

## Macro: Budget performance remains volatile due to tax revenues; the main trend is similar to the end of 2025

The central government budget balance posted a deficit of TRY298.2 billion in May, exceeding the treasury cash balance (TRY252.3 billion deficit), while the primary deficit reached TRY169.3 billion. Thus, the 12-month cumulative budget deficit rose to TRY2.2 trillion (%GDP: -3.1), while the primary surplus decreased to TRY275 billion (%GDP: 0.4). In seasonally adjusted terms monthly deterioration in budget performance stemmed from a decrease in tax revenues due to the shifting of declaration and payment deadlines for some taxes to the first week of June. The significant year-on-year widening was primarily caused by the shifting of the fourth-quarter corporate tax declaration from May back to February, as we anticipated and noted in previous months' reports. On the other hand, primary expenditures maintained their strength.

The high interest payments in January, the shift in corporate tax collection from May to February, and changes in tax return deadlines in some months have made it quite difficult to interpret the main trend of budget performance in the first two quarters. Nevertheless, looking at the situation as of May, we are at a similar level to the last quarter of 2025 as a percentage of GDP. With the tax collection postponed to June and the reduction in the burden imposed by the sliding scale system due to the waning geopolitical risk, the budget will likely end the second quarter of the year in a better position compared to the end of 2025. Despite the signing of a peace treaty, the fact that it will take time for energy prices to return to pre-war levels will continue to place an additional burden on the budget in the second half of the year through current transfers and the sliding scale system. Apart from this, the loss of momentum in economic activity and the high level of borrowing costs pose a downside risk to the budget.

### Budget Balance:

- **The central government budget balance** posted a deficit of TRY298.2 billion in May. Primary deficit was TRY169.3 billion (Chart 1). In the same period of 2025, the budget balance showed a surplus of TRY235.2 billion, and the primary balance gave a surplus of TRY346.4 billion. Thus, the 12-month cumulative budget deficit increased from TRY1.67 trillion to TRY2.2 trillion (%GDP: -3.1), while the 12-month cumulative primary surplus decreased from TRY791.1 billion to TRY275.4 billion (%GDP: 0.4) (Chart 2).

As we first noted in our February report and subsequently reiterated ([Budget Balance Developments – April 2026](#)), the significant deterioration in the cumulative 12-month budget performance was largely due to the fact that corporate tax collections, which were collected in May last year, occurred in February this year (TRY365 billion), following the reintroduction of the 4<sup>th</sup> provisional corporate tax return this year. In addition, the shifting of the declaration and payment deadlines for some taxes (withholding tax, service tax, accommodation tax, stamp duty declarations, and VAT) from May 26<sup>th</sup> to the first week of June due to the Eid al-Adha holiday also caused a temporary monthly decrease in tax revenues. Tax losses due to the sliding scale adjustment also contributed to the annual deficit.

- **In seasonally adjusted (s.a.) terms** budget performance continued to deteriorate on a monthly basis (Chart 3). This monthly deterioration was primarily driven by a 11% decrease in revenues, exceeding a 6.0% decrease in expenditures. The decline in revenues was mainly due to a decrease in income tax and domestic value-added tax. The decrease in expenditures stemmed from a reduction in interest payments, while primary expenditures maintained their strength (Chart 4).

Chart 1. Budget and Cash Balances (billion TL)

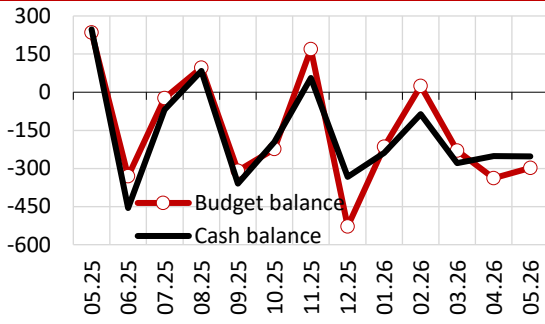


Chart 2. Budget and Cash Balances (12-month cumulative, billion TL)

