

RUSSIA'S FOREIGN TRADE IN NOVEMBER 2015

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Deteriorating global market environment in November 2015 has determined further decline of major Russian foreign trade indicators. Growth of the Russian export volume failed to offset the fall of the global commodity prices. Various trade barriers introduced by foreign countries hamper Russia's foreign economic activity.

The World Bank Report "Global Economic Prospects"¹ released in January 2016 gives a message that emerging market economies have been an engine of global growth during the 2000s, especially after the 2007–2008 global financial crisis. However, times are changing. Growth rates in several emerging market economies have been declining since 2010. The global economy will need to adapt to a new period of more modest growth in large emerging markets, characterized by lower commodity prices and diminished flows of trade and capital.

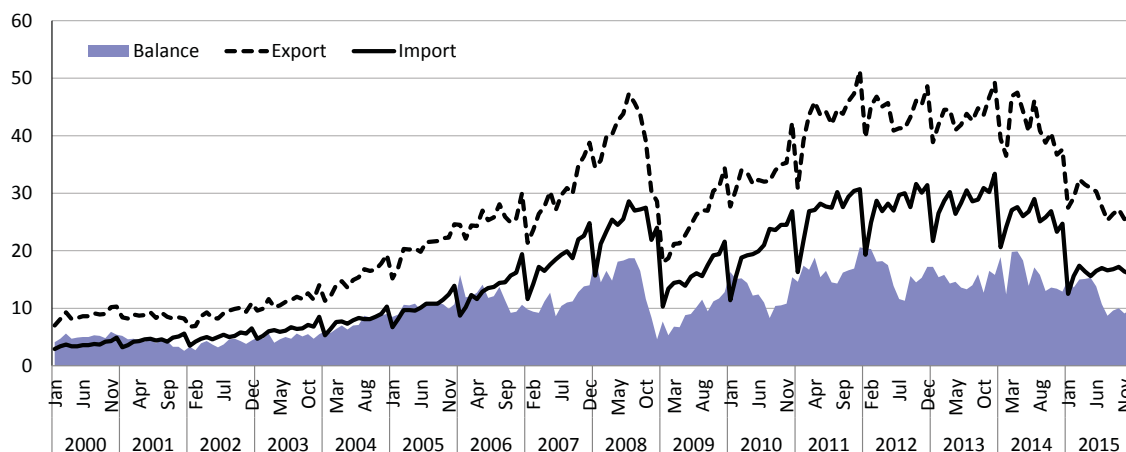
In 2015, global economic growth fell short of expectations at 2.4% (in January 2015 the World Bank forecast the world economy to grow by 3%). In 2016, the World Bank expects the world economy to grow at 2.9% on the back of increased economic growth in developed economies to 2.1% against 1.6% in 2015.

According to the forecast, in 2016 economic growth in developing countries is estimated at 4.8%, down from previously forecast 5.3% but above 4.3% in 2015. The economic rebalancing in China is continuing and accompanied by slowing growth. In 2016, recession will persist in Russia and Brazil. Notable exceptions in an otherwise gloomy outlook for developing countries include South Asia and India, first of all, whose economic growth will speed up from 7.3% in 2015 to 7.8% in 2016.

According to the World Bank the world trade in 2015 went up by 3.6% against 2014. Low growth rates of the world trade are due to falling demand on import from developing countries and from emerging markets. Growing demand on import in US and euro area has partly offset the fall of demand for import in developing countries. Recession in the Russian Federation and Brazil has contributed to a sharp reduction of demand on import. Introduction of sanctions on Russia has led to an additional restrictions in world trade. Due to reorientation of the Chinese economy to the domestic market, there is a contraction of Chinese foreign trade indicators. Depreciation of currencies in many developing countries has negatively affected the dynamic of global trade. Recently signed agreement on Trans-Pacific Partnership can give world trade a positive momentum.

