

RUSSIA'S STATE BUDGET IN JANUARY–OCTOBER 2014

T.Tischenko

According to the data of the Federal Treasury, in January–October 2014 federal budget revenues increased by 0.6 p.p. of GDP on the respective period of 2013 due to growth in oil and gas revenues. Within ten months of 2014, federal budget expenditures fell by 0.2 p.p. of GDP on the respective period of the previous year; in January–October 2014 the surplus of the federal budget amounted to 1.9% of GDP.

Despite the impact of numerous external and internal negative factors, such as sanctions, a decrease in prices on hydrocarbons and slowdown of economic growth rates, the Government of the Russian Federation refused for the time being to revise the main parameters of the federal budget for the next three-year period and on November 21, 2014 the draft federal budget was approved by the Lower Chamber of the Federal Assembly without significant changes.

Execution of the Federal Budget in January–October 2014

In January–October 2014, federal budget revenues amounted to Rb 10,890.8bn or 20.1% of GDP which was 0.6 p.p. of GDP higher than in the respective period of the previous year (Table 1). The oil and gas revenues rose to 10.3% of GDP (Rb 6,113.1bn), which was 0.6 p.p. of GDP higher than within 10 months of 2013, while non-oil and gas revenues remained at the level of January–October 2013 having amounted to 9.8% of GDP. In January–October 2014, federal budget expenditures amounted to Rb 10,764.2bn (18.2% of GDP), which is 0.2 p.p. of GDP lower than within 10 months of the previous year. On the basis of the results of January–October 2014, the federal budget was executed with a surplus of 1.9% of GDP (Rb 1,126.6bn), which was 0.8 p.p. of GDP higher than the surplus of execution of the federal budget in January–October 2013; it is to be noted that the volume of non-oil and gas deficit in shares of GDP fell by 0.2 p.p. on the re-

spective period of the previous year and amounted to 8.4% of GDP.

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

In January–October 2014, revenues from foreign economic activities in shares of GDP did not change as compared to January–October 2013 and amounted to 7.4% of GDP; in absolute terms, growth in the above revenues within a year amounted to 7.6% with general growth of 10.7% in federal budget revenues in January–October 2014 as compared to the respective period of 2013.

Within 10 months of 2014, revenues from the severance tax in shares of GDP increased by 0.2 p.p. or 14.9% in absolute terms as compared to January–October 2013. Domestic VAT revenues rose by 0.3 p.p. of GDP (16.9% in absolute terms), while import VAT revenues fell by 0.2 p.p. of GDP and increased in abso-

Table 1

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

	January–October 2014		January–October 2013		Deviation, p.p. of GDP
	Billion RB	% of GDP	Billion Rb	% of GDP	
Revenues, including:	11890.8	20.1	10739.7	19.5	0.6
Oil and gas revenues	6113.1	10.3	5359.6	9.7	0.6
Non-oil and gas revenues	5777.7	9.8	5380.1	9.8	0.0
Expenditures, including:	10764.2	18.2	10131.0	18.4	-0.2
Interest expenditures	368.6	0.6	321.5	0.6	0.0
Non-interest expenditures	10395.6	17.6	9809.5	17.8	-0.2
Surplus (deficit) of the Federal Budget	1126.6	1.9	608.7	1.1	0.8
Non-oil and gas deficit	-4986.5	-8.4	-4750.9	-8.6	0.2
GDP estimate	59258		55003		

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

Table 2

THE MAIN TAX REVENUES TO THE FEDERAL BUDGET IN JANUARY–OCTOBER 2013 AND 2014

	January–October 2014		January–October 2013		Deviation, p.p. of GDP
	Billion RB	% of GDP	Billion Rb	% of GDP	
Tax revenues, including:	10823.5	18.2	9808.5	17.8	0.4
Corporate profit tax	351.6	0.6	303.6	0.5	0.1
VAT on goods sold in the territory of the Russian Federation	1816.3	3.1	1553.9	2.8	0.3
VAT on goods imported to the Russian Federation	1394.2	2.3	1366.0	2.5	-0.2
Excises on goods manufactured in the territory of the Russian Federation	423.2	0.7	374.7	0.7	0.0
Excises on goods imported to the Russian Federation	57.2	0.1	48.6	0.09	-0.01
Severance tax	2401.0	4.0	2090.8	3.8	0.2
Revenues from foreign economic activities	4380.0	7.4	4070.9	7.4	0.0

