

ESTIMATE OF FEDERAL AND CONSOLIDATE BUDGET EXECUTION IN JANUARY 2016

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According to the data released by the Federal Treasury, at month-end January 2016 the federal budget revenue came to 20.6% of GDP down 5.3 p.p. of GDP against the first month of the previous year. In January 2016 against January 2015, contraction of the federal budget expenditure constituted 16.9 p.p. of GDP to 13.2% of GDP, which allowed to execute the federal budget with a surplus of 7.4% of GDP in January 2016 and with non-oil and gas surplus in the volume of 0.4% of GDP. During January–December 2015, the revenues of the consolidated budget of the RF subjects went up by 0.1 p.p. of GDP against twelve months of the previous year to 12.6% of GDP. Expenditure went down by 0.3 p.p. of GDP and came to 12.9% of GDP. The government meeting dedicated to the development of anti-crisis plan noted that during the period from the adoption of the federal budget drastic changes took place on the commodity and global financial markets, which posed considerable risks for the Russian economy and as a result additional challenges to the budget system sustainability.¹

The preliminary estimates of the federal budget execution in January 2016

At month-end January 2016, the federal budget revenues have come to 20.6% of GDP (Rb 1,088.3bn) down 5.3 p.p. of GDP against their value for the same period of 2015 (Table 1). When taken in absolute terms contraction has constituted Rb 235.9bn or 17.8%. The oil and gas revenues have gone down as of the period-end for the first month of the current year to the corresponding period of 2015 by 3.2 p.p. of GDP to 7.0% of GDP and have totaled Rb 371.0bn. Non-oil and gas revenues for January 2016 compared to January 2015 also down 2.1 p.p. of GDP to 13.6% of GDP (Rb 717.3bn).

Table 1

MAIN PARAMETERS OF THE FEDERAL BUDGET FOR JANUARY 2015–2016

	January 2016		January 2015		Changes	
	Rb bn.	% GDP	Rb bn.	% GDP	Rb bn.	p.p. GDP
Revenues, of which:	1,088.3	20.6	1,324.2	25.9	-235.9	-5.3
Oil and gas revenues	371.0	7.0	520.7	10.2	-520.7	-3.2
Non-oil and gas revenues	717.3	13.6	803.5	15.7	-432.5	-2.1
Expenditures, of which:	697.1	13.2	1,540.0	30.1	-822.7	-16.9
Interest	25.9	0.5	31.4	0.6	665.7	-0.1
Non-interest	671.2	12.7	1,508.6	29.5	-1,508.6	-16.8
Surplus (deficit) of the federal budget	391.2	7.4	-184.4	-3.6	210.3	11.0
Non-oil and gas deficit	20.2	0.4	-705.1	-13.8	1376.3	14.2
GDP estimates	5,274		5,110			

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

1 <http://government.ru/meetings/21836/stenograms/>

In January 2016 against January of the previous year, the federal budget expenditure contracted significantly by 16.9 p.p. of GDP or by Rb 822.7bn to 13.2% of GDP. In nominal terms, expenditure fell by more than twofold. By the period-end results for the first month of the current year, the federal budget was executed with a surplus of 7.4% of GDP (Rb 391.2bn) up 11.0 p.p. of GDP against the deficit of the federal budget execution in January 2015. For the first time since crisis of 2008, non-oil and gas balance was positive and hit Rb 20.2bn or 0.4% of GDP up 14.2 p.p. of GDP against negative value of January 2015.

For January 2016 compared to the same period of the previous year (*Table 2*), the following dynamic is observed regarding certain types of the federal budget revenues as a share of GDP:

- Contraction of proceeds generated by the foreign economic activity by 3.5 p.p. of GDP or nearly twofold in nominal terms, which is due to Urals crude oil price fall. In January 2015, with monthly price of Urals crude averaging \$46.6 per barrel the federal budget revenues got Rb 310.5bn generated by export customs duties on crude oil and petroleum products, meanwhile in January 2016 with monthly price of Urals averaging \$28.7 per barrel the revenues increased by Rb 126.1bn;
- Proceeds from the Mineral Extraction Tax (MET) up 0.6 p.p. of GDP against the corresponding period of the previous year by 3.7% of GDP. In nominal terms growth came to 21.2%;
- Receipts domestic and import VAT up 1.5 and 0.1 p.p. of GDP, to 5.7% and 2.2% of GDP, respectively, with growth in nominal terms by 39.5% and 7.5%, respectively;
- Receipts as a share of GDP generated by domestic excises up 0.8 p.p. of GDP and constituted 2.4% of GDP (growth in nominal terms by two-fold). Meanwhile, proceeds generated by excises on import down by 0.02 p.p. of GDP to 0.04% of GDP;
- Revenues generated by the corporate income tax up 0.1 p.p. of GDP or by Rb 3.7bn.

