Macro: Budget performance in line with MTP targets

The central government budget recorded a surplus of TRY 12.9 billion in August, slightly below the Treasury cash balance of TRY 49.8 billion, while the primary surplus stood at TRY 209.9 billion. Consequently, the 12-month cumulative budget deficit rose to TRY 2.2 trillion (-2.8% of GDP), whereas the primary surplus declined to TRY 417.1 billion (0.5% of GDP). In seasonally adjusted terms, an improvement was observed in the overall budget balance on a monthly basis, while a slight deterioration was recorded in the primary balance.

In the recent Medium-Term Program (MTP), the budget deficit forecast for the end of 2026 has been revised from TRY 2.7 trillion (3.5% of GDP) to TRY 2.6 trillion (3.1% of GDP). The MTP projects expenditures of TRY 681.5 billion for 2026—allocated for the reconstruction of earthquake-damaged regions and disaster risk mitigation and estimates that the budget deficit-to-GDP ratio, excluding earthquake-related spending, will stand at 2.3%. We observe that earthquake-related expenditures in the relevant category have totaled TRY 400.8 billion to date. Consequently, we calculate that the budget balance-to-GDP ratio excluding earthquake expenditures stood at 2.3% as of August, aligning with the MTP target.

Current trends indicate that the MTP targets are attainable. However, the slowdown in economic activity, the sliding-scale mechanism, and the rising need for energy subsidies, driven by the resurgence of international energy prices, can be viewed as downside risks to the budget balance. Should the adverse impact of the current global economic environment on the budget become pronounced, adjustments to administered energy prices may be considered in the coming period to mitigate this effect.

Budget Balance:

- **In August, the central government budget** recorded a surplus of TRY 12.9 billion, lower than the Treasury cash balance surplus (TRY 49.8 billion). The primary surplus stood at TRY 209.9 billion (Chart 1). In the same period of the previous year, the budget had posted a surplus of TRY 96.7 billion, and the primary balance a surplus of TRY 276.4 billion. Consequently, while the 12-month cumulative budget deficit rose from TRY 2.12 trillion to TRY2.20 trillion (-2.8% of GDP), the 12-month cumulative primary surplus declined from TRY 483.6 billion to TRY 417.1 billion (0.5% of GDP) (Chart 2).

Chart 1. Budget and Cash Balances (billion TL)

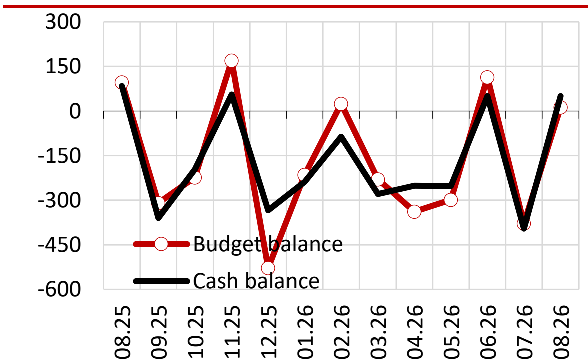
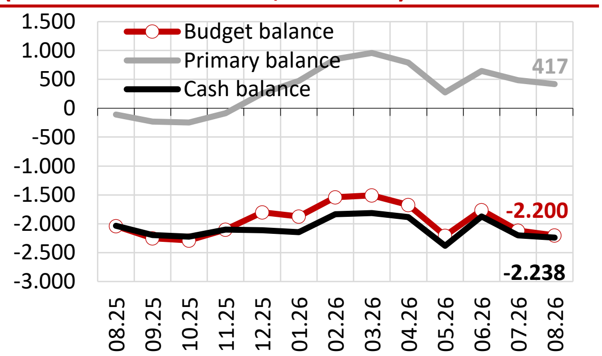
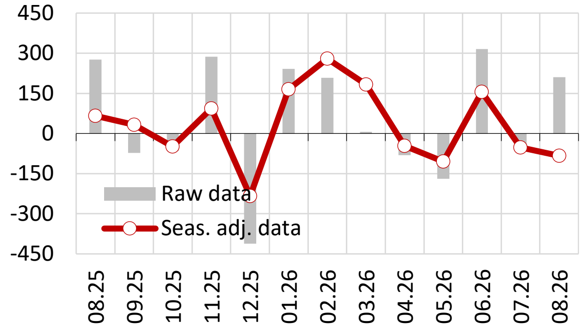


