

RUSSIA'S FOREIGN TRADE IN SEPTEMBER 2014

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The WTO has revised downwards the forecast of global trade growth. As compared to the same period of the previous year, in Russia there is still weak positive dynamics of the export with a reduction of the import volume.

In September 2014, the World Trade Organization (WTO) revised downwards the forecast¹ of global trade growth in 2014 and 2015 as compared to the forecast of April 2014: in 2014 a 3.1% growth is expected as compared to a 4.7% growth of the April forecast. In 2015, global trade growth will accelerate to 4.0% (earlier a 5.3% growth was expected). Such dynamics is much below the indices of the past 20 years when the average annual global trade growth amounted to 5.3%. The factor behind downward revision of the WTO forecast was “highly disappointing economic growth rates in the first six months of this year”, as well as low demand on import goods primarily in countries of Central and South America, Africa, the Middle East and CIS states. In particular, according to the WTO data in H1 2014 the volume of the import of developing countries and CIS states grew by the mere 0.5% from the beginning of the year as compared to 4.7% in 2013. Unstable growth rates and existing serious geopolitical conflicts remain the main factors of risks to the global trade.

Russia's foreign trade turnover calculated on the basis of the methods of the balance of payments increased in July 2014 by 1% as compared to July 2013 and amounted to \$75.1bn. Within the above period, the volume of the Russian export amounted to \$46.1bn which is 5.4% higher than the index of the previous year. In July 2014, the volume of import to the Russian Federation amounted to \$29.0bn which is 4.2% lower than in July 2013. As a result, in July 2014 the trade balance surplus increased by 28.2% to \$17.1bn as compared to July 2013.

After reaching in mid-July 2014 the year's maximum value of \$115.19 a barrel, the Brent oil price started to fall which situation is related to growth in production of oil and renewal of oil production in Libya. In July, oil production by OPEC countries rose to the five-month maximum level of 30.44m barrels a day thanks to growth in oil production in Saudi Arabia and Libya that compensated a decrease in production in Iraq, Iran and Nigeria. In July 2014, the Brent oil price depreciated by 4.4% and 0.7% as compared to the previous month and July 2013, respectively. The monthly average price amounted to \$106.98 a barrel.

1 http://www.wto.org/english/news_e/pres14_e/pr722_e.pdf

Table 1

RATES OF GLOBAL TRADE GROWTH AND GDP (% OF THE PREVIOUS YEAR)

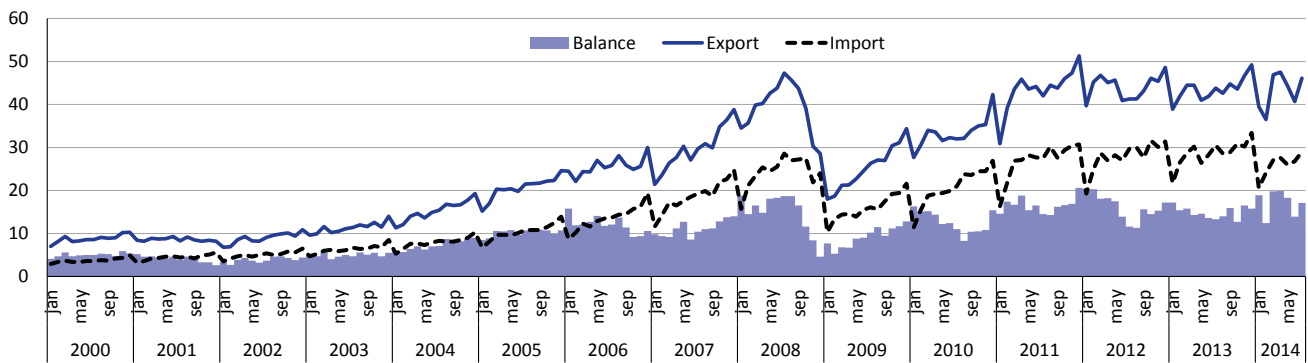
	2009	2010	2011	2012	2013	2014 (forecast)	2015 (forecast)
The total volume of global trade	-12.5	13.5	5.4	2.3	2.2	3.1	4.0
Export							
Developed countries	-15.2	13.4	5.2	1.1	1.5	2.5	3.8
Developing countries	-7.8	15.0	5.5	4.1	3.9	4.0	4.5
Import							
Developed countries	-14.3	10.9	3.4	0.0	-0.3	3.4	3.7
Developing countries	-10.6	18.2	7.7	5.4	5.3	2.6	4.5
GDP	-2.4	4.1	2.8	2.2	2.3	2.6	3.1
Developed countries	-3.8	2.6	1.4	1.1	1.3	1.8	2.2
Developing countries	2.1	7.5	5.8	4.6	4.4	4.3	4.9

Source: The WTO Secretariat.

