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New Russian Budget Based on $50 Oil Passes First Hurdle in Parliament

By The Moscow Times

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Amendments to Russia's 2015 budget that base the country's spending on an oil price of $50 per barrel and 3 percent fall in economic output passed their first reading in Russia's lower house of parliament on Friday.

With Russia's economy already contracting due to cheap oil and Western sanctions over the crisis in Ukraine, officials have been forced into a reality check. The original 2015 budget, passed last fall, assumed that oil prices would be twice as high and the economy would continue to grow.

The amended budget passed on Friday foresees a deficit of 2.7 trillion rubles ($46 billion) this year, or 3.7 percent of gross domestic product (GDP), according to news agency Interfax. The current budget prescribes a deficit of 431 billion rubles ($9 billion), or 0.6 percent of GDP.

Inflation is forecast to hit 12.2 percent this year, up from the 5.5 percent previously estimated.

The exchange rate forecast in the bill is 61.5 rubles to the U.S. dollar — over 40 percent weaker than its level last summer.

Russia's GDP is forecast to fall 3 percent to 73.2 trillion rubles ($1.27 trillion). It was initially expected to rise 1.2 percent to 77.5 trillion rubles ($1.34 trillion).

The amended budget would see spending from the oil-revenue-funded Reserve Fund hit 3.1 trillion rubles ($53 billion), leaving only 2.6 trillion rubles ($45 billion) at the year's end.

Finance Minister Anton Siluanov warned earlier this week that if Russia did not reduce its deficit, it could soon use up the entire Reserve Fund.

Under the bill, the pay of judges, civil servants, police officers and workers in the correctional system would not be raised this year.

Pensioners' stipends and aid for invalids, people with children and veterans would be raised by 5.5 percent.

The bill did not pass smoothly: 254 deputies, the vast majority from the ruling United Russia party, voted in favor, while 143 deputies from minority parties voted against, news agency Interfax reported.

The amendments will need to pass two more readings in the State Duma, be approved by the Federation Council and receive President Vladimir Putin's signature before becoming law.

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