



## Budget Balance - December 2012

Economic Research Division



### The Central Government Budget closed 2012 with a deficit of 28.8 billion TL.

Central Government Budget posted a deficit of 15.5 billion TL in December while the primary deficit was 13.8 billion TL. Throughout 2012, budget deficit rose by 62% compared to 2011, amounted 28.8 billion TL. In the same period, primary surplus decreased by 20% and was realized as 19.6 billion TL. Thus, budget deficit was realized well above the initial budget target while primary surplus reached only 67% of the year-end target. On the other hand, compared to the revised budget estimates of the Medium Term Program announced in October 2012, both the budget deficit and the primary surplus were more favorable than these estimates. We estimate the central government budget deficit to GDP ratio to be realized around 2%.

### Budget revenues increased by 12% in 2012.

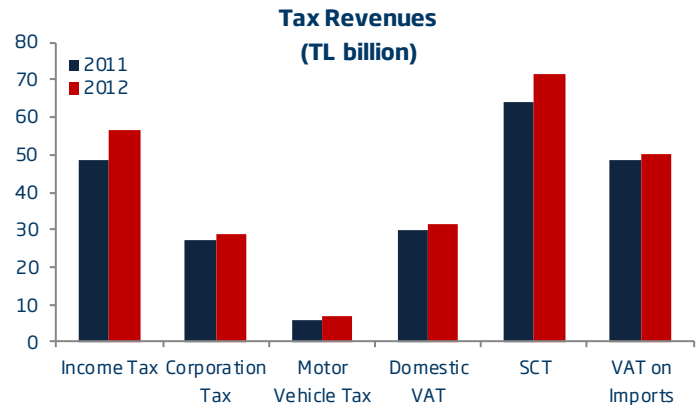
Budget revenues increased by 12% on an annual basis in 2012 and reached 331.7 billion TL. This figure was in line with the initial budget target. In the same period, tax revenues increased by only 10% and limited the expansion in budget revenues. On the other hand, "Property Income", which includes the revenues from SEE's and public banks, increased by 54% surpassing the initial budget target and supported the increase in budget revenues.

### Weak domestic demand had a negative impact on tax revenues throughout 2012.

Despite the recovery in tax revenues in December, indirect tax revenues followed a relatively weak course throughout 2012 due to the weaker domestic demand conditions compared to the last few years. In fact, Domestic Value Added Tax (VAT) and VAT on imports increased by 5% and 3% respectively, in 2012, both pointing out a decline in real terms when the 6.2% annual inflation rate taken into account. On the other hand, Special Consumption Tax (SCT), which has an important share in total tax revenues, increased by 12% compared to the 2011 year-end and displayed a relatively positive outlook due to the tax adjustments implemented in the last quarter.

### Budget expenditures were realized as 42.8 billion TL in December.

Analyzing the budget expenditures, it was seen that the



spending in the last month of the year was higher than the average spending during January-November period, as was also the case in previous years. While the average monthly budget expenditures in the first 11 months of 2012 was 28.9 billion TL, 42.8 billion TL was spent in December. This development mainly stemmed from the purchases of goods and services together with the capital expenditures and transfers which were made in the last month of the year. Looking at the annual data, the total budget expenditures increased by 14.6% compared to the 2011 and were realized as 360.5 billion TL, exceeding the initial budget target by 9.6 billion TL. Due to the lower borrowing costs in 2012, interest expenses were realized below the initial budget target while non-interest expenditures exceeded the initial year-end target. Analysis of the breakdown of budget expenditures revealed that the personnel expenditures together with health care, pensions and social assistance expenditures increased by 18.6% and 20.5% respectively, faster than the total budget expenditures.

### In 2013 ...

Budget expenditure policies of the government in previous years indicate that the fiscal discipline would continue in 2013. We also anticipate tax revenues to display a relatively positive outlook in 2013 due to the expected recovery in domestic demand. In this context, we think that the 2013 budget deficit target of 33.9 billion TL is achievable.

### Central Government Budget

	December			January-December			(TL billion)		
	2011	2012	% Change	2011	2012	% Change	Budget Target <sup>(1)</sup>	Real./ Target (%)	Realization Estimate <sup>(2)</sup>
<b>Expenditures</b>	<b>42.3</b>	<b>42.8</b>	<b>1.1</b>	<b>314.6</b>	<b>360.5</b>	<b>14.6</b>	<b>350.9</b>	<b>102.7</b>	<b>362.7</b>
Interest Expenditures	1.2	1.7	36.1	42.2	48.4	14.6	50.3	96.4	49.0
Non-interest Expenditures	41.0	41.1	0.1	272.4	312.1	14.6	300.7	103.8	313.7
<b>Revenues</b>	<b>24.1</b>	<b>27.3</b>	<b>13.5</b>	<b>296.8</b>	<b>331.7</b>	<b>11.7</b>	<b>329.8</b>	<b>100.6</b>	<b>329.2</b>
Tax Revenues	19.7	23.1	17.1	253.8	278.8	9.8	277.7	100.4	278.8
Other Revenues	4.4	4.2	-2.9	43.0	52.9	23.1	52.2	101.5	50.4
<b>Budget Balance</b>	<b>-18.2</b>	<b>-15.5</b>	<b>-15.2</b>	<b>-17.8</b>	<b>-28.8</b>	<b>61.9</b>	<b>-21.1</b>	<b>136.4</b>	<b>-33.5</b>
<b>Primary Balance</b>	<b>-17.0</b>	<b>-13.8</b>	<b>-18.9</b>	<b>24.4</b>	<b>19.6</b>	<b>-19.7</b>	<b>29.1</b>	<b>67.3</b>	<b>15.5</b>

(1) The initial budget target for 2012 set at the end of 2011

(2) Medium Term Program 2012 year-end estimates, announced in October 2012

Numbers may not add up to total due to rounding

Source: Ministry of Finance

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