



Central government budget gave 5.8 billion TRY deficit.

Central government budget deficit, which was 874 million TRY in August of last year, became 5.8 billion TRY in the same month of this year. Budget revenues increased by 23.3% yoy to 70.3 billion TRY, while expenditures increased by 31.5% and realized as 76.1 billion TRY. Parallel to the rise in interest expenditures, the primary surplus decreased 2.1 billion TRY yoy to 2.5 billion TRY in August.

In January-August period, the budget deficit has doubled. Despite the 18.9% increase in budget revenues in the first 8 months, budget expenditures expanded by 23.7% in the same period. Thus, the budget deficit, which was 25.2 billion TRY in January-August period of last year, was realized as 50.8 billion TRY in the same period of this year. The primary balance, which gave a surplus of 13 billion TRY in the first 8 months of 2017, gave a deficit of 559 million TRY in the same period of this year.

Decrease in SCT collection.

In August, tax revenues increased by 18.6% yoy, close to annual inflation rate. Looking at the details of tax revenues, balancing in economic activity can be seen in tax revenues. The effect of 'échelle mobile' system, which has been putting pressure on budget revenues since June, became more pronounced in August. In the 8th month of the year, SCT being collected from oil products, fell by 17% yoy (1.1 billion TRY), negatively affecting the budget performance. In this period, the sharp contraction in domestic automotive demand due to exchange rate developments led to a 34.1% yoy (607 million TRY) decrease in collection of SCT on motor vehicles. On the other hand, as a result of

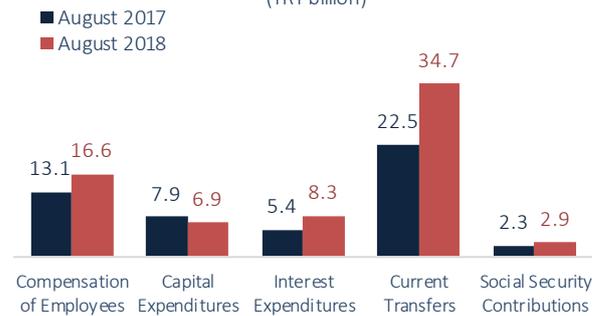
FX and foreign trade developments VAT on imports, made an important contribution to the increase in tax revenues. In addition, with the measures taken by the government interest, shares and fines contributed to the rise in budget revenues by 5.8 points.

In January-August period, budget revenues increased by 77.1 billion TRY yoy thanks to rise in tax revenues. On the other hand, decline in privatization revenues compared to the previous year had negative effects on budget performance.

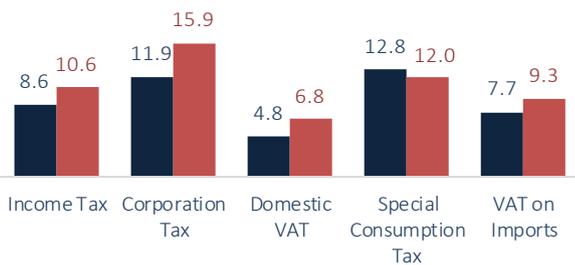
Interest expenditures kept rising.

In August, budget expenditures posted a rapid rise due to the increase in current transfers and interest expenditures. Treasury aid has doubled on an annual basis in August, contributing 20.3 points to the increase in budget expenditures. The increase in interest expenditures also contributed 4.9 points to the rise in budget expenditures in this period.

Budget Expenditures
(TRY billion)



Tax Revenues
(TRY billion)



Expectations

The slowdown in economic activity in the second half of the year might have negative impact on budget performance through tax revenues. Furthermore, it is understood that SCT revenues will continue to show a weak outlook, depending on 'échelle mobile' system. The roadmap for fiscal policy in MTP, which will be announced on 20th September, has high importance. We foresee that the tight fiscal policy that might be followed can offset the weaknesses on the revenues side in the rest of the year.

Central Government Budget

	August			January-August			2018 Budget		Real./ Target (%)
	2017	2018	% Change	2017	2018	% Change	Target		
Expenditures	57.9	76.1	31.5	433.8	536.5	23.7	762.8	70.3	
Interest Expenditures	5.4	8.3	52.1	38.2	50.2	31.5	71.7	70.0	
Non-Interest Expenditures	52.4	67.8	29.4	395.7	486.3	22.9	691.1	70.4	
Revenues	57.0	70.3	23.3	408.7	485.7	18.9	696.8	69.7	
Tax Revenues	51.4	60.9	18.6	343.5	410.1	19.4	599.4	68.4	
Other Revenues	5.6	9.4	66.8	65.1	75.6	16.1	97.4	77.6	
Budget Balance	-0.9	-5.8	563.5	-25.2	-50.8	101.6	-65.9	77.0	
Primary Balance	4.6	2.5	-46.1	13.0	-0.6	-	5.8	-	

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

Source: Datastream, Ministry of Treasury and Finance

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