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Finance Ministry Foretells Serious Difficulties for the Budget After 2016

By The Moscow Times

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The Finance Ministry predicted serious difficulties on Friday for the budget in 2016 and 2017, as slowing economic growth means there will be insufficient funds available to honor spending commitments.

Short-term and long-term growth forecasts for the Russian economy have been cut repeatedly this year, with officials warning Russia is entering a period of economic stagnation.

"We see big problems in 2016 and 2017," Finance Minister Anton Siluanov said, Prime reported.

"Now is the time when we need to take decisions about the curtailment of previous commitments so that we can reach a balanced budget in the medium and long term," he told reporters.

Siluanov said that social spending pledges would be fulfilled, but that wage rises should be accompanied by an increase in efficiency, according to Prime.

Officials expect the economy to grow at just 1.4 percent this year, the lowest rate since the recession in 2009, and far short of the 7 percent annual growth during President Vladimir Putin's first two presidential terms.

Siluanov singled out defense spending and transfers to the state pension fund, which runs a large deficit, as two of the biggest pressures on the budget.

Putin made a series of lavish social spending pledges, the so-called May Decrees, the day after he was inaugurated for a third presidential term in 2012.

A total of 2.1 trillion rubles ($63.7 billion) in the 2014 to 2016 budget was earmarked for the fulfillment of the May Decrees, Siluanov said in September. That budget was signed into law by Putin earlier this week.

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