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State Budget

Federal budget revenues in January-November of this year totaled to Rb 11406.8bn, or 20.5% of GDP, expenditures made Rb 10615.5bn, or 19.1% of GDP. In the past 11 months the federal budget was executed with a surplus of 1.4% of GDP. Meanwhile, the federal budget dynamics in the last three months shows that it will be extremely difficult to ensure the estimated revenue level Rb 12914.6bn as per the year result and reach a zero deficit.

Analysis of key indicators of the federal budget execution over January–November 2012

Federal budget revenues in January-November 2012 with respect to the corresponding period of the last year decreased by 0.4 p.p. of GDP, while oil and gas revenue has grown by 0.1 p.p. of GDP. Federal budget expenditures increased by 1.0 p.p. of GDP. In absolute terms, the increase in revenues was Rb 1241.7bn, while expenses increased by Rb 1795.5bn. As a result, the federal budget was executed with a surplus of Rb 791.3bn, which is by 1.3 p.p. of GDP below the level of the corresponding period of 2011. The volume of non-oil deficit amounted to Rb 5051.2bn (9.1% of GDP), which exceeds the level of 11 months last year by 1.5 p.p. of GDP (See Table 1).

Table 1

Key indicators of the RF federal budget within January-November 2011–2012

	January-November 2012		January-November 2011		Change, p.p. of GDP
	Rb bn	GDP%	Rb bn	GDP%	
Revenue, including:	11406.8	20.5	10165.1	20.9	-0.4
Oil and gas revenue	5842.5	10.5	5058.7	10.4	0.1
Expenditures, including:	10615.5	19.1	8820.0	18.1	1.0
Percentage expenditures	299.1	0.5	237.9	0.4	0.1
Non-percentage expenditures	10316.4	18.6	8582.1	17.6	1.0
Federal budget surplus (deficit)	791.3	1.4	1345.1	2.7	-1.3
Non-oil and gas deficit	-5051.2	-9.1	-3713.6	-7.6	-1.5
GDP estimates		55460		48541	

Source: Ministry of Finance of Russia, RF Federal Treasury, Gaidar Institute assessments

The dynamics of the federal budget in January-November 2012 (see Table 2) demonstrates an increase in the revenue from MET (by 0.7 p.p. of GDP) and some increase in domestic excise tax - by 0.1 p.p. of GDP, as compared to the same period of the previous year. In regard to VAT on goods sold in the RF territory and income from foreign economic activity a marked reduction of GDP share is noted in revenue to the federal budget over 11 months of this year as compared with January-November 2011 to 0.2 p.p. of GDP and 0.4 p.p. of GDP, respectively.

Table 2

Dynamics of federal budget revenues from basic taxes in January–November 2011–2012

	January–November 2012		January–November 2011		Change, p.p. of GDP
	Rb bn	GDP%	Rb bn	GDP%	
1. Revenue, including:					
corporate profit tax	342.6	0.6	311.8	0.6	0.0
VAT on goods sold in the RF territory	1653.1	2.9	1547.4	3.1	–0.2
VAT on goods imported to the RF territory	1507.4	2.7	1344.2	2.7	0.0
Excise duties on goods manufactured in the RF territory	308.1	0.5	211.5	0.4	0.1
Excise duties on goods imported to the RF territory	47.1	0.0	41.3	0.0	0.0
MET	2221.2	4.0	1625.5	3.3	0.7
2. Revenue from external economic activities	4471.1	8.0	4125.0	8.4	–0.4

Source: Federal Treasury, Gaidar Institute assessments

The growth of federal budget expenditures (see Table 3) in terms of GDP share in January–November of this year as compared with the same period of the last year is observed under the budget lines "National Security and Law Enforcement" - by 0.6 p.p. of GDP, «Social Policy" - by 0.5 p.p. of GDP, «National Defense" - by 0.4 p.p. of GDP. In each of the three sections: "Education", "Healthcare" and "Public and municipal debt servicing" an increase in expenditures made 0.1 p.p. of GDP. In three sections of federal budget expenditures in the first 11 months of the year have been decreased as compared with the same period of the last year, including "National Economy" - by 0.1 p.p. of GDP, «Housing and public utilities" - by 0.3 p.p. of GDP, «Intergovernmental transfers" - by 0.3 p.p. of GDP. Under the other sections of the federal budget expenditures over 11 months of 2012 in terms of GDP share remained at the level of January–November 2011.

Cash execution of the federal budget for the first 11 months of the year made 81.5% of the approved expenditures for 2012, against 76.0% in the same period last year. The worst situation with cash execution of the federal budget as broken down by sections of functional classification for the first nine months is observed in the section "Housing and public utilities": over the first 11 months of this year, cash execution under this budget line made only 43.0% of the approved amount, while in the relevant period last year the execution accounted to 76.0% of the approved amount.

Table 3

Federal budget expenditures in January–November 2011–2012

	January–November 2012		January–November 2011		Change, p.p. of GDP
	Rb bn	GDP%	Rb bn	GDP%	
Expenditures, total, including:	10615.5	19.1	8820.0	18.1	1.0
Federal issues	665.6	1.2	618.5	1.2	0.0
National defense	1460.8	2.6	1107.0	2.2	0.4
National defense and law enforcement	1470.7	2.6	999.8	2.0	0.6
National Economy	1349.6	2.4	1247.9	2.5	–0.1
Housing and public utilities	103.2	0.1	210.4	0.4	–0.3
Environmental protection	19.4	0.0	13.6	0.0	0.0
Education	541.1	0.9	431.4	0.8	0.1
Culture and cinematography	71.4	0.1	61.7	0.1	0.0
Healthcare	484.2	0.8	369.9	0.7	0.1
Social policy	3538.0	6.3	2840.0	5.8	0.5
Physical training and sports	37.8	0.0	35.3	0.0	0.0
Mass media	65.0	0.1	54.3	0.1	0.0
Public and municipal debt servicing	299.1	0.5	237.9	0.4	0.1
Intergovernmental transfers	509.4	0.9	591.8	1.2	–0.3

Source: Federal Treasury, Gaidar Institute assessments

As of early December, the amount of public domestic debt amounted to Rb 4,647.755bn (over the last month it increased by about Rb 52bn), the amount of public external debt made about \$40bn.

