

STATE BUDGET IN JANUARY–APRIL 2013

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According to the Federal Treasury, in January–April 2013, the federal budget revenues have been decreased by 2.2 p.p. of GDP as compared with the same period of the last year due to a reduction of oil and gas revenues by 1.7 p.p. of GDP, as well as non-oil revenues decline by 0.5 p.p. of GDP. The consolidated budget of RF Subjects revenues have also decreased with Januar–March 2013 by 1.8 p.p. of GDP against the three months of 2012. In May of this year, the Government of the Russian Federation has submitted to the State Duma a bill¹ on amendments to the law on the federal budget, providing for reallocation of budgetary allocations within the limit of total expenditures of the federal budget for 2013 in the amount of Rb 171.2bn, including about Rb 4.3bn of budget expenditures to be addressed to additional funding in the Olympic Games “Sochi-2014”.

Analysis of key indicators of the federal budget execution in January–April 2013

Over January–April 2013 revenues of the federal budget amounted to Rb 4223.4bn, or to 20.9% of GDP, which is by 2.2 p.p. of GDP lower than the relevant period of the previous year (*Table 1*). Oil and gas revenues have been decreased by 1.7 p.p. of GDP against the first four months of 2012. Budget expenditures for January – April 2013 amounted to Rb 2087.6bn. (21.2% of GDP), which is by 2.3 p.p. of GDP lower than the expenses for the same period of the previous year.

As of the results of 2013 four months, the federal budget was executed with a deficit of Rb 74.8bn (0.4% of GDP), which corresponds to the deficit as a GDP share in January–April of the previous year. Non-oil deficit has decreased by 1.6 p.p. of GDP (10.7% of GDP) as compared with the corresponding period of the previous year.

Table 1

KEY INDICATORS OF THE RF FEDERAL BUDGET WITHIN JANUARY APRIL 2012–2013

	January–April 2013		January–April 2012		Change, p.p. of GDP
	Rb bn	GDP%	Rb bn	GDP%	
Revenue, including:	4223.4	20.9	4065.7	23,1	-2,2
Oil-an-gas revenue	2087.6	10.3	2104.8	12,0	-1,7
Expenditures, including:	4298.2	21.2	4129.2	23,5	-2,3
Percentage expenditures	140.5	0.7	122.7	0,7	0,0
Non-percentage expenditures	4157.7	20.5	4006.5	22,8	-2,3
Federal budget surplus (deficit)	-74.8	- 0.4	-63.5	- 0,4	0,0
Non-oil and gas deficit	-2162.4	-10.7	-2168.3	-12,3	1,6
GDP estimates	20220		17577		

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

Within four months of the current year revenues to the federal budget from income tax remained at the level of 2012, 0.5% of GDP (*Table 2*). Revenue from domestic VAT in January–April 2013 has decreased both, in absolute and in relative terms (Rb 22.4bn, i.e., by 0.6 p.p. of GDP) as compared with the relevant period of the last year. Herewith, revenues to the federal budget in terms of domestic VAT in the GDP share are declining within three months. Thus, as of February and March of this year results, revenue from this tax has decreased by 0.3 p.p. of GDP as compared with the same period of the last year. Revenues from the import VAT in January–April of 2013 have decreased by 0.2 p.p. of GDP against the same period of the last year.

In terms of domestic and import excise taxes, revenues of the federal budget over the four months of 2013 have increased by 0.2 p.p. of GDP and 0.01 p.p. of GDP as compared with January–April 2012, accordingly. Revenues to the federal budget over four months of the current year from MET

and foreign trade have decreased by 0.6 p.p. of GDP and 0.9 p.p. of GDP, respectively, as compared to January–April of 2012.

Table 2

DYNAMICS OF FEDERAL BUDGET REVENUES FROM BASIC TAXES IN JANUARY–APRIL 2012–2013
IN ABSOLUTE TERMS AND GDP %

	January–April 2013		January–April 2012		Change, p.p. of GDP
	Rb bn	GDP%	Rb bn	GDP%	
1. Revenue, including:					
corporate profit tax	112.2	0.5	99.6	0.5	0.0
VAT on goods sold in the RF territory	636.7	3.1	659.1	3.7	-0.6
VAT on goods imported to the RF territory	520.1	2.5	471.2	2.7	-0.2
Excise duties on goods manufactured in the RF territory	136.1	0.7	96.2	0.5	0.2
Excise duties on goods imported to the RF territory	17.4	0.09	15.7	0.08	0.01
MET	832.2	4.1	828.7	4.7	-0.6
2. Revenue from external economic activities	1592.8	7.9	1544.0	8.8	-0.9

Source: Federal Treasury, Gaidar Institute assessments.

