

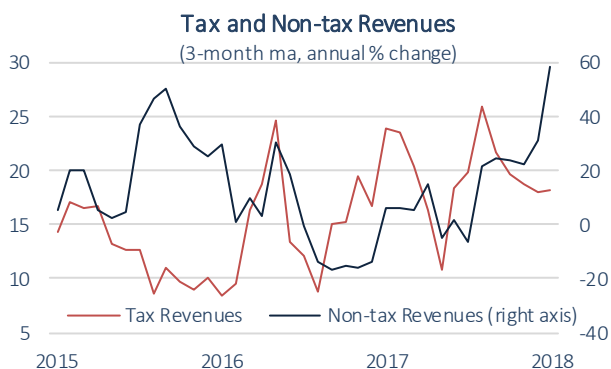
Central government budget posted a deficit of 6 billion TRY.

Central government budget deficit decreased by 7% compared to the same month of the previous year and was realized as 6 billion TRY thanks to the positive performance of budget revenues in September. During this period, budget revenues increased by 27.4% to 61.1 billion TRY, while expenditures increased by 23.3% to 67 billion TRY. In September, the primary surplus expanded by 2.3 billion TRY yoy to 4.3 billion TRY.

In January-September period, on the other hand, deterioration in budget performance was remarkable. The central government budget deficit, which was 31.6 billion TRY in the first three quarters of the previous year, expanded by 79.4% and reached 56.7 billion TRY in the same period of this year. Besides, the rise in borrowing costs also had a negative impact on budget performance. As a matter of fact, the primary surplus, which was 15 billion TRY in the first 9 months of 2017, was decreased to 3.7 billion TRY in the same period of this year. This development was mainly driven by the increase in interest expenditures which was 13.8 billion TRY in the first three quarters.

Import on VAT posted a rapid increase.

Tax revenues rose by 17.7% in September compared to the previous year. Due to the 'échelle mobile' system, annual decline in special consumption tax (SCT) on petroleum and natural gas products puts pressure on tax revenues. Contraction in the domestic automotive market also leads to decline in SCT revenues on motor vehicles. These two SCT figures limited the rise of budget revenues by 7.2 percentage points. On the other hand, due to exchange rate



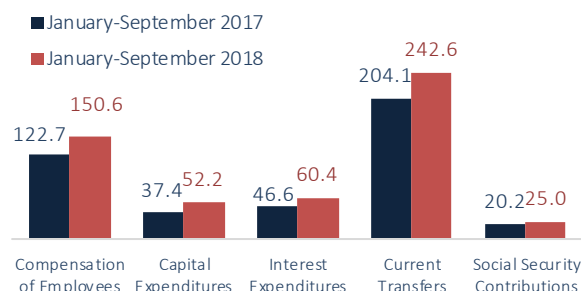
developments, taxes on foreign trade transactions contributed 10.8 pp to budget revenues increase. The rapid rise in interest, shares and fines in August also continued in September. In this month, after tax revenues, the said item made the highest contribution to the rise in budget revenues by 11 points.

Budget revenues increased by 90.2 billion TRY compared to the same period of the previous year due to the increase in tax revenues. The rise in interest, shares and fines in the last two months has a positive effect on budget performance. In the January-September period, the figure raised budget revenues by 12 billion TRY.

Budget expenditures...

Budget expenditures expanded by 23.3% yoy in September. Significant portion of the increase in expenditures stemmed from the increase in current transfers and compensation of employees. In the first nine months, these two items are accompanied by capital expenditures, due to high level of government spending on immovable capital produce.

Budget Expenditures
(TRY billion)



Expenditures...

In the coming period the slowdown in the economic activity would have a negative impact on budget performance through tax revenues. In addition to the 'échelle mobile' system, the contraction in the domestic market will continue to show a weak outlook for SCT revenues. On the other hand, budget realizations for the first nine months of the year are still in line with the year-end budget targets in the New Economy Program announced in September.

Central Government Budget

	September		%	January-September		%	(billion TRY)		
	2017	2018		Değişim	2017		2018	Değişim	2018 Budget Target
Expenditures	54.4	67.0	23.3	488.2	603.5	23.6	762.8	821.8	73.4
Interest Expenditur	8.4	10.2	21.6	46.6	60.4	29.7	71.7	76.4	79.1
Non-Interest Expen	46.0	56.8	23.6	441.6	543.1	23.0	691.1	745.4	72.9
Revenues	48.0	61.1	27.4	456.6	546.8	19.8	696.8	749.6	72.9
Tax Revenues	41.8	49.2	17.7	385.3	459.4	19.2	599.4	630.5	72.9
Other Revenues	6.1	11.8	93.7	71.3	87.5	22.7	97.4	119.1	73.4
Budget Balance	-6.4	-6.0	-7.2	-31.6	-56.7	79.4	-65.9	-72.1	78.7
Primary Balance	2.0	4.3	115.9	15.0	3.7	-75.3	5.8	4.3	85.9

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

Source: Datastream , Ministry of Treasury and Finance

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