

Macro: Underlying budget balance implies convergence to new MTP targets

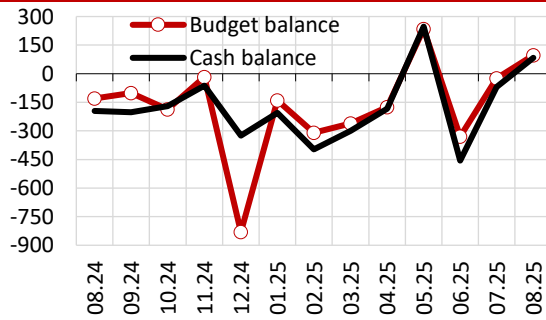
In August, the central government budget surplus reached TRY 96.7 billion, which was higher than the cash surplus of TRY 84.2 billion. The primary surplus was TRY 276.4 billion. Consequently, the budget deficit fell to TRY 907.6 billion in the first eight months of the year, and the 12-month cumulative budget deficit fell to TRY 2.0 trillion. In seasonally adjusted terms, the primary budget balance has been in surplus for the last three months.

As of August, we estimate the budget deficit as a percentage of GDP to be 3.7%, with the primary budget deficit standing at 0.2%. These ratios indicate a tightening of the fiscal stance compared to the first quarter. In the new MTP, budget deficit forecasts were 3.6% and 0.3% for the total and primary budget balances, respectively. Accordingly, the current trend seems consistent with the MTP forecast. As emphasized in the latest MPC decision, we consider it important to adhere to the framework outlined in the MTP so that the fiscal stance can support disinflation process.

Budget Balance

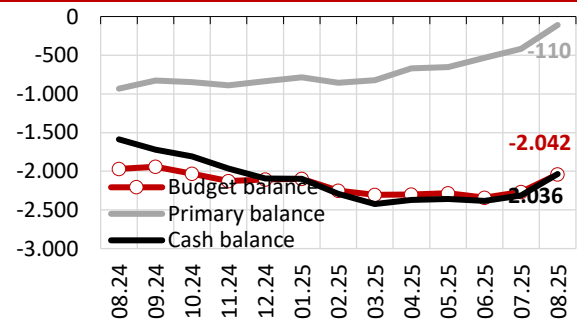
- The central government budget balance recorded a surplus of TRY 96.7 billion in August, higher than the cash surplus of TRY 84.2 billion. The budget recorded a deficit of TRY 129.6 billion in the same period of 2024 (Graph 1). The primary surplus was TRY 276.4 billion in August. In the same period of 2024, there was a deficit of TRY 32.5 billion (Table 1, Graph 2).
- Thus, the budget deficit amounted to TRY 907.6 billion in the first eight months of the year. On a 12-month cumulative basis, the total budget deficit amounted to TRY 2.04 trillion, while the primary budget deficit declined to TRY 110 billion (Chart 2).

Chart 1. Budget and Cash Balance (billion TL)



Source: Treasury

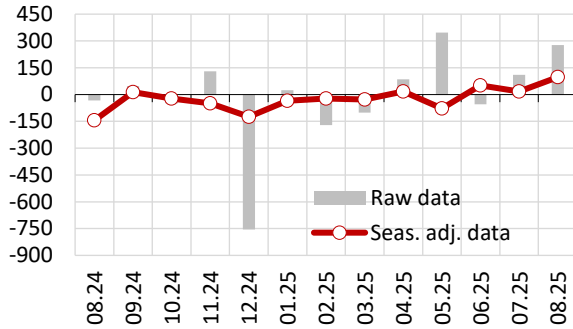
Chart 2. Budget and Cash Balance (12-month cumulative, billion TL)



Source: Treasury

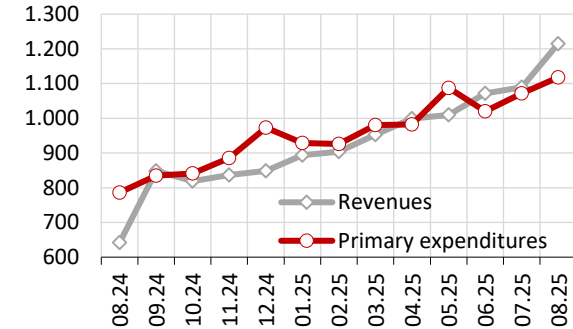
- In seasonally adjusted (s.a.) terms, the primary budget balance has been positive for the past three months, showing a favorable trend (Chart 3). The surplus in August was driven by the monthly increase in revenues, particularly from corporate taxes, which exceeded primary expenditures (Chart 4).

