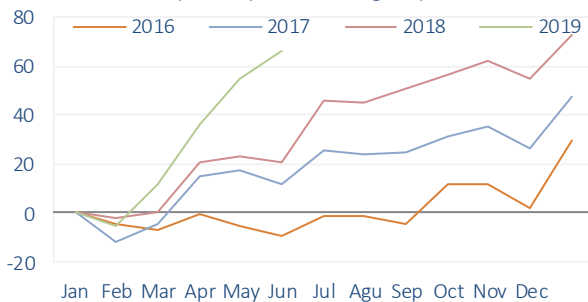




Budget deficit was realized as 12.1 billion TRY in May.

Central government budget deficit came in at 12.1 billion TRY in May. The budget gave a surplus of 2.7 billion TRY in the same month of the previous year. In this period, budget revenues increased by 2.2% yoy to 71.6 billion TRY, while budget expenditures surged up by 24.2% to 83.6 billion TRY. Primary budget balance, which gave a surplus of 8.7 billion TRY in May 2018, posted a deficit of 4.1 billion TRY in the same month of this year.

Course of Budget Deficit
(monthly cumulative figures)

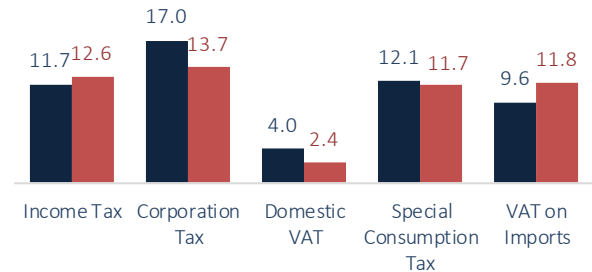


Central government budget deficit, which was 20.5 billion TRY in the first five months of 2018, was realized as 66.5 billion TRY in the same period of this year. Primary budget deficit came in at 20.1 billion TRY in this period.

Tax revenues declined on annual basis in May.

The slowdown in economic activity continued to have adverse impact on tax revenues in May. Having followed a weak course since December 2018, tax revenues declined by 2.3% yoy in this period. While annual fall in corporate tax (19.3%) and domestic VAT (40.1%) drove the decline in tax revenues in May, the lack of privatization revenue during this period also affected budget performance negatively. On the other hand, rises in other private revenues and VAT on imports supported budget revenues in this period.

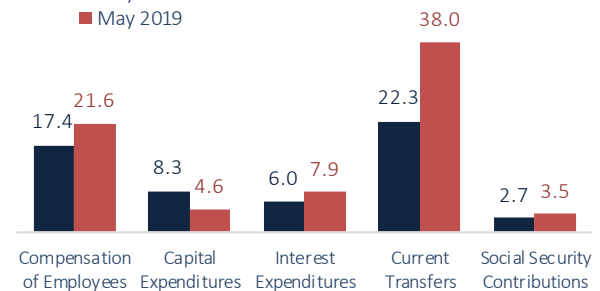
■ May 2018
■ May 2019
Tax Revenues
(TRY billion)



Budget expenditures...

Due to the increase in health, retirement and social aid expenditures in May, current transfers made the largest contribution to the rise in budget expenditures. Higher borrowing costs led interest expenditures to increase by 31.6% yoy. On the other hand, the decrease in capital expenditures (44.6%) and defense and security expenditures (45.1%) limited the rise in budget expenditures.

■ May 2018
■ May 2019
Budget Expenditures
(TRY billion)



Expectations...

Due to the weakness in tax revenues, the deterioration in budget indicators continued in May. Thus, the budget deficit exceeded 82% of the year-end target in January-May period. We think that the high level of borrowing costs will continue to effect budget performance negatively during the rest of the year. On the other hand the expected recovery in the economic activity as well as the withdrawal of temporary tax cuts might support budget revenues.

Central Government Budget

	May			January-May			2019 Budget		Real./ Target (%)
	2018	2019	% Change	2018	2019	% Change	Target	Target	
Expenditures	67.3	83.6	24.2	322.5	414.0	28.4	961.0	43.1	
Interest Expenditures	6.0	7.9	31.6	31.4	46.4	47.6	117.3	39.5	
Non-Interest Expenditures	61.3	75.7	23.5	291.1	367.6	26.3	843.7	43.6	
Revenues	70.0	71.6	2.2	302.1	347.5	15.0	880.4	39.5	
Tax Revenues	61.2	59.8	-2.3	252.1	262.9	4.3	756.5	34.7	
Other Revenues	8.8	11.7	33.2	50.0	84.6	69.3	123.9	68.3	
Budget Balance	2.7	-12.1	-	-20.5	-66.5	--	-80.6	82.6	
Primary Balance	8.7	-4.1	-	11.0	-20.1	-	36.7	-	

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

Source: Datastream, Ministry of Treasury and Finance

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