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R95 **Russian Economy in 2018. Trends and Outlooks. (Issue 40)** / [V. Mau at al; ed. Editors – Alexei Kudrin, doctor of sciences (economics), Alexander Radygin, doctor of sciences (economics), doctor of sciences Sergey Sinelnikov-Murylev, doctor of sciences (economics)]; Moscow: Gaidar Institute Publishers 2019. – 616 pp. – ISBN 978-5-93255-556-9

The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 40th issue. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 6 big sections that highlight different aspects of Russia's economic development, which allow to monitor all angles of ongoing events over a prolonged period: the socio-political issues and challenges; the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

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The defense economics and the military reform in Russia¹

6.7.1. The military personnel and social policy

In 2018, the total strength of the Armed Forces (AF) of the Russian Federation did not change. Early in February 2018, the President of the Russian Federation increased by 200 persons to 10,740 persons the ultimate staff number of the Central Office of the Ministry of Defense (without the guarding and building maintenance personnel taken into account), which is not included in the strength of the Armed Forces².

Proceeding from the manning levels³ declared in November, in 2018 the total accountable strength of the Armed Forces exceeded 950,000 persons, an increase of 20,000 persons as compared to the end of 2016. According to the data of telephone conferences of the Ministry of Defense, the number of compulsory-duty servicemen of the Armed Forces decreased within a year by 3.2 percent to 232,280 persons. In 2018, 260,500 persons were drafted to the military service, a decrease of 15,500 persons (5.7 percent) as compared to the year before⁴. Also, 684 persons, including 160 persons with four research squadrons of the *Era* military innovation technopolis established on the initiative of the Ministry of Defense in the city of Anapa in 2018, served in 16 research squadrons established since 2013.⁵ Apart from four sport squadrons with 171 conscripts, in 2018 the Ministry of Defense established four R&D squadrons in the city of Tula, Severodvinsk, Kaliningrad, and Sevastopol with the total strength of 109 persons “in order to direct young people to enterprises of the military-industrial complex”⁶.

In 2018, the number of the contract military servicemen (privates and the junior command personnel) rose to 393,800 servicemen (*Fig. 27*); to achieve that strength, over 60,000 persons were hired to serve on contract⁷. At the Collegium of the Ministry of Defense, it was declared about the planned increase in the number of this category of military servicemen to 475,000 persons by the end of 2025; for this purpose an average

¹ This section was written by Vasiliy Zatsepin, RANEPА.

² Executive Order No.60 of February 09, 2018 “On Amendment of Executive Order No.1062 of August 16, 2004 of the RF President “On the Issues of the Ministry of Defense of the Russian Federation” and the Statute Approved by that Executive Order”.

³ Tikhonov A. Ambitious Tasks should Be Always Set // *The Krasnaya Zvezda*. November 6, 2018 (Issue No. 124). p.4.

⁴ Executive Order No. 129 of March 30, 2018 of the RF President and Executive Order No. 552 of September 28, 2018 of the RF President.

⁵ Executive Order No. 364 of June 25, 2018 of the RF President and Executive Order No.501 of August 28, 2018 of the RF President.

⁶ According to Burdinsky E., Head of the Main Organization and Mobilization Department of the Joint Staff. URL: https://function.mil.ru/news_page/country/more.htm?id=12198737@egNews (date of reference: 07.10.2018).

⁷ The meeting of the Collegium of the Ministry of Defense. Moscow, 18.12.2018. URL: <http://www.kremlin.ru/events/president/news/59431> (date of reference: 18.12.2018).

annual increase of about 11,700 persons – four times less than the failed plan of 2012 – will be required.

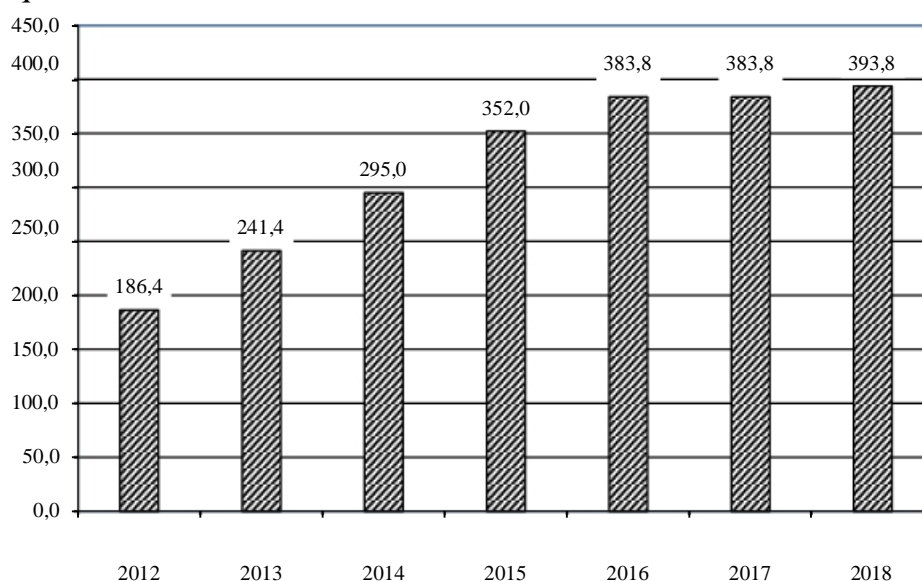


Fig. 27. The manpower of the Armed Forces (contract privates and junior command personnel) in 2012-2018, thousand persons

Source: The Krasnaya Zvezda. December 19, 2018 (Issue No.142). p.4.

In 2018, over 60,000 persons underwent training at 28 military educational establishments and eight branches¹; apart from that, 60,000 students of civil higher education institutions were trained at 93 military centers without suspending their studies. As a result of release of three classes of graduates from higher education institutions of the Ministry of Defense – in March, June and December – over 12,000 officers, including 1,300 young pilots were directed to the Armed Forces. Sergei Shoigu, Minister of Defense noted in particular that “this year, the system of the military education was restored in full and higher education institutions of the Ministry of Defense have managed to prepare graduates properly”².

According to the mass media’s reports, district six-month courses of squad commanders of critical skills will be established again in the Army for soldiers and sergeants serving on the contract basis. In 2018, over 7,000 servicemen of this category received the rank of a warrant officer, warrantor and officer.

In 2018, the number of servicemen being at the disposal of their commanders and superiors and on the waiting list for the receipt of permanent housing fell from 1,400

¹ The issues of state end-of-course assessment of graduates of military higher education institutions were discussed at the Ministry of Defense of the Russian Federation. Moscow, 28.02.2019. URL: https://function.mil.ru/news_page/country/more.htm?id=12219462@egNews (Date of reference: 01.03.2019).

² See: The meeting of the Collegium of the Ministry of Defense.

persons in February to 96 persons in December¹, which situation suggests that this issue can be completely solved within the next few months.

In 2018, money allowances of military servicemen and pensions of the Ministry of Defense were increased by 4 percent from January 1 to their average values of RUB 68,800 and RUB 24,600, respectively². It is to be noted that money allowances of contract soldiers and sergeants remain much below the average level.

In 2018, permanent housing was provided to 8,500 servicemen of the Ministry of Defense, a decrease of 15 percent compared to the previous year (10,000 servicemen). In 2018, service housing was granted to 37,283 servicemen of the Ministry of Defense (about 31,000 servicemen in 2017)³. In 2018, the Service Housing Fund of the Ministry of Defense increased by 16,500 apartments and at present includes over 275,000 service residential premises. The data on the number of persons on the affordable housing waiting list and in need of service housing have not been published. The savings and mortgage system is currently the Defense Ministry's main way of solving the housing issue. Early in the year, 212,000 servicemen with other 43,000 servicemen joining later in the year participated in that system. In 2018, the annual saving contribution allocated out of the federal budget per participant was equal to RUB 268,465.6.

