



Budget Balance - March 2016

Economic Research Division



A balanced budget outlook in the first quarter...

Central government budget deficit decreased by 4% in March compared to the same month of the previous year. Primary balance, which gave a deficit of 655 million TRY in March 2015, posted a surplus of 160 million TRY in the same month of this year.

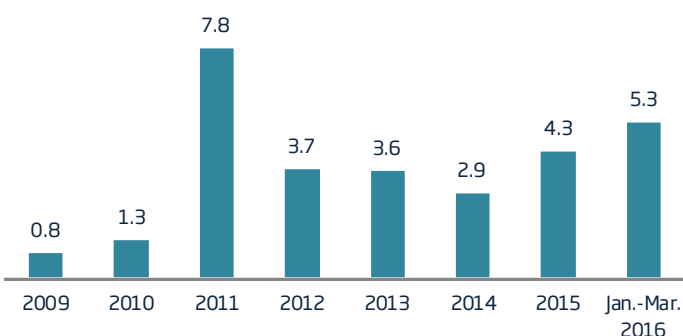
Regarding the first three months of 2016, budget balance gave 46 million TRY surplus and painted a better picture than last year. Budget had posted a deficit of 5.4 billion TRY in the first quarter of 2015. Fall in capital and interest expenditures with the combination of rise in privatization revenues played a significant role in this development.

Expansion in capital revenues...

Tax revenues rose by 13.8% yoy in March. On the back of the favorable domestic demand, 25.1% of the increase in tax revenues came from Special Consumption Tax (SCT) and 24.8% from the Value Added Tax (VAT) on imports. In this period, income tax revenues rose by 14.6% yoy with the help of the minimum wage hike. Having been 4 billion TRY in March, privatization revenues made a substantial contribution to the budget performance.

In the first three months of the year, budget revenues surged by 16.4% yoy. 66.1% of the 18.5 billion TRY rise in budget revenues stemmed from tax revenues while another 24.2% from privatization revenues. Due to privatization

One-Off Revenues / Budget Revenues * (%)



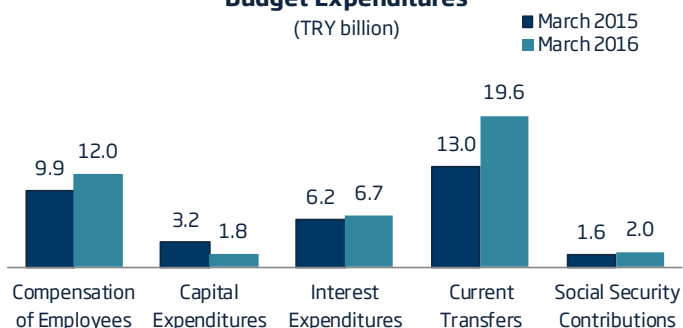
revenues, the share of one-off revenues in total revenues increased.

Rapid rise in current transfers...

Budget expenditures increased at a rapid pace of 17.8% yoy in March. This rise mostly stemmed from the current transfers. Current transfers surged by 51% yoy due to the funds channeled to social security institution. The transfer of 3.6 billion TRY to finance social security deficit also put upward pressure on expenditures. Interest expenditures, having followed a downward trend for a while, rose in March on an annual basis. The fall in capital expenditures, on the other hand, limited the increase in budget expenditures.

Budget Expenditures

(TRY billion)



Current transfers expanded by 12.5 billion TRY (29.9% yoy) in the first quarter of the year driving 13.1 billion rise in budget expenditures. However, the contraction in interest and capital expenditures moderated the increase in budget expenditures.

Expectations...

Budget realizations were in line with the year-end targets in the first quarter of 2016. Nonetheless, the impact of minimum wage hike has begun to be felt on budget figures. Indeed, the upsurge in current transfers weighed on budget expenditures. As privatization revenues reached more than half of the year-end target, the contribution of privatization revenues might diminish in the forthcoming period.

Central Government Budget

(TRY billion)

	March			January-March			2016 Budget	
	2015	2016	% Change	2015	2016	% Change	Target	Real./ Target (%)
Expenditures	39.8	46.8	17.8	118.6	131.7	11.0	570.5	23.1
Interest Expenditures	6.2	6.7	8.7	18.1	16.5	-9.0	56.0	29.4
Non-Interest Expenditures	33.6	40.1	19.5	100.5	115.2	14.6	514.5	22.4
Revenues	32.9	40.3	22.3	113.2	131.7	16.4	540.8	24.4
Tax Revenues	26.8	30.5	13.8	96.3	108.5	12.7	459.2	23.6
Other Revenues	6.1	9.8	59.6	16.9	23.2	37.1	81.7	28.4
Budget Balance	-6.8	-6.6	-4.0	-5.4	0.0	-	-29.7	-
Primary Balance	-0.7	0.2	-	12.7	16.5	30.4	26.3	62.8

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

(*) One-off revenues includes tax and social security payment amnesties introduced in 2011 and 2014 as well as privatization revenues.

Source: Ministry of Finance, Datastream



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