

## Macro: Moderate current account deficit in Q1; downside risks for year-end increase

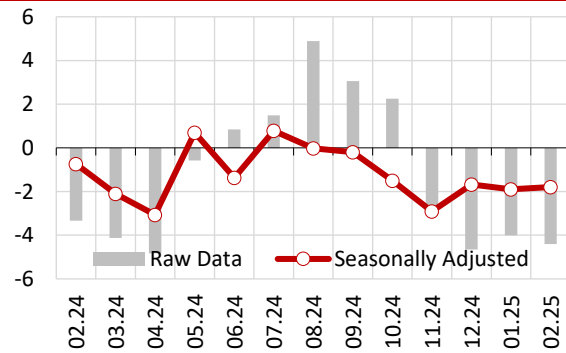
In February, current account deficit realized as \$4.4 billion, broadly in line with market expectations and our forecast, while 12-month cumulative current account deficit widened from \$11.8 billion to \$12.8 billion. In seasonally adjusted terms, there was a limited improvement in the current account balance in February. **On the financing side**, capital inflows amounted to \$2.6 billion, while reserves decreased by \$2.9 billion on a monthly basis as there was \$1.07 billion outflow from net errors and omissions item. CBRT's daily analytical balance sheet data indicate a significant decline in reserves since the second half of March.

We estimate that the relatively mild course of the current account deficit in the first two months continued in March. We calculate that the underlying trend of the current account balance in the first quarter implies a deficit slightly above \$20 billion for 2025. Nevertheless, due to the recent developments in domestic and international markets, we expect the current account deficit to be lower than its current trend and our previous projections for 2025. The factors that will limit the current account deficit are as follows: **i)** monetary tightening, which will restrain Türkiye's economic growth; **ii)** the decline in commodity prices due to concerns over global growth stemming from tariff wars; and **iii)** the rise in the Euro/USD exchange rate. On the other hand, **i)** expectations that global growth will be weaker than our previous projections, **ii)** additional gold demand due to rising gold prices and **iii)** the weakening underlying trend in the balance of services stand out as factors that may limit the improvement in the current account balance. Noting that the downside risks to our forecasts from parity and commodity prices are stronger, we revise our year-end current account deficit forecast to \$19.5 billion (1.3% of GDP).

### Current Account Balance:

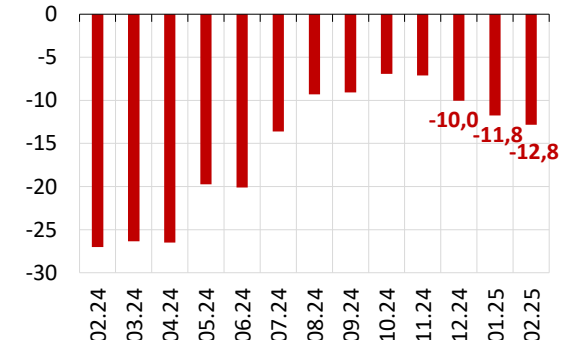
The current account recorded a deficit of \$4.4 billion in February, broadly in line with market expectations and our forecast (Akbank: -\$4.1 billion, ForInvest: -\$4.3 billion). The 12-month cumulative current account deficit widened from \$11.8 billion to \$12.8 billion (Table 1, Chart 2), while the current account surplus excluding gold and energy remained almost flat at \$51.1 billion (Chart 4). In seasonally adjusted (s.a.) terms, the current account balance improved slightly in February (Charts 1 and 3). While the deterioration in the gold and energy balance limited the improvement, the core balance excluding gold and energy was more pronounced in February (Chart 3).

