

Macro: Current account deficit slightly above expectations; significant risks in both directions for year-end

In March, current account deficit was slightly above expectations with \$4.1 billion, while 12-month cumulative current account deficit remained flat at \$12.6 billion. In seasonally adjusted terms, there was a limited improvement in the current account balance in March, which was due to gold and energy. Core deficit widened to some extent. Preliminary foreign trade data for April indicate that the current account deficit may be around \$7-7.5 billion in April. On the financing side, capital outflows amounted to \$7.1 billion due to the volatility in financial markets following the domestic developments. With the outflow of \$3.9 billion from the net errors and omissions item, reserves decreased by \$15.1 billion on a monthly basis. CBRT's daily analytical balance sheet data indicate that capital outflows continued and reserves further declined in April due to the increased uncertainty and risk aversion in external markets.

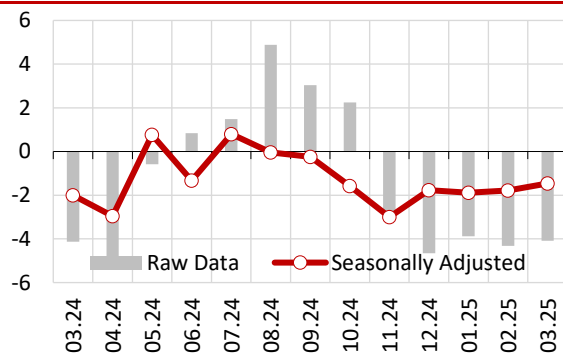
The underlying trend of the current account balance in the first quarter implies a deficit of just over \$20 billion for 2025. However, there are risks to the year-end forecast in both directions. The factors limiting the current account deficit will be: **i)** the domestic monetary tightening, which will restrain 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 parity. On the other hand, **i)** weaker global growth than our previous projections, **ii)** rising gold prices and **iii)** the weakening in the underlying trend of the balance of services stand out as factors that may limit the improvement in the current account balance. While we maintain our year-end current account deficit forecast at \$19.5 billion (1.3% of GDP), we note that the recent optimism stemming from tariff negotiations has the potential to increase the current account deficit due to its impact on commodity prices and the Euro/USD parity.

Current Account Balance:

In March, the current account recorded a deficit of \$4.1 billion, slightly above market expectations (ForInvest: -\$3.95 billion). The 12-month cumulative current account deficit remained almost flat at \$12.6 billion (Table 1, Chart 2), while the current account surplus excluding gold and energy stood at \$51.6 billion, improving by \$0.3 billion mom (Chart 4).

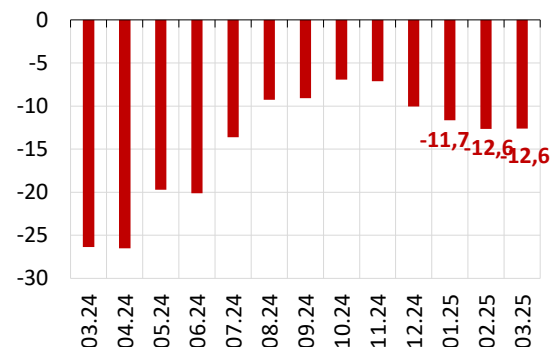
In seasonally adjusted (s.a.) terms, the current account balance posted a limited improvement in March due to the recovery in the gold and energy balances (Charts 1 and 3). The current account balance excluding gold and energy deteriorated in March compared to the previous month (Chart 3).

Chart 1. Current Account Balance (bn \$)



