

THE STATE BUDGET IN JANUARY–SEPTEMBER 2014

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According to the data of the Federal Treasury, in January–September 2014 federal budget revenues rose by 0.8 p.p. of GDP as compared to the respective period of the previous year. Within 9 months of 2014, oil and gas revenues of the federal budget increased by 0.6 p.p. of GDP, while non-oil and gas revenues, by 0.2 p.p. of GDP as compared to the respective period of 2013. Within the same period, federal budget expenditures decreased by 0.2 p.p. of GDP as compared to January–September 2013; on the basis of the results of execution of the federal budget in January–September 2014 a surplus of 2.2 p.p. of GDP of the federal budget was registered. Despite the forecasted further decrease in oil prices to \$80 a barrel, the Government of the Russian Federation does not plan to introduce changes in the draft federal budget for 2015 and the 2016–2017 period which is currently considered in the State Duma.

Execution of the Federal Budget in January–September 2014

In January–September 2014, the federal budget revenues amounted to Rb 10,697.7bn or 20.4% of GDP which is 0.8 p.p. of GDP higher than in the respective period of the previous year (Table 1). The oil and gas revenues were at the level of 10.4% of GDP which was 0.6 p.p. of GDP higher than for 9 months of 2013; at the same time on the basis of the results of January–September 2014 the non-oil and gas revenues rose to 10% of GDP which was 0.2 p.p. of GDP higher as compared to the respective period of the previous year. In January–September 2014, federal budget expenditures amounted to Rb 9,585.3bn (18.2% of GDP), which is 0.2 p.p. of GDP lower than for 9 months of the previous year. On the basis of the results of January–September 2014, the federal budget was executed with a surplus of 2.2% of GDP (Rb 1,112.4bn) which is 1.0 p.p. of GDP higher than that of execution of the federal budget in January–September 2013. It is to

be noted that the volume of non-oil and gas deficit in shares of GDP decreased by 0.2 p.p. of GDP as compared to the respective period of the previous year and amounted to 8.3% of the GDP.

For 9 months of 2014, federal budget revenues in shares of GDP rose as regards most tax revenues as compared to the same period of 2013 (Table 2).

In January–September 2014, revenues from foreign economic activities did not change as compared to the same period of 2013 and amounted to 7.4% of GDP; in absolute terms year-on-year growth in those revenues amounted to 7.3% with general increase of 11.4% in federal budget revenues in January–September 2014 as compared to the respective period of the previous year.

Within 9 months of 2014, severance tax revenues in shares of GDP rose by 0.3 p.p. of GDP or 16.3% in absolute terms as compared to January–September 2013. For nine months of 2014, domestic VAT revenues rose by 0.3 p.p. of GDP (18.3% in absolute

Table 1

THE MAIN PARAMETERS OF THE FEDERAL BUDGET OF THE RUSSIAN FEDERATION
IN JANUARY–SEPTEMBER 2013–2014

	January–September 2014		January–September 2013		Deviation, p.p. of GDP
	Billion Rb	% of GDP	Billion Rb	% of GDP	
Revenues, total: including	10697.7	20.4	9603.5	19.6	0.8
Oil and gas revenues	5494.7	10.4	4774.2	9.8	0.6
Non-oil and gas revenues	5203.0	10.0	4829.3	9.8	0.2
Expenditures, including:	9585.3	18.2	9010.3	18.4	-0.2
Interest income	341.4	0.6	300.0	0.6	0.0
Non-interest income	9243.9	17.6	8710.3	17.8	-0.2
Surplus (deficit) of the federal budget	1112.4	2.2	593.2	1.2	1.0
Non-oil and gas deficit	-4382.3	-8.3	-4181.0	-8.5	0.2
Estimate of GDP	52540		48869		

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–SEPTEMBER 2013–2014

	January – September 2014		January– September 2013		Deviation, p.p. of GDP
	Billion Rb	% of GDP	Billion Rb	% of GDP	
Tax revenues, total: including	9707.7	18.5	8625.5	17.6	0.9
Corporate profit tax	320.7	0.6	259.4	0.5	0.1
VAT on goods sold in the territory of the RF	1663.8	3.2	1406.4	2.9	0.3
VAT on goods imported to the RF	1230.8	2.3	1210.0	2.5	-0.2
Excises on goods produced in the RF	376.4	0.7	212.1	0.4	0.3
Excises on goods imported to the RF	50.3	0.09	42.2	0.09	0.0
Severance tax	2174.5	4.1	1870.3	3.8	0.3
Revenues from foreign economic activities	3891.2	7.4	3625.1	7.4	0.0

