

Glittering surplus

Russian regions' budget execution for the first half of the year

Based on the preliminary data published on the Unified Portal of the Budgetary System of the Russian Federation¹, in the first half of 2021, budget revenues of Russia's constituent entities increased by 19% y-o-y and by 22% compared with the first half of 2019 (before the pandemic). The total amount of regional budget revenues in the period from January to June of this year amounted to RUB 6,698.5 bln. The increase is observed in 79 regions, and the most significant one — in the Nenets Autonomous Okrug (by 59%), Lipetsk and Samara Regions (by 57 and 51%, respectively).

Tax and non-tax revenues (TNTR) of regional budgets grew by 24% y-o-y to RUB 5,204.5 bln. The TNTR grew in 82 regions, being the most significant in those regions where large metallurgical enterprises are located: in the Lipetsk, Belgorod and Vologda Regions (by 91%, 77% and 69%, respectively). The increase in tax revenues in these regions is mainly due to the rise in metal prices in 2021.

For all the main types of tax revenues of regional budgets, an increase was recorded in the first half of 2021. The largest increase (by 31%) occurred in corporate income tax revenues (in the first half of 2020, these revenues decreased by 14% y-o-y). Personal income tax revenues and revenues from taxes on goods and services grew by 19% (-0.4% and +4% y-o-y in the first half of 2020, respectively). Property tax revenues increased by 13% (7% y-o-y in 2020).

Table 1. Profit tax revenues have grown significantly in those regions where large metal producers are located

| H1 2021/H1 2020 growth | | | H1 2021/H1 2019 growth | |
|------------------------|------|---------|------------------------|------|
| Region | % | RUB bln | Region | % |
| Belgorod Region | 234% | 23.6 | Lipetsk Region | 191% |
| Lipetsk Region | 230% | 17.7 | Chukotka AO | 136% |
| Vologda Region | 203% | 15.8 | Belgorod Region | 120% |
| Republic of Khakassia | 153% | 2.6 | Vladimir Region | 115% |
| Republic of Buryatia | 134% | 3.5 | Kursk Region | 94% |

Source: Federal Treasury Office, budget.gov.ru, ACRA's calculations

The growth in the volume of gratuitous receipts, which began in 2020, continued in the first half of 2021, but its rate is not comparable with the dynamics observed 12 months ago. For the period from January to June, the volume of gratuitous receipts amounted to RUB 1,494.0 bln, exceeding the result of the same period in 2020 by 2%. In the second quarter of 2021, this indicator grew by 30% against the first quarter of this year.

In H1 2021, the largest increase in gratuitous receipts was observed in the Nenets Autonomous Okrug, Kaluga and Samara Regions, while the most significant reduction is recorded by the Republic of Tatarstan, the Kemerovo Region — Kuzbass, and the Sakhalin Region.

In the first half of 2021, the total expenditures of the regional budgets increased by 7% y-o-y and amounted to RUB 6,309.2 bln. Nine regions managed to cut aggregate spending compared to the first half of 2020, when the country was in the midst of the coronavirus pandemic. The highest rates of cost reduction are demonstrated by the Tyumen Region (-10%), the Republic of Khakassia (-9%), and

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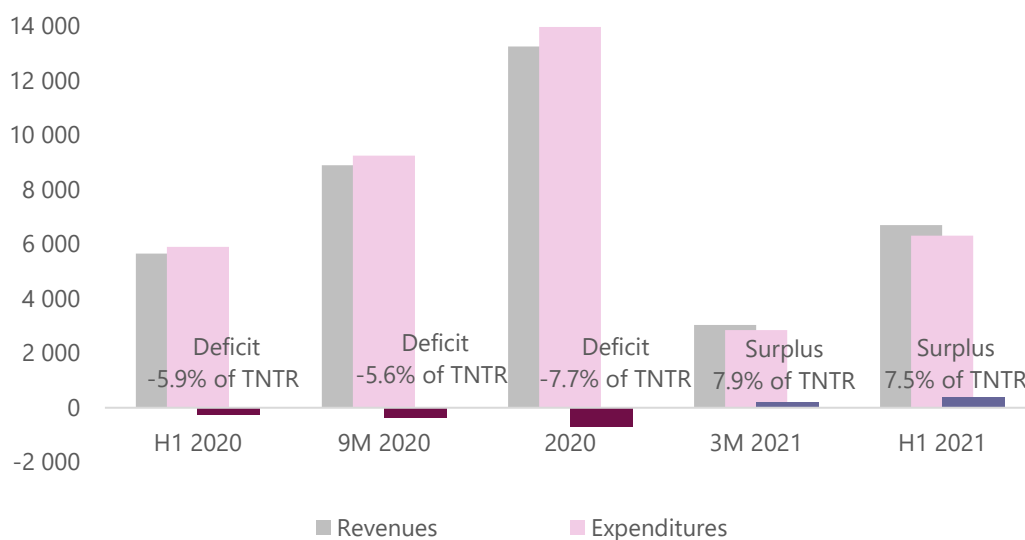
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¹ <http://budget.gov.ru>

the Sakhalin Region (-6%). The remaining 76 regions increased their spending, with the Samara Region, the Nenets Autonomous Okrug and the Amur Region being on the top of the list (growth by 35%, 34% and 29%, respectively).