RF Subjects consolidated budget execution in January–October 2012

According to the Federal Treasury, revenues of the consolidated budget of the Subjects of the Russian Federation for the first ten months of 2012 reduced by 1.3 p.p. of GDP against the relevant period of the last year to 13.1 p.p. of GDP, or to Rb 6,568.9bn (see Table 4). In absolute terms, the growth of consolidated regional budgets of the RF Subjects for the 10 months of this year against January–October 2011 amounted to Rb 292.6bn.

Table 4

Key indicators of the RF Subjects consolidated budget in January–October 2011–2012

	January–October 2012		January–October 2011		Change, p.p. of GDP
	Rb bn	GDP%	Rb bn	GDP%	
Revenues, including:	6568.9	13.1	6276.3	14.4	–1.3
Corporate profit tax	1709.8	3.4	1678.7	3.8	–0.4
Individual income tax	1749.8	3.5	1534.9	3.5	0.0
VAT, domestic	0.2	0.0	0.3	0.0	0.0
Excise duties in the RF territory	368.2	0.7	310.1	0.7	0.0
Aggregate income tax	257.1	0.5	201.1	0.4	0.1
Property tax	698.5	1.4	595.8	1.3	0.1
Non-repayable proceeds from other budgets of the RF fiscal system	1248.7	2.5	1307.4	3.0	–0.5
Expenditures, including:	6198.5	12.4	5458.3	12.6	–0.2
Surplus/Deficit of the RF Subjects consolidated budget	370.4	0.7	818.0	1.8	–1.1
GDP estimates	49799		43314		

Source: Federal Treasury, Gaidar Institute assessments.

Reduction of proceeds to the consolidated budget of the RF Subjects over ten months of the current year against the relevant period of the last year is observed in corporate income tax - by 0.4 p.p. of GDP, non-repayable proceeds from other budgets of the RF fiscal system - by 0.5 p.p. of GDP, whereas growth was noted in aggregate income tax - by 0.1 p.p. of GDP and in property tax - by 0.1 p.p. of GDP. Revenue from personal income tax, VAT and excise duties to the budgets of the RF Subjects over 10 months of 2012 in terms of GDP share remained at the level of the same period last year.

Expenditures of the consolidated budget of the RF Subjects in January-October this year decreased against the same period last year by 0.2 p.p. of GDP (see *Table 5*) and reached 12.4% of GDP.

Slight growth in expenditures of the RF Subjects consolidated budget in the period under review compared with January-October 2011 was observed in the sections "Education" - by 0.2 p.p. of GDP, «National economy" - by 0.1 p.p. of GDP, «Healthcare» - by 0.1 p.p. of GDP. Reduction of regional budget expenditures under the section "National Security and Law Enforcement" in the current year by 0.3 p.p. of GDP was predictable as a result of the transfer of police funding from the regional to the federal level in 2012. Decrease in expenditures under budget lines «Federal issues", "Housing and public utilities", "Social Policy" was noted in January-October this year as compared to the same period of the last year by 0.1-0.2 p.p. of GDP. In the other sections of consolidated budget of the RF Subjects over ten months of this year expenditures in terms of GDP share remained at the same level as in the last year.

Cash execution of the consolidated budget of the RF Subjects in terms of expenditures by the results of 10 months of the year made 68.6%, against 66.0% in the 10 months of the last year.

Table 5

RF Subjects consolidated budget execution in terms of expenditures in January-October 2011–2012

	January–October 2012		January–October 2011		Change, p.p. of GDP
	Rb bn	GDP%	Rb bn	GDP%	
Expenditures, total, including:	6198.5	12.4	5458.3	12.6	–0.2
Federal issues	384.6	0.7	349.7	0.8	–0.1
National defense	2.8	0.0	2.5	0.0	0.0
National defense and law enforcement	65.0	0.1	196.0	0.4	–0.3
National Economy	1088.4	2.1	892.1	2.0	0.1
Housing and public utilities	618.6	1.2	630.5	1.4	–0.2
Environmental protection	14.9	0.0	11.9	0.0	0.0
Expenditures, total:	1582.6	3.1	1263.4	2.9	0.2
<i>Including</i>	198.8	0.3	166.4	0.3	0.0
Healthcare	1025.4	2.0	842.4	1.9	0.1
Social policy	1010.6	2.0	915.9	2.1	–0.1
Physical training and sports	108.6	0.2	97.1	0.2	0.0
Mass media	29.1	0.0	24.4	0.0	0.0
Public and municipal debt servicing	53.4	0.1	53.0	0.1	0.0
Intergovernmental transfers	15.8	0.0	12.9	0.0	0.0

Source: Federal Treasury, Gaidar Institute assessments.

Over the 10 months of 2012 the consolidated budget of the Russian Federation Subjects is executed with the surplus of 0.7% of GDP (Rb 370.4bn), which is by 1.1 p.p. of GDP lower than in the same period of 2011.