Chart 2. Budget and Cash Balances (12-month cumulative, billion TL)



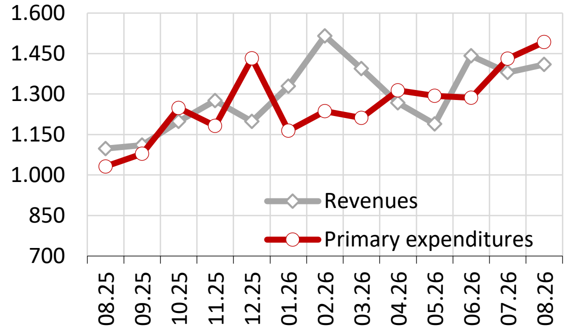
- **Seasonally adjusted (s.a.)** budget balance improved on a monthly basis (Chart 3). While central government budget revenues increased by 2.2% month-on-month (m-o-m), expenditures declined by 3.5% m-o-m. The monthly decrease in expenditures was driven by interest payments, whereas the pace of increase in primary expenditures slowed compared to the previous month (Chart 4). The most significant increases were recorded in capital transfers and lending items. Meanwhile, a slight deterioration was observed in the primary balance.

Chart 3. Primary Balance (billion TL)



Source: Treasury, Akbank

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

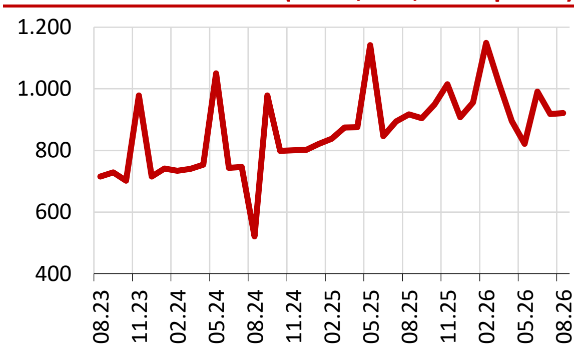


Source: Treasury, Akbank

Budget Revenue:

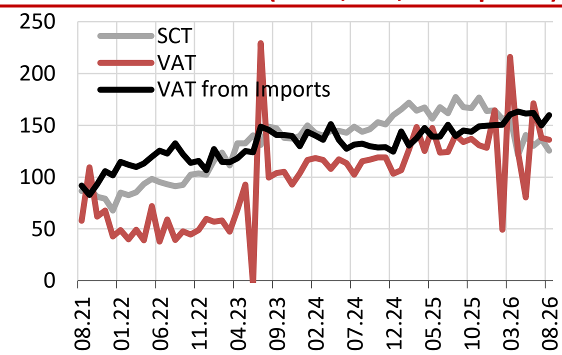
- **Central government budget revenues** increased by 28.5% year-on-year (y-o-y) to TRY 1,654.9 billion in August. In the first eight months of the year revenues rose by 36.0% y-o-y to TRY 10,855 billion. According to the new MTP, the forecast for the end of 2026 is TRY 17.0 trillion; thus, the realization rate was 64% as of August.
  - Tax revenues rose by 28.1% y-o-y to TRY 1,473.3 billion in August. The y-o-y increase in tax revenues for the first eight months of the year stood at 35.7%.
    - **Income tax** increased by 42.8% y-o-y in August, while **corporate tax** rose by 37.7%. After adjusting for price and seasonal effects, income tax saw a slight monthly decline, whereas corporate tax increased by 3.7%.
    - The annual growth of **domestic VAT** appears to be losing momentum; following a 46% y-o-y increase in July, it rose by 26.6% in August. Adjusted for price and seasonal effects, however, domestic VAT declined by 1.4% month-on-month (July: -19.6%).
    - **Special Consumption Tax (SCT)** revenues have declined over the last five months (excluding July) due to the impact of the sliding-scale system, the y-o-y decrease in August was 29.3%. In seasonally adjusted terms, revenues fell by 5.3% in August, following a 9.6% monthly increase in July. SCT revenues from **petroleum and natural gas products** dropped by 64.9% y-o-y. Meanwhile, SCT revenue from **motor vehicles** has shown a decline over the past two months (July: -2.6%, August: -8.1%). SCT revenues from **tobacco products** increased by 14.9% y-o-y. Based on our seasonally adjusted calculations, the total loss in tax revenue (SCT) resulting from the sliding-scale system amounted to approximately 170 billion TL over a six-month period.
    - **Import VAT** increased by 32.4% on an annual basis, while the monthly increase adjusted for price and seasonal effects was 6.5%

