



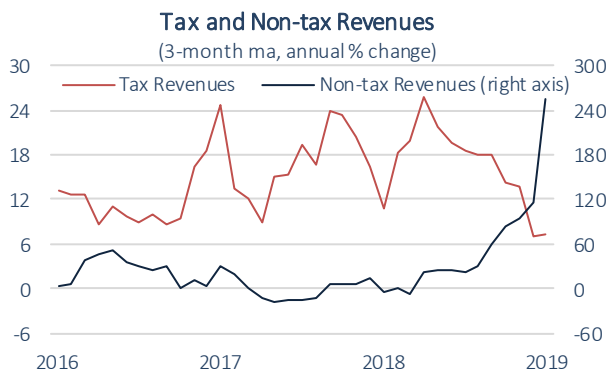
Central government budget posted a surplus of 5.1 billion TRY.

In the first month of the year, central government budget revenues increased by 66.6% yoy to 97 billion TRY, while budget expenditures rose by 62.5% yoy to 91.9 billion TRY. Thus, budget surplus tripled compared to the same month of the previous year and came in at 5.1 billion TRY.

Strong increase in portfolio revenues of Treasury...

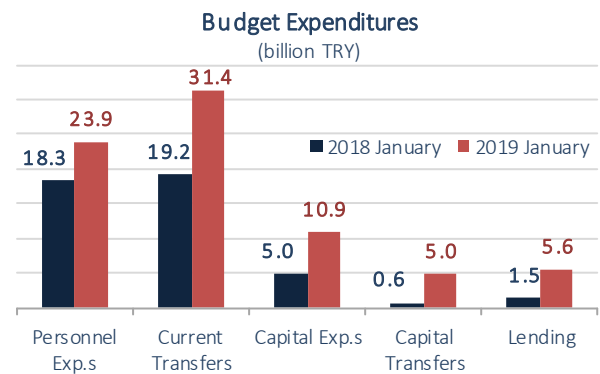
In January, budget revenues increased by 38.7 billion TRY, 33.8 billion TRY of which stemmed from portfolio revenues of Treasury. Thus, the mentioned item made the largest contribution to the 66.6% increase in budget revenues with 58.1 pps. Transfer of the CBRT's profit to the budget in advance played a decisive role in this development.

Tax revenues, which accounted for 82% of budget revenues in 2018, continued to have a weak outlook due to the slowdown in economic activity as well as the ongoing tax incentives in some leading sectors. In January, tax revenues decreased in real terms by increasing only 7.1% yoy. In this period, special consumption tax (SCT) contracted by 8.3% yoy on the back of the decline in motor vehicles and petroleum-natural gas sub-items, limiting the increase in budget revenues by 1.6 pps. Interest, shares and fines, which had a positive effect on budget performance in 2018, preserved this effect in the first month of 2019.



Budget expenditures...

In January, budget expenditures posted a rapid increase, led by rise in non-interest expenditures. During this period, 21.6 pps of 62.5% annual rise in budget expenditures stemmed from current transfers made by the public sector to finance social security deficit. The rise in the expenditures of immovable capital produce continued to affect the budget outlook negatively. Lending to public enterprises pulled up budget expenditures by 7.7 pps and had a negative contribution to budget outlook.



Expectations...

In addition to the slowdown in economic activity, tax revenues displayed a weak outlook due to incentives, while the rapid rise in non-interest expenditures stood out. On the other hand, the negative effect of the tax losses on budget performance was limited by transferring CBRT's profit to budget in advance. This transfer, which is one-off for each year, raises concerns about budget performance for the rest of 2019 and points to the need for tightening of fiscal policies.

Central Government Budget

	January		% 2019 Budget Change	(billion TRY)	
	2018	2019		2019 Budget Target	Real./Target (%)
Expenditures	56.5	91.9	62.5	961.0	9.6
Interest Expenditures	6.0	7.3	20.8	117.3	6.2
Non-Interest Expenditures	50.5	84.6	67.5	843.7	10.0
Revenues	58.2	97.0	66.6	880.4	11.0
Tax Revenues	52.0	55.7	7.1	756.5	7.4
Other Revenues	6.2	41.3	564.8	123.9	33.3
Budget Balance	1.7	5.1	204.8	-80.6	-
Primary Balance	7.7	12.4	61.0	36.7	33.8

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

Source: Datastream , Ministry of Treasury and Finance

Economic Research Division

izlem Erdem Chief Economist 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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