

RUSSIA'S STATE BUDGET IN JANUARY–NOVEMBER 2015

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According to the data released by the Federal Treasury, by the period-end for January–November 2015 the federal budget revenues as a share of GDP have reached their high of 18.0% of GDP during eleven months of the current year. Prior to that, the lowest indicator for the federal budget revenues as a share of GDP was registered as of the period-end for January–May and January–August – 19.0% of GDP.

For January–October 2015, the budget revenues of the enlarged government as a share of GDP also declined by 0.5 p.p. of GDP (to 35.9% of GDP) against ten months of 2014. Meanwhile, revenues of the consolidated budget of the subjects of the Russian Federation for the same period of the current year went up by 0.4 p.p. of GDP to 12.6% of GDP against the corresponding period last year.

The President of Russia held a meeting with the members of the Government where they discussed issues of implementation of the Presidential Address to the Federal Assembly. At the meeting, vice-prime minister Igor Shuvalov made public the task to search for additional measures aimed at increasing the revenue base of the federal budget by amending the system of administration of fiscal and customs payments and in the sphere of alcoholic products turnover¹.

The preliminary estimates of the federal budget execution in January–November 2015

By the period-end for January–November 2015, the federal budget revenues constituted 18.0% of GDP (Rb 12,173.8 bn) down 1.7 p.p. of GDP compared to the same period of 2014 (Table 1). In absolute terms, contraction was to the tune of Rb 777.0bn or 6.0%. Oil and gas receipts as of the period-end for eleven months of 2015 fell by 2.2 p.p. of GDP to 8.0% of GDP

1 <http://kremlin.ru/events/president/news/50898>

Table 1

MAIN PARAMETERS OF THE FEDERAL BUDGET FOR JANUARY–NOVEMBER 2014–2015

	January–November 2015		January–November 2014		Change	
	Rb bn	% GDP	Rb bn	% GDP	Rb bn	p.p. GDP
Revenues, of which:	12173.8	18.0	12950.8	19.7	-777.0	-1.7
Oil and gas revenues	5411.0	8.0	6718.8	10.2	-1307.8	-2.2
Non-oil and gas revenues	6762.8	10.0	6232.0	9.5	530.8	0.5
Expenditures, of which:	13131.2	19.4	11677.5	17.8	1453.7	1.6
Interest	523.0	0.8	377.9	0.6	145.1	0.2
Non-interest	12608.2	18.6	11299.6	17.2	1308.6	1.4
Surplus (deficit) of the federal budget	-957.4	-1.4	1273.3	1.9	-2230.7	-3.3
Non-oil and gas deficit	-6368.4	-9.4	-5445.5	-8.3	-922.9	-1.1
GDP estimates	67805		65535			

Sources: Federal treasury, Finance Ministry, Gaidar Institute calculations.

Table 2

RECEIPTS FROM MAIN TAXES IN THE FEDERAL BUDGET IN JANUARY–NOVEMBER 2014–2015

	January–November 2015		January–November 2014		Change	
	Rb bn	% GDP	Rb bn	% GDP	Rb bn	p.p. GDP
Tax receipts, total, of which	10644.6	15.7	11814.8	17.9	-1170.2	-2.2
Corporate income tax	462.7	0.7	372.7	0.6	90	0.1
VAT on merchandise sold in the territory of RF	2150.5	3.2	1914.2	2.9	236.3	0.3
VAT on merchandise imported to the territory of RF	1588.9	2.3	1542.6	2.3	46.3	0.0
Excises on merchandise produced in the territory of RF	476.5	0.7	469.8	0.7	6.7	0.0
Excises on merchandise imported to the territory of RF	46.5	0.07	63.4	0.1	-16.9	-0.03
Mineral extraction tax	2938.6	4.3	2632.4	4.0	306.2	0.3
Revenues from foreign economic activity	2980.9	4.4	4819.7	7.3	-1838.8	-2.9

Sources: RF Federal Treasury, Gaidar Institute calculations.

(Rb 5,411.0bn) against the same period of 2014. At the same time, the non-oil and gas receipts over January–November 2015 went up by 0.5 p.p. of GDP to 10.0% of GDP (Rb 6,762.8bn) compared to January–November 2014.

During eleven months of 2015, the federal budget expenditures reached 19.4% of GDP up 1.6 p.p. of GDP against the same period last year. When taken in absolute terms, the federal budget expenditures up Rb 1,453.7bn or by 12.4%. As of the period-end for January–November 2015, the federal budget was executed with a deficit of 1.4% of GDP (Rb 957.4bn) down 3.3 p.p. of GDP against a surplus execution of the federal budget for the same period of 2014. The non-oil and gas deficit also up to 9.4% of GDP or by 1.1 p.p. of GDP against January–November of 2014.

