

Macro: Partial deterioration in current account balance due to foreign trade

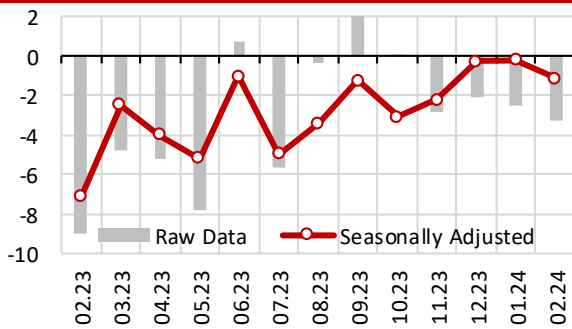
**Current account balance (CAB) posted a deficit of \$3.27 billion in February, in line with our expectations.**

Thus, 12-month cumulative deficit narrowed to \$31.8 billion from \$37.6 billion thanks to the gold and energy imports-oriented base effect. In seasonally adjusted terms, CAB deteriorated slightly in February due to foreign trade balance. Ministry of Trade's provisional foreign trade data suggest that this deterioration continued in March. However, the first quarter averages point to a more favorable underlying trend (~\$17 billion) than the market expectations of around \$30 billion for 2024. Therefore, we maintain our expectation that the current account deficit in 2024 will be much lower than the market forecasts. The course of oil prices due to geopolitical developments is an important risk factor on our forecast. On the financing side, capital inflows amounted to \$2.0 billion in February thanks to the bond issues of the government, banks and other sectors, while reserves decreased by \$6.2 billion due to the \$5.0 billion outflow from the net errors and omissions item. CBRT's daily analytical balance sheet data indicate that the decline in reserves accelerated in March, but accumulation resumed in April.

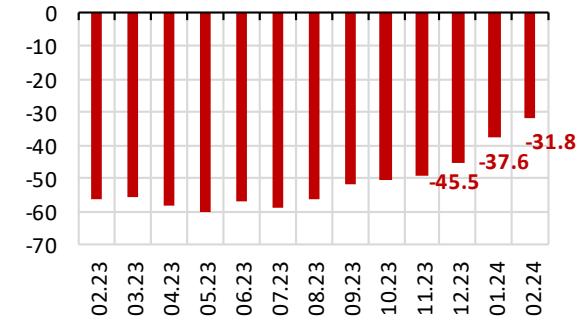
**Current Account Balance:**

- **Current account balance posted a deficit of \$3.27 billion in February**, in line with our forecast and below market expectations (Akbank: -3.3 billion, BloombergHT: -3.7 billion). The 12-month cumulative current account deficit continued to decline due to gold and energy import-oriented base effect, falling from \$37.6 billion to \$31.8 billion (Table 1, Chart 2). The current account surplus excluding gold and energy increased from \$34.4 billion to \$36.0 billion (Chart 4). With March, the energy-driven base effects in annualized current account deficit are coming to an end. In some of the months ahead, we may see base effects driven by gold imports.
- In seasonally adjusted terms, the current account balance, which had hovered close to zero for the last two months, deteriorated slightly in February and stood at -1.2 billion USD (Chart 1). This was mainly driven by the rise in the foreign trade deficit due to core imports (Charts 5 and 6), while the improvement in the services balance made a positive contribution to the current account balance.

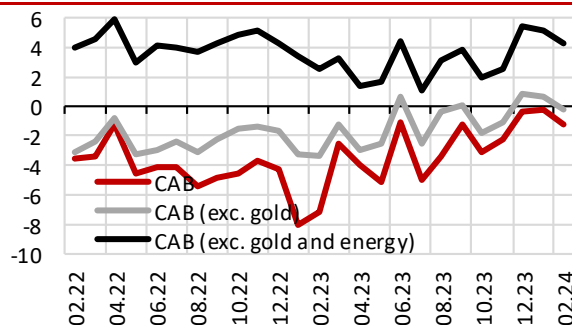
**Chart 1. Current Account Balance (bn \$)**



