

2012 Budget at \$435Bln, With Deficit Reduced to 2.7%

By [The Moscow Times](#)

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The latest proposal from the Finance Ministry calls for federal spending to increase 10.5 percent next year over this year's amount, a senior government official said Wednesday.

Next year's budget, which the Cabinet will consider Thursday, foresees spending 12.2 trillion rubles (\$435 billion), the official said on customary condition of anonymity for pre-Cabinet briefings.

The Cabinet's decision on spending, revenue and the deficit on Thursday will bring to a close the initial phase of government budget discussions. From that moment on, ministries will begin adjusting their plans.

The Finance Ministry is projecting the deficit to equal 2.7 percent of gross domestic product next year, a seemingly positive drop compared with its previous long-term goal of 3.1 percent.

The reduction comes even as the government plans new expenditures next year — like salary increases for military personnel — even though it is set to lose money after reducing the payroll taxes.

But the smaller deficit stems from a "technicality" — the increase of the oil price that underpins budget revenues, said Renaissance Capital economist Anton Nikitin. The government is basing its 2012 budget on a riskier price of \$93 per barrel of Urals crude, the country's main export blend.

Tax revenues from the oil and natural gas industry comprise half of what the government takes in. The most recent official long-term budget deficit forecast, which came out last year, was based on oil at \$78 per barrel in 2012.

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