

RUSSIAN FOREIGN TRADE IN H1 2015

N.Volovik

Continued contraction of the Russian foreign trade turnover is accompanied by adjustments both in commodity composition of trade and its regional pattern. Deteriorated terms of trade posted in H1 2015 became main determinant of the trade balance reduction against H1 2014. The Russian Federation complies with the obligations taken when acceding the World Trade Organization: from 1 September 2015, import and export duties were cut on a number of goods.

In June 2015, Russia's foreign trade turnover calculated on the balance of payments methodology constituted \$ 46.8bn, down 30.6% against the same indicator of 2014. Exports volume in June 2015 compared to June 2014, contracted 25.6% and came to \$ 30.3bn, imports fell by 38.3% down to \$ 16.5bn which is down 0.9% against the same indicator last year.

In June 2015, terms of trade deteriorated compared to June last year in response to the fall in prices of Russia's primary export commodities in the global market. Russian terms of trade index constituted 82.5 points (in June 2014 – 98.5 points). In H1 2015, Russian terms of trade index constituted 79.3 points (in H1 2014 – 97.7 points).

In June 2015, monthly average prices on energy resources fell in comparison with last month. Non-energy commodities have also gone down in value due to a price fall on basic metals, prices of agricultural products have changed insignificantly.

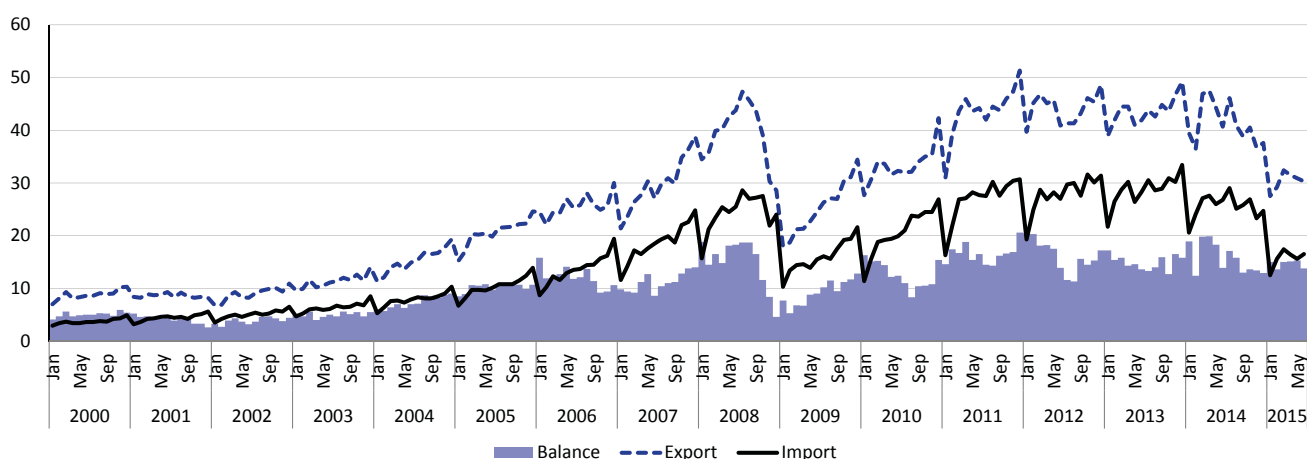
Oil glut in the global market, which was one of the reasons for a yearlong price fall, persists. According to the US Energy Information Administration, in the course of the last year supply increased twofold and exceeded demand by over 2.6 million barrels per day. Despite the falling crude oil price from \$ 116 per barrel

in June 2014 down to \$ 45 per barrel in January 2015, the OPEC member states increased crude oil output to the maximum level since 2008 continuing to maintain its market share amid falling prices. Moreover, Iran is planning to increase crude oil output by 500,000 barrels per day the moment sanctions are lifted and by 1,000,000 barrels per day in the course of several months.

In June 2015 against May 2015, Brent crude oil down 3.4% to \$ 62.34 per barrel. Compared to June 2014, the price of Brent crude oil down 44.3%. In July and August 2015, the crude oil prices continued falling. Only in August 2015, the price of Brent crude oil went down 16%. At the same time, substantial crude oil price quotations downside took place on 24 August when China released its economic activity data with worst results for the last six years.