Chart 1. Current Account Balance (bn \$)



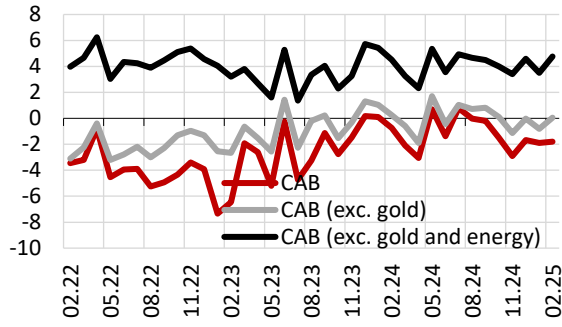
Source: CBRT, Akbank

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



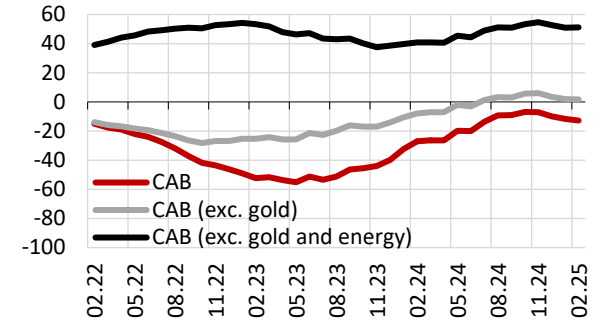
Source: CBRT

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



Source: CBRT, Akbank

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

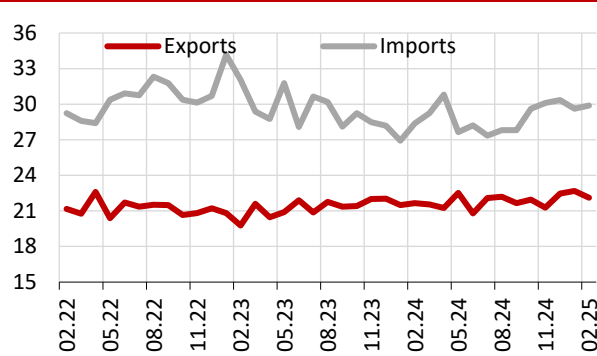


Source: CBRT

### Trade Balance:

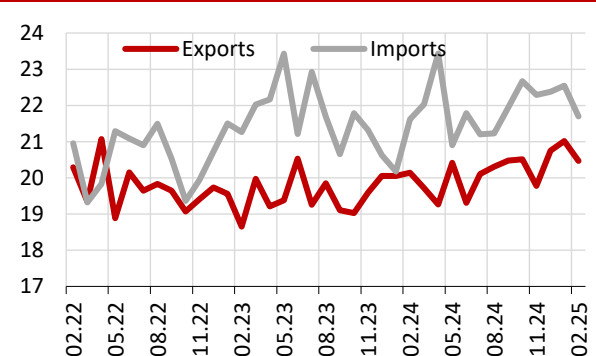
The foreign trade balance (s.a.) deteriorated in February (Chart 6). On a monthly basis, exports declined while imports increased. As gold and energy items played a role in the rise in imports, core imports (excluding gold and energy) decreased. Thus, external balance excluding gold and energy improved (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 \$)

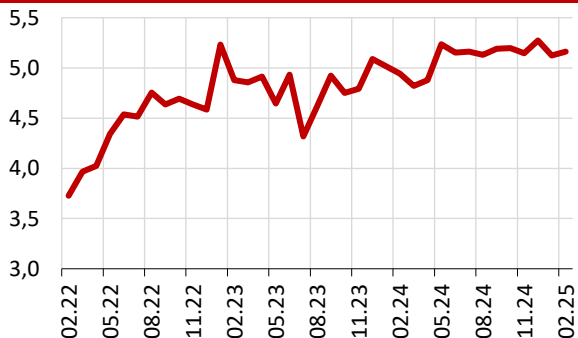


Source: CBRT, Akbank

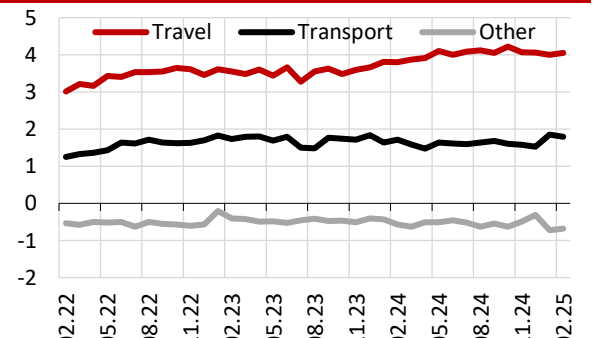
### Services Balance:

The services balance (s.a.) posted a limited monthly increase in February (Chart 7). The travel balance posted an increase, while the transportation balance deteriorated slightly after a strong rebound in the previous month (Chart 8). In 12-month cumulative terms, services revenues remained flat at \$115.7 billion in February (Chart 9). Travel revenues, on the other hand, increased slightly to \$56.5 billion.

