

Budget posted a surplus In January.

In the first month of 2017, central government budget revenues registered a robust growth by 25.8% yoy. In this period, budget expenditures increased by 11.3% yoy. Thus, the budget posted a surplus of 11.4 billion TRY in January.

Sharp increase in tax revenues...

The rapid increase in budget revenues in January mainly stemmed from the rise in tax revenues. In this period, revenues collected from domestic value added tax (VAT) and special consumption tax (SCT) picked up by about 20% on an annual basis while VAT on imports surged by more than 40%. Hence, these three tax items accounted for 63% of the expansion in tax revenues.

The contribution of income collected from fees to the budget revenues also increased considerably in the new year due to lump-sum tax adjustments. This item, which contributed only 0.13 point to the increase in total budget revenues in January 2016, made a contribution of 1.6 points in 2017. On the other hand, the support of income and corporate tax to total revenues remained relatively low.

Privatization revenues, on the other hand, had positive impact on budget in January. In this period, privatization revenues, which were recorded as 4.2 billion TRY, made a contribution of 4.6 points to the total budget revenues.

Budget expenditures...

Surge in budget expenditures was largely due to the rise in compensation of employees and current transfers in January. In this period, compensation of employees and current transfers increased by 9.3% yoy and by 14.2% yoy, respectively. As a result, 76% of the growth in budget expenditures came from these two items. Health, retirement and social aid expenditures have constituted the largest portion of the current transfer expenditures.

Contribution of Sub-Items to Budget Revenues*

	$\Delta\%$	points %
Central Budget Revenues	25.8	25.8
1-Tax Revenues	22.0	18.7
a-Taxes on Income, Profits and Cap. Gains	13.6	2.8
b-Taxes on Property	24.1	1.5
c-Domestic Taxes on Good and Services	19.9	8.2
Domestic VAT	19.7	2.9
Special Consumption Tax (SCT)	21.9	5.0
Other	7.8	0.3
d-Taxes on International Trade and Trans.	42.9	4.4
VAT on Imports	43.5	3.9
Other	38.6	0.5
e-Fees	42.1	1.6
f-Other	8.5	0.3
2-Property Income	13.3	0.3
3-Grants, Aids and Special Revenues	40.1	0.3
4-Interest, Shares and Fines	12.6	0.6
5-Capital Revenues	103.1	4.7
Sales of Other Capital (Privatization)	104.1	4.6
6-Revenues from Special Budget Ins.	42.5	1.0
7-Revenues from Reg. & Superv. Inst.	17.4	0.2

Expectations

Tax hikes had apparently an enormous impact on tax revenues in the first month of 2017. On the other hand, tax cuts on white goods and furniture in February may limit this upward trend. In this context, considering the anticipated pick-up in public expenditures due to the stimulus measures, the course of domestic demand will be influential on the tax revenues and thus budget balance in the coming period.

	January		% Change	(TRY billion)	
	2016	2017		2017 Budget Target	Real./Target (%)
Expenditures	42.5	47.3	11.3	645.1	7.3
Interest Expenditures	5.6	6.6	17.4	57.5	11.5
Non-Interest Expenditures	36.9	40.8	10.4	587.6	6.9
Revenues	46.7	58.8	25.8	598.3	9.8
Tax Revenues	39.7	48.4	22.0	511.1	9.5
Other Revenues	7.0	10.4	47.2	87.2	11.9
Budget Balance	4.2	11.4	172.3	-46.9	-
Primary Balance	9.8	18.0	83.7	10.6	169.2

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

$\Delta\%$ is the annual increase in the relevant item, points% is the item's contribution to the increase in the budget revenue
Source: Ministry of Finance, Datastream

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