

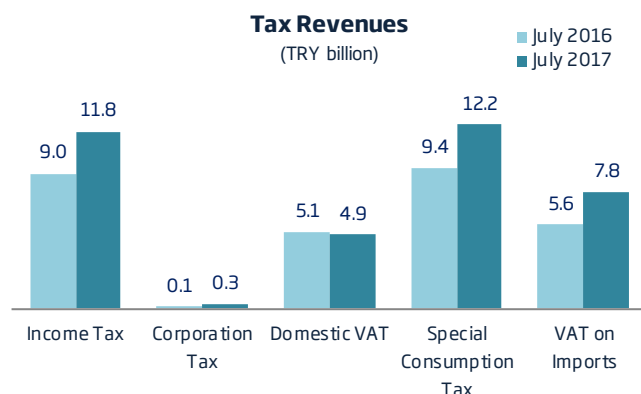
### The central government budget posted a surplus in July.

Budget expenditures increased by 21.5% in July compared to the same month of the previous year while budget revenues rose by 23.3%. Thus, central government budget surplus, which was 129 million TRY in July 2016, became 926 million TRY in the same month of this year. Primary surplus surged by 2.4 billion TRY and became 6.7 billion TRY during this period.

Due to the expansionary fiscal policies, budget ran a deficit of 24.3 billion TRY in the first 7 months of the year. In this period, budget expenditures rose by 18.9% yoy while the growth in budget revenues remained limited with 10.7%.

### Best performance of the year in tax revenues...

Tax revenues increased rapidly in July due to restructuring of public receivables and recovery in economic activity. The annual increase in tax revenues was 27.6% in this period. The largest contributions to this increase came from income tax and special consumption tax revenues, both up by around 30% on an annual basis. Increasing by 39.4%, VAT on imports also pushed tax revenues up partly due to the effect of the rise in exchange rates.



### Budget expenditures...

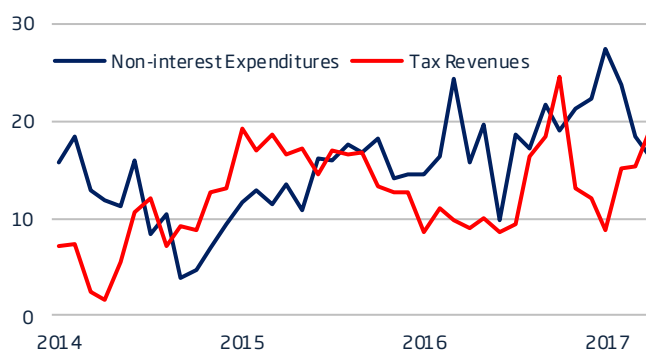
Non-interest expenditures, which account for 90% of budget expenditures, increased by 19.8% in July. This

increase stemmed mostly from the rises recorded in compensation of employees, current transfers and capital expenditures. In addition to these, defense and security spending, which is monitored under goods and services procurements, was 656 million TRY higher than a year ago and hence had an upward impact on budget expenditures.

Having declined in both May and June, interest expenditures showed the fastest increase in almost two years in July. This also had a negative impact on the budget performance. In this period, interest payments on external debt amounted to 1.5 billion TRY.

### Non-interest Expenditures and Tax Revenues

(3-month ma, annual % change)



### Expectations...

In line with the expectations, the upturn in the economy has begun to be felt in tax revenues in July, the first month of the second half of the year. Revenues from restructurings have also supported the budget performance since the beginning of the year. Budget expenditures, on the other hand, are expected to lose some steam should new stimulus packages not come to the table to support economic activity. Furthermore, the deficit widening impact of postponing the social security premium payments, totaling 9 billion TRY, to the last three months of the year is also expected to disappear in the last quarter of the year.

### Central Government Budget

(TRY billion)

	July			January-July			2017 Budget	
	2016	2017	% Change	2016	2017	% Change	Target	Real./ Target (%)
<b>Expenditures</b>	<b>42.4</b>	<b>51.5</b>	<b>21.5</b>	<b>316.3</b>	<b>376.0</b>	<b>18.9</b>	<b>645.1</b>	<b>58.3</b>
Interest Expenditures	4.2	5.8	37.2	30.6	32.8	7.1	57.5	57.0
Non-Interest Expenditures	38.2	45.8	19.8	285.7	343.2	20.1	587.6	58.4
<b>Revenues</b>	<b>42.5</b>	<b>52.5</b>	<b>23.3</b>	<b>317.5</b>	<b>351.7</b>	<b>10.7</b>	<b>598.3</b>	<b>58.8</b>
Tax Revenues	36.1	46.1	27.6	252.7	292.1	15.6	511.1	57.2
Other Revenues	6.4	6.4	-0.4	64.9	59.5	-8.2	87.2	68.3
<b>Budget Balance</b>	<b>0.1</b>	<b>0.9</b>	<b>615.3</b>	<b>1.3</b>	<b>-24.3</b>	<b>-</b>	<b>-46.9</b>	<b>51.9</b>
<b>Primary Balance</b>	<b>4.3</b>	<b>6.7</b>	<b>54.5</b>	<b>31.9</b>	<b>8.4</b>	<b>-73.5</b>	<b>10.6</b>	<b>79.3</b>

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

Source: Ministry of Finance, Datastream

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