

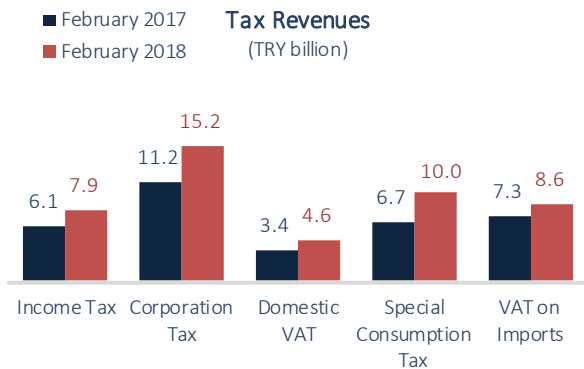
Budget posted deficit of 1.9 billion TRY in February.

Central government budget deficit became 1.9 billion TRY in February, showing a better performance compared to the same month of the previous year. In February 2017, the budget deficit was 6.8 billion TRY. Budget revenues expanded by 30.1% yoy due to the rapid increase in tax revenues while expenditures increased by 17% in the same period.

In the first two months of 2018, on the other hand, budget performance deteriorated somewhat. Central government budget, which posted a surplus of 4.6 billion TRY in the January-February period of the previous year, gave a deficit of 0.2 billion TRY in the same period of this year. Privatization revenues of 4.2 billion TRY recorded in the first month of the last year played an important role in this deterioration.

Rapid increase in tax revenues...

Tax revenues maintained a strong performance in February expanding by 31.4% on an annual basis. The highest contributions to the annual growth in tax revenues came from corporation tax revenues by 10 pps and special consumption tax revenues by 8.2 pps. In addition, VAT on imports continued to support the rise in tax revenues due to the sharp increase in imports.



In the first two months of the year, budget revenues surged by 13.5 billion TRY compared to the same period of the previous year. Tax revenues increased by 16.1 billion TRY supporting budget performance. On the other hand,

Central Government Budget

	February			January-February			(billion TRY)	
	2017	2018	% Change	2017	2018	% Change	2018 Budget Target	Real./Target (%)
Expenditures	53.7	62.9	17.0	101.1	119.4	18.1	762.8	15.7
Interest Expenditures	5.1	6.7	31.0	11.7	12.7	8.7	71.7	17.7
Non-Interest Expenditures	48.7	56.2	15.6	89.4	106.7	19.4	691.1	15.4
Revenues	46.9	61.0	30.1	105.7	119.2	12.8	696.8	17.1
Tax Revenues	40.0	52.6	31.4	88.4	104.6	18.3	599.4	17.4
Other Revenues	6.9	8.5	22.5	17.3	14.7	-15.0	97.4	15.1
Budget Balance	-6.8	-1.9	-72.6	4.6	-0.2	-	-65.9	0.3
Primary Balance	-1.8	4.8	-	16.3	12.5	-23.2	5.8	216.2

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

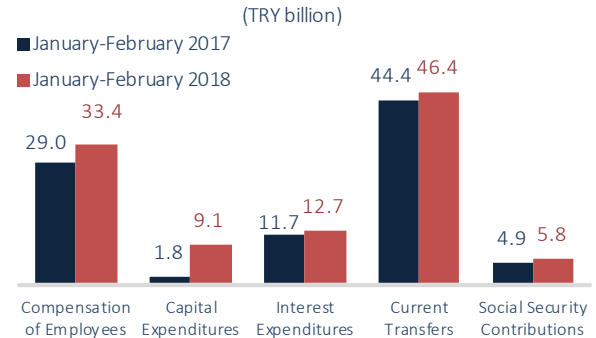
privatization revenue recorded last year in the same period has weighed on the annual rise in budget revenues.

Capital expenditures pushed budget expenditures up.

Capital and personnel expenditures continued to put an upward pressure on the budget expenditures in the second month of the year. In February, budget expenditures increased by 9.1 billion TRY, 5.1 billion TRY of which was personnel and capital expenditures. "Immovable capital produce" and "immovable purchase and nationalizations" led central government's capital expenditures to rise in February. Impact of the rising borrowing costs on the budget became apparent as interest expenses increased by 1.6 billion TRY (31%) annually. On the other hand, the increase in social security deficit finance limited the rise in budget expenditures by 2.4 billion TRY.

Capital expenditures' effect on budget expenditures became more visible in the first two months of the year. In January-February period, while budget expenditures increased by 18.1% yoy, capital expenditures made the highest contribution with 7.3 pps.

Budget Expenditures



Expectations...

Economic activity continued to boost tax revenues in the first quarter of the year. However, the increase in capital expenditures, especially for infrastructure investments, has negative reflections on budget performance. For the rest of the year, as in the first two months, budget figures are expected to continue to be in line with the targets.

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