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FORECASTING OF BUDGET INDICATORS: VARIATIVE SCENARIOS AND IMPLICATIONS OF THEIR IMPLEMENTATION

Goal. The article goal is to develop conceptual framework of budgetary policy of macroeconomic performance forecasting in the context of assessment of financial resources potential and substantiation of budgetary strategy priorities.

Methodology. The research used the following: methods of theoretical summarizing and comparison (to determine quantitative characteristics of statistical data of various variants of budget framework), analysis and synthesis (to assess qualitative advantages of budgetary mechanism parameters, tracking tendencies and trend data of budgetary system of Ukraine).

Results. On the basis of the research, optimistic and pessimistic scenarios of predictive appraisal of domestic budgetary potential are summarized; positive and negative tendencies are determined, as well as future implications of their implementation.

Academic novelty. Scientific-methodological approach to assessment of budget indicators forecasting was improved and, therefore, it allows avoiding internal and external budgetary risks. Prospective lines for budget indicators forecasting were offered, their innovativeness was emphasized.

Practical relevance. Obtained results are focused on optimization of budget potential management and assurance of constant economic growth.

Key words: economic development, budget, budget forecasting, GDP, deficit, inflation, budget system.

Problem definition. According to world and domestic practices, in the context of financial deficit, long-term budget stability is characterized by positive dynamics of actual and predictive assessments of its main parameters. It is also focused on forming of regional budget potential regardless of development strategy of state budgetary system. Prospective structural stability of local budgets is assured upon availability of proper structure and budget development progressive elements which improve resistance to destructive external activities, promote forming of statistical components of micro- and macroenvironment in compliance with the goals and tasks of regional development. Therefore, it is necessary to consider budget process in view of reliable forecasting of macroeconomic indicators and direct tracking of tendencies and dynamics of gross domestic product aiming to achieve optimal mobilization of Ukrainian budget revenues, as well as to determine real priorities in the process of their distribution.

Analysis of the latest researches and articles of famous scientists, such as: V. Geyets, V. Demyanyshyn, A. Yepifanov, A. Kizyma, O. Kolisnyk, Ye. Kurmanaliyeva, Ts. Ogon, Yu. Pasichnyk, L. Feshchenko, F. Yaroshenko and others, shows that domestic and foreign scientists pay attention to budgetary forecasting. Nevertheless, regardless of significant scientific groundwork and large scale of this problem research, all variety of forecasting peculiarities is not covered. Economic science does not possess consistent complex of methods for predictive budget indicators assessment. The forecasting theory is underdeveloped and poorly substantiated. In this context, forecasting aspects of budget strategy implementation need further study aiming to avoid budget risks and assure financial stability of the country.

The **article goal** is to develop conceptual framework of budgetary policy of macroeconomic performance forecasting in the context of assessment of financial resources potential and substantiation of budgetary strategy priorities.

The following tasks were defined towards this goal achievement: to present the necessity of forecasting of society economic growth; to disclose pessimistic and optimistic variant of this forecast; to analyze quantitative and qualitative characteristics of various scenarios of budget process; to reveal problems and prospective of budget indicators forecasting; to summarize predictive assessments.

Basic research materials. Macroeconomic forecasting of economic and social development of a state is the main assurance instrument of balanced and effective functioning of national economy as a whole, in particular its sectors and enterprises of all forms of ownership. It has direct influence on level of state financial resources management. The results of macroeconomic forecasting are used by the Ministry of Finance in budget indicators forecasting, by the government in making budget policy in the sphere of taxation, by the National Bank for assessment of current programs [1, p. 40, 44], by financial institutions in consideration of dynamics and tendencies of economic development. In the context of constant growth of financial resources of national economy, the reforming of budget system requires forming of budget indicators on the basis of actual economic growth forecasting and macroeconomic forecasting, assurance of strong interrelation of budget and national economy [2, p. 26].

The fundamentals of forecasting of priority directions of Ukrainian budget process are set up by the Constitution of Ukraine, the Budget Code, the Law of Ukraine On State Forecasting and Lay Out of Programs of Economic and Social Development of Ukraine.

Forecasting of economic tendencies in Ukraine for 2013-2015 was developed on variative basis (optimistic and pessimistic scenarios) which is distinctive for influence of external factors and lower current effectiveness of Ukrainian economy development.

Predictive macroeconomic indicators of economic and social development of Ukraine in 2013 are as follows (according to optimistic scenario): nominal GDP – UAH 1 trillion 590.5 billion, real GDP growth of 3.5%, nominal wages increase of 3% up to UAH 3360; consumer-price inflation – 5.9%, PPI – 7%, unemployment rate – 7.4-7.7%.

