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The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 41th issue. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 6 big sections that highlight different aspects of Russia's economic development, which allow to monitor all angles of ongoing events over a prolonged period: global economic and political challenges and national responses, economic growth and economic crisis; the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

By contrast to the previous publications the present issue includes also a short analysis of the first three months of 2020 from the perspective of the COVID-19 pandemic impact on the Russian economy development.

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3.2. Municipal and sub-federal debt market in 2019¹

3.2.1. Market development dynamic

At year-end 2019, the regional consolidated budgets and local government off-budget funds' budgets ran a surplus of RUB 17.4 billion or 0.02 percent of GDP (contraction by around 30-fold over the year).

To compare, in 2018 the regional consolidated budgets and local government off-budget funds' budgets ran a surplus of RUB 512.9 billion or 0.49 percent of GDP.

In 2019, the budgets of the subjects of the Russian Federation ran a surplus of RUB 15.5 billion, urban districts' budgets ran a deficit of RUB 16.3 billion, federal-status cities' inner-city municipalities' budgets ran a surplus of RUB 0.5 billion, municipal areas' budgets ran a surplus of RUB 16.0 billion, urban settlements' budgets ran a surplus of RUB 0.9 billion, local government off-budget funds' budgets ran a surplus of RUB 12.7 billion.

In 2018, the budgets of the subjects of the Russian Federation ran a surplus of RUB 491.5 billion, urban districts' budgets ran a deficit of RUB 0.8 billion, federal-status cities' inner-city municipalities' budgets ran a deficit of RUB 0.4 billion, municipal areas' budgets ran a surplus of RUB 6.7 billion, urban settlements' budgets ran a deficit of RUB 0.2 billion, rural settlements' budgets ran a deficit of RUB 0.6 billion, local government off-budget funds' budgets ran a deficit of RUB 2.7 billion.

Table 11

Ratio of surplus (deficit) of the consolidated regional and regions' budgets to budget expenditure in 2007–2019, percent

| Year | Regional consolidated budget * | Regions' budgets |
|------|--------------------------------|------------------|
| 2019 | 0.11 | 0.13 |
| 2018 | 3.7 | 4.7 |
| 2017 | -0.5 | -0.2 |
| 2016 | ... | 0.003 |
| 2015 | -1.6 | -1.3 |
| 2014 | -4.6 | -4.9 |
| 2013 | -6.4 | -8.1 |
| 2012 | -3.0 | -3.5 |
| 2011 | -0.2 | -0.3 |
| 2010 | -1.4 | -1.6 |
| 2009 | -5.3 | -5.3 |
| 2008 | -0.7 | -0.7 |
| 2007 | 0.8 | 0.6 |

* With account of state extrabudgetary funds.

Source: own calculations based on the data released by the Federal Treasury.

Table 12

Ratio of surplus (deficit) of territorial budgets to budget expenditure in 2007–2019, percent

¹ This section was written by *Shadrin A.E.*, senior director on innovation policy of NRU HSE; researcher, Center for Macroeconomics and Finance, Gaidar Institute.

| Year | Inner-city municipalities budgets in federal-status cities | Urban districts' budgets | Municipal areas' budgets | Urban and rural settlements' budgets |
|------|--|--------------------------|--------------------------|--------------------------------------|
| 2019 | 1.5 | -0.7 | 0.4 | -0.2 |
| 2018 | -1.2 | 0.04 | 1.0 | 1.0 |
| 2017 | -1.9 | 1.6 | 0.4 | -0.3 |
| 2016 | 1.3 | -0.9 | 0.8 | -1.5 |
| 2015 | 6.7 | -3.0 | -0.7 | -0.6 |
| 2014 | 6.0 | -2.2 | -1.4 | 0.7 |
| 2013 | -3.47 | -2.61 | -5.59 | 2.24 |
| 2012 | 2.26 | -2.01 | -0.08 | 1.34 |
| 2011 | 6.15 | -2.10 | 1.13 | 0.64 |
| 2010 | -1.12 | -1.16 | -0.11 | 1.72 |
| 2009 | -0.63 | -3.32 | -1.88 | 2.63 |
| 2008 | -1.47 | 1.09 | -0.26 | 2.72 |
| 2007 | 5.34 | 1.23 | -0.04 | 2.34 |

Source: own calculations based on the data released by the Federal Treasury.

As of January 1, 2020, the consolidated budget (including local government off-budget funds) of 33 subjects of the Russian Federation (16 regions and the city of Baikonur in 2018). The total deficit amounted to RUB 227.5 billion, or 2.6 percent of the revenue side (RUB 64.0 billion in 2018, or 2.8 percent of the revenue side of the regions' budgets that ran a deficit).

The median budget deficit value stood at 1.3 percent relative to a given budget revenue. The highest ratio of budget deficit to budget revenue was recorded in the Moscow region (8.7 percent), Republic of Bashkortostan–5.4 percent, and the city of Sebastopol–5.3 percent.

Moscow region accounted for nearly a third – 32.7 percent of the total regions' consolidated budget deficit or RUB 74.4 billion, Moscow accounted for 22.9 percent or RUB 52.2 billion, Republic of Bashkortostan accounted for 7.0 percent or RUB 16.0 billion, Sverdlovsk region accounted for 6.0 percent or RUB 13.8 billion (*Table 13*).

