

RUSSIA'S FOREIGN TRADE IN JULY–AUGUST 2015

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Downtrend forecast of the global economy, unfavorable conditions of the global markets, contraction in the real sector of the economy due to inflation, sharp growth of credits and anti-Russian sanctions, ban on the import of certain types of foodstuffs from the countries which introduced sanctions against Russia strengthen negative trends observed in the Russian foreign trade.

In September 2015, Organization for Economic Cooperation and Development (OECD) downgraded forecast¹ of the global economy for 2015 compared to the forecast released in June 2015 from 3.1% to 3.0%, and for 2016 – from 3.8% to 3.6%, mainly due to the deterioration of the conditions in such emerging market economies as China and Brazil.

Economic forecast for China was down to 6.7% for this year and to 6.5% in the coming year taking into account reduction of economic indicators and decline of the stock market. Brazil economy according to the OECD calculations will contract by 2.8% this year and 0.7% in 2016. OECD upgraded forecast for the US economy for this year to 2.4% from 2.0% but downgraded forecast for 2016 from 2.8% to 2.6%.

OECD quarterly economic outlook for April–June 2015² demonstrates that total G7 and BRIICS international merchandise trade, in current US dollars, adjusted to seasonality continued to contract with imports declining by 1.2% and exports – by 0.9% compared to Q1 2015.

For example, if in Q1 2015, total exports of these countries constituted \$2,181.6bn and imports –

\$2,188.5bn and trade deficit came to \$6.9bn, then in Q2 2015, these indicators declined to \$2,161.6bn and \$2,163.3bn respectively, and trade deficit came to \$1.8bn.

The slowdown in trade in Q2 2015 was particularly marked in South East Asian economies. In particular, exports and imports contracting in China (by 3.5% and 0.1%, respectively) as well as in Japan (by 4.4% and 5.4%) for the third consecutive quarter, and Indonesia (by 0.8% and 6.6%), for the sixth straight quarter.

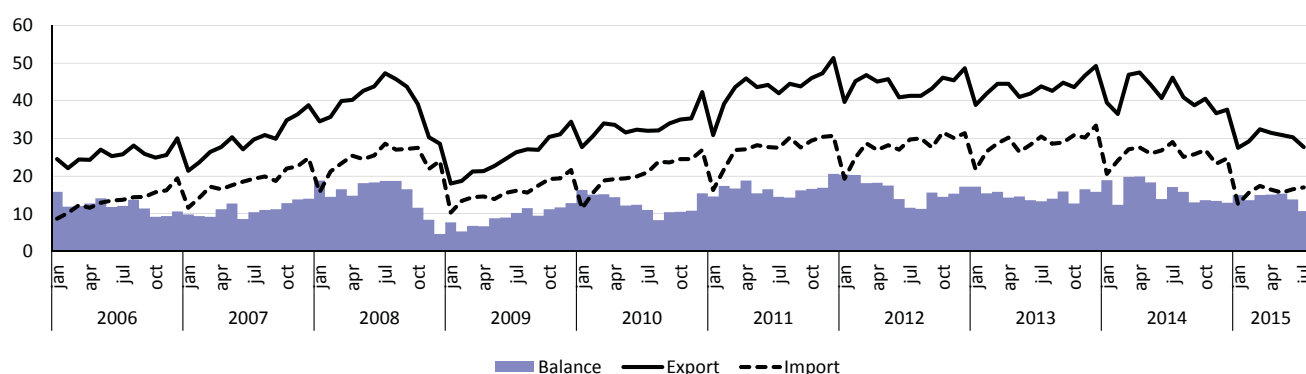
Imports and exports in India rebounded slightly (up 3.4% and 0.6%) from the slump in the first quarter of 2015 but remain below previous 2011 lows.

Exports and imports also decreased markedly in the Russian Federation (by 3.6% and 9.7%) and Brazil (by 1.2% and 14.4%). For example, in Q1 2015, total Russian exports constituted \$96.3bn, imports – \$54.2bn and trade balance came to \$42.1bn, and then in Q2 2015 these indicators declined to \$92.8bn and \$49.0bn, respectively. Trade balance came to \$43.8bn.

