

STATE BUDGET IN Q1 2013

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According to the Federal Treasury, within January–March 2013, the federal budget revenues decreased by 2.1 p.p. of GDP as compared with the same period of the last year due to a reduction of oil and gas revenues by 1.8 p.p. of GDP and non-oil revenues by 0.3 p.p. of GDP. Despite the reduction in federal spending for Q1 of this year by 2.0 p.p. of GDP against the corresponding period of 2012, the federal budget deficit has reached the limit preset by the budgetary rules in the amount of 1.0% of GDP. Significant impact on the stability of the budget system of the Russian Federation continues to provide the external market factors, while at the same time the importance of domestic macroeconomic factors is increasing.

Analysis of key indicators of the federal budget execution in Q1 2013

For Q1 2013 revenues amounted to Rb 3,100.8 trillion or 20.8% of GDP, which is by 2.1 p.p. of GDP lower than in the relevant period of the previous year (see Table 1). Revenue from oil and gas sector has decreased by 1.8 p.p. of GDP against the three months of 2012. Budget expenditures in January–March 2013 amounted to Rb 3,241.3 trillion (21.8% of GDP), which is by 2.0 p.p. of GDP below the level of expenditures for the same period of the previous year. As of three months of 2013 results, the federal budget deficit amounted to Rb 120.0bn (1.0% of GDP), which is by 0.1 p.p. of GDP above the Q1 of 2012. Herewith, the scope of the non-oil deficit increased by 1.9 p.p. of GDP to 11.0% of GDP.

Table 1

KEY INDICATORS OF THE RF FEDERAL BUDGET EXECUTION IN JANUARY–MARCH 2012–2013

	January–March 2013		January–March 2012		Change, p.p. of GDP
	Rb bn	GDP%	Rb bn	GDP%	
Revenue	3 100.8	20.8	2 963.6	22,9	-2,1
including oil and gas revenue	1503.6	10.1	1 544.8	11,9	-1,8
Expenditures	3 241.3	21.8	3 084.7	23,8	-2,0
–including percentage expenditures	120.5	0.8	111.3	0,8	0,0
non-percentage expenditures	3 120.8	21.0	2 973.4	23,0	-2,0
Deficit (–) /Surplus (+)	-132.5	-1.0	-121.1	-0,9	-0,1
Non-oil and gas deficit (–) /Surplus (+)	-1 644.1	-11.0	-1 665.9	-12,9	-1,9
GDP estimates for reference, Rb bn	14 889		12942		

Source: Ministry of Finance of Russia, RF Federal Treasury, Gaidar Institute assessments.

In Q1 of this year, federal budget revenues for income tax remained at the level of January–March 2012 – 0.5% of GDP (*Table 2*). Revenues from domestic and import VAT have decreased by 0.3 p.p. of GDP on each tax, as compared with the same period of the last year. Domestic excise taxes to federal budget revenues for Q1 2013 decreased by 0.2 p.p. of GDP, and excise taxes on imported goods for the same period have remained at the level of Q1 2012. Revenue of the federal budget for MET and foreign trade in Q1 of this year has decreased by 0.5 p.p. of GDP and by 1.2 p.p. of GDP against January–March of 2012.

In the expenditure sector of the federal budget (*Table 3*) there can be noted reduction in GDP expenditures in Q1 of this year against January–March 2012 under sections 8 of 14, including: “National Security and Law Enforcement” by 0.1 p.p. of GDP, “Housing and Public Utilities” by 0.03 p.p. of GDP, “Environment Protection” by 0.02 p.p. of GDP, “Culture and cinematography” by 0.07 p.p. of GDP, “Healthcare” by 0.5 p.p. of GDP, “Social Policy” by 1.3 pp of GDP and the “Inter-governmental transfers” by 0.2 p.p. of GDP.

Table 2

FEDERAL BUDGET REVENUE IN JANUARY–MARCH 2012–2013

	January–March 2013		January–March 2012		Change, p.p. of GDP
	Rb bn	GDP%	Rb bn	GDP%	
1. Revenue, including:					
corporate profit tax	73.4	0.5	66.4	0.5	0.0
VAT on goods sold in the RF territory	495.1	3.3	464.7	3.6	-0.3
VAT on goods imported to the RF territory	357.4	2.4	346.4	2.7	-0.3
Excise duties on goods manufactured in the RF territory	100.7	0.7	70.5	0.5	-0.2
Excise duties on goods imported to the RF territory	11.9	0.08	11.6	0.09	-0.0
MET	623.4	4.2	605.0	4.7	-0.5
2. Revenue from external economic activities	1 108.5	7.4	1 120.7	8.6	-1.2

Source: Ministry of Finance of Russia, RF Statistical Service, Gaidar Institute assessments.

