

RUSSIA'S FOREIGN TRADE IN JUNE 2014

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Russia's foreign trade turnover shrank in June 2014. At the same time, Russian export stagnation observed in the last months changed for the worse and began falling. Sanctions against Russia and retaliation measures taken by the Russian government most likely will lead to the fall in Russia's foreign trade indices.

In June 2014, Russia's foreign trade turnover calculated on balance of payments methodology constituted \$76.5 bn, which is below 2013 index by 3.8%. Both export supplies and import purchases went down. In June 2014 export fell by 2.6% by comparison with June 2013 and constituted \$40.7 bn. Import fell by 5.2% and came to \$26.8 bn. Russia's export balance in June 2014 turned out to be positive and came to \$13.9 bn, which is by 2.7% above the same index last year.

In June 2014 terms of trade in comparison with June 2013 improved slightly. Terms of trade index of Russia with foreign countries constituted 98.5 points (in June 2013 – 91.4 points). That fact was determined by the growth of world oil prices and prices of some nonferrous metals. In H1 2014 Russia's trade terms with foreign countries came to 97.8 points (in the H1 2013 – 94.9 points).

In June 2014 price of Brent went up by 8.5% in comparison with June 2013 and constituted \$111.87 a barrel. Overall, in H1 price of Brent turned out to be by 0.8% more than in H1 2013.

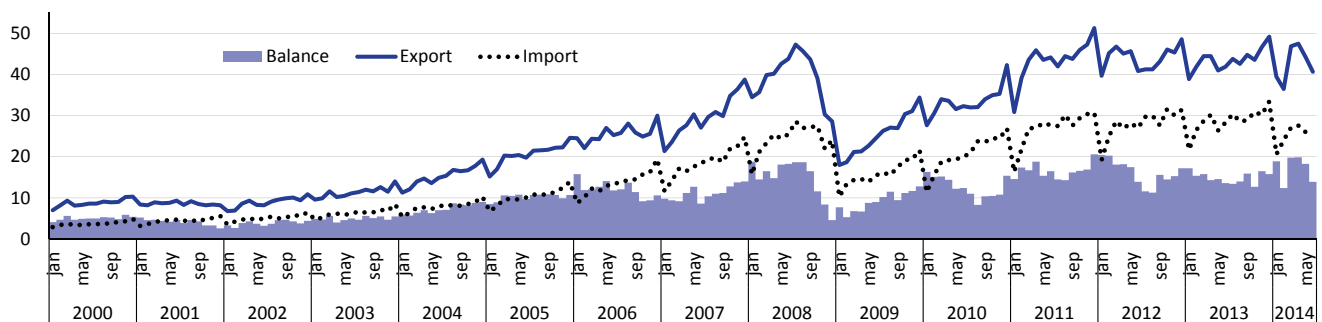
World oil prices began to fall after reaching their 9 months maximum (\$119.19 a barrel) in June as a result of escalation in Iraq. In July 2014 price fluctuation on Brent was between \$104.73 a barrel and \$110.84 a barrel. Over last months world oil demand lagged behind the oil supplies which resulted in the surplus of large amounts of oil on the markets of West Africa, Europe and Asia. In the circumstances of geopolitical risks there turned out to accumulate a surplus of oil.

In mid-August 2014, the price of Brent ranged about \$100 a barrel, i.e. at the 14 months minimum level.

In June 2014 price of Urals went up by 1.1% relative to the previous month and constituted \$108.9 a barrel. By contrast to June 2013, price of Urals went up by 5.9%. In January–June 2014 price of Urals increased by 0.7% by contrast with the same period of 2013 and came to \$107.3 a barrel.

Average price of Urals monitored for the period from 15th July to 14th August 2014 constituted \$756.2 a ton. As a result, crude oil export duty decreased to \$367.6 a tone from September 2014 (in August 2014 – \$388.4 a ton). Preferential rate went down from \$191.8 a tone to \$176 a ton. Ultra viscous oil rate constitutes \$36.7 a ton against \$38.8 a ton in August. Rates on light and medium distillates decreased from \$256.3 a ton to \$242.6 a ton. Rate of diesel oil – \$238.9 a ton (in August – \$252.4 a ton). Petrol export in September is taxed at the rate of \$330.8 a ton (in August – \$349.5 a ton). Liquefied petroleum gas rate comes to \$221 a ton (before – \$147.4)

In June, world nonferrous metals market demonstrated differently directed price dynamics. After a fast appreciation in May price of nickel went down, which was largely determined by the specific nature of open trade. Prices on aluminum, on the contrary, after May depreciation began growing in June and reached the maximum level in the current year. Slowdown of China's economic growth led to stagnation on the world copper market.



