

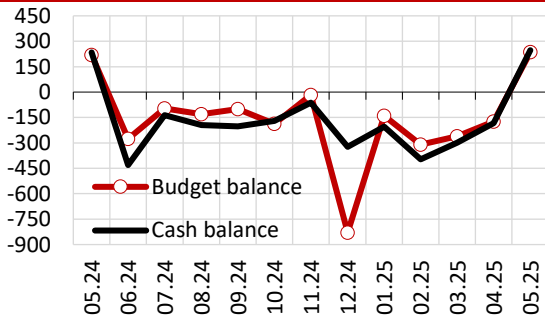
Macro: Budget posted surplus through corporate tax in May but no improvement in underlying trend

Central government budget balance posted a surplus of 235.2 billion TRY in May, exceeding the surplus of the same month of the previous year (219.4 billion TRY). On the other side, primary budget gave a surplus of 346.4 billion TRY. Thus, budget deficit decreased to 650.3 billion TRY year-to-date, while the 12-month cumulative budget deficit remained flat at 2.3 trillion TRY, slightly below the end-2024 level of 4.9% of GDP. The five-month average of the seasonally adjusted primary budget deficit remained in negative territory. Therefore, there is still a need for tighter fiscal stance through expenditures in the rest of the year in order to realise the target of 0% of primary budget balance to GDP, which was set in the MTP to support the disinflation process.

Budget Balance

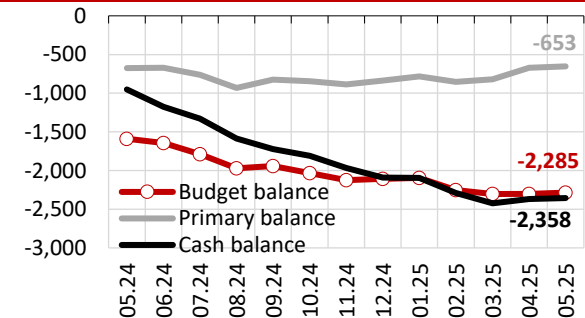
- The central government budget balance posted a surplus of TRY 235.2 billion in May, slightly below the Treasury cash balance (TRY 247.1 billion) but above the surplus recorded in the same month of the previous year (TRY 219.4 billion) (Chart 1). The primary surplus was 346.4 billion TRY in May, compared to a surplus of 330.1 billion TRY in the same period of 2024 (Table 1, Chart 2).
- In the first five months of the year, the budget deficit stood at TRY 650.3 billion, the 12-month cumulative budget deficit at TRY 2.3 trillion and the primary budget deficit at TRY 653.5 billion (Chart 2).

Chart 1. Budget and Cash Balance (billion TL)



Source: Treasury

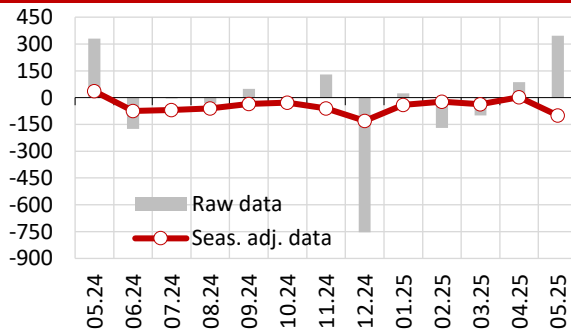
Chart 2. Budget and Cash Balance (12-month cumulative, billion TL)



Source: Treasury

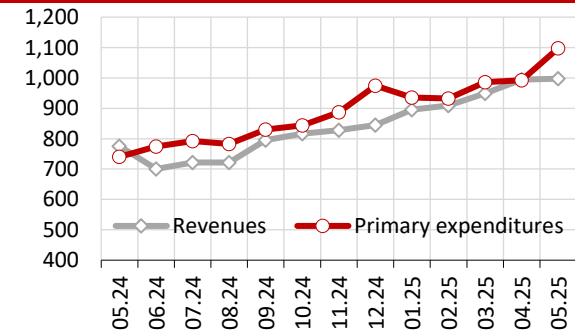
- In seasonally adjusted (s.a.) terms, the primary budget balance posted a significant monthly deficit in May (Chart 3). The monthly increase in primary expenditures was significantly higher than revenues (Chart 4).

