Macro: Current account balance posted a deficit above expectations in January

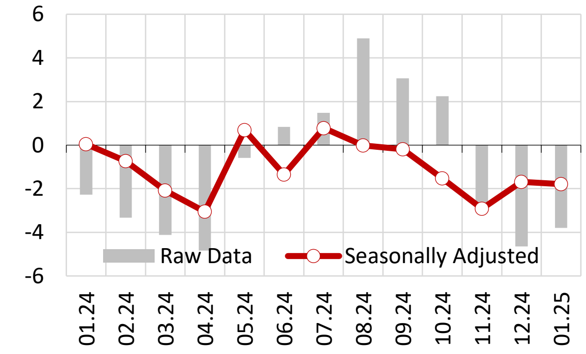
Current account balance recorded a higher-than-expected deficit with $3.8 billion in January, and 12-month cumulative current account deficit increased from $10 billion to $11.5 billion. In seasonally adjusted terms, current account balance deteriorated. On the financing side, capital inflow was $11.8 billion, while reserves increased by $6.4 billion on a monthly basis after the $1.59 billion outflow from the net errors and omissions item. CBRT's daily analytical balance sheet data indicate that reserves decreased in February and increased in the first 11 days of March.

The provisional foreign trade data of the Ministry of Trade for February signals that deterioration in the current account deficit will continue. On the other hand, core current account balance may improve in February. We estimate that the current account deficit will be around $4.0 billion in February. The assumptions on external factors, which we have updated following the recent rise in the Euro/USD parity and the fall in Brent oil prices, point to a lower current account deficit for 2025 than our previous forecast. Accordingly, we revise our current account deficit forecast for 2025 from $28 billion to $25 billion (1.6% of GDP).

Current Account Balance:

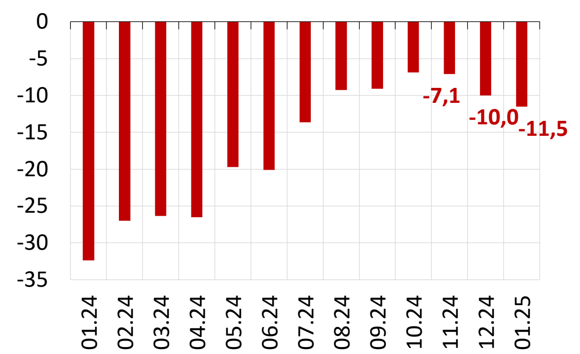
Current account recorded a deficit of $3.8 billion in January, above the forecasts (Akbank: -$2.7 bn, Foreks: -$3.3 bn, Bloomberg: -$3.2 bn). The 12-month cumulative current account deficit increased from $10.0 billion to $11.5 billion (Table 1, Chart 2). The current account surplus excluding gold and energy fell from $52.6 billion to $51.2 billion (Chart 4). In seasonally adjusted (s.a.) terms, the current account balance deteriorated slightly in January (Charts 1 and 3). Deterioration was also observed in core indicators (Charts 3, 5 and 6).

Chart 1. Current Account Balance (bn $)



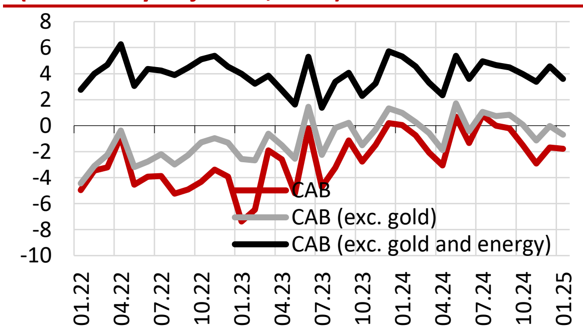
Source: CBRT, Akbank

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



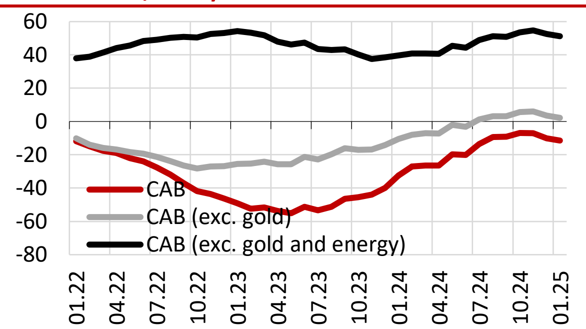
Source: CBRT

Chart 3. Current Account Balance (CAB) (seasonally adjusted, bn $)



