



Bank of Russia



# RUSSIA'S BALANCE OF PAYMENTS

No. 1 (7) • 2021 Q1

Information and analytical commentary

15 April 2021

## RUSSIA'S BALANCE OF PAYMENTS (2021 Q1)<sup>1</sup>

- In 2021 Q1, the dynamics of Russian foreign trade in goods improved.
- Goods exports contracted less against the similar period of the previous year than in 2020 Q4 driven by an increase in physical volumes, including those of Russian natural gas on the back of higher European demand due to cold weather. Russian exports were also supported by favourable price conditions in global markets.
- Imports were quickly recovering compared to the similar period of the previous year amid growing business activity in Russian manufacturing industries.<sup>2</sup> In 2021 Q1, the growth of imports was largely supported by investment goods.
- As a result, amid a noticeable expansion of imports and a slight decline in exports, the trade surplus and the current account surplus decreased compared to the same period last year. At the same time, the contraction of the trade surplus was partially offset by a reduction in the deficit in the balance of services, mainly due to a decrease in imports under the 'Travel' item.
- Net lending by the private sector to the rest of the world contracted and formed mainly due to the expansion of foreign assets with foreign liabilities nearly unchanged.
- Reserve assets increased in 2021 Q1 owing to transactions recorded in the balance of payments that were mainly foreign currency purchases under the fiscal rule. International reserves decreased more significantly in 2021 Q1 due to negative revaluations on the back of the strengthening of the US dollar and the decline in global gold prices. As a result, international reserves declined but remained at a high level of 573 billion US dollars as of 1 April 2021.

### Current account

The current account surplus contracted in 2021 Q1 to 16.8 billion US dollars (vs 23.0 billion US dollars in 2020 Q1)<sup>3</sup> on the back of a 26% decline in the positive trade balance YoY. This was driven mainly by a fast recovery in goods imports amid growing business activity in Russian manufacturing sectors. At the same time, goods exports declined insignificantly. The decrease in the trade surplus was partially offset by the contracting deficit in the balance of services on the back of a more significant reduction in services imports due to restrictions on foreign trips.

### Goods and services exports

The reduction in the value of exports of goods and services slowed down to 4% YoY (vs -17% in 2020 Q4) amid growing physical volumes of supplies. Exports were also supported by improved price conditions in global markets for major Russian export commodities. According to the World Bank, in 2021 Q1, global prices for key commodities – oil, natural gas, coal, aluminium, iron ore, copper, and nickel – rose both against the same period of 2020 and compared to the previous quarter. Prices were supported by the ongoing growth of global

<sup>1</sup> The commentary on the balance of payments includes a preliminary estimate of its indicators in 2021 Q1 and actual data on the international reserves.

<sup>2</sup> According to IHS Markit, Russian manufacturing PMI was steadily above 50 p in 2021 Q1, which indicates growth of business activity: 50.9 in January, 51.5 in February, and 51.1 in March. According to the Bank of Russia's estimates, manufacturing output increased by 1% YoY on average in January – February 2021, adjusted for calendar effects. Moreover, investment goods output increased by 5% YoY, including in mechanical engineering, which expanded by approximately 8% YoY.

<sup>3</sup> Hereinafter, changes are relative to the same period of the previous year, unless specified otherwise.

business activity which is concentrated in the industrial sector.<sup>4</sup>

## GOODS EXPORTS

The annual pace of decline in the value of goods exports decreased to 2% (vs -17% YoY in 2020 Q4). The reduction in oil exports slowed down. Natural gas exports expanded in 2021 Q1 against the same period of the previous year. The growth of the value of non-oil and gas exports<sup>5</sup> accelerated.