Chart 3. Budget and Cash Balance (billion TL)



Source: Treasury, Akbank

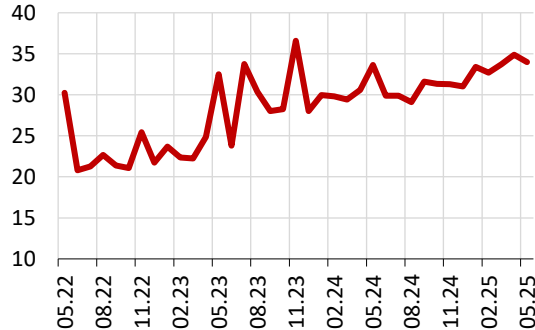
Chart 2. Revenue and Expenditure (s.a, bn. TL)



Source: Treasury, Akbank

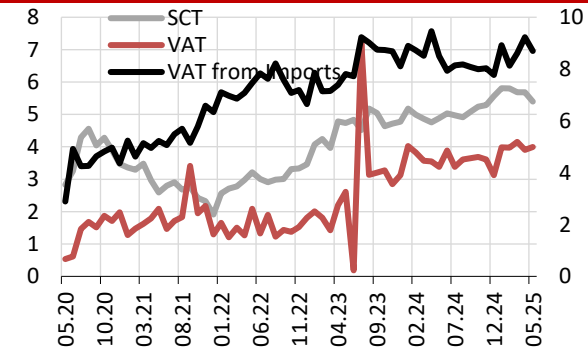
Budget Revenue:

- **Central government budget revenue increased by 31.6% yoy to 1,325 billion TRY in May.** In the first five months of the year, revenues increased by 44.7% yoy to 4,689 billion TRY.
 - **Tax revenue increased by 33.2% yoy in May,** below the 46.7% yoy growth in the first five months.
 - **Income tax** increased by 88.4% yoy and corporate tax by 16.6% yoy in May.
 - **Domestic VAT** increased by 67.8% yoy, while the annual rate of increase in VAT on imports continued to slow down and stood at 15.0%. In price and seasonally adjusted terms, VAT on imports decreased by 5.7% mom.
 - **The annual increase in SCT revenues was 23.4%.** SCT revenues from petroleum and natural gas products increased by 48.7% yoy. The annual rate of increase in SCT revenues from motor vehicles slowed down to 20.9% in May in line with the developments in the automotive market. In the first five months of the year, SCT revenue from motor vehicles accounted for 37.5% of total SCT revenue and 6.3% of total tax revenues. SCT revenues from tobacco products increased by 1.7% yoy to 24.7 billion TRY in May. In the first five months of the year, revenues from this item accounted for 22% of total SCT revenues.
 - **In seasonally adjusted terms,** the monthly increase in tax revenues remained limited in May.
 - **In price and seasonally adjusted terms,** tax revenues decreased mom in May (Chart 5). In sub-details, corporate tax, income tax and domestic VAT increased, while revenues from SCT and value-added tax on imports decreased (Chart 6).

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

Sources: Treasury, Akbank

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

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

Sources: Treasury, Akbank

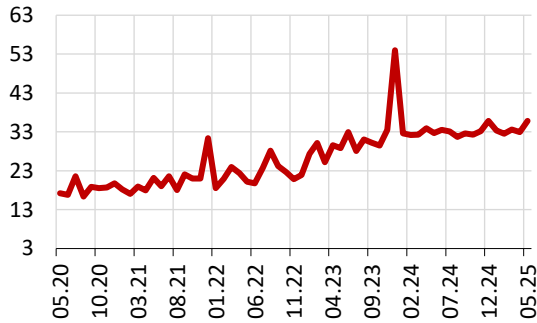
Budget Expenditure:

