



Budget Balance - December 2015

Economic Research Division



Budget posted a deficit of 22.6 billion TRY in 2015.

Central government budget followed the historical trend also in the last month of 2015, posting a relatively larger deficit. The budget posted a deficit of 17.2 billion TRY, increasing by 42.8% yoy.

Both budget revenues and expenditures rose by a relatively similar pace in 2015. Thus, budget deficit contracted by 3.3% yoy to 22.6 billion TRY in 2015, remaining below the year-end target of the Medium Term Program (MTP). On the other hand, primary surplus expanded by 14.5% yoy and reached 30.4 billion TRY.

Budget revenues displayed a weak performance in December.

Budget revenues surged by 8.1% yoy in December while they registered a decrease in real terms. This development stemmed from the fall in non-tax revenues. On the other hand, having risen by 12.6% yoy in this period, tax revenues displayed a relatively strong performance mostly thanks to the sharp increases in special consumption tax (SCT) and value-added tax (VAT) on imports revenues.

Regarding the whole year, budget revenues recorded an increase of 13.6% yoy, while tax revenues expanded by 15.6% yoy. SCT revenues, which constitute about 25% of total tax revenues, surged by 16.3% yoy in 2015. Income tax revenues also made a positive contribution to the budget indicators increasing by 16% yoy. On the other hand, corporate tax revenues remained below the year-end-target in 2015. Despite having dropped on annual basis,

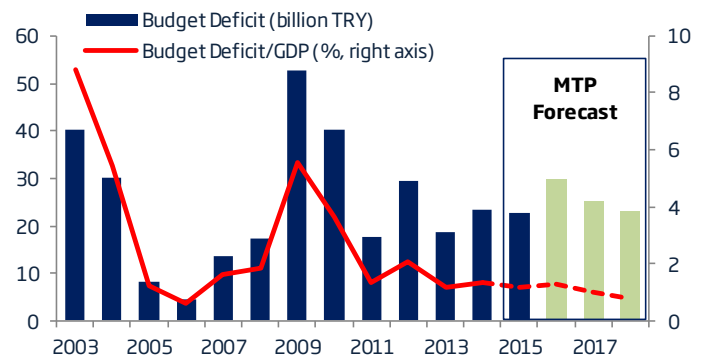
privatization revenues contributed to the budget revenues by 6.1 billion TRY.

Non-interest expenditures rose by 13.6% in 2015.

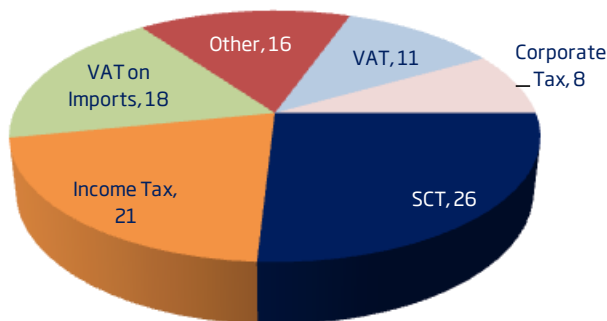
Budget expenditures increased by 16.3% in December due to the rises registered in personnel expenditures, capital expenditures and capital transfers. During this period, capital expenditures constituted one third of the total capital expenditures recorded in the whole year.

In 2015, budget expenditures rose by 12.8% yoy. Personnel expenditures and current transfers surged by 13.3% yoy and 12.6% yoy, respectively. The annual increase in interest expenditures, on the other hand, was lower with 6.2%. One fourth of the overall rise in budget expenditures in 2015 stemmed from governments premiums to social security agencies and shares of local governments from revenues.

Budget Deficit



Composition of Tax Revenues (% ,2015)



Expectations

Central budget realizations indicated that Turkey maintained fiscal discipline in 2015. Indeed, according to MTP estimates, the budget deficit to GDP ratio declined to 1.2% in this period. The MTP forecasts for the annual rises in revenues and expenditures for 2016 stand at 11.9% and 12.7%, respectively. Against this backdrop, budget deficit is expected to be 29.7 billion TRY and the deficit to GDP ratio is forecasted to be 1.3%.

Central Government Budget

(TRY billion)

	December			January-December			2015 Budget		
	2014	2015	% Change	2014	2015	% Change	Target	MTP Target	Real/MTP Target (%)
Expenditures	50.5	58.8	16.3	448.8	506.0	12.8	472.9	503.0	100.6
Interest Expenditures	1.5	1.7	19.3	49.9	53.0	6.2	54.0	54.0	98.2
Non-Interest Expenditures	49.1	57.0	16.3	398.8	453.0	13.6	418.9	449.0	100.9
Revenues	38.5	41.6	8.1	425.4	483.4	13.6	452.0	478.5	101.0
Tax Revenues	30.9	34.7	12.6	352.5	407.5	15.6	389.5	405.8	100.4
Other Revenues	7.6	6.9	-10.0	72.9	75.9	4.2	62.5	72.8	104.3
Budget Balance	-12.0	-17.2	42.8	-23.4	-22.6	-3.3	-21.0	-24.5	92.3
Primary Balance	-10.6	-15.4	46.0	26.5	30.4	14.5	33.0	29.5	103.0

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

Source: Ministry of Finance, Datastream



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