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International trade and commodity markets

Prospects for transferring Russian gas supplies to 'unfriendly' countries into rubles

On March 31, 2022, President Vladimir Putin will be provided with a report by the Russian Government, the Central Bank of Russia, and Gazprom on a scheme to change the payment currency for Russian gas supplies into rubles. The European politicians have divulged their unwillingness to pay in rubles. German Economy Minister Robert Habeck said on March 27, 2022, that Russia's demand is a one-sided violation of existing contracts, and stressed that the involved companies will remain true to the agreements.

According to experts, it is rather strange for Europe to refer to the terms of existing contracts in the current situation, as Europe itself threatens to break contracts with its promises to radically reduce the consumption of Russian gas. For instance, Josep Borrell, High Representative of the EU for Foreign Affairs told Sky News Arabia earlier this week, that the EU would be able to abandon Russian gas within two years. The implementation of such statements is a direct violation of the "take or pay" condition, which is the basis of Gazprom's acting long-term contracts concluded on the European gas market – the most long-term contracts were concluded until 2036. Experts also do not exclude that Gazprom's acting contracts may contain clauses on force majeure circumstances related to sanctions and the inability to accept payments in euros: if such points exist, buyers will not be able to "close" them.

In general, switching to rubles is not considered for a short-term perspective. The transition to the new terms of payment and supply will be carried out gradually, upon the acting contracts are completed. Also, with a high degree of probability, experts predict that Gazprom will transfer its spot gas trade to rubles, as well.

Sources: https://www.ng.ru/economics/2022-03-28/1_8402_gas.html

<https://tass.com/pressreview/1428683>

European gas futures approached US\$ 1,400 per 1,000 cubic meters

On March 30, 2022, the gas futures in Europe are traded at the mark of US\$ 1,400 per thousand cubic meters, according to the data of the London ICE exchange. Since the end of February 2022, gas prices in the European market have been showing strong volatility. Gas has risen in price in the EU countries after the start of the military operation in Ukraine. In early March, due to fears of a ban on the purchase of Russian energy resources in Europe, gas prices updated their historical highs for four days in a row, after which they fell by about three times by the middle of the month. The maximum price of US\$ 3,892 per thousand cubic was reached on March 7, 2022.

Sources: <https://expert.ru/2022/03/30/v-yevrope-rezko-podorozhal-gaz/>
<https://ria.ru/20220330/gaz-1780818685.html>

Pumping through the Yamal-Europe gas pipeline dropped to zero

The volume of Russian gas pumped through the Yamal-Europe pipeline through the Malnov compressor station on the border of Poland and Germany fell to zero on March 29, 2022, Reuters writes, citing data from Gascade operator. At 14:00 Moscow time, eastward flows to Poland from Germany via Yamal-Europe through Malnov amounted to 1.45 million kWh, but then stopped.

Source: <https://www.vedomosti.ru/economics/news/2022/03/30/915792-prokachka-po-gazoprovodu-yamal-evropa-upala>

State Duma Chairman Vyacheslav Volodin: Russia should expand the list of goods exported for rubles

"Russia should expand the list of goods exported for rubles, including oil, coal, metals, timber, grain, oil, and so on", State Duma Chairman Vyacheslav Volodin wrote in his Telegram channel. Volodin urged European politicians to "stop looking for excuses why their countries cannot pay in rubles and take the issue of ruble settlements more seriously". "They themselves did everything to undermine confidence in the dollar and the euro, so that Russia would refuse mutual settlements in these currencies," he added.

Sources: <https://www.vedomosti.ru/economics/news/2022/03/30/915798-brat-oplatu-v-rublyah>
<https://expert.ru/2022/03/30/v-gosdume-prizvali-rasshirit-spisok-eksportiruyemykh-za-rubli-tovarov/>

Exporters of Russian grain asked the Central Bank of Russia to provide payments in rubles

Grain exporters asked the Central Bank of Russia to work out the possibility of paying for their products in rubles for foreign buyers. This initiative was discussed at a meeting at the Central Bank with representatives of the Union of Grain Exporters (includes Trade House Rif, Aston, Demetra Trading, OZK, Cargill, Viterra, etc.) last week.

Central Bank was asked to provide ruble liquidity for foreign banks that serve grain importers, such as Turkey, Egypt, Iran, Saudi Arabia. Currently, most contracts are in foreign currency, but due to Western sanctions Russian companies have faced difficulties in obtaining payment, as banks sometimes did not agree to transfer funds.

