



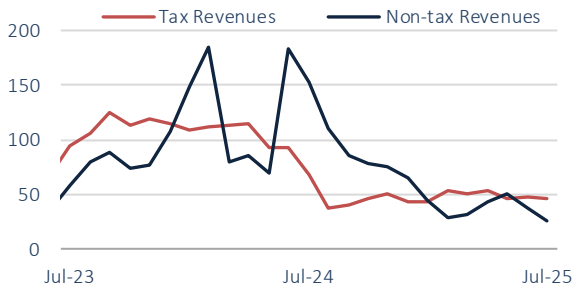
Central government budget posted a deficit of 23.9 billion in TRY July.

In July, central government budget revenues and expenditures increased by 50.1% and 35.4% yoy, respectively. Central government budget posted a deficit of 23.9 billion TRY in this period. On the other hand, primary budget balance, which posted a deficit of 4.2 billion TRY in July of last year, recorded a surplus of 110.7 billion TRY in this period. Thus, budget deficit was 1 trillion TRY in the first seven months of the year, while the budget recorded a primary surplus of 241.7 billion TRY.

Tax revenues continued to record strong rises in July.

Tax revenues maintained their strong performance in July, increasing 55.3% yoy to 949.8 billion TRY. Income tax revenues, which accounted for 31% of tax revenues, reached 292.1 billion TRY recording an annual increase of 91.9%. Corporate tax revenues, on the other hand, contracted by 16.5% annually and contributed 12 billion TRY to the budget revenues. In July, tax revenues from the consumption of goods and services recorded increases above the CPI inflation rate. During this period, special consumption tax revenues, which accounted for nearly 20% of tax revenues, increased by 34.6% on an annual basis, while VAT collected on imports, which had the third-highest share in tax revenues with 17.4%, increased by 38.3%. Domestic VAT revenues continued to record strong rises increasing by 59.5% on an annual basis.

Tax and Non-tax Revenues
(3-month ma, annual % change)



In July, non-tax revenues increased by 23.4% yoy, reaching 147.1 billion TRY, which marks a slower increase than tax revenues, as has been the case in the recent periods. Interest, shares and fines item, which accounted for 68% of non-tax revenues during this period, rose to 100.5 billion TRY, making up 9.2% of total budget revenues.

Central Government Budget

							(billion TRY)	
	July 2024	July 2025	% Change	January-July 2024	January-July 2025	% Change	MTP Target	Real./ MTP Target (%)
Expenditures	827.7	1,120.8	35.4	5,406.3	7,699.8	42.4	14,731.0	52.3
Interest Expenditures	92.5	134.6	45.4	667.0	1,246.0	86.8	1,950.0	63.9
Non-Interest Expenditures	735.2	986.2	34.1	4,739.3	6,453.8	36.2	12,781.0	50.5
Revenues	730.9	1,096.9	50.1	4,562.3	6,695.5	46.8	12,800.3	52.3
Tax Revenues	611.7	949.8	55.3	3,825.1	5,721.3	49.6	11,138.8	51.4
Other Revenues	119.2	147.1	23.4	737.2	974.2	32.2	1,661.6	58.6
Budget Balance	-96.8	-23.9	-75.3	-844.0	-1,004.3	19.0	-1,930.7	52.0
Primary Balance	-4.2	110.7	-	-177.0	241.7	-	19.3	1,252.3

Numbers may not add up to total value due to rounding.

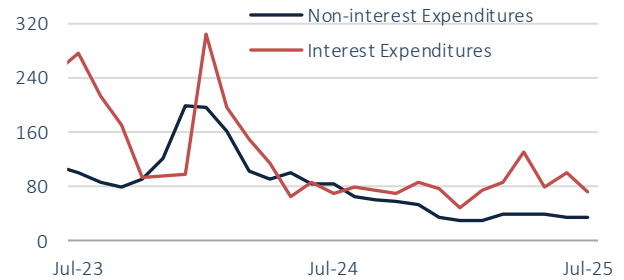
Non-interest expenditures increased by 34.1%.

The annual growth rate of non-interest expenditures remained below the growth rate of tax revenues in July at 34.1%. Current transfers, which is the main expenditure item contributing most to this increase, rose by 40.5% on an annual basis, while the second highest contributor, personnel expenses, increased by 30.7%. Capital expenditures, which account for 10% of total budget expenditures, also increased by 37.3%.

Interest expenditures accounted for 16.2% of total budget expenditures in the first seven months of the year.

In July, interest expenditures increased by 45.4% yoy to 134.6 billion TRY. As of the first seven months of the year, the said item accounted for 16.2% of total budget expenditures. In the same period last year, this ratio was 12.3%.

Interest and Non-interest Expenditures
(3-month ma, annual % change)



Expectations...

The budget deficit in the first seven months of the year constituted 52% of the target set for the whole year. A higher rate of increase in the tax revenues compared to non-interest expenditures and the primary budget surplus of 241.7 billion TRY recorded in the first seven months of the year present a positive outlook in terms of budget discipline. The targets to be set for fiscal policy in the Medium-Term Program, which is expected to be announced in September, and the Program's potential signals regarding the monetary and fiscal policy coordination in fighting against inflation will be closely followed.

Economic Research Division

Alper Grler
Division Head
alper.gurler@isbank.com.tr

Gamze Can
Mdr Yardımcısı
gamze.can@isbank.com.tr

H.Erhan Gl
Unit Manager
erhan.gul@isbank.com.tr

Bra Ceylan
Uzman Yardımcısı
busra.ceylan@isbank.com.tr

Our reports are available on our website <https://research.isbank.com.tr>

LEGAL NOTICE

This report has been prepared by Trkiye İ Bankası A.. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Trkiye İ Bankası A.. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Trkiye İ Bankası A., accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.