

STATE BUDGET IN JANUARY 2013

T.Tishchenko

According to tentative estimates of the Ministry of Finance of Russia, the federal budget for January 2013 was executed with a deficit of 1.8% of GDP, while in the same period of the last year the federal budget was executed with a surplus of 0.7% of GDP. A significant difference in the results of the budget execution in January as compared with January 2012 is a consequence of the introduction of fiscal rules, according to which a part of the oil and gas revenue is addressed to the Reserve Fund. Therefore, despite the stabilization of the global oil prices, oil and gas revenues to the federal budget in January 2013 have decreased by 3.5 p.p. of GDP as compared with January last year.

Analysis of key indicators of the federal budget execution in January 2012

Federal budget revenues with respect to the relevant period of 2012 have decreased by 3.5 p.p. of GDP (Table 1), while oil and gas revenues in relative terms have decreased by 0.1 p.p. of GDP. The federal budget deficit for the first month of the current year made 1.8% of GDP, which is by 2.5 p.p. of GDP lower than in the same period of the last year. The volume of non-oil deficit for January 2013 has decreased by 1.0 p.p. of GDP, as compared with January 2012.

Table 1

FEDERAL BUDGET EXECUTION IN JANUARY 2012 AND JANUARY 2013

	January 2013		January 2012		Change, p.p. of GDP
	Rb bn	GDP%	Rb bn	GDP%	
Revenue	1091.2	24.1	1059.6	27.6	-3.5
including oil and gas revenue	465.9	10.3	530.2	13.8	-3.5
Expenditures	1172.5	25.9	1032.4	26.9	-1.0
– including percentage expenditures	28.6	0.6	31.2	0.8	-0.2
non-percentage expenditures	1143.8	25.2	1001.2	26.1	-0.9
Deficit (–) /Surplus (+)	-81.3	-1.8	27.2	0.7	-2.5
Non-oil and gas deficit (–) /Surplus (+)	-547.2	-12.1	-503.0	-13.1	1.0
GDP estimates for reference, Rb bn	4533		3833		

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

The major decrease of federal budget revenues occurred due to the oil and gas revenues, which declined in absolute terms in January of this year against the previous year by 12.1%, or by 3.5 p.p. of GDP. At the same time, in January 2013 Rb 713.5bn of non-oil proceeds derived in 2012 was allocated to the Reserve Fund¹.

In terms of the budget lines, the dynamics of the federal budget in January 2012 and January 2013 was volatile. Expenditures for the “National Defense” increased by 2.8 p.p. of GDP, “Federal Issues” – by 0.7 p.p. of GDP, for “Education” and “Mass media” – by 0.1 p.p. of GDP each, as compared with the first month of the last year. Expenditures for items “Healthcare” got reduced by 2.8 p.p. of GDP, for “Social Policy” – by 2 p.p. of GDP, for “National Economy” – by 0.4 p.p. of GDP, for “Intergovernmental transfers” – by 0.3 p.p. of GDP, for “Public and Municipal Debt Servicing” – by 0.2 p.p. of GDP.

As of 01.02.2013, the value of domestic government debt has decreased by Rb 78.8bn to Rb 3,985.5bn; the total amount of the National Welfare Fund has been decreased by Rb 12bn to Rb 2,678.6 bn, the volume of the Reserve Fund has grown by Rb 703.8bn to Rb 2,589.5bn. In January of this year there were no revenue from the management of sovereign funds to the Reserve Fund and the National Welfare Fund. Currently, two issues remain relevant to the resources of budgetary funds: the possibility of investing oil surplus revenues of the Russian real economy sector and enhancement of return from management of the Stabilization Fund. The first issue is the lack of public “breakthrough” projects that

1 See the Order of the Ministry of Finance of Russia No. 14n of 30.01.2013.

provide a long-term economic growth. The second issue is provoked by the lack of effective mechanisms for the funds management, which would simultaneously expand the powers of management authorities for adequate responding to the changes in foreign exchange and stock markets in the situation of uncertainty and allowing for better control to prevent the funds from misuse or inefficient utilization thereof. Meanwhile, the draft federal law on the establishment of such a body¹, i.e., the Rosfinagency, proposed by the RF Government, is still under consideration in the State Duma.

Table 2

FEDERAL BUDGET EXPENDITURES IN JANUARY 2012 AND 2013

	January 2013		January 2012		Change, p.p. of GDP
	Rb bn	% GDP	Rb bn	% GDP	
Expenditures, total	1172.5	25.9	1032.4	26.9	-1.0
including					
Federal issues	77.5	1.7	39.0	1.0	0.7
National defense	269.2	5.9	120.0	3.1	2.8
National defense and law enforcement	111.5	2.5	90.7	2.4	0.1
National Economy	77.3	1.7	48.4	1.3	0.4
Housing and public utilities	1.0	<0.1	0.7	<0.1	0.0
Environmental protection	0.5	<0.1	2.2	<0.1	0.0
Education	80.3	1.8	66.1	1.7	0.1
Culture and cinematography	7.6	0.2	8.1	0.2	0.0
Healthcare	17.7	0.4	121.8	3.2	-2.8
Social policy	410.6	9.1	424.5	11.1	-2.0
Physical training and sports	1.9	<0.1	2.9	<0.1	0.0
Mass media	14.1	0.3	6.4	0.2	0.1
Public and municipal debt servicing	28.6	0.6	31.2	0.8	-0.2
Intergovernmental transfers	74.6	1.6	71.1	1.9	-0.3

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

Execution of the RF Subjects consolidated budget in 2011–2012

As of January–December 2012 results (Table 3), the consolidated budgets of the Subjects of the Russian Federation received Rb 8,064.3bn (13.2 % of GDP), which is by 0.5 p.p. of GDP less than the revenues in 2011 (13.7% of GDP).

