



Budget Balance - July/August 2013

Economic Research Division



Central government budget registered a surplus of 234 million TL in January-August period.

The Ministry of Finance announced both July and August budget data due to the fiscal holiday. In July, central government budget recorded a surplus of 312 million TL stemming from 32.2% increase in revenues. In August, on the other hand, budget revenues registered a limited increase of 5.5% and were realized as 31.9 billion TL. During the same period, budget expenditures rose by 10.1% and reached 35.1 billion TL. Hence, the central government budget deficit doubled compared to the same month of the previous year and reached 3.1 billion TL.

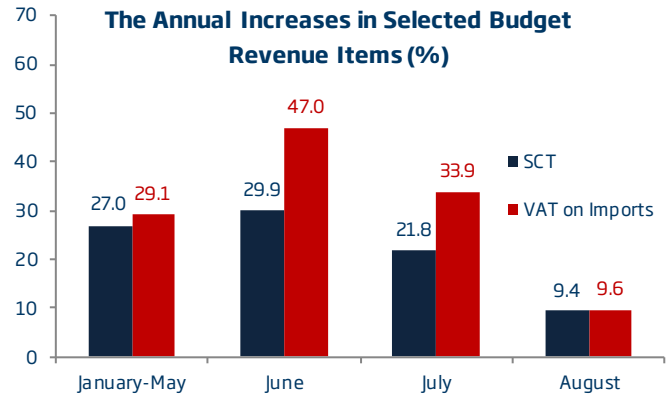
In the first eight months of 2013, budget revenues increased by 17.9% and budget expenditures rose by 13.4%. Thus, the budget balance, which posted a deficit of 8.5 billion TL in the first eight months of the last year, gave a surplus of 231 million TL in the same period of 2013. The primary surplus increased to 38 billion TL in January-August period, staying higher than the year-end target of 19 billion TL.

The tax revenues lost momentum in August.

In July, privatization revenues worth of 3.2 billion TL and 22.1% increase in tax revenues were noteworthy.

On the other hand, the positive impact of the upward trend in foreign exchange rates on budget revenues since the beginning of June has lost momentum in August. In fact, Value Added Tax, which registered a substantial increase both in June and July, expanded only by 9.6% on annual basis in August. In the same period, Special Consumption Tax (SCT) also increased by only 9.4%. In the same period, corporation taxes narrowed by 15.7%. Consequently, total tax revenues registered a limited increase of 5% compared to the same month of the previous year and reached 28.1 billion TL in August.

In the first eight months of the year, central government budget realizations displayed a better outlook than the year-end targets. Indeed, during the first eight months of the year budget revenues reached 70.2% of their year-end target.



Non-interest expenditures...

In August, non-interest expenditures increased by 5.7% compared to the same month of the previous year and were realized as 27.5 billion TL. The social transfers, which are monitored under the current transfers item, continued to increase due to the salary payments made to the people who are over the age of 65 and in need according to the law no. 2022. Regarding the first eight months of the year, it was seen that non-interest expenditures rose by 15.2%.

Interest expenditures, on the other hand, increased by 30.1% on annual basis in August. This stemmed from the interest expenditures of discount and short term cash operations worth of 1.4 billion TL. In addition, interest expenditures increased by 4.1% in January-August period compared to the same period of the previous year.

Expectations...

After the sharp increases registered in June and July, momentum loss in tax revenues in August is expected to continue in line with the course of domestic demand in the forthcoming period. However, the depreciation in TL would limit this impact through the increase in VAT imports collection. Considering the course of public and interest expenditures, it is anticipated that the expansion in budget expenditures would continue. Nevertheless, the current central government budget figures, which are compatible with the year-end targets, are expected to keep their positive outlook in the coming period.

Central Government Budget

	July		August		January-August			(TL billion)	
	2013	% Change	2013	% Change	2012	2013	% Change	Budget Target	Real./Target(%)
Expenditures	36.8	29.9	35.1	10.1	229.0	259.7	13.4	404.0	64.3
Interest Exp.	6.9	63.8	7.5	30.1	36.3	37.7	4.1	53.0	71.2
Non-interest Exp.	29.9	24.0	27.5	5.7	192.7	222.0	15.2	351.0	63.2
Revenues	37.1	32.2	31.9	5.5	220.5	259.9	17.9	370.1	70.2
Tax Revenues	29.6	22.1	28.1	5.0	182.2	216.0	18.6	317.9	68.0
Other Revenues	7.5	96.3	3.8	9.1	38.3	43.9	14.5	52.1	84.1
Budget Balance	0.3	-	-3.1	100.1	-8.5	0.2	-	-34.0	-
Primary Balance	7.2	81.8	4.4	4.0	27.7	38.0	36.9	19.0	199.3

Numbers may not add up to total due to rounding

Source: Ministry of Finance

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