

RUSSIAN FOREIGN TRADE IN Q1 2015

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In Q1 2015 Russian trade turnover was developing in the wake of the unfavourable global markets environment for natural resources, decline of economic growth rates, reduction of people's income and restrictive measures introduced by the Russian Federation regarding import of certain products. As a result, a significant contraction of the Russian foreign trade turnover was reported practically with all trade partners including EEU member states.

Foreign trade turnover of Russia calculated on the basis of balance of payments methodology totalled \$ 49.8bn which was less than the same index in 2014. Given that, a significant fall both of Russian export which compared with March 2014 shrank by 31.1% down to \$ 32.4bn and Russian import, in March 2015 Russia imported goods total of \$ 17.4bn which is 36.4% less than in March 2014. Export surplus was positive but down by 24.2% compared with March 2014 (down to \$14.98bn against \$ 19.76 bn).

The price fall of raw materials which commenced 4 years ago with metals and agricultural produce at the forefront, spread to energy products in mid-2014 and continued in Q1 2015. Energy products, metals and agricultural products were cheaper compared with Q4 2014 by 28%, 11% and 5% respectively. Growing supply, good harvest, weak demand and strong dollar have contributed to further price fall. The World Bank forecasts negative trend through the end 2015: in 2015 all key price indices will be falling, recovery will commence not earlier than 2016¹.

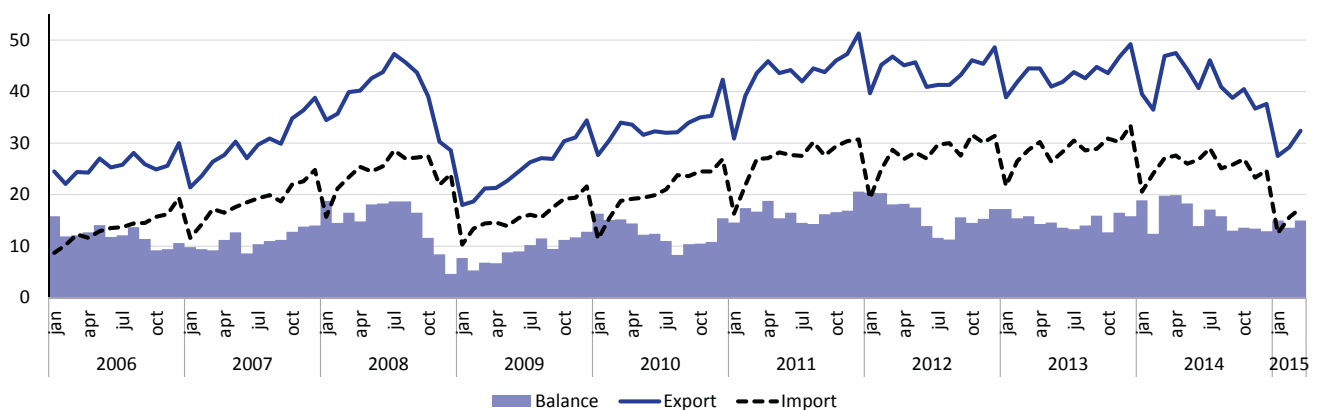
Over supply of primary fuel on the world market resulted in a little over half price of energy products registered in March 2015 from the level achieved in June 2014. Despite a higher than expected demand, a global oil glut is building together with large reserves especially in the United States. Although the drilling rigs count in the US shrank by half within 5 months, oil output continues growing there. Conflicts in the Middle East and China's plans to build its strategic oil reserves prevent further plunge of oil prices.

Brent crude in March 2015 was at \$55.79 per barrel down 48.1% from March 2014, but up 12.1% from January 2015 when 6-year floor price was posted.

In March 2015, price of Urals crude dropped by 4.8% from last month and constituted \$54.5 per barrel. The price of oil dropped by 48.9% from March 2014. In Q1 2015, price of oil amounted to \$52.8 per barrel or 49.4% from corresponding period 2014.

Average price of oil from 15 April through 14 May 2015 was at \$62.59 per barrel or \$456.9 per ton. Thus, export customs duty on oil in Russia will go up 24% and constitute \$144.4 per barrel from 1 June 2015 (in May – \$116.5 per ton). Preferential duty on heavy oil in June will be at \$18.5 per ton against \$14.7 per ton in May 2015. Export duty on straight-run gasoline will constitute \$122.7 per ton, commercial petrol – \$112.6

1 Commodity Markets Outlook. April 2015: <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/0,,contentMDK:21574907~menuPK:7859231~pagePK:64165401~piPK:64165026~theSitePK:476883,00.html>



Source: the CBR.

