

Budget posted surplus in July.

Budget revenues increased by 6.1% yoy in July while budget expenditures declined by 6.8% yoy. Thus, budget which posted a deficit of 5.4 billion TRY in July 2015, gave a surplus of 129 million TRY in the same month of 2016.

Budget, which posted a deficit of 4.6 billion TRY in the first 7 months of 2015, recorded a surplus of 1.3 billion TRY in the same period of 2016. During January-July period, primary surplus was realized as 31.9 billion TRY, reaching 121% of its year-end target.

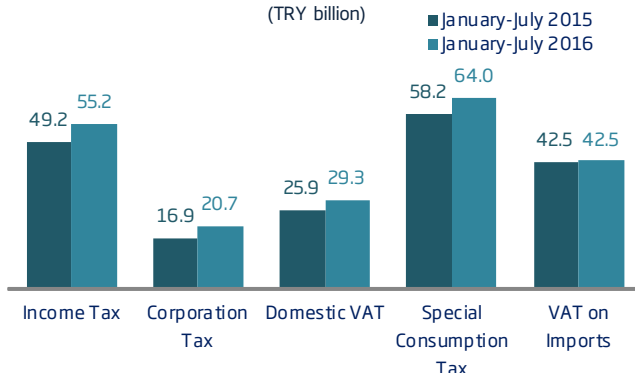
Tax revenues remained flat.

Tax revenues stayed flat in July compared to the previous year. Revenues collected from value added tax (VAT) surged by 38.9% yoy during this period while revenues collected via VAT on imports and special consumption tax dropped. Growth in total budget revenues was mainly driven by the rise in non-tax revenues in July. Indeed, non-tax revenues rose by 2.3 billion TRY compared to the same month of the previous year and was realized as 6.4 billion TRY.

With climbing by 38.3% yoy, non-tax revenues supported the total central government budget revenues during January-July period. Tax revenues expanded by 9.5% yoy in the same period.

Tax Revenues

(TRY billion)

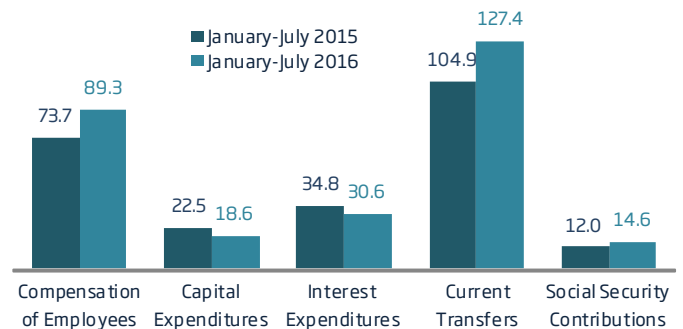


Decline in budget expenditures...

It was noteworthy that budget expenditures dropped by

Budget Expenditures

(TRY billion)



6.8% yoy in July. The 16.9% fall in interest expenditures played an important role in this development. On the other hand, the annual decline in non-interest expenditures has remained limited by 5.5%. While government's contribution to social security system and personnel expenditures surged by 20.3% yoy and 15.1% yoy, respectively, all other expenditure items came down on an annual basis. In particular, capital expenditures have been on a sharp downward trend. In fact, this item fell by 2.5 billion TRY yoy to 2.9 billion TRY. Despite coming under pressure of health, retirement and social aid expenditures, current transfers came in well below last year's level.

In the first 7 months of the year, budget expenditures were 12.1% higher than a year earlier. During this period, interest expenditures declined by 12% while non-interest expenditures picked up by 15.5%. The annual pace of growth in personnel expenditures, government's contribution to social security system and current transfers exceeded the 20% level during this period.

Expectations...

In 2016 so far, the weakness in tax revenues was offset by growth in non-tax revenues. Indeed, in the first 7 months of the year, non-tax revenues reached 80% of the target for the year-end. Fiscal discipline has been maintained also with the help of the expenditures which have not deviated from the target.

Central Government Budget

(TRY billion)

	July			January-July			% 2016 Budget	
	2015	2016	% Change	2015	2016	% Change	Target	Real./Target (%)
Expenditures	45.5	42.4	-6.8	282.2	316.3	12.1	570.5	55.4
Interest Expenditures	5.1	4.2	-16.9	34.8	30.6	-12.0	56.0	54.6
Non-Interest Expenditures	40.5	38.2	-5.5	247.4	285.7	15.5	514.5	55.5
Revenues	40.1	42.5	6.1	277.6	317.5	14.4	540.8	58.7
Tax Revenues	36.0	36.1	0.3	230.7	252.7	9.5	459.2	55.0
Other Revenues	4.1	6.4	56.5	46.9	64.9	38.3	81.7	79.4
Budget Balance	-5.4	0.1	-	-4.6	1.3	-	-29.7	-
Primary Balance	-0.4	4.3	-	30.2	31.9	5.6	26.3	121.1

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

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