

THE STATE BUDGET IN FEBRUARY 2013

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According to the data released by the RF Federal Treasury, over the period of January-February 2013 Russia's federal budget revenues amounted to Rb 1,980.0bn (a decline of 2.3 p.p. of GDP on the same period of 2012). Over that period, the federal budget's revenues from VAT, tax on mineral resources extraction and foreign trade, expressed as percentages of GDP, all dropped on the same period of last year. Over the period of January-February 2013, federal budget expenditures amounted to Rb 2,239.5bn, which is by 0.3 p.p. of GDP less than in the same period of last year; deficit amounted to 2.7% GDP, which is by 0.3 p.p. of GDP higher than its level in the same period of 2012.

Analysis of the Main Parameters of Federal Budget Execution in January-February 2013

As reported by the RF Ministry of Finance, federal budget revenues registered over the period of January-February 2013 amounted to Rb 1,980.0bn, which means that they dropped by 2.3 p.p. of GDP on the corresponding period of 2012; the decline in oil and gas revenues also amounted to 2.3 p.p. of GDP (*Table 1*). The shrinkage of federal budget revenues as a share of GDP as seen by the results of January-February 2013 against the same period of last year was noted with regard to all three main revenue sources – VAT, tax on mineral resources extraction, and foreign trade. The decline in federal budget revenues, which began as early as late Q3 2012 and then intensified over the first two months of 2013, can be seen as an alarming phenomenon – considering the necessity to maintain budget deficit at the level of 0.8% of GDP, as stipulated in the law on the RF federal budget for 2013. According to the RF Ministry of Finance's estimates, the loss of federal budget revenue in 2013 will amount to between Rb 80bn and Rb 130bn¹, depending on the volume of imports, the average weighted rate of import duty and the ruble's exchange rate.

Additional risks for maintaining the planned level of deficit are associated with the fact that the main parameters of the 2013 federal budget are set in the framework of tough requirements to the level of budget expenditure and a ban on assuming any new spending obligations if they are not backed by appropriate additional revenues. Meanwhile, an additional sum of approximately Rb 40bn will be needed to execute the measures designed to protect orphaned children in accordance with the RF President's Edict. Besides, there exist some other areas where increased expenditures will have to be allocated, but it is still unclear from which sources of additional revenues these allocations will be covered.

Nevertheless, so far the RF Ministry of Finance is not intending to make any alterations to the main parameters of the 2013 federal budget, and it will attempt to lower the risks that threaten the budgetary system's sustainability by means of optimizing expenditure within their approved limits.

Budget expenditure over January-February 2013 also declined to 23.6% of GDP (Rb 2239.5bn), which is by 0.3 p.p. of GDP below the level recorded over the same period of last year.

The federal budget for the first two months of 2013 was executed with a deficit of 2.70% of GDP, which is by 0.3 p.p. of GDP above the index for the same period of 2012. The non-oil and gas deficit dropped by 2.1 p.p. of GDP and amounted to 13.0% of GDP.

The shrinkage of the revenue receipts in the federal budget over January-February 2013 was observed in the main with regard to revenues from foreign trade – by 1.1 p.p. of GDP on the first two months of last year (*Table 2*). When expressed as a share of GDP, the revenue receipts in the first two months of 2013 generated by tax on mineral resources extraction dropped by 0.4 p.p. of GDP, those generated by VAT on domestic goods and imports – by 0.3 p.p. of GDP each, and those generated by excises on imports – by 0.01 p.p. of GDP on the same period of 2012. Revenue growth

1 <http://www1.minfin.ru/ru/press/speech/index.php?id4=18858>

over the period of January-February 2013 was demonstrated by the receipts of excises on domestic goods – by 0.2 p.p. of GDP on the first two months of 2012. The receipts of tax profits in January-February 2013 remained at the same level as in the corresponding period of last year – 0.3% of GDP.

Table 1

MAIN PARAMETERS OF THE RF FEDERAL BUDGET IN JANUARY-FEBRUARY 2012-2013

	January-February 2013		January-February 2012		Deviation, pp. of GDP
	bn Rb	% of GDP	bn Rb	% of GDP	
Revenue, including:	1, 980.0	20.9	1, 866.0	23.2	-2.3
Oil and gas revenues	976.7	10.3	1, 015.8	12.6	-2.3
Expenditure, including:	2, 239.5	23.6	2, 065.6	25.6	-2.0
interest	66.8	0.7	62.6	0.7	0.0
non-interest	2, 172.7	22.9	2, 003.0	24.9	-2.0
Federal budget surplus (deficit)	-259.5	-2.7	-199.6	-2.4	-0.3
Non-oil and gas deficit	1, 236.2	-13.0	-1, 215.4	-15.1	+2.1
GDP estimate	9,466		8,053		

Source: RF Ministry of Finance; RF Federal Treasury.