According to pessimistic scenario which offers more moderate dynamics of economic changes, the government expects GDP growth in 2013 of 2.5%, nominal wages – of 2.2% up to UAH 3345. Nominal GDP will amount to UAH 1 trillion 575.9 billion, consumer-price inflation – 7.4%, PPI – 6.3%, unemployment rate – 7.4-7.7% [3].

Limited deficit, according to draft budget for 2013, is established at the level of UAH 50 billion 432 million. Budget incomes are expected in amount of UAH 361 billion 510 million 89.1 thousand and the expenditures – in amount of UAH 410 billion 660 million 505.7 thousand. Limit of national debt is established in amount of UAH 483 billion 31 million 984 thousand [4].

The IMF worsened Ukrainian GDP dynamics forecast in April 2013 from 3.5% to zero level; designated inflation increase at 0.5% instead of expected earlier increase of 7.4%; in 2014 – its increase up to 4.7% [5].

According to predictive assessments of the experts, Ukrainian economy in 2014 will develop in a complex environment. Accelerating inflation will occur: budget resolution states 8.3% for increase of consumer prices and 8.6% for increase of producer prices (in 2013, 4.8% and 5.5% respectively). State budget deficit will not exceed 3% (in 2013, not more than 3.2%). The national debt will not exceed 31% of GDP, which is UAH 525 billion (30.6% in 2013). Guaranteed credit amount is limited to 3% - UAH 50.8 billion (UAH 50 billion in 2013). GDP will grow at the level of 3% according to both scenarios, but numeric values will be different (UAH 1608 billion in the first variant and UAH 1694.8 billion in the second one). Nominal GDP with very low growth rate of 7.5% will not allow even to index increasing of social expenditures. Under the conditions of such low GDP growth rate, Ukrainian economy will not be able to reach pre-crisis level even according to results of the following year. Such forecasts mean that the government will adhere to the policy of hard budget constraints.

The innovation is planned to be implemented in 2014 which involves establishing limit for provision of state guarantees for maximum possible credit amounts: UAH 50 billion in 2013 and its limit to 3% (UAH 50.8 billion) is predicted in 2014.

The following active operations concerning liquidity of single treasury account will be carried out: allocation of surplus funds in the System of Confirmation of Trades in Interbank Foreign Exchange Market; reduction of state-funded organizations being supported by local budgets; provision of government assistance exclusively to investment programs included to the State Register of Investment Projects; implementation of approach, according to which payment for social service will be made upon its purchase from provider. In view of the approach of targeted social assistance provision and establishing of social-balanced norms for social services consumption, the possibility to perform important strategic financial task – budget surplus will occur.

Innovations will be also introduced into tax sphere: implementation of objective criteria of tax allowance granting; increasing of amount of real estate tax-payers towards improvement of financial stability of local budgets; implementation of special tax on Ukrainian business operations with the residents of low-tax

countries. Various variants are being considered but it has not been finally established yet, to operations with which countries it will apply: to offshore or jurisdictions with “comfortable” taxation, such as Cyprus, Switzerland or Netherlands [6]. Practical implementation of positive changes in economy will promote improvement of budget policy efficiency.

Regardless of complicated global and Ukrainian economic situation, the Cabinet of Ministers did not refuse overstated forecasts of main budget indicators in 2015. According to the Decree On Approval of State Budget Forecasts for 2014-2015, tax revenues are predicted in amount of 42%. State budget indicators in 2015 will be formed under the conditions of nominal GDP growth for more than UAH 156 billion (in comparison with 2014) up to UAH 1.851 trillion.

State budget forecasts for 2014-2015 are very cautious and are focused on further state financial system reforming and effective budget policy implementation. Nevertheless, IMF expects that till 2018, average growth rate of Ukrainian economy will amount to 3.5% [7]. In such situation, the only option for effective crisis impacts elimination is conservative budget policy.

Generally, in accordance with the forecasts of leading domestic economists, Ukrainian economy development in 2013-2015 will be determined by six main trends. The specific feature of budget sector will be reduction of state expenditures: upon the condition of new agreement with Ukraine, in compliance with basic scenario, the IMF will require from Ukrainian government to use more balanced approach to budget deficit, as a result of which state expenditures reduction may occur and their part in GDP may amount to 26.5% in 2013 and 25.7% in 2015.

Decreasing of budget deficit will occupy prominent place in budget policy: upon availability of IMF assistance, in three quarters of 2013 the government will be able to run primary budget balance surplus due to reduction of expenditures, excluding cost of servicing on the government debt, incomes of which will be bigger than expenditures. The fourth quarter, when budget expenditures peak traditionally comes, will run a budget deficit of almost UAH 16 billion.