Figure 1. Execution dynamics of the aggregated regional budgets, RUB bln



Source: Federal Treasury Office, budget.gov.ru, ACRA's calculations

In H1 2021, the aggregate surplus of regional budgets grew by RUB 201 bln against Q1 2021, up to RUB 389 bln (7.5% of the total TNTR of regional budgets), while at the end of 2020, the deficit amounted to RUB 708 bln. The budget surplus of surplus regions reached RUB 447 bln, and the maximum contributors included Moscow (12%), St. Petersburg, Krasnoyarsk Krai, the Tyumen and Chelyabinsk Regions (6% each), Samara Region (5%), Belgorod, Lipetsk and Sakhalin Regions (4% each).

According to the results of the first half of the year, 66 constituent entities of the Russian Federation have a budget surplus, and the highest ratio of surplus to TNTR (for six months) was demonstrated by the Lipetsk, Belgorod and Chelyabinsk Regions (42%, 32% and 28%, respectively). These surpluses are caused by higher tax revenues due to the rise in metal prices.

A year earlier, the aggregate regional budget was executed with a deficit of RUB 249 bln, or 5.9% of the total TNTR. The positive dynamics in the revenues of regional budgets allowed 40 constituent entities to execute the budget in six months with an intermediate surplus, whereas 12 months ago their budget was in deficit.

Table 2. 40 constituent entities of Russia showed budget surpluses in H1 2021 against deficits in H1 2020, whereas only six regional budgets became deficit, RUB mln

| Regions that became surplus | | | Regions that became deficit | | |
|-----------------------------|-----------------|-----------------|-----------------------------|-----------------|-----------------|
| Region | Deficit H1 2020 | Surplus H1 2021 | Region | Surplus H1 2020 | Deficit H1 2021 |
| Moscow | -160 911 | 55 651 | Leningrad Region | 4 314 | -9 642 |
| Krasnoyarsk Krai | -8 654 | 28 789 | Republic of Crimea | 2 277 | -6 683 |
| Chelyabinsk Region | -9 785 | 25 827 | Chechen Republic | 704 | -1 781 |
| Saint Petersburg | -9 750 | 25 284 | KhMAO - Urga | 35 465 | -716 |
| Belgorod Region | -4 330 | 17 985 | Republic of Ingushetia | 115 | -691 |
| Lipetsk Region | -1 349 | 17 200 | Jewish Autonomous Region | 261 | -393 |
| Perm Krai | -1 428 | 15 594 | | | |
| Krasnodar Krai | -752 | 14 409 | | | |
| Vologda Region | -4 105 | 11 664 | | | |
| Moscow Region | -59 249 | 9 949 | | | |
| Republic of Tatarstan | -25 769 | 8 681 | | | |
| Sverdlovsk Region | -21 605 | 8 358 | | | |
| Kursk Region | -1 135 | 7 847 | | | |
| Orenburg Region | -2 696 | 7 812 | | | |
| Rostov Region | -399 | 6 029 | | | |
| Novosibirsk Region | -1 028 | 5 876 | | | |
| Vladimir Region | -482 | 4 849 | | | |
| Primorsky Krai | -2 508 | 4 614 | | | |
| Kaluga Region | -678 | 3 462 | | | |
| Tula Region | -2 416 | 3 392 | | | |
| Murmansk Region | -3 138 | 3 276 | | | |
| Smolensk Region | -1 124 | 3 100 | | | |
| Nizhny Novgorod Region | -2 580 | 3 069 | | | |
| Kemerovo Region - Kuzbass | -6 858 | 3 053 | | | |
| Irkutsk Region | -8 436 | 2 731 | | | |
| Ryazan Region | -239 | 2 546 | | | |
| Penza Region | -1 024 | 2 227 | | | |
| Republic of Karelia | -857 | 1 954 | | | |
| Novgorod Region | -964 | 1 858 | | | |
| Republic of Buryatia | -650 | 1 710 | | | |
| Tambov Region | -186 | 1 598 | | | |
| Khabarovsk Region | -3 465 | 1 349 | | | |
| Republic of Khakassia | -2 797 | 1 015 | | | |
| Saratov Region | -229 | 971 | | | |
| Oryol Region | -1 616 | 739 | | | |
| Mari El Republic | -926 | 547 | | | |
| Magadan Region | -1 136 | 338 | | | |
| Nenets AO | -1 369 | 284 | | | |
| Republic of Adygea | -1 019 | 123 | | | |
| Yaroslavl Region | -3 715 | 120 | | | |

Source: Federal Treasury Office, budget.gov.ru, ACRA's calculations

At the end of the first half of 2021, the revenue side of regional budgets significantly exceeded the expenditure side, which resulted in a significant budget surplus. However, by the end of the year, we can expect a reduction in the number of surplus regions, given the continuing increase in expenditures and the common practice of their distribution, when the bulk of expenditures traditionally falls on the end of the calendar year.

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