

Macro: Primary balance have improved; interest payments hit a record high

The central government budget recorded a deficit of TRY214.5 billion in January, slightly below the Treasury cash balance deficit (TRY246.2 billion). The rise in the budget deficit was driven by interest payments reaching a record level of TRY480 billion. On the other hand, the primary balance posted a surplus of TRY 241.9 billion, performing more positively compared to the same period last year.

As of January, we estimate that the 12-month cumulative budget deficit-to-GDP ratio stood at approximately 3.0%, similar to the last quarter of 2025, while the 12-month cumulative primary surplus-to-GDP ratio improved to 0.7% compared to the end of 2025. The improvement in the primary balance is important in terms of stronger coordination between monetary and fiscal policies. However, the rising interest burden appears likely to keep borrowing needs elevated. Within our forecast framework, we maintain our assumption that the fiscal stance in 2026 will be in line with the MTP targets.

Budget Balance:

- **The central government budget** posted a deficit of **TRY 214.5 billion** in January, slightly below the Treasury cash balance (TL 246.2 billion), while the **primary balance recorded a surplus of TRY 241.9 billion** (Chart 1). In the same period of 2025, the budget balance had posted a deficit of TRY 139.3 billion and a primary surplus of TRY 23.8 billion (Table 1, Chart 2). On a 12-month cumulative basis, the budget deficit reached TRY 1.87 trillion, while the primary surplus totaled TRY 473 billion. As of January, we estimate the 12-month cumulative budget deficit-to-GDP ratio at approximately 3.0%, and the primary surplus-to-GDP ratio at 0.7%. On a cash basis, we calculate the total balance-to-GDP ratio at -3.4% and primary balance at +0.1%.
- **In seasonally adjusted (s.a.) terms**, there was a marked monthly improvement in the primary budget balance in January (Chart 3). The improvement was supported both by higher revenues and by total expenditures returning to their November level after increasing in December due to earthquake-related spending (Chart 4).

Chart 1. Budget and Cash Balances (billion TL)

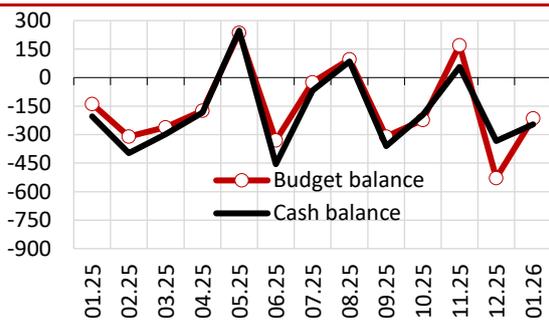


Chart 2. Budget and Cash Balances (12-month cumulative, billion TL)

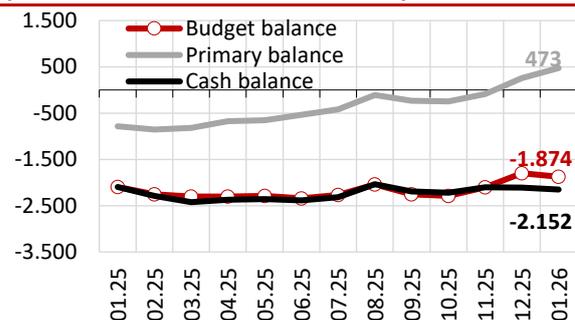
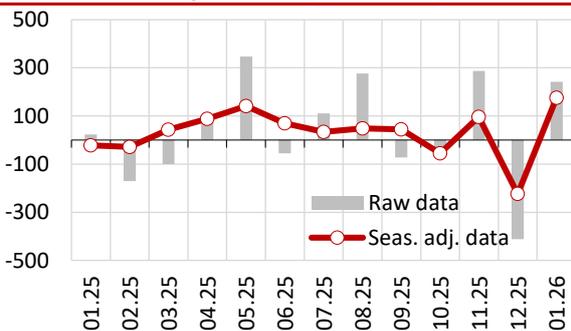
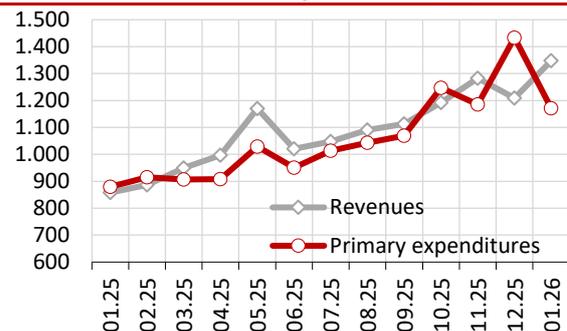


