

RUSSIA'S STATE BUDGET IN JANUARY 2015

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According to the preliminary data of the Ministry of Finance of the Russian Federation, on the basis of the results of January 2015 the federal budget revenues fell by 0.8 p.p. of GDP, while the expenditures rose by 14.0 p.p. of GDP as compared to the same period of the previous year. The annual data on execution of the consolidated budget of constituent entities of the Russian Federation in 2014 shows growth of 0.2 p.p. of GDP in the revenues and a decrease of 0.1 p.p. in the expenditures as compared to January–December 2013. On the basis of the results of the first month of 2015, the federal budget deficit amounted to 5.4% of GDP, while the consolidated budget of constituent entities of the Russian Federation was executed in January–December 2014 with a deficit of 0.6% of GDP.

Preliminary Estimates of Execution of the Federal Budget in January 2015.

According to the data of the Ministry of Finance of the Russian Federation, on the basis of the results of January 2015 the federal budget revenues amounted to 25.8% of GDP (Rb 1,316.5bn) which is 0.8 p.p. of GDP lower than in January 2014 (*Table. 1*); in absolute terms in January 2015 the federal budget revenues fell by Rb 7.9bn or 0.6% as compared to January 2014. As compared to January 2014, in January 2015 the oil and gas revenues fell by 2.1 p.p. of GDP to 10.2% of GDP (Rb 520.8bn) or Rb 94.2bn in absolute terms. In January 2015, the share of oil and gas revenues in the total volume of federal budget revenues fell dramatically to 39.6% (46.5% in the same period of the previous year), while the oil and gas deficit rose by 12.6 p.p. of GDP to 15.6% of GDP as compared to January 2014.

In January 2015, the federal budget revenues amounted to 31.2% of GDP which was 14.0 p.p. of GDP higher than in January 2014; in January 2015 in absolute terms federal budget revenues rose 1.8 times over to Rb 1,594.3bn. On the basis of the results of January 2015, the federal

budget was executed with a deficit of 5.4% of GDP (Rb 277.8bn) which was 14.7 p.p. of GDP lower than the budget surplus of execution of the federal budget in the same period of 2014. However, the above data is to be interpreted carefully. It would be correct to compare monthly dynamics only as regards tax revenues. The additional data (which is shown below in *Table 3*) is required for the indices of expenditures and the deficit.

In January 2015, as compared to the same period of 2014 the federal budget expenditures in shares of GDP (*Table 2*) underwent mixed changes by individual components. In January 2015, revenues from foreign economic activities fell by 1.1 p.p. of GDP as compared to the same period of 2014 and amounted to 6.9% of GDP; in nominal terms it was a decrease of 11.5%. As regards revenues from export duties on hydrocarbons, in January 2015 as compared to January 2014 revenues from the export of crude oil decreased in nominal terms by 6.7%, while those from export of natural gas and petroleum derivatives, by 3.2% and 1.7%, respectively. In January 2015, revenues from the severance tax in shares of GDP fell

Table 1

THE MAIN PARAMETERS OF THE FEDERAL BUDGET IN JANUARY 2014–2015

	January 2015		January 2014		Deviation	
	Billion Rb	% of GDP	Billion Rb	% of GDP	Billion Rb	p.p. of GDP
Revenues, including:	1316.5	25.8	1324.4	26.6	-7.9	-0.8
Oil and gas revenues	520.8	10.2	615.0	12.3	-94.2	-2.1
Non-oil and gas revenues	795.7	15.6	709.4	14.3	86.3	1.3
Expenditures, including:	1594.3	31.2	858.3	17.2	736	14.0
Interest expenditures	31.4	0.6	23.5	0.5	7.9	0.1
Non-interest expenditures	1562.9	30.6	834.8	16.7	728.1	13.9
Surplus (deficit) of the federal budget	-277.8	-5.4	466.1	9.3	-743.9	-14.7
Non-oil and gas deficit	-798.6	-15.6	148.9	-3.0	-947.5	-12.6
GDP estimate	5110 ¹		4988			

Source: The Ministry of Finance of the Russian Federation (a preliminary estimate), the Federal Treasury and calculations of the Gaidar Institute.

