



Budget Balance - October 2013

Economic Research Division



Budget deficit was realized as 3.2 billion TL.

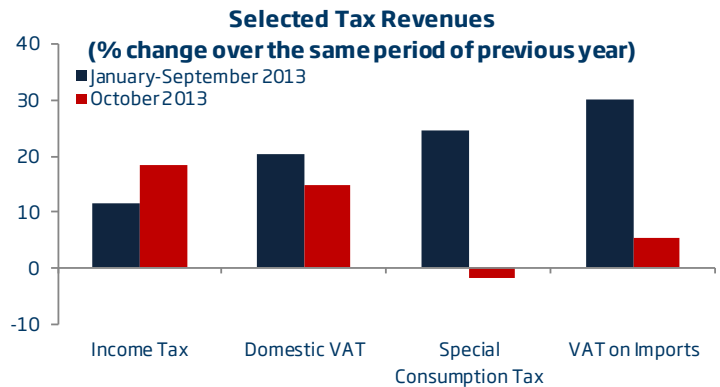
According to the data released by the Ministry of Finance, in October budget expenditures increased by 4.5% to 33.2 billion TL compared to the same month of the previous year, while budget revenues rose by 9.8% to 30 billion TL. In this period, the increase in the budget revenues surpassed that of budget expenditures, as October budget deficit decreased by 28% on an annual basis to 3.2 billion TL.

As of for the first ten months of 2013, budget expenditures and revenues increased by 13.1% and 18.1%, respectively, compared to the same period of the previous year. During the same period, budget deficit decreased by 59.1% on an annual basis to 7.7 billion TL, while primary surplus rose by 57.5% to 38.6 billion TL.

Deceleration in tax revenues...

Having increased by 19% in the first 9 months of the year compared to the same period of the previous year, the tax revenues increased by 7.4% annually in October and were realized as 26 billion TL. In October, all major tax items except the income tax lost momentum compared to the first 9 months of the year. Domestic value added tax collection was relatively strong with 15.2% annual increase while special consumption tax decreased by 2% in October compared to the same month of the previous year. The decline in special consumption tax mainly stemmed from the 28.6% fall in tax on tobacco products. The value added tax on imports, which is an indicator of the course of imports, increased by only 5.3% in October after having increased by 30.1% during January-September period compared to the same month of the previous year. This showed that the import demand was weak throughout in October. The increase in other revenues, on the other hand, mainly stemmed from the rise in portfolio revenues of Treasury.

As of the first 10 months of the year, central government revenues were in line with the targets. In fact, total budget revenues reached 320.1 billion TL (86.5% of the year-end target) and tax revenues reached 83.8% of the budget target.



Budget expenditures...

In October, the non-interest budget expenditures rose by 9.8% compared to the same month of previous year and realized as 30.8 billion TL. Interest expenditures, on the other hand, decreased by 35.3% compared to the same month the previous year and limited the increase in budget expenditures. This was stemmed from the increase in health, retirement and social aid expenditures monitored under current transfers item.

Analyzing the first 10 month cumulative figures, it is shown that the central government budget expenditures displayed a positive outlook. During this period, budget expenditures realized as 327.7 billion TL and reached 81.1% of the year-end budget target. During the same period, the annual increases in interest and non-interest expenditures were realized as 6.9% and 14.2%, respectively.

Expectations...

Budget performance in the first 10 months of the year confirms that the year-end budget estimates, which were updated in the context of Medium Term Program, are achievable. On the other hand, whether the deceleration in budget revenues in October would be permanent in the coming months is critical for the sustainability of fiscal discipline. On the expenditures side, it is considered that discipline will be preserved in the coming period, when the capital flows are expected to remain volatile, in order to maintain Turkey's relatively low risk premium.

Central Government Budget

	October			January-October			Budget Target	(TL billion)	
	2012	2013	% Change	2012	2013	% Change		Real./ Target (%)	MTP Real. Estimates
Expenditures	31,7	33,2	4,5	289,8	327,7	13,1	404,0	81,1	406,6
Interest Expenditures	3,7	2,4	-35,3	43,3	46,2	6,9	53,0	87,3	50,5
Non-interest Expenditures	28,0	30,8	9,8	246,5	281,5	14,2	351,0	80,2	356,1
Revenues	27,3	30,0	9,8	271,0	320,1	18,1	370,1	86,5	387,2
Tax Revenues	24,2	26,0	7,4	226,2	266,3	17,7	317,9	83,8	325,1
Other Revenues	3,1	4,0	28,6	44,9	53,8	19,9	52,1	103,1	62,0
Budget Balance	-4,4	-3,2	-28,0	-18,8	-7,7	-59,1	-34,0	22,6	-19,4
Primary Balance	-0,7	-0,8	11,7	24,5	38,6	57,5	19,0	202,5	31,1

Numbers may not add up to total due to rounding

Source: Ministry of Finance

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