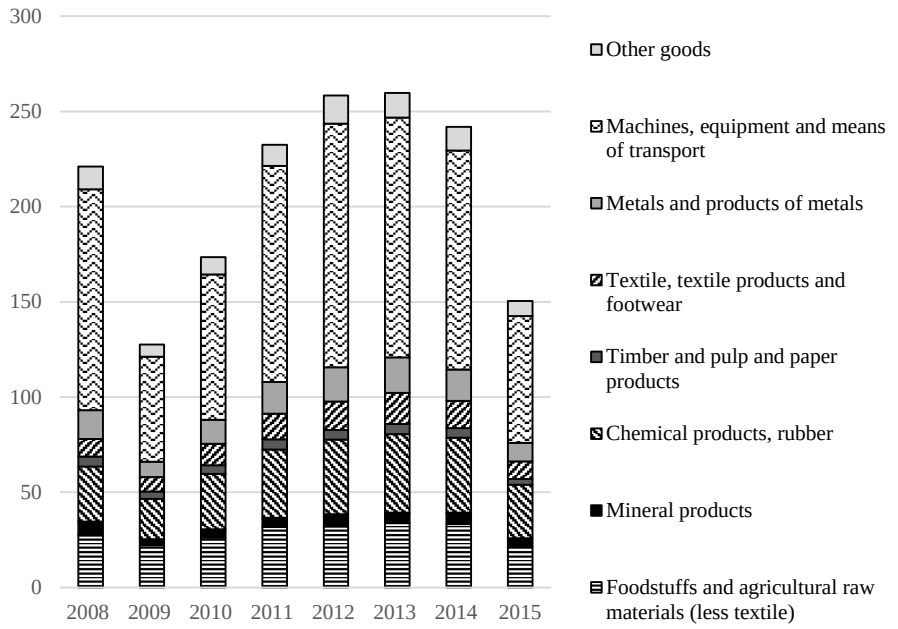

Fig. 53. Goods dynamics of Russian imports, USD bn.

Source: FCS of Russia

Since 2008, *China* is the principal exporter on the Russian market. In 2015, the share of China in Russian imports moved up to 19.2% (in 2014 – 17.9%). *Germany* is the second largest exporter to Russia. Prior to 2008 Germany was second to none. In 2015, the share of that country amounted to 11.2% of total Russian imports (in 2014 – 11.5%). *The United State of America* was third with 6.3% (in 2014 – 6.5%).

4.8.4. Regional pattern of Russian foreign trade

In 2015 on 2014, regional pattern of Russian foreign trade suffered reduction in the share of EU countries (from 48.1% to 44.8%). The share of CIS member states remained at the 2014 level of 12.5%. Herewith, the share of APEC member states moved up from 26.9% to 28.1% (*Fig. 54*).

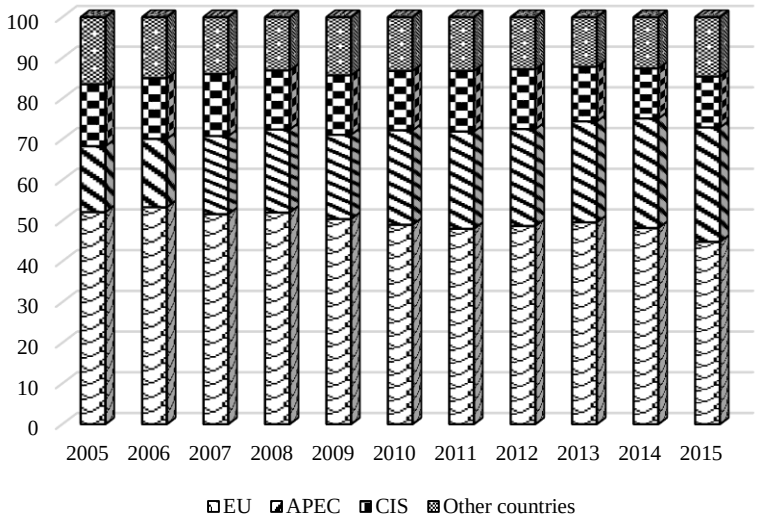

Fig. 54. Regional pattern of Russian foreign trade, 2005–2015, %

Source: FCS of Russia.

