

# ING International Trade Study

Developments in global trade: from 1995 to 2017



## Russia

# Executive summary

Russia is expected to grow on average 3.6% in the coming years. This is relatively low compared to the average of other CIS countries and also relatively low compared to the global average of 3.7%. Because of its own economic growth and that of its main trading partners, Russia's exports are expected to grow 3.8% annually to US\$ 653 bn in 2017, making Russia the 11th largest exporter worldwide. Similarly, import demand will grow with an average of 9.3% per year to US\$ 605 bn in 2017, meaning that Russia will take the 11th position on the global list of largest importers. By 2017, Russia will mainly import road vehicles & transport equipment, industrial machinery and office telecom & electrical equipment, which together account for 45% of total imports of Russia. Similarly, Russia's exports will mainly consist of fuels, ores & metals and chemicals. Together these products will represent 88% of total exports in 2017. By 2017, Russia will mainly import products from China, Germany and Ukraine, which together account for 42% of total imports of Russia. Russia's main export markets will be the Netherlands, China and Italy. Together these countries will account for 39% of total exports in 2017.

## About the International Trade Study by ING

The ING International Trade Study aims to help ING's (inter)national clients develop their knowledge and capabilities for doing business across borders, and to contribute to the public debate on internationalization. We do this by generating valuable insights on the current and future economic trends and international trade developments worldwide.

This report is part of a series of ING 2012 International Trade Study reports, which includes forecasts for 60 different country and 13 product group reports. These reports document trade developments over the past years and the ING forecasts (2012-2017) for future international trade patterns and business opportunities, by partner country and export product. These forecasts are derived from a model specifically developed by the ING Economics Bureau (see also Methodology), and complemented with the in-depth knowledge of ING economists in our offices around the world.

# International Trade

## Economy

	2012F	2013F	2014F
GDP growth (real):	3.6%	3.5%	3.8%
GDP nominal (bn):	\$ 1,969	\$ 2,062	\$ 2,320
Exchange rate* EUR/RUB	39.40	41.40	42.30
Inflation:	5.4%	6.8%	6.2%
GDP composition by sector	2010		
Agriculture:	3.4%		
Industry:	25.9%		
Services:	74.1%		

## Population

	2011	2030
Population (mln):	143.0	136.4
GDP per capita:	\$ 13,788	
Unemployment rate (avg.):	6.5%	
Employment (mln persons):	n/a	

## Other indicators

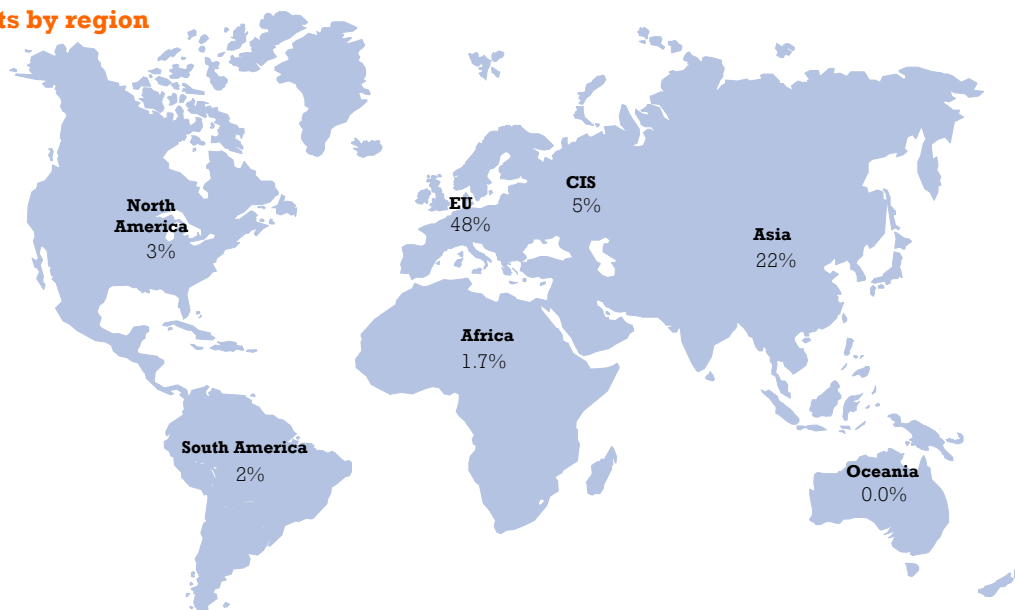
	2011	2012	2013
Competitiveness rank WEF	66	67	
Ease of doing business rank:	124	120	112
Credit rating :			
S&P		BBB	
Moody's		Baa1	
Fitch:		BBB	

