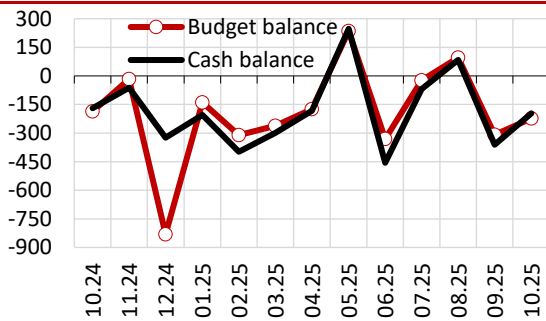


Macro: Fiscal tightening continues

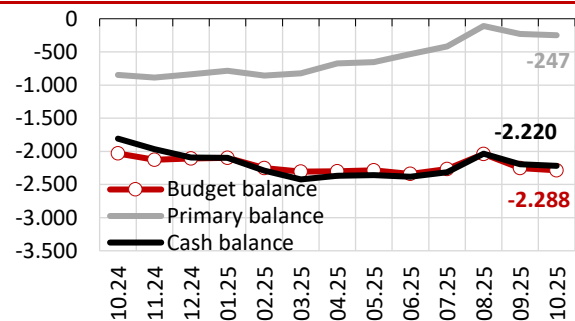
The central government budget posted a deficit of TRY223.2 billion, above the Treasury's cash balance (TRY195.9 billion), while the primary deficit reached TRY65.8 billion. Thus, we estimate that the 12-month cumulative budget deficit decreased to 3.2% of GDP with TRY 2.29 trillion TL, and the primary budget deficit decreased to 0.4% of GDP with TRY 247 billion TL. The current trend suggests that the budget deficit may end the year in line with the MTP, which projected a year-end budget deficit of 3.6% of GDP, with a primary budget deficit of 0.3%. However, the improvement in the budget balance in October was driven by revenues rising stronger than expenditures, and the public sector continues to support growth through expenditures. Considering coordination of monetary and fiscal policies within the scope of disinflation, we believe that the decrease in expenditures, rather than the increase in revenues, should be the determinant in fiscal tightening so that aggregate demand conditions would reach more disinflationary levels.

Budget Balance:

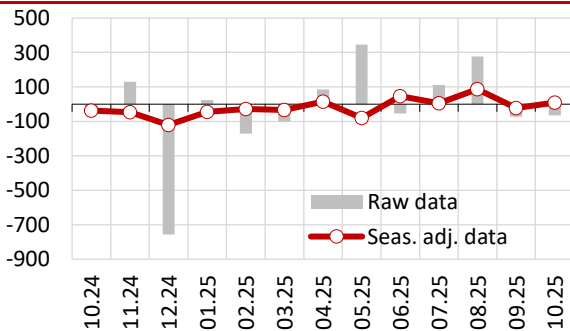
- **The central government budget deficit was TRY223.2 billion in October**, above the Treasury cash deficit (TRY195.9 billion), **while the primary deficit stood at TRY65.8 billion** (Chart 1). In the same period of 2024, the total deficit was TRY186.3 billion, and the primary deficit was TRY50.1 billion. Thus, the budget deficit reached TRY1,440.5 billion in the first 10 months of the year (65% of the MTP year-end target) and TRY2.29 trillion in 12-month cumulative terms (Table 1, Chart 2). Meanwhile, the 12-month cumulative primary budget deficit rose to TRY247 billion (Chart 2).
- **In seasonally adjusted (s.a.) terms**, primary budget balance improved on a monthly basis, returning to a surplus (Chart 3). This development was driven by the stronger increase in budget revenues than the primary expenditures (Chart 4).

Chart 1. Budget and Cash Balances (billion TL)

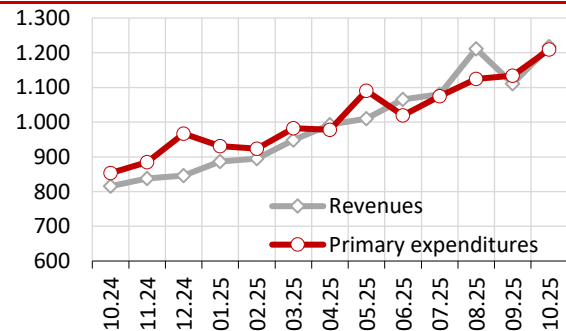
Source: Treasury

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

Source: Treasury

Chart 3. Primary Balance (billion TL)

