

Macro: Budget improved in Q1; but trend to be disrupted by geopolitical developments

The central government budget balance posted a deficit of TRY229.9 billion in March, lower than the treasury cash balance (TRY279.6 billion deficit). The primary balance, on the other hand, recorded a slight surplus of TRY6.1 billion. Thus, the 12-month cumulative budget deficit decreased to TRY1.5 trillion (%GDP: -2.2), while the 12-month cumulative primary surplus increased to TRY958 billion (%GDP: 1.4). In seasonally adjusted terms, the budget balance significantly improved compared to the previous two months, mainly due to increased budget revenues and decreased expenditures.

The substantial interest payment in January, the impact on February tax revenues due to the reintroduced 4th provisional corporate tax, and the shift in the VAT return deadline from February to March make it difficult to draw a clear conclusion about the main trend of the budget in the first quarter based on the released data. However, excluding these temporary effects, our analysis indicates that the main trend in the first quarter points to a primary surplus of 0.9% of GDP and a budget deficit of 2.7% for the whole year. We believe that this trend will be disrupted by the loss of excise tax revenue due to the sliding scale mechanism implemented following geopolitical developments, increased current transfers due to rising energy prices, increased interest expenditures due to rising interest rates, and a slowdown in tax revenues due to a likely slowdown in economic activity. In this regard, we estimate that the budget deficit for this year could be around 4.0% of GDP. The duration and scope of the war will be a significant factor in determining the impact of geopolitical developments on the budget performance.

Budget Balance:

- **The central government budget deficit** was TRY229.9 billion in March, while the primary balance recorded a surplus of TRY6.1 billion (Chart 1). In March 2025, the budget deficit was TRY261.5 billion, and the primary deficit was TRY100.2 billion. Thus, the 12-month cumulative budget deficit decreased to TRY1.51 trillion, while the 12-month cumulative primary surplus increased to TRY958 billion (Chart 2).
- **In seasonally adjusted (s.a.) terms** primary balance showed a significant improvement on a monthly basis, reaching a record high level (Chart 3). Increased budget revenues were the most decisive factor in this development, while primary expenditures decreased due to current transfers.

Chart 1. Budget and Cash Balances (billion TL)

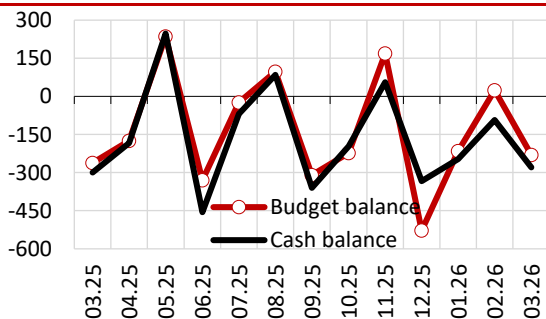


Chart 2. Budget and Cash Balances (12-month cumulative, billion TL)

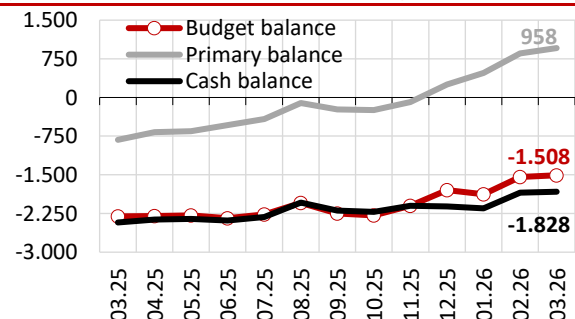
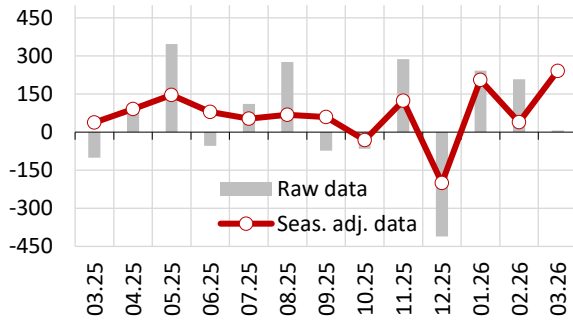
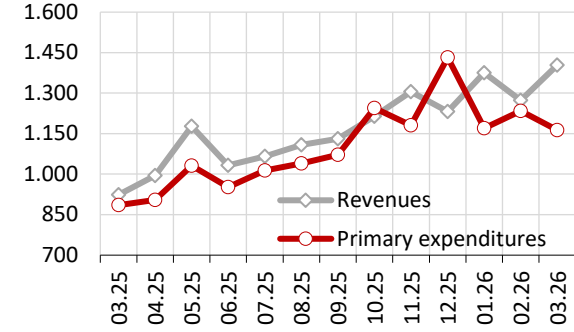