Table 13

Execution of the consolidated budgets of the subjects of the Russian Federation (including state extrabudgetary funds) in 2019

| | Budget revenues, rubles in billions | Budget deficit (surplus), rubles in billions | Deficit (surplus) to revenues ratio, percent | Borrowing to revenues ratio, percent | Net borrowing to revenues ratio, percent | Redemption costs to revenues ratio, percent | Net borrowings to deficit (surplus), percent |
|------------------------------------|-------------------------------------|--|--|--------------------------------------|--|---|--|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Central Federal District | | | | | | | |
| Belgorod Region | 141.9 | 0.9 | 0.6 | 5.4 | -0.2 | 5.6 | -32.7 |
| Bryansk Region | 88.8 | -1.1 | -1.2 | 6.5 | -0.3 | 6.8 | 25.9 |
| Vladimir Region | 95.5 | -0.7 | -0.7 | 1.4 | -0.4 | 1.8 | 60.1 |
| Voronezh Region | 169.7 | -1.8 | -1.0 | 32.7 | -2.7 | 35.4 | 261.9 |
| Ivanovo Region | 63.4 | -1.4 | -2.2 | 10.9 | -2.1 | 13.0 | 94.0 |
| Tver Region | 96.1 | -4.1 | -4.2 | 12.9 | -1.1 | 14.0 | 25.8 |
| Kaluga Region | 98.1 | -1.0 | -1.0 | 2.8 | -0.9 | 3.7 | 90.4 |
| Kostroma Region | 50.0 | -2.0 | -3.9 | 23.6 | -3.5 | 27.1 | 90.1 |
| Kursk Region | 90.1 | -1.2 | -1.3 | 22.5 | -0.1 | 22.6 | 5.7 |
| Lipetsk Region | 90.4 | 3.8 | 4.2 | 3.9 | -2.3 | 6.2 | -55.9 |
| Moscow Region | 858.5 | 74.4 | 8.7 | 13.2 | 5.0 | 8.2 | 57.4 |
| Orel Region | 50.8 | 0.0 | 0.1 | 54.8 | -0.6 | 55.4 | -618.2 |
| Ryazan Region | 84.8 | -0.5 | -0.6 | 6.1 | 0.0 | 6.1 | -6.9 |
| Smolensk Region | 65.5 | -0.7 | -1.0 | 42.9 | 0.1 | 42.7 | -14.6 |
| Tambov Region | 67.0 | 2.7 | 4.0 | 23.9 | 3.2 | 20.7 | 81.4 |
| Tula Region | 118.7 | 1.5 | 1.3 | 7.6 | -1.0 | 8.7 | -80.0 |
| Yaroslavl Region | 98.1 | 0.6 | 0.6 | 54.7 | 0.5 | 54.1 | 92.4 |
| City of Moscow | 2 909.9 | 52.2 | 1.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| City of Baikonur | 4.8 | 0.0 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 5 241.9 | 121.8 | 2.3 | 7.3 | 0.6 | 6.7 | 25.7 |
| North-West Federal District | | | | | | | |

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| | | | | | | | |
|----------------------------------|----------------|--------------|-------------|-------------|-------------|-------------|--------------|
| Republic of Karelia | 70.6 | -1.1 | -1.5 | 29.2 | -2.2 | 31.4 | 142.6 |
| Republic of Komi | 117.6 | -3.6 | -3.1 | 5.6 | -2.1 | 7.6 | 67.6 |
| Arkhangelsk Region | 130.6 | -4.0 | -3.0 | 66.3 | -1.1 | 67.4 | 36.5 |
| Vologda Region | 121.7 | -9.8 | -8.1 | 6.6 | -4.2 | 10.8 | 52.2 |
| Kaliningrad Region | 143.2 | -0.9 | -0.6 | 8.9 | -0.3 | 9.2 | 47.3 |
| Leningrad Region | 197.8 | -2.0 | -1.0 | 0.0 | -0.1 | 0.1 | 12.7 |
| Murmansk Region | 118.5 | -3.5 | -2.9 | 46.8 | -4.1 | 50.9 | 140.3 |
| Novgorod Region | 50.2 | 0.3 | 0.6 | 9.6 | 0.3 | 9.3 | 49.1 |
| Pskov Region | 48.7 | 0.7 | 1.4 | 39.7 | 2.2 | 37.5 | 155.4 |
| St. Petersburg | 743.7 | 10.4 | 1.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Nenets Autonomous District | 26.2 | -0.3 | -1.0 | 1.8 | -1.6 | 3.3 | 159.6 |
| Total | 1 768.9 | -13.6 | -0.8 | 12.1 | -0.9 | 13.0 | 112.0 |
| Southern Federal District | | | | | | | |
| Republic of Kalmykia | 21.6 | 0.4 | 1.7 | 25.5 | 3.1 | 22.5 | 176.0 |
| Krasnodar Territory | 434.9 | -31.8 | -7.3 | 4.6 | -9.0 | 13.6 | 123.1 |
| Astrakhan Region | 71.3 | -5.0 | -7.0 | 1.0 | -12.3 | 13.2 | 175.7 |
| Volgograd Region | 161.6 | -1.9 | -1.1 | 9.1 | -2.4 | 11.5 | 209.1 |
| Rostov Region | 271.2 | 4.9 | 1.8 | 2.7 | 0.2 | 2.6 | 9.7 |
| City of Sevastopol | 43.6 | 2.3 | 5.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Republic of Crimea | 215.4 | -1.2 | -0.6 | 0.0 | -0.1 | 0.1 | 15.6 |
| Republic of Adygea (Adygea) | 33.6 | 0.4 | 1.3 | 1.6 | -0.2 | 1.8 | -12.1 |
| Total | 1 253.2 | -31.9 | -2.5 | 3.9 | -4.1 | 8.0 | 159.8 |

