



Bank of Russia



RUSSIA'S BALANCE OF PAYMENTS

No. 3 (16) • 2023 Q3

Information and analytical commentary

19 October 2023

RUSSIA'S BALANCE OF PAYMENTS (2023 Q3)¹

- In 2023 Q3, the current account surplus stayed below both 2022 Q3 and 2021 Q3 values owing to a drop in the trade surplus. It rose, however, relative to the previous quarter. The reason is that the value of exports went up but the value of imports remained unchanged. In addition, there was a decline in the amount of dividends payable by Russian companies to non-residents.
- The value of exports increased against the previous quarter in part because of higher oil prices. Growth in exports was also supported by the good harvest of grains and the diversification of export destinations. However, sanctions restrictions and decisions to voluntarily cut exports of some goods were hindering growth in export quantities.
- The recovery of imports, which had put pressures on the exchange rate in the previous quarters, stopped in 2023 Q3. The value of imports was 4% lower than in 2021 Q3. Its year-on-year growth slowed in part due to a weaker ruble and a base effect. Concurrently, imports were still supported by rising domestic demand, refocusing on alternative suppliers and the Russian Government's measures to facilitate the importation of goods.
- Nonetheless, the effect of the stronger balance of external trade on the foreign exchange market may be delayed owing to lags in receiving export revenues and prepayments for imports.
- In 2023 Q3, net lending to the rest of the world derived from growth in foreign assets related to the same types of investment as in the first six months. Foreign assets rose on the back of direct investment and external trade receivables. Driven by the bigger current account surplus, foreign assets grew faster than in the previous quarter. Foreign liabilities were up for the second quarter in a row, having fully offset their reduction in the first quarter.

Current account

In 2023 Q3, the current account surplus came in at \$17 billion. It was still lower than in 2022 Q3 (\$48 billion) and 2021 Q3 (\$35 billion) largely owing to a smaller trade surplus.

Its deviation from the record-high 2022 value shrank because of a slower decrease in exports and weaker imports in part due to the base effect of the previous year. Another contributor was a drop in the deficit in primary and secondary income account, primarily resulting from a decline in dividends payable by Russian companies to foreign investors.

The current account surplus went up against the previous quarter's level (\$10 billion) due to the recovery in the value of exports amid higher oil prices and a narrower deficit in the investment income balance.

Nonetheless, the effect of the stronger balance of external trade on the foreign exchange market may be delayed owing to lags in receiving export revenues and prepayments for imports.

Goods and services exports

Goods exports. The decline in the value of goods exports slowed down to 25% year-on-year (2023 Q2: -32% YoY) on the back of stronger oil prices. The export value still exceeded the average value of the respective quarters in 2017–2021. Exports were supported by the good harvest of grains in the Russian Federation and the diversification of export destinations.

Nevertheless, the export value was 20% lower than in 2021 Q3. Global prices for some commodities went down amid the slowdown in the global economy. Sanctions restrictions and decisions to voluntarily cut exports of some goods were hindering growth in export quantities.

¹ The commentary on the balance of payments includes preliminary estimates of its indicators in 2023 Q3 and actual data on the international reserves.

Oil. Oil exports were supported by stronger oil prices. The Brent crude oil price – the leading global price benchmark – increased by 11% quarter-on-quarter to average \$87 per barrel over 2023 Q3.² This was fuelled by Saudi Arabia's decision to cut oil production by one million barrels a day starting from July. Moreover, the Urals discount to Brent crude decreased to 15% in 2023 Q3 from nearly 30% in 2023 Q2.³ The Urals crude price increased by 32% quarter-on-quarter to \$74 per barrel in the third quarter to exceed the levels of both 2021 Q3 and 2022 Q3.⁴

However, oil export quantities were impacted by Russia's voluntary decision to cut oil production (by 500,000 barrels a day in August and by 300,000 barrels a day in September). This decision was one of the factors behind the increase in global oil prices and the smaller discount on Russian oil. Growth in petroleum products export quantities was moderated by the Russian Government's ban on the exports of petrol and diesel fuel. It was introduced on 21 September to stabilise the domestic market.⁵

Natural gas. Global gas prices were still significantly lower than the 2022 record highs. However, they stabilised compared to the previous quarter. According to the World Bank, the gas price index gained 2% quarter-on-quarter in 2023 Q3 (-28% QoQ in 2023 Q2) to exceed the average value of the respective quarters in 2017–2021.⁶

Gas export quantities were around multi-year lows due to a halt of gas supplies to Europe via the Nord Stream 1 pipeline. Concurrently, Russian gas exports via pipelines to Europe increased by 28% quarter-on-quarter in 2023 Q3.⁷ This resulted from a drop in liquefied natural gas (LNG) supply in the European market in August amid strikes at large LNG facilities in Australia.

