

STATE BUDGET IN JANUARY–DECEMBER 2013

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Federal budget revenues contracted 1.4 p.p. of GDP at the end of the period of January thru December 2013. The consolidated budget of the constituent territories of the Russian Federation fell 1.1 p.p. of GDP in the period of January 2013 thru November 2013 as compared to the corresponding period of the previous year, based on the preliminary data of the Ministry of Finance of Russia and the Federal Treasury. Oil and gas federal budget revenues declined 0.7 p.p. in January–December 2013 against the corresponding period of the previous year, including but not limited to the fall of annual average price of the Urals crude oil to \$107,88 per barrel or 2.4% against 2012. Federal budget revenues, net of oil and gas revenues, contracted 0.7 p.p. of GDP within the 12 months of 2013 against the January–December period of the previous year.

Preliminary estimates of the federal budget implementation in January–December 2013

Federal budget revenues and expenditures as percentage of GDP stood at 19.1% (Rb 13019,6bn) and 19.6% of GDP (Rb 13330,3bn) respectively at the January–December 2013 period end,, a 1.4 p.p. and 1.0 p.p. of GDP less than the value recorded in the corresponding period of the previous year (Table 1), according to the Ministry of Finance of Russia. Oil and gas revenues contracted 9.6% of GDP (Rb 6533,4bn) within the twelve months in 2013 against the corresponding period of the previous year, with cash execution of the state budget being 101.0% of the projected volumes. The share of oil and gas revenues in total federal budget revenues remained unchanged against January–December 2012 and stood at 50.2%, whereas other than oil-and-gas deficit contracted 0.3 p.p. of GDP.

The forecast values of federal budget revenues in January–December 2013 by principal administrators were implemented in full, based on the Ministry of Finance's preliminary estimate, including:

- the Federal Tax Service – a total of Rb 5,365.4bn or 100.3%;
- the Federal Customs Service – a total of Rb 6,567.8bn¹, or 101.7%;
- the Federal Agency for State Property Management – a total of Rb 147,4bn or 103.4%.

In the period of January thru December 2013 (see Table 2), federal budget expenditures as percentage of GDP increased against the corresponding period of the previous year for the following budget items. 'National Defense' – 0.2 p.p. of GDP, 'National Security and Law Enforcement' – 0.1 p.p. of GDP, 'Physical Culture and Sports' 0.03 p.p. of GDP. At the 12-month period end in 2013 federal budget expenditures contracted year-on-year for five of the federal budget items, namely 'Social Policy' – 0.5 p.p. of GDP; 'National Economy' –

1 Net of cash operations with regard to import customs duties paid consistent with the Agreement on the establishment and application within the Customs Union of the procedure for charging and distributing of import customs duties and special antidumping and compensation duties paid consistent with the Agreement on the use of special protection and antidumping measures against third countries.

Table 1

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

	January–December 2013		January–December 2012		Deviation	
	billions of rubles	as % of GDP	billions of rubles	as % of GDP	billions of rubles	as p.p. of GDP
Revenues, including:	13019,6	19.1	12855,5	20.5	164,1	-1.4
Oil and gas revenues	6533,4	9.6	6473,9	10.3	59,5	-0.7
Expenditures, including:	13330,3	19.6	12895,0	20.6	435,3	-1.0
interest expense	360,3	0.5	320,0	0.5	40,3	0.0
non-interest expense	12970,0	19.1	12575,0		395	
Federal budget surplus (deficit)	-310.5	-0,5	-39.5	-0,06	-271	-0.44
Nonoil deficit	6843,9	-10.1	6513,4	-10.4	330,5	-0.3
GDP evaluation	67983		62599			

