

## NATIONAL BUDGET IN JANUARY–AUGUST 2013

T. Tischenko

*Russia's Federal Treasury reports that in the period of January thru August 2013 federal budget revenues and expenditures contracted by 2.2 and 1.7 p.p. of GDP respectively, as compared to the corresponding period in 2012. At the end of eight months of 2013 the federal budget ran a surplus of Rb 391.1bn, or 0.9% of GDP, having declined by 0.5 p.p. of GDP against the value observed in January–August in the previous year. Federal budget oil-and-gas deficit in January–August 2013 contracted by 0.8 p.p. of GDP as compared to the corresponding period of the previous year, and accounted for 8.9% of GDP.*

### Analysis of federal budget implementation basic parameters in January–August 2013

According to the Ministry of Finance of Russia, federal budget revenues in January–August 2013 amounted to Rb 8417.1bn, having contracted by 2.2 p.p. of GDP against the corresponding period in 2012 (*Table 1*). Over the eight months in 2013 federal budget oil-and-gas revenues declined by 1.3 p.p. of GDP as compared to the corresponding period of the previous year, including mineral extraction tax (by 0.4 p.p. of GDP), export duties on crude oil (by 0.8 p.p. of GDP), import duties on natural gas (by 0.1 p.p. of GDP), export duties on refinery products (by 0.05 p.p. of GDP). In the period of January thru August 2013, the federal budget was implemented 65.4% of annual forecast values in terms of revenues, including oil & gas budget revenues (61.0%).

Budget expenditures during eight months of 2013 contracted by 1.7 p.p. of GDP against the corresponding period of the previous year, and amounted to Rb 8026.0bn (18.8% of GDP). As a result, the federal budget ran a surplus of 0.9% of GDP, having declined by 0.5 p.p. of GDP against the value reported during the corresponding period in 2012. Federal budget

non-oil-and-gas deficit contracted by 0.8 p.p. of GDP in January–August 2013 as compared to the corresponding period of the previous year, and accounted for 8.9% of GDP.

In the period of January thru August 2013, federal budget revenues contracted by 1.1 p.p. of GDP (to 7.4% of GDP) with regard to revenues generated from foreign economic activity, as compared to the corresponding period of the previous year (*Table 2*). At the end of eight months in 2013, federal budget revenues declined as percentage of GDP with regard to mineral extraction tax (by 0.4 p.p. of GDP), internal and external VAT (by 0.5 and 0.3 p.p. of GDP respectively), and profit tax (by 0.1 p.p. of GDP) as compared to the corresponding period of the previous year. In the period of January thru August 2013, budget revenues increased with regard to internal excises (by 0.1 p.p. of GDP) against the corresponding period of eight months in 2012. At the end of January–August 2013 federal budget revenues from import excises remained at the level of the corresponding period in 2012 and accounted for 0.09% of GDP.

Table 1

RUSSIA'S FEDERAL BUDGET BASIC PARAMETERS IN JANUARY–AUGUST 2012–2013

	January–August 2013		January–August 2012		Deviations, p.p. of GDP
	billions of rubles	% of GDP	billions of rubles	% of GDP	
Revenues, including:	8417.1	19.7	8353.8	21.9	-2.2
Oil and gas revenues	4180.6	9.8	4224.9	11.1	-1.3
Expenditures, including:	8026.0	18.8	7822.7	20.5	-1.7
interest expense	246.7	0.6	221.5	0.6	0.0
non-interest expense	7779.3	18.2	7601.2	19.9	-1.7
Federal budget surplus (deficit)	391.1	0.9	531.1	1.4	-0.5
Non-oil-and-gas deficit	-3789.5	-8.9	-3693.8	-9.7	0.8
GDP evaluation	42676		38057		

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

Table 2

## FEDERAL BUDGET BASIC TAX REVENUES IN THE PERIOD OF JANUARY THRU AUGUST, 2012–2013

	January–August 2013		January–August 2012		Deviation as p.p. of GDP
	billions of rubles	% of GDP	billions of rubles	% of GDP	
1. Tax revenues, including:					
corporate profit tax	241.4	0.6	271.4	0.7	-0.1
VAT on goods sold on the territory of the Russian Federation	1170.9	2.7	1221.7	3.2	-0.5
VAT on goods imported to the Russian Federation	1065.9	2.5	1071.5	2.8	-0.3
excises on goods manufactured on the territory of the Russian Federation	290.6	0.7	218.7	0.6	0.1
excises on goods imported to the Russian Federation	37.0	0.09	33.6	0.09	0.0
Mineral extraction tax	1640.3	3.8	1599.0	4.2	-0.4
2. Revenues from foreign trade	3158.5	7.4	3248.3	8.5	-1.1

