



Budget Balance - September 2015

Economic Research Division



Central government budget posted 14.1 billion TRY deficit in September.

In September budget expenditures increased by 21.2% yoy while budget revenues expanded by 11.5%. Thus, budget deficit widened by 53.1% yoy and was realized as 14.1 billion TRY. It was the highest monthly budget deficit figure of all time, excluding Decembers where the central government budget traditionally posts a significant amount of deficit.

In the first 9 months of the year, both budget revenues and expenditures increased by 13% presenting a balanced outlook. During this period, budget deficit increased by 12.8% to 13.5 billion TRY.

Slowdown in tax revenues together with the increase in personnel expenses and current transfers were influential on the higher budget deficit figure.

Tax revenues also continued to lost momentum in September following July and August. VAT on imports weakened due to the significant drop in exports and the special consumption tax revenues (particularly in tobacco products) slowed down. However, earnings via value added tax gained momentum in September and supported the overall tax revenues.

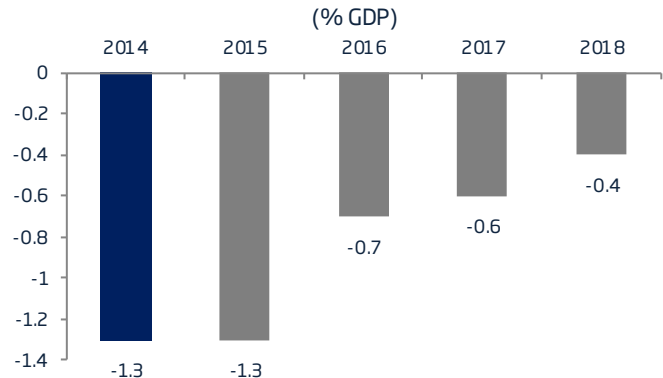
In September, the annual 8.4 billion TRY increase in budget expenditures mainly stemmed from the rise in personnel expenditures and current transfers. Personnel expenditures, dominated by the salaries of civil servants, increased by 19.6%, while it was noteworthy that payments to workers and contractual personnel recorded a significant rise in this period. 23.1% annual increase in current transfers mainly stemmed from the health, retirement, social aid expenditures and social transfers.

On the other hand, the deterioration in the risk perception towards Turkey since the second half of 2013 led interest rates to rise. Thus, increase in interest expenditures continued in September.

Budget projections in Medium Term Program...

According to the Medium Term Program (MTP), the ratio of public expenditures and revenues to GDP will continue to shrink so that public sector's weight in economic activity will

Central Government Budget Balance



Note: 2015-2018 Medium Term Program projections

decline gradually in the coming period. The central government budget deficit to GDP ratio in 2015 year-end, which was set as 1.1% in the previous MTP, is forecasted to realize as 1.3%. The primary surplus to GDP ratio, which was set as 1.7% in the previous MTP, is anticipated to be 1.5% in the year-end. The central government budget deficit to GDP ratio is targeted to decrease to 0.7% in 2016 and further to 0.4% at the end of the Program period. In other words, central government budget will be almost "balanced" at the end of 2018. The EU defined general government debt stock to GDP ratio, which was 33.5% in 2014, is forecasted to somewhat increase to 34% at the end of 2015 and is targeted to further decrease to 30% at the end of the Program.

Expectations

The expected improvement in nominal debt stock to GDP ratio indicates that the public sector will borrow less in the MTP period. However, after the general elections to be held in November in 2015 the new government might revise the MTP projections. Considering the budget realizations so far we expect that the budget figures will remain compatible with the targets in the remaining part of the year.

Central Government Budget

	September			January-September			2015 Budget			(TRY billion)
	2014	2015	% Değişim	2014	2015	% Değişim	Target	MTP Target	Real/MTP Target (%)	
Expenditures	39.6	47.9	21.2	325.4	367.7	13.0	472.9	503.0	73.1	
Interest Expenditures	4.6	6.4	37.7	38.3	44.8	17.0	54.0	54.0	82.9	
Non-Interest Expenditures	34.9	41.6	19.0	287.2	322.9	12.4	418.9	449.0	71.9	
Revenues	30.3	33.8	11.5	313.5	354.2	13.0	452.0	478.5	74.0	
Tax Revenues	26.2	29.5	12.6	258.7	298.3	15.3	389.5	405.8	73.5	
Other Revenues	4.1	4.3	4.7	54.9	55.9	1.9	62.5	72.8	76.8	
Budget Balance	-9.2	-14.1	53.1	-11.9	-13.5	12.8	-21.0	-24.5	54.9	
Primary Balance	-4.6	-7.7	68.7	26.3	31.3	18.8	33.0	29.5	106.1	

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

Source: Ministry of Finance, Datastream



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