



## Budget Balance - April 2014

Economic Research Division

TÜRKİYE BANKASI

### The central government budget posted a deficit of 2.7 billion TRY in April.

According to data announced by the Ministry of Finance, budget expenditures expanded by 23.1% yoy while increase in budget revenues was recorded as 11.7% yoy. The relatively weak performance of revenues stemmed from the loss of momentum in tax revenues due to the gradual slowdown in domestic demand. Thus, the central government budget posted a deficit of 2.7 billion TRY in April.

Central government budget, which posted a deficit of 0.3 billion TRY in the first four months of previous year, gave a deficit of 4.2 billion TRY in the same period of 2014. In this period, primary surplus decreased by 24.3%.

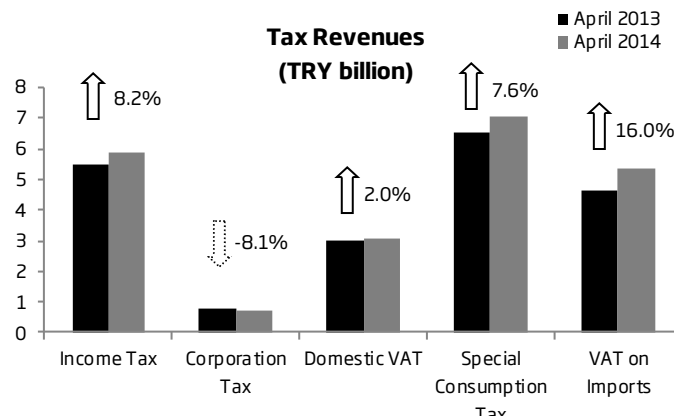
### Relatively weak course in tax revenues...

In April, tax revenues increased by 7.2% yoy and have continued their flat course since February. During this period, the Value Added Tax (VAT) increased only by 2% yoy, indicating the ongoing slowdown in domestic demand. In April, revenues collected from Special Consumption Tax and VAT on Imports expanded by 7.6% and 16% yoy, respectively. Portfolio revenue of Treasury rose from 2.5 billion TRY in April 2013 to 3.6 billion TRY in April 2014, contributing positively to budget performance.

In the first four months of the year, tax revenues rose by 9.3% annually. In the same period, the increase in total revenues was realized as 11% yoy.

### The rapid increase in budget expenditures also continued in April.

Budget expenditures kept their upward trend in April, following their surge in March. In fact, both interest expenditures and non-interest expenditures increased by around 20-25% in April. However, contribution of interest expenditures to the increase in total budget expenditures remained limited due to their low share in total



expenditures. Regarding non-interest expenditures, significant increase in the financing of the social security deficit monitored under the current transfers item was noteworthy. Lending to Public Economic Enterprises (PEE) contributed also to the increase in budget expenditures.

In January-April period, on the other hand, interest expenditures registered a limited decrease while non-interest expenditures increased by 17% yoy. Thus, the total budget expenditures enjoyed a higher growth rate than budget revenues in the first four months of the year.

### Expectations ...

In 2014, while gradual slowdown in domestic demand limited the increase in tax revenues, budget expenditures gained momentum especially in the last two months. However, a significant deterioration was not observed in budget performance and realizations are still in line with the year-end targets.

### Central Government Budget

(TRY billion)

	April			January-April			% 2014 Budget		Real./ Target (%)
	2013	2014	% Change	2013	2014	Change	Target		
<b>Expenditures</b>	<b>29.9</b>	<b>36.8</b>	<b>23.1</b>	<b>124.9</b>	<b>142.6</b>	<b>14.1</b>	<b>436.4</b>	<b>32.7</b>	
Interest Expenditures	3.1	3.8	24.8	18.2	17.8	-2.3	52.0	34.2	
Non-interest Expenditures	26.8	33.0	22.9	106.7	124.8	17.0	384.4	32.5	
<b>Revenues</b>	<b>30.5</b>	<b>34.1</b>	<b>11.7</b>	<b>124.6</b>	<b>138.4</b>	<b>11.0</b>	<b>403.2</b>	<b>34.3</b>	
Tax Revenues	24.1	25.9	7.2	101.5	111.0	9.3	348.4	31.9	
Other Revenues	6.4	8.2	29.0	23.2	27.4	18.4	54.8	50.0	
<b>Budget Balance</b>	<b>0.6</b>	<b>-2.7</b>	<b>-</b>	<b>-0.3</b>	<b>-4.2</b>	<b>1303.3</b>	<b>-33.3</b>	<b>12.7</b>	
<b>Primary Balance</b>	<b>3.7</b>	<b>1.1</b>	<b>-69.5</b>	<b>17.9</b>	<b>13.6</b>	<b>-24.3</b>	<b>18.7</b>	<b>72.4</b>	

Numbers may not add up to total due to rounding

Source: Ministry of Finance

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