



Central government budget gave a deficit of 32.2 billion TRY in January.

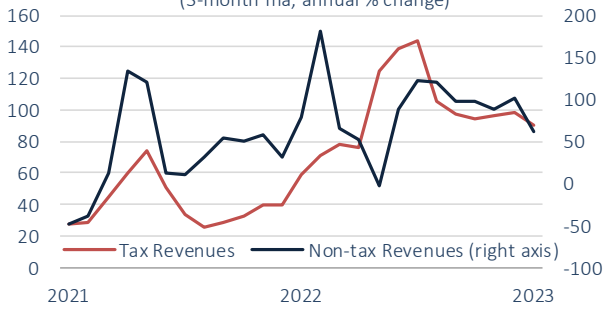
In January, the central government budget gave a deficit of 32.2 billion TRY. The budget expenditures expanded by 120.1% yoy to 321.3 billion TRY due to the rapid increase in personnel expenditures and current transfers. In this period, budget revenues rose by 64.2% yoy and amounted to 289.1 billion TRY. In January, the primary balance gave a deficit of 10.9 billion TRY.

Tax revenues rose by 71.5% yoy.

In January, tax revenues rose by 71.5% yoy and amounted to 252.8 billion TRY. In this period, the rapid increase in value added tax (VAT) collected in domestic and imported goods due to high inflation and exchange rate developments supported tax revenues. Both tax items went up by 39.7 billion TRY in total, contributing 22.5 points to the expansion in budget revenues. The special consumption tax also increased the budget revenues by 12.8 points with a rise of 101.7% in parallel with the 3.5-fold increase in the motor vehicles item on an annual basis. On the other hand, corporate tax revenues declined by 5.3 billion TRY on an annual basis. Interests, shares and fines decreased by 11.3% yoy due to the rapid decline in interest incomes on an annual basis (44.3%) in January. According to the 2023 budget targets, budget and tax revenues are expected to rise by 49.2% and 46.4%, respectively.

Tax and Non-tax Revenues

(3-month ma, annual % change)

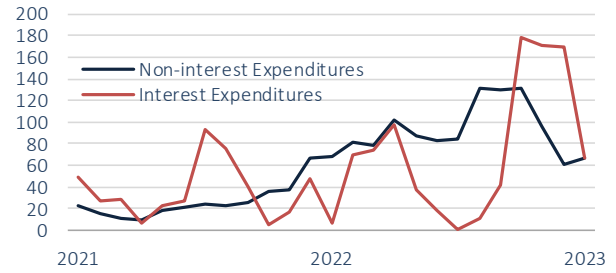


Duty loses came to the fore in budget expenditures.

The current transfers, which had a 48.8% share in primary budget expenditures in January, rose by 128.2% yoy, above the inflation rate, to 146.4 billion TRY. With the effect of 16 billion TRY transferred to BOTAŞ, the duty loses, which expanded approximately ten times on an annual basis, were behind this rise. In this period, the health, pension and social aid expenditures also pushed budget expenditures up by 17.9 points with an increase of 26.1 billion TRY. In January, defense and other good and services purchases rose by 14 billion TRY yoy, while real estate capital production expenses went up by 122.4% yoy and amounted to 9.1 billion TRY. In January, when exchange rates followed a relatively flat course, expenses related to FX-protected lira deposit accounts were recorded at a limited level of 1.5 billion TRY. In this period, interest expenses rose by 50.1% yoy and reached 21.4 billion TRY.

Interest and Non-interest Expenditures

(3-month ma, annual % change)



Expectations...

The central government budget started 2023 with a high deficit in parallel with the rapid rise in budget expenditures. In addition to the economic activity throughout the year, the course of global energy prices and exchange rates will continue to be effective on the budget balance.

Central Government Budget

(billion TRY)

	January		% Change	2023 Budget Target	Real./ Budget Target (%)
	2022	2023			
Expenditures	146.0	321.3	120.1	4,469.6	7.2
Interest Expenditures	14.2	21.4	50.1	565.6	3.8
Non-Interest Expenditures	131.7	300.0	127.7	3,904.0	7.7
Revenues	176.0	289.1	64.2	3,810.1	7.6
Tax Revenues	147.4	252.8	71.5	3,199.5	7.9
Other Revenues	28.6	36.3	26.8	610.6	5.9
Budget Balance	30.0	-32.2	-	-659.4	4.9
Primary Balance	44.3	-10.9	-	-93.8	11.6

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

Source: Datastream , Ministry of Treasury and Finance

Economic Research Division

Alper Grler
Division Head
alper.gurler@isbank.com.tr

Dilek Sarsın Kaya
Asst.Manager
dilek.kaya@isbank.com.tr

H.Erhan Gl
Unit Manager
erhan.gul@isbank.com.tr

Ahmet Berat Ocak
Asst.Economist
berat.ocak@isbank.com.tr

Our reports are available on our website <https://research.isbank.com.tr>

LEGAL NOTICE

This report has been prepared by Trkiye İř Bankası A.ř. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Trkiye İř Bankası A.ř. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Trkiye İř Bankası A,ř, accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.