Table 2

RECEIPTS FROM MAIN TAXES IN THE FEDERAL BUDGET IN JANUARY 2015–2016

	January 2016		January 2015		Change	
	Rb bn	% GDP	Rb bn	% GDP	Rb bn	p.p. GDP
Tax receipts, total, of which	937.5	17.8	936.0	18.3	1.5	-0.5
Corporate income tax	19.0	0.4	15.3	0.3	3.7	0.1
VAT on merchandise sold in the territory of RF	300.6	5.7	215.8	4.2	84.8	1.5
VAT on merchandise imported to the territory of RF	114.5	2.2	106.5	2.1	8.0	0.1
Excises on merchandise produced in the territory of RF	127.4	2.4	81.8	1.6	45.6	0.8
Excises on merchandise imported to the territory of RF	2.4	0.04	3.0	0.06	-0.6	-0.02
Mineral extraction tax	194.9	3.7	160.7	3.1	34.2	0.6
Revenues from foreign economic activity	178.7	3.4	352.9	6.9	-174.2	-3.5

Sources: RF Federal Treasury, Gaidar Institute calculations.

The federal budget expenses (*Table 3*) for the first month of 2016 against January of the previous year changed as follows:

- National defense spending contracted by 13.0 p.p. of GDP to 0.2% of GDP. It should be noted that such contraction was due to spurred spending on “National defense” budget item in January 2015 when cash execution on expenditure on this item constituted 23.5% of the annual approved budget allocations. In January of the current year, cash execution on the item “National defense” came to 0.2% of the approved annual expenses for 2016;
- Expenses on item “Social policy” up 0.2 p.p. of GDP or by 5.2%;
- Expenses on “National security and law enforcement” down 0.1 p.p. of GDP, when taken in absolute terms contraction totaled Rb 5.1bn;
- Expenses on “National economy” down significantly by more than 7.5-times when taken in nominal terms. At the same time, only along three most financially intensive lines as “transportation”, “public road system” and “Other issues in the sphere of national economy” spending was cut from Rb 117.9bn to Rb 14.6bn. Cash execution along the item “National economy” in January 2016 came to 0.7% of the annual approved volumes of budget allocations against 5.3% for January 2015. It is feasible that freezing of spending on the economy is due to the development of the anti-crisis government road map¹, in terms of which amendments in the federal budget should be introduced, which are linked with the support of certain branches of the real and financial sectors of the economy;
- Expenses on “General state issues” down 0.8 p.p. of GDP, when taken in nominal terms – by 2.2-times;
- Expenses on “Education” down 0.7 p.p. of GDP to 0.7% of GDP or by 1.9 times mainly due to contraction of financing of higher and post-graduate vocational education from Rb 68.6bn in January 2015 to Rb 35.8bn in January 2016;
- Expenses on “Healthcare” as a share of GDP up 0.2 p.p. of GDP or over twofold. At the same time, the structure of spending on this item was subject to significant changed due to a reduction of share and volume of financing on lines linked with rendering services. In particular, in January 2016 compared to January 2015 a reduction of spending is observed on lines: “in-patient care” from Rb 2.6 bn to Rb 1.9bn, “outpatient care” from Rb 0.4bn to Rb 0.2bn, “health resort treatment” from Rb 2.2bn to Rb 0.8bn and their share on the overall volume of financing of “Healthcare” contracted from 39.0% to 9.9%. Meanwhile, in January 2016 against January 2015, expenses on the line “Other issues in the sphere of healthcare” up from Rb 4.1bn to Rb 26.0bn and their share in the total volume of expenses on “Healthcare” up from 30.1% to 89.0%;
- Expenses on “Public debt servicing” and “Inter-budget general transfers” down 0.1 p.p. of GDP or by 17.5% and 1.5%, respectively;
- On other items of the federal budget spending as a share of GDP and in absolute terms barely changed, however, total volume of spending along these items down by 0.2 p.p. of GDP or by Rb 14.3bn.