In June 2015, the price of Urals crude oil fell 3.7% against May 2015 and came to \$ 61.4 per barrel. In comparison with June 2014, it decreased by 43.7%. Over the course of January–June 2015, the price of Urals crude oil compared to the corresponding period last year fell by 46.9% to \$ 57 per barrel.

Average price of Urals crude oil for the period of oil price monitoring from 15 July to 14 August 2015 con-



Source: The CBR.

Fig. 1. Russia's key foreign trade indicators (USD billions)

stituted \$ 51.09304 per barrel or \$373 per ton. Thus, export oil duty from 1 September 2015 will drop to \$109.2 per ton against \$133.1 per ton a month before. Concessionary duty rate on crude for a number of oil fields remains at zero level. Concessionary export duty on very heavy oil is set at \$13.7 per ton against \$17 per ton in August. Duty on naphtha (straight-run petrol) will constitute \$92.8 per ton, on commercial petrol – \$85.1 per ton, on light oil products and lubricants – \$52.4 per ton and dark oil products (minus lubricants and petroleum coke) – \$82.9 per ton, on petroleum coke – \$7.0 per ton. At the same time, duty on liquefied petroleum gas will be zero.

In June 2015, nonferrous metals global market demonstrated negative price movement. According to the London Metal Exchange (LME), in June 2015, aluminum lost 6.4%, nickel fell by 5.1%, and copper dropped 7.3% compared to the valued seen in May 2015. Price quotation on these metals decreased to the 2009 minimum levels. Compared to June 2014, price of aluminum lost 8.2%, copper – 14.5%, and nickel – 31.2%. In H1 2015 against H1 2014, copper down 14.2%, nickel down 17.3%, and aluminum up 1.8%. Main factor which contributed to the fall of nonferrous metals price were hoarding at the London Metal Exchange and slowdown of Chinese economy.

In June 2015, the average FAO Food Price Index constituted 165.1 points which is 1.5 points less the previous month's indicator and nearly 44 points less June 2014 indicator. Price movement in various markets was in different directions: prices for sugar and dairy products posted the most substantial losses, prices for cereals and oils somewhat up and prices for meat remained stable. Starting with April 2014 (except October 2014) monthly FAO Food Price Index posts downslide movement.

In H1 2015, Russia imports and exports turnover contracted by 32.2% down to \$276.5bn compared to H1 2014.

In H1 2015, Russia's exports came to \$182.5bn (down 28.6% compared to H1 2014) of which to the countries of far abroad – \$158bn (down 27.7%) and

to the CIS member states – \$24.5bn (down 33.8%). Negative Russia's exports dynamics in H1 2015 is determined by a sharp drop of average export prices due to deterioration of global commodities markets outlook. In H1 2015, average export price index constituted 70% against H1 2014. For instance, Russian crude oil down 46%, crude oil products down 42.2%, natural gas down 27.2%, timber down 23.5%, copper down 12.7%, and nickel down 13.6%. At the same time, exports volume index in H1 2015 against H1 2014 came to 105.6%. Export volumes of crude oil up 9.8%, oil products up 16.5%, potassium fertilizers up 49.9%, aluminum up 24.3% and copper up 2.8 times.

In H1 2015, the share of commodities in Russia's export commodity structure reduced to 65.9% against 72.8% posted in H1 2014. The share of metals and metal products up from 7.8% to 9.7%, machines and transport means equipment up from 5.6% to 7.3%, food products and agricultural materials up from 3.3% to 3.9%.

Reduction of energy supplies has led to the fall of the EU member states share in regional pattern of Russia's exports to 50% against 53.8% in H1 2014. Meanwhile, due to other merchandise lines in Russia's exports the share of APEC member states up from 19.9% to 22.5%. Highest volume of Russia's exports were to the Netherlands (12.3%), China (8%) and Germany (7.6%).

In H1 2015, Russia's imports came to \$94bn which is down 38.5% against the same period last year; of which from countries of far abroad – \$82.6bn (down 38.4%) and from CIS member states – \$11.4bn (down 39%). The contraction of imports was caused by the virtue of the shrinkage of imports volume into the territory of the Russian Federation amid fall of average import prices.

The share of investment goods fell considerably in Russia's import structure by 3.2 p.p. and the share of consumer goods down 1.5 p.p.