Chart 3. Primary Balance (billion TL)



Source: Treasury, Akbank

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

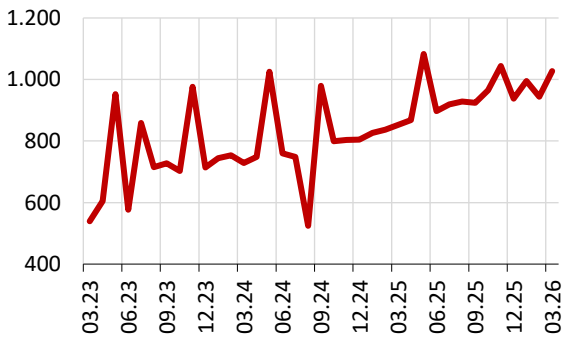


Source: Treasury, Akbank

Budget Revenue:

- **Central government budget revenues increased by 60.6% year-on-year (yoy) in March, reaching TRY 1,230.5 billion.** Year-to-date, it reached TRY4,005 billion, representing a 66.4% increase yoy.
 - **Tax revenues** rose by 63.9 % yoy to TRY1,057.2 billion. The annual increase in the January-March period was 66.1%. As we stated in our February report, the significant increase in the first quarter was mainly due to the reintroduction of the 4th provisional tax return period for corporate tax.
 - Annual increases in **corporate and income taxes** were 360.4% and 81.0% in March, respectively.
 - **Domestic VAT** increased by 127.2 % yoy. As we mentioned in our note last month, the deadline for VAT declarations and payments for January was February 28th last year, but it was March 2nd this year. Therefore, we believe this increase seems to be due to the shift in the declaration and payment schedule to March.
 - **Import VAT** increased by 37.7% and by 6.4% on a monthly basis after adjusted for price and seasonal effects.
 - **Special Consumption Tax (SCT) revenues** increased by 29.0%. **SCT revenues from tobacco product** increased by 99.8% yoy, accounting for 27.3% of total SCT revenues. **SCT revenues from petroleum and natural gas products** rose by 11.6% yoy, accounting for 21.2% of total SCT revenues **SCT revenues from motor vehicles** rose by 11.8%, accounting for 39.8% of total SCT revenues.

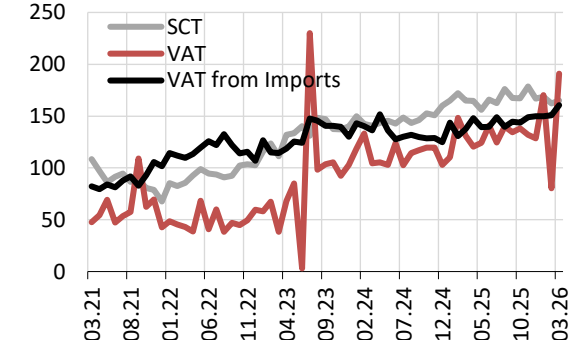
Chart 5. Tax Revenue (bn TL, s.a., 2025 prices)



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

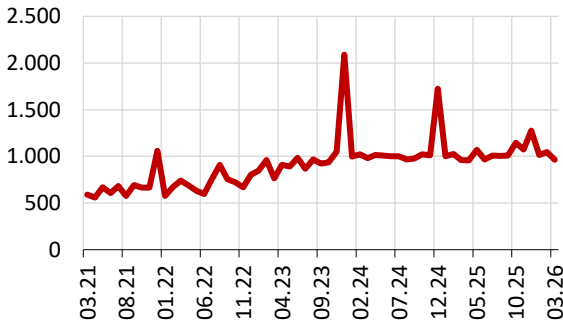
- In **seasonally adjusted terms**, tax revenues increased by 10.8% in March, following a 3.1% monthly decrease in February. In **seasonally adjusted real terms**, the monthly increase in tax revenues was 8.7% (Chart 5). As mentioned above, VAT was the determining factor in the monthly increase due to the shift in the declaration period to March. Income tax remained stable, while corporate tax decreased. Special consumption tax and VAT collected on imports also increased on a monthly basis (Chart 6). The monthly

increase in SCT stemmed from an increase in SCT on tobacco products, while SCT on fuel decreased by 9.8% on a monthly basis due to the sliding scale mechanism, limiting SCT revenue.

