

Türkiye- Central Budget

June 2025 - 12-month central budget deficit/GDP at 4.6%

In June, the central budget posted a deficit of TRY330bn and primary balance a deficit of TRY55bn. On a yoy basis, central budget deficit increased by 20%. In a month when the increase in non-interest expenditures remained more limited compared to revenues, the primary deficit decreased by 69%. On 12-month basis, budget deficit widened, primary deficit remarkably narrowed compared to May. According to the estimated GDP, 12-month central budget deficit/GDP ratio was 4.6% and primary deficit/GDP ratio was 1.0% at the end of June. Compared to the previous quarter, budget deficit/GDP and primary deficit/GDP decreased by 0.3 and 0.7 points, respectively. Public finances tightened in the first half of the year, but remained well below the target for the whole year.

The central budget deficit/GDP ratio realized at 4.9% in 2024. In the Medium Term Program (MTP), the central budget deficit/GDP ratio forecast for 2025 was announced as 3.1%. The projection for 2025 in the MTP indicates that a more significant tightening in the budget deficit is targeted compared to 2024. Our central budget deficit/GDP forecast for 2025 is 4.0%. In order to reach the nominal budget deficit forecast in the MTP, the budget deficit needs to decline by 30% yoy in the remaining period of the year. In his recent statements, Treasury and Finance Minister Mehmet Şimşek stated that the MTP targets may not be met. A clear correction in budget performance, especially by limiting the increase in expenditures during the year, is necessary to ensure gains from macro policies.

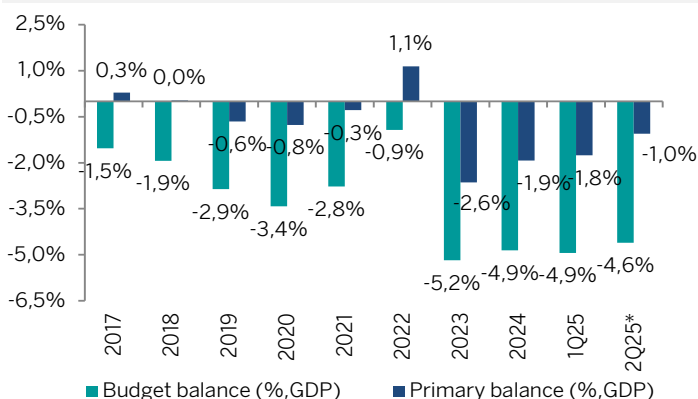
Budget deficit widened while primary deficit narrowed in 12-month cumulative terms

- The budget deficit increased by TRY55bn to TRY2,339bn compared to the previous month (MTP 2025 estimate is a TRY1,931bn deficit).
- The primary deficit decreased by TRY122bn to TRY532bn compared to the previous month (MTP 2025 estimate is a TRY19bn surplus)

Non-interest expenditure growth remains below tax revenue growth in 12-month cumulative terms

- In June, yoy increase in main non-interest expenditure sub-items excepting goods&services procurement slowed down compared to previous months. The deceleration in investment expenditures was more pronounced compared to other items. Yoy increases in personnel expenditures, purchases of goods&services, current transfers and investment expenditures were 34%, 56%, 25%, and 3%, respectively. 12-month primary expenditure growth slowed down compared to the previous month, from 43% to 40%.
- In the SEE assignment expenditures item, Electricity Generation Co. were allocated TRY18.3bn. In June, TCDD (Turkish State Railways) borrowed TRY16bn. In 2025, total debt given to TCDD reached TRY30bn.
- Interest payments rose significantly by 178% yoy in June and 93% in Jan-Jun 25.
- In June, total tax revenues increased by 58% yoy, above the previous 12-month. In June, yoy increases in income tax (92%) and VAT (59%) were high, while SCT (47%), BSMV (45%) and VAT on imports (39%) were more limited. In June, income tax accounted for 27% of total tax revenues.

Budget Performance (12 month)



Central Budget Details

bnTRY	Jun'24	Jun'25	Change (yoy)	Jan-Jun 24	Jan-Jun 25	Change (yoy)
Expenditures	866	1240	43%	4.579	6.579	44%
1-Non-Interest Exp.	767	964	26%	4.004	5.468	37%
Personnel	208	278	34%	1.285	1.748	36%
Goods&Services	48	75	56%	272	413	52%
Current Transfers	371	462	25%	1.829	2.512	37%
Capital Exp.	89	91	3%	316	483	53%
Others	52	57	11%	302	312	3%
2-Interest Exp.	99	276	178%	574	1.111	93%
Revenues	591	909	54%	3.831	5.599	46%
Tax Revenues	483	765	58%	3.213	4.771	48%
Non-tax Revenues	108	144	34%	618	827	34%
Budget Balance	-275	-330	20%	-747	-980	31%
Primary Surplus	-176	-55	-69%	-173	131	-176%

Source: Ministry of Treasury and Finance, Garanti BBVA Securities *estimated GDP

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