

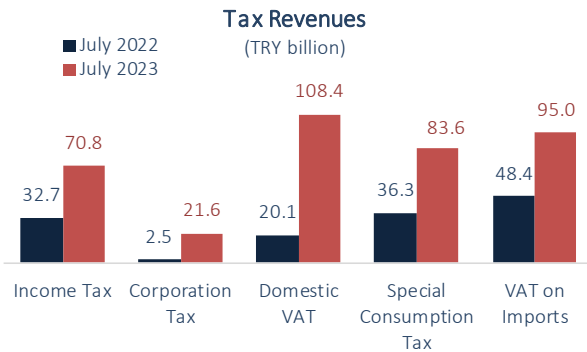


Central government budget posted a surplus of 48.6 billion TRY in July.

In July, central government budget revenues rose by 156.1% yoy to 504.4 billion TRY thanks to the rapid rise in tax revenues. On the other hand, budget expenditures increased by 74.7% yoy to 455.8 billion TRY in line with the rise in compensation of employees and current transfers. Thus, the central government budget posted a surplus of 48.6 billion TRY in July. In this period, primary budget balance also displayed a favorable performance with a surplus of 86.2 billion TRY. In January-July period, budget revenues and expenditures went up by 63.1% and 96.8% yoy, respectively. Thus, in the first seven months of the year budget deficit became 434.7 billion TRY.

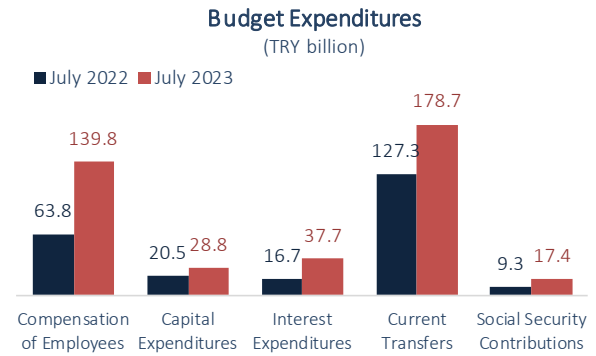
The increase in value-added tax stood out in budget revenues.

In July, rising by 166.7% yoy above the annual inflation rate tax revenues were realized as 450.3 billion TRY. In this period, domestic VAT and VAT on imports revenues rose by 134.8 billion TRY on an annual basis due to the depreciation in TRY as well as the adjustment in value added tax rates. Thanks to the continued positive trend in the automotive market, SCT revenues increased by 130.3% in July compared to the same period of the previous year and amounted to 83.6 billion TRY. In this period, corporate tax revenues surged by 758% yoy to 21.6 billion TRY, contributing to the rise in tax revenues. The interest, shares and fees item supported the positive outlook in budget revenues with an annual increase of 102.4% yoy.



Budget expenditures declined on a monthly basis in July.

Central government budget expenditures, which were realized as 455.8 billion TRY in July, decreased by 6.6% mom. In this period, current transfers contracted by 30.2% mom and was the main driver of the decline in budget expenditures. On the other hand, personnel expenditures, which increased by 29.9% mom due to wage hikes' booster effect on salaries and compensation item, accounted for 30.7% of total budget expenditures. In July, interest expenditures amounted to 37.7 billion TRY and expenditures related to the FX-protected deposit accounts amounted to 34.5 billion TRY due to the rise in foreign exchange rates. Hence, the total cost of the FX-protected deposit accounts to the central government budget amounted to 59.5 billion TRY in January-July period.



Expectations...

After posting a historical high deficit in June, the central government budget posted a surplus in July thanks to the rise in tax revenues. Thus, in January-July period budget deficit declined to 65.9% of the year-end target. We anticipate that the improvement in budget revenues will continue in the upcoming period, while the pressure on budget expenditures will ease with the transfer of FX-protected deposit account expenditures to CBRT. The Medium Term Program, which is planned to be announced in September, will be closely monitored in terms of the signals it will convey regarding the policies to be pursued by the new economic administration.

Central Government Budget

	(billion TRY)							
	July			January-July			2023 Budget Target	Real./ Budget Target (%)
	2022	2023	% Change	2022	2023	% Change		
Expenditures	261.0	455.8	74.7	1,432.8	2,819.4	96.8	4,469.6	63.1
Interest Expenditures	16.7	37.7	125.9	151.3	313.0	106.8	565.6	55.3
Non-Interest Expenditures	244.3	418.1	71.2	1,281.5	2,506.5	95.6	3,904.0	64.2
Revenues	197.0	504.4	156.1	1,462.4	2,384.8	63.1	3,810.1	62.6
Tax Revenues	168.8	450.3	166.7	1,202.6	2,052.6	70.7	3,199.5	64.2
Other Revenues	28.1	54.1	92.3	259.8	332.1	27.9	610.6	54.4
Budget Balance	-64.0	48.6	-	29.5	-434.7	-	-659.4	65.9
Primary Balance	-47.3	86.3	-	180.9	-121.7	-	-93.8	-

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

Source: Datastream , Ministry of Treasury and Finance

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