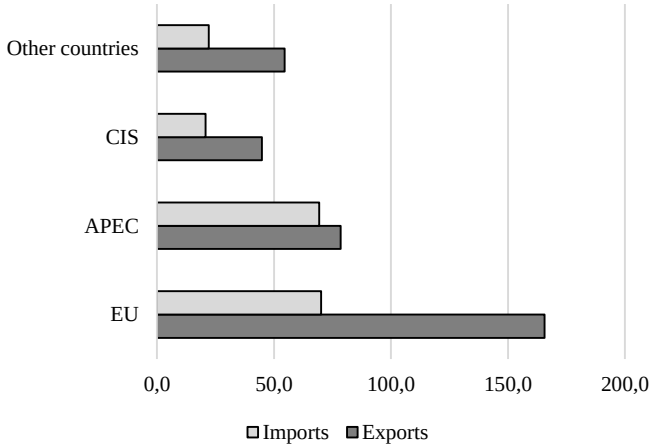

Fig. 55. Main indicators of Russian foreign trade regional pattern in 2015, USD bn

Source: FCS of Russia.

In 2015, the share of the European Union in Russia's foreign trade turnover continued falling. Most of all trade turnover contracted with the following countries: Estonia – by 49.6%, Sweden – by 46.7%, Slovenia – by 42.4%, Latvia – by 44.9%, and Great Britain – by 41.9%. Despite reduction of Russian trade turnover and EU, the European Union remains principal partner of the Russian Federation. However, relation between them are complicated by many factors: both domestic problems of economic development in Russia and external – controversy on the situation in Ukraine and Syria, sanctions and counter sanctions.

Russia's trade deficit was with 20 countries whose share in total Russian trade turnover constituted 24.2%. Russia's largest trade deficit was with China (-$6.3bn), USA (-$1.9bn), Indonesia (-$1.1bn), Thailand (-$0.9bn), Brazil (-$1.0bn), and Argentina (-$0.7bn).

4.8.5. Regulation of Russia's foreign trade[1]

Tariff regulation

Export duties

In compliance with the Regulation of the RF Government of March 29, 2013 No 276[2] the Ministry of Economic Development of Russia carried monthly adjustments of customs duty rates on crude oil and certain categories of petroleum products.

On November 25, 2014, The RF President Vladimir Putin signed a Law "On Amending Part II of the Russian Federation Tax Code", in compliance with which from January 1, 2015 Russia launched 'tax maneuver' in the oil and gas sector. The maneuver is aimed at reducing dependence of the Russian budget on export duties that fall together with the oil price. The maneuver envisages gradual decrease by 1.7-fold of export customs duties of crude oil and on petroleum products – by 1.7-5 times depending on the type of the product. The Mineral Extraction Tax (MET) rate on crude oil during the period will grow 1.7 times and on gas condensate – by 6.5 times. This will result in growth of domestic price of crude oil and correspondingly the price of gasoline will move up. In order to avoid a sharp hike of prices on petroleum products, the maneuver envisages reduction of excises on gasoline and diesel fuel.

Change in the taxation scheme in the wake of decline of world oil prices led to a considerable fall of export duty on crude oil in early 2015 (*Table 41*).

During 2015, 4 regulations were adopted by the RF Government, which referred to export customs duties rates:

- of May 28, 2015 № 513 "On Amending Rates of Export Customs Duties on Goods Exported from the Russian Federation outside the Territory of the Customs Union Member States" (envisages introduction of rates of export customs duties in the range of 50-5.5 rubles per ton, but no less than 50 rubles per ton on wheat and meslin);
- of May 29, 2015 № 514 "On Amending Rates of Export Customs Duties on Goods Exported from the Russian Federation outside the Territory of the Customs Union Member States" (envisages introduction of export customs duty rate in the amount of 6.5% regarding certain types of metals of the platinum group, codes 2843 90 900 0 и 7115 90 000 0 CN FEA EEU);
- of August 4, 2015 № 786 "On Amending Rates of Export Customs Duties on Goods Exported from the Russian Federation outside the Territory of the Customs Union Member States" (envisages introduction of amendments in CN FEA EEU and ETT EEUU in relation to certain types of goods in compliance with the obligations taken by Russia regarding WTO);
- of September 29, 2015 № 1032 "On Amending Rates of Export Customs Duties on Goods Exported from the Russian Federation outside the Territory of the Customs Union Member States" (envisages introduction of amendments in CN FEA EEU and ETT EEUU in relation to certain types of wheat and meslin).

