

# Macro Notes – China steps in to supply Russia

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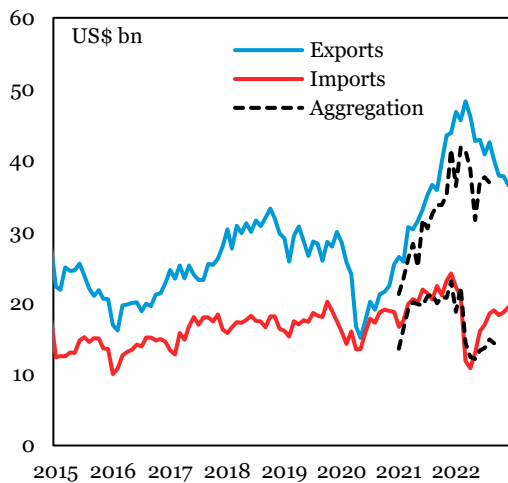
- Russia’s current account surplus reached \$227 bn in 2022.
- Exports increased by more than 10% Jan-Sept 2022, while...
- ... imports contracted by 16% for the year as a whole.
- After falling by over 35% in spring, Russia’s imports recovered.
- China, Hong Kong, and Turkey have expanded exports to Russia.
- Replacing Russia’s former top trade partners, such as the EU.
- China accounts for over 36% of Russia’s imports and 20% of exports.
- Despite export controls, Russia increased its import of chips in 2022.
- With China and Hong Kong supply about 40% of Russia’s total chips.

This **Macro Notes** looks at Russia’s trade and its ability to continue accessing critical goods. Countries against Russia’s war on Ukraine imposed unprecedented, coordinated [economic sanctions](#) on Russia. President Putin [responded](#), “western sanctions are akin to a declaration of war.” Russian authorities countered sanctions with swift macroeconomic measures preventing a financial sector collapse, increasing government spending, and [limiting access to statistics](#) (including trade). Importantly, Russia focused on rebuilding value chains severed by sanctions. The U.S. and the EU have imposed far-reaching export controls on Russia, including on critical goods for the war effort, such as microchips. However, using a new innovative [big data analysis](#) (Exhibit 1), we find that Russia has successfully rerouted its trade via China and other countries.

Russia’s current account reached an unprecedented \$227 bn in 2022, more than double the previous record. This is mainly due to the strong expansion of exports (in volumes and prices), oil and gas, and other commodities. While Russia’s [imports contracted by 16%](#) in 2022, according to the First Deputy Head of the Customs Office, this marks a recovery after a decline of 35% seen in the early weeks following the imposition of sanctions.

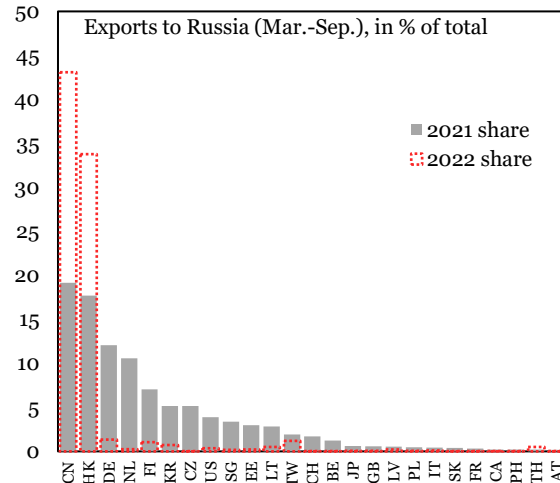
Using innovative trade [data sources](#), we can analyze what happened with Russia’s trade in 2022 and compare it with 2021. But first, we validated the dataset against Russia’s official trade statistics until it was discontinued in February 2022 and that of the national authorities of Russia’s key trade partners. The data for exports and imports aligns closely; if anything, the new dataset might be underestimating the recovery in Russia’s imports.

Exhibit 1: Russian trade barely impacted by sanctions.



Source: BoR, Russia customs data, National authorities

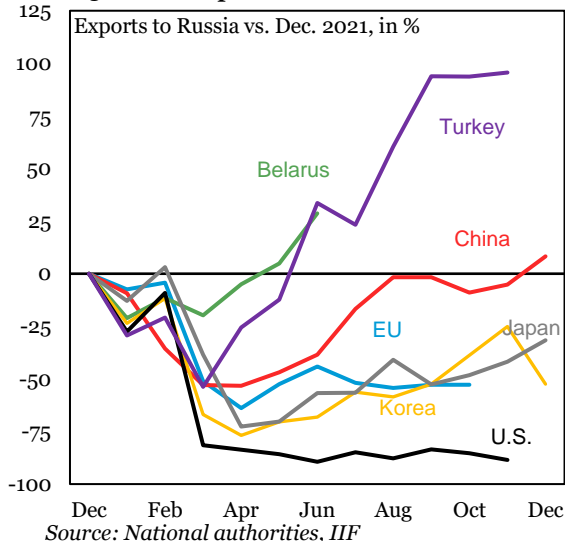
Exhibit 2: As trade with China increased significantly.



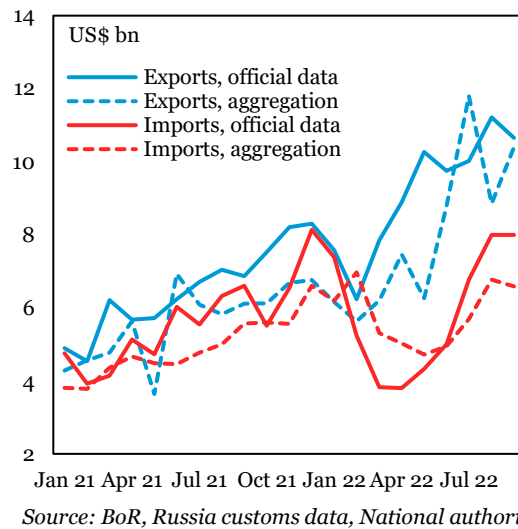
Source: BoR, Russia customs data, National authorities

We find that China's trade with Russia has expanded significantly (Exhibit 2) in the month following Russia's full-scale invasion of Ukraine. China is now, by far, Russia's most significant trade partner. Trade between Russia and China increased by nearly \$27 bn during March-September 2022 compared to the corresponding period in 2021. The increase was driven primarily by Russia's higher exports to China; however, imports have also increased (Exhibits 3 and 4).

**Exhibit 3: Russia's imports stemmed from other countries.**



**Exhibit 4: China's trade improved significantly.**



Despite export controls, Russia has increased its imports of semiconductors and electronic circuits (Exhibit 5). The total value of chip imports is up from \$1,8 bn recorded for Jan-Sept 2021 to \$2,45 bn over the same period in 2022. It is still unclear whether all chips are prohibited by the US for exports to Russia, however given the Bureau of Industry and Security ([BIS Rule on September 15](#)), we believe the objective is to prevent Russia from accessing chips, particularly advanced technologies or those suitable for military use. However, we find that China and Hong Kong have successfully replaced other countries as chip suppliers (Exhibit 6), as countries such as Germany, Netherlands, and South Korea have reduced their shipments to Russia.

**Exhibit 5: Russia's chip imports soared since the war...**



**Exhibit 6: ... with the boost coming from China.**

