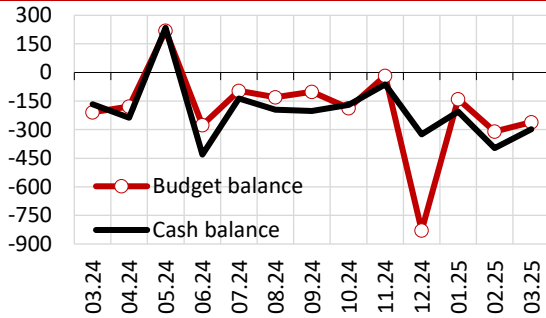


## Macro: No fiscal tightening in Q1

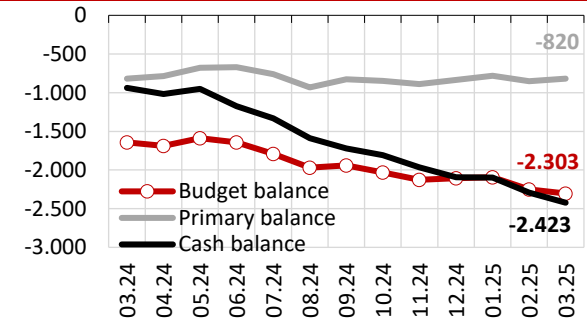
Central government budget deficit was 261.5 billion TRY in March, slightly below the cash deficit (298.4 billion TRY). Primary balance posted a deficit of 100.2 billion TRY. Thus, the budget recorded a total deficit of 710.8 billion TRY in Q1. The fiscal stance has not changed in the first quarter compared to 2024, as 12-month cumulative budget deficit of 2.3 trillion TRY maintains its year-end value of 4.9% relative to GDP. Moreover, the seasonally adjusted trend of the primary budget deficit in the last 3 months (average 71.5 billion TRY) implies a primary deficit of around 850 billion TRY (1.4% of GDP) for 2025. In MTP, the target for the year-end primary budget balance/GDP was 0% to support the disinflation process. In order to achieve this target, the fiscal stance needs to tighten significantly through expenditures for the rest of the year. However, the recent tightening in financial conditions and the expected slowdown in external growth due to the tariffs, which will restrain domestic growth, reduce the likelihood of fiscal tightening.

**Budget Balance**

- The central government budget balance posted a deficit of 261.5 billion TRY in March, below the Treasury cash deficit (298.4 billion TRY) (Chart 1). In the same month of 2024, the budget deficit was 209.0 billion TRY. On the primary balance side, the deficit was 100.2 billion TRY in March, compared to a deficit of 134.4 billion TRY in the same period of 2024 (Table 1, Chart 2).
- In the first quarter of the year, the budget deficit was 710.8 billion TRY, the 12-month cumulative budget deficit was 2.3 trillion TRY and the primary budget deficit was 820 billion TRY (Chart 2).

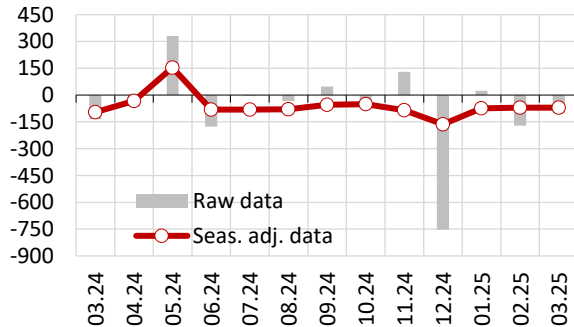
**Chart 1. Budget and Cash Balance (billion TL)**

Source: Treasury

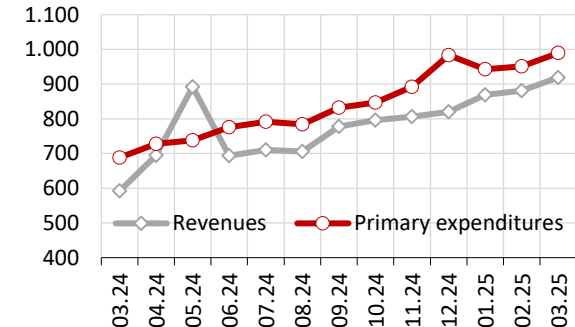
**Chart 2. Budget and Cash Balance (12-month cumulative, billion TL)**

Source: Treasury

- In seasonally adjusted (s.a.) terms, the primary budget balance remained almost flat in March (Chart 3). The increase in primary expenditures was slightly higher than the increase in revenues (Chart 4).

