



## Budget Balance - June 2015

Economic Research Division

TÜRKİYE İŞ BANKASI

### Budget gave a surplus in June.

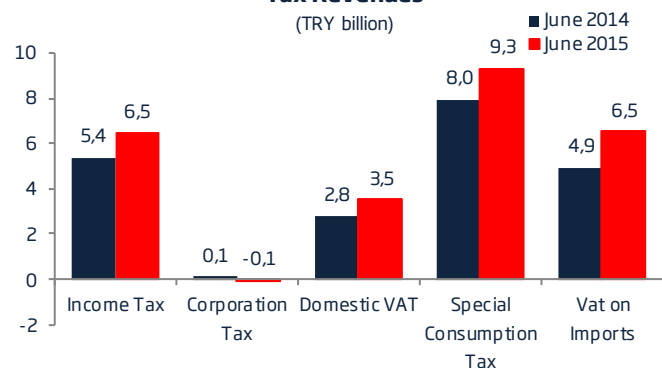
According to data released by the Ministry of Finance, budget expenditures rose by 3.3% yoy while budget revenues surged by 14.5% yoy in June. As a result, budget balance, having posted a deficit of 0.6 billion TRY in June 2014, recorded a surplus of 3.2 billion TRY in the same month of this year.

Regarding the first half of the year, while budget deficit was 3.4 billion TRY in 2014, budget posted a surplus of 0.8 billion TRY in this year. In the same period, primary surplus registered an annual increase of 32.2% and reached 92.4% of the year-end target.

### Annual rise in tax revenues was 22.2% in June.

The strong pick-up in tax revenues continued to affect positively the budget balance. Indeed, tax revenues, which accounted for 76% of budget revenues in June, surged by 22.2% yoy. Having posted an annual rise of 32%, Value Added Tax (VAT) on imports contributed most to this expansion in budget revenues. Special Consumption Tax (SCT) revenues followed this item by recording an annual increase of 17%. Furthermore, it is seen that income tax, which has gone up by 20% yoy, provided support to the budget outlook. The positive performance of the tax revenues reflected a sustained recovery in domestic demand. The depreciation in TRY also played a part in the strong growth recorded in VAT on imports.

#### Tax Revenues



Budget figures for the first half of 2015 revealed that tax revenues were fully in line with the year-end targets.

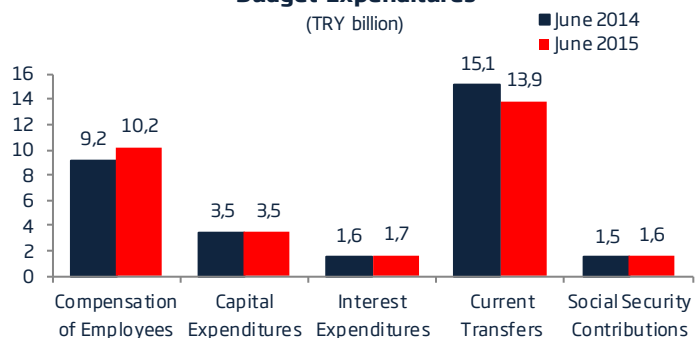
### Current transfers dropped by 8% yoy.

In June, having the highest share in total budget expenditures, compensation of employees rose by 11.2% on annual basis. Nevertheless, the decline in current transfers strongly supported the budget balance. Thus, the annual expansion in non-interest expenditures was realized as low as 3.1%. Interest expenditures, on the other hand, increased by 7.6% in this period.

During the first half of the year, the limited rise in current transfers had a favorable impact on budget balance. On the other hand, rising by 22.8% yoy, capital expenditures indicated that public investments improved to some extent in the first half of the year.

#### Budget Expenditures

(TRY billion)



### Expectations

In the first half of the year, the surge in tax revenues on the back of the ongoing improvement in domestic demand affected favorably the budget balance. Comparing with the year-end figures, despite the heightened political uncertainties, it is observed that budget has remained broadly on track. Against this backdrop, budget disciplined will continue to be main pillar of Turkish economy.

#### Central Government Budget

(TRY billion)

	June		%	January-June		%	2015 Budget		Real/Target (%)
	2014	2015		Change	2014		2015	Change	
<b>Expenditures</b>	<b>35.2</b>	<b>36.3</b>	<b>3.3</b>	<b>213.9</b>	<b>236.7</b>	<b>10.7</b>	<b>472.9</b>	<b>50.0</b>	
Interest Expenditures	1.6	1.7	7.6	26.5	29.7	12.3	54.0	55.0	
Non-Interest Expenditures	33.6	34.6	3.1	187.4	206.9	10.4	418.9	49.4	
<b>Revenues</b>	<b>34.6</b>	<b>39.6</b>	<b>14.5</b>	<b>210.5</b>	<b>237.5</b>	<b>12.8</b>	<b>452.0</b>	<b>52.5</b>	
Tax Revenues	24.8	30.2	22.2	168.1	194.7	15.8	389.5	50.0	
Other Revenues	9.8	9.3	-5.0	42.4	42.8	1.0	62.5	68.5	
<b>Budget Balance</b>	<b>-0.6</b>	<b>3.2</b>	<b>-</b>	<b>-3.4</b>	<b>0.8</b>	<b>-</b>	<b>-21.0</b>	<b>-</b>	
<b>Primary Balance</b>	<b>1.0</b>	<b>4.9</b>	<b>412.6</b>	<b>23.1</b>	<b>30.5</b>	<b>32.2</b>	<b>33.0</b>	<b>92.4</b>	

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

Source: Ministry of Finance, Datastream



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