Cont'd

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|--|--------------|--------------|-------------|-------------|-------------|-------------|-------------|
| North-Caucasus Federal District | | | | | | | |
| Republic of Dagestan | 166.3 | -6.0 | -3.6 | 0.0 | -0.3 | 0.3 | 7.8 |
| Kabardino-Balkar Republic | 50.4 | -2.5 | -4.9 | 52.0 | -4.5 | 56.5 | 91.8 |
| Republic of Northern Ossetia-Alania | 47.4 | -1.0 | -2.2 | 19.8 | -1.4 | 21.1 | 61.8 |
| Republic of Ingushetia | 32.1 | -0.6 | -1.8 | 4.0 | -0.4 | 4.3 | 19.6 |
| Stavropol Territory | 172.4 | -0.2 | -0.1 | 17.8 | -0.4 | 18.3 | 377.6 |
| Karachay-Cherkess Republic | 35.5 | -0.3 | -0.9 | 12.6 | -0.5 | 13.1 | 54.8 |
| Chechen Republic | 114.7 | 0.2 | 0.1 | 0.0 | -0.2 | 0.2 | -113.0 |
| Total | 618.9 | -10.5 | -1.7 | 11.6 | -0.7 | 12.4 | 44.2 |
| Volga Federal District | | | | | | | |
| Republic of Bashkortostan | 293.9 | 16.0 | 5.4 | 0.4 | -1.7 | 2.1 | -31.2 |
| Republic of Mariy-El | 45.2 | -1.7 | -3.7 | 13.4 | -2.8 | 16.1 | 75.5 |
| Republic of Mordovia | 56.1 | -1.4 | -2.5 | 32.0 | -5.9 | 37.9 | 236.8 |
| Republic of Tatarstan (Tatarstan) | 382.6 | -15.1 | -3.9 | 1.5 | -0.1 | 1.6 | 2.0 |
| Udmurt Republic | 115.0 | 1.6 | 1.4 | 40.8 | 0.5 | 40.3 | 34.0 |
| Republic of Chuvashia--Chuvashia | 82.3 | -4.9 | -6.0 | 7.8 | -3.1 | 10.9 | 51.5 |
| Nizhniy Novgorod Region | 254.2 | 0.7 | 0.3 | 19.0 | 0.1 | 19.0 | 22.4 |

| | | | | | | | |
|---|----------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Kirov Region | 90.4 | -1.8 | -2.0 | 31.0 | -0.8 | 31.8 | 39.1 |
| Samara Region | 252.5 | -7.5 | -3.0 | 19.5 | -2.1 | 21.6 | 71.3 |
| Orenburg Region | 146.6 | -1.6 | -1.1 | 2.2 | -1.6 | 3.8 | 146.0 |
| Penza Region | 83.8 | 0.9 | 1.1 | 5.3 | 0.4 | 4.9 | 34.2 |
| Perm Territory | 219.3 | -9.7 | -4.4 | 6.9 | -0.2 | 7.0 | 4.3 |
| Saratov Region | 151.4 | 0.5 | 0.3 | 16.8 | -0.5 | 17.4 | -155.0 |
| Ulyanovsk Region | 84.3 | 2.5 | 2.9 | 14.6 | 0.4 | 14.2 | 14.0 |
| Total | 2 257.5 | -21.5 | -1.0 | 12.0 | -0.9 | 12.9 | 96.2 |
| Urals Federal District | | | | | | | |
| Kurgan Region | 66.7 | -0.2 | -0.3 | 18.5 | 0.8 | 17.7 | -235.5 |
| Sverdlovsk Region | 372.5 | 13.8 | 3.7 | 5.5 | 1.2 | 4.3 | 31.7 |
| Tyumen Region | 262.2 | -19.5 | -7.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Chelyabinsk Region | 262.6 | 0.5 | 0.2 | 3.0 | 0.1 | 2.9 | 63.0 |
| Hanty-Mansiysky Autonomous District – Yugra | 353.4 | -7.0 | -2.0 | 0.6 | -0.3 | 0.9 | 14.8 |
| Yamal-Nenets Autonomous District | 274.1 | -31.8 | -11.6 | 0.0 | 0.0 | 0.0 | 0.1 |
| Total | 1 591.4 | -44.1 | -2.8 | 2.7 | 0.3 | 2.4 | -9.5 |
| Siberia Federal District | | | | | | | |
| Republic of Tyva | 40.4 | 0.4 | 1.0 | 5.7 | 0.0 | 5.7 | -0.1 |
| Altai Territory | 159.6 | -0.6 | -0.4 | 0.0 | 0.0 | 0.0 | 13.1 |
| Krasnoyarsk Territory | 381.1 | -38.3 | -10.1 | 5.1 | -5.7 | 10.8 | 57.0 |
| Irkutsk Region | 269.6 | 12.7 | 4.7 | 3.7 | 2.1 | 1.7 | 43.9 |
| Kemerovo Region | 232.6 | 2.1 | 0.9 | 0.4 | -1.3 | 1.7 | -146.5 |
| Novosibirsk Region | 235.6 | 8.2 | 3.5 | 29.5 | 0.7 | 28.8 | 19.1 |
| Omsk Region | 138.4 | -0.6 | -0.4 | 65.1 | -0.2 | 65.3 | 51.7 |
| Tomsk Region | 98.2 | 3.5 | 3.5 | 53.3 | 3.7 | 49.6 | 103.6 |

