

# MONITORING OF RUSSIA'S ECONOMIC OUTLOOK

## trends and challenges of socio-economic development

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### BALANCE OF PAYMENTS IN Q4 2024

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*In Q4 2024, the current account surplus fell by 2.4 times compared with Q4 2023 resulting from reduction in the value of exports and a slight growth in imports. The surplus of the financial account balance in Q4 2024 was mainly formed as a result of growth of the residents' foreign liabilities. As sanctions against the Russian financial sector intensified, affecting the infrastructure of international settlements and the timing of export revenues, the ruble weakened significantly against major foreign currencies in Q4 2024.*

According to preliminary assessment of the balance of payments published by the Bank of Russia, the current account balance (CAB) in Q4 2024 amounted to \$4.8bn, which is 58% less than the same figure for Q4 2023 (\$11.3bn). Such dynamics clearly indicates the persistence of the trend, i.e. in Q3 2024 the current account balance was about twice as low as in 2023 (\$7.8bn in Q3 2024 vs. \$15.5bn in Q3 2024), while in total for 2024 the current account balance grew by only 7.3% from \$50.1bn in 2023 to \$53.8bn in 2024 despite a significant surplus in Q1 and Q2 2024 compared to the same period in 2023. Due to the less detailed balance of payments published by the Bank of Russia compared to the previous periods (until March 2022), the structure of the current account can be described only in terms of two main balances: trade in goods and services and balance of primary and secondary incomes.

*Balance of trade in goods* in Q4 2024 evidenced \$20.4 bn, which is 35% lower (by \$11 bn in absolute terms) than the year 2023 (\$31.4 bn). The reduction in the value of goods exports from \$106.9 bn in Q4 2023 to \$99.6 bn over the same period in 2024 (down 7%) along with a rise in goods imports from \$75.5 bn in Q4 2023 to \$79.2 bn in Q4 2024 (up 5%) played a determining role in this decline.

Such export dynamics was due to a certain decline in prices for basic Russian export commodities (primarily oil, gas and petroleum products), which was accompanied by a reduction in the physical volume of exports due to additional sanctions imposed on the tanker fleet.

On the whole, in 2024 there was a reduction in imports of goods (by 2.8% from \$302.9bn in 2023 to \$294.5bn in 2024), combined with a weakening of the national currency: according to the Bank of Russia, the fall in the index

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of the real ruble-dollar exchange rate in 2024 versus 2023 amounted to 3.6%, implying a relative appreciation of import supplies.<sup>1</sup>

*Balance of primary and secondary incomes* in Q4 2024 significantly dropped compared to a similar period in 2023. In Q4 2024 it showed -\$6.5 bn, which is 44% less in absolute terms compared to a similar figure in (-\$11.7 bn). Meanwhile, in Q4 2024, both income receivable (reduction of capital income receipts from abroad from \$10.7bn in Q4 2023 to \$9.1bn in Q4 2024) and income payable (reduction of income withdrawal and repatriation of profits abroad, including due to restrictions on cross-border capital transfers from \$22.4bn in Q4 2023 to \$15.6bn in Q4 2024) significantly declined.

It can be expected that in 2025, due to stabilization of restrictions on capital movement, difficulties related to repatriation of profits from Russia by foreign investors, repatriation of profits from Russia by the EU and the USA for counterparties from these jurisdictions, primary and secondary income payable will continue to decrease, and in 2025 their balance will amount from -\$25bn to -\$30bn (in 2024 the balance of primary and secondary income was -\$31bn). As for trade balance as a whole, as well as the current account balance, if there are no new major sanctions in 2025, they should be expected to stabilize at \$50–60bn.

Financial account of the RF balance of payments is shown by aggregate data on net external assets and liabilities of all sectors of the economy. In Q4 2024, the balance of the financial account of the balance of payments, excluding reserve assets, amounted to -\$2.7bn, while in Q4 2023 it reached \$12.9bn. It should be noted that the net capital inflow to the Russian economy, observed for the first time since Q4 2019, resulted mainly from growth in foreign liabilities with a slight increase in foreign assets.

