

## RUSSIA'S FOREIGN TRADE IN SEPTEMBER 2015

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*In September 2015, the Russian foreign trade turnover was contracting. Deterioration of relations with Turkey, which is a major trading and economic partner of the Russian Federation, added to many negative factors affecting Russian foreign trade.*

In October 2015, the World Trade Organization published 'World Trade Report'<sup>1</sup> which provided main indicators summing up current development trends of world merchandise trade. 2014 marked the third consecutive year in which world trade volume moved up less than 3%. At the same time, world merchandise trade came up with global GDP growth and constituted just 2.5%. Several factors contributed to the sluggishness of trade and output in 2014, including slowing GDP growth in emerging economies, an uneven economic recovery in developed economies, and rising geopolitical tensions, among others.

Strong exchange rate fluctuations, including an appreciation of the US dollar against a broad basket of currencies since the start of 2014, further complicated the world trade situation and outlook. Collapsing world oil prices in 2014 (down 47% between 15 July and 31 December) and weakness in other commodity classes hit export receipts and reduced import demand in exporting countries, but also boosted real incomes and imports in importing countries. Whether this development would turn out to be positive or negative on balance for world trade in 2015 was still unclear at the end of Q2. The 3.5 percent year-on-year increase in Q1 suggested that trade growth for the year would be slightly stronger than in 2014.

China remains the largest world trader in 2014. Its foreign trade turnover came to \$ 4,301bn (41.5% of GDP) up 3.4% against the same indicator in 2013. Since 1994, China's trade balance was positive, and in 2014 it reached \$ 383bn (3.7% of GDP).

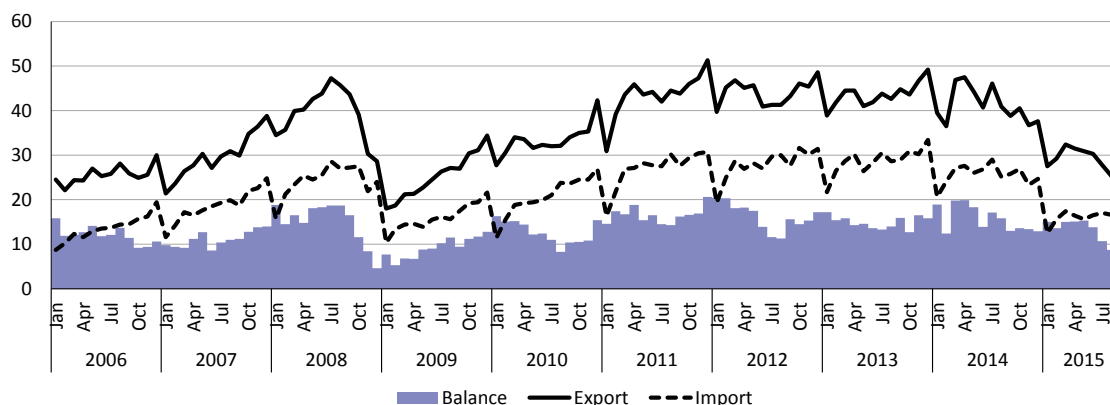
In 2014, the US foreign trade turnover came second totalling \$ 4,034bn (23.2% of GDP). At the same time, the US incurred a significant trade balance deficit of \$ 792bn (4.5% of GDP) in 2014.

In 2014, Germany has retained the third place with \$ 2,724bn foreign trade turnover (71.3% of GDP). Positive trade balance amounted to \$ 292bn (7.6% of GDP).

The Russian Federation with export turnover totalling \$ 498bn descended to the 11<sup>th</sup> place (in 2013 – 10<sup>th</sup>, in 2012 – 8<sup>th</sup> place). The share of Russian exports in the total world trade volume came to 2.6%. Russia occupied the 17<sup>th</sup> place with imports amounting to \$ 308 bn (in 2013 – 16<sup>th</sup> place). The share of Russian imports in the total world imports volume fell to 1.6% against 1.8% in 2013.

