



Bank of Russia



RUSSIA'S BALANCE OF PAYMENTS

No. 3 (9) • 2021 Q3

Information and analytical commentary

25 October 2021

RUSSIA'S BALANCE OF PAYMENTS (2021 Q3)¹

- In 2021 Q3, the current account surplus hit an all-time high. A surge in the value of exports was only partially offset by the expanding imports of goods.
- The faster growth of exports as compared to indicators of 2019–2020 was associated with soaring global prices for a range of key commodities that reached their multi-year highs. Export quantities of certain commodities were higher than in the same period last year. This was due to the easing of restrictions on oil production under OPEC+ agreements. Further, metal supplies in July ramped up in advance of the imposition of export duties in August.
- Concurrently, imports of goods remained higher than in 2019.
- A larger current account surplus was also attributed to services imports staying significantly below the 2019 level owing to the enduring foreign travel restrictions.
- Given the increased revenues from foreign economic activity, net lending by Russia's private sector to the rest of the world was focused on the expansion of foreign assets.

Current account

In 2021 Q3, the current account surplus hit 41 billion US dollars, which is the highest on record (2020 Q3: 4 billion US dollars; 2019 Q3: 11 billion US dollars). The surge was fuelled by rapidly growing exports, which was only partially offset by expanding imports. A larger current account surplus was also attributed to services imports staying significantly below the 2019 level owing to the enduring foreign travel restrictions.

Goods and services exports

The value of goods and services exports further exceeded the 2019 figure, by 24% in 2021 Q3 (2021 Q2: +9%). The 65% YoY rise in this value was predominantly linked to a spike in global prices for a range of Russia's key export commodities to their multi-year highs. Moreover, the export quantities of certain goods increased.

GOODS EXPORTS

The growth of goods exports value sped up to 71% YoY (2021 Q2: +63% YoY). Exports were supported by a rebound of economic activity

in trading partner countries. According to the Federal Customs Service of Russia,² the value of exports to the European Union more than doubled YoY and rose by over 20% in July–August 2021 compared to the same period of 2019, while to China it increased 1.5 times and by 23%, respectively.

Oil. The value of oil and petroleum products exports was up 89% YoY in 2021 Q3, with the Urals crude price up 65% YoY. Oil export quantities in July–August 2021 expanded by 10% YoY owing to an increase in production amid the easing of restrictions under OPEC+ agreements. However, these agreements continued to have a restraining effect. Production and exports of oil and petroleum products in Russia stayed below the 2019 Q3 level in both value and physical terms.

Natural gas. Growth in the value of natural gas exports accelerated to 152% YoY in 2021 Q3 (2021 Q2: +137% YoY). Compared to 2019 Q3, it soared by 66%. However, the boost in exports was solely attributed to a jump in global gas prices. At the end of September, the price in the European market, which is Russia's core exports destination, reached a record high having exceeded 1,000 US dollars per cubic metre. This

¹ The commentary on the balance of payments includes a preliminary estimate of its indicators in 2021 Q3 and actual data on the international reserves.

² Hereinafter, the structural measure of foreign trade in July–August 2021 is based on the data of the Federal Customs Service of Russia.

was caused by low reserves, elevated demand for gas, and limited supply in the EU. According to the World Bank, the average gas price in Europe recorded in 2021 Q3 almost doubled compared to the previous quarter and increased more than four times against 2019 Q3 and almost six times YoY. The average export price for natural gas in Russia also saw a steep rise, however, less significant than in Europe since long-term contract prices are only partially tied to spot market quotes. In July–August 2021, it surged by 183% YoY and by 68% on the same period in 2019. The quantities of Russia's natural gas exports declined following the August accident in Novy Urengoy. This reduced gas pumping through the Yamal–Europe pipeline. Nevertheless, the supplies were fully restored in the middle of September. Overall, export quantities of natural gas in January–August 2021 remained above the five-year average.