Table 2

THE DYNAMICS OF THE RECEIPTS OF THE MAIN TAXES IN THE FEDERAL BUDGET IN JANUARY-FEBRUARY 2012-2013, IN ABSOLUTE TERMS AND AS P.P. OF GDP

	January-February 2013		January-February 2012		Deviation, pp. of GDP
	bn Rb	% of GDP	bn Rb	% of GDP	
1. Tax receipts, including:					
Tax on profits of organizations	31.9	0.3	23.7	0.3	0.0
VAT on goods sold in RF territory	250.0	2.6	241.0	2.9	-0.3
VAT on goods imported into RF territory	223.3	2.3	212.3	2.6	-0.3
Excises on goods produced in RF territory	75.2	0.8	50.0	0.6	0.2
Excises on goods imported into RF territory	7.0	0.07	7.1	0.08	-0.01
Tax on mineral resources extraction	422.9	4.5	399.0	4.9	-0.4
2. Revenues from foreign trade	720.6	7.6	704.6	8.7	-1.1

Source: RF Federal Treasury.

In the first two months of 2013, federal budget expenditure indices as a percentage of GDP to be spent under the 'Nationwide Issues' and 'National Defense' budget sections rose on the same period of last year by 0.4 p.p. of GDP each; under the 'National Economy' budget section – by 0.2 p.p. of GDP; and under the 'Physical Culture and Sports' budget section – by 0.01 p.p. of GDP (*Table 3*). At the same time, as far as the majority of budget sections are concerned, over the period of January-February 2013 this index significantly declined on the same period of 2012, including by 0.1 p.p. of GDP for the 'National Security and Law-enforcement Activity' budget section, by 0.01 p.p. of GDP for the 'Housing and Utilities Sector' budget section, by 0.2 p.p. of GDP for the 'Education' budget section, by 0.1 p.p. of GDP for the 'Culture, Cinematography' budget section, by 0.9 p.p. of GDP for the 'Health Care' budget section; by 2.4 p.p. of GDP for the 'Social Policy' budget section, and by 0.1 p.p. of GDP for the 'Inter-budgetary Transfers' budget section. The percentage share of GDP indices for the other federal budget expenditure items remained at the same level as in January-February 2012.

Table 3

EXECUTION OF FEDERAL BUDGET EXPENDITURE IN JANUARY-FEBRUARY 2012 AND 2013

	January-February 2013		January-February 2012		Deviation, p.p. of GDP
	bn Rb	% of GDP	bn Rb	% of GDP	
Expenditure, total	2,239.5	23.6	2,065.6	25.6	-2.0
including					
Nationwide issues	131.2	1.4	82.5	1.0	0.4
National defense	566.3	6.0	450.3	5.6	0.4
National security and law-enforcement activity	242.6	2.5	214.5	2.6	-0.1
National economy	160.8	1.7	126.2	1.5	0.2
Housing and utilities sector	3.1	0.04	4.0	0.05	-0.01
Environment protection	4.6	0.05	4.1	0.05	0.0
Education	98.0	1.0	99.9	1.2	-0.2
Culture and cinematography	10.6	0.1	14.7	0.2	-0.1
Health care	96.8	1.0	151.0	1.9	-0.9
Social policy	716.1	7.6	728.8	9.0	-2.4
Physical culture and sports	7.3	0.08	5.9	0.07	0.01
Mass media	15.0	0.1	11.4	0.1	0.0
Government debt servicing	66.8	0.7	62.6	0.7	0.0
Interbudgetary transfers	119.8	1.2	109.6	1.3	-0.1

Source: RF Ministry of Finance; RF Federal Treasury.

In February 2013, no oil and gas revenues were transferred to the Reserve Fund; instead, their entire amount of Rb 713.5bn was spent on purchasing foreign currency. As for the National Welfare Fund, no operations were carried on its accounts in February 2013.

The volume of government foreign debt as of the end of February 2013 amounted to \$ 50.6bn (a \$ 0.13bn drop over the course February), the volume of government domestic debt – to Rb 3,932.3bn (a Rb 53.3bn drop over the course of February).

Execution of the Consolidated Budget of RF Subjects in January 2013

As reported by the RF Federal Treasury, the consolidated budget revenue of RF subjects in January 2013 amounted to 9.7% of GDP, which is by 0.6 pp. of GDP below its level recorded in the same period of 2012 (*Table 4*). A noticeable decline in the revenue receipts of regional budgets over the first month of 2013 (by 1.3 p.p. of GDP on January 2012) was demonstrated by gratis transfers from other budgets of the RF budgetary system. At the same time, significant growth was noted in January 2013 with regard to revenues generated by tax on profit – by 0.5 p.p. of GDP, and by tax on property – by 0.1 p.p. of GDP compared to January 2012.