**Oil.** In 2021 Q1, the value of oil and petroleum product exports plummeted by 20% YoY (-42% YoY in 2020 Q4) due to still limited production in line with the OPEC+ agreements and the time lag in the pass-through of global price movements to the prices of actual export transactions. According to the Russian Ministry of Energy, average daily oil production remained approximately 10% lower than in the same period of the previous year, although it increased since 2020 Q4 due to the easing of the OPEC+ restrictions. The Urals crude price rose by 23% YoY in 2021 Q1 (vs -29% YoY in 2020 Q4). The less favourable price effect for exports was associated with 1-2 month lags in the dynamics of export prices for oil and petroleum products compared to the global oil price. Therefore, 2021 Q1 was influenced by lower global prices of November – December 2020.

**Natural gas.** The value of natural gas exports surged by 44% YoY (-20% YoY in 2020 Q4). According to the World Bank, natural gas prices in the European market, which is the main one for Russia, grew more than twofold in 2021 Q1 YoY (+5% YoY in 2020 Q4) due to lower stock amid cold weather. According to Gas Infrastructure Europe, gas volumes in European gas storages dropped to 30% by the end of March 2021 from 54% at the end of March 2020. According to the FCS of Russia,<sup>6</sup> the physical volume of gaseous natural gas exports from Russia increased by 7% YoY in January – February 2021. Export growth in early 2021 was mainly driven by supplies to Turkey, the EU, and Belarus.

**Non-oil and gas exports.** The value of non-oil and gas exports edged up by 12% YoY in 2021 Q1 (vs +8% YoY in 2020 Q4). The largest contribution to its growth was made by exports of food and agricultural raw materials, the value of which expanded by 35% YoY in January – February 2021, according to the FCS of Russia, driven mainly by wheat and soy beans. The value of wheat exports surged by 132% YoY in January – February 2021, while the physical volume rose by 102% YoY due to the expansion of supplies to Turkey and Egypt. At the same time, the increase in Russia's export duties on wheat in mid-February and early March to contain the rise in domestic prices may limit grain exports in 2021 Q1. The expansion of both the value and physical volume of soy bean exports<sup>7</sup> more than fivefold YoY in January – February and more than tenfold YoY in January was associated with a temporary factor that was no longer in effect in February. China was actively replacing the rain-induced lack of supplies from Brazil, the largest producer and exporter of soy beans in the world, through purchases from Russia and the US. However, Russian exports of soy beans contracted in February. As before, Russia's exports were supported by an increase in gold supplies due to the steadily high demand for this protective asset amid the pandemic. In January – February 2021, ferrous metal exports also expanded compared to the same period of 2020 amid growing business activity worldwide.

## SERVICES EXPORTS

The decrease in services exports slowed down to 18% YoY in 2021 Q1 (vs -20% YoY in 2020 Q4). The decline in the value of transportation exports slowed down to 14% from 23% YoY. At the same time, passenger transportation is still plummeting amid the pandemic-induced restrictions. In 2021 Q1, exports of services under the 'Travel' item, as in 2020 Q4, dropped by more than 80% YoY amid the suspension of flights to many countries, including China which

<sup>4</sup> According to JPMorgan, global manufacturing PMI rose to 55 p in March 2021.

<sup>5</sup> Exports of goods except for oil, petroleum products, natural gas, and liquefied natural gas.

<sup>6</sup> The Federal Customs Service.

<sup>7</sup> Foreign economic activity commodity code 1201.

accounted for 30% of foreign tourists entering Russia in 2019.<sup>8</sup>

### Goods and services imports

The value of imports of goods and services reversed from a 10% decline YoY in 2020 Q4 to a 1% growth YoY in 2021 Q1 amid increasing business activity in Russian manufacturing industries.

#### GOODS IMPORTS

The value of goods imports expanded by 12% YoY in 2021 Q1 (vs -2% YoY in 2020 Q4), with its pace significantly rising over the quarter. According to the preliminary data of the FCS of Russia, the growth of imports from non-CIS countries accelerated to 25% YoY in March 2021 from approximately 15% YoY in February.