During eleven months of 2015, the federal budget revenues as a share of GDP compared to the same period of 2014 (*Table 2*) had differently directed movements. Receipts generated from the foreign economic activity shrank by 2.9 p.p. of GDP in comparison with the same period last year to 4.4% of GDP or by 38.1%. As of the period-end for January–November 2015, proceeds generated from the Mineral Extraction Tax (MET) up 0.3 p.p. of GDP against the corresponding period of the previous year to 4.3% of GDP. In nominal terms, growth constituted 11.6%.

Proceeds to the revenue part of the federal budget over eleven months of the current year compared to January–November 2014 generated from domestic VAT up 0.3 p.p. of GDP to 3.2% of GDP and from VAT on imports stayed on hold and came to 2.3% of GDP with growth in nominal terms by 12.3 and 3.0%, respectively. The federal budget revenues as a share of GDP from domestic excises remained on hold and constituted 0.7% of GDP (growth in absolute terms by Rb 6.7bn); meanwhile, receipts from import excises shrank by 0.03 p.p. of GDP to 0.07% of GDP. Proceeds from the corporate profit tax up 0.1 p.p. of GDP or by 24.1% in nominal terms.

During eleven months in 2015 against January–November 2014, the federal budget expenditures (*Table 3*) as a share of GDP changed as follows:

Table 3

FEDERAL BUDGET EXPENDITURE FOR JANUARY–NOVEMBER 2014–2015

	January–November 2015		January–November 2014		Change, p.p. GDP
	Rb bn	% GDP	Rb bn	% GDP	
Expenditures total, of which:	13131.2	19.4	11677.5	17.8	1.6
General state issues	868.1	1.3	769.1	1.2	0.1
National defence	2638.9	3.9	2124.7	3.2	0.7
National security and law enforcement	1668.3	2.5	1743.0	2.7	-0.2
National economy	1729.8	2.6	1527.7	2.3	0.3
Housing and utilities sector	97.2	0.1	87.9	0.1	0.0
Environmental conservation	45.0	0.07	40.3	0.06	0.01
Education	558.3	0.8	567.0	0.9	-0.1
Culture, cinematography	76.9	0.1	78.6	0.1	0.0
Healthcare	430.8	0.6	437.6	0.7	-0.1
Social policy	3779.1	5.6	3097.6	4.7	0.9
Physical fitness and sports	57.8	0.08	42.4	0.06	0.02
Mass media	77.9	0.1	65.1	0.1	0.0
Servicing state and municipal debt	523.0	0.8	377.9	0.6	0.2
Inter-budget general transfers	579.8	0.9	718.4	1.1	-0.2

Sources: RF Ministry of Finance, Gaidar Institute calculations.

- Expenses on national defence and social policy went up 0.7 and 0.9 p.p. of GDP or by 24.2 and 22.0% in nominal terms, respectively;
- Expenses on national security and law enforcement went down by 0.2 p.p. of GDP to 2.5% of GDP. In absolute terms, contraction came to Rb 74.7bn;
- Expenses on national economy and general state issues moved up by 0.3 and 0.1 p.p. of GDP with growth in nominal terms by 13.2 and 12.9%, respectively;
- Expenses on education and healthcare in percent of GDP declined by 0.1 p.p. of GDP to 0.8% and 0.6% of GDP, respectively. In absolute terms, expenditure on education and healthcare moved down by Rb 8.7 and 6.8bn, respectively;
- Expenses on inter-budget general transfers shrank by 0.2 p.p. of GDP or by 19.3% in nominal terms;
- Expenses on public debt servicing up 0.2 p.p. of GDP to 0.8% of GDP or up 38.4% in nominal terms;
- Other lines of the federal budget expenditure changed slightly as a share of GDP within 0.03 p.p. of GDP.