Table 4

MAIN PARAMETERS OF THE CONSOLIDATED BUDGET OF RF SUBJECTS IN JANUARY 2013 AND JANUARY 2012

	January 2013		January 2012		Deviation, pp. of GDP
	bn Rb	% of GDP	bn Rb	% of GDP	
Revenue, including:	439.8	9.7	395.5	10.3	-0.6
tax on profits of organizations	95.7	2.1	62.2	1.6	0.5
PIT	126.2	2.8	106.2	2.8	0.0
excises, domestic	41.2	0.9	33.3	0.9	0.0
tax on aggregate income	26.1	0.6	21.4	0.6	0.0
tax on property	27.2	0.6	19.0	0.5	0.1
gratis transfers from other budgets of RF budgetary system	147.4	3.2	171.0	4.5	-1.3

Table 4, cont'd

	January 2013		January 2012		Deviation, pp. of GDP
	bn Rb	% of GDP	bn Rb	% of GDP	
Expenditure:	357.3	7.9	275.6	7.2	0.7
Budget surplus (deficit)	82.5	1.8	119.9	3.1	-1.3
GDP estimate	4,533		3,833		

Source: RF Federal Treasury.

The increased receipts of tax on profit are probably caused by the delayed transfer, in regional budgets, of the advance tax payments for December 2012.

The execution of the consolidated budget expenditure of RF subjects over January 2013 amounted to 7.9% of GDP, which is by 0.7 pp. of GDP above the level of January 2012. When broken up by budget section, the movement of budget expenditure of RF subjects over the first month of 2013 was multi-vectored (*Table 5*). Growth, in 2013, was demonstrated by the budget sections 'Education' – by 0.4 p.p. of GDP; 'National Economy' – by 0.3 p.p. of GDP; 'Culture, Cinematography' – by 0.1 p.p. of GDP; and 'Environment Protection' – by 0.01 p.p. of GDP on January 2012 respectively.

Table 5

EXECUTION OF THE CONSOLIDATED BUDGET EXPENDITURE OF RF SUBJECTS
IN JANUARY 2013 AND JANUARY 2012

	January 2013		January 2012		Deviation, pp. of GDP
	bn Rb	% of GDP	bn Rb	% of GDP	
Expenditure, total	357.3	7.9	275.6	7.2	0.7
including					
Nationwide issues	20.5	0.4	16.6	0.5	-0.1
National defense	0.05	<0.01	0.03	<0.01	0.0
National security and law-enforcement activity	2.5	0.05	2.9	0.07	-0.02
National economy	36.0	0.8	18.9	0.5	0.3
Housing and utilities sector	20.0	0.4	18.1	0.5	-0.1
Environment protection	0.6	0.01	0.3	<0.01	0.01
Education	120.0	2.6	84.3	2.2	0.4
Culture and cinematography	16.4	0.4	9.4	0.3	0.1
Health care	66.7	1.5	57.3	1.5	0.0
Social policy	63.4	1.4	57.1	1.5	-0.1
Physical culture and sports	5.5	0.1	4.9	0.2	-0.1
Mass media	0.9	0.02	1.6	0.04	-0.02
Government debt servicing	4.4	0.1	2.8	0.07	0.03
Interbudgetary transfers	0.2	<0.01	1.9	0.05	-0.05

Source: RF Federal Treasury.

A decline of budget expenditure indices as percentage share of GDP in January 2013 on January 2012 was demonstrated by the budget sections 'Interbudgetary Transfers' – by 0.05 p.p. of GDP; 'Nationwide Issues', 'Housing and Utilities Sector', 'Social Policy' and 'Physical Culture and Sports' – by 0.1 p.p. of GDP each; 'National Security and Law-enforcement Activity' and 'Mass Media' – by 0.02 p.p. of GDP each; and 'Government Debt Servicing' – by 0.03 p.p. of GDP.

As shown by the results of the first month of 2013, the consolidated budget of RF subjects is executed with a surplus of Rb 82.5bn (1.8% of GDP), which is by 1.3 p.p. of GDP lower than the same index for January 2012. The amount of government debt owed by RF subjects in January 2013 was Rb 1,289.4bn, which is by Rb 127.3bn less than in January 2012.

On the whole, the state of the budgetary system today can be described as ‘unstable equilibrium’, and so the significant factors determining its sustainability will not be external factors; rather – and most likely – this effect will result from timely and well-coordinated acts of the RF Government, the RF Ministry of Finance, and the RF Central Bank, aimed at leveling down the negative influences of external and internal shocks. ●