



Bank of Russia



RUSSIA'S BALANCE OF PAYMENTS

No.1 (1) • 2019 Q3

Information and analytical commentary

17 October 2019

RUSSIA'S BALANCE OF PAYMENTS (2019 Q3)¹

- In 2019 Q3, the current account surplus amounted to \$12.9 billion, contracting by \$14.5 billion compared with the same period in 2018 largely because of the drop in global energy prices.
- In the public sector, net borrowing of foreign capital continued though shrinking to \$4.5 billion (in 2019 Q2, \$5.9 billion) following the reduction in non-residents' purchases of government bonds in the secondary market.
- In the private sector, net lending to the rest of the world slowed down to \$1.4 billion (in 2018 Q3, \$18.8 billion) as banks reduced their foreign assets and other sectors increased their external liabilities.
- The international reserves (reserve assets) rose by \$15.9 billion (in 2018 Q3, +\$5.0 billion) mostly as a result of fiscal rule-based operations. By the end of 2019 Q3, Russia's international reserves grew to \$530.9 billion.

Current account

The current account surplus decreased in 2019 Q3 by \$14.5 billion to \$12.9 billion (here and elsewhere, changes year on year, unless indicated otherwise). This resulted from the contraction in the balance of trade in goods and services by one third. In January-September 2019, the current account surplus shrank by \$17.9 billion to \$57.2 billion.

Exports

In Q3, the decline in the value of goods and services exports accelerated to 7.1% (in 2019 Q2, -5.9%). Exports contracted mainly following a drop in global energy prices amid a deteriorating world economic growth outlook.

Oil. The value of oil and oil product exports decreased in Q3 by 15.1% as the Urals crude price fell by 16.3%. However, exports were supported by the resumed supplies through the Druzhba pipeline in full. According to the FCS of Russia, export quantities of crude oil rose in July-August by 7.9% YoY. Oil product exports shrank by 15.6% on the back of a tax manoeuvre.

Natural gas. The value of exports of natural gas in the gaseous state decreased in Q3 by 30.8%. Meanwhile, according to the World

Bank, gas prices in Europe, Russia's key market, dropped by 54.4%. Export quantities of gas in the gaseous state held below the high level of the corresponding period of 2018. At the same time, this year it has exceeded the 2017 level and the five-year average reading. Export quantities of liquefied natural gas increased in July-August 2019 by more than one third compared with the same period in 2018.

Other. The value of non-oil and gas exports of goods rose in 2019 Q3 by 6.5% YoY (in 2019 Q2, -2.4%). In July-August 2019, Russia expanded its exports of a number of engineering products (radar and navigation equipment, turbojet engines) and some other commodities (iron ore, gold). Services exports remained largely unchanged in 2019 Q3. The decline in the travel services was almost offset by the expansion of transport services.

Imports

In value terms, imports of goods and services in 2019 Q3 rose by 4.4% (in 2019 Q2, -0.9%). Imports were driven by a 5.6% rise in the real effective ruble exchange rate against 2018 Q3. In July-August 2019, imports of a number of both consumer goods (medicines, passenger cars) and investment goods (power generating units, electric transducers and medical equipment) increased. The travel component raised the value of services imports in 2019 Q3.

¹ The commentary on the balance of payments features a preliminary estimate of its indicators in 2019 Q3 and actual data on the international reserves.

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

Table 1

	2017				2018				2019		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3**
Current account	21.1	1.6	-3.3	13.0	29.8	17.9	27.4	38.4	33.7	10.6	12.9
Trade balance	34.5	25.1	20.6	34.6	44.1	45.4	47.8	57.2	46.9	39.5	36.6
<i>Exports</i>	82.6	83.8	84.4	102.3	101.5	108.8	110.4	122.4	102.5	101.7	101.5
<i>Imports</i>	48.1	58.7	63.8	67.7	57.4	63.4	62.7	65.2	55.6	62.1	64.9
Services balance	-5.3	-7.7	-9.9	-8.4	-6.6	-7.7	-8.8	-6.9	-5.8	-8.4	-10.5
<i>Exports</i>	12.3	14.7	15.3	15.4	13.9	16.7	17.4	16.7	14.2	16.4	17.2
<i>Imports</i>	17.5	22.4	25.1	23.8	20.5	24.3	26.1	23.6	20.0	24.8	27.8
Primary and secondary income balance	-8.1	-15.8	-14.0	-13.1	-7.7	-19.8	-11.6	-11.9	-7.4	-20.6	-13.1
Financial account, excluding reserve assets	10.8	-2.1	-10.6	14.0	12.4	9.3	24.1	30.8	12.6	-2.5	-1.8
Balance of financial assets and liabilities of public sector	-5.9	-3.9	-10.3	6.7	-6.5	11.1	2.9	1.5	-9.0	-5.9	-4.5
Balance of financial assets and liabilities of private sector	16.7	1.8	-0.3	7.3	18.9	-1.8	21.2	29.3	21.6	3.4	2.7
Bank liabilities	-3.9	-11.7	-7.8	-4.2	-2.5	-9.6	-3.8	-9.2	-3.2	-6.7	-8.1
Liabilities of other sectors	-3.6	13.0	3.0	1.7	1.0	4.0	-8.4	-0.8	5.6	10.3	4.6
Bank assets	13.6	-2.5	-16.3	0.8	0.3	-5.7	8.6	4.5	9.2	6.5	-6.7
Assets of other sectors	-4.6	5.5	11.1	4.0	17.1	-1.7	0.5	14.8	14.9	0.5	5.8
Net errors and omissions	0.9	4.1	-0.7	-1.7	2.1	2.9	1.7	-4.3	-2.6	3.8	1.3
Change in reserve assets	11.3	7.5	6.5	-2.7	19.3	11.3	5.0	2.6	18.6	16.6	15.9
Memo item: Financial transactions of private sector (net lending (+) / net borrowing (-))	15.3	-2.2	0.2	11.0	15.9	-4.8	18.8	33.1	23.9	-0.4	1.4

