

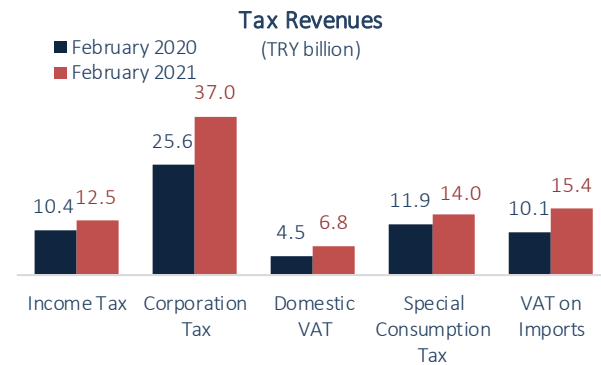


The central government budget posted a surplus of 23.2 billion TRY in February.

The budget balance, which gave a deficit of 24.2 billion TRY in January, posted a surplus of 23.2 billion TRY in February. In this period, budget revenues expanded by 38.8% yoy to 119.6 billion TRY, while budget expenditures had a limited increase by 3.1% to 96.4 billion TRY. Primary surplus, which was 6.8 billion TRY in February 2020, rose to 35.9 billion TRY in the same period of 2021. The budget balance gave a deficit of 1 billion TRY in the January-February period, and the primary surplus became 33.7 billion TRY in this period.

The annual increase in tax revenues was 37% in February.

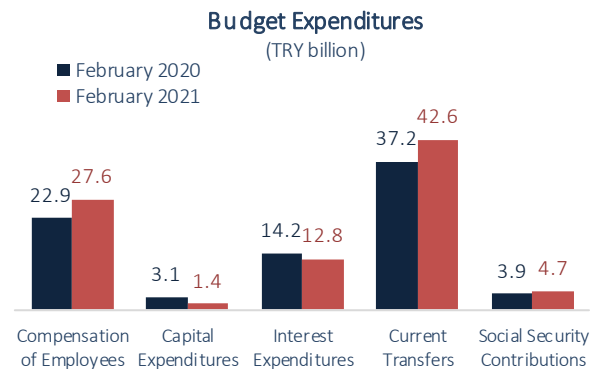
Tax revenues, which constitute 82% of the total budget revenues, showed a rapid increase of 37.2% yoy in February, reaching 98.4 billion TRY. In this period the restructuring of tax debts may have also supported tax revenues while the increases in corporate tax and value added tax revenues on imports came to the fore. Corporate tax reached 37 billion TRY by an increase of 43.1% yoy. In this period, the value added tax on imports went up by 52.6% with the effect of the annual rise in foreign exchange rates and reached 15.4 billion TRY. Almost 100% annual increases in special consumption tax revenues from motor vehicles and durable consumer goods supported SCT revenues to increase by 18.4% to 14 billion TRY. The domestic value added tax also went up rapidly by 51.6% to 6.8 billion TRY.



Interest expenses contracted on an annual basis in February.

In February, interest expenditures decreased by 9.9% yoy to

12.8 billion TRY, while non-interest expenditures increased by 5.4% to 83.7 billion TRY. During this period, domestic debt interest payments decreased by 41.9% to 6.4 billion TRY. Foreign debt interest payments increased by 114.4% yoy to 4.1 billion TRY, limiting the decline in interest expenditures. On the non-interest expenditures side, the current transfers item rose by 14.6% with the continuing effect of the measures taken due to the pandemic. Personnel expenses also increased by 20.5% during this period. On the other hand, the rapid declines in the purchase of goods and services, capital expenditures and domestic lending limited the increase in primary expenditures.



Expectations...

While tax revenues rose rapidly in February, the limited increase in expenditures supported the budget outlook. Within the Economic Reforms package announced last week, it was stated that a strong public finance structure will be created against risks, spending discipline will be ensured and tax regulations will be simplified. It was also noted that the budget deficit target, which was revised from 4.3% to 3.5% for this year, is aimed to be achieved without compromising fiscal discipline. Tax revenues and savings policies will continue to be the determining factor for the budget discipline throughout 2021, where the possibility of one-off income is also limited. In addition, the course of the pandemic will continue to have an impact on the budget outlook.

Central Government Budget

(billion TRY)

| | February | | % | January-February | | % | 2021 Budget Act./Budget Target | |
|---------------------------|-------------|--------------|--------------|------------------|--------------|--------------|--------------------------------|-------------|
| | 2020 | 2021 | | Change | 2020 | | 2021 | Change |
| Expenditures | 93.5 | 96.4 | 3.1 | 194.2 | 210.2 | 8.2 | 1,346.1 | 15.6 |
| Interest Expenditures | 14.2 | 12.8 | -9.9 | 26.9 | 34.7 | 29.0 | 179.5 | 19.3 |
| Non-Interest Expenditures | 79.3 | 83.7 | 5.4 | 167.3 | 175.5 | 4.9 | 1,166.6 | 15.0 |
| Revenues | 86.1 | 119.6 | 38.8 | 208.3 | 209.2 | 0.4 | 1,101.1 | 19.0 |
| Tax Revenues | 71.7 | 98.4 | 37.2 | 139.1 | 177.7 | 27.7 | 922.7 | 19.3 |
| Other Revenues | 14.4 | 21.1 | 46.7 | 69.2 | 31.5 | -54.4 | 178.4 | 17.7 |
| Budget Balance | -7.4 | 23.2 | - | 14.1 | -1.0 | - | -245.0 | 0.4 |
| Primary Balance | 6.8 | 35.9 | 428.4 | 41.0 | 33.7 | -17.9 | -65.5 | - |

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

Source: Datastream, Ministry of Treasury and Finance

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