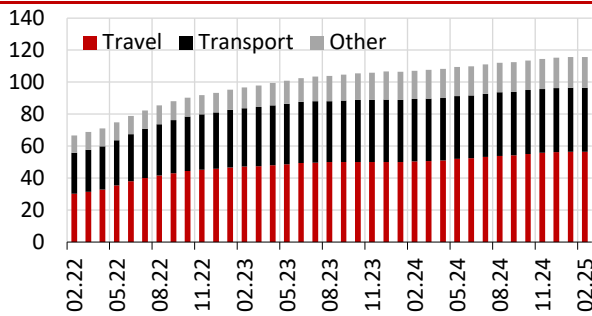
**Chart 7. Services Balance**  
(seasonally adjusted, billion \$)



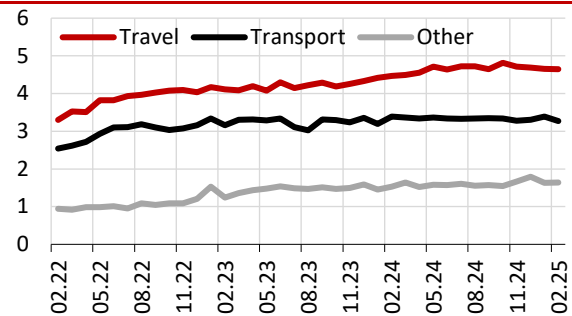
**Chart 8. Services Balance**  
(seasonally adjusted, billion \$)



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

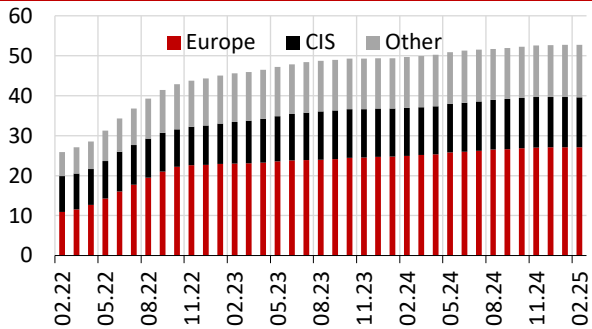


**Chart 10. Services Credit  
(seasonally adjusted, bn \$)**

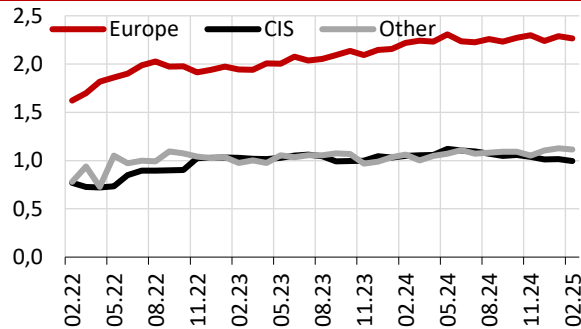


The number of foreign visitors (s.a) decreased by 1.3% in February, following a 1.7% increase in January. In February, the number of tourists from Europe, Asia, the Americas and the CIS decreased (Charts 11 and 12). General Directorate of State Airports Authority's (DHMI) international air passenger statistics signal that the decline in the number of foreign visitors may continue in March.

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



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



According to the provisional data of the Ministry of Trade, foreign trade balance remained almost flat on a monthly basis in March. Exports increased by 3.2% yoy to \$23.4 billion, while imports rose by 2.3% yoy to \$30.7 billion. Thus, foreign trade deficit remained unchanged at \$7.3 billion in March compared to the previous year, while 12-month cumulative foreign trade deficit remained unchanged at \$84.5 billion. Excluding gold and energy, foreign trade deficit improved ([Macro: External deficit remains flat](#)).

