

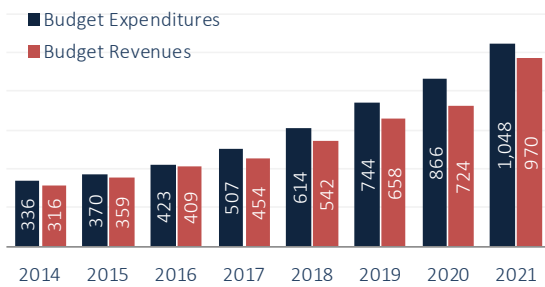


### Central government budget gave a surplus of 40.8 billion TRY in August.

In August, budget revenues increased by 35% yoy to 146.5 billion TRY, while budget expenditures expanded by 31.6% yoy to 105.7 billion TRY. Thus, the central government budget surplus, which was 28.2 billion TRY in August 2020, became 40.8 billion TRY in the same month of this year. In August, interest expenditures went up by 14.8% compared to the same period last year, while the primary surplus increased by 14.4 billion TRY yoy to 54.5 billion TRY.

Despite the 19.5% increase in budget expenditures in the January-August period, budget revenues expanded by 34.1% with the significant contribution of the low base created by the same period of last year. Thus, the budget deficit, which was 110.9 billion TRY in the January-August period of 2020, became 37.5 billion TRY in the same period of this year. The primary balance, which gave a deficit of 19.3 billion TRY in the first 8 months of 2020, posted a surplus of 90.6 billion TRY in the same period 2021.

**Budget Figures**  
(January-August, TRY billion)



### Tax revenues rose rapidly in August.

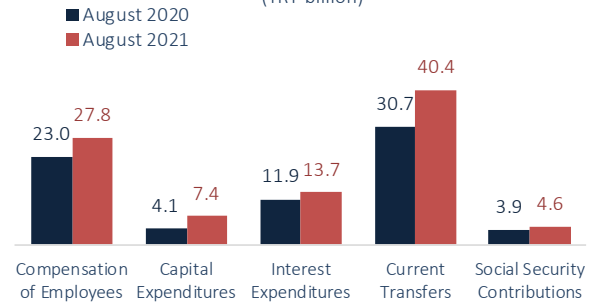
Tax revenues increased by 33.2% yoy and reached 131.1 billion TRY in August. In this period, rapid rises in corporate tax and VAT revenues on imports reflected positively on budget performance. Rising by 64.2% yoy corporate tax revenues contributed 16.2 points to the increase in budget revenues, while VAT on imports went up by 8.8 billion TRY yoy as a result of exchange rate and foreign trade developments. The decrease in SCT revenues in July continued in August as well. Due to the 'échelle mobile' system implemented to compensate the rise in fuel oil prices, the decrease in SCT revenues from oil and gas products reached 5.1 billion TRY in August compared to the same month last year and limited the increase in budget revenues by 4.7 percentage points.

In the January-August period, budget revenues rose by 222.1 billion TRY (34.1%) compared to the same period of last year, thanks to the increase in tax revenues. In this period, domestic VAT and VAT on imports contributed to the rise in budget revenues by 14.7 points. On the other hand, the 17.6 billion TRY (40.3%) decrease in the SCT on oil products in the first 8 months of this year limited the rise in budget revenues by 2.7 points.

### The increase in current transfers among budget expenditures stood out.

In August, budget expenditures rose by 25.4 billion TRY yoy, led by the increase in current transfers and capital expenditures. Due to the rapid increase in health, retirement and social aid expenditures, current transfers made the highest contribution to the rise in budget expenditures in August with 12.1 points. Having increased by 3.3 billion TRY (81.9%) yoy, capital expenditures pushed the budget expenditures up by 4.1 points. This increase was driven by the rise of 2.6 billion TRY in contracting expenditures. In this period, it was noteworthy that the lending item went up by 2.6 billion TRY (278%) on an annual basis. In January-August period, the increases in current transfers and personnel expenses were decisive in the rise in budget expenditures.

**Budget Expenditures**  
(TRY billion)



### Expectations...

The Medium-Term Programme, announced on September 5th, set the ratio of budget balance to GDP at 3.5% for 2021, indicating that fiscal policy will continue to support the economy in the coming months. The fact that the budget deficit forecast for 2021 in the MTP, led by the increase in primary expenditures, is higher than the forecasts of the Public Finance Report published at the end of May also supports this view. While a rise in budget revenues is also predicted in the MTP, it is estimated that a significant part of the said increase will stem from the rise in other revenues.

### Central Government Budget

	August			January-August			(billion TRY)		
	2020	2021	% Change	2020	2021	% Change	2021 Budget Target	MTP Target	Real./MTP Target (%)
<b>Expenditures</b>	<b>80.3</b>	<b>105.7</b>	<b>31.6</b>	<b>681.1</b>	<b>910.1</b>	<b>33.6</b>	<b>1,346.1</b>	<b>1,506.3</b>	<b>60.4</b>
Interest Expenditures	11.9	13.7	14.8	79.7	128.2	60.8	179.5	179.5	71.4
Non-Interest Expenditures	68.4	92.0	34.5	669.8	782.0	16.7	1,166.6	1,326.7	58.9
<b>Revenues</b>	<b>108.6</b>	<b>146.5</b>	<b>35.0</b>	<b>650.5</b>	<b>872.6</b>	<b>34.1</b>	<b>1,101.1</b>	<b>1,276.3</b>	<b>68.4</b>
Tax Revenues	98.5	131.1	33.2	510.4	712.8	39.7	922.7	1,057.9	67.4
Other Revenues	10.1	15.4	52.5	140.1	159.8	14.1	178.4	218.4	73.2
<b>Budget Balance</b>	<b>28.2</b>	<b>40.8</b>	<b>44.7</b>	<b>-110.9</b>	<b>-37.5</b>	<b>-66.2</b>	<b>-245.0</b>	<b>-230.0</b>	<b>16.3</b>
<b>Primary Balance</b>	<b>40.1</b>	<b>54.5</b>	<b>35.8</b>	<b>-19.3</b>	<b>90.7</b>	<b>-</b>	<b>-65.5</b>	<b>-50.5</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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