Table 41

Export duty rates on crude oil and petroleum products in 2014–2015, USD/t

[1] In preparation of this chapter, materials from garant.ru were used.

[2] Regulation of the RF Government of March 29, 2013, № 276 "On calculation of export customs duties on crude oil and certain categories of petroleum products revocation of certain decision of the Government of the Russian Federation".

	Crude oil	Petroleum products	
2014			
1 January	401.0	264.6	
		Diesel fuel	**Other types of petroleum products, less gasoline and diesel fuel**
February 1	386.3	251	254.9
March 1	384.4	249.8	253.7
April 1	387.0	251.5	255.4
May 1	376.1	244.4	248.2
June 1	385.0	250.2	254.1
July 1	385.2	250.3	254.2
August 1	388.4	252.4	256.3
September 1	367.6	238.9	242.6
October 1	344.7	224.0	227.5
November 1	316.7	205.8	209.0
December 1	277.5	180.3	183.1
2015			
January 1	170.2	81.6	129.3
February	112.9	54.1	85.8
March 1	105.8	50.7	80.4
April 1	130.8	62.7	99.4
May 1	116.5	55.9	88.5
June 1	144.4	69.3	109.7
July 1	143.1	68.6	108.7
August 1	133.1	63.8	101.1
September 1	109.2	52.4	82.9
October 1	91.5	43.9	69.5
November 1	97.1	46.6	73.7
December 1	88.4	42.4	67.1

Sources: Regulation of RF Government; information released by RF Ministry of Economic Development.

Import duties

During 2015, amendments were introduced in the rate of import duties: as of the period-end for 9 months of 2015, 11 decision was taken by the Board of the Eurasian Economic Commission and 27 decisions were taken by Collegium of the Eurasian Economic Commission.

Also in the framework of Russia's obligations before the WTO, the Eurasian Economic Commission adopted Decision № 44 "On Introduction of Amendments in the unified Goods Nomenclature for Foreign Economic Activities of the Eurasian Economic Union and Single Customs Tariff of the Eurasian Economic Union Regarding Certain Types of Goods According to the Obligations of the Russian Federation Within the WTO", according to which from 1 September import customs duties will be reduced on 4,061 items. Weighted average customs tariff rate will constitute 5-5.3%. Arithmetic average customs duty on food products will fall from 13.88% to 13.28%, on textile products down from 9.31% to 8.66%. Reduction of duties will cover the following goods: fish, milk, butter, cheese, plants, potatoes, onions, cabbage, beetroot, cucumbers, apples, strawberries, rice, starch, rape oil, margarine, sausage, sugar, confectionary, pea, nuts, fruit and berry preserves, corn and juices. It will also cover aviation fuel, various chemicals, medicine, medical products and materials, washing and cleaning products, explosives, articles made of polymers, construction materials, textiles, clothes, footwear, machine tools, furniture, etc. The most substantial reduction of duties will affect electric machines and electronics. Duties on terminals for credit card payments will fall from 6.7% to zero.

Nontariff regulation

Safeguard measures

From 23 September 2015, Decision of the Collegium of the Eurasian Economic Commission of August 18, 2015 "On implementation of anti-dumping measures regarding steel seamless

pipes for drilling and exploitation of oil and gas wells originated from the People's Republic of China and imported to the customs territory of the Eurasian economic Union" in compliance with which anti-dumping duty is introduced for the period of 5 years on Chinese seamless pipes used for drilling and exploitation of oil and gas wells. The rate of anti-dumping duty will constitute 12.2% to 31% of the customs price.

Presently the Customs Union boasts of 13 measures aimed at protection of domestic market (*Table 42*).

