



Bank of Russia



RUSSIA'S BALANCE OF PAYMENTS

No. 3 (12) • 2022 Q3

Information and analytical commentary

20 October 2022

RUSSIA'S BALANCE OF PAYMENTS (2022 Q3)¹

- In 2022 Q3, the current account surplus remained high (\$52 billion). However, its excess over the level of the same period last year decreased to \$16 billion.
- The growth in value of goods and services exports slowed down to 5% year-on-year (2022 Q2: +27% YoY). This was due to a decline in the growth rate of world prices for many commodities. In addition, the energy commodities export quantities decreased, mainly due to the suspension of gas transportation through the Nord Stream 1 pipeline and the increased effect of restrictions imposed by unfriendly countries on the supplies of domestic goods to the global market.
- Imports showed signs of recovery. The rate of decline in the value of goods and services imports went down to 14% year-on-year (2022 Q2: -23% YoY) amid the reorientation to alternative suppliers, more active parallel imports and a stronger ruble.
- Net lending to the rest of the world was mostly the result of expanding foreign assets, including those in the form of trade credits and advances to foreign partners.

Current account

In 2022 Q3, the current account surplus was high – \$52 billion (in 2021 Q3: +\$36 billion). However, it decreased compared to the historical maximum of the second quarter (\$77 billion). Its annual growth decreased to +\$16 billion (2022 Q2: +\$59 billion YoY) due to a slower growth in the surplus of foreign trade in goods and services. In addition, the deficit of primary and secondary income account increased in part due to year-on-year shrinkage in the investment income received.

Goods and services exports

In 2022 Q3, the value of goods and services exports grew by 5% year-on-year (2022 Q2: +27% YoY). The slowdown in their growth was due to a slower increase in global commodity prices. In 2022 Q2, the Brent crude price growth slowed down to +36% from +64% year-on-year amid global economy and demand concerns. Its

average price was \$99 per barrel² over 2022 Q3. In 2022 Q3, the price of Russian Urals crude oil rose to \$74 per barrel on average, or merely by 4% year-on-year (2022 Q2: +18% YoY).³ In 2022 Q3, world prices for metals decreased year-on-year.⁴ Concurrently, the price of gas in the European market remained close to its record highs due to the shortage of supply.

Export quantities declined in 2022 Q3 partly due to the growing impact of restrictions and the weakening global demand caused by rising recession expectations.

Oil. According to Eurostat, the quantities of oil and petroleum products exports from Russia to the EU decreased faster: by 25% year-on-year in July (2022 Q2: -13% YoY) due to the EU's plan to shift away from Russian energy commodities.⁵ In July, oil imports from Russia to the EU fell to 2.7 million barrels per day, or by 0.9 million barrels per day year-on-year, including by 0.5 million barrels per day year-on-year due to crude oil.⁶

¹ The commentary on the balance of payments includes a preliminary estimate of its indicators in 2022 Q3.

² According to the World Bank.

³ The author's calculations based on the Ministry of Finance and Refinitiv data.

⁴ According to the World Bank, the base metals index fell by 12% year-on-year in 2022 Q3 after a 12% growth year-on-year in 2022 Q2, while global aluminium prices fell by 11% year-on-year in 2022 Q3 (2022 Q2: +20% YoY).

⁵ The European Commission's REPowerEU Plan dated 18 May 2022, the sixth EU package of sanctions dated 3 June 2022, including a ban on the imports of oil and petroleum products from Russia into the EU.

⁶ The author's calculations based on Eurostat data.

However, the disruption of supplies to the EU was offset by an increase in demand for Russian oil from Asian countries attracted by discounts.

The EU, in turn, replaced the missing oil supplies from Russia with imports from the Middle East. According to Eurostat, in July 2022, oil imports to the EU from Iraq and Saudi Arabia increased by a total of 0.5 million barrels per day year-on-year. Concurrently, oil supplies from Iraq to India,⁷ and from Saudi Arabia to China declined.⁸ Thus, in July, there was a redistribution of flows between Asian and European markets.