Table 1. Current Account Balance (Million \$)

	Monthly		12-month Cumulative	
	Feb.25	Feb.24	Feb.25	Feb.24
<b>Current Account Balance</b>	<b>-4.405</b>	<b>-3.330</b>	<b>-12.837</b>	<b>-27.015</b>
<b>Foreign Trade Balance</b>	<b>-5.730</b>	<b>-4.701</b>	<b>-58.758</b>	<b>-72.238</b>
Export*	21.196	20.776	259.271	253.879
Gold	260	111	3.926	4.209
Export (exc. gold)	20.936	20.665	255.345	249.670
Import*	26.926	25.477	318.029	326.117
Gold	2.111	1.108	18.552	23.237
Energy	6.085	5.756	65.788	65.849
Import (exc. gold and energy)	18.730	18.613	233.689	237.031
<b>Service Balance</b>	<b>2.453</b>	<b>2.354</b>	<b>62.031</b>	<b>56.811</b>
Services Credit	6.348	6.345	115.765	107.124
Transport	2.520	2.684	39.901	39.022
Travel	2.547	2.449	56.525	50.371
Other	1.281	1.212	19.339	17.731
Services Debit	3.895	3.991	53.734	50.313
Transport	1.353	1.623	20.503	18.786
Travel	541	575	7.463	8.051
Other	2.001	1.793	25.768	23.476
<b>Primary Income**</b>	<b>-1.128</b>	<b>-983</b>	<b>-16.110</b>	<b>-11.588</b>
<b>Current Account Balance (exc. gold)</b>	<b>-2.554</b>	<b>-2.333</b>	<b>1.789</b>	<b>-7.987</b>
<b>Current Account Balance (exc. energy)</b>	<b>307</b>	<b>1.021</b>	<b>36.490</b>	<b>21.765</b>
<b>Current Account Balance (exc. gold and energy)</b>	<b>2.158</b>	<b>2.018</b>	<b>51.116</b>	<b>40.793</b>

\* Balance of payments-defined values

\*\* The sum of primary and secondary income

Source: CBRT

### Financing:

- While the current account balance posted a deficit of \$4.4 billion in February, capital inflow to the economy was \$2.6 billion. With a net outflow of \$1.07 billion from the net errors and omissions item, reserves decreased by \$2.9 billion (Table 2). On the financing side, there were net inflows of \$11 million in direct investments (FDI), \$2.57 billion in portfolio investments and \$34 million in other investments (Table 2).
- Details on the financing side are as follows:
  - Gross FDI inflow** in January was \$561 million, of which \$134 million was real estate. In the first two months of the year, total inflows amounted to \$2.0 billion (\$266 million in real estate)
    - Real estate acquisition of residents from abroad was \$190 million in February and \$334 million in January-February period.
    - Portfolio investment** posted a net inflow of \$2.6 billion in February and \$5.0 billion in the first two months of the year.
    - In February, inflows to equities were limited to \$25 million, while inflows to government securities totaled \$675 million. In January-February period, total inflows were \$37 million and \$2.3 billion, respectively. According to CBRT's weekly securities statistics, there were strong outflows especially in the last week of March due to the developments in financial markets and the share of foreigners in the government securities market declined from 10.4% at the end of February to 7.5% as of April 4 (stock: ≈14 billion \$).

- Regarding the bond issuances abroad, the general government borrowed net \$1.47 billion, banks \$296 million and other sectors \$282 million in February.
- Banks borrowed net \$900 million in February, while the real sector borrowed net \$969 million. In January-February period, banks borrowed a total of \$8.8 billion, while the corporate sector borrowed \$1.9 billion.
- External debt rollover ratios including loans+bonds (6-month moving total) remained high at 143.0% for banks and 158.8% for other sectors.

