

Turkey: Budget deficit widens in August

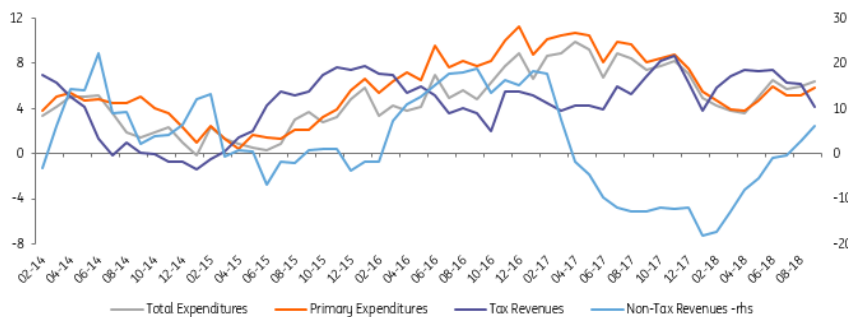
The budget balance showed some deterioration last month on yearly basis with a spike in both primary and interest expenditures, despite healthy revenue generation



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Evolution of revenues and expenses

(12M rolling, CPI Adj., YoY Growth, %)



Source: Ministry of Finance, ING Bank

In August, the central administration budget balance recorded a TRY-5.8 billion deficit, up

significantly from the same month of last year at TRY-0.9 billion. The monthly outcome reflects accelerating primary spending with 29.4% YoY growth (9.7% in real terms), and a 23.3% YoY jump (4.6% real) in interest expenditures on the back of an uptrend in yields, despite solid revenue generation (at 23.4% YoY, translating into a 4.7% real increase). Accordingly, the primary surplus deteriorated to TRY+2.5 billion, from TRY+4.6 billion.

In the breakdown, the data reveal:

1. The pace of real increase in tax revenues has lost momentum with a mere 0.6% real growth in August vs 5.7% on year-to-date basis, likely showing the impact of softening activity
2. Initial signs of fiscal consolidation, with nominal declines in spending for goods & services purchases and capital expenditures, though current transfers skyrocketed with a more than 30% real change in August.

Overall, given the current calls for fiscal prudence, the Medium Term Economic plan to be announced this week will be key for resuming fiscal consolidation and containing contingent liabilities.

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