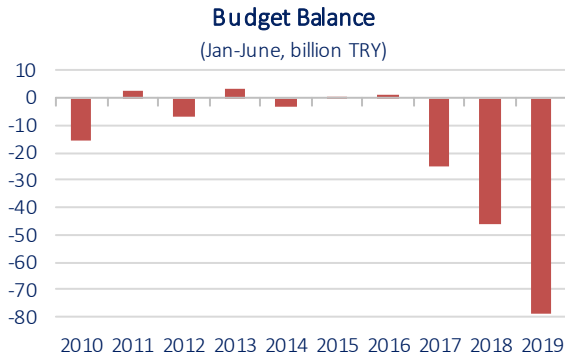




Budget deficit was at historical high in the first half of the year.

Central government budget deficit was realized as 12.05 billion TRY in June. The deficit was 25.6 billion TRY in the same month of the previous year. In this period, budget revenues recorded a slight increase of 7.6% to 55.5 billion TRY while budget expenditures decreased by 12.5% to 67.5 billion TRY. Primary deficit, which was 23.2 billion TRY in June 2018, was realized as 7.7 billion TRY in the same month of this year.

The relatively weak performance of budget revenues in the first half of the year led central government budget deficit to increase by 70.5% yoy. Thus, budget deficit in the first half of the year was realized at historical high with 78.6 billion TRY. Primary deficit also rose by 126.6% to 27.8 billion TRY in this period.



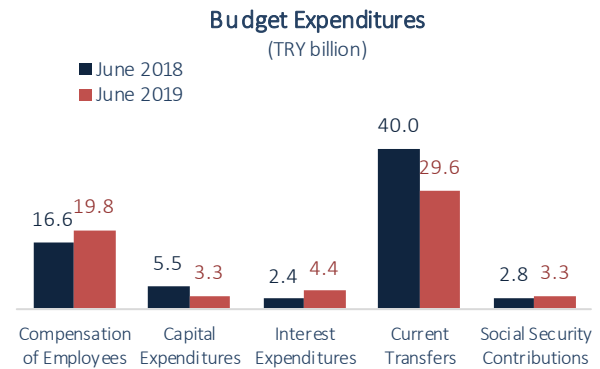
Tax revenues continued to have a weak course.

Tax revenues, which had declined on an annual basis in May, indicated that the weakness in economic activity continued by posting a limited increase in June. VAT on imports, which was under pressure due to contraction in import volume, declined by more than 20% yoy in June and limited the rise in budget revenues by 4.3 pts. SCT on motor vehicles also decreased due of the weak domestic automotive demand. On the other hand, the surge in SCT on tobacco products supported tax revenues. The

expansion in interest, shares and fines figure in budget revenues was noteworthy in this period. The rise in other miscellaneous revenues, exceeding 400% yoy, made a strong contribution to the annual increase in budget revenues with 4.1 pts.

Budget expenditures...

Since the payment to retirees for Ramadan Eid, which had been made in June last year, took place in May this year current transfers declined by 26.1% yoy. On the other hand, due to the rise in borrowing costs, the rapid increase in interest expenses continued.



In the first half of the year, budget revenues expanded by 20.5%, whereas budget revenues rose by 14%. Current transfers, which have a significant share in budget expenditures, contributed 8.7 pts to the rise in budget expenditures. On the other hand, the decrease in immovable capital produce expenditures limited the rise in budget expenditures in the first half of the year.

Expectations...

Budget indicators continued to deteriorate during the first half of the year, driven by weak tax revenues. The impact of the expected limited recovery in economic activity on the budget in the second half of the year will be closely monitored.

Central Government Budget

	June		%	January-June		%	2019 Budget		Real./ Target (%)
	2018	2019		Change	2018		2019	Change	
Expenditures	77.2	67.5	-12.5	399.7	481.6	20.5	961.0	50.1	
Interest Expenditures	2.4	4.4	82.4	33.8	50.7	50.1	117.3	43.3	
Non-Interest Expenditures	74.8	63.2	-15.5	365.9	430.8	17.7	843.7	51.1	
Revenues	51.5	55.5	7.6	353.6	403.0	14.0	880.4	45.8	
Tax Revenues	42.7	44.9	5.0	294.8	307.7	4.4	756.5	40.7	
Other Revenues	8.8	10.6	20.7	58.8	95.2	62.0	123.9	76.9	
Budget Balance	-25.6	-12.1	-53.0	-46.1	-78.6	70.5	-80.6	97.5	
Primary Balance	-23.2	-7.7	-66.9	-12.3	-27.8	126.6	36.7	-	

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

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