

## Macro: Significant but temporary deterioration in current account balance

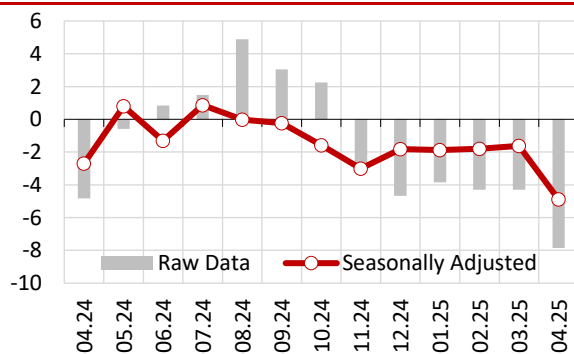
In April, the current account balance posted a deficit of \$7.9 billion, broadly in line with our forecast, while the 12-month cumulative current account deficit widened from \$12.8 billion to \$15.8 billion. In seasonally adjusted terms, there was a significant deterioration in the current account balance due to temporary factors related to the goods balance. Provisional trade data point to a correction in the goods balance in May. Therefore, we expect a significant improvement in the seasonally adjusted current account balance on a monthly basis in May. On the financing side, capital outflows amounted to \$17.3 billion due to the volatility in financial markets following domestic and external developments. The reserves declined by \$25.0 billion mom, the strongest ever decline on a monthly basis. However, with the weakening of domestic and international uncertainties and the decline in volatility, according to preliminary data, the outlook on the financing side started to improve in May.

The underlying trend of the current account balance, excluding the temporary effects of April, still implies a deficit of around \$20 billion for 2025. However, the recent geopolitical uncertainties and the subsequent rise in oil and gold prices pose an upside risk to our year-end current account deficit forecast. At the same time, the rise in the euro/dollar exchange rate may partially offset the negative impact of oil and gold prices. Moreover, reduced uncertainty over tariffs may lead to a more limited slowdown in global growth than previously projected. In this regard, noting that upside risks to our current account deficit forecast have become more pronounced, we maintain our year-end current account deficit forecast at \$19.5 billion (1.3% of GDP) for now. For the forecast update, we will be looking at the persistence of the consequences of geopolitical developments.

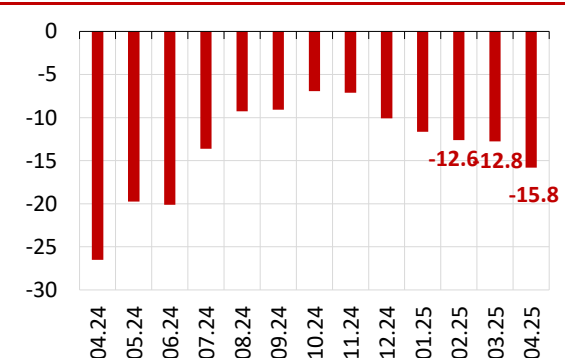
**Current Account Balance:**

**In April, the current account balance posted a deficit of \$7.9 billion, broadly in line with our forecast** (Akbank: -7.7 billion, Bloomberg: -7.5 billion, ForInvest: -7.4 billion). The 12-month cumulative current account deficit widened from \$12.8 billion to \$15.8 billion (Table 1, Chart 2), while the current account surplus excluding gold and energy decreased by \$1.9 billion to \$49.5 billion (Chart 4).

In seasonally adjusted (s.a.) terms, the current account balance deteriorated significantly (Charts 1 and 3). However, temporary factors related to the goods balance played a role in this widening. These factors include the shift in exports between March and April due to the Ramadan, the decline in exports to North America due to tariff uncertainty, the price-induced rise in gold imports and the brought forward demand for intermediate goods.

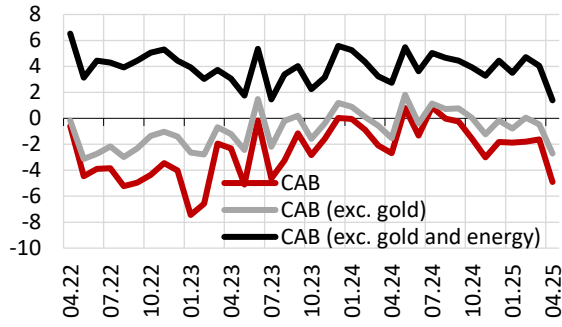
**Chart 1. Current Account Balance (bn \$)**

