



Budget Balance - July/August 2015

Economic Research Division

TÜRKİYE İŞ BANKASI

Central government budget registered a surplus of 639 million TRY in January-August period.

The Ministry of Finance released both July and August budget data due to the fiscal holiday. Budget figures displayed a balanced outlook in this period. Budget registered a deficit of 5.4 billion TRY in July while it gave a surplus of 5.2 billion TRY in August. Annual rises in both expenditures and revenues gained momentum in the July-August period compared to the first half of the year.

In the first eight months of 2015, budget revenues surged by 13.1% yoy and budget expenditures rose by 11.8% yoy. Accordingly, the budget, which gave a deficit of 2.7 billion TRY in the first eight months of the previous year, posted a surplus of 639 million TRY during the same period of 2015. The primary surplus was realized as 39 billion TRY in this period, remaining higher than the year-end target of 33 billion TRY.

Deceleration in tax revenues...

Despite registering a relatively high annual rise by 17.1% in July, tax revenues lost momentum considerably compared to June. Indeed, this deceleration also continued in August and the annual increase in tax revenues was realized as 13.3%, the lowest level of the last 7 months. It was seen that the modest expansion in domestic economic activity as well as the significant drop in imports limited the rise in tax revenues. In fact, Special Consumption Tax (SCT) registered in July and VAT on imports recorded in August exhibited a relatively weak performance.

Analysis of the budget figures in the January-August period revealed that all types of tax revenues, except corporate tax revenues which registered a limited increase in this period, remained compatible with the year-end targets. In fact, tax revenues reached 69% of the year-end target in the first eight months.

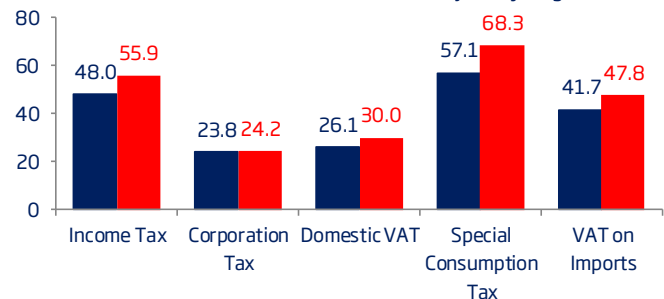
Increase in interest expenditures...

In both July and August annual rise in budget expenditures was above than 2015 average. The deterioration in the risk perception towards Turkey since the second half of 2013 has led interest rates to rise. As a result, interest expenditures surged significantly in this period. Especially in August, interest

Tax Revenues

(TRY billion)

■ January-August 2014
■ January-August 2015



expenditures posted an annual rise of 31.1%. During July-August period, the increase in current transfers mainly stemmed from the rise in the financing of the social security deficit which expanded by 1 billion TRY annually. Indeed, current transfers surged by 17.3% yoy in July while rising by 24.8% yoy in August.

In the first 8 months of the year, the upward trend in interest expenditures was also prominent. During the January-August period, interest expenditures reached 71.1% of the year-end target. On the non-interest expenditures front, the upsurges in purchase of goods and services, capital transfers and lending were worth mentioning.

Expectations

Having expanded at a moderate pace throughout 2015, domestic economic activity has put downward pressure on tax revenues. In addition, the depreciation in TRY, putting the imports of consumption goods under pressure, limited the increase in SCT as well as VAT on imports. In this context, it is expected that the slowdown in tax revenues will continue in the coming period. Regarding the expenditures, however, we anticipate that the upward trend in interest expenditures will prevail in the remaining part of the year. Nevertheless, taking into consideration the realizations in the first eight months, we think that there will be no problem in reaching the year-end budget targets in 2015.

Central Government Budget

(TRY billion)

	July		August		January-August			% 2015 Budget		Real/Target (%)
	2015	% Change	2015	% Change	2014	2015	Change	Target	Target (%)	
Expenditures	45.5	13.8	37.5	17.2	285.9	319.7	11.8	472.9	67.6	
Interest Expenditures	5.1	14.5	3.6	31.1	33.6	38.4	14.1	54.0	71.1	
Non-Interest Expenditures	40.5	13.7	33.9	15.9	252.2	281.3	11.5	418.9	67.2	
Revenues	40.1	15.6	42.8	12.6	283.2	320.4	13.1	452.0	70.9	
Tax Revenues	36.0	17.1	38.1	13.3	232.4	268.7	15.6	389.5	69.0	
Other Revenues	4.1	3.7	4.7	7.2	50.8	51.6	1.7	62.5	82.6	
Budget Balance	-5.4	2.1	5.2	-11.9	-2.7	0.6	-	-21.0	-	
Primary Balance	-0.4	-60.1	8.9	1.7	30.9	39.0	26.2	33.0	118.1	

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 - Division Head

izlem.erdem@isbank.com.tr

Alper Gürler - Unit Manager

alper.gurler@isbank.com.tr

Hatice Erkiletlioğlu - Asst. Manager

hatice.erkiletlioglu@isbank.com.tr

İlker Şahin - Economist

ilker.sahin@isbank.com.tr

Eren Demir - Asst.Economist

eren.demir@isbank.com.tr

M. Kemal Gündoğdu - Asst.Economist

kemal.gundogdu@isbank.com.tr

Gamze Can - Asst.Economist

gamze.can@isbank.com.tr

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