

Budget Balance - November 2014

Economic Research Division

TÜRKİYE İŞ BANKASI

The central government budget gave 11.3 billion TRY deficit during January-November period.

According to the Ministry of Finance's announcements, central government budget expenditures rose by 16.8% yoy in November while budget revenues recorded a limited increase of 6.2% yoy. Thus, the budget balance, which gave 6.4 billion TRY surplus in November 2013, registered a surplus of 3.6 billion TRY in the same month of 2014.

In the first 11 months of 2014, budget expenditures increased by 11.2% yoy while the expansion in budget revenues was realized as 8.4% yoy. In this context, the budget deficit increased from 1.2 billion TRY in the first 11 months of previous year to 11.3 billion TRY in the same period of 2014. Despite the widening of budget deficit, it was noteworthy that the cumulative deficit in this period reached only 46.5% of the year-end target set in Medium Term Program (MTP). During the same period, primary surplus, on the other hand, surpassed the MTP's target.

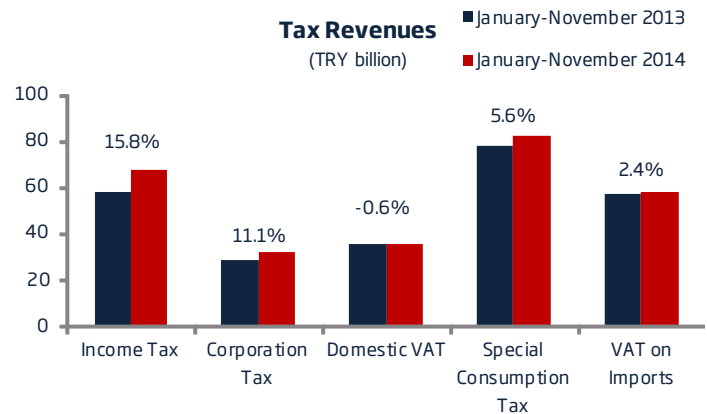
Acceleration in interest expenditures...

Analysis of budget expenditures revealed that the upward course in interest expenditures was kept in November. In addition to annual growth rate in interest expenditures which was realized as 81.3% in November, the increase in capital expenditures was 62.9% yoy. In fact, these two items were responsible for the two-thirds of total expansion in budget expenditures in November.

In January-November period, on the other hand, interest expenditures exhibited a flat course compared to the same period of the previous year. In this period, current transfers, which have the highest share among non-interest expenditures, rose by 9.7% yoy while the surge in the personal expenditures, having the second largest share, were realized as 14.8% yoy. Whereas total interest expenditures in the first 11 months of the year mostly converged to the year-end target of the MTP, non-interest expenditures reached only 87.8% of the targeted level.

Weak performance in tax collection continued.

Weak performance in tax revenues have persisted in November. Indeed, tax revenues, which constituted 90% of total budget revenues in November, grew by 6% yoy. Analysis of tax revenues pointed out that revenues collected from income tax



and special consumption tax rose by 15.5% and 11.1% yoy, respectively. On the other hand, having increased by only 1.8% yoy in the same period, corporation tax revenues restrained the increase in tax revenues.

During January-November period, tax revenues recorded a limited increase of 7.4% yoy due to the moderate course of economic activity in 2014. Indeed, taking into consideration that the annual CPI inflation was 9.15% in November, tax revenues registered a decline in real terms. Regarding the composition of tax revenues in the first 11 months of the year, domestic VAT revenues contracted by 0.6% yoy, while revenues collected from VAT on imports and special consumption tax recorded a limited increase of 2.4% and 5.6% yoy, respectively. On the other hand, during the same period, income tax and corporation tax revenues expanded by 15.8% and 11.1% yoy, respectively.

Expectations

Having given a surplus in November, central government budget figures for the first eleven months of 2014 revealed that the budget realizations remained consistent with the year-end targets. However, considering the high level of budget spending recorded in the last month of previous years, it is likely that the budget expenditures might accelerate in December 2014 as well. In this framework, budget deficit might converge to the year-end target in the next month.

Central Government Budget

	November		% Change	January-November		% 2014 Budget Change	2014 Budget Target		MTP Target (%)	Real./ MTP Tar. (%)
	2013	2014		2013	2014		2013	2014		
Expenditures	30.5	35.6	16.8	358.2	398.2	11.2	436.4	448.4	88.8	
Interest Expenditures	1.8	3.2	81.3	48.0	48.5	0.9	52.0	50.2	96.5	
Non-interest Expenditures	28.7	32.4	12.8	310.2	349.8	12.8	384.4	398.2	87.8	
Revenues	36.9	39.2	6.2	357.0	386.9	8.4	403.2	424.0	91.2	
Tax Revenues	33.1	35.1	6.0	299.4	321.7	7.4	348.4	351.6	91.5	
Other Revenues	3.8	4.1	8.1	57.6	65.2	13.3	54.8	72.4	90.1	
Budget Balance	6.4	3.6	-43.9	-1.2	-11.3	813.5	-33.3	-24.4	46.5	
Primary Balance	8.2	6.8	-17.0	46.8	37.1	-20.6	18.7	25.8	143.9	

Numbers may not add up to total due to rounding

Source: Finance Ministry

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