

## FOREIGN TRADE IN MAY 2014

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*In May 2014, the Russian foreign trade turnover kept growing at a low rate with growth in export and a decrease in import; as a result, the positive surplus of the trade balance increased substantially. In the geographic pattern of the Russian foreign trade, the share of countries of the European Union and the CIS decreased due to growth in the share of the APEC states.*

In the World Bank's Global Economic Prospects Report released in June 2014, the January forecast of global economic growth was revised downward from 3.2% to 2.8%. "The unfavorable weather conditions in the US, the Ukrainian crisis, rebalancing of the economy in China, political distractions in a few countries with a medium level of income, slow progress in structural reforms and the limited potential resulted in a situation where developing countries in general will have for the third consequent year growth rates of below 5%", the report says. The forecast for developing countries was revised downward to 4.8% against 5.3% in January and that for developed countries, to 1.9% against 2.2%.

The forecast for the CIS states is a pessimistic one, too: in 2014 the economies of the CIS states will grow on average by 2.2%. In 2014, Russia's GDP may grow by the mere 0.5% or even decrease. Geopolitical tensions in Ukraine produce a negative effect on the economies of the CIS states. Toughening of the EU sanctions against the Russian Federation will affect both Russian and European economies.

Low economic growth rates could not, but affect the state of the global trade whose growth rates happened to be below the WTO's expectations. According to the data of the WTO and the UN Conference on Trade and Development, in Q1 2014 the volume of the global trade increased by the mere 1.93% as compared

to the same period of 2013<sup>1</sup>. It is more than twice as little than the WTO expected when in April 2014 it revised the forecast upward from 4.5% to 4.7%.

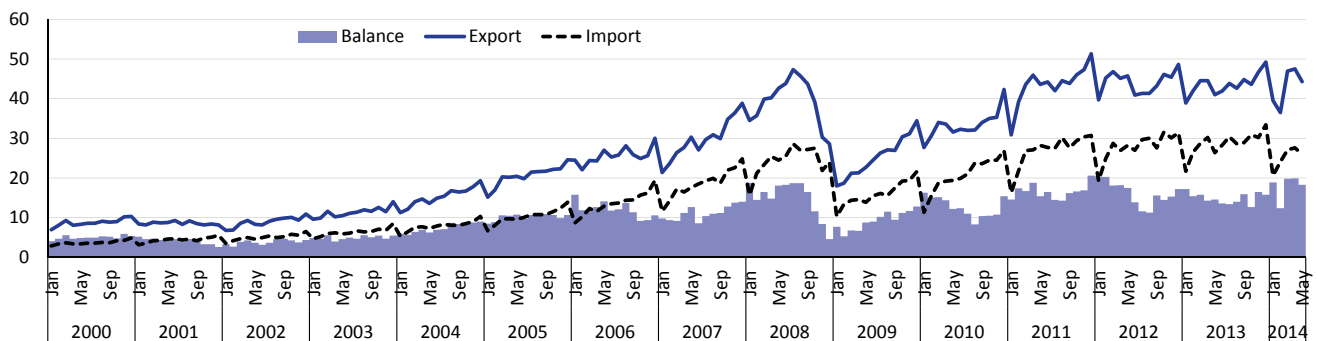
In May 2014, the Russian foreign trade turnover calculated on the basis of the methods of the balance of payments amounted to \$70.3bn which is 4.2% higher than the index of May 2013. The export grew by 8% to \$44.3bn, while the import decreased by 1.4% to \$26bn. In May 2014, the foreign trade balance rose by 25.1% to \$18.3bn as compared to May 2013.

In May 2014, growth in the monetary volume of export was the result of growth in the physical volume of export of goods with depreciation of average prices: in May 2014 the index of the physical volume of goods exported by Russia amounted to 102.4% as compared to May 2013, while the index of average export prices, to 99.4%.

Import purchases decreased a great deal in physical terms: in May 2014 the index of the physical volume of import amounted to 88.8% as compared to May 2013. It is to be noted that import goods happened to be a bit more expensive than in May 2013: the index of average prices of imported goods amounted to 101.4%.

