



MONITORING OF RUSSIA'S ECONOMIC OUTLOOK:

TRENDS AND CHALLENGES OF SOCIO-ECONOMIC DEVELOPMENT

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Monitoring has been written by experts of Gaidar Institute for Economic Policy (Gaidar Institute) and Russian Presidential Academy of National Economy and Public Administration (RANEPA).

Editorial board: Sergey Drobyshevsky, Pavel Kadochnikov, Vladimir Mau and Sergey Sinelnikov-Murylev

Editors: Vladimir Gurevich and Andrei Kolesnikov



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TRENDS AND CHALLENGES OF SOCIO-ECONOMIC DEVELOPMENT

A relatively calm start of the 2019 year is coupled with moderately optimistic analyses of the world economic situation. However, there are downbeat sentiments due to international financial institutions' downgraded forecasts for global economic growth and concerns about gradual but evident economic downturn in China.

The external environment appears to be rather favourable (albeit temporary) than not for Russia. Oil prices have stopped their protracted slump and possibly reached a plateau (at around \$60 per barrel) which is comfortable by any measure: today's oil prices cannot encourage overly big extra revenues from crude oil; neither can they trigger any quite serious influx of new shale oil that could dampen crude prices. New sanctions against Russia have been put on the backburner. The Russian rouble doesn't seem doomed to further depreciation in this context as well as amid a substantial current account surplus.

There are many factors, however, including internal factors, that give no reasons for excessive optimism. The controversial, say the least, effect of tax hike was at least intended to concentrate more resources in focus areas. However, the aggressive promotion of disputable mega-projects (like, for example, the Moscow-Nizhny Novgorod and the Moscow-Kazan high-speed rail lines) that are highly questionable by experts and other communities may challenge the effectiveness of spending the money collected through hardening the tax burden. Such questions may also arise if new social charges are imposed (or old ones increase). Furthermore, such charges cannot but heat up inflation expectations. The acceleration of inflation early in the year is quite an adverse social and economic condition that is driven largely by internal factors.

Inflation in Russia stood at 4.3% at 2018 year end, posting an increase of 0.3 p.p. over the central bank's target inflation rate. Prices continued to accelerate at fast pace in the first two weeks of January 2019 – consumer prices and services rose 0.7% compared with 0.3% over the same period a year earlier. Our experts note a steady acceleration of inflation in the country, as evidenced, according to the experts, by continuing (since the spring of 2018) growth in the core inflation (an indicator excluding changes linked to seasonal and administrative factors). The experts also point to continuous growth in inflation expectations that in December 2018 rose by 0.4 p.p. over the November level.

The experts believe that the acceleration of inflation will prompt the Bank of Russia to continue its conservative monetary policy in the first quarter of 2019. Barring new (foreign currency, crude, etc.) shocks, it is not until H2 2019 that the key interest rate can possibly be cut.

The authors of an article on inflation in Russia point to the fact that food prices (particularly growth rates in prices for eggs and white sugar sand in

2018 by 28.3% and 25.9%, respectively) contributed to most of the consumer inflation acceleration. The dynamics of tobacco prices (owing to raised excise taxes) and petrol prices was most noticeable in the non-food sector.

Comparing data for the first 11 months of 2018 (November 2018 over December 2017), our experts note that the 3.4% growth in consumer prices in Russia was close to values recorded in Hungary (up 3.2%), Brazil and Estonia (up 3.6% for each), Norway (up 3.9%). In addition, food prices in the European Union at that period rose overall by 4.3% mainly on the back of price rise for fruits and vegetables (including an increase of 48% in Cyprus, 18.9% in Romania, 25.4% in Hungary).

However, the inflation acceleration had no strong effect on demand, while the growth in imports of some non-food products even suggests that consumer demand was recovering, according to our experts' analysis of Russia's foreign trade statistics for January-October 2018. Russia's imports increased overall by 7% over that period (compared with the same period a year earlier) in the face of serious depreciation of the Russian rouble. The imports (representing 76% of the 2013 level) have yet a long way to go to regain pre-crisis levels.

The value of fuel and energy exports increased sharply (up 36%) compared to January-October 2017, but it was lower than previous years' values (accounting for 78% of the 2013 level). Exports of other goods, by contrast, already topped pre-crisis highs (3% above the value seen in 2013). However, energy exports in January-October strengthened its dominating positions in the exports supplies structure (\$236.5bn compared to \$130.5bn in other goods).

In addition, the contribution of oil and gas revenues to the federal budget increased at 2018 year end: the duty on exports and the mineral extraction tax alone accounted for up to 46% of the federal budget revenues. ●

1. INFLATION CONTINUES TO HEAT UP

A.Bozhechkova, P.Trunin

Inflation in Russia stood at 4.3% at 2018 year end, posting an increase of 0.3 p.p. over the central bank's target inflation rate and of 0.1 p.p. over its preliminary forecast. Early 2019 saw prices continue to heat up: consumer prices and services rose 0.7% in the first two weeks of January (versus 0.3% in January 2018). Given the recent trends, the 2019 year-end inflation is expected to vary within a range of 5.0% to 5.5%, but it is not until 2020 that inflation is expected to decline back to the 4% target.

