tepav

türkiye ekonomi politikaları araştırma vakfı

economic stability institute

Fiscal Monitoring Report

- 2007 October
Budget Results

- How are 2007 Fiscal Year Budget Targets being

- When did Primary Performance Begin to Degrade: Some Reminders

I. 2007 October Month End Results

A. A Brief Look at the Central Government Budget Implementation 2007 October Month End Results

The Central Government Budget increased by 224% compared to the same period of last year to 12.3 billion YTL. When corrected budget balance is considered, this figure turns out to be 154%.

Table 1. Central Government October 2007 Realizations (Compared to 2006)

million YTL	Jan-Aug 2006	Jan-Aug 2007	Difference (%)
Expenditures	**144,336**	**168,214**	**16.5**
1-Primary Expenditures	**103,536**	**123,527**	**19.3**
Employee Expenditures	31,814	36,782	15.6
Social Sec. Inst. Govnt Premium	3,985	4,5501	14.2
Purchase of Goods and Services	12,624	15,307	21.4
Current Transfers	42,523	52,761	24.1
Capital Expenditures	7,116	8,509	19.6
Capital Transfers	2,225	2,706	21.6
Lending	3,248	2,912	-10.3
2-Interest Expenditures	**40,801**	**44,686**	**9.5**
Revenues	**140,549**	**155,938**	**10.9**
1-General Budget Revenues	**136,575**	**151,858**	**11.2**
Tax Revenues	112,529	123,833	10.0
Enterprise and Property Revenues	6,809	7,174	5.4
Interests, Shares and Fines	16,719	13,172	-21.2
Capital Revenues	276	6,027	2,080.9
Received Donations and Aids	241	1,651	585.2
2-Special Budget Revenues	**2,694**	**2,680**	**-0.5**
3-Revenues from Reg. and Sup.	**1,281**	**1,400**	**9.3**
Announced Budget Balance	**-3,787**	**-12,275**	**224**
- Local Govt and Fund Share Payments	1,098	131	-88.0
Corrected Budget Balance	**-4,885**	**-12,407**	**154.0**
Announced Primary Balance	**37,014**	**32,411**	**-12.4**
Corrected Primary Balance (Local Govt and Fund Shares deducted)	**35,916**	**32,279**	**-10.1**
Program Defined Primary Balance	**30,993**	**19,941**	**-35.7**
Program Def. Corrected Prim. Balance	**29,895**	**19,810**	**-33.7**

There has been a relative improvement in budget performance in October. Nevertheless, when the developments in central government budget revenues are evaluated after excluding privatization revenues (revenues from sale of TELEKOM shares and sale of land as part of privatization), we observe that the budget deficit has gone from 6.2 billion YTL to as high as 19.1 billion YTL.

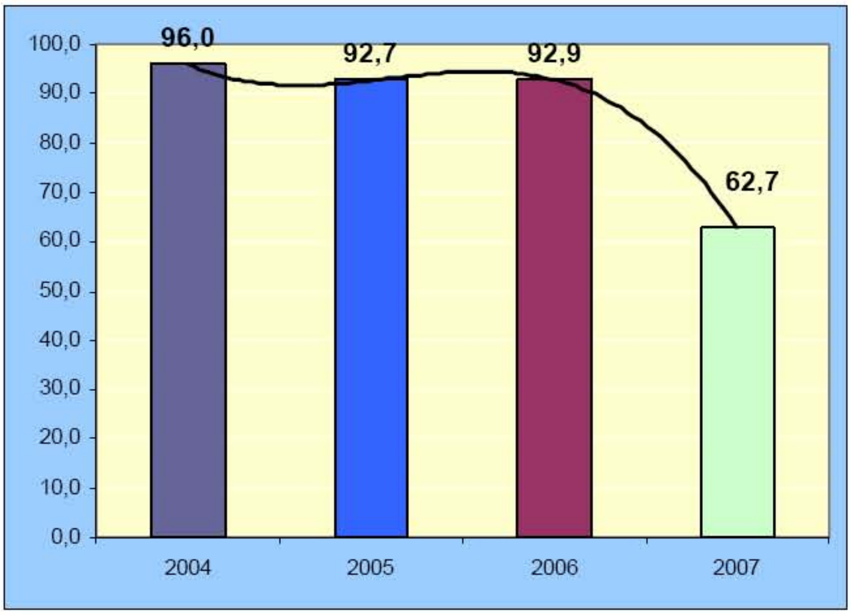
Table 2. October Budget Balance, Excluding Privatization Revenues (2006-2007)

million YTL	Jan-Oct 06	Jan-Oct 07	Change %
Disclosed Budget Balance	**-3,787**	**-12,275**	**224**
- Loc. Gov. and Fund Sh. Paym.	1.098	131	-88
Corrected Budget Balance	-4,885	-12,407	154
Privatization Revenues	1.365	6.676	389
Calculated Budget Balance	**-6,250**	**-19,083**	**205**

The adverse development in budget balance shows itself especially in program defined primary balance. Program defined primary balance performance has been realized at 62.1% of the year end target, by the end of the first 10 months of 2007. On the other hand, the primary balance performance had been more than 90% of the year end targets in the period 2004-2006.

As we have been underlying in our last reports continuously, the adverse development in the 2007 performance indicates that the realization will be far from the program defined primary balance target by the end of the year. At this point, the risk is to have a performance figure even lower than 3.3%, which is the revised target for 2007.

Graphic 1. January-October Consolidated Budget (2004-2005) and Central Government Program Defined Primary Surplus Performance (2006-2007) (as percentage of the year end target)



B. Budget Expenditures

As of end of October, budget expenditures have increased by 16.5% while primary expenditures have increased by 19.3%, compared to the same period of last year. The decrease in primary expenditures observed in October led to a slow down in the increase in primary expenditures. Nonetheless, the increase in primary expenditures has been higher than the inflation and growth target figures.

Table 3. 2006-2007 October Comparative Budget Expenditures

(million YTL)	January-October				
	2006	2007	Increase (%)	2006 Real. (%)	2007 Real. (%)
Central Government Total Budget Exp.	**144,336**	**168,214**	**16,5**	**82,3**	**82,1**
Primary Expenditures	**103,536**	**123,527**	**19,3**	**80,0**	**81,2**
I. Emp. and Soc. Sec. Ins. Gov. Pre. Exp.	**31,814**	**36,782**	**15,6**	**84,3**	**84,2**
II. Social Sec. Ins. Gov. Pre. Exp.	**3,985**	**4,550**	**14,2**	**78,6**	**45,0**
III. Purchase of Goods and Services	**12,624**	**15,307**	**21,3**	**67,7**	**98,2**
Health Expenditures	4,427	5,133	15,9	82,8	3,111.1
Medication Expenditures	624	695	11,4		
Treatment and Health Eq. Expenditures.	1,248	1,211	-3,0		
Green Card	2,556	3,228	26,3		
Defense and Security (Except Health)	4,115	4,664	13,3	54,9	57,1
Other Goods and Services Expenditures	4,082	5,509	35,0	85,7	86,7
IV. Current Transfers	**42,523**	**57,761**	**24,1**	**85,7**	**86,7**
Duty Losses	**1,763**	**1,114**	**-36,8**	**89,7**	**93,8**
Treasury Aids	**23,468**	**30,619**	**30,5**	**86,2**	**88,7**
Social Sec. Inst.	21,327	28,636	34,3	86,4	88,5
Transfers to SSI	20,796	27,981	34,6	86,6	88,6
Unemployment Insurance Fund	531	654	23,3	80,7	86,1
Transfers to Non Profit Org.	**160**	**590**	**269,8**	**86,2**	**89,1**
Transfers to Households	**593**	**805**	**35,7**	**74,3**	**86,6**
Agricultural Transfers	**4,549**	**5,167**	**13,6**	**95,8**	**98,4**
Other Transfers to Households	**247**	**314**	**27,1**	**75,0**	**65,1**
Social Transfers	**22**	**34**		**80,2**	**15,5**
Transfers to Overseas	**506**	**404**	**-20,2**	**85,5**	**63,4**
Shares from Revenues	**11,216**	**13,714**	**22,3**	**80,4**	**80,9**
V. Capital Expenditures	**7,116**	**8,509**	**19,6**	**59,6**	**70,3**
VI. Capital Transfers	**2,225**	**2,706**	**21,6**	**84,4**	**74,2**
Domestic Capital Transfers	2,147	2,640	23,0	87,3	77,2
Foreign Capital Transfers	78	66	-16,0	43,9	29,0
VII. Lending	**3,248**	**2,912**	**-10,3**	**86,9**	**78,8**
Domestic Lending	3,063	2,752	-10,1	88,2	80,2
Foreign Lending	185	160	-13,6	70,3	60,4
VIII. Auxiliary Allowances					
Interest Expenditures	**40,801**	**44,686**	**9,5**	**88,8**	**84,4**

Source: Ministry of Finance Directorate of Accounting and our calculations

As of end of October, 82,1% of the total budget allocations and 81,2% of primary allocations have been used up. Primary allocation usage has been 1,2 points higher than that of last year.

As was the case last month, the item which has contributed the most to primary expenditures has been current transfers. 51,2% of the increase in primary expenditures was from this item, primarily from transfers to social security institutions and local government and fund shares from revenues. When green card expenditures are considered, this ratio goes up as high as 55%.

As of end of October, the increase in transfers to social security institutions (as a total of duty losses and Treasury aids) have gone up to as high as 28,5%. The determinants of this increase were the base effect arising from the following: (i) revenues decreased because the new arrangement was not put to use, (ii) 2006 transfers were lower because of the precautionary one time premium waiver.

Table 4. Contribution of October Central Government Budget Primary Expenditures to Primary Expenditures

	Contribution to Increase	(%) Distribution
Primary Expenditures	**19,3**	**100,0**
Current Expenditures	**7,4**	**38,3**
Employee	4,8	24,9
Purchase of Goods and Services	2,6	13,4
Health	0,7	3,5
Defense and Security	0,5	2,7
Current Transfers	**9,9**	**51,2**
Treasury Aids to Social Security Inst.	7,1	36,6
Transfers to SSI	6,9	35,9
Agricultural Transfers	0,6	3,1
Shares from Revenues	2,4	12,5
Capital Expenditures	**1,3**	**7,0**
Capital Transfers	**0,5**	**2,4**
Other	**-0,3**	**-1,7**

The second highest contribution to the expenditures came from current expenditure items, primarily employee expenditures, with a total of 38.3%.

