



Budget Balance - March 2015

Economic Research Division

TÜRKİYE BANKASI

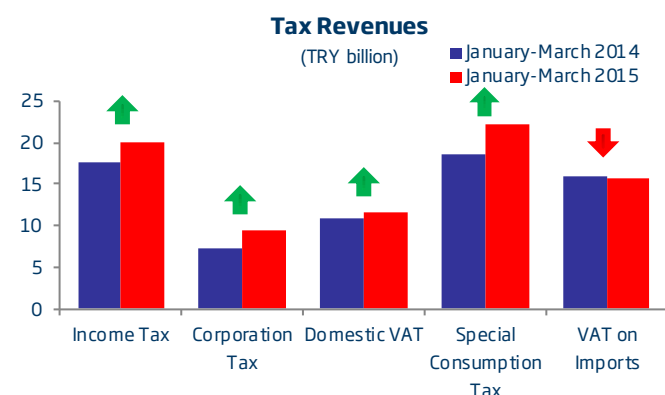
Budget posted a deficit of 5.4 billion TRY in the first quarter of the year.

According to data announced by the Ministry of Finance, budget expenditures surged by 12.1% compared to the same period of the previous year while the rise in budget revenues came in at 8.5% yoy. Hence, central government budget deficit increased to 5.4 billion TRY in the first quarter of 2015 from 1.5 billion TRY in the same period of last year. Primary surplus, on the other hand, followed a relatively flat course during this period.

The increase in tax revenues was 13.2% yoy in the first quarter.

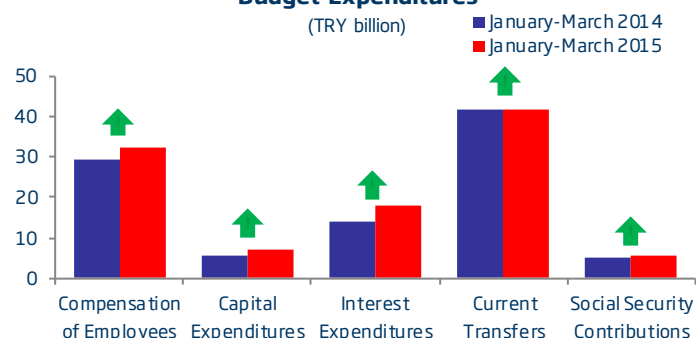
Tax revenues increased by 13.2% yoy in January-March period. This surge mostly stemmed from the annual rise of 32.4% in revenues collected from corporation tax. In this period, 19.8% expansion in special consumption tax and 13.3% expansion in income tax further supported the overall tax revenues. On the other hand, VAT on imports declined by 1.1% yoy due to the falling imports.

Putting tax revenues aside, budget revenues dropped by 12% on annual basis in the first quarter of the year. The weak course of privatization revenues played some role in this development. In fact, privatization revenues amounted to 1.6 billion TRY in the first three months of 2015 as a result of the privatization revenues registered in March. The year-end target for privatization revenues is 8.7 billion TRY.



Budget Expenditures

(TRY billion)



Non-interest expenditures rose by 9.4% yoy in the first quarter.

In the first quarter of the year, non-interest expenditures increased by 9.4% yoy. This escalation was mostly explained by the 10.1% annual surge in compensation of employees which had a share of 30% in total non-interest expenditures. Also, 28.2% annual rise recorded in capital expenditures was influential in the upswing of non-interest expenditures. Moreover, the expansion in payments to the metropolitan and borough municipalities by 4 billion TRY put upward pressure on budget expenditures. It was also noteworthy that lending to domestic public enterprises posted a 2.2 billion TRY rise during this period.

Another remarkable point regarding the budget figures of the first quarter was the 29.5% annual growth in interest expenditures. Under the item of interest expenditures, interest payments on domestic debt constituted 76% of total interest payments.

Expectations

Despite the acceleration in tax revenues, the notable increases recorded in both interest and capital expenditures had a negative impact on budget outlook. Nonetheless, analysis of the realizations in the first quarter revealed that budget figures continued to be widely in harmony with the year-end targets. With the help of the reducing uncertainties following the general elections to be held in June, domestic demand is likely to revive and in turn will support budget revenues. Having realized as 1.3% in 2014, budget deficit to GDP ratio is anticipated to maintain its favorable outlook also in 2015 thanks to the sustained fiscal discipline.

Central Government Budget

(TRY billion)

	March			January-March			% 2015 Budget	
	2014	2015	% Change	2014	2015	% Change	Target	Real/Target (%)
Expenditures	37.1	39.8	7.3	105.8	118.6	12.1	472.9	25.1
Interest Expenditures	5.6	6.2	9.9	14.0	18.1	29.5	54.0	33.5
Non-Interest Expenditures	31.4	33.6	6.8	91.8	100.5	9.4	418.9	24.0
Revenues	32.0	32.9	3.0	104.3	113.2	8.5	452.0	25.0
Tax Revenues	22.9	26.8	17.2	85.1	96.3	13.2	389.5	24.7
Other Revenues	9.1	6.1	-32.8	19.2	16.9	-12.0	62.5	27.0
Budget Balance	-5.1	-6.8	34.4	-1.5	-5.4	258.2	-21.0	25.9
Primary Balance	0.5	-0.7	-	12.5	12.7	1.6	33.0	38.3

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

Source: Ministry of Finance, Datastream



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