Chart 3. Primary Balance (billion TL)



Source: Treasury, Akbank

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

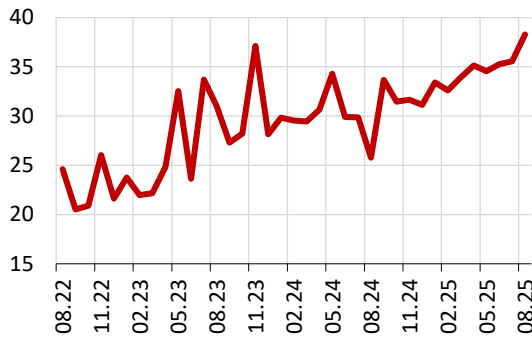


Source: Treasury, Akbank

Budget Revenue:

- **Central government budget revenue increased by 86.5% yoy to TRY 1,288.1 billion in August.** In the eight seven months of the year, revenues rose to TRY 7,984 billion, implying an increase of 52.0% yoy. The year-end estimate in the new MTP is TRY 12,465.9 billion TL. Thus, 64% of the MTP target was realized in the first eight months.
 - **Tax revenues** recorded a strong increase of 99.5% annually in August. Thus, tax revenues reached TRY 687.2 billion in the first eight months, indicating an increase of 56.1% yoy.
 - **Corporate tax** increased by 1333% annually. The fact that provisional corporate tax was collected in September 2024 rather than August 2024 created a strong base effect. On the other hand, **income tax** increased by 80.7% annually in August.
 - **Domestic VAT** increased by 64.1%, while **VAT on imports** increased by 26.7% yoy. In seasonally adjusted real terms, Domestic VAT rebounded in August by an increase of 7.5%. VAT on imports, in seasonally adjusted real terms, fell by 6.3% mom.
 - The annual increase in **SCT revenues** was 47.8%. The 76.6% annual increase in SCT revenues from **motor vehicles** was particularly decisive here. In the first eight months of the year, SCT revenues from motor vehicles accounted for 36.5% of total SCT revenues and 6.4% of total tax revenues. In seasonally adjusted real terms, it increased 21% on a monthly basis. The SCT regulation that came into effect at the beginning of August contributed to this development. SCT revenues from **petroleum and natural gas products** increased by 29% annually. In August, the annual increase in SCT revenue from **tobacco products** was 50%. In the first eight months of the year, revenue from this item accounted for 22.7% of total SCT revenues.
 - In **seasonally adjusted terms**, **tax revenues** rose by 12.4% mom in August, marking the highest monthly increase almost over a year.
 - In **seasonally adjusted real terms**, the monthly increase in tax revenues rose from 0.8% to 7.7% (Chart 5). Looking at the details, corporate tax led the increase, while there were also increases in domestic value-added tax and excise tax (Chart 6). Income tax, however, decreased on a monthly basis.

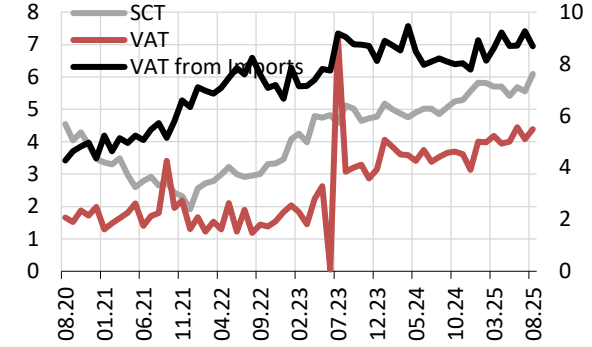
Chart 5. Tax Revenue (bn TL, s.a., 2003 prices)



Sources: Treasury, Akbank

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

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

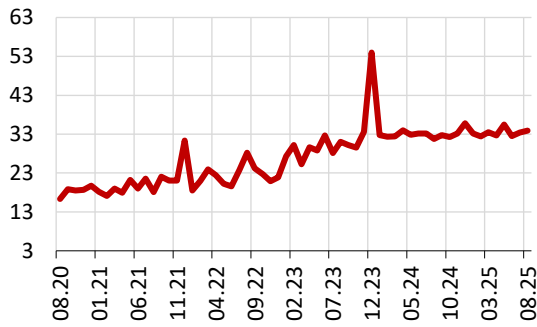


Sources: Treasury, Akbank

Budget Expenditure:

