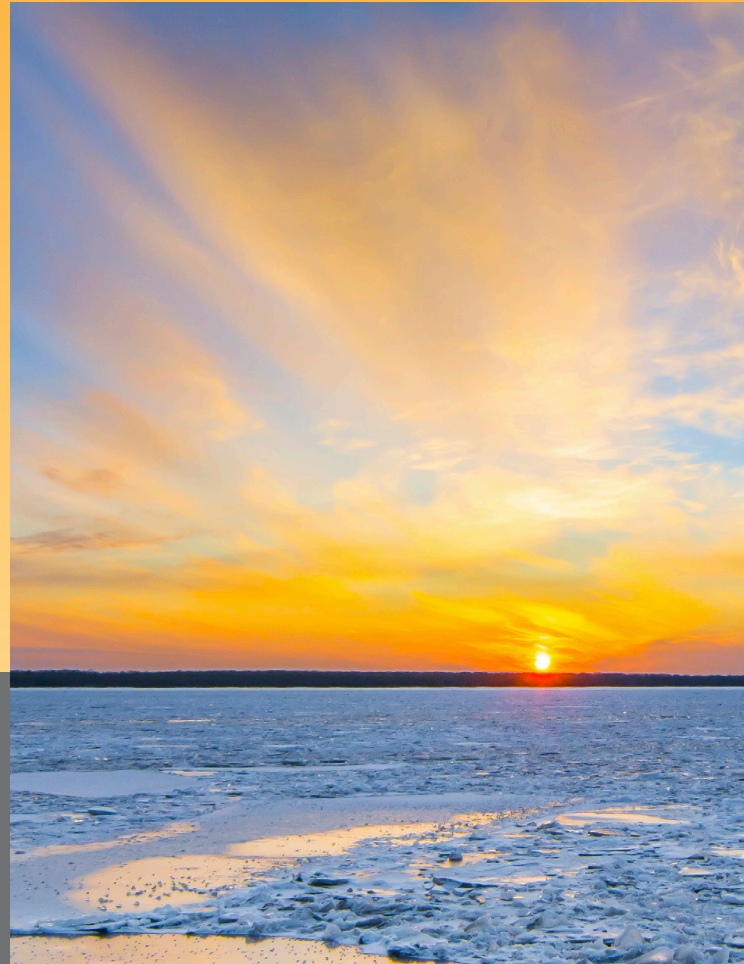




Bank of Russia



RUSSIA'S BALANCE OF PAYMENTS

No. 4 (10) • 2021 Q4

Information and analytical commentary

27 January 2022

RUSSIA'S BALANCE OF PAYMENTS (2021 Q4)¹

- In 2021 Q4, the current account surplus increased to its record high, driven by a surge in the value of exports.
- The expansion of exports as compared to the same period in 2019 and 2020 was predominantly associated with high global prices for commodities. The quantities of exports of certain goods also edged up year-on-year (YoY). Specifically, there was a significant rise in the exports of Russian vaccines. Oil exports were supported by the easing of the OPEC+ oil production cuts. Contrastingly, metal export quantities contracted due to higher export duties.
- The growth of the value and quantities of goods imports slowed down YoY, including because of output constraints worldwide. Nevertheless, the value of goods imports in 2021 Q4 again considerably surpassed the level of 2019.
- Owing to higher export revenues and improved financial performance of companies, net lending by the Russian private sector to the rest of the world expanded, with foreign assets increasing primarily in the form of direct investments.
- Russia's international reserves reached a new record high by the end of 2021, which was predominantly driven by fiscal rule-based foreign currency purchases amid higher oil prices and the allocation of Special Drawing Rights (SDR) to the benefit of the Russian Federation in 2021 Q3.

Current account

The current account surplus hit an all-time high, expanding to 42 billion US dollars in 2021 Q4. Overall, the surplus for 2021 reached 120 billion US dollars, which is the highest value on record (2020: 36 billion US dollars; 2019: 65 billion US dollars). The growth of the current account surplus was driven by an increase in the balance of trade promoted by the surge in exports amid soaring global prices for commodities. Furthermore, although the deficit in the balance of services expanded as compared to 2020, it was still below the level of 2019: services imports remained low due to the remaining anti-pandemic restrictions on travel.