Source: <https://www.vedomosti.ru/economics/news/2022/03/30/915824-eksporteri-rascheti-v-rublyah>

Russian economists called for the creation of a new currency unit for settlements with 'friendly' countries

The Russian economists have proposed to create a new currency unit for settlements with 'friendly' countries. This initiative was outlined in an analytical note by the experts from the Center for Macroeconomic Analysis and Short-Term Forecasting (CMASF) and the Institute for Economic Forecasting of the Russian Academy of Sciences. It is noted that members of the EAEU, China, India, Iran, Turkey and other countries may show interest in the formation of a non-dollar settlement system.

The authors of the initiative justified the need to introduce a new currency unit by the difficulties in carrying out settlements on foreign trade operations that Russia faced due to the Western sanctions announced since the end of February 2022. These difficulties affected both import and export operations and made impossible the payments through frozen foreign accounts of sanctioned Russian banks.

As planned, the intrinsic value of the new currency unit should be provided by the resources available to the participating countries - gold and precious metals, both in cash (monetary gold in vaults) and in the form of an unconditional obligation to supply them in a short period. The exchange rate of a new currency unit will depend on the weighted average price of resources in the global market. Conversion of national currencies into a currency unit for foreign trade operations will be carried out through the clearing center of the system. The initiative also considers the creation of a secondary market for other countries interested to use a new currency unit as a reserve currency.

Russian Deputy Economic Development Minister Dmitry Volvich said on March 29, 2022, that the Russian Government did not rule out the possibility of creating a new currency unit with 'friendly' countries. However, he said he considered this idea a matter of the future, as first a single currency shall be created in the EAEU space. The strategy of Eurasian integration until 2025 contains the task of forming a supranational financial regulator. Under current conditions, this process may take less time and be completed by 2024.

Source: <https://www.vedomosti.ru/economics/news/2022/03/30/915787-ekonomisti-prizvali-sozdat-platezhnyu-edinitsu>

Russian agricultural exports hit a record US\$ 37.1 billion in 2021

Russian agricultural exports grew in 2021 by 21% and amounted to US\$ 37.1 billion, which is 21% more than in 2020. Over the past year, Russia supplied more than 71 million tons of food and agricultural raw materials to foreign markets, the Federal Center for the Development of Exports of Russian Agro-Industrial Complex Products (Agroexport) reported.

In monetary terms, exports increased:

- grain - by 12%,
- oil and fat products - by 48%,
- fish and seafood - by 25%,
- meat - by 32%,
- dairy products - by 30%,
- food and processing industry products - by 15%,
- other products - by 12%.

More than 160 countries became importers of agricultural products from Russia in 2021.

The leaders are:

- Turkey - US\$ 4.3 billion (increased purchases by 38%),
- China - US\$ 3.6 billion (-12%),
- Kazakhstan - US\$ 2.8 billion (+33%),
- South Korea - US\$ 2.5 billion (+41%),
- Belarus - US\$ 1.8 billion (+28%).

In 2021, Russian exports of grain crops decreased by 12%, to 43 million tons in physical terms, but increased by 12% to US\$ 11 billion in value terms. Including:

- wheat shipments increased by 8.4% to \$8.9 billion,
- barley - by 16% to US\$ 1.3 billion,
- corn - by 45% to US\$ 1 billion,
- buckwheat - by 51% (hereinafter Agroexport does not provide absolute figures),
- oats - 3.3 times,
- rye - 11.8 times.

Turkey and Egypt remain the leading importers of Russian grain, according to the Russian Federal Customs Service. Over 9 million tons of grain (+0.5%) worth US\$ 2.4 billion (+26%) were delivered to Turkey in January-December 2021. Among them: 75% of the value of wheat, 13% - barley, 11% - corn.

In 2021, Egypt purchased from Russia 5.7 million tons of grain for US\$ 1.6 billion, almost all of this volume is wheat. Saudi Arabia purchased from Russia 1.7 million tons of grain for US\$ 452 million.

Source: <https://www.kommersant.ru/doc/5282839?from=lenta>

NLMK continuing supplies to Europe and US on schedule

NLMK group is continuing to supply its steel products to Europe and the United States on schedule, CFO Shamil Kurmashov said during the CFO Summit Russia 2022. "We are still working, and we are continuing to supply our products to Europe and the United States as usual," Kurmashov said.

Source: <https://interfax.com/newsroom/top-stories/77580/>

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