Table 3

FEDERAL BUDGET EXPENDITURES IN JANUARY–APRIL 2012–2013

	January–April 2013		January–April 2012		Change, p.p. of GDP
	Rb bn	GDP%	Rb bn	GDP%	
Expenditures, total	4298.2	21.2	4129.2	23.5	-2.3
Federal issues	252.9	1.2	218.8	1.2	0.0
National defense	901.9	4.5	777.9	4.4	0.1
National defense and law enforcement	552.6	2.7	474.9	2.7	0.0
National Economy	461.2	2.3	426.0	2.4	-0.1
Housing and public utilities	10.7	0.05	16.0	0.09	-0.04
Environmental protection	9.1	0.04	8.1	0.05	-0.01
Education	268.5	1.3	260.0	1.5	-0.2
Culture and cinematography	21.7	0.1	27.7	0.1	0.0
Healthcare	191.6	0.9	216.9	1.2	-0.3
Social policy	1226.9	6.0	1320.8	7.5	-1.5
Physical training and sports	16.4	0.08	15.4	0.08	0.0
Mass media	30.6	0.1	27.7	0.1	0.0
Public and municipal debt servicing	140.5	0.7	122.7	0.7	0.0
Intergovernmental transfers	213.3	1.0	216.3	1.2	-0.2

Source: Federal Treasury, Gaidar Institute assessments.

The growth of federal budget expenditures over four months of this year against January–April 2012 in terms of GDP share was noted only under the “National Defense” budget line by 0.1 p.p. of GDP. Under the other lines of the federal budget expenditures in terms of GDP share in the four months of the year remained at the level of January–April 2012.

Cash execution of the federal budget expenditures in January–April 2013 amounted to 32.0% of the annual volume; herewith, under the section of “Housing and public utilities” it is performed by 7.1%, under “Culture and cinematography” – by 22.3%, under “National economy” – by 25.4% of the annual target, while under the lines “Water resources policy” and “Road system policy” it was executed January–April 2013 only by 12.6% and 14.1% of the federal budget respectively.

The problem of the use of the Road Fund the Subjects of the Russian Federation was announced within the framework of the “straight line” by the President of Russia¹. In particular, Vladimir Putin said that the governors repeatedly applied to the government to allow them to readdress budgetary funds allocated for road construction in view of the lack of capacity to implement projects in

1 <http://kremlin.ru>

road construction, but the Head of state noted, that the Road Fund must be completely focused on the development of the transport network. Nevertheless, the Government of the Russian Federation has been instructed¹ before September 1, 2013 to make amendments to the Russian legislation, providing for the use of regional and municipal road funds for roads, connecting settlements and areas of forest exploitation and wood processing to the public roads. Such decisions raise concerns in regard to expediency of allocation of the budget in a lack of technical capacities not on the public roads, but and solely in the interest of timber manufacturers and tentative development of corruption schemes used for the roads construction for local elite cottage settlements. The situation with road funds demonstrates, that the problems of the industry development are provoked not only by the lack of budget funding, but also organizational and technical factors.

The volume of the Reserve Fund as of 01.05.2013 amounted to Rb2652.9bn (+Rb44.35bn as of April 2013), the National Welfare Fund made Rb2727.8bn (+Rb31.3bn. against April 2013).

Execution of the consolidated budget of the RF Subjects in Januar–March 2013

According to the Federal Treasury, the *consolidated revenues of RF Subjects* for Januar–March 2013 amounted to Rb1736.8bn, or 11.6% of GDP, which is by 1.8 p.p. of GDP lower than in the same period of 2012 (*Table 4*).

