

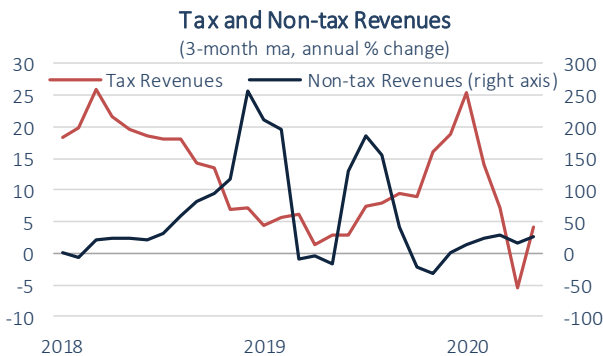


Central government budget posted a deficit of 19.4 billion TRY in June.

In June, central government budget deficit increased by 60.7% on an annual basis and reached 19.4 billion TRY. In this period, budget revenues went up by 19.5% yoy and became 66.3 billion TRY, while budget expenditures rose by 26.8% to 85.6 billion TRY. In this period, primary balance gave a deficit of 13.1 billion TRY. In January-June period, budget expenditures increased by 17.3% yoy, while budget revenues expanded by 13.0% yoy. Thus, the budget deficit, which was 78.6 billion TRY in the first half of last year, rose by 39.3% yoy and became 109.5 billion TRY in the same period of this year.

Tax revenues became 55.4 billion TRY in June.

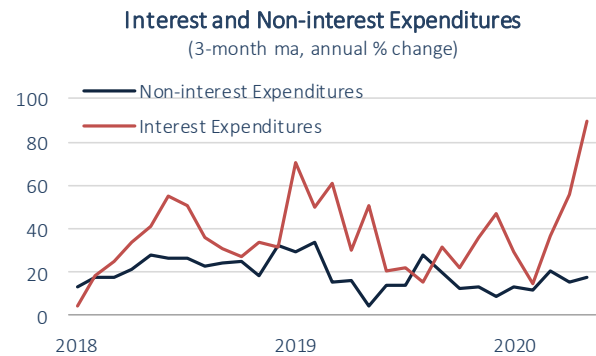
In June, tax revenues increased by 23.5% yoy and was realized as 55.4 billion TRY. In this period, corporate tax revenues rose rapidly thanks to the postponement of the collection date to June. Value added tax on imports also went up swiftly in this period due to the rise in imports volume, the additional taxes introduced and the rise in FX rates. In addition, the special consumption tax received from motor vehicles and durable goods increased by 265% yoy and 385% yoy in June, respectively. The low base effect stemming from the tax cuts last year as well as the recent recovery in demand were effective in this development. In January-June, tax revenues rose by 9.2% yoy and became 336 billion TRY.



Interest expenses rose rapidly.

Among the budget expenditures the rapid increases in current transfers and capital expenditures stood out in June. In this period, the social security deficit finance, which is monitored under the Treasury aids item of current transfers, increased by approximately 8 times and became 11.2 billion TRY. This item constituted 14.4 points of 26.8% increase in budget expenditures. On the other hand, the 4.1 billion TRY rise in real estate capital and production expenditures was noteworthy in June. This item contributed 6.1 points to the rise of budget expenditures. Interest expenditures increased by 44.4% on an annual basis to 6.3 billion TRY in June. Domestic debt interest payments went up by 20.7% to 4.2 billion TRY, while foreign debt interest payments nearly doubled to 1.5 billion TRY.

In January-June period, budget expenditures rose by 17.3% compared to the same period of last year and reached 564.9 billion TRY. In this period, the annual increase in interest expenditures was 40.4%.



Expectations...

Along with the easing of the restrictive measures taken against the virus pandemic economic activity started to recover in June and this development brought up the views that the rapid expansion of the budget deficit might lose momentum in the second half of the year. On the other hand, uncertainties regarding the course of the pandemic still continue to put pressure on the budget balance.

Central Government Budget

	June			January-June			2020 Budget	
	2019	2020	% Change	2019	2020	% Change	Target	Real./Target (%)
Expenditures	67.5	85.6	26.8	481.6	564.9	17.3	1,095.5	51.6
Interest Expenditures	4.4	6.3	44.4	50.7	71.3	40.4	138.9	51.3
Non-Interest Expenditures	63.2	79.3	25.6	430.8	493.6	14.6	956.5	51.6
Revenues	55.5	66.3	19.5	403.0	455.4	13.0	956.6	47.6
Tax Revenues	44.9	55.4	23.5	307.7	335.9	9.2	784.6	42.8
Other Revenues	10.6	10.8	2.1	95.2	119.5	25.4	172.0	69.5
Budget Balance	-12.1	-19.4	60.7	-78.6	-109.5	39.3	-138.9	78.8
Primary Balance	-7.7	-13.1	69.9	-27.8	-38.2	37.2	0.1	-

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

Source: Datastream , Ministry of Treasury and Finance

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