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Russia to Cut All Spending by 10 Percent, Except on Defense

By The Moscow Times

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Russian servicemen aboard armoured personnel carriers salute during the Victory Day parade in Moscow's Red Square May 9, 2014.

Russia must cut expenditure to cover what could be a more than $45 billion drop in revenues this year if the average oil price is $50 a barrel, Finance Minister Anton Siluanov said on Wednesday at the Gaidar conference.

In comments underlining the government's concern at the depth of an economic downturn, he told a conference that all budget expenditure should be cut by 10 percent except on defense, a priority for President Vladimir Putin.

With the ruble in decline, the oil price low and the economy hit by Western sanctions over the Ukraine crisis, Siluanov said overall expenditure in 2015 must increase by only 5 percent rather than the 11.7 percent previously budgeted.

"Regardless of having already curbed 2015 spending, we will ask parliament to cut by 10 percent all expenditure apart from defense spending. This is the decision we have made," he told the Gaidar Forum, a conference grouping government officials, economists and business leaders.

He said Russia needed to boost its reserves to overcome many of its difficulties as the price of oil looked set to continue at low levels. The ruble, which fell about 40 percent against the dollar in 2014, has also continued its decline this year.

"We think that with the (average) oil price at $50 per barrel (in 2015) ... we will lose some 3 trillion rubles in revenues," he said.

Energy is Russia's main export and proceeds from the energy sector make up around half the federal budget revenue.

Siluanov said the reserve fund, a rainy day fund to cover any budget holes, would be increased by 370 billion rubles and he said Russia could invest in high-yielding ruble accounts.

"We need to have a lot more resources so as not to spend, not to burn up the reserve funds," he said.

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