

Macro: Budget performance deteriorated with a limited contribution of the sliding scale mechanism

The central government budget balance posted a deficit of TRY338.7 billion in April, exceeding the treasury cash balance (TRY251.2 billion deficit). The primary balance gave a deficit of TRY81.1 billion. Thus, the 12-month cumulative budget deficit rose to TRY1.67 trillion (%GDP: -2.4), while the primary surplus decreased to TRY791 billion (%GDP: 1.1). In seasonally adjusted terms, budget performance deteriorated significantly on a monthly basis, although the primary budget remained close to balance. Half of the monthly deterioration was due to a decrease in revenues, and the other half was largely due to increased expenditures stemming from increased current transfer payments. The decrease in revenue was influenced by both the correction of a temporary increase in VAT in March due to the shift in the VAT declaration deadline, and the loss of excise tax revenue due to the sliding scale mechanism implemented to limit the inflationary effect of rising international oil prices.

In the upcoming period, the loss of excise tax revenue due to the sliding scale mechanism, the increase in current account transfers due to rising energy prices, and the slowdown in tax revenues due to the slowdown in economic activity pose upward risks to the budget deficit. Furthermore, we anticipate a continued significant deterioration in the budget specifically for May. This is because, following the reintroduction of the 4th provisional corporate tax return this year, tax collection in May of last year took place in February this year. Therefore, we foresee a significant contraction in corporate tax collection in May of this year compared to last year, resulting in a budget deficit in both the 12-month cumulative indicators and on a monthly basis.

Budget Balance:

- **The central government budget balance** posted a deficit of TRY338.7 billion in April. Primary balance recorded deficit of TRY81.1 billion (Chart 1). In the same period of 2025, the budget deficit was TRY174.7 billion, while primary balance gave a surplus of TRY85.9 billion. Thus, the 12-month cumulative budget deficit rose to TRY1.67 trillion (%GDP: -2.4), while the 12-month cumulative primary surplus decreased to TRY791 billion (%GDP: 1.1) (Chart 2).
- **In seasonally adjusted (s.a.) terms** budget performance deteriorated significantly on a monthly basis, although the primary balance remained close to balance (Chart 3). Half of the monthly deterioration was due to a decrease in revenues, and the other half was largely due to an increase in expenditures resulting from increased current transfer payments (Chart 4). The decrease in revenue was influenced by both the correction of the temporary increase in VAT in March due to the shift in the VAT declaration deadline, and the loss of excise tax revenue due to the sliding scale mechanism implemented to limit the inflationary effect of rising international oil prices.

Chart 1. Budget and Cash Balances (billion TL)

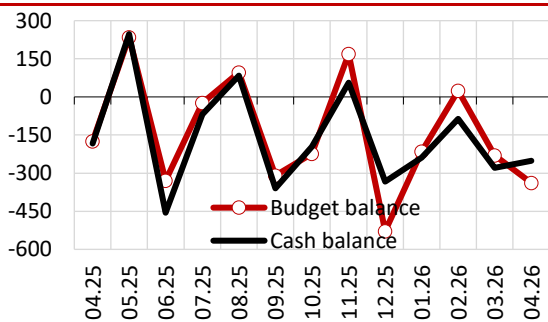


Chart 2. Budget and Cash Balances (12-month cumulative, billion TL)