1 The estimate of the economic expert group, <http://www.eeg.ru/pages/22>

THE MAIN TAX REVENUES TO THE FEDERAL BUDGET IN JANUARY 2014–2015

	January 2015			January 2014			Deviation, p.p. of GDP
	Billion Rb	% of GDP	% of the annual forecast volume	Billion Rb	% of GDP	% of the annual actual volume	
Total tax revenues, including	936.0	18.3	-	1039.0	20.9	-	-2.6
Corporate profit tax	15.3	0.3	3.7	17.0	0.3	4.1	-0.0
VAT on goods sold in the Russian Federation	215.8	4.2	9.2	192.0	3.8	8.8	0.4
VAT on goods exported from the Russian Federation	106.5	2.1	6.1	108.9	2.2	6.3	-0.1
Excises on goods manufactured in the Russian Federation	81.8	1.6	15.0	81.8	1.6	15.7	0.0
Excises on goods imported to the Russian Federation	3.1	0.06	5.6	4.0	0.08	5.6	-0.02
Severance tax	160.7	3.1	3.7	236.6	4.7	8.3	-1.6
Revenues from foreign economic activities	352.8	6.9	9.0	398.7	8.0	7.3	-1.1

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

by 1.6 p.p. of GDP or 32.0% in nominal terms as compared to January 2014.

In January 2015, federal budget revenues from the domestic VAT rose by 0.4 p.p. of GDP (12.4% in absolute terms), while those from the import VAT fell by 0.1 p.p. of GDP or 2.2% in nominal terms as compared to January 2014.

In January 2015, revenues from the corporate profit tax in shares of GDP did not change and amounted to 0.3 p.p. of GDP; in nominal terms it was a dramatic decrease of 10.0% as compared to the same period of the previous year. In January 2015, the federal budget revenues from domestic excises in shares of GDP and in absolute terms did not change and amounted to 1.6% of GDP or Rb 81.8bn; as regards import excises revenues decreased insignificantly by 0.02 p.p. of GDP as compared to January 2014 or 22.5% in nominal terms.

In January 2015, federal budget expenditures in shares of GDP (see Table 3) changed as follows as compared to January 2014:

- expenditures on the national defense rose by 11.2 p.p. of GDP or 5.2 times over in nominal terms. Main growth in expenditures of that section took place in the following two items: *The Armed Forces of the Russian Federation* and *Other Issues of the National Defense* (growth of 6.3 and 5.2 times over, respectively); expenditures on the *Applied Research in the Field of National Defense* item increased 3.5 times over;
- expenditures on the *Social Policy* item rose by 1.3 p.p. of GDP or 28.6% in nominal terms; it is to be noted that expenditures on old-age insurance rose by 85.6%;
- expenditures on the *National Security and Law Enforcement Activities* item fell by 0.5 p.p. of GDP; in nominal terms it was a 15.1% reduction;

- expenditures on the *National Economy* item increased considerably by 1.5 p.p. of GDP or 2.3 times over in nominal terms mainly due to growth of 5.2 times over in expenditures on the *Other Issues in the Field of the National Economy* item;
- expenditures on the *Federal Issues* item fell in shares of GDP by 0.1 p.p. of GDP which is equal in nominal terms to 1.0%;
- expenditures on the *Inter-Budget Transfers* item rose by 0.2 p.p. of GDP or 17.1% in nominal terms;
- expenditures on *Healthcare* fell by 0.1 p.p. of GDP which is equal to 30.3% in nominal terms;
- expenditures on *Education* rose by 0.2 p.p. of GDP or 17.3% in nominal terms;
- expenditures on *Servicing of the State Debt* rose by 0.1 p.p. of GDP to 0.6% of GDP or by 33.7% in nominal terms;
- as regards other items federal budget expenditures in shares of GDP changed insignificantly (within the limits of 0.01 p.p.– -0.03 p.p. of GDP).