\*end period

# Russia

# 2011

## Exports by region



Exports (bn)	\$478	Imports (bn)	\$355	Trade balance (bn)	\$123.46	Exports % of GDP	28%
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## Trade by products (bn)

### Food & live animals

	Exports	\$9.36
	Imports	\$41.79

### Crude materials, inedible, except fuels

	Exports	\$17.06
	Imports	\$9.08

### Machinery & Transport equipment

	Exports	\$11.77
	Imports	\$151.63

### Beverage & Tobacco

	Exports	\$0.73
	Imports	\$4.01

### Manufactured goods

	Exports	\$50.59
	Imports	\$47.04

### Mineral fuels

	Exports	\$282.39
	Imports	\$8.29

### Animal and vegetable oils

	Exports	\$0.96
	Imports	\$2.24

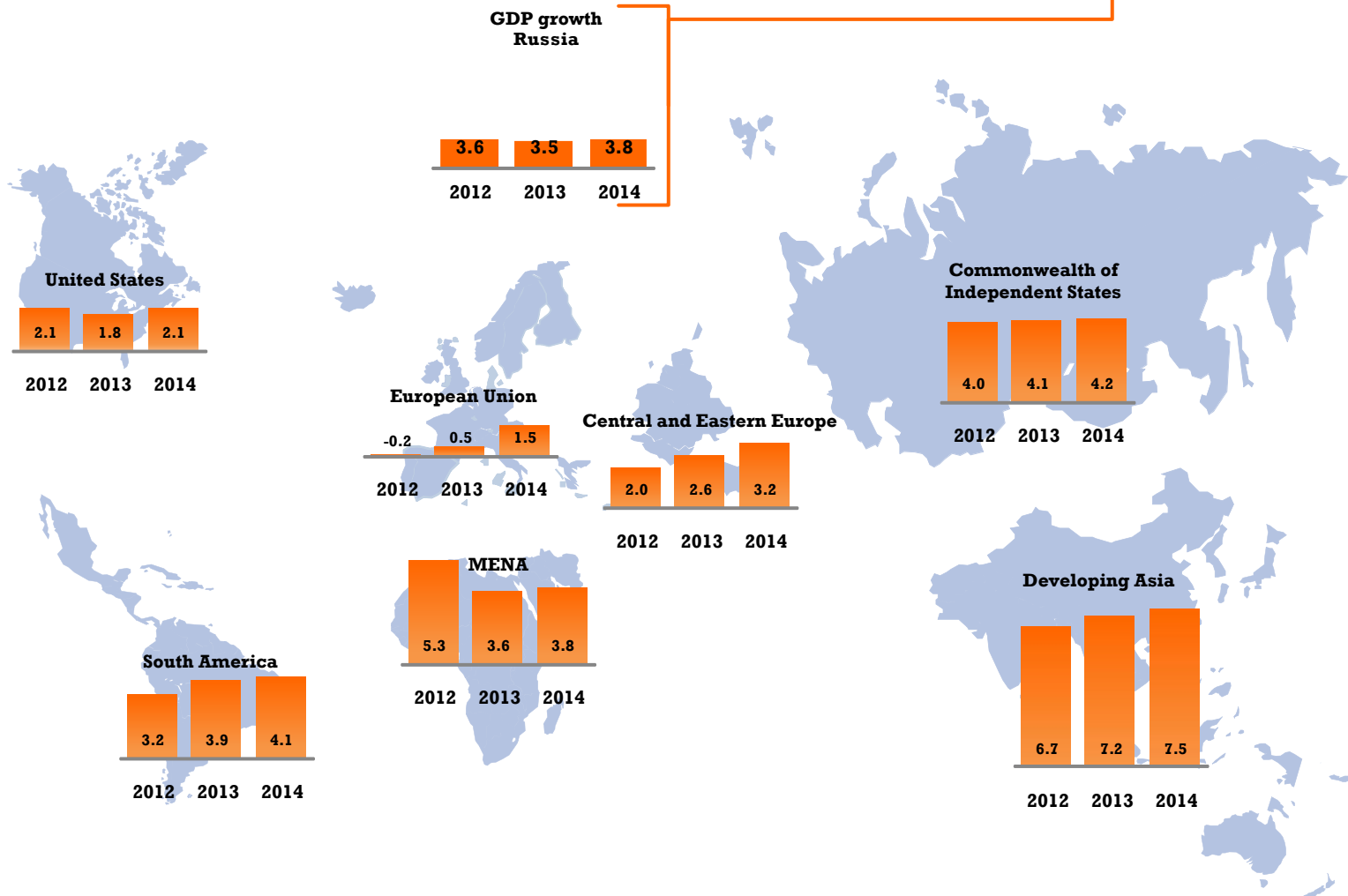
### Miscellaneous manufactured articles

	Exports	\$2.27
	Imports	\$43.54

### Chemicals

	Exports	\$21.79
	Imports	\$42.50

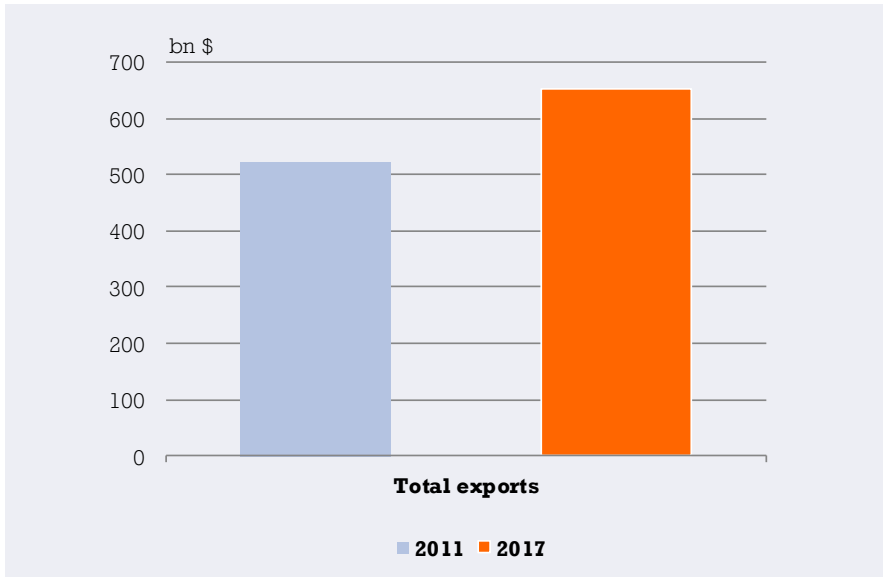
# Global economic growth forecast: Russia



Economic growth in the coming years will remain sluggish in developed markets. Especially the Eurozone will only experience limited growth as the region continues to struggle with the Eurocrisis. World output growth is strongly driven by emerging markets, in particular China and other developing Asian countries.

Russian growth is predicted to be *below* the CIS average, with 3,5% in 2013 and 3,8% in 2014.

# Trade forecast



Russia	1995	2011	2017
World ranking	18	9	11
CAGR 2012-2017	3.8%		

Russia	1995	2011	2017
World ranking	21	17	15
CAGR 2012-2017	9.3%		

In the coming years, exports (in current dollar terms) are expected to increase with 3.8% annually. The rank of Russia in the list of largest exporters worldwide will decrease to 11.

Demand for foreign products (imports) is also expected to increase in the next five years, with 9.3% annually. The rank of Russia in the list of largest importers worldwide will increase to 15.