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

Table 3

FEDERAL BUDGET EXPENDITURES IN JANUARY–OCTOBER 2013 AND 2014

	January–October 2014		January–October 2013		Deviation, p.p. of GDP
	Billion Rb	% of GDP	Billion Rb	% of GDP	
Total expenditures, including:	10764.2	18.2	10131.0	18.4	-0.2
Federal issues	715.7	1.2	649.6	1.2	0.0
National defense	1969.8	3.3	1552.7	2.8	0.5
National security and law enforcement activities	1554.5	2.6	1493.1	2.7	-0.1
National economy	1432.5	2.4	1247.1	2.3	0.1
Housing and public utilities	84.6	0.1	97.4	0.2	-0.1
Protection of the environment	33.7	0.06	20.8	0.04	0.02
Education	537.3	0.9	567.5	1.0	-0.1
Culture and cinema	71.9	0.1	64.1	0.1	0.0
Healthcare	412.2	0.7	340.4	0.6	0.1
Social policy	2824.2	4.8	3139.3	5.7	-0.9
Physical culture and sport	36.4	0.06	48.2	0.09	-0.03
Mass media	64.3	0.1	66.8	0.1	0.0
Servicing of the state debt	368.6	0.6	321.5	0.6	0.0
Inter-budget transfers	658.4	1.1	522.1	0.9	0.2

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

lute terms by the mere 2.0% as compared to January–October 2013.

In January–October 2014, revenues from corporate profit tax in shares of GDP increased by 0.1 p.p. of GDP or 15.8% in absolute terms as compared to the respective period of the previous year. Revenues from domestic excises in shares of GDP did not change and amounted to 0.7% of GDP (growth of 13.1% in absolute terms), while revenues from import excises fell insignificantly (by 0.01 p.p. of GDP) as compared to 10 months of 2013 and rose by 17.7% in absolute terms.

Within 10 months of 2014, changes in federal budget expenditures (*Table 3*) in shares of GDP as compared to January–October 2013 were multidirectional.

Generally, within 10 months of 2014 the dynamics and pattern of federal budget revenues and expenditures did not show any substantial deviations from an-

nual average trends and, probably, the first evidence of the negative impact of external and domestic factors will be seen only next year. In the 2015 federal budget, within the frameworks of the government's anti-crisis fund Rb 127bn worth of budget allocations, including funds which were saved on the transfer to the Pension Fund of the Russian Federation due to extension of the moratorium on formation of the funded component of pensions in 2015 are planned; in case of need those allocations will be used on support of key companies.

Debates are going on as regards mechanisms of financing of investment projects by means of resources of the National Welfare Fund (NWF). The following two options are considered: placement of funds of the Stabilization Fund with banks for further financing of all the approved projects or straightforward allocation

of funds on concrete projects¹. However, as seen from practice, including that of implementation of projects within the frameworks of the Investment Fund the main problem related to spending of NWF funds consists in approaches to assessment of justification/efficiency of projects and control over purpose utilization of state funds, rather than mechanisms of investment. However, taking into account the fact that the total limit of investment of NWF funds amounts to 60% of the total volume of the Fund (nearly Rb 2 trillion), it can be expected that there will be plenty of those who would like to receive those funds.

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

According to the data of the Federal Treasury, within 9 months of 2014 *revenues of the consolidated budget of constituent entities of the Russian Federation* amounted to Rb 6,325.3bn or 12.0% of GDP which value is 0.4 p.p. of GDP higher than the level of January–September 2013 or 11.2% in absolute terms. Within 9 months of 2014, expenditures of the consolidated budget of constituent entities of the Russian Federation fell by 0.1 p.p. of GDP in shares of GDP and rose in absolute terms by 6.8% to Rb 6,150.4bn (11.7% of GDP) (Table 4).

In January–September 2014, changes in revenues of the consolidated budget of constituent entities of the Russian Federation took place as compared to the respective period of 2013 as regards the profit tax alone: those revenues increased by 0.4 p.p. of GDP to 2.8% of GDP; in absolute terms that growth amounted to 24.0%. As regards other tax and non-tax revenues,

1 The official site of the Ministry of Finance of the Russian Federation http://minfin.ru/ru/press/speech/index.php?id_4=23662

the revenues of the consolidated budget of constituent entities of the Russian Federation in shares of GDP remained at the level of the respective period of the previous year, namely:

- Severance tax: 3.5% of GDP (+7.0% in absolute terms);
- Property tax: 1.3% of GDP (+5.5% in absolute terms);
- Domestic excises: 0.7% of GDP (-2.7% in absolute terms);
- Taxes on the aggregate income: 0.4% of GDP (+7.6% in absolute terms);
- Non-repayable receipts from other levels of budgets of the RF: 2.2% of GDP (+12.0% in absolute terms).

