

RUSSIA'S STATE BUDGET IN JANUARY–AUGUST 2014

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According to the data of the federal Treasury, in January–August 2014 federal budget revenues rose by 0.9 p.p. of GDP as compared to the respective period of the previous year; within 7 months of 2014 the revenues of the consolidated budget of constituent entities of the Russian Federation rose by 0.2 p.p. of GDP as compared to January–July 2013. Within 8 months of 2014, federal budget expenditures decreased by 0.2 p.p. of GDP as compared to the respective period of 2013; within 7 months expenditures of the consolidated budget of constituent entities of the Russian Federation were 0.1 p.p. of GDP lower than in June–July 2013. On the basis of the results of execution of budgets, surplus is registered: 2.0% of GDP in January–August 2014 as regards the federal budget and 0.7% of GDP in January–July 2014 as regards the consolidated budget of constituent entities of the Russian Federation. On September 18, 2014, the Government of the Russian Federation approved the draft law of the federal budget in the mid-term prospect, while the initial comments on the main parameters of the fiscal policy were given by the Minister of Finance at the Investment Forum in Sochi. According to the Finance Minister, the next year will be the most difficult in terms of financial and economic stability both for the country in general and the private sector and the population in particular.

Execution of the Federal Budget in January–August 2014

In January–August 2014, federal budget revenues amounted to Rb 9,438.9bn or 20.6% of GDP which is 0.9 p.p. of GDP higher than in the respective period of 2013 (*Table 1*). Oil and gas revenues amounted to 10.6% of GDP which is 0.8 p.p. of GDP higher than within 8 months of 2013; at the same time on the basis of the results of January–August 2014 non-oil and gas revenues rose by 0.1 p.p. of GDP as compared to the respective period of the previous year and amounted to 10.0% of GDP. In January–August 2014, federal budget expenditures amounted to Rb 8,531.9bn (18.6% of GDP) which is 0.2 p.p. of GDP lower than in the respective period of 2013. On the basis of the results of January–August 2014, the federal budget was executed with surplus of 2.0% of GDP (Rb 907.0bn) which is 1.1 p.p. of GDP higher than the balance of execution

of the federal budget in January–August 2013; it is to be noted that the volume of non-oil and gas deficit in shares of GDP decreased by 0.3 p.p. of GDP as compared to the respective period of 2013 and amounted to 8.6% of GDP.

Within 8 months of 2014, the federal budget revenues in shares of GDP rose as compared to the respective period of 2013 (*Table 2*) due to growth in revenues from domestic VAT (0.3 p.p. of GDP), “import” excises (0.01 p.p. of GDP), severance tax (0.4 p.p. of GDP) and foreign economic activities (0.1 p.p. of GDP). In January–August 2014, as compared to the respective period of 2013 revenues to the federal budget decreased by 0.2 p.p. of GDP only as regards “import” VAT, while as regards the profit tax and internal excises they remained at the level of January–August 2013, that is, 0.6% and 0.7% of GDP, respectively.

Table 1

THE MAIN PARAMETERS OF THE FEDERAL BUDGET OF THE RF IN JANUARY–AUGUST 2013–2014

	January–August 2014		January–August 2013		Deviation , p.p. of GDP
	Billion Rb	% of GDP	Billion Rb	% of GDP	
Revenues, including:	9438.9	20.6	8417.1	19.7	0.9
Oil and gas revenues	4887.3	10.6	4180.6	9.8	0.8
Non-oil and gas revenues	4551.6	10.0	4236.5	9.9	0.1
Expenditures, including:	8531.9	18.6	8026.0	18.8	-0.2
Interest expenditures	283.2	0.6	246.7	0.6	0.0
Non-interest expenditures	8248.7	18.0	7779.3	18.2	-0.2
Surplus (deficit) of the federal budget	907.0	2.0	391.1	0.9	1.1
Non-oil and gas deficit	-3980.3	-8.6	-3789.5	-8.9	0.3
GDP estimate	45867		42676		

Source: The Ministry of Finance of the Russian Federation, the Federal Treasury of the Russian Federation and calculations of the Gaidar Institute.

