



Bank of Russia



RUSSIA'S BALANCE OF PAYMENTS

No. 2 (15) • 2023 Q2

Information and analytical commentary

25 July 2023

RUSSIA'S BALANCE OF PAYMENTS (2023 Q2)¹

- In 2023 Q2, the current account surplus narrowed relative to both 2022 Q2 and 2021 Q2 primarily due to reduced exports.
- The value of goods exports decreased owing to a drop in global commodity prices. A lower physical volume of supplies due to external restrictions also made a negative contribution.
- The value of goods imports continued to go up and still exceeded the 2021 Q2 level. This was supported by refocusing on alternative suppliers, the parallel import mechanism and other government measures to facilitate the importation of goods.
- In 2023 Q2, net lending to the rest of the world derived from foreign assets, including direct investment, growing faster than foreign liabilities. In the second quarter, foreign liabilities rose on the back of dividend announcements by Russian companies.

Current account

In 2023 Q2, the current account surplus came in at \$5 billion, having dropped by \$77 billion and \$17 billion from the 2022 Q2 and 2021 Q2 figures, respectively.

This mainly resulted from a decrease in the trade surplus prompted by a recovery in imports and a drop in exports of goods. Besides, the deficit in the balance of services widened on the back of an increase in the imports of services related to foreign travel of Russian people.

Concurrently, the deficit in the primary and secondary income balance turned out to be smaller than in the second quarters in 2021 and 2022. Its widening from the previous quarter was associated with a seasonal accrual of dividends payable to foreign investors by Russian companies.

Goods and services exports

Goods exports. The value of goods exports fell by 33% year-on-year and by 12% compared to 2021 Q2 but was close to the 2019 Q2 figures. Its shrinking was caused by a lower physical volume of supplies due to external

restrictions and a slowdown in global economic growth. Another factor was a decrease in global prices for some Russian export commodities prompted by a goods demand and supply imbalance. However, exports were supported by the redirection of supplies and larger deliveries of last year's grains.

Oil. Oil exports were still restricted by the embargo and the price cap imposed by some countries² on Russian oil. Over 2023 Q2, Urals crude price declined to \$56 per barrel on average or by 29% year-on-year and by 17% compared to the same period in 2021.³ Russian oil continued to sell at sizeable discounts. The Urals discount to Brent crude – the global price benchmark – amounted to nearly 30% in 2023 Q2.⁴ Notably, the discount tended to narrow during the above period.

The physical volume of Russian oil supplies to the EU shrank due to the embargo. Concurrently, Asian countries increased their demand for Russian oil in part because of discounts. Thus,

¹ The commentary on the balance of payments includes preliminary estimates of its indicators in 2023 Q2 and actual data on the international reserves.

² The G7, the EU and Australia set a \$60-per-barrel price cap for Russian oil.

³ The calculation is based on data from the Russian Ministry of Finance.

⁴ The calculation is based on data from the Russian Ministry of Finance and the World Bank. According to the World Bank, the Brent crude price averaged at \$78 per barrel in 2023 Q2.

supplies were redistributed among European and Asian markets.

Natural gas. Negative trends in global prices were still adversely affecting the value of gas exports. According to the World Bank, the gas price index fell by 28% quarter-on-quarter and by two thirds year-on-year in 2023 Q2. In 2023 Q2, warm weather and sizeable gas stocks in Europe made the average gas price plummet by 64% year-on-year to \$429 per thousand cubic meters. Nevertheless, it remained 30% higher than in 2021 Q2.⁵

The physical volume of gas exports was much lower than in previous years largely due to a halt of gas supplies to Europe via the Nord Stream 1 pipeline. Concurrently, in 2023 Q2, Russian gas exports to Europe via the Ukraine transit route and the TurkStream pipeline stabilised at the level close to the previous quarter.⁶ Since the beginning of the year, gas exports to China via the Power of Siberia pipeline had been exceeding the contractual obligations.⁷

Non-oil and gas exports.⁸ The value of non-oil and gas exports shrank amid falling global prices for many commodities.⁹ This change was associated with lower prospects of an economic recovery in China – the largest global consumer of industrial metals and coal. Also, the value of exports was pushed downwards by considerable discounts offered to redirect supplies to new markets. However, discounts for some products narrowed in the course of consolidation in new markets.

