



Budget Balance - May 2014

Economic Research Division

TÜRKİYE BANKASI

Central government budget posted a surplus of 1.5 billion TL in May.

According to data announced by the Ministry of Finance, budget expenditures increased by 18.9% yoy while budget revenues increased by 7.6% yoy in May. Thus, central government budget, which posted 4.6 billion TL surplus in May 2013, gave a surplus of 1.5 billion TL in the same month of 2014.

Regarding the first five months of the year, after having posted a 4.3 billion TL surplus in 2013, the budget gave a deficit of 2.8 billion TL in 2014. In the same period, primary surplus decreased by 15% yoy and was realized as 22.1 billion TL.

Corporation Tax revenues supported the budget revenues.

Tax revenues continued to lose momentum also in May and rose by only 7.3% yoy. In this period, the deceleration in domestic consumption led to a deterioration in tax revenues. In fact, Domestic Value Added Tax (VAT) increased by 0.4% yoy in May, while Special Consumption Tax and VAT on Imports decreased by 1.1% and 2.1%, respectively. The revenues collected from Corporation Tax and Income Tax, on the other hand, increased by 28.4% yoy and 11.7% yoy, respectively and limited the loss of momentum in tax revenues. Regarding non-tax revenues, 2.9 billion TL revenue obtained from interest, shares and fines in May supported the budget revenues.

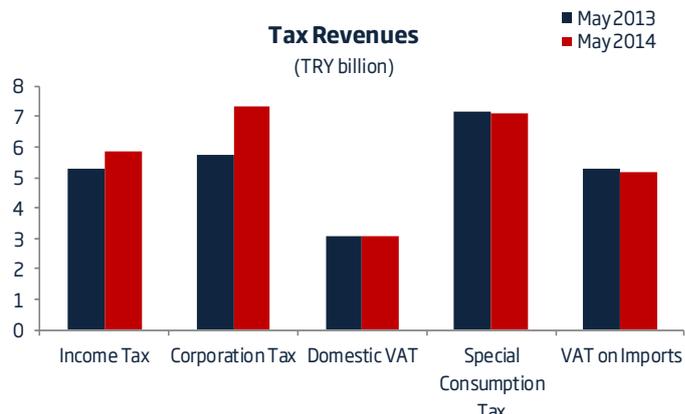
During January-May, the total budget revenues increased by 10.3% yoy and reached 43.6% of the 2014 year-end target.

Rapid increase in interest expenditures...

Regarding budget expenditures, it was seen that total expenditures increased by 18.9% yoy in May. During this period, interest expenditures increased significantly to 7.1

Tax Revenues

(TRY billion)



billion TL. According to the Ministry of Finance's statement, the cyclical nature in the maturity composition of the debt stock was effective in this development. Non-interest expenditures registered a relatively moderate increase and rose to 29 billion TL.

In January-May period, interest expenditures increased by 14.4% yoy and non-interest expenditures increased by 15.2% yoy. In this period, current transfers, which have the highest share among non-interest expenditures, increased by 12.1% yoy, while the increase in the personal expenditures, the second biggest account, was 16.6%

Expectations...

Central government budget figures for the first five months of 2014 pointed out that the tax revenues followed a relatively weak course, while non-interest expenditures rose significantly. However, budget realizations are still in line with the year-end targets. In the second half of the year, the enlivening in the domestic demand is expected to support the budget revenues via indirect taxes.

Central Government Budget

(TRY billion)

	May		% Change	January-May		% 2014 Budget Change	% 2014 Budget	
	2013	2014		2013	2014		Target	Real./ Target (%)
Expenditures	30.3	36.1	18.9	155.3	178.7	15.1	436.4	40.9
Interest Expenditures	3.5	7.1	99.9	21.8	24.9	14.4	52.0	47.9
Non-interest Expenditures	26.8	29.0	8.2	133.5	153.8	15.2	384.4	40.0
Revenues	34.9	37.6	7.6	159.5	175.9	10.3	403.2	43.6
Tax Revenues	30.2	32.4	7.3	131.7	143.3	8.9	348.4	41.1
Other Revenues	4.7	5.2	9.5	27.9	32.6	16.9	54.8	59.4
Budget Balance	4.6	1.5	-67.7	4.3	-2.8	-	-33.3	8.3
Primary Balance	8.1	8.6	5.5	26.0	22.1	-15.0	18.7	118.1

Numbers may not add up to total due to rounding

Source: Ministry of Finance

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