



## Budget Balance - March 2014

Economic Research Division

TÜRKİYE İŞ BANKASI

### Central government budget posted a deficit of 5.1 billion TL in March.

According to data announced by the Ministry of Finance, budget expenditures increased by 22.9% yoy while budget revenues increased by 29.1% yoy in March compared to the same month of the previous year. Thus, central government budget, which gave 5.4 billion TL deficit in March 2013, posted a deficit of 5.1 billion TL in the same month of 2014.

Regarding the first quarter of the year, the budget deficit increased to 1.5 billion TL from 897 million TL in the same period of the previous year. During the same period, primary surplus decreased by 12.6% yoy and was realized as 12.5 billion TL.

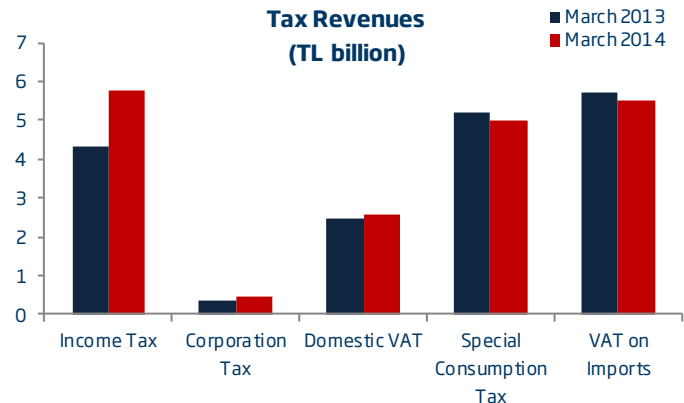
### Increase in tax revenues decelerated.

Loss of momentum in tax revenues continued and they rose by only 7% yoy in March. Especially, the decline in revenues collected from VAT on Imports and Special Consumption Tax (-3.8% yoy and -4.1% yoy, respectively) were noteworthy while Domestic VAT increased at a very low rate (3.8% yoy). On the other hand, revenues collected from Corporation Tax and Income Tax increased significantly (15.9% yoy and 33.9% yoy, respectively) and limited the loss of momentum in tax revenues to some extent. Regarding non-tax revenues, 1.5 billion TL privatization revenue obtained in March supported the budget revenues.

During January-March, the total budget revenues increased by 10.8% yoy and reached 25.9% of the 2014 year-end target.

### Rapid increase in non-interest expenditures...

Regarding budget expenditures, it was seen that total expenditures increased by 22.9% yoy. During this period, interest expenditures rose by 14.2% yoy while non-interest expenditures increased by 24.6% yoy.



In January-March period, on the other hand, non-interest expenditures decreased by 7.8% yoy while non-interest expenditures increased by 15% yoy. In this period, current transfers, which have the highest share among non-interest expenditures, increased by 9.8% yoy. This was mainly stemmed from the transfers to the social security system and agricultural subsidies.

### Expectations...

Central government budget figures for the first quarter of 2014 indicates that budget realizations are in line with the year-end targets. On the other hand, it is noteworthy that the weakening domestic demand conditions have started to impact indirect tax revenues and hence the rise in total tax revenues have decelerated. Regarding budget expenditures, although there is a general tendency of increase in several expenditure items, this rise does not constitute a major risk factor for the budget performance.

### Central Government Budget

(TRY billion)

	March		%	January-March		%	2014 Budget		Real./
	2013	2014		Change	2013		2014	Change	
<b>Expenditures</b>	<b>30.2</b>	<b>37.1</b>	<b>22.9</b>	<b>95.0</b>	<b>105.8</b>	<b>11.3</b>	<b>436.4</b>	<b>24.2</b>	
Interest Expenditures	4.9	5.6	14.2	15.1	14.0	-7.8	52.0	26.9	
Non-interest Expenditures	25.2	31.4	24.6	79.9	91.8	15.0	384.4	23.9	
<b>Revenues</b>	<b>24.8</b>	<b>32.0</b>	<b>29.1</b>	<b>94.1</b>	<b>104.3</b>	<b>10.8</b>	<b>403.2</b>	<b>25.9</b>	
Tax Revenues	21.3	22.9	7.2	77.4	85.1	10.0	348.4	24.4	
Other Revenues	3.4	9.1	164.2	16.8	19.2	14.4	54.8	35.0	
<b>Budget Balance</b>	<b>-5.4</b>	<b>-5.1</b>	<b>-5.5</b>	<b>-0.9</b>	<b>-1.5</b>	<b>69.1</b>	<b>-33.3</b>	<b>4.6</b>	
<b>Primary Balance</b>	<b>-0.5</b>	<b>0.5</b>	<b>-</b>	<b>14.3</b>	<b>12.5</b>	<b>-12.6</b>	<b>18.7</b>	<b>66.5</b>	

Numbers may not add up to total due to rounding

Source: Ministry of Finance

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