



Budget Balance - February 2015

Economic Research Division

TÜRKİYE İŞ BANKASI

Central government budget posted a deficit of 2.4 billion TRY in February.

According to data announced by the Ministry of Finance, budget expenditures increased by 29.8% yoy while budget revenues rose by 16.6% yoy in February. Thus, central government budget, which registered a surplus of 1.7 billion TRY in February 2014, posted a deficit of 2.4 billion TRY in the same month of 2015. In this period, primary surplus decreased by 9.3% yoy and was realized as 4.5 billion TRY.

In the first two months of 2015, budget expenditures, increasing faster than revenues, also put downward pressure on budget balance.

Tax revenues gained momentum in February.

Tax revenues, which exhibited a weak course throughout 2014, surged by 17.2% yoy in February. This recovery stemmed from the rise in revenues collected from corporation tax, which expanded by 35.3% yoy, together with the increase in special consumption tax (SCT) revenues. Analysis of the sub-items of the SCT revealed that tax revenues collected from motor vehicles increased by 43% yoy. On the other hand, VAT on imports significantly declined during this period owing to the current loss of momentum in imports.

Budget revenues grew by 11% on annual basis in the first two months of the year. In this period, the contraction in VAT on imports became more evident while corporation tax revenues contributed to total budget revenues by 2.3 billion TRY.

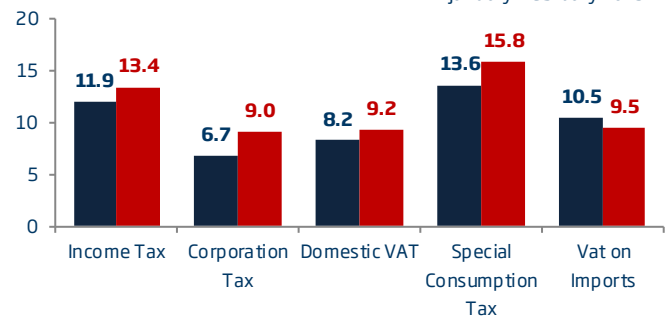
Significant increase in interest expenditures...

Total budget expenditures accelerated substantially in February, rising by 29.8% yoy. It was noteworthy that interest expenditures doubled compared to the same month of the previous year. In this period, interest payments on domestic debt constituted 85% of total debt interest payments. Non-interest expenditures expanded also by 21% yoy. Especially, capital expenditures and lending to

Tax Revenues

(TRY billion)

■ January-February 2014
■ January-February 2015



public enterprises recorded significant increases in the same period.

Regarding the cumulative figures for the first two months of the year, interest expenditures registered a high rate of annual increase as well. In this period, the expansion in payments to the metropolitan and borough municipalities by 2.6 billion TRY was influential on the sharp increase in budget expenditures.

Expectations...

Although tax revenues gained momentum in February, the remarkable increases in both interest and capital expenditures affected the budget figures adversely. Analysis of the realizations in the first two months of the year, on the other hand, showed that the budget figures were in line with the year-end targets.

Central Government Budget

(TRY billion)

	February		%	January-February		%	2015 Budget		Real/
	2014	2015		Change	2014		2015	Change	
Expenditures	32.8	42.5	29.8	68.8	78.9	14.7	472.9	16.7	
Interest Expenditures	3.3	6.9	107.1	8.3	11.9	42.7	54.0	22.0	
Non-Interest Expenditures	29.4	35.6	21.0	60.4	66.9	10.8	418.9	16.0	
Revenues	34.4	40.2	16.6	72.3	80.3	11.0	452.0	17.8	
Tax Revenues	29.5	34.6	17.2	62.2	69.5	11.7	389.5	17.8	
Other Revenues	4.9	5.5	13.0	10.1	10.8	6.6	62.5	17.2	
Budget Balance	1.7	-2.4	-	3.6	1.4	-60.6	-21.0	-	
Primary Balance	5.0	4.5	-9.3	11.9	13.3	11.7	33.0	40.3	

Numbers may not add up to total value due to rounding.

Source: Ministry of Finance, Datastream



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