

## STATE BUDGET IN JANUARY–NOVEMBER 2013

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*Federal budget revenues contracted 1.8 p.p. of GDP at the end of month 11 year-over-year, according to the Federal Treasury. At the end of month 10, consolidated budget revenues of the constituent territories of the Russian Federation also contracted by 1.2 p.p. of GDP against January–October 2012. Amendments to the Federal Law “On the Federal Budget 2013”<sup>1</sup>, which provided for an increase in the forecast amount of revenues from Rb 12865,9bn to Rb 12906,4bn and a decrease in the federal budget deficit from Rb 521,4bn to Rb 480,9bn, were made in December 2013 despite expectations of slowing down of the economy<sup>2</sup> against the values which were taken in estimating basic parameters of the federal budget for 2013.*

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

In the period of January thru November 2013, federal budget revenues amounted to Rb 11758,1bn or 19.2% of GDP, having contracted by 1.8 p.p. of GDP against the corresponding period of the preceding year (see Table 1). In the period of January thru November 2013 federal budget expenditures amounted to Rb 11158,2bn (18.2% of GDP), having dropped by 0.9 p.p. of GDP against the corresponding period of the preceding year.

At the end of month 11 in 2013, Russia ran its federal budget with a surplus of Rb 599,9bn (1.0% of GDP), having shown a decline of 0.4 p.p. of GDP against January–November 2012. The volume of non-oil-and-gas deficit contracted 0.6 p.p. of GDP (8.7% of GDP) as compared to the corresponding period of the preceding year.

In the period of January thru November 2013, federal budget revenues contracted for most tax and non-tax budget revenues, including a decline of 0.1 p.p. of GDP for profit tax, 0.3 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. Federal budget revenues generated from internal import excises over the past eleven months in 2013 increased by 0.2 p.p. and 0,01 p.p. of GDP respectively as compared to the corresponding period of the preceding year.

1 Федеральный закон от 02.12.2013 № 348-ФЗ «О внесении изменений в Федеральный закон «О федеральном бюджете на 2013 год и на плановый период 2014 и 2015 годов» [The Federal Law of 02.12.2013 No. 348-FZ “On the Amendments to the Federal Law “On the Federal Budget 2013 and the Planning Period of 2014 and 2015”].

2 The World Bank has downgraded its forecast for Russia’s GDP growth for 2013 from 1.8% to 1.3%, making it a bit worse vs. the forecast made by the Ministry of Economic Development of Russia which early in December 2013 downgraded its forecast for GDP growth rates in 2013 to 1.4% instead of the previously forecast 1.8%.

Federal budget oil-and-gas revenues contracted by 0.8 p.p. of GDP against eleven months in 2012. In the period of January thru November 2013, the federal budget received 91.8% and 90.4% respectively of the forecast annual volumes of oil-and-gas and non-oil-and-gas revenues. Nonetheless, should the average monthly dynamics of federal budget revenues remain the same, at 2013 year-end the volume of oil-and-gas and non-oil-and-gas revenues may reach 100.8% and 97.2% respectively of the forecast value.

Under the new budgetary rules which have been in effect since 2013, extra oil-and-gas revenues generated when actual oil price exceeds the predicted value which is used to estimate basic parameters of the federal budget must be allocated to the Reserve Fund. However, pursuant to the amendments made in December 2013 to the federal budget 2013, extra oil-and-gas revenues will be allocated for replacing shortfalls in budget revenues (except oil-and-gas revenues) and the revenues factored in the sources of federal budget deficit financing. In addition, on the basis of the federal budget 2013 implementation results the Russian Government is entitled to decide on allocation of up to Rb 200,0bn from the Reserve Fund for the purpose, if extra oil-and-gas federal budget revenues are found to be insufficient for replacement.

Speaking of federal budget expenditures (Table 3), expenditures as percentage of GDP at the end of month 11 in 2013 lessened against January–November 2012 for the following budget items. ‘Nationwide Issues’ (by 0.1 p.p. of GDP less), ‘National Economy’ (by 0.2 p.p. of GDP less), ‘Healthcare’ (by 0.3 p.p. of GDP less), ‘Social Policy’ (by 0.7 p.p. of GDP less).