On instructions of the President of the Russian Federation, in 2018 together with the heads of the subjects of the Russian Federation the Ministry of Defense succeeded in reducing by 97 percent and 99 percent the waiting list to pre-school institutions and the number of military servicemen's family-members in need of employment, respectively, in all the subjects of the Russian Federation, except for, Dagestan, North Osetia-Alania and the Sakhalin Region, where 202 children were left without a place in the kindergarten⁴.

In August, Valery Gerasimov, Head of the Joint Staff ordered district commanders, commanders-in-chief of the branches of the Armed Forces and commanders of corps to stop the practice of violating the duty-time rules: holding staff meetings at night, on weekends and holidays, keeping servicemen after hours "until the departure of the superiors" and ordering servicemen to come on duty at their off-duty time without any necessity⁵. In addition, to establish equal rights of servicemen to rest and leisure, at the autumn session of the Federal Assembly legislators annulled the limitations for

¹ *Tomilenko E.* Construction Projects are Being Developed at High Rate // The Krasnaya Zvezda. December 17, 2018 (Issue No. 141). p. 3.

² The average money allowance in the Armed Forces is notionally considered the one of a lieutenant serving as a troop commander. See: Tatyana Shevtsova: After 2021 the State Defense Order will be Gradually Decreased. Moscow, 18.12.2018. URL: <https://www.vesti.ru/videos/show/vid/781907/cid/3962/#> (date of reference: 18.12.2018).

³ The Minister of Defense held a telephone conference with the High Command of the Armed Forces. Moscow 25.12.2018. URL: https://function.mil.ru/news_page/country/more.htm?id=12209596@egNews (date of reference: 26.12.2018).

⁴ See: The Meeting of the Collegium of the Ministry of Defense.

⁵ *Safronov I.* Valery Gerasimov is Going to Regulate the Time-Schedule //The Kommersant daily. September 3, 2018. (Issue No. 158). p. 6.

servicemen of permanent readiness units on additional holidays granted for official duty performance in excess of the established weekly period of duty¹.

Established in November on the basis of the Main Morale Building Department of the Ministry of Defense, in addition to organization of military and social activities the Main Military and Political Department of the Armed Forces will deal with consolidation of the military discipline and prevention of lawlessness because the situation with such cases in the Armed Forces remains quite tense. According to the data of the Main Military Investigation Department, in 2018 in entities which were subordinate to the military investigation the total number of registered crimes increased by 2.2 percent and exceeded 10,000 cases. A positive downward trend of reduction of crimes in the troops of the Federal National Guard, the EMERCOM and the Federal Security Guard Service was registered, while quite the opposite trend was observed with the Ministry of Defense and the Federal Security Service; within a year, the number of cases of abuse of power and bribery increased by 30.5 percent and 30.9 percent, respectively. It is reported that 2,144 cases of corruption (growth of 4.4 percent) were registered. At the same time, the number of the registered cases of application of physical force to subordinates fell by 9 percent to 489 cases, while violations of the regulations dealing with mutual relations between the servicemen (the harassment of subordinates), by 3.7 percent to 573 cases².

According to the data of the Main Military Prosecution Office, in 2018 the damage from military corruption crimes increased four-fold and exceeded RUB 7 billion; according to the acts of response of the prosecution office 2800 functionaries were brought to disciplinary responsibility including 28 officials dismissed due to the loss of confidence³. According to the mass media's reports, it became known that criminal cases were initiated in 2018 due to the fact of corruption at the Department of Audit of State Contracts of the Ministry of Defense, the Military Academy of the Joint Staff and the 46th Central Research and Development Institute of the Ministry of Defense⁴, which overstated the value of contracts and used "deadheads" and fly-by-night companies.

As regards the general public's attitude to the Armed Forces, in 2018 a turning point occurred according to the data – published by the All-Russia Public Opinion Research Center later that year – of the sociological survey ordered by the Ministry of

¹ *Filachev O.* The Parliament is the Place for Debates // The Voenno-Promyshlenny Kurier. January 15, 2019 (Issue No. 1).

² In 2018 the number of corrupt practices and bribes among servicemen increased by 30 percent. URL: <https://tass.ru/armiya-i-opk/6171158> (date of reference: 01.03.2019).

³ *Gavrilov Yu.* Dismissed With No Confidence // The Rossiiskaya Gazetta. March 22, 2019 (Issue No. 63).

⁴ *Senatorov Yu.* The Colonel Reported On the Deputy // The Kommersant daily. February 7, 2019. (Issue No. 22). p. 4; *Sergeyev N.* A Mediator on Syria was Asked Not to Meddle // the Kommersant daily. January 28, 2019. (Issue No. 14). p. 4; *Sidorkova I., Alekhina M.* Developers of the State Armament Program were Accused of Fraud. URL: <https://www.rbc.ru/society/16/01/2019/5c3df3489a79471f974d126f> (date of reference: 16.01.2019).

Defense¹. For the first time since 2013, the share of the Russians who believed that the state of things in the Armed Forces was excellent or good decreased by 1 percentage point to 61 percent as compared to the previous year; the share of those who believed that it was moderate increased by 3 percentage point to 27 percent, while as many as 6 percent of the Russians found it unsatisfactory (+1 percentage point). The overall level of approval of the Armed Forces' activities decreased (–1 percentage point, to 87 percent), as well as the job rating of Sergei Shoigu, Defense Minister (for the first time since 2014 it fell from 4.7 percent to 4.6 percent); the share of those who trusted the Defense Minister fell by 9 percentage point to 39 percent).

An important shift in public sentiments was registered by the Institute of Sociology of the Russian Academy of Sciences. If in October 2014 67 percent of the respondents believed that “Russia should be a great power with the mighty Armed Forces”, in October 2018 this opinion was shared only by 49 percent of the respondents (–18 percentage point). Also, 51 percent of the respondents against 33 percent of the respondents in October 2014 are now confident that “Russia should care about the well-being of its own people, while the country's greatness and military might are secondary”².

6.7.2. The military-technical policy

In January 2018, President Vladimir Putin approved the latest State Armament Program (SAP) in 2018–2027³. For implementation of the SAP, it is envisaged to spend RUB 20.0 trillion, of which RUB 19.0 trillion is meant for purchasing, repair and development of arms, as well as military and specialized equipment and RUB 1.0 billion, for building the infrastructure for the benefit of the SAP⁴. Any further information on the program is unavailable due to the fact that it is completely classified, however, as early as March Sergei Shoigu, Minister of Defense requested proposals to be prepared to modify its.

The beginning of the new political cycle did not virtually change the existing work schedule. In May and November, President Vladimir Putin held traditional marathon

¹ The Army and the Society. Moscow: All-Russia Public Opinion Research Center (ARPORC), 26.12.2018. URL: https://wciom.ru/fileadmin/file/reports_conferences/2018/2018-12-24_army_society.pdf (date of reference: 02.04.2019).

² *Khamrayev V.* Prosperity is More Important than Greatness // The Kommersant daily. November 6, 2018. (Issue No.203). p. 3.

³ Approval of the State Armament Program is Being “Finalized” – Peskov. 10.01.2018. URL: <https://www.militarynews.ru/story.asp?rid=1&nid=470872&lang=RU> (date of reference: 12.01.2018); The Visit to the Ufa Engine-Building Plant. Ufa, 24.01.2018. URL: <http://www.kremlin.ru/events/president/news/56697> (date of reference: 25.01.2018).