Goods and services exports

GOODS EXPORTS

The value of goods exports continued to soar in 2021 Q4, expanding by 57% YoY and by nearly a third vs the same period in 2019. In addition

to favourable price trends in the global market, the growth of exports was supported by the economic revival in Russia's trading partners. According to the Federal Customs Service of Russia, the value of Russian exports to the EU27² in October–November 2021 increased twofold YoY and by almost 30% compared to the same period of 2019, and to China – by 60% and 29%, respectively.

Oil. The value of oil and petroleum product exports surged by 82% in 2021 Q4, with the Urals crude price soaring by 76% YoY. The growth of oil exports was driven by the oil production increase in Russia following the easing of the OPEC+ cuts. As reported by the Russian Ministry of Energy, oil export quantities in Russia expanded by 9% YoY. However, oil export quantities are still below the level of 2019 Q4 as the OPEC+ agreement still limits oil production. Nonetheless, this negative effect was more than offset by higher prices. As compared to 2019 Q4, the value of oil and petroleum product exports increased by 6%.

¹ The commentary on the balance of payments includes a preliminary estimate of its indicators in 2021 Q4 and actual data on the international reserves.

² The EU currently includes 27 member states.

Natural gas. The growth rates of the natural gas export value were high. In 2021 Q4, it increased by 131% vs the same period in 2019, which was solely driven by the surge in the natural gas price in Europe (which is the key market for Russia). According to the World Bank, the price for natural gas hit a record high in December 2021 amid very low gas reserves in Europe. As reported by the European association Gas Infrastructure Europe, gas volumes in European gas storages totalled as little as 53 billion m³ as of the end of 2021, which is about 25% below the average of the previous five years. Over 2021 Q4, the gas spot price in Europe averaged more than 1,200 US dollars per 1,000 m³, that is, it surged more than six times YoY, 6.5 times vs the same period in 2019, and by 90% quarter-on-quarter. As compared to the gas spot price in the European market, the average export price for Russia's natural gas changed less significantly. As reported by the Federal Customs Service of Russia, the export price increased approximately threefold in October–November 2021 as compared to the same periods in 2020 and 2019. According to Eurostat, the surge in gas prices caused a 10% reduction in gas consumption in the EU in 2021 Q3 YoY. The IEA³ reports that OECD European countries continued to decrease gas consumption in October 2021 YoY. The export quantities of Russian gas contracted in Q4. Nevertheless, over the period from January to November 2021, the quantities of natural gas exports from Russia to all countries expanded by 2.5% YoY. In January–November 2021, the quantities of Russian natural gas and LNG exports were close to record highs, although still below the readings of 2019.

Non-oil and gas exports.⁴ The growth rate of the value of non-oil and gas exports remained rather high in 2021 Q4 (+32% YoY and +43% vs the same period in 2019). Overall, the value of non-oil and gas exports in 2021 reached a record high, including due to a significant rise in metals and chemicals exports. However, this expansion in 2021 Q4 was predominantly driven by higher global prices for many commodities.⁵ The quantities of goods exports changed diversely. Exports of some goods increased. Specifically, due to the pandemic, the quantities of exports of Russian vaccines soared five times in October–November 2021 and more than four times over January–November 2021, as compared to the same periods in 2020.⁶ There was an increase in the export quantities of some fertilisers in October–November, before the introduction of the temporary quantitative restriction on their exports on 1 December 2021. Contrastingly, the quantities of copper, aluminium and ferrous metal exports⁷ decreased, dragged down by the temporary duties on metals that were in place in August–December 2021. The growth of wheat exports was also limited by the export duties.

SERVICES EXPORTS

In 2021 Q4, services exports expanded by 24% YoY, primarily driven by an increase in transportation and other services exports. Moreover, services exports generally returned to the level of 2019 Q4 (-0.5%). Although exports of travel services remained 68% below the level of 2019 Q4, exports of other services exceeded pre-pandemic readings. Exports of telecommunication, computer and information services surged by 36% vs 2019 Q4. There was also a substantial rise in exports of construction and other business services.

