



Budget posted surplus in January.

Central government budget gave a surplus of 1.7 billion TRY in the first month of 2018, performing weaker compared to the same period of the previous year. Primary surplus became 7.7 billion TRY during this period. As 4.2 billion TRY privatization revenues recorded in January 2017 created a high base effect, non-tax revenues fell in the first month of this year and weighed on budget balance. The rise in budget expenditures, however, was high with 19.4%.

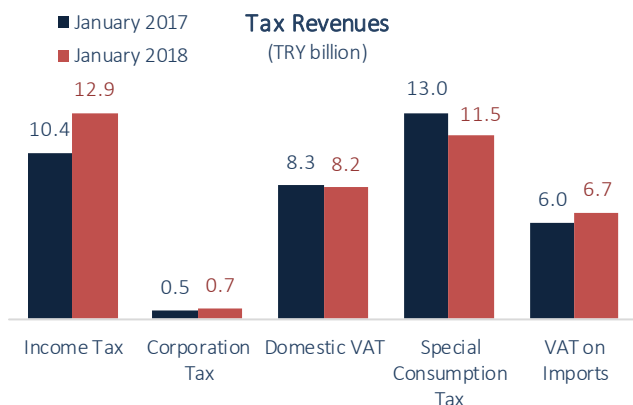
	Central Government Budget			2018 Budget Target
	January 2017	January 2018	% Change	
Expenditures	47.3	56.5	19.4	762.8
Interest Expenditures	6.6	6.0	-8.5	71.7
Non-Interest Expenditures	40.8	50.5	23.9	691.1
Revenues	58.8	58.2	-1.0	696.8
Tax Revenues	48.4	52.0	7.4	599.4
Other Revenues	10.4	6.2	-40.1	97.4
Budget Balance	11.4	1.7	-85.4	-65.9
Primary Balance	18.0	7.7	-57.3	5.8

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

Rapid fall in SCT revenues...

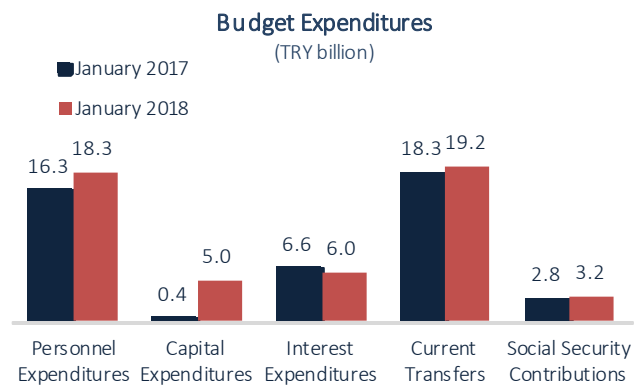
Tax revenues, which accounted for about 90% of budget revenues in January, supported budget performance. Income tax played an important role in the growth in tax revenues. Value-added tax (VAT) on imports also boosted revenues by increasing by 10.4%. Revenues from special consumption tax (SCT) and domestic VAT, on the other hand, declined in this period. In particular, the 1.4 billion TRY fall in SCT revenues was noteworthy. January and July have traditionally been the months where SCT on cigarettes and alcoholic beverages were hiked. However, only alcoholic beverages were exposed to the hikes in the last two of these periods, mainly due to inflation-related considerations. Looking at the sub-items of the SCT, it is seen that tax revenues from oil and natural gas products, motor vehicles and alcoholic beverages increased. The decrease in tax revenues collected from tobacco products accounted for almost the entire decline in SCT revenues.

The rapid fall in non-tax revenues in January was basically driven by the decline in privatization revenues.



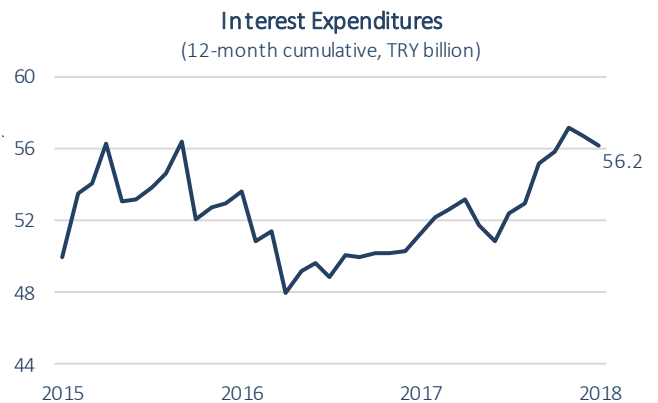
Capital expenditures led the surge in budget expenditures.

All main expenditure items increased in January while the rises in capital and personnel expenditures were particularly behind the surge in budget expenditures. Real estate capital and production expenditures as well as real estate purchases and nationalizations led the rapid annual increase of 4.6 billion TL in capital expenditures. Personnel expenditures increased by 12.5% yoy in this period, exceeding last year's level by 2 billion TRY. Having the largest share with 34% in budget expenditures, current transfers increased only by 5%. Goods and services procurements, the fourth item that contributed most to the rise in expenditures, increased by 0.8 billion TRY compared to a year ago.



Interest expenditures declined on an annual basis.

Interest expenditures, which recorded a yearly increase of a roughly 13% in 2017, decreased by 8.5% yoy in January. A significant part of the decline stemmed from foreign debt interest payments.



Expectations...

Assuming that the growth in public expenditures will be moderate in the forthcoming period, the domestic demand will determine the performance of tax revenues and hence budget balance. Under a scenario in which economic activity does not experience considerable slowdown, we believe that fiscal policy will be in line with budget targets in 2018.

Source: Datastream, Ministry of Finance

Economic Research Division

izlem Erdem
Division Head
izlem.erdem@isbank.com.tr

ilker Şahin
Economist
ilker.sahin@isbank.com.tr

Alper Gürler
Unit Manager
alper.gurler@isbank.com.tr

Gamze Can
Economist
gamze.can@isbank.com.tr

H. Erhan Gül
Asst. Manager
erhan.gul@isbank.com.tr

Ayşim Kalkan
Asst. Economist
aysim.kalkan@isbank.com.tr

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