

## RUSSIA'S NATIONAL BUDGET IN H1 2013

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*The results of federal budget implementation in H1 2013 show that federal budget revenues dropped 2.1 p.p. of GDP year-on-year, while consolidated budget revenues of the constituent territories of the Russian Federation declined 1.7 p.p. of GDP in January–May 2013 against the first five months of 2012. The reduction of the foregoing budget revenues was basically governed by economic contraction. Furthermore, according to “The Budget Policy Guidelines for 2014 and the 2015–2016 Planning Period” which was posted on the Ministry of Finance’s official website on July 18, 2013, economic growth may slow down for a long period. To date, adverse trends in the Russian economy have had no serious effect on sustainability of the Russia’s budget system. The results of H1 2013 show that the federal budget ran a surplus of 0.9% of GDP, while consolidated budget of the constituent territories of the Russian Federation ran a surplus of 1.0% of GDP in the first five months of 2013.*

### Analysis of federal budget implementation basic parameters in H1 2013

After the first six months of 2013, federal budget revenues amounted to Rb 6256,5bn or 20.0% of GDP, having shown a decline of 2.1 p.p. of GDP year-on-year (Table 1). Federal budget oil and gas revenues contracted by 1.6 p.p. of GDP against the first six months of 2012.

Budget expenditures in H1 2013 totaled Rb 5949,6bn (19.1% of GDP), having shown a decline by 2.1 p.p. of GDP year-on-year. After the first six months of 2013, the federal budget ran a surplus of 0.9% of GDP (Rb 306,9bn), thereby corresponding to the federal budget surplus as percentage of GDP in January–June of the previous year. Oil and gas deficit in absolute values contracted by 1.7 p.p. of GDP (8.9% of GDP) year-on-year.

In H1 2013, federal budget tax and non-tax revenues contracted year-on-year, including: revenues from profit tax by 0.1 p.p. of GDP, from domestic VAT by 0.4 p.p. of GDP, from VAT on imports by 0.2 p.p. of

GDP, from mineral extraction tax by 0.6 p.p. of GDP, and from foreign trade by 1.2 p.p. of GDP (Table 2). Revenues from domestic excises increased in January–June 2013 by 0.2 p.p. of GDP year-on-year; within six months of 2013, federal budget revenues from excises on imports remained at the level of January–June 2012, 0.09 p.p. of GDP.

It should be noted that budget risks may arise not only in response to lower prices of hydrocarbons, but also stagnation. Analysis of the budget system parameters for 2014–2016 forecasts contraction of the key socio-economic development indicators – GDP growth from 3.7 to 2.4% in 2013, from 4.3 to 3.7% in 2014, and from 4.5 to 4.1% in 2015 – vs. the forecasts made when the Federal Law No. 216 “On the Federal Budget for 2013–2015” was approved. Economic growth of 4.2% or less is forecasted in 2016. Therefore, enlarged government’s budget revenues, net of inter-budget transfers, are forecasted to contract from 36.9% of GDP in 2013 to 34.4% of GDP in 2016. Federal budget revenues are forecasted to stay at 18.2% of GDP in 2014,

Table 1

RUSSIA'S FEDERAL BUDGET BASIC PARAMETERS IN H1 2012–2013

	January–June 2013		January–June 2012		Deviations, p.p. of GDP
	billions of rubles	% of GDP	billions of rubles	% of GDP	
Revenues, including:	6256,5	20.0	6199,9	22.1	–2.1
Oil and gas revenues	3099,1	9.9	3226,1	11.5	–1.6
Expenditures, including:	5949,6	19.1	5951,4	21.2	–2.1
interest expense	175,9	0.6	155,3	0.6	0.0
non-interest expense	5773,7	18.5	5796,1	20.6	–2.1
Federal budget surplus (deficit)	306,9	0.9	248,5	0.9	0.0
Oil and gas deficit	–2792,2	–8.9	–2977,6	–10.6	1.7
GDP evaluation	31215		28062		

Source: Ministry of Finance of Russia, Federal Treasury of the Russian Federation, Gaidar Institute’s estimates.

Table 2

**DYNAMICS OF BASIC TAX REVENUES TO THE RUSSIA'S FEDERAL BUDGET IN H1 2012–2013, IN ABSOLUTE VALUES AND AS P.P. OF GDP**

	January–June 2013		January–June 2012		Deviation as p.p. of GDP
	billions of rubles	% of GDP	billions of rubles	% of GDP	
1. Tax revenues, including:					
corporate profit tax	160,6	0.5	177,8	0.6	–0.1
VAT on goods sold on the territory of the Russian Federation	978,7	3.1	978,4	3.5	–0.4
VAT on goods imported to the Russian Federation	769,0	2.5	756,7	2.7	–0.2
excises on goods manufactured on the territory of the Russian Federation	210,6	0.7	152,0	0.5	0.2
excises on goods imported to the Russian Federation	27,1	0.09	24,4	0.09	0.0
Mineral extraction tax	1234,0	3.9	1231,3	4.5	–0.6
2. Revenues from foreign trade	2320,1	7.4	2426,1	8.6	–1.2

Source: Federal Treasury of the Russian Federation, Gaidar Institute's estimates.

being 1.1 p.p. of GDP less against the previous year; 17.4% of GDP in 2015 and 16.6% in 2016. Moreover, oil and gas revenues are forecasted to decline but at lower rates than budget system revenues: by 1.0 p.p. of GDP in 2014, 0.8 p.p. in 2015, and 0.3 p.p. in 2016, against the previous year.

