

## RUSSIAN EXPORTS TO THE EU: A GENERAL DECLINE WITH MIXED TRENDS<sup>1</sup>

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Due to a drop in prices on energy commodities, the share of Russian goods in the EU's total imports in the 2013–2015 period fell 1.5 times over, that is, a decrease from 12.3% to 7.9%. The share of Russia in the EU's imports and the share of the EU market in the Russian exports rose in such commodity groups as fertilizers, paper and aluminum, while a decrease was observed in supplies of mineral fuel, natural rubber, inorganic chemical products, nickel and ferrous metals. Russia's share in the global exports of cereals and copper increased.

### Aggregate Exports

Russian exports of goods to the EU countries (according to the Eurostat data<sup>2</sup> on the EU imports) have been falling in the past two years. So, if in 2013 the volume of supplies from Russia to the EU amounted to euro 207.0 bn (\$274.8bn<sup>3</sup>), in 2014 it fell to euro 182.4bn (\$242.2bn), while in 2015, to euro 135.6bn (\$150.3bn).

With relatively stable total EU imports, the above situation has resulted in a 33.4% decrease in Russia's share in the EU's total imports (from 12.3% to 7.9%) (Table 1). The main factor behind such a dramatic decrease is a drop in global prices on energy commodities<sup>4</sup>. It is to be noted that in the 2013–2015 period, Russian exports to the EU were falling at a faster rate than exports to other countries<sup>5</sup> (in monetary terms exports to the EU fell by 41.6% against 27.1% to

Table 1

THE SHARES OF RUSSIA AND THE EUROPEAN UNION IN TRADE

Data source	Indicator	Imports			Exports			Trade turnover		
		2013	2014	2015	2013	2014	2015	2013	2014	2015
Eurostat	The share of Russia in the EU's imports / exports / trade turnover*, %	12.3	10.8	7.9	6.9	6.1	4.1	9.5	8.4	6.0
Federal Customs Service	The share of the EU in Russia's imports / exports / trade turnover, %	42.6	41.3	38.5	53.8	52.0	48.2	49.6	48.1	44.8

Note \* – without taking into account trade between the EU-member states.

1 This paper was originally published in *Online Monitoring of Russia's Economic Outlook* No.10(28).

2 In research, the data on imports from Russia and the EU's total imports were taken from the Eurostat database <http://ec.europa.eu/eurostat/web/international-trade/data/database>

3 From this point onward, the average annual euro/USD exchange rate is used. <https://www.imf.org/external/np/fin/ert/GUI/Pages/CountryDataBase.aspx>

4 A. Knobel. The Pattern and Prices on Individual Commodities of Russian Exports and Imports // *The Economic Development of Russia*, 2016, No.1(23), pp. 22–25; A. Knobel. Foreign Trade: A Drop in Exports is Justified by a Decrease in Trade Balance // *The Economic Development of Russia*, 2016, No.5(27), pp. 16–18; A. Firanchuk. The Analysis of Dynamics of Trade in Services. Exports and Imports: A Simultaneous Drop // *On-Line Monitoring of Russia's Economic Outlook*, 2016, No.8(26), pp. 5–13.

5 On the basis of the data of the Federal Customs Service. <http://customs.ru/>

other countries). As regards supplies of goods from the EU to Russia, it can be stated that in the 2013–2015 period the share of Russia in the EU's exports fell largely, too, from 6.9% to 4.1%. Such a reduction is largely related to depreciation of the ruble exchange rate against other main world currencies. It is to be noted that in the 2013–2015 period a drop in Russia's imports from the EU happened to be more dramatic (47.7%) than that from other countries (37.9%); as a result, the share of the EU in Russia's imports fell by 5.6 p.p.

#### **Exports of Individual commodity groups**

Dynamics of Russian exports to the EU by some important aggregated commodity groups is shown in *Table 2*. As seen in the table, the total share of Russian commodities in the EU's imports in the past three years was decreasing at a faster rate than that of the EU in Russia's exports of goods.

There was *growth in trade* (growth in the share of Russia in the EU's imports and the share of the EU in Russia's exports) in the following commodity positions: fertilizers, paper, and cardboard, aluminum, lead and other basic metals. Taking into account the fact that in the previous years the share of the EU's imports in the global aluminum imports did not change much (in the last column of *Table 2* maximum relative changes in the EU's share in global imports of goods in the past four years are shown), it can be concluded that the share of Russia in global exports of aluminum has probably increased, while the shares of fertilizers, paper, lead and other basic metals changed insignificantly<sup>1</sup>.

On the contrary, *a reduction of trade* (simultaneous decrease in mutual shares of Russia and the EU) took place in such commodity groups as mineral fuel, inorganic chemical products, natural rubber, rubber, ferrous metals and nickel<sup>2</sup>.

