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Improvement in state of Russian budget

On 21 April, the Russian government adopted draft amendments to the budget for the year 2011. The current state of the energy market is very favourable for Russia as it has increased the country's budget revenue, which the authorities are using as an important element of the election campaign. Additional revenue will help to rebuild the state's financial security instruments (the stabilisation funds), and will make it possible to increase public expenditure yet further.

The draft amendment was developed on the basis of an average price for a barrel of oil of US$105 (compared to the previous US$75). In accordance with forecasts, Russia's budget revenue will rise by about US$50 billion (up to around US$345 billion), mostly thanks to growing income from the oil and gas sector. The additional funds will primarily be used to reduce the budget deficit (down to 1.3% of GDP, compared to the projected figure of 3.6%) and to top up the reserve funds (by about US$22 billion). In addition, the government has planned to increase public expenditure by about US$12 billion (to US$367 billion). A third of this money is intended for the social sphere (index-linking pensions, allowances to veterans, benefits for children, an increase in wages in the public sector); the rest will go to supporting the economy (agriculture, the motor vehicle industry, investment funds, and other areas).

The additional revenue will primarily be used to rebuild the instruments protecting the state's public finances, the stabilisation funds; these currently consist of over US$120 billion, as well as gold & currency reserves worth over US$500 billion. In addition, the proposed increase in expenditure will strengthen the budget as a pre-election sweetener to the general public (as around a third of all the budgetary expenditure will be spent in the social sphere). <Iwo>