

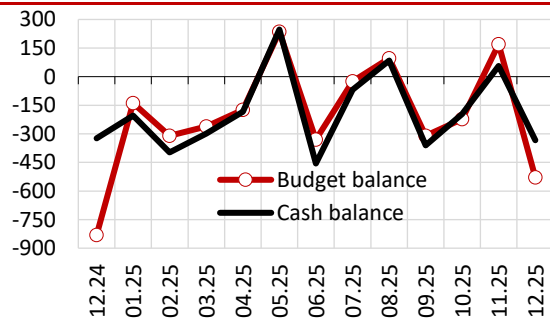
Macro: The budget deficit remained significantly below the MTP target in 2025

The central government budget posted a deficit of TRY528.1 billion in December, exceeding the Treasury's cash balance (TRY333.1 billion). The primary deficit was TRY411.5 billion. Thus, the budget deficit for the whole year reached TRY1,799 billion (2.9% of GDP). The primary budget balance, however, posted a surplus of TRY255 billion in 2025 (0.4% of GDP). In seasonally adjusted (s.a.) terms, a slight deterioration was observed in the primary budget balance on a monthly basis.

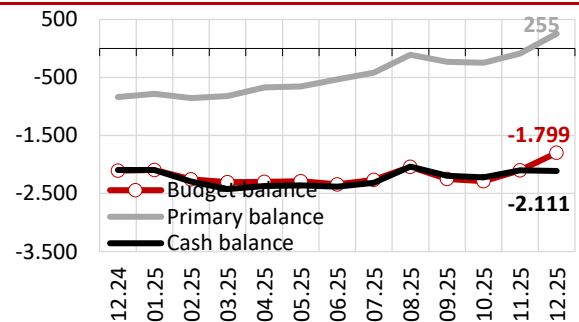
The Medium-Term Economic Program (MTP) projected a budget deficit of 3.6% of GDP and primary budget deficit of 0.3% for the end of the year. Actual figures, however, diverged significantly from the MTP targets. This positive development was solely driven by a TRY422 billion annual decrease in other domestic capital transfers (ODCT). While details of this item are not readily available, it has remained high since 2023. Therefore, it is highly likely related to earthquake expenditures. Thanks to this decrease, primary expenditures increased by a limited 2.5% yoy, while excluding ODCT, a strong increase of 43%, consistent with previous months, was recorded. Whether this decrease is due to a permanent development or a deferred expenditure is not yet known. However, a budget deficit currently below 3.0% of GDP can be interpreted as a significant tightening of fiscal policy compared to the beginning of the year.

Budget Balance:

- In December, **the central government budget** posted a deficit of TRY528.1 billion, exceeding the Treasury's cash balance (TRY333.1 billion), while primary budget deficit was TRY411.5 billion (Chart 1). In the same period of 2024, the budget balance showed a deficit of TRY830.8 billion, and the primary budget balance posted a deficit of TRY755.6 billion. Thus, the budget deficit for the whole year was TRY1,799 billion (2.9% of GDP), significantly below the MTP year-end target (TRY2,208 billion; 3.6% of GDP) (Table 1, Graph 2). In 2025, the primary budget balance recorded a surplus of TRY255 billion (0.4% of GDP; MTP target: -0.3% of GDP) (Chart 2).
- In seasonally adjusted (s.a.) terms, primary budget slightly deteriorated on a monthly basis (Chart 3). While budget revenues decreased monthly, primary expenditures increased, particularly due to a strong increase in lending, despite a decrease in capital transfers (Chart 4).

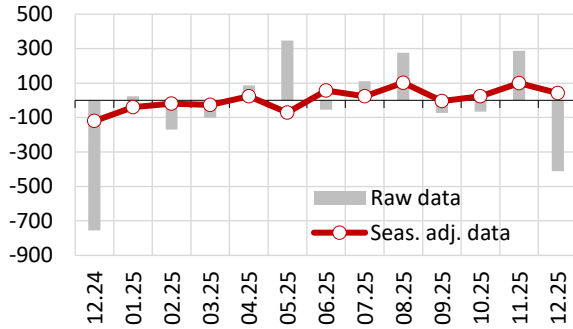
Chart 1. Budget and Cash Balances (billion TL)

Source: Treasury

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

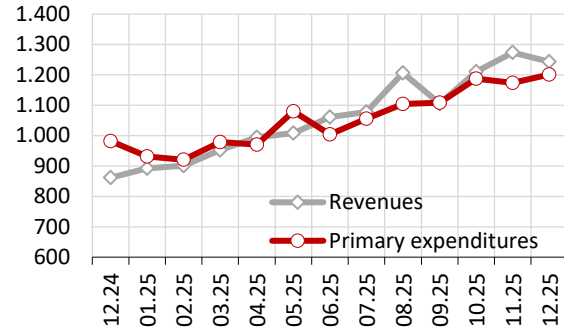
Source: Treasury

Chart 3. Primary Balance (billion TL)