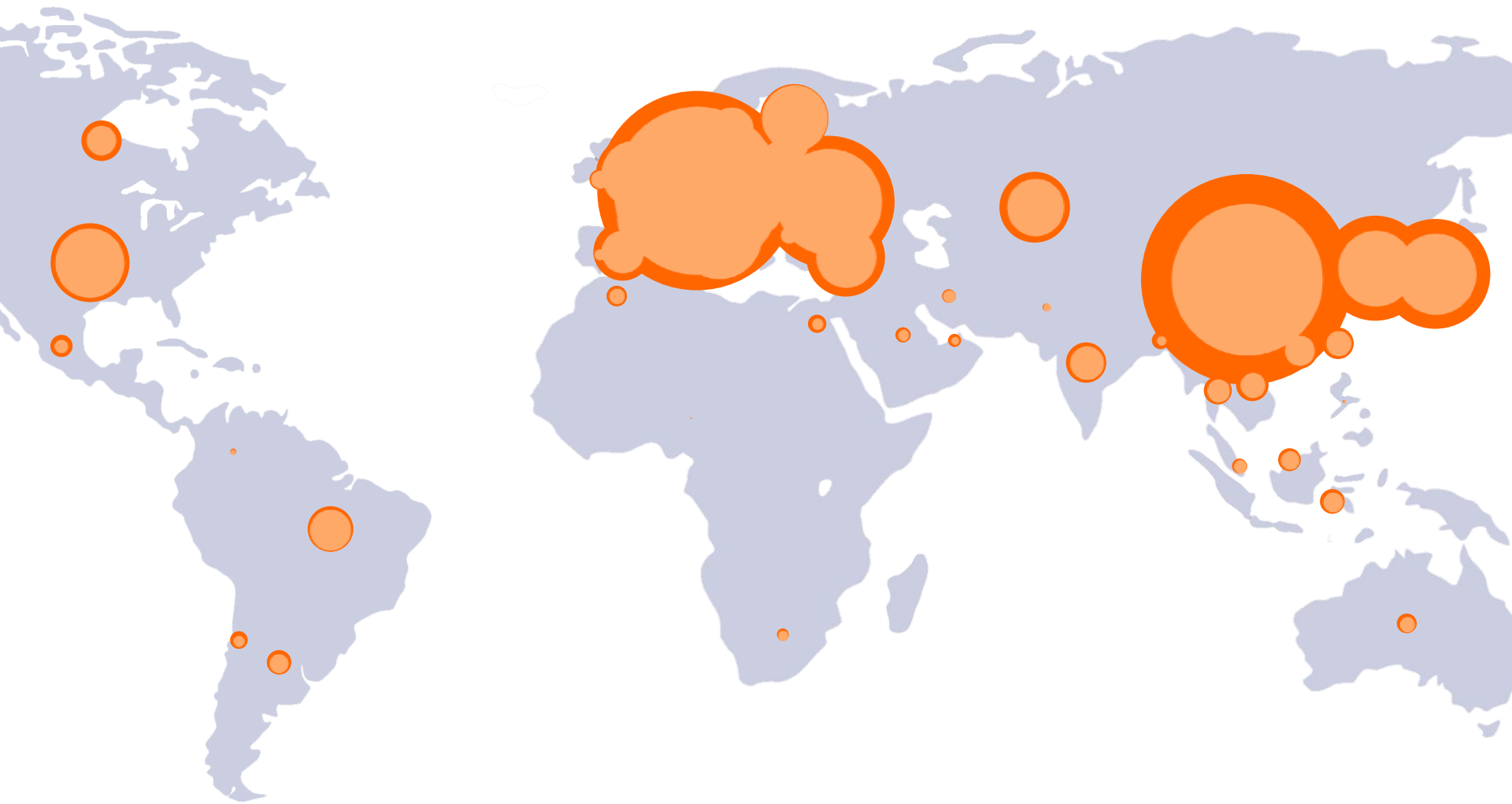
Worldwide, the top three export and import countries in 2017 will be China, United States and Germany. The countries that show the greatest *increase* in demand for imports of foreign products are Vietnam, Indonesia and Taiwan.

# Russian import demand

Russian import origins

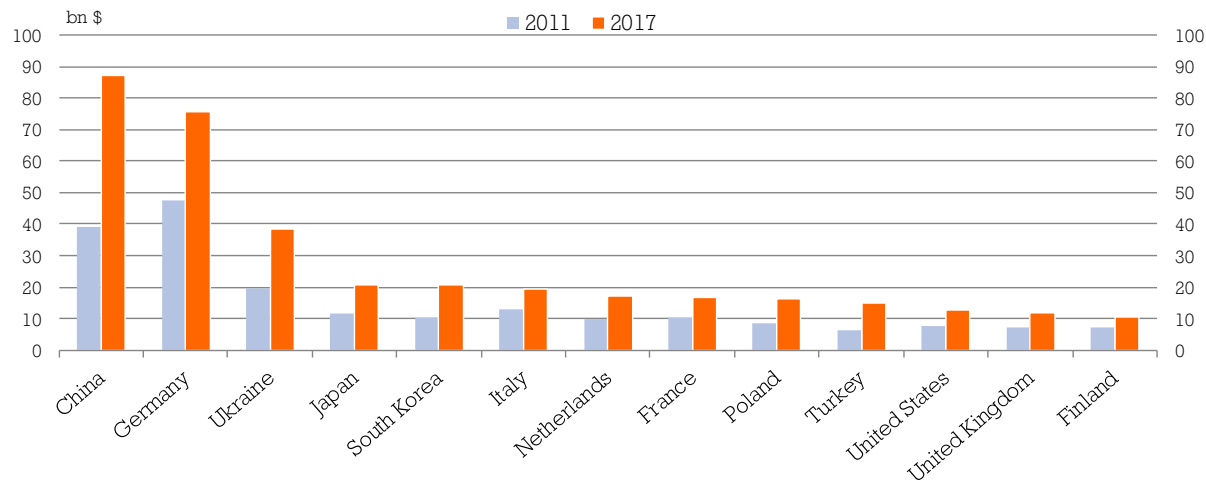
● Today (2012) ● Tomorrow (2017)