Table 3

FEDERAL BUDGET EXPENDITURES IN JANUARY–MARCH 2012–2013

	January–March 2013		January–March 2012		Change, p.p. of GDP
	Rb bn	GDP%	Rb bn	GDP%	
Expenditures, total including	3241.3	21.8	3084.7	23.8	-2.0
Federal issues	178.6	1.2	151.4	1.2	0.0
National defense	732.3	4.9	607.5	4.7	0.2
National defense and law enforcement	394.8	2.6	350.6	2.7	-0.1
National Economy	335.7	2.2	249.8	1.9	0.3
Housing and public utilities	8.4	0.06	11.6	0.09	-0.03
Environmental protection	5.0	0.03	6.4	0.05	-0.02
Education	179.1	1.2	206.7	1.6	-0.4
Culture and cinematography	11.6	0.08	20.3	1.5	-0.07
Healthcare	142.4	0.9	187.1	1.4	-0.5
Social policy	936.5	6.3	986.6	7.6	-1.3
Physical training and sports	12.6	0.08	10.6	0.08	0.0
Mass media	15.5	0.1	15.7	0.1	0.0
Public and municipal debt servicing	120.5	0.8	111.3	0.8	0.0
Intergovernmental transfers	168.1	1.1	168.8	1.3	-0.2

Source: Ministry of Finance of Russia, RF Treasury, Gaidar Institute assessments.

Growth in expenses occurred under two budget lines: the “National Defense” – by 0.2 p.p. of GDP and the “National Economy” by 0.3 p.p. of GDP.

In the expenditure under the section “National Economy” the growth in absolute terms in Q1 of this year against January–March 2012 was observed by in the budget lines: “Exploration and Use of Outer Space” by 3.4 times, “Agriculture and Fishing” by 1.5 times, “Communications and Information” by 3.0 times, “Applied Research in the Field of National Economy” by 1.8 times, “Other Aspects of the National Economy” by 3.4 times. At the same time, expenditures under “Transport” line have decreased from Rb 67.4 bn to Rb 21.3 bn, i.e., by 3.2 times, while the cost of the “Road Sector (Road Funds)” have increased slightly – by 1.2 times from Rb 42.4 to Rb 50.9 bn.

Under the other sections of federal budget expenditures for Q1 2013 in terms of GDP share remained at the level of January–March 2012.

According to the Russian Ministry of Finance, the balances of the Reserve Fund and National Welfare Fund in March 2013 increased slightly due to changes in foreign exchange rates and amounted to Rb 2,608.69 bn (+ Rb 15.8bn) and Rb 2,696.7bn (+ Rb 14.2bn), respectively.

RF Subjects Consolidated Budget Execution in January–February 2013

According to the Federal Treasury, the first revenues of the consolidated budget of the Subjects of the Russian Federation for January–February 2013 made Rb 907.4bn or 9.5 p.p. of GDP, which is by 1.4 p.p. of GDP lower than in the relevant period of 2012 (*Table 4*).

Table 4

KEY INDICATORS OF THE RF SUBJECTS CONSOLIDATED BUDGET IN JANUARY–FEBRUARY 2012–2013

	January–February 2013		January–February 2012		Change p.p. of GDP
	Rb bn	GDP%	Rb bn	GDP%	
Revenues, including:	907.4	9.5	874.8	10,9	-1,4
– Corporate profit tax	475.4	5.0	432.1	5,4	-0,4
– Individual income tax	313.5	3.3	281.6	3,5	-0,2
– Excise duties in the RF territory	74.4	0.8	60.3	0,7	0,1
– Aggregate income tax	37.9	0.4	31.9	0,4	0,0
– Property tax	60.2	0.6	48.7	0,6	0,0
– income from the use of property owned by the state and municipal property	31.5	0.3	28.8	0,3	0,0
– non-repayable proceeds from other budgets of the RF fiscal system	240.2	2.5	283.3	3,5	-1,0
– return of the subsidies, subventions and other inter-budgetary targeted transfers of the past years from the budget of the Russian Federation	-74.4	-0.8	0.9	0,01	-0,8
Expenditures, including:	923.7	9.7	801.2	10,0	-0,3
Surplus/Deficit of the RF Subjects consolidated budget	-16.3	-0.2	73.6	0,9	-1,1
GDP estimates	9466		8053		

Source: Federal Treasury, Gaidar Institute assessments.