Source: CBRT, Akbank

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

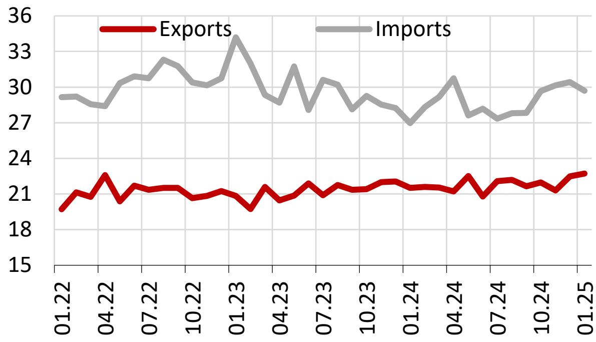


Source: CBRT

Trade Balance:

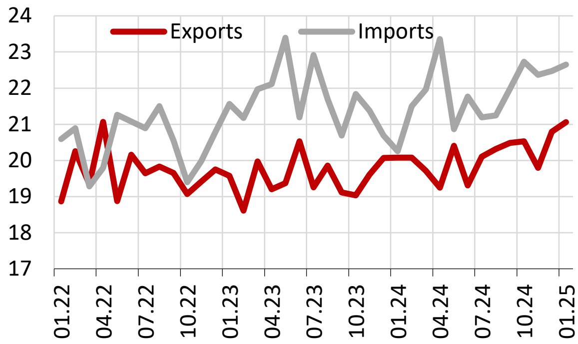
Foreign trade balance (s.a.) improved in January (Chart 6). On a monthly basis, exports increased while imports declined. As gold and energy items played a role in the decline in imports, imports excluding gold and energy increased. Nevertheless, the improvement in the external balance continued excluding gold and energy, albeit at a slower pace (Charts 3, 5 and 6).

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

Services Balance:

The services balance (s.a.) posted a monthly decline (Chart 7). The transport balance recovered, while the travel balance posted a limited deterioration. Therefore, the decline in services revenues was mainly driven by other services items (Chart 8). In 12-month cumulative terms, services revenues stood at $115.7 billion (Chart 9). Travel revenues, on the other hand, increased slightly to $56.4 billion.

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

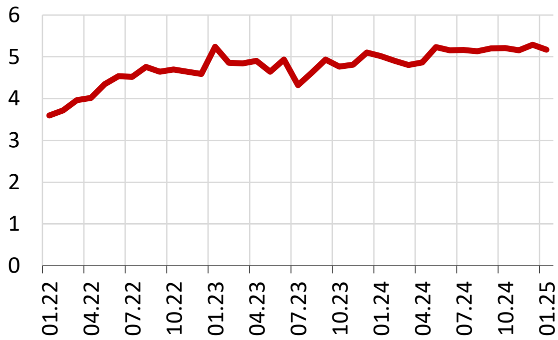


Chart 8. Services Balance (seasonally adjusted, billion $)