⁴ According to the report of T. Schevtsova, Deputy Defense Minister at her meeting with journalists on December 29, 2017. URL: https://function.mil.ru/news_page/country/more.htm?id=12156812@egNews (date of reference: 12.02.2018).

⁵ Sergei Shoigu, Defense Minister and General of the Army held a telephone conference with the high command of the Armed Forces Moscow, 20.03.2018. URL: https://function.mil.ru/news_page/country/more.htm?id=12167511@egNews (date of reference: 20.03.2018).

sessions of meetings on the various aspects of implementation of the SAP and development of the military and industrial complex. The only meeting of the Military Industrial Commission under the chairmanship of President Vladimir Putin was held in September. The key issue of that meeting was the beginning of formation of the perspective SAP in 2023-2032¹. At the beginning of the current year, the activities of the Military Industrial Commission were reduced to holding of a collegium chaired by Vice Premier Dmitri Rogozin².

The practice of holding for the general public of the so-called Single Days of Acceptance of Military Equipment at the National Defense Control Center – this practice existed since July 2014 – was suspended in autumn 2018. It can be explained by the transfer of Yu. Borisov, initiator of this practice from the Ministry of Defense to the Government.

According to Sergei Shoigu, Defense Minister, all the activities envisaged by the SDO of 2018 were accomplished, while “as regards some items, such as aircraft and helicopters, target indicators were approached”.³ The target indicators were partially revealed by President Vladimir Putin on May 17 at the meeting with the top officials of the Ministry of Defense and senior executives of enterprises of the military and industrial complex (MIC) in Sochi: “... the Armed Forces should receive over 160 units of aviation equipment, 10 surface warships and 14 space complexes. The armory of general-purpose forces is expected to be completed with 500 units of rocket and missile artillery ordnance, tanks and armored vehicles”.⁴

According to the data of the Ministry of Defense, in 2018 the Armed Forces actually received 126 modern aircraft and helicopters (79 percent of the target plan), 9 spacecraft (64 percent of the target plan), over 300 units of armament of armored force vehicles and equipment and over 120 units of weapon ordnance (over 88 percent of the target plan).⁵ The Navy received 9 surface warships (90 percent of the plan)⁶. It was officially confirmed that deliveries of two *Proton* missiles and three Il-76MD-90A cargo aircraft were failed by the Krunichev Plant and the Ulyanovsk Aircraft Plant, respectively.

Within a year, equipment with modern samples increased in the strategic nuclear forces by 3 percentage point to 82 percent (19 percentage point a year before), the

¹The meeting of the Military and Industrial Commission. Kubinka, September 19, 2018. URL: <http://www.kremlin.ru/events/president/news/58596> (date of reference: 19.09.2018).

² Collegium of the Military and Industrial Complex discussed the development of the Navy's infrastructure. Moscow, 23.02.2018. URL: <https://www.militarynews.ru/story.asp?rid=1&nid=471863&lang=RU> (date of reference: 23.01.2018).

³See: The meeting of the Collegium of the Ministry of Defense.

⁴ The meeting of the top officials of the Ministry of Defense and top executives of enterprises of the military and industrial complex. Sochi, 17.05.2018. URL: <http://www.kremlin.ru/events/president/news/57483> (date of reference: 18.05.2018).

⁵ See: The meeting of the Collegium of the Ministry of Defense; *Avdeyev Yu.* The Implementation of the state defense order in figures and facts // *The Krasnaya Zvezda*. December 19, 2018. (Issue No.142). p. 7.

⁶*Lurie E.* Simple Arithmetic: The Way Shipbuilders Implement by 100 Percent the State Defense Order. URL: <https://flotprom.ru/2018/ИтогиГода5/> (date of reference: 28.12.2018).

aerospace forces – by 1 percentage point to 74 percent (7 percentage point in 2017), the Navy – by 8.3 percentage point to 62.3 percent (6 percentage point a year before) and the ground forces – by 3.6 percentage point to 48.3 percent (2.7 percentage point in 2017)¹.

Generally, by the end of 2018 the equipment of the Armed Forces with modern weapons was equal to 61.5 percent, with the target plan of 62 percent declared for two years in succession, having increased within a year by 2 percentage point (80 percent of the target plan). It is noteworthy that in 2018 the main target indicator of the SAP – equipment of the Armed Forces with modern weapons–conformed much better the relevant components and indicators of actual implementation of the SAP than a year before. In last year’s failure situation, it is believed the country’s leadership made the correct decision by demonstrating the latest state-of-the-art developments of the military and industrial complex to Russian citizens and foreign observers on March 1.

In 2018, the efficiency of utilization of financial resources for implementation of the SAP improved, but is still unacceptably low (see *Table 30*). The observed considerable reduction of the volume of the SDO was caused by the return of loans in 2014 and 2015; the assessment thereof is presented in *Table 36*. A 5.1 percent increase (planned by the Ministry of Industry and Trade) in the output of the military and industrial complex in 2018 may turn out to be too optimistic because the indices of the physical volume of the gross added value were as follows this year: “manufacturing of computers and electronic and optical products” (98.7 percent), “manufacturing of machines and equipment which are not included in other groups” (99.3 percent) and “manufacturing of other transport vehicles and equipment” (the mere 96.9 percent)².

Table 30

The efficiency of utilization of financial resources for implementation of the SAP in 2010–2018

	2010	2011	2012	2013	2014	2015	2016	2017	2018
SDO with taking into account utilization and repayment of loans, billion rubles	509.1	707.6	888.3	1 283.0	1 676.2	1 767.1	2 100.6	1 468.6	1 297.4
SDO increase, % on previous year	1.8	39.0	25.5	44.4	30.6	5.4	18.9	–30.1	–11.7
Growth in output of military and industrial complex, % on previous year	17.4	5.8	6.4	13.5	15.5	12.9	9.5	5.3	5.1
Equipment with modern samples, %	12.0	14.0	16.0	19.0	30.0	47.2	58.3	59.5	61.5
Equipment growth, percentage point	3.0	2.0	2.0	3.0	11.0	17.2	11.1	1.2	2.0
Unit costs, billion rubles/percentage point of equipment growth	169.7	353.8	444.2	427.7	152.4	102.7	189.7	1 223.8	648.7

Source: Federal Laws on Budget Administration; the Federal Treasury; the Ministry of Industry and Trade; the Ministry of Defense and own calculations.

¹ See: The meeting of the Collegium of the Ministry of Defense.

² The indices of the physical volume of the gross value added by the sector of the economy. Moscow: The Rosstat, 02.04.2019. URL: http://www.gks.ru/free_doc/new_site/vvp/vvp-god/tab12a-2.xls (date of reference: 03.04.2019).

6.7.3. The military and financial policy

In compliance with the existing practice, the administration of the 2018 federal budget was accompanied by two adjustments in July and November.¹ The allocations on “the National Defense” established originally by the Law on the 2018 Federal Budget in the amount of RUB 2,769 trillion², a decrease of RUB 84 billion (2.9 percent) as compared to the actual expenditures on this budget item in 2017 were increased by RUB 28 billion (1.0 percent) to RUB 2,797 trillion and RUB 31 billion (1.1 percent) to RUB 2,828 trillion (2.7 percent of GDP) in July and November, respectively. At the same time, the redistribution of allocations within this budget item on R&D of weapons and military equipment (WME) within the frameworks of the State Defense Order in order to implement the SAP by the end of the year were increased by RUB 12 billion by means of allocations on delivery and maintenance of the WME for the same purpose.

