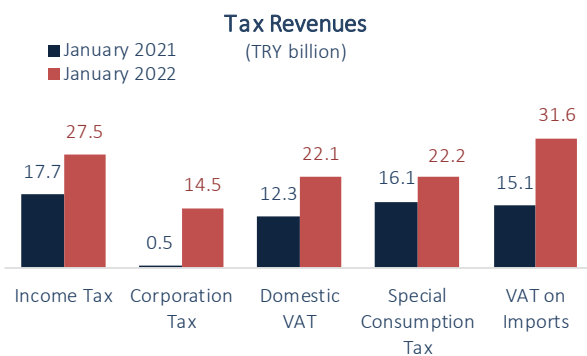


Central government budget posted a surplus of 30 billion TRY in January.

The central government budget, which gave a deficit of 24.2 billion TRY in January 2021, performed above the market expectations and posted a surplus of 30 billion TRY in the same month of 2022. The divergence of the budget balance from the Treasury cash balance data, which is the leading indicator and had a deficit of 37.8 billion TRY in the same period, was remarkable. In January, budget revenues increased by 96.4% yoy and reached 176 billion TRY thanks to the support of the rapid rise in tax revenues. Budget expenditures expanded by 28.3% to 146 billion TRY in the same period. The primary balance, which gave a deficit of 2.2 billion TRY in January 2021, posted a surplus of 44.3 billion TRY in the same month of this year.

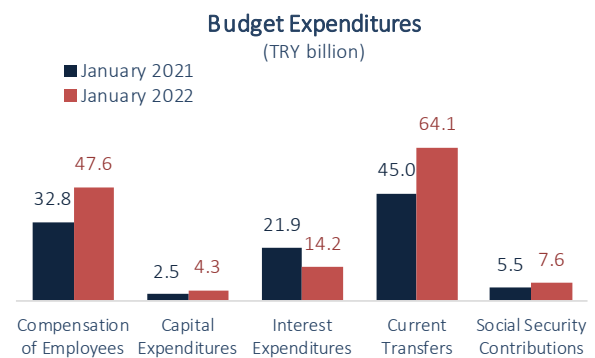
Rapid expansion in tax revenues...

In the first month of 2022, tax revenues went up by 86.1% compared to January 2021, when tax deferrals were on the agenda, and rose to 147.4 billion TRY. In addition to the 26.3 billion TRY increase in domestic and import value added taxes due to the rise in inflation and foreign exchange rates, the 14 billion TRY increase in the corporate tax because of the low base effect, were behind this development. In January, interest, shares and penalties item also played an important role in the improvement of the budget outlook by nearly quadrupling thanks to the rapid rise of 708% (11.7 billion TRY) in past-day interest on debt securities and premium sales revenues. In this period, the SCT taken from tobacco products and alcoholic beverages also supported the budget revenues.



Interest expenses decreased by 35.1%.

In January 2022, interest expenditures decreased by 35.1% yoy due to the rapid decline in TRY denominated bond interest expenditures, and limited the rise in budget expenditures by 6.8 points. In this period, non-interest expenditures increased by 43.5%, close to the annual CPI inflation. In January 2022, current transfers and personnel expenditures, which have a significant share in non-interest budget expenditures, expanded by 42.6% and 45.3% yoy, respectively, and became the main items that increased budget expenditures. Rising energy prices in global markets were also reflected in budget expenditures. Due to the high course of global energy prices, energy purchases were realized as 1.5 billion TRY in the first month of the year. In addition, building rental expenses rose significantly in this period, increasing the budget expenditures.



Expectations...

With the support of the rapid rise in budget revenues, budget indicators made a positive start to 2022. It is estimated that the positive outlook in the revenues continued in February due to the transfer of CBRT's operating revenue to the budget. However, the reduction of VAT on basic food products to 1% is expected to suppress tax revenues in the upcoming period, while the course of the pandemic as well as rising energy prices indicate that upside risks on budget expenditures will continue.

	January		% Change	2022 Budget Target	Real./ Budget Target (%)
	2021	2022			
Expenditures	113.8	146.0	28.3	1,751.0	8.3
Interest Expenditures	21.9	14.2	-35.1	240.4	5.9
Non-Interest Expenditures	91.8	131.7	43.5	1,510.6	8.7
Revenues	89.6	176.0	96.4	1,472.6	12.0
Tax Revenues	79.2	147.4	86.1	1,258.3	11.7
Other Revenues	10.4	28.6	175.3	214.3	13.3
Budget Balance	-24.2	30.0	-	-278.4	-
Primary Balance	-2.2	44.3	-	-38.0	-

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

Source: Datastream , Ministry of Treasury and Finance

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