



Budget Balance - May 2013

Economic Research Division

TÜRKİYE BANKASI

Central government budget posted a surplus of 4.6 billion TL in May.

In May, the budget expenditures increased by 15.6% compared to the same month of the previous year while the increase in budget revenues was 13.2%. During this period, the central government budget posted a surplus of 4.6 billion TL, relatively unchanged compared to the same month of the previous year.

Analyzing the figures for the first five months of the year revealed that the increase in budget revenues was faster than that of budget expenditures. In this context, the central government budget balance which posted a deficit of 0.4 billion TL in the first five months of 2012, gave a surplus of 4.3 billion TL in the same period of 2013. In January-May 2013, the primary surplus reached 26 billion TL and already exceeded the year-end target.

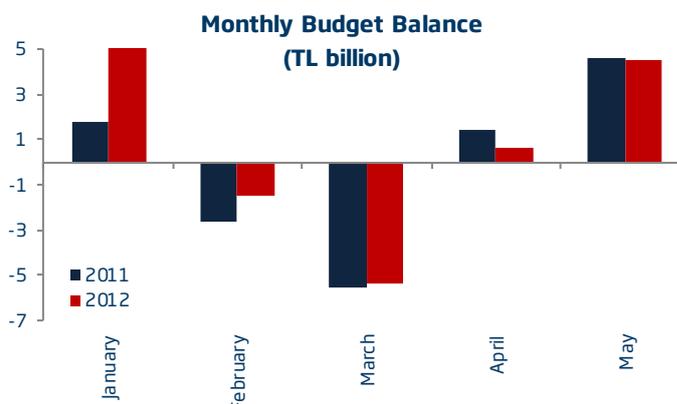
Increase in tax revenues continued.

In May tax revenues increased by 14% compared to the same month of the previous year. During this period, Income Tax collection rose by 17% while Corporation Tax collection decreased by 9.6%, limiting the expansion in tax revenues. In May, Domestic VAT revenues increased rapidly by 24.9% compared to the same month of the previous year and pointed out that domestic demand conditions have continued to recover in the second quarter of the year. In addition, the Special Consumption Tax (SCT) and income from VAT on imports increased annually by 23.8% and 18.7%, respectively.

In January-May period, the budget revenues were in line with the year-end targets, except the SCT revenues collected from tobacco products and alcoholic beverages.

Other budget revenues increased.

In May, other revenues increased by 8.6% compared to the same month of the previous year and was realized as 4.7 billion TL. The increase mostly stemmed from the 32% expansion in Portfolio Revenues of Treasury. In addition, decline in bond yields led Back Interest for Note Payable and Sales item to increase rapidly in May and supported the budget revenues.



Regarding the year end-targets, the other revenues also displayed a better than expected performance in the first five months of the year.

Non-interest expenditures...

In May, the non-interest expenditures increased by 12.4% compared to the same month of the previous year and were realized as 26.8 billion TL. Analyzing the sub-items, the current transfers, which constitute about 40% of non-interest expenditures, increased by 6.3% while resources transferred to local governments increased by 20.5%. On the other hand, 30.6% decrease in agricultural subsidies in the same period had a positive impact on budget balance.

In the first five months of the year, non-interest expenditures increased by 17.7% compared to the same period of the previous year while interest expenditures decreased by 10.7%.

Expectations ...

The central government budget displayed a favorable outlook in the first five months of the year and was in line with the year-end targets. The budget balance is expected to pursue this favorable outlook in the second half of the year thanks to the recovery in domestic demand conditions.

	May		%	January-May		%	(TL billion)	
	2012	2013		2012	2013		Budget Target	Real./ Target (%)
			Change			Change		
Expenditures	26.2	30.3	15.6	137.8	155.3	12.7	404.0	38.4
Interest Expenditures	2.4	3.5	47.0	24.4	21.8	-10.7	53.0	41.1
Non-interest Expenditures	23.8	26.8	12.4	113.4	133.5	17.7	351.0	38.0
Revenues	30.8	34.9	13.2	137.4	159.5	16.1	370.1	43.1
Tax Revenues	26.5	30.2	14.0	110.9	131.7	18.7	317.9	41.4
Other Revenues	4.3	4.7	8.6	26.5	27.9	5.3	52.1	53.5
Budget Balance	4.6	4.6	-0.5	-0.4	4.3	-	-34.0	-
Primary Balance	7.0	8.1	15.9	23.9	26.0	8.7	19.0	136.6

Numbers may not add up to total due to rounding

Source: Ministry of Finance

Budget Balance - May 2013

Economic Research Division

**Türkiye İş Bankası A.Ş. - Economic Research Division****İzlem Erdem - Manager**

izlem.erdem@isbank.com.tr

Alper Gürler - Unit Manager

alper.gurler@isbank.com.tr

Kıvılcım Eraydın - Economist

kivilcim.eraydin@isbank.com.tr

Erhan Gül - Economist

erhan.gul@isbank.com.tr

Bora Çevik - Economist

bora.cevik@isbank.com.tr

Eren Demir - Asst.Economist

eren.demir@isbank.com.tr

M. Kemal Gündoğdu - Asst.Economist

kemal.gundogdu@isbank.com.tr

Gamze Can - Asst.Economist

gamze.can@isbank.com.tr

LEGAL NOTICE

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.