

Budget posted 3.6 billion TRY surplus in August.

In August, budget revenues rose by 18.9% yoy while budget expenditures increased by 25.9%. Thus, central government budget, which posted a surplus of 5.2 billion TRY in August 2015, gave a surplus of 3.6 billion TRY in the same month of 2016.

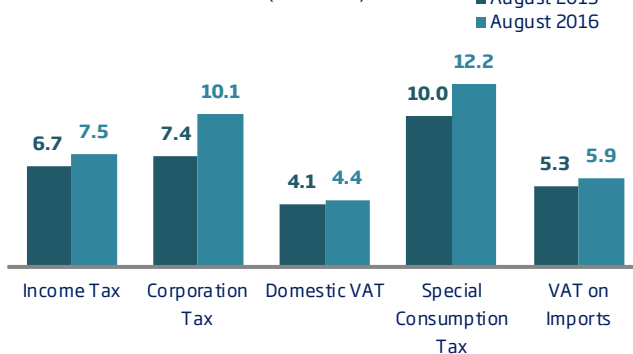
In the first eight months of the year budget surplus came in at 4.9 billion TRY. During this period, primary surplus rose to 40.3 billion TRY reaching 153% of the year-end target.

Tax revenues surged by 19%.

In August, tax revenues expanded by 19.3% compared to the same month of the previous year. Revenues collected via special consumption tax (SCT) recorded a rapid increase in August mainly due to a hike in cigarette prices. During this period, SCT revenues picked up by 22.1% yoy while revenues collected via domestic value added tax (VAT) and VAT on imports rose by 7.3% and 10.5%, respectively. Additionally, non-tax revenues expanded by 15.2% compared to the same month of the previous year to 5.4 billion TRY.

Tax Revenues

(TRY billion)



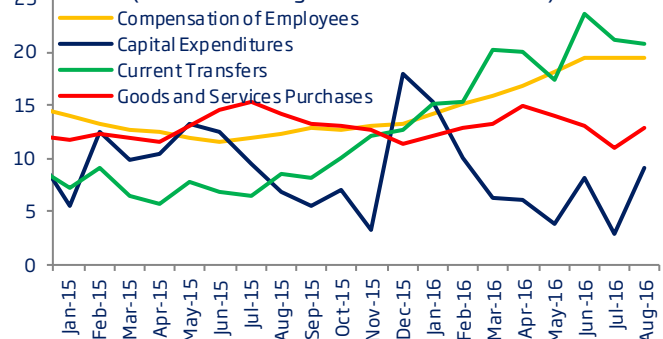
In January-August period total budget revenues increased by 15% yoy while the annual growth in tax revenues was realized as 10.9%.

Rapid increase in budget expenditures...

Budget expenditures were up by 25.9% in August compared to a year earlier. The increase was broad-based across sub-items. Current transfers and personnel expenditures, which have the largest share in budget expenditures, rose by 20% yoy and 17.3% yoy during this period. It was also noteworthy that goods and services procurements, which comprise defense and security expenditures, surged by 32.9% yoy. In addition, interest expenditures jumped sharply adding to the upward pressures on total expenditures during this period.

Selected Budget Expenditure Accounts

(annual % change, 12-month cumulative)



During the first 8 months of the year, budget expenditures rose by 13.7%, at a relatively milder pace. Interest expenditures declined by 7.7% yoy in this period while non-interest expenditures expanded by 16.6% yoy.

Expectations...

Despite the swift increase in budget expenditures in August, budget revenues rose faster than budget expenditures in the first 8 months of the year. As the SCT imposed on fuel oil was raised in September, budget revenues are expected to surge. However, the upward pressures on budget expenditures are anticipated to prevail in the coming period.

Central Government Budget

(TRY billion)

	August			January-August			% 2016 Budget		Real./ Target (%)
	2015	2016	% Change	2015	2016	% Change	Target		
Expenditures	37.5	47.3	25.9	319.7	363.5	13.7	570.5	63.7	
Interest Expenditures	3.6	4.8	34.0	38.4	35.4	-7.7	56.0	63.3	
Non-Interest Expenditures	33.9	42.4	25.0	281.3	328.1	16.6	514.5	63.8	
Revenues	42.8	50.9	18.9	320.4	368.4	15.0	540.8	68.1	
Tax Revenues	38.1	45.4	19.3	268.7	298.1	10.9	459.2	64.9	
Other Revenues	4.7	5.4	15.2	51.6	70.3	36.2	81.7	86.1	
Budget Balance	5.2	3.6	-31.4	0.6	4.9	662.0	-29.7	-	
Primary Balance	8.9	8.4	-4.7	39.0	40.3	3.3	26.3	153.2	

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

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