Macro: Partial deterioration in the budget balance in the final quarter

In October, the central government budget balance recorded a deficit of TRY481.1 billion, exceeding the Treasury cash balance deficit of TRY329.9 billion while primary deficit stood at TRY179.8 billion. Consequently, the 12-month cumulative budget deficit rose to TRY2.7 trillion (-3.3% of GDP), and primary surplus declined to TRY92.6 billion (0.1% of GDP). Although there is some deterioration in the seasonally adjusted primary balance, the overall picture does not deviate significantly from the trends observed in recent months. Meanwhile, the high level of interest payments continues to weigh negatively on the general budget balance.

As we have noted in our previous reports, we believe that fiscal discipline has been maintained—and that the year-end targets set out in the Medium-Term Program (MTP) remain achievable—despite the additional burden on the budget stemming from geopolitical developments, a slowdown in revenue items due to cooling demand, and ongoing expenditures in the earthquake-affected region (amounting to TRY522 billion in the first 10 months).

Budget Balance:

- **In October, the central government budget balance** recorded a deficit of TRY481.1 billion, which is higher than the Treasury cash balance deficit (TRY329.9 billion). The primary deficit stood at TRY179.8 billion (Chart 1). During the same period in 2025, the budget balance had given a deficit of TRY223.2 billion, while the primary balance had recorded a deficit of TRY65.8 billion. Consequently, the 12-month cumulative budget deficit rose from TRY2.4 trillion to TRY2.7 trillion (–3.3% of GDP), while the 12-month cumulative primary surplus declined from TRY206.5 billion to TRY92.6 billion (0.1% of GDP) (Chart 2).

Chart 1. Budget and Cash Balances (billion TL)

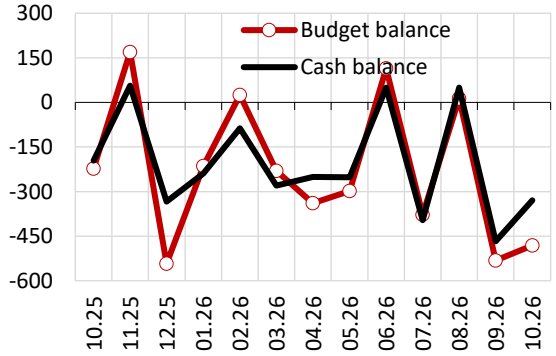


Chart 2. Budget and Cash Balances (12-month cumulative, billion TL)

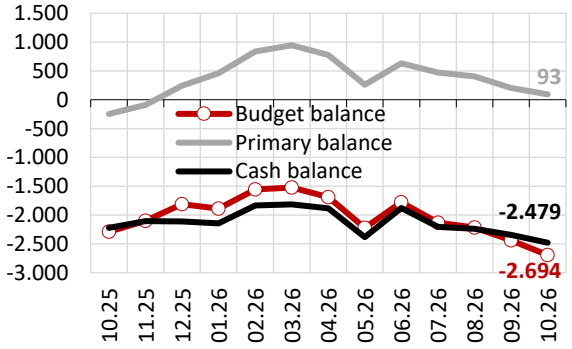
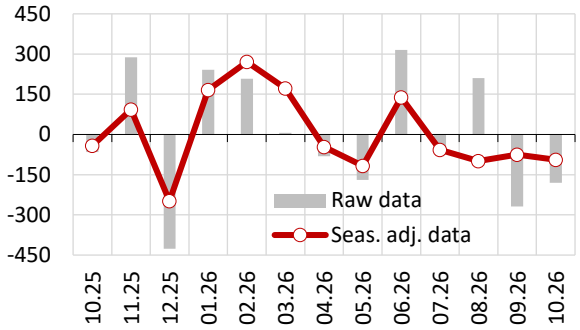
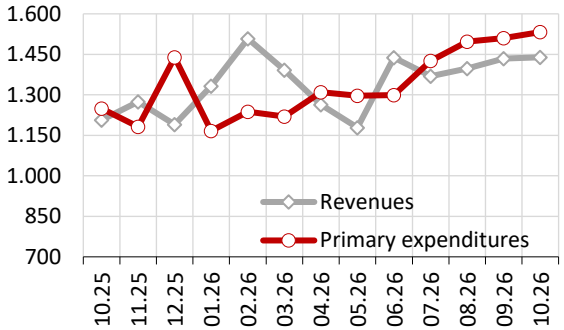