Chart 3. Primary Balance (billion TL)



Source: Treasury, Akbank

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

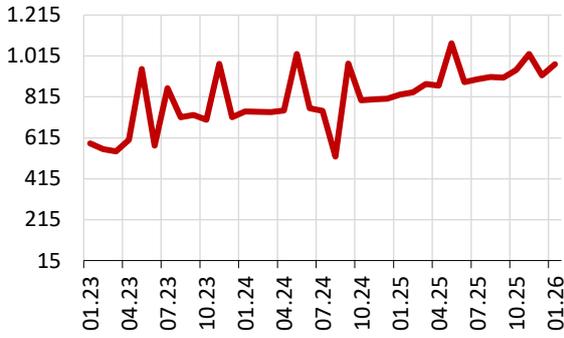


Source: Treasury, Akbank

Budget Revenue:

- **Central government budget revenues increased by 55.0% year-on-year (yoy) in January, reaching TRY 1,421.2 billion.**
 - **Tax revenues** rose by 49.0% yoy to TRY 1,181.2 billion. The marked increase in domestic VAT provides a positive signal that economic activity remains resilient.
 - **Income tax and corporate tax** increased by 71.4% and 71.5% yoy, respectively.
 - **Domestic VAT** rose by 80.6% yoy, while **import VAT** increased by 18.5%. Adjusted for price and seasonal effects, domestic VAT increased strongly by 30.9% mom in January after two consecutive monthly declines, while import VAT remained flat.
 - **Special Consumption Tax (SCT) revenues** increased by 27.4% yoy. **SCT revenues from motor vehicles** rose by 23.8%, accounting for 27.1% of total SCT revenues and 3.9% of total tax revenues. **SCT revenues from tobacco product** increased by 27.8% yoy, accounting for 25.7% of total SCT revenues and 3.7% of tax revenues. **SCT revenues from petroleum and natural gas products** rose by 26.3% yoy in January, accounting for 28.7% of total SCT revenues and 4.2% of tax revenues.

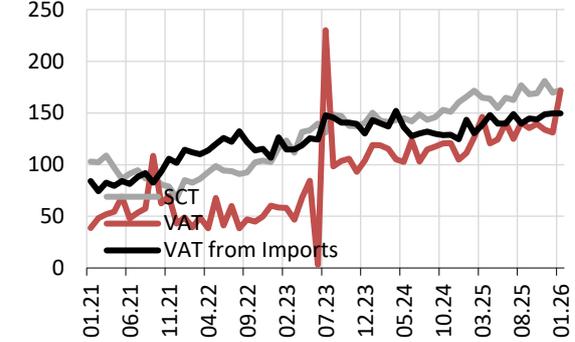
Chart 5. Tax Revenue (bn TL, s.a., 2025 prices)



Sources: Treasury, Akbank

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

Chart 6. Tax Revenue (bn TL, s.a., 2025 prices)



Sources: Treasury, Akbank

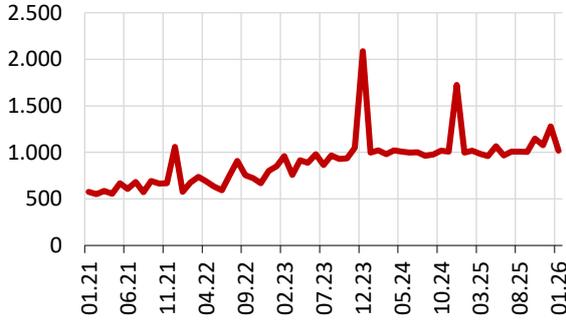
- In **seasonally adjusted terms**, tax revenues increased by 7.8% month-on-month (mom) in January. In **seasonally adjusted real terms**, tax revenues increased by 5.9% mom (Chart 5). Looking at the details; the strong increase in domestic VAT led the monthly rise (Chart 6).