In September 2015, Russia's foreign trade turnover calculated on the balance of payments methodology amounted to \$ 43.1bn down 32.7% against

1 [https://www.wto.org/english/res\\_e/publications\\_e/wtr15\\_e.htm](https://www.wto.org/english/res_e/publications_e/wtr15_e.htm)



Source: CB RF.

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

the same indicator last year. In September 2015, export of goods from Russia have contracted by 30.8% to \$26.4bn compared to September 2014. Imports to Russia in September 2015 have shrunk by 35.5% to \$ 16.8bn in comparison with the same month of 2014. In September 2015, trade balance has moved down by 20.9% to \$ 9.6bn against September 2014.

In August 2015, world crude prices hit their lowest level in over six years, which is due to an excess of supply over demand and increased concerns over the global economy outlook, particularly in China. Oil prices retained their volatility onwards. In September, monthly average price of Brent stood at \$ 47.24 per barrel, and WTI – \$ 45.45 per barrel. Upsurge of Brent prices to \$ 52 per barrel at the beginning of October was short lived and the prices again moved down. In mid-November, amid forecasts of oil inventory in the US and the news that the OPEC are not ready to reduce oil production, Brent depreciated to its bottom level since February 2009 – \$ 40.28 per barrel.

In September 2015, Urals price moved up against August 2015 by 2.2% and amounted to \$ 46.7 per barrel. Compared to September 2014, price of Urals fell by 51.3%. In January–September 2015, the price of Urals decreased against the same period last year by 48.2% to \$ 54.4 per barrel.

In September 2015, Saudi Arabia increased oil supplies to the European market: Saudi Aramco<sup>1</sup> supplied oil to Poland offering its customers lower prices than the Urals suppliers. Because of damping by Middle Eastern competitors, the price of Urals is declining. At the turn of the year, Urals sold at a discount of 1–2 US dollars against Brent, and by the end of October, according the analytical centre of the Bank of Russia<sup>2</sup> data, the discount reached 3.35 US dollars and continues growing.

In November, the price of Urals fell below the critical point of \$ 40.0 per barrel after which according to “Main Guidelines for Monetary Policy” of the Bank of Russia, the Russian Federation will face a stress scenario of economic development which envisages increased GDP contraction, reduction of rouble rate and increased federal budget deficit.

According to the oil price monitoring from 15 October to 13 November 2015, average oil price constituted \$44.32 per barrel or \$ 323.6 per ton. Thus,

1 Saudi Aramco – national oil company of Saudi Arabia.

2 <http://www.cbr.ru/analytics/?PrId=wps>

export oil duty in Russia from 1 December 2015 will fall to \$ 88.4 per ton against \$ 97.1 per ton in November 2015.

From 1 December 2015, preferential duty rate on oil from East Siberia, Caspian and Prirazlomnoe oil fields will stay at zero level (zeroing happened in February, in January the duty stayed at \$11.9 per ton). Export duty on light petroleum products and lubricants will come to \$ 42.4 per ton (from 1 November – \$ 46.6 per ton), on dark petroleum products – \$ 67.1 per ton (\$73.7 per ton). Export duty on motor (commercial) gasoline will decrease to \$ 68.9 per ton (from 1 November – \$75.7 per ton), straight-run gasoline (naphtha) – to \$ 75.1 from \$ 82.5 per ton. Export duty on liquefied gas will remain at the zero level.

In September 2015, the non-ferrous metal market posted downward trend in prices, which was due to weak demand on Asian markets, including Chinese one. Strengthening of US dollar against other major currencies also hampered price growth of non-ferrous metals. According to the London Metal Exchange, in September 2015 against August 2015 price quotations on nickel fell by 4.3%, on copper and aluminium moved up by 2.3 and 3.2%, respectively. In comparison with September 2014, nickel prices shrank by 45.3%, copper prices – by 24.2% and aluminium prices – by 20.3%. In January–September 2015 against the corresponding period of the previous year, copper was selling by 17.8% less, nickel – by 26.6%, and aluminium – by 6.1%.

In September 2015, the Food Price Index FAO up to 156.3 points compared to minimum over recent six years 155.1 points registered last month. This was the first increase nearly a year – since October 2014. In September 2014, the Food Price Index came to 192.7 points.

