

Macro: Improvement in current account balance as temporary effects disappear

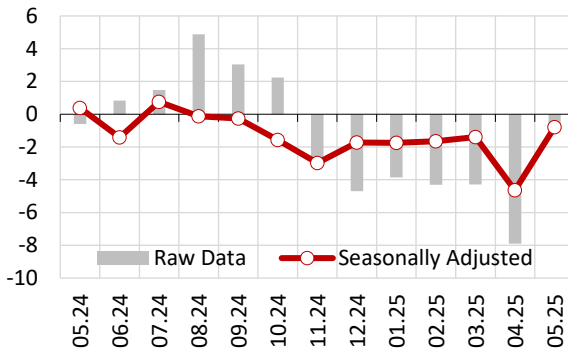
In May, the current account balance posted a deficit of \$0.7 billion, lower than the forecasts. In seasonally adjusted (s.a.) terms, there was a significant improvement in the current account balance. Thus, our previous assessment that the substantial deterioration in April was due to temporary factors related to the balance of goods was confirmed. In light of the provisional foreign trade data, we expect a monthly deterioration in the current account balance in June due to the impact of geopolitical developments on commodity prices. However, this deterioration will again be temporary as commodity prices retreat with faded geopolitical tensions. On the financing side, as the volatility in financial markets diminished, there has been a strong capital inflow into the economy again. Leading indicators suggest that this trend continued in June as well.

The underlying trend of the current account balance, excluding the temporary effects of April and June, still implies a deficit of around \$20 billion for 2025. Compared to last month, the upside risks to our forecast have also eased. In this context, we maintain our year-end current account deficit forecast at \$19.5 billion (1.3% of GDP).

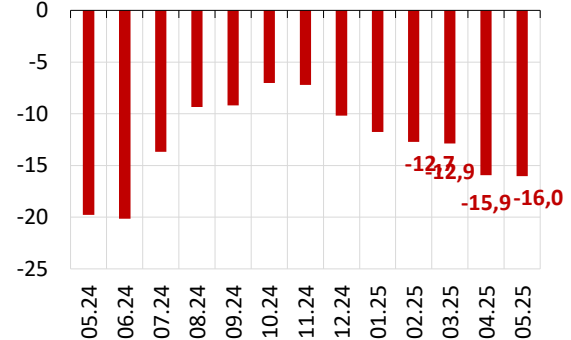
Current Account Balance:

In May, the current account balance posted a deficit of \$0.7 billion, below our forecast (\$-1.0 billion) and the market forecast (\$-0.9 billion). The 12-month cumulative current account deficit increased slightly to \$16.0 billion (Table 1, Chart 2), while the current account surplus excluding gold and energy rose by \$0.1 billion to \$49.5 billion (Chart 4).

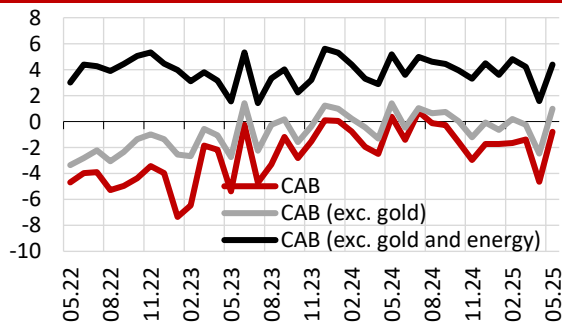
According to the seasonally adjusted (s.a.) data, the current account balance improved significantly (Charts 1 and 3). Thus, our previous assessment that the significant deterioration in April was driven by temporary factors in the balance of goods was confirmed. We calculate that the current account deficit (s.a.) stood at \$0.8 billion, the lowest level since September 2024.

Chart 1. Current Account Balance (bn \$)