The abovementioned amounts of military allocations which are not specified in the published laws were received from the materials of subsequent draft laws on amendment of the federal budget. In 2018, the classified executed federal budget expenditures decreased somewhat (see *Table 31*) and amounted to RUB 2,794 trillion (2.7 percent of GDP), a decrease of RUB 39 billion as compared to 2017.

Table 31

The share of classified federal budget expenditures in 2009–2018, %

Code and name of section (subsection) with classified expenditures	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1	2	3	4	5	6	7	8	9	10	11
Total federal budget expenditures	10.1	10.5	11.7	11.6	13.8	14.9	19.1	21.7	17.3	16.7
0100 FEDERAL ISSUES	5.6	5.9	10.4	11.4	10.1	10.1	15.1	12.5	14.6	15.2
0108 International relations and international cooperation	–	–	–	–	<0.1	1.4	24.1	23.1	26.5	24.9
0109 State material reserve	84.6	83.9	85.6	86.5	86.1	86.7	87.2	84.1	86.8	87.2
0110 Fundamental research	0.7	0.2	0.5	0.8	0.7	0.8	0.8	0.8	0.6	0.9
0112 Applied research in field of federal issues	–	–	–	0.3	0.3	0.8	0.7	–	–	48.2
0114 Other federal issues	1.9	1.9	1.7	1.6	3.6	5.1	5.3	3.4	4.4	3.9
0200 NATIONAL DEFENSE	47.7	46.5	45.4	47.5	50.4	56.0	65.4	70.5	63.9	65.1
0201 Armed Forces of Russian Federation	39.2	37.8	39.3	40.7	46.7	52.0	65.3	69.0	60.5	59.9
0204 Mobilization preparation of economy	100	100	100	100	100	100	100	100	100	100
0206 Nuclear weapons complex	100	100	100	100	100	100	100	100	100	100
0207 Implementation of international obligations in area of military and technical cooperation	100	100	100	61.6	80.6	76.7	80.8	77.6	76.9	83.6

¹ Federal Law No.362-FZ of December 05, 2017 “On the 2018 Federal Budget and the 2019-2020 Planned Period”; Federal Law No.193-FZ of July 03, 2018 “On Amendment of the Federal Law “On the 2018 Federal Budget and the 2019-2020 Planned Period””; Federal Law No.458-FZ of November 29, 2018 “On Amendment of Federal Law “On the 2018 Federal Budget and the 2019-2020 Planned Period””.

² The Conclusion of the Accounts Chamber on the Federal Draft Law “On Amendment of the Federal Law “ On the 2018 Federal Budget and the 2019-2020 Planned Period”” approved by Resolution No. 31K(1252) of June 01, 2018 of the Collegium of the Accounts Chamber. p.15.

RUSSIAN ECONOMY IN 2018

trends and outlooks

Cont'd

1	2	3	4	5	6	7	8	9	10	11
0208 Applied research in field of national defense	92.9	91.7	92.4	92.9	94.3	92.1	91.7	96.3	95.7	95.1
0209 Other issues of national defense	37.1	48.0	35.0	48.6	34.6	46.9	38.8	41.8	55.6	65.8
0300 NATIONAL SECURITY AND LAW ENFORCEMENT	31.0	31.5	31.6	24.0	26.6	27.1	28.4	29.1	29.4	28.2
0302 Law enforcement agencies	3.7	4.2	3.9	3.3	3.8	3.9	4.9	5.8	5.8	5.6
0303 Interior troops	8.2	8.2	7.4	4.6	4.4	5.3	6.9	–	–	–
0303 National guard troops	–	–	–	–	–	–	–	7.7	7.0	5.6
0304 Judicial authorities	–	–	–	–	–	–	–	3.2	3.4	3.9
0306 Security agencies	99.6	99.6	99.6	99.7	99.8	99.8	99.8	99.8	99.8	99.8
0307 Frontier service agencies	99.5	98.6	99.2	99.1	99.6	99.9	100	100	100	100
0309 Protection of population and territory from natural and man-made emergency situations, civil defense	50.0	48.6	44.5	41.6	38.5	39.1	39.7	45.7	49.1	30.6
0310 Migration policy	–	–	–	–	–	–	–	–	0.1	–
0313 Applied research in field of national security and law enforcement	75.0	91.4	86.6	86.6	82.5	82.7	91.2	90.5	92.4	91.0
0314 Other issues of national security and law enforcement	60.6	49.9	12.4	12.1	11.8	44.8	60.7	59.3	58.2	60.9
0400 NATIONAL ECONOMY	0.8	1.4	1.9	2.5	4.7	3.6	5.5	7.0	9.5	6.7
0403 Research and use of space	–	–	–	–	–	–	–	–	56.3	–
0408 Transport	–	–	–	–	0.1	–	0.2	–	–	–
0410 Communications and IT	–	–	–	<0.1	1.8	2.0	0.5	–	–	–
0411 Applied research in field of national economy	4.5	5.4	11.9	15.3	18.3	23.8	26.7	14.2	17.6	14.4
0412 Other issues in field of national economy	0.9	2.9	2.2	2.5	9.4	2.9	8.0	17.3	18.2	16.1
0500 HOUSING AND PUBLIC UTILITIES	9.5	15.0	13.8	6.7	9.1	9.7	4.3	7.8	1.4	0.3
0501 Housing services	11.4	19.1	20.2	8.6	16.8	25.0	12.0	22.3	7.7	1.8
0700 EDUCATION	2.9	3.2	4.0	3.3	3.8	4.1	3.3	3.1	3.1	2.8
0701 Pre-school education	3.6	3.5	3.7	3.2	0.7	0.8	1.2	7.2	6.8	2.2
0702 General education	2.9	2.7	0.7	0.3	0.5	1.1	1.0	0.6	0.8	0.8
0704 Secondary vocational education	0.2	–	–	–	–	–	–	–	–	–
0705 Vocational training, retraining and advanced training	2.6	11.8	18.1	11.3	4.5	2.8	2.9	3.4	2.5	3.1
0706 Higher and post-graduate vocational education	3.4	3.6	5.0	4.1	4.9	5.1	3.9	3.6	3.7	3.6
0709 Other issues of education	0.6	0.5	0.3	0.4	0.5	0.9	1.2	0.9	–	–
0800 CULTURE. CINEMATOGRAPHY AND MASS MEDIA	0.2	0.2	–	–	–	–	–	–	–	–
0800 CULTURE. CINEMATOGRAPHY	–	–	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2
0801 Culture	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
0804 Printed media	3.1	3.3	–	–	–	–	–	–	–	–
0900 HEALTHCARE. PHYSICAL CULTURE AND SPORTS	2.9	2.8	–	–	–	–	–	–	–	–
0900 HEALTHCARE	–	–	2.4	2.1	2.8	2.6	2.6	2.9	3.4	3.0
0901 In-patient care	1.9	1.8	2.1	1.5	2.3	1.6	1.7	1.9	3.3	3.7
0902 Out-patient care	3.6	4.6	2.3	2.3	3.3	3.0	2.6	3.3	2.7	2.5
0905 Spa and recreation care	14.7	11.0	10.0	10.6	12.3	14.6	15.3	16.1	17.1	16.8
0907 Sanitary and epidemiological welfare	0.2	0.5	0.6	0.7	0.7	0.6	0.7	0.7	0.7	0.5
0908 Physical culture and sports	0.6	0.8	–	–	–	–	–	–	–	–
0908 Applied research in healthcare	–	–	–	–	–	–	–	–	–	0.2
0909 Other issues of healthcare	–	–	0.4	0.3	0.4	0.6	0.4	0.5	0.7	0.5
0910 Other issues of healthcare. physical culture and sports	1.2	0.9	–	–	–	–	–	–	–	–
1000 SOCIAL POLICY	<0.1	–	–	0.1	0.1	<0.1	0.1	0.1	0.1	0.2
1001 Pension coverage	–	–	–	–	–	–	0.1	0.1	0.1	0.1
1003 Social security of population	<0.1	–	–	0.3	0.4	0.1	0.2	0.3	0.4	0.4
1004 Family and childhood welfare	–	–	–	–	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1

