



Central government budget gave a surplus in August.

The central government budget, which posted a deficit of 5.8 billion TRY in August 2018, gave a surplus of 576 million TRY in the same month of this year. While budget revenues increased by 34.1% yoy to 94.3 billion TRY, budget expenditures surged up by 23.2% to 93.7 billion TRY. Primary surplus, which was 2.5 million TRY in August 2018, was realized as 11.4 billion TRY in this period.

Having been realized as 50.8 billion TRY in the January-August 2018, the budget deficit rose to 68.1 billion TRY in the same period of this year. It was noteworthy that the primary balance, which posted a deficit of 559 million TRY in the first 8 months of the last year, gave a surplus 1.2 billion TRY surplus during the same period of this year.

Portfolio revenues of Treasury drove budget revenues up.

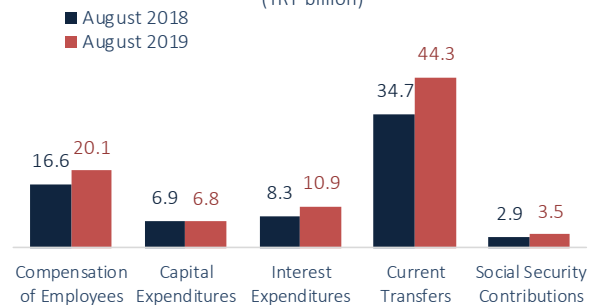
In August, the increase in budget revenues stemmed from the rapid rise in portfolio revenues of Treasury, contributing 26.1 points to the annual rise in budget revenues. This was mainly driven by transfer of CBRT's reserve fund to budget revenues in August as was the case in July. On the other hand, tax revenues, playing a key role in budget revenues, increased below the inflation rate in August by 9.3%. Thus, the weak course of tax revenues since the beginning of 2019 continued in this period. Income tax and SCT made the highest contribution to the annual rise in tax revenues. On the other hand,

domestic VAT pulled tax revenues down, decreasing by 18% yoy. The rapid fall in other revenues under "interest, shares and fines" also limited the increase in budget revenues by 3.3 points.

Rapid rise in interest expenditures...

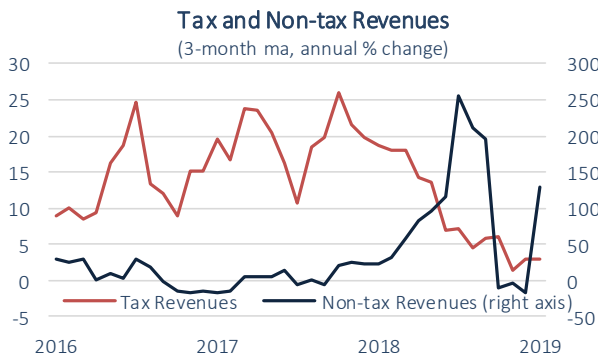
Due to the increase in health, retirement and social aid expenditures, current transfers made the highest contribution to the rise in budget expenditures in August. Having increased by 20.8% yoy, personnel expenses pushed the budget expenditures up. Interest expenditures surged up by 31.7% yoy in August due to the high level of borrowing costs.

Budget Expenditures
(TRY billion)



Expectations...

Even though budget indicators recovered somewhat in August compared to the previous months, central government budget displayed a weak performance in the first eight months. In 2019, one-time revenues limited the expansion in the budget deficit. In the rest of the year, we believe that the partial recovery in economic activity, supported by the CBRT's interest rate cuts, might have a positive impact on tax revenues.



Central Government Budget

	August			January-August			2019 Budget	
	2018	2019	% Change	2018	2019	% Change	Target	Real./ Target (%)
Expenditures	76.1	93.7	23.2	536.5	658.8	22.8	961.0	68.6
Interest Expenditures	8.3	10.9	31.7	50.2	69.3	38.1	117.3	59.1
Non-Interest Expenditures	67.8	82.8	22.1	486.3	589.5	21.2	843.7	69.9
Revenues	70.3	94.3	34.1	485.7	590.7	21.6	880.4	67.1
Tax Revenues	60.9	66.6	9.3	410.1	432.7	5.5	756.5	57.2
Other Revenues	9.4	27.7	195.6	75.6	158.0	109.0	123.9	127.6
Budget Balance	-5.8	0.6	-	-50.8	-68.1	34.2	-80.6	84.5
Primary Balance	2.5	11.4	366.7	-0.6	1.2	-	36.7	3.3

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

Source: Datastream , Ministry of Treasury and Finance

Economic Research Division

İzlem Erdem
Chief Economist
izlem.erdem@isbank.com.tr

İlker Şahin
Economist
ilker.sahin@isbank.com.tr

Alper Gürler
Unit Manager
alper.gurler@isbank.com.tr

Gamze Can
Economist
gamze.can@isbank.com.tr

Hatice Erkiletliođlu
Asst.Manager
hatice.erkiletlioglu@isbank.com.tr

Ayşim Kalkan
Asst. Economist
aysim.kalkan@isbank.com.tr

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