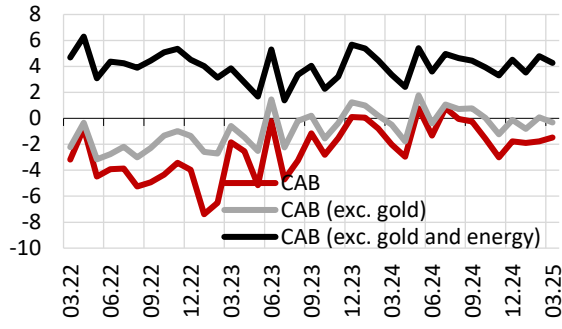
Source: CBRT, Akbank

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



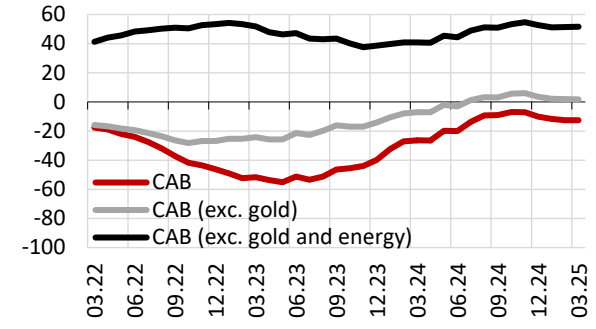
Source: CBRT

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



Source: CBRT, Akbank

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

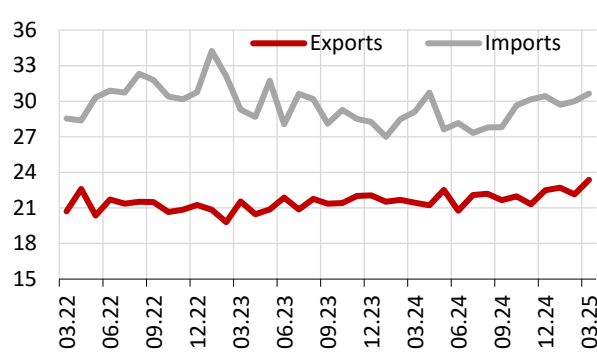


Source: CBRT

Trade Balance:

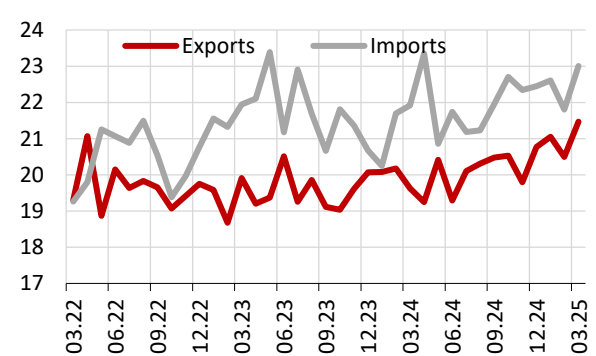
The foreign trade balance (s.a.) improved in March (Chart 6). On a monthly basis, exports increased more than imports. The relatively limited increase in imports was mainly driven by the decline in gold and energy items. On the other hand, imports excluding gold and energy (s.a.) were at an 11-month high. Thus, external balance excluding gold and energy deteriorated (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 decline in March (Chart 7). The travel balance posted an increase, while the transportation item deteriorated due to the rise in freight expenditures (Chart 8). In 12-month cumulative terms, services revenues decreased by \$0.2 billion to \$115.9 billion in March (Chart 9). Travel revenues, on the other hand, increased slightly to \$56.9 billion.

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

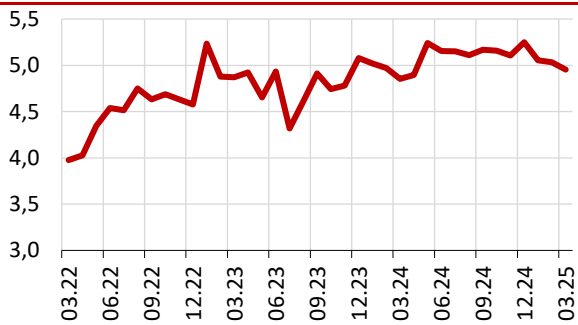
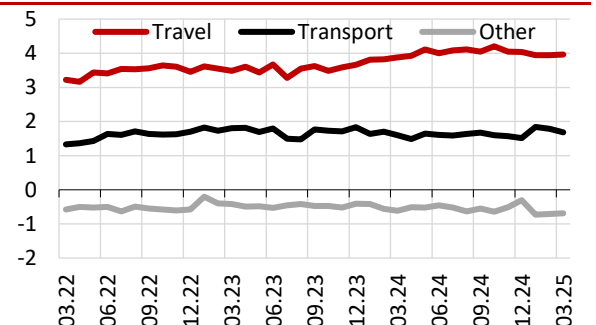
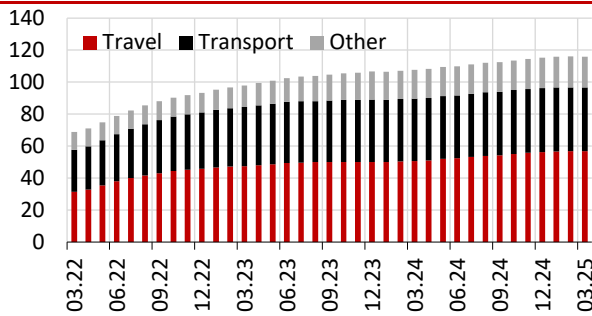