**Chart 2. Current Account Balance (12-month cumulative, bn \$)**

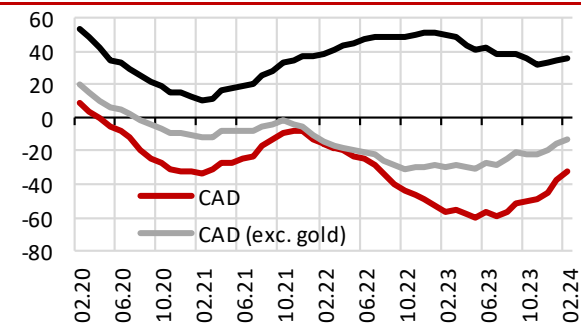


**Chart 3. Current Account Balance (CAD) (seasonally adjusted, bn \$)**



Source: CBRT, Akbank

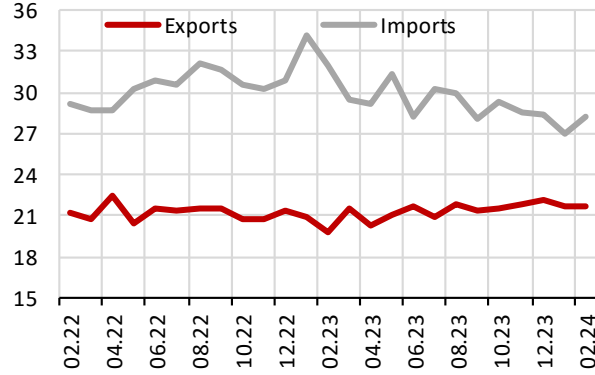
**Chart 4. Current Account Balance (12-month cumulative, bn \$)**



Source: CBRT

**Trade Balance:**

- According to seasonally adjusted data, the foreign trade balance deteriorated in February (Chart 5). This was mainly driven by the generalized increase in imports excluding gold and energy (Chart 6). Gold imports were similar to the previous month with \$1.0 billion. ([Macro: Improvement in external balance interrupted in February](#))

**Chart 5. Exports and Imports (seasonally adjusted, bn \$)**

Source: CBRT, Akbank

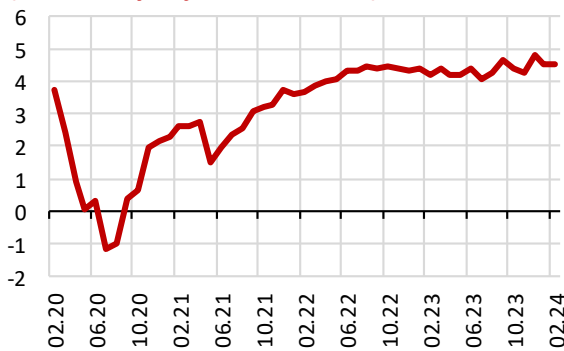
**Chart 6. Foreign Trade excluding Gold and Energy (seasonally adjusted, bn \$)**

Source: CBRT, Akbank

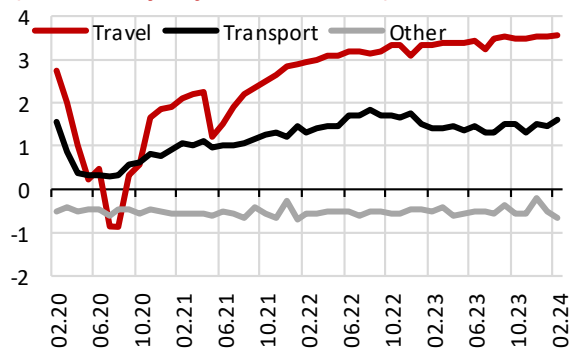
- According to the provisional statistics of the Ministry of Trade for March, foreign trade balance posted a monthly deficit of \$7.5 billion. In seasonally adjusted terms, the foreign trade balance, which improved in November-January period, deteriorated in March following February. In addition to the deterioration in energy and gold balance, imports excluding gold and energy, which remained strong due to domestic demand conditions, also played a role in this widening. This development will cause a further deterioration in the current account balance in March.

**Services Balance:**

- In seasonally adjusted terms, the services balance improved slightly on a monthly basis (Chart 7). Transportation revenues continued to rise, while travel revenues remained on a positive track (Charts 8 and 10). On the other hand, the deterioration in the balance of services excluding transport and travel limited the improvement in the services balance. In 12-month cumulative terms, services revenues reached \$101 billion (Chart 9).