Table 2

REVENUES FROM THE MAIN TAXES TO THE FEDERAL BUDGET IN JANUARY–AUGUST 2013–2014

	January–August 2014		January–August 2013		Deviation, p.p. of GDP
	Billion Rb	% of GDP	Billion Rb	% of GDP	
Tax revenues, total, including	8519.9	18.5	7604.6	17.8	0.7
Corporate profit tax	278.1	0.6	241.4	0.6	0.0
VAT on goods sold in the Russian Federation	1393.9	3.0	1170.9	2.7	0.3
VAT on goods imported to the Russian Federation	1082.4	2.3	1065.9	2.5	-0.2
Excises on goods produced in the Russian Federation	328.4	0.7	290.6	0.7	0.0
Excises on goods imported to the Russian Federation	43.8	0.1	37.0	0.09	0.01
The severance tax	1941.7	4.2	1640.3	3.8	0.4
Revenues from foreign economic activities	3451.6	7.5	3158.5	7.4	0.1

Source: The Federal Treasury of the Russian Federation and calculations of the Gaidar Institute.

Table 3

EXPENDITURES OF THE FEDERAL BUDGET IN JANUARY–AUGUST 2013–2014

	January–August 2014		January–August 2013		Deviation, p.p. of GDP
	Billion Rb	% of GDP	Billion Rb	% of GDP	
Expenditures, total including	8531.9	18.6	8026.0	18.8	-0.2
Federal issues	568.7	1.2	502.4	1.2	0.0
National security	1717.2	3.7	1356.7	3.2	0.5
National defense and law enforcement activities	1218.9	2.6	1171.8	2.7	-0.1
National economy	1073.7	2.3	928.2	2.2	0.1
Housing and public utilities	72.6	0.1	72.8	0.2	-0.1
Protection of the environment	29.1	0.06	16.5	0.04	0.02
Education	426.9	0.9	463.5	1.1	-0.2
Culture and cinema	51.9	0.1	47.8	0.1	0.0
Healthcare	313.7	0.7	282.1	0.7	0.0
Social policy	2183.0	4.7	2445.9	5.7	-1.0
Physical culture and sport	26.3	0.06	37.7	0.09	-0.03
Mass media	47.0	0.1	50.7	0.1	0.0
Servicing of the public debt	283.2	0.6	246.7	0.6	0.0
Inter-budget transfers	519.6	1.1	402.9	0.9	0.2

Source: The Federal Treasury of the Russian Federation and calculations of the Gaidar Institute.

Within eight months of 2014, federal budget revenues (*Table 2*) in shares of GDP changed as follows as compared to January–August 2013:

There was growth in expenditures as regards such items as *the National Defense* (0.5 p.p. of GDP), *the National Economy* (0.1 p.p. of GDP), *the Protection of the Environment* (0.02 p.p. of GDP) and *Inter-Budget Transfers* (0.2 p.p. of GDP);

There was a decrease in expenditures as regards such items as *National Security and Law Enforcement Activities* (0.1 p.p. of GDP), *Housing and Public Utilities* (0.1 p.p. of GDP), *Education* (0.2 p.p. of GDP), *Social Policy* (1.0 p.p. of GDP) and *Physical Culture and Sport* (0.03 p.p. of GDP).

As regards other items, within 8 months of 2014 expenditures of the federal budget in shares of GDP remained at the level of January–August 2013.

In August 2014, the volume of the Reserve Fund and the National Welfare Fund fell by Rb 256.6bn and Rb 204.0bn, respectively, due to the exchange rate difference and as of September 1, 2014 amounted to Rb 2838.6bn and Rb 2884.8bn, respectively.

Execution of the Consolidated Budget of Constituent Entities of the Russian Federation in January–July 2014

According to the data of the Federal Treasury, within seven months of 2014 the *revenues of the consolidated budget of constituent entities of the Russian Federation* amounted to Rb 5,067.5bn or 12.5% of GDP which is 0.2 p.p. of GDP higher than in January–July 2013. Within seven months of 2014, expenditures of the consolidated budget of constituent entities of the Russian Federation decreased in shares of GDP by

Table 4

**THE MAIN PARAMETERS OF THE CONSOLIDATED BUDGET OF CONSTITUENT ENTITIES
OF THE RUSSIAN FEDERATION IN JANUARY–JULY 2013–2014**

