

RUSSIA'S STATE BUDGET IN JANUARY–OCTOBER 2013

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According to the Federal Treasury, federal budget revenues contracted 1.5 p.p. of GDP year-over-year in the period of January thru October 2013, including oil & gas revenues which dropped 0.9 p.p. of GDP. In the period of January thru September 2013 consolidated budget revenues of the constituent territories of the Russian Federation contracted by 1.3 p.p. of GDP against the first nine months in 2012. At the end of the first 10 months in 2013 Russia managed to run its federal budget with surplus, which however dropped 0.3 p.p. of GDP year over year. In anticipation of State Duma's approval of the draft federal budget for 2014–2016, it becomes increasingly important to launch a broad discussion about the rationale for the introduction of the budgetary rule and expediency of transferring a part of federal budget revenues to stabilization funds amid an economic recession.

Analysis of federal budget implementation basic parameters in January–October 2013

In the period of January thru October 2013, federal budget revenues amounted to Rb 10739,7bn or 19.5% of GDP, having contracted by 1.5 p.p. of GDP against the corresponding period of the previous year (Table 1). Federal budget oil-and-gas revenues contracted by 0.9 p.p. of GDP compared to the corresponding 10-month period in 2012. In the period of January thru October 2013, federal budget expenditures amounted to Rb 10131,0bn (18.4% of GDP), having declined 1.1 p.p. of GDP compared to the corresponding period of the previous year.

At the 10-month period end in 2013 Russia ran its federal budget with a surplus of Rb 608,7bn (1.1% of GDP), having shown a declined of 0.3 p.p. of GDP against the surplus in January-October 2012. In absolute terms oil-and-gas deficit fell 0.5 p.p. of GDP (8.6% of GDP) as compared to the value observed in the corresponding period of the previous year.

Over the 10-month period in 2013 federal budget revenues contracted for most of tax and non-tax reve-

nues including a decline of 0.1 p.p. of GDP for profit tax, 0.4 p.p. of GDP for domestic VAT, 0.2 p.p. of GDP for VAT on imports, 0.2 p.p. of GDP for mineral extraction tax, and 0.8 p.p. of GDP for foreign trade revenues against the corresponding period in 2012 (Table 2). Federal budget revenues from internal excises increased 0.2 p.p. of GDP in the period of January thru October 2013 as compared to the corresponding period of the previous year, whereas they remained at the 2012 level, 0.09 p.p. of GDP.

At the end of the period of January thru October 2013 the share of federal budget expenditures in GDP remained at the same level observed during the corresponding 10-month period in 2012 for most budget items (Table 3). The following three budget items saw a gain as percentage of GDP in the period of January-October 2013. 'National Defense' and 'National Security and Law Enforcement' gained 0.1 p.p. of GDP each while 'Physical Culture and Sports' gained 0.02 p.p. of GDP as compared to the corresponding period in 2012; some of the budget items saw reduced financing with federal budget resources during the 10-month period as com-

Table 1

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

	January–October 2013		January–October 2012		Deviations, p.p. of GDP
	billions of rubles	as % of GDP	billions of rubles	as % of GDP	
Revenues, including:	10739.7	19.5	10455.4	21.0	-1.5
Oil and gas revenues	5359.6	9.7	5276.2	10.6	-0.9
Expenditures, including:	10131.0	18.4	9735.8	19.5	-1.1
interest expense	321.5	0.6	293.3	0.6	0.0
non-interest expense	9809.5	17.8	9442.5	18.9	-1.1
Federal budget surplus (deficit)	608.7	1.1	719.6	1.4	-0.3
Oil and gas deficit	-4750.9	-8.6	-4556.6	-9.1	0.5
GDP evaluation	55003		49799		