Cont'd

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|----------------------------------|-----------------|--------------|-------------|-------------|-------------|-------------|--------------|
| Republic of Altai | 29.9 | -0.7 | -2.3 | 3.3 | -0.1 | 3.5 | 5.1 |
| Republic of Khakassia | 46.6 | -1.3 | -2.7 | 5.7 | -1.7 | 7.5 | 62.9 |
| Total | 1 632.0 | -14.6 | -0.9 | 15.2 | -0.9 | 16.1 | 104.8 |
| Far East Federal District | | | | | | | |
| Republic of Buryatia | 96.9 | 0.4 | 0.4 | 36.4 | 0.4 | 36.0 | 97.7 |
| Republic of Sakha (Yakutia) | 283.1 | 2.7 | 0.9 | 9.8 | -0.2 | 10.0 | -21.2 |
| Primorsky Territory | 194.4 | -2.3 | -1.2 | 3.2 | -0.2 | 3.3 | 13.2 |
| Khabarovsk Territory | 158.8 | 3.9 | 2.5 | 18.6 | 1.9 | 16.7 | 75.8 |
| Amur Region | 97.8 | -5.3 | -5.4 | 8.1 | -0.4 | 8.5 | 7.7 |
| Kamchatka Territory | 104.1 | 1.3 | 1.2 | 1.2 | -0.7 | 1.9 | -56.3 |
| Magadan Region | 49.2 | 0.0 | 0.0 | 62.7 | 0.1 | 62.7 | 198.2 |
| Sakhalin Region | 217.1 | -1.5 | -0.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Jewish Autonomous Region | 18.2 | 0.1 | 0.7 | 21.5 | 1.0 | 20.5 | 140.1 |
| Chukotka Autonomous District | 58.6 | -0.4 | -0.6 | 0.0 | -0.8 | 0.8 | 124.0 |
| Zabaikalsky Territory | 107.4 | -2.0 | -1.8 | 8.3 | -0.2 | 8.5 | 11.4 |
| Total | 1 385.6 | -3.0 | -0.2 | 10.9 | 0.1 | 10.9 | -29.4 |
| Total Russian Federation | 15 749.4 | -17.4 | -0.1 | 9.1 | -0.4 | 9.5 | 404.4 |

Source: own calculations based on the data released by the Federal Treasury.

In 2019, the consolidated budgets of 50 subjects of the Russian Federation ran a surplus (compared to 69 regions in 2018). These regions ran the total budget surplus of RUB 244.9 billion, or 1.9 percent of their budgets' revenue side (RUB 576.9 billion, or 3.6 percent of the budget revenue side, in 2018). The median budget surplus value stood at 2.0 percent relative to the budget revenue side.

The biggest ratio of surplus to the consolidated budget revenues was recorded in Yamal-Nenets AD – 11.6 percent, Krasnoyarsk krai – 10.1 percent, Vologda region – 8.1 percent, and in Krasnodar krai – 7.3 percent.

In 2019, Krasnoyarsk krai accounted for 15.6 percent of the total surplus of the regional budgets or RUB 38.3 billion, Yamal Nenets AD and Krasnodar krai – 13.0 percent each or RUB 31.8 billion each, Tyumen region – 7.9 percent or RUB 19.5 billion, and Republic of Tatarstan – 6.1 percent or RUB 15.1 billion.

3.2.2. Borrowing structure

According to the data released by the Russian Finance Ministry, the debt piled up by the subjects of the Russian Federation in 2019 contracted by RUB 93.3 billion or by 4.2 percent totaling RUB 2,113.0 billion as the debt accumulated by municipalities rose by RUB 8.6 billion or by 2.3 percent amounting to RUB 380.5 billion (*Table 14*)

Table 14

Volume and structure of public debt of the subjects of the Russian Federation and debt of municipalities as of January 1, 2019 and 2020

| Types of debt instruments | State debt volume of RF subject, RUB million | | | Municipalities debt volume, RUB million | | |
|--|--|--------------------|-----------------------------------|---|------------------|-----------------------------------|
| | 2019 | 2020 | increase/decrease 2020 to 2019, % | 2019 | 2020 | increase/decrease 2020 to 2019, % |
| Government bonds | 551 363.6 | 588 530.4 | 6.7 | 18 123.9 | 21 295.4 | 17.5 |
| Loans issued by credit institutions, foreign banks and international financial organizations | 636 015.2 | 575 767.8 | -9.5 | 256 539.0 | 259 464.8 | 1.1 |
| Public budget loans from other budgets of the budgetary system of the Russian Federation | 939 977.0 | 886 190.6 | -5.7 | 86 464.1 | 92 085.7 | 6.5 |
| Government guarantees | 71 504.9 | 55 358.1 | -22.6 | 10 730.9 | 7 606.4 | -29.1 |
| Other debt instruments | 7 452.7 | 7 127.7 | -4.4 | 5.5 | 5.4 | -1.8 |
| Total | 2 206 313.3 | 2 112 974.6 | -4.2 | 371 863.4 | 380 457.6 | 2.3 |

Source: own calculations based on the data released by the Federal Treasury.

Regions and municipalities borrowed in 2019 a total of RUB 1,769.8 billion. The top-ranked borrowers were Moscow region – RUB 113.4 billion, Omsk Region – RUB 90.1 billion, Arkhangelsk Region – RUB 86.6 billion, and Novosibirsk Region – RUB 649.4 billion.

Bond issues accounted for 8.0 percent of the total consolidated regional budgets, loans from higher-level budgets (fiscal credits) constituted 26.9 percent thereof, loans from commercial banks amounted to 65.2 percent thereof.

Total net debt of the consolidated regional budget in 2019 was negative and constituted – RUB 70.5 billion (RUB -86.0 billion in 2018). The highest ratio of net debt to budget revenues

was recorded in Moscow – 5.0 percent, Tomsk region – 3.7 percent, and Tambov region – 3.2 percent.