³ International Energy Agency.

⁴ Exports of goods, excluding oil, petroleum products, natural gas and liquefied natural gas (LNG).

⁵ According to the World Bank, in 2021 Q4, prices for Australian coal surged 2.7 times YoY and vs 2019 Q4, for aluminium – by 44% and 57%, for copper – by 35% and 65%, and for fertilisers – 2.5 and 2.6 times, respectively.

⁶ The value of vaccine exports (foreign economic activity commodity code – 3002200009) soared 23 times in January–November YoY, reaching 1.4 billion US dollars.

⁷ As reported by the Federal Customs Service of Russia, the export quantities of copper and copper products decreased by 60% in October–November 2021 YoY, of aluminium and aluminium products – by 29% YoY, and of ferrous metals and ferrous metal products – by 1% YoY.

Goods and services imports

GOODS IMPORTS

The growth of the value of goods imports slowed down slightly in 2021 Q4, while still staying high: 22% YoY (2021 Q3: +29% YoY). Imports in certain groups of consumer goods continued to expand. For instance, in October–November amid the challenging pandemic situation, the value of medicine imports surged by 38% YoY. There was also an increase in imports of some clothing and footwear items. The rise in imports of machinery, equipment and vehicles decelerated, mainly due to the negative impact of global factors, such as logistics bottlenecks, disturbances in supply chains, and a deficit of semiconductors. As reported by the Federal Customs Service of Russia, in October–November 2021, the growth of the value of imports of motor vehicle parts⁸ slowed down to 11% YoY (2021 Q3: +44% YoY). The value of imported cars⁹ declined by 2% in October–November 2021 YoY (2021 Q3: +58% YoY), and their number edged down by 13% (2021 Q3: +45% YoY). The rise in the index of Russia's Federal Customs Service capturing import quantities of all goods decelerated to 11% YoY in October 2021 and to 10% YoY in November 2021 (2021 Q3: +14% YoY).

SERVICES IMPORTS

The value of imports services surged by 30% in 2021 Q4 (2021 Q3: +45% YoY), which was owing to the expansion of imports of travel and transportation services driven by the rebound in foreign tourism. As reported by Turkey's Ministry of Culture and Tourism, the number of Russians who visited Turkey in October–November 2021 increased by 78% YoY to 1.1 million, which is 12% more than over the same period in 2019.

Nonetheless, over January–November 2021, the number of Russians who visited Turkey¹⁰ remained 34% below the level of January–November 2019. The tourist flow from Russia to the majority of other foreign states declined as compared to 2019.¹¹ The tourist flow from Russia to many EU countries not recognising Russian vaccines was close to zero, despite the resumption of flights. In these conditions, travel services imports in 2021 Q4 remained two times below the level of 2019 Q4. However, the gap between 2021 and 2019 was decreasing during all the four quarters.¹² Owing to the positive trends in the tourist flow and cargo transportation, imports of transportation services exceeded the level of 2019 Q4 by 7%. Imports of other services also expanded as compared to the same period in 2019 (+8%), largely driven by the increase in construction services imports. Thus, overall services imports in 2021 Q4 was only 10% below the level of 2019 Q4.

Financial account

General government¹³ and the central bank

In 2021 Q4, net lending by general government and the central bank to the rest of the world totalled 2 billion US dollars (2020 Q4: net borrowing in the amount of 0.4 billion US dollars). Non-residents' net purchases of Russian government bonds in 2020 Q4 (1 billion US dollars) reversed to net sales in 2021 Q4 totalling 4 billion US dollars. This was due to a decline in investors' demand for high-risk assets amid the resurgence in coronavirus cases and rising geopolitical risks. Another reason was the revision by market participants of the expectations about the key rate path because of faster inflation.

⁸ Foreign economic activity commodity code – 8708.

⁹ Foreign economic activity commodity code – 8703.

¹⁰ According to the Border Service of the Federal Security Service of Russia, Turkey accounted for 63% in the total number of Russian tourists in January–September 2021, 40% – in 2020, and 30% – in 2019.

