



Budget Balance - February 2013

Economic Research Division

TÜRKİYE İŞ BANKASI

Central Government posted a deficit of 1.4 billion TL in February.

Central government budget posted a deficit of 1.4 billion TL in February in line with the increase in tax revenues and decline in the interest expenditures. The monthly budget deficit contracted by 45% compared to the same month of the previous year. During this period, the primary surplus also decreased by 41% compared to February 2012 and was realized as 3.5 billion TL.

On the other hand, Central Government Budget, which posted a deficit of 900 million TL in the first two months of 2012, gave a surplus of 4.5 billion TL in the same period of 2013. The primary surplus increased by 12% and reached 14.7 billion TL in the same period. Thus, 77% of year-end primary surplus target was reached in the first two months of the year.

Favorable course in tax revenues...

In February, the increase in budget revenues compared to the same month of the previous year mainly stemmed from 21% rise in tax revenues. Other revenues, which had accelerated in January, remained flat in February compared to the same month of previous year. Analysis of the breakdown of tax revenues revealed that the VAT on imports, Special Consumption Tax and Domestic VAT increased by 55%, 25% and 18%, respectively.

Tax revenues point out a recovery in domestic demand conditions.

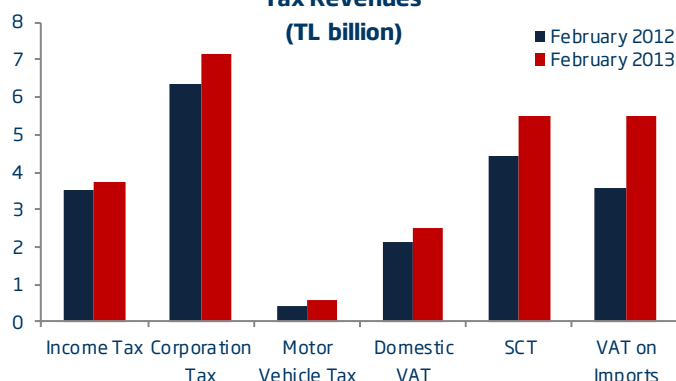
The increase in tax revenues in the first two months of 2012 pointed out that the domestic demand conditions, which displayed a relatively weak course throughout 2012, started to recover. Privatization revenues also had a positive impact on Central Government Budget. In fact, in the first two months of the year privatization revenues contributed by 31% to the net increase in budget revenues compared to the same period of previous year. Other revenue items, which had significant impact on the budget revenues, were Special Consumption Tax on Petroleum/Natural Gas and Domestic VAT, with 19% and 17% contribution to the budget revenues, respectively.

Central Government Budget

	February			January-February			(TL billion)	
	2012	2013	% Change	2012	2013	% Change	Budget Target ⁽¹⁾	Real./ Target (%)
Expenditures	30.2	33.9	12.6	56.5	64.9	14.8	404.0	16.1
Interest Expenditures	8.6	5.0	-42.0	14.0	10.2	-27.0	53.0	19.3
Non-interest Expenditures	21.5	29.0	34.4	42.5	54.7	28.6	351.0	15.6
Revenues	27.5	32.5	18.1	55.6	69.4	24.8	370.1	18.7
Tax Revenues	22.7	27.6	21.3	46.2	56.0	21.3	317.9	17.6
Other Revenues	4.8	4.9	2.9	9.4	13.3	41.9	52.1	25.6
Budget Balance	-2.6	-1.4	-45.2	-0.9	4.5	-	-34.0	-
Primary Balance	6.0	3.5	-40.6	13.1	14.7	12.3	19.0	77.2

Numbers may not add up to total due to rounding

Tax Revenues (TL billion)



Non-interest budget expenditures were realized as 29 billion TL in February.

In February, non-interest expenditures increased by 34% compared to the same month of the previous year and reached 29 billion TL. This development was mainly due to the increase in the Treasury Aid under the current transfers item. In fact, the rise in the said item was mainly originated from the Health, Retirement and Social Aid Expenditures. In addition, personnel expenses, which increased by 16% compared to the same month of previous year and reached 7.7 billion TL, also increased the budget expenditures.

Regarding the first two months of the year, the interest expenditures narrowed by 27% while non-interest expenditures expanded by 29% compared to the same period of the previous year.

Expectations...

We anticipate that favorable course in budget revenues will continue throughout 2013 in line with the gradual recovery in domestic demand conditions. On the other hand, increase in non-interest expenditures due to the current transfers might be a risk factor in attaining the budget target.

Source: Ministry of Finance

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