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)



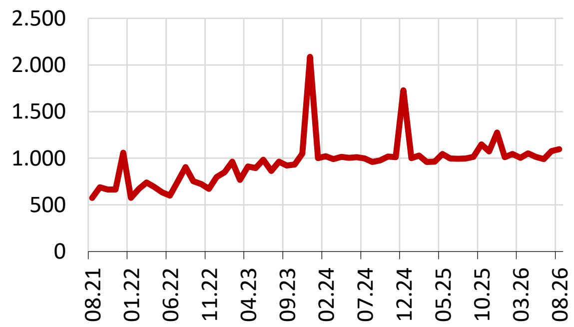
Sources: Treasury, Akbank

- In **seasonally adjusted terms, tax revenues** rose by 2.3% m-o-m in August, following a 5.2% m-o-m decline in July. However, **in seasonally adjusted real terms**, the monthly increase in tax revenues remained limited (Charts 5 and 6).

Budget Expenditure:

- **Central government budget expenditures** increased by 37.8% y-o-y to TRY 1,642.1 billion in August. In the first eight months of the year, expenditures rose by 36.8% y-o-y to TRY 12,163 billion. With the year-end forecast in the MTP set at TRY19.7 trillion, 62% of this projection was realized during the first eight months.
  - **Primary expenditures** reached TRY 10,175 billion, rising by 42.8% y-o-y in August, driven particularly by increases in current transfers, personnel expenses, and capital transfers and by 36.3% y-o-y during the January–August period.
    - **Current transfers** rose by 39.0% y-o-y in August. The amount allocated to state-owned enterprises was TRY 35.7 billion, of which TRY 23.0 billion was transferred to Elektrik Üretim A.S., TRY 8 billion to BOTAS, and TRY 3.7 billion to the Toprak Mahsulleri Ofisi. In the first eight months of the year, the total transfer amount reached TRY 231.7 billion; of this, TRY 131.6 billion went to Elektrik Üretim A.S., TL 91 billion to BOTAS, and TL 5.4 billion to Türkiye Kömür İşletmeleri Kurumu. On a seasonally adjusted basis, current transfers recorded a monthly increase of 2.6%.
    - **Goods and services purchases** increased by 32.6% y-o-y, while **personnel expenses** rose by 42.0%. In seasonal adjusted real terms, goods and services purchases have shown a decline on a monthly basis over the last two months. Personnel expenses saw a limited increase of 0.5%. **Capital expenditures**, including investment spending, rose by 17.3% y-o-y; however, the rate of increase slowed on a monthly basis in seasonally adjusted terms. **Capital transfers** stood at TRY 8.4 billion in August 2025 and reached TRY 55.0 billion in August 2026.
    - **The lending item** stood at TRY 40.7 billion in August, marking a 99.8% y-o-y increase. Capital transfers made within the scope of lending to State-Owned Enterprises (SOEs) accounted for TRY 29.0 billion of this amount; TRY 24.6 billion was transferred to the T.C. Devlet Demiryolları, TRY 2.5 billion to the Türkiye Kömür İşletmeleri Kurumu, and TRY 1.9 billion to the Türkiye Taşkömürü Kurumu.
  - **Interest payments** rose by 9.7% y-o-y to TRY 197 billion in August, and by 39.4% to TRY 1,988 billion in the first eight months of the year. MTP year-end forecast stands at TRY 2,825 billion, with 70% of this projection realized during the first eight months.
  - **In seasonal adjusted real terms**, the monthly growth of primary expenditures slowed from 8.8% in August to 1.8% (Chart 7). A breakdown of the components reveals that all groups—with the exception of expenditures on the purchase of goods and services—increased on a monthly basis.

