



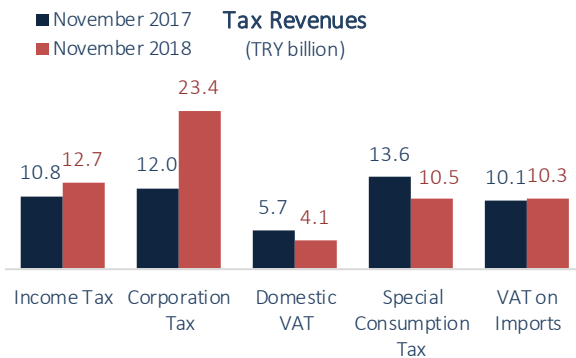
In November, the budget posted a surplus of 7.6 billion TRY.

In November, central government budget surplus contracted by 10.7% yoy and reached 7.6 billion TRY. In this period, budget expenditures increased by 31.1% yoy to 74.3 billion TRY, while budget revenues increased by 25.6%. In addition, the primary balance in November yielded a surplus of 14.8 billion TRY.

The effects of the slowdown in economic activity can be seen on the budget data. In January-November period, budget revenues increased by 20.2% while expenditures increased by 24%. Thus, the budget deficit increased by 106% in the relevant period and was realized at 54.5 billion TRY. In this period, the primary surplus decreased by 39.8 percent to 17.3 billion TRY.

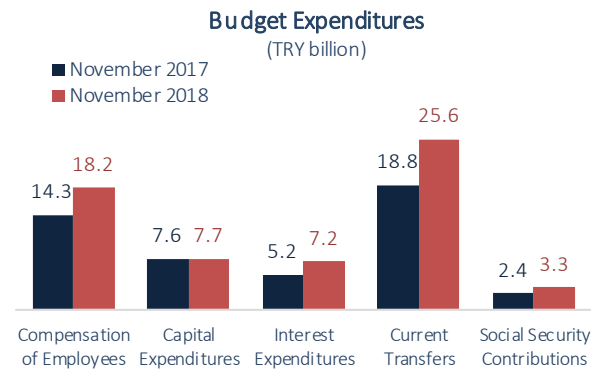
Temporary items supported the budget revenues.

The rapid rise in budget revenues in November was driven by the revival in tax revenues. In this development, 11 billion TRY increase in provisional corporation tax was effective. On the other hand, it is observed that private consumption expenditures and the slowdown in imports put pressure on budget revenues. In this period, SCT revenues contracted by 22.7%. Due to the 'échelle mobile' system, tax revenues from oil and natural gas products decreased by 33%, while taxes on motor vehicles fell by 45.7% because of the contraction in the domestic market and tax cuts to stimulate consumption.



Budget expenditures...

36.5% increase in current transfers in November affected budget expenditures negatively. This was mainly due to the increase in social security deficit financing. Personnel expenses also increased by 27.7% and put pressure on budget expenditures. In this period, interest expenditures increased by 40.3% due to the rising borrowing costs. Interest payments on domestic debt were realized at 4.8 billion TRY in November while external debt interest payments are amounted to 2.1 billion TRY.



Expectations...

The slowdown in economic activity has been reflected in tax revenues since the second half of the year. In addition, it is noteworthy that the incentives given to stimulate domestic demand suppress the budget revenues. Considering that the year-end budget deficit forecast is 72.1 billion TRY, it is expected that the budget deficit will be higher in December. We think that the weak performance of tax revenues due to the slowdown in private consumption expenditures and the removal of the one-off factors that has played an important role in the gradual recovery in November budget revenues will be effective in this development.

Central Government Budget

	November		%	January-November		%	2018 Budget Target	NEP Target	Real/NEP Target (%)
	2017	2018		2017	2018				
Expenditures	56.7	74.3	31.1	601.1	745.4	24.0	762.8	821.8	90.7
Interest Expenditures	5.2	7.2	40.3	55.3	71.9	30.0	71.7	76.4	94.1
Non-Interest Expenditures	51.5	67.1	30.2	545.8	673.5	23.4	691.1	745.4	90.4
Revenues	65.2	81.9	25.6	574.6	690.8	20.2	696.8	749.6	92.2
Tax Revenues	58.4	67.9	16.4	489.3	575.8	17.7	599.4	630.5	91.3
Other Revenues	6.8	13.9	105.3	85.3	115.0	34.8	97.4	119.1	96.6
Budget Balance	8.5	7.6	-10.7	-26.5	-54.5	106.0	-65.9	-72.1	75.7
Primary Balance	13.6	14.8	8.6	28.8	17.3	-39.8	5.8	4.3	403.2

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

Source: Datastream, Ministry of Treasury and Finance

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