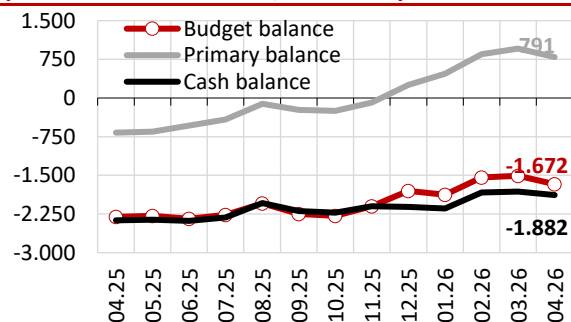
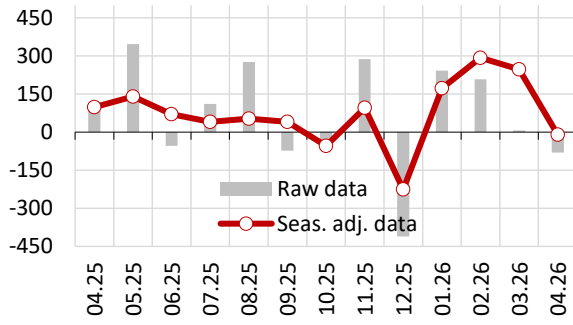
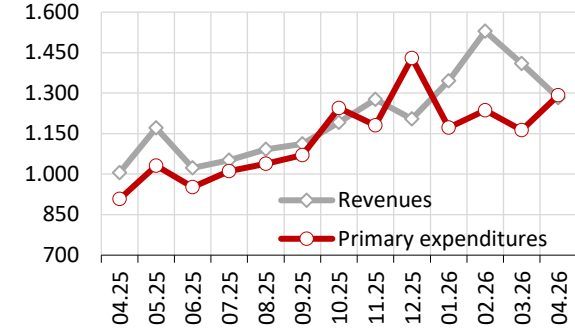


Chart 3. Primary Balance (billion TL)



Source: Treasury, Akbank

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

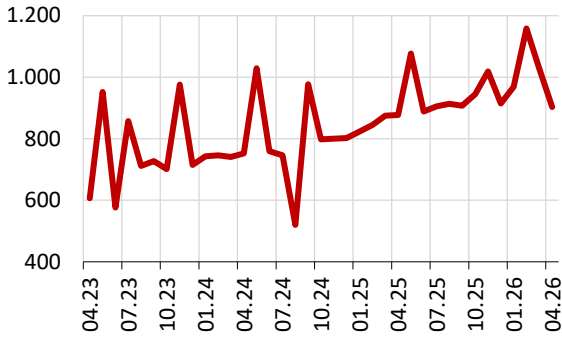


Source: Treasury, Akbank

Budget Revenue:

- **Central government budget revenues increased by 23.9% year-on-year (yoy) in April, reaching TRY 1,186.2 billion.** Year-to-date, it reached TRY5,192 billion, representing a 54.3% increase yoy.
 - **Tax revenues** were limited by the loss in Special Consumption Tax (SCT) revenues due to the sliding scale system, and in April, they increased by 28.5% yoy to TRY 1,012.2 billion. The year-on-year increase in the January-April period was 55.6%.
 - **Special Consumption Tax (SCT) revenues** decreased by 11.7% year-on-year and 25.0% month-on-month (s.a.). This was primarily driven by an approximately 80% monthly contraction in SCT revenue from **petroleum and natural gas products** due to the sliding scale system. Comparing the levels in March and April for this tax category with the levels that would have been achieved if the sliding scale system had not been implemented, we estimate the total SCT loss over the two months to be approximately TRY50 billion. According to this calculation, the VAT loss due to the SCT loss was approximately 10 billion TL. SCT revenues from **tobacco products** decreased by 4.0% year-on-year, while SCT revenues from **motor vehicles** increased by 9.5% year-on-year
 - **Annual increases in income and corporate taxes** were 36.6% and 12.4% respectively in April. We anticipate a significant contraction in corporate tax in May on both an annual and monthly bases. As we noted in our February budget developments report, the 4th provisional tax return, which was abolished from the 2022 tax period onwards, was reintroduced this year, and the tax collection from May last year occurred in February this year (TRY365 billion). This will cause corporate tax collection in May this year to remain at the same level lower than last year.
 - **Domestic VAT** increased by 28.5% annually. However, after adjusting for price and seasonal effects, it decreased by 34.6% on a monthly basis. As noted in the previous month's report, the monthly increase in March was high due to the shift in VAT declaration and payment to March. We believe this situation contributed to the monthly decrease, and that the decline in April was limited compared to the February-March average. This decrease can be explained by the VAT loss resulting from the sliding scale tax system.
 - **Import VAT** increased by 33.5% on an annual basis, and by 1.6% on a monthly basis after adjusting for price and seasonal effects.
 - After a strong increase in February, driven by the rise in corporate tax, in **seasonally adjusted terms** tax revenues have been declining for two months. In **seasonally adjusted real terms**, the monthly decrease in tax revenues was 12.0%, stronger than the 10% decrease in March (Chart 5). As mentioned above, the decrease in excise tax revenues and domestic VAT was the main drivers of this monthly decline (Chart 6).