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

Table 3

FEDERAL BUDGET REVENUES IN JANUARY–SEPTEMBER 2013–2014

	January–September 2014		January–September 2013		Deviation, p.p. of GDP
	Billion Rb	% of GDP	Billion Rb	% of GDP	
Expenditures, total: including	9585.3	18.2	9010.3	18.4	-0.2
National issues	624.3	1.2	557.0	1.1	0.1
National defense	1858.9	3.5	1444.7	2.9	0.4
National security and law enforcement	1377.1	2.6	1332.7	2.7	-0.1
National economy	1250.8	2.4	1049.6	2.1	0.3
Housing and utilities	80.0	0.1	87.5	0.2	-0.1
Protection of the environment	30.8	0.06	18.6	0.04	0.02
Education	480.1	0.9	523.6	1.1	-0.2
Culture and cinema	63.2	0.1	52.7	0.1	0.0
Healthcare	358.5	0.7	299.3	0.6	0.1
Social policy	2441.3	4.6	2781.1	5.7	-0.9
Physical culture and sport	31.5	0.06	42.9	0.09	-0.03
Mass media	53.6	0.1	51.9	0.1	0.0
Servicing of the public debt	341.4	0.6	300.0	0.6	0.0
Inter-budgetary transfers	593.5	1.1	468.4	0.9	0.2

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

terms), while import VAT revenues fell by 0.2 p.p. of GDP and increased by the mere 1.7% in absolute terms as compared to January–September 2013. In January–September 2014, corporate profit tax revenues in shares of GDP increased by 0.1 p.p. of GDP or 23.6% in absolute terms as compared to the respective period of the previous year. For 9 months of 2014, domestic excises revenues rose by 0.3 p.p. of GDP (77.5% in absolute terms) as compared to January–September 2013, import excise revenues remained at the level of January–September 2013, that is, 0.09% of GDP (+19.2% in absolute terms).

Within 9 months of 2014, federal budget expenditures (Table 3) in shares of GDP changed as follows as compared to January–September 2013:

There was growth in the following items: National Issues (0.1 p.p. of GDP), “National Defense (0.4 p.p. of GDP), “National Economy (0.3 p.p. of GDP), “Protection of the Environment (0.02 p.p. of GDP),

“Healthcare (0.1 p.p. of GDP) and “Inter-Budgetary Transfers (0.2 p.p. of GDP);

There was a decrease in the following items: National Defense (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 (0.9 p.p. of GDP) and “Physical Culture and Sport (0.03 p.p. of GDP).

As regards other items of the federal budget, within 9 months of 2014 expenditures in shares of GDP remained at the level of January–September 2013.

As of October 1, 2014, the aggregate volume of resources of the National Welfare Fund (NWF) and the Reserve Fund in the ruble equivalent amounted to Rb 2,847.3bn and Rb 2,795.8bn, respectively. Within 9 months of 2014, the exchange rate difference from revaluation of funds amounted to Rb 162.6bn and Rb 196.7bn as regards the NWF and the Reserve Fund, respectively. In September 2014, from the deposit account of the Vneshekonombank Rb 214.0bn worth of

Table 4

CHANGES IN THE PATTERN OF THE NWF AND THE RESERVE FUND IN JANUARY–SEPTEMBER 2014

Fund/Account	Balance		Annual change	
	As of the beginning of the year	As of the end of September	Currency accounts in million	%
NWF				
account in rubles, million	0.0	0.0	0.0	0.0
account in USD, million	24576.8	24419.4	-157.4	-0.6
account in euro, million	24089.4	23974.9	-114.5	-0.5
account in GBP, million	4375.0	4354.3	-20.7	-0.5
Reserve Fund				
account in rubles, million	0.0	0.0	0.0	0.0
account in USD, million	38084.1	40820.5	2736.4	7.2
account in euro, million	29395.8	31390.6	1994.8	6.8
account in GBP, million	5399.3	5761.6	362.3	6.7

Source: The Federal Treasury.

Table 5

THE MAIN PARAMETERS OF THE CONSOLIDATED BUDGET OF CONSTITUENT ENTITIES OF THE RUSSIAN FEDERATION 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:	5704.7	12.4	5161.6	12.1	0,3
corporate profit tax	1354.3	2.9	1112.4	2.6	0,3
severance tax	1658.1	3.6	1550.6	3.6	0,0
domestic excises	319.5	0.7	321.8	0.7	0,0
aggregate income tax	235.0	0.5	219.4	0.5	0,0
property tax	645.8	1.4	614.2	1.4	0,0
free-of-charge receipts from other budgets of the budgetary system of the RF	1028.1	2.2	929.1	2.2	0,9
Expenditures	5421.7	11.8	5080.6	11.9	-0,1
Surplus (deficit) of the consolidated budget of constituent entities	283.0	0.6	81.0	0.2	0,4
Estimate of GDP	45867		42676		

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

financial assets of the NWF in the currency of the RF was placed in privileged shares of the Vneshtorgbank. In September 2014, there were no operations with accounts of the Reserve Fund.

Within 9 months of 2014, the dynamics of changes in the pattern of the NWF and the Reserve Fund (Table 4) has shown the following:

Reduction of the volumes of the NWF in foreign currency, including those in the US dollars (0.6% – \$157,400) and euro and GBP (0.5% each) (that is, euro 114,500 and GBP 20,700);

Growth in the volumes of the Reserve Fund in foreign currency, including those in US dollars (7.2% – \$2,736,400) euro (6.8% – euro 1,994,800) and GBP (6.7% – GBP 362,300).