Comparison of the indices of cash execution of the federal budget in January 2015 and January 2014 shows that there are no substantial deviations in the volumes of financing, except for expenditures on the national defense. An insignificant increase in growth rates of cash execution of the federal budget in January 2015 as regards the *National Economy* item (5.3% against 2.5%) is related to the need to support Russian enterprises. As was stated at the meeting on economic issues with the President of the Russian Federation on 18 February 2015, speed-up of the rates of financing as regards the *National Defense* item in January 2015 as compared to the same period of 2014 was related to advance payment of the applied research under the state defense order¹ (cash

1 <http://kremlin.ru/news/47709>

Table 3

FEDERAL BUDGET EXPENDITURES IN JANUARY 2014–2015

	January 2015			January 2014			Deviation, p.p. of GDP
	Billion Rb	% of GDP	Cash execution, %	Billion Rb	% of GDP	Cash execution, %	
Total expenditures, including:	1594.3	31.2	10.2	858.3	17.2	6.1	14.0
Federal issues	77.7	1.5	7.0	78.5	1.6	7.8	-0.1
National defense	709.1	13.9	21.7	136.0	2.7	5.5	11.2
National security and law enforcement activities	112.7	2.2	5.7	132.8	2.7	6.5	-0.5
National economy	132.0	2.6	5.3	57.7	1.1	2.5	1.5
Housing and public utilities	0.005	<0.01	<0.01	0.02	<0.01	<0.01	0.0
Protection of the environment	2.2	0.04	4.1	2.4	0.05	4.4	-0.01
Education	72.0	1.4	11.4	61.4	1.2	10.3	0.2
Culture and cinema	4.9	0.1	4.9	4.3	0.09	4.4	0.01
Healthcare	13.8	0.3	2.9	19.8	0.4	4.2	-0.1
Social policy	324.3	6.3	8.1	252.3	5.0	7.1	1.3
Physical culture and sport	3.7	0.07	5.1	5.4	0.1	6.7	-0.03
Mass media	6.4	0.1	9.1	3.9	0.08	5.7	0.02
Servicing of the state debt	31.4	0.6	7.0	23.5	0.5	5.2	0.1
Inter-budget transfers	93.9	1.8	13.7	80.2	1.6	12.3	0.2

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

Table 4

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

	January–December 2014		January–December 2013		Deviations, p.p. of GDP
	Billion Rb	% of GDP	Billion Rb	% of GDP	
Revenues, including:	8905.4	12.5	8164.7	12.3	0.2
- corporate profit tax	1963.3	2.8	1719.7	2.6	0.2
- individual income tax	2691.5	3.8	2499.0	3.8	0.0
- excises on goods manufactured in the Russian Federation	479.2	0.7	491.4	0.7	0.0
- aggregate income tax	315.0	0.4	292.8	0.4	0.0
- property tax	957.5	1.4	900.7	1.4	0.0
- non-repayable receipts from other budgets of the budget system of the Russian Federation	1670.8	2.3	1515.0	2.3	0.0
Expenditures	9353.3	13.2	8806.7	13.3	-0.1
Surplus (Deficit) of the consolidated budget	-447.9	-0.6	-642.0	-0.9	-0.3
GDP estimate	70976		66194		

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

execution in January 2015 amounts to 23.1% of annual volumes).

Early in March, the Government of the Russian Federation is planning to submit to the State Duma a draft law on amendment of the 2015 federal budget. With taking into account the objectives determined within the frameworks of the government's anti-crisis plan, the adjustment concerns 5% of the total volume of expenditures in real terms¹.

The analysis of the main parameters of execution of the consolidated budget of constituent entities of the RF in January–December 2014

¹ <http://government.ru/news/16963/>

According to the data of the Federal Treasury, the revenues of the consolidated budget of constituent entities of the Russian Federation for 12 months of 2014 amounted to Rb 8,905.4bn or 12.5% of GDP which is 0.2 p.p. of GDP or 9.1% in nominal terms higher than the level of January–December 2014. For 12 months of 2014, the expenditures of the consolidated budget of constituent entities of the Russian Federation fell in shares of GDP by 0.1 p.p. of GDP as compared to the respective period of 2014 and rose in nominal terms by 6.3% to Rb 9,353.3bn (13.2% of GDP) (Table 4).