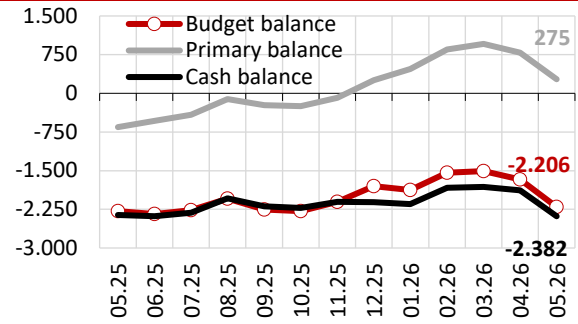
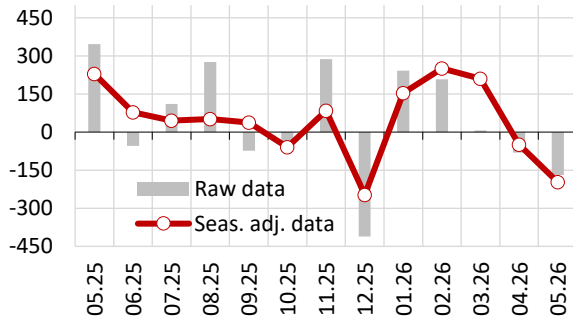
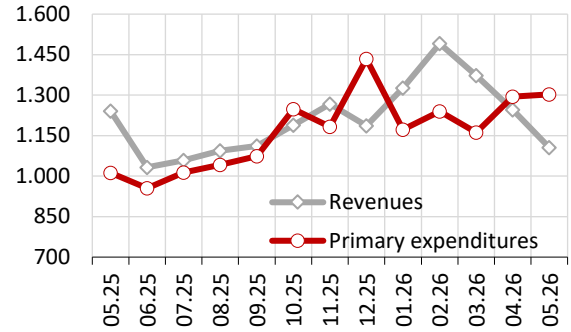


Chart 3. Primary Balance (billion TL)



Source: Treasury, Akbank

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

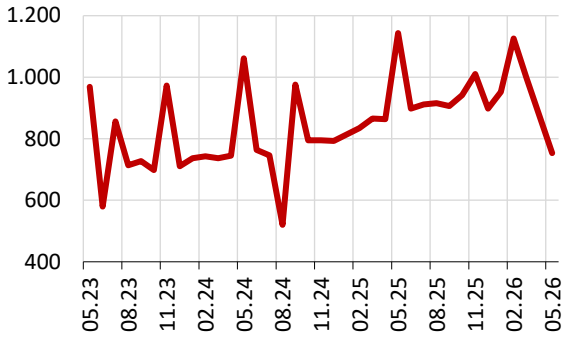


Source: Treasury, Akbank

**Budget Revenue:**

- **Central government budget revenues** decreased by **18.0%** year-on-year in May, reaching TRY1,086.2. Thus, in the January-May period, they increased by 33.9% year-on-year to TRY6,278 billions.
  - **Tax revenues** decreased by 22.1% year-on-year to TRY931.5 billion due to the previously mentioned issues regarding the collection of corporate tax and other taxes in May. However, tax revenues increased by 32.4% year-on-year in the January-May period
    - **Special Consumption Tax (SCT) revenues** decreased by 9.5% in May, following an 11.7% year-on-year decline in April. On a monthly basis (s.a.), however, they increased by 19.3% after a 21.4% decrease. This monthly increase was influenced by the rise in SCT revenue from **petroleum and natural gas products**, which, due to the decrease in oil prices, reduced the burden on the sliding scale system. SCT revenues from **tobacco products** increased by 59.4% year-on-year, while SCT revenues from **motor vehicles** increased by 7.9% year-on-year.
    - **Annual decreases in income and corporate taxes** were 57.4% and 21.9% respectively in May. Corporate tax, which was TRY471 billion in May 2025, amounted to TRY367.6 billion this year.
    - **Domestic VAT** decreased by 66.1% annually, partly due to changes in the declaration period. After adjusting for price and seasonal effects, the monthly decrease was 39.7%. **Import VAT** increased by 17.5% annually, while after adjusting for price and seasonal effects, it decreased by 0.8% monthly.
  - In **seasonally adjusted terms, tax revenues** have been declining for the past three months. In **seasonally adjusted real terms**, the monthly decrease in tax revenues was 14.1%. Thus, the total decrease over the last three months reached approximately 33% (Chart 5). The decrease in income tax and domestic VAT was the main drivers of the monthly decline (Chart 6).