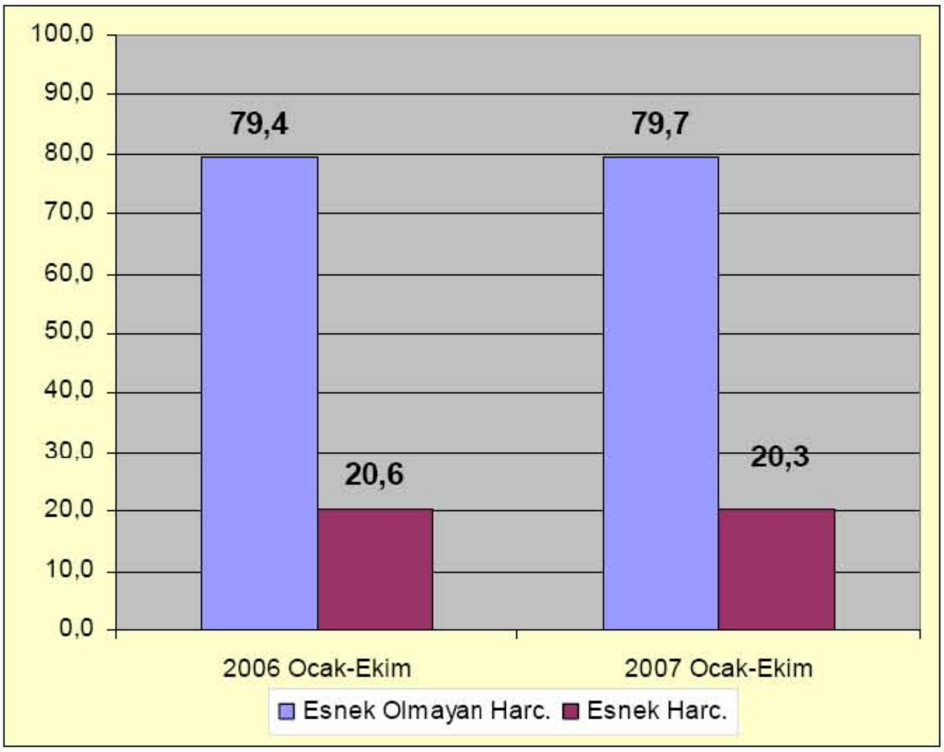
Green card expenditure, which is considered under current transfers despite being a current expenditure item, is among the sub items which impacted the periodic increase in primary expenditures. Green card expenditures increased by 26.3% compared to last year. The most significant item of green card expenditures in this term was drug expenditures with an increase of 41.8%. As of end of October, green card expenditure seems to have exceeded its total allocation for 2007 by 123%. The total amount of expenditures which will be realized at the end of the year for this item is expected to be 36-38 billion YTL. This corresponds to an increase of 27% in 2007, compared to last year.

A periodic increase of 23% in capital transfers item, which is due to transfers to special provincial administrations and especially municipalities, is significant.

The percentage of inflexible expenditures[1], i.e. expenditures that, as a policy making tool, can not be increased or decreased significantly due to their nature, continued their periodic increasing trend and reached 79.7%. The fact that about 80% of the budget expenditures are concentrated in areas where there is no flexibility, especially in a period which the program defined primary performance is much lower than program targeted figures, should be considered important in the sense that it shows the limited use of the budget as a policy implementation tool.

[1] As is known, major inflexible items are expenditures like interest and employee expenditures, and transfers to social security institutions which are paid to meet obligations.

Graphic 2. Development of the Share of Flexible and Inflexible Expenditures in the Budget (January-June)



2006 Jan.-Oct. (Inflexible Exp.) 2007 Jan.-Oct. (Flexible Exp.)

C. Budget Revenues

As of end of October, central government budget revenues have increased by 10.9%, compared to the same period of last year. When privatization revenues are accounted for, the increase in budget revenues turns out to be 7.2%.

The increase in tax revenues has been realized at 10%, compared to the last months. The positive developments in tax performance observed in September and October raised the increase in tax collections from 7-8% to 10%.

Table 5. Central Government Budget Revenues (January-October)

(million YTL)	October 07	October 06	Incr. (%)
Central Government Revenues	**155,938**	**140,549**	**10.9**
A. General Budget Revenues	**151,858**	**136,575**	**11.2**
I-Tax Revenues	**123,833**	**112,529**	**10.0**
1. Taxes from Income and Earnings	**37,912**	**31,535**	**20.2**
a) Income Tax	**28,110**	**23,332**	**20.5**
Income Tax Collection	25,697	21,028	22.2
b) Corporate Tax	**9,802**	**8,203**	**19.5**
Prepaid Corporate Tax	9,654	7,509	28.6
2. Taxes from Properties	**3,334**	**2,896**	**15.1**
b) Motor Vehicles Tax	3,248	2,814	15.4
3. Domestic Goods and Services Tax	**52,040**	**49,729**	**4.6**
a) Domestic VAT	13,966	13,650	2.3
b) Special Consumption Tax	31,711	30,596	3.6
c) Bank and Insurance Transactions Tax	2,616	2,172	20.5
d) Lottery Games Tax	270	308	-12.4
e) Special Communications Tax	3,744	3,002	15.8
4. Tax From Int. Trade and Trans.	**23,657**	**22,532**	**5.0**
b) VAT From Imports	21,586	20,778	3.9
5. Stamp Duty	**2,998**	**2,550**	**17.6**
6. Fees	**3,853**	**3,165**	**21.7**
Taxes Not Classified Elsewhere	**39**	**122**	**-67.8**
II- Enterprise and Property Revenues	**7,174**	**6,809**	**5.4**
III- Received Donations, Aids and Special Rev.	**1,651**	**241**	**585.2**
IV- Interests, Shares, Penalties	**13,172**	**16,719**	**-21.2**
1. Interest Revenues	4,106	4,148	-1.0
V- Capital Revenues	**6,027**	**276**	**2,080.9**
B. Revenues from Special Budget Organizations	**2,680**	**2,694**	**-0.5**
C: Revenues from Reg. and Superv. Agencies	**1,400**	**1,281**	**9.3**

As we have continuously stressed in our previous reports, the fact that the increase in domestic goods and services tax, which makes up 42% of total taxes, and in VAT from imports, which makes up 17.4% of total taxes, was 3.9% has led to a real decrease in tax collections in this period. As a matter of fact, the share of these two tax items in total tax collections decreased by 3.2 points, compared to last year.

As we have pointed out in the Fiscal Monitoring Report of September, the reasons for 2007 budget tax collections' being lower than targeted figures are as follows: (i) A lower than forecasted increase in private sector expenditures due to the relative slowing down in aggregate demand in the economy, (ii) Deferral of price increases in SEE goods and some of the public institutions', primarily SEEs', not meeting tax obligations, (iii) lower than targeted realizations in VAT from exports collections due to valuation of YTL, (iv) not being able to put in effect the revenue increasing policy measures foreseen for 2007, (v) decrease of performance revenue administration because of entering into an election process.

In this context, 78.3% of the total tax revenue target has been achieved as of end of October. This figure was 81.8% at the end of October 2006.

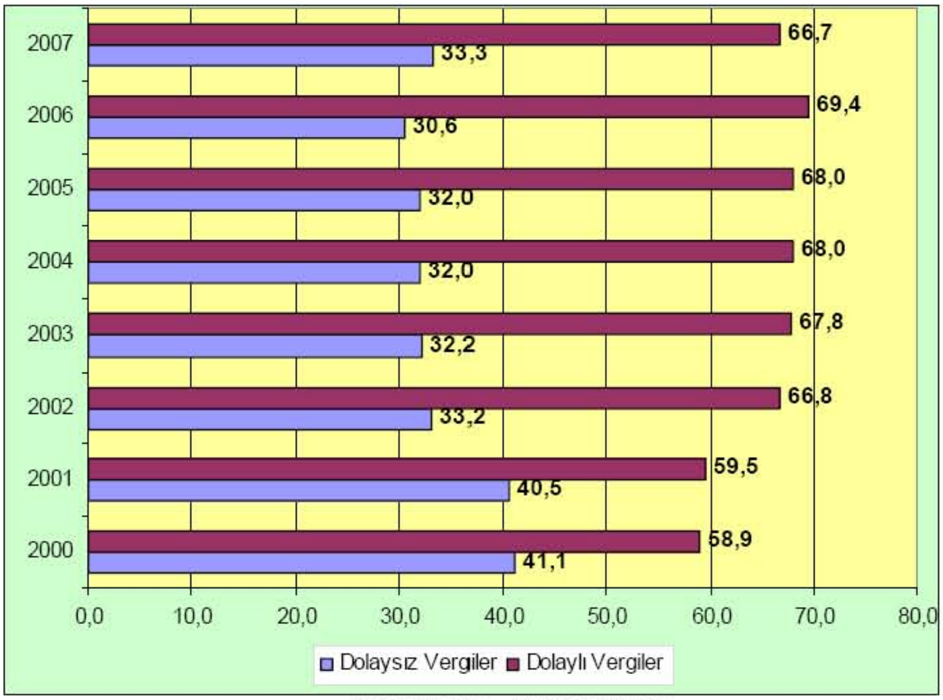
The increase in performance of indirect taxes has prevented tax revenues from being realized at much lower values. In this period, 56.4% of the increase in tax revenues came from income and corporate taxes.

Table 6. *2006-2007 October Budget Tax Revenue Realizations and Contribution to Increase*

million YTL	January - October		Increase (%)	Contribution to Increase (%)
	2007	2006		
Tax Revenues	**123,833**	**112,529**	**10.0**	**100.0**
Taxes from Income and Corp. Revenues	**37,912**	**31,535**	**20.2**	**56.4**
Income Tax Collection	25,697	21,028	22.2	41.3
Prepaid Corporate Tax	9,654	7,509	28.6	19.0
Special Consumption Tax	**31,711**	**30,596**	**3.6**	**9.9**
Spec. Cons. Tax for Petr. and Nat. Gas. Prod.	18,079	16,946	6.7	10.0
Cokes, Sodas, Alcoholic Bev. and Tobacco	9,606	9,618	-0.1	-0.1
VAT Collection	**35,552**	**34,428**	**3.3**	**9.9**
VAT from Imports	21,586	20,778	3.9	7.2
Domestic VAT	13,966	13,650	2.3	2.8
Other Taxes	**18,658**	**15,970**	**16.8**	**23.8**
Stamp Duty	2,998	2,550	17.6	4.0
Fees	3,853	3,165	21.7	6.1
Banking and Insurance Transactions Tax	2,616	2,172	20.5	3.9

The low performance exhibited in indirect tax items, primarily in VAT and SCT, has led to an increase of 3 points in indirect taxes, compared to that of 2006. As of end of October, 66.7% of the general budget tax revenues were from indirect taxes, while the remaining 33.3% was fro direct taxes.