Source: CBRT, Akbank

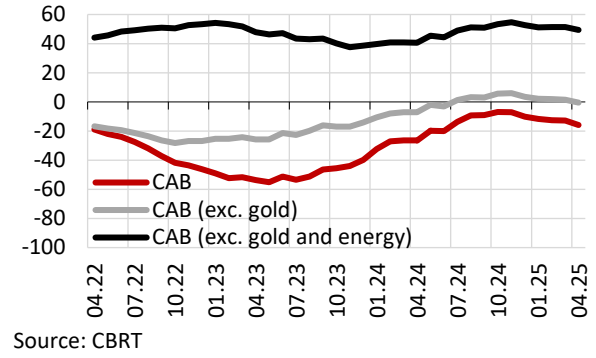
**Chart 2. Current Account Balance (12-month cumulative, bn \$)**

Source: CBRT

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



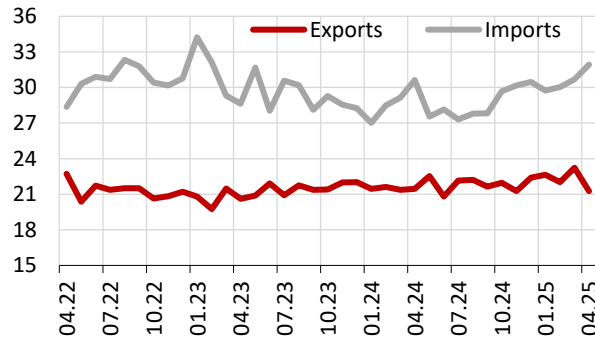
**Chart 4. Current Account Balance (12-month cumulative, bn \$)**



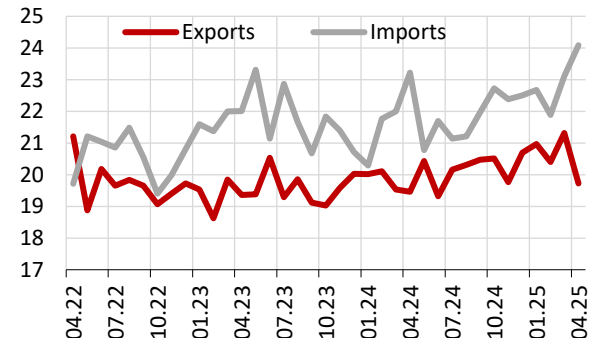
### Trade Balance:

The foreign trade balance (s.a.) deteriorated significantly in April (Chart 6). On a monthly basis, exports declined mainly due to the Ramadan holiday and the increased tariff uncertainties in that month, while total imports rose rapidly due to the accelerated import demand for intermediate goods and the surge in gold imports. Meanwhile, the decline in energy imports limited increase in imports to some extent. Against this background, the balance excluding gold and energy also deteriorated significantly (Charts 3, 5 and 6).

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



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

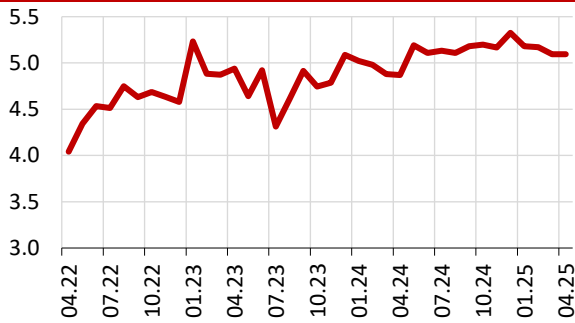


### Services Balance:

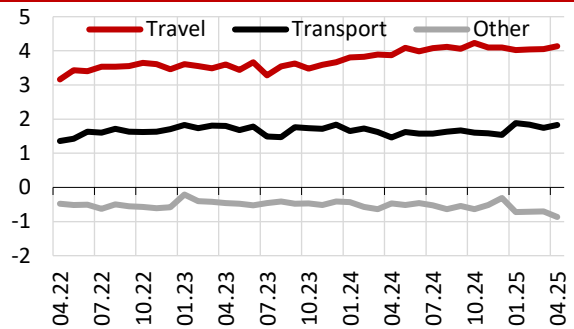
The services balance (s.a.) remained almost unchanged on a monthly basis in April (Chart 7). However, the improvement in the travel and transportation balance was offset by a widening in other items (Chart 8). In 12-month cumulative terms, service revenues increased to \$116.5 billion in April (Chart 9). Travel revenues increased slightly to \$57.1 billion.

**The number of foreign visitors (s.a.) increased by 3.5% in April, following a 2.3% drop in March, bringing the monthly number of visitors (s.a.) above the 12-month average.** There was an increase in the number of tourists from all regions in April (Charts 11 and 12).