The rapid recovery of imports was largely driven by investment goods. The value of investment goods imports grew by nearly 25% YoY in January – February 2021.<sup>9</sup> The largest contribution to the growth was made by the increased imports of cargo and cruise ships,<sup>10</sup> the value of which soared more than 20 times YoY and their number – by 36% YoY. This was mainly due to the acquisition of tankers amid the easing of restrictions on Russia's oil production under the OPEC+ agreements and supplies along the Northern Sea Route. Imports of other investment goods also expanded, including bulldozers, computers and their blocks,<sup>11</sup> etc.

The value of consumer goods imports increased by 8% YoY in January – February 2021<sup>12</sup> mainly due to medicines. The value and weight of imported medicines increased in January – February 2021 nearly 2.5 times YoY on the back of the pandemic. The expansion of imports of medicines was also associated with an increase in the output of domestic pharmaceuticals and

the resulting rise in demand for foreign raw materials for their production. Imports continued to be supported by the replenishment of the stocks of medicines used when their purchases were declining in summer 2020 following the introduction of the mandatory coding of medicines from 1 July.

In addition, restrictions on foreign trips led to an increase in the imports of certain household appliances. According to the FCS of Russia, in January – February 2021, the number of imported vacuum cleaners<sup>13</sup> increased 1.5 times against January – February 2020, household dishwashers<sup>14</sup> – by 1/3, and household compression refrigerators<sup>15</sup> – by 1/4.

#### SERVICES IMPORTS

The value of services imports dropped by 32% YoY in 2021 Q1 (vs -31% YoY in 2020 Q4). As in previous quarters, the largest contribution to the decline was made by the 83% YoY reduction in services imports under the 'Travel' item. The number of foreign trips remains low due to tight restrictions implemented by certain countries in response to the outbreak of the pandemic. The decline in tourist trips adversely affects the volume of passenger transportation and imports of transport services, which was 25% less in 2021 Q1 than in the same period of the previous year.

### Financial account

#### General government<sup>16</sup> and the central bank

In 2021 Q1, net lending by general government and the the central bank to the rest of the world totalled 1.2 billion US dollars (vs 0.3 billion US dollars in 2020 Q1). Non-residents' net purchases

<sup>8</sup> Data by the Russian Federal Security Service.

<sup>9</sup> Calculations are based on the FCS data and Rosstat's methodology.

<sup>10</sup> Foreign economic activity commodity code 8901. 3% of the Russian goods import value in January – February 2021.

<sup>11</sup> Foreign economic activity commodity codes 8429 and 8471.

<sup>12</sup> Calculations are based on the FCS data and Rosstat's methodology.

<sup>13</sup> Foreign economic activity commodity codes 850811 and 850819.

<sup>14</sup> Foreign economic activity commodity code 842211.

<sup>15</sup> Foreign economic activity commodity code 841821.

<sup>16</sup> Including the federal government and the local governments of the Russian Federation.

of Russian government bonds in the secondary market in 2020 Q1 in the amount of 0.5 billion US dollars reversed to their net sales totalling 3.3 billion US dollars in 2021 Q1. This was due to sanctions risks, investors' low risk appetite amid the pandemic, and rising basic yields of government bonds in advanced economies, which, all else being equal, was reducing the attractiveness of government bonds of emerging market economies in their domestic currencies.

### **Financial transactions of the private sector**

Net lending by the Russian private sector to the rest of the world contracted to 11.8 billion US dollars (vs 18.1 billion US dollars in 2020 Q1).

In 2021 Q1, it formed primarily through an increase in foreign assets, rather than a decrease in foreign liabilities, just as last year. Foreign assets of both banks and other sectors expanded. Direct investment made the the largest contribution to the growth of foreign assets in other sectors.

Foreign liabilities of other sectors changed only slightly in 2021 Q1 compared to a significant decline in the same period of 2020. In contrast to 2020 Q1, other sectors were able to increase foreign liabilities in the form of direct investment in 2021 Q1, which offset the ongoing decline in liabilities in the form of portfolio investments<sup>17</sup> as well as their reduction in the form of loans. The pace of the decline in banks' foreign liabilities slowed down considerably.