Inflation stood at 0.8% at end-December (2018) (versus 0.4% in December 2017), reaching 4.3% year-to-year (over previous 12 months) (compared with 2.5% in 2017), representing, however, an increase of 0.3 p.p. over the Central Bank's target inflation rate (Fig. 1). Inflationary risks increased considerably in 2018 and prompted Russia's central bank to change its monetary policy. The central bank cut the key interest rate on 9 February by 0.25 p.p. to 7.5% p.a. and on 23 March to 7.25% p.a. However, the key rate was raised on 14 September by 0.25 p.p. to 7.5% p.a. and then on 14 December by 0.25 p.p. to 7.75% p.a. The above rate-hike decisions were made for the first time since December 2014.

2018 saw food prices accelerate at 4.7% versus 1.1% in 2017. In July-September 2018, there was a deflation in the food sector that was driven by a decline in prices of fresh fruits and vegetables on the back of good crop yield. Inflation acceleration in the food sector in October-December 2018 was due to a price rise of 9.2% for eggs and of 10.3% for white sugar sand as well as gradually increasing meat and poultry prices during 2018 (compared with a 8.6% rise in January-December 2018).

Non-food prices rose 4.1% in 2018 (versus 2.8% in January-December 2017). The following products saw most of the 2018 price acceleration: petrol (up 9.4%), tobacco products (up 10.1%), construction materials (up 4.9%), brown goods and other household appliances (up 3.7%). Overall, the rise of food and non-food prices in 2018 was largely due to the effect of rouble exchange rate depreciation pass-through to prices, VAT hike expectations in 2019 and a fiscal manoeuvre in the oil industry. Paid services to individuals increased 3.9% in 2018 (compared to a 4.4% rise in 2017). In 2018, the highest increase in prices due to the rouble depreciation was seen for outbound tourism services (up by 9.8%).

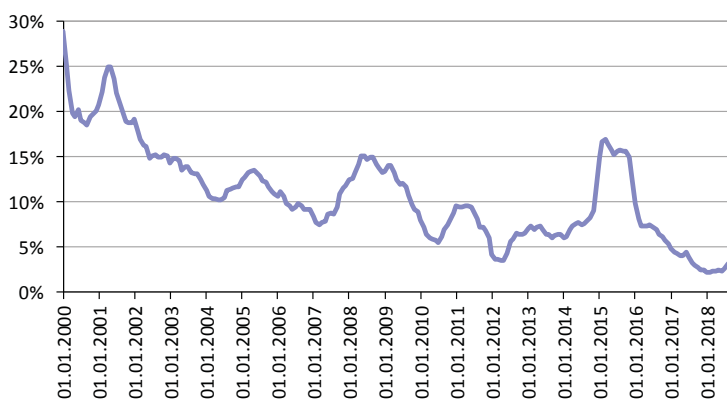


Fig. 1. Inflation, change over previous 12 months, %

Source: Rosstat.

The 2018 year-end core inflation (an indicator excluding changes linked to seasonal and administrative factors) reached 3.7% (versus 2.1% in 2017), which is on the rise since March 2018, thus evidencing a steady acceleration of inflation in the country.

The inflation acceleration could not but take its toll on inflation expectations. The median one-year ahead expected inflation rate stood at 10.2% in December 2018, according to InFOM's survey published

by the Bank of Russia, posting an increase of 0.4 p.p. from November. The increase was largely due to individuals' concerns about an increase in meat and poultry prices as well as petrol. Not only inflation expectations but also respondents' assessment of actual inflation rate (10.2%) remained at high levels (Fig. 2). The emergence of reversal trend in 2018 toward inflation expectations and high risks of their further increase amid raised VAT and petrol excise taxes early in 2019 became important factors that prompted the Bank of Russia to lift the key interest rate.

A significant source of inflationary risks is the rouble exchange rate dynamics. The rouble lost 20.6% against the US dollar at 2018 year end amid new sanctions that forced capital to flee Russia, high geopolitical tensions, downward emerging markets, falling crude oil prices (Fig. 3). The Bank of Russia had to suspend from August through the end of December 2018 its sales of roubles to purchase foreign exchange for the MinFin (Russia's Finance Minis-

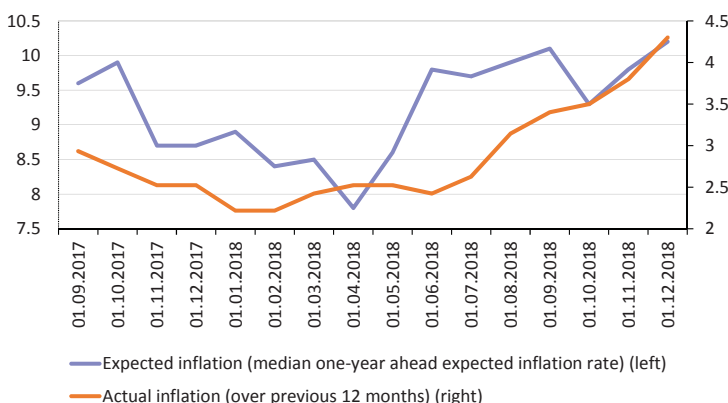


Fig. 2. Inflation rate and inflation expectations, %

Sources: Rosstat, Bank of Russia.