**Chart 3. Budget and Cash Balance (billion TL)**

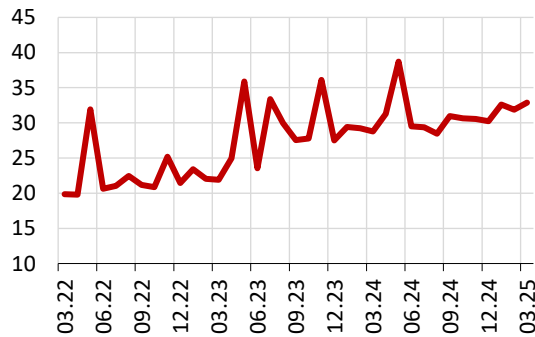
Source: Treasury, Akbank

**Chart 2. Revenue and Expenditure (s.a, bn. TL)**

Source: Treasury, Akbank

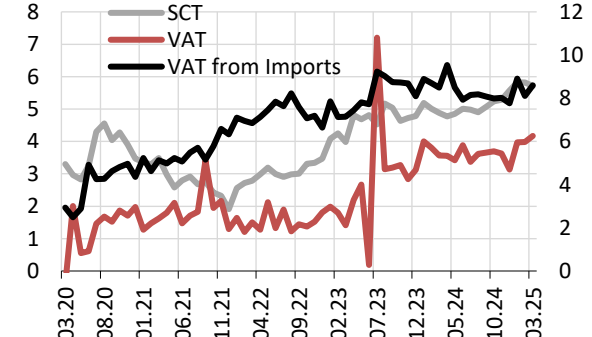
**Budget Revenue:**

- **Central government budget revenues increased by 58.4% yoy to 766 billion TRY in March.** In the first quarter of the year, revenues increased by 47% yoy, totaling 2.407 billion TRY.
  - **Tax revenues increased by 53.4% yoy in March** to 645 billion TRY. In the first quarter of the year, the annual increase was 50.5%.
    - **Income tax** increased by 102.7% yoy in March, while corporate tax decreased by 4.5%.
    - **Domestic VAT**, on the other hand, increased by 88.5% yoy, indicating that the relatively strong course of domestic demand continued. The annual rate of increase in VAT on imports continued to slow down to 16.8%. In price and seasonally adjusted terms, VAT on imports increased by 5.9% mom.
    - **SCT revenues** increased by 37.2% yoy. SCT revenues from petroleum and natural gas products increased by 25% yoy. SCT revenue from motor vehicles increased by 46.2% yoy to 60.9 billion TRY in March. SCT revenue from motor vehicles accounted for 36% of total SCT revenue and 6% of total tax revenues in the first quarter of the year. SCT on tobacco products increased by 62.9% yoy to 23.4 billion TRY in March. In the first quarter of the year, revenues from this item accounted for 24% of total SCT revenues.
  - **In seasonally adjusted terms**, the monthly increase in tax revenues accelerated in March (4.4%), while this increase was observed across all sub-items of tax revenues.
  - **In price and seasonally adjusted terms**, tax revenues rose by 3% month-on-month in March, following the monthly decline in February (Chart 5). A breakdown by subcategories reveals increases in all major items except SCT (Chart 6).

**Chart 5. Tax Revenues (bn TL, s.a., 2003 prices)**

Sources: Treasury, Akbank

Note: Tax revenues are deflated with the relevant CPI items.

**Chart 6. Tax Revenues (bn TL, s.a., 2003 prices)**

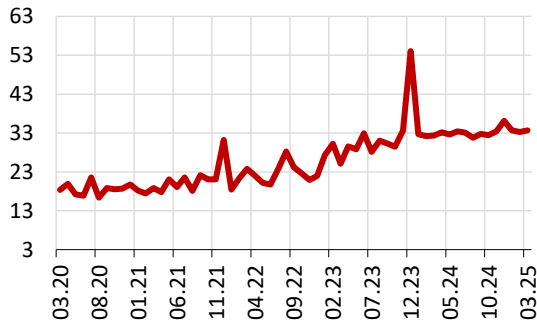
Sources: Treasury, Akbank

**Budget Expenditure:**

- **Central government budget expenditure increased by 48.3% yoy to 1,027.7 billion TRY in March.** In the first quarter of the year, the annual increase in expenditures was 45.0%, totaling 3.118 billion TRY.
  - **Primary expenditures** increased by 40.2% yoy in March and by 39.7% yoy in January-March period to 2,654 billion TRY.
    - **Capital expenditures**, including investment expenditures, continued to increase, posting a strong annual rise of 77% in March. In seasonally adjusted terms, capital expenditures decreased by 0.5% mom in March after the strong increase in February. **Capital transfers** increased by 3.1 billion TRY yoy to 6.1 billion TRY.
    - Annual increase in **current transfers** was 44.7% in March. Unlike the previous months, there was no SEE assignment in March. In the first quarter of the year, out of the total 72.1 billion TRY, 37.1 billion TRY was transferred to Electricity Generation Co. and 35 billion TRY to BOTAŞ.

