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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 Urals Federal District. The Region includes the Khanty-Mansiysk Autonomous Okrug-Yugra (KhMAO-Yugra) and the Yamal-Nenets Autonomous Okrug (YaNAO), which are equal administrative 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 GRP, excluding autonomous okrugs, amounts to 1.4% of the total GRP for all regions of the Russian Federation.

The single budget account balance regularly exceeds the debt. On April 1, 2019, the Region's debt amounted to RUB 3.56 bln, of which 91% are guarantees issued, and the remaining 9% (RUB 321 mln) are budget loans that must be repaid in the period from 2025 to 2034. The regional budget law for 2019 stipulates that the Region will issue government bonds for the total par value of RUB 5 bln and government guarantees for RUB 1.75 bln, which may push the Region's debt up to RUB 10 bln (23% of the Region's operating balance) by the end of 2019. Such debt metrics indicates the minimum level of risk. At the same time, the Region holds the large volume of funds on its deposit accounts, which several times higher than the total amount of its debt obligations.

Well-balanced budget with a high degree of flexibility and self-sufficiency. The Region fully covers the entire volume of its budget expenditures without any external funding: in 2016–2019, the average share of internal revenues (excluding subventions) is expected to be 97%, while the structure of budget expenditures, which includes 60% and 30% of mandatory and capital expenditures, respectively, indicates that the budget flexibility is high. The high resilience of the regional budget to negative external factors is backed by the substantial financial reserves. In 2018, the regional budget was executed with a surplus of RUB 33.6 bln, which was driven by a surge in income tax revenues (64% up compared to 2017) amid the high ruble oil price. According to the current version of the regional budget law for 2019, the budget revenues are expected to decline to RUB 142.8 bln against RUB 203.9 bln in 2018, and the budget deficit will reach 16.4% of tax and non-tax revenues (RUB 22.4 bln). The deficit will be covered by the budget account balances, as well as by bond issues for RUB 5 bln. According to ACRA's estimates, the actual budget deficit could be significantly lower than expected: in 1Q2019, the actual budget revenues grew by 26% y-o-y to RUB 47.6 bln, while expenditures upped by only 6% to RUB 25.8 bln.

Well-developed economy with high resource potential. The backbone of the regional economy is the hydrocarbon production and processing sectors, which provide for most of the tax revenues; the second-largest contributor is the wholesale trade sector, followed by transport, telecommunications, and financial activities. In addition, major investment projects are being conducted in the Region in oil and gas chemistry, oil production, pharmaceuticals, agroindustry and other sectors. An agreement concluded between the public authorities of the Tyumen Region and the autonomous okrugs regulates, among other things, regional social, infrastructure and investment programs designed for the benefit of 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 above programs.

Key assumptions

- Maintaining the agreement between the public authorities of the Tyumen Region and the autonomous districts and retaining the current distribution proportion of tax revenues collected in KhMAO-Yugra and YaNAO;
- Balanced budget expenditure policy;
- Conservative debt policy.

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 expenses;
- A significant change in the configuration of inter-budgetary relations in the Russian Federation.

Regulatory disclosure

The credit rating was assigned under the national scale for the Russian Federation based on the [Methodology for Credit Ratings 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 first published by ACRA on November 21, 2017. The credit rating and its outlook are expected to be revised within 182 days following the publication date of this press release in accordance with the [Calendar of planned sovereign credit rating revisions and publications](#).

The assigned credit rating is based on the data provided by the Tyumen Region Government, 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 Tyumen Region Government participated in its assignment.

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

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

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