Graphic 3. Direct and Indirect Tax Shares of 2000-2007 October General Budget Revenue Collections



Direct Taxes Indirect Taxes

C. Budget Trends

Consistent with the perspective we developed in the Fiscal Monitoring Report of April, we continue to look at the composition of the structural deficit, in the context of the following table, by eliminating deferred expenditures and one time precautionary measures.[2]

Table 7. % Increase in Corrected Budget Revenues and Expenditures 2006-2007

	% Increase Compared to Last Year						
	Jan.-Mar.	Jan.-Apr.	Jan.-May	Jan.-Jun.	Jan.-Aug.	Jan.-Sep.	Jan.-Oct.
Budget Expenditures	25.6	20.7	21.8	23.4	18.1	19.0	16.5
Expenditures After Budget Corrections	17.5	14.4	15.0	17.1	12.4	13.4	10.8
Primary Expenditures	19.2	19.5	23.4	25.7	22.2	21.1	19.3
Primary Expenditures After Corrections	8.6	10.9	13.9	16.9	14.0	13.3	11.3
Primary Revenues	20.3	19.7	16.4	12.8	10.3	10.7	10.9
Primary Revenues After Corrections	10.6	12.6	12.9	10.3	8.3	9.1	10.0
Tax Revenues	8.6	7.2	8.0	7.0	9.5	9.5	10.0
Tax Revenues After Corrections	9.4	8.0	8.6	7.5	9.9	9.9	10.5

When budget performances of 2006 and 2007 are considered after these corrections are applied, corrected primary expenditures, which was forecasted to be 8.6% for the first quarter of the year, significantly increased to a level of 16.9% and came down to 11.3% for the period January-October.

[2] As we have stated in our April report, corrections have been done on the expenditure side by distributing local government and fund shares, VAT to Retirees, Accrued Expenditures, Liabilities to Contractors and other expenditures like Bağ-Kur and SSK premium remissions, which should have been recorded in the relevant year's accounts but deferred to next year, to the months they belong in the relevant year in accordance with certain assumptions. Our calculations which we had published in the previous months' fiscal monitoring reports were used as a basis for these calculations. On the revenue side, corrections have been done by deducting one-time revenue items like Privatization Revenues, excess TELEKOM cash and Savings Deposit Insurance Fund collections from the revenues items of the respective period. In addition to that, a correction has been made for VAT from Exports item by showing it in the respective year's account in accordance with previous year trends.

On the revenue side, corrected total budget revenues went down from 10.6% in the first quarter to 10.3% at the end of the second quarter and to 10% in the period January-October. While corrected tax revenues exhibited a low performance and went down from 9.4% for the first quarter to 7.5% at the end of the second quarter, the rate of increase went up to 10.5% in the period January-October.

As a result: a comparison is made on the basis of January-October after accounting for effects of the expenditures deferred to next year (i.e. 2007), which is a violation of the annual budget principle, and one time measures, we can say that there is a relative slow down compared to previous periods. The fact that developments in expenditures that are observed from the beginning of the year till the end of July has been decreasing as we come closer to the end of the year indicates the possibility of deferring some expenditure liabilities to next year this time as well.

II. How are 2007 Fiscal Year Budget Targets Achieved?

The Ministry of Finance disclosed the year end budget deficit forecast for 2007 when it was presenting the 2008 budget to the Turkish Grand National Assembly. As pointed out in the public statement that disclosed budget application results for October, it is forecasted that 2007 year end budget targets will be met and the budget deficit will be lower than forecasted in the beginning.

We think that it makes sense to look at the flip side of this picture that depicts a positive trend in budget performance and targets which are met. As a matter of fact, we arrive at the conclusion that 2007 budget realization forecast is not concluded with a performance increase, on the contrary, the performance is not that good at all when we look at the picture from the perspective of primary balance which better reflects the government's fiscal position and policy execution skill.

Table 8. 2007 Budget Targets and Realizations

(million YTL)	Budget	October	Realiz. Forecast	Realiz. Comp. to Budg. (%)
Central Govt. Budget Expenditures	**204,989**	**168,214**	**202,853**	**99.0**
Primary Expenditures	**152,043**	**123,527**	**153,853**	**101.2**
I. Employee Expenditures	43,670	36,782	44,112	101.0
II. Social Sec. Inst. Govt. Premium	10,102	4,550	5,880	58.2
III. Purchase of Goods and Services	15,587	15,307	21,862	140.3
IV. Interest Expenditures	52,946	44,686	49,000	92.5
V. Current Transfers	60,863	52,761	63,121	103.7
VI. Capital Expenditures	12,104	8,509	11,688	96.6
VII. Capital Transfers	3,647	2,706	3,580	98.2
VIII. Lending	3,695	2,912	3,612	97.8
IX. Auxiliary Allocations	2,375			
Central Govt. Budget Revenues	**188,159**	**155,938**	**187,970**	**99.9**
I. General Budget Revenues	**183,460**	**151,858**	**182,687**	**99.6**
A. Tax Revenues	**158,153**	**123,833**	**151,056**	**95.5**
Direct Taxes	48,982	41,246	51,007	104.1
Indirect Taxes	109,171	82,587	100,049	91.6
B. Non Tax Revenues	**25,307**	**28,025**	**31,631**	**125.0**
Privatization	2,147	6,676	6,906	321.7
Other	23,160	21,349	24,725	106.8
II. Special Budget Revenues	**3,264**	**2,680**	**3,669**	**112.4**
III. Revenues from Reg. and Sup.	**1,435**	**1,400**	**1,613**	**112.4**
Budget Balance	**-16,829**	**-12,275**	**-14,883**	**88.4**
Primary Balance	36,117	32,411	34,117	94.5
Program Defined Balance	31,565	19,810	21,283	67.4

When this table is considered superficially and results for October are taken into account, year end targets seem achievable. Nevertheless, it is obvious that this can not be considered as support for the success of fiscal performance of the administration. Above all else, we think that the following questions should be considered as criteria for evaluation of performance. These questions can be listed as follows:

- What is the performance of the administration in primary expenditures as a controllable fiscal policy variable?
- What is the extent of the improvement in budget expenditures due to variables not in control of the administration?
- On the revenue side, to what extent have the forecasts in tax collections, which is one of the leading variables in control, have been realized?

- On the other hand, what is the impact of one time increases in revenues which are considered as non tax revenues?

When we evaluate the picture coming out of these questions:

- The increase in primary expenditures has been higher than initial budget allocations. Among the expenditure items, the decrease in government premium payments for social security institutions, which looks like it has been saved, is in fact due to the fact that legislation concerning the social security reform has not been passed. Eventually, this has led to increases beyond allocations in both the current transfers item since it enlarged the deficit of social security institutions, and the purchase of goods and services item due to green card and health expenditures for civil servants. Consequently, primary expenditures as a whole have been realized above initial allocations. Thus, it is understood that the administration could not fulfill its control duty with respect to items which it can control.
- On the other hand, there has been a decrease of 2.1 billion YTL in budget expenditures as a whole, compared to initial allocations. This is primarily due to the realization of the exchange rate of YTL/USD at around 1.30's rather than the forecasted average of 1.54, which was used in the calculation of the allocation for the service of foreign debt interest in interest allocations. Thus, we can not talk about an intentional improvement in budget expenditures since this has been a development out of control of the administration.
- There has been a seriously low performance in tax collection, which is a variable under the control of the administration on the revenue side. This is most obvious specifically in indirect taxes like VAT and SCT.

- In order to compensate this low performance in tax collections to a certain extent, revenue from the sale of TELEKOM shares has been moved forward, compared to the initial forecast for privatization revenues, and revenues from the sale of land belonging to the General Directorate of Highways was focused on. This means a continuation of the policy of resorting to one time revenues from sale of assets rather than regularly collecting tax, to save the day.

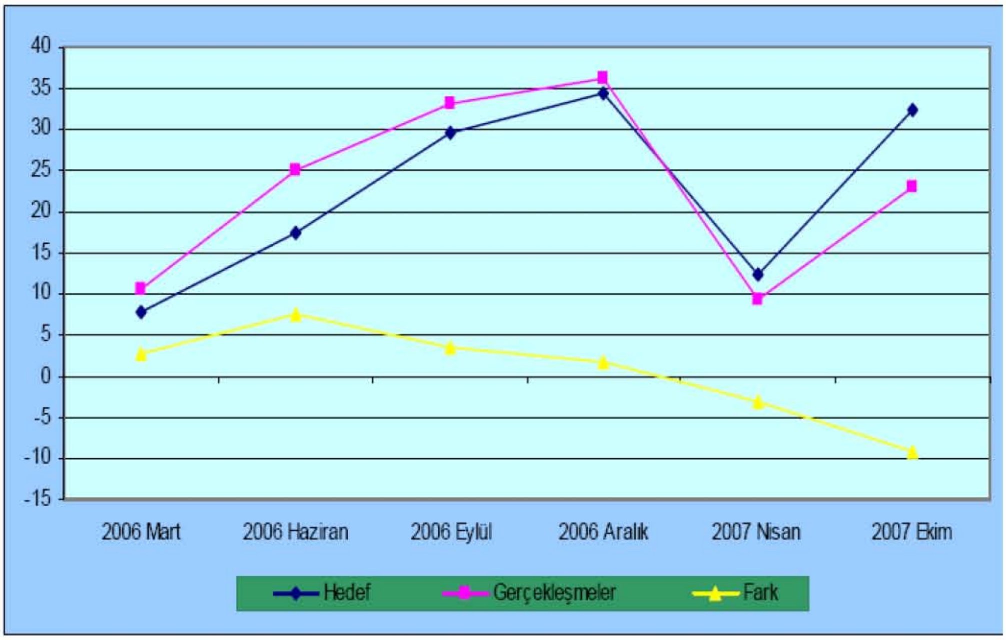
As a result of all of these, primary surplus performance has been much lower than what had been initially targeted. Briefly, although it looks like 2007 budget deficit forecast will be met, this is not the real indicator of performance since this result has been achieved by one time revenues related measures and improvements in expenditures that are out of control of the administration, thus making the quality of this performance is questionable. The fact that primary surplus target, which can be considered as the main performance criterion, has not been achieved is the most important evidence for that.