Russia's foreign trade turnover calculated on the balance of payments methodology in July 2015 contracted by 33.1% compared to July 2014 and amounted to \$44.6bn. Total Russian exports for the same period came to \$27.7bn down 40.2% against the same indicator last year. In July 2015, total Russian imports amounted to \$17.0bn down 41.9% against July 2014.

1 <http://www.slideshare.net/oecd/economy/oecd-interim-economic-outlook2015-puzzles-and-uncertainties-paris-16-september-52816961>

2 <http://www.oecd.org/std/its/international-trade-statistics-trends-in-second-quarter-2015.htm>



Source: The CBR.

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

Table 1

MONTHLY AVERAGE GLOBAL PRICES IN JUNE THEN-YEAR

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Brent, USD/bbl	56.4	72.5	75.09	139.23	65.74	75.6	116.46	103.14	107.7	106.98	84.98
Natural gas*, US\$/1 million BTU	6.42	8.585	8.13	14.37	6.67	8.04	10.99	11.13	11.6	9.27	7.52
Copper, USD/t	3614.0	7712	7962.7	8415.3	5215.5	6735.3	9650.5	7584.3	6906.6	7113.4	5456.8
Aluminum, US\$ per ton	1,779.0	2513	2730.7	3071.2	1668	1988.3	2525.4	1,876.3	1,769.6	1,948.3	1,639.5
Nickel, US\$ per ton	14,581	26,585	33,373	20,160	15,985	19,518	23,848	16,128	13,750	19,118	11,413

* European market, average contract price, franco-border.

Source: The World Bank.

In July 2015, trade balance down 37.3% against July 2014 and amounted to \$10.7bn.

Exceeding supply over demand impact the state of the global oil market. Growing output of shale oil and plans of Saudi Arabia to preserve its share of the oil market and increased oil supply of Iranian push oil quotations up amid slowdown of Chinese economy which does not consume crude oil in the same amounts as before.

In July 2015, Iran made a nuclear deal with six major countries (Great Britain, Germany, China, France, Russia and the USA) which will allow it to lift sanctions and increase oil export. Iran boasts of large oil reserves in the world. Prior to 2012 sanctions, Iran exported up to 3bn barrels of oil per day, however due to the sanctions oil export declined to 1 bn barrels per day. Major trade partners were Asia countries. Majority of estimated project growth of Iranian oil export by 500–700 thousand barrels per day in H1 2016.

In July 2015, global oil market registered negative price dynamics. As a result, Brent crude oil fell by 13.6%. In August 2015, price fall continued. On 24 August due to investors' concerns over the state of the Chinese economy and weak demand amid oil glut Brent crude oil fell to the minimum over 6.5 years level of \$41.59 per barrel.

In July 2015, monthly average price of Brent crude oil amounted to \$56.56 per barrel and in August \$46.52 per barrel.

In July 2015, price of Urals crude declined by 9.5% to \$55.5 per barrel against June 2015, and compared with July 2014 the price fell by 47.3%. In January–July 2015, Urals crude fell by 46.9% to \$56.8 per barrel compared to the same period 2014.

According to the RF Ministry of Economic Development monitoring, from 15 August to 14 September 2015, price of Urals crude oil amounted to \$45.32 per barrel or \$330.9 per ton (month earlier average price was \$51.09 per barrel or \$373 per ton). As a result, export oil duty from 1 October 2015 will decline by 16.2% to \$91.5 per ton against \$109.2 per ton a month earlier. Concessionary export duty

on crude oil from East Siberia, Caspian oil fields and Prirazlomnoye oil field due to the new calculation formula adopted within tax maneuver in the oil sector from 1 October 2015 will remain at zero level (zeroing took place in February, in January oil export duty amounted to \$11.9 per ton). Export duty on very heavy crude oil will decline from \$13.7 per ton to \$11.3 per ton. Export duty on light petroleum products and lubricants will constitute \$43.9 per ton (from 1 September – \$52.4 per ton) and on dark petroleum products – \$69.5 per ton (\$82.9 per ton). Export duty on commercial petrol will decline to \$71.3 per ton (from 1 September – \$85.1 per ton), straight-run petrol (naphtha) – from \$92.8 per ton to \$77.7 per ton. Export duty on liquefied petroleum gas will remain at zero level. Duty on petroleum coke will decline from \$7.0 per ton to \$5.9 per ton.

