

Budget posted 10 billion TRY surplus.

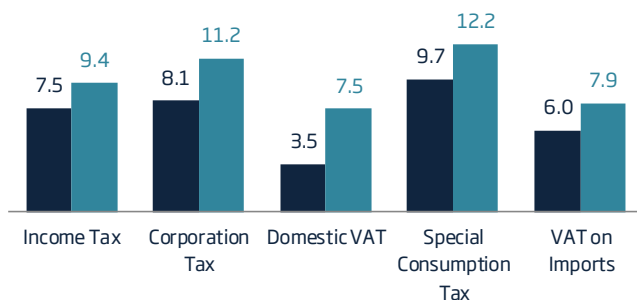
Budget revenues rose by 38.6% yoy in October owing to tax regulations. Similarly, budget expenditures expanded by 17.9% yoy in this period. Thus, budget, which gave a surplus of 0.8 billion TRY in November 2015, posted a surplus of 10 billion TRY in the same month of this year.

In the first 11 months of the year, budget revenues and expenditures surged by 15.1% yoy and 14.2% yoy, respectively. Budget deficit fell by 61% yoy to 2.1 billion TRY thanks to the strong performance of budget revenues. On the other hand, there was no significant change in the primary surplus due to the sharp increase in the non-interest expenditures.

Pick up in budget revenues...

In November, all sub-items of tax revenues exhibited a positive outlook. Having expanded by 37.2% yoy in November, tax revenues made 33 pp contribution to the increase in budget revenues. Domestic VAT revenues among tax revenues made the highest contribution to the growth in budget revenues by 9 pp. It was worth mentioning that revenues collected from special consumption tax and corporate tax climbed by 26% yoy and 38% yoy, respectively. An increase of 539 million TRY recorded under the tax amnesty also supported the increase in the budget revenues.

Tax Revenues
(TRY billion)



Budget expenditures...

The increase in budget spending in November mainly stemmed from the non-interest expenditures, rising by around 20% yoy.

Central Government Budget

	November			January-November			2016 Budget		
	2015	2016	% Change	2015	2016	% Change	Target	MTP Target	Real/MTP Target (%)
Expenditures	43.0	50.7	17.9	447.2	510.7	14.2	570.5	581.1	87.9
Interest Expenditures	3.9	3.8	-1.0	51.3	48.4	-5.6	56.0	51.5	94.0
Non-Interest Expenditures	39.1	46.9	19.8	396.0	462.3	16.8	514.5	529.6	87.3
Revenues	43.8	60.7	38.6	441.8	508.6	15.1	540.8	546.5	93.1
Tax Revenues	39.4	54.1	37.2	372.7	419.1	12.4	459.2	450.0	93.1
Other Revenues	4.4	6.7	51.7	69.0	89.5	29.6	81.7	96.5	92.7
Budget Balance	0.8	10.0	1,155.6	-5.4	-2.1	-61.0	-29.7	-34.6	6.1
Primary Balance	4.7	13.9	196.8	45.8	46.3	1.0	26.3	16.9	273.9

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

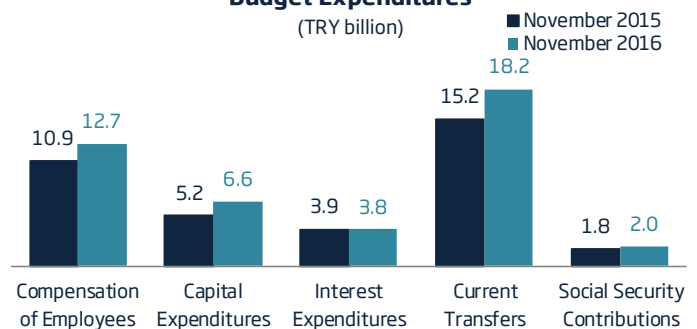
(*) One-off revenues includes tax and social security payment amnesties introduced in 2011, 2014 and 2016 as well as privatization revenues.

Source: Ministry of Finance, Datastream

Interest expenditures, on the other hand, remained broadly flat. In line with the government's increasing support to growth via investments; current transfers and capital expenditures surged in November. About two-thirds of the rise in budget expenditures was driven by these sub-items. Total current transfers increased by 19.6% yoy in this period. The total amount of 2.5 billion TRY transferred for the social security deficit finance had 5.8 pp upward impact on the total expenditure rise. It was noteworthy that the product purchase amounting to 1.2 billion TRY in November almost doubled compared to the previous year's figure. In this period, the amount of debt provided to public enterprises, increasing by 424 million TRY, made 1 pp contribution to the growth in budget expenditures.

Budget Expenditures

(TRY billion)



Expectations...

In November, budget revenues displayed a strong performance thanks to the upsurge in tax revenues and revenues collected under tax amnesty. Under the assumption that the average growth rate of 15% recorded in the budget revenues in the first 11 months will be sustained in December, budget revenues might exceed the MTP target by 10 billion TRY. On the spending front, taking MTP targets into consideration, it is seen that 70 billion TRY will be available to spend in December. Accordingly, government, having taken steps to support economic activity in the last quarter, has a room to spend about 80 billion TRY in December.

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