

## RUSSIA'S FOREIGN TRADE IN DECEMBER 2014

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*Russia's foreign trade turnover fell deep in December 2014 – the lowest plunge since October 2009 – with both exports and imports seeing almost equal rates of sinking. The geographical structure of Russia's foreign trade is facing changes.*

In December 2014, Russia's foreign trade turnover amounted to \$62,3bn, losing 24.5% compared to that seen in 2013. No such a deep plunge has been seen since October 2009. Exports of commodities amounted to \$37,6bn, by 24.1% less compared to that in December 2013. Imports of commodities was \$24,7bn, by 24% less than that in 2013. The trade balance contracted by 24.1% to \$12,9bn.

Exports contracted in response to the fall in prices of Russia's primary export commodities in global markets.

Global crude oil prices were falling for six consecutive months (between July and December of 2014). As a result, the monthly average price of Brent crude oil stood at \$62,33 per barrel in December 2014, by 43.7% below the value seen in December 2013, the monthly average price of WTI crude oil dropped by 39.4% to \$59,26 per barrel.

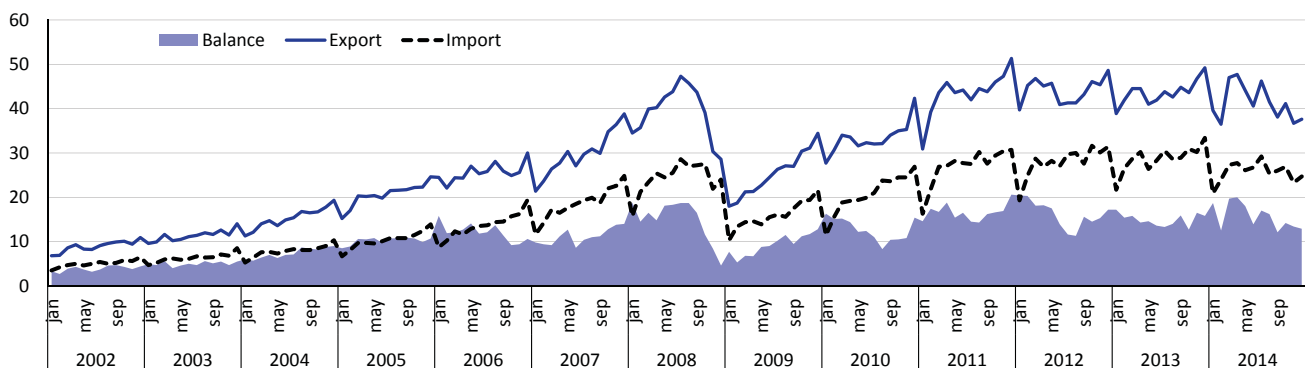
The price of Urals crude oil in December 2014 dropped to \$61,1 per barrel, by 22.0% below the value seen in November 2014, crude oil price saw a 44.4% contraction compared to December 2013. The year-average price of Urals crude oil sunk to \$97,6 per barrel, by 9.5% below the value seen in 2013.

Monitoring average price amounted to \$364,9 per ton in the period between 15 January and 14 February of 2015. Therefore, according to the information of the Ministry of Economic Development dated 18.02.2015, crude export duty from Russia will drop to \$105,8 per ton beginning from 1 March

(\$112,9 per ton in February 2015). The preferential interest rate remained zero. The interest rate on ultra viscous oil is \$13,3 per ton against \$14,2 in February. The rate on light and medium distillates, benzene, toluene, xylene, lubricating oils was reduced from \$54,1 to \$50,7 per ton. The rate on fuel oil, processed oil products, vaseline and paraffine (save for ozokerite, lignite or peat wax), asphalt oil fell from \$85,8 to \$80,4 per ton. In March, the rate on commercial gasoline and straight-run gasoline is \$82,5 and \$89,9 per ton, respectively (in February it was \$88 and \$95,9 per ton, respectively). The rate on diesel fuel is \$50,7 per ton (in February it was \$54,1 per ton).

According to the data of London Metal Exchange (LME), in December 2014, copper lost 4.0%, aluminum fell by 7.1%, nickel gained 1% compared to the values seen in November 2014. nickel increased by 14.6%, aluminum by 9.8%, copper lost 10.7% compared to the values seen in December 2013. In the period between January and December of 2014 copper lost 6.4% less, nickel raised by 12.3%, aluminum went up by 1.1% relative to the corresponding period last year.