In fact, this degradation in primary surplus performance of public finance is not specific to this year and a comparison with previous years that we have made reveals interesting points in this issue. In the following section, there is a short periodical analysis which we have made on this.

III. When did the Degradation in Primary Surplus Performance Begin?: Some Reminders

In this section, we consider the IMF program defined central government primary surplus variable and we look at the cumulative real changes, compared to the previous year, in revenue and expenditure items making up this variable as well the change in the variable itself. Thus, we aim to obtain some hints on the seasonal trends of the capacity of public finance in creating primary surplus.

Graphic 7. Consolidated Public Sector Primary Surplus Targets and Realizations (2006-2007)



2006 March 2006 June 2006 Sep. 2006 Dec. 2007 Apr. 2007Oct.
Target Realizations Difference

When we look at the graph, we see that primary surplus figures that were generally above the target figures in 2006 turned out to be completely below the target figures in 2007. We would like to point out that, had the expenditure liabilities deferred to 2007 from the last year been booked as expenditures last year, 2006 figures would have been below the target figures. The effect of "fiscal tricks" should not be overlooked in degrading this year's performance by turning these liabilities into expenditures starting beginning of 2007 in order to make it seem like last year's performance was better. Although this effect was lower in the later months of 2007, in our previous reports we had continuously pointed out in detail that the degradation in primary surplus performance continued in this year, this time due to the developments with respect to elections.

At this point, the question arises as to whether the degradation in primary surplus performance is specific to this year or the cause of the problem lies in previous years.

To investigate this, we prepared the following graphs in which we compared the real change in percentage of the capacity of public finance to create primary surplus, compared to the same periods of last years. The first of these graphs contains monthly cumulative figures for IMF program defined consolidated public sector primary surplus. The other one gives the change, on the same basis, in revenue-expenditure and tax revenue figures of the central government budget, which has the highest weight in this definition.

Graphic 8. Program Defined Performance of Primary Surplus Balance

Feb.06 Apr. 06 Jun.06 Aug.06 Oct.06 Dec.06 Feb.07 Apr.07 Jun.07 Aug.07 Oct.07

The point of interest in Graphic 8 is that primary balance performance in 2006, except for the first months, has exhibited a fast and positive change until July but then it slowed down and there has been a decrease in performance, compared to the previous year, starting in the second half of 2006. It is observed that this decrease has started speeding up in the beginning of 2007, due to the reasons we have explained in previous sections, and sped even further especially before the elections and after hitting bottom in July recovered relatively, albeit being way below than the levels of the previous years.

Graphic 9. Program Defined Revenue, Expenditure and Tax Revenue Performances

Rev. (Prog. Def.) Tax Rev.'s Exp. (Prog. Def.)

We evaluate the contribution of central government budget to this process on the basis of program defined revenues, expenditures and tax revenue performance, which we think has played the most important role in this process in Graphic 9. In other words, we evaluate the capacity of the central government budget to create primary surplus. When we look at the monthly cumulative real change in these variables, compared to the previous year, we see that primary expenditures have always been realized above the levels of total revenues and tax revenues, and this had an adverse effect on the primary surplus performance in the first months of 2006. Nevertheless, despite the negative performance in tax revenues we can say that the primary surplus performance peaked in July due to non-tax revenues (primarily due to booking the revenues from the sale of Telsim in place of tax fines) and controlling the expenditures. The important point with respect to this issue is the role of non-tax revenues, i.e. their dominant one-time aspect. As a matter of fact, the decreasing trend, coming from the last year, in real tax revenues continued.

After July 2006, although it seems that a certain degree of control has been achieved in expenditures, an erosion in non tax revenues has started and essentially, along with a decrease in the real rate of increase in tax revenues, the primary balance performance began slowing down. We observed that this process has become much more evident and had an increasing trend starting with the beginning of 2007. Especially in the second quarter, the rate of real change in expenditures has increased while the performance in both tax revenues and non tax revenues continued their negative trend, thus negatively affecting the total consolidated public sector primary balance performance. It is now also accepted by the public authorities that the relative improvement observed in the last few months would not change this situation and the primary surplus target would not be achieved. Of course, how much of this improvement observed in the last few months is due to payments deferred to next year is another important question to be answered and we have already touched upon this issue in the previous section (Budget Trends).

Considering the negative performance in the budget in 2007, we can reach at the following conclusions:

1. This is the continuation of a process which had started in the second half of 2006,
2. In this process, primary expenditures could not be controlled and this has become even more evident in 2007. Thus, the Administration had difficulties in controlling the expenditures, with the exception of some periods, and they tried to save the year 2006 by deferring payments to next year as their flexibility in this area decreased. It is probable that they will follow the same course of action this year as well.
3. Even more important is the fact that the performance in tax collections is insufficient to meet the expenditures and moreover, policies of the Administration that rely on indirect taxes as a whole are at an end and there are difficulties in tax collection.
4. As a combination of these, the degradation in fiscal performance is not specific to this year, but its roots go back as far as the middle of last year.

IV. Budget Financing and Developments in Debt Stock

Cash balance of the Treasury had a deficit of 19.3 billion YTL as of end of October. Since this deficit does not include one time revenues like privatization revenues, it provides a better picture of the budget deficit.

Table 8. Treasury Cash Balance (January-October)

(million YTL)	January*	February*	March*	April*	May*	June*	July*	August*	Sept*	October*	Total*
REVENUES	13.956	11.365	14.259	10.886	20.681	14.498	11.219	21.124	13.031	13.804	144.822
EXPENDITURES	17.524	15.894	15.696	15.070	17.682	16.750	17.666	16.295	17.641	13.833	164.100
Primary Expenditure	10.748	10.772	11.751	12.522	13.354	13.545	12.145	11.807	11.850	11.968	120.462
Interest Payments	6.776	5.121	3.945	2.548	4.328	3.206	5.521	4.488	5.791	1.916	43.638
PRIMARY BALANCE	3.208	593	2.509	-1.636	7.327	953	-926	9.317	1.181	1.836	24.361
CASH BALANCE	-3.567	-4.529	-1.436	-4.184	2.999	-2.253	-6.446	4.829	-4.610	-79	-19.278
FUNDING	3.567	4.529	1.436	4.184	-2.999	2.253	2.359	-4.829	4.610	79	19.278
BORROWING (NET)	6.228	6.851	268	-1.808	-2.424	-372	-24	781	187	-2.443	9.627
EXTERNAL BORR. NET	905	590	-403	-1.454	-463	-304	696	-664	-1.215	-1.907	-4.939
Utilization	1.811	3.472	145	41	1.541	320	720	114	21	1.499	9.661
Payment	906	2.882	548	1.496	2.004	624	2.383	778	1.237	3.406	14.600
DOMESTIC BORR. NET	5.323	6.261	671	-354	-1.961	-68	12.235	1.445	1.402	-536	14.566
Utilization	15.789	8.188	12.427	8.206	9.103	10.741	9.853	2.684	11.709	7.508	98.590
Payment	10.465	1.927	11.755	8.560	11.064	10.809	982	1.240	10.307	8.044	84.024
PRIVATIZATION REVENUE	0	0	5.984	0	0	0	0	0	0	0	6.966
TRANSFERS FROM SDIF	0	0	11	66	20	0	0	0	0	0	97
ASSG.-GUARANT. DEBT RETURNS	32	82	92	94	17	38	59	26	46	83	568
BANK UTILIZATION	-2.692	-2.404	-4.919	5.833	-612	2.587	3.047	-5.636	4.378	2.440	2.019
EXCHANGE RATE DIFF.	-46	-142	15	-742	-107	-86	-91	244	-994	95	-2.044
BANK UTILIZATION NET	-2.646	-2.262	-4.934	6.575	-505	2.672	3.138	-5.880	5.371	2.535	4.063

#* Temporary

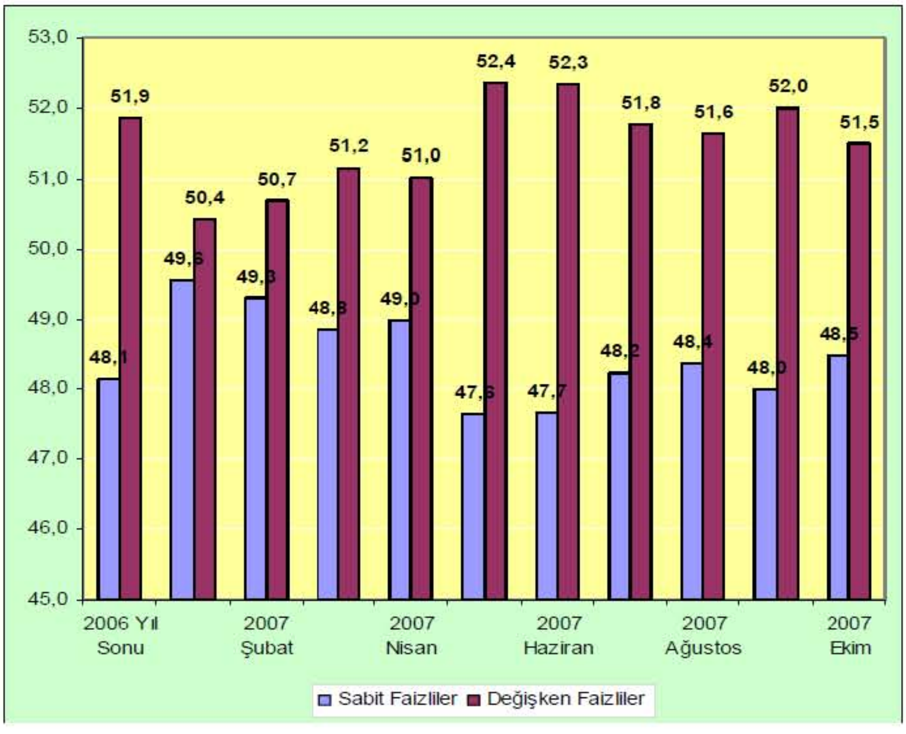
The Treasury financed its cash deficit predominantly with domestic borrowing. It is net payback position with respect to both domestic and foreign debt in October.

Table 9. Balances of General Budget and Central Government Budget (October)

General Budget Balance		Central Government Budget Balance	
(million YTL)	October	(million YTL)	October
Budget Balance	-13.627	**Budget Balance**	-12.275
Escrows	130	**Escrows**	93
Advances	397	**Advances**	405
Cash Balance	-13.101	**Cash Balance**	-11.778
Funding	13.101	**Funding**	11.778
Total Net Borrowing	11.949	Total Net Borrowing	11.981
Privatization Revenue	987	Privatization Revenue	987
Cash Increase	-531	Cash Increase	-1.885

While the cash balance of General Budget had a deficit of 13.1 billion YTL, cash balance of the Central Government Budget had a deficit of 11.8 billion YTL as of end of October. This can be interpreted as in indicator of continuation of closing General Budget deficit with contributions of special budget institutions (universities and other special budget institutions) and regulatory and supervisory institutions.

