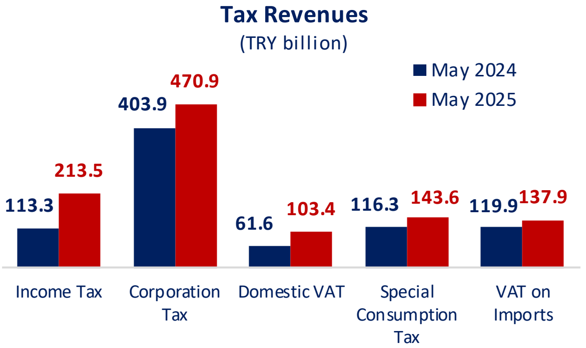
Central government budget posted a surplus of 235.2 billion TRY in May.

In May, central government budget revenues increased by 31.6% yoy to 1.3 trillion TRY while budget expenditures rose by 38.3% yoy to 1.1 trillion TRY. Thus, central government budget posted a surplus of 235.2 billion TRY in this period. Primary budget surplus increased slightly (by 4.9% yoy) to 346.4 billion TRY. In the first five months of the year, budget deficit and primary budget surplus were realized as 650.3 billion TRY and 185.5 billion TRY, respectively.

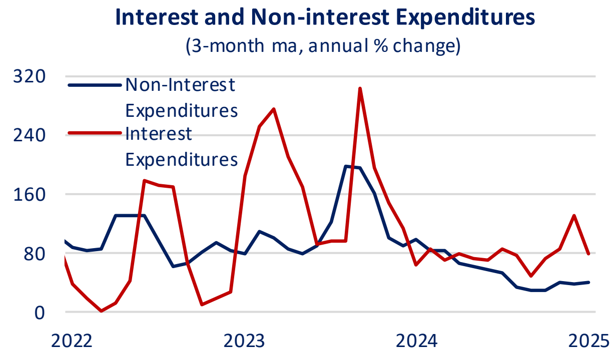
Tax revenues growth slowed in May.

The annual growth rate of tax revenues decelerated from 53.4% in January-April period to 33.2% in May. In this period, income tax revenues surged by 88.4% yoy, while corporate tax revenues expanded only by 16.6% yoy. These two items accounted for 57.2% of total tax revenues in May. In this period, major tax items on consumption of goods and services also displayed diverging performances. Domestic value added tax (VAT) went up by 67.8% yoy, above the annual consumer inflation rate, while the rise in value added tax on imports was realized as limited with 15% due to the relatively mild course of exchange rates. Moreover, the annual increase of special consumption tax on motor vehicles decreased from around 85% in April to 21% in May due to the weaker performance of the automotive market after the notable recovery in previous month. Thus, special consumption tax (SCT) posted a moderate annual increase of 23.4% in May. The annual growth of non-tax revenues, which rose by 38.1% yoy in January-April period, was limited to 18.3% in May.



Interest expenditures remained flat on an annual basis.

Having doubled annually in the first 4 months of the year, interest expenditures posted a very limited increase of 0.5% yoy in May. Thus, the share of interest expenditures in total expenditures declined to 10% in May from 17% in January-April period. On the other hand, personnel expenditures, which accounted for 28% of non-interest expenditures in May, rose by 34.8% yoy, close to the annual CPI inflation, while current transfers, which accounted for 46.7% of non-interest expenditures, increased by 47% yoy and became the main item that pushed budget expenditures up. About half of these transfers were composed of Treasury aids led by transfers due to duty losses. Capital expenditures (61.6%) and purchases of goods and services (43%) also posted rapid increases in May. In this period, 18.9 billion TRY was paid to Electricity Generation Co. and 34.5 billion TRY was paid to Pipelines and Petroleum Transportation Co. from duty expenditures, which expanded by 161% year-on-year.



Expectations...

As the central government budget posted a surplus in May, the realization rate of the annual target set for 2025 in the Medium Term Program decreased from 45.9% in January-April period to 33.7% in the first five months of the year, presenting a positive outlook. In the upcoming period, the impact of CBRT's interest rate decisions on tax revenues through economic activity will continue to be decisive on budget performance. In addition, the course of global energy prices, which have risen recently due to geopolitical developments in the Middle East, will be closely monitored in terms of their effects on budget outlook.

Central Government Budget (billion TRY)

	May 2024	May 2025	% Change	January-May 2024	January-May 2025	% Change	MTP Target	Real./ MTP Target (%)
Expenditures	**787.7**	**1,089.7**	**38.3**	**3,712.1**	**5,339.5**	**43.8**	**14,731.0**	**36.2**
Interest Expenditures	110.6	111.2	0.5	475.1	835.8	75.9	1,950.0	42.9
Non-Interest Expenditures	677.1	978.6	44.5	3,236.9	4,503.7	39.1	12,781.0	35.2
Revenues	**1,007.1**	**1,325.0**	**31.6**	**3,240.1**	**4,689.2**	**44.7**	**12,800.3**	**36.6**
Tax Revenues	898.4	1,196.4	33.2	2,730.2	4,006.5	46.7	11,138.8	36.0
Other Revenues	108.7	128.6	18.3	509.9	682.6	93.4	1,661.6	41.1
Budget Balance	**219.4**	**235.2**	**7.2**	**-471.9**	**-650.3**	**37.8**	**-1,930.7**	**33.7**
Primary Balance	**330.1**	**346.4**	**4.9**	**3.2**	**185.5**	**5,617.5**	**19.3**	**-**

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

Source: Datastream , Ministry of Treasury and Finance

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