Table 3

CONSOLIDATED BUDGET EXECUTION OF THE RF SUBJECTS IN 2011–2012

	2012		2011		Change, p.p. of GDP
	Rb bn	GDP%	Rb bn	GDP%	
Revenue	8064.3	13.2	7643.9	13.7	-0.5
including					
corporate profit tax	1979.9	3.2	1927.9	3.4	-0.2
individual income tax	2261.5	3.7	1995.8	3.5	0.2
domestic excise duties	441.8	0.7	372.1	0.7	0.0
aggregate income tax	271.7	0.4	215.2	0.4	0.0
property tax	785.5	1.3	678.0	1.2	0.1
non-repayable proceeds from other budgets of the RF fiscal system as broken down by the RF Subjects	1623.9	2.6	1644.0	2.9	-0.3
Expenditures	8342.7	13.6	7679.3	13.8	-0.2
including costs for the state and municipal debt servicing	47.6	0.1	75.7	0.1	0.0
Deficit (-) /Surplus (+)	-278.4	-0.4	-35.4	-0.6	0.2
GDP estimates for reference, Rb bn	61149		55798		

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

¹ The draft Federal Law “On Amendments to the Budget Code of the Russian Federation and the establishment of requirements to the employees of a targeted financial institution to be established by the Government of the Russian Federation”, submitted in September 2012, was considered by the State Duma in the first reading in January 2013 with the term of amendments provision before March 10, 2013.

As compared with the same period of the last year, revenues to the consolidated budget of the Subjects of the Russian Federation in 2012 have been reduced in from income tax by 0.2 p.p. of GDP and from the proceeds from other budgets of the budgetary system of the Russian Federation by 0.3 p.p. of GDP, from personal income tax revenues increased by 0.2 p.p. of GDP, and from the property tax by 0.1 p.p. of GDP. Revenues from domestic excise duties and taxes on the total revenue of the consolidated budgets of the Subjects of the Russian Federation as per results of 2012 remained at the level of the previous year.

Expenditures of the consolidated budget of the Russian Federation Subjects in 2012 have decreased by 0.2 p.p. of GDP (*Table 4*) in comparison with the previous year and amounted to Rb 8,342.7bn (13.6% of GDP).

Table 4

EXECUTION OF THE RF SUBJECTS CONSOLIDATED BUDGET EXPENDITURES IN 2011 AND 2012

Expenditures	2012		2011		Change, p.p. of GDP 2012 vs. 2011
	Rb bn	%GDP	Rb bn	GDP%	
Expenditures, total	8 342.7	13.6	7 679.3	13.8	-0.2
including					
Federal issues	510.4	8.3	468.8	8.3	0.0
National defense	4.0	<0.1	3.4	<0.1	0.0
National defense and law enforcement	94.6	0.1	282.0	0.5	-0.4
National Economy	1 605.8	2.6	1 316.4	2.3	0.3
Housing and public utilities	881.2	1.4	968.7	1.7	-0.3
Environmental protection	21.8	<0.1	21.8	<0.1	0.0
Education	2 047.1	3.3	1 728.4	3.1	0.2
Culture and cinematography	257.0	0.4	234.7	0.4	0.0
Healthcare	1 358.3	2.2	1 193.1	2.1	0.1
Social policy	1273.7	2.0	1 191.7	2.1	-0.1
Physical training and sports	156.3	0.2	144.7	0.2	0.0
Mass media	38.3	<0.1	34.3	<0.1	0.0
Public and municipal debt servicing	74.6	0.1	75.7	0.1	0.0
Intergovernmental transfers	19.4	<0.1	15.3	<0.1	0.0

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

In terms of consolidated regional budget lines of the RF Subjects consolidated budget, as per 2012 results against the previous year, there was a reduction of expenditures for items “National Security and Law Enforcement” by 0.4 p.p. of GDP, for “Social Policy” by 0.1 p.p. of GDP, expenditures were increased for “National economy” by 0.3 p.p. of GDP, “Education” by 0.3 p.p. of GDP, for “Healthcare” by 0.1 p.p. of GDP. For other budget lines expenditures in 2012 remained at the previous year level. In the entire year there were problems with regular execution of RF Subjects budgets. As a result, by the end 2012 cash execution of the consolidated budget of the Russian Federation Subjects in terms of expenditures made 90.8% of the approved budget, while by the results of 2011 it made 91.4% and 92.5% in 2010.

In 2012 the Government has granted a number of benefits to the regions in terms of the write-off of debts of the RF Subjects budgets to the federal budget. However, the problem of budgetary welfare of the regions will be probably growing due to the slower economic growth and create additional risks in the budget system. Therefore, management decisions should be made at the level of the RF government, which will allow to extend both, tax revenues of regional and municipal budgets and revenue from property income, promoting investment. ●