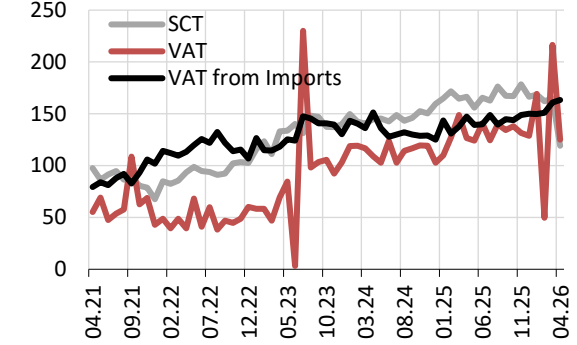
Chart 5. Tax Revenue (bn TL, s.a., 2025 prices)



Sources: Treasury, Akbank

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

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

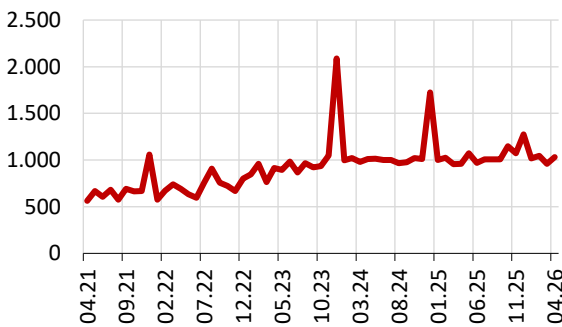


Sources: Treasury, Akbank

Budget Expenditure:

- **Central government budget expenditures** increased by 34.7% yoy in April, reaching TRY1,524.9 billion. Thus, the annual increase in the January-April period was 40.0%.
 - **Primary expenditures** reached TRY4,817 billion in April, representing a 45.4% increase year-on-year, and a 36.6% increase year-on-year in the January-April period.
 - **Current transfers** increased by 27.1% year-on-year in April. The amount allocated to State Economic Enterprises (SEEs) was TRY24.7 billion. Of this amount, TRY14.6 billion was transferred to Elektrik Üretim A.Ş. and TRY10 billion to BOTAŞ. In the first four months of the year, the total transfer amount reached TRY119 billion; of this, TRY76.7 billion transferred to Elektrik Üretim A.Ş., TRY38 billion to BOTAŞ, and TRY4.1 billion TL to Türkiye Kömür İşletmeleri. In seasonal adjusted real terms, current transfers increased by 19% on a monthly basis.
 - **Goods and services purchases** increased by 60.9% year-on-year, while **personnel expenses** increased by 44.9% year-on-year. In seasonal adjusted real terms, these figures decreased by 6.9% and 2.2% month-on-month, respectively. **Capital expenditures**, including investment spending, increased by 63.7% year-on-year in April, following a three-month decrease.
 - **Lending item** increased by TRY28.4 billion year-on-year in April, reaching TRY35.6 billion. Of this amount, TRY27.6 billion consisted of capital transfers within the scope of lending to State Economic Enterprises (SEEs); TRY13.5 billion was transferred to the T.C. Devlet Demiryolları, TRY7.8 billion TL to the Türkiye Kömür İşletmeleri Kurumu, TRY3.0 billion TL to the Türkiye Şeker Fabrikaları, TRY1.95 billion to Tarım İşletmeleri, and 1.3 billion TL to the Türkiye Taşkömürü Kurumu.