	January–July 2014		January–July 2013		Deviation p.p. of GDP
	Billion Rb	% GDP	Billion Rb	% of GDP	
Revenues, including:	5067.5	12.5	4561.8	12.3	0.2
- corporate profit tax	1227.3	3.0	1014.9	2.7	0.3
- individual income tax	1463.0	3.6	1361.8	3.7	-0.1
- internal excises	273.5	0.7	279.3	0.7	0.0
- aggregate income tax	227.4	0.5	212.0	0.6	-0.1
- property tax	591.8	1.5	559.7	1.5	0.0
- uncompensated receipts from other budgets of the budgetary system of the Russian Federation	893.7	2.2	778.8	2.1	0.1
Expenditures	4758.5	11.8	4403.1	11.9	-0.1
Surplus (deficit) of the consolidated budget of constituent entities	309.0	0.7	158.7	0.4	0.3
GDP estimate	40380		37079		

Source: The Federal Treasury of the Russian Federation and calculations of the Gaidar Institute.

Table 5

**EXECUTION OF THE CONSOLIDATED BUDGET OF CONSTITUENT ENTITIES OF THE RUSSIAN FEDERATION
AS REGARDS EXPENDITURES IN JANUARY–JULY 2013–2014**

	January–July 2014		January–July 2013 r.		Deviation, p.p. of GDP
	Billion Rb	% of GDP	Billion Rb	% of GDP	
Expenditures, total	4758.5	11.8	4403.1	11.9	-0.1
including					
Federal issues	307.1	0.8	285.3	0.8	0.0
National security and law enforcement activities	50.4	0.1	45.3	0.1	0.0
National economy	768.7	1.9	727.7	1.9	0.0
Housing and public utilities	382.2	0.9	363.5	1.0	-0.1
Protection of the environment	11.4	0.03	11.1	0.03	0.0
Education	1396.4	3.4	1290.9	3.5	-0.1
Culture and cinema	167.8	0.4	150.9	0.4	0.0
Healthcare	697.3	1.7	675.5	1.8	-0.1
Social policy	796.4	2.0	703.2	1.9	0.1
Physical culture and sport	91.3	0.2	79.4	0.2	0.0
Mass media	23.0	0.06	21.7	0.06	0.0
Servicing of the public and municipal debt	61.4	0.1	42.9	0.1	0.0

Source: The Federal Treasury of the Russian Federation, calculations of the Gaidar Institute.

0.1 p.p. of GDP as compared to the respective period of 2013 and amounted to Rb 4,758.5bn (Table 4).

In January–July 2014, changes in revenues of the consolidated budget of constituent entities of the Russian Federation took place as compared to the respective period of the previous year in the following two items – corporate profit tax revenues (growth of 0.3 p.p. of GDP) and uncompensated receipts from budgets of other levels of the Russian Federation (growth of 0.1 p.p. of GDP) – while individual income tax revenues and revenues from the aggregate tax fell by 0.1 p.p. of GDP each. In January–July 2014, revenues in shares of GDP from internal excises and property tax remained at the level of the respective period of the previous year.

On the basis of the results of seven months of 2014, expenditures of the consolidated budget of constituent entities of the Russian Federation (Table 5) changed either somewhat in shares of GDP as regards the most budget items or remained at the level of January–July 2013; in particular, there was a decrease in expenditures as regards the following three items: *Housing and Public Utilities*, *Education* and *Healthcare* (0.1 p.p. of GDP each) and growth of 0.1 p.p. of GDP in expenditures only as regards the *Social Policy* item as compared to the respective period of 2013.

On the basis of the results of January–July 2014, the consolidated budgets of constituent entities of the Russian Federation were executed with a surplus in the volume of Rb 309.0bn or 0.7% of GDP which is

0.3 p.p. of GDP higher than the level of seven months of 2013.

The analysis of the main parameters of the draft of the federal budget in 2015 and the 2016–2017 period approved at the meeting of the government of the Russian Federation in mid-September points to the fact that the position of the Ministry of Finance in respect of budget rules, containment of expenditures and utilization of resources of the stabilization funds remains unchanged. In the 2015–2017 period,

the deficit of the federal budget does not go beyond the frameworks of the budget rule and amounts to 0.6% of GDP each year. In 2015, federal budget revenues will amount to 20.4% of GDP and fall to 18.2% of GDP by 2017; in 2015 federal budget expenditures are planned at the level of 21.0% of GDP and decrease to 18.8% of GDP by 2017. In the next three years, in such rigid frameworks of the fiscal policy only institutional reforms are the major factor of economic growth. ●