Fig. 1. Main indices of Russian foreign trade (\$ bn)

Table 1

AVERAGE WORLD PRICES IN MARCH OF A CORRESPONDING YEAR

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Brent, US\$/t	29.1	33.6	53.7	60.9	62.05	102.3	47.42	79.8	114.44	124.93	109.2	107.4	55.79
Natural gas ^{3*} , US\$/thousand m ³	3.74	3.86	5.52	7.99	8.37	11.04	10.9	8.93	9.37	11.97	11.87	10.88	8.27
Copper, US\$/t	1681.6	3018.0	3254.4	5103	6452.5	8421.9	3749.8	7462.8	9530.7	8470.8	7645.6	6650	5939.7
Aluminium, US\$/t	1393.1	1660.0	1988.6	2429	2761.7	2986.8	1335.8	2205.6	2552.6	2184.2	1909.6	1705.4	1773.9
Nickel, US\$/t	8402.4	13730	16190	14897	46324.8	31005.7	9696.4	22461.3	26811.7	18660.8	16724.9	15678	13756

* European market, average contract price, franco border.

Source: calculated on data released by the London Metal Exchange (Great Britain, London), Intercontinental oil exchange (London).

per ton, on light oil products and lubricants – \$69.3 per ton, on dark oil products – \$109.7 per ton, on coke – \$9.3 per ton. Export duty on liquefied hydrocarbon gas will remain at zero level.

Prices on non-energy products in Q1 2015 compared with previous quarter fell by 6%, by one third of its record high posted in 2011 due to excessive supply and large reserves. Prices on metals declined by 11% because the majority of markets remained positive especially the iron ore market.

Copper prices down 12% which is due to build-up of reserves, weak demand and new supplies. March 2015 prices stayed at about 40% less than their all-time high registered in 2011. The demand was weak especially from China. There are concerns of falling rates of investment in the construction and infrastructure sectors of China which consume considerable part of copper.

According to the London Metal Exchange data, aluminium went up by 4.1% nickel and copper went down by 12.2% and 11.1% correspondingly in March 2015 from March 2014. Compared with February 2015 price of aluminium fell by 2.6%, of nickel – by 5.4%, and of copper, on the contrary, went up by 3.9%. In Q1 2015, price of copper was down 17.4%, of nickel – down 2.0% and of aluminium up 5.4% from Q1 2014.

In March 2015, the FAO Food Price Index continued falling: price index averaged 173.8 points down 2.6 points (1.5%) from downgraded February index and nearly down 40 points (18.7%) from its level in March 2014. 2015 downward trend is determined by large export supplies and growing reserves regarding wheat and corn.

In March 2015, price index on sugar averaged 187.9 points which is the price floor from February 2009. Price index on cereals reached 169.8 points falling by 1.1% against February 2015 and by 18.7% compared with corresponding index of last year. The FAO Food Price Index on vegetable oil constituted in March 151.7 points down by 3.1% from February level. This is the price floor from September 2009. In March, price index on meat down by 1% to 177 points. Price index on dairy products is going up second month in a row and in March constituted 184.9 points up 1.7% from the February level.

In Q1 2015 Russian foreign trade turnover amounted according to the Bank of Russia \$134.5 bn which is down 31.1% from Q1 2014.

Export of commodities shrank by 27.6% and constituted \$89.1 bn. Negative dynamics of the Russian export was due to a decline of total value of export of fuel and energy products by 33.6%, timber and pulp and paper products – by 16.8%, chemical products – by 5.6%, metals and metal products – by 4.5%. Reduction of total value of export was mainly due to a fall of average contract prices with growth of export volumes of goods and products by 4.5% against comparable period 2014.

Table 2

THE RF EXPORT INDICES IN Q1 2015 (IN % TO Q1 2014)

Products	Physical volume	Total value	Average contract prices
Wheat and meslin	109.1	90.0	82.5
Ores and iron concentrates	95.6	52.6	55.1
Coal	97.0	81.9	84.4
Crude oil	112.8	58.5	51.9
Oil products	123.7	72.8	58.9
Motor petrol	112.5	85.6	76.0
Diesel fuel without biodiesel	121.6	75.2	61.8
Natural gas	79.7	63.6	79.8
Mineral fertilizers, nitrogen	91.3	88.7	97.2
Mineral fertilisers, potassium	164.6	163.9	99.6
Mineral fertilizers, mixed	120.6	133.5	110.7
Synthetic rubber	105.2	71.7	68.2
Rough timber	90.3	75.3	83.5
Sawn timber	109.1	83.8	76.8
Scaleboard	99.4	80.8	81.2
Wood pulp	105.2	100.4	95.4
Newsprint	98.3	77.0	78.3
Ferrous metals	110.1	87.5	79.5
Refined copper	220.4	184.1	83.5
Untreated nickel	102.1	103.9	101.8
Untreated aluminium	142.5	148.5	104.2

Source: calculated on data released by the Federal Customs Service (FCS).

