Budget Balance
July 2026

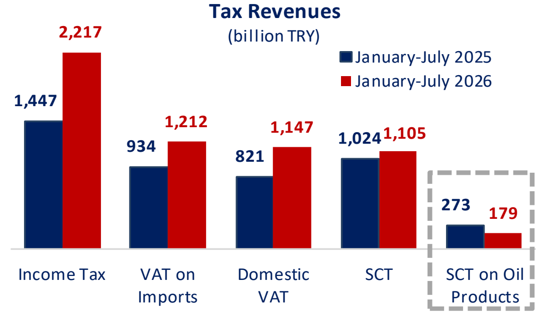
The central government budget posted 378.1 billion TRY deficit in July.

In July, central government budget expenditures rose sharply by 60% yoy to 1.8 trillion TRY, while budget revenues increased at a more moderate pace of 29%, below the annual inflation rate, to 1.4 trillion TRY. Consequently, the central government budget deficit widened nearly sixteenfold from a year earlier to 378.1 billion TRY. In the same period, Treasury cash deficit was 395.7 billion TRY. Meanwhile, the primary budget balance, which posted a surplus of 110.7 billion TRY in July 2025, recorded a deficit of 51.3 billion TRY in the same month of this year.

In the January–July period, the budget deficit increased by 31.5% yoy to 1.3 trillion TRY. The primary budget surplus rose from 241.7 billion TRY in the first seven months of 2025 to 470.1 billion TRY in the same period of this year.

Tax revenues rose by 30% yoy in July.

Tax revenues, which accounted for 87.4% of central government budget revenues in July, increased by 30.0% yoy to 1.2 trillion TRY. During this period, income tax revenues rose by 47.9% yoy to 432.0 billion TRY, while corporate tax revenues fell by nearly 70% to 3.6 billion TRY. Consequently, revenues from taxes on income and profits increased by 43.3% yoy in July.



Among consumption based taxes, domestic value added tax revenues rose by 46.2% yoy, while VAT revenues on imports increased by 16.4%. Meanwhile, the continued impact of the sliding scale system introduced in March led special consumption tax (SCT) revenues from petroleum and natural gas products to fall by 36.1% yoy in July, weighing on tax revenues. Nevertheless, as part of the gradual phase-out of the system, the share of fuel price increases offset by SCT cuts was reduced to 50%, making the sliding scale system's drag on tax revenues less pronounced than in previous months. SCT revenues from motor vehicles also declined by 2.6% amid the weak outlook in the automotive sector, constituting another item that constrained SCT revenues. Consequently, SCT revenues posted a limited annual increase of 5.1%, while consumption based tax revenues rose by 23.6% yoy.

Interest expenses rose sharply in July.

In July, non-interest expenditures increased by 48.4% yoy to 1.5 trillion TRY, while interest expenses more than doubled to 326.8 billion TRY. Consequently, the share of interest expenses in total budget expenditures increased from 12% in July 2025 to 18.2% in the same month of this year. In the first seven months of the year, this ratio stood at 17%, close to its level of 16.2% in the same period of last year.

Current transfers and personnel expenses, which accounted for the largest shares of non-interest budget expenditures in July at 42% and 32%, respectively, increased above the annual inflation rate by 57% and 43% yoy, putting pressure on budget expenditures. Capital expenditures, with a 10% share in non-interest expenditures, rose at a more moderate pace of 29% over the same period. Meanwhile, the annual increase in purchases of goods and services, which accounted for 8% of non interest expenditures, lost momentum from the previous month but remained above inflation at 42%. Furthermore, although capital transfers accounted for a limited share of 2% in non-interest expenditures, they continued to post triple-digit annual growth for the fifth consecutive month.

Expectations…

In July, budget revenues increased below the annual inflation rate due to the impact of the sliding scale system and the loss of momentum in overall economic activity. Budget expenditures, meanwhile, rose above inflation, driven particularly by the sharp increase in interest expenses. Nevertheless, the budget deficit recorded in the first seven months of the year accounted for 48.7% of the full-year target of 2.7 trillion TRY, indicating that the budget outlook remained consistent with the target. Under the decision dated August 13, SCT amounts applicable to certain types of diesel fuel were reduced to zero until the end of August. These amounts are scheduled to be gradually raised in monthly increments of 3 TRY/liter from September onwards, reaching 13.90 TRY/liter at the beginning of 2027. The course of oil prices, the effect of the aforementioned regulation and the outlook for economic activity will continue to influence budget performance through the tax revenue channel.

Central Government Budget (billion TRY)

	July		%	January-July		%	2026 Budget	Real/ Budget
	2025	2026	Change	2025	2026	Change	Target	Target (%)
Expenditures	**1,120.8**	**1,790.5**	**59.8**	**7,699.8**	**10,520.7**	**36.6**	**18,978.8**	**55.4**
Interest Expenditures	134.6	326.8	142.8	1,246.0	1,791.0	43.7	2,741.7	65.3
Non-Interest Expenditures	986.2	1,463.7	48.4	6,453.8	8,729.7	35.3	16,237.2	53.8
Revenues	**1,096.9**	**1,412.4**	**28.8**	**6,695.5**	**9,199.7**	**37.4**	**16,266.1**	**56.6**
Tax Revenues	949.8	1,234.8	30.0	5,721.3	7,854.6	37.3	13,833.1	56.8
Other Revenues	147.1	177.6	20.7	974.2	1,345.2	38.1	2,433.0	55.3
Budget Balance	**-23.9**	**-378.1**	**1,484.6**	**-1,004.3**	**-1,320.9**	**31.5**	**-2,712.7**	**48.7**
Primary Balance	**110.7**	**-51.3**	**-**	**241.7**	**470.1**	**94.5**	**29.0**	**-**

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

Source: Datastream, Ministry of Treasury and Finance

17.08.2026

Economic Research Division

Alper Gürler
Division Head
alper.gurler@isbank.com.tr

Büşra Ceylan
Asst. Economist
busra.ceylan@isbank.com.tr

H. Erhan Gül
Unit Manager
erhan.gul@isbank.com.tr

Onuray Günaydın
Asst. Economist
onuray.gunaydin@isbank.com.tr

Dilek Sarsın Kaya
Asst. Manager
dilek.kaya@isbank.com.tr

Our reports are available on our website https://ekonomi.isbank.com.tr