

Russia Signals Return to Fiscal Conservatism With Future Budget Cuts

The Finance Ministry wants to cut spending by up to 10% from next year.

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Russia's state finances have been hit by the sharp fall in oil prices. **Sergei Kiselyov / Moskva News Agency**

Russia's Finance Ministry wants to cut government spending by up to 10% from next year in a bid to restore the state's finances following the coronavirus pandemic.

It has proposed cutting a total of \$65 billion from the Russian budget over 2021-2023, Russian news outlet RBC has [reported](#). Parts of the budget which are not ringfenced will see a fall in outlays of up to 10%, and defence spending could be cut by 5%, should the Finance Ministry proposal be accepted. Indexation of civil servants' salaries could also be abandoned.

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The government expects to spend around 23 trillion rubles (\$325 billion) this year, with the draft for next year's budget coming in at 21.2 trillion (\$300 billion).

The plan would mark a return to fiscal conservatism, in line with Moscow's post-2014 approach when it has prioritized running a budget surplus and building up a multibillion dollar financial cushion from oil profits.

The government is expected to run a deficit of around 5% of GDP this year, as the crash in oil prices hits revenues at the same time the government has ramped up its spending through bonuses for medical staff and extra payouts for families with children.

Russia has also [delayed](#) its flagship domestic spending program — the \$360 billion National Projects package of infrastructure improvements and other spending initiatives — from 2024 to 2030.

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