With regard to federal budget expenditures (*Table 3*), one may note contraction in expenditures as percentage of GDP in H1 2013 against January–June 2012 with regard to the following budget accounts: 'Nationwide Issues' and 'Inter-budget Transfers' by 0.1 p.p. of GDP each, 'Education' by 0.2 p.p. of GDP, 'National

Economy' and 'Healthcare' by 0.4 p.p. of GDP, 'Social Policy' by 0.6 p.p. of GDP.

Federal budget expenditures saw growth as percentage of GDP in H1 2013 against January–June 2012 with regard to the following accounts: 'National Defense' by 0.1 p.p. of GDP, 'National Security and Law Enforcement', 'Sovereign and Municipal Debt Servicing', and 'Public Utilities Sector' by 0.1 p.p. of GDP each, 'Environmental Protection' by 0.01 p.p. of GDP, 'Physical Culture and Sports' by 0.02 p.p. of GDP. Within the first six months of 2013, the other federal budget expenditures remained at the previous period level of GDP.

Table 3

**FEDERAL BUDGET IMPLEMENTATION BY EXPENDITURE IN JANUARY–JUNE, 2012–2013**

	January–June 2013		January–June 2012		Deviation as p.p. of GDP
	billions of rubles	in percentage of GDP	billions of rubles	in percentage of GDP	
Total expenditures, including:	5949,6	19.1	5951,4	21.2	–2.1
Nationwide Issues	361,4	1.1	346,3	1.2	–0.1
National Defense	1126,5	3.6	989,4	3.5	0.1
National Security and Law Enforcement	856,1	2.7	739,4	2.6	0.1
National Economy	633,3	2.0	685,5	2.4	–0.4
Public Utilities Sector	62,3	0.2	34,0	0.1	0.1
Environmental Protection	12,8	0.04	9,7	0.03	0.01
Education	341,7	1.1	355,5	1.3	–0.2
Culture and Cinematography	32,3	0.1	39,6	0.1	0.0
Healthcare	225,2	0.7	302,6	1.1	–0.4
Social Policy	1750,1	5.6	1934,3	6.2	–0.6
Physical Culture and Sports	29,9	0.09	19,5	0.07	0.02
Mass Media	37,9	0.1	37,6	0.1	0.0
Sovereign and Municipal Debt Servicing	175,9	0.6	155,3	0.5	0.1
Inter-budget Transfers	304,3	1.0	302,6	1.1	–0.1

Source: Federal Treasury of the Russian Federation, Gaidar Institute's estimates.

**CONSOLIDATED BUDGET BASIC PARAMETERS OF CONSTITUENT TERRITORIES OF THE RUSSIAN FEDERATION IN  
JANUARY–MAY, 2012– 2013**

	January–May 2013		January–May 2012		Deviation as p.p. of GDP
	billions of rubles	% of GDP	billions of rubles	% of GDP	
Revenues, including:	3219,0	12.6	3278,9	14.3	–1.7
– corporate profit tax	775,6	3.0	989,4	4.3	–1.3
– Personal income tax	914,1	3.6	814,7	3.5	0.1
– domestic excises	191,0	0.7	168,2	0.7	0.0
– aggregate income tax	150,9	0.6	134,7	0.6	0.0
– property tax	390,0	1.5	335,1	1.5	0.0
– non-repayable revenues from other budg- ets of the budgetary system of Russia	587,7	2.3	625,3	2.7	–0.4
Expenditures, including:	2956,3	11.5	2794,4	12.2	–0.7
Consolidated budget surplus (defi- cit) of constituent territories	262,7	1.0	484,5	2.1	–0.9
GDP evaluation	25590		22 932		

Source: Federal Treasury of the Russian Federation, Gaidar Institute's estimates.

In H1 2013, the Federal Reserve Fund grew up Rb 171,8bn in volume through a currency exchange difference, and reached Rb 2770,9bn as of July 1, 2013. In H1 2013, the currency exchange difference resulting from revaluation of the National Wealth Fund's (NWF) assets amounted to Rb 128,70bn, and the NWF reached Rb 2828,2bn in volume as of July 1, 2013.

In June 2013, the national internal debt increased by Rb 2,0bn до Rb 4951,3bn, whereas the national foreign debt contracted by \$77,4m to \$49,57bn.

