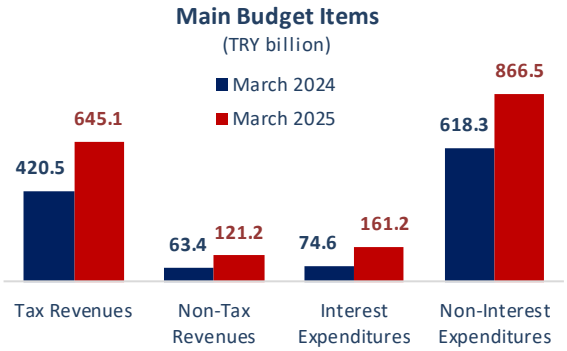
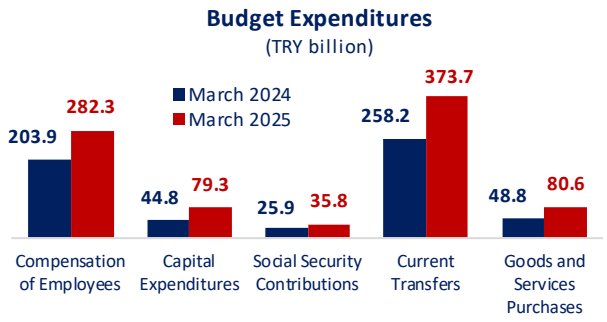
Central government budget deficit increased by 25.1% yoy in March.

In March, central government budget revenues increased by 58.4% compared to the same month of last year and became 766.3 billion TRY, while budget expenditures rose more slowly by 48.3% on an annual basis to 1 trillion TRY. Thus, central government budget deficit widened moderately by 25.1% yoy to 261.5 billion TRY in March. In this period, primary budget deficit narrowed by 25.4% yoy and became 100.2 billion TRY. In January -March period, cumulative budget deficit, increased by 38.4% yoy to 710.8 billion TRY, while primary budget deficit (246.9 billion TRY) decreased by 6.1% yoy.



Income tax revenues increased rapidly on an annual basis.

In March, tax revenues continued to increase relatively fast by 53.4% yoy and became 645.1 billion TRY. In this period, income tax collections surged by 102.7% yoy and continued to be the main driver of tax revenues. Domestic value added tax (VAT) (88.5%) and banking and insurance transactions tax (60.1%) stood out as other tax items that contributed significantly to the annual increase in budget revenues. On the other hand, some tax items, which have significant weights in revenues, presented a weak outlook in March. While corporate tax revenues declined by 4.5% yoy, special consumption tax (SCT) (37.2%) and VAT on imports (16.8%) recorded moderate increases. Analyzing the sub -items of SCT, tax revenues from tobacco products went up rapidly by 62.9% yoy in line with the lump sum tax hike in March.



Interest expenditures rose by 116.3% yoy in March.

In March, the items that make up a significant portion of budget expenditures posted a moderate increase on an annual basis. In this period, current transfers that accounted for 36.4% of total budget expenditures, increased by 44.7% compared to the same month of last year. According to the details of current transfers, bonus payments due to the Ramadan Holiday boosted budget expenditures by approximately 43 billion TRY. Compensation of employees that account for more than 25% of budget expenditures, rose by 38.4% yoy, in line with the annual headline inflation. On the other hand, interest expenditures that were realized as 161.2 billion TRY in March, surged by 116.3% yoy and became the main expenditure item putting pressure on the budget balance. According to details, interest expenditures on TL-denominated government bonds (113.7 billion TRY) accounted for 71% of total interest expenditures.

Expectaions…

In the January-March period, budget revenues (2.4 trillion TRY) reached 19% of the Medium Term Program (MTP) target for 2025, and budget expenditures (3.1 trillion TRY) reached 21% of the MTP forecast for 2025. Thus, the budget deficit in the first quarter of the year constituted aproximately 37% of the year-end forecast. We estimate that the scheduled corporate tax collections will support budget revenues in the coming months, while domestic demand will continue to be the determining factor in the overall course of tax revenues.

Central Government Budget (billion TRY)

	March		%	January-March		%	MTP Target	Real./ MTP
	2024	2025	Change	2024	2025	Change		Target (%)
Expenditures	**692.8**	**1,027.7**	**48.3**	**2,150.7**	**3,117.6**	**45.0**	**14,731.0**	**21.2**
Interest Expenditures	74.6	161.2	116.3	250.5	463.9	85.2	1,950.0	23.8
Non-Interest Expenditures	618.3	866.5	40.2	1,900.2	2,653.6	39.7	12,781.0	20.8
Revenues	**483.8**	**766.3**	**58.4**	**1,637.2**	**2,406.8**	**47.0**	**12,800.3**	**18.8**
Tax Revenues	420.5	645.1	53.4	1,344.0	2,022.7	50.5	11,138.8	18.2
Other Revenues	63.4	121.2	91.2	293.2	384.0	31.0	1,661.6	23.1
Budget Balance	**-209.0**	**-261.5**	**25.1**	**-513.5**	**-710.8**	**38.4**	**-1,930.7**	**36.8**
Primary Balance	**-134.4**	**-100.2**	**-25.4**	**-263.0**	**-246.9**	**-6.1**	**19.3**	**-**

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

Source: Datastream , Ministry of Treasury and Finance

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