EXPORT–IMPORT: ERA OF STAGNATION

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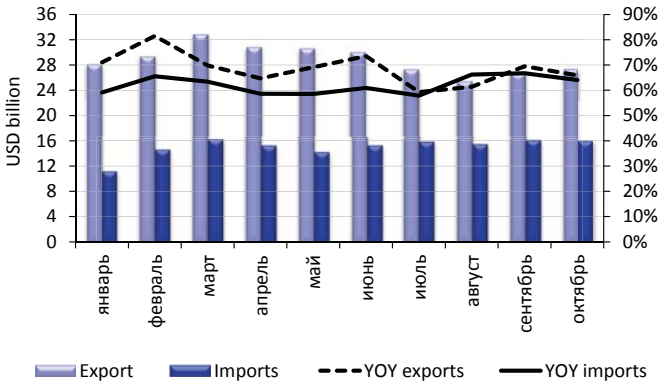
Preliminary results for 2015 have shown no substantial structural changes in both imports and non-energy exports. The import structure is most stable: the percentage share of chemical industry products, which are used basically as by-product in the domestic manufacturing industry, has seen some increase. This is indicative of similar response by various commodity groups to the depreciation of the national currency. The weakening of the rouble's nominal exchange rate by 65% has kept dollar prices of imported high conversion products at the same level and pushed down (by 20–40%) dollar prices of agricultural products, foods and low conversion products[1].

Export and import dynamics

Total exports and imports

In the first 10 months of 2015, the dynamics of exports and imports underwent almost simultaneous changes (*Fig. 1*). Foreign trade balance remained positive throughout the entire 2015. Exports, despite changes in global prices of energy resources, saw less decline (except in August) than imports which were influenced primarily by deteriorated purchasing power of the Russian rouble. Total imports in January–October 2015 amounted to $150.4bn, or 62.0% on a year over year basis, and total exports ran at $288.7bn or 68.2% y-o-y.



Source: calculated using the data released by Russia's Federal Customs Service.

Fig. 1. Russia's foreign trade dynamics in 2015

Exports as a percentage of the 2014 values showed a downtrend despite undulating changes. Imports were more stable, varying within a narrow range of 58% to 66% of the values seen last year.

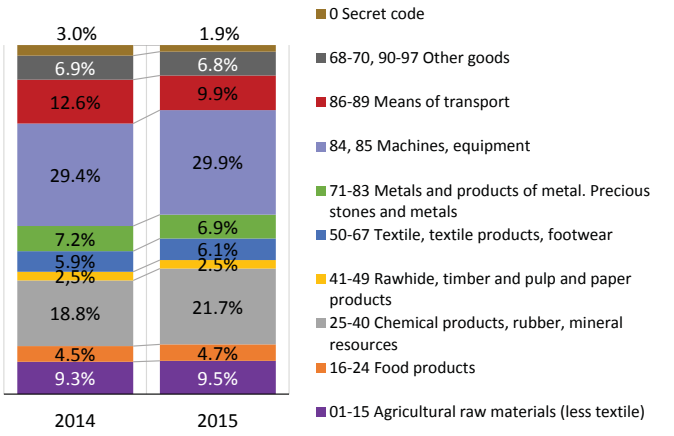
Import volumes (expressed in US dollars) declined least for such commodity items as "Chemical products and mineral products" (FEACN 25-40) and "Food products" (FEACN 16-24), 71.6% and 65.1% of the previous year volumes, respectively, whereas the decline hit most such items as "Means of transport" (FEACN 86-89) and "Metals and articles thereof" (FEACN 71-83), 48.8% and 59.5%, respectively. Export volumes declined least for such commodity items as "Chemical products" (FEACN 28-40) and "Machinery, equipment, and means of transport" (FEACN 84-90), 88.3% and 87.6% of the previous year volumes, respectively, whereas the decline hit most such items as "Mineral products" (FEACN 25-27) and "Textiles and footwear" (FEACN 50-67), 61.8% and 77.2%, respectively.

1 This paper was originally published in *Online Monitoring of Russia's Economic Outlook* No.18.

Import and export structure

Russia's import structure saw no drastic changes (*Fig. 2*). The share of means of transport shrank most (from 12.6% to 9.9%), whereas that of chemical products and minerals increased from 18.8% to 21.7%.