Expenditures of the consolidated budget of the Russian Federation Subjects for two months of this year decreased against the same period of the last year by 0.3 p.p. of GDP and accounted for 9.7% of GDP, or Rb 923.7 bn. As of January–February 2013, budgets of the RF Subjects are executed with a slight deficit of Rb 16.3 bn or 0.2% of GDP, which is by 1.1 p.p. of GDP below the level of the relevant period of the previous year.

The main decrease in revenues to the consolidated budgets of the RF Subjects over two months of 2013 as compared to the relevant period of 2012 was under income tax – by 0.4 p.p. of GDP, and under personal income tax – by 0.2 p.p. of GDP, and under the revenue from the grants of other budget system of the Russian Federation – by 1.0 p.p. of GDP. Under the Article “Return of the Subsidies, Subventions and other Inter-Budgetary Targeted Transfers of the Past Years from the RF Subjects’ Budgets” the amount of the revenue of the regional budgets has declined during January–February 2013 by Rb 74.4 bn, or by 0.8% of GDP, while in the two months of the last year there were received Rb 0.9 bn or 0.01% of GDP under this budget line.

For the rest of the tax and non-tax revenues of the consolidated budget of the Subjects of the Russian Federation for January–February 2013 the amount of revenues as a GDP percentage remained at the level of the relevant period of the previous year, except for the revenue from domestic excise taxes, which increased by 0.1 p.p. of GDP.

Expenditures of the consolidated budget of the Russian Federation Subjects (*Table 5*) as of the two months of the current year have reduced on the most sections against the same period in 2012, including the sections: “Federal Issues” by 0.1 p.p. of GDP, “National Economy” by 0.6 p.p. of GDP, “Housing and Public Utilities” by 0.1 p.p. of GDP, «Healthcare» by 0.2 p.p. of GDP, “Social Policy” by 0.3 p.p. of GDP, Mass Media by 0.02 p.p. of GDP, “Intergovernmental Transfers” by 0.028 p.p. of GDP. During January–February 2013 there were increased expenditures in terms of GDP share for two months of the preceding year for servicing of the public and municipal debt (by 0.03 p.p. of GDP). In the framework of the last section, the Subjects of the Russian Federation are funding the costs of the three articles: “National Defense” (0.001 p.p. of GDP), “Mobilization and Training Corps”, “Mobilization Preparation of Economy” and “Other Aspects of the National Defense”. In the

remaining sections of the budget expenditures of the RF Subjects on the basis of two months of this year in terms of GDP percentage, they remained at the level of the relevant period of 2012.

Table 5

RF SUBJECTS CONSOLIDATED BUDGET EXECUTION IN TERMS OF EXPENDITURES
IN JANUARY–FEBRUARY 2012–2013

	January–February 2013		January–February 2012		Change, p.p. of GDP
	Rb bn	GDP%	Rb bn	GDP%	
Expenditures, total	923.7	9.7	801.2	1.0	-0.3
including:					
Federal issues	58.5	0.6	53.6	0.7	-0.1
National defense	0.3	0.003	0.2	0.002	0.001
National defense and law enforcement	8.2	0.09	7.7	0.09	0.0
National Economy	131.4	1.4	67.5	0.8	-0.6
Housing and public utilities	63.3	0.7	63.9	0.8	-0.1
Environmental protection	2.0	0.02	1.9	0.02	0.0
Education	283.0	3.0	245.9	3.0	0.0
Culture and cinematography	33.4	0.3	27.7	0.3	0.0
Healthcare	151.6	1.6	147.0	1.8	-0.2
Social policy	163.2	1.7	158.7	2.0	-0.3
Physical training and sports	16.1	0.2	14.1	0.2	0.0
Mass media	3.1	0.03	4.3	0.05	-0.02
Public and municipal debt servicing	9.5	0.1	5.7	0.07	0.03
Intergovernmental transfers	0.2	0.002	3.0	0.03	-0.028

Source: Federal Treasury, Gaidar Institute assessments.

The public debt of the Subjects as of 01.03.2013 amounted to Rb 1,281.1bn, which is nearly by Rb 8.3 bn lower than at the beginning of February this year. ●