One of the priorities of budget strategy will be easing of fiscal policy: in the context of presidential election in Ukraine in March 2015, the government will ease fiscal policy in 2014 and will regulate state finances and slow down the rate of national debt increase in 2013.

Payments balance adjustment will be of great importance: deficit of current account of balance of payments of Ukraine in 2013 will remain in “dangerous area” – in amount of 7.4% of GDP (USD 12.7 billion), but it will have a downward trend to 4.4% of GDP (USD 9.4 billion) to the end of 2015.

Upon objective conditions, the tendency of slow crediting rate and private banks reduction will strengthen: state bank, established by the government, will finance national projects and credit real sector for economic revival. European financial institutions will start to export capital, private banks activity will reduce; tendency of normalization of national banks balances according to the norms on the basis of decrease in loan portfolio will spread.

National currency rate drop will occur: the economists consider that till the end of 2013 exchange rate of hryvnia will drop to 8.75 UAH per USD as a result of

market pressure on expected deficit of current account – more than 7% of GDP. On the other hand, on the basis of calculation of fundamental cost of Ukrainian currency, comparison of inflation dynamics and currency exchange rate in Ukraine and its key commercial partners from around the world, analysts state that there is no point to expect strong hryvnia devaluation. Its exchange rate will amount to 8.58 UAH per USD in 2013; 8.71 UAH per USD in 2014 and 8.63 UAH per USD in 2015 [8].

Ukrainian government predicts “slight corrective devaluation” resulting in average exchange rate of 8.4 UAH per USD in 2013 and 8.5 UAH per USD in 2014-2015 [9]. Therefore, increasing of national currency devaluation risk is predicted and this may cause economy stagnation.

Moreover, considering uncertain economic situation both in the world and in Ukraine, according to forecasts, the estimate of risk occurrence probability increased. Most of these risks are external risks: worsening of foreign economic business environment, another price drop at global primary commodity markets, aggravation of problems in debtor countries of euro-zone (default in Greece), deficit of external financing and restriction of access to international capital markets.

Considering dependence of Ukrainian economy from external factors and their influence upon forming of national market, expert assessments of internal risks are emphasized. The following are of the highest integral value: strengthening of devaluation tendencies at exchange market; economy destabilization; low credit activity of commercial banks. Assessment of the following risks increases: making economically reasonless decisions, sharp rise of social payments within the period of election campaign, significant increasing of budget deficit and others [10]. It is required to consider these risks in long-term scientific forecasting of budget indicators.

Therefore, on the basis of scientific researches, it is possible to summarize alternative variability of national economy development, in particular as follows: optimistic and pessimistic scenarios determine variability of GDP dynamics: on the one hand accelerated growth is predicted, on the other one – moderate lowering.

Generally, all alternative variants of budget forecasting show quite promotional conditions for national economy development. Macroeconomic indicators of Ukraine for 2013-2015, calculated in compliance with optimistic and pessimistic scenarios, will allow to avoid risks of budget nonfulfillment, having put into them lowered indicators of economic development.

Nevertheless, under the conditions of unstable global economy, even pessimistic scenario of development of Ukraine may occur unachievable. Problem of budget deficit financing may aggravate. Increasing deficit of payment balance will mean increasing of national currency devaluation risk. If funding current account deficit becomes impossible, devaluation of hryvnia will be unavoidable which may lead to stagnation. The key moment may be the possibility to use money means of the IMF, which stipulates for hard pension reform and budget consolidation.

In current conditions of revolutionary changes in global and domestic economy, determination of predictive budget indicators in Ukraine is still a complicated problem. It is often solved under the influence of various social views in the context of making social choices and decisions. Therefore, forecasting of top-

priority dominant idea and tendencies of budget mechanism restructuring shall be based on special-purpose program, clear economic criteria and parameters of future social and economic development.

Conclusions and prospective of further research. Therefore, macroeconomic forecasts of economic development of Ukraine are calculated on the basis of optimistic and pessimistic scenarios. They have specific peculiarities, differ in quantitative and qualitative parameters and may be unrealized due to unstable economy. Economic priorities of Ukraine will determine six main trends: state expenditures reduction, budget deficit reduction, fiscal policy easing, payments balance adjustment, slow crediting rates and private banks reduction, national currency exchange rate drop. Ukrainian model of budget management is at the stage of forming and is interstage structure, formally representing various models of budget indicators forecasting. In the context of uncertain economic situation both in the world and in Ukraine, the estimate of risk occurrence probability will occur. Therefore, scientific researches of logic substantiation of budget risks consequences, determination of potential reserves and capabilities of budget sector are advanced. This will promote positive dynamics of economic development.

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