

Turkey: Higher debt costs, predictable funding strategy

Fiscal consolidation brought a positive surprise in 2025, but rising interest costs and redemptions should push borrowing needs sharply higher in 2026. Issuance remains predictable, with a stronger tilt to TRY-denominated bonds and gradual maturity extension supporting the disinflation strategy



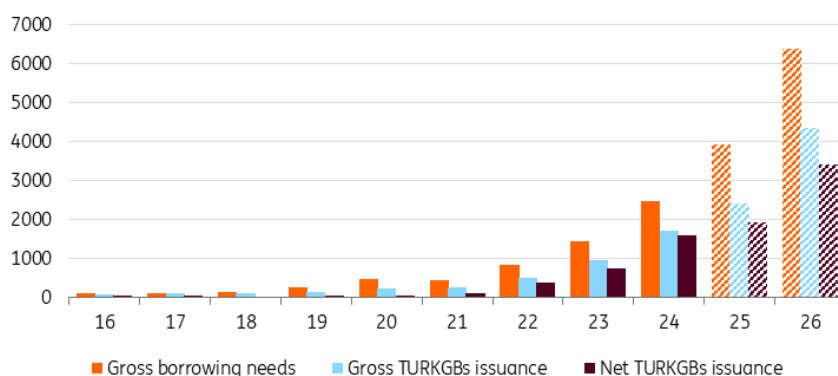
Rising interest costs and redemptions in Turkey should push borrowing needs sharply higher over the year ahead

Fiscal policy: From consolidation to higher financing costs

Turkey's public finance deficit fell from 4.7% to 2.9% of GDP last year (vs the 3.6% official forecast). Of the total 1.8ppt improvement, 2.3ppt came from the non-interest balance, while interest expenditures increased by 0.5ppt. For this year, the Ministry of Finance expects a public finance deficit of 3.5% of GDP. Despite the positive surprise last year, it is difficult to expect a similar trend this year given the rising debt cost.

The government promised to come up with administered price hikes and automatic tax adjustments to align with the inflation target. While this may weigh on revenues, the robust tax collection performance implies that the impact on the bottom line would be limited.

Gross financing needs and TURKGBs issuance (TRYbn)



Source: MinFin, ING estimates

Local issuance: Growing reliance on TURKGBs

The Turkish MinFin is traditionally the first in the region to present its funding plan for this year; at the same time, the final issuance is the closest to the plan and our expectations. We therefore see a relatively simple story here, with only cosmetic differences compared to the MinFin official projection due to different assumptions for FX and inflation in our forecast. Gross borrowing needs should increase in our forecast from TRY3,930bn to TRY6,382bn (+62.4% year-on-year, 8.2% of GDP), which is due to a combination of high redemptions and rising debt costs, both driven by high inflation. Gross TURKGBs issuance this year, in our estimate, will increase from TRY2,437bn to TRY4,356bn (+79%) and net issuance will increase from TRY1,948bn to TRY3,409bn (+75%).

MinFin continues to indicate a growing preference to focus on TRY-denominated funding sources and this year we should see a further increase in the share from a record low of 76% in 2018 to 91% this year. MinFin is trying to extend the average maturity of TURKGBs with a 3.9y average maturity of bonds issued last year compared to 3.2y of the total portfolio, and this trend can be expected to continue this year.

Financing needs for 2026 (TRYbn)

	MinFin	ING
Domestic debt service	5,042	5,423
Foreign debt service	948	960
Total financing needs	5,990	6,383
Domestic borrowing	5,344	5,809
External borrowing	605	660
Non-borrowing resources	40	-86
Gross borrowing requirement	5,990	6,383
TURKGBs issuance		4,356
Net TURKGBs issuance		3,409
FX issuance		660

Source: MinFin, ING estimates

FX issuance: Steady activity to continue

2025 was a solid year for Turkish issuance, with just under \$13bn raised in USD and EUR, more than initially budgeted. We expect another active year for Turkey, with a further \$13bn pencilled in

of gross issuance, compared to \$11.8bn maturing across conventional and sukuk paper (\$12.8bn total government external debt per Ministry of Finance numbers). We have already seen \$3.5bn issued across two USD tranches, and a €2bn EUR deal this year. More USD issuance is likely, in both conventional and sukuk format.

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