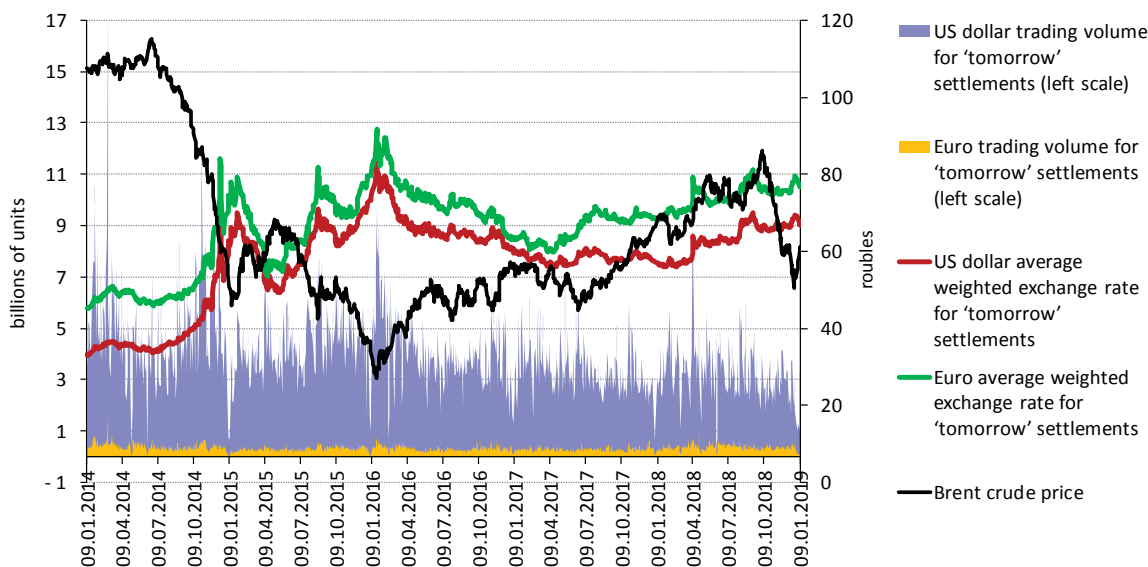


Fig. 3. Rouble-dollar and rouble-euro exchange rates, FX market trading volume, Brent crude price

Sources: Russia's central bank, Finam.

1. Inflation continues to heat up

try) in a volatile domestic foreign exchange market. Heightened uncertainty about rouble exchange rate will continue to influence the rate of inflation and inflation expectations in 2019. Should new tough sanctions be imposed against Russia or energy prices resume their decline, the rouble will depreciate again – and therefore, consumer prices will inevitably be on the rise.

Inflation continued to accelerate early in 2019. Consumer prices accelerated by 0.7% in the first two weeks of January, while they increased in January 2018 not higher than 0.3%. The price dynamics stemmed from the hike in the VAT and petrol excise taxes early in the year. Firms have not yet moved the tax hike burden to consumer prices, which can be related to the fact that the effect of VAT hike on prices is extended in time: the effect was seen in the past year and will continue to be present for the next few months. The dynamics of real cash income of individuals that have been on the slide over the last five years remains a constraining factor for firms. Real cash income of individuals dropped at end-November (2018) by 0.8% from November 2017.

Overall, the foregoing pro-inflation factors will probably encourage, at least in Q1 2019, further increase in inflation – and therefore, Russia's central bank will have to continue its conservative monetary policy. Barring new shocks, it is not until H2 2019, when the spike in inflation and inflation expectations is over, that the key interest rate can possibly be cut. ●

2. CONSUMER PRICES IN RUSSIA 2018: GROWTH BRAZIL LIKEWISE

A.Burdyak, M.Eliseeva

Rise in prices for eggs, sugar, fruit and vegetables, tobacco and gasoline among non-food products, tourism, communal services and education in the services' sector were main sources of accelerating consumer inflation in 2018. Russia is juxtaposed Brazil, Mexico, India and South Africa according to rates of inflation in per year basis.

The most fast-paced component of inflation consumer prices relates to non-food products. Prices for white sugar and chicken eggs increased most significantly in this category in 2018, i.e. by 28.3% and 25.9% respectively¹. Alongside, inflation has an expressive seasonal nature of fruit and vegetables prices. A few factors influence on prices in this segment according to expert opinion, i.e. crop earnest, relevant storage conditions, demand in import growth of vegetables and fruit in autumn and winter period.

Rosstat provide data on consumer prices including and excluding fruit and vegetables. Thus, increase in prices in per year basis amounted to 4.7% in December for all categories of food products and 4.6% for food products excluding fruit and vegetables. At the same time, prices for food products increased on the whole by 3.5% in November 2018 and by 3.8% excluding fruit and vegetables.

Change of prices for tobacco traditionally have a substantial impact on inflation resulted from increase of excise for filtered and non-filtered cigarettes in July 2018 and dynamics of gasoline prices, which is related not only to policy of oil products pricing regulation² but also to expenditures on transportation and fuel storage. According to forecast of Central Bank, prices for these two types of products in the category of non-food goods will continue to grow in 2019, at least by 4.6% in each group of goods. At the same time, prices for TV and radio goods remained the same in December 2018 in per month basis and decreased by 0.6% over a year.

Prices for international tourism increased most of all in 2018, i.e. by 9.8% in the category of services. Prices for communal services increased midyear by 3.1–5.7%.

Besides, there is a substantial growth of prices for education, i.e. 8.4%. Only insurance rates reduced in the previous year by 2.2% and this was the practice for the second year in a row.

Comparing inflation in Russia with other countries, it has to be taken into consideration that despite universality of the approach when consumer inflation is internationally regarded as change of prices for goods and services included in the consumer basket, the composition of this basket may differ by countries.