The FAO Food Price Index in December 2014 dropped by 1.7% compared to that in November, the lowest fall since August 2010, 188.6 points. The Index was sinking in the period of March to September, showing relatively stable values in October and November, and then resumed the decline in December. For instance, the increase in supply in the market and the decline in



Source: the Central Bank of Russia.

Fig. 1. Russia's key foreign trade indicators (billions of US dollars)

Table 1

## MONTHLY AVERAGE GLOBAL PRICES IN DECEMBER THEN-YEAR

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Brent crude oil, US\$ per barrel	39.6	56.4	63.1	90.64	72.77	75.26	91.8	107.91	109.68	110.67	62.33
Natural gas*, US\$/1 million BTU	5.01	7.49	8.92	9.49	15.5	8.01	8.74	11.53	11.47	11.55	9.83
Copper, US\$ per ton	3137.0	7578.0	6643.9	6580.5	3072	6982.0	9111	7565	7966.8	7214.9	6446.5
Aluminum, US\$ per ton	1850.0	2248.0	2816.9	2380.2	1490.4	2179.7	2321.5	2022	2086.8	1739.8	1909.5
Nickel, US\$ per ton	13792	13423	34578	26003	9686.4	17066	24946	18267	17449	13925	15962

\* The European market, average contracted border price.

Source: World Bank.

imports by a few largest consumers – in particular Russia and China – forced down the FAO Price Index for dairy products. The price index for sugar dropped, because a smaller volume of sugar cane will be used to produce ethanol in response to the fall in fuel prices. The same index for vegetable oils fell basically because of lower demand for palm oil used for the production of biofuels. The price of meat fell in December basically in response to the strengthened US dollar exchange rate and the increase in supply. It was only the Price Index for grains that saw an increase: the decline in price of rice failed to fully offset the growth in value of wheat caused by concerns that Russia might limit its wheat exports.

The Index averaged 202 points at year-end, losing 3.7% against the last year value. The lowest values were registered in the prices of grains (-12.5%), dairy products (-7.7%), butter (-6.2%) and sugar (-3.8%). Meat was the sole category of food products whose prices increased last year (+8.1%).

Russia's exports in December 2014 contracted throughout the entire product range compared to those in December 2013, except for chemical industry products (up 3%), machinery, equipment and vehicles (up 0.3%) and other commodities (up 2.5 times). Exports of chemical industry products increased basically by virtue of increased exports of fertilizers, anhydrous ammonia and methanol.

Exports of non-ferrous metals increased considerably despite a 4.6% decline in exports of the *Metals* group of commodities. For instance, exports of copper increased 58.1% in December 2014 compared to December 2013, by virtue of a 73.2% growth in physical volumes of exports while average contracted prices fell by 8.7%. Exports of raw nickel increased 18.8% by virtue of a 5.8% and 12.3% growth in physical volumes and average contracted prices, respectively. Exports of raw aluminum increased 36.6% by virtue of a 4.4% and 30.8% growth in physical volumes and average contracted prices, respectively.

Exports of wheat and meslin increased 12.9% by virtue of a 31.2% growth in physical volumes while contracted prices saw a decline of 14%.

The rest of the vital products of Russia's exports saw a substantial decline in the value of exports. In December 2014, crude oil exports contracted by 40%, oil products by 30%, natural gas by 43%, ferrous metals by 12.4% compared to December 2013. The contraction was caused both by virtue of the shrinkage of physical volumes of supplies and the decline in average contracted prices.

The decline in imports in December was totally determined by the shrinkage in physical volumes of imported goods. This indicator's negative dynamics was determined by lower effective demand due to the ruble depreciation and the effect of restrictive measures which the Russian Federation introduced in August 2014 on imports of certain categories of commodities.

The entire broadened product range saw a considerable contraction in imports. For instance, in December 2014, imports of food products contracted by 27.9%, machinery, equipment and vehicles by 26.7%, mineral products by 25.9%, chemical industry products by 21.6%, metals and articles made thereof by 15.8% compared to December 2013. *Precious gems, precious metals and articles made thereof* is the only group of commodities whose imports increased in December 2014. Imports of these commodities increased 66.9%.