**Table 2. Financing (Million \$)**

	Monthly		12-month Cumulative	
	Feb.25	Feb.24	Feb.25	Feb.24
<b>Foreign Direct Investment (FDI, net)</b>	<b>11</b>	<b>-198</b>	<b>4.778</b>	<b>4.290</b>
Real estate	-56	-8	323	1.348
FDI (exc. real estate)	67	-190,0	4.455	2.942
<b>Portfolio Investment (net)</b>	<b>2.566</b>	<b>1.539</b>	<b>15.209</b>	<b>8.439</b>
Equity	25	-136	-2.494	2.108
Bond	675	98	17.987	2.329
Government Eurobond	1.471	979	1.139	3.742
Banks	284	1.053	1.942	2.710
Other Sectors	321	383	5.221	-477
<b>Other Investment (net)</b>	<b>34</b>	<b>-3.439</b>	<b>24.758</b>	<b>27.770</b>
Effective and Deposits	-2.229	-1.973	-13.373	19.689
Loans	921	217	37.699	9.811
Banks (foreign borrowing)	-900	375	32.485	8.529
Other Sectors	969	220	5.612	-765
Trade credit	1.339	-1.684	362	-1.670
<b>Reserve</b>	<b>-2.899</b>	<b>-6.230</b>	<b>16.526</b>	<b>-446</b>
<b>Net Errors and Omissions</b>	<b>-1.072</b>	<b>-784</b>	<b>-15.257</b>	<b>-13.777</b>

Source: CBRT

This report is prepared by Akbank Economic Research

[Economic.research@akbank.com](mailto:Economic.research@akbank.com)

Çağlar Yüncüler – Vice President

[Caglar.Yunculer@akbank.com](mailto:Caglar.Yunculer@akbank.com)

M. Sibel Yapıcı

[Sibel.Yapici@akbank.com](mailto:Sibel.Yapici@akbank.com)

Sercan Pişkin

[Sercan.Piskin@akbank.com](mailto:Sercan.Piskin@akbank.com)

DISCLAIMER STATEMENT: The text, information and graphs in this report and comments has been prepared from the primary accessible systemic sources on a bona fide basis, and without consideration to establishing any guarantee and assurance for establishing a basis for any informed decision under any name or form, in terms of their accuracy, validity and effectiveness, and thus it has only been gathered for information purposes. Akbank TAŞ, Ak Yatırım AŞ and their employees will not be held responsible for any damages resulting from the comments included in this report such as lack of information and/or updates. Akbank TAŞ and Ak Yatırım AŞ may modify and/or remove the above information and recommendations at any time, without having to serve any prior notice and/or warning in any way, manner or form. Since this report and comments, the comprehensive information and recommendations which have been prepared in the form of general investment suggestions for the purpose of providing general information do not include any commitment by Akbank TAŞ and Ak Yatırım AŞ, the consequences of any decisions taken, conclusions reached, transactions made and any risks caused by any private and/or legal person based on such information will therefore rest with such persons. For this reason, Akbank T.A.Ş., Ak Yatırım A.Ş. and their employees shall not by any means or in any manner be liable for any material and moral damages, loss of profits, or any direct and/or indirect damages, whatsoever, incurred by the persons concerned or 3rd parties, as a result of the decisions taken, conclusions reached, or transactions performed by private and/or legal persons due to reliance on the information contained in this report, the comments and recommendations herein, and the persons concerned understand and accept that they are not entitled to claim any indemnity, whatsoever, from Akbank TAŞ, Ak Yatırım AŞ and their employees for any damages suffered/to be suffered. The information given in this report, and the comments and recommendations contained herein do not constitute an "investment consultancy" service and/or activity, but fall within the scope of a general investment consultancy activity, and individuals and entities willing to receive an investment consultancy service must contact entities and institutions that are authorized to provide such service and obtain such service under a service agreement pursuant to the legislations of CMB. Investment consultancy services are offered under an investment consultancy agreement to be signed between brokerage houses, portfolio management companies, banks that do not admit deposits and the clients. The comments and recommendations contained herein depend upon the personal opinions of the persons who make the comments and recommendations. Since such opinions have been arranged in the scope of a general investment consultancy activity they do not contain reports, comments and recommendations specific to a person, and may therefore not suit your financial status, risk and return preferences. Thus, making investment decisions solely based on the information contained herein might not bring an outcome that meets your expectations.

