The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Despite Cuts, Russian Deficit to Reach 3.2% of GDP in 2015

By The Moscow Times

February 19, 2015

Besides spending cuts, the government also plans to drain almost half the money in its Reserve Fund this year.

Russia's budget deficit will rise to 3.2 percent of gross domestic product in 2015 despite more than $20 billion in spending cuts, the country's RBC Daily newspaper reported on Thursday, citing Finance Ministry plans.

The projections underscore the scale of budgetary problems facing Russia as a result of the slump in global oil prices, which has led to a sharp fall in projected tax revenues, and an array of Western sanctions tied to the crisis in Ukraine.

The 2014 deficit came in at 0.5 percent of GDP, and the original federal budget for this year, adopted in November, forecast it would rise to just 0.6 percent in 2015. But this is now being revised to reflect the worsening economic climate.

Ministers have already said that the new budget will assume an average oil price of $50 per barrel this year compared with the $100 per barrel that was initially envisaged — meaning major adjustments were inevitable.

Commenting on the RBC Daily report, which the paper said was based on government sources, Finance Ministry spokeswoman Svetlana Nikitina said that work on revising the budget was not complete and that the ministry did not comment on interim plans.

Besides spending cuts, the government also plans to drain almost half the money in its Reserve Fund this year — some 2.7 trillion rubles ($43.5 billion) — to help contain the deficit, RBC said. The fund will be fully exhausted in 2016 if the oil price remains at $50 per barrel, the newspaper reported.

The projected budget shortfall will come despite spending cuts totaling some $21 billion, almost $7 billion more than already agreed by the government, the paper said.

It said the approved cuts amounted to 909.1 billion rubles resulting from across-the-board reductions in expenditure of 10 percent — except in defense and social security, two areas that have been declared off limits by President Vladimir Putin.

Additional cutbacks to slice a further 427.2 billion rubles off spending have been put forward by the Finance Ministry, but have yet to be approved, the paper added.

Almost half of this would come from the cancellation or delay of state investment projects, with child benefits, public sector pay and industrial subsidies also slated for cuts.

Despite the combined, 1.3 trillion rubles in proposed cuts, total expenditure would only fall by 771 billion because of unforeseen increases in other areas, notably pensions, which have been indexed this year to rise in line with inflation.

Nikitina said the new budget plans would be based on balancing the budget by 2017, a goal that Finance Minister Anton Siluanov has said should be achieved, assuming an oil price of $70 per barrel by then.

Original url:
https://www.themoscowtimes.com/2015/02/19/despite-cuts-russian-deficit-to-reach-32-of-gdp-in-2015-a44076