

## Budget balance posted TRY 17.3bn deficit in May

*The effects of the Covid-19 outbreak on the budget balance has become more evident with new data. Budget balance posted a deficit of TRY17.3bn in May, with a limited increase of approx. 2.2% in the central government budget expenditures and yet a decrease of budget revenues by 4.8% annually. In the same period of 2019, the budget had a deficit of TRY12.1bn. Primary balance gave a deficit of TRY7.6bn in May.*

*In the January-May period, the budget and primary balance deficits reached TRY90.1bn and TRY25.1bn, respectively. As you may recall, the New Economic Program (NEP) had projected TRY138.9bn in budget deficit for the 2020 full year.*

**Central government budget revenues shrank 4.8% annually in May. In January-May period, it increased by 12%** and reached TRY389bn. Budget revenue projection for 2020 is TRY956.6bn according to the NEP. Thus, 41% of the NEP's budget revenue target was realized in Jan.-May period.

Within scope of the tax restructuring program, a total of TRY519mn tax revenue was collected in May 2020. In addition, there is another TRY155mn income from zoning amnesty regulation and from paid military service exemption. In the first five months of the year, revenues from these two sources were TRY2.8bn and TRY548mn, respectively.

In January, TRY40.5bn cash was added to the property income as a result of dividend collection from Central Bank's profit and transfer of some profit reserves. There was another TRY3.9bn worth of net income transfer in May. Thus total property income in May reached TRY5.5bn, an increase of TRY3.1bn YoY.

- Due to the measures taken in the context of the corona virus epidemic; tax revenues decreased by 7.6% yoy in May. Looking at the detail of tax types:

- Domestic value added tax decreased by 43% and income tax decreased by 28%. Special consumption tax (SCT) declined by 4.5%. Corporate tax increased by 42%. With the effect of the decrease in imports, value added tax on imports decreased by 31%.

- Tax revenues increased by 6.7% in Jan.-May period.

**Central government budget expenditures increased by 2.2% annually** in May and 15.7% in Jan.-May and reached to TRY479.2bn. Recalling, the 2020 New Economy Program year-end forecast at TRY1.095,5bn for budget expenditures, 44% of this estimate was already realized within the Jan.-May period.

- **Non-interest expenditures increased by only 0.2% annually in May.** Current transfers item (social security), decreased by 6.8% and purchases of goods and services decreased by 8.4%. Capital expenditures, including investment expenditures, had been decreasing for the last two months; increased by 11% in May.
- **Interest expenditures** increased by 22% annually in May to TRY9.7bn. It increased by 40% in the January-May period.

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(billion TL)	May 2019	May 2020	yoy % chg	Jan-May 2019	Jan-May 2020	yoy % chg
<b>Budget Expenditures</b>	<b>83,6</b>	<b>85,4</b>	<b>2%</b>	<b>414,0</b>	<b>479,2</b>	<b>16%</b>
<b>1) Non-Interest Expenditures</b>	<b>75,7</b>	<b>75,8</b>	<b>0%</b>	<b>367,6</b>	<b>414,3</b>	<b>13%</b>
- Compensation of Employees	21,6	23,3	8%	106,0	123,0	16%
- Social Security Contributions	3,5	3,9	10%	18,4	20,5	11%
- Good and Service Purchase	5,7	5,2	-8%	26,5	30,2	14%
- Current Transfers	38,0	35,4	-7%	169,7	200,6	18%
- Capital Expenditures	4,6	5,1	11%	27,7	24,9	-10%
- Capital Transfers	0,2	0,6	132%	7,0	1,9	-73%
- Lending	2,0	2,3	15%	12,3	13,1	7%
<b>2) Interest Expenditures</b>	<b>7,9</b>	<b>9,7</b>	<b>22%</b>	<b>46,4</b>	<b>65,0</b>	<b>40%</b>
<b>Budget Revenues</b>	<b>71,6</b>	<b>68,1</b>	<b>-5%</b>	<b>347,5</b>	<b>389,1</b>	<b>12%</b>
<b>1) General Budget Revenues</b>	<b>69,6</b>	<b>66,7</b>	<b>-4%</b>	<b>336,0</b>	<b>376,6</b>	<b>12%</b>
- Taxes	59,8	55,3	-8%	262,9	280,5	7%
- Property Income	2,4	5,5	129%	43,9	51,3	17%
- Grants and Aids and Special Revenue	2,9	0,7	-77%	5,9	4,9	-17%
- Interest, Shares and Fines	4,3	4,8	11%	21,1	37,5	78%
- Capital Revenues	0,1	0,4	150%	1,5	1,9	23%
- Collections from Loans	0,1	0,1	-	0,6	0,5	-22%
<b>2) Other</b>	<b>1,9</b>	<b>1,5</b>	<b>-24%</b>	<b>11,5</b>	<b>12,5</b>	<b>9%</b>
<b>Budget Balance</b>	<b>-12,1</b>	<b>-17,3</b>	<b>44%</b>	<b>-66,5</b>	<b>-90,1</b>	<b>35%</b>
<b>Balance Excluding Interest</b>	<b>-4,1</b>	<b>-7,6</b>	<b>86%</b>	<b>-20,1</b>	<b>-25,1</b>	<b>25%</b>

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