- **Central government budget expenditure increased by 38.3% yoy to 1,089.7 billion TRY in May.** Thus, the annual increase in expenditures in January-May period was 43.8% yoy and totalled 5.339 billion TRY.
 - **Primary expenditure** increased by 44.5% yoy in May and by 39.1% yoy in January-May period and reached 4,504 billion TRY.
 - Annual increase in **current transfers** was 46.9% in May. The SEE assignment item totalled 53.3 billion TL in May, of which 18.9 billion TL was transferred to Electricity Generation Co. and 34.5 billion TL to BOTAŞ. In the five months of the year, out of a total of TL 166.6 billion, TL 85.6 billion was transferred to Electricity Generation Co. and TL 79.5 billion to BOTAŞ.
 - **Capital expenditures**, including investment expenditures, rose by 61.6% yoy in May, following a slight deceleration in April. In seasonally adjusted terms, capital expenditures increased by

7.7% mom in May after two months of decline. Capital transfers, on the other hand, posted a strong increase by 47.5% yoy.

- **Personnel expenditures** increased by 34.8% yoy in May, while goods and services purchases rose by 42.9% yoy.
- **The lending** increased by 87.3% yoy to 23.7 billion TL in May. Of this amount, 16.2 billion TRY was composed of capital transfers within the scope of lending to SEEs, 13.9 billion TRY was transferred to Turkish State Railways and 1.5 billion TRY to Turkish Hard Coal Corporation.
- **Interest expenditures** increased slightly by 0.5% yoy in May and reached 111.2 billion TRY. Thus, in the first five months of the year, interest expenditures increased by 75.9% yoy to 835.8 billion TRY.
- In price and seasonal adjusted terms, primary expenditures increased by 8.7% in May after a monthly decline of 2.0% in April (Chart 7). The strongest monthly increases were recorded in lending and current transfers (Chart 8).

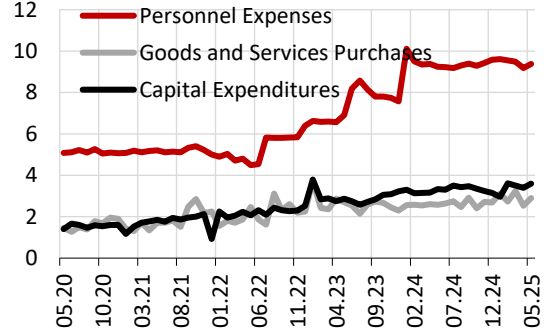
Chart 7. Primary Expenditure (bn TL, s.a., 2003 prices)



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	
	May.25	May.24	May.25	May.24	May.25	May.24
Budget Revenues	1,324,971	1,007,136	4,689,154	3,240,147	10,119,870	6,835,589
General Budget Revenues	1,302,121	990,238	4,547,701	3,150,706	9,836,041	6,681,690
Taxes	1,196,410	898,424	4,006,528	2,730,239	8,581,151	5,860,195
Income Tax	213,521	113,337	950,159	481,321	1,996,425	962,283
Corporate Tax	470,877	403,930	524,347	451,978	962,567	957,603
VAT	103,415	61,619	567,805	355,752	1,204,690	732,555
Special Consumption Tax	143,604	116,327	679,009	497,055	1,633,213	1,173,929
VAT from Imports	137,894	119,948	633,882	534,484	1,433,331	1,190,687
Property Income	17,436	8,376	115,770	64,754	186,609	114,853
Grants and Aids and Special Revenues	9,372	14,324	67,496	46,327	196,452	61,313
Interest, Shares and Fines	76,169	66,977	334,765	300,143	822,535	619,169
Capital Revenues	2,690	1,173	20,367	5,301	38,731	16,868
Collections from Loans	44	964	2,776	3,941	10,563	9,290
Special Budget Revenues	18,107	14,084	107,288	67,416	227,749	118,830
Rev. of Regulatory & Supervisory Inst.	4,744	2,814	34,164	22,025	56,080	35,069
Budget Expenditures	1,089,743	787,728	5,339,456	3,712,050	12,404,414	8,424,351
Primary Expenditures	978,586	677,084	4,503,691	3,236,904	10,773,341	7,512,459
Compensation of Employees	275,106	204,032	1,470,201	1,077,721	3,058,444	1,952,545
Social Security Contributions	34,118	25,430	179,001	132,919	378,238	249,354
Purchases of Goods and Services	85,039	59,519	337,941	223,699	859,106	541,963
Current Transfers	456,682	310,849	2,050,156	1,458,138	4,455,617	3,041,841
Capital Expenditures	98,979	61,237	348,743	214,567	1,077,276	650,612
Capital Transfers	4,977	3,373	42,476	12,236	670,597	825,321
Lending	23,685	12,644	75,174	117,624	274,062	250,822
Interest Payments	111,156	110,643	835,765	475,147	1,631,074	911,893
Budget Balance	235,229	219,409	-650,302	-471,903	-2,284,544	-1,588,762
Primary Balance	346,385	330,052	185,463	3,244	-653,471	-676,870