The largest net borrowers were: Moscow region – RUB 42.7 billion, Irkutsk – RUB 5.6 billion, Sverdlovsk – RUB 4.4 billion, and Tomsk regions – RUB 3.6 billion.

Table 15

Regional and local budgets net borrowing, as percent of GDP

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|------|------|------|------|-------|------|------|-------|-------|-------|-------|-------|-------|
| Net borrowing by sub-federal and local governments Including repayable loans from budgets of different levels | 0.17 | 0.29 | 0.74 | 0.51 | 0.21 | 0.33 | 0.61 | 0.53 | 0.33 | 0.10 | -0.01 | -0.08 | -0.06 |
| Sub-federal (municipal) bonds | 0.08 | 0.17 | 0.24 | 0.07 | -0.11 | 0.06 | 0.12 | -0.01 | -0.01 | 0.04 | 0.11 | ... | 0.04 |
| Other borrowings | 0.10 | 0.09 | 0.17 | 0.07 | 0.17 | 0.26 | 0.43 | 0.30 | 0.13 | -0.15 | -0.14 | -0.01 | -0.05 |

Source: own calculations based on the data released by the Federal Treasury.

Regions had their accumulated debt reduced to the maximum by repaying more for outstanding debt instruments compared to new fundraising, were: Krasnodar krai – by RUB 39.2 billion, Krasnoyarsk krai – by RUB 21.8 billion, Astrakhan region – by RUB 8.7 billion, and Voronezh region – by RUB 4.6 billion.

3.2.3. Domestic bonded debt

Thirteen subjects of the Russian Federation and 2 municipalities had their bonded debt prospectus registered in 2019 (as compared to 21 regions and 3 municipalities which issued bonded debt in 2018). The following regions had their bonded debt prospectus registered with Russia's Ministry of Finance in 2019: St. Petersburg, Krasnoyarsk and Krasnodar kraises, Republic of Sakha (Yakutia), Belgorod region, Ryazan region, Sverdlovsk region, Magadan region, Samara region, Novosibirsk region, Yaroslavl region, Nizhny Novgorod region, Moscow region, Lipetsk region, the city of Novosibirsk and the city of Tomsk.

In 2019, the amount of bonded debt issuance went up from 0.08 to 0.10 percent of GDP (Table 16).

Table 16

Amount of issued sub-federal and municipal bonded debt, as percent of GDP

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------|------|------|------|------|-------|------|------|-------|-------|------|------|------|------|
| Issuance | 0.26 | 0.43 | 0.41 | 0.25 | 0.10 | 0.19 | 0.23 | 0.16 | 0.12 | 0.19 | 0.23 | 0.08 | 0.10 |
| Redemption | 0.18 | 0.26 | 0.16 | 0.18 | 0.21 | 0.13 | 0.12 | 0.17 | 0.13 | 0.15 | 0.13 | 0.08 | 0.07 |
| Net financing | 0.08 | 0.17 | 0.24 | 0.07 | -0.11 | 0.06 | 0.12 | -0.01 | -0.01 | 0.04 | 0.11 | ... | 0.04 |

Source: own calculations based on the data released by Russia's Ministry of Finance.

The top-ranked bonded debt issuers were: Moscow region – RUB 51.5 billion or 27.6 percent or 45.2 percent of the total domestic bond issuance), Republic of Sakha (Yakutia) – RUB 12.0 billion or 10.5 percent), Krasnodarsky Territory and Nizhniy Novgorod region – RUB 10.0 billion each or 8.8 each.

Hence, the top-5 issuers accounted for 82.3 percent of the total regional and municipal bonded debt placed (Table 17).

Table 17

Sub-federal and municipal bond placement in 2019

| Subject of the Russian Federation | Amount issued, rubles in millions | Issuer's percentage of total amount issued, percent | Amount issued to domestic borrowing ratio, percent |
|-----------------------------------|-----------------------------------|---|--|
| Central Federal Okrug | | | |
| Belgorod region | 4 000.0 | 3.5 | 52.2 |
| Lipetsk region | 2 500.0 | 2.2 | 71.3 |
| Moscow region | 51500.0 | 45.2 | 45.4 |
| Yaroslavl region | 3 000.0 | 2.6 | 5.6 |
| South Federal Okrug | | | |
| Krasnodar krai | 10 000.0 | 8.8 | 50.2 |
| Volga Federal Okrug | | | |
| Nizhny Novgorod region | 10 000.0 | 8.8 | 20.6 |
| Urals Federal Okrug | | | |
| Sverdlovsk region | 5 000.0 | 4.4 | 24.6 |
| Siberia Federal Okrug | | | |
| Novosibirsk region | 5 750.8 | 5.0 | 8.3 |
| Tomsk region | 10 239.5 | 9.0 | 19.6 |
| Far-East Federal Okrug | | | |
| Republic of Sakha (Yakutia) | 12 000.0 | 10.5 | 43.4 |
| Russian Federation, total | 113 990.3 | 100.0 | 8.0 |

Source: own calculations based on the data released by Russia's Federal Treasury.

The highest level of securitization was observed in Lipetsk region – 71.3 percent, Belgorod region – 52.2 percent, and Krasnodar krai – 50.2 percent.

In 2019, the amount of bonds issuance by subjects of the Russian Federation and municipalities exceeded by RUB 40.55 million the amount of redeemed bonds, while in 2018 – RUB 97.0 billion. That said, the volume of placed bonds went up by over 31 percent totaling RUB 114.0 (*Table 18*).