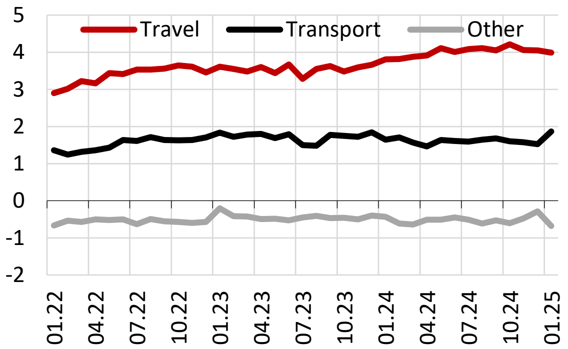
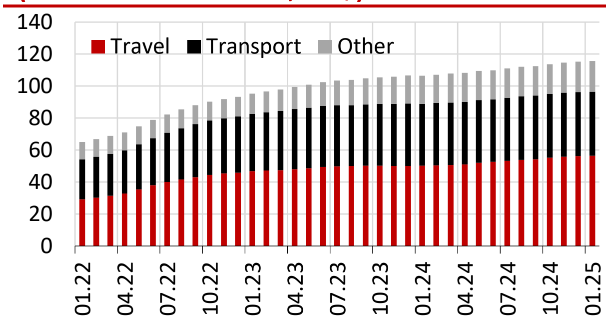
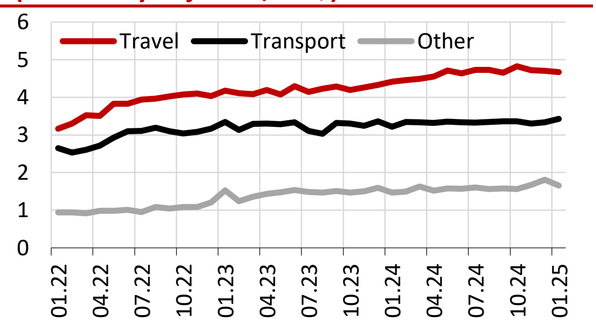


Chart 9. Services Credit (12-month cumulative, bn $)



Source: CBRT

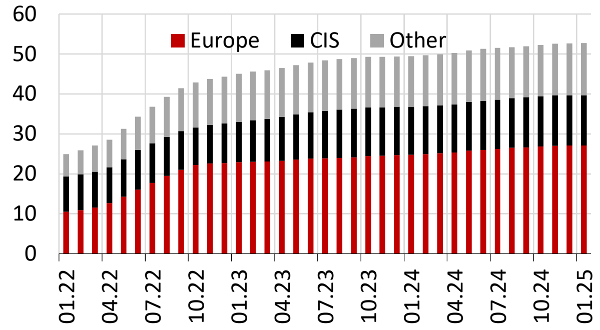
Chart 10. Services Credit (seasonally adjusted, bn $)



Source: CBRT, Akbank

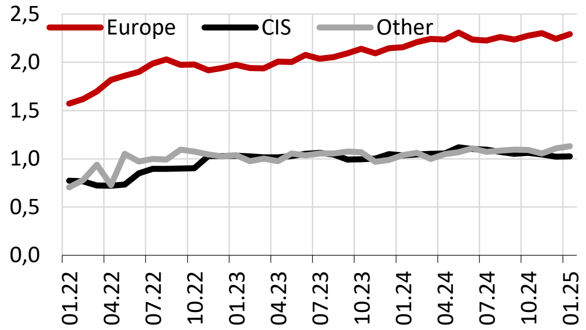
The number of foreign visitors (s.a) increased by 1.7% in January after two months of decline. In January, the number of tourists from Europe, Asia, the Americas and the CIS increased (Charts 11 and 12). Despite the increase in the number of tourists, the fall in travel revenues points to a decline in per capita expenditures.

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



Source: CBRT

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



Source: CBRT, Akbank

According to the provisional data of the Ministry of Trade, foreign trade balance deteriorated due to the increase in gold and energy imports in February. Exports decreased by 1.5% yoy to $20.8 billion, while imports rose by 3.8% yoy to $28.9 billion. Thus, foreign trade deficit increased by $1.4 billion yoy to $8.2 billion, while 12-month cumulative foreign trade deficit rose from $83.7 billion to $84.9 billion. Excluding gold and energy, external deficit improved (Macro: External balance deteriorated due to gold and energy imports). We estimate that the current account deficit will be around $4.0 billion in February and will end 2025 at $25 billion (1.6% of GDP). Risks to forecasts from geopolitical developments and customs tariffs remain.

