

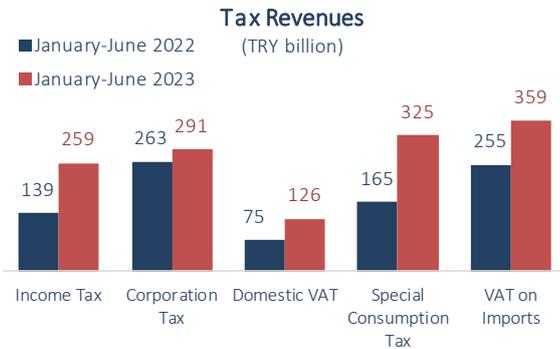


Central government budget gave a deficit of 219.6 billion TRY in June.

In June, the central government budget gave a historically high deficit of 219.6 billion TRY. In this period, budget revenues rose by 48.2% yoy to 268.2 billion TRY, while budget expenditures went up by 130% yoy to 487.9 billion TRY. In June, primary budget deficit increased almost 10 fold compared to the same period of the previous year and was realized as 182.3 billion TRY. In the first half of the year, central government budget gave a deficit of 483.2 billion TRY due to the rapid rise in personnel expenditures and current transfers.

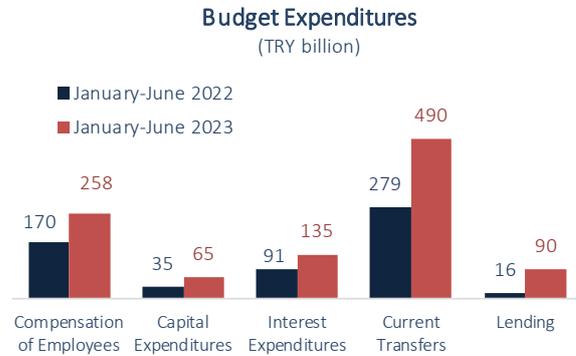
Tax revenues increased by 51.4% yoy in June.

Tax revenues rose by 51.4% yoy to 231.2 billion TRY in June and accounted for 86% of total budget revenues. The rise in tax revenues was mainly driven by income tax revenues, which increased by 106.9% yoy, and special consumption tax revenues, which rose by 89.5% yoy thanks to the favorable course of the automotive market. Value added tax (VAT) on imports posted a moderate increase of 20% yoy despite the rise in foreign exchange rates in June. On the other hand, domestic VAT revenues reduced tax revenues by 2.8 billion TRY due to tax collection deferrals and the refund mechanism. In June, non-tax revenues recorded a moderate increase of 30.6% yoy.



Current transfers rose rapidly in June.

In June, expenditures for social security institutions under current transfers, rose by 5.5 times yoy to 67 billion TRY due to the Eid bonus payments. Thus, current transfers went up by 140% yoy and accounted for 50.3% of central government budget expenditures. In this period, SSI state premium expenditures also increased by 145.2% yoy, while the rapid rise of 192.7% in interest expenditures was noteworthy. Expenses related to FX-indexed deposit accounts, which were recorded as 4.4 billion TRY in the first five months of the year, were realized as 20.6 billion TRY in June because of the rapid rise in foreign exchange rates. Thus, in the first 6 months of the year, the total cost of FX-indexed deposit accounts to the budget amounted to 25 billion TRY.



Expectations...

In June, central government budget deficit reached a historically high level due to the rapid increase in expenditures. In the 1.1 trillion TRY supplementary budget accepted in July, increases in tax revenues came to the fore. Moreover, the transfer of the expenses related to the FX-protected deposit accounts to the CBRT was an important change that may ease some of the pressure on budget expenditures in the second half of the year.

Central Government Budget

| | June | | % | January-June | | % | 2023 Budget Target | Real./ Budget Target (%) |
|---------------------------|--------------|---------------|--------------|----------------|----------------|--------------|--------------------|--------------------------|
| | 2022 | 2023 | | Change | 2022 | | | |
| Expenditures | 212.1 | 487.9 | 130.0 | 1,171.9 | 2,363.6 | 101.7 | 4,469.6 | 52.9 |
| Interest Expenditures | 12.8 | 37.4 | 192.7 | 134.7 | 275.2 | 104.4 | 565.6 | 48.7 |
| Non-Interest Expenditures | 199.3 | 450.5 | 126.0 | 1,037.2 | 2,088.3 | 101.3 | 3,904.0 | 53.5 |
| Revenues | 181.0 | 268.2 | 48.2 | 1,265.4 | 1,880.3 | 48.6 | 3,810.1 | 49.4 |
| Tax Revenues | 152.6 | 231.2 | 51.4 | 1,033.8 | 1,602.3 | 55.0 | 3,199.5 | 50.1 |
| Other Revenues | 28.4 | 37.1 | 30.6 | 231.6 | 278.0 | 20.0 | 610.6 | 45.5 |
| Budget Balance | -31.1 | -219.6 | 607.2 | 93.6 | -483.2 | - | -659.4 | 73.3 |
| Primary Balance | -18.3 | -182.3 | 896.5 | 228.2 | -208.0 | - | -93.8 | - |

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

Source: Datastream , Ministry of Treasury and Finance

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