

RUSSIA'S STATE BUDGET IN JANUARY–FEBRUARY 2014

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Based on the data supplied by the Federal Treasury of Russia, in the period of January 2014 thru February 2014, federal budget revenues amounted to Rb 2368,1bn or 22.5% of GDP, an increase of 1.6 p.p. of GDP against the corresponding period in 2013. Within the first two months in 2014 oil and gas revenues increased 1.4 p.p. of GDP as compared to the same period of previous year. A weakening of the ruble exchange rate against the US dollar and Euro was the key driver that pushed up federal budget revenues. A reduction of 1.4 p.p. of GDP in the federal budget expenditures in January thru February 2014 against the same two months of previous year to 22.2% of GDP (Rb 2337,6bn) resulted in a federal budget surplus of 0.3% of GDP or Rb 30,5bn in the period of January thru February 2014.

Analysis of federal budget implementation basic parameters in January thru February 2014

According to the Ministry of Finance of Russia, federal budget revenues as percentage of GDP federal budget revenues accounted for 22.5% of GDP in the period of January thru February 2014 (Rb 2368,1bn), i.e., seeing an increase of 1.6 p.p. of GDP against the same period of previous year (2013), including an increase of 1.4 p.p. of GDP in oil-and-gas budget revenues (Table 1). Federal budget expenditures contracted by 1.4 p.p. of GDP to 22.2% of GDP to Rb 2337,6bn during the first two months in 2014 as compared to the corresponding period of previous year.

The federal budget ran a surplus of 0.3% of GDP for the first two months of the 2014 fiscal year, whereas last year the federal budget deficit stood at 2.7% of GDP. The oil-and-gas federal budget deficit contracted by 1.6 p.p. of GDP to 11.4% of GDP.

The following items of the federal budget revenues contributed most to the increase as percentage of GDP in the period of January thru February 2014 as compared to the corresponding period of previ-

ous year: internal VAT gained 0.4 p.p. of GDP, internal and external excises increased 0.1 p.p. and 0.01 p.p. of GDP respectively, mineral extraction tax advanced 0.1 p.p. of GDP, and no foreign trade revenues increased 0.4 p.p. of GDP. VAT on import lost 0.2 p.p. of GDP, the only item that contributed to the contraction of budget revenues for the first two months of the 2014 fiscal year against January thru February 2013. Income tax revenues at the period-end of January thru February 2014 remained at the level of the corresponding period of previous year, i.e. 0.3% of GDP.

The following items of the federal budget expenditures saw growth as percentage of GDP for the first two months of the 2014 fiscal year as compared to the corresponding period of previous year: "National Defense" increased 1.7 p.p. of GDP, "National Security and Law Enforcement" grew up 0.3 p.p. of GDP, "National Economy" advanced 0.3 p.p. of GDP, "Public Utilities Sector" gained 0.26 p.p. of GDP (Table 3). Six items of the federal budget expenditures saw contraction in the period of January thru February 2014 against the correspond-

Table 1

RUSSIA'S FEDERAL BUDGET BASIC PARAMETERS IN JANUARY THRU FEBRUARY 2013
AND JANUARY THRU FEBRUARY 2014

	January thru February 2014		January thru February 2013		Deviations, as p.p. of GDP
	billions of rubles	as % of GDP	billions of rubles	as % of GDP	
Revenues, including:	2368,1	22.5	1 981,3	20.9	1.6
Oil and gas revenues	1233,8	11.7	976,7	10.3	1.4
Expenditures, including:	2337,6	22.2	2 239,5	23.6	-1.4
interest expense	76,7	0.7	66,8	0.7	0.0
non-interest expense	2260,9	21.5	2 172,7	22.9	-1.4
Federal budget surplus (deficit)	30,5	0.3	-258,2	-2.7	3.0
Oil and gas deficit	-1203,3	-11.4	-1234,9	-13.0	1.6
GDP evaluation	10503		9466		