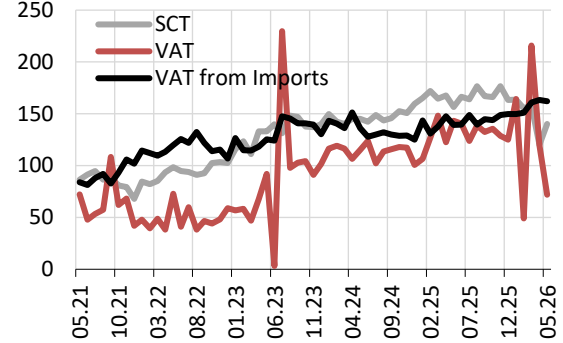
Chart 5. Tax Revenue (bn TL, s.a., 2025 prices)



Sources: Treasury, Akbank

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

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

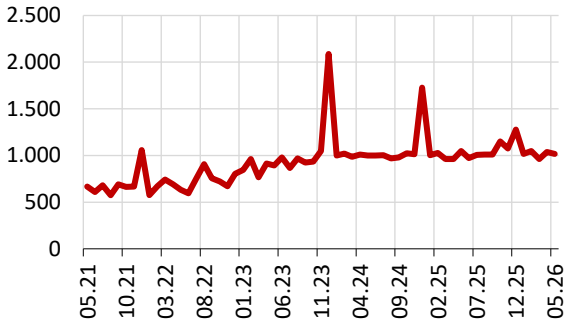


Sources: Treasury, Akbank

**Budget Expenditure:**

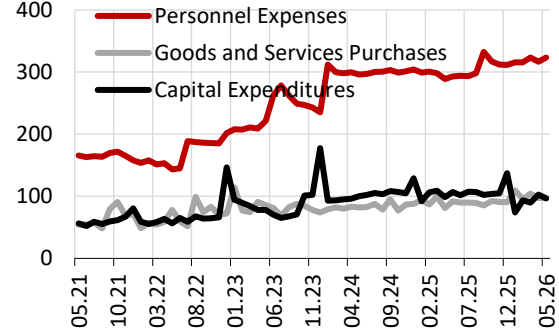
- **Central government budget expenditures** increased by 27.0% year-on-year in May, reaching TRY1,384.4 billion. Thus, the year-on-year increase in the first five months of the year was 37.4%; TRY7,335 billion.
  - **Primary expenditures** reached TRY6,072 billion in May, representing a 28.3% increase year-on-year and a 34.8% increase year-on-year in the January-May period.
    - **Current transfers** increased by 14.8% year-on-year in May. The amount allocated to state-owned enterprises was TRY25.0 billion. This entire amount was transferred to BOTAŞ. In the first five months of the year, the total transfer amount reached TRY 144 billion; TRY77 billion of this amount belonged to Elektrik Üretim A.Ş., TRY63 billion to BOTAŞ, and TRY4.1 billion to Türkiye Kömür İşletmeleri Kurumu. In seasonal adjusted real terms, current transfers decreased by 3.7% on a monthly basis.
    - **Goods and services purchases** increased by 18.5% year-on-year, while personnel expenses increased by 48.1% year-on-year. In seasonal adjusted real terms, these items increased by 0.7% and 2.2% month-on-month, respectively. **Capital expenditures**, including investment spending, increased by 12.0% year-on-year. In seasonal adjusted real terms, it decreased by 5.8% month-on-month. **Capital transfers** increased by 22.1 billion TL year-on-year, reaching TRY27.1 billion.
    - **Lending item** increased by 38.5% year-on-year in May, reaching TRY32.8 billion. Of this amount, TRY24.9 billion consisted of capital transfers within the scope of lending to State Economic Enterprises (SEEs); TRY11.2 billion was transferred to the T.C. Devlet Demiryolları, TRY6.8 billion to the Türkiye Kömür İşletmeleri Kurumu, TRY4.0 billion to the Türkiye Şeker Fabrikaları A.Ş., and TRY2.8 billion to the Türkiye Taşkömürü Kurumu.
  - Interest **payments** increased by 16.0% year-on-year in May to TRY128.9 billion, and by 51.1% in the first five months of the year to TRY1,262.6 billion.
  - In **seasonal adjusted real terms**, primary expenditures decreased by 1.9% in May, following a 7.8% monthly increase in April (Chart 7). All items except personnel and goods and services expenses decreased on a monthly basis.