Quotation on sugar and dairy products strengthened; meanwhile prices on other goods remained at close levels or fell a bit against their August indicators. At the same time, the Food Price Index FAO on vegetable oils fell in September to 134.2 points, which was by 0.5% less than the previous month's indicator and reached the lowest level since March 2009. September reduction is mainly explained by a reduction of quotations on palm oil due to excessive export stocks, especially in Malaysia whose currency depreciation positively affected its exports. Prices on soya oil on the world market also fell due to excessive stocks in South America and favourable forecasts regarding its production during 2015–2016.

According to the Bank of Russia data, In January–September 2015, Russia's foreign trade turnover amounted to \$403.7bn, which is by 40.8% less than in

Table 1

## MONTHLY AVERAGE GLOBAL PRICES IN SEPTEMBER THEN-YEAR

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Brent USD/bbl.	42.68	61.7	62.1	75.9	104.7	68.64	77.76	109.97	113.4	111.6	97.34	47.24
Natural gas*, USD/1 mil- lion BTU	4.41	6.58	8.77	8.54	14.85	7.13	8.28	10.85	11.08	11.6	9.24	6.71
Copper, USD/t	2892.6	3858.0	7602	7656.5	6990.9	6195	7709.3	8314.8	8087.7	7159.3	6872.2	5217.3
Aluminium, USD/t	1726.0	1840.0	2473	2392.9	2525.8	1833	2202.4	2296.7	2064.1	1761.3	1990.4	1589.6
Nickel, USD/t	13298	14228	30131	29605	17795	17462	22643	20392	17288	13801	18035	9937.6

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

Sources: calculated on data of London Metal Exchange (Great Britain, London), Intercontinental petroleum exchange (London).

January–September 2014. Therewith, exports shrank by 31.8% against the same indicator of 2014 to \$ 260bn. Imports shrank by 38.8% to \$143.7bn. Trade balance remained positive at \$116.2bn (in January–September 2014 – \$148.2bn).

Over 9 months of 2015, the composition of exports has undergone the following changes:

- against the same period of 2014, the share of foodstuffs has gone up from 3.6 to 4.3%, the share of chemical products up from 5.7 to 7.3%, metals and metal products up from 8 to 9.8%, machines, equipment and means of transport up from 4.6 to 6.5%;
- the share of fuel and energy products in the overall volume of Russian exports has shrunk from 71 to 64.3% due to a considerable reduction of contract prices in the wake of growth of supplies volume;
- shares of other merchandise lines of the extended nomenclature of goods remained at the last year's level.

In January–September 2015, the imports volume has shrunk across all merchandise lines of the extended nomenclature of goods.

Following the incident with the Russian warplane Turkey remains one of the key economic partners of the Russian Federation taking the fifth place in Russian foreign trade turnover. Over 9 months of 2015, foreign trade turnover between the two countries amounted to \$ 18 bn (Russian export – \$15 bn and Russian import – \$3 bn). Turkey's share in Russian foreign trade turnover constituted 4.6% (in January–September 2014 – 4%). Herewith, in comparison with the same period last year, trade turnover between the two countries has shrunk by 23.6% (Russian export down by 19.6% and Russian import down by 38.5%).

In commodity structure, foodstuffs constituted the main share of the Russian import from Turkey. In H1 2015, foodstuffs came to 35.9% of all Turkey's supplies to Russia. There were vegetables and certain edible roots as well as fruits and nuts.

The share of machines and equipment in imports from Turkey constituted 22.1%. Textiles and footwear are important commodity item of Russian imports from Turkey. The share of these commodities in H1 2015 came to 17.2%. Chemical products constituted 11.5%.

Turkey imports from Russia mineral fuel, iron and steel, aluminium and products of aluminium, fats and oils and products for their splitting, copper and products of copper. Turkey is second to Egypt importer of Russian cereals.

Decision regarding Turkey is being taken based on the norms of the Federal Law of 30.12.2006 № 281-FZ 'On Special Economic Measures' which allow introduction of all restrictive measures in trade of goods and services, investments in the event of threat to the national security which does not contradict WTO norms. ●