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

FEDERAL BUDGET EXPENDITURES IN JANUARY–DECEMBER 2012–2013

	January–December 2013		January–December 2012		Deviation as p.p. of GDP
	billions of rubles	as % of GDP	billions of rubles	as % of GDP	
Total expenditures,	13330,3	19.6	12895,0	20.6	-1.0
including:	837,8	1.2	809,8	1.3	-0.1
Nationwide Issues	2103,9	3.1	1812,4	2.9	0.2
National Defense	2061,7	3.0	1843,0	2,9	0.1
National Security and law Enforcement	1849,3	2.7	1968,5	3.1	-0.4
National Economy	177,5	0.3	228,8	0.4	-0.1
Public Utilities Sector	24,2	0.03	22,5	0.03	0.0
Environmental Protection	672,3	1.0	603,8	1.0	0.0
Education	94,8	0.1	89,8	0.1	0.0
Culture and Cinematography	501,8	0.7	613,8	1.0	-0.3
Healthcare	3833,2	5.6	3859,7	6.1	-0.5
Social Policy	67,9	0.1	45,7	0.07	0.03
Physical Culture and Sports	77,3	0.1	77,5	0.1	0.0
Mass Media	360,3	0.5	320,0	0,5	0.0
Sovereign Debt Servicing	668,1	1.0	599,4	1.0	0.0

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

0.4 p.p. of GDP; 'Healthcare' – 0.3 p.p. of GDP; 'Nationwide issues' and 'Public Utilities Sector' – 0.1 p.p. of GDP each.

At the 2013 year-end federal budget deficit stood at 0.5% of GDP (Rb 310,5bn), an increase of 0.44 p.p. of GDP over the value observed in 2012. As of January 1, 2014, the Reserve Fund reached Rb 2,859.7bn (+Rb 974,0bn annually), the National Wealth Fund gained Rb 210,0bn to Rb 2,900.6bn. The Reserve Fund gained a total of Rb 713,5bn of oil and gas revenues in 2013. The foreign currency translation difference from the revaluation of the National Wealth Fund's resources was around Rb 216,0bn in January–December 2013.

The Russian Government made a special decision in December 2013 to invest \$3,0bn of the National Wealth Fund in Ukraine debt securities, without submitting the long-term credit rating requirements. Furthermore, Ukraine is assumed to receive a total of \$10bn from the National Wealth Fund (about 13% of the total National Wealth Fund), while a remainder of \$5bn out of the promised financial aid (\$15bn) will be provided as special drawing rights (SDR). "There is no collateral whatsoever as, for example, property complexes, the collateral is the state guarantees"¹, said Finance Minister Siluanov.

The external national debt amounted to \$55,83m (2.7% of GDP) as of December 1, 2013, a growth of \$0,06m over the value of the external national debt as of January 1, 2013. Note certain changes in the external national debt structure, i.e., an increase of Eurobond issues from Rb 34,91bn as of the beginning of the year

to Rb 40,66bn in December 2013, and a contraction of the debt to the Paris Club member countries and International financial organizations from Rb 0,33bn to Rb 0,16bn and from Rb 2,03bn to Rb 1,59bn respectively. The internal national debt as of December 1, 2013 amounted to Rb 4432,39bn (6.5% of GDP), a Rb 446,84bn of growth during the year.

Analysis of basic parameters of consolidated budget implementation in the constituent territories of the Russian Federation in the period of January thru November 2013

The consolidated budget revenues and expenditures amounted to Rb 7234,9bn (11.8% of GDP) and Rb 7252,4bn (11.8% of GDP) (Table 3) respectively in the period of January 2013 thru November 2013. Budget revenues declined 1.1 p.p. of GDP while budget expenditures contracted 0.7 p.p. of GDP year-over-year.

Comparing the data on tax revenues and payments to the consolidated budget of the constituent territories of the Russian Federation over 11 months in 2013 and the previous year shows:

- a decline of 0.7 p.p. as percentage of GDP in profit tax revenues, Rb 269,3bn less profit tax revenues in absolute terms were received during 11 months in 2013 against January–November 2012;
- a decline of 0.3 p.p. as percentage of GDP in revenues from other budgets of the budget system of Russia, Rb 49,8bn less revenues in absolute terms were received during 11 months in 2013 against January–November 2012;
- consolidated budget revenues of the constituent territories of the Russian Federation re-