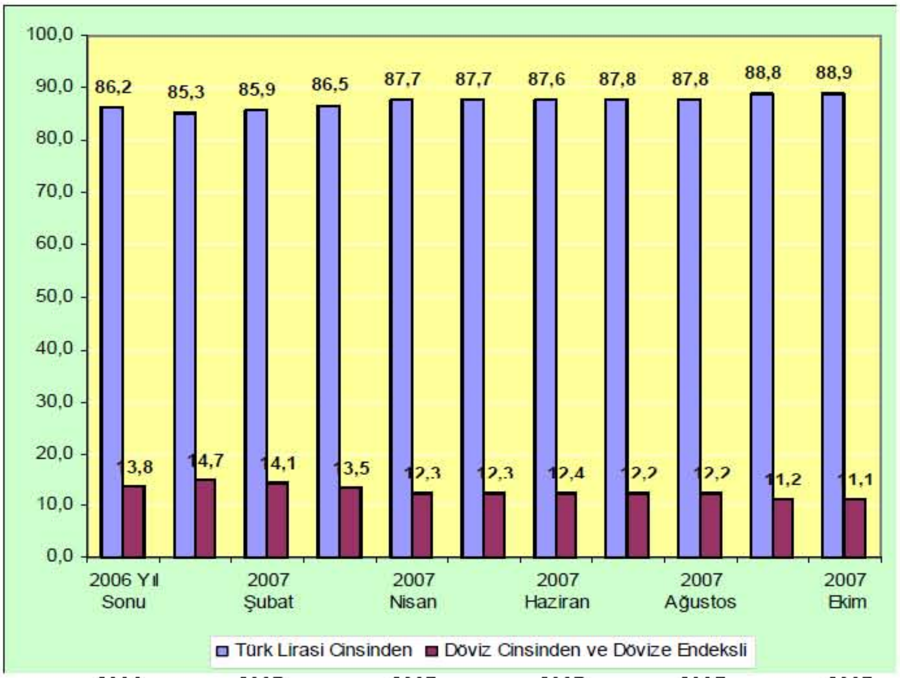
Graphic 4: Central Government Domestic Debt Stock Interest Composition



Fixed Interest Variable Interest

There is no significant change in the interest composition of debt stock from the beginning of the year.

Graphic 5. Central Government Domestic Debt Stock YTL-FX Structure



2006 Year End	2007 Feb.	2007 April	2007 June	2007 August	2007 October

Denominated in YTL   Denominated in FX and FX Indexed

There is a change in favor of YTL in domestic debt stock YTL-FX composition as of October 2007, compared to 2006 year end.

Graphic 6. Average Term for Domestic Debt and Interest Rate

2006 Year End	2007 February	2007 April	2007 June	2007 August	2007 October

Average Term of Domestic Debt   Domestic Debt Tender Interest Rates

The decreasing trend that started in September continued in October as well.

ANNEX

Annex Table 1. 2007 Central Government Budget Allowances and Expenditures (October)

	Jan-Mar.	Apr.-Jun.	Jul.-Sept.	October	Total	2006 Budget	(%) Realization	Expend. Dist. (%)
Expenditures	**49.441.897**	**51.237.546**	**53.280.119**	**14.253.957**	**168.213.519**	**204.988.546**	**82,06**	**100,00**
Primary Expenditures	**33.475.107**	**40.310.870**	**37.401.965**	**12.339.548**	**123.527.490**	**152.042.522**	**81,25**	**73,43**
I. Employee Expenditures	**11.192.386**	**10.781.312**	**11.063.989**	**3.744.446**	**36.782.133**	**43.669.799**	**84,23**	**21,87**
Civil Servants	9.824.731	9.034.573	9.230.453	3.081.270	**31.171.027**	36.781.520	84,75	18,53
Workers	568.173	802.531	966.858	**303.216**	**2.640.778**	3.558.224	74,22	1,57
Others	799.482	944.208	866.678	359.960	**2.970.328**	3.330.055	89,20	1,77
II. Social Security Inst. Govnt. Premium	**1.405.582**	**1.319.885**	**1.367.212**	**456.905**	**4.549.584**	**10.101.779**	**45,04**	**2,70**
Civil Servants	1.217.878	1.057.800	1.105.527	371.773	**3.752.978**	7.382.093	50,84	2,23
Workers	94.225	148.203	173.069	**45.438**	**460.935**	630.273	73,13	0,27
Others	93.479	113.882	88.616	39.694	**335.671**	2.089.413	16,07	0,20
III. Purchases of Goods and Services	**3.461.013**	**4.888.449**	**5.282.415**	**1.675.241**	**15.307.118**	**15.587.406**	**98,20**	**9,10**
Defense-Security	**630.536**	**1.569.782**	**1.891.849**	572.141	**4.664.308**	**8.165.600**	**57,12**	**2,77**
M.N.D.	487.493	1.292.595	1.440.695	**416.830**	**3.637.613**	6.586.000	55,23	2,16
Gendarmerie	78.968	163.479	265.132	93.795	**601.374**	1.003.600	59,92	0,36
Police	64.075	113.708	186.022	**61.516**	**425.321**	576.000	73,84	0,25
Health Expenditures	**1.668.785**	**1.556.112**	**1.449.613**	458.847	**5.133.357**	**165.000**	**3.111,13**	**3,05**
Health Expenditures Related to Green Card	1.101.366	932.107	889.258	**304.863**	**3.227.594**	0	0,00	1,92
Medication	190.417	237.981	206.274	60.189	**694.861**	99.152	700,80	0,41
Treatment and Health Equipment	377.002	386.024	354.081	**93.795**	**1.210.902**	65.848	1.838,94	0,72
Govnt. Debts General Expenditures	**20.423**	**16.752**	**10.448**	7.927	**55.550**	**115.000**	**48,30**	**0,03**
Other Goods and Services Expenditures	**1.141.269**	**1.745.803**	**1.930.505**	**636.326**	**5.453.903**	**7.141.806**	**76,37**	**3,24**
IV. Current Transfers	**14.857.044**	**17.918.602**	**14.916.092**	5.069.236	**52.760.974**	**60.862.989**	**86,69**	**31,37**
Duty Losses	**153.205**	**357.301**	**382.989**	**220.348**	**1.113.843**	**1.187.853**	**93,77**	**0,66**
SEE Duty Losses	50.000	230.000	222.891	167.000	**669.891**	660.000	101,50	0,40
SSI Duty Losses	0	0	0	**0**	**0**	0	0,00	0,00
Financial Institutions	66.000	82.500	119.000	37.500	**305.000**	345.000	88,41	0,18
Other Duty Losses	37.205	44.801	41.098	15.848	**138.952**	182.853	75,99	0,08
Treasury Subsidies	**9.222.710**	**8.806.857**	**9.208.264**	**3.381.422**	**30.619.253**	**34.538.020**	**88,65**	**18,20**
Treasury Subsidies to Soc. Sec. Inst.	**197.500**	**187.908**	**196.470**	72.319	**654.197**	**760.000**	**86,08**	**0,39**
Pension Funds	0	0	0	**0**	**0**	0	0,00	0,00
Bağ-Kur	0	0	0	0	**0**	0	0,00	0,00
SSI	0	0	0	**0**	**0**	0	0,00	0,00
Unemployment Insurance Fund	197.500	187.908	196.470	72.319	**654.197**	760.000	86,08	0,39
Local Governments	**410.792**	**426.161**	**467.654**	**133.400**	**1.438.007**	**1.471.493**	**97,72**	**0,85**
Subsidies to Municipalities	52.923	7.535	5.066	680	**66.204**	56.850	0,00	0,04
Other (special provincial adm. and villages)	357.869	418.626	462.588	**132.720**	**1.371.803**	1.414.643	96,97	0,82
Other Treasury Subsidies	**131.417**	**184.488**	**177.140**	52.671	**545.716**	**717.527**	**76,06**	**0,32**
SPSF	65.000	87.000	93.000	**23.000**	**268.000**	400.000	67,00	0,16
Other	66.417	97.488	84.140	29.671	**277.716**	317.527	87,46	0,17
Transfers to Non-Profit Organizations	**150.203**	**296.469**	**127.325**	**16.226**	**590.223**	**662.338**	**89,11**	**0,35**
Transfers to Households	**218.222**	**285.916**	**199.170**	101.545	**804.853**	**929.541**	**86,59**	**0,48**
Scholarships and Allowances	131.689	130.325	103.325	**48.309**	**413.648**	385.579	107,28	0,25
Other Transfers for Education	50.218	95.937	67.251	41.790	**255.196**	435.529	58,59	0,15
Transfers for Health	9.806	14.523	10.529	**3.458**	**38.316**	52.987	72,31	0,02
Transfers for Food	24.016	42.896	14.890	6.804	**88.606**	52.230	169,65	0,05
Transfers for Housing	2.493	2.235	3.175	**1.184**	**9.087**	3.216	282,56	0,01
Agricultural Subsidization Payments	**1.116.263**	**3.717.459**	**292.519**	40.890	**5.167.131**	**5.250.000**	**98,42**	**3,07**
Direct Income Support	483.759	2.041.238	26.087	**24.509**	**2.575.593**	2.730.000	94,34	1,53
Product Support Payments	246.209	1.230.047	232.199	0	**1.708.455**	1.560.000	109,52	1,02
Animal Husbandry Support Payments	280.000	0	44.000	**0**	**324.000**	150.000	216,00	0,19
Other	106.295	446.174	-9.767	16.381	**559.083**	810.000	69,02	0,33
Other Transfers to Households	**115.280**	**27.471**	**159.726**	**11.340**	**313.817**	**482.081**	**65,10**	**0,19**
Social Transfers	**5.827**	**8.588**	**13.445**	6.116	**33.976**	**219.059**	**15,51**	**0,02**
Transfers to Overseas	**97.617**	**129.055**	**145.386**	**31.768**	**403.826**	**636.524**	**63,44**	**0,24**
Shares from Revenues	**3.777.717**	**4.289.486**	**4.387.268**	1.259.581	**13.714.052**	**16.957.573**	**80,87**	**8,15**
V. Capital Expenditures	**1.258.121**	**3.208.335**	**3.084.576**	**958.439**	**8.509.471**	**12.103.930**	**70,30**	**5,06**
VI. Capital Transfers	**438.146**	**1.439.168**	**748.742**	80.113	**2.706.169**	**3.647.400**	**74,19**	**1,61**
VII. Lending	**862.815**	**755.119**	**938.939**	**355.168**	**2.912.041**	**3.694.600**	**78,82**	**1,73**
Domestic Lending	**853.959**	**675.120**	**882.794**	340.168	**2.752.041**	**3.429.600**	**80,24**	**1,64**
SEE	448.586	393.800	329.596	**212.080**	**1.384.062**	1.360.000	101,77	0,82
Risk Account	55.623	74.198	74.470	28.950	**233.241**	600.000	38,87	0,14
Other	349.750	207.122	478.728	**99.138**	**1.134.738**	1.469.600	77,21	0,67
Foreign Lending	**8.856**	**79.999**	**56.145**	15.000	**160.000**	**265.000**	**60,38**	**0,10**
Cyprus	8.856	79.999	56.145	**15.000**	**160.000**	265.000	60,38	0,10
VIII. Auxiliary Allowances	**0**	**0**	**0**	0	**0**	**2.374.619**	**0,00**	**0,00**
Interest Expenditures	**15.966.790**	**10.926.676**	**15.878.154**	**1.914.409**	**44.686.029**	**52.946.024**	**84,40**	**26,57**
I. Domestic Debt Interests	**13.380.641**	**9.202.602**	**14.216.196**	**1.455.627**	**38.255.066**	**43.626.000**	**87,69**	**22,74**
II. External Debt Interests	**2.519.305**	**1.141.661**	**1.661.741**	**458.783**	**5.781.490**	**8.450.024**	**68,42**	**3,44**
III. Discounts and Short Term Transactions Insterests	**66.844**	**582.413**	217	**-1**	**649.473**	**870.000**	**74,65**	**0,39**