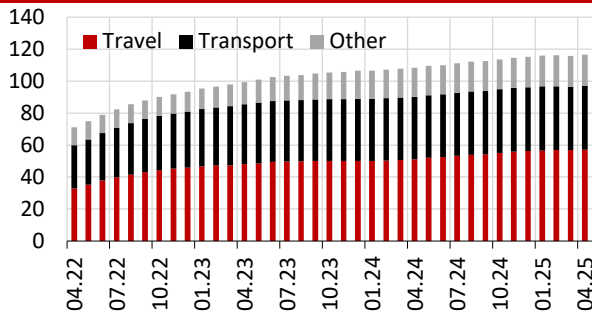
**Chart 7. Services Balance**  
(seasonally adjusted, billion \$)



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

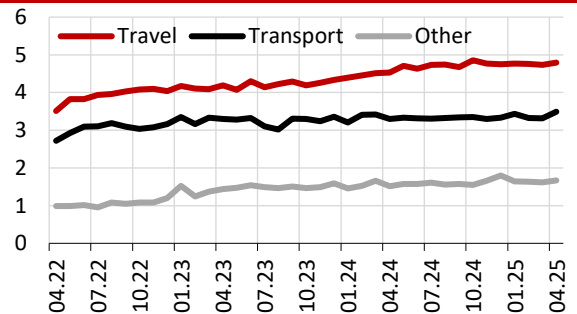


**Chart 9. Services Credit**  
(12-month cumulative, bn \$)



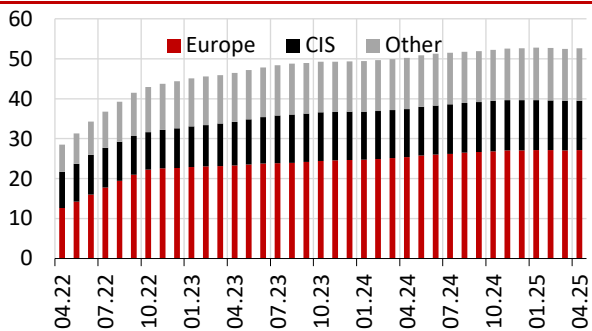
Source: CBRT

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



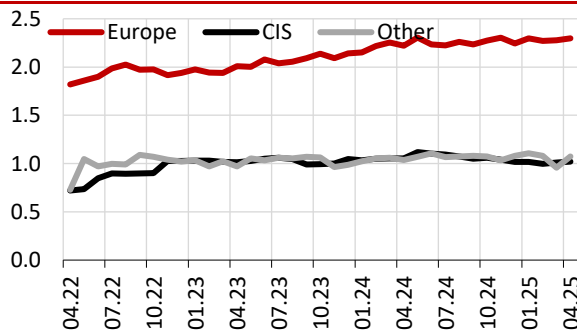
Source: CBRT, Akbank

**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 May, the deterioration in the foreign trade balance was temporary, as anticipated. Exports increased by 2.7% yoy to \$24.8 billion, while imports rose by 2.1% yoy to \$31.3 billion. Thus, the foreign trade deficit was \$6.5 billion in May, and the 12-month cumulative deficit remained unchanged at \$86.7 billion. Although the recovery in the external balance excluding gold and energy (s.a.) was strong, the surplus in the core external balance (s.a.) was the highest in the last 12 months period.

Due to the correction in the foreign trade data, a significant improvement will also be observed in the current account balance in seasonally adjusted terms in May. In this regard, we estimate that the current account deficit will be \$0.9 billion in May, taking the 12-month cumulative current account deficit slightly up to \$16.1 billion.

Table 1. Current Account Balance (Million \$)

