

FOREIGN TRADE IN DECEMBER 2013

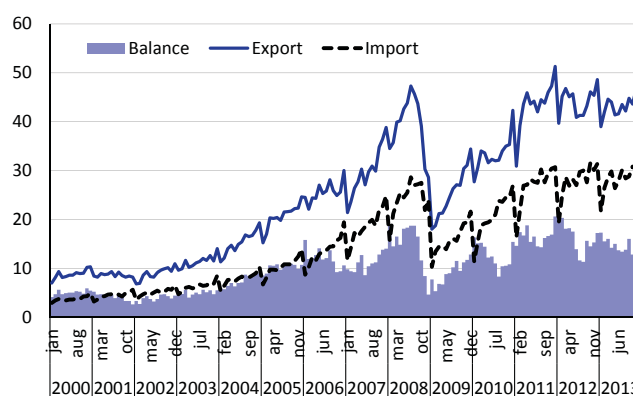
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In December 2013, low growth rates were displayed by both Russia's exports and imports. Nevertheless, in terms of value, the volume of foreign trade turnover hit its record high of the entire observation period. The Eurasian Economic Commission (EEC) continues its work adjusting the rates of the Customs Union's Single Customs Tariff.

In December 2013, Russia's foreign trade turnover hit its record high of the entire period of observation, reaching the level of \$ 82.5bn, which is 3% above the corresponding figure for 2012. Over that month, foreign goods were purchased to the total value of \$ 33.4bn, thus climbing 3.7% above the historic high of October 2012, and 4.7% above the December 2012 index. The volume of exports in December 2013 amounted to \$ 49.2bn, which is by 1.9% higher than the corresponding 2012 index, but by 2.2% below the record high of December 2011. The accelerated growth rate of imports pushed down the resulting balance of trade, which in December 2013 dropped on December 2012 by 3.7% – to \$ 15.8bn.

Over December 2013, world oil prices remained at a stable level. At the 164th Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) on 4 December 2013 it was decided that the current production level of 30.0 million barrels per day for its member countries should be maintained until June 2014, thus keeping oil prices on the rise. The movement of oil prices responded only slightly to the US Federal Reserve System's decision to taper its securities purchases. As before, the level of oil prices was sustained by the geopolitical problems in the Near East and North Africa, including Iraq, Libya, Syria, and Egypt. As a result, the average monthly price of Brent in December 2013 amounted to \$ 110.8 per barrel, which represents a rise of 1.2% on December 2012. The price of Urals in December 2013 was \$ 109.9 per barrel, or by 1.4% higher than in December 2011.

But on 20 January 2014 the European Union and the USA announced their decision to ease some of the sanctions previously imposed on Iran, as they had managed to achieve an agreement with Teheran concerning the reduction of its nuclear program. At present, Iran exports 60% less oil than it did two years ago, and its oil exports will remain at this level in the nearest future. However, if the issue of Iran's nuclear program is finally settled, all international sanctions against that country will be lifted, and its oil will once again return into the world market,



Source: RF Central Bank.

Fig. 1. Major Indicators of Russian Foreign Trade (bn US dollars)

which may result in a decline of prices for energy carriers.

During the monitoring period from 15 January through 14 February 2014, the average price of oil amounted to \$ 107.49 per barrel, or \$ 784.7 per ton. Thus, according to the information released by the RF Ministry of Economic Development on 19 February 2014, the rate of export duty on oil from 1 March onwards will be brought down by \$ 1.9 — to \$ 384.4 per ton. The duty on diesel fuel, with due regard for the adjustment coefficient of 0.65, will amount to \$ 249.8 per ton against \$ 251 in February; the duty on gasoline (which amounts to 90% of the duty on oil) will be reduced from \$ 347.6 to \$ 345.9 per ton; the duty on the other petroleum products, adjusted by the coefficient of 0.66, will amount to \$ 253.7 per ton against the current rate of \$ 254.9. The duty on liquefied hydrocarbon gases from 1 March onwards will be set at \$ 169.1 per ton against \$ 202.4 in February.

According to data released by the World Bureau of Metal Statistics (WBMS)¹, the supply-demand balance on the world non-ferrous metal market towards the end of 2013 appeared to be as follows: excess supply of copper in late 2013 was at the level of 387 thousand tons, that of nickel – 197 thousand tons, that of zinc – 78 thousand tons, and that of aluminum – 1.1m tons.

1 <http://www.world-bureau.com>

Table 1

MONTHLY AVERAGE WORLD PRICES FOR DECEMBER (2003–2013)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Oil (Brent), \$/barrel	29.51	39.6	56.4	63.1	90.64	72.77	75.26	91.8	107.91	109.68	110.67
Natural gas* \$/million BTU	3.97	5.01	7.49	8.92	9.49	15.5	8.01	8.74	11.53	11.47	11.55
Gasoline, \$/gallon	0.889	1.141	1.875	1.638	2.353	0.976	1.93	2.35	2.59	2.69	0.836
Copper, \$/ton	2,187.3	3,137.0	7,578.0	6,643.9	6,580.5	3,072	6,982.0	9,111	7,565	7,966.8	7,214.9
Aluminum, \$/ton	1,553.8	1,850.0	2,248.0	2,816.9	2,380.2	1,490.4	2,179.7	2,321.5	2,022	2,086.8	1,739.8
Nickel, \$/ton	14,060	13,792	13,423	34,578	26,003	9,686.4	17,066	24,946	18,267	17,449	13,925

* European market, average contract price at franco frontier.