Regarding the geographic structure of Russia's foreign trade, the share of EU member states in foreign trade turnover contracted to 44.9% in December 2014 from 49.9% in December 2013. The foreign trade turnover with EU member states shrank by 32.1% in December 2014 compared to December 2013, while both Russia's exports and imports declined substantially by 34.7% and 26.6%, respectively. The contraction in foreign trade turnover was observed with all EU member states.

The share of CIS member states contracted to 10.8% from 13%. The foreign trade turnover with CIS member states contracted by 37.5%. In December 2014, the exports of Russia-made goods to these countries was 35.1% less than that in December 2013, while the

Table 2

## CHANGES IN IMPORTS OF VITAL PRODUCTS IN DECEMBER 2014 COMPARED TO DECEMBER 2013

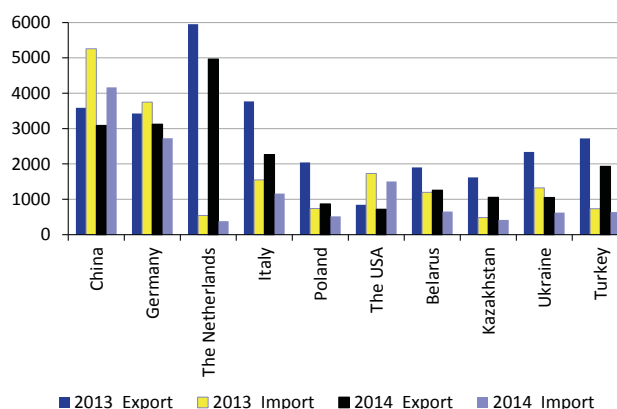
FEACN code	Product name	December 2014 against December 2013 (as %)		
		Physical volumes	Value of imports	Average contracted prices
0201-0204	Fresh and frozen meat	70.4	72.7	103.3
0207	Fresh and frozen poultry meat	86.1	90.5	105.1
0302-0304	Fresh and frozen fish	53.1	50.6	95.3
0402	Milk and condensed cream	61.3	45.0	73.4
0405	Butter	52.5	41.0	78.1
0805	Citrus fruits	96.7	77.3	80.0
0901	Coffee	115.1	118.1	102.6
0902	Tea	102.2	105.4	103.1
10	Grains		65.6	
1001	Wheat and meslin	21.0	31.6	150.4
1005	Corn	121.4	116.7	96.1
1512	Vegetable oil	80.0	66.7	83.3
170112 – 170114	Raw sugar	97.8	84.8	86.7
1701991000	White sugar	233.0	227.1	97.5
1801	Cacao beans	108.7	113.9	104.8
1806	Cocoa-containing food products	50.3	57.6	114.6
22	Alcoholic and non-alcoholic beverages		66.8	
2402	Tobacco cigarettes and cigars		72.9	
3003-3004	Drugs		69.6	
5208-5212	Knitted textiles	71.0	49.7	70.0
61-62	Cloths		75.4	
6403	Leather footwear	72.7	72.5	99.7
72	Ferrous metals	70.6	69.4	98.3
84-90	Machinery and equipment		72.8	
8703	Motorcars	79.0	58.1	73.5
8704	Heavy motor vehicles	45.0	54.3	120.6
9401-9403	Furniture		71.8	

Source: the calculations are based on the data provided by the Federal Customs Service.

imports from these countries decreased by 42.8%. At the same time, the foreign trade turnover saw an increase with some of the CIS member states. For example, the foreign trade turnover with Azerbaijan increased 27.3%, Kyrgyzstan by 26.2%, Tajikistan by 28.9%. The trade turnover with Ukraine contracted by 54.3%.

Despite a 14.5% contraction of Russia's foreign trade turnover with APEC countries, the share of the latter in Russia's total foreign trade increased to 27.8% in December 2014 from 24.5% in December 2013. Many countries of these region improved their trade and economic relations with Russia. For example, Russia's foreign trade turnover with Vietnam increased by 2.3 times, Peru by 2.2 times, Singapore by 2.4 times, Thailand by 64.2%, Chile by 61.8%, Mexico by 11%.

China remains a key trade partner of the Russian Federation: despite a 18% decline in trade turnover. China increased its share in Russia's foreign trade to 12.1% in December 2014 from 11.1% in December 2013.



Source: The Federal Customs Service.

Fig. 2. Trade and economic relations between Russia and its principal partners (December then-year, millions of US dollars)