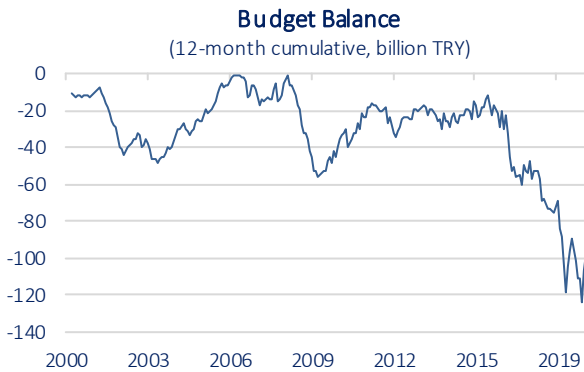




In February, central government budget gave a deficit of 7.4 billion TRY.

In February, the central government budget deficit narrowed by 56.1% on an annual basis to 7.4 billion TRY. In this period, budget revenues expanded by 28.6% yoy to 86.1 billion TRY, while budget expenditures increased by 11.7% yoy to 93.5 billion TRY. The primary balance, which gave a deficit of 2.1 billion TRY in February 2019, posted a surplus of 6.8 billion TRY in the same month of this year.

Budget expenditures increased by 10.6% yoy in January-February period, while revenues expanded by 27.1% yoy. Thus, the budget, which posted a deficit of 11.7 billion TRY in the first two months of 2019, gave a surplus of 14.1 billion TRY in the same period of this year.



Tax revenues expanded by 24.7% yoy.

Tax revenues increased by 24.7% in the second month of the year, contributing 21.3 pts to the rise in budget revenues. 7.7 billion TRY expansion (42.8% yoy) recorded in provisional corporation tax played an important role in this development. In addition, VAT on imports expanded by 1.6 billion TRY (18.6%), driven also by the recovery in economic activity. The SCT from motor vehicles increased by 1.3 billion TRY (232.5%), thanks to the revival in automotive market as well as the low base driven from last year's tax incentive.

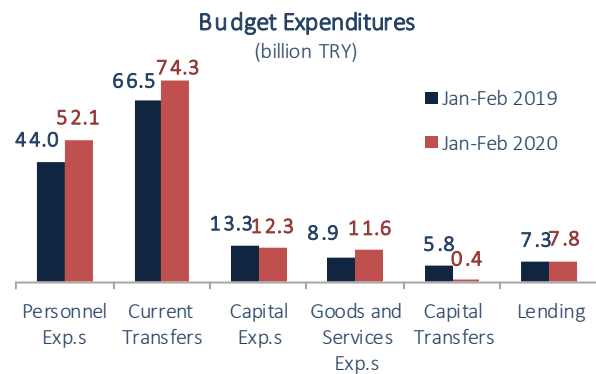
In January-February period, besides tax revenues, the rise in property revenues played a positive role in the budget

performance thanks to the transfer of CBRT's profit to the budget in the first month of the year. In this period, 379.4% yoy increase in interest revenues came to the fore in the expansion of budget revenues.

Interest expenditures declined in February.

The increase of 165.5% in lending, with the effect of fund transfers to TCDD (Turkish State Railways) stands out within budget expenditures in February. In addition, the expansion in goods and services expenditures, due to the annual increase in contracting expenditures, also played an important role in budget expenditures increase. Interest expenditures, on the other hand, fell by 3.7% in this period.

Capital transfers contracted by 93.9% in the first two months of this year, due to the high base effect led by 5.8 billion TRY capital transfer made in the January-February 2019 period. Thus, the decline in capital transfers limited the increase in budget expenditures by 3.1 pts.



Expectations...

In line with the concerns of the coronavirus outbreak, uncertainties regarding the course of global economic activity are rising. Although Turkey is one of the less infected countries, the support to economic activity through fiscal policies might be necessary if the global supply and demand shock limits the growth in Turkey. In such a situation we consider that the budget indicators would be affected in a negative way.

Central Government Budget

(billion TRY)

	February			January-February			2020 Budget Target	Real./Target (%)
	2019	2020	% Change	2019	2020	% Change		
Expenditures	83.7	93.5	11.7	175.6	194.2	10.6	1,095.5	17.7
Interest Expenditures	14.7	14.2	-3.7	22.0	26.9	22.4	138.9	19.4
Non-Interest Expenditures	69.0	79.3	14.9	153.6	167.3	8.9	956.5	17.5
Revenues	67.0	86.1	28.6	163.9	208.3	27.1	956.6	21.8
Tax Revenues	57.5	71.7	24.7	113.2	139.1	22.9	784.6	17.7
Other Revenues	9.5	14.4	52.2	50.7	69.2	36.3	172.0	40.2
Budget Balance	-16.8	-7.4	-56.1	-11.7	14.1	-	-138.9	-
Primary Balance	-2.1	6.8	-	10.3	41.0	298.6	0.1	-

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

Source: Datastream, Ministry of Treasury and Finance

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