Table 42

Measures to protect domestic market in the Customs Union

№	Product	Measure type	Exporter	Expiration date
AD-1	Certain types of steel pipes	Anti-dumping	Ukraine	05.07.2016
SG-7	Combine harvesters and modules	Special protective	All countries	21.08.2016
SG-8	Dishware and kitchen utensils made of porcelain	Special protective	All countries	28.09.2016
AD-8	Rolled steel with polymer coating	Anti-dumping	China	30.06.2017
AD-3	Rolling bearings	Anti-dumping	China	20.01.2018
AD-12	Enamel-painted cast-iron baths	Anti-dumping	China	25.01.2018
AD-9	Graphitized electrodes	Anti-dumping	India	25.01.2018
AD-11	Cold-worked seamless stainless steel pipes	Anti-dumping	China	14.05.2018
AD-10	Light commercial motor vehicles	Anti-dumping	Germany, Italy, Turkey	14.06.2018
AD-7	Forged steel rolls for rolling mills	Ukraine	Ukraine	25.06.2019
AD-15	Citric acid	Anti-dumping	China	09.04.2020
AD-14	Kitchen utensils and table wear from steel	Anti-dumping	China	18.06.2020
AD-16	Seamless steel pipes for drilling and exploitation of oil and gas wells	Anti-dumping	China	22.09.2020

Source: http://www.eurasiancommission.org/ru/act/trade/podm/mery/Pages/measures_list_applied.aspx

Restrictive measures against goods from EEU member states

In December 2015, the Eurasian Economic Commission released a report on restrictive measures applied to products from the EEU member states.[1] The Eurasian Economic Commission on the findings of monitoring conducted in H2 2015 disclosed implementation of 138 measures, which have negative impact or can negatively affect the access of EEU member states goods on the markets of third countries. Nearly 64% of all disclosed restrictions represent protectionist measures (89 measures) of which 58 measures (42%) represent antidumping measures and investigations, 22 measures (15.9%) are special protectionist ones and investigations and 3 represent compensatory (*Table 43*).

Table 43

Types of restrictive measures used by third countries

Restrictive measure	2014	2015
Anti-dumping measures (including agreements on suspension anti-dumping investigations)	46	48
Anti-dumping investigations	6	10
Special safeguard measures	10	22
Special protective investigations	15	6
Compensatory investigations	1	3
HWDP measures (including threats brining in HWDP measures)	13	14
SPS measures	6	6
Quotas (including tariff quotas)	7	6

[1] http://www.eurasiancommission.org/ru/act/trade/dotp/Pages/dostup.aspx

Excises and levies	6	5
Ban on imports (including threats to impose ban)	4	3
Other nontariff measures	14	15
Total	128	138

Source: EEC report on restrictive measures applied to the goods from EEU member states.

2015 saw high-intensity protectionism on the part of third countries in relation of the key export products from EEU member states such as metal products, fertilizers and well as agricultural goods. The most difficult from the point of view of entry are steel markets. For example, in 2015, a number of American companies (Nucor, US Steel Corp, ArcelorMittal USA, etc.) launched the US exit from the Agreement on discontinuing anti-dumping investigation regarding hot-rolled iron from the Russian Federation signed in July 1999. The US Department of Commerce have launched an anti-dumping and countervailing investigation in relation to Russian cold-rolled mill products.

In 2015, European Union extended until 2020 anti-dumping duties on welded pipes from the Russian Federation and the Republic of Belarus. Following the investigation results the EU took a decision to apply anti-dumping measures against grain-oriented steel. It also started an anti-dumping investigation against cold-rolled mill products and applied preliminary duty in the framework of the ongoing anti-dumping investigation against aluminum foil from the Russian Federation.

Anti-dumping and special safeguard measures against products of the metallurgical industry of the Republic of Belarus, Republic of Kazakhstan and the Russian Federation are effective on the markets of key Asian partners (Turkey, India, Thailand and Indonesia).

Out of all existing technical barriers, one can point out the bans on trade in and use of asbestos-containing materials in the EU and Iran, the EU REACH chemicals policy, the EU classification of nickel compounds as potentially hazardous and corresponding tougher regulations governing trade in such compound.

SPS measures having the effect of barriers to trade were identified in the EU, Ukrainian and Chinese markets. Measures of this kind apply to meat, animal products, grain and fodders, which originate from the Russian Federation.

Ограничительные меры в отношении товаров ЕАЭС применяются 26 странами. The highest number of restrictions apply EU (22 measures), Ukraine (21), India (13), Turkey (12), the USA (9) and Uzbekistan (7).

Russian products face 109 measures, including anti-dumping duty – 39, special safeguard duty – 15, countervailing duty – 1 and other non-tariff measures – 54 (administrative measures including additional levies and restrictions on nomenclature – 21, technical barriers – 9, non-tariff quotas – 3, quota restrictions – 1, excises on discriminatory basis – 4, bans on imports - , sanitary and phytosanitary measures – 7 and prospects to apply measures – 6).