



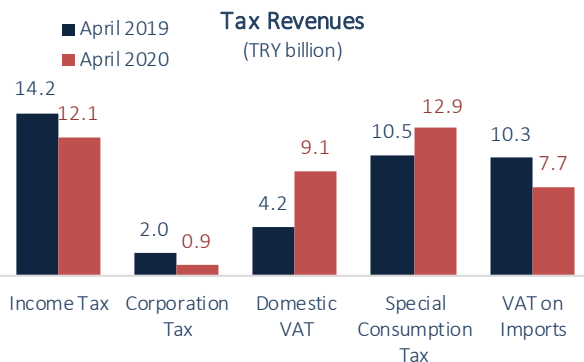
Central government budget posted a deficit of 43.2 billion TRY.

The recent measures against the economic impacts of the coronavirus pandemic weighed on budget performance in April as it was the case in March. The central government budget deficit increased by 136% yoy to 43.2 billion TRY in April. In March, the deficit was 43.7 billion TRY. Primary balance posted a deficit of 26.2 billion TRY doubling the figure recorded in April last year.

In April, budget revenues increased by 13.1% yoy to 65.2 billion TRY, while budget expenditures rose by 42.7% yoy to 108.4 billion TRY. In the first four months of the year, budget revenues and expenditures grew by 16.3% yoy and 19.2% yoy, respectively. In this period, budget deficit became 72.8 billion TRY, more than the half of the year-end target level announced at the beginning of 2020.

Tax revenues were flat on an annual basis.

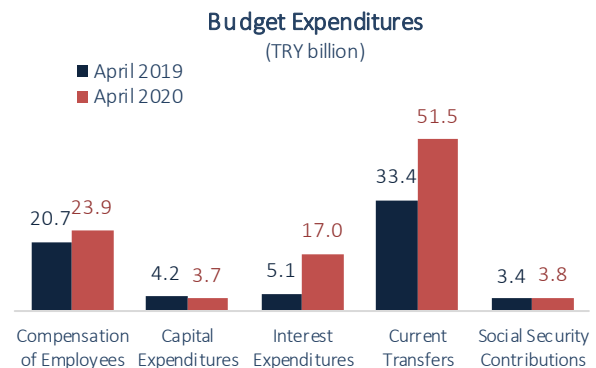
Tax revenues, which were 48.8 billion TRY in April 2019, became 49.1 billion TRY in the same period this year. Domestic value added tax revenues, which fell to negative territory in March due to deferral and the refund mechanism, expanded by more than 100% yoy in April and reached 9.1 billion TRY. In this period, special consumption tax (SCT) revenues increased by 22.7% to 12.9 billion TRY. Tobacco products, which have the highest share in SCT revenues with 41% in April, recorded a rapid rise of 63.9% yoy. SCT from motor vehicles, which have a share of 10% in SCT revenues, were one and a half times higher than the level registered in April 2019 when tax cuts were in place in the sector. SCT on durable goods & others surged fast during this period with the help of the low base effect.



In April, value added tax (VAT) on imports, income tax and corporation tax revenues contracted on an annual basis driving the weakness in the overall figure.

Treasury aid was 36.5 billion TRY in April.

The increase in current transfers pushed up the budget expenditures in April. The Treasury aid item under the current transfers rose by 18.3 billion TRY compared to a year ago and became 36.5 billion TRY. In this period, expenditures on health, retirement & social aid accounted for 90% of this amount.



A rapid increase in interest expenditures...

Despite the downward trend in interest rates since the second half of last year, the rise in borrowing led to an increase in interest expenditures. The said item expanded by 235% yoy to 17 billion TRY in April. Domestic and foreign debt interest expenditures accounted for 80% and 16% of this amount, respectively.

Expectations...

The deterioration in supply and demand conditions due to the pandemic, as well as the public policy measures taken against it including tax deferrals, caused tax revenues to weaken in March and April. In addition to this, the steep rise in public expenditures also had a negative impact on budget balance. With the assumption that the impact of the pandemic will fade in the second half of the year, we anticipate that the budget outlook will recover somewhat, but the budget deficit target will be exceeded by the end of the year.

Central Government Budget

(billion TRY)

	April		% change	January-April		% change	2020 Budget Target	Real./ Target (%)
	2019	2020		2019	2020			
Expenditures	76.0	108.4	42.7	330.4	393.8	19.2	1,095.5	35.9
Interest Expenditures	5.1	17.0	235.4	38.4	55.3	43.8	138.9	39.8
Non-Interest Expenditures	70.9	91.4	28.9	292.0	338.5	15.9	956.5	35.4
Revenues	57.7	65.2	13.1	276.0	321.0	16.3	956.6	33.6
Tax Revenues	48.8	49.1	0.7	203.0	225.2	10.9	784.6	28.7
Other Revenues	8.9	16.1	81.2	72.9	95.8	31.3	172.0	55.7
Budget Balance	-18.3	-43.2	135.8	-54.5	-72.8	33.6	-138.9	52.4
Primary Balance	-13.2	-26.2	97.6	-16.0	-17.5	9.1	0.1	-

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

Source: Datastream , Ministry of Treasury and Finance

Economic Research Division

İzlem Erdem
Chief Economist
izlem.erdem@isbank.com.tr

İlker Şahin
Economist
ilker.sahin@isbank.com.tr

Alper Gürler
Unit Manager
alper.gurler@isbank.com.tr

Gamze Can
Economist
gamze.can@isbank.com.tr

Dilek Sarsın Kaya
Asst. Manager
dilek.kaya@isbank.com.tr

Our reports are available on our website <https://research.isbank.com.tr>

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