

THE FOREIGN TRADE IN NOVEMBER 2013

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In November 2013, mixed dynamics of the main indices of the Russian foreign trade was registered. With reduction of import, the positive dynamics of export contributed to growth in the surplus of trade balance. The Government of the Russian Federation approved establishment of the Center for Expertise on WTO Issues to support participation by the Russian Federation in the World Trade Organization.

According to the Report of the World Bank – The Global Economic Prospects¹ – published in January 2014 strengthening of the global economy is expected. Five years after the beginning of the global financial crisis in countries with a high level of income positive dynamics which is to contribute this year to a speed-up of growth in developing countries has emerged.

According to estimates of the World Bank, growth in global GDP in 2013 amounted to 2.4%. In 2014, it is expected that growth rates will increase to 3.2% and then stabilize at the level of 3.4% and 3.5% in 2015 and 2016, respectively. In June 2013, the World Bank forecasted growth of 3% in 2014.

Growth rates in countries with high income will rise from 1.3% in 2013 to 2.2% in 2014 and then stabilize 2.4% in 2015 and 2016.

Among the three largest economies with a high level of income (the US, euro area and Japan), the leader is the United States where GDP growth was registered for ten quarters running. According to the estimate of the World Bank, in 2014, the US economy will grow by 2.8% (against 1.8% in 2013), while in 2015 and 2016, to 2.9% and 3%, respectively.

The Japanese economy responded to fiscal and monetary stimulation measures by sustained economic growth and a higher inflation rate. A substantial drop in the exchange rate of the national currency contributed to growth in the export volume. In 2013, the Japanese economy rose by 1.7%. In future, the World Bank forecasts a slowdown of Japan's growth: to 1.4%, 1.2% and 1.3% in 2014, 2015 and 2016.

After the economy of the countries of the euro area kept shrinking for two years running, growth of 1.1%, 1.4% and 1.5% is forecasted in 2014, 2015 and 2016, respectively.

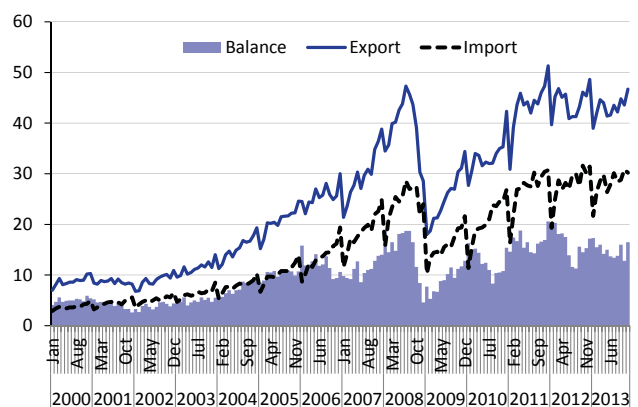
The growth rates of developing countries will still exceed those of the global economy in general. In 2013, the economy of developing countries rose by 4.8%; the World Bank expects growth of 5.3%, 5.5% and 5.7% in 2014, 2015 and 2016, respectively. How-

ever, developing countries will not be able to attain the pre-crisis growth rates of 7.5% in the next few years.

In the Report of the World Bank, it is stated that though the risks for the forecast – a delayed recovery in the euro area and uncertainly related to the budget policy in the US – remain, but they have become smaller.

According to the estimates of the World Bank, growth in the international trade turnover will speed up from 3.1% in 2013 to 4.6% in 2014, while it stabilizes at the level of 5.1% in 2015 and 2016. However, growth in trade-related income will still be held back by a decrease in prices on primary products. In the period between the maximum levels early in 2011 and the minimum levels in November 2013, prices on energy resources and food products fell in real terms by 9% and 13%, respectively, while those on metals and mineral raw materials, by 30%.

In November 2013, Russia's foreign trade turnover calculated in accordance with methods of the balance of payments amounted to \$76.9bn which is 1.4% higher than the respective index of 2012. It is to be noted that growth in volumes of export with a decrease in the volumes of import was registered. In November 2013, the cost of the Russian export amounted to \$46.7bn which is 3.2% higher than the index of November



Source: The Central Bank of the Russian Federation.

