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Key rating assessment
factors

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

The credit rating assigned to the [Tyumen Region](#) (hereinafter, the Region) is based on high budget liquidity and minimum risk of debt load; the rating is supported by high flexibility and well-balanced structure of the budget.

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 same-level administrative subjects of the Russian Federation. There is an agreement between the governments of the Tyumen Region and the autonomous okrugs (the effective date is January 01, 2005, the validity period is five years; the agreement may be prolonged for the next five years by the consent of the parties; the current prolongation shall be valid until December 31, 2020; such agreement is permitted to be concluded by the Constitution of the Russian Federation, Article 66 Part 4)), which regulates, among other things, the regional social, infrastructure and investment programs, which are to the benefit of the entire population of the Region (including the okrugs). According to the agreement, 29.5% of the income tax revenues collected in KhMAO-Yugra and YaNAO go to the Region's budget to finance the above programs.

About 1.48 million people live in the Tyumen Region (3.66 million people in total, including KhMAO-Yugra and YaNAO). About a half of the Region's population (except okrugs) resides in Tyumen.

The regional economy (excluding autonomous okrugs) is based on the manufacturing industry dominated by oil refinery, oil production and oil and gas machine building. A significant role is also played by transportation, communications, construction and agroindustry sectors. Large investment projects in oil and gas chemistry, oil refinery, oil production, pharmaceutical and agriculture industries are being implemented in the Region. The gross regional product (GRP) per capita is significantly (1.41 times) higher than the national average. In 2016, the employment profile was dominated by wholesale and retail trade (18%), construction (14.2%) and processing industries (11.8%). The demographic situation is characterized by a positive dynamics.

Well-balanced budget with a high degree of flexibility and self-sufficiency. Tax and non-tax revenues account for about 96% of the total revenues of the Region (excluding subventions received in 2014–2016 and expected in 2017). 69% of tax and non-tax revenues comes from income tax. On average, 58% of the income tax revenues of the regional budget are transfers from KhMAO-Yugra and YaNAO. The share of mandatory (in terms of the ACRA methodology) expenditures in the budget makes up 60% on average, which reflects a sufficient degree of control over the budget expenditures. The operational balance of the regional budget averaged 39% of the regular income, therefore the budget is considered to be well balanced. The share of capital expenditures (development budget) averaged 30%. The regional budget is used to finance capital expenditures both in the south of the Region and in the territory of autonomous okrugs. Due to the high flexibility of the budget, in the periods of declining revenues, the Region has adjusted its expenditures (mainly road maintenance financed from non-earmarked revenues), which allowed it to keep the budget surplus.

The single account balance stably exceeds the amount of debts. The debt load indicators of the Tyumen Region correspond to the minimum risk levels. The direct debt of the Region (excluding guarantees) consists of budget loans with maturities from 2025 to 2034, and its share is less than 0.8% of the operating balance sheet. As of the beginning of 2016 and 2017, the budget balances (including deposits) exceeded 30% of the forthcoming expenditures.

Key assumptions

- The agreement between the governments of the Tyumen Region and KhMAO and YaNAO to remain effective at least until December 31, 2020;
- Current proportions for allocation of income tax revenues collected in KhMAO and YaNAO between the budgets of the autonomous districts and the Tyumen Region to remain unchanged.

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 substantial decline in operational balance surplus;
- A significant change in the inter-budget relations in the Russian Federation.

Issue ratings

None.

Rating history

None.

Regulatory disclosure

The credit rating has been 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](#).

A credit rating has been assigned to the Tyumen Region for the first time. The credit rating and its outlook are expected to be revised within 182 days following the rating action date (November 20, 2017).

The assigned credit rating is based on the data provided by 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 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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