Russian gas exports were also supported by the launch of LNG shipments to China along the Northern Sea Route by Gazprom and the development of the Power of Siberia pipeline infrastructure.⁸

Non-oil and gas exports.⁹ Growth in the value of non-oil and gas exports was still moderated by falling global prices for a number of commodities.¹⁰ This was in part due to concerns about relatively slow growth in consumer demand in China¹¹ and a global economic recession caused by a longer monetary policy tightening cycle.

Growth in export quantities was still curbed by restrictions imposed by Western countries on exports of Russian goods.

However, exports were boosted by their redirection to the Asian market, as well as by the good harvest of and high demand for grains in the global market in 2023.¹²

Services exports. In 2023 Q3, the value of services exports went down by 11% year-on-year and by 28% compared to 2021 Q3. Exports declined largely owing to telecommunications, computer and information services, and other business services. This was associated with reduced export opportunities for Russian IT companies because of the restrictions imposed by Western countries and the relocation of their operations to other countries. The value of transport services exports was close to the previous year level, though it was 23% lower than in 2021 Q3 due to restrictions on transportation by Russian companies. Nevertheless, exports of travel services rose against 2021 Q3 and 2022 Q3 on the back of a larger number of foreign nationals (primarily from CIS countries) who entered Russia.

² The calculation is based on World Bank data.

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

⁴ The calculation is based on data from the Russian Ministry of Finance.

⁵ Resolution of the Government of the Russian Federation No. 1537, dated 21 September 2023.

⁶ The calculation is based on World Bank data.

⁷ According to Bruegel – the European think tank that specialises in economics, the year-on-year decline slowed down to 22% in 2023 Q3.

⁸ According to PJSC Gazprom.

⁹ Exports of goods except for oil, petroleum products, natural gas, and LNG.

¹⁰ According to the World Bank, in 2023 Q3, global prices for Australian coal declined by 63% year-on-year and by 8% quarter-on-quarter, for aluminium – by 8% and 5%, and for nickel – by 8% and 9%, respectively.

¹¹ China accounts for more than a half of the global consumption of industrial metals and coal.

¹² As forecast by the FAO, in 2023 and 2024, the global consumption of grains will edge up by 1% year-on-year to hit its ten-year high, at least.

Goods and services imports

Goods imports. In 2023 Q3, the value of Russian goods imports fell by 3% against 2021 Q3. Their growth slowed down to 10% year-on-year compared to 2022 Q3 (+34% year-on-year in 2023 Q2) amidst a weaker ruble. The nominal exchange rate of the ruble against the US dollar fell by 37% year-on-year and by 22% compared to 2021 Q3. The real effective exchange rate changed less: -36% and -7%, respectively, over the third quarter on average.

In July 2023, the value of imports from Europe to Russia was close to its record low since 2004 and decreased by 63% and 28% compared to 2021 Q3 and 2022 Q3, respectively.¹³ However, reduced imports from the EU were offset by larger supplies of goods from other countries.

Imports were also supported by the Russian Government's measures to facilitate the importation of goods to Russia, including the parallel import mechanism.¹⁴ In 2023 Q3, authorities extended the list of goods that might be supplied within the parallel import mechanism to include a range of brands of batteries, rechargeable batteries, vehicle spare parts, photo cameras, and glasses.¹⁵

Services imports. In 2023 Q3, growth in the value of services imports slowed down to 4% year-on-year (2023 Q2: +29% year-on-year) and declined by 9% against 2021 Q3. Different types of services were showing mixed trends. Imports of travel services expanded considerably against both 2022 Q3 and 2021 Q3 owing to

the recovery of Russian outbound tourism.¹⁶ Imports of transport services were close to the levels of third quarters in 2021–2022. However, there was a decline in imports of construction services, telecommunications, information and other services.

Financial account

In 2023 Q3, the financial account surplus (including reserve assets) totalled \$12 billion. It declined significantly compared to both 2022 Q3 (\$44 billion) and 2021 Q3 (\$34 billion).

In 2023 Q3, net lending to the rest of the world derived from a faster increase in foreign assets compared to foreign liabilities. Foreign assets increased by \$17 billion in 2023 Q3 (2023 Q2: +\$13 billion). They grew across the same types of investment as in the first six months. Foreign assets rose on the back of direct investment and external trade receivables. Notably, foreign assets grew to a lesser extent than in 2022 Q3 (\$31 billion).

Foreign liabilities were rising for the second quarter in a row. In the third quarter, they increased by \$4 billion (2023 Q2: +\$6 billion) to fully offset their drop in the first quarter. As in the previous quarter, foreign liabilities related to different types of investment were showing mixed trends. Foreign liabilities in the form of portfolio investment declined. However, foreign liabilities in the other investment category rose.

