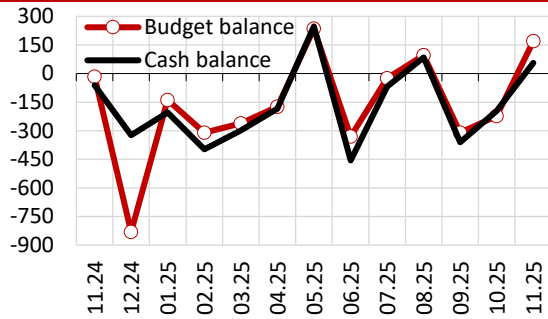


## Macro: The budget deficit remains in line with the MTP targets

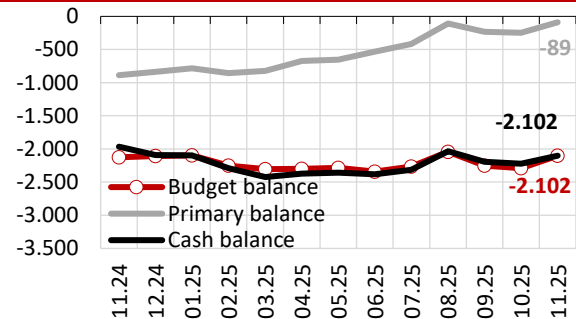
The central government budget posted a surplus of TRY169.5 billion in November, above the Treasury's cash balance (TRY56.4 billion), primarily due to seasonally increased corporate tax revenues. The primary budget surplus was TRY287.4 billion. Even after adjusting for seasonality, an improvement in the budget balance was observed, driven by increased tax revenues. The 12-month cumulative budget deficit decreased to TRY2.10 trillion in November, estimated as 3.5% of GDP, while the primary budget deficit fell to TRY89 billion, 0.1% of GDP. The latest data suggests that the budget/GDP would perform in line with the Medium-Term Program (MTP) forecast for the year end; which was 3.6% of GDP for budget deficit and 0.3% for the primary budget deficit.

**Budget Balance:**

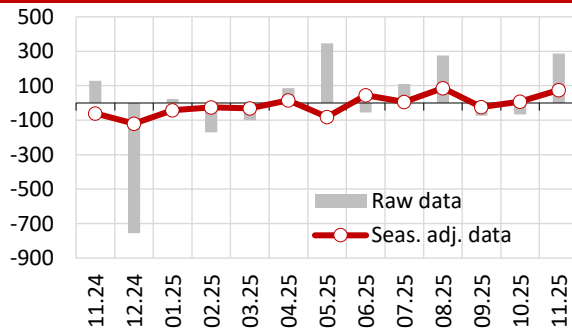
- In November, **the central government budget** posted a surplus of **TRY169.5 billion**, above the Treasury cash balance (TRY56.4 billion), driven by increased tax revenues from corporate tax collections. **The primary budget surplus** reached TRY287.4 billion (Graph 1). In the same period of 2024, the budget balance posted a deficit of TRY16.6 billion, while the primary budget balance posted a surplus of TRY129.7 billion. Year-to-date budget deficit was TRY1,271 billion (58% of the MTP year-end target), and the cumulative deficit over 12 months decreased to TRY2.10 trillion (Table 1, Chart 2) for total budget to TRY89 billion for the primary budget (Chart 2).
- In **seasonally adjusted (s.a.) terms**, primary budget surplus became more pronounced in November (Chart 3). This was due to a strong increase in budget revenues, driven by tax revenues. Primary expenditures remained relatively flat (Chart 4).