Chart 3. Primary Balance (billion TL)



Source: Treasury, Akbank

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



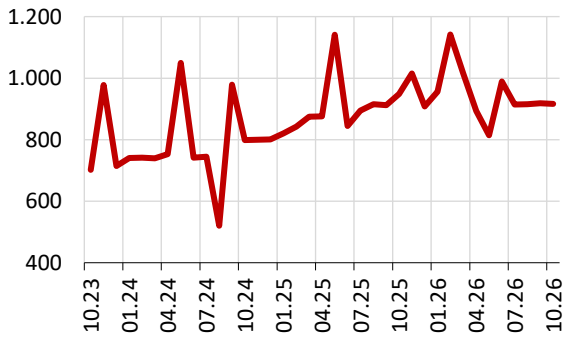
Source: Treasury, Akbank

- **In seasonally adjusted (s.a.) terms,** there was a deterioration in both the budget balance and the primary budget balance on a monthly level (Chart 3). This was due to the fact that the increase in revenue was more limited than the increase in expenditures. The continued high level—and further rise—of interest payments also played a role in the widening of the budget deficit (Chart 4).

Budget Revenue:

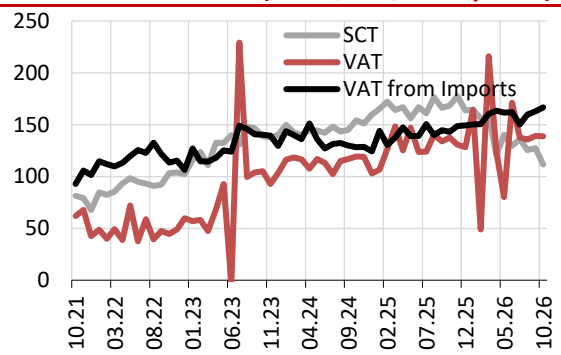
- **Central government budget revenues** reached TRY1,298.3 billion in October, marking a 13.2% year-on-year increase. Consequently, for the January–October period, revenues rose by 32.1% yoy to TRY13,406 billion. According to the MTP, the forecast for the end of 2026 is TRY17.0 trillion; thus, the realization rate was 79% as of first ten months.
    - **The annual growth of tax revenues lost momentum** in October. Tax revenues rose by 16.9% yoy to reach TRY1,141 billion T. For the first ten months of the year, the yoy increase in tax revenues stood at 32.2%.
        - **Income tax** increased by 31.3% yoy in October. **Corporate tax** recorded a negative value of TRY-19.3 billion TL for the month, driven by the corporate tax component based on tax declarations. When adjusted for price and seasonal effects, income tax rose by 6.2% mom, while corporate tax declined by 2.8%.
        - The annual increase in **domestic VAT** reached 30.7% in October. When adjusted for price and seasonal effects, it showed a 2.5% monthly increase in September, followed by a 0.2% decline in October.
        - Due to the impact of the sliding-scale system, **Special Consumption Tax (SCT)** revenues have declined on an annual basis since April (with the exception of July), with a 19.8% yoy drop recorded in October. **In seasonally adjusted terms**, a sharp decline of 10.1% was observed. **SCT revenues from petroleum and natural gas products** fell by 59.8% yoy, driven by the sliding-scale mechanism. Meanwhile, **SCT revenues from motor vehicles** have been on a downward trend for the past four months (August: -8.1%, September: -12.7%, October: -26.4%), reflecting weaker sales. **SCT revenues from tobacco products** increased by 11.0% on an annual basis.
        - **Import VAT** increased by 31.4% yoy, when adjusted for price and seasonal effect stood at 2.4%.