In May 2014, the trade conditions remained unfavorable though improved a little as compared to May

1 <http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=99>



Source: The Central Bank of the Russian Federation.

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

2013. In May 2013, the index of trade conditions<sup>1</sup> of Russia with foreign states amounted to 94.7, while in May 2014 it rose to 98.0. The index of trade conditions with far abroad countries and CIS states amounted to 95.6 (94.2 in May 2013) and 117.0 (98.6 in May 2013), respectively. Such a situation is justified to a great extent by improvement in the situation on the global commodity markets – growth in prices on some non-ferrous metals in May 2014 as compared to May 2013.

In May 2014, the global oil market was fairly stable: Brent oil prices fluctuated within a band of \$108.17–111.32 a barrel. Tensions in Ukraine were neutralized by a promise of the Saudi Oil Minister to increase deliveries if the Ukrainian crisis complicated the supply to the world market. It is to be reminded that Saudi Arabia is the major exporter in the OPEC with the daily oil production of 9.6m barrel (with full load of capacities it can produce 12.5m barrel a day).

The start of fighting in Iraq, the second largest oil producer in the OPEC, resulted in growth in oil prices in June 2014: on June 19 Brent oil prices appreciated – when Sunni fighters captured Iraq's second largest city of Mosul and the government raised the issue of introducing the state of emergency – to the maximum level of \$115.19 a barrel from September 9, 2013. The direct threat to Iraq's oil producing facilities and the oil infrastructure was removed when the advance of fighters of the Islamic State of Iraq and the Levant was stopped north of Bagdad. As a result, Brent oil prices depreciated by 3.6% by the end of June.

Early in July 2014, oil prices were falling as the risk of interruption of oil deliveries from Iraq decreased, while the prospect of export from Libya became more realistic as the country resumed production in the volume of 340,000 barrels a day on the oil-field of El Sharara where workers had been on strike for four months. Also, Libya's two oil terminals – Es-Sider and Ras-Lanuf – were ready to ship oil. So, in the near future Libya will be prepared to increase volumes of oil production by more than 800,000 barrels a day.

In May 2014, Urals oil prices rose by 1.1% as compared to April 2014 and amounted to \$107.7 a barrel; as compared to May 2013 they rose by 5.3%. However, in general, within 5 months of 2014 Urals oil prices decreased by 0.3% to \$106.9 a barrel as compared to the respective period of the previous year.

According to the monitoring of oil prices in the period from June 15 till July 14, 2014, the average price amounted to \$791.4 a ton (\$108.4 a barrel). Thus, according to the effective formula of calculation from August 1, 2014 the duty on oil will amount to \$388.4 a ton. The reduced export duty on oil for a number of

oil-fields will amount to \$191.8 a ton against \$189.4 a ton in July. In August, the reduced duty on high-viscosity oil will be at the level of \$38.8 a ton. In August, the duty on petrol is set at \$349.5 a ton against \$346.6 a ton in July, while that on diesel fuel at \$252.4 a ton (\$250.3 a ton in July). The export duty on condensed gas is set at \$147.4 a ton against \$89.6 a ton in July.

Concerns over slowdown of China's economic growth are the main factor behind negative dynamics of prices on the global market of nonferrous metals. However, in the past six months nickel prices kept appreciating steadily. In May 2014, the price on nickel reached the record high level of \$19,401.08 a ton in the past 26 months. A factor behind that was a ban by Indonesia on export of crude nickel ore in January for the purpose of development of the domestic metal refinery industry. Indonesia is the world's largest producer of nickel ore; it accounts for 28% of the world's nickel deliveries. The ban on export of nickel ore creates a potential shortage of supply of that metal on the global market.

According to the data of the London Metal Exchange, in May 2014 as compared to April 2014 prices on nickel and copper appreciated 11.9% and 3.2%, respectively, while the price on aluminium depreciated by 3.3%. As compared to May 2013, prices on aluminium and copper depreciated by 4.4% and 4.9%, respectively, while the price on nickel rose by 29.8%. In January–May 2014, as compared to the respective period of 2013 aluminium, copper and nickel were traded 10.4%, 9.3% and 2.1% cheaper, respectively.

