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Key rating assessment
factors

ACRA affirms 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 and substantial financial reserves 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 1.5 million people live in the Tyumen Region (3.7 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. In 2016, the GRP of the Region (excluding okrugs) amounted to RUB 927 billion (or 1.34% of the aggregate GRP of all Russian regions, 18th place).

Well-balanced budget with a high degree of flexibility and self-sufficiency. High resistance of regional budget to negative external factors is based on substantial financial reserves in the budget.

In 2017, the Region's budget was executed with a deficit of 1.1% of tax and non-tax revenues (TNTR), which amounted to RUB 1.48 billion. The deficit was financed from the financial reserves of the budget.

According to the current version of the budget law, the 2018 regional budget will be executed with a deficit of 24.1% of TNTR (RUB 26.98 billion). The planned budget expenditures will be financed from current revenues and cash balances on the budget accounts (without recourse to debt financing). According to ACRA estimates, the 2018 budget may be executed with a surplus of 1.5–2.5% of TNTR. In 1Q2018, tax revenues of the budget (tax and non-tax revenues and surplus reached RUB 36.14 billion and RUB 13.36 billion, respectively) significantly exceeded the revenues in 1Q2017 (RUB 23.48 billion and RUB 7.4 billion, respectively).

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 0.6% of the operating balance sheet.

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.

Regulatory disclosure

The credit rating was assigned to the Tyumen Region 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 rating action date (May 18, 2018) in accordance with the [2018 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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