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

** Estimate of balance of payments indicators and actual data on international reserves.

Financial account

Public sector²

In Q3, the inflow of foreign capital to the public sector declined. Non-residents' purchases of Russian government bonds in the secondary market decreased to \$1.1 billion (in 2019 Q2, \$10.5 billion). The balance of financial

transactions of the public sector contracted less pronouncedly, to \$4.5 billion (in Q2, \$5.9 billion), as assets dropped by \$3.1 billion after growth by \$1.2 billion in Q2.

Financial transactions of private sector

Net lending by Russia's private sector to the rest of the world in 2019 Q3 amounted to \$1.4 billion (in 2018 Q3, \$18.8 billion). Financial flows of both banks and other sectors were more balanced in Q3 of this year than a year

² Including the federal government, the local government and the central bank.

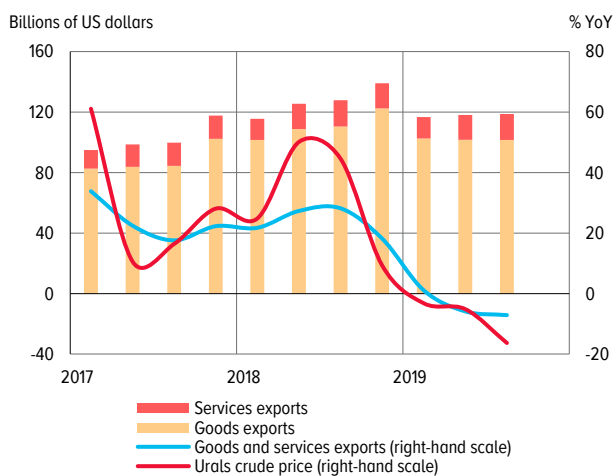
earlier. Unlike in the previous year, repayment of banks' indebtedness was offset by a decline in foreign assets. In 2018 Q3, they grew amid the suspension of fiscal rule-based foreign currency purchases. Other sectors increased in 2019 Q3 their foreign assets as well as their foreign liabilities despite the restricted access to the western capital market. Overall, this year the balance of financial transactions of the private sector has followed the path similar to that seen in 2017.

International reserves

In 2019 Q3, reserves increased by \$15.9 billion mainly owing to fiscal rule-based foreign currency purchases. A more significant growth than in 2018 Q3 (+\$5.0 billion), was associated with a temporary suspension growth of currency purchases in August 2018. Transactions recorded in the balance of payments, revaluation and other changes increased Russia's international reserves in 2019 Q3 by \$12.6 billion, to \$530.9 billion.

EXPORTS AND OIL PRICE

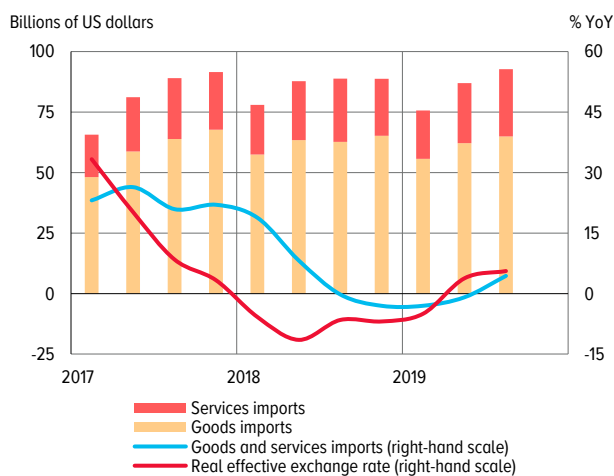
Chart 1



Sources: Bank of Russia, Thomson Reuters.