¹ Final version of the plan for support of the economy will be ready by 25 February, the head of the Finance Ministry of Russia Anton Siluanov told journalists. Final financing of the plan will be formalized in amendments to the budget -2016, which are to be submitted in April. Information from the official web site of the Ministry of Finance of the Russian Federation: http://www.minfin.ru/ru/press-center/?id_4=34387&area_id=4&page_id=2119&popup=Y##ixzz41D0GSaRj

Table 3

FEDERAL BUDGET EXPENDITURE FOR JANUARY 2015–2016

	January 2016		January 2015		Change p.p. GDP
	Rb bn	% GDP	RB bn	% GDP	
Expenditures total, of which:	697.1	13.2	1540.0	30.1	-16.9
General state issues	33.6	0.6	73.6	1.4	-0.8
National defence	12.6	0.2	673.4	13.2	-13.0
National defence and law enforcement	104.6	2.0	109.7	2.1	-0.1
National economy	17.4	0.3	132.0	2.6	-2.3
Education	37.0	0.7	71.3	1.4	-0.7
Healthcare	29.2	0.5	13.6	0.3	0.2
Social policy	341.8	6.5	324.3	6.3	0.2
Servicing public debt	25.9	0.5	31.4	0.6	-0.1
Inter-budget general transfers	92.3	1.7	93.7	1.8	-0.1
Other expenses, including Housing and utilities sector, Environmental conservation, Culture and cinematography, Physical fitness and sports, Mass media	2.7	0.2	17.0	0.4	-0.2

Sources: RF Ministry of Finance, Gaidar Institute calculations.

Dynamics of main parameters of the federal budget in January 2016 against January 2015 demonstrate that in the wake of falling revenues of the federal budget and prior to the adoption of anti-crisis plan the Finance Ministry of Russia freezes the federal budget spending. At the end of the federal budget execution for Q2 of the current year, proposals at enhancing responsibility of the federal executive authorities and managers of companies with state participation for inefficient use of budget funds and growth of book debt¹.

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

According to the Federal Treasury, the consolidated budget revenues of the RF subjects over twelve months of 2015 amounted to Rb 9,308.1bn or 12.6% of GDP up 0.1 p.p. of GDP or up 4.5% in nominal terms against January–December of the previous year (*Table 4*). During twelve months of 2015 compared to the corresponding period of 2014, expenses of the consolidated budget of the RF subjects contracted by 0.3 p.p. of GDP to 12.9% of GDP (Rb 9,479.7bn), when taken in nominal terms growth came to 1.3%.

Analysis of the composition and movement of tax-generated and non-tax generated revenues of the consolidated budget of the RF subjects for January–December 2015 against the corresponding period of 2014 revealed that in shares of GDP taxes on profit, personal income tax and domestic excises remained unchanged. Growth is observed only regarding taxes on total income and on property taxes by 0.1 p.p. of GDP. Decrease by 0.1 p.p. of GDP is observed on proceeds from non-repayable receipts from other budgets of the budget system of the Russian Federation. When taken in nominal terms, the highest increment of revenues is observed on property taxes and taxes on total income – by 11.6% and 10.4%, respectively, with contraction of revenues from non-repayable receipts from other budgets by 3.8%.

1 http://government.ru/dep_news/21931/

Table 4

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

	January– December 2015		January– December 2014		Change, p.p. GDP
	Rb bn	% GDP	Rb bn	% GDP	
Revenues, of which:	9,308.1	12.6	8,905.4	12.5	0.1
- corporate profit taxes	2,107.6	2.8	1,963.3	2.8	0.0
- personal income tax	2,807.8	3.8	2,691.5	3.8	0.0
- excises on goods produced in the territory of RF	486.5	0.7	479.2	0.7	0.0
- taxes on total income	347.7	0.5	315.0	0.4	0.1
- property taxes	1,068.6	1.4	957.5	1.3	0.1
- non-repayable receipts from other budgets of the budget system of the Russian Federation	1,616.7	2.2	1,670.8	2.3	-0.1
Expenditures	9,479.7	12.9	9,353.3	13.2	-0.3
Surplus (deficit) of consolidated budget	-171.6	-0.2	-447.9	-0.6	0.4
GDP estimates	73,708		70,976		

Sources: RF Federal Treasury, Gaidar Institute calculations.

