

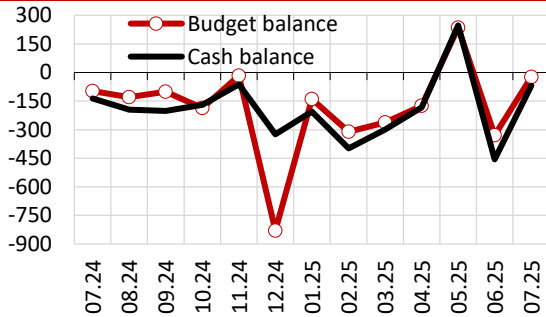
## Macro: The budget balance trend points to a higher deficit than the MTP targets

In July, the central government budget recorded a deficit of TRY23.9 billion, which was below the cash deficit (TRY68.5 billion). The primary balance posted a surplus of TRY110.7 billion. As a result, the budget deficit rose to TRY1,004 billion in the first seven months of the year, while the 12-month cumulative budget deficit remained close to flat at TRY2.3 trillion. In seasonally adjusted terms, the primary budget balance has been in surplus for the last two months.

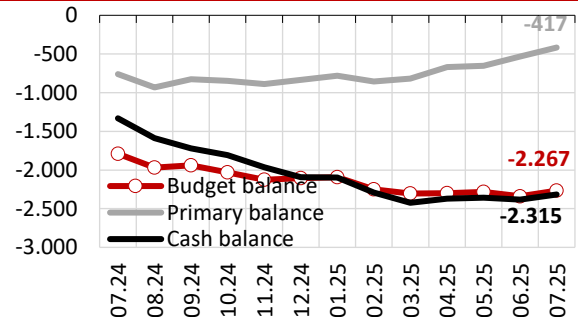
To meet the primary budget balance target of 0% of GDP set out in the MTP, fiscal policy must be tightened in the second half of the year. Due to the high level of interest expenditures, it appears that the total budget deficit will exceed the MTP forecast, making it impossible to meet the MTP target (3.1% of GDP). New MTP targets are expected to be announced in September.

**Budget Balance**

- The central government budget balance recorded a deficit of TRY 23.9 billion in July, remaining below the Treasury cash deficit (TRY68.5 billion) and lower than the budget deficit in the same month last year (TRY96.8 billion) (Chart 1). In terms of primary expenditure, there was a surplus of TRY110.7 billion in July. In the same period of 2024, there was a deficit of TRY4.2 billion (Table 1, Chart 2).
- Thus, the budget deficit amounted to TRY1,004.3 billion in the first seven months of the year. On a 12-month cumulative basis, the total budget deficit amounted to TRY 2.3 trillion, while the primary budget deficit reached TRY417 billion (Chart 2).

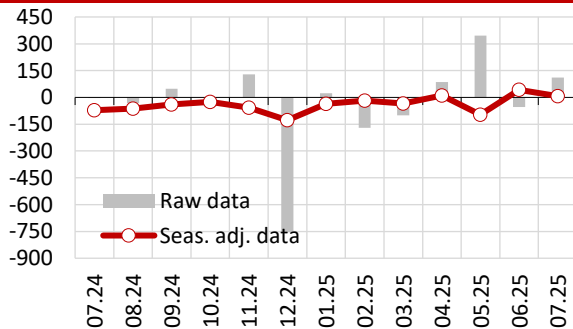
**Chart 1. Budget and Cash Balance (billion TL)**

Source: Treasury

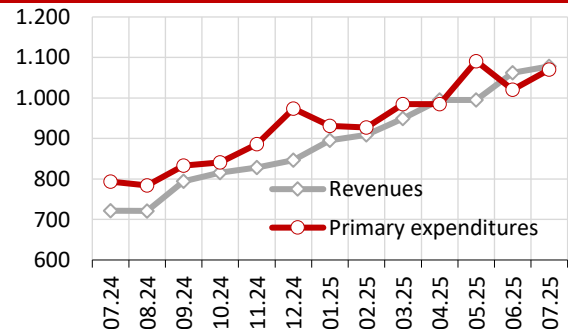
**Chart 2. Budget and Cash Balance (12-month cumulative, billion TL)**

Source: Treasury

- In seasonally adjusted (s.a.) terms, the primary budget balance remained in surplus in July following June (Chart 3). However, it was lower than the previous month (Chart 4).

