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Price of Russian Oil Halves in First Half of 2015

By The Moscow Times

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The tumble in oil prices sent the Russian economy spinning headlong into a recession.

The average price of Russian oil fell nearly 50 percent in the first half of the year, news agency Interfax reported Wednesday, sapping a key source of tax revenues at a time when Russia can ill afford it.

Russia's Urals oil brand sold for an average of $56.99 per barrel between January and June, down 47 percent from an average of $107.28 per barrel during the same period last year, Finance Ministry official Alexander Sakovich told Interfax.

The oil price was still well above the forecast listed in a revised budget for 2015 signed into law in April, which said oil would average $50 per barrel this year. The government was forced to push through amendments to the budget — previously based on $100 per barrel oil — after the price of Brent crude oil fell from a high of $115 per barrel in June last year to less than $55 in January.

Combined with Western sanctions over the Ukraine crisis, the tumble in oil prices sent the Russian economy spinning headlong into a recession. The economy is expected to shrink by about 3 percent this year.

Under the new budget, the Russian government expects to accumulate a deficit this year of 3.7 percent of gross domestic product, or 2.7 trillion rubles ($49 billion). This sizable deficit will come even as the government spends heavily from Russia's emergency funds and makes 10 percent budget cuts in most areas of spending.

More cuts are likely coming down the line. Citing unidentified government officials, the RBC news agency reported in May that the Finance Ministry had proposed steep budget cuts all the way through 2018.

The only plan offered by the Finance Ministry that would preserve the government's rainy-day Reserve Fund would require 846 billion rubles ($15.2 billion) in budget cuts next year, the report said.

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