Natural gas. In 2022 Q3, the decline in the quantity of gas exports to non-CIS countries accelerated to 61% year-on-year (2022 Q2: -35% YoY).⁹

It was caused by a decrease and a halt in the flow of gas through the Nord Stream 1 pipeline to Europe. At the end of July, only one of the six gas turbines remained operational, and Gazprom had to reduce supplies through this gas pipeline to 20% of its capacity, or 33 million cubic meters per day.¹⁰ During the maintenance, which started on 31 August, an oil leak was detected in this last remaining gas pumping unit. Its further operation would create a risk of fire or explosion. As a result, gas supplies through the Nord Stream 1 pipeline completely stopped.¹¹ In addition, both Nord Stream 1 lines were damaged at the end of September,¹² making it difficult to resume supplies through the pipeline. However, Russian gas exports to Europe through Ukraine and the TurkStream pipeline continued.

The drop in exports to the EU was partly compensated by the growth in supplies from Russia to China through the Power of Siberia gas pipeline in excess of contractual obligations.

In September, daily exports hit historical record highs twice.¹³

Non-oil and gas exports. In 2022 Q3, the negative effect of Western sanctions on non-oil and gas exports from the Russian Federation intensified.

This was especially true for coal exports. In the first half of August 2022, the ban on the imports of coal and coal products to the EU from Russia, introduced as part of the fifth EU package of sanctions dated 8 April 2022, came into full force.¹⁴ Before 10 August 2022, the ban did not apply to supplies under contracts concluded before 9 April 2022. According to Eurostat, the quantities of coal imports to the EU from Russia fell by more than a half year-on-year in July-August 2022 (2022 Q2: -7% YoY). Russia has managed to redirect some supplies to Asian countries.

Also, the EU sanctions have a stronger impact on the supplies of metals from Russia. Although the ban on the import of iron and steel products from Russia to the EU was adopted back in March, it did not apply to the shipments before 17 June under old contracts.¹⁵ Thus, the impact of the ban was more pronounced in the third quarter than in the second quarter. According to Eurostat, the decline in the quantities of imports of ferrous metals to the EU from Russia accelerated to 67% year-on-year¹⁶ in July-August (2022 Q2: -18% YoY). Such a rapid year-on-year decline is due to the high base of 2021 Q3. At that time, metals exports surged before the introduction of export duties.

In 2022 Q3, a decrease in the quantities of goods supplies, as well as the restrictions on international transportation imposed by

⁷ According to the Indian Ministry of Commerce and Industry, India's oil imports from Iraq fell by 16% year-on-year in July 2022.

⁸ In July 2022, China's oil imports from Saudi Arabia fell by 2% year-on-year, according to China's General Administration of Customs.

⁹ The author's calculations based on PJSC Gazprom data.

¹⁰ According to PJSC GAZPROM.

¹¹ According to PJSC GAZPROM.

¹² According to Nord Stream AG.

¹³ According to PJSC GAZPROM.

¹⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2022:111:FULL&from=EN>.

¹⁵ [European Council Decision No. 2022/430, dated 15 March 2022.](#)

¹⁶ Imports of metals to the EU from Russia did not stop, as important commodity subgroups of ferrous metals were not banned.

unfriendly countries against Russian residents, affected the decline in exports of services, including transportation.

Imports of goods and services

In 2022 Q3, the decline in the value of goods and services imports slowed down to 14% year-on-year (2022 Q2: -23%YoY) due to a shift from European suppliers to alternative ones. The improvements in imports were also driven by the development of new logistics routes and the expansion of the list of goods allowed for parallel imports starting from August.¹⁷

A stronger ruble also contributed to the increase in imports. The real effective exchange rate of the ruble increased by 47% year-on-year in 2022 Q3 (2022 Q2: +32% YoY).