- **Central government budget expenditure** increased by 45.2 % yoy to TRY 1,191.4 billion in August. Thus, the annual increase in expenditures in the January-August period was 42.8%, totalling TRY 8,891 billion. The year-end estimate in the new MTP is TRY14,674.1 billion TL. Thus, 61% of the MTP target was realized in the first eight months.
 - The annual increase in **primary expenditures** was 39.9%, with current transfers leading the increase. Expenditures amounted to TL 7,465 billion in the January-August period, representing an annual increase of 36.7%.
 - **Current transfers** increased by 48.8% yoy in August. The SEE assignment item totalled TRY 51.6 billion; of which TRY 27.0 billion was transferred to Elektrik Üretim A.Ş., TRY 18.0 billion to BOTAŞ and TRY 6.6 billion to Toprak Mahsulleri Ofisi. In the first eight months of the year, out of the total TRY 274.9 billion, TRY147.2 billion was transferred to Electricity Generation Inc., TRY 119.5 billion to BOTAŞ, TRY6,6 billion to Toprak Mahsulleri Ofisi and TRY1.6 billion to the Türkiye Coal Enterprises Corporation.
 - Annual increase in **capital expenditures**, increased by 45.5 % yoy in August. In seasonally adjusted terms, monthly increase decelerated from 7.5% to 2.1%.
 - **Goods and services purchases** increased by 49.9% yoy in August, while **personnel expenditures** increased by 31.9 % yoy.
 - **Lending item** increased by 17.6% yoy in August to TRY20.4 billion. Of this amount, TRY 14.3 billion was composed of capital transfers within the scope of lending to SEEs; TRY 12.9 billion was transferred to the Türkiye State Railways, and TRY 1.5 billion was transferred to the Türkiye Hard Coal Corporation.
 - **Interest expenditures** rose by 85.2% yoy in August to TRY 179.7 billion, and reached TRY 1,425.8 billion in the first eight months of the year. Based on the debt repayment projection, over the next four months, TRY 620 billion interest payments will be made
 - In **seasonal adjusted real terms**, primary expenditures increased by 1.7% in August following a 2.7% increase in July (Chart 7). Looking at the monthly breakdown, current transfers and personnel expenses increased, while other sub-items decreased.

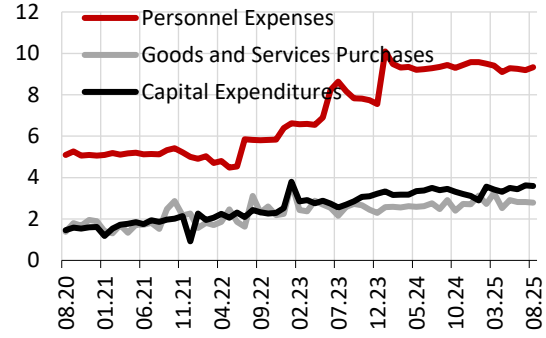
Chart 7. Primary Expenditure (bn TL, s.a., 2003 prices)



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	
	Aug.25	Aug.24	Aug.25	Aug.24	Aug.25	Aug.24
Budget Revenues	1,288,072	690,720	7,983,566	5,253,015	11,403,383	7,461,863
General Budget Revenues	1,263,799	675,777	7,766,467	5,111,628	11,097,853	7,276,566
Taxes	1,150,403	576,709	6,871,696	4,401,815	9,775,160	6,307,113
Income Tax	245,920	136,070	1,692,454	875,841	2,344,278	1,171,766
Corporate Tax	292,902	20,436	843,773	500,614	1,233,375	813,533
VAT	144,106	87,842	965,463	602,998	1,355,150	823,012
Special Consumption Tax	189,459	128,203	1,213,771	871,717	1,793,314	1,287,169
VAT from Imports	138,727	109,535	1,072,343	860,143	1,546,131	1,259,108
Property Income	9,600	13,872	147,744	92,205	191,205	127,508
Grants and Aids and Special Revenues	7,058	16,092	84,404	92,103	158,167	99,547
Interest, Shares and Fines	88,487	62,066	622,537	504,721	909,902	709,275
Capital Revenues	8,200	6,028	36,923	13,247	56,067	22,310
Collections from Loans	52	1,010	3,163	7,537	7,353	10,813
Special Budget Revenues	20,282	12,057	168,982	110,105	244,715	146,443
Rev. of Regulatory & Supervisory Inst,	3,992	2,887	48,117	31,282	60,814	38,854
Budget Expenditures	1,191,367	820,314	8,891,201	6,226,569	13,445,246	9,432,482
Primary Expenditures	1,011,636	723,268	7,465,442	5,462,561	11,513,040	8,393,959
Compensation of Employees	303,078	229,727	2,372,959	1,761,532	3,277,454	2,259,582
Social Security Contributions	36,652	28,137	286,503	216,109	402,611	282,232
Purchases of Goods and Services	83,305	55,568	576,608	386,212	937,443	608,051
Current Transfers	449,363	301,924	3,350,694	2,407,752	4,806,856	3,369,546
Capital Expenditures	110,500	75,926	659,825	448,596	1,155,311	793,380
Capital Transfers	8,383	14,674	73,659	45,555	668,462	803,327
Lending	20,354	17,313	145,194	196,804	264,903	277,841
Interest Payments	179,732	97,046	1,425,759	764,008	1,932,206	1,038,522
Budget Balance	96,705	-129,594	-907,635	-973,554	-2,041,863	-1,970,619
Primary Balance	276,436	-32,548	518,124	-209,545	-109,657	-932,096

Source: Treasury

This report is prepared by Akbank Economic Research

Economic.research@akbank.com

Çağlar Yüncüler, PhD – Vice President

Caglar.Yunculer@akbank.com

M. Sibel Yapıcı

Sibel.Yapici@akbank.com

Sercan Pişkin

Sercan.Piskin@akbank.com

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