

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

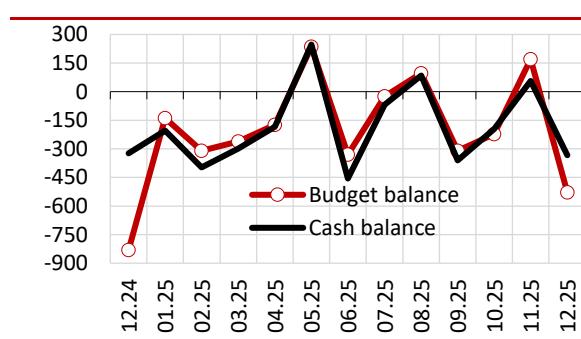
The central government budget posted a deficit of TRY528.1 billion in December, exceeding the Treasury's cash balance (TRY333.1 billion). The primary deficit was TRY411.5 billion. Thus, the budget deficit for the whole year reached TRY1,799 billion (2.9% of GDP). The primary budget balance, however, 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:

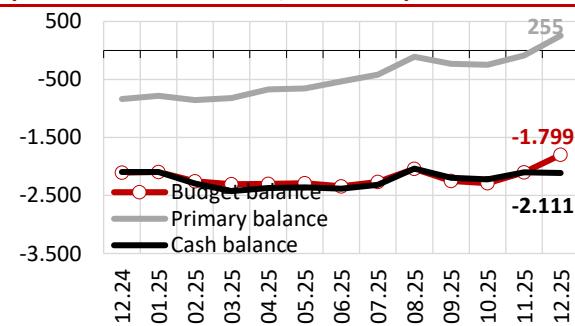
- In December, **the central government budget** posted a deficit of TRY528.1 billion, exceeding the Treasury's cash balance (TRY333.1 billion), while primary budget deficit was TRY411.5 billion (Chart 1). In the same period of 2024, the budget balance showed a deficit of TRY830.8 billion, and the primary 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)



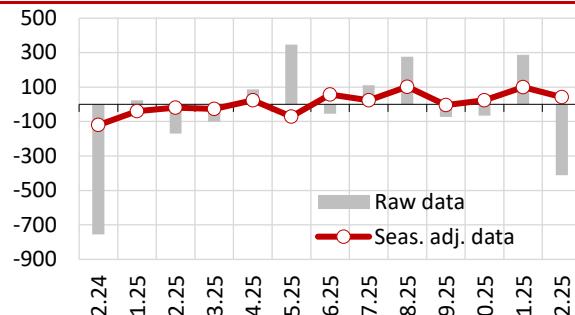
Source: Treasury

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



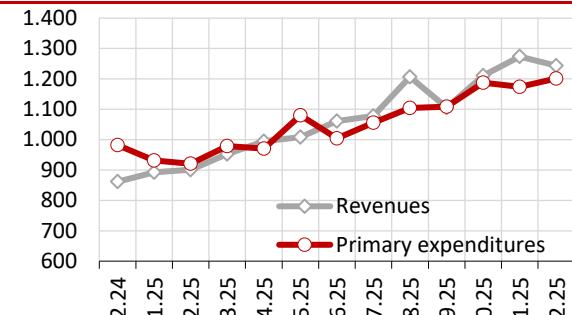
Source: Treasury

Chart 3. Primary Balance (billion TL)



Source: Treasury, Akbank

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

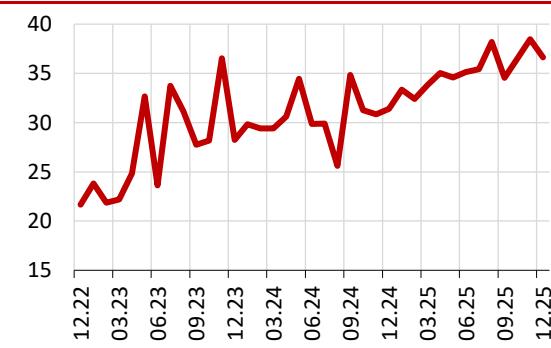


Source: Treasury, Akbank

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)

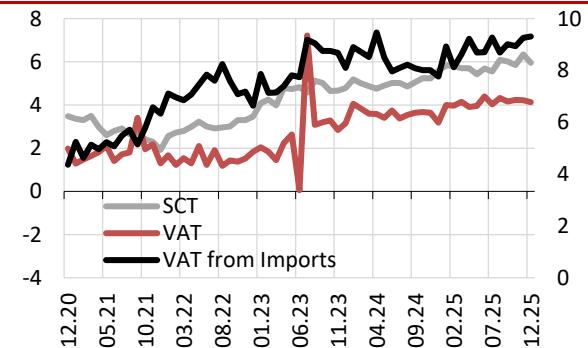


Sources: Treasury, Akbank

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

- 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).

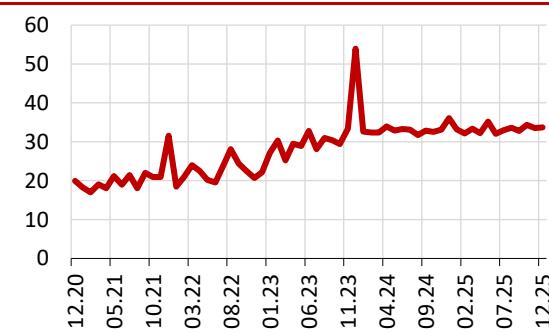
Chart 6. Tax Revenue (bn TL, s.a., 2003 prices)



Sources: Treasury, Akbank

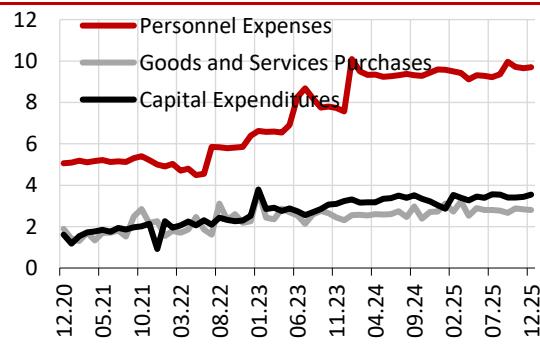
Budget Expenditure:

- **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

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