Source: Treasury, Akbank

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

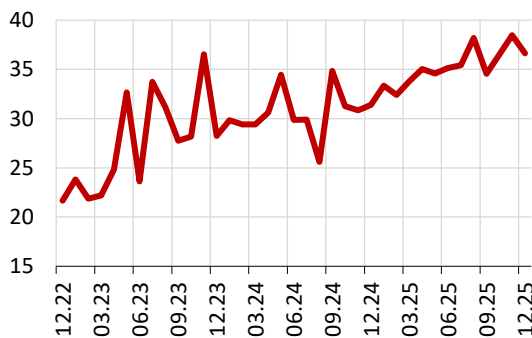


Source: Treasury, Akbank

Budget Revenue:

- **Central government budget revenues increased by 43.7% yoy in December to TRY1,263.9 billion.** Thus, revenues reached TRY12,835 billion, a 48% increase yoy in 2025. The Medium-Term Program's year-end target was TRY12,465.9 billion.
 - **Tax revenues** increased by 47.9% yoy in December, reaching TRY11,049 billion for the whole year (annual increase of 51.3%).
 - Annual increases in **income tax** and **corporate tax** were 53.9% and 37.0% respectively in December.
 - **Domestic VAT** increased by 59.5% annually, while **VAT on imports** increased by 46.0%. In seasonally adjusted real terms, domestic VAT decreased by 2.0%, while VAT on imports increased by 0.6%.
 - The annual increase in **SCT revenues** was 37.3%. SCT revenue from **motor vehicles** increased by 47.4% annually. SCT revenue from motor vehicles constituted 38.9% of total SCT revenue and 7.1% of total tax revenues in 2025. SCT revenue from **tobacco products** increased by 20.0% annually in December. In 2025, revenues from this item will account for 21.2% of total SCT revenue and 3.9% of total tax revenues. SCT revenue from **petroleum and natural gas products** increased by 19.3% annually in December. This accounted for 25.8% of total SCT revenues and 4.7% of total tax revenues.

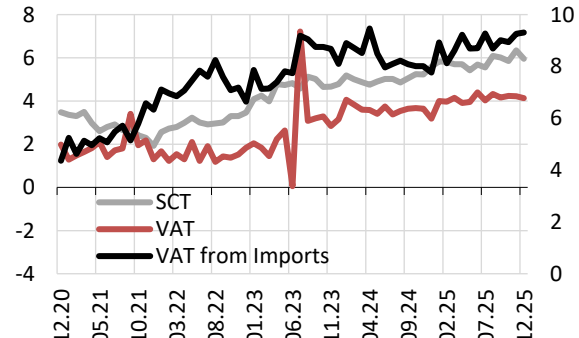
Chart 5. Tax Revenue (bn TL, s.a., 2003 prices)



Sources: Treasury, Akbank

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

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

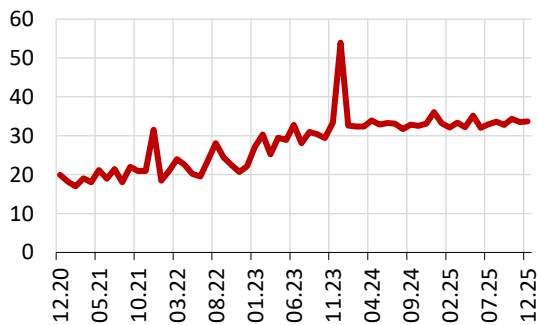


Sources: Treasury, Akbank

- In **seasonally adjusted terms**, tax revenues fell by 4.6% mom in December, following two months of increases. In **seasonally adjusted real terms**, tax revenues decreased by 4.8% mom in December (Chart 5). Looking at the details, the sharp decline in corporate tax led the mom decrease. While SCT and domestic VAT decreased, value-added tax on imports increased (Chart 6).

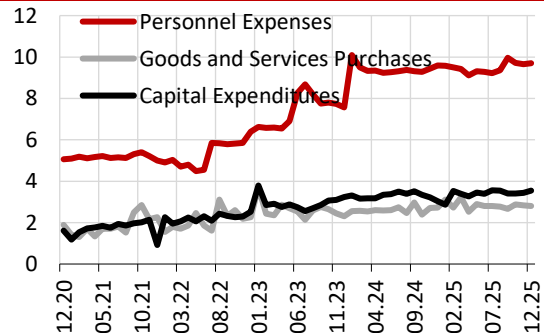
Budget Expenditure:

- **Central government budget expenditures** increased by 4.8% yoy in December, reaching TRY1,792.0 billion. Thus, budget expenditures reached TRY14,635 billion, an increase of 35.7% yoy in 2025. The Medium-Term Program's year-end estimate was TRY14,674.1 billion.
 - The annual increase in **primary expenditures** was 2.5% in December, and by 32.3% in 2025. Primary expenditures for the year amounted to TRY12,580 billion.
 - **Current transfers** increased by 46.2% yoy in December. The SEE assignment item reached TRY29.4 billion, of which TRY20.6 billion was transferred to the Elektrik Üretim A.Ş., TRY6.9 billion to the Türkiye Grain Board and TRY2.0 billion to the Türkiye Coal Enterprises. In 2025, a total of TRY411.4 billion was transferred: TRY236.4 billion to the Elektrik Üretim A.Ş., TRY155.0 billion to BOTAŞ, TRY13.4 billion TL to the Türkiye Grain Board, and TRY6.5 billion to the Türkiye Coal Enterprises.
 - Annual increase in **capital expenditures**, increased by 52.6% yoy. In **seasonal adjusted real terms**, capital expenditures have increased in the last two months after a three-month decline; the monthly increase in December was 3.3%.
 - **Goods and services purchases** increased by 35.7% annually, while personnel expenses increased by 35.4%. In **seasonal adjusted real terms**, purchases of goods and services fell by 1.0%, personnel expenses increased by 0.6% mom.
 - **Lending item** increased by 36.5% yoy in December to TRY88.5 billion. Of this amount, TRY64.7 billion was composed of capital transfers within the scope of lending to SEEs. TRY62.2 billion of this amount was transferred to the Türkiye State Railways and TRY2.5 billion to the Türkiye Hard Coal Corporation.
 - **Interest expenditures** rose by 55.0% yoy in December to TRY 116.7 billion. Thus, interest expenditures increased by 61.7% annually in 2025, reaching TRY2,054 billion.
 - In **seasonal adjusted real terms**, primary expenditures increased by 0.6% in December, following a 2.5% monthly decrease in November (Chart 7). Looking at the monthly breakdown, the most significant increase was seen in lending.

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 | | 12-Month Cumulative | |
|---|------------------|------------------|---------------------|-------------------|
| | Dec.25 | Dec.24 | 2025 | 2024 |
| Budget Revenues | 1,263,894 | 879,546 | 12,835,477 | 8,672,832 |
| General Budget Revenues | 1,231,683 | 848,327 | 12,496,074 | 8,443,014 |
| Taxes | 1,047,466 | 708,170 | 11,049,467 | 7,305,279 |
| Income Tax | 282,169 | 183,359 | 2,813,235 | 1,527,665 |
| Corporate Tax | 27,290 | 19,915 | 1,223,874 | 890,216 |
| VAT | 142,166 | 89,119 | 1,555,932 | 992,685 |
| Special Consumption Tax | 237,423 | 172,877 | 2,024,315 | 1,451,260 |
| VAT from Imports | 186,770 | 127,966 | 1,724,197 | 1,333,932 |
| Property Income | 15,257 | 15,691 | 200,146 | 135,666 |
| Grants and Aids and Special Revenues | 13,389 | 19,325 | 117,248 | 165,866 |
| Interest, Shares and Fines | 152,127 | 89,423 | 1,079,884 | 792,085 |
| Capital Revenues | 2,575 | 15,102 | 45,068 | 32,390 |
| Collections from Loans | 868 | 616 | 4,261 | 11,727 |
| Special Budget Revenues | 26,700 | 27,580 | 272,714 | 185,839 |
| Rev. of Regulatory & Supervisory Inst. | 5,511 | 3,639 | 66,689 | 43,979 |
| | | | | |
| Budget Expenditures | 1,792,033 | 1,710,393 | 14,634,607 | 10,780,614 |
| Primary Expenditures | 1,675,361 | 1,635,140 | 12,580,225 | 9,510,159 |
| Compensation of Employees | 235,553 | 173,986 | 3,633,949 | 2,666,027 |
| Social Security Contributions | 37,653 | 27,634 | 454,402 | 332,217 |
| Purchases of Goods and Services | 204,579 | 150,753 | 1,069,751 | 747,046 |
| Current Transfers | 628,786 | 430,204 | 5,408,369 | 3,863,915 |
| Capital Expenditures | 334,214 | 219,058 | 1,343,606 | 944,083 |
| Capital Transfers | 146,033 | 568,644 | 360,136 | 640,357 |
| Lending | 88,543 | 64,861 | 310,013 | 316,513 |
| Interest Payments | 116,672 | 75,253 | 2,054,382 | 1,270,455 |
| | | | | |
| Budget Balance | -528,139 | -830,847 | -1,799,130 | -2,107,782 |
| | | | | |
| Primary Balance | -411,468 | -755,594 | 255,252 | -837,327 |

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

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.