Liabilities of all sectors of the Russian economy to non-residents increased by \$8.4bn in Q4 2024, while in Q4 2023 they reduced by \$8.7bn. This was mainly due to growth in other investments, which can be primarily attributed to longer terms of receipt of export proceeds resulting from sanctions pressure on infrastructure of international settlements.<sup>2</sup>

Growth of foreign assets (excluding reserve assets) in Q4 2024 amounted to \$5.7bn, which is 1.4 times higher than in Q4 2023 (\$4.2bn). Growth in foreign assets is likely to be caused by delays in payments as part of international settlements on Russian exports.

In Q4 2024, Russia's external debt declined by 6.1% to \$290.4bn. The external debt of the public sector fell to the greatest extent (by 38.2% to \$18.8bn). External liabilities of the banking sector in Q4 2024 dropped by 6.1% to \$94.4bn. External debt of other sectors remained practically unchanged at \$177.1bn.

Russian reserve assets increased by \$7.6bn over Q4 2024 (-\$1.2bn over Q4 2023). Russia's international reserves fell over this period mainly due to negative revaluation by \$24.7bn to \$609.1bn (foreign exchange reserves declined by \$20.6bn to \$413.4bn, and the value of monetary gold fell by \$4.1bn to \$155.9bn).

It should be noted that in Q4 2024 the volume of operations of the RF Ministry of Finance on net sale of foreign currency in the domestic foreign exchange

1 On the impact of exchange rate dynamics on trade ref.: A.Y. Knobel. Estimation of Russia's import demand function // Applied econometrics. 2011. No.4 (24). pp. 3–26; A. Knobel, A. Firanchuk. Russia in the world exports in 2017 // Russia's economic development. 2018. No.9. pp. 17–21.

2 URL: [https://www.cbr.ru/statistics/macro\\_itm/external\\_sector/pb/bop-eval/](https://www.cbr.ru/statistics/macro_itm/external_sector/pb/bop-eval/)

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market amounted to Rb 361.9bn (Rb 259.6bn in Q3 2024). The volume of foreign currency purchases as part of regular operations under the budget rule (in the amount of additional oil and gas revenues) for Q4 2024 reached Rb 273.7bn<sup>1</sup> (Rb 321.3 bn for Q3 2024), while the amount of adjustment<sup>2</sup> announced by the RF Ministry of Finance, the volume of operations as part of the budget rule in terms of sales of foreign currency from the NWF amounted to about Rb 635.6bn (Rb 580.9bn in Q3 2024). It should be recalled that the Bank of Russia decided not to purchase foreign currency on the domestic foreign exchange market from November 28, 2024 until the end of the year as part of mirroring regular operations of the RF Ministry of Finance related to the implementation of the budget rule. The pending purchases will be performed during 2025. In this regard, in December 2024, the average daily volume of currency sales made by monetary authorities in the domestic foreign exchange market amounted to Rb 8.4bn.

In Q4 2024, the ruble weakened against the US dollar by 9.7% to Rb 101.7/dollar. The weakening peaked on November 29, 2024, when the ruble exchange rate reached Rb 109/dollar. This was due to the intensification of sanctions against the financial sector, which affected the infrastructure of international settlements and timing of export proceeds receipt, reduction of the current account balance resulting from a decline in the value of exports with a slight increase in imports.

According to our estimates, if Brent oil prices remain at \$70–75/bbl, and given the ongoing monetary and fiscal policy, the ruble exchange rate will be in the range of Rb95–110/bbl in 2025. ▲

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1 RF Ministry of Finance, Data on shaping and use of additional oil and gas revenues of the federal budget in 2018-2024.

2 Regular operations under the budget rule adjust the net amount of the following operations: difference between the volume of deferred currency purchases under the budget rule and the volume of expenditures of the NWF to finance the budget deficit beyond the budget rule, as well as currency sales in the volume of net investment of the NWF funds.