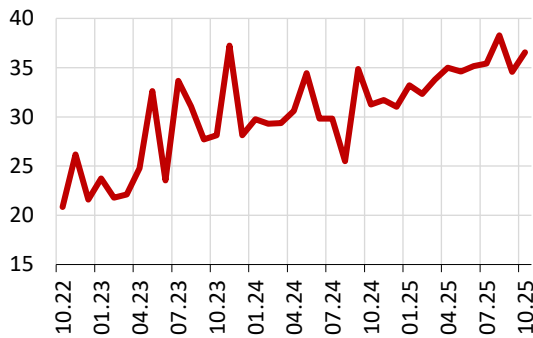
Source: Treasury, Akbank

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

Source: Treasury, Akbank

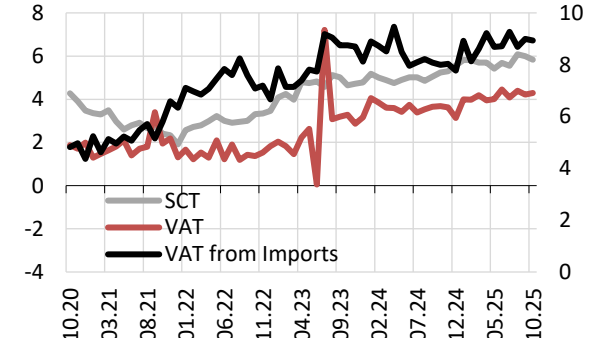
Budget Revenue:

- **Central government budget revenues increased by 49.1 % yoy in October to TRY1,147.1 billion.** Thus, revenues rose to TRY10,152 billion in the first ten months of the year, representing a 48.1% annual increase. The year-end estimate in the new MTP is TRY 12,465.9 billion, 81% of which was realized so far this year.
 - **Tax revenues** increased by 51.6 % yoy in October. Thus, tax revenues reached TRY8,730 billion in the first ten months of the year, representing a 51.1% annual increase.
 - **Corporate tax** decreased by 38.4% annually in October, while **income tax** increased by 90.0% annually.
 - **Domestic VAT** increased by 52.3% yoy, while **VAT on imports** increased by 33.1%. In seasonally adjusted real terms, domestic VAT decreased by 4.0% in September and then increased by 1.8% in October, while VAT on imports decreased by 0.7% on a monthly basis in October.
 - The annual increase in **SCT revenues** was 33.9%, which was particularly driven by the 47.7% annual increase in SCT revenues from **motor vehicles**. In the first ten months of the year, SCT from motor vehicles accounted for 36.6% of total SCT revenues and 6.6% of total tax revenues. SCT revenues from **petroleum and natural gas products** increased by 22.3% yoy. SCT revenues from **tobacco products** increased by 36.5% yoy in October. Revenues from this item accounted for 22.0% of total SCT revenues in the first ten months of the year.

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

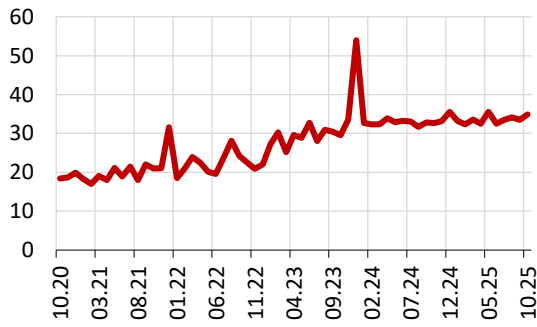
- In **seasonally adjusted terms**, **tax revenues** increased by 9.9% mom in October. In **seasonally adjusted real terms**, the monthly increase in tax revenues was 5.6% (Chart 5). Looking at the details, corporate tax led the increase, while value-added tax on imports and special consumption tax decreased mom (Chart 6).

Budget Expenditure:

- **Central government budget expenditures** increased by 43.4% yoy in October, reaching TRY1,370.3 billion. Thus, budget expenditures increased by 42.9% yoy in the first ten months of the year, reaching TRY11,592 billion. The year-end estimate in the new MTP is TRY14,674.1 billion, 79% of which has been realized in the first nine months
- The annual increase in **primary expenditures** was 48%. In the January-October period, expenditures increased by 38% yoy, reaching TRY 9,773 billion.
 - **Current transfers** increased by 48.6% yoy in October. The SEE assignment item reached TRY71.8 billion, of which TRY49.8 billion was transferred to the Elektrik Üretim A.Ş., TRY20.5 billion to BOTAŞ, and TRY1.4 billion to the Türkiye Coal Enterprises. In the first ten months of the year, a total of TRY361.6 billion was transferred: TRY197.0 billion to the Elektrik Üretim A.Ş., TRY155.0 billion to BOTAŞ, TRY6.6 billion TL to the Türkiye Grain Board, and TRY3.1 billion to the Türkiye Coal Enterprises.