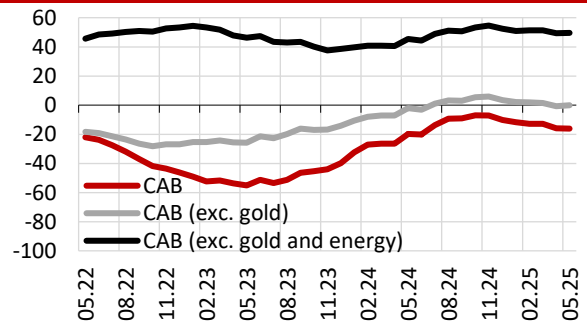
Source: CBRT, Akbank

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

Source: CBRT

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

Source: CBRT, Akbank

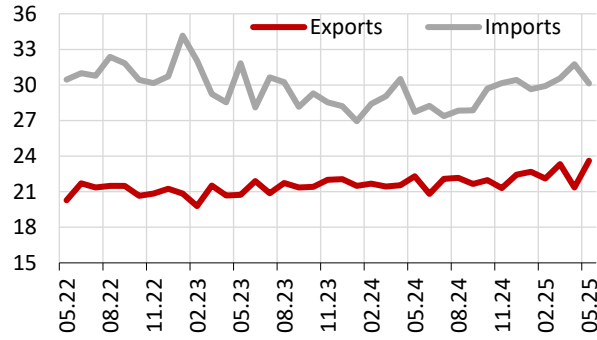
Chart 4. Current Account Balance (12-month cumulative, bn \$)

Source: CBRT

Trade Balance:

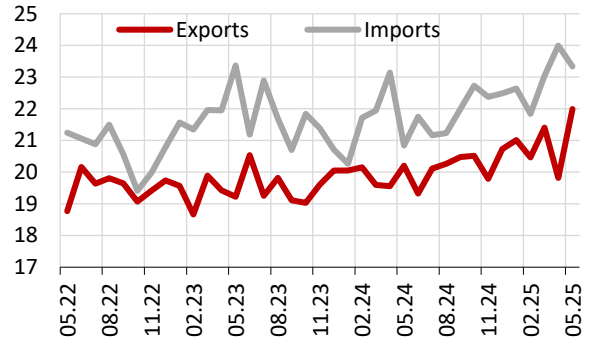
In May, the foreign trade balance (s.a.) reversed the significant deterioration in April (Chart 6). In April, exports declined mainly due to the Ramadan feast and the increase in tariff uncertainties during the month, while total imports surged on the back of higher import demand for intermediate goods and the surge in gold imports. With the reversal of these effects, the foreign trade balance also 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:

In seasonally adjusted terms, the balance of services posted a monthly increase in May (Chart 7). While the travel balance remained unchanged, the improvement in transportation and other services items drove the rise in the balance of services (Chart 8). In 12-month cumulative terms, services revenues rose to \$116.9 billion in May (Chart 9). Travel revenues increased slightly to \$57.2 billion.

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

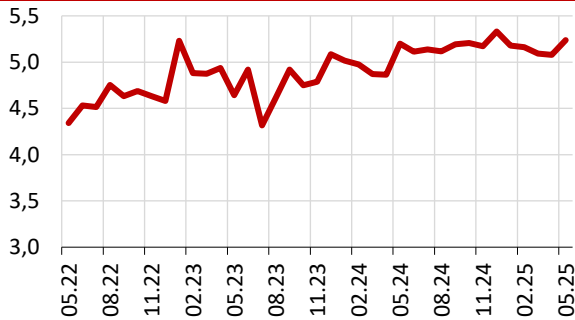


Chart 8. Services Balance
(seasonally adjusted, billion \$)

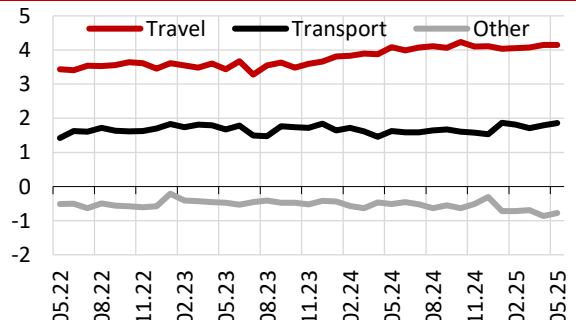
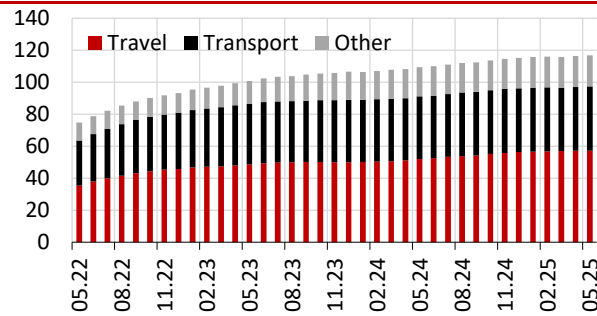
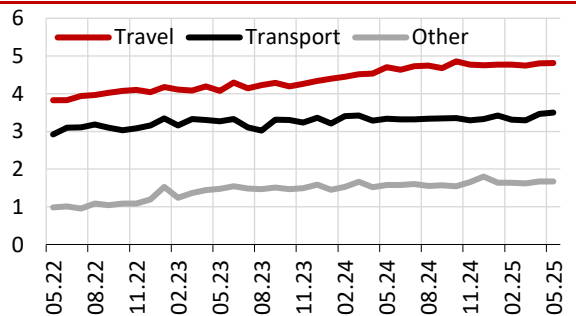