¹¹ According to the Border Service of the Federal Security Service of Russia, the number of Russian tourists visiting Cyprus and the UAE in January–September 2021 was 40% below the 2019 level; for Greece, the decrease was 78%.

¹² In 2021 Q1, the value of travel services imports was 80% below the level of the same period in 2019.

¹³ Federal government and local government.

Financial transactions of the private sector

Net lending by the Russian private sector to the rest of the world expanded to 18 billion US dollars in 2021 Q4 (2020 Q4: 11 billion US dollars) and 72 billion US dollars over 2021 in general (2020: 50 billion US dollars).

The structure of net lending altered. In contrast to 2020 when net lending was mostly the result of a reduction in foreign liabilities, in 2021 it resulted from the growth of the private sector's foreign assets.

Amid increasing revenues from foreign trade, other sectors' foreign assets expanded by 16 billion US dollars in 2021 Q4 and 84 billion US dollars over the entire 2021. Furthermore, unlike in 2020 when the major contributor was portfolio investment, the growth of other sectors' foreign assets in 2021 was primarily driven by direct investment. Over 2021 in general, other sectors' assets in the form of foreign direct investment increased by more than 50 billion US dollars. Such a considerable rise in Russian companies' direct investment abroad was accounted for by reinvestment of incomes amid better financial performance in the corporate sector and capital investment in related foreign companies.

In contrast to other sectors, Russian banks' foreign assets shrank concurrently with the reduction in their foreign liabilities.

Other sectors' foreign liabilities declined by 5 billion US dollars in 2021 Q4 due to portfolio investment as global investors' risk appetite lowered amid the pandemic. Nonetheless, over 2021 in general, other sectors increased foreign liabilities by 16 billion US dollars: their expansion in the form of direct investment to Russia more than offset their contraction in the form of portfolio investment and loans.

International reserves

Reserve assets were up by 22 billion US dollars in 2021 Q4 as a result of transactions recorded in the balance of payments (2020 Q4: -4 billion US dollars). Their growth was mostly driven by fiscal rule-based foreign currency purchases. Over 2021 in general, reserve assets expanded by 64 billion US dollars (2020: -14 billion US dollars). In addition to fiscal rule-based operations, this increase over 2021 was significantly boosted by the allocation of SDRs to Russia in the amount of 17.5 billion US dollars under the IMF's decision on the new SDR allocation among the member states. The said increase in Russia's international reserves was only partially affected by their reduction due to the negative currency revaluation caused by the US dollar strengthening and a lower gold price, as well as other negative changes. Eventually, the international reserves expanded to 631 billion US dollars by 1 January 2022, which is the highest value on record (2021: +35 billion US dollars; 2020: +41 billion US dollars).