### **International reserves**

Reserve assets increased in 2021 Q1 owing to transactions in the amount of 3.7 billion US dollars mainly to purchase foreign currency under the fiscal rule. At the same time, their growth due to the transactions recorded in the balance of payments turned out to be significantly less than other changes and negative revaluations associated with the decline in the global gold price and the strengthening of the US dollar during 2021 Q1. As a result, international reserves dropped by 22.5 billion US dollars to 573.3 billion US dollars as of 1 April 2021. However, their amount remains high and is sufficient to finance 23 months of imports of goods and services.

---

<sup>17</sup> Among other things, this reflects the ongoing inflow of Russian retail investors to the domestic financial market.

### Balance of financial transactions of the private sector in 2011–2020

Net lending by the Russian private sector to the rest of the world, which is reflected in the balance of financial transactions of the private sector, is formed under the influence of a wide range of economic phenomena. The structure of financial transactions of the private sector has significantly changed over the last decade.

In 2011–2013, the balance of financial transactions of the private sector was influenced by a faster increase in foreign assets compared to liabilities as a result of the accumulation of the current account surplus of the Russian Federation's balance of payments.

The situation with financial flows of the private sector notably changed in 2014 amid geopolitical tensions.

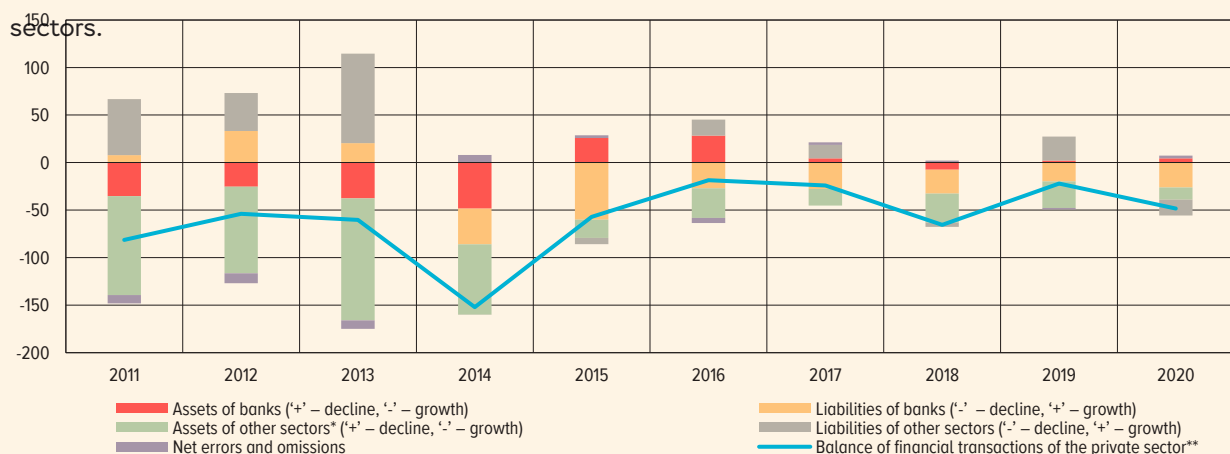
The balance of financial transactions of the private sector in 2014 was formed by the repayment of foreign liabilities by banks following the contraction of opportunities for debt refinancing amid the financial sanctions imposed by the EU and the USA. An additional factor for the increase in private sector assets was the redistribution of foreign assets of the Bank of Russia in favour of the private sector as part of foreign currency interventions and the provision of foreign currency liquidity to banks on a reverse basis.

In 2015, amid a drastic deterioration of financial conditions in external markets for debt refinancing, the balance of financial transactions of the private sector was formed primarily by the repayment of external debt by both banks and other sectors.

