



Central government budget gave a deficit of 118.6 billion TRY in December.

In December, the central government budget deficit declined by 23.5% yoy to 118.6 billion TRY. In this period, budget revenues rose by 96.7% compared to the same month of 2021 and reached 255.2 billion TRY, while budget expenditures increased moderately by 31.3% yoy and became 373.8 billion TRY. In December, the primary balance gave a deficit of 100.4 billion TRY.

Budget deficit was realized as 139.1 billion TRY in 2022.

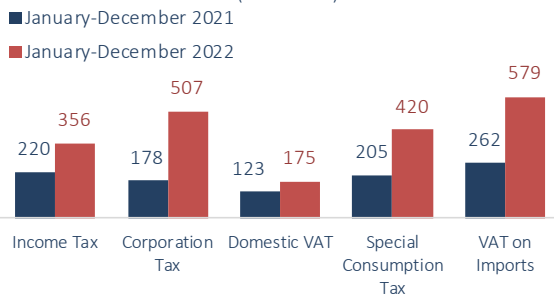
The central government budget deficit, which was 201.5 billion TRY in 2021, declined to 139.1 billion TRY in 2022 thanks to the positive performance in revenues. Thus, the budget deficit was realized well below the budget target of 278 billion TRY projected at the end of 2021 and the MTP forecast of 461 billion TRY announced in September 2022. In this period, budget revenues surged by 99.9% and budget expenditures increased by 83.4%. The primary balance, which gave a deficit of 20.7 billion TRY in 2021, posted a surplus of 171.8 billion TRY in 2022.

Positive course in tax revenues continued in December.

In December, tax revenues rose by 89.6% yoy and amounted to 211.5 billion TRY. The annual rise of special consumption tax (SCT) by 162.8% played an important role in the positive performance of the tax revenues. In addition, VAT on domestic goods and imports went up by 28.3 billion TRY and contributed 21.8 points to the rise in budget revenues. The interest, shares and fees continued its upward trend in December. This item rose by 111% yoy and amounted to 26.2 billion TRY.

Tax Revenues

(TRY billion)



In 2022, tax revenues rose by 102%, well above the annual CPI inflation, and reached 2.4 trillion TRY. The positive performance of tax revenues was driven by the 165% annual increase of the corporate tax revenues which reached 507.5 billion TRY, led by the brisk pace of economic activity especially in the first half of the year as well as the high inflation. SCT revenues from natural gas and petroleum products increased by 145.3% in 2022 thanks to the

Central Government Budget

(billion TRY)

| | December | | % | January-December | | % | 2022 Budget | MTP | Real./ | Budget |
|---------------------------|---------------|---------------|--------------|------------------|----------------|--------------|----------------|----------------|--------|--------------|
| | 2021 | 2022 | | Change | 2021 | | | | | |
| Expenditures | 284.7 | 373.8 | 31.3 | 1,603.5 | 2,941.4 | 83.4 | 2,831.5 | 3,133.7 | | 93.9 |
| Interest Expenditures | 9.0 | 18.2 | 103.6 | 180.9 | 310.9 | 71.9 | 329.8 | 329.8 | | 94.3 |
| Non-Interest Expenditures | 275.8 | 355.6 | 28.9 | 1,422.7 | 2,630.5 | 84.9 | 2,501.7 | 2,803.9 | | 93.8 |
| Revenues | 129.7 | 255.2 | 96.7 | 1,402.0 | 2,802.4 | 99.9 | 2,553.1 | 2,672.5 | | 104.9 |
| Tax Revenues | 111.6 | 211.5 | 89.6 | 1,165.0 | 2,353.3 | 102.0 | 2,186.0 | 2,269.6 | | 103.7 |
| Other Revenues | 18.1 | 43.7 | 140.9 | 237.1 | 449.1 | 89.4 | 367.1 | 402.9 | | 111.5 |
| Budget Balance | -155.0 | -118.6 | -23.5 | -201.5 | -139.1 | -31.0 | -278.4 | -461.2 | | 30.2 |
| Primary Balance | -146.0 | -100.4 | -31.3 | -20.7 | 171.8 | - | 51.4 | -131.4 | | - |

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

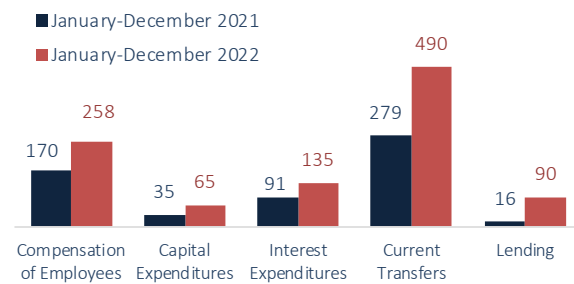
ending of the "sliding scale (echelle mobile) system" in March 2022. Interest, shares and fees rose by 93.9% yoy in 2022, in parallel with the rapid increase in interest incomes, and amounted to 236.8 billion TRY.

Budget expenditures rose by 31.3% yoy in December.

In December, compensation of employees and personnel expenses and real estate investment expenses came to the fore in the 31.3% annual increase in budget expenditures. In this period, real estate investments rose by 177.1% yoy and reached 73.6 billion TRY, while personnel expenses doubled on an annual basis to 48.1 billion TRY. Current transfers, which accounted for 31% of budget expenditures in December, recorded a moderate annual rise with 13.8%. In this developments, decreases in debt transfers to PEs and health premium expenses of uninsured people were effective.

Budget Expenditures

(TRY billion)



In 2022, the current transfers rose by 79.7% to 1.1 trillion TRY. The treasury aids increased by 52.8% yoy to 449.7 billion TRY, and the other transfers to households nearly quadrupled to 157.9 billion TRY. In this period, interest expenses increased by 72% and reached 310.9 billion TRY. In addition, payments made within the scope of domestic debt transfers to PEs throughout the year amounted to 185.5 billion TRY, and expenses related to the FX-protected lira deposits accounts were 92.5 billion TRY.

Expectations...

In 2022, rapid expansion in tax revenues thanks to the brisk pace of economic activity, especially in the first half of the year, as well as the high inflation throughout the year strengthened budget revenues. Furthermore, a slower increase in budget expenditures compared to the revenues supported the budget performance as well. According to the budget deficit realizations and growth projections, the budget deficit to GDP ratio is estimated realize around 1% in 2022.

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