The physical volume of ferrous metals exports was still adversely affected by restrictions on imports of some iron and steel products from Russia to Europe, with coal export volumes being impacted by the EU embargo. Nevertheless, the redirection of exports to alternative destinations supported the physical

volume of Russian exports, with some items showing a considerable increase. The most significant expansion was recorded in exports of wheat thanks to high stocks, the last year's record harvest and a greater demand for it in the global market in 2023.

Services exports. In 2023 Q2, the value of services exports declined by 12% year-on-year and by 25% compared to 2021 Q2. Different types of services were moving diversely. Exports of transport services went on shrinking amid restrictions on transportation by Russian companies. Exports of construction, telecommunication, computer and information services remained significantly below the figures registered in the second quarters in previous two years. Contrastingly, exports of travel services continued to grow as more foreigners entered Russia.

Goods and services imports

Goods imports. In 2023 Q2, the value of imports rose by 35% year-on-year and exceeded the 2021 Q2 level. Reduced imports from the EU were fully offset by larger supplies from other countries. According to Eurostat, in April 2023, the value of supplies from Europe to Russia shrank by more than 60% compared to the same period in 2021. Contrastingly, the value of imports from China expanded by 88% in April and by 79% in 2023 Q2 compared to the same periods in 2021.¹⁰ Turkey¹¹ and other countries increased supplies of goods to Russia as well.

The recovery of goods imports to Russia was also supported by the parallel import mechanism¹² and other measures taken by the Government of the Russian Federation. Simplified procedures for the imports of electronic devices and equipment,¹³ and for the verification of imported goods¹⁴ have been

⁵ The calculation is based on the World Bank data.

⁶ According to Bruegel – the European think tank that specialises in economics.

⁷ According to PJSC Gazprom.

⁸ Exports of goods except for oil, petroleum products, natural gas, and LNG.

⁹ According to the World Bank, in 2023 Q2, global prices for aluminium declined by 21% year-on-year and by 6% compared to 2021 Q2, and for iron ore – by 19% and 44%, respectively. Prices for Australian coal more than halved year-on-year.

¹⁰ The calculation is based on data from the General Administration of Customs of China.

¹¹ According to data from the Turkish Statistical Institute.

¹² Imports of goods to a country and their sale without the authorisation of the product owner who has intellectual property rights over the products.

¹³ Resolution of the Government of the Russian Federation No. 2525, dated 29 December 2022.

¹⁴ Resolution of the Government of the Russian Federation No. 1522, dated 31 August 2022.

extended until 2023 year-end and September 2023, respectively.

Services imports. In 2023 Q2, the value of services imports rose by 24% year-on-year and by 6% compared to 2021 Q2. The rise was mainly boosted by the recovery of travel services on the back of a seasonal increase in the number of Russian tourists travelling abroad.¹⁵ However, imports of other services were still lower than in the second quarters in 2022 and 2021.

Financial account

In 2023 Q2, the financial account surplus (net of reserve assets) totalled \$6 billion. It narrowed considerably compared to both 2022 Q2 (\$78 billion) and 2021 Q2 (\$10 billion).

Net lending to the rest of the world derived from growth in foreign assets (\$17 billion), including direct investment. However, the assets

were growing at a slower pace than in 2022 Q2 (\$25 billion). This was associated with both a decrease in export revenues and an increase in imports.

In 2023 Q2, foreign liabilities rose by \$12 billion (declined by \$54 billion in 2022 Q2) to offset their drop in the first quarter. This involved an increase in dividends payable by Russian companies to non-residents, among other things.

International reserves

In 2023 Q2, reserve assets dropped by \$1 billion due to transactions recorded in the balance of payments.

Taking into account transactions, revaluations and other changes, international reserves went down to \$582 billion as of 1 July 2023 (\$594 billion as of 1 April 2023).

¹⁵ According to data from the Turkish Ministry of Culture and Tourism, the number of Russian tourists, who entered the country in April and May 2023, doubled year-on-year. According to data from the Border Service of the Federal Security Service of the Russian Federation, more than 50% of Russian tourists, who travelled abroad in 2022, went to Turkey.