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

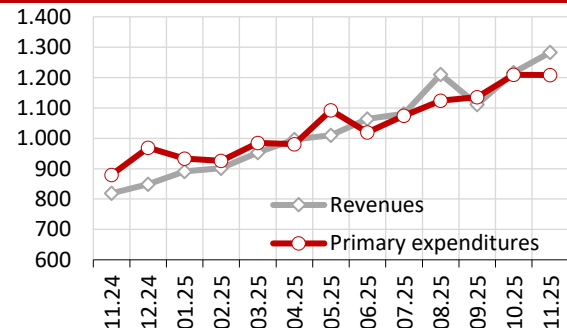
Source: Treasury

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

Source: Treasury

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

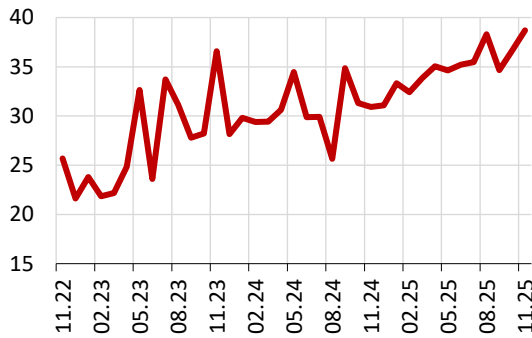
Source: Treasury, Akbank

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

Source: Treasury, Akbank

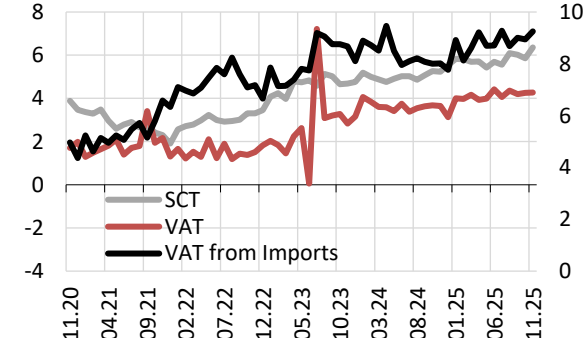
**Budget Revenue:**

- **Central government budget revenues increased by 51.1% yoy in November to TRY1,419.6 billion.** Thus, revenues rose to TRY11,572 billion in the first 11 months of the year, representing a 48.5% annual increase. The year-end estimate in the most recent MTP was TRY 12,465.9 billion, 93% of which was realized so far this year.
  - **Tax revenues** increased by 55.3% yoy in November, mainly due to the corporate tax increase of 77.5%. Thus, tax revenues reached TRY10,002 billion year-to-date, representing a 51.6% annual increase.
    - The annual increase in **income tax** was 66.7%.
    - **Domestic VAT** increased by 42.5% yoy, while **VAT on imports** increased by 32.5%. In seasonally adjusted real terms, domestic VAT increased at a limited rate in November, following 1.3% rise in October. Meanwhile, VAT on imports decreased by 0.7% in October, followed by a 3.5% increase in November.
    - The annual increase in **SCT revenues** was 47%. SCT revenues from **tobacco products** increased by 54.8% yoy in November. In the first 11 months of the year, revenues from this item accounted for 22.2% of total SCT revenues and 4.0% of total tax revenues. SCT revenues from **motor vehicles** increased by 48.5% yoy. In the first 11 months of the year, SCT from motor vehicles constituted 36.7% of total SCT revenues and 6.6% of total tax revenues. SCT revenues from **petroleum and natural gas products** increased by 37.6% yoy.

**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** have been increasing for the past two months; the monthly increase in November was 7.4% (October: 9.8%). In **seasonally adjusted real terms**, tax revenues increased by 5.6% in both October and November (Chart 5). In detail, corporate tax led the increase for the past two months, while VAT on imports also increased in November (Chart 6). The increase in domestic VAT remained limited, while income tax decreased.

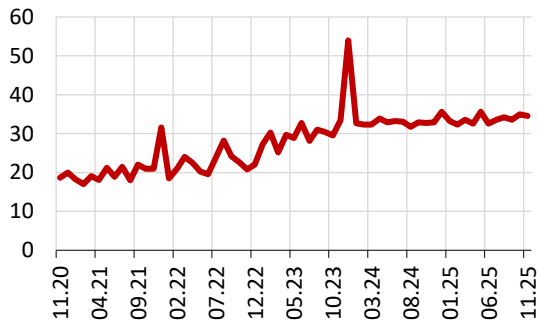
**Budget Expenditure:**

- **Central government budget expenditures** increased by 30.7% yoy in November, reaching TRY1,250.1 billion. Thus, budget expenditures increased by 41.6% yoy in the first 11 months of the year, reaching TRY12,843 billion. The year-end estimate in the new MTP was TRY14,674.1 billion, 88% of which has been realized in the first 11 months.
  - The annual increase in **primary expenditures** was 39.8%. In the January-November period, expenditures increased by 38.5% yoy, reaching TRY 10,905 billion.
    - **Current transfers** increased by 31.6% yoy in November. The SEE assignment item reached TRY20.3 billion, of which TRY18.8 billion was transferred to the Elektrik Üretim A.Ş., and TRY1.5 billion to the Türkiye Coal Enterprises. In the first 11 months of the year, a total of TRY381.9

billion was transferred: TRY215.8 billion to the Elektrik Üretim A.Ş., TRY155.0 billion to BOTAŞ, TRY6.6 billion TL to the Türkiye Grain Board, and TRY4.5 billion to the Türkiye Coal Enterprises.

- Annual increase in **capital expenditures**, increased by 28.9% yoy. In **seasonal adjusted real terms**, capital expenditures rose 0.8% in November after a three-month decline.
- **Goods and services purchases** increased by 32.0% annually, while personnel expenses increased by 34.1%. In **seasonal adjusted real terms**, purchases of goods and services fell by 1.7%, personnel expenses decreased by 0.6% mom.
- **Lending item** increased by 75.3% yoy in November to TRY29.6 billion. Of this amount, TRY18.9 billion was composed of capital transfers within the scope of lending to SEEs. TRY16.0 billion of this amount was transferred to the Türkiye State Railways and TRY1.65 billion to the Türkiye Hard Coal Corporation.
- **Interest expenditures** fell by 19.4% yoy in November to TRY 117.9 billion. Thus, interest expenditures increased by 62.1% annually in the January-November period, reaching TRY1,937.7 billion.
- In **seasonal adjusted real terms**, primary expenditures decreased by 1.3% in November, following a 4.2% monthly increase in October (Chart 7). Looking at the monthly breakdown, capital expenditures and transfers, and lending increased, while current transfers, personnel, and goods and services expenses decreased.