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



Sources: Treasury, Akbank

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



Sources: Treasury, Akbank

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

- In **seasonally adjusted terms, tax revenues** have shown a steady increase of around 2.0% over the last three months. When **in seasonally adjusted real terms**, tax revenues remained nearly flat—declining by 0.2% in October following a 0.3% monthly increase in September (Charts 5 and 6). While income tax and import VAT rose, other tax categories declined on a monthly basis. The most notable decrease occurred in the special consumption tax (SCT) levied on motor vehicles.

Budget Expenditure:

- **Central government budget expenditures** in October reached TRY1,779.4 billion, marking a 29.9% yoy increase. The high level of interest payments contributed to this outcome. Consequently, for the January–October period, expenditures rose by 35.7% yoy, totaling TRY15,728 billion. The year-end projection in MTP is TRY19.7 trillion, with 80% of this forecast realized within the first ten months.

- **Primary expenditures** increased by 21.9% yoy in October, while reaching TRY13,175 billion in the January–October period, marking a 34.8% yoy increase.
  - **There is a slowdown in the year-on-year growth of current transfers**. Following a 48.7% annual increase in September, the growth rate stood at 18.2% in October. The amount allocated to state-owned enterprises was TRY66.6 billion in October; of which TRY65.3 billion was transferred to the Electricity Generation Corporation (EÜAS), TRY1.37 billion to the Turkish Coal Enterprises. For the January–October period, total transfers reached TRY308.5 billion, of this, TRY205 billion allocated to the Electricity Generation Corporation (EÜAS), TRY91 billion to BOTAŞ, and TRY7.8 billion to the Turkish Coal Enterprises). When adjusted for price and seasonal effects, current transfers have shown a mom decline for the past two consecutive months, with a 1.8% decrease recorded in October.
  - **Goods and services purchases** increased by 25.8% yoy, while **personnel expenditures** rose by 32.8% yoy. In seasonal adjusted real terms, goods and services purchases declined by 6.7% mom in October. Personnel expenditures saw a marginal monthly decrease. **Capital expenditures**, which include investment spending, increased by 16.4% yoy, but fell by 1.5% mom when adjusted for price and seasonal effects. **Capital transfers** amounted to TRY55.3 billion, representing a 12.7% yoy decline.
  - In October**, the lending item** increased by 39.6% yoy in October, reaching TRY30.2 billion Capital transfers made within the scope of lending to State-Owned Enterprises accounted for TRY20.8 billion of this amount; TRY19.0 billion was transferred to the Turkish State Railways (TCDD), and TRY1.8 billion was transferred to the Turkish Hard Coal Enterprises. For the January–October period, the total transfer amount reached TRY225 billion.
- **Interest payments** rose by 91.4% yoy in October to reach TRY301 billion, while for the first ten months of the year, they increased by 40.3% to TRY2,552 billion. MTP year-end forecast stands at TRY 2,825 billion, with 90% of this projection realized during the first ten months.
- **In seasonal adjusted real terms**, primary expenditures have shown a decline over the last two months (Chart 7). A breakdown of the components reveals that with the exception of capital transfers, all items declined on a monthly basis in October.

