

Government's plan for the Russian budget

On 23 September, the Russian government accepted the plan for the 2011 budget, as well as the main outlines for budgets for 2012 and 2013. In accordance with these plans, the budget deficit will be maintained over the next three years, and the main priorities will be maintaining the high level of social policy funding (which is especially important in the context of the upcoming elections) and the dynamic growth of military expenditure.

The government's budget plan for 2011 was prepared on the following economic assumptions: an average price of a barrel of oil of US\$75, inflation running between 6 and 7 percent, and a 4.2% growth in the GDP. The budget's income will amount to about US\$290bn (17.6% of GDP), and expenditure to US\$355bn (21.2% of GDP); the budget deficit will reach 3.6% of GDP (according to estimates, this will fall to 2.9% of GDP in 2013). The deficit in 2011 will be financed principally from loans (over 70%) on the internal market, and also from funds from the reserves and from privatisation.

Almost one-third of public expenditure will be absorbed by social policy, although in truth expenses on this in 2011 will fall by over 11%, compared to 2010. This reduction is the result of a restriction of subsidies to the retirement fund, which was possible thanks to the increase in payments to social security from 26% last year to 34%. Most spectacularly, expenses for military purposes will rise to around US\$60bn, over 19% more compared to last year. In subsequent years, it is planned to raise them further: by 9.2% in 2012, and by as much as 26.6% in 2013.

Despite the government's declaring war on the budget deficit, it has decided to significantly increase its expenditure on the army, and is not ready to make cuts in social expenditure, mainly because of the upcoming elections to parliament (2011) and presidency (2012). It will thus be very difficult to bring its declaration of achieving a balanced budget by 2014 into reality. <iwo>