Fig. 1. The main indices of the Russian foreign trade (billion USD)

¹ <http://www.worldbank.org/content/dam/Worldbank/GEP/GEP2014a/GEP2014a.pdf>

2012. In November 2013, the import decreased by 1.3% as compared to the respective period of 2012 and amounted to \$30.2bn. In November 2013, surplus of the foreign trade balance of the Russian Federation rose as compared to November 2012 by 12.8% from \$14.7bn to \$16.6bn.

Last November, a downward dynamics was observed on global commodity markets, except for natural gas whose prices demonstrated insignificant growth against the previous month.

The global oil market was under effect of such factors as instability of the global economy and situation in Libya (most oil infrastructure facilities did not work from the end of July 2013 due to protests of different political parties) and negotiations on the Iranian nuclear program in Geneva.

From the beginning of July 2013, Brent oil prices fell to the minimum level of \$103.08 a barrel on November 7, 2013. Investors did not make deals on purchase of oil expecting important news from the European Central Bank and the report on employment in the US in order to understand when the US Federal Reserve started reduction of its stimulus program. Also, progress in talks between Iran and Western Europe contributed to a decrease in Brent oil prices as it reduced risks on the oil market. However, the French Foreign Minister spoke against relaxation of sanctions and the issue of return of Iranian oil to the global market was postponed. Due to the above, oil prices started to grow.

On November 20, negotiations on the Iranian nuclear program renewed. On November 25, Iran and the world's six leading countries agreed on Teheran's nuclear program to be scraped in return for a partial cancelation of sanctions which situation resulted in a decrease of \$0.53 in oil prices to \$110.93 a barrel. However, investors soon realized that the agreement on the Iranian nuclear program did not mean that oil deliveries from Iran would increase promptly. On November 26, Brent oil prices rose to the maximum level of \$112.04 a barrel from September 2013. In November 2013, average Brent oil price stabilized at the level of \$108.08 a barrel which is 1.5% lower than the level of November 2012.

In November 2013, Urals oil price decreased by 0.5% to \$107.3 a barrel and 0.9% against the previous month and November 2012, respectively. In January–November 2013, oil prices amounted to \$107.7 a barrel which is 2.7% lower than the respective index of 2012.

According to the data of monitoring of oil prices, from December 15, 2013 till January 14, 2014 the average price of Urals oil amounted to \$107.9 a barrel (\$787.9 a ton), which is 0.89% and 0.5% lower than in November 2012 and October 2013, respectively. Du-

ring 11 months of the last year, the average Urals oil price amounted to \$107.71 a barrel against \$110.70 a barrel in January–November 2012.

From February 1, 2014, the export duty on crude oil fell from \$401 a ton in January 2014 to \$386.3 a ton (that is, by \$14.7 a ton or 3.7%), while that on petrol, from \$360.9 a ton to \$347.6 a ton. The rate of export duty on diesel fuel will amount to \$251 a ton, while that on other types of oil products, except for petrol and diesel fuel, to \$254.9 a ton. In January 2014, there was a single rate of export duty at the level of \$264.6 a ton on light and dark oil products, except for petrol.

For calculation of export duties on oil and oil products, from February 1, 2014 the ratios approved by Resolution No.2 of January 3, 2014 on Amendment of Resolution No.276 of March 29, 2013 of the Government of the Russian Federation – in which the methods of calculations of export customs duties on crude oil were adjusted – were used. Amendments concern instances where the level of \$182.5 a ton of an average Urals oil price formed in the period of monitoring on global oil markets (the Mediterranean market and the Rotterdam markets) is exceeded. Prior to amendments, the formula of calculation of the rate was a single one and it envisaged the rate of 0.6. It is to be noted that the rate of 0.59, 0.57 and 0.55 will be applied in 2014, 2015 and 2016, respectively. The new wording includes different ratios in respect of individual categories of goods produced out of oil (except for liquefied hydrocarbon gas): export duty rates on diesel fuel will decrease from 66% to 65%, 63% and 61% in 2014, 2015 and 2016, respectively.

After an upward trend in October 2013, a negative trend in the dynamics of prices on nonferrous metals emerged in October 2013. Growth rates of supply exceeded the dynamics of expansion of the demand which situation justified maintenance of large warehouse stocks. According to the data of the London Metal Exchange, in November 2013 prices on aluminum, copper and nickel depreciated by 10.3%, 8.3% and 16.2%, respectively, as compared to the respective period of 2012. As compared to October 2013, prices on aluminum, nickel and copper fell by 3.7%, 3.1% and 1.8%, respectively. In January–November 2013, aluminum, copper and nickel were sold 7.8%, 7.7% and 13.8% cheaper than in the respective period of 2012.