During eleven months in 2013 federal budget expenditures grew up as percentage of GDP against January–November 2012 for the following budget items. ‘National Defense’ and ‘National Security and Law Enforcement’ (by 0.2 p.p. of GDP up for each item), as well as ‘Physical Culture and Sports’ (by

Table 1

## RUSSIA'S FEDERAL BUDGET BASIC PARAMETERS IN JANUARY–NOVEMBER, 2012–2013

	January–November 2013		January–November 2012		Deviation as p.p. of GDP
	billions of rubles	as % of GDP	billions of rubles	as % of GDP	
Revenues, including:	11758,1	19.2	11406,8	20.6	-1.8
Oil and gas revenues	5940,7	9.7	5842,4	10.5	-0.8
Expenditures, including:	11158,2	18.2	10615,5	19.1	-0.9
interest expense	328,8	0.5	299,1	0.5	0.0
non-interest expense	10829,4	17.7	10316,4	18.6	-0.9
Federal budget surplus (deficit)	599,9	1.0	701,3	1.4	-0.4
Oil and gas deficit	-5340,8	-8.7	- 5141,1	- 9.3	0.6
GDP evaluation	61240		55449		

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–NOVEMBER, 2012–2013

	January–November 2013		January–November 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	325,0	0.5	342,6	0.6	-0.1
VAT on goods sold on the territory of the Russian Federation	1650,8	2.7	1653,1	3.0	-0.3
VAT on goods imported to the Russian Federation	1509,6	2.5	1507,4	2.7	-0.2
excises on goods manufactured on the territory of the Russian Federation	415,9	0.7	308,1	0.5	0.2
excises on goods imported to the Russian Federation	55,2	0.09	47,1	0.08	0.01
Mineral extraction tax	2315,2	3.8	2221,2	4.0	-0.2
2. Foreign trade revenues	4506,1	7.3	4471,1	8.1	-0.8

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

Table 3

## FEDERAL BUDGET EXPENDITURES IN JANUARY–NOVEMBER, 2012–2013

	January–November 2013		January–November 2012		Deviation as p.p. of GDP
	billions of rubles	as % of GDP	billions of rubles	as % of GDP	
Total expenditures,	11158,2	18.2	10615,5	19.1	-0.9
including:					
Nationwide Issues	706,7	1.1	665,6	1.2	-0.1
National Defense	1695,1	2.8	1460,8	2.6	0.2
National Security and Law Enforcement	1695,0	2.8	1470,7	2.6	0.2
National Economy	1379,5	2.2	1349,6	2.4	-0.2
Public Utilities Sector	109,9	0.2	103,2	0.2	0.0
Environmental Protection	21,3	0.03	19,4	0.03	0.0
Education	598,2	1.0	541,1	1,0	0.0
Culture and Cinematography	69,2	0.1	71,4	0.1	0.0
Healthcare	365,1	0.6	484,2	0.9	-0.3
Social Policy	3495,4	5.7	3538,0	6.4	-0.7
Physical Culture and Sports	51,0	0.08	37,8	0.07	0.01
Mass Media	67,8	0.1	65,0	0.1	0.0
Sovereign Debt Servicing	328,8	0.5	299,1	0.5	0.0
Intergovernmental Transfers	575,0	0.9	509,4	0.9	0.0

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

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

	January–October 2013		January–October 2012		Deviation as p.p. of GDP
	billions of rubles	as % of GDP	as p.p. of GDP	as % of GDP	
Revenues, including:	6618,2	12.0	6568,9	13.2	-1.2
– corporate profit tax	1457,5	2.6	1709,8	3.4	-0.8
– mineral extraction tax	1937,1	3.5	1749,8	3.5	0.0
– domestic excises	407,5	0.7	368,2	0.7	0.0
– aggregate income tax	276,8	0.5	257,1	0.5	0.0
– property tax	810,3	1.5	698,5	1.4	0.1
– non-repayable receipts from other budgets of the budgetary system of Russia	1173,9	2.1	1248,7	2.5	-0.4
Expenditures, including:	6531,7	11.9	6198,5	12.4	-0.5
Consolidated budget surplus (deficit) of constituent territories	86,5	0.1	370,4	0.7	-0.6
GDP evaluation	55003		49799		

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

0.01 p.p. of GDP up). Other federal budget expenditures items as percentage of GDP remained at the level which was observed during eleven months in the period of January thru November 2012.

Pursuant to the amendments made to the Federal Law "On the Federal Budget 2013" in December 2013, the approved initial version of volumes of federal budget expenditures provides for redistribution of budget allocations to discharge public normative obligations, implement federal target programs, as well as charter capitals of certain joint-stock ventures, including allocation of Rb 4,6bn to OJSC Russian Railways for the purpose of developing and upgrading the Baikal-Amur Mainline Railway and the Trans-Siberian Mainline Railway.

