

Turkey-Central Budget

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May 2022 - Improved budget performance on accelerating revenues

In May, the central government budget performance improved significantly compared to the previous year, as signaled by the cash balance. Thus, the budget and primary surplus on a monthly basis was at record levels. The central budget surplus was TRY144bn and primary surplus TRY162bn in May. The rapid rise in corporate and consumption-related tax revenues contributed to the budget performance. In addition, the limited increase in total expenditures also supported improvement in the budget performance.

A budget deficit target of 3.5% was set in the Medium Term Program (MTP) for 2022. Yet despite the significantly improved budget performance in May we expect the central budget deficit/GDP ratio to exceed the target due to the slowdown in economic activity in 2H22 and the measures that will create expenditure-increasing effects.

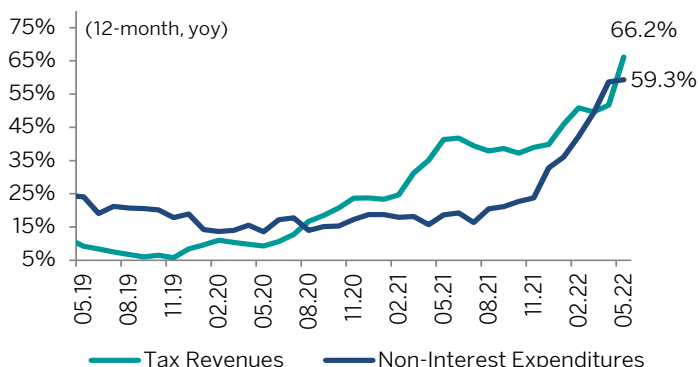
Budget deficit narrows sharply in 12-month cumulative terms

- The budget deficit decreased by TRY157.3bn to TRY60.1bn compared to the previous month (MTP 2022 estimate is a TRY278bn deficit)
- The primary balance increased by TRY161.3bn to a TRY161.2bn surplus compared to the previous month (MTP 2022 estimate is a TRY38bn deficit)
- Due to the high course of inflation, we expect the nominal estimates of the MTP to be reached in the coming months.

Acceleration in revenue growth

- According to the 12-month totals, yoy revenue growth accelerated remarkably, outpacing expenditure growth as of May.
- Tax revenue growth was high at 214% yoy in May. Main driver of high tax revenue growth was corporate taxes, up 505% yoy to TRY152bn. In addition, there were remarkable rises in taxes linked to consumption such as Special Consumption Tax (133%), VAT on imports (140%) and VAT (71%).
- Non-tax revenue yoy growth accelerated to 128% in May. Accordingly, total revenues registered at three times that of the previous year.
- The yoy rise in non-interest expenditures decelerating relative to previous months to 50% in May also contributed the budget performance. Goods and services procurement rose remarkably by 169% yoy, due to a foreign borrowing general expense of TRY5.0bn registered in May. However, yoy increases in investment expenditures (13%) and current transfers (27%) have decelerated. The base effect due to bayram retirement bonus payments under current transfers was also effective in the deceleration. Payment for the FX-protected deposit scheme was TRY4.8bn in May and TRY21.1bn in March-May. Lending to BOTAS was at TRY8.2bn (TRY66.4bn ytd).
- The yoy rise in interest payments was 28% in May and 50% in January-May.

Budget Performance (12M)



Central Budget Details

bn TRY	May'21	May'22	Change (yoy)	Jan-May 21	Jan-May 22	Change (yoy)
Expenditures	117.9	173.8	47%	550.0	959.8	75%
1-Non-Interest Exp.	104.0	155.9	50%	468.5	837.9	79%
Personnel	27.4	40.4	48%	143.7	215.9	50%
Goods&Services	7.5	20.3	169%	31.0	66.4	114%
Current Transfers	50.6	64.4	27%	226.0	383.4	70%
Capital Exp.	11.2	12.7	13%	31.5	50.7	61%
Others	7.3	18.0	146%	36.3	121.5	234%
2-Interest Exp.	13.9	17.9	28%	81.5	121.9	50%
Revenues	104.6	317.8	204%	542.5	1084.4	100%
Tax Revenues	92.3	289.7	214%	423.7	881.2	108%
Non-tax Revenues	12.3	28.0	128%	118.8	203.2	71%
Budget Balance	-13.4	144.0	-1177%	-7.5	124.6	-1760%
Primary Surplus	0.6	161.9	28061%	73.9	246.5	233%

Source: Ministry of Treasury and Finance, Garanti BBVA Securities

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