Further on, the situation with the balance of financial transactions of the private sector was continuously affected by a decline in banks' foreign liabilities, which was observed with a varying intensity throughout 2016–2020. Moreover, in 2020, amid the increased volatility of the ruble, the amounts of both asset and liability operations of banks were primarily influenced by their derivatives transactions. Other sectors predominantly increased their foreign assets, including due to export revenues received in 2016–2020.

In 2020, private sector financial flows were driven by a surge in risks in global financial markets, which decreased the demand for emerging market economies' instruments. In these conditions, the net reduction of private sector foreign debt significantly intensified, while the balance of financial transactions of the private sector was formed mainly due to the repayment of external liabilities by both banks and other

#### STRUCTURE OF FINANCIAL TRANSACTIONS OF THE PRIVATE SECTOR (BILLIONS OF US DOLLARS)



\* Excluding debt on goods deliveries under intergovernmental agreements.

\*\* '-' denotes net lending and '+' denotes net borrowing.

Source: Bank of Russia.

RUSSIA'S BALANCE OF PAYMENTS  
(BILLIONS OF US DOLLARS)\*

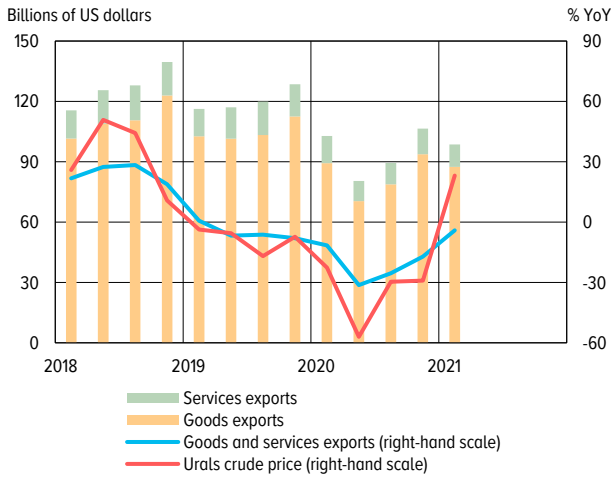
	2020					2021**
	Q1	Q2	Q3	Q4	Year	Q1
<b>Current account</b>	<b>23.0</b>	<b>1.3</b>	<b>3.5</b>	<b>6.1</b>	<b>33.9</b>	<b>16.8</b>
Balance of trade	33.1	16.5	18.4	23.8	91.8	24.4
<i>Exports</i>	<i>89.3</i>	<i>70.5</i>	<i>78.8</i>	<i>93.7</i>	<i>332.2</i>	<i>87.5</i>
<i>Imports</i>	<i>56.2</i>	<i>54.0</i>	<i>60.4</i>	<i>69.9</i>	<i>240.4</i>	<i>63.1</i>
Balance of services	-6.6	-2.0	-3.7	-5.1	-17.4	-2.6
<i>Exports</i>	<i>13.5</i>	<i>10.0</i>	<i>10.6</i>	<i>12.7</i>	<i>46.9</i>	<i>11.1</i>
<i>Imports</i>	<i>20.1</i>	<i>12.0</i>	<i>14.3</i>	<i>17.8</i>	<i>64.3</i>	<i>13.7</i>
Balance of primary and secondary income	-3.5	-13.2	-11.2	-12.6	-40.5	-5.0
<b>Capital account</b>	<b>0.0</b>	<b>-0.2</b>	<b>-0.1</b>	<b>-0.2</b>	<b>-0.5</b>	<b>0.0</b>
<b>Financial account excluding reserve assets</b>	<b>18.3</b>	<b>13.9</b>	<b>7.9</b>	<b>9.9</b>	<b>50.0</b>	<b>15.6</b>
<b>Net liabilities assumed</b>	<b>-13.6</b>	<b>-2.9</b>	<b>-13.3</b>	<b>-10.1</b>	<b>-40.0</b>	<b>-2.0</b>
General government	0.6	1.1	-0.4	2.4	3.7	-3.2
Central bank	-0.9	-1.3	2.4	-1.0	-0.8	2.1
Banks	-6.8	-9.2	-2.2	-7.9	-26.2	-0.9
Other sectors	-6.5	6.4	-13.0	-3.6	-16.7	0.0
<b>Net financial assets acquired</b>	<b>4.7</b>	<b>11.0</b>	<b>-5.5</b>	<b>-0.3</b>	<b>9.9</b>	<b>13.5</b>
General government	0.1	1.2	-0.7	1.0	1.6	0.1
Central bank	0.0	0.0	0.0	0.0	-0.1	0.0
Banks	2.5	-2.0	-7.4	2.4	-4.5	6.5
Other sectors	2.2	11.8	2.6	-3.7	12.9	6.9
<b>Net errors and omissions</b>	<b>0.4</b>	<b>-0.1</b>	<b>2.2</b>	<b>0.3</b>	<b>2.8</b>	<b>2.5</b>
<b>Change in reserve assets</b>	<b>5.0</b>	<b>-12.9</b>	<b>-2.3</b>	<b>-3.6</b>	<b>-13.8</b>	<b>3.7</b>
<b>Memo item: balance of the private sector's financial transactions</b>	<b>18.1</b>	<b>12.3</b>	<b>8.1</b>	<b>9.8</b>	<b>48.4</b>	<b>11.8</b>
<b>For reference: foreign direct investment</b>						
Total, abroad	0.6	4.6	-3.1	3.2	5.3	
Total, in Russia	-3.8	6.3	2.3	3.9	8.7	
Other sectors, changes in assets	0.4	4.8	-3.0	2.9	5.1	6.4
Other sectors, changes in liabilities	-4.1	5.9	1.9	3.5	7.2	4.7

