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ACRA affirms AA+(RU) to the Republic of Tatarstan, outlook Stable

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Key rating assessment factors

The credit rating of [the Republic of Tatarstan](#) (hereinafter, the Republic, or the Region) is based on the regional economy's development level that is significantly ahead of the national average figures, high level of control over budget spending and high share of the development budget in the spending structure as well as long-term structure of the direct debt of the Republic (comprising fiscal loans) and minimal risk associated with its servicing. In ACRA's opinion, the possibility that the Republic's authorities may provide targeted financial aid to companies and financial institutions of strategic importance for the economy or those with significant dependence on the Region's budget constitute a limiting factor for the credit rating.

The Republic of Tatarstan is part of the Volga Federal District and borders eight regions of Russia. The Republic's population is 3.89 mln people, with 43% (1.68 mln) live in the Kazan agglomeration. There are two special economic zones (SEZ) in the Republic: Alabuga (industrial production profile) and Innopolis (technology and innovation profile).

A well-balanced budget with high self-sufficiency of revenues and high control over spending. In 2017, the Region's budget was executed with a surplus of 6.2% of tax and non-tax revenues (TNTR), which amounted to RUB 13.18 billion. According to the current version of the budget law, in 2018 the budget of the Republic will be executed with a deficit of 10.1% of the TNTR (RUB 18.65 billion). The planned regional budget expenditures will be financed from current incomes and cash reserves on the budget accounts, without recourse to debt financing. ACRA expects that, this year, the budget of the Republic will be executed with a surplus (or with a deficit of not more than 2%).

Obligations of enterprises fully or partially owned by the Republic affect the Region's debt load assessment. ACRA takes into account that the Region's authorities may provide targeted financial support to companies and financial institutions of strategic importance for the Republic's economy or to those with a significant dependence on its budget.

The Republic's government debt (totaling RUB 94.26 bln as of May 01, 2018) comprises budget loans (90% of the total debt) and guarantees (10% or RUB 9.39 bln, expiring in 2034) that the Republic issued in 2005 in favor of Kamaz PTC covering its obligations to the federal budget.

The budget loans repayment schedule is comfortable: only 4% of budget loans is repayable in the period from 2018 to 2021, and the remaining 96% is to be repaid in 2023–2036. The debt service costs of the Republic do not exceed 0.1% of the operational balance of the budget.

Key assumptions

- In case of need, the Region's authorities may provide financial support to companies and financial institutions of strategic importance for its economy or those with significant dependence on its budget;
- TNTR growth rate in 2018 at least 3.5% against 2017;
- The Region's fixed investments are maintained above 30% of GRP in 2018-2019;
- Budget execution without the need for commercial debt financing in 2018-2019.

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 positive rating action may be prompted by:

- 2018 budget execution with a surplus above 5% of tax and non-tax revenues;

- Higher transparency and predictability of relationships between the Republic and companies (including financial institutions) of strategic importance for its economy and those with significant dependence on its budget.

A negative rating action may be prompted by:

- A significant decrease of the operating balance;
- A breach of budget loan restructuring rules.

Regulatory disclosure

The credit rating was assigned to the Republic of Tatarstan 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 assigned to the Republic of Tatarstan was first published by ACRA on November 17, 2017. The credit rating and credit rating outlook are expected to be revised within 182 days following the rating action date (May 16, 2018) in compliance with the [2018 calendar of planned sovereign credit rating revisions and publications](#).

The credit rating was assigned based on the data provided by the Republic of Tatarstan, 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 Republic of Tatarstan participated in its assignment.

No material discrepancies between the data provided and the data officially disclosed by the Republic of Tatarstan in its financial report have been discovered.

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

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