



Budget Balance - June 2013

Economic Research Division

TÜRKİYE İŞ BANKASI

Central government budget posted a deficit of 1.2 billion USD in June.

Budget revenues were realized as 31.4 billion TL in June by registering a rapid rise of 26.6% compared to the same month of the previous year. Budget expenditures, on the other hand, increased by only 4.9%. Thus, the central government budget deficit narrowed by 80.9% compared to the same month of the previous year and decreased to 1.2 billion TL.

In the first half of 2013, budget revenues increased by 17.7% and budget expenditures rose by 11.2%. Thus, the budget balance, which posted a deficit of 6.7 billion TL in the first half of last year, gave a surplus of 3.1 billion TL in the same period of 2013. During this period, the primary surplus rose to 26.4 billion TL, staying higher than the year-end target.

The rapid increase in tax revenues...

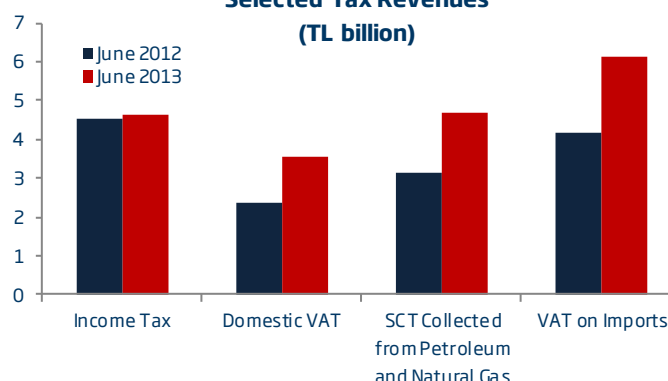
The upward trend in foreign exchange rates in June made a favorable impact on budget revenues. Indeed, Special Consumption Tax (SCT) collected from petroleum and natural gas products, whose prices are highly sensitive to the changes in foreign exchange rates, increased by 50.9% while Value Added Tax (VAT) on Imports also rose by 47%. Besides, in line with the recovery in domestic demand conditions compared to the previous year, Domestic VAT expanded by 49.8%. Due to these developments, the tax revenues increased by 31.7% compared to the same month of the previous year and reached 26.7 billion TL in June.

As of the first half of the year, central government budget realizations remained consistent with the year-end targets

Limited increase in non-tax budget revenues...

Non-tax budget revenues registered a limited increase of 3.8% in June compared to the same month of the previous year and were realized as 4.7 billion TL. Portfolio revenues of Treasury, which were 384 million TL in June 2012, expanded to 1.2 billion TL in June 2013 and made a positive contribution to the increase in non-tax revenues.

Selected Tax Revenues (TL billion)



Non-interest expenditures...

In June, non-interest expenditures increased by 6.4% compared to the same month of the previous year and were realized as 31.1 billion TL. The increase mainly stemmed from the rise in current transfers. The compensation of employees, on the other hand, decreased by 5.1% and limited this increase. In addition, according to the law no. 2022, people, who are over the age of 65 and in need, started to receive salary from government. Thus, the social transfers item, which was realized as 238 million TL in June 2012, increased to 1.1 billion TL in June 2013. In addition, the increase in capital expenditures indicated that the public investments continued to contribute to GDP growth in the second quarter of the year as well.

In the first six months of 2013, non-interest expenditures increased by 15.4% while interest expenditures decreased by 11.3%.

Expectations...

The impact of recent developments in the exchange rates on budget revenues is expected to continue also in July through the energy prices and the import channels. In this respect, the current central government budget figures, which are compatible with the year-end targets, are expected to keep their positive outlook in the coming period.

Central Government Budget

| | June | | | January-June | | | (TL billion) | |
|---------------------------|-------------|-------------|--------------|--------------|--------------|-------------|---------------|------------------|
| | 2012 | 2013 | % Change | 2012 | 2013 | % Change | Budget Target | Real./Target (%) |
| Expenditures | 31.1 | 32.6 | 4.9 | 168.9 | 187.9 | 11.2 | 404.0 | 46.5 |
| Interest Expenditures | 1.9 | 1.5 | -18.5 | 26.3 | 23.3 | -11.3 | 53.0 | 44.0 |
| Non-interest Expenditures | 29.2 | 31.1 | 6.4 | 142.6 | 164.6 | 15.4 | 351.0 | 46.9 |
| Revenues | 24.8 | 31.4 | 26.6 | 162.2 | 190.9 | 17.7 | 370.1 | 51.6 |
| Tax Revenues | 20.3 | 26.7 | 31.7 | 131.2 | 158.4 | 20.7 | 317.9 | 49.8 |
| Other Revenues | 4.5 | 4.7 | 3.8 | 31.0 | 32.6 | 5.1 | 52.1 | 62.5 |
| Budget Balance | -6.3 | -1.2 | -80.9 | -6.7 | 3.1 | - | -34.0 | - |
| Primary Balance | -4.4 | 0.3 | - | 19.6 | 26.4 | 34.8 | 19.0 | 138.4 |

Numbers may not add up to total due to rounding

Source: Ministry of Finance

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