Table 1. Current Account Balance (Million $)

	Monthly		12-month Cumulative	
	Jan.25	**Jan.24**	**Jan.25**	**Jan.24**
Current Account Balance	**-3,795**	**-2.277**	**-11.541**	**-32.390**
Foreign Trade Balance	**-5,558**	**-4.351**	**-57.563**	**-78.051**
Export*	21,112	19.713	258.867	251.492
Gold	384	88	3.777	4.292
Export (exc. gold)	20,728	19.625	255.090	247.200
Import*	26,670	24.064	316.430	329.543
Gold	1,472	1.024	17.549	26.118
Energy	6,386	6.516	65.460	66.836
Import (exc. gold and energy)	18,812	16.524	233.421	236.589
Service Balance	**3,082**	**3.128**	**61.946**	**56.950**
Services Credit	7,503	7.009	115.743	106.469
Transport	2,963	2.773	40.065	38.789
Travel	3,071	2.955	56.427	50.134
Other	1,469	1.281	19.251	17.546
Services Debit	4,421	3.881	53.797	49.519
Transport	1,524	1.546	20.772	18.513
Travel	690	551	7.497	7.954
Other	2,207	1.784	25.528	23.052
Primary Income**	**-1,319**	**-1.054**	**-15.924**	**-11.289**
Current Account Balance (exc. gold)	**-2,707**	**-1.341**	**2.231**	**-10.564**
Current Account Balance (exc. energy)	**1,315**	**2.893**	**37.446**	**17.854**
Current Account Balance (exc. gold and energy)	**2,403**	**3.829**	**51.218**	**39.680**

* Balance of payments-defined values
** The sum of primary and secondary income
Source: CBRT

Financing:

- While the current account balance posted a deficit of $3.8 billion in January, capital inflow to the economy was $11.8 billion. Banks' borrowings abroad and portfolio inflows stood out in the high surplus in the financing account. With an outflow of $1.59 billion from the net errors and omissions item, reserves increased by $6.4 billion (Table 2). On the financing side, there were net inflows of $0.5 billion in direct investments (FDI), $2.2 billion in portfolio investments and $9.1 billion in other investments (Table 2).
- Details on the financing side are as follows:
  - **Gross FDI inflow** in January was $1.4 billion, of which $132 million was real estate.
    - Real estate acquisition of residents from abroad was $144 million in January
  - **Portfolio investment** posted a net intflow of $2.18 billion in January.
    - In January, inflows to equities were limited to $12 million, while inflows to government securities were $1.65 billion. According to CBRT's weekly securities statistics; inflows to GDDS continued in February and the share of foreigners became 10.4%.
    - Regarding the bond issues abroad, in January, the general government borrowed $211 million, banks paid $336 million, while other sectors borrowed $880 million.
  - Banks borrowed net $9.7 billion and the corporate sector borrowed net $954 million in January.
  - External debt rollover ratios including loans+bonds (6-month moving total) remain high at 146.1% for the banks and 156.4% for other sectors.

Table 2. Financing (Million $)

	Monthly		12-month Cumulative	
	Jan.25	Jan.24	Jan.25	Jan.24
Foreign Direct Investment (FDI, net)	**504**	**608**	**4.548**	**5.111**
Real estate	-12	286	371	1.639
FDI (exc. real estate)	516	322,0	4.177	3.472
Portfolio Investment (net)	**2.182**	**226**	**13.684**	**5.535**
Equity	12	186	-2.681	2.059
Bond	1.650	264	17.410	2.245
Government Eurobond	-211	-360	647	2.546
Banks	-127	717	2.488	1.514
Other Sectors	1.031	-90	5.034	-1.078
Other Investment (net)	**9.082**	**-5.250**	**21.240**	**33.620**
Effective and Deposits	-1.544	-2.407	-13.115	22.109
Loans	10.498	-307	37.040	10.903
Banks (foreign borrowing)	9.732	957	33.772	9.278
Other Sectors	954	-1.122	4.896	-588
Trade credit	125	-2.537	-2.753	665
Reserve	**6.430**	**-6.207**	**13.195**	**1.107**
Net Errors and Omissions	**-1.591**	**454**	**-14.626**	**-10.610**

Source: CBRT

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