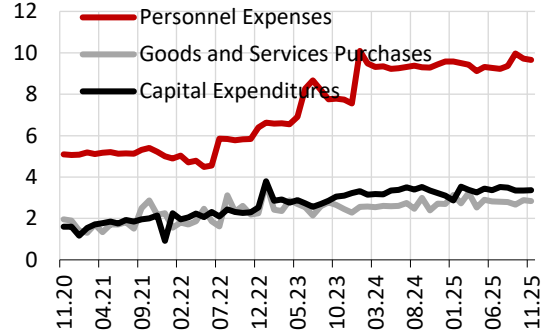
**Chart 7. Primary Expenditure (bn TL, s.a., 2003 prices)**



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	
	Nov.25	Nov.24	Nov.25	Nov.24	Nov.25	Nov.24
<b>Budget Revenues</b>	<b>1,419,589</b>	<b>939,460</b>	<b>10,654,500</b>	<b>7,793,286</b>	<b>11,534,047</b>	<b>8,340,309</b>
<b>General Budget Revenues</b>	<b>1,391,109</b>	<b>917,147</b>	<b>11,264,392</b>	<b>7,594,687</b>	<b>12,112,719</b>	<b>8,127,723</b>
Taxes	1,272,481	819,446	10,002,002	6,597,109	10,710,172	7,038,264
Income Tax	280,157	168,023	2,531,065	1,344,306	2,714,424	1,426,645
Corporate Tax	328,444	185,064	1,196,584	870,301	1,216,499	889,888
VAT	148,774	104,416	1,413,766	903,566	1,502,885	952,415
Special Consumption Tax	206,546	140,549	1,786,892	1,278,384	1,959,769	1,395,034
VAT from Imports	154,139	116,321	1,537,427	1,205,966	1,665,393	1,307,461
Property Income	15,827	7,649	184,889	119,975	200,580	127,823
Grants and Aids and Special Revenues	6,834	17,714	103,859	146,541	123,184	145,742
Interest, Shares and Fines	94,391	69,510	927,757	702,663	1,017,180	779,663
Capital Revenues	1,515	1,560	42,492	17,288	57,595	23,969
Collections from Loans	60	1,269	3,393	11,111	4,008	12,262
<b>Special Budget Revenues</b>	<b>24,006</b>	<b>19,002</b>	<b>246,014</b>	<b>158,259</b>	<b>273,595</b>	<b>170,107</b>
<b>Rev. of Regulatory &amp; Supervisory Inst.</b>	<b>4,474</b>	<b>3,311</b>	<b>61,178</b>	<b>40,340</b>	<b>64,817</b>	<b>42,479</b>
<b>Budget Expenditures</b>	<b>1,250,103</b>	<b>956,105</b>	<b>12,842,574</b>	<b>9,070,221</b>	<b>14,552,968</b>	<b>10,465,257</b>
<b>Primary Expenditures</b>	<b>1,132,181</b>	<b>809,808</b>	<b>10,904,864</b>	<b>7,875,018</b>	<b>12,540,004</b>	<b>9,227,723</b>
Compensation of Employees	326,745	243,730	3,398,396	2,492,041	3,572,382	2,586,097
Social Security Contributions	39,379	28,984	416,749	304,583	444,383	320,183
Purchases of Goods and Services	103,943	78,725	865,172	596,293	1,015,925	677,976
Current Transfers	451,579	343,188	4,779,582	3,433,711	5,209,787	3,743,509
Capital Expenditures	113,800	88,275	1,009,391	725,025	1,228,449	905,925
Capital Transfers	67,139	10,023	214,104	71,713	782,747	711,310
Lending	29,595	16,883	221,470	251,652	286,331	282,722
<b>Interest Payments</b>	<b>117,922</b>	<b>146,298</b>	<b>1,937,710</b>	<b>1,195,202</b>	<b>2,012,964</b>	<b>1,237,535</b>
<b>Budget Balance</b>	<b>169,486</b>	<b>-16,646</b>	<b>-1,270,991</b>	<b>-1,276,935</b>	<b>-2,101,838</b>	<b>-2,124,948</b>
<b>Primary Balance</b>	<b>287,408</b>	<b>129,652</b>	<b>666,720</b>	<b>-81,733</b>	<b>-88,874</b>	<b>-887,414</b>

Source: Treasury

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