Expenditures of the consolidated budget of the RF Subjects (Table 5) by the period-end for January–December 2015 against the same period of the previous year remained unchanged along the majority of items as a share of GDP. Expenses on four items contracted: “Housing and utilities sector” by 0.2 p.p. of GDP, “Education” by 0.2 p.p. of GDP, “Social policy” by 0.1 p.p. of GDP. Expenses on item “National economy” went up by 0.2 p.p. of GDP.

In nominal terms, the highest growth of the consolidated budget of the RF subjects for twelve months of 2015 against the corresponding period of the previous year is observed along the item “Servicing of state and municipal debt” by 22.3% and along the item “National economy” – by 10.5%. Across

Table 5

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

	January–December 2015			January–December 2014			Change, p.p. GDP
	Rb bn	% GDP	Cash execu- tion,%	Rb bn	% GDP	Cash execu- tion, %	
Expenditures, total: of which	9479.7	12.9	92.6	9353.3	13.2	91.9	-0.3
General state issues	603.2	0.8	84.6	585.0	0.8	86.5	0.0
National security and law enforcement	107.6	0.1	91.4	107.8	0.1	90.7	0.0
National economy	1965.9	2.7	89.5	1779.3	2.5	89.3	0.2
Housing and utilities sector	854.9	1.1	86.1	906.3	1.3	84.7	-0.2
Environmental conservation	22.1	0.03	82.1	25.7	0.04	82.4	-0.01
Education	2472.5	3.3	96.5	2474.3	3.5	96.3	-0.2
Culture, cinematography	310.6	0.4	93.6	320.7	0.4	93.8	0.0
Healthcare	1355.8	1.8	95.2	1316.2	1.8	93.9	0.0
Social policy	1497.0	2.0	96.0	1473.3	2.1	93.8	-0.1
Physical fitness and sports	193.1	0.3	92.3	191.1	0.3	91.8	0.0
Mass media	43.6	0.06	98.2	42.5	0.06	97.2	0.0
Servicing state and municipal debt	148.9	0.2	91.4	121.7	0.2	89.6	0.0

Sources: Federal Treasury, Gaidar Institute calculations.

other items, expenditure in nominal terms changed in the range: contraction by 14.0% across item “Environmental conservation” and growth by 3.1% on item “General state issues”.

Cash execution of the consolidated budget of the RF subjects for twelve months of 2015 came to 92.6% of the approved annual volume of expenditures (for January–December 2014 – 91.9%). The lowest level of cash execution is revealed on item “Environmental protection”, “General state issues” and “Housing and utilities issues” – 82.1%, 84.6% and 86.1%, respectively. The highest level of cash execution is achieved on items “Mass media”, “Education” and “Social policy” – 98.2%, 96.5% and 96.0%, respectively .

By the period-end for January–December 2015, the consolidated budget of the RF subjects was executed with a deficit of 0.2% of GDP (Rb 171.6bn) up 0.4 p.p. of GDP against the same period of the previous year.

The amount of public debt of the consolidated budget of the RF subjects during twelve months of 2015 up Rb 229.2bn. As of 1 January 2016 constituted Rb 2,318.6bn mainly due to increased amount of loans obtained from the credit institutions from Rb 888.1 bn to Rb 965.4bn and the volume of budget loans from Rb 647.4bn to Rb 808.7bn with contraction of debt obligations of the budgets of the RF subjects on state guarantees from Rb 111.3bn to Rb 102.9 bn.

For the implementation of the Action plan of the government designed to ensure sustainable socio-economic development of the Russian federation in 2016, it is envisaged direct allocation of budget funds, provision of state guarantees, and allocation of funds from the National Wealth Fund, which will require introduction of amendments in the federal law on the federal budget already in April 2016. However, it is true that feasible sustainable growth of global oil prices can produce a greater impact on the budget system sustainability and on the economy as a whole than another anti-crisis government plan. ●