From January 12, 2014, a decree on ban on export of unprocessed primary products, including unprocessed nonferrous metal ores was approved in Indonesia. The above ban will contribute to growth in prices on primary products and help break a downward trend in prices on nonferrous metals.

In November 2013, the average value of the FAO food price index (206.6 points) remained virtually at the

Table 1

MONTHLY AVERAGE PRICES IN NOVEMBER OF THE RESPECTIVE YEAR

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Oil (Brent), USD/a barrel	28.77	43.05	55.54	58.48	92.53	53.24	77.42	85.67	110.50	109.71	108.08
WTI oil, USD/a barrel	31.09	48.45	58.28	59.13	94.76	57.29	78.0	84.24	97.12	86.68	93.95
Natural gas*, USD/1m BTU	3.90	4.96	7.46	8.99	9.47	15.81	7.81	8.59	11.32	11.83	11.42
Petrol, USD/a gallon	0,841	1.43	2,056	1,484	2.13	4,195	2.01	2.16	2.58	2.66	2.65
Copper, USD/a ton	1916.4	3012.0	4060	7500	8008	4925.7	6675.6	8756.8	7551.8	7711.2	7070.7
Aluminum, USD/a ton	1474.8	1822.8	1929	2659	2442	2121.4	1949.3	2596.3	2073.6	1948.8	1748
Nickel, USD/a ton	11030	14483	12403	32348	30999	12140	16991	22600	17882	16335	13684

* Market of Europe, average contract price, franco-border.

Source: calculated on the basis of the data of the London Metal Exchange and the Intercontinental Oil Exchange (London).

Table 2

CHANGES IN MONETARY VOLUMES OF EXPORT AND IMPORT IN JANUARY–NOVEMBER 2013
(% OF JANUARY–NOVEMBER 2012)

Code of FEACN	Name of commodity	Export	Import
01-24	Food products and agricultural primary products (except for textile)	93.6	105.7
25-27	Mineral products	100.2	88.9
27	Fuel and energy commodities	100.3	84.1
28-40	Chemical industry products and natural rubber	96.3	104.6
41-43	Rawstock, furs and articles made out of them	121.6	99.7
44-49	Timber and pulp and paper articles	106.7	109.2
50-67	Textile, textile articles and footwear	114.3	106.5
71	Precious stones, precious metals and articles made out of them	104.4	120.4
72-83	Metals and metal articles	90.8	101.7
84-90	Machines, equipment and means of transport	107.2	97.8
68-70,91-97	Other goods	118.7	107.6

Source: Calculated on the basis of the Federal Customs Service.

level of October (206.6 points), but decreased by 9.5 points as compared to the index of November 2012. In November 2013, growth in prices on oils as compared to October was nearly completely offset by depreciation of prices on sugar. Average prices on grain crop depreciated a little, however, indices as regards meat and dairy products remained at the same level.

According to the data of the Central bank of Russia, in January–November 2013, the Russian foreign trade turnover amounted to \$785.1bn which is 0.2% higher than the respective index of the previous year. The export fell to \$474.2bn (a 1.2% decrease), while the import rose to \$310.9bn (a 2.3% growth). The trade balance surplus amounted to \$163.2bn, but it decreased by 7.2% as compared to the respective period of 2012.

As seen from *Table 2*, a decrease in export took place due to a reduction in the monetary volume of export of metals and metal articles, food products and agricultural primary products and chemical produce. The export of the main group – fuel and energy commodities – remained virtually at the level of 2012.

The volume of import increased despite a reduction in the main group of goods imported to Russia, that is, machines, equipment and means of transport.

For the purpose to support participation of the Russian Federation in the WTO and duly represent the Russian Federation in international trade disputes at the WTO Dispute Resolution Authority, the Center for Expertise on WTO Issues, an autonomous non-profit organization was established in accordance with Instructions No.78-u of August 28, 2014 of the Government of the Russian Federation. The Ministry of Economic Development of the Russian Federation will carry out on behalf of the Russian Federation the authorities of a founder of the above Center.

The main objectives of the Center will include information and analytical support of Russia's membership in the WTO, expert support of representatives of federal executive authorities in the WTO working bodies, formation of legal opinion of the Russian Federation in international trade disputes and engagement of law and consulting companies, including foreign ones. ●