Chart 9. Services Credit
(12-month cumulative, bn \$)



Source: CBRT

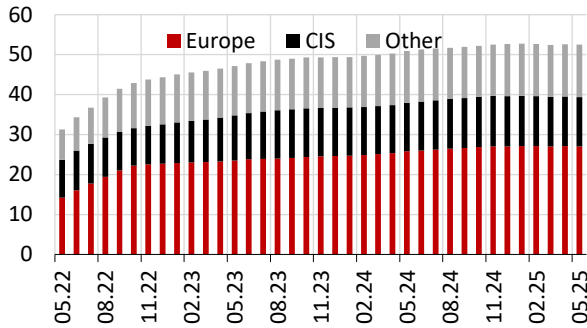
Chart 10. Services Credit
(seasonally adjusted, bn \$)



Source: CBRT, Akbank

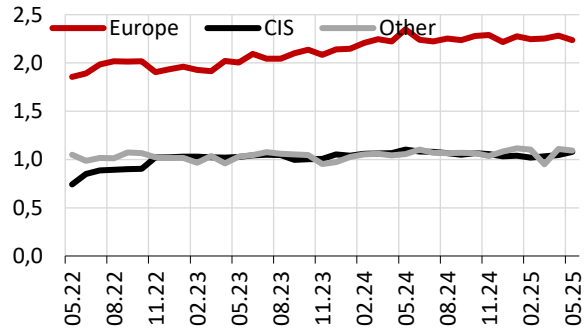
Flattening trend in the number of foreign visitors (s.a) is becoming more evident. Despite monthly fluctuations, the number of visitors has not increased since the beginning of the year. This outlook is widespread across regions (Charts 11 and 12).

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



Source: CBRT

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



Source: CBRT, Akbank

Table 1. Current Account Balance (Million \$)

	Monthly		Year-to-date Cumulative		12-month Cumulative	
	May.25	May.24	May.25	May.24	May.25	May.24
Current Account Balance	-684	-591	-21,039	-15,190	-16,039	-19,780
Foreign Trade Balance	-4,804	-4,192	-30,605	-25,976	-61,010	-65,320
Export*	24,274	23,423	110,644	104,916	263,166	254,678
Gold	339	415	1,646	1,078	4,049	4,393
Export (exc. gold)	23,935	23,008	108,998	103,838	259,117	250,285
Import*	29,078	27,615	141,249	130,892	324,176	319,998
Gold	2,113	1,430	9,692	6,721	20,072	22,124
Energy	4,259	5,168	27,665	28,191	65,064	65,795
Import (exc. gold and energy)	22,706	21,017	103,892	95,980	239,040	232,079
Service Balance	5,635	5,420	17,625	17,372	62,245	57,793
Services Credit	10,056	9,685	40,074	38,455	116,868	109,460
Transport	3,533	3,368	15,143	14,911	40,107	39,154
Travel	4,961	4,876	17,417	16,500	57,228	52,059
Other	1,562	1,441	7,514	7,044	19,533	18,247
Services Debit	4,421	4,265	22,449	21,083	54,623	51,667
Transport	1,661	1,859	7,733	8,643	19,884	19,468
Travel	593	551	3,522	2,826	8,054	8,052
Other	2,167	1,855	11,194	9,614	26,685	24,147
Primary Income**	-1,515	-1,819	-8,059	-6,586	-17,274	-12,253
Current Account Balance (exc. gold)	1,090	424	-12,993	-9,547	-16	-2,049
Current Account Balance (exc. energy)	2,294	2,896	-110	5,229	33,509	27,631
Current Account Balance (exc. gold and energy)	4,068	3,911	7,936	10,872	49,532	45,362

* Balance of payments-defined values

** The sum of primary and secondary income

Source: CBRT

The provisional data for June released by the Ministry of Trade point to a deterioration in foreign trade balance again. However, this deterioration was mainly driven by the increase in energy imports due to the rise in energy commodity prices as a result of geopolitical developments, as well as the demand for non-energy commodities that was brought forward due to concerns of price hikes in non-energy commodities due to geopolitical risks. The rise in the parity and the slowdown in gold imports limited the deterioration in external deficit (**Macro: Foreign trade balance deteriorated due to geopolitical developments**).

