

## THE STATE BUDGET IN Q1 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–March 2015 the federal budget revenues fell by 0.9 p.p. of GDP, while the expenditures increased by 5.1 p.p. of GDP as compared to the same period of the previous year. In January–February 2015, the revenues of the consolidated budget of constituent entities of the Russian Federation fell by 0.5 p.p. of GDP, too, while the expenditures rose by 0.1 p.p. of GDP as compared to two months of 2014. On the basis of the results of three months of 2015, the deficit of the federal budget amounted to 4.9% of GDP, while the consolidated budget of constituent entities of the Russian Federation was executed in January–February 2015 with a deficit of 2.0% of GDP.

### Preliminary Estimates of Execution of the Federal Budget in January–March 2015

On the basis of the results of January–March 2015, federal budget revenues amounted to 20.7 % of GDP (Rb 3436.8bn), which is 0.9 p.p. of GDP lower than their value in the same period of 2014 (*Table 1*); within three months of 2015 the federal budget revenues fell by Rb 84.6bn in absolute terms or 2.4% in nominal terms as compared to January–March 2014. Within three months of 2015 oil and gas revenues fell by 1.9 p.p. of GDP to 9.3% of GDP (Rb 1545.5bn) or by Rb 281.2bn as compared to January–March 2014, while the non-oil and gas deficit rose by 4.1 p.p. of GDP to 14.2% of GDP.

Within three months of 2015, federal budget expenditures amounted to 25.6% of GDP which was 5.1 p.p. of GDP higher than in the respective period of the previous year; in absolute terms federal budget expenditures rose by Rb 903.4bn or 27.1%. On the basis of the results of January–March 2015, the federal budget was executed with the deficit of 4.9% of GDP (Rb 812.3bn), which

was 6.0 p.p. of GDP worse than the surplus of execution of the federal budget in the same period of 2014.

As seen from the above data, the indices of Q1 and the year in general may vary greatly and due to that one should not speak about any stable trends and make substantiated estimates of the federal budget situation in the entire 2015 solely on the basis of comparison of the data on Q1 2014 and Q1 2015.

In January–March 2015, by individual budget items the dynamics of revenues of the federal budget in shares of GDP as compared to the same period of 2014 (*Table 2*) was a diverse one. Within three months of 2015, the revenues from the income from foreign economic activities in shares of GDP fell by 2.9 p.p. to 5.1% of GDP as compared to the respective period of 2014; in nominal terms it was a decrease of 35.3%. In January–March 2015, the revenues from the severance tax in shares of GDP rose by 0.2 p.p. of GDP or 8.6% as compared to January–March 2014.

Within three months of 2015, revenues to the revenues side of the federal budget from the domes-

Table 1

### MAIN PARAMETERS OF EXECUTION OF THE FEDERAL BUDGET IN JANUARY–MARCH 2014–2015

	January–March 2015		January–March 2014		January–December 2014		Change (March on March)	
	Billion Rb	% of GDP	Billion Rb	% of GDP	Billion Rb	% of GDP	Billion Rb	p.p. of GDP
Revenues, including:	3436.8	20.7	3521.4	21.6	14496.8	20.4	-84.6	-0,9
oil and gas revenues	1545.5	9.3	1826.7	11.2	7544.0	10.6	-281.2	-1,9
non-oil and gas revenues	1891.3	11.4	1694.7	10.4	6952.8	9.8	196.6	1,0
Expenditures, including:	4249.1	25.6	3345.7	20.5	14830.6	20.9	903.4	5,1
interest expenditures	161.6	1.0	132.9	0.8	415.6	0.6	28.7	0,2
non-interest expenditures	4087.5	24.6	3212.8	19.7	14415.0	20.3	874.7	4,9
Surplus (deficit) of the federal budget	-812.3	-4.9	175.7	1.1	-333.8	-0.5	-988.0	-6,0
Non-oil and gas deficit	-2357.8	-14.2	-1651.0	-10.1	-7877.8	-11.1	-706.8	-4,1
GDP estimate	16621		16284		70976			

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

Table 2

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

	January–March 2015		January–March 2014		Change, p.p. of GDP
	Billion Rb	% of GDP	Billion Rb	% of GDP	
Tax revenues, total, including	2948.4	17.7	3186.5	19.6	-1.9
Corporate profit tax	92.5	0.6	81.7	0.5	0.1
VAT on goods sold in the Russian Federation	679.9	4.1	565.5	3.5	0.6
VAT on goods imported to the Russian Federation	401.9	2.4	376.9	2.3	0.1
Excises on goods produced in the Russian Federation	142.5	0.8	125.4	0.8	0.0
Excises on goods imported to the Russian Federation	10.5	0.06	14.8	0.09	-0.03
Severance Tax	774.3	4.6	713.2	4.4	0.2
Revenues from foreign economic activities	846.8	5.1	1309.0	8.0	-2.9