**Chart 3. Primary Balance (billion TL)**

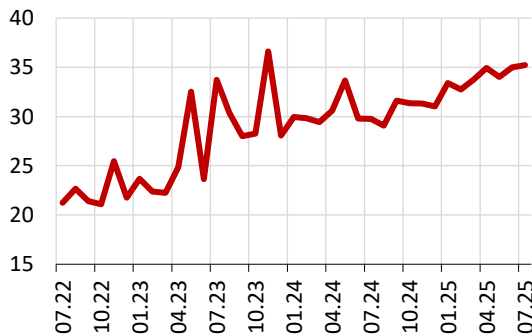
Source: Treasury, Akbank

**Chart 4. Revenue and Expenditure (s.a, bn. TL)**

Source: Treasury, Akbank

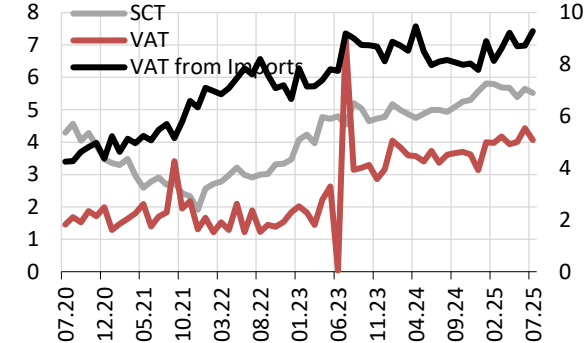
**Budget Revenue:**

- **Central government budget revenue increased by 50.1% yoy to TRY 1,096.9 billion in July.** In the first seven months of the year, revenues rose to TRY 6.695 billion, an increase of 46.8% yoy.
  - **Tax revenue** increased by 55.3% yoy in July, while the annual increase for the first seven months was 49.6%, amounting to TRY 5,721 billion.
    - **Income tax** increased by 91.9% yoy in July, while corporate tax decreased by 16.5%.
    - **Domestic VAT** increased by 59.5% annually. **VAT on imports** increased by 38.3% annually. Price and seasonally adjusted, Domestic VAT decreased by 8.2% on a monthly basis, while VAT on imports increased by 6.3%.
    - The annual increase in **SCT revenues** was 34.6%. SCT revenues from **petroleum and natural gas** products increased by 38.0%. SCT revenues from **motor vehicles** increased by 26.1% yoy in July, accounting for 37% of total SCT revenues and 6.6% of total tax revenues in the first seven months of the year. This was mainly driven by the 28.5% yoy increase in SCT revenues from **tobacco products**. In the first seven months of the year, revenues from this item accounted for 22% of total SCT revenues.
  - In **seasonally adjusted terms**, tax revenues rose by 5.5% mom in June and by 2.4% in July.
  - In **price and seasonally adjusted terms**, the monthly increase in tax revenues declined from 2.9% to 0.7% (Chart 5). Looking at the details, there was a decline in all items except income tax and value added tax on imports (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)**

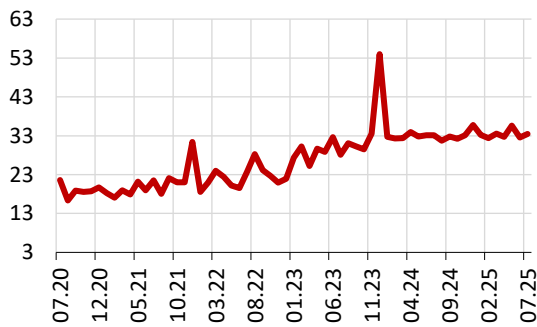
Sources: Treasury, Akbank

**Budget Expenditure:**

- **Central government budget expenditure increased by 35.4% yoy to TRY 1,120.8 billion in July.** Thus, the annual increase in expenditures in the January-July period was 42.4%, totalling TRY 7,700 billion
  - **Primary expenditures** increased by 34.1% yoy in July. The first seven months of the year, primary expenditures increased by 36.2% to 6,454 billion TL.
    - **Current transfers** increased by 40.5% yoy in July. The SEE assignment item totalled TRY 38.3 billion; of which TRY 22.0 billion was transferred to BOTAŞ and TRY 16.3 billion to Elektrik Üretim A.Ş. In the first seven months of the year, out of the total TRY 223.3 billion, TRY120.2 billion was transferred to Electricity Generation Inc., TRY 101.5 billion to BOTAŞ, and TRY1.6 billion to the Türkiye Coal Enterprises Corporation.
    - Annual increase in **capital expenditures**, increased by 37.3% yoy in July. In seasonally adjusted terms, capital expenditures increased by 7.4% mom.

- **Goods and services purchases** increased by 36.1% yoy in July, while **personnel expenditures** increased by 30.7% yoy.
- **Lending item** decreased by 29.5% yoy to TRY 25.5 billion in July. Of this amount, TRY 17.1 billion was composed of capital transfers within the scope of lending to SEEs; TRY 15.3 billion was transferred to the Türkiye State Railways, and TRY 1.2 billion was transferred to the Türkiye Hard Coal Corporation.
- **Interest expenditures** rose by 45.4% yoy to TRY 134.6 billion in July. Thus, in the first seven months of the year, Interest expenditures reached TRY 1,246 billion, an increase of 86.8% yoy.
- In **price and seasonal adjusted terms**, primary expenditures increased by 2.6% in July following a monthly decline of 8.4% in June (Chart 7). On a monthly basis, items other than personnel expenses, goods and services purchases, and capital transfers recorded increases.