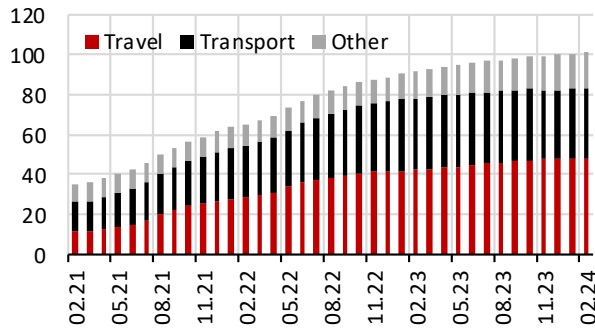
**Chart 7. Services Balance (seasonally adjusted, billion \$)**

Kaynak: TCMB, Akbank

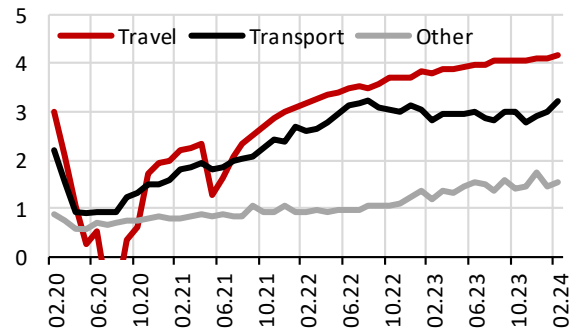
**Chart 8. Services Balance (seasonally adjusted, billion \$)**

Kaynak: TCMB, Akbank

**Chart 9. Services Credit  
(12-month cumulative, bn \$)**

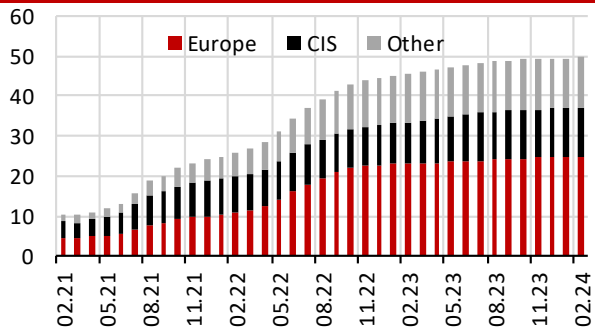


**Chart 10. Services Credit  
(seasonally adjusted, bn \$)**



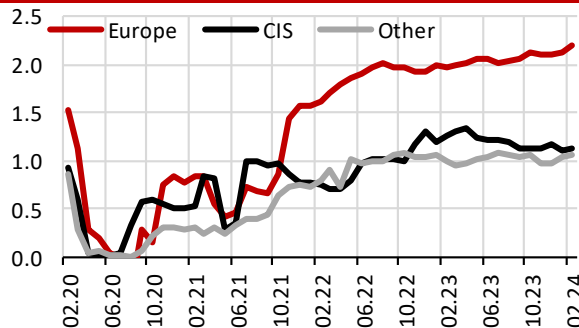
The monthly increase in travel revenues was mainly driven by the rise in the number of foreign visitors. In fact, in seasonally adjusted terms, the number of foreign visitors increased by 2.6% mom in February, stronger than travel revenues (Charts 11 and 12). This increase was widespread across regions, with the strongest rise of 3.2% in visitors from Europe.

**Chart 11. Foreign Visitors  
(12-month cumulative, million people)**



Source: CBRT

**Chart 12. Foreign Visitors  
(seasonally adjusted, million people)**



Source: CBRT, Akbank

**Financing:**

- Current account balance posted a deficit of \$3.27 billion in February, while capital inflows amounted to \$2.0 billion. Net errors and omissions posted an outflow of \$4.98 billion, while reserves decreased by \$6.2 billion (Table 2).
- On the financing side, there was a net outflow of \$142 million from direct investments and an inflow of \$4.4 billion from portfolio investments due to bond issues abroad by the government, banks and other sectors. Outflows from other investments amounted to \$2.2 billion (Table 2).
- The details of the financing side are as follows:
  - **Gross FDI inflow** was **\$240 million** in February, of which \$152 million was real estate.
  - **Portfolio investments recorded a net inflow of \$4.4 billion in February**, driven by bond issues by the government, banks and other sectors.
    - Outflows from equities amounted to \$136 million and inflows to government securities amounted to \$98 million; total outflows amounted to \$38 million. In January-February period, inflows totalled \$412 million. According to CBRT weekly data, there were \$171 million inflows to equities and \$376 million outflows from GDDS in March.

- Regarding the bond issues abroad, government, banks and other sectors made net borrowing of \$3.0 billion, \$2.66 billion and \$0.5 billion, respectively, in February
- In external loans, banks and real sector borrowed net \$115 million and \$265 million, respectively.
- External debt rollover ratios including loans+bonds (6-month moving total) are 119.69% for banks and 124.75% for other sectors.