IMPORTS AND RUBLE EXCHANGE RATE

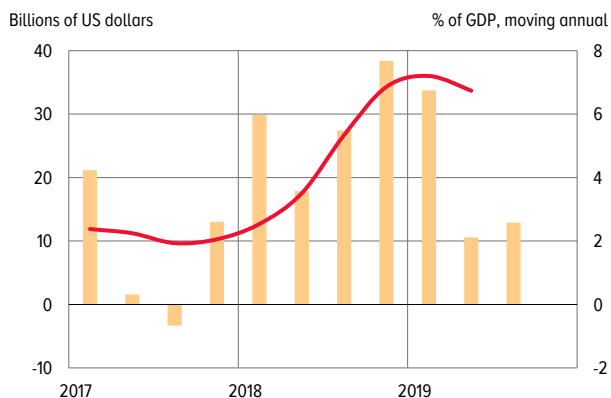
Chart 2



Source: Bank of Russia.

CURRENT ACCOUNT

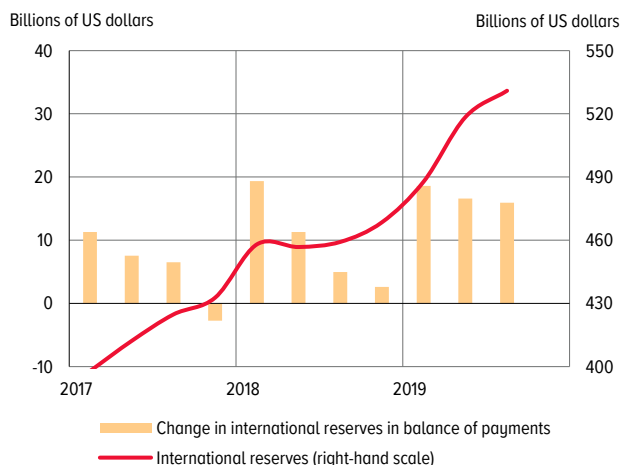
Chart 3



Sources: Bank of Russia, Rosstat.

INTERNATIONAL RESERVES

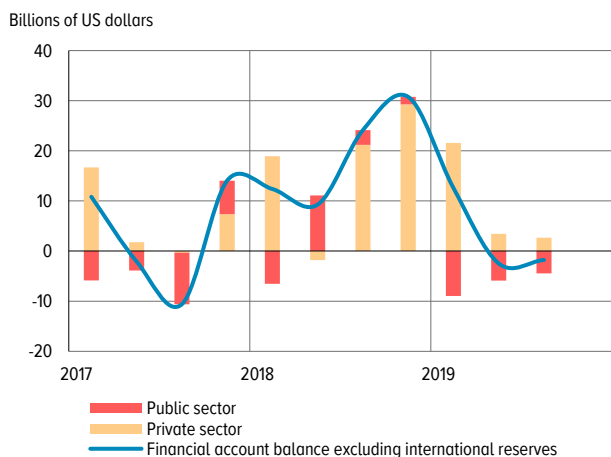
Chart 4



Source: Bank of Russia.

FINANCIAL ACCOUNT BALANCE*

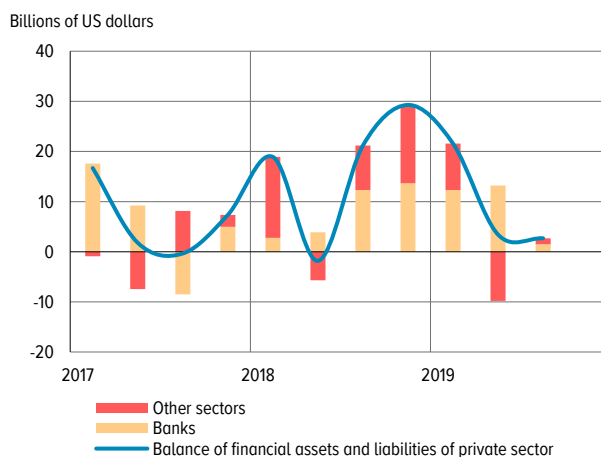
Chart 5



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

PRIVATE SECTOR FINANCIAL ACCOUNT COMPONENTS*

Chart 6



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

Data cut-off date – 9 October 2019.

Soft copies of information and analytical commentaries are available on the Bank of Russia website (<http://www.cbr.ru/DKP/surveys/>).

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

This commentary was prepared by the Monetary Policy Department.

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