



Budget Balance - February 2014

Economic Research Division



Central government budget posted a surplus of 1.7 billion TL in February.

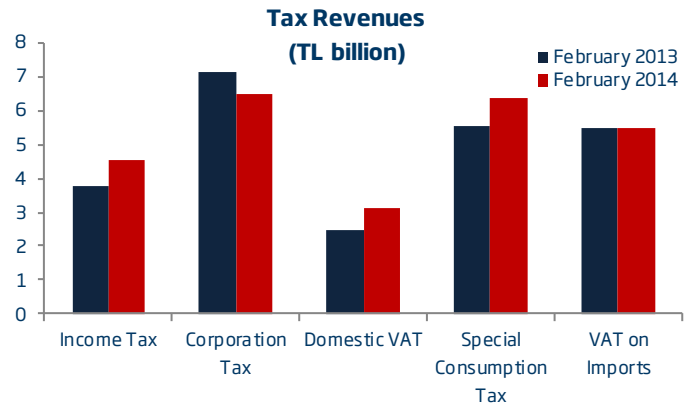
According to data announced by the Ministry of Finance, budget expenditures decreased while budget revenues increased in February compared to the same month of the previous year. In this context, central government budget, which gave 1.4 billion TL deficit in February 2013, posted a surplus of 1.7 billion TL in the same month of 2014. In this period, primary surplus increased by 40.7% and was realized as 5 billion TL.

Tax revenues lost momentum in February.

Tax revenues, which increased by 13% annually on average in last 6 months, rose only 7% in February compared to the same month of previous year. Revenues collected from VAT on imports declined during this period and pointed out a loss of momentum in imports in February due to the lagged impacts of the depreciation in TL. Besides, the decline in corporation tax was also influential in the relatively weak performance of total tax revenues. On the other hand, revenues collected from income tax and value added tax, which increased by 20.5% and 24.9%, respectively in February, limited the deceleration in tax revenues. Regarding non-tax revenues, 455 million TL privatization revenue in February also supported the budget revenues.

Budget expenditures declined in February.

Analyzing budget expenditures, it was seen that expenditures decreased by 3.5% compared to the same month of the previous year. The decrease in budget expenditures mainly stemmed from the decline in interest expenditures. During this period, the increase in personnel expenses and purchase of goods/services was compensated by the decrease in the current transfers, thus, non-interest expenditures, which constitute 90% of total budget expenditures, remained flat.



Expectations...

The central government budget figures of February 2014 showed that fiscal performance continued to remain strong. Although the impacts of the depreciation of TL on tax revenues became evident recently, there is no significant deterioration in tax revenues stemming from the slowdown in domestic consumption. However, the depreciation of TL might still create pressure on tax revenues via deceleration in imports related taxes though this pressure will be removed over the medium to long-term. The expected slowdown in domestic demand conditions might also have negative impacts on tax revenues in the coming months. Analysis of the realizations in the first two months of the year showed that the progress of budget figures was in line with the year-end targets.

Central Government Budget

	February		%	January-February		%	2014 Budget		Real./
	2013	2014		Change	2013		2014	Change	
Expenditures	33.9	32.8	-3.5	64.9	68.8	6.0	436.4	15.8	
Interest Expenditures	5.0	3.3	-33.4	10.2	8.3	-18.4	52.0	16.0	
Non-interest Expenditures	29.0	29.4	1.7	54.7	60.4	10.5	384.4	15.7	
Revenues	32.5	34.4	5.9	69.4	72.3	4.3	403.2	17.9	
Tax Revenues	27.6	29.5	7.0	56.0	62.2	11.1	348.4	17.9	
Other Revenues	4.9	4.9	-0.3	13.3	10.1	-24.3	54.8	18.4	
Budget Balance	-1.4	1.7	-	4.5	3.6	-20.4	-33.3	-	
Primary Balance	3.5	5.0	40.7	14.7	11.9	-19.0	18.7	63.6	

Numbers may not add up to total due to rounding

Source: Ministry of Finance

Budget Balance - February 2014

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.