¹³ The calculation is based on Eurostat data.

¹⁴ Imports of goods to a country and their sale without the authorisation of the product owner who has intellectual property rights over the products.

¹⁵ Order of the Ministry of Industry and Trade of the Russian Federation No. 2701, dated 21 July 2023.

¹⁶ According to data from the Turkish Ministry of Culture and Tourism, the number of Russian tourists who entered the country in July and August 2023 increased by 12% 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)*

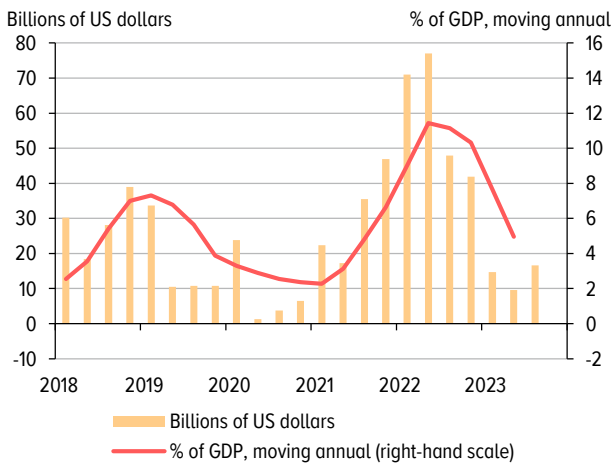
	2021					2022					2023			
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3**	January–September**
Current account	22.4	17.3	35.5	46.9	122.1	71.0	77.0	47.9	41.9	237.9	14.7	9.6	16.6	40.9
Balance of trade	28.7	38.8	54.2	68.5	190.3	84.8	95.1	72.8	62.8	315.6	30.2	27.4	30.2	87.8
Exports	93.3	114.9	132.1	154.0	494.3	154.6	151.8	141.7	144.0	592.1	104.9	103.7	106.1	314.7
Imports	64.6	76.1	77.9	85.5	304.0	69.8	56.7	68.8	81.2	276.5	74.7	76.2	75.9	226.8
Balance of services	-3.0	-4.1	-6.9	-6.4	-20.4	-3.5	-3.6	-7.0	-8.1	-22.2	-7.3	-8.5	-9.0	-24.8
Exports	11.5	13.0	14.1	17.0	55.6	13.9	11.1	11.4	12.3	48.6	9.8	10.4	10.1	30.3
Imports	14.5	17.1	21.0	23.3	75.9	17.4	14.7	18.3	20.4	70.9	17.1	18.9	19.1	55.1
Balance of primary and secondary income	-3.3	-17.5	-11.9	-15.2	-47.8	-10.2	-14.4	-18.0	-12.8	-55.4	-8.2	-9.3	-4.5	-22.1
Capital account	0.2	0.0	0.0	0.0	0.1	0.0	-1.1	-1.9	-1.5	-4.6	-0.1	0.0	0.0	-0.1
Current and capital account balance	22.6	17.2	35.5	46.9	122.2	71.0	75.9	46.0	40.4	233.3	14.7	9.5	16.6	40.8
Financial account balance, including reserve assets	22.7	18.3	33.7	47.8	122.5	67.3	76.3	44.4	41.6	229.6	12.0	6.5	12.5	30.9
Net incurrence of liabilities	-0.3	2.9	32.2	2.9	37.7	-35.1	-50.1	-13.9	-27.4	-126.4	-9.2	6.2	4.3	1.3
Net acquisition of financial assets, including reserve assets	22.4	21.2	65.9	50.7	160.2	32.2	26.2	30.5	14.2	103.2	2.8	12.7	16.8	32.2
Net errors and omissions	0.1	1.1	-1.8	0.9	0.3	-3.7	0.4	-1.6	1.1	-3.7	-2.7	-3.1	-4.1	-9.9

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

** Estimate.

CURRENT ACCOUNT

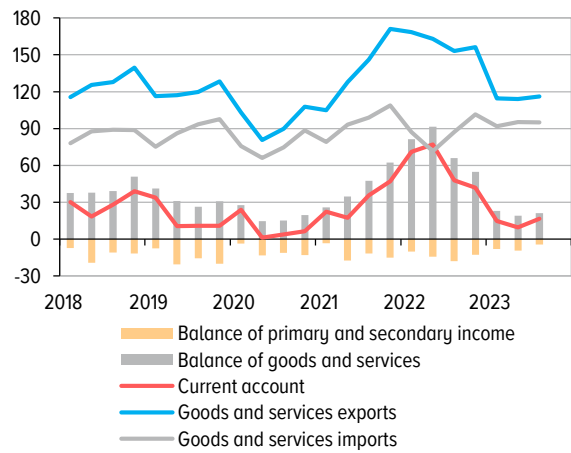
Chart 1



Note. 2023 Q3 GDP data are unavailable.
Sources: Bank of Russia, Rosstat.