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1	2	3	4	5	6	7	8	9	10	11
1100 PHYSICAL CULTURE AND SPORTS	–	–	0.2	0.3	0.3	0.3	0.2	0.3	0.2	0.4
1101 Physical culture	–	–	62.0	4.9	6.9	7.6	3.8	3.6	5.2	5.7
1200 MASS MEDIA	–	–	0.2	0.2	0.4	0.4	0.3	2.2	0.3	0.3
1202 Printed media	–	–	2.9	3.1	5.0	5.4	4.5	5.1	5.4	5.3
1204 Other issues in field of mass media	–	–	–	–	–	–	–	12.9	–	–

Source: As regards the data on 2009–2017, laws on administration of the federal budget were used; as regards the data on 2018 – quarterly reports of the Federal Treasury on administration of federal and consolidated budgets as of January 01, 2019; the data on 2009–2010 are provided to relevant sections and subsections of the budget classification of expenditures which became effective since 2011; The data on the earlier budget classification are shown in italics; own calculations.

The absolute and relative values of the main components of direct military expenditures of the Russian Federation in the 2018 Federal Budget and the change thereof as compared to 2017 in nominal terms¹ determined on the basis of the Federal Treasury’s monthly reports on administration of the consolidated and federal budgets in December 2018 are shown in *Table 32*.

Table 32

Direct military federal budget expenditures on the “National Defense” item in 2018

Name of section and subsections	Amount of expenditures, million rubles	Change on 2017, million rubles (growth, %)	Share of expenditures, % (change on 2017, percentage point)	
			In 2018 federal budget	In GDP
1	2	3	4	5
NATIONAL DEFENSE	2 827 015	–25 260 (–0.89)	16.92 (–0.46)	2.72 (–0.38)
Armed Forces of Russian Federation	2 163 059	–56 016 (–2.52)	12.94 (–0.57)	2.08 (–0.33)
Mobilization and pre-conscription and reserve military training	7 128	493 (7.43)	0.04 (–)	0.01 (–)
Mobilization preparation of economy	3 175	176 (–5.25)	0.02 (–)	<0.01 (–)
Nuclear-weapons complex	45 117	680 (1.53)	0.27 (–)	0.04 (–0.01)
Implementation of international obligations in field of military and technical cooperation	10 087	1 264 (14.32)	0.06 (0.01)	0.01 (–)
Applied research in national defense	324 861	54 362 (20.10)	1.94 (0.30)	0.31 (0.02)
Other issues of national defense	273 588	–25 866 (–8.64)	1.64 (–0.19)	0.26 (–0.06)

Source: The Federal Treasury; own calculations.

In 2018, the expenditures on the “National Defense” budget item were carried out with the saving of RUB 1 billion as compared to the final version of the law on the federal budget. At the same time, on the back of saving RUB 56 million worth of expenditures on the “Other Issues of National Defense” item excess expenditures were made on the “Armed Forces of the Russian Federation” item in the amount of RUB 41 billion, of which 50 percent is related to the delivery and maintenance of the WME within the frameworks of the State Defense Order (SDO) and RUB 14 billion on the “Applied Research in National Defense” item for research in the field of the WME within the frameworks of the SDO.

¹ Federal Law No.345-FZ of October 11, 2018 “On Administration of the 2017 Federal Budget”.

It is noteworthy that RUB 205 billion which were unutilized in 2017 and carried forward to 2018 by decision of the President of the Russian Federation surpassed by large the limit of the expenditures of the consolidated budget breakdown as compared to the allocations envisaged by the law on the federal budget as regards the “National Defense” item within the entire year starting from RUB 184 billion to RUB 235 billion in December. However, in 2018 those considerable financial resources were not utilized because of the existing risks in the Ministry of Defense of renewed growth in accounts receivables on advance payments which decreased for the first time a year before by 0.8 percent to RUB 2,864 trillion (as much as two annual volumes of the SDO). Later in November, the RF Minister of Defense declared that the issue of overadvancing of the military and industrial complex for nearly RUB 400 billion was solved.¹

Military expenditures in other items of the federal budget are listed in *Table 33*. The general reduction of RUB 5 billion in military expenditures was caused by substantial reduction (RUB 74 billion) in the “National Defense” item’s classified expenditures which compensated evident growth of RUB 34 billion (74 percent) in the expenditures of the Ministry of Defense on the “Housing and Public Utilities” item. A substantial relative increase in expenditures on the “Elimination of Chemical Weapons in the Russian Federation” Presidential Program is related to the activities aimed at completing that program in 2018.

Table 33

**Direct and indirect military spending under other sections
of federal budget, 2018**

Name of subsection, target item or <i>type of expenditures</i>	Total expenditure million RUB	Change on 2017, million rubles (growth, %)	Expenditure (% change over 2017 percentage point)	
			Federal budget 2018	as a percentage of GDP
1	2	3	4	5
“National Matters”				
<i>Expenditures of Ministry of Defense</i>	8	-1 (-15.80)	<0.01 (-)	<0.01 (-)
Mobilizational preparation of government agencies	109	6 (-)	<0.01 (-)	<0.01 (-)
“National Security and Law Enforcement”				
Federal National Guard	228 438	5 850 (2.63)	1.37 (0.01)	0.22 (-0.02)
Frontier service authorities	136 867	-3 518 (-2.51)	0.82 (-0.04)	0.13 (-0.02)
Mobilizational preparation of government agencies	16	-6 (-27.91)	<0.01 (-)	<0.01 (-)
“National Economy”				
Mobilizational preparation of government agencies	182	58 (46.63)	<0.01 (-)	<0.01 (-)
“Destruction of Chemical Weapons Stockpiles in Russian Federation” Presidential Program	434	86(24.65)	<0.01 (-)	<0.01 (-)
Subsidies on Russia-NATO coordination center	18	-1 (-5.04)	<0.01 (-)	<0.01 (-)

¹ The Ministry of Defense controls 3,500 contracts of the State Defense Order up to each aircraft. Moscow, 30.11.2018. URL: https://function.mil.ru/news_page/country/more.htm?id=12206217@egNews (date of reference: 30.11.2018).