Comparison of those tax revenues and payments to the consolidated budget of constituent entities of the Russian Federation in January–December 2014 and

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

	January–December 2014		January–December 2013		Deviations, p.p. of GDP
	Billion Rb	% of GDP	Billion Rb	% of GDP	
Total expenditures:	9353.3	13.2	8806.7	13.3	-0.1
including					
Federal issues	585.0	0.8	546.1	0.8	0.0
National security and law enforcement activities	107.8	0.1	106.6	0.2	-0.1
National economy	1779.3	2.5	1730.4	2.6	-0.1
Housing and Public utilities	906.3	1.3	901.9	1.4	-0.1
Protection of the environment	25.7	0.04	24.7	0.04	0.0
Education	2474.3	3.5	2333.7	3.5	0.0
Culture and cinema	320.7	0.4	288.1	0.4	0.0
Healthcare	1316.2	1.8	1250.9	1.9	-0.1
Social policy	1473.3	2.1	1312.5	2.0	0.1
Physical culture and sport	191.1	0.3	170.8	0.2	0.1
Mass media	42.5	0.06	40.5	0.06	0.0
Servicing of the state and municipal debts	121.7	0.2	91.2	0.1	0.1

Source: The federal Treasury and calculations of the Gaidar Institute.

the same period of 2013 shows growth of 0.2 p.p. of GDP in profit tax revenues to 2.8 p.p. of GDP or 14.2% in nominal terms. In January–December 2014, as compared to the respective period of 2013 the revenues of consolidated budgets of constituent entities of the Russian Federation as regards other incomes in shares of GDP remained unchanged, namely:

- As regards the individual income tax: 3.8% of GDP (growth of 7.7% in nominal terms);
- As regards non-repayable receipts from other budgets: 2.3% of GDP with growth of 10.3% in nominal terms;
- As regards the property tax: 1.4% of GDP or 6.4% in nominal terms;
- As regards domestic excises: 0.7% of GDP (with an insignificant 2.4% decrease in nominal terms);
- As regards the aggregate income tax: 0.4% of GDP or 7.9% in nominal terms.

So, for 12 months of 2014 as compared to the same period of 2013 the highest growth rates of revenues of the consolidated budget of constituent entities of the Russian Federation were registered as regards the profit tax, individual income tax and taxes on the aggregate income.

On the basis of the results of 12 months of 2014, the expenditures of the consolidated budget of con-

stituent entities of the Russian Federation (*Table 5*) changed insignificantly or remained at the level of January–December 2013. There was a decrease of 0.1 p.p. of GDP in expenditures on the *National Security and Law Enforcement Activities* item (to 0.1% of GDP), the *National Economy* item (to 2.5% of GDP), *Housing and Public Utilities* item (to 1.3% of GDP) and *Healthcare* (to 1.8% of GDP). There was growth of 0.1 p.p. of GDP in expenditures on the *Social Policy* item (to 2.1% of GDP), *Physical Culture and Sport* (to 0.3% of GDP) and *Servicing of the State and Municipal Debt* (to 0.2% of GDP).

On the basis of the results of January–December 2014, consolidated budgets of constituent entities of the Russian Federation were executed with a deficit of Rb 447.9bn or 0.6% of GDP which is 0.3 p.p. of GDP higher than the level of the deficit of the budget for 12 months of 2013.

According to the data of the Ministry of Finance of the Russian Federation, for 12 months of 2014 the volume of the state debt of constituent entities of the Russian Federation rose by Rb 351.5bn and as of January 1, 2015 amounted to Rb 2,089.0bn. It is to be noted that only in December 2014 constituent entities of the Russian Federation increased their debt obligations by Rb 266.9bn by means of loans from profit-making organizations. ●