



Central government budget posted a deficit of 47.2 billion TRY in March.

In March, budget revenues increased by 83.9% yoy and reached 286.8 billion TRY due to the rapid rise in property incomes, while budget expenditures dispelled a relatively moderate increase with 48.5% and became 334 billion TRY. Thus, the budget deficit, which reached its historical high level of 170.6 billion TRY in February, was realized as 47.2 billion TRY in March. In this period, interest expenditures increased by 67.3% yoy to 45.1 billion TRY and the primary budget balance gave a deficit of 2.1 billion TRY. In the first quarter of the year, budget deficit was 250 billion TRY and the primary deficit was 149.4 billion TRY.

Enterprise and ownership revenues increased rapidly.

The rapid annual rise in budget revenues in March was driven by the increase in enterprise and ownership revenues by more than 7 times. CBRT's transfer of operating income to the Treasury, which was in February last year, was behind this development. In March, tax revenues increased by 55.9% yoy and reached 198.6 billion TRY. In this period, in parallel with the brisk pace of consumption expenditures, special consumption tax and value added tax revenues on imports increased by 92.8% and 42.3% respectively, on an annual basis. Corporate tax revenues, on the other

hand, decreased by 75% yoy with the effect of deferred tax collections in the earthquake region after the disaster. In the first quarter of the year, budget revenues increased by 31.9% yoy and reached 794.7 billion TRY.

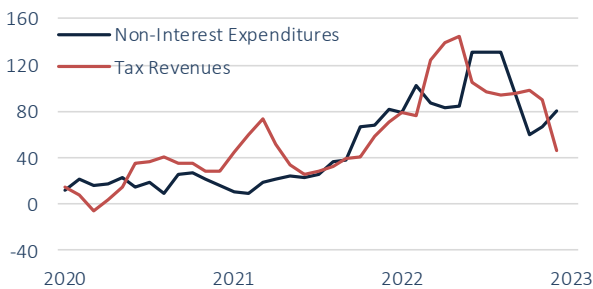
Budget expenditures rose relatively moderately in March.

In March, budget expenditures rose by 48.5% yoy, below the inflation rate. The 90.9% annual decrease in debt transfers to Public Enterprises to 3.5 billion TRY thanks to the decline in energy prices limited the expansion of budget expenditures. On the other hand, compensation of employees nearly doubled on an annual basis and increased the budget expenditures the most. In this period, current transfers went up by 45.4% yoy and reached 124.7 billion TRY. The rise of 14.5 billion TRY in Treasury aids and 10.2 billion TRY in assignment expenses to social security institutions, came to the fore under the current transfers. Parallel to the relatively flat course in foreign exchange rates, there were no expenses related to FX-protected deposit accounts in March. In the first quarter of the year, the annual increase in budget expenditures was realized as 82.7%.

Expectations...

In March, transfer of the CBRT's operating income to the budget supported the budget revenues, while the relatively moderate rise in budget expenditures limited the expansion of budget deficit. On the other hand, as a result of the earthquake disaster, the budget deficit reached 250 billion TRY in the first quarter of the year, accounting for almost 40% of the year-end target of 659 billion TRY. Exchange rate developments and rising global energy costs as a result of OPEC+ countries' decision to restrict oil production in early April signal that risks on the budget balance will persist.

Non-interest Expenditures and Tax Revenues
(3-month ma, annual % change)



Central Government Budget

	March			January-March			(billion TRY)	
	2022	2023	% Change	2022	2023	% Change	2023 Budget Target	Real./ Budget Target (%)
Expenditures	224.9	334.0	48.5	571.7	1,044.8	82.7	4,469.6	23.4
Interest Expenditures	26.9	45.1	67.3	84.8	100.7	18.6	565.6	17.8
Non-Interest Expenditures	198.0	289.0	45.9	486.9	944.1	93.9	3,904.0	24.2
Revenues	156.0	286.8	83.9	602.5	794.7	31.9	3,810.1	20.9
Tax Revenues	127.4	198.6	55.9	455.2	631.0	38.6	3,199.5	19.7
Other Revenues	28.6	88.2	209.0	147.4	163.7	11.1	610.6	26.8
Budget Balance	-69.0	-47.2	-31.5	30.8	-250.0	-	-659.4	37.9
Primary Balance	-42.0	-2.1	-94.9	115.6	-149.4	-	-93.8	-

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

Source: Datastream , Ministry of Treasury and Finance

Economic Research Division

Alper Grler
Division Head
alper.gurler@isbank.com.tr

Ahmet Berat Ocak
Asst.Economist
berat.ocak@isbank.com.tr

H.Erhan Gl
Unit Manager
erhan.gul@isbank.com.tr

Utkan İnam
Asst.Economist
utkan.inam@isbank.com.tr

Dilek Sarsın Kaya
Asst.Manager
dilek.kaya@isbank.com.tr

Our reports are available on our website <https://research.isbank.com.tr>

LEGAL NOTICE

This report has been prepared by Türkiye İř Bankası A.ř. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İř Bankası A.ř. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İř Bankası A.ř, accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.