Table 18

Net borrowing in the domestic market for sub-federal and municipal bonds, RUB billion

| | Consolidated regional budget | Regional budgets | Municipal budgets |
|---------------------|------------------------------|------------------|-------------------|
| 2019 | | | |
| Net borrowings | 40.4 | 37.2 | 3.2 |
| Raised funds | 114.0 | 107.9 | 6.1 |
| Principal repayment | 73.6 | 70.7 | 2.9 |
| 2018 | | | |
| Net borrowings | 0.02 | 2.96 | -2.94 |
| Raised funds | 86.95 | 86.84 | 0.11 |
| Principal repayment | 86.92 | 83.88 | 3.04 |
| 2017 | | | |
| Net borrowings | 97.03 | 91.43 | 5.60 |
| Raised funds | 215.33 | 205.21 | 10.12 |
| Principal repayment | 118.30 | 113.77 | 4.53 |
| 2016 | | | |
| Net borrowings | 31.98 | 26.70 | 5.29 |
| Raised funds | 160.50 | 153.66 | 6.85 |
| Principal repayment | 128.52 | 126.96 | 1.56 |
| 2015 | | | |
| Net borrowings | -5.81 | -7.11 | 1.29 |
| Raised funds | 98.45 | 94.25 | 4.21 |
| Principal repayment | 104.27 | 101.36 | 2.92 |
| 2014 | | | |
| Net borrowings | -9.24 | -7.41 | -1.83 |
| Raised funds | 111.49 | 110.09 | 1.40 |
| Principal repayment | 120.73 | 117.50 | 3.23 |
| 2013 | | | |
| Net borrowings | 77.61 | 75.45 | 2.16 |
| Raised funds | 154.64 | 149.64 | 5.00 |
| Principal repayment | 77.03 | 74.19 | 2.84 |

| 2012 | | | |
|---------------------|--------|--------|-------|
| Net borrowings | 38.17 | 36.80 | 1.38 |
| Raised funds | 119.85 | 115.95 | 3.90 |
| Principal repayment | 81.68 | 79.16 | 2.52 |
| 2011 | | | |
| Net borrowings | -58.20 | -57.11 | -1.09 |
| Raised funds | 55.05 | 53.37 | 1.68 |
| Principal repayment | 113.25 | 110.48 | 2.77 |
| 2010 | | | |
| Net borrowings | 29.77 | 28.61 | 1.16 |
| Raised funds | 111.11 | 105.85 | 5.25 |
| Principal repayment | 81.33 | 77.24 | 4.09 |

Источник: расчеты автора на основе данных Федерального казначейства.

Most of the regions that issue bonded debt on a regular basis continued doing so in 2019 (Table 19).

Table 19

Sub-federal and municipal bonds prospectus registration in 2007–2019

| Issuer | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| Subjects of the Federation | | | | | | | | | | | | | |
| Krasnoyarsk krai | * | * | * | * | * | * | * | * | * | * | * | * | * |
| Nizhniy Novgorod Region | * | * | * | * | * | * | * | * | * | * | * | * | * |
| St. Petersburg | * | * | | * | * | * | * | * | * | * | * | * | * |

Cont'd

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
|-----------------------------|---|---|---|---|---|---|---|---|----|----|----|----|----|
| Republic of Sakha (Yakutia) | * | * | | * | * | * | * | * | * | * | * | * | * |
| Yaroslavl Region | * | * | | * | * | * | * | * | * | * | * | * | * |
| Samara Region | * | * | * | | * | * | * | * | * | * | * | * | * |
| Belgorod Region | | * | | | | * | * | * | * | * | * | * | * |
| Novosibirsk Region | * | | | | | | * | * | | * | * | * | * |
| Sverdlovsk Region | | | | * | * | * | | * | | * | * | * | * |
| Moscow Region | * | * | | | | | | | | * | * | * | * |
| Krasnodar krai | * | | | * | | * | | | * | | * | * | * |
| Lipetsk region | * | * | | | | * | * | * | | | * | * | * |
| Рязанская область | | | | * | | * | | | | | | | * |
| Tomsk Region | * | * | | * | * | * | * | * | * | * | * | * | |
| Orenburg region | | | | | | * | * | * | * | * | * | * | |
| Republic of Karelia | * | * | * | * | * | * | * | * | * | * | * | * | * |
| Irkutsk region | * | * | * | | | * | | | * | * | * | * | * |
| Magadan region | | | | | | | * | * | | | * | * | |
| Udmurt republic | * | * | | * | * | * | * | * | * | * | | * | |
| Khabarovsk krai | | | | | | | | | | | | * | |
| Kirov region | | | | | | | | | | | | * | |
| Kamchatka krai | | | | | | | | | | | | * | |
| Komi republic | | * | | * | * | | * | * | * | * | * | | |
| Khanty-Mansi aut district | | | * | | | | * | * | | * | * | | |
| Omsk region | | | | | | | * | * | | * | * | | |
| Yamal-Nenets aut district | | | | | | | | | | * | * | | |
| Tambov region | | | | | | | | | | * | * | | |
| Volgograd region | * | * | * | * | * | * | * | * | * | | * | | |
| Republic of Chuvashia | * | * | * | | * | * | * | * | | | * | | |
| Republic of Mari-El | | | | | | * | * | * | | | * | | |
| Kemerovo region | | | | | | | * | | | | * | | |
| Ivanovo region | * | | | | * | | | | | | * | | |
| Ulyanovsk region | * | * | | | | | | | | | * | | |
| Nenets aut district | | | | | | | | | | | * | | |
| Kursk region | | | | | | | | | | | * | | |