The size of the bubble represents the size of imports



# Demand for products: origins of imports

## Main origins of imports, 2011 and 2017\*



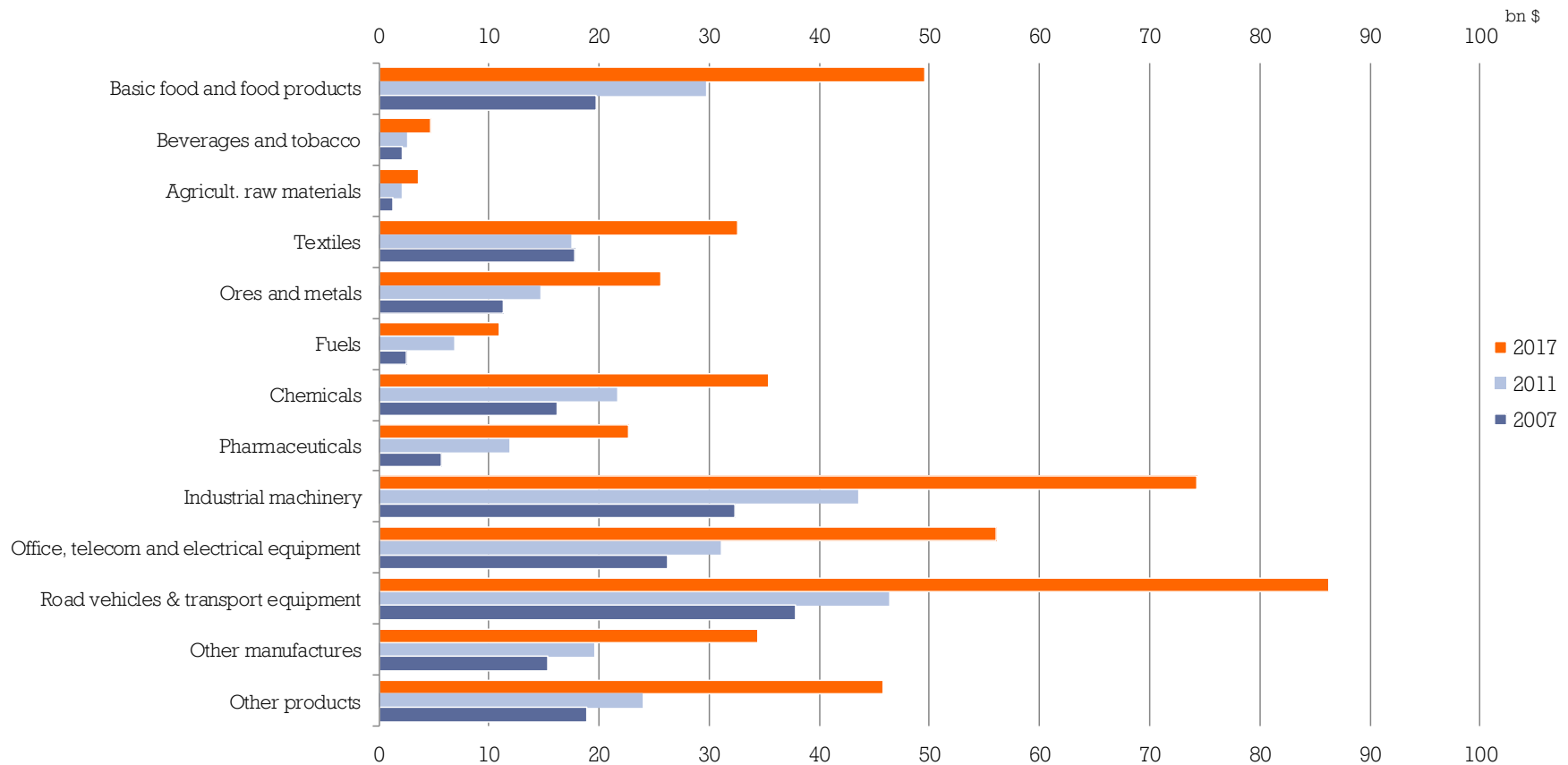
By 2017, Russia will mainly import products from China, Germany and Ukraine, which together account for 42% of total imports of Russia. In volumes, the most important trade flows to Russia currently include industrial machinery from Germany, road vehicles & transport equipment from Germany, and textiles from China. In the coming years, these flows are expected to change with 8%, 12% and 12% per year, respectively.

