



## Budget Balance - October 2014

Economic Research Division

TÜRKİYE İŞ BANKASI

### The central government budget gave 14.9 billion TRY deficit during January-October.

According to the Ministry of Finance's announcements, central government budget expenditures increased by 12% in October compared to the same period of the previous year. Budget revenues, on the other hand, rose by 13.8% in the same period. Thus, the budget deficit decreased from 3.2 billion TRY in October 2013 to 3 billion TRY in October 2014.

Regarding the cumulative figures for the first 10 months, budget expenditures increased by 10.6% yoy while budget revenues recorded a relatively low growth rate of 8.6% yoy. In this context, the budget deficit increased from 7.7 billion TRY in the first 10 months of 2013 to 14.9 billion TRY in the same period of 2014. Thus, the cumulative deficit reached 61.2% of the year-end target (24.4 billion TRY) as of October. During the same period, primary surplus was realized as 30.3 billion TRY.

### The expansion in interest expenditures...

Regarding the budget expenditures, annual growth rate in interest expenditures was realized as 190.7% in October. Ministry of Finance announced that the sharp increase in the interest expenditures was periodic and mainly depended on the maturity of debt stock. In addition, the Ministry of Finance pointed out that the interest expenditures exhibited a balanced outlook, in line with the year-end targets.

In October, the increase in budget expenditures mainly stemmed from the expansion in personal expenditures as well as acceleration in goods and services purchases. On the other hand, a 23.5% yoy fall in health, retirement and social aid expenditures limited the increase in total expenditures in October. It was seen that the budget expenditures generally were in line with the year-end targets while funds allocated to metropolitan municipalities exceeded the year-end target.

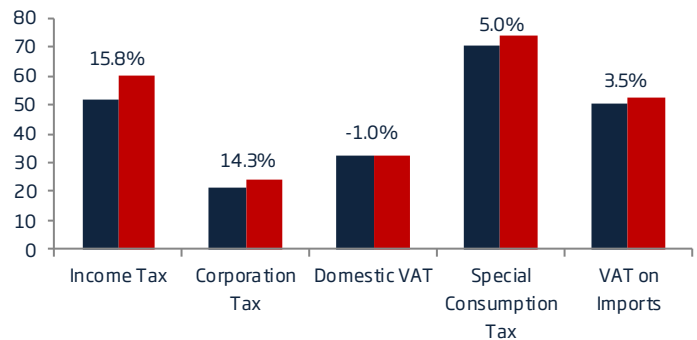
In January-October period, on the other hand, interest expenditures declined by 2.1% yoy, while non-interest expenditures increased by 12.7% yoy. In this period, current transfers, which have the highest share among non-interest expenditures, rose by 10.3% yoy, while the increase in the personal expenditures, the second biggest account, was realized as 14.9%.

■ January-October 2013

■ January-October 2014

### Tax Revenues

(TRY billion)



### Weak performance in tax collection...

In October, increase in non-tax revenues was influential on the course of budget revenues in October. The rise in tax revenues remained limited due to the moderate course of domestic economic activity in 2014. In fact, tax collection increased by 7.3% yoy, while portfolio revenue of treasury was realized as 2.5 billion TRY, expanding by almost 5-fold. Analysis of tax revenues revealed that special consumption tax revenues from motor vehicles increased by 63.2% yoy in October.

During January-October period, having increased by 8.6% yoy, total budget revenues reached 82% of the year-end target. In this period, domestic VAT revenues contracted by 1% yoy, while revenues collected from Special Consumption Tax recorded a limited increase of 5% yoy. On the other hand, during the same period, revenues from income and corporation taxes expanded by 15.8% and 14.3% yoy, respectively.

### Expectations...

Central government budget figures for the first ten months of 2014 revealed that the tax revenues followed a weak course while non-interest expenditures recorded a substantial increase. However, budget realizations remained consistent with the year-end targets.

### Central Government Budget

(TRY billion)

	October			January-October			% 2014 Budget		MTP Target (%)	Real./MTP Tar. (%)
	2013	2014	% Change	2013	2014	% Change	Target	Target (%)		
<b>Expenditures</b>	<b>33.2</b>	<b>37.2</b>	<b>12.0</b>	<b>327.7</b>	<b>362.6</b>	<b>10.6</b>	<b>436.4</b>	<b>448.4</b>	<b>80.9</b>	
Interest Expenditures	2.4	7.0	190.7	46.2	45.3	-2.1	52.0	50.2	90.2	
Non-interest Expenditures	30.8	30.2	-1.9	281.5	317.3	12.7	384.4	398.2	79.7	
<b>Revenues</b>	<b>30.0</b>	<b>34.2</b>	<b>13.8</b>	<b>320.1</b>	<b>347.7</b>	<b>8.6</b>	<b>403.2</b>	<b>424.0</b>	<b>82.0</b>	
Tax Revenues	26.0	27.9	7.3	266.3	286.6	7.6	348.4	351.6	81.5	
Other Revenues	4.0	6.2	56.4	53.8	61.1	13.6	54.8	72.4	84.4	
<b>Budget Balance</b>	<b>-3.2</b>	<b>-3.0</b>	<b>-5.0</b>	<b>-7.7</b>	<b>-14.9</b>	<b>94.9</b>	<b>-33.3</b>	<b>-24.4</b>	<b>61.2</b>	
<b>Primary Balance</b>	<b>-0.8</b>	<b>4.0</b>	<b>-</b>	<b>38.6</b>	<b>30.3</b>	<b>-21.4</b>	<b>18.7</b>	<b>25.8</b>	<b>117.6</b>	

Numbers may not add up to total due to rounding

Source: Finance Ministry

**Budget Balance - October 2014**

Economic Research Division

**Türkiye İş Bankası A.Ş. - Economic Research Division****İzlem Erdem - Manager**

izlem.erdem@isbank.com.tr

**Hatice Erkiletliođlu - Asst. Manager**

hatice.erkiletlioglu@isbank.com.tr

**Bora Çevik - Economist**

bora.cevik@isbank.com.tr

**M. Kemal Gündođdu - Asst.Economist**

kemal.gundogdu@isbank.com.tr

**Alper Gürler - Unit Manager**

alper.gurler@isbank.com.tr

**Kıvılcım Eraydın - Economist**

kivilcim.eraydin@isbank.com.tr

**Eren Demir - Asst.Economist**

eren.demir@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.