1 See below: Alexandra Bozhechkova and Pavel Trunin in this issue.

2 Monthly monitoring of socio-economic situation and public sentiments: 2015 – October 2018 / Russian Presidential Academy of National Economy and Public Administration; edited by Tatiana Maleva. 2018.

2. Consumer prices in Russia 2018: growth Brazil likewise

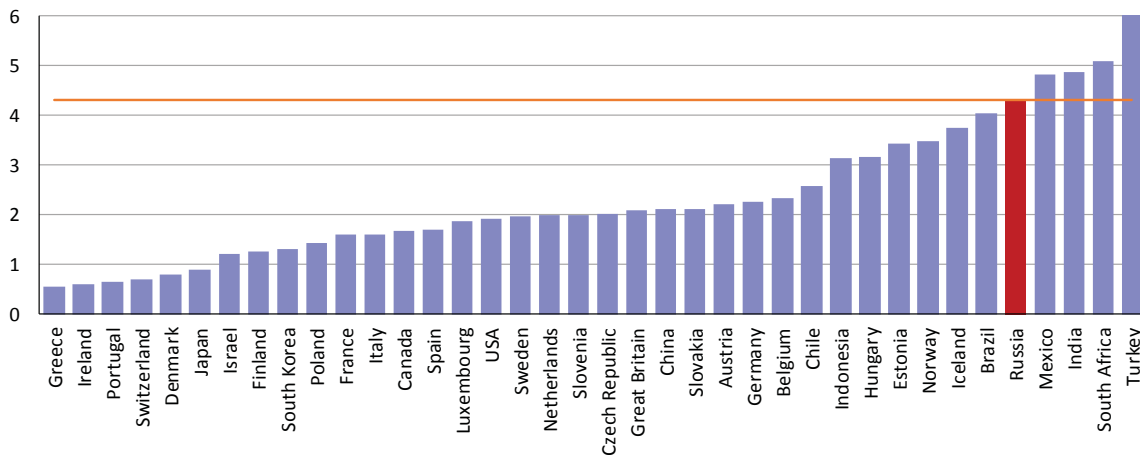


Fig. 2. Headline inflation in different countries in November-December 2018 compared to respective period of the previous year, %

Source: Eurostat, national statistical agencies, data placed on Internet according to requirements of IMF Specialized Data Dissemination Standard, inflation.eu

Russia is comparable to Brazil, Mexico, India and South Africa per rates of headline inflation. However, only a year ago headline inflation in Russia was practically at a rate of the USA while in 2018 annual inflation rate in Russia was substantially higher than in the countries of the European Union and the US.

Time period, uniform for all countries¹ (November 2018 against December 2017) demonstrates that index of consumer prices in the Russian Federation, i.e. 3.4% was comparable with a number of countries such as Estonia (3.6%), Brazil (3.6%), Hungary (3.2%) during eleven months. Turkey (20.8%), Ukraine (8.9%), Belarus (4.8%) are among countries with a higher consumer inflation than the Russian Federation.

Russia was in the group of countries such as Malta (3.9%), Cyprus (5.6%), Hungary (4.3%) as per prices growth rate for food products with 3.3% in November 2018 against December 2017. At the same time, when meat and meat products prices showed the quickest growth among food products in the Russian Federation, i.e. 6.7% during eleven months as well as sugar, jam, honey, chocolate, sweets (5.1%), the most significant growth in Hungary, for example, related to vegetables (25.4%) and fruit (9%) while bakery products and cereals (11%) and vegetables (6%) became noticeably expensive in Bulgaria in this period. On the whole, vegetables became a driver of consumer prices for food in the countries of the European Union (4.3%): Cyprus (48%), Rumania (16.9%), Malta (10%). ●

¹ On consumer price indices in Russia and foreign countries in November 2018. Rosstat. http://www.gks.ru/bgd/free/B04_03/IssWWW.exe/Stg/d01/ind-zen25a.htm

3. THE FOREIGN TRADE IN RUSSIA: PRELIMINARY RESULTS OF THE PAST YEAR

A.Knobel, A.Firanchuk

In January-October 2018, exports of fuel and energy commodities increased by 36% as compared to the relevant period of the previous year (78% relative to the level of 2013). Other goods exports increased by 16%, having returned to the pre-crisis values (103% relative to the level of 2013). In the first 10 months, imports increased by 7%, despite depreciation of the real ruble/dollar exchange rate. Growth in imports of some non-food products is evidence of continued recovery of consumer demand. In the geographic pattern of the sales turnover, the share of China grew (+1.0 p.p.) on the back of 1.5-fold growth in exports.

The Dynamics of Exports and Imports

In the first 10 months of 2018, the value of exports amounted to \$367.1bn (128.3% on January-October 2017). Exports of fuel and energy commodities increased by 36% to \$236.5bn. The volume of exports of other goods grew by 16% to \$130.5bn (Fig. 1).

In January-October 2018, the value of imports increased by 7% as compared to the previous year and amounted to \$196.4bn; note that year on year growth in imports was observed only till May, while starting from June import volumes were virtually equal to those in relevant months of 2017 (Fig. 2).