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

Table 2

FEDERAL BUDGET BASIC TAX REVENUES IN JANUARY–OCTOBER 2012–2013

	January–October 2013		January–October 2012		Deviation as p.p. of GDP
	billions of rubles	as % of GDP	billions of rubles	as % of GDP	
1. Tax revenues, including:					
corporate profit tax	303.6	0.5	322.5	0.6	-0.1
VAT on goods sold on the territory of the Russian Federation	1553.9	2.8	1602.8	3.2	-0.4
VAT on goods imported to the Russian Federation	1366.0	2.5	1360.5	2.7	-0.2
excises on goods manufactured on the territory of the Russian Federation	374.7	0.7	277.3	0.5	0.2
excises on goods imported to the Russian Federation	48.6	0.09	42.2	0.09	0.0
Mineral extraction tax	2090.8	3.8	2016.7	4.0	-0.2
2. Revenues from foreign trade	4070.9	7.4	4036.5	8.2	-0.8

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

Table 3

FEDERAL BUDGET EXPENDITURES IN JANUARY–OCTOBER 2012–2013

	January–October 2013		January–October 2012		Deviation as p.p. of GDP
	billions of rubles	as % of GDP	billions of rubles	as % of GDP	
Total expenditures,	10131.0	18.4	9735.8	19.5	-1.1
including:					
Nationwide Issues	649.6	1.2	609.7	1.2	0.0
National Defense	1552.7	2.8	1345.7	2.7	0.1
National Security and Law Enforcement	1493.1	2.7	1283.5	2.6	0.1
National Economy	1247.1	2.3	1271.0	2.5	-0.2
Public Utilities Sector	97.4	0.2	87.1	0.2	0.0
Environmental Protection	20.8	0.04	18.6	0.04	0.0
Education	567.5	1.0	515.3	1.0	0.0
Culture and Cinematography	64.1	0.1	65.3	0.1	0.0
Healthcare	340.4	0.6	444.4	0.9	-0.3
Social Policy	3139.3	5.7	3228.2	6.5	-0.8
Physical Culture and Sports	48.2	0.09	36.0	0.07	0.02
Mass Media	66.8	0.1	63.4	0.1	0.0
Sovereign Debt Servicing	321.5	0.6	293.3	0.6	0.0
Intergovernmental Transfers	522.1	0.9	474.2	0.9	0.0

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

pared to January–October 2012, namely 'National Economy' (0.2 p.p. of GDP), 'Healthcare' (0.3 p.p. of GDP), and 'Social Policy' (0.8 p.p. of GDP).

As of November 1, 2013, a total amount of resources in the Federal Reserve Fund and the National Wealth Fund amounted to Rb 2794,0bn and Rb 2845,2bn respectively in rubles equivalent.

Consolidated budget implementation in the constituent territories of the RF in the period of January thru September 2013

According to the Federal Treasury, in January–September 2013 consolidated budget revenues in the con-

stituent territories of the Russian Federation amounted to Rb 5686,8bn, or 11.6% of GDP, having contracted by 1.3 p.p. of GDP against the corresponding period in 2012 (Table 4).

Within the 9-month period in 2013 consolidated budget expenditures of the constituent territories of the Russian Federation contracted by 0.5 p.p. of GDP and accounted for 11.8% of GDP or Rb 5760,4bn against the corresponding period of the previous year. At the end of January–September 2013, the constituent territories of the Russian Federation ran their budget with a deficit of Rb 73,6bn or 0.1 % of GDP, having shown a decline

Table 4

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

	January–September 2013		January–September 2012		Deviation as p.p. of GDP
	billions of rubles	as % of GDP	billions of rubles	as % of GDP	
Revenues, including:	5686.8	11.6	5688.5	12.9	-1.3
– corporate profit tax	1196.2	2.4	1445.1	3.3	-0.9
– mineral extraction tax	1735.0	3.5	1566.2	3.5	0.0
– domestic excises	367.4	0.7	331.3	0.7	0.0
– aggregate income tax	224.2	0.4	205.7	0.5	-0.1
– property tax	637.9	1.3	554.2	1.2	0.1
– non-repayable revenues from other budgets of the budgetary system of Russia	1049.1	2.1	1126.4	2.5	-0.4
Expenditures, including:	5760.4	11.8	5437.3	12.3	-0.5
Consolidated budget surplus (deficit) of constituent territories	-73.6	-0.1	251.2	0.6	-0.7
GDP evaluation	48869		44077		

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

of 0.7 p.p. of GDP against the values observed during the corresponding period of the previous year.

