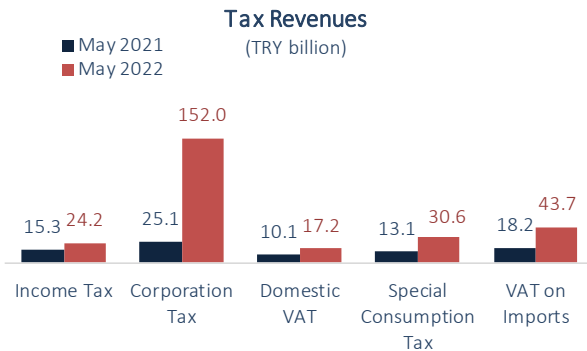


The central government budget posted a surplus of 144 billion TRY in May.

The central government budget, which gave a deficit of 13.4 billion TRY in May 2021, posted a surplus of 144 billion TRY in the same period of this year. Budget revenues tripled on an annual basis and amounted to 317.8 billion TRY, while expenditures rose by 47.3% yoy to 173.8 billion TRY. The primary budget gave a surplus of 161.9 billion TRY in May. In the January-May period, budget revenues doubled on an annual basis, while budget expenditures surged by 74.5% yoy. Thus, the central government budget posted a surplus of 124.6 billion TRY in the first five months of the year.

Tax revenues increased by 214% yoy.

In May, tax revenues expanded by 213.9% yoy and reached to 289.7 billion TRY. The corporate tax, which increased five-fold on an annual basis and reached 152 billion TRY, made highest contribution to the increase in tax revenues. In addition, VAT on imports and domestic VAT revenues contributed 60.9 billion TRY to the budget figures.

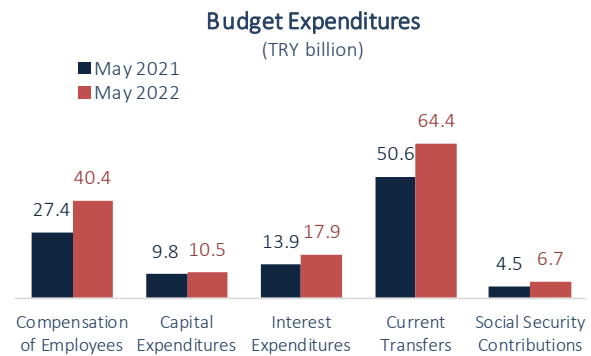


Goods and services purchases have nearly tripled.

Budget expenditures recorded a moderate increase in May. Current transfers increased by 27.4% yoy and reached 64.4 billion TRY. Goods and services purchase expenditures expanded by 169.4% yoy due to the rise in expenditures on energy and national defense. In this

period, the annual surge in non-interest expenditures was 49.9%, below the inflation rate. The decrease of 11.2 billion TRY in the invoiced payments item, classified under Treasury aids, positively supported the budget performance.

The 10.3 billion TRY domestic debt transfers to public enterprises was noteworthy in May. Due to the increase in natural gas prices, a total of 8.2 billion TRY payments were made to BOTAŞ as the influential factor in the said expense. Thus, the amount of payments made to BOTAŞ in the January-May period, including the assignment expenses, reached 71.4 billion TRY. In the March-May period, expenses related to the FX-protected Turkish Lira deposit were realized as 21.1 billion TRY.



Expectations...

In 2022, negative effects of the rise in inflation on budget expenditures began to be revealed, especially in goods and services purchases. However, pulled-forward demand due to the high inflation expectations and a low-interest-rate environment that supports profitability, resulted in a higher expansion in tax revenues. Although this situation allowed the central government budget to present a more positive outlook than expected in the first five months of the year, we consider that the risks on budget performance will be persisted in the forthcoming period.

Central Government Budget

	May			January-May			2022 Budget	
	2021	2022	% Change	2021	2022	% Change	Target	Real./ Budget Target (%)
Expenditures	117.9	173.8	47.3	550.0	959.8	74.5	1,751.0	54.8
Interest Expenditures	13.9	17.9	28.4	81.5	121.9	49.6	240.4	50.7
Non-Interest Expenditures	104.0	155.9	49.9	468.5	837.9	78.8	1,510.6	55.5
Revenues	104.6	317.8	203.9	542.5	1,084.4	99.9	1,472.6	73.6
Tax Revenues	92.3	289.7	213.9	423.7	881.2	108.0	1,258.3	70.0
Other Revenues	12.3	28.0	128.2	118.8	203.2	71.1	214.3	94.8
Budget Balance	-13.4	144.0	-	-7.5	124.6	-	-278.4	-
Primary Balance	0.6	161.9	28,060.6	73.9	246.5	233.3	-38.0	-

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

Source: Datastream , Ministry of Treasury and Finance

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