Non-oil and gas exports.³ In 2021 Q3, the value of non-oil and gas exports increased by more than a factor of 1.5 on the same period of both last year and 2019. This was largely contributed by an upswing in global coal, metal and food prices.⁴ Export quantities of certain goods were also up. The quantities of hard coal exports edged up by 7% YoY over July–August 2021 and by 11% compared to the same period in 2019, driven by a 1.5 fold expansion of deliveries to China. Metal and grain exports were influenced by export duties. According to the preliminary estimate of the Federal Customs Service of Russia, the quantum index for exports of metals and metal products recorded more than threefold growth YoY in July 2021, in advance of the imposition of export duties on 1 August. Export quantities of aluminium and aluminium products in July surged by 6.5 times YoY and those of ferrous metals more than doubled YoY. In August, growth of export quantities of aluminium and products made thereof decelerated sharply to 23% YoY, whereas the quantities of ferrous metal exports declined by

9% YoY. As a result, in July–August 2021, exports of aluminium and related products increased by 4 times YoY and ferrous metal exports – by 64% YoY. Wheat exports continued to be constrained by the imposed duties, however, showed an upward trend following the mid-summer cut of export duty rates. After a 38% slump in 2021 Q2 YoY, wheat export quantities regained 1% YoY in July–August 2021.

SERVICES EXPORTS

In 2021 Q3, services exports expanded by 26% YoY (2021 Q2: +26% YoY), however, remained 19% below the 2019 Q3 level. The shrinking exports under the 'Travels' item and transport services compared to 2019 were only partially offset by the growing exports of telecommunication, computer, information and construction services.

Goods and services imports

GOODS IMPORTS

In 2021 Q3, the increase in the value of goods imports slowed down to 30% YoY (2021 Q2: +42% YoY) mainly due to the decelerated annual growth of engineering goods imports. Imports of mobile telephones and land transport vehicles trended down amid the widening deficit in semiconductors worldwide. Nonetheless, the value of goods imports in 2021 Q3 remained considerably higher (by 20%) than in 2019 (2021 Q2: 23%).

Imports expansion in July–August 2021 against the same period last year was almost equally driven by investment products and consumer goods. The value of investment products imports increased by 21% YoY and by 20% versus July–August 2019. Same as in the second quarter, the expansion of imports in July–August 2021 was heavily contributed by supplies of freight vehicles, machines serving Russia's expanding construction needs⁵ and computers.

³ Exports of goods except for oil, petroleum products, natural gas, and LNG.

⁴ According to the World Bank, Australian coal appreciated by 225% YoY hitting its all-time high and by 149% versus 2019 Q3, iron ore – by 42% and 63%, copper – by 44% and 62%, and aluminium – by 55% and 50%, respectively. The FAO Food Price index rose by 33% YoY and by 36% versus 2019 Q3.

⁵ Bulldozer imports were up 4.5 times YoY and 3.5 times versus July–August 2019, while imports of lift trucks doubled on the same period of both 2020 and 2019.

The value of consumer goods imports over July–August 2021 rose by 22% YoY and by 4% compared to the same period in 2019. A wide range of goods demonstrated positive dynamics: some of food products, footwear, travelling bags, suitcases, etc.

SERVICES IMPORTS

The value of services imports edged up by 26% YoY in 2021 Q3 (2021 Q2: +41% YoY), which was almost equally contributed by stronger imports under the 'Travels' item, transport and other services. Higher imports under the 'Travels' item and of transport services were attributed to the recovery of outbound tourism. After the resumption of air traffic to Turkey on 22 June, the number of Russian travellers to Turkey increased. As reported by Turkey's Ministry of Culture and Tourism, 1.7 million Russians visited Turkey in July–August 2021, which is nearly four times more than in the same period last year and two times more than in 2021 H1. The lifted air travel restrictions between Russia and the Egyptian resorts Sharm el Sheikh and Hurghada also supported Russian tourists' overseas travels. The tourist flow was also sustained by the resumed air traffic between Russia and other countries and the increased number of allowed flights. Nonetheless, outbound tourism was constrained by the enduring travel restrictions in the host countries such as an entry ban for Russian tourists in the majority of European countries and mandatory quarantine. As a result, the value of services imports under the 'Travels' item in 2021 Q3 remained 78% lower than in the same period of 2019, and the total quantities of services imports were 36% lower.

