



Budget Balance - October 2015

Economic Research Division



Central government budget posted a surplus of 7.2 billion TRY in October.

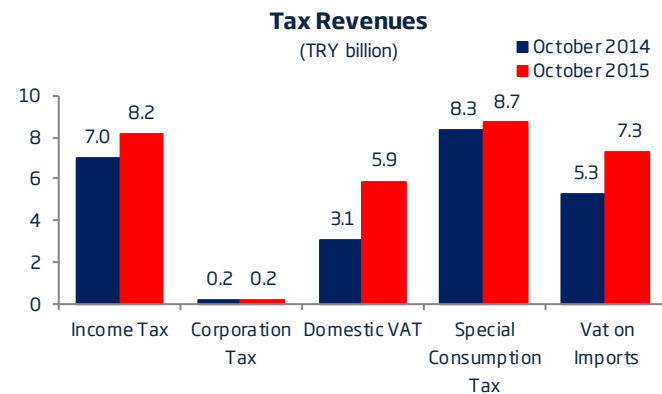
Budget expenditures decreased by 1.7% yoy in October while budget revenues expanded by 28.2% yoy. Having posted a deficit of 3 billion TRY in October 2014, budget registered a surplus of 7.2 billion TRY in October 2015, reaching a record level.

In the first 10 months of the year, budget expenditures and budget revenues increased by 11.5% yoy and 14.5% yoy, respectively. Budget deficit narrowed by 58.3% yoy to 6.2 billion TRY during this period. It was 14.9 billion TRY in the same period of the previous year.

The primary balance figures also confirmed the significant improvement in the budget outlook. The primary surplus surged by 35.7% yoy to 41.2 billion TRY during the first 10 months of the year. This level indicated that the primary balance reached 140% of the year-end estimate of Medium Term Program.

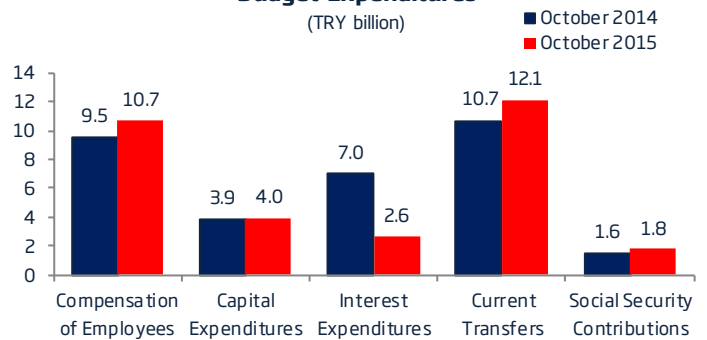
Acceleration in tax revenue growth....

The increase in tax revenues, which had lost some momentum in the third quarter of the year due to the moderate outlook in domestic demand, accelerated again in October. Constituting 80% of the total budget revenues in this period, tax revenues increased by 7 billion TRY compared to a year ago. More than 90% annual expansion in the revenues via value added tax (VAT) played a significant role in this development. VAT on imports, recording an annual increase of 38.1%, was also



Budget Expenditures

(TRY billion)



influential in this strong performance of revenues with the help of the better domestic demand conditions in October. The rises in these sub-items of tax revenues were attributable to the base effect as well. Income tax revenues expanded by 16.4% yoy in this period while special consumption tax revenues posted a limited increase of 4.3%. Aside from the surge in tax revenues, 2.3 billion TRY rise recorded in property income, mostly thanks to the growth in portfolio revenue of Treasury, also supported the budget balance in October 2015.

The fall in interest expenditures had also a significant impact on the favorable budget outlook in October.

Interest expenditures, which had reached 7 billion TRY in October 2014 due to a periodic rise depending on the maturity structure of the debt stock, receded to 2.6 billion TRY in October 2015. Domestic interest payments declined by 4.4 billion TRY during this period. Non-interest expenditures, however, rose by 3.7 billion TRY compared to the same period of the previous year. This rise mainly stemmed from the increases registered in the current transfers and personnel expenditures.

Expectations

Budget indicators have performed better than the year-end targets as of October. This favorable outlook indicates that fiscal policy-makers have enough room for maneuver in order to boost the economy in the coming period if it is deemed necessary.

Central Government Budget

(TRY billion)

	October			January-October			2015 Budget		
	2014	2015	% Change	2014	2015	% Change	Target	MTP Target	Real/MTP Target (%)
Expenditures	37.2	36.6	-1.7	362.6	404.2	11.5	472.9	503.0	80.4
Interest Expenditures	7.0	2.6	-62.3	45.3	47.4	4.7	54.0	54.0	87.8
Non-Interest Expenditures	30.2	33.9	12.4	317.3	356.8	12.4	418.9	449.0	79.5
Revenues	34.2	43.8	28.2	347.7	398.0	14.5	452.0	478.5	83.2
Tax Revenues	27.9	35.1	25.6	286.6	333.3	16.3	389.5	405.8	82.1
Other Revenues	6.2	8.7	39.7	61.1	64.6	5.8	62.5	72.8	88.8
Budget Balance	-3.0	7.2	-	-14.9	-6.2	-58.3	-21.0	-24.5	25.4
Primary Balance	4.0	9.9	147.2	30.3	41.2	35.7	33.0	29.5	139.6

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

Source: Ministry of Finance, Datastream



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