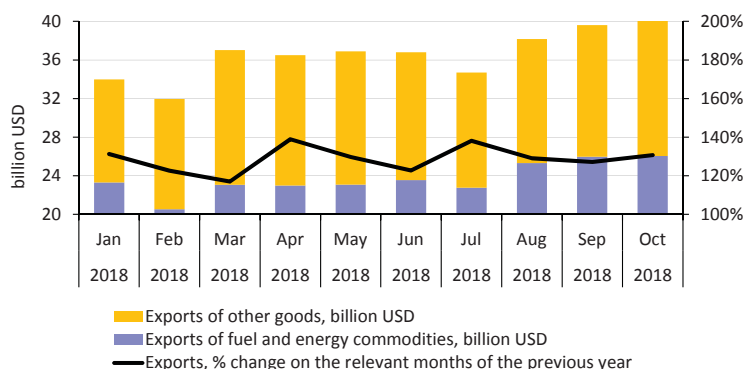


Fig. 1. The dynamics of Russian exports in January-October 2018
Source: own calculations based on the data of the Federal Customs Service.

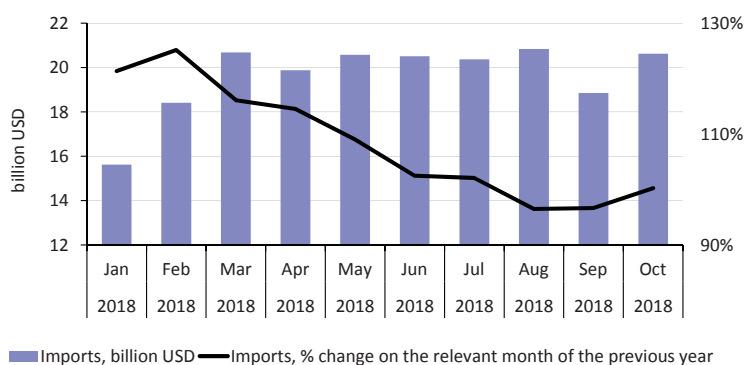


Fig. 2. The dynamics of imports in Russia in January-October 2018
Source: own calculations based on the data of the Federal Customs Service.

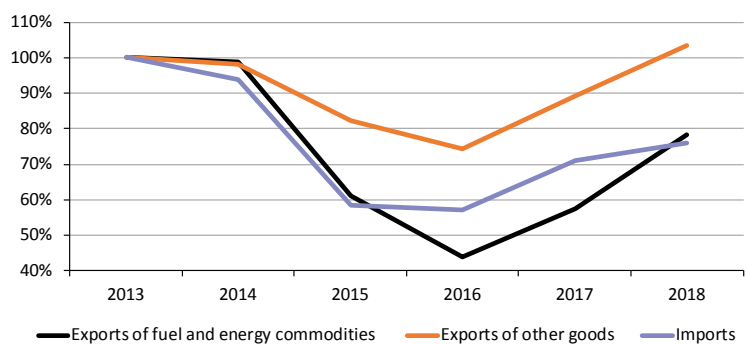


Fig. 3. The dynamics of Russian exports and imports in 2013-2018, %
Note. For the sake of comparability of the results, the data on January-October of each year are compared.

Source: own calculations based on the data of the Federal Customs Service.

3. The Foreign Trade in Russia: Preliminary Results of the Past Year

In the past five years, the dynamics of foreign trade (the first 10 months of each year) point to a sustainable recovery after the minimum values of 2016 were attained (Fig. 3). In 2018, following the changes in global prices of energy resources exports of fuel and energy commodities amounted to 78% of the pre-crisis level (January-October 2013), while exports of other goods returned to the pre-crisis level (103%). Imports amounted to 76% of the record values of 2013.

The Ruble Exchange Rate

After the Central Bank's switchover to the inflation rate targeting regime in 2014, during the past few years the dynamics of the value of imports actually repeated the dynamics of the ruble exchange rate¹ (Fig. 4). However, after depreciation of the real ruble/dollar exchange rate in 2018 no reduction of imports followed.

Except for fuel and energy commodities, growth in exports has been observed since H2 2016. However, it can be stated that consolidation of growth (compared to 2013) took place in the mid-2017 when the trend of the real ruble/dollar exchange rate started to change from appreciation (March 2016 – May 2017) through the period of stabilization to depreciation (February-September 2018). The most considerable growth in exports, except for fuel and energy commodities, occurred in the period of stabilization of the ruble.

Export Prices

As seen from Table 1, in January-October 2018 export prices of all large commodity groups (except for a small decrease in prices of rubber, ferroalloys and some items from the "machinery and equipment" group) appreciated. A change in the volume of exports was mainly positive.

Growth in *fuel and energy commodities* (36.2%) can be explained by substantial growth in export prices (7–39%), constant volumes of exports of oil and petrochemicals and a 9% growth in exports of natural (pipeline) gas. It is

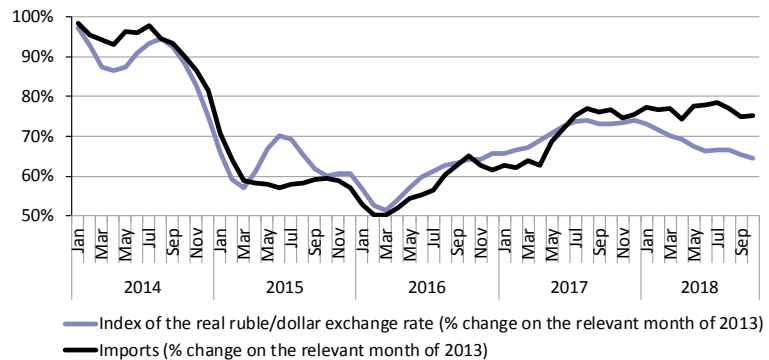


Fig. 4. The dynamics of imports and the real ruble/dollar exchange rate in 2014–2018, % change on the relevant month of 2013

Source: own calculations based on the data of the Central Customs Service and the Central Bank of Russia.