Budget Expenditure:

- **Central government budget expenditures increased by 54.9% yoy in January, reaching TRY 1,635.8 billion.** This was mainly driven by the sharp increase in interest payments.
 - **Primary expenditures** rose by 32.0% yoy in January, reaching TRY 1,179.4 billion.
 - **Current transfers** increased by 27.1% yoy in January. The SEE assignment item reached TRY 16.6 billion, of which TRY 15.0 billion was transferred to BOTAŞ and TRY 1.6 billion to the Türkiye Coal Enterprises.
 - **Capital expenditures**, which include investment spending, declined by 34.7% yoy in January. Meanwhile, **goods and services purchases** increased by 46.5% yoy, and personnel expenditures rose by 39.9%.
 - **Lending item** increased by 28.3% yoy in January to TRY 15.9 billion. Of this amount, TRY 10.9 billion was composed of capital transfers within the scope of lending to SEEs: TRY 4.0 billion to ÇAY-KUR, TL 2.9 billion to the Türkiye Hard Coal Corporation, and TL 4.0 billion to Türkiye Sugar Factories Inc.
 - **Interest payments** increased by 180.0% yoy in January to TRY 456.4 billion.

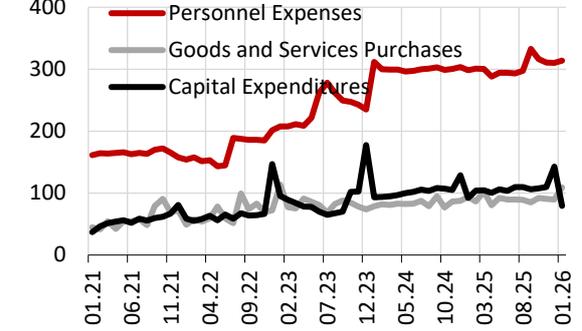
- In **seasonal adjusted real terms**, primary expenditures recorded a sharp decline in January (Chart 7). The absence of the heavy earthquake-related spending in December was the main driver of this decline.

Chart 7. Primary Expenditure (bn TL, s.a., 2025 prices)



Sources: Treasury, Akbank
Note: Expenditure are deflated with the relevant CPI items.

Chart 8. Primary Expenditures (bn TL, s.a., 2025 prices)



Sources: Treasury, Akbank

Table 1. Budget Balance (Million TRY)

	Monthly		12-Month Cumulative	
	Jan.26	Jan.25	Jan.26	Jan.25
Budget Revenues	1,421,245	917,083	13,339,639	8,972,666
General Budget Revenues	1,389,218	896,696	12,988,596	8,734,452
Taxes	1,181,218	792,667	11,438,018	7,580,745
Income Tax	338,285	197,357	2,954,162	1,622,185
Corporate Tax	13,713	7,994	1,229,593	888,102
VAT	298,783	165,458	1,689,257	1,049,748
Special Consumption Tax	172,091	135,059	2,061,347	1,488,612
VAT from Imports	134,355	113,423	1,745,129	1,356,198
Property Income	70,855	18,915	252,086	143,602
Grants and Aids and Special Revenues	2,086	14,757	104,577	165,310
Interest, Shares and Fines	104,873	66,310	1,118,447	798,897
Capital Revenues	30,110	3,914	71,263	34,754
Collections from Loans	76	133	4,204	11,144
Special Budget Revenues	25,955	16,318	282,352	193,376
Rev. of Regulatory & Supervisory Inst,	6,071	4,070	68,690	44,838
Budget Expenditures	1,635,788	1,056,342	15,214,053	11,068,988
Primary Expenditures	1,179,372	893,324	12,866,274	9,756,607
Compensation of Employees	502,296	359,153	3,777,093	2,764,930
Social Security Contributions	60,738	42,334	472,806	343,996
Purchases of Goods and Services	67,903	46,341	1,091,314	766,330
Current Transfers	513,642	404,202	5,517,809	3,983,461
Capital Expenditures	18,451	28,250	1,333,806	954,276
Capital Transfers	452	662	359,925	640,741
Lending	15,891	12,383	313,521	302,873
Interest Payments	456,416	163,018	2,347,780	1,312,381
Budget Balance	-214,543	-139,259	-1,874,415	-2,096,322
Primary Balance	241,873	23,759	473,365	-783,941

Source: Treasury

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