Annex Table 2. 2006-2007 General Central Government Budget Expenditure Comparisons (October)

Total Central Gov't Budget Expenditures	2006				2007				Increase	
	October	Total	Realization	Realiz. Ratio	October	Total	Budget Predict.	Realiz. Ratio	October	Total
	14.912.782	**144.336.107**	**175.303.995**	**82,33**	**14.253.957**	**168.213.519**	**204.988.546**	**82,06**	**-4,42**	**16,54**
Primary Expenditures	**11.739.263**	**103.535.588**	**129.358.763**	**80,04**	**12.339.548**	**123.527.490**	**152.042.522**	**81,25**	**5,11**	**19,31**
Employee Expenditures	**3.612.986**	**31.814.011**	**37.732.718**	**84,31**	**3.744.446**	**36.782.133**	**43.669.799**	**84,23**	**3,64**	**15,62**
Soc. Sec. Inst. Gov't. Prem. Expendit.	**425.407**	**3.984.552**	**5.067.252**	**78,63**	**456.905**	**4.549.584**	**10.101.779**	**45,04**	**7,40**	**14,18**
Goods and Services Purch. Expendit.	**1.505.135**	**12.624.384**	**18.646.449**	**67,70**	**1.675.241**	**15.307.118**	**15.587.406**	**98,20**	**11,30**	**21,25**
Defense-Security	542.537	4.115.012	7.493.047	54,92	572.141	4.664.308	8.165.600	57,12	5,46	13,35
Health Expenditures	342.047	4.427.443	5.344.560	82,84	458.847	5.133.357	165.000	3.111,13	34,15	15,94
General Treatm. and Health Equip.	130.624	1.247.766	1.629.800		93.795	1.210.902	65.848			
General Medical Expenditures	59.259	623.819	804.149		60.189	694.861	99.152			
Green Card Health Services	152.164	2.555.858	2.910.611		304.863	3.227.594	0			
Government Debt General Expendit.	277	73.082	85.360	85,62	7.927	55.550	115.000	48,30	2761,73	-23,99
Other Purchase of Goods and Services	620.274	4.008.847	5.723.482	70,04	636.326	5.453.903	7.141.806	76,37	2,59	36,05
Current Transfers	**4.720.713**	**42.523.063**	**49.603.306**	**85,73**	**5.069.236**	**52.760.974**	**60.862.989**	**86,69**	**7,38**	**24,08**
Duty Losses	**768.767**	**6.495.323**	**7.242.239**	**89,69**	**220.348**	**1.113.843**	**1.187.853**	**93,77**	**-71,34**	**-82,85**
SEE Duty Losses	110.000	536.072	710.760	75,42	167.000	669.891	660.000	101,50		24,96
T.R. Retirement Fund	500.546	4.732.103	4.975.265	95,11	0	0	0	#DIV/0!	-100,00	-100,00
Treasury Aids	**2.678.585**	**18.735.719**	**21.739.476**	**86,18**	**3.381.422**	**30.619.253**	**34.538.020**	**88,65**	**26,24**	**63,43**
Social Security Inst. Treasury Aids	2.359.099	16.594.756	19.201.062	86,43	3.195.351	28.635.530	32.349.000	88,52	35,45	72,56
SGK Transfers	2.302.000	16.064.000	18.543.000	86,63	3.123.032	27.981.333	31.589.000	88,58		
Civil Servants Retirement Fund	787.000	5.166.000	5.687.000	90,84	0	0	0	#DIV/0!	-100,00	-100,00
Bağ-Kur	536.000	3.342.000	4.330.000	77,18	0	0	0	#DIV/0!		-100,00
SSI	979.000	7.556.000	8.526.000	88,62	0	0	0	#DIV/0!	-100,00	-100,00
Unemployment Insurance Fund	57.099	530.756	658.062	80,65	72.319	654.197	760.000	86,08	26,66	23,26
Health, Retirement and Social Benefits	0	0	0		3.123.032	27.981.333	31.589.000	88,58		
Treasury Aid to Local Governments	154.536	1.305.099	1.509.032	86,49	133.400	1.438.007	1.471.493	97,72	-13,68	10,18
Other Treasury Aids	164.950	835.864	1.029.382	81,20	52.671	545.716	717.527	76,06	-68,07	-34,71
Transfers to Non-Profit Org.	**25.247**	**159.592**	**185.088**	**86,22**	**16.226**	**590.223**	**662.338**	**89,11**	**-35,73**	**269,83**
Transfers to Households	**60.901**	**593.308**	**798.013**	**74,35**	**101.545**	**804.853**	**929.541**	**86,59**	**66,74**	**35,66**
Agricultural Transfers	**172.303**	**4.548.651**	**4.746.722**	**95,83**	**40.890**	**5.167.131**	**5.250.000**	**98,42**	**-76,27**	**13,60**
Other Transfers to Households	**24.318**	**246.841**	**329.023**	**75,02**	**11.340**	**313.817**	**482.081**	**65,10**	**-53,37**	**27,13**
Social Transfers	**2.238**	**21.621**	**26.970**	**80,17**	**6.116**	**33.976**	**219.059**	**15,51**	**173,28**	**57,14**
Transfers to Overseas	**22.278**	**506.237**	**592.200**	**85,48**	**31.768**	**403.826**	**636.524**	**63,44**	**42,60**	
Shares from Income	**966.076**	**11.215.771**	**13.943.575**	**80,44**	**1.259.581**	**13.714.052**	**16.957.573**	**80,87**	**30,38**	**22,27**
Local Government Shares	868.658	8.815.683	10.906.193	80,83	1.001.923	10.700.506	13.632.573	78,49	15,34	21,38
Shares to Funds	148.143	1.922.514	2.466.903	77,93	208.134	2.499.965	2.990.000	83,61	40,50	30,04
Other Shares	-50.725	477.574	570.479	83,71	49.524	513.581	335.000	153,31	-197,63	7,54
Capital Expenditures	**1.073.992**	**7.116.175**	**11.934.206**	**59,63**	**958.439**	**8.509.471**	**12.103.930**	**70,30**	**-10,76**	**19,58**
Capital Transfers	**208.357**	**2.225.285**	**2.637.056**	**84,39**	**80.113**	**2.706.169**	**3.647.400**	**74,19**	**-61,55**	**21,61**
Domestic Capital Transfers	**208.357**	**2.147.005**	**2.458.547**	**87,33**	**71.871**	**2.640.451**	**3.421.134**	**77,18**	**-65,51**	**22,98**
Foreign Capital Transfers	**0**	**78.280**	**178.509**	**43,85**	**8.242**	**65.718**	**226.266**	**29,04**	**#DIV/0!**	**-16,05**
Lending	**192.673**	**3.248.118**	**3.737.776**	**86,90**	**355.168**	**2.912.041**	**3.694.600**	**78,82**	**84,34**	**-10,35**
Domestic Lending	**162.673**	**3.062.876**	**3.474.276**	**88,16**	**340.168**	**2.752.041**	**3.429.600**	**80,24**		
Foreign Lending	**30.000**	**185.242**	**263.500**	**70,30**	**15.000**	**160.000**	**265.000**	**60,38**		**-13,63**
Auxiliary Allocations	**0**	**0**	**0**		**0**	**0**	**2.374.619**	**0,00**		
Interest Expenditures	**3.173.519**	**40.800.519**	**45.945.232**	**88,80**	**1.914.409**	**44.686.029**	**52.946.024**	**84,40**	**-39,68**	**9,52**

Annex Table 3. 2006-2007 General Budget Revenues (October)

