



Budget Balance - April 2016

Economic Research Division



Budget posted a surplus of 5.4 billion TRY in April.

Central government budget gave 5.4 billion TRY surplus in April, rising by 4 billion TRY yoy. Primary balance also posted a surplus of 8 billion TRY parallel to the figures for April 2015.

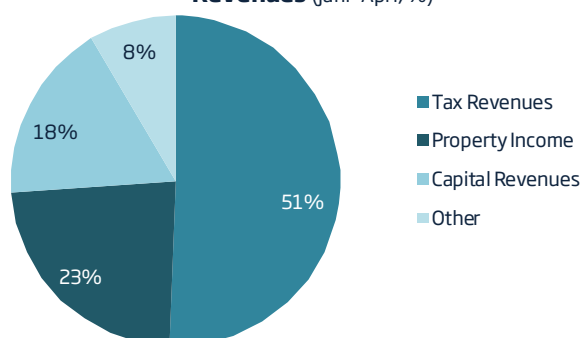
Regarding the first four months of the year, the central government budget surplus was realized as 5.4 billion TRY. Recording a deficit of 4.1 billion in the same period of 2015, budget displayed a strong performance this year especially thanks to the increase in both property income and capital revenues.

Sharp increase in revenues...

Budget revenues surged by 15.7% yoy in April. Having risen by 5.7 billion TRY compared to the same month of 2015, property income constituted 85% of the increase in total budget revenues (6.7 billion TRY). Central Bank's profit of 2015 transferred to Undersecretariat of Treasury is considered to have played an important role in this rise. After having a great contribution to budget revenues in March, privatization revenues had no impact on the budget performance in April.

The other revenue items also remained relatively flat in April. Tax revenues rose by only 1.7% yoy in April. It was noteworthy that the value added tax on imports fell by 1.1 billion TRY in this period. While domestic VAT and special consumption tax revenues posted an annual rise of 3.5% and 5.6% respectively, income tax revenues picked up at a stronger pace by 14.8%.

The Breakdown of the Rise in Budget Revenues (Jan.-Apr., %)



In the first four months of the year, budget revenues increased by 16.2% yoy. More than half of 25.3 billion TRY annual expansion recorded in budget revenues stemmed from rise in

tax revenues. Property income and capital revenues also made an important contribution to total revenues. Property income and capital revenues accounted for 23.2% and 17.6% of the growth in budget revenues, respectively.

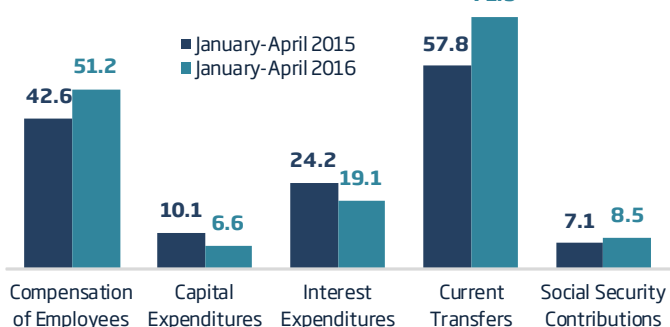
The fall in interest expenditures...

Another factor behind the favorable performance of budget balance was the slow growth in budget expenditures in April. Thanks to 3.4 billion TRY drop in interest expenditures in this period, budget spending supported the budget outlook. On the other hand, expansion in personnel expenses, purchase of goods/services and current transfers limited the solid budget performance.

Falling interest expenditures also exerted a visible favorable impact on four-month budget performance. In this period, the drop in capital expenditures lowered the rise in total expenditures as well. On the other hand, having recorded an annual rise of 14.1 billion TRY in January-April period, current transfers played a significant role in the rise of total expenditures, amounting to 15.8 billion TRY.

Budget Expenditures

(TRY billion)



Expectations...

Budget figures for the first four months of the year painted a better picture than year-end targets. However, the upward pressure on current transfers and personnel expenses stemming from the minimum wage hike is likely to adversely affect budget figures. Besides, the high share of one-off revenues in total revenues has raised questions on the health of budget performance.

Central Government Budget

(TRY billion)

	April			January-April			2016 Budget	
	2015	2016	% Change	2015	2016	% Change	Target	Real./ Target (%)
Expenditures	41.6	44.3	6.6	160.2	176.0	9.9	570.5	30.9
Interest Expenditures	6.1	2.7	-55.9	24.2	19.1	-20.8	56.0	34.2
Non-Interest Expenditures	35.5	41.7	17.3	136.0	156.9	15.3	514.5	30.5
Revenues	43.0	49.7	15.7	156.2	181.4	16.2	540.8	33.5
Tax Revenues	31.9	32.4	1.7	128.2	141.0	10.0	459.2	30.7
Other Revenues	11.1	17.3	56.1	28.0	40.4	44.6	81.7	49.5
Budget Balance	1.4	5.4	289.7	-4.1	5.4	-	-29.7	-
Primary Balance	7.5	8.0	7.8	20.1	24.6	22.0	26.3	93.3

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

Source: Ministry of Finance, Datastream



Budget Balance - April 2016

Economic Research Division

Türkiye İş Bankası A.Ş. - Economic Research Division

İzlem Erdem - Division Head

izlem.erdem@isbank.com.tr

Alper Gürler - Unit Manager

alper.gurler@isbank.com.tr

Hatice Erkiletlioğlu - Asst. Manager

hatice.erkiletlioglu@isbank.com.tr

İlker Şahin - Economist

ilker.sahin@isbank.com.tr

Eren Demir - Asst.Economist

eren.demir@isbank.com.tr

M. Kemal Gündoğdu - Asst.Economist

kemal.gundogdu@isbank.com.tr

Gamze Can - Asst.Economist

gamze.can@isbank.com.tr

LEGAL NOTICE

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.