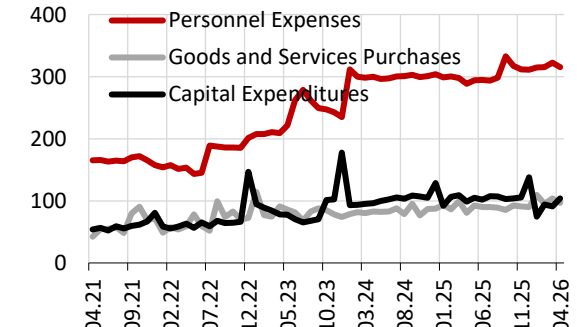
Chart 7. Primary Expenditure (bn TL, s.a., 2025 prices)



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

- **Interest payments** decreased by 1.2% year-on-year to TRY257.6 billion in April, but increased by 56.5% to TRY1,133.7 billion in the first four months of the year.
- **In seasonal adjusted real terms**, primary expenditures increased by 7.4% in April, following a monthly decrease of 8.0% in March (Chart 7). This was influenced by monthly increases in current transfers, lending, and capital expenditures.

Table 1. Budget Balance (Million TRY)

	Monthly		First 4 months		12-Month Cumulative	
	Apr.26	Apr.25	2026	2025	Mar.26	Mar.25
Budget Revenues	1,186,164	957,413	5,191,546	3,364,182	14,662,841	9,804,003
General Budget Revenues	1,150,684	921,896	5,042,003	3,245,581	14,292,497	9,528,127
Taxes	1,012,190	787,392	4,372,557	2,810,118	12,611,907	8,283,581
Income Tax	321,314	235,199	1,192,174	736,638	3,268,771	1,896,318
Corporate Tax	33,408	29,722	445,730	53,470	1,616,134	895,637
VAT	144,751	112,661	685,328	464,390	1,776,870	1,162,942
Special Consumption Tax	125,153	141,811	620,901	535,405	2,109,812	1,605,937
VAT from Imports	189,829	142,168	651,662	495,988	1,879,872	1,415,383
Property Income	14,042	58,661	158,697	98,333	260,510	177,621
Grants and Aids and Special Revenues	7,782	6,259	25,601	58,124	84,725	191,987
Interest, Shares and Fines	114,785	67,302	444,575	258,596	1,265,863	817,515
Capital Revenues	1,821	2,006	40,037	17,677	67,427	45,940
Collections from Loans	65	277	536	2,733	2,065	11,483
Special Budget Revenues	28,321	23,399	110,187	89,181	293,721	221,688
Rev. of Regulatory & Supervisory Inst.	7,159	12,118	39,356	29,421	76,624	54,189
Budget Expenditures	1,524,891	1,132,127	5,950,322	4,249,713	16,335,216	12,106,005
Primary Expenditures	1,267,259	871,468	4,816,619	3,525,104	13,871,739	10,475,444
Compensation of Employees	397,654	274,374	1,696,580	1,195,095	4,135,435	2,987,434
Social Security Contributions	50,750	33,412	215,257	144,883	524,776	369,611
Purchases of Goods and Services	105,905	65,819	371,228	252,902	1,188,077	835,767
Current Transfers	521,514	410,225	2,125,304	1,593,473	5,940,199	4,310,099
Capital Expenditures	125,923	76,941	242,372	249,764	1,336,214	1,040,518
Capital Transfers	29,893	3,518	65,927	37,499	388,564	668,994
Lending	35,620	7,179	99,950	51,488	358,475	263,021
Interest Payments	257,632	260,659	1,133,703	724,609	2,463,477	1,630,561
Budget Balance	-338,727	-174,714	-758,776	-885,531	-1,672,375	-2,302,001
Primary Balance	-81,095	85,945	374,928	-160,922	791,102	-671,441

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.