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

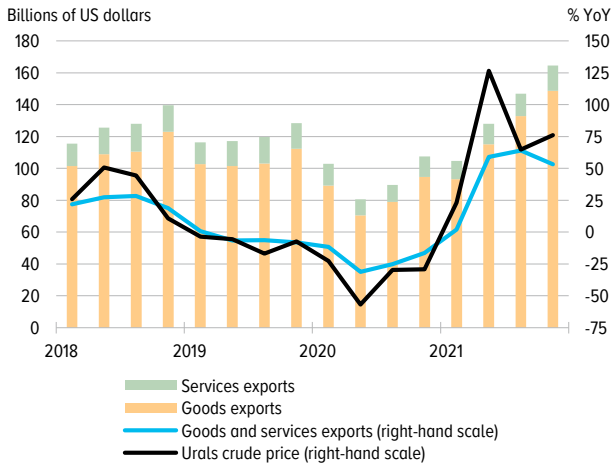
	2020					2021				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4**	Year**
Current account	23.5	1.6	3.9	7.0	36.0	23.3	18.3	36.9	41.8	120.3
Balance of trade	33.3	16.7	18.8	25.0	93.7	28.7	38.9	55.0	63.4	185.9
<i>Exports</i>	89.3	70.5	79.0	94.6	333.4	93.2	115.0	132.8	148.7	489.8
<i>Imports</i>	56.0	53.8	60.2	69.7	239.6	64.6	76.2	77.8	85.3	303.9
Balance of services	-6.4	-1.9	-3.6	-5.2	-17.0	-2.4	-3.5	-6.5	-7.4	-19.9
<i>Exports</i>	13.5	10.0	10.7	12.8	47.0	11.5	13.0	14.2	15.9	54.6
<i>Imports</i>	19.9	11.9	14.3	18.0	64.1	13.9	16.5	20.7	23.3	74.5
Balance of primary and secondary income	-3.5	-13.2	-11.2	-12.8	-40.7	-3.0	-17.0	-11.6	-14.2	-45.8
Capital account	0.0	-0.2	-0.1	-0.2	-0.5	0.2	-0.2	-0.1	-0.2	-0.3
Financial account excluding reserve assets	19.3	14.6	8.6	10.5	53.0	19.2	9.2	4.2	22.8	55.4
Net incurrence of liabilities	-13.8	-3.0	-13.4	-9.7	-39.9	-0.3	3.8	32.9	-10.3	26.1
General government	0.6	1.1	-0.5	2.4	3.7	-3.3	-0.8	5.2	-4.4	-3.3
Central bank	-0.9	-1.3	2.3	-1.0	-0.9	2.1	-0.2	16.7	3.2	21.8
Banks	-6.8	-9.2	-2.2	-7.9	-26.2	0.3	-4.3	-0.2	-4.1	-8.3
Other sectors	-6.6	6.3	-13.0	-3.1	-16.4	0.6	9.0	11.2	-5.0	15.8
Net acquisition of financial assets	5.5	11.6	-4.8	0.8	13.1	18.9	13.0	37.1	12.6	81.5
General government	0.1	1.2	-0.7	1.0	1.6	0.4	1.8	-0.1	1.0	3.2
Central bank	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	-0.1
Banks	2.5	-2.0	-7.4	2.4	-4.5	3.2	-7.9	3.8	-4.8	-5.6
Other sectors	3.0	12.4	3.3	-2.6	16.1	15.2	19.1	33.4	16.3	84.0
Net errors and omissions	0.9	0.3	2.5	0.2	3.8	-0.5	-0.4	-3.0	2.9	-1.0
Change in reserve assets	5.0	-12.9	-2.3	-3.6	-13.8	3.7	8.5	29.6	21.7	63.5
Memo item: balance of the private sector's financial transactions	18.6	12.6	8.5	10.6	50.4	18.2	7.0	29.1	17.7	72.0
Memo item: foreign direct investment										
Total, abroad	0.6	4.6	-3.0	3.6	5.8	9.2	8.9	20.2		
Total, in Russia	-3.8	6.3	2.4	4.5	9.5	5.9	6.2	17.1		
Other sectors, changes in assets	0.4	4.8	-2.9	3.3	5.7	9.1	9.1	19.8	15.5	53.6
Other sectors, changes in liabilities	-4.1	5.9	2.1	4.1	8.0	4.3	7.3	15.7	3.3	30.7

* 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

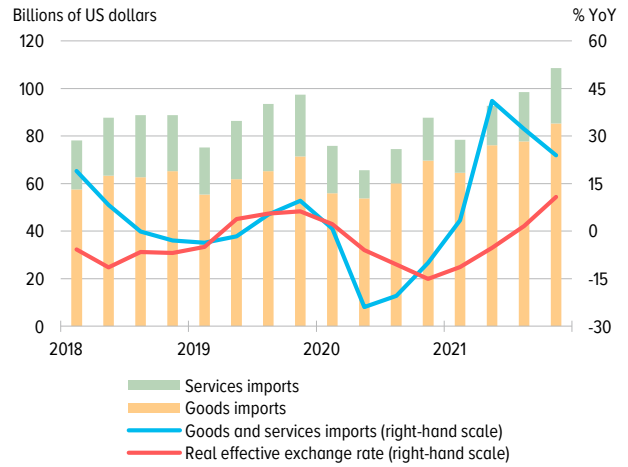
Chart 1



Sources: Bank of Russia, Refinitiv.