	2007 October	2006 October	Increase (%)	2007 Budget Forecast	2006 Year End	Realization According to 2007 Budget	Realization According to Year End 2006
General Budget Revenues	**155.938.120**	**140.549.292**	**10,95**	**188.158.954**	**171.309.331**	**82,88**	**82,04**
I-Tax Revenues	**123.833.138**	**112.529.152**	**10,05**	**158.152.898**	**137.474.325**	**78,30**	**81,85**
Taxes from Income, Profits, Capital Earnings	**37.912.208**	**31.535.215**	**20,22**	**45.342.460**	**40.140.754**	**83,61**	**78,56**
Income Tax	**28.110.189**	**23.331.949**	**20,48**	**33.417.674**	**28.983.049**	**84,12**	**80,50**
Declaration Based Income Tax	1.437.267	1.409.784	1,95		1.482.697		95,08
Lump Sum Income Tax	185.166	156.226	18,52		166.490		93,84
Income Tax Collection	25.697.421	21.027.692	22,21		26.348.394		79,81
Prepaid ıncome Tax	790.335	738.247	7,06		985.468		74,91
Corporate Tax	**9.802.019**	**8.203.266**	**19,49**	**11.924.786**	**11.157.705**	**82,20**	**73,52**
Declaration Based Corporate Tax	131.253	527.014	-75,09		523.637		100,64
Corporate Tax Collection	17.056	166.797	-89,77		214.616		77,72
Prepaid Corporate Tax	9.653.710	7.509.455	28,55		10.419.452		72,07
Taxes From Properties	**3.334.018**	**2.896.285**	**15,11**	**3.639.729**	**3.117.184**	**91,60**	**92,91**
Inheritence Tax	86.183	82.369	4,63	135.468	119.079	63,62	69,17
Motor Vehicles	3.247.835	2.813.916	15,42	3.504.261	2.998.105	92,68	93,86
Domestic Goods and Services Taxes	**52.040.032**	**49.728.541**	**4,65**	**68.828.147**	**59.419.991**	**75,61**	**83,69**
Domestic VAT	**13.965.728**	**13.650.134**	**2,31**	**20.200.498**	**15.923.069**	**69,14**	**85,73**
Special Consumption Tax	**31.711.365**	**30.595.886**	**3,65**	**41.070.466**	**36.926.175**	**77,21**	**82,86**
STC from Petroleum and Natural Gas Products	18.079.436	16.946.121	6,69		20.550.743		82,46
STC from Motor Vehicles	3.157.535	3.255.161	-3,00		4.138.481		78,66
Cokes, Sodas, Alchololic Bev. and Tobacco	9.606.292	9.617.888	-0,12		11.262.044		85,40
SCT fro Durable Goods and Other Goods	868.102	776.716	11,77		974.907		79,67
BITT	**2.616.445**	**2.172.077**	**20,46**	**3.110.456**	**2.624.254**	**84,12**	**82,77**
Other Taxes from goods and Services	**3.746.494**	**3.310.444**	**13,17**	**4.446.727**	**3.946.493**	**84,25**	**83,88**
Transaction Tax from International trade	**23.657.130**	**22.532.037**	**4,99**	**32.053.232**	**27.551.053**	**73,81**	**81,78**
Customs Taxes	2.040.417	1.718.511	18,73	2.375.876	2.080.931	85,88	82,58
VAT fro Imports	21.585.890	20.777.601	3,89	29.583.000	25.425.510	72,97	81,72
Other Foreign Trade Income	30.823	35.925	-14,20	94.356	44.612	32,67	80,53
Stamp Duty	**2.997.608**	**2.549.836**	**17,56**	**3.638.443**	**3.148.720**	**82,39**	**80,98**
Fees	**3.852.827**	**3.165.228**	**21,72**	**4.594.000**	**3.952.188**	**83,87**	**80,09**
Other Taxes Not Otherwise Classified	**39.315**	**122.010**	**-67,78**	**56.887**	**144.435**	**69,11**	**84,47**
II-Enterprise and Property Incomes	**7.174.288**	**6.809.116**	**5,36**	**7.817.781**	**7.529.949**	**91,77**	**90,43**
Income From Sales of Goods and Services	**1.216.361**	**900.248**	**35,11**	**1.322.827**	**1.115.010**	**91,95**	**80,74**
SEE and State Bank Incomes	**4.316.672**	**3.497.765**	**23,41**	**3.593.637**	**3.626.959**	**120,12**	**96,44**
Profits from Institutions	**777.353**	**1.608.143**	**-51,66**	**2.199.829**	**1.728.806**	**35,34**	**93,02**
Rent Income	**557.690**	**522.228**	**6,79**	**701.488**	**641.702**	**79,50**	**81,38**
Other Enterprise and Property Income	**306.212**	**280.732**	**9,08**	**0**	**417.472**		**67,25**
III-Received Donations and Aids and Spec. Income	**1.651.178**	**240.991**	**585,16**	**480.118**	**416.509**	**343,91**	**57,86**
Foreign Donations and Aids	**14**	**3.657**		**7.137**	**3.658**	**0,20**	**99,97**
Special Income	**1.651.164**	**237.334**	**595,71**	**472.981**	**412.851**	**349,10**	**57,49**
IV-Interests, Shares, Fees	**13.171.853**	**16.719.015**	**-21,22**	**14.443.470**	**19.358.281**	**91,20**	**86,37**
Interest Income	**4.105.627**	**4.147.836**	**-1,02**	**2.089.136**	**5.146.021**	**196,52**	**80,60**
Shares from Persons and Institutions	**4.482.906**	**5.533.603**	**-18,99**	**6.031.412**	**6.278.944**	**74,33**	**88,13**
State Shares	182.020	169.087	7,65	247.333	198.088	73,59	85,36
Shares from General Budget Institutions	4.300.886	5.364.516	-19,83	5.784.079	6.080.856	74,36	88,22
Fines	**3.028.545**	**3.793.356**	**-20,16**	**3.129.396**	**4.360.565**	**96,78**	**86,99**
Judicial Fines	131.919	89.294	47,74	115.396	112.067	114,32	79,68
Administrative Fines	553.625	320.765	72,60	395.556	398.617	139,96	80,47
Tax Fines	2.242.616	3.207.173	-30,07	2.117.578	3.506.489	105,90	91,46
Other Fines	100.385	176.124	-43,00	500.866	343.392	20,04	51,29
Other Various Income	**1.554.775**	**3.244.220**	**-52,08**	**3.193.526**	**3.572.751**	**48,69**	**90,80**
V-Capital Income	**6.027.439**	**276.376**	**2.080,88**	**2.565.816**	**1.841.105**	**234,91**	**15,01**
Immovable Sales Income	**182.246**	**267.408**	**-31,85**	**413.659**	**313.337**	**44,06**	**85,34**
Movables Sales Income	**3.222**	**6.937**	**-53,55**	**5.157**	**8.787**	**62,48**	**78,95**
Other Capital Sales Income	**5.841.971**	**2.031**		**2.147.000**	**1.518.981**	**272,10**	**0,13**
Revenues of Specially Budgeted Institutions	**2.679.909**	**2.693.608**	**-0,51**	**3.263.692**	**3.291.509**	**82,11**	**81,84**
Revenues of Regulatory and Supervisory Institut.	**1.400.315**	**1.281.034**	**9,31**	**1.435.179**	**1.397.653**	**97,57**	**91,66**

Annex Table 4. % Distribution of 2007 Central Government Budget Expenditures Classified Functionally and Economically (October)

4 a)

	Employee Exp.	SSI Pre. Paym.	Purch. of G. and Serv.	Inter. Exp.	Curr. Trans.	Capital Exp.	Capital Trans.	Lending	Total
General Public Services	6,1	0,6	2,8	67,9	21,0	0,4	0,6	0,6	100
Defense Services	50,0	5,8	44,0	0,0	0,0	0,2	0,0	0,0	100
Public Order and Security Serv.	66,6	6,7	21,5	0,0	0,0	5,1	0,0	0,0	100
Economic Affairs and Services	15,2	2,4	6,5	0,0	40,1	27,1	0,6	8,2	100
Environmental Protection Serv.	57,7	8,0	9,4	0,0	0,2	7,3	17,5	0,0	100
Housing and Com. Welfare Serv.	0,3	0,0	0,2	0,0	37,1	8,7	53,6	0,0	100
Health Services	44,8	6,7	42,5	0,0	0,1	6,0	0,0	0,0	100
Vacation, Cultural and Relig. Serv.	58,7	7,8	11,3	0,0	10,2	10,4	1,5	0,1	100
Education Expenditures	65,7	8,3	10,0	0,0	4,2	6,9	0,2	4,6	100
Social Security and Social Benefits	0,5	0,1	0,9	0,0	98,1	0,2	0,0	0,2	100

4 b)

	Employee Exp.	SSI Pre. Paym.	Purch. of G. and Serv.	Inter. Exp.	Curr. Trans.	Capital Exp.	Capital Trans.	Lending
General Public Services	10,8	9,3	11,9	100,0	26,2	3,5	14,8	13,5
Defense Services	11,4	10,7	24,0	0,0	0,0	0,2	0,0	0,0
Public Order and Security Serv.	17,7	14,4	13,7	0,0	0,0	5,9	0,0	0,0
Economic Affairs and Services	7,7	9,7	7,9	0,0	14,2	59,6	4,4	52,5
Environmental Protection Serv.	0,2	0,2	0,1	0,0	0,0	0,1	0,8	0,0
Housing and Com. Welfare Serv.	0,0	0,0	0,0	0,0	2,7	4,0	76,8	0,0
Health Services	11,1	13,4	25,2	0,0	0,0	6,4	0,0	0,0
Vacation, Cultural and Relig. Serv.	4,1	4,5	1,9	0,0	0,5	3,2	1,4	0,1
Education Expenditures	36,5	37,4	13,4	0,0	1,6	16,6	1,6	32,3
Social Security and Social Benefits	0,4	0,4	1,8	0,0	54,7	0,6	0,2	1,6
TOTAL	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Annex Table 5. Deficit Finance of the General Budget (October)