\* In financial account, surplus implies net lending, and deficit – net borrowing. In assets and liabilities '+' means growth, '-' means decline.

\*\* Estimate, net of international reserves.

EXPORTS AND OIL PRICE

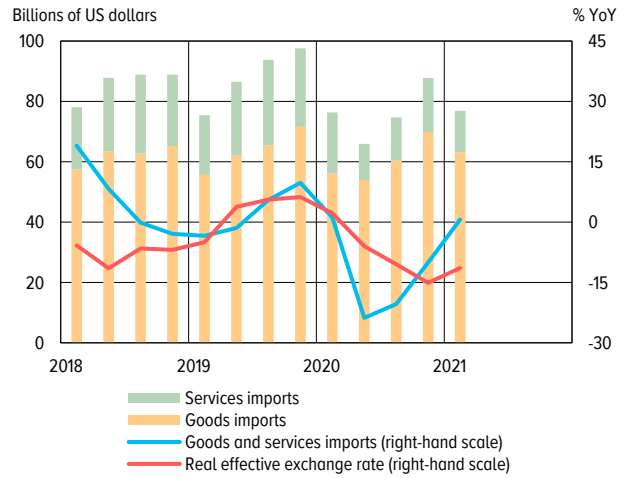
Chart 1



Sources: Bank of Russia, Thomson Reuters.

IMPORTS AND RUBLE EXCHANGE RATE

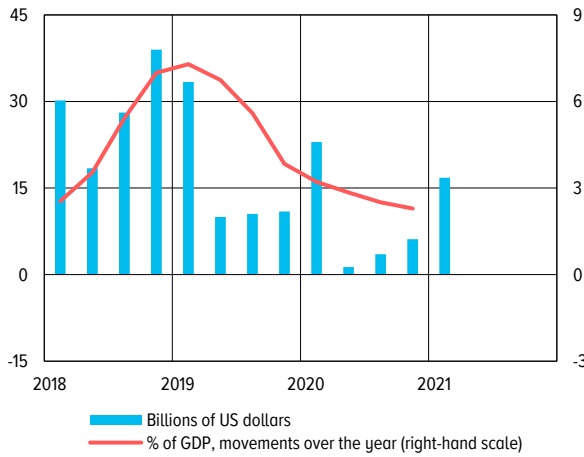
Chart 2



Source: Bank of Russia.

