



Budget Balance–May 2016

Economic Research Division



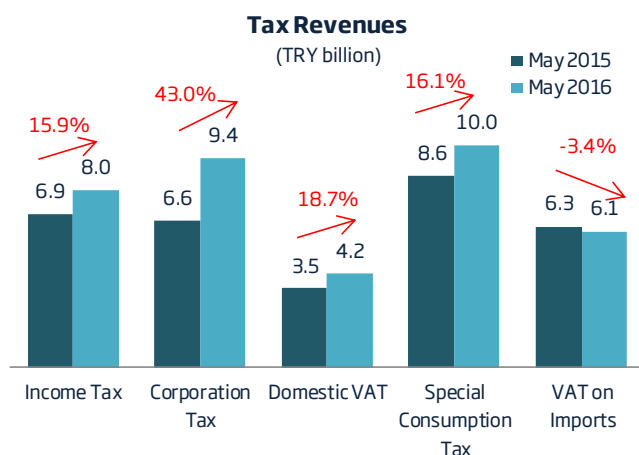
Budget ran a surplus of 3.7 billion TRY.

Central government budget sustained its strong performance also in May. The budget surplus came in at 3.7 billion TRY rising by 2 billion TRY compared to a year ago. Primary budget figures suggested a solid outlook as well. Primary surplus increased by 58.6% yoy to 8.7 billion TRY.

Having given a deficit of 2.4 billion TRY in January-May 2015, the budget posted a surplus of 9.1 billion TRY during the same period of this year. The benign fiscal outcome so far this year reflected the 16.7% annual surge registered in revenues.

Fast increase in tax revenues...

Budget revenues went up by 18.6% yoy in May. This was largely due to the 17% yoy rise in tax revenues which have a considerable share in total revenues. In particular, rapid growth in provisional corporation tax revenues was noteworthy in May. Domestic taxes on goods and services also supported this revenue expansion. Following the tax revenues, revenues obtained from "interest, shares and fines" boosted the budget by printing strong rises. However, portfolio revenue of Treasury put downward pressure on budget revenues in May as opposed to its prominent contribution in April.

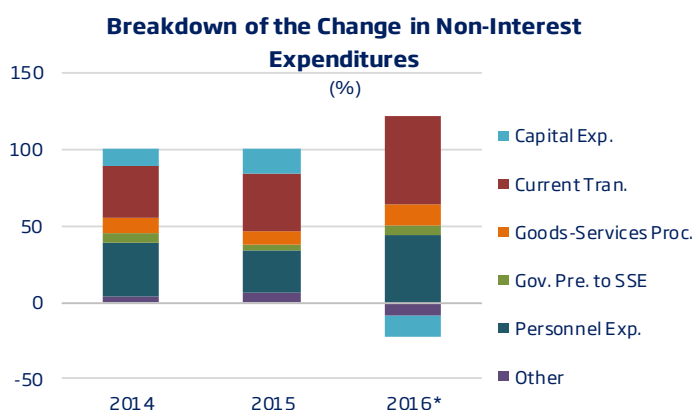


In the first 5 months, while the bulk of the rise in total revenues was mostly attributable to the increase in tax revenues, property income and capital revenues also had a favorable impact on total revenues. It was worthy of attention that non-

tax revenues reached 58.3% of the year-end targets by the end of May. The same ratio for tax revenues became 40%.

Rise in personnel expenses and current transfers...

Budget expenditures rose by 14.3% in May compared to the same month of the previous year. Expansion in personnel expenses and current transfers accounted for 71% of the increase. However, interest expenditures, which exhibited a positive outlook in the first 4 months of the year, surged by 30.9% yoy in May and, in turn, limited the favorable budget performance.



Regarding the first 5 months of the year, especially surge in personnel expenses and current transfers pushed the budget expenditures up. Increase in personnel expenditures stemmed from the payments to the civil servants. Social security deficit finance, classified under the current transfers item, also picked up by 5 billion TRY yoy in this period and restrained the positive performance of the budget. Capital expenditures, on the other hand, reversed the trend this year contrary to the previous years.

Expectations...

Despite the increases recorded in foremost expenditure items after the elections, strong budget revenues have been the main driver of the solid budget performance. Budget realizations for January-May period indicated that Turkey has come a long way in achieving the end-year targets. Nevertheless, questions remain over the sustainability of the high level of non-tax revenues that was attained in the first 5 months of the year.

Central Government Budget

	May			January-May			2016 Budget	
	2015	2016	% Change	2015	2016	% Change	Target	Real./Target (%)
Expenditures	40.1	45.9	14.3	200.3	221.9	10.8	570.5	38.9
Interest Expenditures	3.8	5.0	30.9	28.0	24.2	-13.7	56.0	43.2
Non-Interest Expenditures	36.3	40.8	12.5	172.3	197.7	14.7	514.5	38.4
Revenues	41.8	49.5	18.6	197.9	230.9	16.7	540.8	42.7
Tax Revenues	36.2	42.4	17.0	164.4	183.4	11.5	459.2	39.9
Other Revenues	5.5	7.1	29.2	33.5	47.6	42.1	81.7	58.3
Budget Balance	1.6	3.7	123.4	-2.4	9.1	-	-29.7	-
Primary Balance	5.5	8.7	58.6	25.6	33.3	29.9	26.3	126.4

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

Source: Datastream, Ministry of Finance (*) January-May period



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