## Top 10 largest import flows by product and country of origin\*

Russia		CAGR 2012-2017	Value 2011
Import product	Origin		mln \$
Industrial machinery	Germany	8%	11358
Road vehicles & transport equipment	Germany	12%	9524
Textiles	China	12%	7914
Road vehicles & transport equipment	Japan	9%	7731
Office, telecom and electrical equipment	China	17%	7680
Other products	China	18%	6404
Office, telecom and electrical equipment	Germany	6%	6001
Road vehicles & transport equipment	South Korea	13%	5156
Industrial machinery	China	13%	4901
Ores and metals	Ukraine	10%	4514

\*within the 60 countries and product flows included in the study

# Demand for products: imports by product group



By 2017, Russia will mainly import road vehicles & transport equipment, industrial machinery and office telecom & electrical equipment, which together account for 45% of total imports of Russia.

Note: the sum of flows from 60 countries included in the study

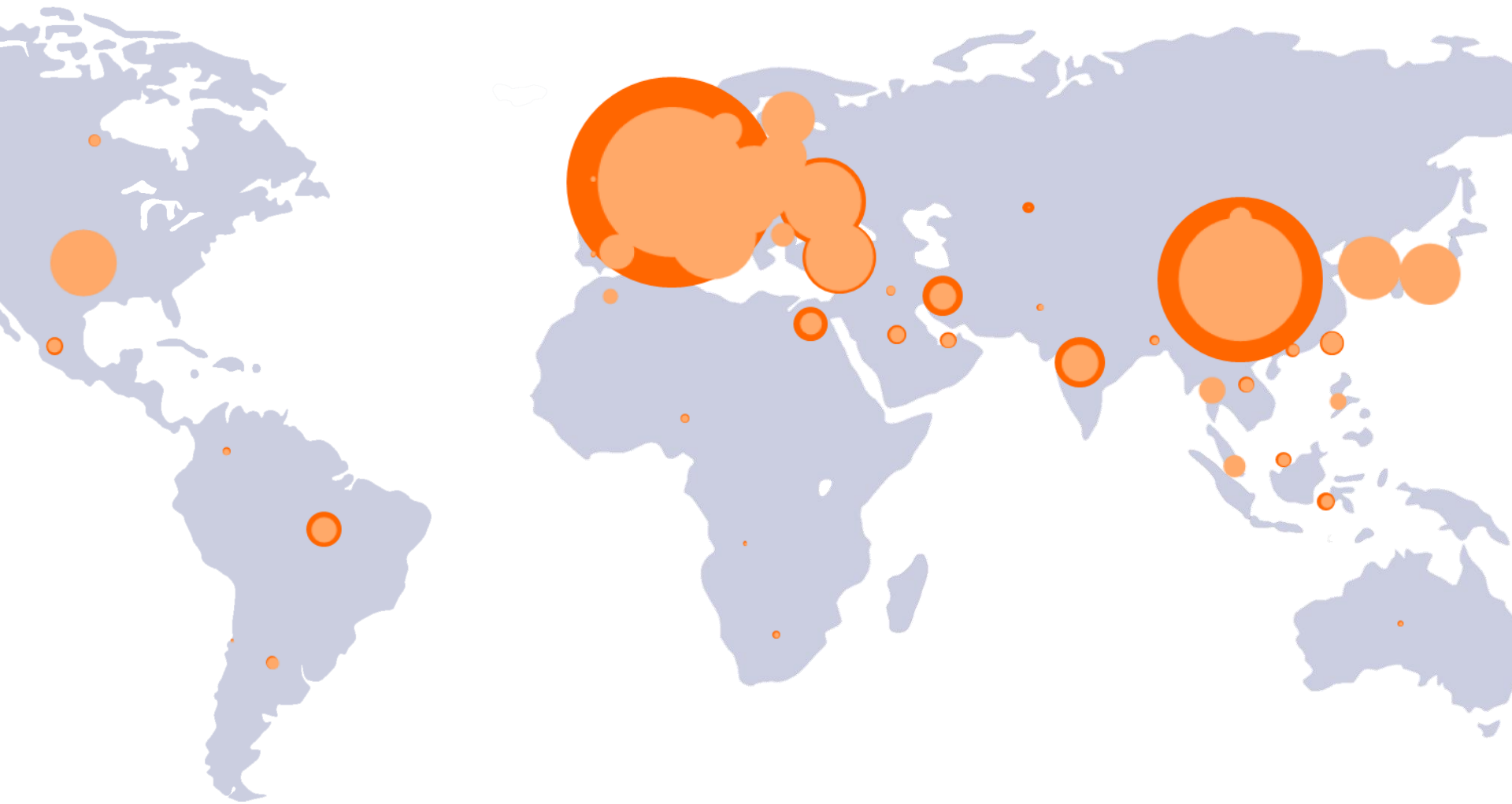


# Where do Russian products go to?

Russian export markets

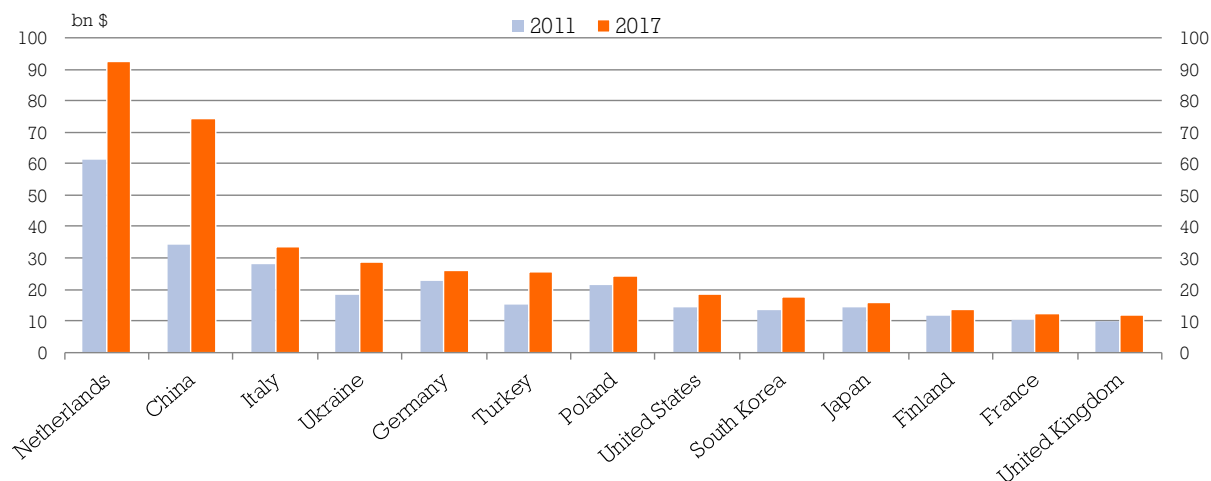
● Today (2012) ● Tomorrow (2017)

The size of the bubble represents the size of exports



# Exports: key destination markets

Key destination markets of exports, 2011 and 2017\*



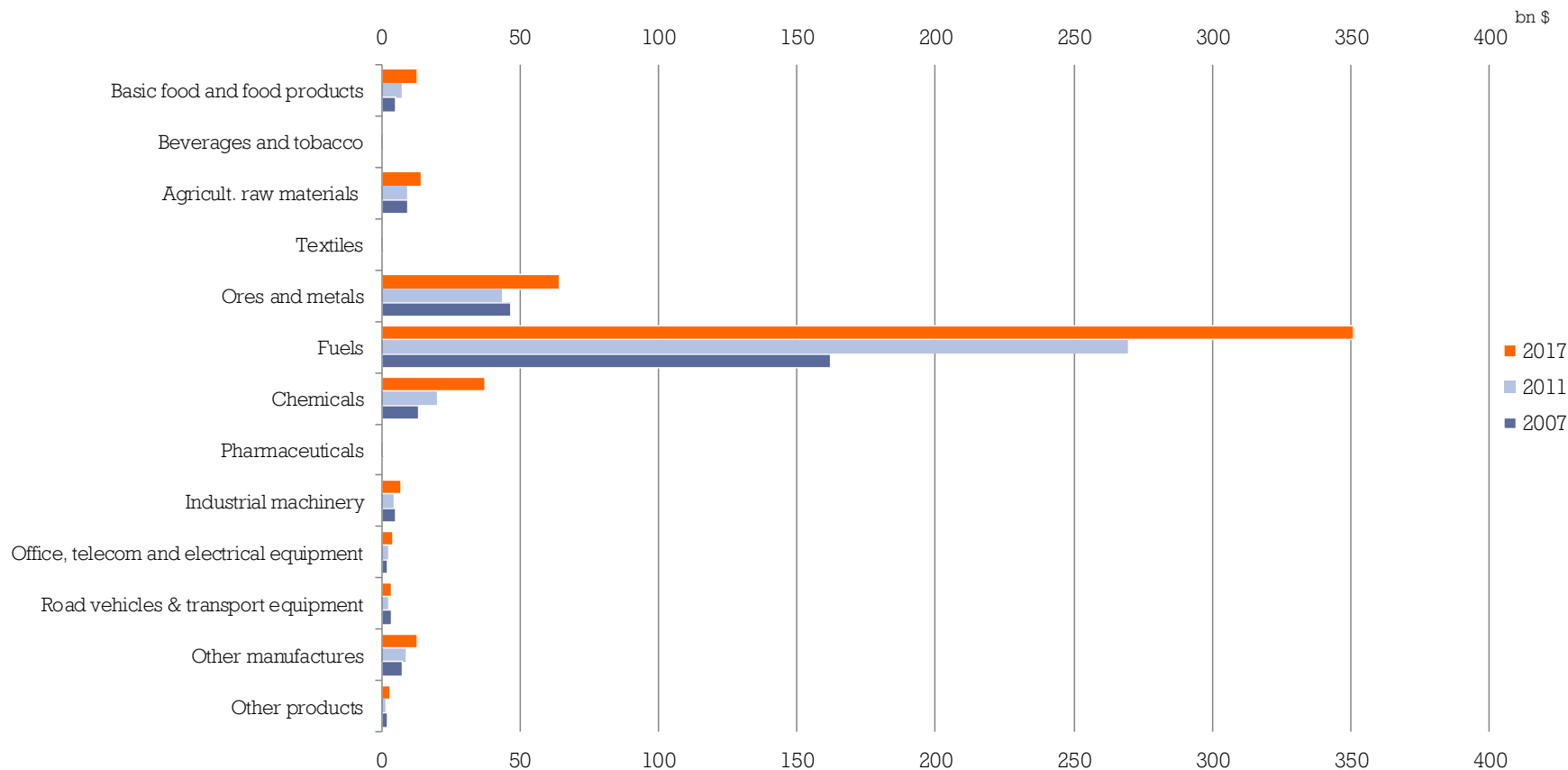
Russia's main export markets will be the Netherlands, China and Italy. Together these countries will account for 39% of total exports in 2017. In volumes, the most important export flows from Russia currently consist of fuels to the Netherlands, fuels to Italy, and fuels to China. In the coming years, these flows are expected to change with 7%, 2% and 15% per year, respectively.