- Late in July 2013, the Ministry of Economic Development and Trade of Russia presented a plan designed to enhance economic growth rates, which provides for measures aimed at reducing direct and transaction costs for Russia's businesses, strengthening their competitive potential, and providing a better access to development resources, including;
- Improve access of small-sized businesses to lending; develop a system of guarantees through the establishment of a federal fund; extend premium rebates, design mechanisms for enhancing access of SM business entities to the procurement of companies with public ownership, infrastructural monopolies;
- Strengthen investment potential, including with the help of public-private partnership and National Wealth Fund's resources, as well as pension accruals managed by the state asset manager;
- Reduce costs for credit institutions through differentiation of premiums in the deposit insur-

ance fund by the degree of deposit policy risk; increase the role of collateral;

- Enhance general business climate pursuant to road maps of the National Business Initiative;
- Settle certain sectoral issues concerning the WTO.

One may admit that economic growth promotion measures are basically focused on fiscal instruments, whereas the plan has no measures aimed at settling the issues of low quality of institutions in the Russian economy, and corruption.

**Consolidated budget implementation  
in the constituent territories  
of the Russian Federation in January–May 2013**

According to the Federal Treasury, in January–May 2013 *consolidated budget revenues in the constituent territories of the Russian Federation* amounted to Rb 3219,0bn or 12.6% of GDP, having contracted by 1.7 p.p. of GDP year-on-year (*Table 4*).

Consolidated budget revenues in constituent territories of the Russian Federation saw contraction within the first five months of 2013 on a year-on-year basis: revenues from profit tax by 1.3 p.p. of GDP, and from non-repayable revenues from other budgets of the budgetary system of Russia by 0.4 p.p. of GDP. In January–May 2013, consolidated budget revenues from personal income tax increased by 0.1 p.p. of GDP against the first five months of the previous year. At the end of the first five months of 2013, consolidated budget revenues from domestic excises, aggregate income tax, and property tax in the constituent territories of the Russian Federation

**CONSOLIDATED BUDGET IMPLEMENTATION IN THE CONSTITUENT TERRITORIES OF THE RUSSIAN FEDERATION  
BY EXPENDITURE IN JANUARY–MAY, 2012–2013**

	January–May 2013		January–May 2012		Deviation as p.p. of GDP
	billions of rubles	in percen- tage of GDP	billions of rubles	in percen- tage of GDP	
Total Expenditures, including:	2956,3	11.5	2794,4	12.2	–0.7
Nationwide Issues	189,7	0.7	176,4	0.8	–0.1
National Defense	1,2	0.005	1,2	0.005	0.0
National Security and Law Enforcement	29,1	0.1	28,4	0.1	0.0
National Economy	458,9	1.8	447,2	1.9	–0.1
Public Utilities Sector	230,3	0.9	243,4	1.1	–0.2
Environmental Protection	6,9	0.03	5,9	0.02	0.01
Education	887,9	3.5	770,8	3.4	0.1
Culture and Cinematography	101,6	0.4	93,3	0.4	0.0
Healthcare	455,0	1.8	456,9	2.0	–0.2
Social Policy	496,8	1.9	481,8	2.1	–0.2
Physical Culture and Sports	52,2	0.2	47,5	0.2	0.0
Mass Media	14,8	0.05	13,1	0.05	0.0
Sovereign and Municipal Debt Servicing	28,0	0.1	21,3	0.09	0.02
Inter-budget Transfers	3,7	0.01	7,0	0.03	–0.02

Source: Federal Treasury of the Russian Federation, Gaidar Institute's estimates.

remained at the level of January–May 2012, as percentage of GDP.

Within the first five months of 2013, consolidated budget expenditures in the constituent territories of the Russian Federation contracted by 0.7 p.p. of GDP year-on-year and amounted to 11.5% of GDP, or Rb 2956,3bn (see Table 5).

At the end of the first five months of 2013, consolidated budget expenditures in the constituent territories of the Russian Federation increased year-on-year for the following accounts: 'Environmental Protection' by 0.01 p.p. of GDP, 'Education' by 0.1 p.p. of GDP, 'Sovereign and Municipal Debt Servicing' by 0.02 p.p. of GDP. In January–May 2013, consolidated budget expendi-

tures in the constituent territories of the Russian Federation declined year-on-year for the following accounts: 'Nationwide Issues' by 0.1 p.p. of GDP, 'National Economy' by 0.1 p.p. of GDP, 'Public Utilities Sector' by 0.2 p.p. of GDP, 'Healthcare' by 0.2 p.p. of GDP, 'Social Policy' by 0.2 p.p. of GDP, 'Inter-budget Transfers' by 0.02 p.p. of GDP. Other accounts of budget expenditures in the constituent territories of the Russian Federation remained at the level of 2012 within the first five months of 2013.

In January–May 2013, the budget of the constituent territories of the Russian Federation ran a surplus of Rb 262,7bn or 1.0% of GDP, having shown a contraction of 0.9 p.p. of GDP year-on-year. ●