Financial account

General government⁶ and the central bank

In 2021 Q3, net borrowings by general government and the central bank from the rest of the world totalled 23 billion US dollars (2020 Q3: 3 billion US dollars). This was mainly contributed by an increase of 17 billion US dollars in foreign liabilities of the central bank, largely due to

the recent SDR allocations made by the IMF to its member countries, including Russia. The expansion of net lending by general government up to 6 billion US dollars in 2021 Q3 was associated with non-residents' net purchases of Russian government bonds. This was linked to a higher attractiveness of investments in Russian sovereign securities given the movement of yields in the Russian debt market and changes in the market expectations regarding the Bank of Russia key rate path. The demand for investments in Russian debt instruments was also driven by lower yields in the key emerging economy markets and an overall higher risk appetite of foreign investors observed in 2021 Q3.

Financial transactions of private sector

Net lending by the Russian private sector to the rest of the world expanded to 34 billion US dollars (2020 Q3: 9 billion US dollars).

Unlike last year, when net lending resulted from the reduction of foreign liabilities, in 2021 Q3, it was primarily formed through an increase in the private sector's net assets.

Banks and other sectors ramped up their foreign assets by a total of 26 billion US dollars in 2021 Q3 against the backdrop of growing resources created for operations in the current account of the balance of payments. The accelerated growth of other sectors' assets from 3 billion US dollars in 2020 Q3 to 22 billion US dollars was mainly associated with foreign direct investments. In 2020 Q3, such assets shrank by 3 billion US dollars largely due to the reduced reinvestment of income as corporate financial results deteriorated amid the pandemic. Other sectors' foreign assets in the form of foreign direct investments were up 9 billion US dollars in 2021 Q3 owing to the improved financial results of oil and gas, and metal companies. Growth of other sectors' foreign assets was largely driven by trade credit and advances (6 billion US dollars) reflecting other sectors' lending to overseas buyers of Russian goods.

The decrease in banks' and other sectors' foreign liabilities slowed down to 6 billion US dollars in 2021 Q3 from 15 billion US dollars in 2020 Q3.

⁶ Federal government and the constituent entities of the Russian Federation.

International reserves

As a result of transactions recognised in the balance of payments, reserve assets edged up by 30 billion US dollars in 2021 Q3 (2020 Q3: -2 billion US dollars). First, growth in reserve assets was fuelled by the 17.5 billion US dollar allocation by the IMF, second, by fiscal rule-based foreign

currency purchases. The above increase in international reserves was only partially offset by the negative revaluation following the appreciation of the US dollar and the decline in global gold prices. Hence, international reserves totalled 614 billion US dollars as of 1 October 2021 (+22 billion US dollars in 2021 Q3).

