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Lead analysts:

Maxim Parshin, Senior Analyst
+7 (495) 139-0480, ext. 225
maxim.parshin@acra-ratings.ru

Maxim Pershin, Expert
+7 (495) 139-0485
maxim.pershin@acra-ratings.ru

Key rating assessment factors

ACRA affirms AAA(RU) to the Tyumen Region, outlook Stable

The credit rating of the [Tyumen Region](#) (hereinafter, the Region) is based on the Region's minimal level of debt load and high budget liquidity. The rating is supported by a highly flexible and balanced budget with a large share of capital expenditures, and substantial financial budget reserves.

The Tyumen Region is located in the Ural Federal District. The Region includes the Khanty-Mansiysk Autonomous Okrug – Yugra (KhMAO-Yugra) and the Yamalo-Nenets Autonomous Okrug (YaNAO), which are also full-fledged subjects of the Russian Federation. The Region's population is 1.5 million (1% of the population of the Russian Federation), not including the population of the autonomous okrugs. The Region's gross regional product (GRP), excluding the autonomous okrugs, amounts to 1.5% of the total GRP for all regions of the Russian Federation.

The Region has high socioeconomic development indicators. The regional economy has a high per capita GRP: the average¹ of this indicator exceeded the national average by 1.4 times in 2016–2018.

In 2016–2019, the average wage to average subsistence wage ratio in the Region grew at a stable pace (from 3.6 times to 4 times), while unemployment (calculated according to the ILO's methodology) was lower than the average for Russia in 2017–2019.

The backbone of the regional economy is the hydrocarbon production and processing sectors, which provide for most of the tax revenues. A significant share of tax revenues is contributed by public sector organizations, scientific and technological activities, construction, the wholesale trade sector, and land and pipeline transport.

Well-balanced budget with a high degree of flexibility and self-sufficiency. The Region has a high share of internal revenues in the total volume of its income (excluding subventions): in 2016–2020, the average ratio of these indicators is expected to be 97%.

The current account balance to operating income ratio for the analyzed period stands at 25%, which indicates that operating income is sufficient to cover current expenditures.

Capital expenditures are expected to occupy a 29% share of total expenditures (excluding subventions) in 2016–2020. The Region finances 95% of its capital expenditures using its own funds.

An agreement concluded between the public authorities of the Tyumen Region and the autonomous okrugs regulates regional social, infrastructure and investment programs, and is designed to benefit the entire population of the Region (including residents of KhMAO-Yugra and YaNAO). According to this agreement, 29.5% of income tax revenues collected in KhMAO-Yugra and YaNAO are transferred to the regional budget to fund the abovementioned programs.

Due to the unfavorable macroeconomic situation, ACRA expects the Region's tax and non-tax revenues (TNTR) to decline, primarily the corporate income tax revenues generated by the oil and gas companies of the Tyumen Region, KhMAO-Yugra and YaNAO. The high flexibility of budget expenditures, very low debt load, and significant accumulated liquidity will support the budget should a negative scenario materialize.

¹ Hereinafter, averages are calculated according to the Methodology for Credit Ratings Assignment to Regional and Municipal Authorities of the Russian Federation.

Minimal debt load. As of the end of 2019, the Region's debt amounted to RUB 3.02 bln, and its debt to operating income ratio was 1.7%. ACRA expects this ratio to remain at a low level in 2020, despite a possible decline in the income of the regional budget.

The Region's expenditures on servicing government debt are not burdensome for its budget.

As of March 1, 2020, the Region's debt amounted to RUB 2.99 bln. The budget loan that must be repaid in the period from 2025 to 2034 accounts for 11% of this debt, the remaining part comprises state guarantees issued to secure the liabilities of regional enterprises.

The debt load of the Region's municipalities decreased in 2016–2019, and the ratio of total debt to the aggregate TNTR of municipalities in 2019 amounted to 0.04%. The absolute value of the debt of municipalities declined amid higher TNTR in the indicated period.

The volume of accumulated liquidity is many times greater than the size of payments on obligations. The Region holds a large volume of funds in its budget accounts and deposits, which as of March 1, 2020 was several times higher than the total debt, and almost six times higher than the Region's monthly average expenditures in 2019.

Key assumptions

- Reviewing budget expenditures amid a reduction of income tax revenues in 2020 by no more than 40% compared to the target;
- Reducing capital expenditures by the size of lost revenues;
- Maintaining the agreement between the public authorities of the Tyumen Region and the autonomous okrugs and retaining the current distribution proportion of tax revenues collected in KhMAO-Yugra and YaNAO.

Potential outlook or rating change factors

The **Stable outlook** assumes that the rating will most likely stay unchanged within the 12 to 18-month horizon.

A negative rating action may be prompted by:

- A change in budget expense management policy in favor of increasing current expenditures;
- Liquidity falling below monthly budget expenses;
- Substantial changes in the inter-budget relations in the Russian Federation.

Issue ratings

No outstanding issues have been rated.

Regulatory disclosure

The credit rating has been assigned to the Tyumen Region under the national scale for the Russian Federation based on the Methodology for Credit Rating Assignment to Regional and Municipal Authorities of the Russian Federation, and the [Key Concepts Used by the Analytical Credit Rating Agency Within the Scope of Its Rating Activities](#).

The credit rating of the Tyumen Region was published by ACRA for the first time on November 21, 2017. The credit rating of the Tyumen Region and its outlook are expected to be revised within 182 days following the publication date of this press release as per the [Calendar of planned sovereign credit rating revisions and publications](#).

The credit rating was assigned based on data provided by the Government of the Tyumen Region, information from publicly available sources (the Ministry of Finance, the Federal State Statistics Service, and the Federal Tax Service), as well as ACRA's own databases. The credit rating is solicited, and the Government of the Tyumen Region participated in its assignment.

No material discrepancies between the provided data and the data officially disclosed by the Tyumen Region in its financial reports have been discovered.

ACRA provided no additional services to the Government of the Tyumen Region. No conflicts of interest were discovered in the course of credit rating assignment.

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Analytical Credit Rating Agency (Joint-Stock Company), ACRA (JSC)
75, Sadovnicheskaya embankment, Moscow, Russia
www.acra-ratings.com

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