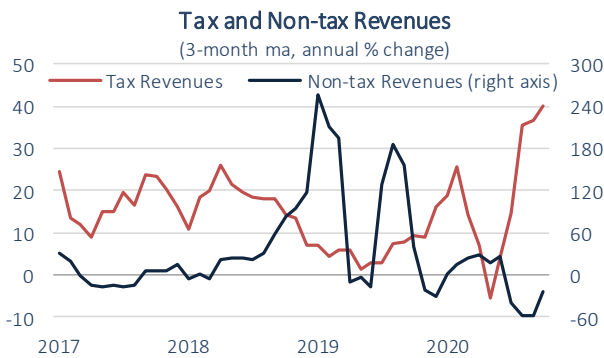


Central government budget posted a deficit of 4.9 billion TRY in October.

The central government budget deficit, which was 14.9 billion TRY in October 2019, became 4.9 billion TRY in the same period of this year. In October, budget revenues increased by 41.9% yoy to 92.8 billion TRY, while budget expenditures expanded by 21.6% yoy to 97.7 billion TRY. The primary balance, which gave a deficit of 8.1 billion TRY in October 2019, posted a surplus of 6.9 billion TRY in October 2020.

In January-October period, budget expenditures expanded faster than budget revenues. Budget expenditures increased by 18% yoy, while revenues expanded by 14.3%. Thus, the budget deficit, which was 100.7 billion TRY in the first 10 months of last year, rose by 44.5% yoy and reached 145.5 billion TRY in January-October 2020. In this period, primary balance gave a deficit of 25.9 billion TRY, nearly twofold of last year's level.



Rapid increase in tax revenues...

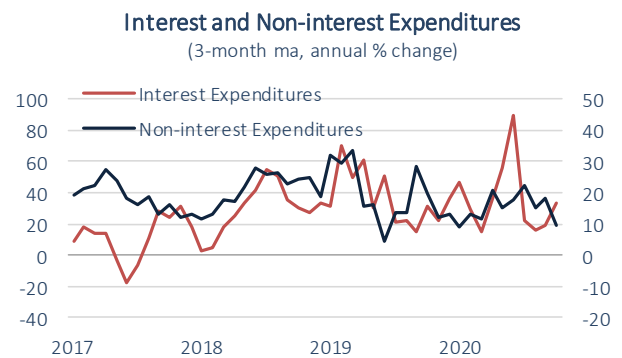
Tax revenues rose rapidly by 40.4% yoy in October and were realized as 76.6 billion TRY. In January-October period, tax revenues increased by 21.4% yoy. In October, the rapid rises recorded in VAT on domestic sales and on imports and SCT revenues came to the fore. In this period annual 69.4% increase in SCT revenues, which accounted for 28% of tax revenues, was derived from the increase in SCT rates on motor vehicles in September as well as tax revenues from petroleum-natural gas products and tobacco products. Value added tax on imports also went up by 40.4% in this period because of the rise in imports and the increase in FX rates.

Domestic VAT revenues expanded by 120.2% thanks to the realization of deferred collections in the spring period, and became an important item supporting the budget outlook.

In October, non-tax revenues, which accounted for 17.4% of budget revenues, rose by 50% yoy. In January-October period, non-tax revenues shrank by 7% compared to the same period last year.

Interest expenditures rose by 72.3% in October.

In October, interest expenditures and non-interest expenditures increased by 72.3% and 16.9% yoy, respectively. In this period, domestic debt interest payments nearly doubled annually and reached 7.7 billion TRY, while foreign debt interest payments rose by 37.7% to 2.9 billion TRY. Increases in current transfers and personnel and capital expenditures stood out among non-interest expenditures. Treasury aids, which are monitored under current transfers, went up by 4.2 billion TRY yoy, while shares to local administrations increased 1.9 billion TRY yoy.



Expectations...

The budget, which deteriorated for the majority of the year because of the measures taken against the coronavirus outbreak, displayed a moderate outlook in October thanks to the sharp rise in tax revenues. As of January-October, the budget deficit surpassed the target set at the beginning of the year, but was realized at 60.8% of the YEP target published in September. Due to the uncertainties caused by the pandemic the budget performance is expected to continue to remain under pressure in the last two months of the year.

Central Government Budget

	October		%	January-October		%	2020 Budget	NEP	Real./ NEP
	2019	2020	Change	2019	2020	Change	Target	Target	Target (%)
Expenditures	80,3	97,7	21,6	819,9	967,7	18,0	1.095,5	1.212,3	79,8
Interest Expenditures	6,8	11,8	72,3	88,3	119,6	35,4	138,9	137,4	87,0
Non-Interest Expenditures	73,5	85,9	16,9	731,6	848,1	15,9	956,5	1.074,9	78,9
Revenues	65,4	92,8	41,9	719,2	822,2	14,3	956,6	973,1	84,5
Tax Revenues	54,6	76,6	40,4	539,9	655,3	21,4	784,6	790,7	82,9
Other Revenues	10,8	16,2	49,6	179,3	166,8	-7,0	172,0	182,4	91,5
Budget Balance	-14,9	-4,9	-67,2	-100,7	-145,5	44,5	-138,9	-239,2	60,8
Primary Balance	-8,1	6,9	-	-12,4	-25,9	108,8	0,1	-101,8	25,4

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

Source: Datastream , Ministry of Treasury and Finance

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