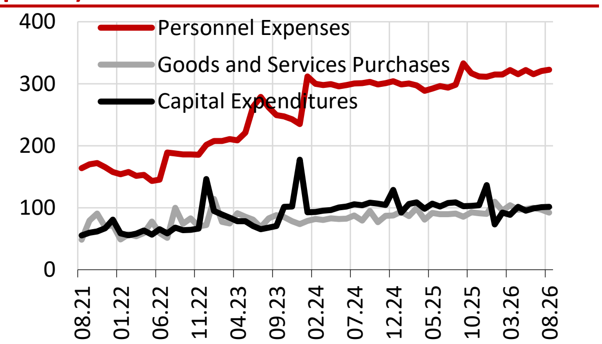
Chart 7. Primary Expenditure (bn TL, s.a., 2025 prices)



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 8 months		12-Month Cumulative	
	Aug.26	Aug.25	2026	2025	Aug.26	Aug.25
Budget Revenues	**1,654,910**	**1,288,072**	**10,854,652**	**7,983,566**	**15,706,563**	**11,403,383**
General Budget Revenues	**1,620,763**	**1,263,799**	**10,576,449**	**7,766,467**	**15,306,055**	**11,097,853**
Taxes	1,473,311	1,150,403	9,327,893	6,871,696	13,505,665	9,775,160
Income Tax	351,225	245,920	2,568,521	1,692,454	3,689,301	2,344,278
Corporate Tax	403,273	292,902	1,239,357	843,773	1,619,458	1,233,375
VAT	182,391	144,106	1,328,972	965,463	1,919,441	1,355,150
Special Consumption Tax	165,540	189,459	1,270,665	1,213,771	2,081,209	1,793,314
VAT from Imports	183,622	138,727	1,395,254	1,072,343	2,047,109	1,546,131
Property Income	12,335	9,600	235,568	147,744	287,969	191,205
Grants and Aids and Special Revenues	5,398	7,058	54,172	84,404	87,017	158,167
Interest, Shares and Fines	127,766	88,487	911,639	622,537	1,368,986	909,902
Capital Revenues	1,928	8,200	46,156	36,923	54,300	56,067
Collections from Loans	26	52	1,020	3,163	2,118	7,353
Special Budget Revenues	**27,999**	**20,282**	**213,559**	**168,982**	**317,292**	**244,715**
Rev. of Regulatory & Supervisory Inst.	**6,149**	**3,992**	**64,644**	**48,117**	**83,216**	**60,814**
Budget Expenditures	**1,642,058**	**1,191,367**	**12,162,740**	**8,891,201**	**17,906,146**	**13,445,246**
Primary Expenditures	**1,444,981**	**1,011,636**	**10,174,650**	**7,465,442**	**15,289,433**	**11,513,040**
Compensation of Employees	430,261	303,078	3,385,390	2,372,959	4,646,380	3,277,454
Social Security Contributions	54,206	36,652	426,702	286,503	594,602	402,611
Purchases of Goods and Services	110,451	83,305	822,582	576,608	1,315,725	937,443
Current Transfers	624,735	449,363	4,351,442	3,350,694	6,409,117	4,806,856
Capital Expenditures	129,637	110,500	744,617	659,825	1,428,398	1,155,311
Capital Transfers	55,017	8,383	206,450	73,659	492,927	668,462
Lending	40,676	20,354	237,465	145,194	402,284	264,903
Interest Payments	**197,076**	**179,732**	**1,988,090**	**1,425,759**	**2,616,713**	**1,932,206**
Budget Balance	**12,852**	**96,705**	**-1,308,088**	**-907,635**	**-2,199,583**	**-2,041,863**
Primary Balance	**209,929**	**276,436**	**680,002**	**518,124**	**417,130**	**-109,657**

Source: Treasury

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