As of December 1, 2013, total amount of the resources of the Federal Reserve Fund and the National Wealth Fund amounted to Rb 2885,3bn and Rb 2922,8bn respectively.

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

According to the Federal Treasury, in January–October 2013 consolidated budget revenues in the constituent territories of the Russian Federation amounted to Rb 6618,2bn or 12.0% of GDP (Table 4), having contracted by 1.2 p.p. of GDP against the corresponding period in 2012.

During the 10-month period in 2013, consolidated budget revenues of the constituent territories of the Russian Federation saw a decline of 0.8 p.p. of GDP for profit tax and 0.4 p.p. of GDP for non-repayable receipts from other budgets of the budgetary system

of Russia as compared to the corresponding period in 2012. In the period of January thru October 2013, budget revenues of the constituent territories of the Russian Federation increased 0.1 p.p. of GDP for property tax as compared to the 10-month period in the preceding year. At the end of month 10 in 2013, the constituent territories' consolidated budget revenues from personal income tax, internal excises, and lump sum tax remained at the level as percentage of GDP observed in January–November of the preceding year.

During the 10-month period in 2013, consolidated budget expenditures of the constituent territories of the Russian Federation dropped by 0.5 p.p. of GDP against the corresponding period of the preceding year and accounted for 11.9% of GDP or Rb 6531,7bn (Table 5).

At the end of month 10 in 2013, consolidated budget expenditures of the constituent territories of the Russian Federation as percentage of GDP gained only for 'Education' (by 0.1 p.p. of GDP up) against the corresponding period in 2012. In the period of January thru October 2013, consolidated budget expenditures of the constituent territories of the Russian Federation dropped by 0.1 p.p. of GDP for 'Nationwide Issues', 'National Economy', 'Public Utilities Sector' each, 0.001 p.p. of GDP for 'National Defense', 0.2 p.p. of GDP for 'Healthcare' and 'Social Policy' each, 0.023 p.p. of GDP for 'Intergovernmental Transfers' against the 10-month period in 2012. During the 10-month period in 2013, other budget expenditure items of the constituent territories of the Russian Federation remained at the level as percentage of GDP observed in the corresponding period in 2012.

At the end of the period of January thru November 2013 the constituent territories of the Russian

Table 5

**CONSOLIDATED BUDGET EXPENDITURES OF THE CONSTITUENT TERRITORIES OF THE RUSSIAN FEDERATION 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, including	6531,7	11.9	6198,5	12.4	-0.5
Nationwide Issues	414,0	0.7	384,6	0.8	-0.1
National Defense	2,9	0.005	2,8	0.006	-0.001
National Security and Law Enforcement	72,6	0.1	65,0	0.1	0.0
National Economy	1174,8	2.1	1088,4	2.2	-0.1
Public Utilities Sector	604,5	1.1	618,6	1.2	-0.1
Environmental Protection	17,3	0.03	14,8	0.03	0.0
Education	1807,6	3.3	1582,6	3.2	0.1
Culture and Cinematography	218,9	0.4	198,8	0.4	0.0
Healthcare	982,8	1.8	1025,4	2.0	-0.2
Social Policy	1020,0	1.8	1010,6	2.0	-0.2
Physical Culture and Sports	117,2	0.2	108,6	0.2	0.0
Mass Media	32,2	0.06	29,1	0.06	0.0
Sovereign and Municipal Debt Servicing	62,6	0.1	53,4	0.1	0.0
Intergovernmental Transfers	4,1	0.007	15,8	0.03	-0.023

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

Federation ran their consolidated budget with a surplus of Rb 86,5bn or 0.1% of GDP, by 0.6 p.p. of GDP below the value observed in the corresponding period in 2012. Nonetheless, positive changes were observed in the ratio of consolidated budget revenues and expenditures of the constituent territories of the Russian Federation, net of non-repayable receipts: at the end of month 9 in 2013, 48 constituent territories of the Russian Federation showed growth whereas 35 constituent territories saw decline in this indicator as compared to 2012; while as little as 16 constituent

territories of the Russian Federation saw their budget revenues exceeding expenditures at 2012 year-end, 29 regions showed their regional budget revenues being in excess of expenditures as of the beginning of October 2013.

Despite regions' efforts to basically cope with growth in budget expenditures and ensure budget balance, the state debt owed by the constituent territories of the Russian Federation increased in volume from Rb 289,35bn to Rb 467,97bn (+Rb 178,6bn or 13.8%) during the 10-month period in 2013. ●