Source: London Metal Exchange (London, UK); International Petroleum Exchange (London); World Bank.

There is a shortage in the supply of lead in the amount of 319 thousand tons, while shortage in the supply of pewter rose to 10.3 thousand tons by the end of the year.

As estimated by the London Metal Exchange (LME), in December 2013 the price of aluminum dropped on December 2012 by 16.7%, and the prices of copper and nickel – by 9.5% and 20.2% respectively.

In December 2013, the mean value of FAO Food Price Index changed very little on November, amounting to 206.7 pp. The rising prices of dairy products and meat were counterbalanced by the declining prices of sugar, cereals and vegetable oils. On the whole, the average annual value of FAO Food Price Index for 2013 was 209.9 pp. and, although this figure is 1.6% below its 2012 level, this is the Index's third highest historic value since it was first introduced. The increased supplies of cereals (with the exception of rice), butter and sugar brought down the world priced for these products. However, the prices of dairy products and meat hit their record highs in 2013.

In 2013, the volume of Russian exports dropped to \$ 523.3bn, which is 0.9% below the corresponding index for 2012. At the same time, the cost volume of exports to the countries of the far abroad increased – they received Russian goods to the value of \$ 444.9bn, which is by 0.1% exceeds their last year's cost volume. The cost volume of exports to the CIS countries amounted to \$ 78.4bn, which is by 6.3% less than in 2012. In the structure of Russia's exports, exports to the countries of the far abroad shrank from 84.2% to 85%.

A decline on 2012 of the cost volume of exports in 2013 was noted with regard to three groups of commodities.

Exports of foodstuffs and agricultural raw materials dropped by 2.4%, and the share of this group in the total volume of exports shrank from 3.2% to 3.1%. The volume of exports of agricultural produce declined

due to the reduced physical volumes of exported wheat and *meslin* (a 2:1 mixture of rye and wheat) – by 13.9%, as well as the reduction of their across-the-board prices by 10.5%. The drop in their physical volumes is explained by the reduced purchases on the part of Egypt, the country that until recently had been the biggest buyer of Russia's cereals, and also by the increased competitive capacity of Ukraine and Kazakhstan resulting from last year's bumper harvests of cereal crops. The decline of across-the-board prices followed the general trend on the world market.

In 2013, for the first time since 2009, there occurred a decline of exports of chemical products. According to data published by the Federal Customs Service, Russia's chemical exports in 2013 dropped on 2012 by 3.9% – to \$ 30.7bn. This happened due to plummeting exports prices for fertilizers and synthetic rubbers. Thus, over that year, the price of nitrogen fertilizers dropped by 10.3%, that of potassium fertilizers – by 14.7%, and that of synthetic rubbers – by 18.1%.

The most impressive drop in the cost volume of exports in 2013 occurred in the commodity group 'metals and metal products'. In 2013, exports of these commodities shrank by 8.1% on 2012. This happened due both to declining across-the-board prices and to the shrinking physical volumes in this group of exports. The underlying causes were global overproduction of metals, increasing competition and dwindling external demand.

The volume of exports of mineral products increased in 2013 on 2012 by 0.6%. One of the reasons for the emergence of this situation was the declining cost volume of oil exports by 4% as a result of a drop of their physical volume by 1.4%; another reason is that its selling price was by 2.7% cheaper than in 2012.

At the same time, the shrinking cost volume of oil exports was counterbalanced by the increasing physical volume of exports of petroleum products (growth by 9.7%) and natural gas (growth by 22.9%). The across-

the-board prices for these commodities were brought down: price of motor gasoline – by 4.6%; price of liquid fuels (excluding biodiesel) – by 7.9%; price of natural gas – by 2.9%. In spite of these changes, exports of petroleum products in 2013 hit their record high of 151.4m tons due to increased exports to the countries of the far abroad (by 16.5%). Exports of petroleum products to the CIS countries went down by 39.3%.

Exports of natural gas in 2013 amounted to 196.4bn m³, which also a record high for the entire period of observation.

Exports were on the rise in the commodity groups with a low share in total exports. Thus, the volume of exports of leather raw materials, and fur and fur products, whose share in Russia's total exports in 2013 was only 0.1%, increased by 21.6%. Exports of textile, textile articles and footwear (0.2% of total exports) increased in 2013 on 2012 by 22.6%; exports of gemstones, precious metals and precious metal articles (2.7% of total exports) – by 4%.