The import of goods into the Russian Federation was also supported by the parallel import mechanism.¹⁸ According to the Federal Customs Service of Russia, there is an increase in the volume of goods imported to Russia as part of parallel imports, by weight of goods by an average of 18% per month, and by their statistical value – by 20%. In August, 383,000 tons of goods were imported through parallel imports, with more than 1.3 million tons of goods imported since this mechanism was launched.¹⁹

Concurrently, imports from unfriendly countries, that imposed anti-Russian sanctions, fell sharply. According to the recent data released by Eurostat, the value of goods exports to Russia from EU countries almost halved year-on-year in July–August 2022. This was mainly due to a drop in the supply of machinery, equipment and vehicles by more than 70% year-on-year in July.²⁰

The curtailment of goods supplies and the restrictions imposed by Western countries against Russian residents continued to exert the downward pressure on the imports of services as well.

Besides, imports were constrained by difficulties in cross-border payments for goods and longer delivery times due to the restructuring of supply chains.

Financial account

In 2022 Q3, the financial account surplus totalled \$50 billion. It decreased compared to the previous quarter (\$79 billion), but significantly exceeded the balance of 2021 Q3 (\$34 billion).

In 2022 Q3, the main contributor to net lending to the rest of the world was an increase in foreign assets. They increased by \$47 billion (2021 Q3: +\$66 billion) including in the form of trade credits and advances to foreign partners.

Concurrently, foreign liabilities edged down slightly by \$3 billion in 2022 Q3 (2021 Q3: +\$32 billion). The decline in external debt slowed down compared to the previous quarter. In 2022 Q2, foreign liabilities decreased by \$53 billion.

International reserves

As of 1 October 2022, international reserves decreased to \$541 billion (\$584 billion as of 1 July 2022). The decline was mainly due to the revaluation of the part of international reserves denominated in currencies other than the US dollar following their depreciation against the US dollar.

¹⁷ Order of the Ministry of Industry and Trade of the Russian Federation No. 3042, dated 21 July 2022.

¹⁸ Resolution of the Government of the Russian Federation No. 506, dated 29 March 2022. Order of the Ministry of Industry and Trade of the Russian Federation No. 1532, dated 19 April 2022.

¹⁹ <https://customs.gov.ru/press/federal/document/358220>.

²⁰ The author's calculations based on Eurostat data.

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

	2020					2021					2022		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3**
Current account	23.9	1.3	3.8	6.5	35.4	22.4	17.3	35.5	47.0	122.3	69.8	76.7	51.9
Goods and services	27.5	14.6	15.1	19.5	76.7	25.7	34.8	47.4	62.2	170.1	79.3	90.3	68.4
<i>Exports</i>	<i>103.2</i>	<i>80.7</i>	<i>89.7</i>	<i>107.9</i>	<i>381.5</i>	<i>104.8</i>	<i>127.9</i>	<i>146.2</i>	<i>171.0</i>	<i>550.0</i>	<i>168.1</i>	<i>162.2</i>	<i>153.0</i>
<i>Imports</i>	<i>75.6</i>	<i>66.1</i>	<i>74.6</i>	<i>88.4</i>	<i>304.8</i>	<i>79.1</i>	<i>93.2</i>	<i>98.9</i>	<i>108.8</i>	<i>379.9</i>	<i>88.8</i>	<i>71.9</i>	<i>84.6</i>
Balance of primary and secondary income	-3.7	-13.3	-11.3	-13.0	-41.3	-3.3	-17.5	-11.9	-15.2	-47.8	-9.5	-13.6	-16.5
<i>Receivable</i>	<i>13.7</i>	<i>13.5</i>	<i>14.8</i>	<i>16.2</i>	<i>58.2</i>	<i>16.5</i>	<i>19.6</i>	<i>27.4</i>	<i>32.7</i>	<i>96.3</i>	<i>12.5</i>	<i>11.0</i>	<i>12.8</i>
<i>Payable</i>	<i>17.4</i>	<i>26.8</i>	<i>26.1</i>	<i>29.2</i>	<i>99.5</i>	<i>19.8</i>	<i>37.1</i>	<i>39.2</i>	<i>48.0</i>	<i>144.1</i>	<i>22.0</i>	<i>24.6</i>	<i>29.3</i>
Capital account	0.0	0.0	-0.1	0.0	-0.1	0.2	0.0	0.0	0.0	0.1	0.0	0.7	-0.1
Financial account, including reserve assets	24.3	1.5	6.3	7.0	39.1	22.6	18.3	33.6	47.8	122.3	66.6	79.0	49.6***
Net incurrence of liabilities	-13.8	-2.9	-13.3	-9.5	-39.5	-0.3	2.8	32.1	2.9	37.5	-34.6	-53.3	-2.7
Net acquisition of financial assets, including reserve assets	10.5	-1.3	-7.1	-2.5	-0.4	22.3	21.1	65.7	50.6	159.8	32.1	25.7	46.9***
Net errors and omissions	0.5	0.3	2.5	0.5	3.8	0.0	1.0	-1.9	0.8	-0.1	-3.2	1.6	-2.2