So, within 9 months of 2014 a change in the pattern of accounts in foreign currency points to the fact that the Ministry of Finance of the Russian Federation keeps maintaining the balance between foreign currency accounts and does not single out any currency as a priority one for preservation of the reserves.

Execution of the consolidated budget of constituent entities of the Russian Federation in January–August 2014

According to the data of the Federal Treasury, for 8 months of 2014 *revenues of consolidated budget of constituent entities of the Russian Federation* amounted to Rb 5,704.7bn or 12.4% of GDP which is 0.3 p.p. of GDP or 10.5% higher in absolute terms than the level of January–August 2013. Within the same period of 2014, revenues of the consolidated budget of constituent entities of the Russian Federation fell by 0.1 p.p. of GDP in shares of GDP as compared to the respective period of 2013 and rose in absolute terms by 6.7% to Rb 5,421.7bn (11.8% of GDP) (Table 5).

In January–August 2014, revenues of the consolidated budget rose in shares of GDP only as regards the profit tax as compared to the respective period of 2013: growth of 0.3 p.p. of GDP up to 2.9% of GDP, while in absolute terms growth amounted to 21.8%. As regards other tax and non-tax revenues, revenues

**EXECUTION OF THE CONSOLIDATED BUDGET OF CONSTITUENT ENTITIES OF THE RUSSIAN FEDERATION
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	5421,7	11,8	5080,6	11,9	-0,1
including					
National issues	351,8	0,8	327,7	0,8	0,0
National security and law enforcement	58,8	0,1	53,7	0,1	0,0
National economy	894,6	1,9	888,1	2,1	-0,2
Housing and public utilities	457,5	1,0	440,1	1,0	0,0
Protection of the environment	13,1	0,03	13,0	0,03	0,0
Education	1533,2	3,3	1432,1	3,3	0,0
Culture and cinema	187,6	0,4	170,6	0,4	0,0
Healthcare	804,6	1,8	777,9	1,8	0,0
Social policy	913,6	2,0	806,3	1,9	0,1
Physical culture and sport	105,4	0,2	91,5	0,2	0,0
Mass media	26,1	0,06	25,0	0,06	0,0
Servicing of the state and municipal debt	69,4	0,1	48,1	0,1	0,0

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

in shares of GDP remained at the level of the respective period of the previous year, namely:

- as regards the individual income tax: 3.6% of GDP (+7.0% in absolute terms);
- as regards the property tax: 1.4% of GDP (+5.0% in absolute terms);
- as regards domestic excises: 0.7% of GDP (-0.01% in absolute terms);
- as regards the aggregate income: 0.5% of GDP (+7.3 % in absolute terms);
- as regards free-of-charge receipts from other levels of budgets of the RF: 2.2% of GDP (+10.6% in absolute terms). On the basis of the results of 8 months of 2014, expenditures of the consolidated budget of constituent entities of the Russian Federation (*Table 6*) as regards most items changed insignificantly in shares of GDP or remained at the level of January–August 2013; in particular, there was a decrease of 0.2 p.p. of GDP in expenditures as regards the *National Economy* item and growth of 0.1 p.p. of GDP in expenditures as regards the *Social Policy* item.

On the basis of the results of January–August 2014, consolidated budgets of constituent entities of the Russian Federation were executed with a surplus of Rb 283.0bn or 0.6% of GDP which is 0.4 p.p. of GDP higher than the level of 8 months of 2013.

Despite consolidation of external negative factors, in particular, a decrease in oil prices which started in summer 2014, slowdown of growth rates both of the global economy and the European economy forecasted by the IMF¹ and financial and economic sanctions against the Russian Federation, no revision of the draft federal budget for 2015 and the 2016–2017 period is planned². At the same time, in conditions of high volatility of oil prices it is highly likely that in 2015 resources of the Reserve Fund may be utilized to cover the deficit of the federal budget. However, the problem of a budget deficit can be solved at the expense of reserves only during a short period of time and unless a solid basis for institutional restructuring and a change in the budget pattern is created during that period risks to stability of the budget system will increase many times over by 2016. ●

1 Early in October 2014, the IMF revised downward the forecast of growth rates of the global economy in 2014 and 2015 from 3.7% to 3.3% and from 4.0% to 3.8%, respectively; in 2014 growth of the mere 0.8% and 0.9% in GDP in the euro area and Japan, respectively, is forecasted. Source: <http://money.cnn.com/2014/10/07/news/economy/economy-imf-outlook>

2 As regards the general parameters of the draft federal budget for 2015 and the 2016–2017 period and the judgment of the Gaidar Institute on the draft budget for the 2015–2017 period, see: <http://www.iep.ru/ru/institut-gaidara-predstavil-zakliuchenie-na-proekt-biudzheta-na-2015-2017-gg.html>