Source: Treasury

This report is prepared by Akbank Economic Research

Economic.research@akbank.com

Çağlar Yüncüler – Vice President

Caglar.Yunculer@akbank.com

M. Sibel Yapıcı

Sibel.Yapici@akbank.com

Sercan Pişkin

Sercan.Piskin@akbank.com

DISCLAIMER STATEMENT: The text, information and graphs in this report and comments has been prepared from the primary accessible systemic sources on a bona fide basis, and without consideration to establishing any guarantee and assurance for establishing a basis for any informed decision under any name or form, in terms of their accuracy, validity and effectiveness, and thus it has only been gathered for information purposes. Akbank TAŞ, Ak Yatırım AŞ and their employees will not be held responsible for any damages resulting from the comments included in this report such as lack of information and/or updates. Akbank TAŞ and Ak Yatırım AŞ may modify and/or remove the above information and recommendations at any time, without having to serve any prior notice and/or warning in any way, manner or form. Since this report and comments, the comprehensive information and recommendations which have been prepared in the form of general investment suggestions for the purpose of providing general information do not include any commitment by Akbank TAŞ and Ak Yatırım AŞ, the consequences of any decisions taken, conclusions reached, transactions made and any risks caused by any private and/or legal person based on such information will therefore rest with such persons. For this reason, Akbank T.A.Ş., Ak Yatırım A.Ş. and their employees shall not by any means or in any manner be liable for any material and moral damages, loss of profits, or any direct and/or indirect damages, whatsoever, incurred by the persons concerned or 3rd parties, as a result of the decisions taken, conclusions reached, or transactions performed by private and/or legal persons due to reliance on the information contained in this report, the comments and recommendations herein, and the persons concerned understand and accept that they are not entitled to claim any indemnity, whatsoever, from Akbank TAŞ, Ak Yatırım AŞ and their employees for any damages suffered/to be suffered. The information given in this report, and the comments and recommendations contained herein do not constitute an "investment consultancy" service and/or activity, but fall within the scope of a general investment consultancy activity, and individuals and entities willing to receive an investment consultancy service must contact entities and institutions that are authorized to provide such service and obtain such service under a service agreement pursuant to the legislations of CMB. Investment consultancy services are offered under an investment consultancy agreement to be signed between brokerage houses, portfolio management companies, banks that do not admit deposits and the clients. The comments and recommendations contained herein depend upon the personal opinions of the persons who make the comments and recommendations. Since such opinions have been arranged in the scope of a general investment consultancy activity they do not contain reports, comments and recommendations specific to a person, and may therefore not suit your financial status, risk and return preferences. Thus, making investment decisions solely based on the information contained herein might not bring an outcome that meets your expectations.