Source: CB of Russia.

Fig. 1. Russia's Foreign Trade Main Indices (bn of dollars)

Table 1

MONTHLY AVERAGE WORLD PRICES IN MAY OF THE RESPECTIVE YEAR

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Oil (Brent), USD/ a barrel	35.2	53.9	68.3	70.13	135.2	65.7	75.36	113.76	95.59	103.11	111.87
Natural gas (Europe), USD/1 m BTU	4.01	5.91	8.29	8.03	12.63	7.95	7.74	10.26	11.49	11.92	9.77
Copper, USD/a ton	2,669	3,524	7,198	7,469	8,263	5,014	6,499	9,067	7,423	7000.2	6821.1
Aluminum, USD/a ton	1,676	1,31	2,477	2,672	2,957	1,570	1,931	2,558	1,890	1814.5	1,839
Nickel, USD/a ton	13,322	16,160	20,755	41,407	22,556	14,960	19,378	22,421	16,549	14,280	18,629

Source: calculated on data of London Metal Exchange, International Petroleum Exchange, World Bank.

According to the data of the London Metal Exchange, in June 2014 versus May 2014 the price of aluminum appreciated by 5%, on nickel went down by 4% and on copper by 1%. As compared to June 2013 the price of copper decreased by 2.6%, the price of nickel went up by 30.5% and aluminum – by 1.3%. In H1 2014 versus corresponding period of the last year aluminum sold at 8.6% less, copper – at 8.3% less and the price of nickel went up by 2.6%.

In June 2014, United Nations Food and Agriculture Organization reports a fall in food price index for the third month running, which is mainly attributed to low prices on wheat, corn and palm oil reflecting the growth of stocks and improvement of world forecast for production of these products. In June sugar quotations also went down compared to May quotations. However, the drop was not so pronounced. At the same time, meat prices appreciated as compared with May indices. In June FAO food price index constituted 206 points, which is 3.8 points or 1.8% below June 2013 index.

Russian export in H1 2014 constituted \$255.6 bn and as compared with H1 2013 went up by 1.2% including countries of far abroad – \$218.9 bn (growth by 1%), to CIS – \$36.7 bn (growth by 2.3%). Growth of Russia's monetary export volume in H1 2014 compared to H1 2013 was due to growth of physical volume of exports abroad by 2.8% in the context of a drop of average prices of Russian export goods by 1.5%.

According to Federal Customs Service, the largest growth of export was observed in the trade group "food products and agricultural raw materials", which monetary volume went up by 36.3% due to considerable increase in physical volume of grain deliveries. Mainly due to increase of physical volume, the export of textile goods went up by 39%, of wood and pulp and paper products – by 13.3%, mineral products – by 1.2%. Export of the rest of extended nomenclature of goods shrank: export of rawhide, furs and their products dropped by 41%, machine, equipment and means of transport went down by 10.8%, chemical industry products – by 5.5%, metals and their products fell by 3.3%.

Russian import in H1 2014 constituted \$152.8 bn, which is by 5.6% below respective index of the last year, including from the countries of far abroad – \$134.6 bn (5.6% drop), from CIS – \$18.3 bn (22.4% drop). The fall of import is due to the cut in the physical volume of imported goods to the Russian territory with an insignificant growth of average prices.

Purchases of textile, textile products and footwear went up most (by 9.4%), chemical industry products (by 7.5%), and metals and their products (by 7.0%).

In Q2 2014 versus Q1 2014, the share of consumer goods shrank in the overall volume of import at the expense of the growth of the share of investment goods.