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

Table 3

## FEDERAL BUDGET EXPENDITURES IN JANUARY–MARCH 2014–2015

	January–March 2015		January–March 2014		Change, p.p. of GDP
	Billion Rb	% of GDP	Billion Rb	% of GDP	
Total expenditures, including:	4249.1	25.6	3345.7	20.5	5.1
Federal issues	218.3	1.3	216.1	1.3	0.0
National defense	1534.4	9.2	974.2	6.0	3.2
National security and law enforcement	427.4	2.6	427.1	2.6	0.0
National economy	399.5	2.4	355.8	2.2	0.2
Housing and public utilities	44.3	0.3	30.5	0.2	0.1
Protection of the environment	13.5	0.08	5.0	0.03	0.05
Education	131.2	0.8	135.1	0.8	0.0
Culture and cinema	18.8	0.1	18.1	0.1	0.0
Healthcare	106.9	0.6	112.3	0.7	-0.1
Social policy	978.0	5.9	728.7	4.5	1.4
Physical culture and sport	13.8	0.08	6.0	0.04	0.04
Mass media	15.4	0.09	17.4	0.1	-0.01
Servicing of the public debt	161.6	1.0	132.9	0.8	0.2
Inter-budget transfers	185.7	1.1	186.6	1.1	0.0

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

tic VAT and import VAT rose by 0.6 p.p. of GDP and 0.1 p.p. of GDP, respectively (20.2% and 6.4% in nominal terms). As compared to three months of 2014, the federal budget revenues in shares of GDP from domestic excises did not change and amounted to 0.8% of GDP (a 13.6% growth in nominal terms), while revenues from import excises fell by 0.03 p.p. of GDP (a 29.0% decrease in nominal terms). In January–March 2015, the revenues from the corporate profit tax in shares of GDP rose by 0.1 p.p. or 13.3% in nominal terms as compared to the same period of 2014.

As compared to January–March 2014, within three months of 2015 federal budget expenditures (Table 3) in shares of GDP changed as follows:

- expenditures on the *National Defense* item rose by 3.2 p.p. of GDP or 1.6 times over in nominal terms;
- expenditures on the *Social Policy* item rose by 1.4 p.p. of GDP or 34.4%;
- expenditures on the *National Security and Law Enforcement* item in shares of GDP did not change and amounted to 2.6% of GDP; in absolute terms they rose by Rb 0.3bn;
- expenditures on the *National Economy* item rose by 0.2 p.p. of GDP or 12.4%;
- expenditures on the *Federal Issues* item in shares of GDP did not change and amounted to 1.3%; in absolute terms they rose by Rb 2.2bn;
- expenditures on the *Inter-Budget Transfers* item in shares of GDP did not change and amounted to 1.1%; in absolute terms they decreased by Rb 0.9bn;
- expenditures on the *Healthcare* item fell by 0.1 p.p. of GDP or Rb 5.4bn;
- expenditures on the *Education* item did not change in shares of GDP and amounted to 0.8%; in absolute terms they rose by Rb 3.9bn;

Table 4

**MAIN PARAMETERS OF THE CONSOLIDATED BUDGET OF CONSTITUENT ENTITIES OF THE RUSSIAN FEDERATION  
IN JANUARY–FEBRUARY 2014–2015**

	January–February 2015		January–February 2014		Change, p.p. of GDP
	Billion Rb	% of GDP	Billion Rb	% of GDP	
Revenues, including:	803.5	7.7	863.1	8.2	-0.5
corporate profit tax	85.9	0.8	176.2	1.7	-0.9
individual income tax	346.8	3.3	335.8	3.2	0.1
excises on goods produced in the Russian Federation	61.2	0.6	75.4	0.7	-0.1
aggregate income tax	37.1	0.3	35.8	0.3	0.0
property tax	68.3	0.6	64.1	0.6	0.0
uncompensated receipts from other budgets of the budget system of the Russian Federation	215.2	2.1	263.8	2.5	-0.4
Expenditures	1003.7	9.7	1010.4	9.6	0.1
Surplus (deficit) of the consolidated budget	-200.2	-2.0	-147.3	-1.4	-0.6
GDP estimate	10381		10503		

Source: The Federal Treasury 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–FEBRUARY 2014–2015**