Analysis of the Main Parameters of the Execution of the RF Subjects Consolidated Budget for January–October 2015

According to the Federal treasury, the consolidated budget revenues of the RF subjects over ten months in 2015 amounted to Rb 7,678.6bn or 12.6% of GDP, which is by 0.4 p.p. of GDP or by 6.0% in nominal terms above the level of January–October 2014 (Table 4). During ten months in 2015 compared to the corresponding period in 2014, the RF subjects' consolidated budget expenditure as a share of GDP remained on hold and constituted 11.8% of GDP (Rb 7,175.6bn). In nominal terms growth came to 2.2%

By the period-end results for January–October 2015, the consolidated budget of the RF subjects was executed with a surplus of 0.8% of GDP (Rb

Table 4

**MAIN PARAMETERS OF THE CONSOLIDATED BUDGETS OF THE RF SUBJECTS
FOR JANUARY–OCTOBER 2014–2015**

	January–October 2015		January–October 2014		Change, p.p. GDP
	Rb bn	% GDP	Rb bn	% GDP	
Revenues, of which:	7678.6	12.6	7246.1	12.2	0.4
- corporate profit taxes	1888.5	3.1	1685.0	2.8	0.3
- personal income tax	2178.2	3.6	2080.6	3.5	0.1
- excises on goods produced in the territory of RF	409.4	0.7	395.8	0.7	0.0
- taxes on total income	326.4	0.5	297.1	0.5	0.0
- property taxes	924.0	1.5	856.1	1.4	0.1
- non-repayable receipts from other budgets of the budget sys- tem of the Russian Federation	1278.3	2.1	1313.8	2.2	-0.1
Expenditures	7175.6	11.8	7023.1	11.8	0.0
Surplus (deficit) of consolidated budget	503.0	0.8	223.0	0.4	0.4
GDP estimates	60944		59258		

Sources: RF Federal Treasury, Gaidar Institute calculations.

503.0bn) up 0.4 p.p. of GDP against budget surplus as of ten months-end of the previous year.

Analysis of the composition and movement of tax-generated and non-tax revenues of the consolidated budget of the RF subjects over January–October 2015 on corresponding period in 2014 revealed the following trends:

- Profit tax receipts up 0.3 p.p. of GDP to 3.1% of GDP or by 12.0% in nominal terms;
- Personal income tax (PIT) receipts up 0.1 p.p. of GDP to 3.6% of GDP or by 4.7% in nominal terms;
- Receipts from domestic excises and from total income taxes as a share of GDP remained on hold and amounted to 0.7 and 0.5% of GDP, respectively and moved up by 3.5 and 9.8% in nominal terms;
- Receipts from property tax as a share of GDP down 0.1 p.p. of GDP to 1.5% of GDP, growing by 7.9% in nominal terms;

Table 5

CONSOLIDATED BUDGET EXPENDITURES OF THE RF SUBJECTS FOR JANUARY–OCTOBER 2014–2015

	January–October 2015		January–October 2014		Change, p.p. GDP
	Rb bn	% GDP	Rb bn	% GDP	
Expenditures, total: of which	7175.6	11.8	7023.1	11.8	0.0
General state issues	459.9	0.8	450.9	0.8	0.0
National security and law enforcement	76.4	0.1	77.3	0.1	0.0
National economy	1267.5	2.1	1207.7	2.0	0.1
Housing and utilities sector	592.8	1.0	619.1	1.0	0.0
Environmental conservation	16.3	0.03	18.2	0.03	0.0
Education	1974.5	3.2	1937.5	3.3	-0.1
Culture, cinematography	242.9	0.4	246.8	0.4	0.0
Healthcare	1068.5	1.7	1029.5	1.7	0.0
Social policy	1182.5	1.9	1170.1	2.0	-0.1
Physical fitness and sports	138.4	0.2	136.4	0.2	0.0
Mass media	34.2	0.06	33.6	0.06	0.0
Servicing state and municipal debt	118.5	0.2	89.0	0.2	0.1

Sources: Federal Treasury, Gaidar Institute calculations.

- Revenues from non-repayable receipts from other budgets of the budget system of the Russian Federation as a share of GDP declined by 0.1 p.p. of GDP to 2.1% of GDP, contracting by Rb 35.5bn in absolute.

As of the period-end for January–October of 2015 against ten months in 2014, the consolidated budget of the RF subjects' expenditure remained unchanged across the majority of budget lines as a share of GDP. Expenses across four items went up by 0.1 p.p.: 'Public debt servicing' and expenses contracted by 0.1 p.p. on 'Education', and 'Social policy'.

In nominal terms, the highest growth of the consolidated budget of the RF subjects over ten months of the current year against the corresponding period of the previous year is observed across servicing of public and municipal debt by 33.1%. Across other items, in the nominal terms expenditure changed in the following way: "Environmental conservation" contraction by 10.4% and "National economy" growth by 4.9%. Taking into account deterioration of external factors (falling crude price, extension of sanctions by EU, contraction of investments) and dynamics of major parameters of the federal budget for eleven months of the current year against the corresponding period last year, one can suppose that the peak of economic recession has not been left behind yet and the coming financial year will be no less complicated than the outgoing 2015. ●