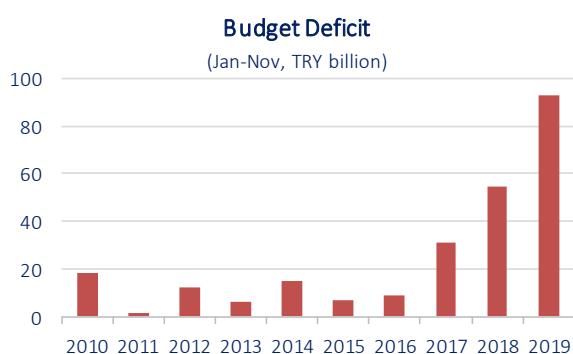


Central government budget posted a surplus in November.

The central government budget posted a surplus of 7.8 billion TRY in November. During this period, budget revenues expanded by 1.7% yoy to 83.3 billion TRY, while budget expenditures increased by 1.6% to 75.5 billion TRY. Primary surplus, which was 14.8 billion TRY in November 2018, reached 15.2 billion TRY in this period.

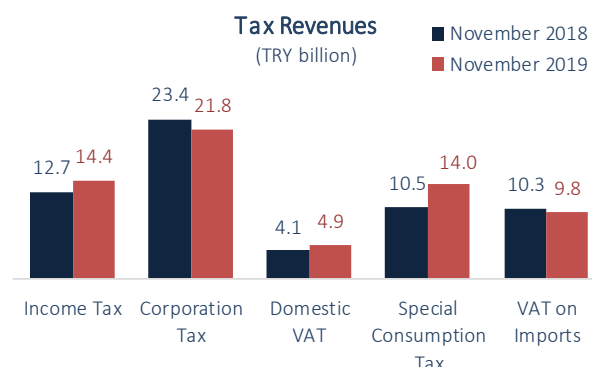
In January-November, budget deficit surged by 70.4% yoy to 92.9 billion TRY. Primary balance, which came in at 17.3 billion TRY in the first 11 months of 2018, declined to 2.8 billion TRY in the same period of this year.



Tax revenues increased by 8% yoy.

Tax revenues expanded by 8% yoy in November. During this period, special consumption tax (SCT), which increased by 33.5%, was the main driver of the rise in tax revenues. The contributions of petroleum and natural gas products and tobaccos in the increase in SCT revenues, which were realized as 13.7 and 7.1 points respectively, were significant. While annual rise of 180.3% in SCT from durable goods and others was another remarkable development during this period, the motor vehicles surged up rapidly by 46.7% due to the relative recovery in domestic demand and the base effect stemmed from SCT reduction last year. On the other hand, corporation tax limited the increase in budget revenues, declining by 7% yoy in this period.

The rapid decline in other miscellaneous revenue under interest, share and fines item limited the increase in budget revenues by 4.4 points. The said item was influential in budget revenues last year due to the paid military service revenues.



Budget expenditures...

Compensation of employees continued to drive the rise in budget expenditures in November. The said item made the highest contribution to the increase in budget expenditures by 5.3 points. In this period, interest expenditures rose by 3.1%. On the other hand, the decline in health, retirement and social aid expenses due to the fall in government social security contribution stood out in this period. It limited the rise in budget expenditures by 2.2 points.

Expectations...

Budget indicators recovered in November thanks to the low base effect stemmed from SCT revenues. On the other hand, in the first 11 months of the year, central government budget displayed a weak outlook compared to the same period of last year, exceeding a deficit of 90 billion TRY. In the last month of the year, we believe that the recovery in economic activity may support budget performance.

Central Government Budget

(billion TRY)

	November		% Change	January-November		% Change	2019 Budget		NEP Real/NEP Target (%)
	2018	2019		2018	2019		Target	Target	
Expenditures	74.3	75.5	1.6	745.4	895.4	20.1	961.0	992.4	90.2
Interest Expenditures	7.2	7.5	3.1	71.9	95.8	33.2	117.3	103.1	92.9
Non-Interest Expenditures	67.1	68.0	1.5	673.5	799.6	18.7	843.7	899.3	88.9
Revenues	81.9	83.3	1.7	690.8	802.5	16.2	880.4	867.4	92.5
Tax Revenues	67.9	73.4	8.0	575.8	613.2	6.5	756.5	667.6	91.9
Other Revenues	13.9	9.9	-28.7	115.0	189.2	64.5	123.9	199.8	94.7
Budget Balance	7.6	7.8	2.8	-54.5	-92.9	70.4	-80.6	-125.0	74.4
Primary Balance	14.8	15.2	3.0	17.3	2.8	-83.6	36.7	-21.9	-

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

Source: Datastream, Ministry of Treasury and Finance

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