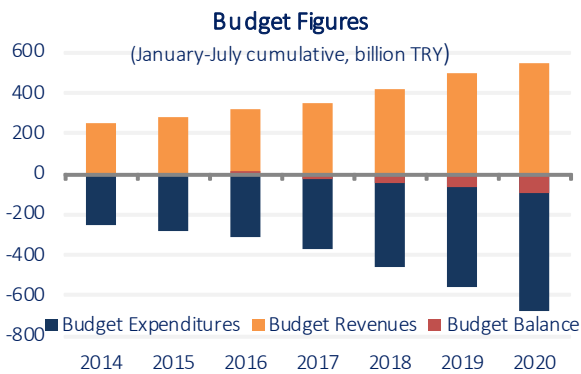




Deterioration in central government budget prevails.

The negative impacts of the measures taken within the scope of pandemic on the central government budget continued in July. In this period, budget revenues decreased by 7.4% yoy to 86.5 billion TRY due to the decline in property revenues. Budget expenditures, on the other hand, increased by 39.1% yoy and reached 116.2 billion TRY in the same period. Thus, the central government budget, which gave a surplus of 9.9 billion TRY in July last year, posted 29.7 billion TRY deficit in the same month of this year. Similarly, the primary balance, which gave a surplus of 17.6 billion TRY in July 2019, posted a deficit of 21.2 billion TRY in July this year.

In the January-July period, while budget revenues increased by 9.2% compared to the same month of the previous year, budget expenditures expanded by 20.5% owing to the rapid increase in current transfers. Thus, the central government budget deficit, which was 68.7 billion TRY in the first 7 months of last year, reached 139.1 billion TRY and exceeded the full-year budget deficit target.



Enterprise and property revenues declined sharply.

23.3 billion TRY had been recorded as enterprise and property revenues in July 2019 thanks to the transfer of the CBRT reserve funds to the budget. Declining by 22.1 billion TRY (94.8%) in July this year, the said item limited the increase in budget revenues by 23.6 pp and played a decisive role in the budget performance of July. During

this period, having been posted nearly 3 billion TRY revenue fall in other miscellaneous revenues under interest, shares and fines limited budget revenues.

On the other hand, strong performance in automotive sales positively affected budget revenues. The SCT revenues from motor vehicles in July rose 8 times compared to the same period of the previous year and contributed 4.7 pp to the budget revenues. SCT collected from tobacco products, VAT on imports and domestic VAT were the other items that limited the deterioration in budget revenues.

In the first 7 months of the year, besides the SCT revenues; increases in interest revenues and corporate tax stood out as items supporting the budget revenues. On the other hand, the decline in enterprise and portfolio revenues of Treasury limited the rise in budget revenues.

Current transfers remained high.

Current transfers from the central government budget, particularly to the social security institution and households, remained at high levels in July. Indeed, the increase recorded in the said item made up 34.4 pp of the 39.1% annual increase in budget expenditures. On the other hand, as a sign of the savings measures implemented in public spending, goods and services procurements decreased on an annual basis in July, and limited the increase in budget expenditures.

In the first 7 months, while current transfers stand out as a leading expenditure figure, interest expenditures also put upward pressure on budget expenditures.

Expectations...

Despite the gradual recovery trend in economic activity, ongoing public supports to the economy put pressure on the central government budget indicators. Against this backdrop, the 2020 year-end budget deficit target has already been exceeded as early as 7th month of the year. The prevailing uncertainty about the second wave of the pandemic is expected to weigh on budget performance in the upcoming period.

Central Government Budget

(billion TRY)

	July			January-July			% 2020 Budget Target	Real./Target (%)
	2019	2020	% Change	2019	2020	% Change		
Expenditures	83.5	116.2	39.1	565.1	681.1	20.5	1,095.5	62.2
Interest Expenditures	7.7	8.5	9.5	58.5	79.7	36.3	138.9	57.4
Non-Interest Expenditures	75.8	107.8	42.2	506.6	601.4	18.7	956.5	62.9
Revenues	93.4	86.5	-7.4	496.4	541.9	9.2	956.6	56.7
Tax Revenues	58.3	76.0	30.3	366.1	412.0	12.5	784.6	52.5
Other Revenues	35.1	10.5	-70.1	130.4	130.0	-0.3	172.0	75.6
Budget Balance	9.9	-29.7	-	-68.7	-139.1	102.6	-138.9	100.2
Primary Balance	17.6	-21.2	-	-10.2	-59.4	481.6	0.1	-

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

Source: Datastream , Ministry of Treasury and Finance

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