Exports of machinery, equipment and transport vehicles rose by 7%. In this commodity group, exports to the countries of the far abroad increased by 0.8%, exports to the CIS countries – by 16.7%. The volume of export sales of Russian passenger cars to the CIS countries increased by 50.9%.

The downward trend followed by the growth rate of imports, which had first appeared in 2012, became more pronounced over the course of 2013. As a result, the volume of Russian imports over that year increased by only 2.6% – to \$ 344.3bn. Imports were kept on the rise by the increasing supplies both from the countries of the far abroad, which imported goods to Russia to the total value of \$ 294.7bn (thus exceeding by 2.1% the corresponding index for 2012), and from the CIS countries, from which Russia received goods to the total value of \$ 49.6bn (a rise by 5% on 2012). The share of the countries of the far abroad in Russia's total imports shrank from 85.9% to 85.6%.

Imports were on the rise with regard to almost all commodity groups, with the exception of *mineral products* and *machinery, equipment and transport vehicles*.

The most impressive rise was displayed by the imports of gemstones, precious metals and precious metal articles (by 20.1%); timber and pulp & paper production (by 9.2%); and textile, textile articles & footwear (by 7.5%).

According to data published by the Federal Customs Service, in 2013 the cost value of imports of food commodities and agricultural raw materials to the Russian Federation amounted to \$ 43.1bn, which is by 7.1% above the corresponding index for 2012. The share of this commodity group in Russia's total

imports increased on 2012 by 0.7 pp. and amounted to 13.6%.

The physical volume of the following groups of imports increased on their 2012 levels: wheat and meslin (more than fourfold), condensed milk and condensed cream (by 46.9%), butter (by 23.7%), and white refined sugar (by 29.2%). Their average across-the-board prices also increased. Thus, the price of wheat and meslin rose by 7%, that of condensed milk and condensed cream – by 36.9%, and that of butter – by 22.9%.

Imports of metals and metal products grew by 0.9% – to \$ 18.6m. This happened in the main due to the increased physical volume of imports of steel pipes (by 4.9%) and ferrous metals (by 1.8%). In 2013, the share of imports of 'metals and metal products' in total imports dropped to 6.9% against 7% in 2012.

The volume of imports of chemical products in 2013, in terms of cost value, amounted to \$ 50.1bn, thus having risen by 5.1%. The share of chemical imports in Russia's total imports climbed on 2012 from 15.3% to 15.8%.

Russia's main imports, as before, have been machinery, equipment and transport vehicles. However, their volume in 2013 dropped on 2012 by 1.8% – to \$ 154.3bn. The share of machinery, equipment and transport vehicles in the total structure of Russian imports shrank from 50.3% to 48.6%. According to data released by the Federal Customs Service, imports of passenger cars into Russia in 2013 declined on 2012 by 16.9% – to 894.1 thousand. Imports of cargo vehicles dropped by 26% – to 88 thousand.

The balance of trade for 2013 is positive at the level of \$ 179bn, which is by 6.9% below its 2012 level. The major factor behind the trade surplus decline have been the worsening trading conditions.

The Eurasian Economic Commission (EEC) continues its work adjusting the rates of the Customs Union's Single Customs Tariff.

By Decision No 3 of the Council of the Eurasian Economic Commission of 31 January 2014, the rate of import customs duty for some types of multi-phase AC motors of an output exceeding 7.5 kW but not exceeding 37 kW is to be temporarily raised. Such motors are used in sawing and wood-processing machines, electric pumps, electric appliances like fans, sewing machines, meat mincing machines, juicer machines. The rate increased from 0% to 5% is to be applied for the period up to and including 31 December 2015. The necessity to protect the Customs Union's producers has arisen due to an upsurge of imports of some types of alternating current (AC) motors. Over 2011, their imports rose by 52%, over 2012 – by 28%, and over the period January – October 2013 – by 28.8% on the cor-

responding period of 2012. At the same time, the companies operating in the territory of the Customs Union countries have been experiencing underutilization of their production capacities.

By Decision No 9 of the Board of the Eurasian Economic Commission of 29 January 2014, the rates of import customs duties on certain types of paper and paperboard have been altered. In particular, the rate of customs duty on some types of bleached paper and board paper coated with kaolin or mica powder, and craft paper and paperboard, with the exception of printing and writing paper, is reduced from 15% to 5%. The rate of duty on lightweight chalk-coated

paper supplied in rolls more than 15 cm wide or in sheets with height more than 36 cm and width more than 15 cm is reduced from 12.5% to 10%. It is noteworthy that, over the period from 20 April 2013 through 19 January 2014, a reduced rate of 5% was applied specifically to this type of commodity. The rate of duty on certain types of writing and printing paper or paperboard with no fiber manufactured by mechanical or chemical methods, or containing no more than 10% of such fiber in total fiber mass, is reduced from 15% to 10%. Over the period from 1 March 2014 through 31 August 2014, a rate of 5% is to be applied specifically to this commodity group (same as over the period from 20 April 2013 through 19 January 2014). ●