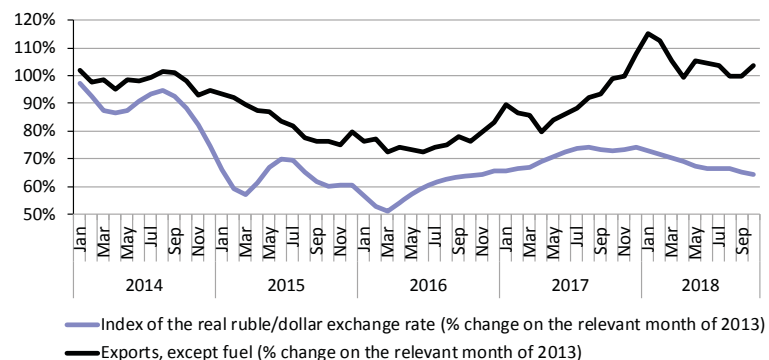


Fig. 5. The dynamics of non-fuel exports and the real ruble/dollar exchange rate in 2014–2018, % change on the relevant month of 2013

Source: own calculations based on the data of the Federal Customs Service and the Central Bank of Russia.

¹ For more details, see: A. Knobel, A. Firanchuk. The Foreign Trade in Russia in 2017 // Russia' Economic Development. 2018. No.3. P.6–13.

noteworthy that there was substantial growth in condensed gas deliveries (71%) on the back of putting into operation of the Yamal SPG late in 2017¹.

The volume of exports of grain (wheat and meslin) increased 1.5 times over and together with appreciation of export prices (7%) it became feasible to increase the value of exports to \$6.9bn (+60% relative to January-October 2017). Generally, exports of the “food products and agricultural raw materials” commodity group increased by 26.2% in value terms.

Exports of *chemical products* rose by 14.0%. Changes in export prices of the main commodity groups was observed in the range from an insignificant decrease in the price of rubber (-4%) to the moderate growth in prices of fertilizers (8–18%). The volume of exports of potash fertilizers decreased (-22%), while those of rubber increased considerably (+44%).

The effect of appreciation of prices of *timber and paper products* (from 6% to 42%) led to a 20.0% growth in the value of exports of such commodities.

The value of exports of *metals and fabricated metal products* increased by 25.4% on the back of a considerable appreciation of prices and mainly positive dynamics of deliveries in volume terms. Export prices of ferrous metals increased by 10–24%, except for ferro-alloys (a decrease of 4%), while volumes of exports grew by 11%. Also, prices appreciated on the main non-ferrous metals: copper (+5%), nickel (+35%) and aluminum (+6%).

Growth in value of exports of low-processed goods – fuel, metals, rubber and timber – is driven by appreciation of export prices, while that in exports of grain (and liquefied gas), by growth in the volume of export deliveries.

The value of exports of *machinery, equipment and transport vehicles* amounted to \$21.4bn, that is, 5.6% of the overall volume of the Russian exports. Exports of this group of commodities increased in value terms by the mere 5.1%. Note that prices of the main export positions (except for railway cars: +34%) remained at the same level (from -3% to +1%), while physical volumes saw mixed dynamics (from -14 to +45%).

Growth in the volume of the “other goods” export group amounted to 20.7%.

Import Prices

As seen from the data in *Table 2*, in January-October 2018 imports demonstrated mixed dynamics. As regards imports of food products, it is necessary to mention a considerable reduction of volumes of import deliveries of meat (-38%), milk (-38%) and butter (-21%), as well as actual decrease in imports of raw sugar which deliveries amounted to 4,800 tons, that is, 50 times less than two years before. Note that only import deliveries of cacao-containing products saw considerable growth (+24%).

The difference between import prices of fuel and raw materials and export prices of the same commodity group points to substantial discrepancies in properties of import and export goods. The price of imported coal is nearly four times lower than that in the EU, while prices of imported petrochemicals exceed 3.5 times over export prices.

The main positions of the “medicines and chemical products” commodity group saw stable dynamics with a somewhat decrease in value terms (0–4%).

¹ On the effect of the Yamal SPG on the exports of Russian natural gas (to the EU) see: A. Knobel, A. Firanchuk. The Russian Exports to the EU in 2017 // *Russia's Economic Development*. 2018. No.5. P.12–17.