**Table 1. Current Account Balance (Million \$)**

	Monthly		Year-to-date Cumulative		12-month Cumulative	
	Feb.24	Feb.23	2024	2023	Feb.24	Feb.23
<b>Current Account Balance</b>	<b>-3,265</b>	<b>-9,037</b>	<b>-5,787</b>	<b>-19,461</b>	<b>-31,839</b>	<b>-56,385</b>
<b>Foreign Trade Balance</b>	<b>-4,751</b>	<b>-10,531</b>	<b>-9,157</b>	<b>-23,157</b>	<b>-72,885</b>	<b>-97,907</b>
Export*	20,777	18,384	40,503	37,584	253,752	253,430
Gold	111	194	199	319	4,209	1,202
Export (exc, gold)	20,666	18,190	40,304	37,265	249,543	252,228
Import*	25,528	28,915	49,660	60,741	326,637	351,337
Gold	1,108	3,989	2,132	8,910	23,237	28,307
Energy	5,756	6,743	12,251	15,537	65,828	95,498
Import (exc, gold and energy)	18,664	18,183	35,277	36,294	237,572	227,532
<b>Service Balance</b>	<b>2,381</b>	<b>2,162</b>	<b>5,172</b>	<b>4,980</b>	<b>52,207</b>	<b>50,702</b>
Services Credit	6,377	5,294	12,993	11,759	101,105	91,226
Transport	2,513	2,128	5,057	4,717	35,298	35,855
Travel	2,514	2,168	5,259	4,771	48,165	42,444
Other	1,350	998	2,677	2,271	17,642	12,927
Services Debit	3,996	3,132	7,821	6,779	48,898	40,524
Transport	1,615	1,319	3,164	2,865	18,389	16,704
Travel	557	419	1,107	862	6,898	4,522
Other	1,824	1,394	3,550	3,052	23,611	19,298
<b>Primary Income**</b>	<b>-895</b>	<b>-668</b>	<b>-1,802</b>	<b>-1,284</b>	<b>-11,161</b>	<b>-9,180</b>
<b>Current Account Balance (exc, gold)</b>	<b>-2,268</b>	<b>-5,242</b>	<b>-3,854</b>	<b>-10,870</b>	<b>-12,811</b>	<b>-29,280</b>
<b>Current Account Balance (exc, energy)</b>	<b>1,109</b>	<b>-3,222</b>	<b>3,748</b>	<b>-5,994</b>	<b>16,953</b>	<b>22,198</b>
<b>Current Account Balance (exc, gold and energy)</b>	<b>2,106</b>	<b>573</b>	<b>5,681</b>	<b>2,597</b>	<b>35,981</b>	<b>49,303</b>

\* Balance of payments are defined values,

\*\* It is the sum of primary and secondary income

Source: CBRT

Table 2. Financing (Million \$)

	Monthly		Year-to-date Cumulative		12-month Cumulative	
	Feb.24	Feb.23	2024	2023	Feb.24	Feb.23
<b>Foreign Direct Investment (FDI, net)</b>	<b>-142</b>	<b>532</b>	<b>519</b>	<b>695</b>	<b>4,489</b>	<b>8,932</b>
Real estate	152	406	567	920	3,207	6,453
FDI (exc, real estate)	-294	126	-48	-225	1,282	2,479
<b>Portfolio investment (net)</b>	<b>4,415</b>	<b>236</b>	<b>5,505</b>	<b>705</b>	<b>13,127</b>	<b>-11,125</b>
Equity	-136	-185	50	-671	2,108	-4,129
Bond	98	14	362	36	2,329	-1,482
Government Eurobond	3,000	0	3,000	2,750	5,124	6,774
Banks	2,676	1,157	4,102	469	6,784	-6,845
Other Sectors	584	-8	593	-479	971	-674
<b>Other investment (net)</b>	<b>-2,247</b>	<b>2,466</b>	<b>-5,813</b>	<b>2,709</b>	<b>31,288</b>	<b>36,401</b>
Effective and Deposits	-1,552	447	-3,478	-577	21,039	29,156
Loans	2	1,366	-85	931	9,990	4,931
Banks (foreign borrowing)	115	1,124	1,072	268	8,198	-4,308
Other Sectors	265	454	-637	909	-255	8,280
Trade credit	-701	649	-2,258	2,346	313	2,257
<b>Reserve</b>	<b>-6,230</b>	<b>-4,677</b>	<b>-12,437</b>	<b>-14,018</b>	<b>-446</b>	<b>1,453</b>
<b>Net Errors and Omissions</b>	<b>-4,982</b>	<b>1,150</b>	<b>-6,885</b>	<b>1,372</b>	<b>-17,368</b>	<b>23,702</b>

Source: CBRT

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