	Janu	February	March	April	May	June	July	August	September	October
PRIMARY BALANCE	**1.062.507**	**3.908.486**	**12.451.827**	**13.323.512**	**19.342.579**	**19.849.176**	**19.623.960**	**27.281.852**	**29.364.186**	**31.058.726**
BUDGET BALANCE	**-5.958.349**	**-8.079.299**	**-3.514.963**	**-5.723.601**	**-4.322.542**	**-7.044.290**	**-13.037.176**	**-9.697.111**	**-13.407.434**	**-13.627.303**
BUDGET ESCROWS	-1.417.730	-758.273	-803.156	-664.976	-634.069	-493.670	-15.822	-311.561	-300.305	-409.194
OTHER ESCROWS	-18.451	-51.755	-943.730	-891.259	-702.009	-790.654	426.481	443.633	276.911	539.036
ADVANCES	5.367.759	1.303.900	1.168.133	1.122.322	958.553	703.681	683.563	574.927	366.412	396.712
Cash Balance	**-2.026.771**	**-7.585.427**	**-4.093.716**	**-6.157.514**	**-4.700.067**	**-7.624.933**	**-11.942.954**	**-8.990.112**	**-13.064.416**	**-13.100.749**
Treasury Funding	**2.026.771**	**7.585.427**	**4.093.716**	**6.157.514**	**4.700.067**	**7.624.933**	**11.942.954**	**8.990.112**	**13.064.416**	**13.100.749**
Total Net Borrowing (Borrowing min. repayment)	**6.491.656**	**13.754.272**	**14.248.552**	**12.606.885**	**9.152.892**	**9.097.670**	**11.573.677**	**12.452.887**	**14.079.658**	**11.949.372**
Total Borrowing	**18.180.780**	**30.367.762**	**43.351.126**	**51.987.078**	**63.005.972**	**74.676.758**	**87.941.069**	**90.863.773**	**105.679.742**	**114.949.696**
Domestic Borrowing	16.338.655	24.836.436	37.616.299	46.110.511	55.415.913	66.503.085	78.966.332	81.708.787	96.417.152	104.048.482
Bond	12.274.655	19.876.436	30.393.299	37.790.511	47.095.913	58.183.085	67.024.332	68.975.787	81.413.152	88.145.482
Bill	4.064.000	4.960.000	7.223.000	8.320.000	8.320.000	8.320.000	11.942.000	12.733.000	15.004.000	15.903.000
External Borrowing	1.842.124	5.531.327	5.734.827	5.876.567	7.590.059	8.173.673	8.974.738	9.154.986	9.262.590	10.901.214
Total Capital Repayment	**-11.689.124**	**-16.613.490**	**-29.102.574**	**-39.380.193**	**-53.853.080**	**-65.579.088**	**-76.367.392**	**-78.410.886**	**-91.600.084**	**-103.000.324**
Domestic Borrowing	-10.784.343	-12.807.338	-24.770.721	-33.523.736	-46.048.856	-57.152.095	-67.203.207	-68.493.204	-80.445.661	-88.499.280
Bond	-7.860.343	-7.956.338	-17.406.721	-24.533.736	-37.058.856	-48.162.095	-52.448.626	-52.842.624	-62.532.080	-69.136.699
Bill	-2.924.000	-4.851.000	-7.364.000	-8.990.000	-8.990.000	-8.990.000	-14.754.581	-15.650.581	-17.913.581	-19.362.581
External Borrowing	-904.780	-3.806.152	-4.331.853	-5.856.457	-7.804.224	-8.426.993	-9.164.186	-9.917.682	-11.154.423	-14.501.044
Funding Other Than Borrowing	49.958	131.951	223.944	383.793	421.081	464.377	1.514.413	1.544.403	1.599.752	1.682.298
Capital Collections From Previous Lending	49.958	131.951	212.831	306.724	323.536	366.832	430.159	460.148	515.498	598.044
Privatization Revenue Transfers to Treasury	0	0	0	0	0	0	986.710	986.710	986.710	986.710
Lendins (-) Repayment (+)	0	0	11.113	77.069	97.545	97.545	97.545	97.545	97.545	97.545
Cash movement (- in, + out)	-4.514.842	-6.300.797	-10.378.780	-6.833.164	-4.873.906	-1.937.114	-1.145.136	-5.007.178	-2.614.994	-530.921

Source: Undersecretariat of Treasury

Annex Table 6. Composition of the Central Government Debt Stock (April)

(milyon YTL)	Merkezi Yönetim Borç Stoku	%	Merkezi Yönetim Borç Stoku	%	Merkezi Yönetim Borç Stoku (Şubat	%	Merkezi Yönetim Borç Stoku (Mart 2007)	%	Merkezi Yönetim Borç Stoku	%	Merkezi Yönetim Borç Stoku	%	Merkezi Yönetim Borç Stoku	%	Merkezi Yönetim Borç Stoku	%	Yönetim Borç Stoku (Ağustos200	%	Merkezi Yönetim Borç Stoku	%	Merkezi Yönetim Borç Stoku (Ekim2007)	%
İç Borç Stokunun Yapısı	**251.470**	**100,**	**257.350**	**100,**	**263.165**	**100,**	**263.724**	**100,**	**262.336**	**100,**	**258.968**	**100,0**	**253.718**	**100,0**	**256.125**	**100,**	**258.109**	**100,0**	**258.272**	**100,0**	**257.488**	**100,0**
Kağıdı Elinde Tutanlar Açısından	251.470	100,	257.350	100,	263.165	100,	263.724	100,	262.336	100,	258.968	100,0	253.718	100,0	256.125	100,	258.109	100,0	258.272	100,0	257.488	100,0
Kamuya	71.410	28,4	71.724	27,9	73.444	27,9	73.521	27,9	74.107	28,2	73.347	28,3	69.085	27,2	69.391	27,1	69.732	27,0	69.814	27,0	69.051	26,8
Piyasaya	180.060	71,6	185.625	72,1	189.721	72,1	190.202	72,1	188.230	71,8	185.621	71,7	184.634	72,8	186.734	72,9	188.377	73,0	188.458	73,0	188.438	73,2
Faiz Yapısı Açısından	251.470	100,	257.350	100,	263.165	100,	263.724	100,	262.336	100,	258.968	100,0	253.718	100,0	256.125	100,	258.109	100,0	258.272	100,0	257.488	100,0
Sabit Faizliler	121.053	48,1	127.558	49,6	129.732	49,3	128.805	48,8	128.495	49,0	123.389	47,6	120.922	47,7	123.520	48,2	124.860	48,4	124.002	48,0	124.864	48,5
Değişken Faizliler	130.417	51,9	129.791	50,4	133.434	50,7	134.919	51,2	133.841	51,0	135.580	52,4	132.796	52,3	132.605	51,8	133.249	51,6	134.270	52,0	132.624	51,5
Döviz Kompozisyonu açısından	251.470	100,	257.350	100,	263.165	100,	263.724	100,	262.336	100,	258.968	100,0	253.718	100,0	256.125	100,	258.109	100,0	258.272	100,0	257.488	100,0
Türk Lirası Cinsinden	216.800	86,2	219.577	85,3	226.051	85,9	228.215	86,5	230.043	87,7	227.092	87,7	222.316	87,6	224.969	87,8	226.555	87,8	229.311	88,8	228.888	88,9
Döviz Cinsinden	32.989	13,1	36.031	14,0	35.383	13,4	33.781	12,8	30.601	11,7	30.207	11,7	29.755	11,7	29.740	11,6	30.256	11,7	27.742	10,7	27.385	10,6
Döviz Endeksli TL	1.681	0,7	1.742	0,7	1.731	0,7	1.727	0,7	1.692	0,6	1.670	0,6	1.648	0,6	1.416	0,6	1.299	0,5	1.220	0,5	1.215	0,5
Dış Borç Stokunun Yapısı	**93.573**	**100,**	**95.256**	**100,**	**94.906**	**100,**	**94.159**	**100,**	**90.158**	**100,**	**89.095**	**100,0**	**87.768**	**100,0**	**88.108**	**100,**	**89.311**	**100,0**	**82.965**	**100,0**	**78.863**	**100,0**
Faiz Yapısı açısından	93.573	100,	95.256	100,	94.906	100,	94.159	100,	90.158	100,	89.095	100,0	87.768	100,0	88.108	100,	89.311	100,0	82.965	100,0	78.863	100,0
Sabit Faizliler	65.113	69,6	66.820	70,1	69.184	72,9	68.787	73,1	66.680	74,0	64.706	72,6	63.658	72,5	63.858	72,5	65.193	73,0	61.040	73,6	57.762	73,2
Değişken Faizliler	28.460	30,4	28.436	29,9	25.722	27,1	25.372	26,9	23.477	26,0	24.390	27,4	24.110	27,5	24.249	27,5	24.118	27,0	21.925	26,4	21.101	26,8
Toplam Borç Stokunun Yapısı	**345.043**	**100,**	**352.606**	**100,**	**358.071**	**100,**	**357.882**	**100,**	**352.494**	**100,**	**348.064**	**100,0**	**341.486**	**100,0**	**344.233**	**100,**	**347.420**	**100,0**	**341.237**	**100,0**	**336.351**	**100,0**
Kağıdı Elinde Tutanlar Açısından																						
Kamuya	71.410	20,7	71.724	20,3	73.444	20,5	73.521	20,5	74.107	21,0	73.347	21,1	69.085	20,2	69.391	20,2	69.732	20,1	69.814	20,5	69.051	20,5
Piyasaya (1)	273.633	79,3	280.881	79,7	284.627	79,5	284.361	79,5	278.388	79,0	274.717	78,9	272.401	79,8	274.841	79,8	277.688	79,9	271.423	79,5	267.301	79,5
Faiz Yapısı Açısından	345.043	100,	352.606	100,	358.071	100,	357.882	100,	352.494	100,	348.064	100,0	341.486	100,0	344.233	100,	347.420	100,0	341.237	100,0	336.351	100,0
Sabit Faizliler	186.166	54,0	194.379	55,1	198.916	55,6	197.591	55,2	195.175	55,4	188.094	54,0	184.580	54,1	187.379	54,4	190.053	54,7	185.042	54,2	182.626	54,3
Değişken Faizliler	158.877	46,0	158.227	44,9	159.155	44,4	160.291	44,8	157.319	44,6	159.969	46,0	156.906	45,9	156.854	45,6	157.367	45,3	156.196	45,8	153.725	45,7
Döviz Kompozisyonu açısından	345.043	100,	352.606	100,	358.071	100,	357.882	100,	352.494	100,	348.064	100,0	341.486	100,0	344.233	100,	347.420	100,0	341.237	100,0	336.351	100,0
Türk Lirası Cinsinden	216.800	62,8	219.577	62,3	226.051	63,1	228.215	63,8	230.043	65,3	227.092	65,2	222.316	65,1	224.969	65,4	226.555	65,2	229.311	67,2	228.888	68,1
Döviz Cinsinden	126.562	36,7	131.288	37,2	130.288	36,4	127.940	35,7	120.759	34,3	119.302	34,3	117.522	34,4	117.848	34,2	119.566	34,4	110.707	32,4	106.248	31,6
Döviz Endeksli TL	1.681	0,5	1.742	0,5	1.731	0,5	1.727	0,5	1.692	0,5	1.670	0,5	1.648	0,5	1.416	0,4	1.299	0,4	1.220	0,4	1.215	0,4
İç Borç Stokunun Ortalama Vadesi (Ay)	24		23,9		23,9		24,9		24,8		26,1		26,9		27		26,2		26,6		26,5	
İç Borçlanmanın Ortalama Vadesi (Ay)	27,5		24,1		44,9		42,8		29,5		55,6		32,7		28,9		40,9		29,0		32,5	
İç Borç İhaleleri Ortalama Faiz Oranı % (2)	21,47		20,36		18,85		19,81		19,1		18,81		18,52		17,56		18,58		18,25		16,4	

(1) It is assumed that the total External Debt Stock is held by the market.

(2) Discounted sales

Source: www.hazine.gov.tr