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

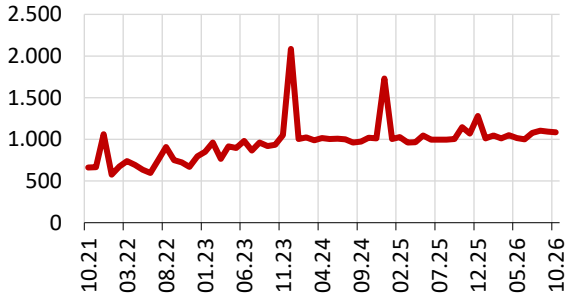
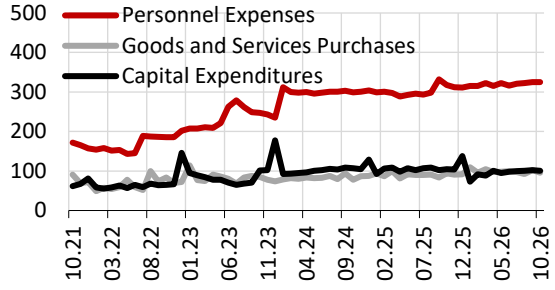


Chart 8. Primary Expenditures (bn TL, s.a., 2025 prices)



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

Table 1. Budget Balance (Million TRY)

	Monthly		First 10 months		12-Month Cumulative	
	Oct.26	Oct.25	2026	2025	Oct.26	Oct.25
Budget Revenues	**1,298,285**	**1,147,070**	**13,406,085**	**10,151,995**	**16,080,966**	**11,971,001**
General Budget Revenues	**1,277,523**	**1,112,580**	**13,069,982**	**9,873,283**	**15,687,380**	**11,638,757**
Taxes	1,141,117	976,016	11,543,099	8,729,521	13,863,405	10,257,137
Income Tax	398,205	303,370	3,291,227	2,250,908	3,853,563	2,602,290
Corporate Tax	-19,261	8,105	1,230,141	868,140	1,585,875	1,073,119
VAT	209,632	160,439	1,726,156	1,264,992	2,017,104	1,458,527
Special Consumption Tax	149,348	186,189	1,586,231	1,580,346	2,030,200	1,893,772
VAT from Imports	208,222	158,440	1,802,451	1,383,287	2,143,361	1,627,575
Property Income	12,912	12,431	262,047	169,062	293,236	192,401
Grants and Aids and Special Revenues	6,301	7,489	68,879	97,025	82,679	134,064
Interest, Shares and Fines	115,375	114,021	1,144,792	833,366	1,391,874	992,299
Capital Revenues	1,805	2,565	50,120	40,977	54,209	57,639
Collections from Loans	13	58	1,045	3,333	1,976	5,217
Special Budget Revenues	**15,184**	**30,221**	**259,961**	**222,009**	**307,418**	**268,591**
Rev. of Regulatory & Supervisory Inst.	**5,578**	**4,270**	**76,142**	**56,703**	**86,168**	**63,653**
Budget Expenditures	**1,779,376**	**1,370,269**	**15,727,506**	**11,592,472**	**18,775,454**	**14,258,970**
Primary Expenditures	**1,478,061**	**1,212,861**	**13,175,061**	**9,772,683**	**15,988,415**	**12,217,631**
Compensation of Employees	441,970	332,835	4,282,999	3,071,651	4,845,379	3,489,367
Social Security Contributions	54,485	41,469	539,226	377,370	616,329	433,988
Purchases of Goods and Services	126,211	100,324	1,084,304	761,229	1,395,991	990,707
Current Transfers	615,217	520,301	5,646,039	4,328,003	6,726,615	5,101,396
Capital Expenditures	154,660	132,922	1,037,679	895,591	1,487,979	1,202,923
Capital Transfers	55,349	63,402	278,017	146,965	491,189	725,632
Lending	30,169	21,608	306,796	191,875	424,934	273,619
Interest Payments	**301,315**	**157,408**	**2,552,445**	**1,819,788**	**2,787,039**	**2,041,339**
Budget Balance	**-481,091**	**-223,199**	**-2,321,421**	**-1,440,477**	**-2,694,488**	**-2,287,970**
Primary Balance	**-179,776**	**-65,791**	**231,024**	**379,312**	**92,550**	**-246,630**

Source: Treasury

Budget Balance Developments (October 2026) 16 November 2026

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