3. The Foreign Trade in Russia: Preliminary Results of the Past Year

Table 1

CHANGE IN PRICES AND VOLUMES OF THE MAIN EXPORT GOODS IN JANUARY-OCTOBER 2018 ON THE RELEVANT PERIOD OF 2017

FEACN code	Position Name	Price		Price change, %	Change in volume, %	Change in value, %	Share in exports in 2018, %
		January-October 2017	January-October 2018				
Food products							
1001	Wheat and meslin, USD per ton	177	188	7	50	60	1.9
Fuel							
2701	Coal, USD per ton	74	85	14	10	25	3.7
2709	Crude oil, USD per ton	360	499	39	0	39	28.9
2710	Petrochemicals, USD per ton	384	515	34	0	34	17.7
2711110000	Liquefied natural gas, USD/cubic meters	130	139	7	71	83	1.3
2711210000	Natural gas, USD/thousand cubic meters	177	217	23	9	34	10.8
Chemical products							
3102	Nitrogen mineral fertilizers, USD per ton	180	194	8	8	16	0.6
3104	Potassic mineral fertilizers, USD per ton	189	223	18	-22	-8	0.4
3105	Mixed mineral fertilizers, USD per ton	262	294	12	7	20	0.7
2814100000	Anhydrous ammonia, USD per ton	236	261	11	44	60	0.3
4002	Synthetic rubber, USD per ton	1761	1698	-4	0	-4	0.4
Timber and wood articles							
4403	Unprocessed timber, USD/cubic meters	75	80	6	-5	1	0.3
4407	Processed timber, USD per ton	219	235	7	6	14	1.0
4412	Glued wood, USD/cubic meter	443	509	15	8	25	0.3
4702-4704	Wood pulp, USD per ton	501	709	42	1	44	0.3
4801	Newsprint, USD per ton	412	555	35	3	39	0.1
Metals and fabricated metal articles							
72	Ferrous metals, USD per ton	436	508	17	11	30	5.3
72 (except 7201-7204)	Ferrous metals (except for cast iron, ferro-alloy, waste and scrap), USD per ton	472	569	21	7	29	3.9
7201	Cast iron, USD per ton	339	374	10	29	42	0.5
7202	Ferro-alloys, USD per ton	1750	1674	-4	8	3	0.3
7207	Carbon steel semi-products, USD per ton	409	507	24	12	39	1.8
7208-7212	Carbon steel flat rolled products, USD per ton	519	610	18	-5	12	1.1
7403	Refined copper, USD per ton	6076	6405	5	16	23	0.9
7502	Non-refined nickel, USD per ton	9865	13277	35	-5	28	0.4
7601	Non-refined aluminum, USD per ton	1659	1752	6	0	6	1.2
Machinery and equipment							
840130	Nonirradiated heat-generating elements (fuel elements), thousand USD per unit	433	419	-3	14	11	0.21
8411123009	Other gas-driven turbines with freight of over 44 kN, but less than 132 kN, thousand USD per unit	4061	3961	-2	9	7	0.29
8450111100	Household washing machines, USD per unit	168	167	-1	-8	-9	0.04
85287240	LCD TV-sets, USD per unit	346	339	-2	14	12	0,03
860692	Railway open cars, thousand USD per unit	22.43	29.95	34	17	57	0.04
8703231940	Cars with engine cylinder capacity of over 1500 cm ³ , but less than 1800 cm ³ , thousand USD per unit	8.85	8.98	1	45	47	0.11
8704229108	Other trucks with full weight of 5–20 tons, thousand USD per unit	33.60	33.51	0	-14	-14	0.02

Source: own calculations based on the data of the Federal Customs Service.

Table 2

CHANGE IN PRICES AND VOLUMES OF THE MAIN IMPORT GOODS IN JANUARY-OCTOBER 2016
ON THE RELEVANT PERIOD OF 2017

FEACN code	Position name	Price		Price change, %	Change in volume, %	Change in value, %	Share in imports in 2018, %
		January-October 2017	January-October 2018				
Food products							
0201-0204	Fresh and frozen meat, USD per ton	3201	3590	12	-38	-30	0.60
207	Fresh and frozen poultry meat, USD per ton	1594	1633	2	-10	-8	0.14
0302-0304	Fresh and frozen fish, USD per ton	2667	3181	19	-4	15	0.52
402	Milk and condensed cream, USD per ton	2223	1738	-22	-38	-51	0.11
405	Butter, USD per ton	5349	4761	-11	-21	-30	0.17
805	Citrus fruits, USD per ton	787	762	-3	9	6	0.41
901	Coffee, USD per ton	3372	3013	-11	5	-6	0.25
902	Tea, USD per ton	3087	3022	-2	0	-2	0.22
170112-170114	Raw sugar, USD per ton	647	750	16	-62	-56	0.00
17019910	White sugar, USD per ton	487	414	-15	8	-8	0.05
1801	Cacao beans, USD per ton	2580	2647	3	2	5	0.06
1806	Cacao-containing products	4672	4567	-2	24	21	0.21
22	Alcohol and alcohol-free beverages	-	-	-	-	10	1.07
2402	Cigarettes and cigars	-	-	-	-	-6	0.06
Fuel							
2701	Coal, USD per ton	21	18	-15	-2	-17	0.16
2710	Petrochemicals, USD per ton	1231	1735	41	-26	4	0.39
Medicines and chemical products							
2941	Antibiotics	-	-	-	-	0	0.05
3003-3004	Medicines	-	-	-	-	-4	3.37
3808	Plant protection chemical agents, USD per ton	6733	7298	8	-9	-1	0.38
4001-4002	Raw and synthetic Rubber, USD per ton	2175	2000	-8	4	-4	0.18
Garments and footwear							
61-62	Garments	-	-	-	-	8	3.03
6403	Leather footwear, USD/pairs	29.5	29.0	-2	17	15	0.78
Metals and fabricated metal articles							
72	Ferrous metals, USD per ton	721	738	2	11	13	2.29
72 (кроме 7201-7204)	Ferrous metals (except for cast iron, ferro-alloys, waste and scrap), USD per ton	744	795	7	4	11	1.96
7304-7306	Steel pipes, USD per ton	1395	1829	31	-26	-3	0.41
Machinery, equipment and transport vehicles							
84-90	Machinery and equipment	-	-	-	-	6	46.80
8703	Cars, thousand USD per unit	25.40	24.27	-4	15	10	2.96
8704	Trucks, thousand USD per unit	68.74	77.82	13	-10	2	0.81
9401-9403	Furniture	-	-	-	-	17	0.79

Source: own calculations based on the data of the Federal Customs Service.