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1	2	3	4	5
Federal Target Program "Industrial Utilization of Arms and Military Equipment in 2011–2015 and in the period till 2020"	49	36 (277.50)	<0.01 (-)	<0.01 (-)
<i>Capital development within frameworks of SDO</i>	7 520	549 (7.88)	0.04 (-)	0.01 (-)
<i>Contributions to charter capitals and subsidies to MIC</i>	10 013	5 745 (134.61)	0.06 (0.03)	<0.01 (0.01)
<i>Classified expenditures</i>	160 221	-73 898 (-31.56)	0.96 (-0.47)	0.15 (-0.10)
"Housing and Public Utilities"				
<i>Expenditures of Ministry of Defense</i>	79 726	33 797 (73.59)	0.48 (0.20)	0.08 (0.03)
<i>Expenditures of Federal National Guard</i>	2 801	518 (22.68)	0.02 (-)	<0.01 (-)
"Destruction of Chemical Weapons Stockpiles in Russian Federation" Presidential Program	261	259 (12341.59)	<0.01 (-)	<0.01 (-)
Mobilizational preparation of government agencies	13	13 (-)	<0.01 (-)	<0.01 (-)
Environmental Protection				
<i>Expenditures of Ministry of Defense</i>	1 525	113 (7.99)	0,01 (-)	<0,01 (-)
"Education"				
<i>Expenditures of Ministry of Defense</i>	80 578	6 801 (9.22)	0.48 (0.03)	0.08 (-)
<i>Expenditures of Federal National Guard</i>	5 644	863 (18.04)	0.03 (-)	0.01 (-)
Presidential program 'Destruction of Chemical Weapons Stockpiles in RF'	90	90 (-)	<0,01 (-)	<0,01 (-)
"Culture and Cinematography"				
<i>Expenditures of Ministry of Defense</i>	3 921	160 (4.26)	0.02 (-)	<0.01 (-)
<i>Expenditures of Federal National Guard</i>	377	102 (37.22)	<0.01 (-)	<0.01 (-)
"Healthcare"				
<i>Expenditures of Ministry of Defense</i>	72 019	13 322 (22,70)	0,43 (0,07)	0,07 (0,01)
<i>Expenditures of Federal National Guard</i>	4 838	463 (10,59)	0,03 (-)	<0,01 (-)
<i>Pharmacological support ZATO Federal Biomedical Agency</i>	91	-4 (-4,07)	<0,01 (-)	<0,01 (-)
Mobilizational preparation of government agencies	11	4 (65,75)	<0,01 (-)	<0,01 (-)
"Social Policy"				
<i>Expenditures of Ministry of Defense</i>	490 693	2 899 (0.59)	2.94 (-0.03)	0.47 (-0.06)
<i>Expenditures of Federal National Guard and Frontier Service Authorities</i>	75 297	3 392 (4.72)	0.45 (0.01)	0.07(-0.01)
Material support of experts of nuclear weapons complex of Russian Federation	7 346	20 (0.27)	0.04 (-)	0.01 (-)
Benefits to families of killed servicemen and servicemen who became disabled as result of military injuries	11 241	-3 093 (-21.58)	0.07 (-0.02)	0.01 (-)
Lump-sum benefits to pregnant wives of servicemen who are on compulsory-duty service, as well as monthly child benefits	803	-123 (-13.26)	<0.01 (-)	<0.01 (-)
Resettlement of citizens from closed administrative territorial units (CATU)	509	62 (13,90)	<0.01 (-)	<0.01 (-)
Mobilizational preparation of government agencies	8	2 (27.80)	<0.01 (-)	<0.01 (-)
"Physical Fitness and Sports"				
<i>Expenditures of Ministry of Defense</i>	3 792	75 (2.02)	0.02 (-)	<0.01 (-)
"Mass Media"				
<i>Expenditures of Ministry of Defense</i>	2 810	505 (21.90)	0.02 (-)	<0.01 (-)
Mobilizational preparation government agencies	4	<1 (-4.74)	<0.01 (-)	<0.01 (-)
"General Intergovernmental Transfers Within the Budget System of the Russian Federation"				
Subsidies to CATU budgets	9 151	-298 (-3.16)	0.05 (-)	0.01 (-)
TOTAL ON OTHER ITEMS	1 397 427	-5 157 (-0.41)	8.36 (-0.18)	1.35 (-0.17)

Source: The Federal Treasury; own calculations.

As a result, in 2018 the overall military expenditures (see *Table 34*) of the Russian federal budget calculated in accordance with the UN standards applicable to military expenditures decreased by 0.5 percentage point of GDP to 4.1 percent of GDP as compared to the previous year.

Table 34

The overall indices of military and related federal budget expenditures in 2018

Name of expenditures	Amount of expenditures, million rubles	Change on 2017, million rubles (growth, %)	Share of expenditures, % (change on 2017, percentage point)	
			In 2018 federal budget	In GDP
Overall military expenditures related to present and previous military activities	4 224 442	-30 416 (-0.79)	25.28 (-0.64)	4.07 (-0.55)
Overall expenditures by items "National Defense" and "National Security and Law Enforcement"	4 798 598	28 304 (0.65)	28.71 (-0.34)	4.62 (-0.56)

Source: The Federal Treasury, own calculations.

In 2018, the peak of expenditures on the "National Defense" item in Q4 (31.7 percent or RUB 898 billion) decreased substantially as compared to the previous year (36.9 percent or RUB 1.54 trillion). The quarterly dynamics of execution of expenditures by the main subsections of the "National Defense" item of the federal budget in 2016–2018 are shown in *Fig. 28–30*.

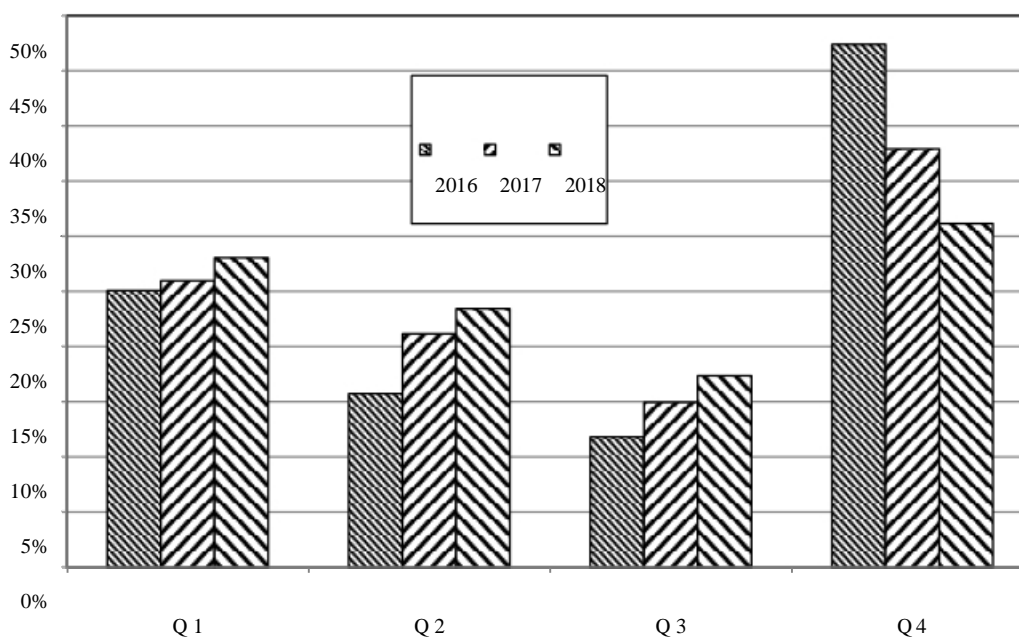
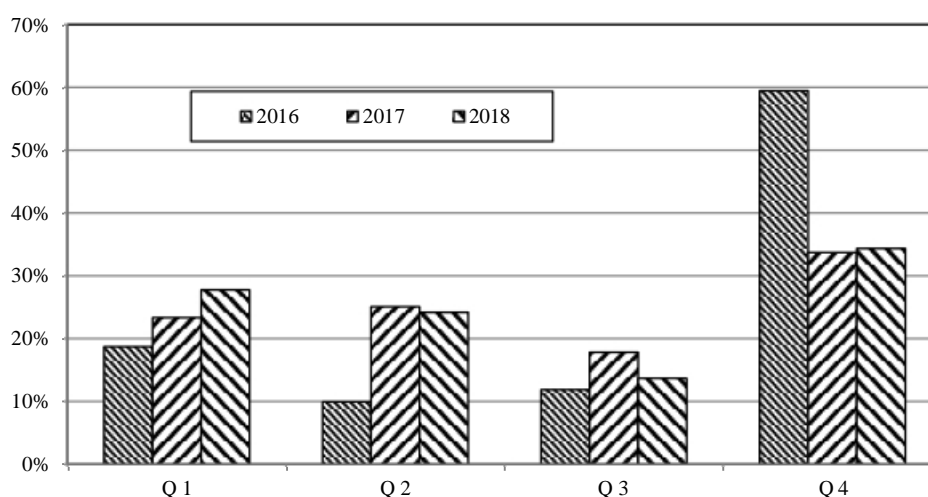