Top 10 largest export flows by product and destination country\*

Russia		CAGR 2012-2017	Value 2011
Export product	Export partner		mln \$
Fuels	Netherlands	7%	53612
Fuels	Italy	2%	22768
Fuels	China	15%	22748
Fuels	Poland	1%	19094
Fuels	Germany	1%	17461
Fuels	Japan	0%	11900
Fuels	South Korea	4%	10556
Fuels	France	2%	9575
Fuels	United States	2%	9395
Fuels	United Kingdom	2%	8838

\*within the 60 countries and product flows included in the study

# Exports: key product groups



By 2017, Russia's exports will mainly consist of fuels, ores & metals and chemicals. Together these products will represent 88% of total exports in 2017.

Note: the sum of flows to 60 countries included in the study

# Methodology and data considerations

Our forecasts are derived from an econometric model of international trade in goods among 60 countries. Trade among these countries represents 87% of world trade in goods classified by SITC excluding SITC 9.

- Data (1990-2011) for exports from and among 60 countries (forming 3600 country pairs) at the SITC(rev.3) 2-digit product classification were obtained from UNCTAD International Trade Statistics.
- These were combined with several macroeconomic variables, including GDP, GDP growth, and unit labour costs (GDP/capita) (for both the origin and destination country; source: IMF), as well as geographical distance and cultural distance between the two countries in each country pair (source: CEPII; Hofstede).
- Forecasts for macroeconomic variables (GDP, GDP growth and ULC) for the 2012-2017 period were based on our own ING forecasts.
- The trade forecasts were derived from a single equation ADL, explaining 90% of the variance in the dependent variable, specified as follows:

$$\text{LogExports}_{ijkt} = \alpha_j + \alpha_d + \beta_1 \text{LogExports}_{ijkt-1} + \beta_2 (\text{LogExports}_{ijkt-1})^2 + \beta_{3d} \text{LogExports}_{ijkt-1} \times d + \gamma X_{ijkt} + \varepsilon_{ijkt}$$

where  $\text{LogExports}_{ijkt}$  represents the logarithmic value of exports of country  $i$  to country  $j$  of product  $k$  at time  $t$ ,  $\alpha_j$  the set of partner fixed effects,  $\alpha_d$  the set of product group fixed effects,  $\text{LogExports} \times d$  the set of interactions between LogExports and the product group binary variables  $d$ , and  $X$  the set of independent variables with their vector of coefficients  $\gamma$ , and  $\varepsilon_{ijkt}$  the residual.

The set of independent variables ( $X$ ) includes (the log of) GDP; GDP growth and ULC for the reporter ( $i$ ) and partner countries ( $j$ ) and the geographical and cultural distance between them.

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**The final text was completed on 1 November**

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