

Russia's PM Orders New Spending Plan to Boost Living Standards

Moscow prepares to ramp up state spending in a push to deliver growth and support hard-pressed Russians.

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The Russian government is preparing to loosen the purse strings ahead of 2021 parliamentary elections.
Yegor Aleyev / TASS

Russia's new government looks set to revise the country's ultra-conservative economic policy in favor of more spending, a boost to welfare payments and increased investment.

Mikhail Mishustin, who President Vladimir Putin appointed last week to replace Dmitry Medvedev, [instructed](#) his new cabinet Wednesday to revise the state budget — the latest version of which was passed only a few weeks ago.

An announcement on the government's website said the amendments to the budget would

help realize the goals outlined by Putin in his state-of-the-nation address last week, where he said Russia should [boost](#) its growth rate to above 3%, increase the level of investment in the economy and improve the livelihoods of Russians, who have seen their incomes [squeezed](#) for five of the last six years.

Growth in Russia, which has not exceeded the global average since 2012, has been one of the main victims of the Kremlin's prioritization of macroeconomic stability in recent years. That policy, which saw Russia clock a budget surplus of 1.8% of GDP last year, helped Moscow boost its international reserves by more than \$200 billion and squirrel away \$125 billion of oil profits in its sovereign wealth fund.

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However, Mishustin looks set to oversee a switch toward a more growth-oriented economic agenda.

"Fiscal policy should become expansionary for the first time in six years," said Sofya Donets, economist at Renaissance Capital. "With long-awaited fiscal easing, a strengthening of the government's pro-growth agenda and decreasing external pressure, we expect growth to get back on track ... The activation of social stimulus in the run up to the 2021 parliamentary elections should also support growth."

To potentially pave the way for higher spending, Putin stripped his Finance Minister Anton Siluanov — the man who had overseen Russia's frugal budget policies — of his position as First Deputy Prime Minister Tuesday evening, replacing him with the president's former adviser, Andrey Belousov. While Siluanov will officially remain in charge of Russia's budget, Belousov's appointment "could raise some eyebrows among investors, given his state interventionist positions," Deutsche Bank's Peter Sidorov said in a research note.

The amendments to Russia's budget are due to be finalized by Feb. 11.

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