



Central government budget posted a deficit of 25 billion TRY in June.

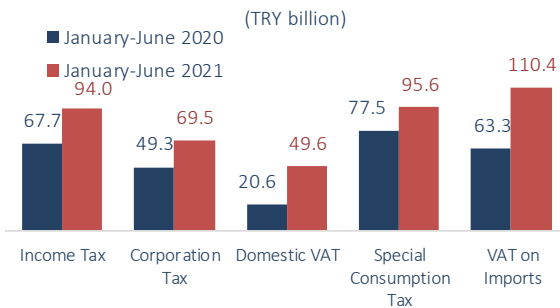
In June, budget revenues increased by 33.3% yoy to 88.3 billion TRY. In this period, budget expenditures expanded by 32.4% yoy and became 113.4 billion TRY. Thus, the central government budget deficit, which was 19.4 billion TRY in June 2020, rose by 29.2% yoy and was realized as 25 billion TRY in June 2021. During this period, the primary deficit became 15.6 billion TRY.

In the first half of the year, the central government budget performance has improved compared to the same period of last year, thanks to the rapid increase in tax revenues. In this period, budget revenues expanded by 38.5% yoy, while budget expenditures increased by 17.4% yoy. Thus, the budget deficit decreased by 70.3% yoy to 32.5 billion TRY in the first half of the year. The primary balance, which gave a deficit of 38.2 billion TRY in the first half of 2020, posted a surplus of 58.3 billion TRY in January-June period of this year.

The rise in tax revenues continued in June.

The rapid increase in tax revenues in recent months continued in June, albeit losing some momentum. In this period, tax revenues went up by 32.1% yoy and became 73.2 billion TRY. In June, on a monthly basis the rise in special consumption tax (SCT) and value added tax (VAT) on imports with the effect of the loosening of the measures taken against the pandemic and the exchange rate developments drew attention, while the increase in income tax and domestic VAT revenues on an annual basis provided significant support to the tax revenues.

Tax Revenues



In the first half of the year, tax revenues rose by nearly 50% and reached to 497 billion TRY. In this period, VAT tax revenues on imports, which account for 22% of total tax revenues, went up rapidly by 74.6%, while domestic VAT revenues, which account for 10% of total tax revenues, increased 1.5 times. While non-tax

Central Government Budget

	June		%	January-June		%	2021 Budget Target	2021 Target*	Real./2021 Target* (%)
	2020	2021		Change	2020				
Expenditures	104.6	113.4	8.4	1,000.0	663.4	-33.7	1,346.1	1,454.5	45.6
Interest Expenditures	6.3	9.4	49.5	71.3	90.9	27.5	179.5	179.6	50.6
Non-Interest Expenditures	100.4	104.0	3.5	900.1	572.5	-36.4	1,166.6	1,274.9	44.9
Revenues	72.8	88.3	21.4	875.3	630.8	-27.9	1,101.1	1,254.6	50.3
Tax Revenues	60.6	73.2	20.9	673.9	496.9	-26.3	922.7	1,051.1	47.3
Other Revenues	12.2	15.1	23.8	201.4	133.9	-33.5	178.4	203.6	65.8
Budget Balance	-31.8	-25.0	27.9	-124.7	-32.5	-73.9	-245.0	-199.9	16.3
Primary Balance	-27.6	-15.6	29.5	-24.8	58.3	56.3	-65.5	-20.3	-

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

(*) The estimates included in the Public Finance Report published by the Ministry of Treasury and Finance in May.

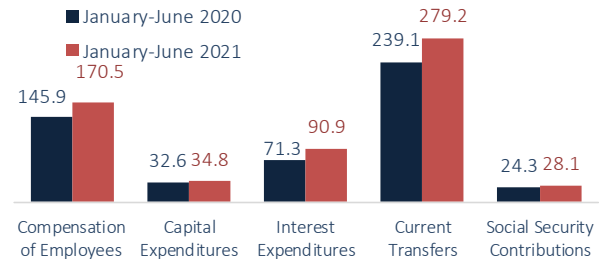
revenues rose by 39.5% yoy and became 15.1 billion TRY in June, in January-June period revenues expanded by 12.1% yoy to 133.9 billion TRY.

Current transfers increased by 38.2% yoy in June.

In June, interest expenditures expanded by 49.5% yoy to 9.4 billion TRY, while non-interest expenditures increased by 31% yoy to 104 billion TRY. The current transfers, which account for nearly half of primary expenses, went up by 38.2% yoy in June. This increase was driven by the annual rise of 5.4 billion TRY in other treasury aids as well as the 422.8% annual rise in the other transfers to households item. In this period, capital expenditures contracted by 15.2% yoy due to the decline in real estate capital and production expenditures.

Budget Expenditures

(TRY billion)



In the January-June period, primary expenditures increased by 16% yoy, close to the inflation rate, while interest expenditures expanded by 27.5% yoy.

Expectations...

Despite the widening in the budget deficit in June, budget indicators presented a positive outlook in the first half of the year compared to the same period of 2020. In addition to the low base effect of the same period of last year, when the effects of the pandemic on the budget were felt most intensely, the rapidly increasing revenue items, thanks to the expansion of the economic activity with the acceleration of vaccinations against Covid-19 and the restructuring of taxes and administrative fines, were behind this development. We anticipate that fiscal policy will continue to be cautiously supportive of economic activity in the current environment, where concerns about new variants of Covid-19 point to increased risks in the second half of the year.

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