



Budget Balance - December 2014

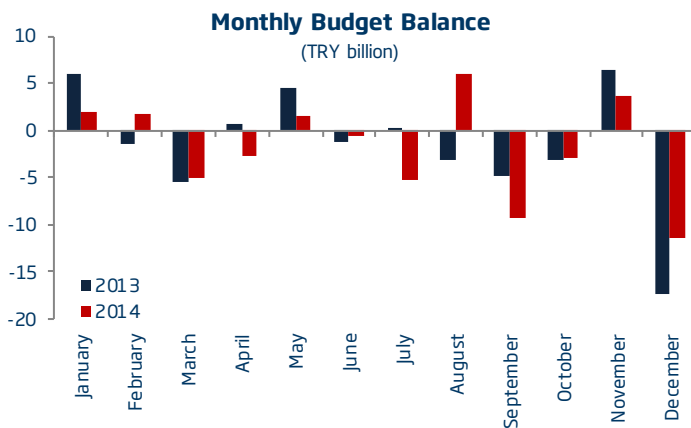
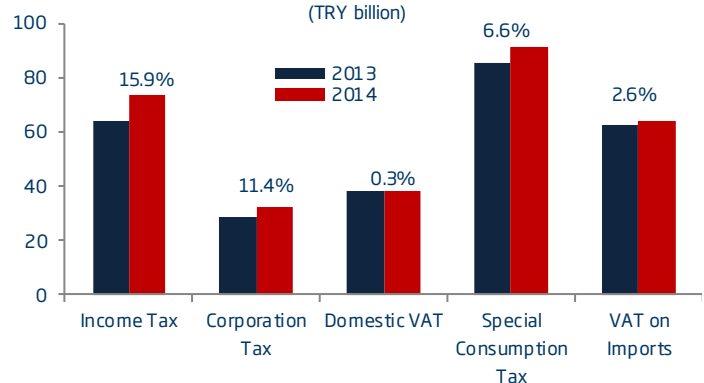
Economic Research Division

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Central government budget posted a deficit of 22.7 billion TRY in 2014.

According to the data released by Ministry of Finance, central government budget posted a deficit of 11.3 billion TRY in December 2014. Historically, central government budget gives relatively high level of deficit in the last months of each year. Although this trend was also kept in December 2014, the budget deficit narrowed by 34.5% yoy. Regarding the whole year, although the budget deficit widened by 22.2% yoy, it remained well below the year-end target. On the other hand, having declined by 13.4% yoy, primary surplus exceeded the year-end target.

Tax Revenues



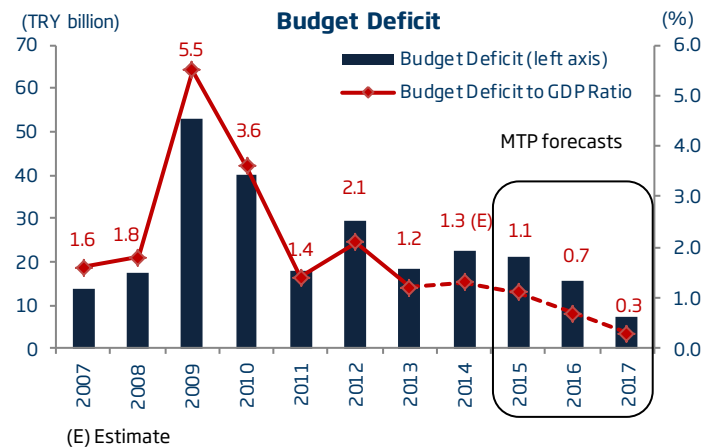
privatization revenues declined on annual basis, they came in at 7.8 billion TRY, providing a considerable support to the budget revenues.

Non-interest expenditures rose by 11.2% in 2014.

Budget expenditures displayed a limited increase in December as non-interest expenditures remained flat compared to the previous year. Nevertheless, it was seen that a great amount of the goods and services purchases together with the capital expenditures and transfers were made in the last month of the year. Regarding the whole year, budget expenditures rose by 9.8% yoy. Analysis of annual budget expenditures revealed that personnel expenditures and current transfers increased by 14.7% yoy

Budget revenues displayed a strong performance in December.

Budget revenues surged by 18.8% yoy in December, exhibiting a solid performance. For the whole year, budget revenues rose by 9.3% yoy, expanding at a more moderate pace. Analyzing the course of tax revenues throughout the year, it was seen that the highest annual increase was recorded under the item of income tax with 15.9%. Having increased by 11.4% yoy, revenues collected from corporate tax also supported the budget balance. However, relatively modest expansions were recorded on the other sub-items of tax revenues in line with the course of economic activity. Privatization revenues continued to make positive contribution to the budget revenues in 2014. Although



Central Government Budget

	December			January-December			2014 Budget		MTP	
	2013	2014	% Change	2013	2014	% Change	Target	Target (%)	MTP Tar. (%)	Real./
Expenditures	50.0	50.2	0.4	408.2	448.4	9.8	436.4	448.4	100.0	
Interest Expenditures	2.0	1.4	-27.0	50.0	49.9	-0.2	52.0	50.2	99.4	
Non-interest Expenditures	48.0	48.7	1.5	358.2	398.5	11.2	384.4	398.2	100.1	
Revenues	32.7	38.9	18.8	389.7	425.8	9.3	403.2	424.0	100.4	
Tax Revenues	26.8	30.8	14.9	326.2	352.4	8.1	348.4	351.6	100.2	
Other Revenues	5.9	8.1	36.8	63.5	73.3	15.4	54.8	72.4	101.3	
Budget Balance	-17.3	-11.3	-34.5	-18.5	-22.7	22.2	-33.3	-24.4	92.9	
Primary Balance	-15.3	-9.9	-35.5	31.4	27.2	-13.4	18.7	25.8	105.6	

Numbers may not add up to total due to rounding

Source: Finance Ministry



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and 9.1% yoy, respectively. These sub-items, which constitute 61% of total budget expenditures, rose faster than inflation in 2014.

Expectations

Central budget realizations proved that Turkey maintained fiscal discipline throughout 2014. Indeed, the budget deficit to GDP ratio, which decreased as low as to 1.2% in 2013, is expected to have been realized at 1.3% in 2014. It is anticipated that the budget discipline will be maintained

also in 2015 and the general elections, which will be held in June, is expected to have limited adverse effect on budget indicators. According to the Medium Term Program, budget deficit to GDP ratio is expected to fall down to 1.1% in 2015 and 0.7% in 2016, displaying a relatively better outlook.



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