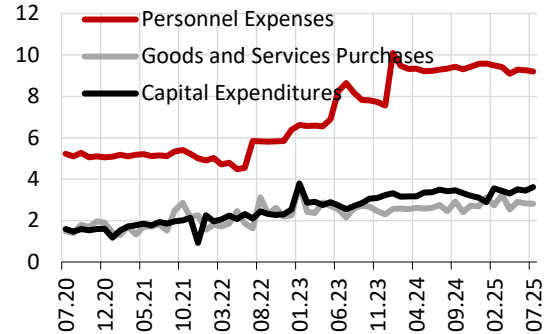
**Chart 7. Primary Expenditure (bn TL, s.a., 2003 prices)**



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	
	July.25	July.24	July.25	July.24	July.25	July.24
<b>Budget Revenues</b>	<b>1.096.914</b>	<b>730.930</b>	<b>6.695.494</b>	<b>4.562.295</b>	<b>10.804.063</b>	<b>7.385.098</b>
<b>General Budget Revenues</b>	<b>1.072.282</b>	<b>710.639</b>	<b>6.502.668</b>	<b>4.435.851</b>	<b>10.505.862</b>	<b>7.207.433</b>
Taxes	949.836	611.741	5.721.293	3.825.106	9.201.050	6.273.587
Income Tax	292.072	152.236	1.446.534	739.771	2.234.351	1.103.862
Corporate Tax	11.969	14.331	550.871	480.178	960.891	954.161
VAT	125.467	78.654	821.356	515.156	1.298.838	786.343
Special Consumption Tax	181.453	134.788	1.024.313	743.515	1.732.057	1.263.066
VAT from Imports	165.540	119.735	933.616	750.609	1.516.941	1.246.371
Property Income	10.559	6.814	138.144	78.333	195.405	118.358
Grants and Aids and Special Revenues	5.049	15.872	77.346	76.011	176.617	85.895
Interest, Shares and Fines	100.466	74.215	534.051	442.656	879.309	701.880
Capital Revenues	6.131	1.009	28.724	7.218	45.171	17.218
Collections from Loans	240	987	3.110	6.527	8.311	10.494
<b>Special Budget Revenues</b>	<b>19.777</b>	<b>17.372</b>	<b>148.700</b>	<b>98.048</b>	<b>238.530</b>	<b>140.091</b>
<b>Rev, of Regulatory &amp; Supervisory Inst,</b>	<b>4.855</b>	<b>2.919</b>	<b>44.126</b>	<b>28.396</b>	<b>59.671</b>	<b>37.574</b>
<b>Budget Expenditures</b>	<b>1.120.775</b>	<b>827.706</b>	<b>7.699.834</b>	<b>5.406.254</b>	<b>13.070.588</b>	<b>9.174.854</b>
<b>Primary Expenditures</b>	<b>986.188</b>	<b>735.167</b>	<b>6.453.806</b>	<b>4.739.292</b>	<b>11.221.067</b>	<b>8.146.228</b>
Compensation of Employees	322.088	246.386	2.069.881	1.531.806	3.204.038	2.159.130
Social Security Contributions	37.593	29.180	249.851	187.972	394.035	270.515
Purchases of Goods and Services	80.115	58.855	493.303	330.643	907.524	593.133
Current Transfers	389.014	276.830	2.901.331	2.105.829	4.659.101	3.254.546
Capital Expenditures	116.963	85.160	549.325	372.670	1.119.755	754.216
Capital Transfers	14.957	2.639	65.277	30.881	674.753	822.069
Lending	25.457	36.117	124.840	179.491	261.862	292.619
<b>Interest Payments</b>	<b>134.588</b>	<b>92.539</b>	<b>1.246.028</b>	<b>666.962</b>	<b>1.849.521</b>	<b>1.028.626</b>
<b>Budget Balance</b>	<b>-23.862</b>	<b>-96.776</b>	<b>-1.004.340</b>	<b>-843.960</b>	<b>-2.266.526</b>	<b>-1.789.755</b>
<b>Primary Balance</b>	<b>110.726</b>	<b>-4.238</b>	<b>241.688</b>	<b>-176.997</b>	<b>-417.005</b>	<b>-761.130</b>

Source: Treasury

This report is prepared by Akbank Economic Research

[Economic.research@akbank.com](mailto:Economic.research@akbank.com)

Çağlar Yüncüler – Vice President

[Caglar.Yunculer@akbank.com](mailto:Caglar.Yunculer@akbank.com)

M. Sibel Yapıcı

[Sibel.Yapici@akbank.com](mailto:Sibel.Yapici@akbank.com)

Sercan Pişkin

[Sercan.Piskin@akbank.com](mailto: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.