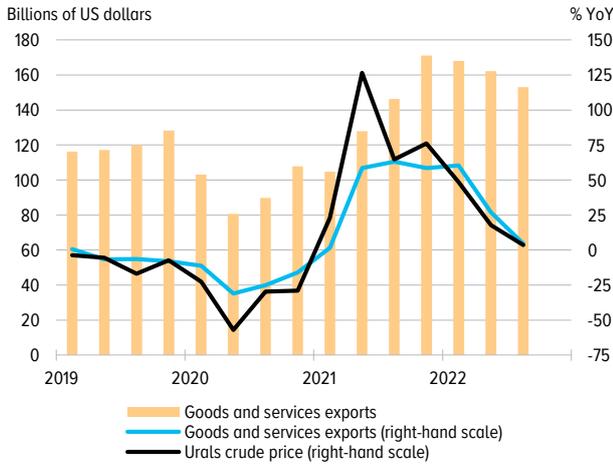
* Due to rounding, the sum of separate items may sometimes differ from the total shown. In financial account, surplus denotes net lending and deficit denotes net borrowing. In assets and liabilities, '+' means growth, '-' means decline.

** Estimate.

*** Including reporting data on reserve assets.

EXPORTS AND OIL PRICE

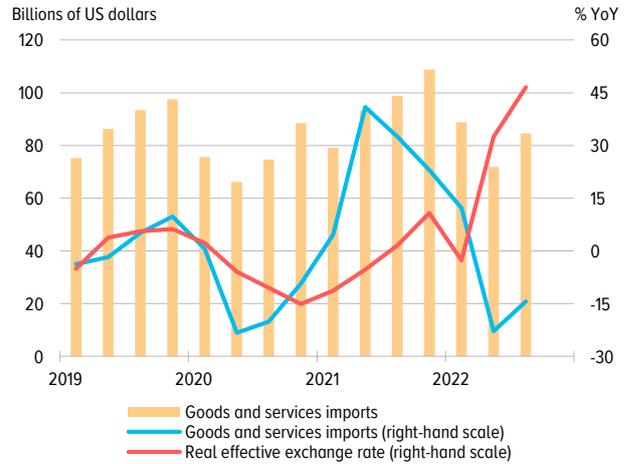
Chart 1



Source: Bank of Russia.