RUSSIAN ECONOMY IN 2019

trends and outlooks

| | | | | | | | | | | | | | | |
|--------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|--|--|
| Kaliningrad region | | | | | | | | | | | | * | | |
| Saratov region | | | | | | | | | | | | * | | |
| Orel region | | | | | | | | | | | | * | | |
| Karachaevo-Cherkassia republic | | | | | | | | | | | | * | | |
| Republic of Mordovia | | | | | | | * | * | * | * | | | | |
| Republic of Khakassia | | | | * | | * | * | * | * | * | | | | |
| Stavropol krai | | * | | | * | * | * | * | * | * | | | | |
| Tyumen region | | | | | | | | | | | * | | | |
| Tver region | * | * | * | * | * | * | * | * | * | * | | | | |
| Voronezh region | * | | | | | * | * | * | * | * | | | | |
| Smolensk region | | | | | | | * | * | * | * | | | | |
| Leningrad region | | | | | | | * | * | * | * | | | | |
| Republic of Bashkortostan | * | | | | * | * | * | * | * | * | | | | |
| Tula region | | | | | | * | * | * | * | * | | | | |
| Kostroma region | * | | | | * | * | * | * | * | * | | | | |
| Moscow | | * | * | * | * | * | * | * | * | * | | | | |
| Kaluga region | * | * | | | * | * | * | * | * | * | | | | |
| Vologda region | | | | | * | * | * | * | * | * | | | | |
| Republic of Buryatia | | | | | * | * | * | * | * | * | | | | |
| Murmansk region | | | | * | * | * | * | * | * | * | | | | |
| Penza region | * | * | | | * | * | * | * | * | * | | | | |
| Kurgan region | | * | | | * | * | * | * | * | * | | | | |
| Republic of Kalmykia | * | | | | * | * | * | * | * | * | | | | |
| Kabardino-Balkar republic | | * | | | * | * | * | * | * | * | | | | |
| Briansk region | | | | | * | * | * | * | * | * | | | | |
| Sakhalin region | | | | * | * | * | * | * | * | * | | | | |
| Primorsky krai | | * | | | * | * | * | * | * | * | | | | |

Cont'd

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
|------------------------------------|---|---|---|---|---|---|---|---|----|----|----|----|----|
| Municipalities | | | | | | | | | | | | | |
| City of Novosibirsk | | | | | * | * | * | * | * | * | * | * | * |
| City of Tomsk | * | * | | * | * | * | * | * | * | * | * | * | * |
| City of Nizhniy Novgorod | | | | | | | | | | | * | | |
| City of Omsk | | | | | | | | * | | * | | | |
| City Volzhsky, Volgograd region | | | | | | | | * | | | | | |
| City of Krasnoyarsk | * | * | * | * | * | * | * | * | * | * | * | * | * |
| City of Kazan | * | | * | * | * | * | * | * | * | * | * | * | * |
| City of Krasnodar | | | | * | * | * | * | * | * | * | * | * | * |
| City of Ufa | | | | * | * | * | * | * | * | * | * | * | * |
| City of Elektrostal, Moscow region | * | | * | | | | | | | | | | |
| Smolensk | | | * | | | | | | | | | | |
| Lipetsk | * | * | | | | | | | | | | | |
| Magadan | * | * | | | | | | | | | | | |
| Bratsk | | * | | | | | | | | | | | |
| Novorossiysk | | * | | | | | | | | | | | |
| Ekaterinburg | * | | | | | | | | | | | | |
| Klin district, Moscow region | * | * | * | | | | | | | | | | |
| Noginsk district, Moscow region | | * | * | | | | | | | | | | |
| City of Blagoveshensk | | * | * | | | | | | | | | | |
| City of Cheboksary | * | | * | | | | | | | | | | |
| City of Balashikha, Moscow region | | | * | | | | | | | | | | |
| Odintsovo district, Moscow region | * | * | | | | | | | | | | | |
| City of Astrakhan | | * | | | | | | | | | | | |
| City of Briansk | | * | | | | | | | | | | | |
| City of Voronezh | | * | | | | | | | | | | | |

| | | | | | | | | | | | | | | |
|---|---|---|--|--|--|--|--|--|--|--|--|--|--|--|
| City of Orekhovo-Zuyevo, Moscow region | | * | | | | | | | | | | | | |
| City of Yaroslavl | | * | | | | | | | | | | | | |
| City of Voronezh | | * | | | | | | | | | | | | |
| City of Yuzhno-Sakhalinsk | * | | | | | | | | | | | | | |
| City of Novocheboksarsk | * | | | | | | | | | | | | | |
| City of Angarsk | * | | | | | | | | | | | | | |
| Vurnarsky district, Republic of Chuvashia | * | | | | | | | | | | | | | |
| City of Shumerlia, Republic of Chuvashia | * | | | | | | | | | | | | | |
| City of Barnaul | | | | | | | | | | | | | | |
| City of Perm | | | | | | | | | | | | | | |
| City of Kostroma | | | | | | | | | | | | | | |
| City of Arkhangelsk | | | | | | | | | | | | | | |
| City of Dzerzhinsky | | | | | | | | | | | | | | |

Source: Ministry of Finance of Russia.

3.2.4. Prospects for the development of market of regional and municipal borrowing

The outbreak of the crisis developments in the Russian economy directly related to putting in place lockdown orders in 2020 create preconditions for the expansion of the regional and municipal budgets' deficit.

This is due both to the contraction of the tax returns and to the need for additional spending aimed at expansion of the social assistance to households and businesses, to the need of the implementation of anti-epidemiological measures. That said, capacities for the reduction of expenditure budget items are restricted by a significant volume of the non-reducible commitments on financing state and municipal organizations by legally fixed social payments.