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

Table 2

DYNAMICS OF FEDERAL BUDGET BASIC TAX REVENUES IN JANUARY THRU FEBRUARY 2013 AND JANUARY THRU FEBRUARY 2014

	January thru February 2014		January thru February 2013		Deviation as p.p. of GDP
	billions of rubles.	% of GDP	billions of rubles.	% of GDP	
1. Tax revenues, including:					
corporate profit tax	35,1	0.3	31,9	0.3	0.0
VAT on goods sold on the territory of the Russian Federation	317,3	3.0	250,1	2.6	0.4
VAT on goods imported to the Russian Federation	235,2	2.2	230,3	2.4	-0.2
excises on goods manufactured on the territory of the Russian Federation	98,9	0.9	75,2	0.8	0.1
excises on goods imported to the Russian Federation	8,8	0.08	7,0	0.07	0.01
Mineral extraction tax	482,1	4.6	422,9	4.5	0.1
2. Foreign trade revenues	838,3	8.0	720,6	7.6	0.4

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

Table 3

FEDERAL BUDGET EXPENDITURES IN JANUARY THRU FEBRUARY 2013 AND JANUARY THRU FEBRUARY 2014

	January thru February 2014		January thru February 2013		Deviation as p.p. of GDP
	billions of rubles	as % of GDP	billions of rubles	as % of GDP	
Expenditures, total	2337,6	22.2	2 239,5	23.6	-1.4
including					
Nationwide Issues	167,0	1.6	106,2	1.1	-0.5
National Defense	748,8	7.1	515,1	5.4	1.7
National Security and Law Enforcement	280,9	2.7	230,8	2.4	0.3
National Economy	208,6	2.0	160,8	1.7	0.3
Public Utilities Sector	29,9	0.3	3,6	0.04	0.26
Environmental Protection	2,9	0.03	4,6	0.05	-0.02
Education	91,5	0.9	97,6	1.0	-0.1
Culture and Cinematography	10,6	0.1	10,6	0.1	0.0
Healthcare	90,6	0.9	96,6	1.0	-0.1
Social Policy	478,2	4.5	716,3	7.6	-3.1
Physical Culture and Sports	6,4	0.06	6,4	0.07	-0.01
Mass Media	12,8	0.1	15,0	0.1	0.0
Sovereign Debt Servicing	76,7	0.7	66,8	0.7	0.0
Inter-budget Transfers	132,8	1.3	119,8	1.3	0.0

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

ing period of 2013: "Nationwide Issues" contracted 0.5 p.p. of GDP, "Environmental Protection" dropped 0.02 p.p. of GDP, "Education" fell 0.1 p.p. of GDP, "Healthcare" sank 0.1 p.p. of GDP; "Social Policy" declined 3.1 p.p. of GDP, "Physical Culture and Sports" dropped 0.01 p.p. of GDP. The other items of federal budget expenditures in January thru February 2014 remained at the level as percentage of GDP observed in the period of January thru February 2013.

As of March 1, 2014, the ruble-expressed volume of the Reserve Fund and the National Wealth Fund amounted to Rb 3148,1bn and Rb 3145,3bn respectively.

Implementation of the consolidated budget of the constituent territories of the Russian Federation in January 2014

According to the Federal Treasury of Russia, in January 2014, consolidated budget revenues of the constituent territories of the Russian Federation accounted for 5.9% of GDP, seeing a decline of 3.8 p.p. of GDP against the values reported during the same period in 2013 (Table 4). Tax revenues of the consolidated budget of the constituent territories of the Russian Federation saw contraction for the first month of the 2014 fiscal year as percentage of GDP as compared to the corre-

**BASIC PARAMETERS OF THE CONSOLIDATED BUDGET OF THE CONSTITUENT TERRITORIES
OF THE RUSSIAN FEDERATION IN JANUARY 2013 THRU JANUARY 2014**

	January 2014		January 2013		Deviation as p.p. of GDP
	billions of rubles	% of GDP	billions of rubles	% of GDP	
Revenues including:	295,6	5.9	439,8	9.7	-3.8
- corporate profit tax	83,6	1.7	95,7	2.1	-0.4
- mineral extraction tax	133,2	2.7	126,2	2.8	-0.1
- internal VAT	0,04	<0.001	0,02	<0.001	0.0
- internal excises	44,4	0.9	41,2	0.9	0.0
- aggregate income tax	23,6	0.5	26,1	0.6	-0.1
- property tax	28,4	0.6	27,2	0.6	0.0
- revenues from the use of publicly or municipally owned property	16,3	0.3	15,2	0.3	0.0
- non-repayable receipts including:	-60,3	-1.2	80,7	1.8	-3.0
- non-repayable receipts from other budgets of the Russian budgetary system	123,0	2.5	147,4	3.2	-0.7
- repayment of balances of subsidies, subventions, and other targeted interbudget transfers of previous years	-189,8	-3.8	-73,0	-1.6	-2.2
Expenditures	405,8	8.1	357,3	7.9	0.2
Budget surplus (deficit)	-110,2	-2.2	82,5	1.8	-4.0
GDP evaluation	4988		4533		