In November 2015, Russia's foreign trade main indicators continued contracting. Foreign trade turnover calculated on the balance of payments methodology constituted \$41.9 bn, down 30% against the same indicator in 2014. At the same time, export and import volumes continued falling. The volume

1 <http://www.worldbank.org/en/publication/global-economic-prospects>



Source: CB RF.

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

of Russian export in November 2015 shrank against November 2014 by 30.5% to \$25.5 bn and import – by 28.9% to \$16.4 bn. The RF foreign trade balance in November 2015 fell against November 2014 by 31.8% from \$13.4 bn to \$9.1 bn.

In 2015, commodities continued falling in price, renewing multi-year low. Commodity markets remained oversupplied, and demand was under pressure due to global economy slowdown. By the end of 2015, commodities' price index calculated by the World Bank: energy products, metals, agricultural raw materials moved down by average 45% of their all-time high in 2011. In January 2016, Bloomberg Commodity Index (BCOM) fell to the lowest level since 1991; on 15 January is constituted barely 73.49 points.

Global crude oil market is oversaturated, supply exceeds demand by about 2 mn barrels per day. Oil quotations are at their lowest level since 2009. In November 2015, Brent crude oil averaged \$44.42 per barrel down by 43.4% against November 2014. In January–November 2015, the price averaged \$53.7 per barrel down 47.5% against the same indicator in 2014. Oil quotations are also negatively affected by additional crude oil supplied by Iran following lifting of sanctions and lifting of 40-year long ban on crude oil exports from US.

Russia's Urals crude oil price fell by 46.2% during the year from \$78.3 per barrel in November 2014 to \$42.1 per barrel in November 2015. Average price of Urals crude oil declined in January–November 2015 against the same period of 2014 by 47.9% to \$52.6 per barrel.

Crude oil price for the period from 15 December 2015 to 15 January 2016 averaged \$32.46 per barrel or \$237 per ton. Thus, from 1 February oil export duty will decline by 295 and will constitute \$52 per ton against \$73.3 per ton in January. Concessionary export duty rate on East Siberian crude oil, from Caspian deposits and from Prirazlomnoe oil fields will remain zero. Export duty on high-viscosity oil will decline to \$5.9 from \$8.7 per ton. Export duty on light petroleum products and lubricants will constitute \$20.8 per ton (from 1 January – \$29.3 per ton), on dark – \$42.6 per ton (\$60.1 per ton). Export duty on commercial petrol will fall to \$31.7 per ton (from 1 January – \$44.7 per ton), straight-run petrol (naphtha) – to \$36.9 per ton from \$52 per ton. Export duty on liquefied gas will remain zero. Export duty on coke will decline to \$3.3 per ton from \$4.7 per ton.

Table 1

MONTHLY AVERAGE GLOBAL PRICES IN NOVEMBER THEN-YEAR

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Brent USD/bbl.	55.54	58.48	92.53	53.24	77.42	85.67	110.50	109.71	108.08	78.44	44.42
WTI, USD/bbl.	58.28	59.13	94.76	57.29	78.0	84.24	97.12	86.68	93.95	75.81	42.7
Natural gas*, USD/1 mil- lion BTU	7.46	8.99	9.47	15.81	7.81	8.59	11.32	11.83	11.42	8.9	6.24
Copper, USD/t	4060	7500	8008	4925.7	6675.6	8756.8	7551.8	7711.2	7070.7	6712.9	4799.9
Aluminium, USD/t	1929	2659	2442	2121.4	1949.3	2596.3	2073.6	1948.8	1748	2055.6	1467.9
Nickel, USD/t	12403	32348	30999	12140	16991	22600	17882	16335	13684	15807	9244.3

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

Source: World Bank Commodity Price Data.