IMPORTS AND RUBLE EXCHANGE RATE

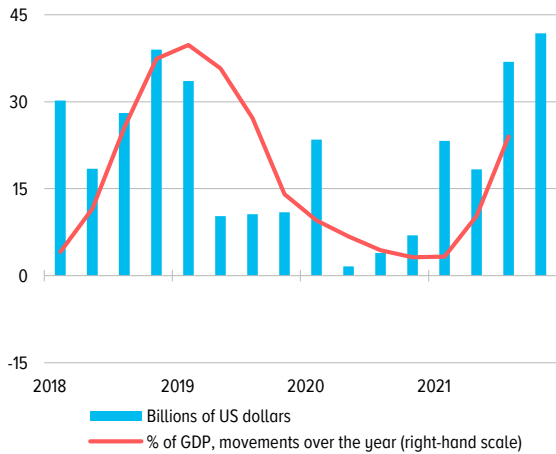
Chart 2



Source: Bank of Russia.

CURRENT ACCOUNT

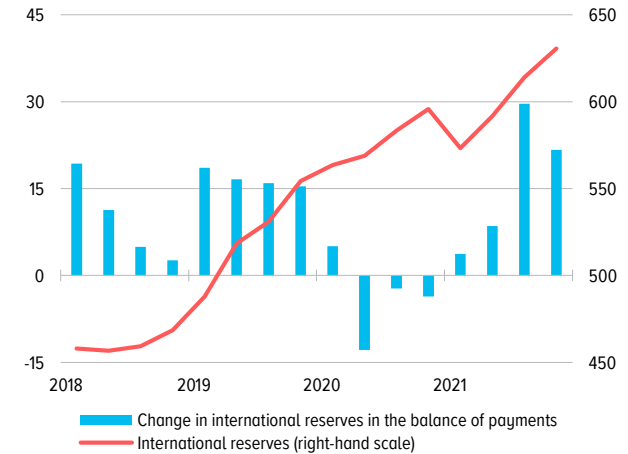
Chart 3



Note: 2021 Q4 GDP data is unavailable.
Sources: Bank of Russia, Rosstat.

INTERNATIONAL RESERVES
(BILLIONS OF US DOLLARS)

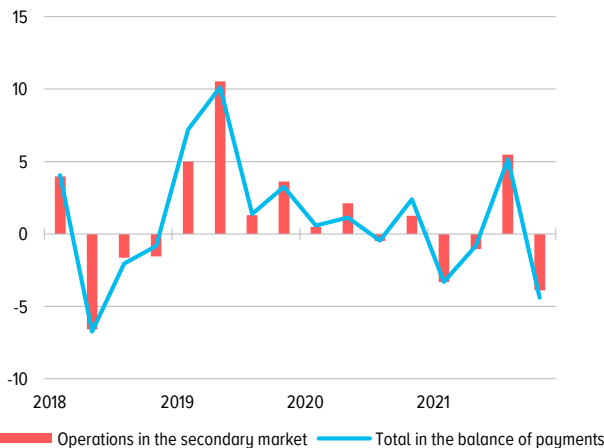
Chart 4



Source: Bank of Russia.

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

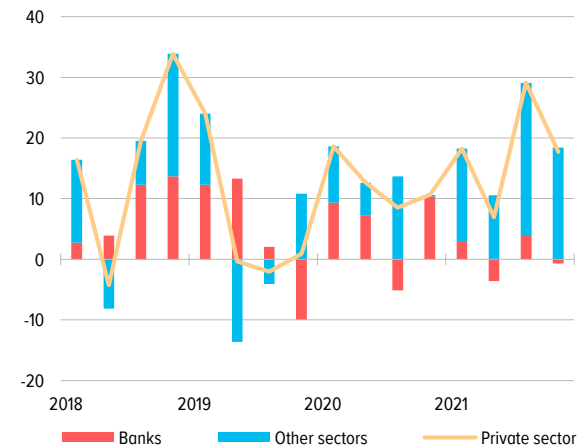
Chart 5



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.

Data cut-off date – 18.01.2022.

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.

This commentary was prepared by the Monetary Policy Department.

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12 Neglinnaya Street, Moscow 107016

Bank of Russia website: www.cbr.ru

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