In the meantime, the dynamic of deficit growth of the consolidated budget in the regions will depend on the following factors:

- on the duration and the depth of economic recession;
- on the selected support model from the federal budget (ration between additional direct fiscal transfers and reimbursable loans extended by the federal budget);
- on the ratio between the additionally provided funds from the federal budget and decline of the revenues in the consolidated regional budget and the volume of additionally popped up expenditure commitments with taking into account the capacity to relatively safely decrease of previously planned budget allocations.

This being said, we should lift legal restrictions applied to the amount of the budget deficit of the subjects of the Russian Federation and municipalities.

For example, in compliance with the Article 92 of the Budget Code of the Russian Federation, budget deficit of a subject of the Russian Federation should not exceed 15 percent of the approved total annual revenues of a subject of the Russian Federation without the approved volume of non-repayable receipts (10 percent – for highly subsidized regions).

Correspondingly, the local budgets' deficit should not exceed 10 percent of the approved total annual amount of revenues without the approved volume of non-repayable receipts and (or) tax returns under the additional normative of contributions (5 percent for highly subsidized municipalities).

The bank of Russia capacity for extending loans to commercial banks backed by bond issuance by regions positively affects the accessibility of borrowings for the regions' budgets.

From January 1, 2020, for bonds issued by the subjects of the Russian Federation the Bank of Russia raised the lowest level of the credit rating for inclusion on the Lombard list by 4 levels in the framework of countercyclical regulation – for the level “A+(RU)”/”ruA+” along the classification of the credit rating agencies AKPA (AO)/AO “Ekspert” (from “ruBBB”).

As on April 14, 2020, 24 subjects in the Russian Federation boasted by this ratings (*Table 20*).

Furthermore, upon the inclusion of these bonds on the Lombard list in addition to ratings the Bank of Russia will take into consideration the conditions of bonds placement and circulation as well as other important factors.

Taking into consideration the feasibility of the regions’ credit downgrade amid economic crisis and easing of the monetary policy by the Bank of Russia within the implementation of rescue measures, it will be expedient to put in place relaxation of the requirements to the credit level of regional and municipal issuers for the inclusion on the Lombard list.

Table 20

**Credit ratings of the subjects and municipalities of the Russian Federation
(as on April, 14 2020)**

| RF subject / municipality 1 | AKRA (JSC) 2 | JSC “Ekspert RA” 3 |
|---------------------------------|-----------------|-----------------------|
| Central Federal District | | |
| Belgorod region | AA-(RU) | |
| Voronezh region | | ruA- |
| Tver region | BBB+(RU) | |
| Kostroma region | BBB-(RU) | |
| Kursk region | A+(RU) | |

Cont'd

| 1 | 2 | 3 |
|--|----------|--------|
| Lipetsk region | AA(RU) | |
| Moscow region | AA+(RU) | |
| Ryazan region | A-(RU) | |
| Tambov region | BBB+(RU) | |
| Tula region | | ruA+ |
| Yaroslavl region | | ruBBB+ |
| City of Moscow | AAA(RU) | |
| North-West Federal District | | |
| Republic of Karelia | | ruBBB- |
| Kaliningrad region | | ruBBB+ |
| Murmansk region | A-(RU) | |
| Novgorod region | BBB(RU) | |
| St. Petersburg | AAA(RU) | |
| Nenets autonomous okrug | | ruA+ |
| Southern Federal District | | |
| Krasnodar krai | A+(RU) | ruAA- |
| Volgograd region | | ruA- |
| Republic of Adygea (Adygea) | | ruBBB |
| North-Caucasus Federal District | | |
| Stavropol krai | | ruA |
| Volga Federal District | | |
| Republic of Bashkortostan | | ruAAA |
| Republic of Mordovia | B(RU) | |
| Republic of Tatarstan (Tatarstan) | AAA(RU) | ruAAA |
| Udmurt republic | | ruBBB- |
| Chuvash republic--Chuvashia | | ruA |
| Nizhniy Novgorod region | | ruA |
| Kirov region | | ruBBB+ |
| Samara region | AA(RU) | |
| Orenburg region | A+(RU) | |
| Penza region | BBB+(RU) | |
| Saratov region | | ruA- |

| | | |
|---|----------------|--------------|
| Ulyanovsk region | | ruBBB+ |
| Urals Federal District | | |
| Kurgan region | | |
| Sverdlovsk region | A+(RU) | ruAA- |
| Tyumen region | AAA(RU) | |
| Chelyabinsk region | AA(RU) | |
| Khanty-Mansi autonomous okrug--Yugra | AAA(RU) | |
| Yamal-Nenets autonomous okrug | AAA(RU) | ruAAA |
| Siberian Federal District | | |
| Altai krai | A+(RU) | |
| Krasnoyarsk krai | A+(RU) | |
| Irkutsk region | | ruAA+ |
| Kemerovo region | A-(RU) | |
| Novosibirsk region | AA-(RU) | |
| Omsk region | | ruBBB+ |
| Tomsk region | BBB(RU) | |
| Far-East Federal District | | |
| Republic of Buryatia | | ruBBB+ |
| Republic of Sakha (Yakutia) | | ruAA- |
| Khabarovsk krai | | ruBBB |
| Kamchatka krai | | ruA+ |
| Magadan region | BBB-(RU) | |
| Municipalities | | |
| Bratsk | BBB(RU) | |
| Krasnodar | | ruA |
| Krasnoyarsk | | ruA- |
| Nizhniy Novgorod | A-(RU) | |
| Novosibirsk | | ruA- |

Note. Embolden are the RF subjects with the rating not below “A+(RU)”/”ruA+”.

Sources: on data released by AKRA (JSC) and JSC “Ekspert RA”.