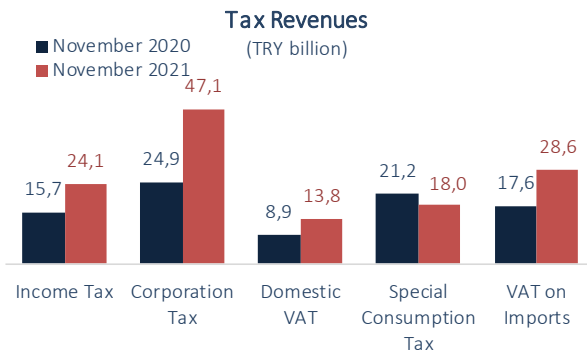




The central government budget posted a surplus of 32 billion TRY in November.

In November, budget revenues increased by 52.9% yoy and became 167.8 billion TRY, while budget expenditures expanded by 40.9% yoy to 135.8 billion TRY. Thus, the central government budget surplus, which was 13.4 billion TRY in November 2020, rose to 32 billion TRY in the same period of this year. In November, interest expenditures surged by 61.4% compared to the same period of last year, while primary surplus increased by 24.4 billion TRY yoy to 47.3 billion TRY.

In January-November period, budget revenues and expenditures rose by 36.5% yoy and 24% yoy, respectively. In this period, the budget deficit narrowed by 64.8% yoy to 46.5 billion TRY. The primary balance, which gave a deficit of 3 billion TRY in the January-November 2020 period, posted a surplus of 125.4 billion TRY in the same period of this year.



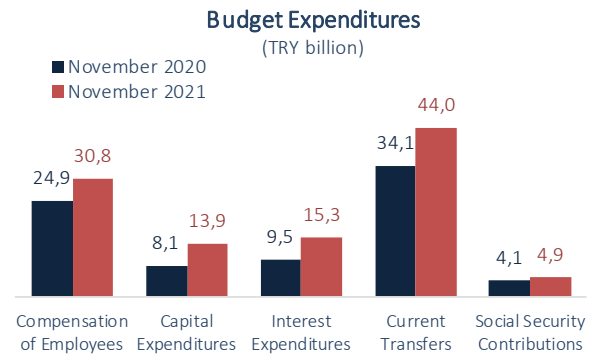
Tax revenues increased by 50% yoy in November.

Tax revenues expanded by 50% yoy in November. Despite the loss in SCT revenues, the increase in tax revenues in November was driven by the rise in corporate tax and VAT on imports. Corporate tax revenues went up rapidly thanks to the recovery in economic activity and due to the low base created by the same period of last year and pushed the increase in tax revenues up by 22.3 points. With the effect of the rapid rise in exchange rates in recent months, VAT revenues on imports surged by 62.4% yoy in November, contributing 11.1 points to the increase in tax revenues. The 55.3% rise in domestic VAT revenues also supported tax revenues by 4.9 points. On the other hand, SCT revenues,

which narrowed by 15% yoy in line with the decrease (96.5%) in SCT revenues from petroleum and natural gas products, was the only item that limited the increase in tax revenues.

Interest expenditures rose by 61.4% in November.

Current transfers continued to be influential in the increase in budget expenditures in November as well. The said item rose by 29% yoy and made the highest contribution to the increase in budget expenditures with 10.3 points. In this period, transfers to state-owned enterprises rose by 5 times compared to the last year, increasing expenditures by 6.3 points. In the same period, capital expenditures surged by 71.4% yoy due to the rapid increase in real estate capital and production expenditures. The annual 61.4% rise in interest expenditures also put upward pressure on expenditures in November. The rapid increase in interest expenditures was mostly (96%) due to bond interest payments.



Expectations...

Budget indicators, which followed a positive course for most of the year in parallel with the recovery in economic activity, maintained their positive outlook also in November thanks to the strong increase in tax revenues. As of November, the 12-month cumulative budget deficit became 89.7 billion TRY, the lowest level since March 2019, while it is well below the 2021 year-end central government budget deficit forecast of 230 billion TRY in the Medium Term Program. In this context, considering the rapid depreciation of the TRY in the last period, we can say that there is room in the fiscal policy for steps to support the economy in December.

Central Government Budget

	November		%	January-November		%	2021 Budget Target	MTP Target	Real./MTP Target (%)
	2020	2021		Change	2020				
Expenditures	96.3	135.8	40.9	681.1	1,318.8	93.6	1,346.1	1,506.3	87.6
Interest Expenditures	9.5	15.3	61.4	79.7	171.9	115.7	179.5	179.5	95.8
Non-Interest Expenditures	86.8	120.4	38.7	934.9	1,146.9	22.7	1,166.6	1,326.7	86.5
Revenues	109.7	167.8	52.9	931.9	1,272.3	36.5	1,101.1	1,276.3	99.7
Tax Revenues	99.2	148.9	50.0	754.6	1,053.4	39.6	922.7	1,057.9	99.6
Other Revenues	10.5	18.9	80.0	177.3	218.9	23.4	178.4	218.4	100.2
Budget Balance	13.4	32.0	138.3	-132.1	-46.5	-64.8	-245.0	-230.0	20.2
Primary Balance	22.9	47.3	106.4	-3.0	125.4	-	-65.5	-50.5	-

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

Source: Datastream, Ministry of Treasury and Finance

Economic Research Division

İzlem Erdem
Chief Economist
izlem.erdem@isbank.com.tr

İlker Şahin
Economist
ilker.sahin@isbank.com.tr

Alper Gürler
Unit Manager
alper.gurler@isbank.com.tr

İlkim Bengisu Tuncer
Asst. Economist
bengisu.tuncer@isbank.com.tr

Dilek Sarsın Kaya
Asst. Manager
dilek.kaya@isbank.com.tr

Our reports are available on our website <https://research.isbank.com.tr>

LEGAL NOTICE

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.