Budget Expenditure:

- **Central government budget expenditures** increased by 42.1 % yoy in March, reaching TRY1,460.4 billion. Thus, the annual increase in the first quarter of the year was 42.0%.
 - **Primary expenditures** rose by 41.3% yoy in March. In the January-March period, the annual increase reached TRY3,549 billion, with a rise of 33.8%.
 - **Current transfers** increased by 45.1% yoy in March. The SEE assignment item reached TRY 17.2 billion, of which TRY15.9 billion was transferred to Elektrik Üretim A.S., and TRY 1.3 billion to the Türkiye Coal Enterprises. In the first three months of the year, the total transfer amount reached TRY94.1 billion; of this amount, TRY62.1 billion transferred to Elektrik Üretim A.Ş., TRY28 billion to BOTAŞ and TRY3.9 billion to Türkiye Coal Enterprises. In seasonal adjusted real terms, current transfers decreased by 19.9% on a monthly basis.
 - **Capital expenditures**, which include investment spending, have been declining for the past three months; in March, the year-on-year decrease was 29.5%. On the other hand, **goods and services purchases** increased by 41.1% yoy, while **personnel expenses** increased by 44.0% yoy.
 - **Lending item** increased by 128.9% yoy in to TRY19.8 billion. Of this amount, TRY 14.0 billion was composed of capital transfers within the scope of lending to SEEs: TRY7.8 billion to T.C. Devlet Demiryolları, TRY3.0 billion to Türkiye Taşkömürü, TRY1.2 billion to Türkiye Kömür İşletmeleri and TRY1.0 billion to Türkiye Sugar Factories Inc.
 - **Interest payments** increased by 46.3% yoy to TRY236.0 billion in March, and by 88.8% to TRY876 billion in the first three months of the year. Interest payments amounting to almost TRY240 billion are also due in April.
 - In **seasonal adjusted real terms**, primary expenditures decreased by 7.7% mom in March (Chart 7). This was most notably marked by monthly decreases in current transfers and lending items.

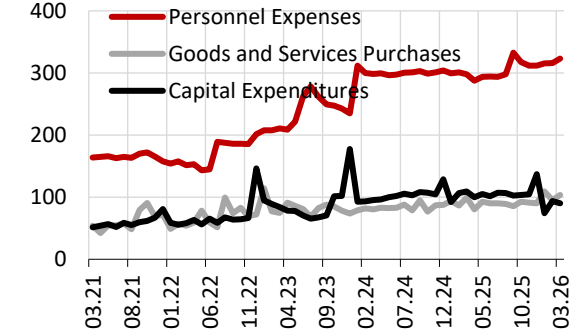
Chart 7. Primary Expenditure (bn TL, s.a., 2025 prices)



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		First 3 months		12-Month Cumulative	
	Mar.26	Mar.25	2026	2025	Mar.26	Mar.25
Budget Revenues	1,230,545	766,261	4,005,382	2,406,769	14,434,090	9,442,403
General Budget Revenues	1,196,392	744,809	3,891,319	2,323,684	14,063,708	9,188,809
Taxes	1,057,171	645,101	3,360,367	2,022,726	12,387,109	7,984,045
Income Tax	312,337	172,588	870,860	501,439	3,182,656	1,771,598
Corporate Tax	22,314	4,847	412,322	23,748	1,612,448	885,673
VAT	209,867	92,362	540,577	351,728	1,744,780	1,122,495
Special Consumption Tax	171,058	132,558	495,748	393,594	2,126,469	1,561,702
VAT from Imports	179,844	130,577	461,833	353,820	1,832,211	1,384,694
Property Income	11,429	11,479	144,655	39,672	305,129	126,363
Grants and Aids and Special Revenues	5,679	19,505	17,819	51,865	83,202	193,113
Interest, Shares and Fines	120,189	64,507	329,790	191,294	1,218,380	828,704
Capital Revenues	1,844	4,165	38,215	15,671	67,612	44,728
Collections from Loans	80	52	472	2,456	2,277	11,856
Special Budget Revenues	29,587	17,995	81,866	65,782	288,799	208,732
Rev. of Regulatory & Supervisory Inst.	4,566	3,457	32,197	17,303	81,583	44,862
Budget Expenditures	1,460,416	1,027,727	4,425,431	3,117,586	15,942,453	11,747,520
Primary Expenditures	1,224,457	866,484	3,549,360	2,653,636	13,475,949	10,263,591
Compensation of Employees	406,436	282,300	1,298,926	920,721	4,012,155	2,922,428
Social Security Contributions	53,511	35,767	164,506	111,471	507,438	362,178
Purchases of Goods and Services	113,807	80,631	265,323	187,083	1,147,991	815,394
Current Transfers	542,223	373,747	1,603,790	1,183,248	5,828,910	4,209,996
Capital Expenditures	55,900	79,276	116,449	172,823	1,287,231	1,021,331
Capital Transfers	32,761	6,107	36,035	33,981	362,189	669,285
Lending	19,819	8,657	64,331	44,309	330,035	262,980
Interest Payments	235,959	161,243	876,071	463,950	2,466,504	1,483,928
Budget Balance	-229,872	-261,466	-420,049	-710,817	-1,508,362	-2,305,117
Primary Balance	6,087	-100,223	456,022	-246,867	958,142	-821,188

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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