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

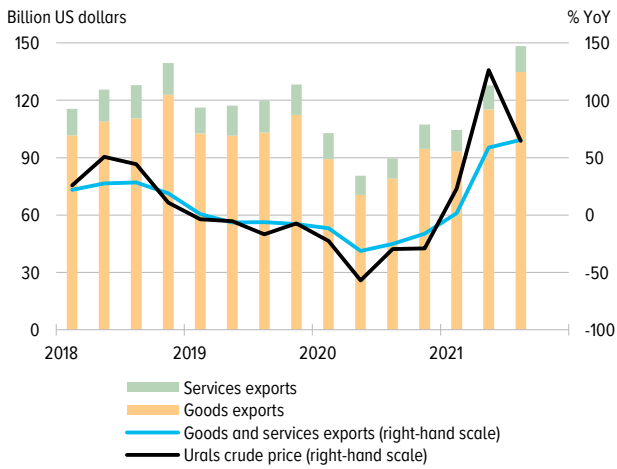
	2020					2021		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3**
Current account	23.5	1.6	3.9	7.0	36.0	23.3	18.2	40.8
Balance of trade	33.3	16.7	18.8	25.0	93.7	28.7	39.0	56.8
Exports	89.3	70.5	79.0	94.6	333.4	93.3	115.1	134.9
Imports	56.0	53.8	60.2	69.7	239.6	64.6	76.2	78.1
Balance of services	-6.4	-1.9	-3.6	-5.2	-17.0	-2.7	-4.1	-4.6
Exports	13.5	10.0	10.7	12.8	47.0	11.2	12.6	13.5
Imports	19.9	11.9	14.3	18.0	64.1	13.9	16.7	18.1
Balance of primary and secondary income	-3.5	-13.2	-11.2	-12.8	-40.7	-2.8	-16.7	-11.4
Capital account	0.0	-0.2	-0.1	-0.2	-0.5	0.2	-0.2	-0.1
Financial account excluding reserve assets	19.3	14.5	8.6	10.5	53.0	19.2	9.2	8.9
Net incurrence of liabilities	-13.8	-3.0	-13.4	-9.7	-39.8	-0.5	1.9	17.0
General government	0.6	1.1	-0.4	2.4	3.7	-3.3	-0.8	5.9
Central bank	-0.9	-1.3	2.3	-1.0	-0.9	2.1	-0.2	16.7
Banks	-6.8	-9.2	-2.2	-7.9	-26.2	0.3	-4.3	-1.2
Other sectors	-6.6	6.3	-13.0	-3.1	-16.4	0.4	7.1	-4.4
Net acquisition of financial assets	5.5	11.6	-4.8	0.8	13.1	18.6	11.1	25.9
General government	0.1	1.2	-0.7	1.0	1.6	0.4	1.8	-0.2
Central bank	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
Banks	2.5	-2.0	-7.4	2.4	-4.5	3.2	-7.9	4.2
Other sectors	3.0	12.4	3.3	-2.6	16.1	15.0	17.3	22.0
Net errors and omissions	0.9	0.3	2.5	0.1	3.7	-0.6	-0.2	-2.2
Change in reserve assets	5.0	-12.9	-2.3	-3.6	-13.8	3.7	8.5	29.6
Memo item: balance of the private sector's financial transactions	18.6	12.6	8.5	10.6	50.4	18.2	6.8	33.9
Memo item: foreign direct investment								
Total, abroad	0.6	4.6	-3.0	3.6	5.8	8.9	8.5	
Total, in Russia	-3.8	6.3	2.4	4.5	9.5	5.5	5.5	
Other sectors, changes in assets	0.4	4.8	-2.9	3.3	5.7	8.8	8.7	9.0
Other sectors, changes in liabilities	-4.1	5.9	2.1	4.1	8.0	3.9	6.7	4.8

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

** Estimate, net of international reserves.

EXPORTS AND OIL PRICE

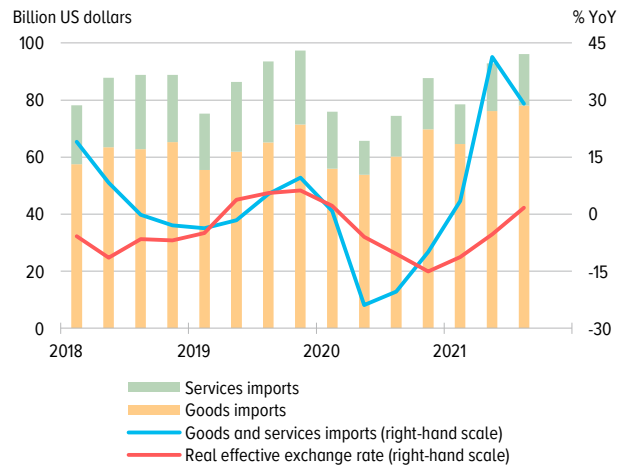
Chart 1



Sources: Bank of Russia, Refinitiv.