In 2015, the metal market was under pressure from growing output volumes and falling demand from the main consumer – China. Negative price dynamic during the whole year was observed both in relation to non-ferrous metals, ferrous and precious metals. According to the London Metal Exchange, in November 2015 compared to November 2014, the price on aluminium fell by 28.6% and reached lowest level since May 2009. The price of nickel fell by 41.5%, copper – by 28.5%. In January–November 2015 against the corresponding period of 2014, aluminium was cheaper by 9.9%, nickel – by 28.4% and copper – by 19%.

Quotation of tradable agricultural products, except sugar, also fell. In November 2015, the Food Price Index FAO constituted 156.7 points down 1.6% of the average index for October and 18% below November 2014 index.

In January–November 2015, Russia's foreign trade turnover, according to the Bank of Russia, came to \$488.6 bn, down 34.2% against the same indicator in 2014. Exports contracted to \$311.9 bn (down 32%), imports – to \$176.7 bn (down 37.6%). Trade balance was positive but shrank against the same period of 2014 by 23% to \$135.3 bn.

Table 2

CHANGES IN EXPORTS AND IMPORTS IN JANUARY–NOVEMBER 2015
(% TO JANUARY–NOVEMBER 2014)

FEACN code	Name of goods sector	Exports	Imports
01-24	Food products and agricultural raw materials (minus textile)	84,0	65,3
25-27	Mineral products	62,2	68,5
27	Fuel and energy products	62,1	77,6
28-40	Chemical products, rubber	87,6	72,5
41-43	Rawhide, furs and their products	73,0	63,1
44-49	Timber and paper and pulp products	82,9	61,0
50-67	Textiles, textile products and footwear	80,2	65,7
71	Precious stones, precious metals and their products	66,2	59,5
72-83	Metals and their products	82,0	60,1
84-90	Machines, equipment and means of transport	93,3	59,1
68-70, 91-97	Other goods	77,2	60,5

Source: Calculated on the data released by the Federal Customs Service.

As can be seen from *Table 2*, in 2015, significant contraction of the total value both exports and imports was observed. Total value imports declined both due to price fall of price on imported goods and reduction of quantum of import. Over 9 months of 2015, index of average import prices came to 85.2 points, quantum index – 73.2 points. Total volume exports fell due to decline of average export prices amid growth of quantum volume. Index of average export prices constituted during 9 months of 2015 66.7 points, quantum index – 105.5 points.

In January–November 2015 in comparison with the January–November 2014, crude oil exports went up by 8.6%, petroleum products – by 4.3%, natural gas – by 5.4%, mineral fertilizers potassium – by 17.1%, mineral fertilizers mixed – by 7.5%, processed timber – by 10.3%, conventional plywood – by 11.3%, wood pulp – 10.8%, ferrous metals – by 7.9%, pure copper – by 94.8%, crude aluminium – by 17.1%. However, growth of the total value failed to offset the fall of commodity prices.

Over 11 months of 2015, Russia's foreign trade turnover contracted with practically all countries. The most turnover fell with the following countries: Philippines – by 61.4%, Cyprus – by 59.5%, Singapore – by 49%, Estonia – by 48.9%, Ukraine – by 47.4%, Sweden – by 46.9%, Latvia – by 45.2%, United Kingdom – by 42.7% and Slovenia – by 42.5%.

Various trade barriers introduced by foreign countries hamper Russia's foreign economic activity. For example, The Eurasian Economic Commission on the findings of monitoring conducted in H2 2015 disclosed implementation of 138 measures, which have negative impact or can negatively affect the access of EEU member states goods on the markets of third countries. Nearly 64% of all disclosed restrictions represent protectionist measures (89 measures) of which 58 measures represent antidumping measures and investigations, 28 measures are special protectionist ones and investigations and 3 represent compensatory investigations¹.

Among other measures effective on the markets of third countries are: technical barriers, Phytosanitary measures, quantitative restrictions on imports including higher tariffs quotas than applied excises and dues on domestic goods, bans (threats to introduce bans) on imports, other measures of trade regulation including administrative ones. ●

1 <http://www.eurasiancommission.org/ru/act/trade/dotp/Pages/dostup.aspx>