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

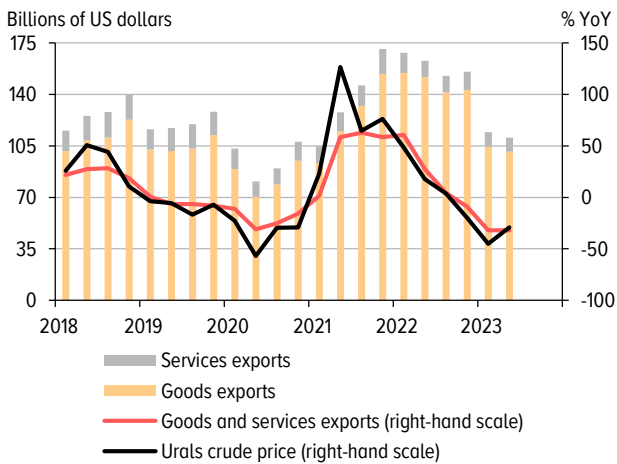
	2021					2022					2023	
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2 **
Current account	22.4	17.3	35.5	46.9	122.1	70.9	76.7	47.5	41.0	236.1	14.8	5.4
Balance of trade	28.7	38.8	54.2	68.5	190.3	84.8	95.0	72.5	61.8	314.1	30.2	24.1
<i>Exports</i>	93.3	114.9	132.1	154.0	494.3	154.5	151.8	141.4	143.1	590.8	104.6	101.0
<i>Imports</i>	64.6	76.1	77.9	85.5	304.0	69.8	56.8	68.8	81.3	276.7	74.3	76.9
Balance of services	-3.0	-4.1	-6.9	-6.4	-20.4	-3.6	-3.7	-7.0	-8.3	-22.6	-7.6	-8.5
<i>Exports</i>	11.5	13.0	14.1	17.0	55.6	13.9	11.1	11.3	12.3	48.5	9.7	9.7
<i>Imports</i>	14.5	17.1	21.0	23.3	75.9	17.5	14.7	18.3	20.6	71.1	17.3	18.2
Balance on primary and secondary income	-3.3	-17.5	-11.9	-15.2	-47.8	-10.2	-14.7	-18.0	-12.5	-55.5	-7.8	-10.2
Capital account	0.2	0.0	0.0	0.0	0.1	0.0	-1.1	-1.9	-1.5	-4.6	-0.2	-0.1
Current and capital accounts balance	22.6	17.2	35.5	46.9	122.2	70.9	75.5	45.6	39.5	231.5	14.6	5.3
Financial account balance, excluding reserve assets	19.0	9.8	4.1	26.1	59.0	78.5	78.2	42.1	38.7	237.5	18.4	5.7
Net incurrence of liabilities	-0.3	2.9	32.2	2.9	37.7	-35.9	-53.7	-14.5	-27.4	-131.4	-10.8	11.6
Net acquisition of financial assets, excluding reserve assets	18.7	12.7	36.3	29.1	96.7	42.6	24.5	27.7	11.3	106.1	7.6	17.3
Net errors and omissions	0.1	1.1	-1.8	0.9	0.3	-3.0	3.8	-1.6	-0.4	-1.2	-1.3	-1.1
Change in reserve assets	3.7	8.5	29.6	21.7	63.5	-10.6	1.2	1.8	0.4	-7.3	-5.1	-1.4

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

** Estimate.

EXPORTS AND OIL PRICE

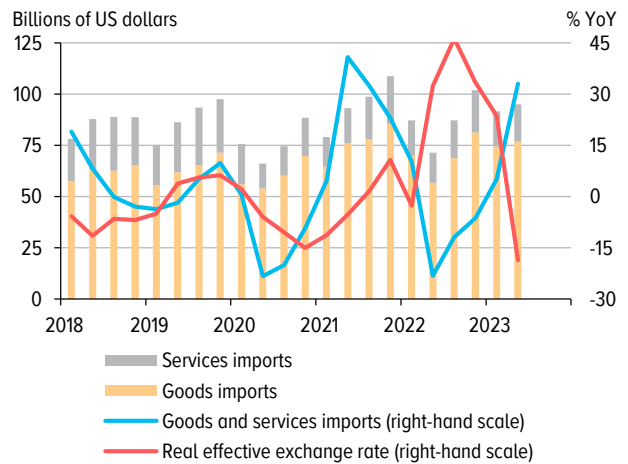
Chart 1



Sources: Bank of Russia, Russian Ministry of Finance.

