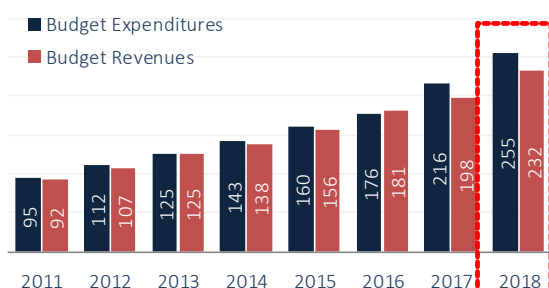


### Budget deficit was realized as 2.8 billion TRY in April.

Central government budget deficit contracted by 7% yoy to 2.8 billion TRY in April. In this period, budget revenues expanded by 21.8% yoy to 64.6 billion TRY while budget expenditures surged up by 20.3% and amounted to 67.4 billion TRY. Primary budget surplus, which was 267 million TRY in April 2017, increased by 33.2% yoy in the same month of this year to 356 million TRY.

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



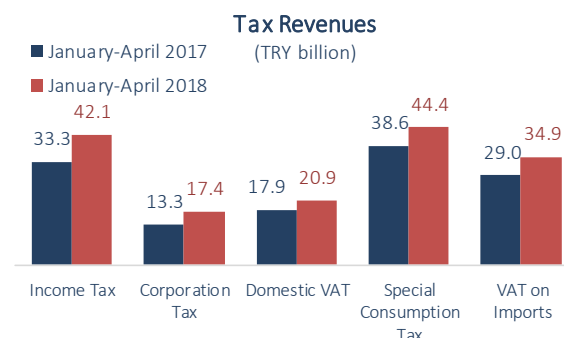
In the first four months of the year, budget performance seems to have weakened somewhat compared to the same period of the previous year. Central government budget deficit, which was 17.9 billion TRY in January-April 2017, was realized as 23.2 billion TRY in the same period of this year. Primary budget surplus also declined 47% to 2.2 billion TRY.

### Tax revenues continued to contribute the budget.

Having displayed a favorable outlook in the first quarter of 2018, tax revenues maintained their solid performance in April by increasing 21.5% yoy. Income tax made the highest contribution to the annual increase in tax revenues by 8.9 points in April. During this period, Special Consumption Tax (SCT) stood out by contributing 5.6 points to the rise in tax revenues while upsurge in import volume and rising exchange rates continued to drive VAT on imports up. In this period, the increase in SCT on cigarettes and coke was noteworthy.

In the January-April period, budget revenues increased by 34.3 billion TRY compared to the same period of the previous year thanks to the 20.3% annual rise in tax revenues. In the first four months of the year SCT and VAT on imports pull the budget revenues up. On the other hand, the absence of

privatization revenues in the first four months of the year limited the increase in total incomes.



### Decline in interest expenditures...

Personnel and capital expenditures continued to put an upward pressure on the budget expenditures in April. Capital expenditures surged up by 86.1% compared to the same period of the previous year mainly due to the rapid growth in expenditures of immovable capital produces in April. On the other hand, decline in health, retirement and social aid expenditures and agricultural subsidies limited the budget expenditures.

In the first four months of the year, capital expenditures and capital transfers were effective on the rise in budget expenditures, surging up by 134.4% and 181.2% yoy, respectively. On the other hand, the fall in the amount transferred for the financing of social security deficit compared to the previous year limited the upsurge in budget expenditures.

### Expectations...

The positive impact of tax revenues on budget continued in the first four months of the year. On the other hand, increase in capital expenditures and capital transfers affected budget balance in a negative way. Also, the impact of expansionary fiscal policy in the upcoming period on budget discipline will be closely monitored in the early election process. We believe that shorter pre-election period mitigates upside risks on budget deficit in the medium term.

### Central Government Budget

|                           | April |      |          | January-April |       |          | 2018 Budget |                  |
|---------------------------|-------|------|----------|---------------|-------|----------|-------------|------------------|
|                           | 2017  | 2018 | % Change | 2017          | 2018  | % Change | Target      | Real./Target (%) |
| <b>Expenditures</b>       | 56.0  | 67.4 | 20.3     | 215.7         | 255.2 | 18.3     | 762.8       | 33.5             |
| Interest Expenditures     | 3.2   | 3.1  | -3.7     | 22.0          | 25.4  | 15.1     | 71.7        | 35.4             |
| Non-Interest Expenditures | 52.8  | 64.3 | 21.8     | 193.6         | 229.8 | 18.7     | 691.1       | 33.3             |
| <b>Revenues</b>           | 53.0  | 64.6 | 21.8     | 197.8         | 232.0 | 17.3     | 696.8       | 33.3             |
| Tax Revenues              | 37.1  | 45.0 | 21.5     | 158.7         | 190.9 | 20.3     | 599.4       | 31.8             |
| Other Revenues            | 16.0  | 19.6 | 22.6     | 39.1          | 41.2  | 5.4      | 97.4        | 42.3             |
| <b>Budget Balance</b>     | -3.0  | -2.8 | -7.0     | -17.9         | -23.2 | 29.6     | -65.9       | 35.2             |
| <b>Primary Balance</b>    | 0.3   | 0.4  | 33.2     | 4.2           | 2.2   | -47.0    | 5.8         | 38.3             |

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

Source: Datastream , Ministry of Finance

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