The share of Russia in the EU's imports of cereals is unstable, however, it can be concluded that the ratio of Russia's total exports of cereals to the EU's total imports of cereals rose nearly 1.5 times over. With lack of complete data on the global trade commodity pattern in 2015 and taking into account the fact that relative fluctuations of the EU's share in global trade in those products in the previous years were not high (maximum 17%), it can be concluded that the share of Russia in the global exports of cereals increased considerably. It is noteworthy that the extent of exports of cereals is largely determined by the level of yield in a specific year, so, this commodity group is rather volatile.

A similar situation can be observed in exports of copper where with *a stable share* of the EU in Russia's exports sudden growth in Russia's share in the EU's imports took place. The above fact is evidence of Russia's share in global exports of copper.

Reduction of the share of Russia in the EU's imports with simultaneous growth in the share of the EU in Russian exports points to the fact that Russia's share in global exports of such commodities as fur, timber and precious metals and stones is falling.

1 See: Yu.K. Zaitsev, A. Yu. Knobel. The Trade Policy of the Russian Federation in Respect of Pharmaceutical Products in the Light of Accession to the WTO. // Bulletin of the Peoples' Friendship University of Russia, 2013. Series: Economy 4, pp. 37–46.

2 On Dependence of Imports on Different Factors: A. Yu. Knobel. Assessment of the Function of Demand on Imports to Russia // Applied Econometrics, 2011. No.4(24), pp. 3–26.

Table 2

## RUSSIAN EXPORTS TO THE EU BY INDIVIDUAL COMMODITY GROUPS

Commodity position code	Name of commodity position	Russia's export to the EU in 2015, billion USD	The share of Russia in the EU's imports, %			The share of the EU in Russia's exports, %			Estimate of relative growth in Russia's share in global markets*	Maximum relative fluctuations of the EU's share in global imports in the 2011–2014 period
			2013	2014	2015	2013	2014	2015		
10	Cereals	0.29	3.8	5.6	5.0	5.8	6.1	4.8	+60%	±17 p.p.
27	Mineral fuel	102.1	32.1	30.7	28.1	52.7	52.2	46.8	0%	±6 p.p.
28	Inorganic chemical products	2.31	21.7	21.8	15.3	50.0	48.3	43.7	-20%	±13 p.p.
31	Fertilizers	1.80	32.4	31.9	34.3	17.6	19.6	19.2	0%	±20 p.p.
40	Natural rubber, rubber	1.07	7.0	5.9	5.9	49.9	49.6	42.3	0%	±15 p.p.
43	Natural and artificial furs	0.05	14.3	8.3	8.5	59.0	72.3	73.4	-50%	±11 p.p.
44	Timber and woodwork	1.80	15.9	15.8	14.1	25.0	25.7	26.4	-15%	±11 p.p.
48	Paper and cardboard	0.44	4.6	5.2	5.1	17.6	18.8	20.4	0%	±11 p.p.
71	Precious metals and stones	3.34	5.7	6.4	5.2	26.7	35.6	37.5	-35%	±48 p.p.
72	Ferrous metals	4.62	17.5	16.0	16.1	37.0	27.1	30.5	10%	±20 p.p.
74	Copper	1.89	11.5	12.3	17.1	78.0	82.7	78.5	+50%	±13 p.p.
75	Nickel	0.75	19.6	19.2	16.0	96.9	97.5	90.5	-10%	±9 p.p.
76	Aluminum	2.96	10.2	15.3	13.5	34.2	29.8	38.0	+20%	±12 p.p.
78	Lead	0.07	7.7	12.1	10.1	28.2	34.3	38.4	-5%	±19 p.p.
81	Other basic metals	0.36	9.4	8.6	9.6	50.7	51.9	55.8	-5%	±9 p.p.
	Total	150.3	12.3	10.8	7.9	45.5	44.8	39.5	-25%	

Source: Authors' calculations on the basis of the data of Eurostat and COMTRADE.

Note\* – the estimate is made on the assumption that the EU's share in the aggregate global imports of all the countries is permanent.

So, it can be stated that as regards the main non-fuel export positions (except for, probably, copper, aluminum and cereals) in 2015 Russia lost its positions on global markets. Insignificant growth in physical volumes of non-fuel exports with substantial additional advantages created as a result of depreciation of the ruble exchange rate<sup>1</sup>, can be explained not by a drop in global demand in respective commodities, but those difficulties which Russian enterprises experience in expanding output and export supplies<sup>2</sup>.

1 See: A Knobel. The Pattern and Prices on Individual Goods of Russian Exports and Imports // The Economic Development of Russia, 2016, No.1(23), pp. 22–25.

2 See: G Idrisov, Yu. Ponomarev, S. Sinelnikov-Murylev. The Trade Conditions and Economic Development of Modern Russia // Economic policy, 2015, No.3, pp. 7–37.