

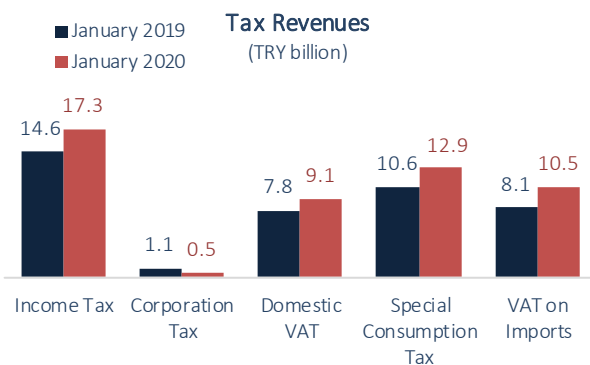
### Central government budget posted a surplus of 21.5 billion TRY in January.

The central government budget surplus quadrupled compared to a year ago and became 21.5 billion TRY in January. In this period, budget revenues increased by 26% yoy to 122.2 billion TRY, while budget expenditures rose by 9.6% yoy to 100.7 billion TRY. Primary surplus tripled compared to a year ago and stood at 34.2 billion TRY.

#### Tax revenues rose by 21.1% yoy.

Tax revenues expanded by 21.1% yoy in January. Revenues from special consumption tax (SCT), value added tax (VAT) on imports and VAT on domestic products recorded solid rises during this period. Due to the recovery in domestic demand and the low base effect stemming from the last year's SCT cuts, SCT from motor vehicles increased by 126.8% yoy. SCT on durable goods&others surged up by a similar rate during this period. Income tax revenues, which had a share of 26% in total tax revenues, rose by 18.4% yoy while corporation tax revenues fell by more than 50% yoy.

Looking at the 2020 budget targets, a mild rise of 4.2% in domestic VAT revenues is noteworthy. Targets for tax revenues on other consumption related items seem consistent with the January realizations.

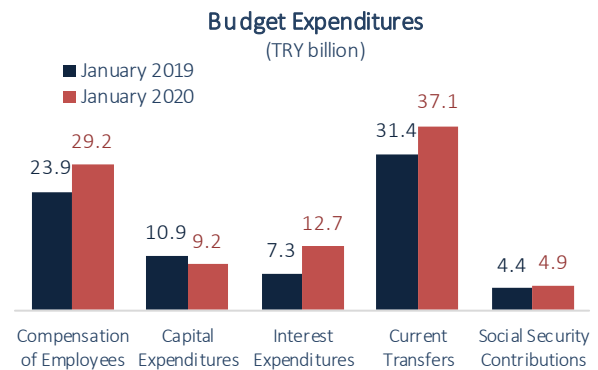


### Strong increase in portfolio revenues of Treasury...

Portfolio revenues of Treasury was 40.7 billion TRY in January due to the transfer of the CBRT's profit to the budget. In January 2019, the said item was 33.9 billion TRY. Portfolio revenues of Treasury, which was 81 billion TRY in 2019 as a whole, is expected to be 50.2 billion TRY in 2020.

#### A limited increase in non-interest expenditures...

Among the non-interest expenditures, current transfers (42% of non-interest expenditures) rose by 18.1% yoy, while compensation of employees (33% of non-interest expenditures) expanded by 22.4% yoy. Nevertheless, non-interest expenditures recorded a limited annual rise of 4% as other non-interest expenditures registered rapid falls. Having doubled in December 2019, interest expenditures increased fast by 75% in January.



### Expectations...

Along with the early transfer of CBRT's profit to central government budget, as it was the case in 2019, fiscal outlook made a positive start to the year. In the upcoming period, we believe that the budget performance will be in harmony with the targets due to the recovery in economic activity thanks to the recent interest rate cuts as well as the slowdown envisaged in non-interest expenditures.

	January		% Change	2020 Budget Target	Real./Budget Target (%)
	2019	2020			
<b>Expenditures</b>	<b>91.9</b>	<b>100.7</b>	<b>9.6</b>	<b>1,095.5</b>	<b>9.2</b>
Interest Expenditures	7.3	12.7	75.1	138.9	9.2
Non-Interest Expenditures	84.6	87.9	4.0	956.5	9.2
<b>Revenues</b>	<b>97.0</b>	<b>122.2</b>	<b>26.0</b>	<b>956.6</b>	<b>12.8</b>
Tax Revenues	55.7	67.4	21.1	784.6	8.6
Other Revenues	41.3	54.8	32.7	172.0	31.8
<b>Budget Balance</b>	<b>5.1</b>	<b>21.5</b>	<b>322.4</b>	<b>-138.9</b>	<b>-</b>
<b>Primary Balance</b>	<b>12.4</b>	<b>34.2</b>	<b>176.9</b>	<b>0.1</b>	<b>-</b>

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

Source: Datastream , Ministry of Treasury and Finance

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