Export of machinery, equipment and means of transport went up in Q1 2015 against Q1 2014 by

7.7%. At the same time, deliveries of machinery and equipment to the countries of far abroad went up by 34.8%. Deliveries of machinery and equipment to the CIS member states fell by 30.5% against last year.

Main share in the Russian export falls on fuel and energy products. However, if in Q1 2014 their share in export of goods reached 72.4%, than in Q1 2015 – 65.4%. The share of machinery and equipment went up: in Q1 2014, it amounted to 3.8%, in Q1 2015 in went up to 5.8%.

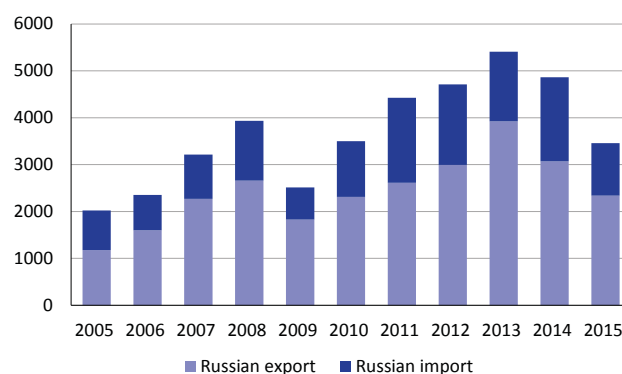
Commodities import volume in Q1 2015 constituted only \$45.4 bn which is down 37.3% from the same index last year. Sharp fall of import was reported along the whole nomenclature of merchandise. At the same time, both import volumes and average contract prices of imported commodities have dropped.

Russia's trade surplus in Q1 2015 amounted to \$43.6 bn which is down by 14.3% against the same period 2014.

Contraction of Russian foreign trade turnover in Q1 2015 was true practically with all trading partners except Brazil (+1%), Malta (+92.6), Azerbaijan (+5.8%), Tajikistan (+9.5%), Iran (+10.2) and Cuba (+37.8%).

Customs union and Eurasian Economic Union (EEU) envisage elimination of restrictions and duties in mutual trade, simplified customs clearance of commodities and, as a result, rather high level of mutual turnover. However, mutual deliveries of merchandise with EEU member states fell significantly. For example, the RF trade turnover with Belorussia fell in Q1 2015 against Q1 2014 by 36.6%, with Armenia – by 25.7% and with Kazakhstan – by 28.9%.

At the end of January 2015, National Chamber of Entrepreneurs of Kazakhstan analyzed the consequences of the ruble devaluation for the Kazakh economy. Due to ruble devaluation cheap Russian products negatively affected Kazakh production of poultry, eggs, flour and pasta, juices, yeast, fat-and-oil products, confectionary and molasses. Deteriorating environment



Source: FCS.

Fig. 2. Russian trade turnover with Kazakhstan (Q1 of corresponding year, \$mn)

on the local enterprises resulted in the introduction of restrictions on Russian products. Committee for the protection of consumers' rights of the Ministry of national economy of Kazakhstan by 31 March confiscated nearly 5 tons of Russian poultry products as falling below the regulations, discovered colon bacteria in Russian cheeses, dairy products, meat, as well as falling below the technical regulations of Russian confectionaries¹.

In its turn, Rospotrebnadzor revealed in a number of Russian regions Kazakh products which failed to meet the requirements. Fermented dairy foods, melons and beetroot were banned. Moreover, supplies of banned products under sanctions were discovered in the Moscow region: dried fruit from the US packaged in Kazakhstan.

Mutual restrictions of supplies of some products weaken economic integration between Russia and Kazakhstan within Eurasian Economic Union which envisages removal of practically all trade restrictions between member states. ●

¹ http://azpprk.kz/index.php?option=com_zoo&task=item&item_id=1425&Itemid=126&lang=ru