On the basis of the results of 9 months of 2014, expenditures of the consolidated budget of constituent entities of the Russian Federation (Table 5) changed insignificantly in shares of GDP as regards most items or remained at the level of January–September 2013. There was a decrease in expenditures in the following items: *National Defense* – a decrease of 0.1 p.p. of GDP (to 2.0% of GDP), *Healthcare* – 0.1 p.p. of GDP (to 1.7% of GDP), *Housing and Public Utilities* – 0.1 p.p. of GDP (to 1.0% of GDP) and growth in expenditures in the item *Social Policy*: growth of 0.2 p.p. to 2.0% of GDP.

On the basis of the results of January–September 2014, the consolidated budget of constituent entities of the Russian Federation was executed with surplus in the amount of Rb 174.9bn or 0.3% of GDP which value is 0.5 p.p. of GDP higher than the level of 9 months of 2013.

As of October 1, 2014, the volume of the state debt of constituent entities of the Russian Federation amounted to Rb 1,736.3bn; within 9 months of 2014 growth amounted to Rb 17.2bn with taking into ac-

Table 4

THE MAIN PARAMETERS OF THE CONSOLIDATED BUDGET OF CONSTITUENT ENTITIES OF THE RUSSIAN FEDERATION IN JANUARY–SEPTEMBER 2013 AND 2014

	January–September 2014		January–September 2013		Deviation p.p. of GDP
	Billion Rb	% of GDP	Billion Rb	% of GDP	
Revenues, including:	6325.3	12.0	5686.8	11.6	0.4
- corporate profit tax	1483.2	2.8	1196.2	2.4	0.4
- severance tax	1857.8	3.5	1735.0	3.5	0.0
- domestic excises	357.7	0.7	367.4	0.7	0.0
- taxes on the aggregate income	241.0	0.4	224.2	0.4	0.0
- property tax	672.9	1.3	637.9	1.3	0.0
- non-repayable receipts from other budgets of the budget system of the Russian Federation	1175.2	2.2	1049.1	2.2	0.0
Expenditures	6150.4	11.7	5760.4	11.8	-0.1
Surplus (deficit) of the consolidated budget of constituent entities of the Russian Federation	174.9	0.3	-73.6	-0.2	0.5
GDP estimate	52540		48869		

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

Table 5

**EXPENDITURES OF THE CONSOLIDATED BUDGET OF CONSTITUENT ENTITIES OF THE RUSSIAN FEDERATION IN
JANUARY–SEPTEMBER 2013 AND 2014**

	January–September 2014		January–September 2013		Deviation, p.p. of GDP
	Billion Rb	% of GDP	Billion Rb	% of GDP	
Total expenditures,	6150.4	11.7	5760.4	11.8	-0.1
including:					
Federal issues	395.6	0.7	369.2	0.7	0.0
National security and law enforcement activities	67.3	0.1	62.5	0.1	0.0
National economy	1036.5	2.0	1033.5	2.1	-0.1
Housing and public utilities	533.9	1.0	518.2	1.1	-0.1
Protection of the environment	15.2	0.03	15.2	0.03	0.0
Education	1711.3	3.2	1593.2	3.2	0.0
Culture and cinema	214.1	0.4	192.5	0.4	0.0
Healthcare	911.5	1.7	873.4	1.8	-0.1
Social policy	1030.5	2.0	908.1	1.8	0.2
Physical culture and sport	119.5	0.2	104.2	0.2	0.0
Mass media	29.5	0.06	27.9	0.06	0.0
Servicing of public and municipal debt	79.1	0.1	55.7	0.1	0.0

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

count the new constituent entities, such as the Republic of Crimea and Sevastopol. In the total volume of the state debt of constituent entities of the Russian Federation, public budget loans attracted to the budget of a constituent entity of the RF from other budgets of the budget system amount to about 31% or Rb 540.2bn, while loans of credit institutions, to about 38% (Rb 660.6bn). It is to be reminded that the Ministry of Finance of the Russian Federation took a decision to extend the term of repayment of public budget loans received by constituent entities of the

Russian Federation for financing the public road system in the volume of Rb 80bn from 2015–2016 to the period of 20 years.

However, in the volume of the state debt, the sum of the restructured public budget loans is not that big and, probably, in a year or two the regional debt problem will require new system solutions, in particular, statutory restrictions as regards volumes and forms of borrowing, change in approaches to division of sources of revenues and adjustment of volumes of inter-budget transfers. ●