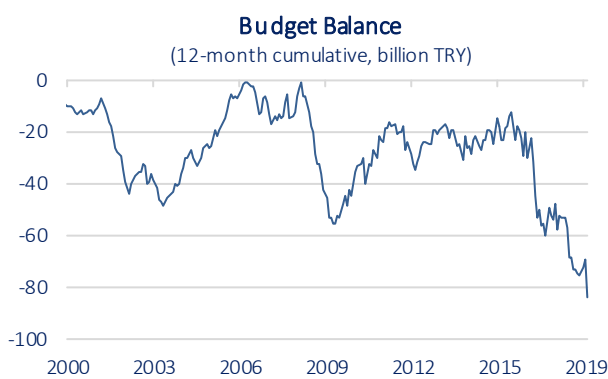




In February, budget gave a deficit of 16.8 billion TRY.

Central government budget revenues increased by 9.7% yoy in February, the expansion in expenditures was realized as 33.2%. Hence, budget deficit, which was 1.9 billion TRY in February last year, climbed to 16.8 billion TRY in the same period of this year. The primary balance, which posted a surplus of 4.8 billion TRY in February 2018, gave a deficit of 2.1 billion TRY in February 2019.

In the first two months of 2019, the budget deficit surged to 11.7 billion TRY from 201 million TRY in the same period of 2018.



Weak course in tax revenues...

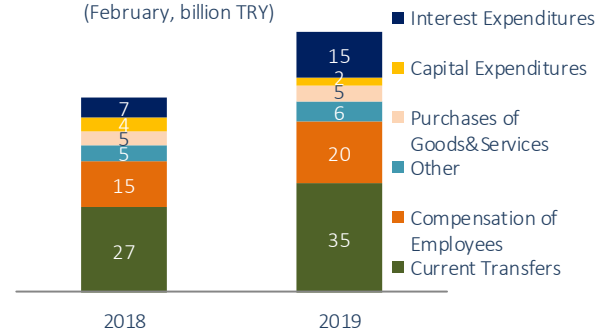
The weak outlook that put downward pressure on tax revenues continued to have a negative impact on the budget balance in February. The annual increase in tax revenues, which make up a significant portion of budget revenues, was significantly below the annual CPI inflation of 19.67% in February. The fall in domestic VAT and VAT on imports played part in this development. Special consumption tax revenues, on the other hand, went up by 5.5% yoy in line with the increase in tax revenues collected from tobacco products despite the tax reductions in several sectors. In addition to rise in other special revenues, the collection of 25% of total corporation tax revenues that has been targeted to be collected

throughout 2019 supported the budget revenues in February. The rise in these two items contributed 6.2 percentage points to the 9.7% increase in total budget revenues.

Rapid rise in budget expenditures...

120.7% yoy rise in interest expenditures stood out in February. The share of interest expenditures in total expenditures, which was 10.7% in February 2018, increased to 17.6% in the same month of this year. Having constituted a significant part of the budget expenditures, non-interest expenditures rose to 69 billion TRY, picking up by 22.8%. The rise in current transfers stemmed from the financing of social security deficit drove the increase in non-interest expenditures. Capital expenditures and transfers decreased compared to the same month of the previous year and thus limited the increase in budget expenditures by 3 percentage points.

Budget Expenditures
(February, billion TRY)



Expectations...

With the February figures, 14.5% of the 2019 year-end budget deficit target was realized in the first two months of the year. Thus, the budget balance posted the weakest performance for the first two months in recent years. We think that the course of economic activity as well as tax cuts will be decisive on budget performance during the rest of the year.

Central Government Budget

(billion TRY)

	February		% Change	January-February		% Change	2019 Budget Target	Real./Target (%)
	2018	2019		2018	2019			
Expenditures	62.9	83.7	33.2	119.4	175.6	47.0	961.0	18.3
Interest Expenditures	6.7	14.7	120.7	12.7	22.0	73.2	117.3	18.7
Non-Interest Expenditures	56.2	69.0	22.8	106.7	153.6	43.9	843.7	18.2
Revenues	61.0	67.0	9.7	119.2	163.9	37.5	880.4	18.6
Tax Revenues	52.6	57.5	9.4	104.6	113.2	8.2	756.5	15.0
Other Revenues	8.5	9.5	11.9	14.7	50.7	246.0	123.9	41.0
Budget Balance	-1.9	-16.8	795.2	-0.2	-11.7	--	-80.6	14.5
Primary Balance	4.8	-2.1	-	12.5	10.3	-17.5	36.7	28.1

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

Source: Datastream , Ministry of Treasury and Finance

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