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

The federal budget expenditure items saw multi-directional dynamics (Table 3). At the end of eight months budget expenditures (as percentage of GDP) increased for such items as 'National Defense', 'National Security and Law Enforcement' and 'Public Utilities Sector' (by 0.1 p.p. of GDP each), 'Physical Culture and Sports' (by 0.02 p.p. of GDP) as compared to the corresponding period in 2012, whereas some of the federal budget expenditure items as percentage of GDP contracted in January–August 2013, namely 'National Economy' (by 0.1 p.p. of GDP, 'Healthcare' (by 0.2 p.p. of GDP, 'Social Policy' (by 1.2 p.p. of GDP, 'Inter-budget Transfers' (by 0.1 p.p. of GDP against the corresponding period of the previous year. The rest of

federal budget expenditure items saw the same values (as percentage of GDP) in January–August 2013 as in the corresponding period in 2012.

As of the end of August 2013, a total amount of resources in the Federal Reserve Fund and the National Wealth Fund amounted to Rb 2838.6 and Rb 2884.8bn respectively in rubles equivalent.

Drafting of the draft federal budget for 2014–2016 acquired the status of most heavily discussed themes in the field of public finance in September 2013. At Russia's Government meeting held in the mid-September D. Medvedev stated that federal budget expenditures for 2014–2016 should be cut off by at least 5%, save for protected expenditure items<sup>1</sup>. Most likely, it refers

Table 3

## FEDERAL BUDGET EXPENDITURES IN JANUARY–AUGUST, 2012 AND 2013

	January–August 2013		January–August 2012		Deviation as p.p. of GDP
	billions of rubles	% of GDP	billions of rubles	% of GDP	
Total expenditures,	8026.0	18.8	7822.7	20.5	-1.7
including:	502.4	1.2	475.3	1.2	0.0
Nationwide Issues	1356.7	3.2	1186.2	3.1	0.1
National Defense	1171.8	2.7	995.2	2.6	0.1
National Security and Law Enforcement	928.2	2.2	975.0	2.6	-0.4
National Economy	72.8	0.2	53.5	0.1	0.1
Public Utilities Sector	16.5	0.04	14.1	0.04	0.0
Environmental Protection	463.5	1.1	410.5	1.1	0.0
Education	47.8	0.1	50.5	0.1	0.0
Culture and Cinematography	282.1	0.7	356.2	0.9	-0.2
Healthcare	2445.9	5.7	2620.5	6.9	-1.2
Social Policy	37.7	0.09	28.2	0.07	0.02
Physical Culture and Sports	50.4	0.1	47.4	0.1	0.0
Mass Media	246.7	0.6	221.5	0.6	0.0
Sovereign and Municipal Debt Servicing	402.9	0.9	388.4	1.0	-0.1

Source: Federal Treasury of the Russian Federation, Gaidar Institute's estimates.  
<sup>1</sup> <http://government.ru/meetings/date/2013-09-12/>

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

	January–July 2013		January–July 2012		Deviation as p.p. of GDP
	billions of rubles	% of GDP	billions of rubles	% of GDP	
Total revenues, including:	4561.8	12.3	4678.0	14.2	-1.9
– corporate profit tax	1014.9	2.7	1275.1	3.9	-1.2
– personal income tax	1361.8	3.7	1231.5	3.7	0.0
– domestic excises	279.3	0.7	253.9	0.8	-0.1
– aggregate income tax	212.0	0.6	193.4	0.6	0.0
– property tax	559.6	1.5	482.3	1.5	0.0
– non-repayable revenues from other budg- ets of the budgetary system of Russia	778.8	2.1	895.5	2.7	-0.6
Expenditures	4403.1	11.9	4175.9	12.7	-0.8
Consolidated budget surplus (deficit) of constituent territories	158.7	0.4	502.1	1.5	-1.1
GDP evaluation	37079		32917		

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

to the changes to the federal budget parameters which were submitted by the Ministry of Finance of Russia in July 2013 as part of the Guidelines of the Budgetary Policy for 2014–2016. Up to Rb 1.8 trillion will be re-allocated to senior expenses within a 3-year budget<sup>1</sup>. A. Siluanov said that the draft budget for 2014–2016 covers financing of a series of structural reforms, including the transition to program-based budgeting, pension reform, reforms in healthcare, education, financial sector, as well as infrastructure development.

We will know soon, when Russia's Government submits a respective draft law to the State Duma for consideration, whether the parameters of the draft federal budget for 2014–2016 differ largely or not from the parameters budgeted in the Guidelines of the Budgetary Policy.