European prices on gas have been falling for five months running. According to the data of the World Bank, in May 2014 the natural gas in Europe depreciated by 7% and 4.9% as compared to May 2013 and April 2014, respectively.

After a sudden surge in March 2014 when the average value of the index amounted to 213 points, that is, the maximum level in the past ten years, the FAO food price index kept falling for two months running in May 2014. In May 2014, the Index amounted to 207.8 points which is 2.5 points (1.2%) and 7 points (3.2%) lower than in April 2014 and May 2013, respectively. In May, there was depreciation of prices on dairy products, grain and vegetable oils. It is to be noted that prices on sugar demonstrated robust growth: in May 2014 the sugar price index rose to 259.3 points against 249.9 points in April 2014. Prices on meat changed insignificantly.

According to the data of the Central Bank of Russia, in January–May 2014 the Russian foreign trade turnover amounted to \$341bn which is 1% lower than the same index of 2013. Export grew by 2% to \$214.9bn, while the import fell by 5.6% to \$126.1bn. In January–

<sup>1</sup> Relation of medium export prices index to medium export prices index

Table 2

## MONTHLY AVERAGE GLOBAL PRICES IN MAY OF THE RESPECTIVE YEAR

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Oil (Brent), USD/a barrel	25.34	37.9	47.8	68.68	67.64	119.4	58.63	76.99	114.5	110.5	103.03	109.68
Natural gas*, USD/1m BTU	4.04	3.95	5.89	8.28	7.98	12.38	8.09	7.27	10.3	11.64	12.29	10.2
Copper, USD/a ton	1667.5	2720.0	3254.0	8022.0	7682.2	83825	4568.6	6837.7	8927.05	7955.64	7249.4	6891.1
Aluminium, USD/a ton	1397.6	1615.7	1746.0	2852.0	2797.4	2902.9	1460.5	2040.53	2592.18	2007.63	1832.02	1751.1
Nickel, USD/a ton	8351.9	11068	16930.0	21038	52179.1	25735	12635	22008.2	24210	17068.2	14948	19401

\* The market of Europe, average contract price, Franco-border.

Source: The World Bank.

May 2014, the trade balance surplus of the Russian Federation amounted to \$88.8bn which is 15.1% higher than the same index of the previous year.

Growth in export took place mainly due to growth in physical volumes of sales of gas (a 7.8% increase) and oil products (a 11.1% increase) to abroad; as a result the monetary volume of export of fuel and energy commodities increased by 2.3%. There was growth of 12.4% in export supplies of wood and pulp and paper products. Substantial growth in export was observed as regards food and agricultural primary products (34.9%)

As regards the import of goods to Russia, there was a decrease over the entire nomenclature of goods. So, there was a drop in the import of food products and agricultural primary products (1.3%), chemical produce (7.1%), textile, textile goods and footwear (8.6%) and machinery (5.3%). The largest drop took place in the import of metals and fabricated metal products (15.2%).

In the geographic pattern of the Russian foreign trade, the shares of the European Union and the CIS decreased from 50.2% in January–May 2013 to 49.6% in January–May 2014 and from 13.3% to 12.8%, respectively. It is to be noted that the share of the APEC increased from 24.3% to 25.8%.

In March 2014, the US together with the European Union and a number of other countries introduced sanctions against some Russian companies, as well as businessmen and politicians to destabilize the Russian economy and instigate outflow of investments, depreciation of the ruble and recession. However, the above had no effect on the export of US goods to Russia. Starting from January 2014, the US export to Russia was growing at a high rate. In May 2014, the export of US goods to Russia surpassed the record level of \$2bn having increased by 87.5% as compared to May 2013. In January–May 2013, the share of the US in the foreign trade with the Russian Federation grew to 3.6% against 3% in January–May 2013.