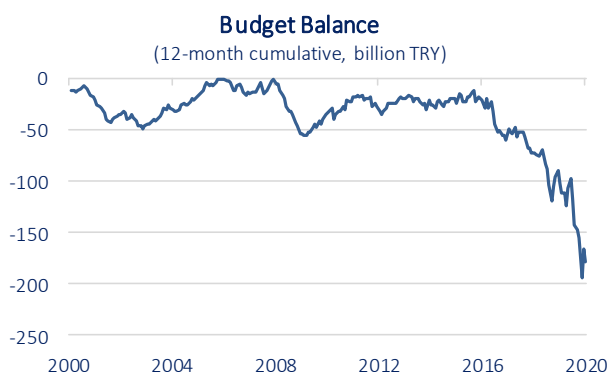


Central government budget posted a deficit of 29.7 billion TRY in September.

In September, central government budget deficit increased by 67.5% on an annual basis and reached 29.7 billion TRY. In this period, budget revenues went up by 25.1% yoy and became 78.9 billion TRY, while budget expenditures rose by 34.4% to 108.6 billion TRY. Primary balance gave a deficit of 13.5 billion TRY in this period.

In January-September period, budget expenditures increased by 17.6% yoy, while budget revenues expanded by 11.6% yoy. Thus, the budget deficit, which was 85.8 billion TRY in the first 9 months of 2019, rose by 63.8% and became 140.6 billion TRY in the same period of this year. In this period, primary balance gave a deficit of 32.8 billion TRY.

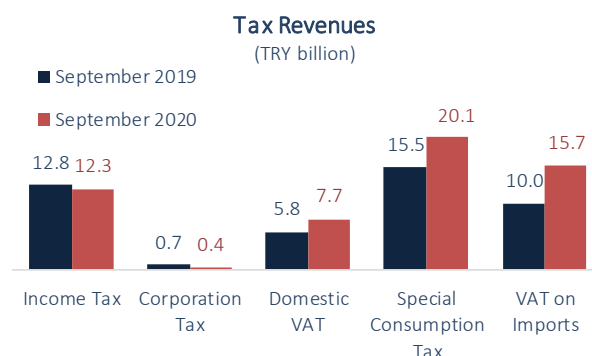


Tax revenues was realized as 68.3 billion TRY in September.

In September, tax revenues increased by 29.9% yoy and was realized as 68.3 billion TRY. In this period, the rises in VAT on imports, domestic VAT and SCT revenues supported the budget revenues. The rise in SCT revenues was derived from the increase in SCT rates on motor vehicles and the high sales figures in durable goods and motor vehicles in September. Value added tax on imports also went up by 57.1% in this period due to the rise in imports volume and the increase in FX rates, while domestic VAT revenues expanded by 33.6% yoy. In September, banking and insurance transactions tax revenues rose by 103.7% yoy parallel to the changes in rates. Corporate tax revenues decreased by 41.7% in this

period.

In January-September, tax revenues increased by 19.3% yoy and reached 578.7 billion TRY, while non-tax revenues decreased by 10.6% and became 150.7 billion TRY.



Current transfers expanded in September.

Among the budget expenditures the rapid increases in current transfers and capital expenditures stood out in September. In this period, there were rapid rises in the social security deficit finance and social security contributions, which is monitored under the Treasury aids item of current transfers. In September, interest expenses rose by 33.3% yoy to 16.2 billion TRY. Domestic debt interest payments increased by 15.3% yoy to 9.7 billion TRY, while foreign debt interest payments were up by 52.9% to 5.1 billion TRY.

Expectations...

Uncertainties regarding the course of the pandemic continue to put pressure on the budget outlook. The budget deficit/GDP ratio is expected to be 4.9% at the end of 2020, according to New Economy Programme (NEP) forecasts released at the end of September. The expectations that the budget deficit to GDP will be above 3% over the period 2021-2023 and that the budget will not give a primary surplus, indicates that the fiscal policy will be prudently supportive of economic activity in the coming period.

Central Government Budget

	September			January-September			(billion TRY)		
	2019	2020	% Change	2019	2020	% Change	2020 Budget Target	NEP Target	Real./ NEP Target (%)
Expenditures	80.8	108.6	34.4	739.6	870.0	17.6	1,095.5	1,212.3	71.8
Interest Expenditures	12.2	16.2	33.3	81.5	107.8	32.3	138.9	137.4	78.5
Non-Interest Expenditures	68.7	92.4	34.5	658.1	762.2	15.8	956.5	1,074.9	70.9
Revenues	63.1	78.9	25.1	653.8	729.4	11.6	956.6	973.1	75.0
Tax Revenues	52.6	68.3	29.9	485.3	578.7	19.3	784.6	790.7	73.2
Other Revenues	10.5	10.6	1.0	168.5	150.7	-10.6	172.0	182.4	82.6
Budget Balance	-17.7	-29.7	67.5	-85.8	-140.6	63.8	-138.9	-239.2	58.8
Primary Balance	-5.6	-13.5	142.3	-4.3	-32.8	656.6	0.1	-101.8	32.2

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

Source: Datastream , Ministry of Treasury and Finance

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