According to the London Metal Exchange, in July 2015, aluminum lost 2.7%, nickel fell 10.9%, and copper dropped 6.5% against June 2015. Compared to July 2014, aluminum lost 15.2%, copper dropped 23.2%, and nickel fell 40.2%. In January–July 2015, copper dropped 15.5%, nickel fell 21.0% and aluminum lost 0.9%.

Slowdown of Chinese economy affects negatively non-ferrous market in such a way that continuation by the US FRB of the soft monetary policy have not positively adjusted price quotations.

FAO continues registering reduction of global food prices. By end of July 2015, Food Price Index down 1% to 164.6 points. Its value down 19.4% against July 2014. Now Index remains at the lowest level since September 2009. At the same time, the organization notes price growth on cereals, sugar and meat. Prices on oils and milk continue falling rapidly.

According to bank of Russia, in January–July 2015, Russia's foreign trade turnover amounted to \$321.1bn which is down 33.6% against the same indicator last year, of which export – \$210.2bn (decline by 20.2%), import – \$110.9bn (decline by 39%). Trade balance fell by 17.2% to \$99.2bn compared to the same indicator 2014.

Table 2

**GROWTH RATES (DECLINE) OF RUSSIAN EXPORT IN
JANUARY–JULY 2015 COMPARED
TO JANUARY–JULY 2014 (%)**

	Volume	Total Value	Prices
Wheat and meslin	80.8	65.4	80.9
Crude oil	107.2	58.0	54.1
Oil products	109.0	63.0	57.8
Natural gas	92.2	67.1	72.8
Mineral fertilizers, nitrogen	86.6	78.0	90.1
Mineral fertilisers, potassium	139.0	144.1	103.7
Mineral fertilizers, mixed	104.5	107.5	102.9
Synthetic rubber	116.7	78.0	66.9
Rough timber	90.3	74.2	82.2
Sawn timber	107.3	81.6	76.0
Scaleboard	109.1	84.1	77.1
Wood pulp	114.2	108.0	94.5
Newsprint	94.6	71.8	75.9
Textiles	104.8	69.5	66.4
Ferrous metals	106.5	78.2	73.4
Refined copper	263.2	229.0	87.0
Untreated nickel	91.4	76.9	84.1
Untreated aluminium	120.7	122.4	101.4
Autos	75.8	74.1	97.8
Trucks	94.3	97.0	102.9

Source: FCS.

Contraction of export in January–July 2015 was observed across all types of extended classification of goods. The most significant contraction was registered in “Mineral products”, export value of which fell in January–July 2015 by 37.3% against January–July 2014. Export of metals and metal products shrank by 13.1%, chemical products down 9.7%, machines, equipment

and means of transport down 3.7%, foodstuffs and agricultural raw materials down 20.9%.

Reduction of merchandise purchases abroad in January–July 2015 was observed across all positions of classification of goods. Import of machines, equipment and means of transport fell by 44.9%, metals and metal products – by 40.5%, timber and cellulose and paper products – by 40.2%, foodstuffs and agricultural raw materials – by 37.6% against January–July 2014.

From 23 September 2015, Decision of the Collegium of the Eurasian Economic Commission of 18.08.2015 “On implementation of anti-dumping measures regarding steel seamless pipes for drilling and exploitation of oil and gas wells originated from the People’s Republic of China and imported to the customs territory of the Eurasian economic Union” came into force. According to the decision, anti-dumping duty is introduced for the period of 5 years on Chinese seamless pipes used for drilling and exploitation of oil and gas wells. The rate of anti-dumping duty will constitute 12.2% to 31% of the customs price.

The Federal Service for Veterinary and Phytosanitary surveillance (Rosselkhoznadzor) from 21 September 2015 allowed import to the territory of the Russian Federation apples, pears and quince, as well as apricots, cherries, peaches, nectarines, plums and black thorn from Moldova. Import of these produce was banned by Rosselkhoznadzor in July 2014 due to larva of oriental fruit moth. Prior to the ban Moldavian apples were second in export volume to Russia after Polish apples. In the course of a year of the ban introduced by the Russian Federation the situation on the fruit market changed radically. For example, Belorussia took the first place as a supplier of kiwi to the Russian market. ●