Within the 9-month period in 2013 consolidated budget expenditures of the constituent territories of the Russian Federation contracted by 0.9 p.p. of GDP for profit tax, 0.1 p.p. of GDP for lumpsum tax, and 0.4 p.p. of GDP for uncompensated receipts from other budgets within the budget system of Russia against the corresponding

period in 2012. In the period of January thru September 2013 the consolidated budget revenues of the constituent territories of the Russian Federation increased 0.1 p.p. of GDP for property tax against the 9-month period in the previous year, whereas the share of personal income tax revenues and internal excises revenues in GDP remained at the same level observed in the corresponding period of the previous year.

Table 5

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

	January–September 2013		January–September 2012		Deviation as p.p. of GDP
	billions of rubles	as % of GDP	billions of rubles	as % of GDP	
Total expenditures, including	5760.4	11.8	5437.3	12.3	-0.5
Nationwide Issues	369.2	0.7	342.5	0.8	0.1
National Defense	2.6	0.005	2.5	0.006	-0.001
National Security and Law Enforcement	62.5	0.1	57.0	0.1	0.0
National Economy	1033.5	2.1	962.2	2.2	-0.1
Public Utilities Sector	518.2	1.1	536.5	1.2	-0.1
Environmental Protection	15.2	0.03	11.9	0.03	0.0
Education	1593.2	3.2	1391.5	3.1	0.1
Culture and Cinematography	192.5	0.4	173.2	0.4	0.0
Healthcare	873.4	1.8	890.6	2.0	-0.2
Social Policy	908.1	1.8	892.6	2.0	-0.2
Physical Culture and Sports	104.2	0.2	90.6	0.2	0.0
Mass Media	27.9	0.06	24.9	0.06	0.0
Sovereign and Municipal Debt Servicing	55.7	0.1	48.8	0.1	0.0
Intergovernmental Transfers	4.1	0.01	12.4	0.03	-0.02

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

Six items of the consolidated budget expenditures of the constituent territories of the Russian Federation (see Table 5) saw a decline at the 9-month period-end in 2013 against the corresponding period of 2012, namely a decline of 0.001 p.p. of GDP for 'National Defense', 0.1 p.p. of GDP for 'National Economy' and 'Public Utilities Sector', 0.2 p.p. of GDP for 'Healthcare' and 'Social Policy', 0.02 p.p. of GDP for 'Intergovernmental Transfers'. During the same period in 2013 the share of expenditures in GDP increased 0.1 p.p. of GDP for each of as 'Nationwide Issues' and 'Education' budget items against the 9-month period in the previous year. The share of the constituent territories' other budget expenditure items in GDP at the end of January–September 2013 remained at the same level observed during the corresponding period in 2012.

Despite a lower forecast (down to 1.8%) for economy annual growth rates¹, the dynamics of budget

¹ As estimated by the Ministry of Economic Development of Russia.

system revenues has shown some positive changes over the last three months in 2013. In particular, while budget revenues contracted 2.2 p.p. of GDP at the 8-month period-end federal in 2013 vs. the corresponding period in the previous year, at the end of January–September and January–October 2013 the revenues contracted 1.7 and 1.5 p.p. of GDP as compared to the corresponding period in 2012.

At the end of H1 2013 consolidated budget revenues of the constituent territories of the Russian Federation contracted 1.4 p.p. of GDP, including 1.2 p.p. of GDP for profit tax, whereas in the period of January thru September 2013 consolidated budget revenues of the constituent territories and profit tax revenues decreased as little as 0.9 p.p. of GDP against the corresponding periods of the previous year. ●