- **Personnel expenditures** increased by 38.4% yoy in March, while **goods and services purchases** rose by 65.2% yoy.
- **Lending** item decreased by 74.2% yoy to 8.7 billion TRY in March. Of this amount, 2.15 billion TRY was composed of capital transfers within the scope of lending to SEEs. Of this amount, 1.75 billion TRY was transferred to Turkish Coal Enterprises and 400 million TRY was transferred to TÜRASAŞ.
- **Interest expenditure** increased strongly by 116.3% yoy to 161.2 billion TRY in March. Thus, in the first quarter of the year, interest expenditures increased by 85% yoy to 463.9 billion TRY.
- **In price and seasonal adjusted terms** primary expenditures increased by 1.4% mom in March after two months of decline (Chart 7). Expenditures for the purchase of goods and services and current transfers increased on a monthly basis (Chart 8).

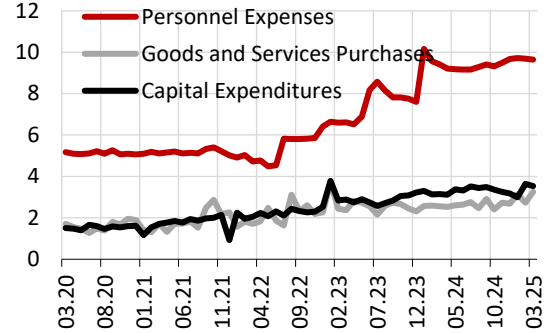
**Chart 7. Primary Expenditure (bn TL, s.a., 2003 prices)**



Sources: Treasury, Akbank

Note: Expenditure are deflated with the relevant CPI items.

**Chart 8. Primary Expenditures (bn TL, s.a., 2003 prices)**



Sources: Treasury, Akbank

Table 1. Budget Balance (Million TRY)

	Monthly		Year-to-Date Cumulative		12-Month Cumulative	
	Mar.25	Mar.24	Mar.25	Mar.24	Mar.25	Mar.24
<b>Budget Revenues</b>	<b>766.261</b>	<b>483.842</b>	<b>2.406.769</b>	<b>1.637.198</b>	<b>9.440.434</b>	<b>6.050.037</b>
<b>General Budget Revenues</b>	<b>744.809</b>	<b>471.061</b>	<b>2.323.684</b>	<b>1.577.889</b>	<b>9.184.840</b>	<b>5.909.991</b>
Taxes	645.101	420.468	2.022.726	1.343.960	7.983.629	5.214.034
Income Tax	172.588	85.156	501.439	257.505	1.771.521	834.376
Corporate Tax	4.847	5.076	23.748	28.291	885.655	799.344
VAT	92.362	49.011	351.728	221.918	1.122.448	657.106
Special Consumption Tax	132.558	96.596	393.594	283.153	1.561.701	1.076.076
VAT from Imports	130.577	111.768	353.820	303.057	1.384.696	1.084.515
Property Income	11.479	6.134	39.672	48.975	126.290	114.496
Grants and Aids and Special Revenues	19.505	3.344	51.865	24.618	202.529	44.389
Interest, Shares and Fines	64.507	39.674	191.294	154.675	824.532	512.435
Capital Revenues	4.165	747	15.671	3.333	36.003	16.190
Collections from Loans	52	694	2.456	2.327	11.856	8.447
<b>Special Budget Revenues</b>	<b>17.995</b>	<b>10.611</b>	<b>65.782</b>	<b>42.889</b>	<b>210.771</b>	<b>107.702</b>
<b>Rev. of Regulatory &amp; Supervisory Inst.</b>	<b>3.457</b>	<b>2.170</b>	<b>17.303</b>	<b>16.420</b>	<b>44.823</b>	<b>32.344</b>
<b>Budget Expenditures</b>	<b>1.027.727</b>	<b>692.807</b>	<b>3.117.586</b>	<b>2.150.680</b>	<b>11.743.915</b>	<b>7.693.943</b>
<b>Primary Expenditures</b>	<b>866.484</b>	<b>618.254</b>	<b>2.653.636</b>	<b>1.900.204</b>	<b>10.259.986</b>	<b>6.869.510</b>
Compensation of Employees	282.300	203.941	920.721	664.320	2.922.364	1.714.348
Social Security Contributions	35.767	25.922	111.471	81.510	362.118	224.458
Purchases of Goods and Services	80.631	48.819	187.083	118.734	813.213	501.836
Current Transfers	373.747	258.217	1.183.248	837.168	4.209.679	2.746.257
Capital Expenditures	79.276	44.780	172.823	95.576	1.020.348	590.089
Capital Transfers	6.107	2.960	33.981	5.054	669.285	842.436
Lending	8.657	33.617	44.309	97.843	262.979	250.087
<b>Interest Payments</b>	<b>161.243</b>	<b>74.553</b>	<b>463.950</b>	<b>250.476</b>	<b>1.483.928</b>	<b>824.433</b>
<b>Budget Balance</b>	<b>-261.466</b>	<b>-208.965</b>	<b>-710.817</b>	<b>-513.482</b>	<b>-2.303.480</b>	<b>-1.643.907</b>
<b>Primary Balance</b>	<b>-100.223</b>	<b>-134.412</b>	<b>-246.867</b>	<b>-263.006</b>	<b>-819.552</b>	<b>-819.473</b>

Source: Treasury

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