Imports of ferrous metals increased by 11% to 6.15m tons, while imports of steel pipes fell by -26%.

Growth in the value of imports of garments, footwear, cars and furniture is probably the evidence of recovery of demand on the consumer market. Note that reduction of imports of meat and a number of other important food products is partially compensated by an increase in domestic output¹.

1 For more details, see the Rosstat's Bulletin on Industrial Production in January-August 2018.

3. The Foreign Trade in Russia: Preliminary Results of the Past Year

The Geographic Pattern of the Sales Turnover

In the first 10 months of 2018, the share of the EU in Russia's trade turnover increased by 0.38 p.p. It is the first time in the past five years when the share of the EU increased. Note that growth in imports from the EU (+5.8%) was lower than that with other countries (+7.8%), while growth in exports was substantial (+29.2% against +27.5%). This can be explained both by a higher share of energy resources in Russian exports to the EU and appreciation of prices of piped gas which followed appreciation of oil prices.

Growth (+0.56 p.p.) in the share of the APEC countries continued on the back of the sales turnover with China (imports increased by 10.5%, while exports, by 50%) and that situation compensated a decrease in the US share.

Table 3

THE GEOGRAPHIC PATTERN OF RUSSIA'S SALES TURNOVER IN 2013–2017
BY THE MAIN TRADE PARTNER-COUNTRIES

Region/country	Share in Russia's sales turnover, %						Change: January-October 2018 on January-October 2017, p.p.
	2013	2014	2015	2016	2017	January-October 2018	
EU	49.6	48.1	44.8	42.8	42.2	43.1	0.38
Ukraine	4.7	3.5	2.8	2.2	2.2	2.2	0.03
Turkey	3.9	4.0	4.4	3.4	3.7	3.8	0.05
Norway	0.3	0.3	0.3	0.3	0.2	0.2	-0.01
Switzerland	1.4	0.9	0.9	1.1	1.0	1.1	0.08
APEC	24.8	26.9	28.1	29.9	30.5	31.0	0.56
including:							
China	10.5	11.3	12.1	14.1	14.9	15.7	1.01
US	3.3	3.7	4.0	4.3	4.0	3.7	-0.32
Japan	3.9	3.9	4.1	3.4	3.1	3.1	-0.05
Republic of Korea	3.0	3.5	3.4	3.2	3.3	3.6	0.08
Vietnam	0.5	0.5	0.7	0.8	0.9	0.8	0.02
CIS	13.4	12.3	12.5	12.3	12.4	11.8	-0.66
EEU	7.4	7.2	7.9	8.5	8.7	8.2	-0.66
including:							
Armenia	0.2	0.2	0.2	0.3	0.3	0.3	-0.01
Belarus	4.1	4.1	4.5	5.1	5.2	5.0	-0.28
Kazakhstan	2.8	2.7	2.9	2.8	3.0	2.7	-0.37
Kirgizia	0.3	0.2	0.3	0.3	0.3	0.3	0.00

Source: own calculations based on the data of the Federal Customs Service.

The share of the CIS in the sales turnover decreased. A 0.66 p.p. reduction of the share of the CIS and the EEU was virtually driven by zero growth in imports from Belarus and a moderate one from Kazakhstan.

Despite the existing political differences between Ukraine and Russia, there was some evidence of recovery in the sales turnover between the two countries. Growth in the value of exports to Ukraine amounted to 25.6%, which is higher than that to any country of the EEU (from +5.0% in case of Kazakhstan to 22.5% in case of Belarus). Note that the share of Ukraine increased (+0.33 p.p.) in the sales turnover on the back of growth in imports (+15.6%), which surged faster than the flow of goods from other countries (+7.0%). Such are dynamics of imports with Ukraine if they are compared with imports of goods from the EEU member-states (3.4%), particularly Belarus (+0.7%) and Kazakhstan (+6.8%). Ukraine retained the 3rd place among CIS states as regards the volume of the sales turnover with Russia and became the 2nd largest importer to Russia, having left behind Kazakhstan. ●

AUTHORS

Alexandra Bozhechkova, Head of Monetary Policy Department, Gaidar Institute; senior researcher, Center for Central Banks Studies, IAES, RANEPA

Alexandra Burdyak, senior researcher, Standard of Living and Social Safety Net Laboratory, INSAP, RANEPA

Marina Eliseeva, researcher, Social Development Studies Laboratory, INSAP, RANEPA

Alexander Knobel, Head of World Trade Laboratory, Gaidar Institute; Director of Center for International Trade, IAES, RANEPA

Pavel Trunin, Director of Center for Macroeconomics and Finance, Gaidar Institute; Director of Center for Central Banks Issues, IAES, RANEPA

Alexander Firanchuk, senior researcher, Foreign Trade Department, IAES, RANEPA