	January–February 2015		January–February 2014		Change, p.p. of GDP
	Billion Rb	% of GDP	Billion Rb	% of GDP	
Expenditures, total:	1003.7	9.7	1010.4	9.6	0.1
including					
Federal issues	68.1	0.6	65.4	0.6	0.0
National security and law enforcement	9.9	0.09	9.9	0.09	0.0
National economy	110.0	1.1	123.5	1.2	-0.1
Housing and public utilities	66.4	0.6	74.1	0.7	-0.1
Protection of the environment	1.7	0.02	1.9	0.02	0.0
Education	303.5	2.9	312.7	3.0	-0.1
Culture and cinema	37.3	0.3	36.9	0.3	0.0
Healthcare	171.3	1.7	163.6	1.5	0.2
Social policy	190.3	1.8	183.8	1.7	0.1
Physical culture and sport	19.4	0.2	18.4	0.2	0.0
Mass media	5.1	0.05	5.1	0.05	0.0
Servicing of public and municipal debt	20.2	0.2	14.8	0.1	0.1

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

- expenditures on servicing of the public debt rose by 0.2 p.p. of GDP to 1.0% of GDP or by 21.6%;
- as regards other items, federal budget expenditures changed insignificantly in shares of GDP within the range of 0.01–0.05 p.p. of GDP.

Within three months of 2015, the volume of the public internal debt of the Russian Federation fell to Rb 6986.5bn (-Rb 254.8bn), while the volume of the public external debt, to \$53481.4m (-\$874.0m).

As of April 1, 2015, the aggregate volume of the Reserve Fund<sup>1</sup> and the National Welfare Fund amounted to Rb 4425.7bn and Rb 4346.9bn, respectively. In accordance with resolutions of the Government of the

Russian Federation<sup>2</sup>, in March 2015 resources of the National Welfare Fund were placed in securities related to implementation of free-standing infrastructure projects.<sup>3</sup>

Analysis of the main parameters of execution of the consolidated budget of constituent entities of the Russian Federation in January–February 2015.

According to the data of the Federal Treasury, within two months of 2015 *the revenues of the consolidated budget of constituent entities of the Russian Federation* amounted to Rb 803.5bn or 7.7 % of GDP

<sup>2</sup> Resolution No.18 of 19 January 2008 and Resolution No.990 of 5 November 2013

<sup>3</sup> The list was approved by Resolution No.2044-r of 5 November 2013 of the Government of the Russian Federation.

<sup>1</sup> <http://www.minfin.ru/ru/press-center>

which was 0.5 p.p. of GDP or 6.9% (in nominal terms) lower than the level of January–February 2014. Within two months of 2015, the expenditures of the consolidated budget of constituent entities of the Russian Federation rose in shares of GDP by 0.1 p.p. to 9.7% of GDP as compared to the respective period of 2014 or to Rb 1003.7bn (*Table. 4*).

The analysis of the pattern and dynamics of tax and non-tax revenues of the consolidated budget of constituent entities of the Russian Federation in January–February 2015 and the respective period of 2014 showed:

- a considerable decrease in profit tax revenues by 0.9 p.p. of GDP to 0.8% of GDP or by 51.2%;
- growth of 0.1 p.p. of GDP in individual income tax revenues (3.3% of GDP) or by 3.3%;
- a decrease of 0.1 p.p. of GDP in revenues from internal excises (0.6 % of GDP) with a reduction of 18.8%;
- a considerable decrease of 0.4 p.p. of GDP in revenues from uncompensated receipts from other budgets of the budget system of the Russian Federation (2.1% of GDP) or by 18.2%.

In January–February 2015, as compared to the same period of 2014 the revenues in shares of GDP from the aggregate income tax and the property tax remained unchanged in the volume of 0.3% and 0.6%

of GDP, respectively, with insignificant growth of 3.7% and 6.6%, respectively.

On the basis of the results of January–February 2015, as regards most budget items the expenditures of the consolidated budget of constituent entities of the Russian Federation (*Table 5*) in shares of GDP and absolute terms changed insignificantly or remained at the level of the respective period of the previous year; reduction of expenditures is related to a decrease in the volumes of funding as regards the following budget items: the National Economy item – a decrease of 0.1 p.p. of GDP (or by 10.5%), Housing and Public Utilities – 0.1 p.p. of GDP (10.4%) and Education – 0.1 p.p. of GDP (2.8%). In January–February 2015, as compared to the same period of 2014 expenditures of the consolidated budget of constituent entities of the Russian Federation rose in shares of GDP and absolute terms on healthcare (0.2 p.p. of GDP (4.9%)), social policy (0.1 p.p. of GDP (3.9%)) and servicing of the public debt (0.1 p.p. of GDP (36.5%)).

In January–February 2015, reduction of tax revenues of the consolidated budget of constituent entities of the Russian Federation (primarily the profit tax) and transfers from the federal budget resulted in growth of 0.6 p.p. of GDP to 2.0% of GDP (up to Rb 200.2bn) in the deficit of the consolidated budget of constituent entities of the Russian Federation as compared to the same period of 2014. ●