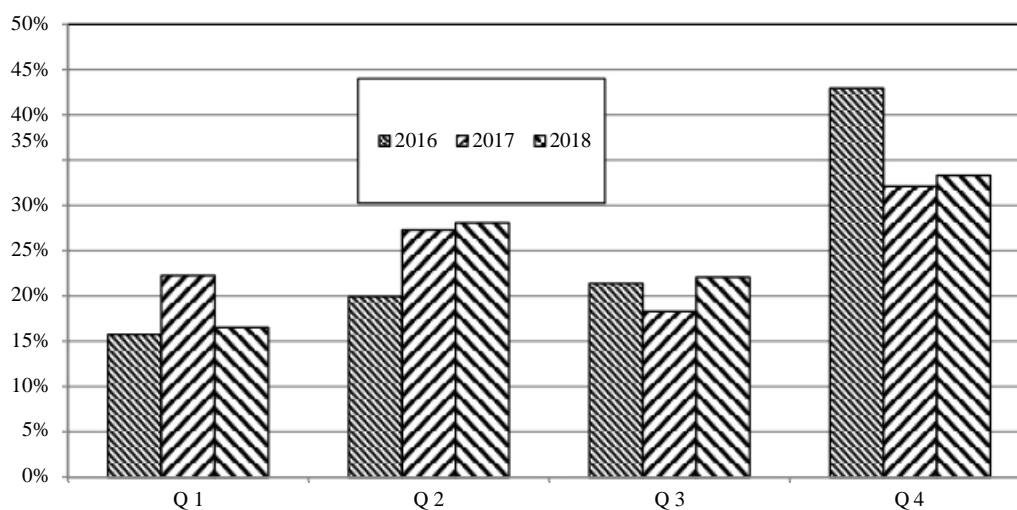
Fig. 28. The execution of federal budget expenditures by the "Armed Forces of the Russian Federation" subsection in 2016–2018

Source: The Federal Treasury; own calculations.



Source: The Federal Treasury; own calculations.

Fig. 29. The execution of federal budget expenditures by the “Applied Research in National Defense” subsection in 2016–2018



Source: The Accounts Chamber; own calculations.

Fig. 30. The execution of federal budget expenditures by the “Other Issues of National Defense” subsection in 2016–2018.

In 2018, the expenditures on allowances to servicemen of the Ministry of Defense amounted to RUB 506,481 billion (0.49 percent of GDP), an increase of 3.4 percent in nominal terms within a year. The expenditures on labor remuneration of the civilian personnel of the Ministry of Defense amounted to RUB 209,934 billion (0.20 percent of GDP), an increase of 5.8 percent in nominal terms for the first time since 2013. In 2018 the expenditures on pensions to servicemen of the Ministry of Defense of the Russian Federation amounted to 343,282 billion (0.33 percent of GDP), an increase of 1.5 percent in nominal terms as compared to the previous year.

The main indicators of the federal budget expenditures on the manning of the Armed Forces in 2011–2018 are shown in *Table 35*. The expenditures of the Ministry of Defense are considered here in a package with the expenditures on allowances to servicemen and civilian personnel in terms of the expenditures on the manning of the Armed Forces with servicemen in the previous periods.

Table 35

**Federal budget expenditures on the manning
of the Armed Forces in 2011–2018**

Type of expenditures	2011	2012	2013	2014	2015	2016	2017	2018
In nominal terms, billion rubles								
Payments to servicemen	262.0	352.7	379.4	400.7	429.8	473.5	489.9	506.5
Payments to civilian personnel	n/a	189.2	213.2	211.3	203.7	199.0	198.4	209.9
Pensions of Ministry of Defense	136.4	252.6	262.6	287.4	305.3	327.1	338.3	343.3
% of GDP								
Payments to servicemen	0.44	0.53	0.53	0.51	0.53	0.55	0.53	0.49
Payments to civilian personnel	n/a	0.28	0.30	0.27	0.25	0.23	0.22	0.20
Pensions of Ministry of Defense	0.23	0.38	0.37	0.37	0.38	0.38	0.37	0.33
% expenditures on "National Defense" item								
Payments to servicemen	17.3	19.5	18.0	16.2	13.5	12.5	17.2	17.9
Payments to civilian personnel	n/a	10.4	10.1	8.5	6.4	5.3	7.0	7.4
Pensions of Ministry of Defense	9.0	13.9	12.5	11.6	9.6	8.7	11.9	12.1
Growth within year in nominal terms, %								
Payments to servicemen	–	34.6	7.6	5.6	7.3	7.5	3.5	3.4
Payments to civilian personnel	–	n/a	12.7	–0.9	–3.6	–2.3	–0.3	5.8
Pensions of Ministry of Defense	–	85.3	3.9	9.5	6.2	7.1	3.4	1.5

Source: The Federal Treasury; own calculations.

The data presented in *Table 35* point to the fact that in 2018 despite an increase in nominal terms in cash allowances and pensions of the Ministry of Defense the Government managed to reduce at least a portion of the expenditures on the manning of the Armed Forces in real terms, which situation can be explained by insignificant growth in the number of servicemen in combination with the reduction of the number of military pensioners.

In 2018, the expenditures of the Ministry of Defense on fuels and lubricants and material support decreased again as compared to the previous year and amounted to RUB 59,020 billion (–19.2 percent) and RUB 24,792 billion (–9.0 percent), respectively. The expenditures on subsistence support grew by 14.9 percent to RUB 73,952 billion.

In 2018 the budget investments of the Ministry of Defense in capital development projects within the frameworks of the SDO and subsidies on purchasing of housing by individuals decreased as compared to the previous year and amounted to RUB 82,404 billion (–32.4 percent) and RUB 129,032 billion (–1.8 percent), respectively. The capital development plans of the Ministry of Defense envisaged spending of RUB 117,093.9 billion, including RUB 93.9 billion on building of special and military projects¹.

¹ A meeting of the Collegium of the Ministry of Defense of the Russian Federation was held in Moscow, Moscow, 26.02.2018. URL: https://function.mil.ru/news_page/country/more.htm?id=12164444@egNews (date of reference: 26.02.2018).

Presented in *Table 36* is the updated and adjusted estimate of the contribution of credit financing to Russian military expenditures in 2011–2018 based on the data of the Accounts Chamber on the actual utilization of state guarantees for the financing of the SDO, as well as the published data on repayment of commercial loans. To calculate the interests (a banking premium), the adjusted value of the officially declared markup to the Central Bank’s rate of refinancing (the key rate) was used. The overall contribution of the lending scheme for each year is determined as the difference between the utilized guarantees and the body of the debt.

