

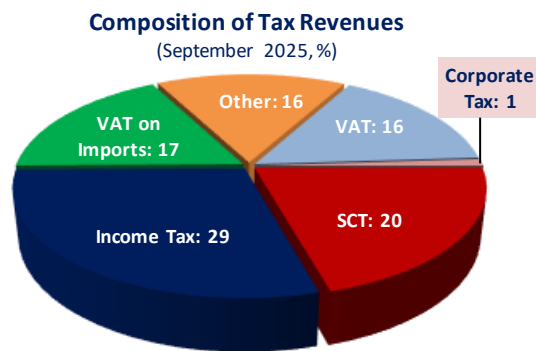


Central government budget posted a deficit of 309.6 billion TRY in September.

In September, central government budget revenues increased by 22.8% yoy to 1.0 trillion TRY, while budget expenditures rose by 42.8% yoy to 1.3 trillion TRY. Thus, the central government budget posted a deficit of 309.6 billion TRY in September, while the primary budget deficit was 73.0 billion TRY. In the January-September period, the central government budget deficit increased by 13.3% yoy to 1.2 trillion TRY.

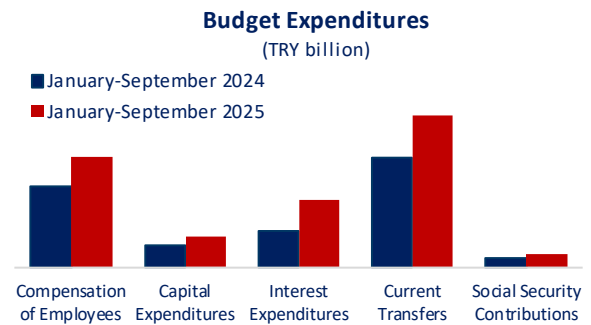
The increase in tax revenues slowed in September.

The strong increase in tax revenues since the second half of the year lost momentum in September, falling to 20.4%. This development was driven by the 90.5% annual contraction of corporate tax, which declined to 16.3 billion TRY. On the other hand, income tax rose rapidly by 81.2% yoy in September, reaching 255.1 billion TRY. Thus, taxes on income and earnings amounted to 271.3 billion TRY, accounting for 30.8% of total tax revenues. In September, tax revenues from the consumption of goods and services increased above CPI inflation. Special consumption tax, which accounted for 20.5% of tax revenues during this period, increased by 41.9% yoy, reaching 180.4 billion TRY. The increase in special consumption tax revenues was driven by special consumption tax collected from motor vehicle sales, which expanded by 75.7% yoy in September, in line with the buoyant automotive market. Value-added tax collected on imports increased by 38% on an annual basis, contributing 152.5 billion TRY to tax revenues. Domestic VAT revenues, which maintained their strong growth in September with a 53.2% increase, as they did throughout the year, amounted to 139.1 billion TRY.



Interest expenses rose by 59.2% yoy.

Interest expenses, which rose by 86.6% in the first eight months of the year compared to the same period of last year, recorded a relatively slower increase of 59.2% in September, reaching 236.6 billion TRY. On the other hand, the share of interest expenses in total expenditures rose from 16% in the January-August period to 17.8% in September. Current transfers, which constituted 41.8% of non-interest budget expenditures in September, increased by 37.4% to 457 billion TRY, while personnel expenditures, which constituted 33.4%, reached 365.9 billion TRY with a 49.2% annual increase. During this period, state premium expenditures to social security institutions recorded a rapid increase of 62.2%. Although capital transfers (42.9%) and lending items (59.7%) also showed increases above the CPI, these expenditures did not have a significant impact on total expenditures due to their low weight. Capital expenditures as well as goods and services purchase expenditures, which rose moderately by 22.0% yoy and 23.5% yoy respectively, accounted for 17.1% of the total, pushing non-interest expenditures up by 187.1 billion TRY.



Expectations...

In September, while the increase in tax revenues lost momentum, budget expenditures rose rapidly, primarily due to interest expenditures. However, the cumulative budget deficit of 1.2 trillion TRY in the January-September period represented 55.1% of the 2.2 trillion TRY target set for 2025 in the Medium Term Program, indicating that the full-year realizations could remain within the targets. In the coming period, the trend in domestic demand will continue to be closely monitored in terms of tax revenues, while the trend in non-interest expenditures will be followed in terms of budget discipline.

Central Government Budget

| | September | | % | January-September | | % | 2025 Budget | | (billion TRY) |
|---------------------------|---------------|----------------|--------------|-------------------|-----------------|-------------|-----------------|-----------------|-----------------------|
| | 2024 | 2025 | Change | 2024 | 2025 | Change | Target | MTP Target | Real./ MTP Target (%) |
| Expenditures | 932.1 | 1,331.0 | 42.8 | 7,158.6 | 10,222.2 | 42.8 | 14,731.0 | 14,674.1 | 69.7 |
| Interest Expenditures | 148.7 | 236.6 | 59.2 | 912.7 | 1,662.4 | 82.1 | 1,950.0 | 2,052.7 | 81.0 |
| Non-Interest Expenditures | 783.4 | 1,094.4 | 39.7 | 6,246.0 | 8,559.8 | 37.0 | 12,781.0 | 12,621.4 | 67.8 |
| Revenues | 831.6 | 1,021.4 | 22.8 | 6,084.6 | 9,004.9 | 48.0 | 12,800.3 | 12,465.9 | 72.2 |
| Tax Revenues | 732.2 | 881.8 | 20.4 | 5,134.1 | 7,753.5 | 51.0 | 11,138.8 | 10,733.6 | 72.2 |
| Other Revenues | 99.4 | 139.5 | 40.4 | 950.6 | 1,251.4 | 31.7 | 1,661.6 | 1,732.3 | 72.2 |
| Budget Balance | -100.5 | -309.6 | 208.2 | -1,074.0 | -1,217.3 | 13.3 | -1,930.7 | -2,208.3 | 55.1 |
| Primary Balance | 48.2 | -73.0 | - | -161.3 | 445.1 | - | 19.3 | -155.6 | - |

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

Source: Datastream , Ministry of Treasury and Finance

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