In August, due to slow economic growth in China and Europe, with excessive supply the Brent oil prices continued to depreciate: for the first time in 14 months on August 18, 2014 the Brent oil price fell below \$100 a barrel and amounted to \$99.37 a barrel. After a few days of fluctuations at the level slightly above \$100 a barrel the oil prices started to go down and on September 22 fell to the minimum level of \$95.37 a barrel since July 2012.

In the monthly report of the International Energy Agency (IEA) published in September 2014², it is said that growth in the global oil consumption suddenly slowed down due to weakening of economies of Europe and China. The IEA revised downwards as compared to the previous evaluation the forecast level of the average weighted global oil demand in 2014 by 65,000 barrels to 92.6m barrels a day. According to the

2 <http://www.iea.org/newsroomandevents/news/2014/sep-tember/iea-releases-oil-market-report-for-september.html>



Source: The Central Bank of the Russian Federation.

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

IEA's estimates, in 2015 the average weighted global oil demand will increase by 1.2m barrels (100,000 barrels fewer than in the previous forecast) and amount to 93.8m barrels a day.

In July 2014, the Urals oil price fell by 3.2% as compared to June 2014 and amounted to \$105.4 a barrel; as compared to July 2013 the oil price fell by 2.6%. Within seven months of 2014, Urals oil price increased by 0.2% to \$107.0 a barrel as compared to the respective period of the previous year.

According to the oil price monitoring carried out by the Ministry of Economic Development of the Russian Federation from August 15 till September 14, 2014 included, the oil price amounted to \$98.28 a barrel or \$717.4 a ton (\$103.59 a barrel or \$756.2 a ton a month earlier). As a result, from October 1, 2014 the export duty on crude oil fell to \$344.7 a ton (\$367.6 a ton in September 2014). A reduced oil export duty for a number of deposits will amount to \$158.5 a ton against the duty of \$176 a ton which was in effect in September. In October, a reduced export duty on high-viscosity oil will be at the level of \$34.4 a ton against \$36.7 a ton a month earlier. In October, a duty on petrol is set in the amount of \$310.2 a ton against \$330.8 a ton in September, while that on diesel fuel, at \$224 a ton (\$238.9 a ton in September). It is to be noted that the export duty on liquefied hydrocarbon gas (LHG) is set

at \$145 a ton having fallen by 34.4% as compared to September.

In July 2014, the pricing situation on the global markets of precious metals improved considerably. Prices on aluminum continued their recovery which began in Q2 2014 after large producers reduced excessive capacities. Copper kept appreciating due to higher demand on the part of European and North American manufacturers from the engineering sector, as well as the reports from Chile, the main exporter of copper ore on worsening of the average quality of mines under development. Positive dynamics of prices on nickel is justified by expectations of nickel shortages on the global market due to the ban on export of Indonesian ore.

According to the data of the London Metal Exchange, in July 2014 as compared to June 2014 prices on aluminum, copper and nickel rose by 6.0%, 3.6% and 2.6%, respectively. As compared to July 2013, prices on copper, nickel and aluminum rose by 3.0%, 39.0% and 10.1%, respectively. In January–July 2014, as compared to the respective period of the previous year aluminum and copper were traded 6.1% and 6.8% cheaper, respectively, while nickel prices appreciated by 7.2%.

In July 2014, the latest decrease in the FAO food price index was registered; the above decrease continues for four months running mainly due to a sudden

Table 2

AVERAGE MONTHLY GLOBAL PRICES IN JULY OF THE RESPECTIVE YEAR

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Oil (Brent), USD/a barrel	38.2	56.4	72.5	75.09	139.23	65.74	75.6	116.46	103.14	107.7	106.98
Natural gas*, USD/1m BTU	4.28	6.42	8.585	8.13	14.37	6.67	8.04	10.99	11.13	11.6	9.27
Copper, USD/a ton	2813.0	3614.0	7712	7962.7	8415.3	5215.5	6735.3	9650.5	7584.3	6906.6	7113.4
Aluminum, USD/a ton	1710.0	1779.0	2513	2730.7	3071.2	1668	1988.3	2525.4	1876.3	1769.6	1948.3
Nickel, USD/a ton	15038	14581	26585	33373	20160	15985	19518	23848	16128	13750	19118

