

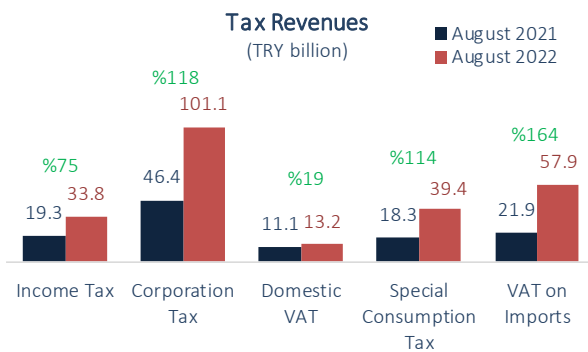
The central government budget posted a surplus of 3.6 billion TRY in August.

In August, central government budget expenditures increased by 186% compared to the previous year and reached 302 billion TRY. Despite the high increase in expenditures, the central government budget gave a surplus of 3.6 billion TRY as the budget revenues went up by 108.8% on an annual basis and reached the level of 306 billion TRY. Primary surplus, on the other hand, contracted by 51.9% yoy and became 26.2 billion TRY.

In the first eight months of the year, budget revenues exhibited a strong performance in general. In this period, budget revenues doubled compared to the same period of the previous year, while the surge in budget expenditures fell behind the increase in revenues by 90.7%. Thus, the central government budget, which had a deficit of 37.5 billion TRY in the first eight months of 2021, posted a surplus of 33.1 billion TRY in the same period of this year. In this period, the primary surplus exceeded the level of 200 billion TRY.

Increase in revenues from corporate tax and VAT on imports...

The increase in corporate tax revenues in August contributed 41.7 points to the 107.3% yoy expansion in tax revenues. VAT on imports, which remained high throughout the year thanks to the depreciation of the TRY and the expansion in foreign trade volume, contributed 27.5 points to the increase in tax revenues by rising 164.4% yoy in August. In this period, SCT revenues from motor vehicles and petroleum and natural gas products made a contribution of 10.9 points to the increase in tax revenues. Thus, corporate tax, VAT on imports, SCT



revenues from motor vehicles and petroleum and natural gas products accounted for approximately 3/4 of the increase in total tax revenues in August.

Debt transfer of 50.3 billion TRY to PEs...

In August, the 203.9% annual rise in primary expenditures was the key determinant of the expansion in budget expenditures. The lower-than-inflation increase in interest expenditures with 65.8% had a positive effect on the budget performance. Thus, the share of interest expenditures in budget expenditures, which was 12.9% in August 2021, decreased to 7.5% in August 2022.

Current transfers, which accounted for about one third of budget expenditures, rose by 144.2% yoy. In addition to the increase in health, retirement and social aid expenditures, the 15 billion TRY expenses related to FX protected deposit accounts was also behind this development. Thus, total expenditure amount for FX protected deposits reached 75.6 billion TRY in the March-July period.

Domestic debt transfers to PEs were 87.6 billion TRY in the first seven months of the year while they were realized as 50.3 billion TRY only in August. 26 billion TRY of this amount was transferred to BOTAŞ. As of the first 8 months of the year, the total resources transferred to aforementioned institution exceeded 100 billion TRY, including transfers.

Expectations...

Central Government Budget indicators displayed a positive outlook in August with the support of the increase in tax revenues. On the other hand, we think that the slowdown in economic activity indicated by leading indicators, may limit the rise in tax revenues for the rest of the year. We consider that transfers to PEs and expenditures related to FX protected deposits accounts may also put pressure on budget performance in the upcoming period. In the Medium Term Program for the 2023-2025 period released on September 4, budget expenditures and revenues targets for 2022 were revised upwards by 302 billion TRY and 119 billion TRY, respectively. Thus, the budget deficit target for 2022 was revised from 278.4 billion TRY to 461.2 billion TRY.

Central Government Budget

	(billion TRY)								
	August			January-August			2022 Budget	MTP	Real./ MTP
	2021	2022	Ch.(%)	2021	2022	Ch.(%)	Target	Target	Target (%)
Expenditures	105.7	302.3	186.0	910.1	1,735.2	90.7	2,831.5	3,133.7	55.4
Interest Expenditures	13.7	22.6	65.8	128.2	174.0	35.8	329.8	329.8	52.8
Non-Interest Expenditures	92.0	279.7	203.9	782.0	1,561.2	99.6	2,501.7	2,803.9	55.7
Revenues	146.5	305.9	108.8	872.6	1,768.3	102.6	2,553.1	2,672.5	66.2
Tax Revenues	131.1	271.9	107.3	712.8	1,474.5	106.9	2,186.0	2,269.6	65.0
Other Revenues	15.4	34.1	121.0	159.8	293.8	83.8	367.1	402.9	72.9
Budget Balance	40.8	3.6	-91.2	-37.5	33.1	-	-278.4	-461.2	-
Primary Balance	54.5	26.2	-51.9	90.7	207.1	128.5	51.4	-131.4	-

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

Source: Datastream , Ministry of Treasury and Finance

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