

# Turkey-Central Budget

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## April 2022 - Expenditure growth accelerates

In April, the central government budget balance yielded a deficit of TRY50.2bn and the primary balance a deficit of TRY31.0bn. The budget performance, which had improved in the first two months of the year, deteriorated in March and April compared to the previous year due to significant acceleration in expenditure growth. Bayram bonus payments shifting to April in 2022 from May in 2021 also led to a momentum gain in expenditures.

The budget deficit target of 3.5% was set in the Medium Term Program (MTP) for 2022. We estimate the central budget deficit/GDP ratio to be above the target due to the implemented measures that will create revenue-reducing and expense-increasing effects.

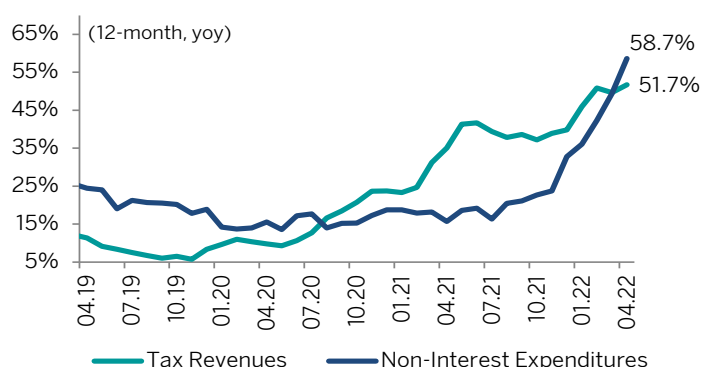
### Budget deficit continues to widen in 12-month cumulative terms

- The budget deficit increased by TRY33.3bn to TRY217.5bn compared to the previous month (MTP 2022 estimate is a TRY278bn deficit)
- The primary balance decreased by TRY32.7bn to a TRY0.1bn deficit compared to the previous month (MTP 2022 estimate is a TRY38bn deficit)
- Due to the high course of inflation, we expect that the nominal estimates in the MTP will be reached in the coming months.

### Expenditure growth exceeds revenue growth

- According to the 12-month totals, yoy expenditure growth outpaced revenue growth as of April.
- Tax revenue growth, at 79% yoy in April, was in line with previous months. On a yoy basis, rises were below the headline in income and earnings tax (48%) and VAT (16%). Special Consumption Tax (SCT) revenue yoy growth was strong at 85% driven mainly by oil&natural gas and vehicle SCT. VAT on imports rose by 131%, making a significant contribution to revenues.
- Non-tax revenue yoy growth was 59% in April, slightly below the rise in 1Q22. Accordingly, total revenues rose by 75% yoy in April.
- The yoy rise in non-interest expenditures continued to accelerate by 112% in April. The yoy rise was below the headline in personnel expenditures at %58%. The rises in investments (126%), goods&procurement purchases (138%), and current transfer expenditures (128%) accelerated. Among the current transfers, bayram bonus payments to retirees (TRY12.6bn) shifting to April from May in 2021 led to an acceleration. Payment for the FX-protected deposit scheme was TRY4.6bn in April and TRY16.3bn in March-April. Lending to public enterprises was lower in April relative to February and March. TRY5.7bn was lent to BOTAS in April.
- The yoy rise in interest payments was slight at 3% in April and 54% in January-April.

Budget Performance (12M)



Central Budget Details

bn TRY	Apr'21	Apr'22	Change (yoy)	Jan-Apr 21	Jan-Apr 22	Change (yoy)
<b>Expenditures</b>	110.7	214.3	94%	432.0	786.0	82%
1-Non-Interest Exp.	92.1	195.1	112%	364.5	682.0	87%
Personnel	28.5	45.1	58%	116.3	175.5	51%
Goods&Services	6.6	15.6	138%	23.5	46.1	96%
Current Transfers	41.7	95.0	128%	175.4	319.0	82%
Capital Exp.	9.1	20.7	126%	20.3	38.0	87%
Others	6.2	18.8	201%	29.0	103.5	257%
2-Interest Exp.	18.6	19.1	3%	67.5	104.0	54%
<b>Revenues</b>	93.8	164.1	75%	437.9	766.6	75%
Tax Revenues	76.3	136.3	79%	331.4	591.4	78%
Non-tax Revenues	17.5	27.8	59%	106.5	175.2	65%
<b>Budget Balance</b>	-16.9	-50.2	197%	5.9	-19.4	-430%
<b>Primary Surplus</b>	1.7	-31.0	-1963%	73.4	84.6	15%

Source: Ministry of Treasury and Finance, Garanti BBVA Securities

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