

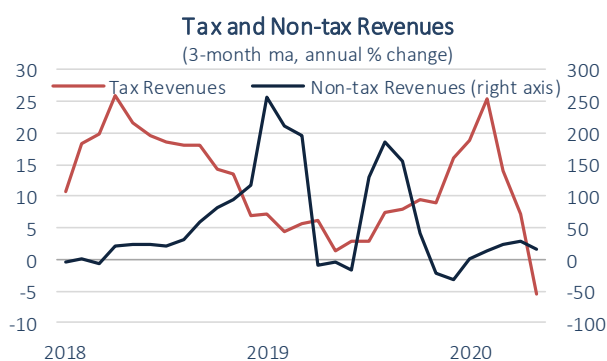
### Central government budget posted a deficit of 17.3 billion TRY.

In May, central government budget deficit increased by 43.5% on an annual basis and reached 17.3 billion TRY. In this period, budget revenues contracted by 4.8% yoy and became 68.1 billion TRY, while budget expenditures rose by 2.2% to 85.4 billion TRY. In this period, primary balance gave a deficit of 7.6 billion TL.

In January-May period, budget expenditures increased by 15.7% yoy, while budget revenues expanded by 12.0% yoy. Thus, the budget deficit, which was 66.5 billion TRY in the first five months of last year, became 90.1 billion TRY in the same period of this year.

### Tax revenues declined on an annual basis.

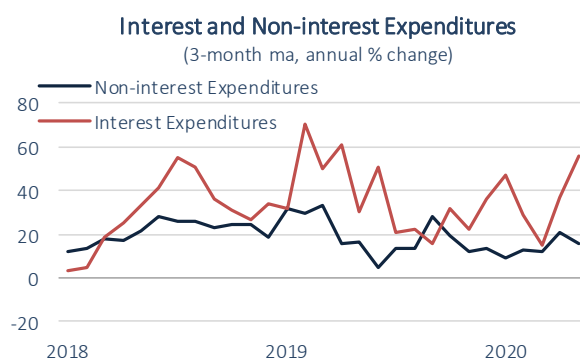
In May, tax revenues decreased by 7.6% yoy and was realized as 55.3 billion TRY. In this period, the rapid decline recorded in value added tax (VAT) on imports and income tax items were the main factors that brought down tax revenues. On the other hand, 41.7% increase in corporate tax item limited the contraction in tax revenues. Domestic VAT revenues and SCT revenues have also declined by 42.8% and 5% yoy, respectively. On the other hand, SCT from motor vehicles, which constitutes 13% of SCT revenues, rose by 77.9% and SCT on durable goods & others, which constitutes 5% of SCT revenues, increased by 34.3%. The low base effect stemming from the tax cuts last year played an important role in this development.



### Increase in interest expenditures...

Among the budget expenditures the rises in social security deficit finance and interest expenditures stand out in May. In this period, the social security deficit finance, which is monitored under the Treasury aids item of current transfers, increased by approximately 4.5 times and became 9.2 billion TRY. On the other hand, having realized at the similar high levels in May 2019 and in April 2020, invoiced payments declined rapidly on an annual basis in May 2020. Thus, the total of current transfers decreased by 6.8% yoy in May.

Interest expenses increased by 21.8% in May to 9.7 billion TRY. In this period, domestic debt interest payments rose by 19% to 6.0 billion TRY, while foreign debt interest payments were up by 30% to 2.6 billion TRY. Compensation of employees has also increased by 7.8% and affected budget expenditures upwards.



### Expectations...

Along with the impact of fiscal measures taken to support the economic activity during the pandemic central government budget has presented a negative outlook since March. In the second half of the year, with the expected recovery in domestic demand, we anticipate that tax revenues may support the budget balance. However an upward revision of the year-end budget deficit target seems to be needed.

### Central Government Budget

	May			January-May			(billion TRY)	
	2019	2020	% Change	2019	2020	% Change	2020 Budget Target	Real./ Target (%)
<b>Expenditures</b>	<b>83,6</b>	<b>85,4</b>	<b>2,2</b>	<b>414,0</b>	<b>479,2</b>	<b>15,7</b>	<b>1.095,5</b>	<b>43,7</b>
Interest Expenditures	7,9	9,7	21,8	46,4	65,0	40,0	138,9	46,8
Non-Interest Expenditures	75,7	75,8	0,2	367,6	414,3	12,7	956,5	43,3
<b>Revenues</b>	<b>71,6</b>	<b>68,1</b>	<b>-4,8</b>	<b>347,5</b>	<b>389,1</b>	<b>12,0</b>	<b>956,6</b>	<b>40,7</b>
Tax Revenues	59,8	55,3	-7,6	262,9	280,5	6,7	784,6	35,8
Other Revenues	11,7	12,9	9,8	84,6	108,6	28,4	172,0	63,2
<b>Budget Balance</b>	<b>-12,1</b>	<b>-17,3</b>	<b>43,5</b>	<b>-66,5</b>	<b>-90,1</b>	<b>35,4</b>	<b>-138,9</b>	<b>64,9</b>
<b>Primary Balance</b>	<b>-4,1</b>	<b>-7,6</b>	<b>85,6</b>	<b>-20,1</b>	<b>-25,1</b>	<b>24,7</b>	<b>0,1</b>	<b>-</b>

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

Source: Datastream , Ministry of Treasury and Finance

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