



The central government budget deficit rose rapidly to 145.7 billion TRY in December.

In December 2021, the central government budget deficit expanded by 237.1% yoy and reached 145.7 billion TRY. In this period, budget revenues increased by 40% yoy to 135.1 billion TRY, while budget expenditures went up by 100.9% to 280.8 billion TRY, the highest level since 2000. The primary deficit, which was 38.3 billion TRY in December 2020, increased nearly 2.5 times to 136.8 billion TRY.

In 2021, the budget deficit amounted to 192.2 billion TRY.

Although the central government budget deficit increased from 175.3 billion TRY in 2020 to 192.2 billion TRY in 2021, it remained below the forecast of 230 billion TRY announced in the Medium Term Programme in September 2021. In this period, budget revenues rose by 36.8% yoy and budget expenditures by 32.9% yoy. The primary deficit, which was 41.3 billion TRY in 2020, narrowed by 72.4% yoy in 2021 and became 11.4 billion TRY.

Tax revenues increased by 41.6% yoy in December.

Tax revenues increased by 41.6% yoy in December 2021. In this period, the increase in value added tax on imports (102.7%) stood out with the impact of the depreciation in Turkish Lira, while the decreases in special consumption tax (SCT) (-8.6%) and domestic value-added tax (-28.1%) were noted. Due to the sliding scale (echelle mobile) system in place since May 2018, the SCT taken from petroleum and natural gas products decreased by 5.3 billion TRY (95.5%) yoy, putting pressure on tax revenues in December, while the SCT from durable consumer goods went up by 107.7%. In addition, thanks to the positive course in foreign trade, taxes on international trade and transactions rose by 101.2% yoy in December and made the highest contribution to the increase in central government budget revenues by 22.1 points.

In 2021, tax revenues increased by 36.8% compared to 2020. Special consumption tax decreased by 0.9% yoy, while corporate tax and taxes on international trade and transactions increased by 69.4% and 60.4% yoy, respectively, supporting the budget outlook.

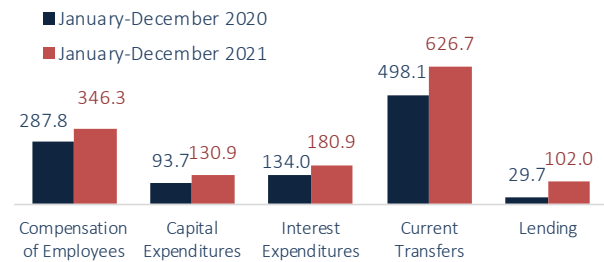
Current transfers nearly doubled in 2021.

In December 2021, the central government expenditures doubled compared to the same month of 2020 due to high transfers from the budget to public enterprises (PE). Domestic debt transfers and assignment transfers to PEs in December 2021 increased budget expenditures significantly. In this context, 59 billion TRY (40 billion TRY lending, 19 billion TRY assignment expenses) to BOTAŞ came to the fore. In December, current transfers increased by 92.8% yoy, while rapid rises were recorded in health, retirement and social aid expenditures (46.3%) and other treasury aids (180%).

Following a broad-based and relatively modest expansion in January-November period, the share of the lending item in budget

expenditures increased to 6.4% in the whole 2021 (2.5% in 2020), because of the transfers made to PEs in December. In 2021, interest expenditures increased by 35% yoy and reached 180.9 billion TRY. In this period, capital transfers and capital expenditures rose by 68% yoy and by 39.7% yoy, respectively.

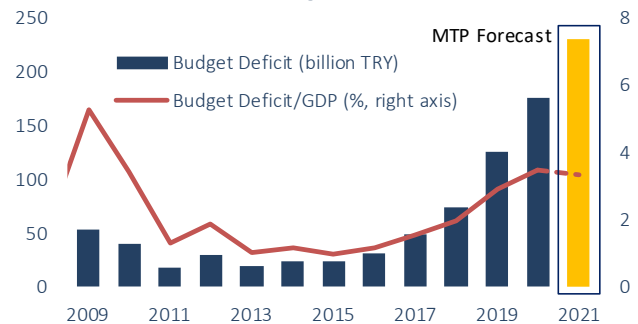
Budget Expenditures
(TRY billion)



Expectations...

The weak performance of SCT revenues due to the “echelle mobile” system limited the budget revenues in 2021, while the high level of expenditures on infrastructure investments from the central government budget led to a deterioration in the budget outlook. The depreciation of TRY and the negative effects of inflation on budget expenditures became evident. On the other hand, the budget balance, which displayed a positive outlook in the first 11 months of 2021, closed the year with a deficit below the Medium Term Program expectations despite the rapid increase in expenditures in December. Considering the budget realizations and growth projections, the ratio of budget deficit to GDP is estimated to be around 3% in 2021. In addition to the expected weakening in domestic demand due to inflationary pressures, the effects of FX-linked financial products that aim to encourage TRY savings on budget expenditures will shape the central government budget balance in 2022.

Budget Deficit



Central Government Budget

	December		%	January-December		%	2021 Budget Target	MTP Forecast	
	2020	2021		Change	2020			2021	Change
Expenditures	139.8	280.8	100.9	1,203.7	1,599.6	32.9	1,095.5	1,506.3	106.2
Interest Expenditures	4.9	9.0	82.9	134.0	180.9	35.0	138.9	175.9	100.8
Non-Interest Expenditures	134.9	271.9	101.5	1,069.8	1,418.8	32.6	956.5	1,326.7	106.9
Revenues	96.5	135.1	40.0	1,028.4	1,407.4	36.9	956.6	1,276.3	110.3
Tax Revenues	78.7	111.4	41.5	833.3	1,164.8	39.8	784.6	1,057.9	110.1
Other Revenues	17.8	23.7	33.0	195.1	242.6	24.3	172.0	218.4	111.1
Budget Balance	-43.2	-145.7	237.4	-175.3	-192.2	9.7	-138.9	-230.0	83.6
Primary Balance	-38.3	-136.8	257.1	-41.3	-11.4	-72.4	0.1	-50.5	-

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

Source: Datastream, Ministry of Treasury and Finance

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