Chart 8. Services Balance
(seasonally adjusted, billion \$)

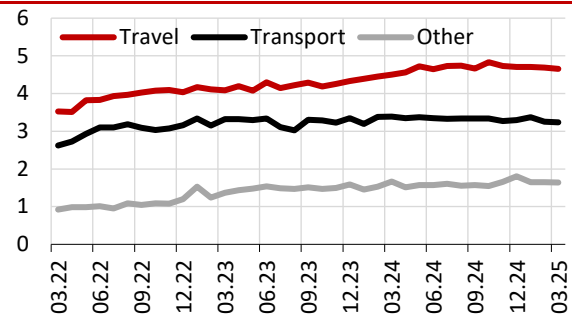


**Chart 9. Services Credit
(12-month cumulative, bn \$)**



Source: CBRT

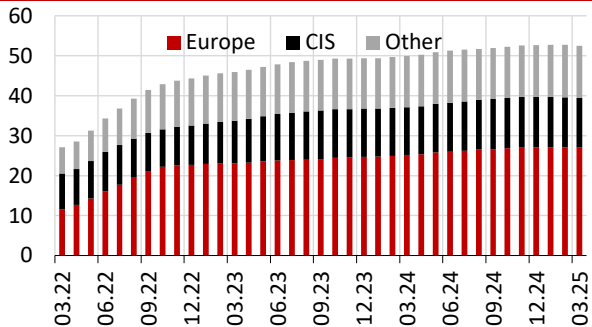
**Chart 10. Services Credit
(seasonally adjusted, bn \$)**



Source: CBRT, Akbank

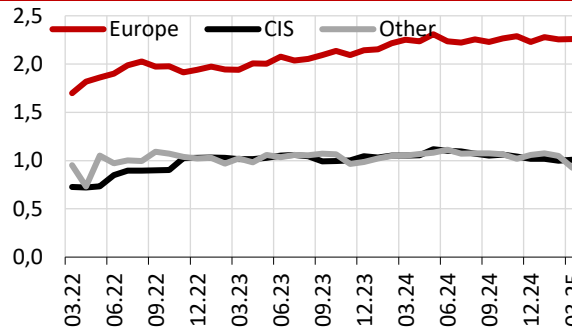
The number of foreign visitors (s.a) fell by 2.4% in March, following a 1.7% decline in February, bringing the monthly number of visitors (s.a) to its lowest level since December 2023. Only arrivals from Europe and the CIS increased in March, while arrivals from all other regions decreased (Charts 11 and 12).

**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 for April released by the Ministry of Trade, foreign trade deficit increased significantly on a monthly basis. Exports increased by 8.5% yoy to \$20.9 billion, while imports rose by 12.9% yoy to \$33 billion. Thus, foreign trade deficit widened by \$2.1 billion yoy to \$12 billion in April, while the 12-month cumulative deficit was realized as \$86.6 billion, the highest level since June 2024. The deterioration in the external balance excluding gold and energy (s.a.) was similarly strong, while the core external deficit (s.a.) reached the highest level since October 2017 ([Macro: Significant increase in foreign trade deficit](#)). Against this backdrop, we expect the current account deficit to be \$7-7.5 billion in April and to register a significant deterioration in seasonally adjusted terms.

The underlying trend of the current account balance in the first quarter implies a deficit of just over \$20 billion for 2025. However, there are risks to the year-end forecast in both directions. The factors limiting the current account deficit will be: i) the domestic monetary tightening, which will restrain 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 parity. On the other hand, i) weaker global growth than our previous projections, ii) rising gold prices and iii) the weakening in the underlying trend of the balance of services stand out as factors that may limit the improvement in the current account balance. While we maintain our year-end current account deficit forecast at \$19.5 billion (1.3% of GDP), we note that the recent optimism stemming from tariff negotiations has the potential to increase the current account deficit due to its impact on commodity prices and the Euro/USD parity.

