

**Budget gave 3 billion TRY deficit.**

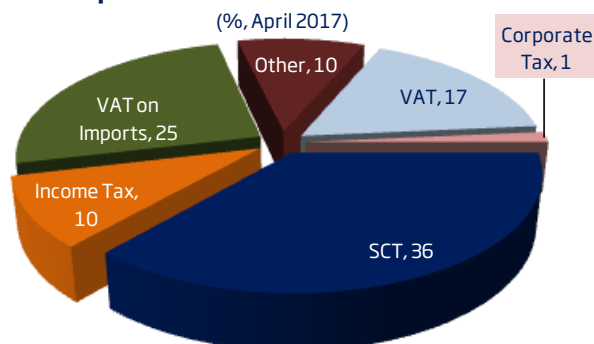
Budget expenditures surged by 26.3% yoy while budget revenues expanded by 6.7% yoy in April. Deterioration in budget figures continued because of a weak performance of the budget revenues and a noteworthy increase in budget expenditures in this period. Thus, the budget that gave a surplus of 5.4 million TRY in April 2016, gave a deficit of 3 billion TRY in the same period of this year.

Budget expenditures expanded by 22.5% yoy in the first four months of the year mainly owing to the jump in current transfers. Increase in budget revenues, on the other hand, was realized as 9% yoy in January-April period, below the average inflation rate (10.6%) for this period. Budget, which gave 5.4 billion TRY surplus in the first four months of 2016, recorded a deficit of 17.9 billion TRY in the same period of 2017.

**Recovery in tax revenues...**

Despite the moderate course in the first quarter of the year, tax revenues surged by 14.3% yoy in the April. The 22.2% yoy increase in domestic VAT revenues supported the views that the economic activity gained momentum to some extent in April. In addition, increase in SCT revenues was also noteworthy in this period. According to April figures, the impact of SCT reductions in consumer durables on budget revenues remained rather limited.

Having increased by 18% yoy also due to the depreciation in TRY, VAT on imports revenues drove up tax revenues in

**Composition of the Hike in Tax Revenues**

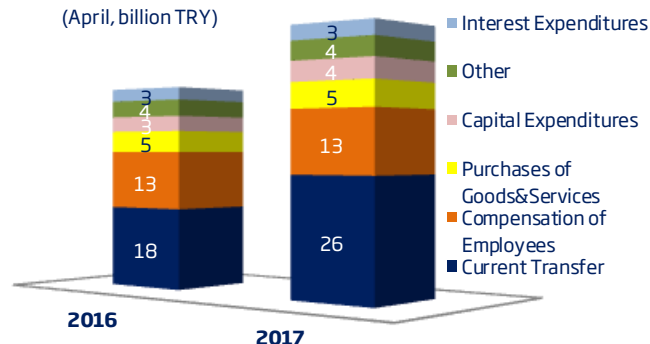
April. Thus, total increase in both SCT and VAT on imports constituted more than half of the upsurge in tax revenues. On the other hand, the 24.4% yoy contraction in portfolio revenue of treasury restrained the rise in budget revenues by 4.7 points.

**Rapid increase in current transfers...**

Two-thirds of the increase in budget expenditures in April stemmed from the widening in current transfers. In April 2016, only 400 million TRY had been transferred for social security deficit financing by Treasury while that amount climbed to 3.4 billion TRY in the same month of 2017. In addition, the 30.8% yoy increase in amount transferred by Treasury for the reduction made on the employer's insurance was also influential on the upsurge in budget expenditures. Thus, current transfers expanded by 7.9 billion TRY on annual basis in April. The expansionary trend in interest expenditures was persisted in April as well.

**Budget Expenditures**

(April, billion TRY)

**Expectations**

Although the tax revenues exhibited a moderate course in April, the total tax revenues collected in the first four months of the year remained below the budget target. Moreover, expansionary trend in both current transfers and interest expenditures indicated that the budget expenditures will exceed the target level at the end of the year. In this framework, we think that the budget deficit might surpass the year-end target of 46.9 billion TRY.

**Central Government Budget**

(TRY billion)

	April			January-April			2017 Budget	
	2016	2017	% Change	2016	2017	% Change	Target	Real./ Target (%)
<b>Expenditures</b>	<b>44.3</b>	<b>56.0</b>	<b>26.3</b>	<b>176.0</b>	<b>215.7</b>	<b>22.5</b>	<b>645.1</b>	<b>33.4</b>
Interest Expenditures	2.7	3.2	20.2	19.1	22.0	15.1	57.5	38.3
Non-Interest Expenditures	41.7	52.8	26.7	156.9	193.6	23.4	587.6	32.9
<b>Revenues</b>	<b>49.7</b>	<b>53.0</b>	<b>6.7</b>	<b>181.4</b>	<b>197.8</b>	<b>9.0</b>	<b>598.3</b>	<b>33.1</b>
Tax Revenues	32.4	37.1	14.3	141.0	158.7	12.6	511.1	31.1
Other Revenues	17.3	16.0	-7.5	40.4	39.1	-3.3	87.2	44.8
<b>Budget Balance</b>	<b>5.4</b>	<b>-3.0</b>	<b>-</b>	<b>5.4</b>	<b>-17.9</b>	<b>-</b>	<b>-46.9</b>	<b>38.2</b>
<b>Primary Balance</b>	<b>8.0</b>	<b>0.3</b>	<b>-96.7</b>	<b>24.6</b>	<b>4.2</b>	<b>-83.0</b>	<b>10.6</b>	<b>39.2</b>

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

Source: Ministry of Finance, Datastream

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