Table 2

SHARE OF CONSUMER, HIGHER ORDER GOODS AND INVESTMENT GOODS IN THE OVERALL VOLUME OF IMPORT OF THE RUSSIAN FEDERATION (%)

	Товары		
	Consumer	Investment	High order
2012			
QI	40.2	23.0	36.8
QII	38.0	25.1	36.9
QIII	37.8	25.1	37.1
QIV	36.9	26.1	37.0
Annual	38.1	24.9	37.0
2013			
QI	38.3	23.5	38.2
QII	35.4	25.1	39.5
QIII	37.6	23.6	38.7
QIV	39.2	24.9	35.9
Annual	37.6	24.3	38.0
2014			
QI	37.9	23.0	39.1
QII	35.1	25.9	39.0

Source: Rosstat.

On 1 September 2014, new import customs duties rates went into effect. They were imposed by the Decree of the RF Government of 25 June 2014 №705 "On Introducing Changes In the Export Customs Duty Rates of Goods Exported from the Russian Federation beyond the Borders of the State-members of the Customs Union", as fulfillment of Russia's obligations in front WTO. Export customs duties were lowered on

certain types of goods (210 sub positions), such as: certain types of seafood, seeds, mineral products, unprocessed skins, wood and wood products, precious and semi-precious stones and metals, iron waste and scrap, refined copper, alloys and ligature of copper, nickel and nickel products, aluminum and aluminum products, waste and products of non-precious metals.

On 1 September 2014 Decision of the Eurasian Economic Commission of 16 July 2014 №52 "On Setting Rates of Import Customs Duties of Single Customs Tariff of the Customs Union Regarding Types of Goods in Compliance with the Obligations of the Russian Federation within WTO" came into force.

Overall, reduction affected 88 groups of goods (4,822 codes of goods). Therewith, duties rates reduction affecting the majority of the list constitutes less than 3%. Most considerable changes (between 3 and 4.9%) affected certain fabrics and carpets, as well as certain types of equipment (5%). Reduction affected many food products: meat of some types of animals and meat products (groups 0204, 0206, 0208, 0210), live, fresh and chilled fish (0310, 0302), frozen fish and fish fillet (0303, 0304), dairy products (0402), fresh and canned vegetables and fruit from good position 07, number of confectionary and alcoholic beverages, and juice materials. Duties are being reduced also on industrial goods and equipment. For example, on domestic refrigerators and deep freezers; plasma and LCD televisions; carrier of freights with a life of no less than 5 year, but not more than 7 year. Specific component of combined rate was reduced on diapers and nappies, certain types of furniture. Overall, changes affected 602 goods positions.

The RF Government took measures to protect the Russian economy from the effects of Moldova's signing Association Agreement with EU. Decree of the RF Government of 31 July 2014 № 736 "On the Introduction of Import Customs Duties Regarding

Goods Proceeding from the Republic of Moldova" introduced import customs duties as for goods proceeding from the Moldova Republic and imported to the Russian Federation from 1 September 2014 (in compliance with regime of the most favored nation). According to the document, import customs duties apply to meat, vegetables, fruits, cereals, sugar, malt beer, grape wine, and alcoholic beverages.

According to the Edict of the President of the Russian Federation of 6 August 2014, №560 "On Application of Certain Special Economic Measures with the Aim of Provision of Security of the Russian Federation" import of certain types of agricultural products, raw materials and foodstuffs is banned or limited for the period to 6 August 2015. That entails goods from the states, which introduced economic sanctions related to Russian citizens of legal persons or associated to such decisions.

Decree of the Government of the Russian Federation of 7 August 2014 №778 "On Measures for Implementation of the Edict of the President of the Russian Federation of 6 August 2014 №56 'On Application of Certain Special Economic Measures with the Aim of Provision of Security of the Russian Federation' bans imports of agricultural products, materials and foodstuffs with the state of origin being the United States of America, EU countries, Canada, Australia and Kingdom of Norway for the period of one year. Cattle meat, pork, fish, milk and dairy products, vegetables, fruits, nuts, cheeses, cottage cheese, among others, are in the ban list. Exceptions are baby foods.

2013 calculations demonstrate that sanctioned products constitute 19.5% of Russian food import. The share of banned import goods to Russia for countries under sanctions constitutes 13% of the overall share of foodstuffs delivered by these countries to the world market. ●