IMPORTS AND RUBLE EXCHANGE RATE

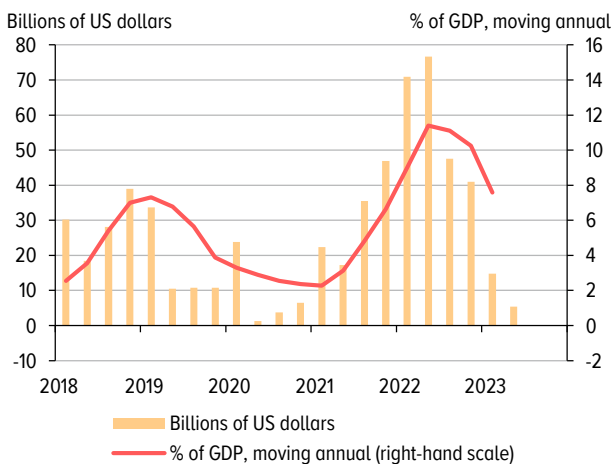
Chart 2



Source: Bank of Russia.

CURRENT ACCOUNT

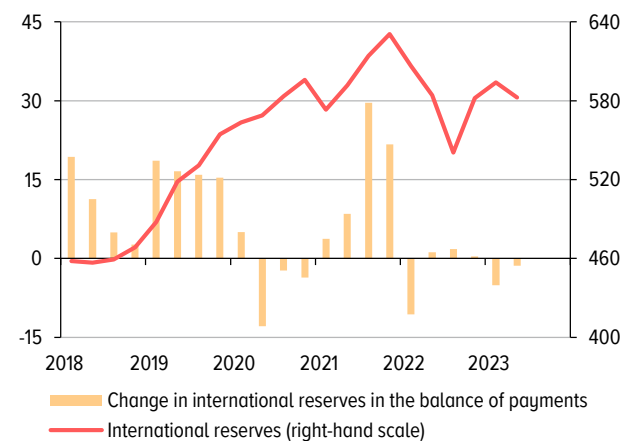
Chart 3



Note: 2023 Q2 GDP data are unavailable.
Sources: Bank of Russia, Rosstat.

INTERNATIONAL RESERVES
(BILLIONS OF US DOLLARS)

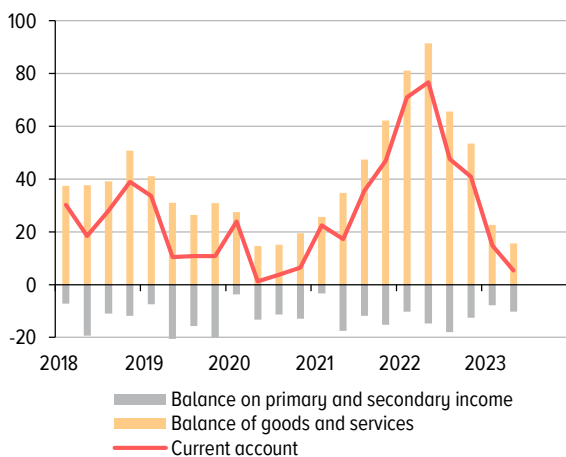
Chart 4



Source: Bank of Russia.

CURRENT ACCOUNT COMPONENTS
(BILLIONS OF US DOLLARS)

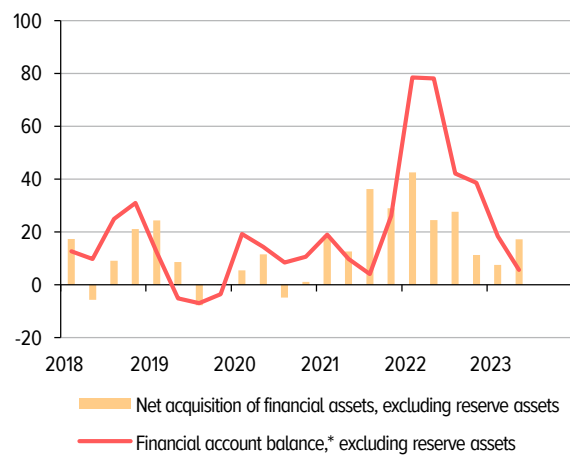
Chart 5



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 – 14.07.2023.

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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