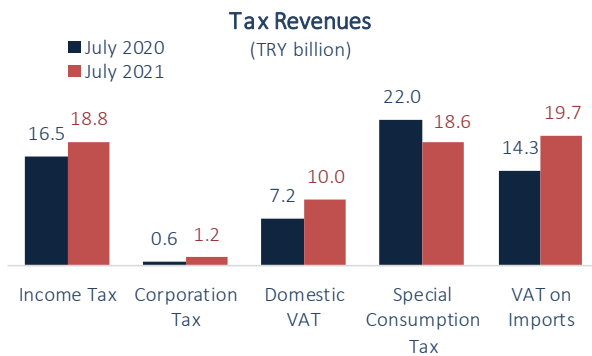




The central government budget posted a deficit of 45.8 billion TRY in July.

In July, the central government budget deficit increased by 54.2% yoy and was realized as 45.8 billion TRY. Interest expenditures had an important role in the rapid expansion of the budget deficit. Interest expenditures tripled on an annual basis and reached 23.6 billion TRY, due to the busy domestic debt payment schedule in July. In this period, budget revenues performed weaker compared to the first half of the year. In July, budget revenues increased by 10.1% yoy to 95.3 billion TRY, while non-interest budget expenditures rose by 9% yoy to 117.4 billion TRY. The primary budget deficit, which was 21.2 billion TRY in July 2020, did not record a significant change and became 22.2 billion TRY in the same month of this year.

In the first 7 months of the year, the central government budget deficit narrowed by 43.7% yoy to 78.3 billion TRY due to the strong increase in tax revenues and the relatively cautious stance on the budget expenditures. In line with the aforementioned outlook, the primary balance, which gave a deficit of 59.4 billion TRY in the January-July period of 2020, posted a surplus of 36.2 billion TRY in the same period of this year.



The increase in tax revenues lost momentum in July.

The tax revenues, which rose by 50% in the first half of the year on an annual basis, increased by 11.5% yoy in July. Special consumption tax (SCT) revenues, which accounted for one-fifth of tax revenues in July, decreased by 15.4% compared to July 2020 and led the rise in tax revenues to lose momentum. In this period, SCT revenues from petroleum and natural gas products decreased by 3.7 billion TRY yoy. On the other hand, due to the strong course of domestic demand and the depreciation of TRY, the rapid increase in value-added tax (VAT) revenues on imports

Central Government Budget

	July			January-July			(billion TRY)		
	2020	2021	% Change	2020	2021	% Change	2021 Budget Target	2021 Target*	Real./2021 Target* (%)
Expenditures	116.2	141.1	21.4	681.1	804.4	18.1	1,346.1	1,454.5	55.3
Interest Expenditures	8.5	23.6	179.5	79.7	114.5	43.7	179.5	179.6	63.8
Non-Interest Expenditures	107.8	117.4	9.0	601.4	689.9	14.7	1,166.6	1,274.9	54.1
Revenues	86.5	95.3	10.1	541.9	726.1	34.0	1,101.1	1,254.6	57.9
Tax Revenues	76.0	84.7	11.5	412.0	581.7	41.2	922.7	1,051.1	55.3
Other Revenues	10.5	10.5	0.1	130.0	144.4	11.1	178.4	203.6	70.9
Budget Balance	-29.7	-45.8	54.2	-139.1	-78.3	-43.7	-245.0	-199.9	39.2
Primary Balance	-21.2	-22.2	4.4	-59.4	36.2	-	-65.5	-20.3	-

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

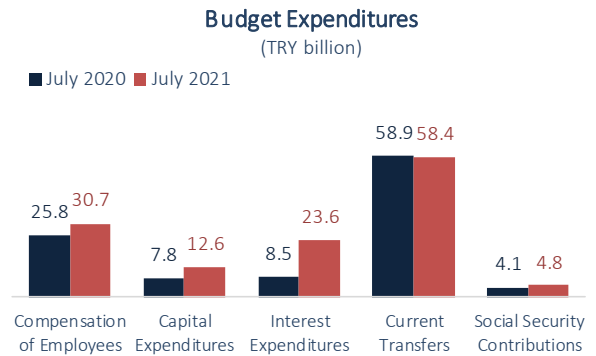
(*) The estimates included in the Public Finance Report published by the Ministry of Treasury and Finance in May.

by 37.5% yoy continued to support tax revenues. Domestic VAT revenues also went up by nearly 40% yoy in July.

In the January-July period, tax revenues rose by 34% yoy and became 726 billion TRY. Non-tax revenues, which did not record a significant change on a monthly basis in July, expanded by 11.1% yoy to 144.4 billion TRY in the January-July period.

Personnel and capital expenditures came to the fore in the increase of non-interest expenditures.

Personnel and capital expenditures had an upward impact on primary budget expenditures in July. In this period, personnel expenditures increased by 19% yoy, while capital expenditures expanded by 60.7% yoy due to the rapid increase in real estate capital and production expenses. The current transfers item, which accounted for around 40% of budget expenditures in July, decreased by approximately 1% yoy to 58.4 billion TRY.



In July, interest expenditures nearly tripled on an annual basis due to the domestic debt interest payment of 18.7 billion TRY. In this period, foreign debt interest payments were realized as 2.8 billion TRY. In the first 7 months of the year, primary expenditures increased by 14.7% yoy, below the inflation rate, while the annual rise in interest expenditures was 43.6%.

Expectations...

Despite the historically high deficit in the central government budget in July due to the rapid rise in interest expenditures, budget indicators continue to draw a relatively positive picture since the beginning of the year. As of the January-July period, the budget deficit stands at 39.2% of the 2021 year-end forecast which was revised in May. We think that the risks on the budget outlook may increase in the rest of the year depending on the course of the pandemic and domestic demand.

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