Most changes in Russia's export structure (*Fig. 3*) were caused by a decrease in the share of mineral products (from 71.7% to 65.0%). This entailed an increase in the share of the rest of groups of commodities of total exports, although their relative proportions actually remained unchanged (*Fig. 4).*



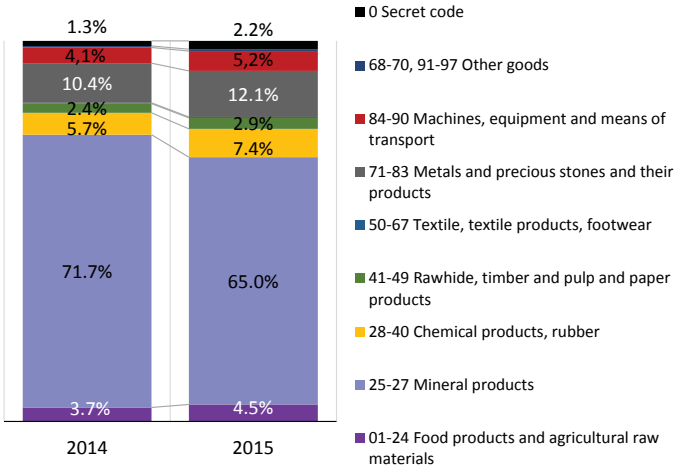
Source: calculated using the data released by Russia's Federal Customs Service.

Fig. 2. Russia's import structure in January–October 2014 and January–October 2015

Changes in the average price of some goods

Judging from changes in average import prices (*Table 1*), dollar price declined for most of the commodities. For instance, the average price of all food products and footwear fell, except that the price of tea remained unchanged. Prices of the four of six commodity items saw a decline within a range of 9.5–19%. The decline can be explained by both importers (and consumers) refocusing toward cheaper imported commodities (decline in imports of expensive products, also because of a ban on specific products) and depreciation of the national currency of the key importing countries. For instance, the decline of average price of milk and cream was related primarily to devaluation of the Belorussian rouble (Belarus accounts for a major part of milk imported by Russia).

The decline of prices of imported metals reflects the dynamics of global prices of these commodities. Prices of steel pipes and passenger cars declined moderately. The considerable growth in prices of imported lorries can be explained by a decline in imports of low-end lorries which failed to compete with second-hand and domestically manufactured counterparts.



Source: calculated using the data released by Russia's Federal Customs Service.

Fig. 3. Russia's export structure in January–October 2014 and January–October 2015

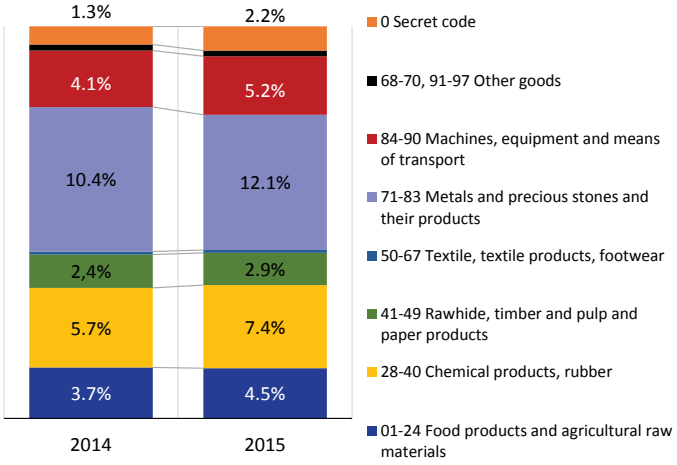


Fig. 4. Export structure, except mineral resources, in January–October 2014 and January–October 2015