- Annual increase in **capital expenditures**, increased by 27.9% yoy. In **seasonal adjusted real terms**, they have been on a downward trend for three months, but the monthly decline in October was more limited at 0.3%.
- **Goods and services purchases** increased by 59.0% annually, while personnel expenses increased by 37.8%. In **seasonal adjusted real terms**, after a four-month decline, purchases of goods and services increased by 8.1% mom, offsetting the decline in previous months. Personnel expenses, on the other hand, fell by 2.5% mom.
- **Lending item** decreased by 3.0% yoy in October to TRY21.6 billion. Of this amount, TRY15.6 billion was composed of capital transfers within the scope of lending to SEEs. TRY13.6 billion of this amount was transferred to the Türkiye State Railways and TRY2.0 billion to the Türkiye Hard Coal Corporation.
- **Interest expenditures** rose by 15.6% yoy in October to TRY 157.4 billion. Thus, interest expenditures increased by 73.5% annually in the January-October period, reaching TRY1,819.8 billion.
- In **seasonal adjusted real terms**, primary expenditures increased by 4.2% mom in October after decreasing by 2.0% in September (Chart 7). Looking at the monthly breakdown, personnel expenses decreased, while current transfers and expenditures on goods and services increased.

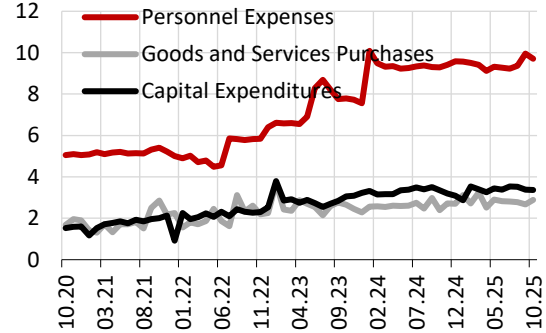
Chart 7. Primary Expenditure (bn TL, s.a., 2003 prices)



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	
	Oct.25	Oct.24	Oct.25	Oct.24	Oct.25	Oct.24
Budget Revenues	1,147,070	769,207	10,151,995	6,853,826	11,971,001	8,147,659
General Budget Revenues	1,112,580	750,052	9,873,283	6,677,540	11,638,757	7,945,927
Taxes	976,016	643,605	8,729,521	5,777,663	10,257,137	6,887,311
Income Tax	303,370	159,661	2,250,908	1,176,283	2,602,290	1,335,734
Corporate Tax	8,105	13,167	868,140	685,237	1,073,119	971,128
VAT	160,439	105,377	1,264,992	799,150	1,458,527	899,819
Special Consumption Tax	186,189	139,000	1,580,346	1,137,835	1,893,772	1,357,083
VAT from Imports	158,440	119,024	1,383,287	1,089,644	1,627,575	1,292,175
Property Income	12,431	13,495	169,062	112,327	192,401	137,651
Grants and Aids and Special Revenues	7,489	20,658	97,025	128,827	134,064	130,512
Interest, Shares and Fines	114,021	69,654	833,366	633,152	992,299	755,500
Capital Revenues	2,565	1,386	40,977	15,728	57,639	23,249
Collections from Loans	58	1,255	3,333	9,843	5,217	11,703
Special Budget Revenues	30,221	16,221	222,009	139,256	268,591	160,466
Rev. of Regulatory & Supervisory Inst.	4,270	2,935	56,703	37,030	63,653	41,266
Budget Expenditures	1,370,269	955,478	11,592,472	8,114,115	14,258,970	10,180,335
Primary Expenditures	1,212,861	819,260	9,772,683	7,065,211	12,217,631	8,994,490
Compensation of Employees	332,835	241,575	3,071,651	2,248,311	3,489,367	2,476,407
Social Security Contributions	41,469	29,032	377,370	275,599	433,988	307,808
Purchases of Goods and Services	100,324	63,100	761,229	517,568	990,707	649,095
Current Transfers	520,301	350,192	4,328,003	3,090,522	5,101,396	3,637,618
Capital Expenditures	132,922	103,889	895,591	636,751	1,202,923	884,275
Capital Transfers	63,402	9,205	146,965	61,691	725,632	757,169
Lending	21,608	22,265	191,875	234,769	273,619	282,119
Interest Payments	157,408	136,219	1,819,788	1,048,905	2,041,339	1,185,845
Budget Balance	-223,199	-186,271	-1,440,477	-1,260,289	-2,287,970	-2,032,676
Primary Balance	-65,791	-50,053	379,312	-211,385	-246,630	-846,831

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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