Table 36

**The contribution of credit financing to Russian military expenditures
in 2011–2018**

	2011	2012	2013	2014	2015	2016	2017	2018	2011–2018
Utilized guarantees, billion rubles	123.2	187.7	350.5	470.9	8.5	200.8	–	–	1 341.6
Repayment of loans, billion rubles, including:	–	–	–	–	181.5	792.0	186.8	477.0	1 637.2
Return of body of debt, billion rubles	–	–	–	–	123.2	578.5	132.4	306.7	1 140.8
Repayment of interests, billion rubles	–	–	–	–	58.3	213.5	54.4	170.2	496.4
Overall contribution of lending scheme, billion rubles	+123.3	+187.7	+350.5	+470.9	–114.7	–377.6	–132.4	–306.7	–
Overall contribution of lending scheme, % of GDP	+0.20	+0.28	+0.48	+0.59	–0.14	–0.44	–0.14	–0.30	–

Source: The Accounts Chamber; the Ministry of Defense; the Vedomosti daily. December 14, 2016. (No. 235); own calculations.

Presented in *Table 37* are the Russian military expenditures in 2008–2018 accounted for in the overall balanced expenditures on the “National Defense” item of the consolidated budgets of the subjects of the Russian Federation in 2018 in the amount of RUB 1,394 billion and the contribution of credit financing in 2011–2018 in accordance with the data of *Table 36*.

Таблица 37

**The main indicators of military expenditures
of the Russian Federation in 2008–2018**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1	2	3	4	5	6	7	8	9	10	11	12
1. In nominal terms (in current prices), billion rubles											
Federal Budget allocations on “National Defense” item: in current budget classification	1 031.6	1 192.9	1 278.0	1 537.4	1 846.3	2 111.7	2 470.6	3 163.8	3 895.4	3 049.8	2 827.9
Execution of federal budget expenditures on “National Defense” item in current budget classification ^a	1 040.8	1 188.2	1 276.5	1 516.0	1 812.3	2 103.6	2 479.1	3 181.4	3 775.3	2 852.3	2 827.0
Military expenditures of Russian Federation in accordance with data provided to UN ^b	1 118.0	1 166.1	1 162.5	1 423.3	1 689.3	1 660.1	1 962.1	2 903.3	2 055.7	n/a	n/a
Overall military expenditures related to current and previous military activities ^c	1 448.8	1 748.7	1 880.3	2 267.1	2 841.9	3 344.0	3 928.8	4 197.6	4 535.4	4 124.4	3 919.1
2. In real terms (in prices of 2018) ^a, billion rubles											
Federal budget allocations on “National Defense” item: in current budget classification	2 220.5	2 517.5	2 362.1	2 451.5	2 698.7	2 928.3	3 186.9	3 793.3	4 526.8	3 363.9	2 827.9

RUSSIAN ECONOMY IN 2018

trends and outlooks

Cont'd

1	2	3	4	5	6	7	8	9	10	11	12
Execution of federal budget expenditures on "National Defense" item in current budget classification	2 240.5	2 507.6	2 359.3	2 417.2	2 649.1	2 917.0	3 197.9	3 814.4	4 387.3	3 146.0	2 827.0
Military expenditures of Russian Federation in accordance with data provided to UN	2 406.5	2 461.0	2 148.6	2 269.5	2 469.2	2 302.1	2 531.0	3 481.0	2 388.8	n/a	n/a
Overall military expenditures related to current and previous military activities	3 118.5	3 690.5	3 475.4	3 614.9	4 154.1	4 637.1	5 067.9	5 032.8	5 270.5	4 459.0	3 919.1
3. In real terms (in prices of 2008), billion rubles											
Federal Budget allocations on "National Defense" item: in current budget classification	1 031.6	1 169.5	1 097.4	1 138.9	1 253.7	1 360.4	1 480.5	1 762.2	2 103.0	1 562.7	1 313.7
Execution of federal budget expenditures on "National Defense" item in current budget classification	1 040.8	1 164.9	1 096.1	1 122.9	1 230.7	1 355.1	1 485.6	1 772.0	2 038.2	1 461.5	1 313.3
Military expenditures of Russian Federation in accordance with data provided to UN	1 118.0	1 143.3	998.2	1 054.3	1 147.1	1 069.5	1 175.8	1 617.2	1 109.0	n/a	n/a
Overall military expenditures related to current and previous military activities	1 448.8	1 714.5	1 614.5	1 679.4	1 929.8	2 154.2	2 354.4	2 338.1	2 448.5	2 113.3	1 820.7
4. Military burdening of economy, % GDP											
Federal budget allocations on "National Defense" item: in current budget classification	2.50	3.07	2.76	2.55	2.71	2.89	3.13	3.81	4.53	3.31	2.72
Execution of federal budget expenditures on "National Defense" item in current budget classification	2.52	3.06	2.76	2.51	2.66	2.88	3.14	3.83	4.39	3.10	2.72
Military expenditures of Russian Federation in accordance with data provided to UN	2.71	3.00	2.51	2.36	2.48	2.27	2.48	3.49	2.39	n/a	n/a
Overall military expenditures related to current and previous military activities	3.51	4.51	4.06	3.76	4.17	4.57	4.97	5.05	5.27	4.48	3.77
5. By purchasing power parity (in current prices), billion rubles											
Federal Budget allocations on "National Defense" item: in current budget classification	71.9	85.1	80.8	88.6	100.0	108.7	117.6	134.1	159.9	125.3	108.5
Execution of federal budget expenditures on "National Defense" item in current budget classification	72.6	84.8	80.7	87.4	98.2	108.3	118.0	134.9	155.0	117.2	108.5
Military expenditures of Russian Federation in accordance with data provided to UN	78.0	83.2	73.5	82.1	91.5	85.5	93.4	123.1	84.4	n/a	n/a
Overall military expenditures related to current and previous military activities	101.0	124.8	118.8	130.7	153.9	172.2	187.0	178.0	186.2	169.4	150.4
6. By average annual exchange rate (in current prices), billion rubles											
Federal Budget allocations on "National Defense" item: in current budget classification	41.5	37.6	42.1	52.3	59.4	66.3	64.3	51.9	58.1	52.3	45.1
Execution of federal budget expenditures on "National Defense" item in current budget classification	41.9	37.5	42.0	51.6	58.3	66.1	64.5	52.2	56.3	48.9	45.1
Military expenditures of Russian Federation in accordance with data provided to UN	45.0	36.8	38.3	48.4	54.3	52.1	55.1	47.6	30.7	n/a	n/a
Overall military expenditures related to current and previous military activities	58.3	55.1	61.9	77.1	91.4	105.0	102.3	68.9	67.8	70.6	62.5
For reference											
Deflator of gross domestic product, % on previous year	118.0	102.0	114.2	115.9	109.1	105.4	107.5	107.6	103.2	105.4	110.3
Purchasing power parity, RUB/USD	14.34	14.02	15.82	17.35	18.46	19.42	21.01	23.59	24.36	24.34	26.06
USD/RUB exchange rate (average weighted), USD/RUB.	24.86	31.72	30.37	29.39	31.09	31.85	38.42	60.96	67.03	58.35	62.71

^a As regards 2018 – the data of a monthly report of the Federal Treasury on execution of the consolidated budget in December 2017.

^b As regards 2017, the data were not provided to the UN as a result of termination for unknown reasons of Resolution No.11 of January 9, 1994 of the Government of the Russian Federation "On Submission on the Annual Basis of the Data on Military Expenditures of the Russian Federation to the UN Secretary-

^c Including pensions to servicemen and expenditures on the elimination of stockpiles of chemical weapons and utilization of weapons and military equipment.

^{d, e} Deflated by means of the GDP deflator.

Source: Federal Laws on Federal Budgets in 2008–2018 and Amendment of Federal Budgets in 2008–2017; United Nations Report on Military Expenditures; the Central Bank of the Russian Federation; the Rosstat; the Federal Treasury, OECD.Stat.
