



Central government budget deficit was 30.8 billion TRY in December.

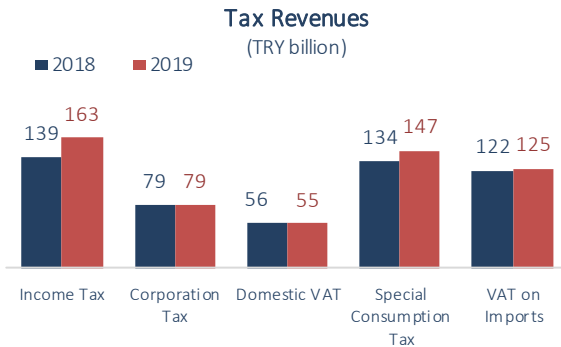
The central government budget deficit increased by 68.3% yoy to 30.8 billion TRY in December 2019. During this period, budget revenues expanded by 9.1% yoy to 73.3 billion TRY, while budget expenditures increased by 21.8% to 104.1 billion TRY. Primary deficit, which was 16.2 billion TRY in December 2018, became 26.6 billion TRY in December 2019.

In 2019 as a whole, budget deficit became 123.7 billion TRY.

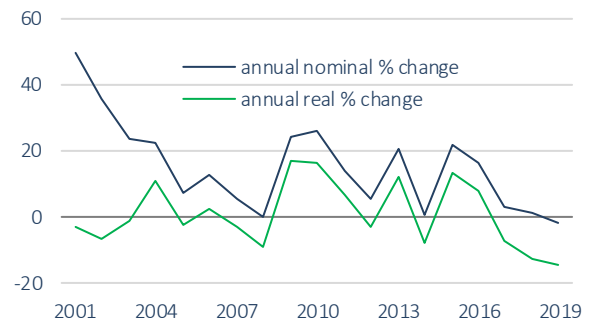
Budget deficit, which was 72.8 billion TRY in 2018, surged to 123.7 billion TRY in 2019. During this period, budget revenues and expenditures rose by 15.5% and 20.3%, respectively. Primary balance, which posted a surplus of 1.1 billion TRY in 2018, gave a deficit of 23.8 billion TRY in 2019.

Tax revenues rose by 31.3% yoy in December.

Tax revenues expanded by 31.3% yoy in the last month of the year. The rise in domestic value added tax (VAT) revenues stood out during this period. The increases in special consumption tax (SCT) and VAT on imports were also noteworthy. Due to the recovery in domestic demand conditions and the low base effect stemming from the previous year's SCT cuts, SCT from motor vehicles and durable goods&others surged up rapidly by 53.1% and 85.9%, respectively.



Domestic Value Added Tax Revenues



In 2019 as a whole, tax revenues recorded a quite weak increase of 8.3%. Domestic VAT revenues declined on an annual basis in nominal terms for the first time in near history. The real annual fall in this item was 14.6%.

Rapid rise in interest expenditures...

Compensation of employees continued to drive the rise in budget expenditures by increasing 18.3% yoy in December. During this period, interest expenditures doubled while capital expenditures declined.

In 2019 as a whole, interest expenditures surged at the fastest rate since 2001 with 35.1%. During this period, the rises in current transfers and compensation of employees were also noteworthy.

Expectations...

In 2019, budget realizations were in line with the estimates of the New Economy Program (NEP) released in September. Deterioration in budget outlook was partly contained by the support of one-off revenues. In the first half of 2019, tax cuts in certain sectors and weak domestic demand had a negative impact on budget revenues. The rise in interest expenditures also weighed on budget performance. In the period ahead, the expected recovery in economic activity and the fall in interest rates will be positive for budget outlook. Budget deficit to GDP ratio, which is expected to have neared 3% in 2019, is anticipated to remain flat around 2.9% in 2020 as September NEP forecasts suggested.

Central Government Budget

	December			January-December			2019 Budget		
	2018	2019	% Change	2018	2019	% Change	Target	Target	Real/NEP Target (%)
Expenditures	85.4	104.1	21.9	830.8	999.5	20.3	961.0	992.4	100.7
Interest Expenditures	2.1	4.2	100.1	74.0	99.9	35.1	117.3	103.1	96.9
Non-Interest Expenditures	83.4	99.9	19.8	756.8	899.5	18.9	843.7	899.3	100.0
Revenues	67.2	73.3	9.1	758.0	875.8	15.5	880.4	867.4	101.0
Tax Revenues	45.8	60.1	31.2	621.5	673.3	8.3	756.5	667.6	100.9
Other Revenues	21.4	13.2	-38.1	136.5	202.5	48.3	123.9	199.8	101.3
Budget Balance	-18.3	-30.8	68.1	-72.8	-123.7	69.9	-80.6	-125.0	99.0
Primary Balance	-16.2	-26.6	64.1	1.1	-23.8	-	36.7	-21.9	108.5

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

Dilek Sarsın Kaya
Asst.Manager
dilek.kaya@isbank.com.tr

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

LEGAL NOTICE

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş., accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.