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

sponding period of previous year, namely the corporate profit tax dropped 0.4 p.p. of GDP, mineral extraction tax lost 0.1 p.p. of GDP, aggregate income tax slid down 0.1 p.p. of GDP. With regard to other tax revenues and revenues from the use of publicly or municipally owned property, the volume of consolidated budget of the constituent territories of the Russian Federation in January 2014 remained at the level as percentage of GDP observed during the first month of 2013, including: internal VAT was less than 0.001% of GDP, internal excises and property tax stood at 0.9% and 0.6% of GDP respectively, revenues from the use of publicly or municipally owned property stood at 0.3% of GDP.

It is inter-budget transfers that contributed to a substantial contraction in the consolidated budget revenues of the constituent territories of the Russian Federation. In particular, in January 2014, not only did regional budget revenues from non-repayable receipts from other budgets of the Russian budgetary system contract by 0.7 p.p. of GDP against January 2013, but also the balance of Rb 189,8bn (3.8% of GDP) of subsidies, subventions, and other targeted inter-budget transfers of the previous periods was withdrawn from the regional consolidated budgets.

Consolidated budget revenues of the constituent territories of the Russian Federation stood at

8.1% of GDP in January 2014, seeing a decline of 0.2 p.p. of GDP against level recorded in January 2013 (Table 5). The following items of the foregoing budget revenues saw an increase as percentage of GDP against January 2013: "Nationwide Issues" increased 0.1 p.p. of GDP, "National Security and Law Enforcement" gained 0.01 p.p. of GDP, "National Economy" advanced 0.1 p.p. of GDP, "Public Utilities Sector" went up 0.1 p.p. of GDP, "Mass Media" gained 0.04 p.p. of GDP, "Inter-budget Transfers" increased 0.004 p.p. of GDP.

The following items of budget expenditures saw contraction in January 2014 against January 2013 as percentage of GDP: "Environmental Protection" contracted by 0.02 p.p. of GDP, "Culture and Cinematography" dropped 0.1 p.p. of GDP. The other items of consolidated budget expenditures of the constituent territories of the Russian Federation for the first month of the 2014 fiscal year remained at the level as percentage of GDP observed during the same period in 2013.

At the first month end of the 2014 fiscal year the consolidated budget of the constituent territories of the Russian Federation ran a deficit of Rb 110,2bn or 2.2% of GDP, seeing a decline of 4.0 p.p. of GDP against the level reported in January 2013.

**CONSOLIDATED BUDGET EXPENDITURES OF THE CONSTITUENT TERRITORIES OF THE RUSSIAN FEDERATION
IN JANUARY 2013 THRU JANUARY 2014**

	January 2014		January 2013		Deviation as p.p. of GDP
	billions of rubles	as % of GDP	billions of rubles	as % of GDP	
Total expenditures Including	405,8	8.1	357,3	7.9	0.2
Nationwide Issues	24,7	0.5	20,5	0.4	0.1
National Defense	0,05	0.001	0,05	0.001	0.0
National Security and Law Enforcement	2,8	0.06	2,5	0.05	0.01
National Economy	44,9	0.9	36,0	0.8	0.1
Public Utilities Sector	24,6	0.5	20,0	0.4	0.1
Environmental Protection	0,4	0.008	0,6	0.01	-0.02
Education	129,1	2.6	120,0	2.6	0.0
Culture and Cinematography	16,4	0.3	16,4	0.4	-0.1
Healthcare	76,8	1.5	66,7	1.5	0.0
Social Policy	68,1	1.4	63,4	1.4	0.0
Physical Culture and Sports	7,6	0.1	5,5	0.1	0.0
Mass Media	2,8	0.06	0,9	0.02	0.04
Sovereign Debt Servicing	7,0	0.1	4,4	0.1	0.0
Inter-budget Transfers	0,4	0.008	0,2	0.004	0.004

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