

**Central government budget posted a deficit of 528 billion TRY in December.**

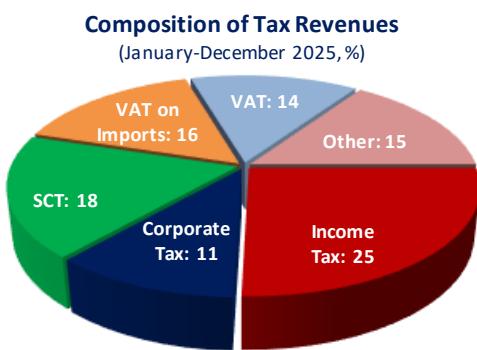
The central government budget deficit in December was 528 billion TRY, 36.4% below the level in December 2024. During this period, budget revenues increased by 43.7% yoy to 1.26 trillion TRY, while budget expenditures recorded a limited rise of 4.8% yoy to 1.79 trillion TRY. In December, the primary deficit narrowed by 45.5% yoy to 411.5 billion TRY.

#### Budget deficit was 1.8 trillion TRY in 2025.

The central government budget deficit, which stood at 2.1 trillion TRY in 2024, declined to 1.8 trillion TRY in 2025 thanks to the impact of strong increase in tax revenues as well as the limited rise in non-interest expenditures. Thus, the budget deficit fell below the target of 1.9 trillion TRY set at the beginning of the year and the 2.2 trillion TRY forecast in the Medium-Term Program. In 2025, budget revenues went up by 48.0%, while budget expenditures increased by 35.7%. The primary balance, which recorded a deficit of 837.3 billion TRY in 2024, posted a surplus of 255.3 billion TRY in 2025.

#### Tax revenues reached 1.05 trillion TRY in December.

Increasing above the annual CPI inflation with 47.9% yoy in December, tax revenues amounted to 1.05 trillion TRY and accounted for 82.9% of total budget revenues. During this period, value-added tax collected domestically went up by 59.5% to 142.2 billion TRY, and income tax rose by 53.9% to 282.2 billion TRY, becoming the main items supporting tax revenues. In the same period, VAT collected on imports recorded a 46.0% increase. In December, special consumption tax and corporate tax revenues recorded remained relatively moderate increases compared to other items at 37.3% and 37.0%, respectively.



In 2025, when tax revenues increased by 51.3% yoy to 11.0 trillion TRY, income tax recorded the fastest increase at 84.2% and

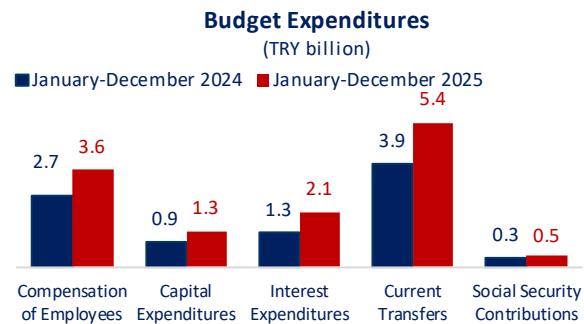
accounted for the highest share of tax revenues at 25.5%. Special consumption tax revenues, which recorded a 39.5% annual increase, followed this item with an 18.3% share of total tax revenues. Value added tax collected on imports recorded an increase of 29.3%, below the annual inflation.

#### Non-interest expenditures increased by 2.5% yoy in December.

Non-interest budget expenditures recorded their lowest increase since April 2021 in December, rising by 2.5% yoy. Current transfers, which accounted for 37.5% of these expenditures, increased by 46.2%, while capital expenditures, which accounted for 19.9%, rose by 52.6% yoy. During this period, personnel expenses went up by 35.4% yoy, while goods and services purchases increased by 35.7%. It was noteworthy that the top four items with the largest share of non-interest budget expenditures rose above inflation.

In 2025, current transfers increased by 40% and personnel expenses by 36.3% on an annual basis. In this period, the rise in capital expenditures and purchases of goods and services were 42.3% and 43.2%, respectively.

Interest expenditures, which rose by 55.0% yoy in December, increased by 61.7% yoy in the January-December period. The share of interest expenditures in total expenditures was 14% in 2025. This ratio was 11.8% in 2024.



#### Expectations...

In 2025, the rapid increase in tax revenues and the relatively moderate rise in non-interest expenditures led the central government budget to perform better than expected. Thus, we calculate that the budget deficit to GDP ratio, which was 4.7% in 2024, will remain below 3% in 2025. On the other hand, taking into account that the Treasury cash balance posted a deficit of 2.1 trillion TRY in 2025, the effect of the difference on the budget performance in 2026 will be one of the determining factors regarding the fiscal policy's support to the fight against inflation.

#### Central Government Budget

	December			% Change	January-December			% Change	2025 Budget Target	MTP Target	Real./ MTP Target (%)
	2024	2025			2024	2025					
<b>Expenditures</b>	<b>1,710.4</b>	<b>1,792.0</b>	<b>4.8</b>		<b>10,780.6</b>	<b>14,634.6</b>	<b>35.7</b>		<b>14,731.0</b>	<b>14,674.1</b>	<b>99.7</b>
Interest Expenditures	75.3	116.7	55.0		1,270.5	2,054.4	61.7		1,950.0	2,052.7	100.1
Non-Interest Expenditures	1,635.1	1,675.4	2.5		9,510.2	12,580.2	32.3		12,781.0	12,621.4	99.7
<b>Revenues</b>	<b>879.5</b>	<b>1,263.9</b>	<b>43.7</b>		<b>8,672.8</b>	<b>12,835.5</b>	<b>48.0</b>		<b>12,800.3</b>	<b>12,465.9</b>	<b>103.0</b>
Tax Revenues	708.2	1,047.5	47.9		7,305.3	11,049.5	51.3		11,138.8	10,733.6	102.9
Other Revenues	171.4	216.4	26.3		1,367.6	1,786.0	30.6		1,661.6	1,732.3	103.1
<b>Budget Balance</b>	<b>-830.8</b>	<b>-528.1</b>	<b>-36.4</b>		<b>-2,107.8</b>	<b>-1,799.1</b>	<b>-14.6</b>		<b>-1,930.7</b>	<b>-2,208.3</b>	<b>81.5</b>
<b>Primary Balance</b>	<b>-755.6</b>	<b>-411.5</b>	<b>-45.5</b>		<b>-837.3</b>	<b>255.3</b>	-		<b>19.3</b>	<b>-155.6</b>	-

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

Source: Datastream, Ministry of Treasury and Finance

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