IMPORTS AND RUBLE EXCHANGE RATE

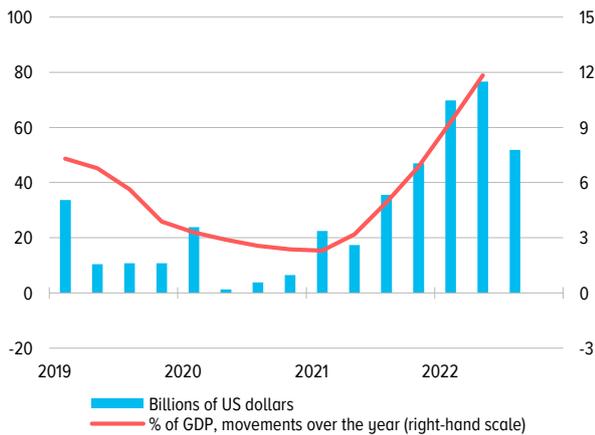
Chart 2



Source: Bank of Russia.

CURRENT ACCOUNT

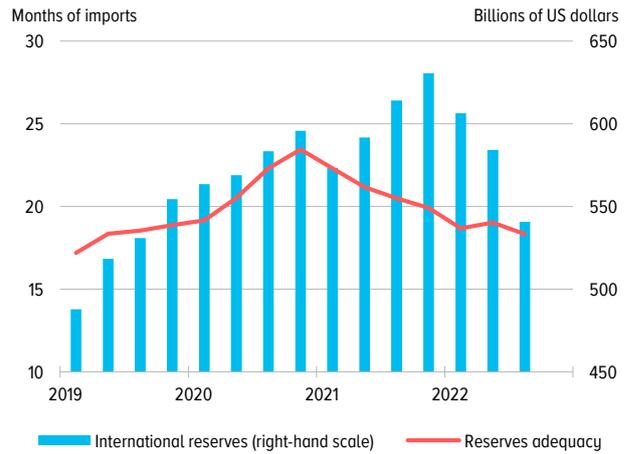
Chart 3



Note: 2022 Q3 GDP data are unavailable.
Sources: Bank of Russia, Rosstat.

INTERNATIONAL RESERVES

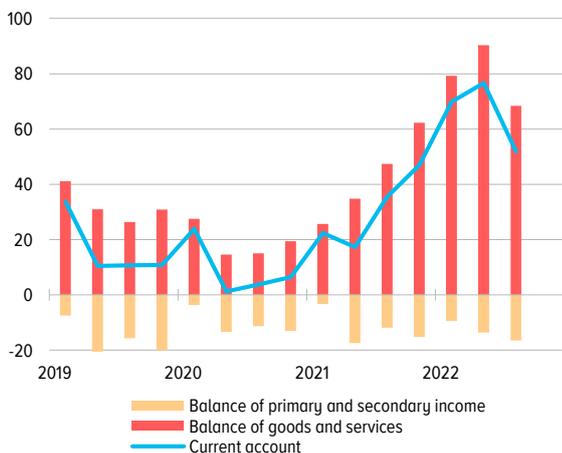
Chart 4



Source: Bank of Russia.

CURRENT ACCOUNT COMPONENTS
(BILLIONS OF US DOLLARS)

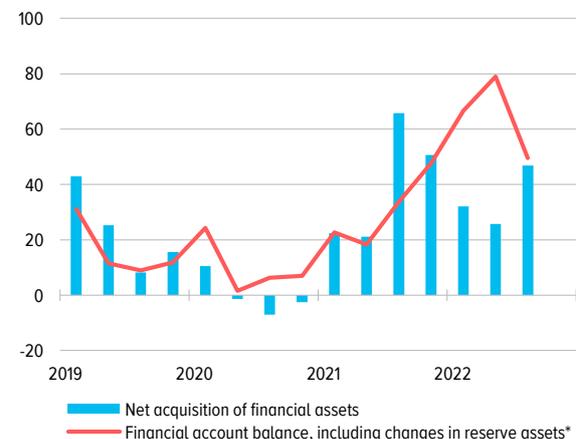
Chart 5



Source: Bank of Russia.

FINANCIAL ACCOUNT COMPONENTS
(BILLIONS OF US DOLLARS)

Chart 6



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

Data cut-off date – 11.10.2022.

The [electronic version](#) 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.

This commentary was prepared by the Monetary Policy Department.

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