

Russia

External account: more a story of oil and less of sanctions

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The strong decrease in Russia's current account surplus in 2019 has been confirmed. It declined to USD71bn (an estimated +4.2% of GDP) in 2019, down from USD114bn (+6.8% of GDP) in 2018. Merchandise exports dropped by -6% or -USD25bn to USD418bn in 2019. This compares to a strong +25% increase in the previous year. The main triggers for last year's contraction were lower global oil prices (benchmark Brent at 64 USD/bbl on average in 2019 vs. 72 USD/bbl in 2018) and the oil output cuts agreed with OPEC and some other major oil producers (OPEC+), which sent oil and gas exports down by -9%. But the impact of new U.S. sanctions imposed on Russia in the course of last year, combined with [slower global trade growth](#), also contributed to the weaker performance in 2019 as non-oil and gas exports decreased by -1% (vs. +14% in 2018). Meanwhile, merchandise imports expanded by just +2% or +USD6bn to USD255bn in 2019.

In 2020, we forecast the current account surplus to increase again to about +5% of GDP owing to three reasons: (i) We expect the average global oil price to edge up to 66 USD/bbl as a result of [increased instability in the Middle East](#). (ii) Russia's exports should benefit from strengthening global trade growth in 2020, notably in USD terms (+2.6% vs. -1.9% in 2019). (iii) Oil output cuts agreed with OPEC+ will possibly be relaxed gradually in H2 2020.

The impact of foreign sanctions on financial flows to and from Russia has moderated. Private-sector net capital outflows from Russia moderated to just -USD27bn in 2019, down from -USD63bn in 2018 and well below the record highs in 2014 and 2008. The annual average over the last 10 years was -USD58bn (see Figure 1). This favorable development suggests that the impact of foreign sanctions on financial flows to and from Russia has declined. In 2020, we expect a similar amount of net capital outflows of around -USD30bn for the Russian private sector.

Figure 1: Net capital inflows/outflows by the Russian private sector (USD bn)



Source: Central Bank of Russia, Allianz Research

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