

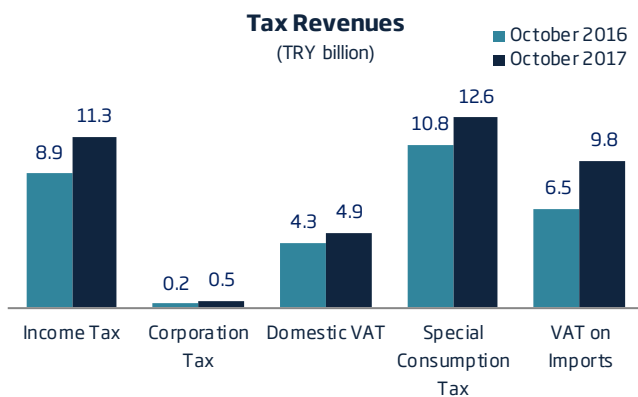
Budget deficit was 3.3 billion TRY in October.

In October, budget expenditures and revenues increased by 29.2% and 21.8% yoy, respectively. Thus, central government budget deficit, which was 104 million TRY in October 2016, realized as 3.3 billion TRY in the same month of this year. Primary balance gave a surplus of 197 million TRY.

In the first ten months of the year, while budget expenditures and revenues increased by 18.4% and 13.8%, respectively, budget deficit reached 35 billion TRY. In this period, the primary surplus was realized as 15.2 billion TRY. In the same period of 2016, budget deficit and primary surplus was realized as 12.1 billion TRY and 32.4 billion TRY.

Tax revenues remained strong.

Tax revenues, which had rapidly expanded in October, maintained its strong performance albeit losing some momentum. In this period, due to increase in imports and in exchange rates, Special Consumption Tax (SCT) and Value Added Tax (VAT) on imports contributed to the rise in tax revenues significantly. VAT on imports, which rose rapidly in October like in September, contributed 9.0 points to the annual increase of 26.3% in tax revenues. Annual expansion in SCT was driven by the increases recorded in tax revenues collected on motor vehicles (rising by 39.1% yoy) and tobacco products (rising by 33.8% yoy).



In January-October period, budget revenues expanded by 13.8% yoy. In this period, tax revenues mounted by 18% and led the increase in budget revenues. Due to the increase in import figures, VAT on imports in the first ten months of the year contributed 4.0 points to the rise in budget revenues. Income tax and SCT received from petroleum and natural gas products have been the main other items driving up tax revenues in this period. On the other hand, the decline in property income negatively affected the budget outlook.

Acceleration in budget expenditures...

Budget expenditures increased rapidly by 29.2% yoy in October due to the rise in current transfers. The increase in current transfers for health, retirement and social aid expenditures played a significant role in the rise in budget expenditures. During this period, interest expenditures rose by 22%.

The impact of the increase in current transfers on budget expenditures was significant in the first 10 months of the year. During January-October period, budget expenditures rose by 18.4%, half of which (9.2 points) was due to the increase in current transfers.

Expectations...

In the first ten months of the year, increase in primary expenditures which was made in order to support economic activity was influential on the widening budget deficit. On the other hand, recovery in economic activity limited the budget deterioration through rising tax incomes. We anticipate that the budget revenues will continue to recover in the upcoming period and budget deficit will be realized at the levels compatible with MTP targets at the end of the year.

Central Government Budget

(TRY billion)

	October			January-October			2017 Budget Target	MTP Target	Real/MTP Target (%)
	2016	2017	% Change	2016	2017	% Change			
Expenditures	43.5	56.2	29.2	460.0	544.4	18.4	645.1	673.7	80.8
Interest Expenditures	2.9	3.5	22.0	44.6	50.1	12.4	57.5	57.5	87.2
Non-Interest Expenditures	40.6	52.6	29.8	415.4	494.3	19.0	587.6	616.2	80.2
Revenues	43.4	52.8	21.8	447.9	509.4	13.8	598.3	612.0	83.2
Tax Revenues	36.1	45.6	26.3	365.0	430.9	18.0	511.1	520.5	82.8
Other Revenues	7.3	7.3	-0.4	82.8	78.5	-5.2	87.2	91.6	85.7
Budget Balance	-0.1	-3.3	3,116.6	-12.1	-35.0	188.0	-46.9	-61.7	56.7
Primary Balance	2.8	0.2	-93.0	32.4	15.2	-53.3	10.6	-4.2	-

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

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