CURRENT ACCOUNT COMPONENTS
(BILLIONS OF US DOLLARS)

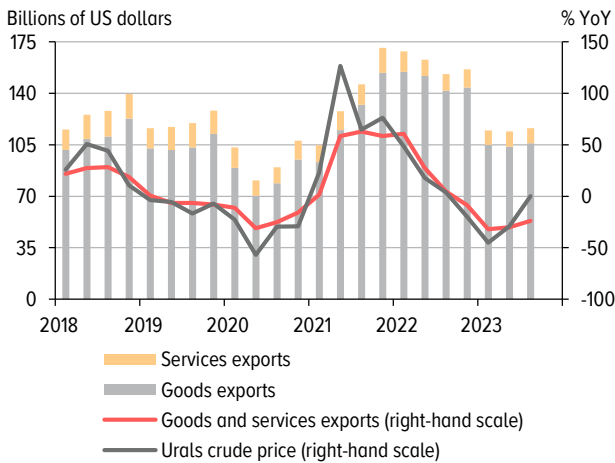
Chart 2



Source: Bank of Russia.

EXPORTS AND OIL PRICE

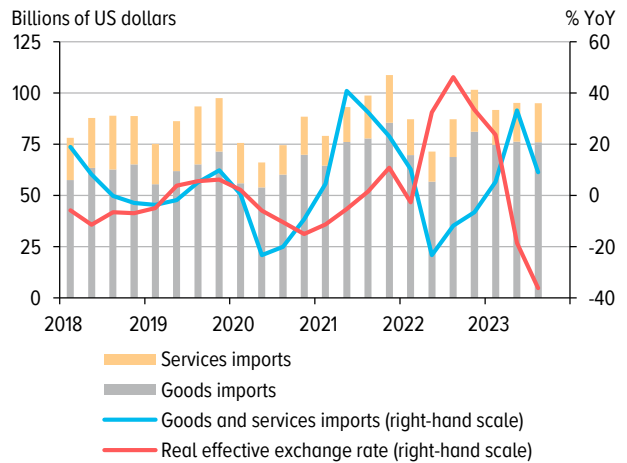
Chart 3



Sources: Bank of Russia, Russian Ministry of Finance.

IMPORTS AND RUBLE EXCHANGE RATE

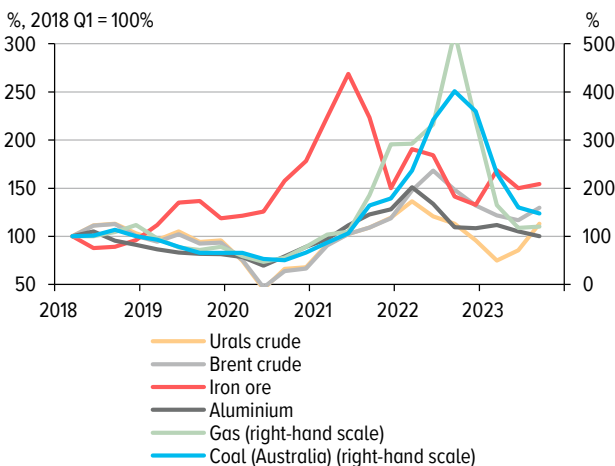
Chart 4



Source: Bank of Russia.

GLOBAL COMMODITY PRICES

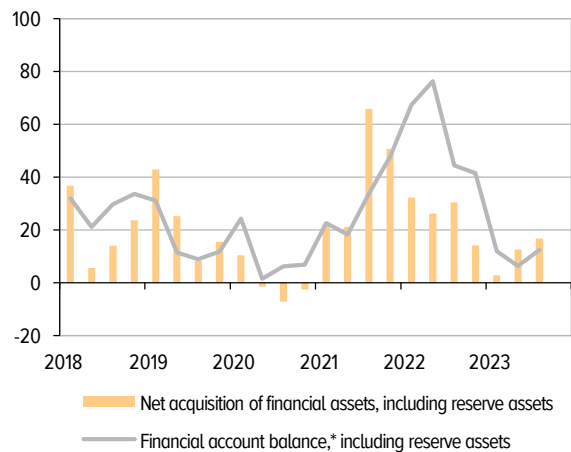
Chart 5



Sources: Russian Ministry of Finance, World Bank.

FINANCIAL ACCOUNT COMPONENTS
(BILLIONS OF US DOLLARS)

Chart 6



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

Data cut-off date – 13.10.2023.

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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