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 5 months		12-Month Cumulative	
	May.26	May.25	2026	2025	May.26	May.25
<b>Budget Revenues</b>	<b>1,086,168</b>	<b>1,324,971</b>	<b>6,277,714</b>	<b>4,689,154</b>	<b>14,424,038</b>	<b>10,121,838</b>
<b>General Budget Revenues</b>	<b>1,061,420</b>	<b>1,302,121</b>	<b>6,103,423</b>	<b>4,547,701</b>	<b>14,051,795</b>	<b>9,840,010</b>
Taxes	931,521	1,196,410	5,304,078	4,006,528	12,347,018	8,581,567
Income Tax	91,064	213,521	1,283,238	950,159	3,146,314	1,996,502
Corporate Tax	367,558	470,877	813,287	524,347	1,512,814	962,585
VAT	35,018	103,415	720,346	567,805	1,708,473	1,204,737
Special Consumption Tax	129,916	143,604	750,817	679,009	2,096,124	1,633,214
VAT from Imports	161,961	137,894	813,623	633,882	1,903,939	1,433,329
Property Income	30,508	17,436	189,205	115,770	273,581	186,681
Grants and Aids and Special Revenues	3,183	9,372	28,784	67,496	78,537	187,035
Interest, Shares and Fines	95,311	76,169	539,886	334,765	1,285,005	826,707
Capital Revenues	537	2,690	40,574	20,367	65,275	47,456
Collections from Loans	359	44	895	2,776	2,380	10,563
<b>Special Budget Revenues</b>	<b>19,676</b>	<b>18,107</b>	<b>129,864</b>	<b>107,288</b>	<b>295,290</b>	<b>225,710</b>
<b>Rev. of Regulatory &amp; Supervisory Inst.</b>	<b>5,072</b>	<b>4,744</b>	<b>44,428</b>	<b>34,164</b>	<b>76,952</b>	<b>56,118</b>
<b>Budget Expenditures</b>	<b>1,384,391</b>	<b>1,089,743</b>	<b>7,334,713</b>	<b>5,339,456</b>	<b>16,629,864</b>	<b>12,408,019</b>
<b>Primary Expenditures</b>	<b>1,255,452</b>	<b>978,586</b>	<b>6,072,071</b>	<b>4,503,691</b>	<b>14,148,605</b>	<b>10,776,946</b>
Compensation of Employees	407,509	275,106	2,104,090	1,470,201	4,267,838	3,058,508
Social Security Contributions	52,077	34,118	267,333	179,001	542,735	378,299
Purchases of Goods and Services	100,813	85,039	472,041	337,941	1,203,851	861,288
Current Transfers	524,363	456,682	2,649,667	2,050,156	6,007,880	4,455,933
Capital Expenditures	110,831	98,979	353,203	348,743	1,348,066	1,078,259
Capital Transfers	27,060	4,977	92,988	42,476	410,648	670,597
Lending	32,799	23,685	132,749	75,174	367,588	274,062
<b>Interest Payments</b>	<b>128,939</b>	<b>111,156</b>	<b>1,262,642</b>	<b>835,765</b>	<b>2,481,259</b>	<b>1,631,074</b>
<b>Budget Balance</b>	<b>-298,223</b>	<b>235,229</b>	<b>-1,056,999</b>	<b>-650,302</b>	<b>-2,205,827</b>	<b>-2,286,181</b>
<b>Primary Balance</b>	<b>-169,284</b>	<b>346,385</b>	<b>205,643</b>	<b>185,463</b>	<b>275,432</b>	<b>-655,107</b>

Source: Treasury

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