Depending on the provisional foreign trade data, we expect another monthly deterioration in the current account balance (s.a.) in June. However, this deterioration will again be temporary as commodity prices retreat with faded geopolitical tensions. In this regard, we estimate that the current account deficit will be realized as \$2.2 billion in June, while the 12-month cumulative current account deficit will widen from \$16.1 billion to \$19.1 billion.

Financing:

While the current account balance posted a deficit of \$0.7 billion in May, capital inflows to the economy amounted to \$12.8 billion as the volatility in financial markets lost its effect. Net errors and omissions item also recorded an inflow of \$1.3 billion. Accordingly, reserves increased by \$13.5 billion on a monthly basis (Table 2). On the financing side, net inflows of \$702 million were realized in direct investments (FDI), \$2.5 billion in portfolio investments and \$9.6 billion in other investments (Table 2).

Year-to-date, while the current account balance posted a deficit of \$21.0 billion, there was a capital inflow of \$3.8 billion and an outflow of \$5.9 billion from the net errors and omissions. Thus, reserves decreased by \$23.1 billion. On the financing side, the improvement that started in May continued in June.

Details on the financing side are as follows:

- **Gross FDI inflows** amounted to \$1.4 billion in May, of which \$171 million was in real estate. In the first five months of the year, total inflows were \$4.7 billion (real estate: \$726 million).
 - Real estate acquisition of residents from abroad amounted to \$238 million in May and \$1.0 billion in the first five months.
- **Portfolio investments** posted a net inflow of \$2.5 billion in May and a total outflow of \$7.1 billion in January-May period.
 - Inflows to equities and government securities totaled \$396 million and \$2.6 billion in May and \$113 million and \$3.1 billion in the first five months of the year, respectively. According to CBRT's weekly securities statistics, inflows to the stock and government securities markets continued in June.
 - Regarding bond issuances abroad, the general government borrowed \$916 million on net in May. Banks paid \$238 million while other sectors borrowed \$161 million.
- **In loans obtained from abroad**, banks borrowed net \$0.8 billion and the corporate sector borrowed net \$1.3 billion in May. In the January-May period, total borrowing was \$1.7 billion for banks and \$5.5 billion for the corporate sector.
- **External debt rollover ratios** including loans+bonds (6-month moving total) remained high at 114.8% for banks and 157.0% for other sectors.

Table 2. Financing (Million \$)

	Monthly		Year-to-date Cumulative		12-month Cumulative	
	May.25	May.24	May.25	May.24	May.25	May.24
Foreign Direct Investment (FDI, net)	702	410	1,228	1,733	4,582	4,085
Real estate	-67	-24	-305	574	-210	1,082
FDI (exc. real estate)	769	434	1,533	1,159	4,792	3,003
Portfolio Investment (net)	2,498	6,944	-7,100	8,718	-3,841	19,998
Equity	396	-529	-113	117	-2,711	3,098
Bond	2,576	6,051	-3,051	7,439	5,534	9,466
Government Eurobond	916	823	-1,321	680	-1,503	4,297
Banks	-241	370	-62	3,284	209	5,324
Other Sectors	160	801	1,155	1,274	3,794	1,960
Other Investment (net)	9,619	8,207	9,699	2,934	13,980	26,446
Effective and Deposits	7,288	4,696	-228	403	-14,532	13,294
Loans	3,229	3,790	5,774	6,791	25,093	16,891
Banks (foreign borrowing)	815	3,323	1,698	6,859	19,897	12,902
Other Sectors	1,277	349	5,495	-145	8,274	674
Trade credit	-903	-288	4,154	-4,257	3,351	-3,674
Reserve	13,466	17,593	-23,117	-7,517	-15,042	28,189
Net Errors and Omissions	1,343	2,636	-5,906	-5,690	-13,621	-2,405

Source: CBRT

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