IMPORTS AND RUBLE EXCHANGE RATE

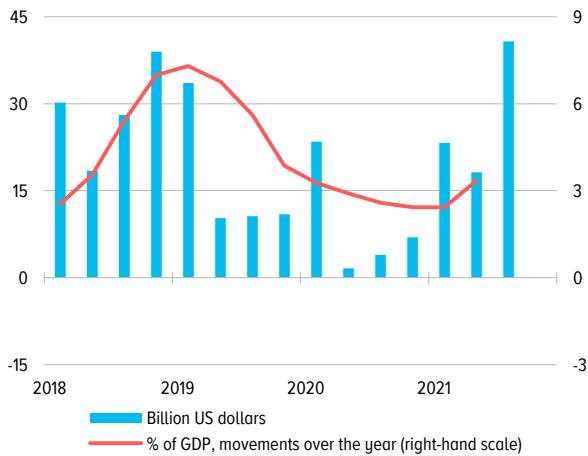
Chart 2



Source: Bank of Russia.

CURRENT ACCOUNT

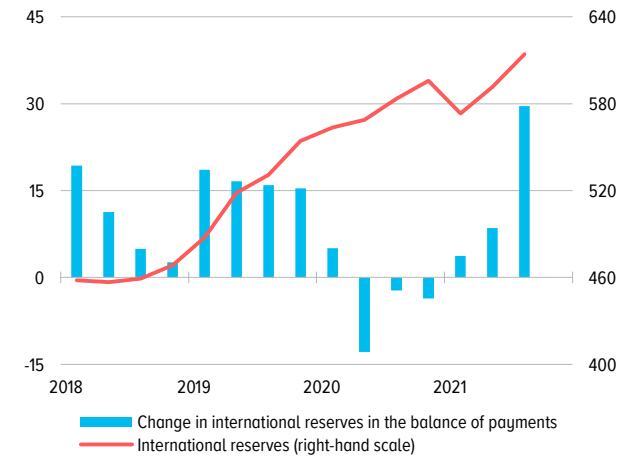
Chart 3



Note: 2021 Q3 GDP data is unavailable.
Sources: Bank of Russia, Rosstat.

INTERNATIONAL RESERVES
(BILLION US DOLLARS)

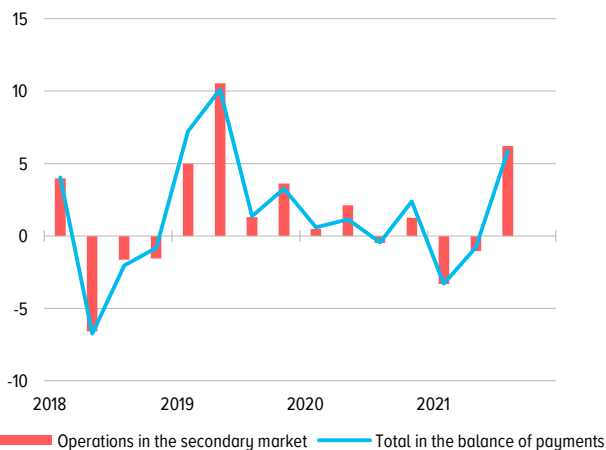
Chart 4



Source: Bank of Russia.

GENERAL GOVERNMENT'S FOREIGN LIABILITIES
(BILLION US DOLLARS)

Chart 5



Source: Bank of Russia.

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

Chart 6



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

Cut-off date – 11 October 2021.

The [electronic version](#) of the document is available on the Bank of Russia website.

Please send your comments and suggestions to svc_analysis@cbr.ru.

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