Table 1

AVERAGE IMPORT PRICES OF SOME VITAL COMMODITIES

FEACN CODE	Commodity item (unit of measurement)	Price in 2015, US dollars	Price in 2014, US dollars	Price change in terms of US dollars	Price change in terms of roubles*
0201–0204	Fresh and frozen meat (kg)	3.39	4.17	-18.7%	35.4%
0302–0304	Fresh and frozen fish (kg)	2.56	2.94	-12.8%	45.1%
0402	Milk and concentrated cream (kg)	2.07	3.77	-45.1%	-8.6%
0805	Citrus fruits (kg)	0.81	0.99	-18.7%	35.3%
0902	Tea (kg)	3.70	3.66	1.0%	68.2%
6403	Leather footwear, (pairs)	23.50	25.95	-9.5%	50.7%
72	Ferrous metals (kg)	0.74	0.91	-18.7%	35.3%
7304–7306	Steel pipes (kg)	1.65	1.69	-2.4%	62.5%
84–90	Machinery and equipment (tons)	11,391	11,636	-2.1%	63.0%
8703	Passenger cars, (pieces)	18,667	19,457	-4.1%	59.7%
8704	Lorries, (pieces)	40,246	32,320	+24.5%	107.3%

* Rouble's average exchange rate in January–October 2014 was 36.07 roubles per US dollar; Rouble's average exchange rate in January–October 2015 was 60.03 roubles per US dollar.

Source: calculated using the data released by Russia's Federal Customs Service.

Similar to import prices, average dollar export prices (*Table 2*) dropped for all of the goods in question, except lorries. Additionally, even average rouble prices of crude oil and refined petroleum products fell 13.0% and 7.3%, respectively. Note that the decline in prices of wheat, coal, natural gas and metals stays within the dynamics of prices of the same goods in global markets.

Dollar prices of such commodity items as aluminium, fertilizers and motor vehicles declined least.

Also, note that the decline in dollar prices of imported goods also reflects the weakening of the national currency of Russia's major trade partners against the US dollar. For instance, in January–October 2015 the average US dollar exchange rate against SDR[1] (0.713 SDR = 1 dollar) was 9% higher than the value seen in the previous year (0.653). Consequently, the average weighted (in trade with Russia) weakening of trade partners' national currency against the US dollar was 15–17%.

Thus, commerce underwent no structural changes despite serious changes in macroeconomic conditions: the Russian economy shows demand for approximately the same imported goods basket as previously, and the structure of non-energy export supply remained the same, except for some changes in sales geography and refocusing, wherever possible, toward less expensive and lower quality products, namely low conversion products, agricultural products and food products. To date, no success has been achieved in refocusing toward sales at lower (dollar) prices of groups of commodities such as means of production, component parts, machinery and equipment.

1 Special Drawing Rights (SDR) refer to an artificial reserve and payment instrument issued by the International Monetary Fund, which provides a cashless form of bank account entries. SDR is calculated using dollar value of a basket comprised of the four key currencies, namely the US dollar (41.9% of the basket), the euro (37.4% of the basket), the Japanese Yen (9.4% of the basket) and the British Pound (11.3% of the basket).

Table 2

AVERAGE EXPORT PRICES OF SOME VITAL COMMODITIES

FEACN CODE	Commodity item (unit of measurement)	Price in 2015, US dollars	Price in 2014, US dollars	Price change in terms of US dollars	Price change in terms of roubles*
1001	Wheat and meslin (tons)	189.1	249.9	-24.3%	+25.9%
2701	Coal (tons)	64.0	78.1	-18.0%	+36.4%
2709	Crude oil (tons)	381.3	729.4	-47.7%	-13.0%
2710	Refined petroleum products (tons)	405.8	728.5	-44.3%	-7.3%
27112–10000	Natural gas (thousand cub. m)	233.9	326.5	-28.3%	+19.3%
2716	Electric power (thousand kWh)	41.3	52.8	-21.8%	+30.2%
3102–3105	Fertilizers (tons)	283.4	290.1	-2.3%	+62.6%
72	Ferrous metals (tons)	375.0	530.0	-29.2%	+17.8%
7403	Refined copper (tons)	5,627	6,758	-16.7%	+38.6%
7502	Raw nickel (tons)	12,112	16,644	-27.2%	+21.1%
7601	Raw aluminium (tons)	1,840	1,874	-1.8%	+63.5%
84–90	Machinery and equipment (tons)	11,578	12,038	-3.8%	+60.1%
8703	Passenger cars (pieces)	11,093	11,539	-3.9%	+60.0%
8704	Lorries (pieces)	23,444	22,812	+2.8%	+71.1%

*Rouble's average exchange rate in January–October 2014 was 36.07 roubles per US dollar.
Source: calculated using the data released by Russia's Federal Customs Service.