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More Than Half of Russia's Regions Are Running Budget Deficits, Study Says

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People on the street in Kemerovo. **Vadim Zhivotovsky (CC BY 3.0)**

More than half of Russia's regions ran budget deficits in the first nine months of the year, the Vedomosti business daily reported Tuesday, citing an analysis by ratings agency Expert RA.

These 56 regions' combined deficit, excluding municipalities, reached 169.2 billion rubles ($2.14 billion).

The shortfall stems from a 14.6% year-on-year rise in spending against a 6.9% increase in revenue. Regional income for January-September totaled 16 trillion rubles ($203 billion).

The largest deficits in absolute terms were recorded in the Kemerovo region at 43.9 billion rubles ($556 million), the Irkutsk region at 41.1 billion rubles ($521 million) and the Yamal-Nenets autonomous district at 38 billion rubles ($482 million).

Elevated deficit levels were also reported in the Tyumen, Novosibirsk and Nizhny Novgorod regions.

A handful of regions, however, posted budget surpluses, including Moscow, which recorded a surplus of 269.4 billion rubles ($3.42 billion) over the period; St. Petersburg, which reported 47.9 billion rubles ($607 million); and Tatarstan, which reported 43.9 billion rubles ($556 million).

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The Finance Ministry released slightly different figures, estimating the aggregate regional deficit for January-September at 139 billion rubles ($1.76 billion) affecting 55 regions.

As of Nov. 19, regions remained in a combined deficit of 0.6 trillion rubles ($7.60 billion), based on executed revenues of 18.8 trillion rubles ($238 billion) and expenditures of 19.4 trillion rubles ($246 billion).

Finance Minister Anton Siluanov said in late October that regional budgets are expected to run a 300-billion-ruble deficit next year.

The government plans to provide up to 30 billion rubles ($380 million) in additional support before year-end.

Regional budget revenues remain vulnerable to falling corporate profit tax payments in several industries, Emil Ablaev of the Center for Macroeconomic Analysis and Short-Term Forecasting told Vedomosti.

He estimated that the total regional deficit this year could reach 500 billion to 800 billion rubles ($6.34 billion to $10.14 billion).

Regions are being forced to increase spending on national projects, infrastructure upgrades and social commitments, as well as to respond to emergency and anti-crisis needs, Tatyana Tirskikh, managing director for sovereign and regional ratings at Expert RA, told Vedomosti.

The strongest rises in spending were seen in social policy, which rose 21% or 658.5 billion rubles ($8.35 billion); national economy programs, up 21% or 607.9 billion rubles ($7.70 billion); and education, up 13% or 400.4 billion rubles ($5.07 billion), said Ilya Tsypkin of rating agency ACRA.

Regions debt-servicing costs also grew by 53%.

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