Table 4

KEY INDICATORS OF THE RF SUBJECTS CONSOLIDATED BUDGET EXECUTION
IN JANUAR–MARCH 2012–2013

	Januar–March 2013		Januar–March 2012		Change p.p. of GDP
	Rb bn	GDP%	Rb bn	GDP%	
Revenues, including:	1736.8	11.6	1736.0	13,4	-1,8
Corporate profit tax	474.7	3.2	502.4	3,9	-0,7
Individual income tax	506.8	3.4	457.7	3,5	-0,1
VAT, domestic	109.1	0.7	95.8	0,7	0,0
Excise duties in the RF territory	66.5	0.4	57.8	0,4	0,0
Aggregate income tax	127.3	0.8	121.7	0,9	-0,1
Property tax	383.5	2.6	425.6	3,3	-0,7
Non-repayable proceeds from other budgets of the RF fiscal system	1543.0	10.4	1449.2	11,2	-0,8
Expenditures, including:	193.8	1.3	286.8	2,2	0,9
Surplus/Deficit of the RF Subjects consolidated budget	14889		12942		
GDP estimates					

Source: Federal Treasury, Gaidar Institute assessments.

Expenditures of the consolidated budget of the Russian Federation Subjects in the three months of the current year have decreased relative to the same period of the last year by 0.8 p.p. of GDP and accounted to 10.4% of GDP, or Rb1543.0bn. As of January–March 2013, the RF Subjects' budgets were executed with a surplus in the amount of Rb193.8 bn, or for 1.3% of GDP, which is by 0.9 p.p. of GDP below the level of the corresponding period of the previous year.

The reduction of consolidated RF Subjects' budgets over three months in 2013as compared with the same period of 2012 was based on the reduced revenues from income tax by 0.7 p.p. of GDP, personal income tax – by 0.1 p.p. of GDP, property tax – by 0.1 p.p. of GDP, and from revenues from other budget system of the Russian Federation – by 0.7 p.p. of GDP

Revenue to the consolidated budget of the Russian Federation Subjects from domestic excise tax and from the tax on total income for Januar–March 2013 in terms of GDP share has remained at the level of the corresponding period of the previous year.

Expenditures of the consolidated budget of the Russian Federation Subjects (*Table 5*) in the first three months of this year have been reduced by most of the sections against to the same period of 2012, including: “National Economy”, “Health Care”, “Social Policy” by 0.3 p.p. of GDP each, for “Housing and public utilities” by 0.2 p.p. of GDP, for “Intergovernmental transfers” by 0.027 p.p.

1 <http://kremlin.ru/assignments>

of GDP. Within Januar–March 2013 there were increased expenditures in terms of GDP against the three months of the previous year for the budget line “Education” (by 0.2 p.p. of GDP). In the other sections of the budget of the Russian Federation expenditures of the RF Subjects in terms of the GDP share remained at the level of the corresponding period of 2012.

Table 5

RF SUBJECTS CONSOLIDATED BUDGET EXECUTION IN TERMS OF EXPENDITURES
IN JANUAR–MARCH 2012–2013

	Januar–March 2013		Januar–March 2012		Change, p.p. of GDP
	Rb bn	GDP%	Rb bn	GDP%	
Expenditures, total	1543.0	10.4	1449.2	11.2	-0.8
<i>including:</i>					
Federal issues	98.5	0.7	93.1	0.7	0.0
National defense	0.6	0.004	0.5	0.004	0.0
National defense and law enforcement	14.6	0.1	14.8	0.1	0.0
National Economy	223.4	1.5	231.5	1.8	-0.3
Housing and public utilities	111.4	0.7	116.2	0.9	-0.2
Environmental protection	3.6	0.02	3.2	0.02	0.0
Education, total:	475.5	3.2	386.8	3.0	0.2
Culture and Cinematography	51.5	0.3	46.0	0.3	0.0
Healthcare	240.8	1.6	240.9	1.9	-0.3
Social policy	271.3	1.8	266.9	2.1	-0.3
Physical training and sports	26.6	0.2	24.4	0.2	0.0
Mass media	8.0	0.05	7.0	0.05	0.0
Public and municipal debt servicing	16.7	0.1	13.3	0.1	0.0
Intergovernmental transfers	0.5	0.003	4.3	0.03	-0.27

Source: Federal Treasury, Gaidar Institute assessments.

Therefore, the dynamics of the revenue part of the federal budget and the consolidated budgets of the Subjects of the Russian Federation demonstrates a tendency to a reduction of from the major tax and non-tax proceeds; however, the expenditures are also getting reduced, so the deficit is not greatly changed. ●