Most noticeably fell impost of automobiles (down 53.3%) and trucks (down 68.9%) as well as food products (first of all, food products under sanctions in compliance with the Regulation of the Government

Table 1

MONTHLY AVERAGE GLOBAL PRICES IN JUNE THEN-YEAR

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Brent, USD/bbl	53.9	68.3	70.13	135.2	65.7	75.36	113.76	95.59	103.11	111.87	62.34
Natural gas (Europe), US\$/1 million BTU	5.91	8.29	8.03	12.63	7.95	7.74	10.26	11.49	11.92	9.77	7.29
Copper, USD/t	3524	7198	7469	8263	5014	6499	9067.0	7423	7000.2	6821.1	5833
Aluminum, US\$ per ton	1731	2477	2672	2957	1570	1931	2558.0	1890.0	1814.5	1839	1687.7
Nickel, US\$ per ton	16160	20755	41407	22556	14960	19378	22421	16549	14280	18629	12825

Sources: calculated on the data released by London Metal Exchange, Intercontinental oil exchange (London), World Bank.

of the Russian Federation of 07.08.2014, № 778). In H1 2015, import of banned products against the same period 2014, contracted in value terms by 46.0% down to \$6.0bn. Significantly decreased import of fresh and frozen meat (down 33.5%), fresh and frozen poultry meat (down 52.4%), fresh and frozen fish (down 44.7%), butter (down 46.6%), cheese and cottage cheese (down 54.3%) and vegetables and fruit.

Partial substitution of European import with supplies from the Asia region affected regional pattern of Russia's imports. The share of CIS member states in H1 2015 contracted to 37.5% against 41.5% in H1 2014. Meanwhile, the share of APEC member states up to 38.3% against 35.0%. China remains a key trade partner with 18.5%. Other important partners were Germany (10.8%), the USA (7.3%) and Italy (4.2%).

By period-end of January–June 2015, the RF positive trade balance fell from \$102.8bn registered in January–June 2014 to \$88.6bn or down 13.8% due to deteriorating terms of trade.

In the framework of obligations taken during the accession to the World Trade Organization, the Russian Federation is reducing export duties of the main commodities. For example, according to the Regulation of the RF Government dated 4 August 2015 № 786 "On Introduction of Amendments to the Rates of Export Customs Duties on Goods Exported from the Territory of the Russian Federation Over the Borders of the Customs Union Member States", from 1 September 2015, export duties will be cut on certain types of seafood, seeds, mineral commodities, coarse skins, timber and timber products, precious and semi-precious stones and metals, waste and scrap of ferrous metals, refined copper, copper alloys, nickel and products of nickel, aluminum and its products, waste of other

non-precious stones and their products. For example, export duty on red salmon, Pacific and Atlantic salmon, Atlantic Pollack, tilapia, eel, catfish, carp, halibut, turbot, flatfish, herring, scad, coalfish, and capelin will decrease to 1.25% of customs price from 3.75% established in September 2013. Export customs duty of crab and shrimp as well as on crawfish decreases from 7.5% to 2.5%

Also in the framework of Russia's obligations before the WTO, the Eurasian Economic Commission adopted Decision № 44 "On Introduction of Amendments in the unified Goods Nomenclature for Foreign Economic Activities of the Eurasian Economic Union and Single Customs Tariff of the Eurasian Economic Union Regarding Certain Types of Goods According to the Obligations of the Russian Federation Within the WTO", according to which from 1 September import customs duties will be reduced on 4,061 items. Weighted average customs tariff rate will constitute 5-5.3%. Arithmetic average customs duty on food products will fall from 13.88% to 13.28%, on textile products down from 9.31% to 8.66%. Reduction of duties will cover the following goods: fish, milk, butter, cheese, plants, potatoes, onions, cabbage, beetroot, cucumbers, apples, strawberries, rice, starch, rape oil, margarine, sausage, sugar, confectionary, pea, nuts, fruit and berry preserves, corn and juices. It will also cover aviation fuel, various chemicals, medicine, medical products and materials, washing and cleaning products, explosives, articles made of polymers, construction materials, textiles, clothes, footwear, machine tools, furniture, etc. The most substantial reduction of duties will affect electric machines and electronics. Duties on terminals for credit card payments will fall from 6.7% to zero. ●