CURRENT ACCOUNT

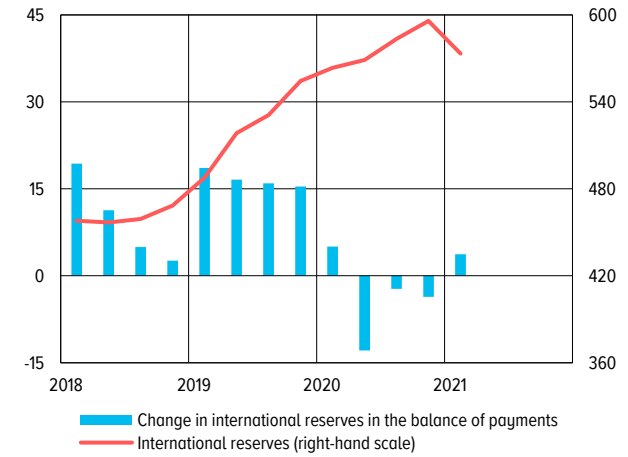
Chart 3



Sources: Bank of Russia, Rosstat.

INTERNATIONAL RESERVES  
(BILLIONS OF US DOLLARS)

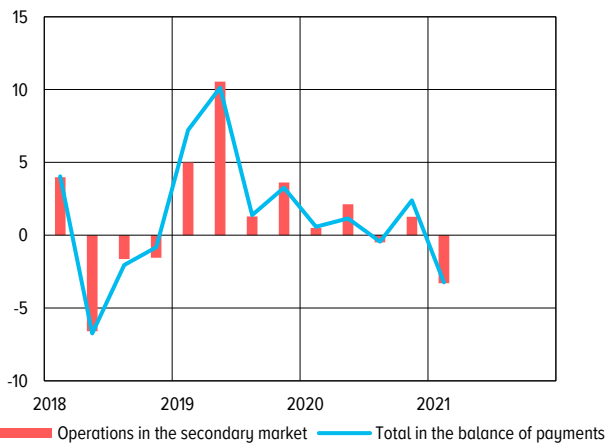
Chart 4



Source: Bank of Russia.

GENERAL GOVERNMENT'S FOREIGN LIABILITIES  
(BILLIONS OF US DOLLARS)

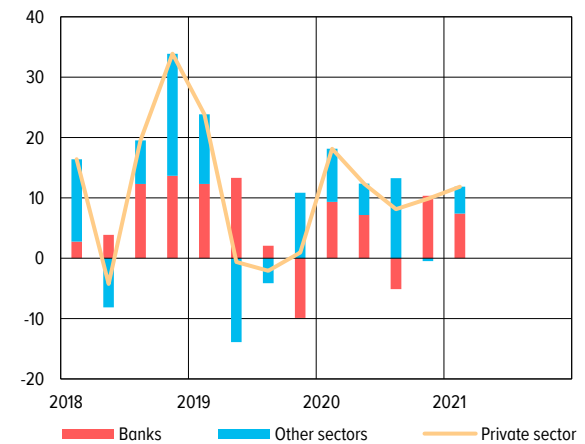
Chart 5



Source: Bank of Russia.

BALANCE OF FINANCIAL TRANSACTIONS  
OF THE PRIVATE SECTOR\*  
(BILLIONS OF US DOLLARS)

Chart 6



\* '+' denotes net lending and '-' denotes net borrowing.  
 Source: Bank of Russia.



Cut-off date – 9 April 2021.

A soft copy of the [information and analytical](#) commentary is available on the Bank of Russia website.

Please send your comments and suggestions to [svc\\_analysis@cbr.ru](mailto:svc_analysis@cbr.ru).

This commentary was prepared by the Monetary Policy Department.

Cover photo: A. Baibara, Bank of Russia.

12 Neglinnaya Street, Moscow 107016

Bank of Russia website: [www.cbr.ru](http://www.cbr.ru)