

1.3.4. Shipment of Russian cargo through foreign ports

Russian ports' share of transshipments of Russian foreign trade cargo exceeded 94% for the first time in 2018, and for liquid cargo the figure was more than 99%.

Transshipment of Russian foreign trade cargo through Baltic ports increased by 9% to 39.8 million tonnes in 2018, growing by 8% for coal, 18% for mineral fertilizer, 60% for ore and 130% for grain, but falling 8% for metals and 46% for liquid cargo.

Transshipment of Russian foreign trade cargo through Ukrainian seaports tumbled 37% to 6.1 million tonnes, falling by 58% for coal, 34.1% for mineral fertilizer and 38% for liquid cargo, but increasing by 37% for ore and also growing for ferrous metals and grain.

Transshipment of Russian foreign trade cargo through Finnish seaports totaled 6.1 million tonnes in 2018, including 671,000 tonnes of coal; 3.915 million tonnes of ore; 1.297 million tonnes of mineral fertilizer; and 226,000 tonnes of other cargo.

1.3.5. Outlook for global economic growth, global trade and the Russian economy

The rise of protectionism is a significant source of risk for global economic growth, Russia's Economic Development Ministry said in its Forecast for the Social and Economic Development of the Russian Federation to 2036. While already imposed trade restrictions are not yet having a marked negative impact on growth, further escalation of trade wars will lead to the slowdown of global investment demand due to increased uncertainty, and disrupt established value chains and adversely affect productivity because of barriers to the spread of new technologies.

The slowdown of the Chinese economy in the medium term will have a negative impact on the base metals and coal markets, where China is the biggest consumer. On the oil market, changes in supply will play the key role in determining prices in the next few years.

Against this backdrop and taking into account macroeconomic policy, Russian GDP is forecasted to grow by 1.3% in 2019. The slowdown in economic growth is attributed in part to the fact that the active phase of implementation of Russia's national projects has shifted closer to the middle of the year while the tax burden already increased as of January 1, 2019; as well as to the Bank of Russia's moderately tight monetary policy, aimed at controlling inflation expectations.

However, the acceleration of inflation and slowdown of economic growth are expected to be temporary. The package of structural changes proposed by the Russian government should set the stage for putting economic growth on a higher trajectory. The Economic Development Ministry expects economic growth to gradually accelerate to 2.0% in 2020 and to more than 3.0% starting in 2021. And the structure of GDP is expected to shift significantly toward an increase in the contribution of investment demand.

Outlook for Russian exports and imports to 2021¹

Russia's foreign trade turnover grew by 17% to \$688 billion in 2018, driven by a 35% surge in exports of fuel and energy commodities to \$286.7 billion.

The baseline scenario projects a gradual recovery in production of investment demand goods and growth of exports to \$444.5 billion by 2021. Government contracts will continue to play an important role, which will have a positive impact on the development of the engineering sector. Export sectors such as the fuel and energy sector, metals and chemical production will maintain a strong position. The implementation of government infrastructure projects will support demand for construction sector services. The food industry will continue to grow rapidly given the ongoing implementation of the import substitution program and development of domestic production capacity.

Growth is also expected in light industry.

The structure of industrial production is not expected to change significantly in the medium term.

Imports are expected to grow by 25% to \$298 billion by 2021, primarily driven by machinery, equipment and vehicles.

1.3.6. Outlook for production and exports of key Russian commodities to 2020

Oil production in Russia grew by 4.6% to 555.6 million tonnes in 2018, Rosstat reported. Going forward, oil production will be affected by an agreement among OPEC+ countries to increase supply.

Oil production in the forecast period is expected to grow to 562 million tonnes thanks to new fields that have been launched and are scheduled to come on stream, and the stabilization of production at mature fields as a result of the expansion of production drilling and its continued profitability. Oil exports totaled 260.2 million tonnes in 2018 and are expected to remain near this level in the period to 2021.

Exports of oil products totaled 150.1 million tonnes in 2018 and are expected to increase slightly to 152 million tonnes by 2021. The depth of crude refining in Russia continues to lag behind the global level (89-99%). The current trend of increasing refining depth and simultaneously reducing production and exports of fuel oil is the result of tax measures adopted by the Russian government that are aimed at stimulating production of light oil products. Oil refining is expected to grow to 293.4 million tonnes in 2021 with the launch of new primary refining facilities at domestic refineries.

Coal production grew by 13.3% to a record 432.7 million tonnes in 2018. The export orientation of the coal business is a key factor in the development of Russia's coal industry. Russian coal exports rose by 10% to 199.5 million tonnes in 2018, with shipments growing both to the Asia-Pacific region and to Atlantic markets. The industry's prospects for growth are linked foremost to the creation of new coal mining centers, involving development of coal fields in new, undeveloped regions that are promising in terms of mining coal reserves with favourable conditions of occurrence. Coal exports are expected to increase to 209.9 million tonnes by 2021.

Agricultural production is expected to grow 4.9% by 2021 compared to 2018.

Metallurgical production is forecast to grow 7.6% by 2021 compared to 2018.

1.3.7. Russian transport sector trends and outlook to 2021

Considering the situation in the transport sector and forecast growth of industrial production, real disposable household incomes and GDP, the transport sector is expected to see steady growth in the medium term.

Commercial freight shipments grew by 1.6% to 4.221 billion tonnes in 2018. The Forecast for the Social and Economic Development of the Russian Federation to 2036 projects that commercial freight turnover will grow by an annual average of 2.7% in 2019-2024. Train and truck haulage, which accounted for a combined 69% in 2018, are expected to continue to dominate.

Shipments by marine transport are to a large degree oriented toward the foreign market (exports/imports), so its performance is very sensitive to changes in the world freight market and the global economy in general.

Cargo shipments by marine transport are expected to gradually increase in the near future thanks to state support for shipbuilding and shipping provided under federal law No. 305-FZ, dated November 7, 2011, "On the Amendment of Selected Legislative Acts of the Russian Federation in Connection with the Implementation of Measures of State Support for Shipbuilding and Shipping," the construction of new ships and registration of vessels in the Russian Maritime Register of Shipping.

Further development of port capacity will also contribute to make foreign trade logistics more independent on the services of foreign seaports.

1. Baseline scenario of Forecast for the Social and Economic Development of the Russian Federation to 2036.