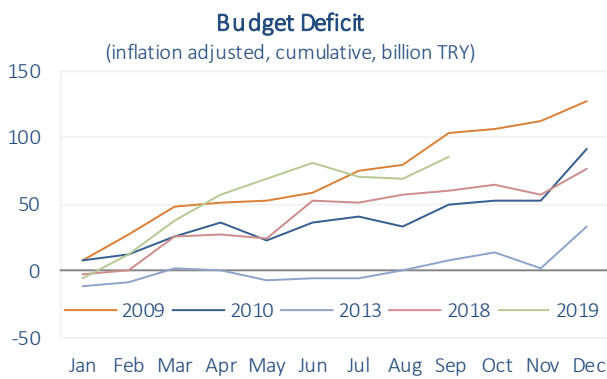




Budget posted a deficit of 17.7 billion TRY in September.

Central government budget deficit expanded by 197% yoy and was realized as 17.7 billion TRY in September. In this period, budget revenues increased by 3.3% yoy to 63.1 billion TRY, while budget expenditures surged up by 20.5% to 80.8 billion TRY. Primary budget balance, which gave a surplus of 4.3 billion TRY in September 2018, posted a deficit of 5.6 billion TRY in the same month of this year.

Central government budget deficit, which was 56.7 billion TRY in the first nine months of 2018, was realized as 85.8 billion TRY in the same period of this year.



Limited increase in tax revenues...

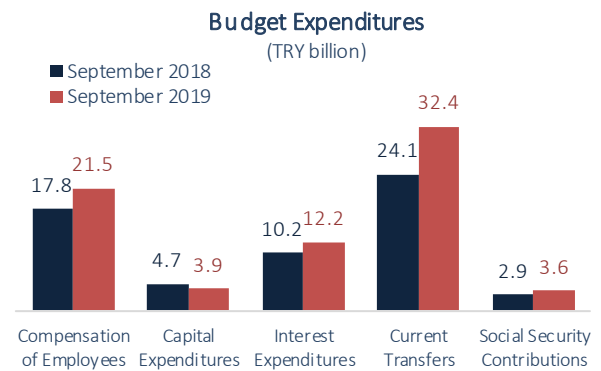
Slowdown in economic activity has continued to have adverse impact on tax revenues in September. Having followed a weak course since last year, tax revenues rose by 6.8% yoy in September thanks to the rapid rise in the special consumption tax (SCT) on fuel and tobacco products. In September, SCT on fuel and tobacco products rose by 71% and 25.6%, respectively. In this period, due to foreign trade developments, VAT on imports declined by 22.2%, limiting the increase in budget revenues by 4.7 pp. The contribution of the interest, shares and fines, which played an important role in budget performance last year, decreased significantly this year. Due to annual decrease of 3 billion TRY in other miscellaneous revenues; interest,

shares and fines limited the increase in budget revenues by 4.1 pp.

Budget revenues expanded by 19.6% in the first three quarters compared to last year. Thanks to the transfer of CBRT's profit to the budget; property incomes of budget made the largest contribution to the increase by 12.3 pp.

Budget expenditures...

Due to the increase in health, retirement and social aid expenditures in September, current transfers made the largest contribution to the rise in budget expenditures. 8.5 pts of 20.5 pp annual increase in budget expenditures stemmed from the said expansion. Interest expenditures continued to push budget expenditures upward, albeit at a slower pace thanks to recent decline in borrowing costs. On the other hand, capital expenditures and capital transfers limited the rise in budget expenditures in September.



Expectations...

Deterioration in budget indicators continued in September, due to the weakness in tax revenues, the main source of revenue. Thus, the budget deficit recorded one of the worst performances of recent years in the first three quarters. For the rest of the year, we believe that the decline in borrowing costs and the limited recovery in economic activity might support budget performance.

Central Government Budget

	September			January-September			(billion TRY)		
	2018	2019	% Change	2018	2019	% Change	2019 Budget Target	NEP Target	Real./NEP Target (%)
Expenditures	67.0	80.8	20.5	603.5	739.6	22.5	961.0	992.4	74.5
Interest Expenditures	10.2	12.2	19.0	60.4	81.5	34.9	117.3	103.1	79.0
Non-Interest Expenditures	56.8	68.7	20.8	543.1	658.1	21.2	843.7	899.3	73.2
Revenues	61.1	63.1	3.3	546.8	653.8	19.6	880.4	867.4	75.4
Tax Revenues	49.2	52.6	6.8	459.4	485.3	5.6	756.5	667.6	72.7
Other Revenues	11.8	10.5	-11.4	87.5	168.5	92.7	123.9	199.8	84.3
Budget Balance	-6.0	-17.7	197.0	-56.7	-85.8	51.3	-80.6	-125.0	68.7
Primary Balance	4.3	-5.6	-	3.7	-4.3	-	36.7	-21.9	19.8

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

Erhan Gül
Asst.Manager
erhan.gul@isbank.com.tr

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

Our reports are available on our website <https://research.isbank.com.tr>

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