	Monthly		12-month Cumulative	
	April.25	April.24	April.25	April.24
<b>Current Account Balance</b>	<b>-7,864</b>	<b>-4,829</b>	<b>-15,815</b>	<b>-26,506</b>
<b>Foreign Trade Balance</b>	<b>-9,891</b>	<b>-7,695</b>	<b>-60,364</b>	<b>-71,584</b>
Export*	20,746	18,717	262,347	252,519
Gold	217	375	4,125	4,151
Export (exc. gold)	20,529	18,342	258,222	248,368
Import*	30,637	26,412	322,711	324,103
Gold	2,402	1,551	19,388	23,520
Energy	5,072	5,240	65,973	65,873
Import (exc. gold and energy)	23,163	19,621	237,350	234,710
<b>Service Balance</b>	<b>3,903</b>	<b>3,721</b>	<b>62,035</b>	<b>56,796</b>
Services Credit	8,497	7,858	116,491	108,288
Transport	3,309	3,040	39,942	39,019
Travel	3,710	3,484	57,143	51,095
Other	1,478	1,334	19,406	18,174
Services Debit	4,594	4,137	54,456	51,492
Transport	1,709	1,795	20,074	19,335
Travel	618	614	8,012	8,127
Other	2,267	1,728	26,370	24,030
<b>Primary Income**</b>	<b>-1,876</b>	<b>-855</b>	<b>-17,486</b>	<b>-11,718</b>
<b>Current Account Balance (exc. gold)</b>	<b>-5,679</b>	<b>-3,653</b>	<b>-552</b>	<b>-7,137</b>
<b>Current Account Balance (exc. energy)</b>	<b>-4,123</b>	<b>-1,194</b>	<b>34,238</b>	<b>21,326</b>
<b>Current Account Balance (exc. gold and energy)</b>	<b>-1,938</b>	<b>-18</b>	<b>49,501</b>	<b>40,695</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 \$7.86 billion in April, capital outflows from the economy amounted to \$17.3 billion due to the volatility in financial markets. Net errors and omissions item recorded an inflow of \$230 million. Thus, reserves decreased by \$25.0 billion on a monthly basis (Table 2). The monthly decline in reserves was at a historic high. On the financing side, there was a net outflow of \$268 million from direct investments (FDI), \$10.9 billion from portfolio investments and \$6.2 billion from other investments (Table 2).
- In the first four months of the year, the current account balance posted a deficit of \$20.3 billion, while there was a capital outflow of \$9.7 billion and an outflow of \$6.6 billion from the net errors and omissions item. Thus, reserves decreased by \$36.6 billion. However, with the weakening of domestic and international uncertainties and the decline in volatility, we see that the outlook on the financing side started to improve in May according to preliminary data.
- Details on the financing side are as follows:
  - **Gross FDI inflows** amounted to \$408 million in April, of which \$140 million was in real estate. In the first four months of the year, total inflows were \$3.3 billion (\$555 million of which was real estate).
    - Real estate acquisition of residents from abroad amounted to \$232 million in April and \$793 million in the first four months.
  - **Portfolio investments** posted a net outflow of \$10.9 billion in April and a total outflow of \$9.4 billion in January-April period.
    - Outflows from equities and government securities totaled \$147 million and \$6.4 billion in April and \$509 million and \$5.6 billion in the first four months of the year, respectively. According to CBRT's weekly securities statistics, there were inflows to the stock and government securities markets in May. Foreigners' share in GDDS market rose to 6.1% at the end of May from 4.8% at the end of April (GDDS stock was \$11.9 billion as of May 30).
    - Regarding bond issuances abroad, the general government, banks and other sectors paid \$2.1 billion, \$578 million and \$17 million, respectively.
  - In loans obtained from abroad, banks borrowed \$10.8 billion, while the real sector borrowed \$625 million in April. In the January-April period, banks borrowed a total of \$788 million, while the real sector borrowed \$3.45 billion.
  - External debt rollover ratios including loans+bonds (6-month moving total) remained high at 114.6% for banks and 143.6% for other sectors.

Table 2. Financing (Million \$)

	Monthly		Year-to-date Cumulative		12-month Cumulative	
	April.25	April.24	April.25	April.24	April.25	April.24
<b>Foreign Direct Investment (FDI, net)</b>	<b>-268</b>	<b>943</b>	<b>501</b>	<b>1,322</b>	<b>4,272</b>	<b>3,821</b>
Real estate	-92	281	-238	598	-167	1,255
FDI (exc. real estate)	-176	662	739	724	4,439	2,566
<b>Portfolio Investment (net)</b>	<b>-10,877</b>	<b>1,559</b>	<b>-9,434</b>	<b>1,774</b>	<b>769</b>	<b>11,075</b>
Equity	-147	360	-509	646	-3,636	2,997
Bond	-6,430	1,387	-5,627	1,388	9,009	3,325
Government Eurobond	-2,139	-453	-2,073	-143	-1,432	2,474
Banks	-782	486	179	2,914	820	4,969
Other Sectors	-126	378	995	473	4,435	1,050
<b>Other Investment (net)</b>	<b>-6,202</b>	<b>654</b>	<b>-788</b>	<b>-5,194</b>	<b>11,751</b>	<b>20,394</b>
Effective and Deposits	2,987	-1,646	-7,516	-4,293	-17,124	9,681
Loans	-12,104	1,475	1,683	3,097	24,994	13,138
Banks (foreign borrowing)	-10,830	1,112	788	3,536	22,310	10,329
Other Sectors	625	163	3,451	-398	6,781	376
Trade credit	2,929	841	5,051	-3,986	3,809	-2,360
<b>Reserve</b>	<b>-24,988</b>	<b>-2,392</b>	<b>-36,583</b>	<b>-25,110</b>	<b>-10,915</b>	<b>-5,982</b>
<b>Net Errors and Omissions</b>	<b>230</b>	<b>-709</b>	<b>-6,574</b>	<b>-8,443</b>	<b>-11,788</b>	<b>-14,608</b>

Source: CBRT

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