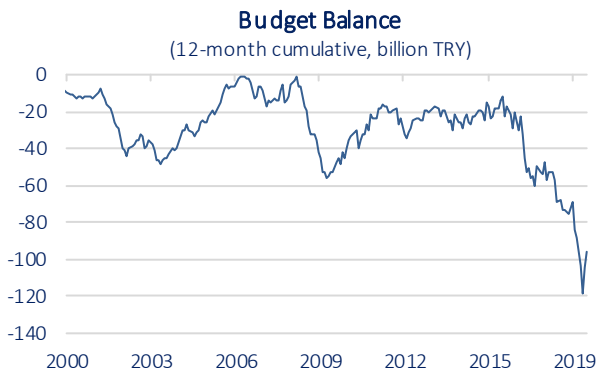




Budget posted a surplus of 9.9 billion TRY in July.

Central government budget posted a surplus of 9.9 billion TRY in July. The budget had a surplus of 1.1 billion TRY in the same month of last year. In this period, budget revenues increased by 51.1% to 93.4 billion TRY, while budget expenditures rose by 37.6% to 83.5 billion TRY. Primary surplus, which was 9.3 billion TRY in July 2018, was recorded as 17.6 billion TRY in the same month of this year.

In the first seven months of the year, central government budget deficit increased by 52.8% yoy due to the relatively poor performance of budget revenues. Thus, budget deficit was realized as 68.7 billion TRY in January - July period. The primary deficit also rose rapidly during this period and reached 10.2 billion TRY.



Transfer of CBRT's reserve funds was effective on budget revenues.

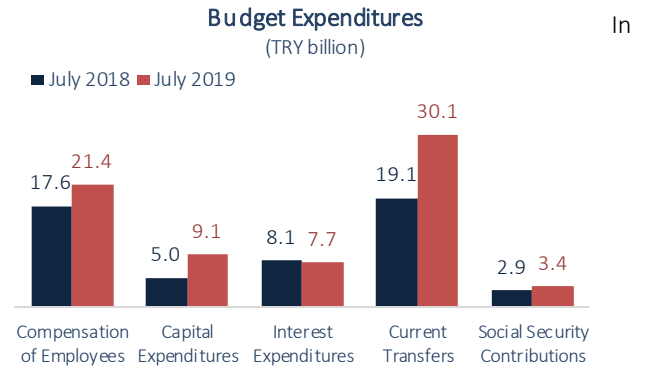
In July, with the transfer of CBRT's reserve funds to budget revenues, enterprise and property revenues made the highest contribution to the increase of budget revenues by 36.3 points on an annual basis.

Tax revenues, which has an important impact on the course of budget revenues, rose by 7.3%, below the inflation rate, in this period. The increases in corporate and income tax revenues, 72% and 16.8% respectively, were at the forefront.

In July, domestic VAT also rose by 6.1% yoy, while the 1% drop in SCT was noteworthy. Despite the 12% increase in SCT revenues from petroleum and natural gas products, the rapid decline in SCT from motor vehicle sales by 57.8% due to weak domestic demand conditions was effective in this development.

Budget expenditures...

Due to the increase in health, retirement and social aid expenditures, current transfers made the highest contribution to the rise in budget expenditures, in July. In this period, while immovable capital produce expenses and personnel expenses increased, the decrease in interest expenditures limited the rise in budget expenditures.



January-July period, budget revenues rose by 19.5%, while budget expenditures expanded by 22.7%. Current transfers and personnel expenditures, which have a significant share in budget expenditures, were effective in this expansion also.

Expectations...

In the rest of the year, the impacts of the expected limited recovery in economic activity and the tax hike on tobacco products to the budget balance will be closely monitored. In addition, in line with the ease in borrowing costs, we expect that the decline in interest expenditures will continue.

Central Government Budget

	July			January-July			2019 Budget		Real./ Target (%)
	2018	2019	% Change	2018	2019	% Change	Target	Target	
Expenditures	60.7	83.5	37.6	460.4	565.1	22.7	961.0	58.8	
Interest Expenditures	8.1	7.7	-5.2	42.0	58.5	39.4	117.3	49.8	
Non-Interest Expenditures	52.6	75.8	44.2	418.5	506.6	21.1	843.7	60.1	
Revenues	61.8	93.4	51.1	415.4	496.4	19.5	880.4	56.4	
Tax Revenues	54.4	58.3	7.3	349.2	366.1	4.8	756.5	48.4	
Other Revenues	7.5	35.1	369.3	66.3	130.4	96.7	123.9	105.2	
Budget Balance	1.1	9.9	777.0	-45.0	-68.7	52.8	-80.6	85.2	
Primary Balance	9.3	17.6	90.0	-3.0	-10.2	239.4	36.7	-	

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

Source: Datastream , Ministry of Treasury and Finance

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