Table 1. Current Account Balance (Million \$)

	Monthly		12-month Cumulative	
	Mar.25	Mar.24	Mar.25	Mar.24
Current Account Balance	-4.087	-4.123	-12.610	-26.360
Foreign Trade Balance	-4.840	-5.038	-58.141	-70.946
Export*	23.428	22.287	260.342	252.824
Gold	446	89	4.283	3.930
Export (exc. gold)	22.982	22.198	256.059	248.894
Import*	28.268	27.325	318.483	323.770
Gold	1.593	1.608	18.537	23.215
Energy	5.864	5.511	66.141	65.515
Import (exc. gold and energy)	20.811	20.206	233.805	235.040
Service Balance	2.672	2.749	61.783	56.716
Services Credit	7.335	7.558	115.889	107.762
Transport	2.818	3.046	39.673	39.032
Travel	2.829	2.736	56.917	50.633
Other	1.688	1.776	19.299	18.097
Services Debit	4.663	4.809	54.106	51.046
Transport	1.475	1.820	20.164	19.002
Travel	652	535	8.008	8.068
Other	2.536	2.454	25.934	23.976
Primary Income**	-1.919	-1.834	-16.252	-12.130
Current Account Balance (exc. gold)	-2.940	-2.604	1.644	-7.075
Current Account Balance (exc. energy)	324	-348	37.347	21.614
Current Account Balance (exc. gold and energy)	1.471	1.171	51.601	40.899

* Balance of payments-defined values

** The sum of primary and secondary income

Source: CBRT

Financing:

- While the current account balance recorded a deficit of \$4.1 billion in March, capital outflows from the economy amounted to \$7.1 billion due to the volatility in financial markets. With a net outflow of \$3.9 billion from the net errors and omissions item, reserves decreased by \$15.1 billion (Table 2). On the financing side, there was a net inflow of \$338 million in direct investments (FDI), while outflows of \$3.6 billion from portfolio investments and \$3.9 billion from other investments (Table 2).
- Details on the financing side are as follows:
 - Gross FDI inflows** totaled \$1.0 billion in March, of which \$149 million was in real estate. In the first quarter of the year, total inflows were \$3.0 billion (\$415 million in real estate).
 - Real estate acquisition of residents from abroad amounted to \$227 million in March and \$561 million in the first quarter.

- **Portfolio investments** posted net outflows of \$3.6 billion in March and inflows totaling \$1.4 billion in the first quarter of the year.
 - Outflows from equities and government securities totaled \$399 million and \$1.5 billion in March, while outflows totaled \$362 million and inflows totaled \$803 million in the first quarter. According to CBRT's weekly securities statistics; outflows in the stock and government securities market continued in April. In the week ending May 2, monthly outflows from government securities amounted to approximately \$6.5 billion. Foreigners' share in the GDDS market declined to 4.8% as of May 2 from 8.6% at the end of March (GDDS stock was \$9.1 billion as of May 2).
 - Regarding bond issuances abroad, the general government and other sectors paid \$1.2 billion and \$428 million, respectively, while banks borrowed \$782 million in March.
- In terms of external loans, banks borrowed net \$2.8 billion and the corporate sector borrowed net \$581 million in March. In January-March period, banks borrowed a total of \$11.6 billion and the corporate sector borrowed \$2.2 billion.
- External debt rollover ratios including loans+bonds (6-month moving total) remained high at 141.1% for banks and 142.1% for other sectors.

Table 2. Financing (Million \$)

	Monthly		12-month Cumulative	
	Mar.25	Mar.24	Mar.25	Mar.24
Foreign Direct Investment (FDI, net)	338	-189	829	379
Real estate	-78	39	-146	317
FDI (exc. real estate)	416	-228	975	62
Portfolio Investment (net)	-3.551	-1.550	1.446	215
Equity	-399	236	-362	286
Bond	-1.522	-361	803	1
Government Eurobond	-1.194	-309	66	310
Banks	804	658	961	2.428
Other Sectors	-480	-198	1.121	95
Other Investment (net)	-3.894	2.789	5.077	-5.842
Effective and Deposits	-6.728	1.747	-10.187	-2.647
Loans	2.082	1.646	13.132	1.628
Banks (foreign borrowing)	2.830	1.092	11.618	2.424
Other Sectors	581	275	2.179	-555
Trade credit	745	-606	2.119	-4.827
Reserve	-15.126	-10.281	-11.595	-22.718
Net Errors and Omissions	-3.937	-7.195	-6.688	-7.740

Source: CBRT

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