¹ <http://www.minfin.ru/ru/press>

Table 3

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

	January–November 2012		January–November 2013		Deviations, as p.p. of GDP
	billions of rubles	as % of GDP	billions of rubles	as % of GDP	
Revenues, including:	7234,9	11.8	7 150,7	12.9	-1.1
corporate profit tax	1574,9	2.6	1844,2	3.3	-0.7
personal income tax	2140,4	3.5	1940,3	3.5	0.0
excises on goods manufactured on the territory of the Russian Federation	447,3	0.7	403,4	0.7	0.0
property tax	869,8	1.4	759,2	1.4	0.0
aggregate income tax	284,0	0.5	264,2	0.5	0.0
expenditures	7252,4	11.8	6 914,3	12.5	-0.7
consolidated budget surplus (deficit) of constituent territories	-17,5	-0.03	236,4	0.4	-0.43
GDP evaluation	61240		55449		

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

Table 4

**IMPLEMENTATION OF THE CONSOLIDATED BUDGET (EXPENDITURES) OF THE CONSTITUENT TERRITORIES
OF THE RUSSIAN FEDERATION IN JANUARY–NOVEMBER 2012–2013**

	January–November 2012		January–November 2013		Deviations, as p.p. of GDP
	billions of rubles	as % of GDP	billions of rubles	as % of GDP	
Total expenditures:	7252,4	11.8	6 914,3	12.5	-0.7
including,					
Nationwide Issues	455,6	0.7	423,5	0.8	-0.1
National Defense	3,4	0.006	3,2	0.006	0.0
National Security and Law Enforcement	81,2	0.1	73,9	0.1	0.0
National Economy	1320,5	2.2	1233,3	2.2	0.0
Public Utilities Sector	685,7	1.1	691,9	1.2	-0.1
Environmental Protection	19,7	0.03	16,7	0.03	0.0
Education	1993,2	3.2	1767,2	3.2	0.0
Culture and Cinematography	241,6	0.4	219,7	0.4	0.0
Healthcare	1081,4	1.8	1142,5	2.1	-0.3
Social Policy	1131,8	1.8	1107,3	2.0	-0.2
Physical Culture and Sports	128,8	0.2	124,8	0.2	0.0
MASS MEDIA	35,0	0.06	32,2	0.06	0.0
Intergovernmental Transfers	4,1	0.007	18,1	0.03	-0.023
Sovereign and Municipal Debt Servicing	70,2	0.1	59,7	0.1	0.0

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

remained at the previous year level as percentage of GDP for the following taxes. Personal income tax (3.5% of GDP), internal excises (0.7% of GDP), property tax (1.4% of GDP), aggregate income tax (0.5% of GDP).

During the 11-month period in 2013, consolidated budget expenditures of the constituent territories of the Russian Federation dropped by 0.3 p.p. of GDP against the corresponding period of the preceding year because of less expenditures on such items as 'Healthcare' – 0.3 p.p. of GDP, 'Nationwide Issues', 'Public Utilities Sector' – 0.1 p.p. of GDP each, 'So-

cial Policy' – 0.2 p.p. of GDP, 'Intergovernmental Transfers' – 0.023 p.p. of GDP. In the period of January 2013 thru November 2013 expenditures as percentage of GDP on other items of the consolidated budget of the constituent territories of the Russian Federation remained at the level observed during 11 months in 2012.

At the January–November period end in 2013 the constituent territories of the Russian Federation ran their consolidated budget with a deficit of Rb 17,5bn or 0.03% of GDP (the constituent territories of the Russian Federation ran their consolidated budget

with a surplus of 4.0% during 11 months of 2012). The Russian regions ran their budget with a deficit of Rb 673bn (about 1% of GDP) at the 2013 year-end, based on the preliminary estimates of the Ministry of Finance of Russia. Furthermore, 79 regions will run their budget with a deficit totaling Rb 686,1bn; five constituent territories of the Russian Federation will

run their budget with a surplus totaling Rb 13,1bn at the year-end.

The debt of the consolidated budget of the constituent territories of the Russian Federation amounted to Rb 1472,3bn as of December 1, 2012; showing an increase of Rb 307,5bn over the national debt at the end of November of the preceding year. ●