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

Source: The World Bank.

drop in global prices on maize, wheat and some types of oil grain mainly as a result of availability of sufficient reserves of those primary goods. In July 2014, the average value of the FAO food price index amounted to 203.9 points which is 4.4 points (2.1%) and 3.5 points (1.7%) lower than in June 2014 and July 2013, respectively. For five months running, there has been growth in prices on meat, while prices on sugar remained stable. It is to be noted that there was a dramatic depreciation of prices on grain, oilseed and dairy products and due to the above the FAO food price index amounted to its minimum level since January 2014.

According to the data of the Central Bank of Russia, in January–July 2014 Russia's foreign trade volume amounted to \$483.5bn which is 0.8% lower, including the export of \$301.7bn (a 1.9% growth) and the import of \$181.8bn (a 4.9% decrease) than the 2013 index. As a result, the trade balance surplus increased by 14.3% to \$119.9bn as compared to the index of the previous year.

In January–July 2014, growth in export was achieved by means of increase in supplies to abroad of food products and agricultural primary products (a 35.1% growth, including a 120% growth in export of grain), wood and pulp and paper products (a 11.9% growth) and fuel and energy commodities (a 2.2% growth). As regards other items of the expanded commodity nomenclature, the Russian export decreased: metals and fabricated metal products (a drop of 1.7%), chemical products (5.5%) and machines, equipment and means of transportation (10.5%).

In January–July 2014, as compared to January–July 2013 reduction of purchases of goods abroad was observed over all the items of the expanded nomenclature of commodities, except for fuel and energy goods whose import rose by 7.5% due to growth in the import of oil products; also there was an increase in the import of precious stones, precious metals and articles in which they are used (growth of 24.6%).

In June–July 2014, the Rosselkhozadzor introduced new sanitary and phytosanitary measures and abolished limitations on the import of goods from Georgia.

So, on June 5, 2014 limitations on the import of Ukrainian potatoes were introduced due to repeated detection of potato golden nematode.

At the end of June 2014, the Rosselkhozadzor limited the import from Sweden of fowl and poultry pro-

ducts due to the outbreak of the Newcastle disease, as well as the import of living hogs and pork products from Latvia due to the outbreak of African plague.

Due to the outbreak of a mad cow disease, on July 1, 2014 the Rosselkhozadzor temporarily banned the import to the Russian Federation of some products of animal origin from Romania. A ban was introduced on the import of living cattle stock, beef meat with bones, meat-meal, meat-and-bone meal tankage and blood tankage, by-products, processed protein of animal origin meant for fodder, as well as fodder which includes processed protein of animal origin.

From July 28, a ban was introduced on milk and dairy products supplies from Ukraine. The ban concerns all the dairy products, including cheese. The above decision was taken due to the fact that the Russian veterinary and sanitary requirements were repeatedly violated, that is, tetracyclines were detected, in particular.

At the same time, on July 2014 limitations on the import to Russia of vegetables and fruits from Georgia – bulb onion, beet, carrot, sweet pepper, melon and watermelon – were abolished. Earlier, in May 2014 limitations were lifted on the import of tomatoes, cucumbers, cabbage, aubergine, cherry, sweet cherry, apricots, peach, plums, date plum, kiwi, small fruits and new potatoes from Georgia. A decision on renewal of supplies was taken on the basis of the results of the joint shipping inspection of a number of types of products which were subject to the quarantine.

By Resolution No. 736 of July 31, 2014 of the Government of the Russian Federation, in respect of products originating from the territory of the Republic of Moldova import duties in the amount of the rates of the single tariff of the Customs Union are introduced. Those products include meat of cattle stock (fresh and refrigerated), vegetables and some edible root crops and tuber crops, wheat and meslin, barley, oats, maize, malt beer, some spirits and wine. Until now, Moldova traded with Russia toll-free as it was stipulated in the Agreement on Free Trade within the Frameworks of the Commonwealth of Independent States. Introduction of duties has been justified by the need to contain the excessive import of goods after Moldova signed on July 27, 2014 an Agreement with the EU on Establishment of a Free Trade Zone. ●