



Budget Balance - May 2015

Economic Research Division

TÜRKİYE İŞ BANKASI

Budget figures continued to demonstrate a solid performance.

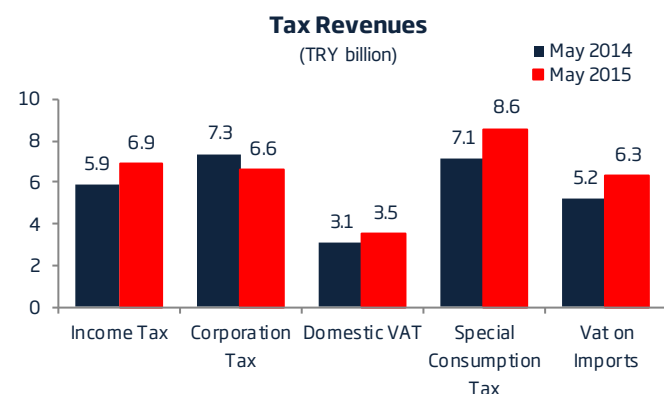
According to data released by the Ministry of Finance, both budget expenditures and budget revenues increased by 11.2% yoy in May. Thus, budget balance, having posted a surplus of 1.5 billion TRY in May 2014, registered a surplus of 1.6 billion TRY in the same month of this year.

In the first five months of the year, budget deficit narrowed by 12.4% yoy to 2.4 billion TRY. Primary surplus, on the other hand, recorded an annual increase of 15.7% and became 25.6 billion TRY, reaching 77.5% of the year-end target.

Tax revenues increased by 11.8% yoy in May.

The surge in tax revenues continued to play a significant role in the positive outlook of budget performance as was the case in most of this year. Tax revenues, constituting 87% of budget revenues in this period, rose by 11.8% yoy. Special Consumption Tax (SCT) revenues contributed most to this rise by posting an annual increase of 1.5 billion TRY. Furthermore, 1.1 billion TRY rise in VAT on imports revenues also supported the favorable trend observed in budget balance. The performance of these tax revenues confirmed the ongoing recovery in domestic demand. TRY depreciation also played a role in this development.

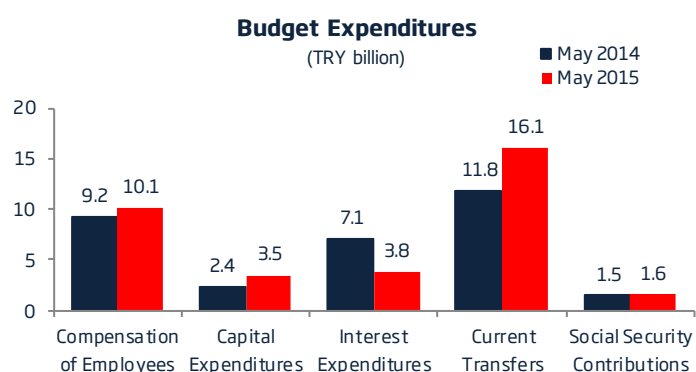
During the first five months of the year, budget revenues kept displaying a compatible picture to the year-end targets. In this period, SCT and VAT on imports increased by 19.7% and 11.8% yoy, respectively. These rises provided support to the budget performance.



A decline of 45.7% in interest expenditures...

The fast decline in interest expenditures also supported the budget balance in May. Having risen sharply in April due to seasonal factors, interest expenditures registered an annual decline of 45.7% in May. Non-interest expenditures, on the other hand, had a negative impact on budget balance by recording an increase of 25.1%. This rise particularly stemmed from the surge in current transfers. In fact, current transfers increased by 35.8% during this period and was realized as 16 billion TRY in May.

Year-to date figures revealed that interest and non-interest expenditures rose by 12.6% yoy and 12% yoy, respectively.



Expectations...

Relative surge in domestic demand, that has been observed since the beginning of this year and confirmed by the first quarter GDP figures released recently, also prevailed in May as strong tax revenues suggested. Keeping in mind that the year-end target for budget deficit stands at 21 billion TRY, it can be contemplated that budget figures have been recording a solid performance during the first five months of the year. Against a backdrop of a preserved budget discipline on the eve of general elections and the recent increases in tax revenues, we anticipate that there would be no problem in attaining the year-end budget targets in 2015.

Central Government Budget

	May			January-May			2015 Budget	
	2014	2015	% Change	2014	2015	% Change	Target	Real/Target (%)
Expenditures	36.1	40.1	11.2	178.7	200.3	12.1	472.9	42.4
Interest Expenditures	7.1	3.8	-45.7	24.9	28.0	12.6	54.0	51.9
Non-Interest Expenditures	29.0	36.3	25.1	153.8	172.3	12.0	418.9	41.1
Revenues	37.6	41.8	11.2	175.9	197.9	12.5	452.0	43.8
Tax Revenues	32.4	36.2	11.8	143.3	164.4	14.7	389.5	42.2
Other Revenues	5.2	5.5	7.0	32.6	33.5	2.8	62.5	53.6
Budget Balance	1.5	1.6	11.2	-2.8	-2.4	-12.4	-21.0	11.5
Primary Balance	8.6	5.5	-35.9	22.1	25.6	15.7	33.0	77.5

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

Source: Ministry of Finance, Datastream



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Türkiye İş Bankası A.Ş. - Economic Research Division

İzlem Erdem - Manager

izlem.erdem@isbank.com.tr

Hatice Erkiletlioğlu - Asst. Manager

hatice.erkiletlioglu@isbank.com.tr

Eren Demir - Asst.Economist

eren.demir@isbank.com.tr

Gamze Can - Asst.Economist

gamze.can@isbank.com.tr

Alper Gürler - Unit Manager

alper.gurler@isbank.com.tr

Bora Çevik - Economist

bora.cevik@isbank.com.tr

M. Kemal Gündoğdu - Asst.Economist

kemal.gundogdu@isbank.com.tr

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