

### Budget gave deficit in February.

The central government budget, which gave 2.4 billion TRY surplus in February 2016, posted a deficit of 6.8 billion TRY in the same month of this year. The budget, which gave primary surplus of 6.5 billion TRY in February of last year, has recorded a deficit of 1.8 billion TRY in the same month of this year. Total budget revenues increased only by 4.9% yoy as tax revenues rose marginally in February. Total expenditures expanded by 27% yoy due to the rapid increase in current transfers. These developments caused budget outlook to deteriorate.

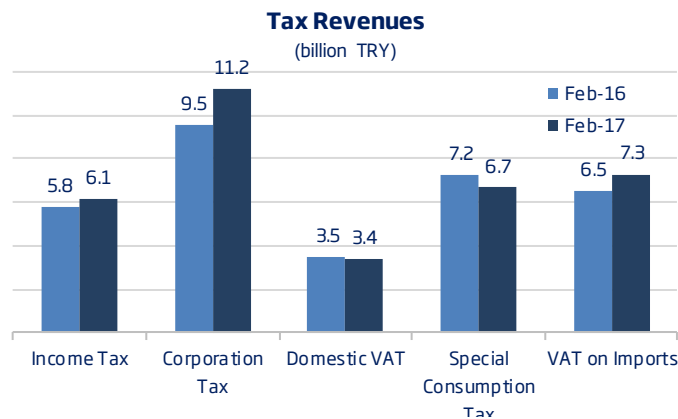
During the first two months of the year, on the other hand, the budget gave a surplus of 4.6 billion TRY albeit a smaller one than a year ago.

### Tax revenues rose by 4.3%

In February, weak increase in tax revenues was attributable to the 4.3% decline in revenues collected from domestic taxes on goods and services. Especially the fall in the revenues from tobacco products, by 53.4%, was noticeably felt on tax revenues. In addition, the revenues from motor vehicles taxes dropped and thus negatively affected tax revenues.

The taxes on profits and earnings displayed a better performance with a rise of 13% in February. The increase in VAT on imports revenues also drove up tax revenues.

Despite the loss of momentum in tax revenues in February, budget revenues picked up by 15.6% yoy during January-

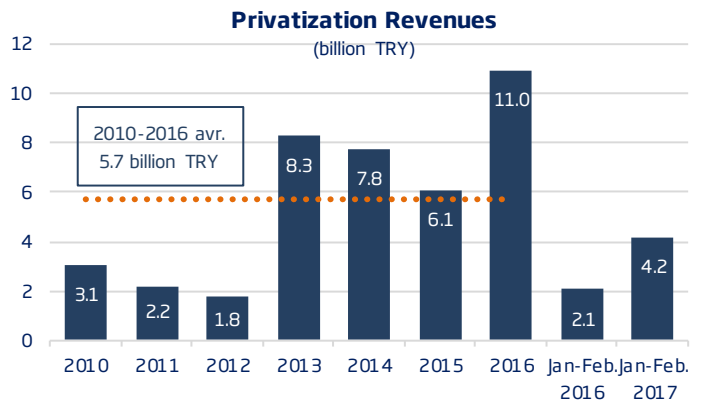


### Central Government Budget

				(billion TRY)				
	February 2016	February 2017	% Change	January 2016	February 2017	% Change	2017 Budget Target	Real./Target (%)
<b>Expenditures</b>	<b>42.3</b>	<b>53.7</b>	<b>27.0</b>	<b>84.8</b>	<b>101.1</b>	<b>19.2</b>	<b>645.1</b>	<b>15.7</b>
Interest Expenditure	4.1	5.1	23.3	9.7	11.7	19.9	57.5	20.3
Non-Interest Expenditures	38.2	48.7	27.4	75.1	89.4	19.1	587.6	15.2
<b>Revenues</b>	<b>44.7</b>	<b>46.9</b>	<b>4.9</b>	<b>91.4</b>	<b>105.7</b>	<b>15.6</b>	<b>598.3</b>	<b>17.7</b>
Tax Revenues	38.4	40.0	4.3	78.0	88.4	13.3	511.1	17.3
Other Revenues	6.4	6.9	8.5	13.4	17.3	28.8	87.2	19.8
<b>Budget Balance</b>	<b>2.4</b>	<b>-6.8</b>	<b>-</b>	<b>6.6</b>	<b>4.6</b>	<b>-30.6</b>	<b>-46.9</b>	<b>-</b>
<b>Primary Balance</b>	<b>6.5</b>	<b>-1.8</b>	<b>-</b>	<b>16.4</b>	<b>16.3</b>	<b>-0.5</b>	<b>10.6</b>	<b>152.7</b>

Numbers may not add up total value due to rounding.

February period. Revenues collected from the restructuring of public receivables amounted to 1.8 billion TRY in this period. Having been recorded as 4.2 billion TRY in January, the privatization revenues limited the deterioration of the budget outlook. On the other hand, as the privatization revenues are started to be transferred to the Türkiye Wealth Fund, the contribution of privatization revenues to the revenues will disappear in the coming period.



### Budget expenditures expanded by 27%.

Transfers made to the Social Security Institution (SSI) by the Treasury in February led to a significant increase in budget expenditures. In addition to the five-point reduction made on the employer's insurance contribution, the transfers for the social security deficit finance put 7.7 billion TRY burden on the budget in February. In the same month of the previous year, the said amount was realized as 3.6 billion TRY. Moreover, interest expenditures surged by 1 billion TRY in this period.

### Expectations

The impact of the transfer of some government stakes and privatization revenues to Türkiye Wealth Fund might be felt on budget revenues in the coming period. Besides, it will be a significant factor for the budget outlook that whether the weak performance of tax revenues in February will continue or not. Taking into consideration the recent steps to support economic activity, the rising trend in budget expenditures is expected to persist in the coming period.

**Türkiye İş Bankası A.Ş. - Economic Research Division**

**İzlem Erdem** - Division Head  
izlem.erdem@isbank.com.tr

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

**Hatice Erkiletlioğlu** - Asst. Manager  
hatice.erkiletlioglu@isbank.com.tr

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

**Eren Demir** - Economist  
eren.demir@isbank.com.tr

**Dr. Mustafa Kemal Gündoğdu** - Economist  
kemal.gundogdu@isbank.com.tr

**Gamze Can** - Asst.Economist  
gamze.can@isbank.com.tr

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