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

According to the Federal Treasury, in January–July 2013 consolidated budget revenues in the constituent territories of the Russian Federation amounted to Rb 4561.8bn, or 12.3% of GDP, having contracted by 1.9 p.p. of GDP against the corresponding period in 2012 (Table 4).

Within seven months in 2013 consolidated budget expenditures of the constituent territories of the Russian Federation contracted by 0.8 p.p. of GDP and accounted for 11.9% of GDP, or Rb 4403.1bn, against the corresponding period of the previous year. At the end of January–July 2013, the constitu-

ent territories of the Russian Federation ran their budget with a surplus of a total of Rb 158.7bn, or 0.4% of GDP, having shown a decline of 1.1 p.p. of GDP against the values recorded during the corresponding period of the previous year.

Consolidated budget revenues of the constituent territories of the Russian Federation saw contraction during the seven months in 2013 as compared to the corresponding period in 2012, namely profit tax (by 1.2 p.p. of GDP), internal excises (by 0.1 p.p. of GDP) and non-repayable transfers from other budgets within the budget system of Russia (by 0.6 p.p. of GDP). The rest of the consolidated budget tax and non-tax revenues of the constituent territories of the Russian Federation as percentage of GDP in January–July 2013 remained at the level recorded during the corresponding period of the previous year.

At the end of the seventh month consolidated budget expenditures of the constituent territories of the Russian Federation (Table 5) contracted against the corresponding period in 2012 on the following expenditure items: 'National Economy' (by 0.1 p.p. of GDP), 'Public Utilities Sector' (by 0.2 p.p. of GDP), 'Healthcare' (by 0.3 p.p. of GDP), 'Social Policy' (by 0.2 p.p. of GDP), 'Inter-budget Transfers' (by 0.02 p.p. of GDP).

In the period of January thru July 2013, such expenditure items as 'Education' and 'Sovereign and Municipal Debt Servicing' saw an increase of 0.1 p.p. and 0.03 p.p. of GDP against the corresponding period of the previous year. The rest of the budget expenditure items of the constituent territories of the Russian Federation at the end of the seventh month of 2013

<sup>1</sup> <http://www1.minfin.ru/ru/press/speech/index.php?id4=20046>

**CONSOLIDATED BUDGET EXPENDITURES OF THE CONSTITUENT TERRITORIES OF THE RUSSIAN FEDERATION  
IN JANUARY–JULY, 2012–2013**

	January–July 2013		January–July 2012		Deviation as p.p. of GDP
	billions of rubles	% of GDP	billions of rubles	% of GDP	
Total expenditures, including	4403.1	11.9	4175.9	12.7	-0.8
Nationwide Issues	285.3	0.8	265.8	0.8	0.0
National Defense	2.0	0.005	1.9	0.005	0.0
National Security and Law Enforcement	45.3	0.1	42.9	0.1	0.0
National Economy	727.7	2.0	681.2	2.1	-0.1
Public Utilities Sector	363.5	1.0	388.2	1.2	-0.2
Environmental Protection	11.1	0.03	9.2	0.03	0.0
Education	1290.9	3.5	1135.9	3.4	0.1
Culture and Cinematography	150.9	0.4	136.4	0.4	0.0
Healthcare	675.5	1.8	690.4	2.1	-0.3
Social Policy	703.2	1.9	689.3	2.1	-0.2
Physical Culture and Sports	79.4	0.2	69.6	0.2	0.0
Mass Media	21.7	0.06	19.2	0.06	0.0
Sovereign and Municipal Debt Servicing	42.9	0.1	36.1	0.1	0.0
Inter-budget Transfers	3.6	0.01	9.8	0.03	-0.02

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

remained at the level (as percentage of GDP) recorded during the corresponding period in 2012.

In spite of that the consolidated budget of the constituent territories of the Russian Federation has a positive balance, regional budget will face issues in the next year. According to Ministry of Finance's estimates<sup>1</sup>, the constituent territories of the Russian Federation will be able to draw up a regional consoli-

dated budget with a surplus of more than Rb 220bn in 2014. There is a plan to allocate more than Rb 120bn to provide extra financial support to the constituent territories of the Russian Federation in the next year. However, since such a support will be insufficient, the Ministry of Finance urges to consider replenishing the revenue side of regional budgets.

Certain adjustment towards budget consolidation is therefore inevitable, which suggests that first decisions on this issue will be taken in the near term. ●

1 <http://www1.minfin.ru/ru/press/speech/index.php?id4=20046>