



Budget Balance - June 2014

Economic Research Division

TÜRKİYE BANKASI

Central government budget posted a surplus of 613 million TRY in June.

According to data announced by the Ministry of Finance, budget expenditures increased by 7.9% yoy while budget revenues rose by 10% yoy in June. Thus, central government budget deficit, which was realized as 1.2 billion TRY in June 2013, decreased to 613 million TRY in the same month of 2014.

Regarding the first six months of the year, after having posted a 3.1 billion TRY surplus in 2013, the budget gave a deficit of 3.4 billion TRY in 2014. In the same period, primary surplus decreased to 23.1 billion TRY.

Decline in tax revenues...

In June, non-tax revenues made a positive contribution to the central government budget revenues while tax revenues dropped significantly. Indeed, tax revenues declined by 7.3% on an annual basis and was realized as 24.8 billion TRY in June. The decrease in tax revenues stemmed from the contraction in Value Added Tax (VAT) on imports, corporation tax and domestic VAT income revenues. During this period, decline amounted to 1.9 billion TRY in total tax revenues, 1.2 billion TRY in VAT on imports, 975 million TRY in corporate tax, 773 million TRY in domestic VAT. On the other hand, income tax revenues, which registered an increase of 738 million TRY, limited the decline in tax revenues in June. In addition, privatization revenues in this period amounted to 3 billion TRY and an increase of 723 million TRY in interest revenues had a positive impact on the budget performance in June.

During January-June period, total budget revenues increased by 10.2% yoy and reached 52.2% of the 2014 year-end target.

A limited increase in interest expenditures...

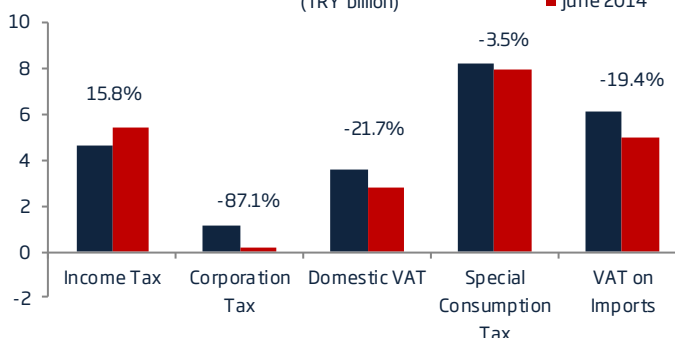
Regarding budget expenditures, total budget expenditures expanded by 2.6 billion TRY yoy and was realized as 35.2 billion TRY in June. During this period, increase of 1.3 billion TRY in the personal expenditures with a share of 26.1% in

Tax Revenues

(TRY billion)

■ June 2013

■ June 2014



non-interest expenditures was noteworthy. On the other hand, together with the interest expenditures which remained flat in the same period the annual decrease of 1.2 billion TRY in agricultural subsidies limited the increase in budget expenditures.

In January-June period, interest expenditures increased by 13.6% yoy and non-interest expenditures rose by 13.9% yoy. In this period, current transfers, which had 44.3% share in non-interest expenditures, increased by 10.1% yoy, while personal expenditures, ranked second, rose by 16.5%.

Expectations...

Central government budget figures for the first six months of 2014 pointed out that the tax revenues followed a relatively weak course compared to the previous year in parallel with the slowdown in domestic demand and the increase in non-interest expenditures became evident due to the expansion in personal expenditures. On the other hand, negative impact of the weakening in tax revenues on the budget was partly offset by privatization revenues. Thus, it was seen that budget realizations were in line with the year-end targets during the first half of the year. The tax revenues, on the other hand, are also expected to recover in the second half thanks to the improvement in domestic demand conditions.

	June		%	January-June		%	2014 Budget		Real./
	2013	2014		Change	2013		2014	Change	
Expenditures	32.6	35.2	7.9	187.9	213.9	13.8	436.4	49.0	
Interest Expenditures	1.5	1.6	2.5	23.3	26.5	13.6	52.0	50.9	
Non-interest Expenditures	31.1	33.6	8.1	164.6	187.4	13.9	384.4	48.7	
Revenues	31.4	34.6	10.0	190.9	210.5	10.2	403.2	52.2	
Tax Revenues	26.7	24.8	-7.3	158.4	168.1	6.1	348.4	48.3	
Other Revenues	4.7	9.8	108.6	32.6	42.4	30.1	54.8	77.3	
Budget Balance	-1.2	-0.6	-48.9	3.1	-3.4	-	-33.3	10.1	
Primary Balance	0.3	1.0	186.4	26.4	23.1	-12.4	18.7	123.2	

Numbers may not add up to total due to rounding

Source: Ministry of Finance

Budget Balance - June 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

Hatice Erkiletlioğlu - Asst. Manager

hatice.erkiletlioglu@isbank.com.tr

Doğuhan Atış - Sub Manager

doguhan.atish@isbank.com.tr

Kıvılcım Eraydın - Economist

kivilcim.eraydin@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.