Macro: Monthly current account surplus reached $5.5 billion due to stronger seasonality

The current account balance in August was in line with forecasts, with a $5.5 billion surplus. In seasonally adjusted (s.a.) terms, the positive outlook following the significant improvement in the current account balance in July was maintained. On the other hand, improvement in core indicators continued. While the narrower foreign trade deficit was the primary driver of the improvement in the trend, stronger seasonality in the services sector was the main determinant in the high surplus.

We expect the current account balance (s.a.) to return to its June level following the correction in the foreign trade deficit in September. However, due to the strong seasonality of service revenues, we estimate the current account balance will continue to give a surplus of $1.0 billion in September (Chart 11). In this context, we estimate the 12-month cumulative current account deficit to rise to $20 billion.

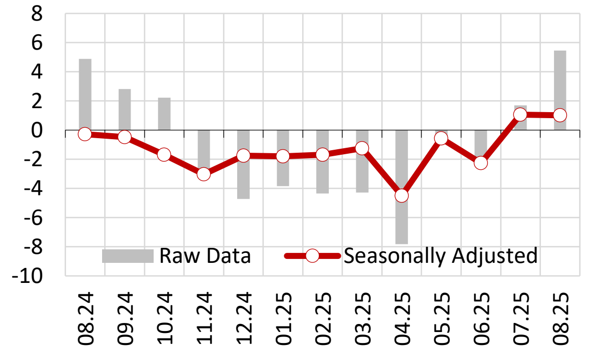
Last month, we noted that the average of the current account balance over the last three months implied a very limited annualized deficit and that if this trend persisted, the current account deficit could approach $15 billion (1.0% of GDP) in 2025. However, provisional foreign trade data for September indicate that the surplus in July and August in "s.a." terms was temporary and that current account deficit (s.a.) in September would return to the June level (≈$2.5 billion). We anticipate some improvement in the final quarter compared to September. In this context, we estimate the current account deficit to be $17.5 billion in 2025 (MTP estimate: $22.6 billion).

Current Account Balance:

The current account balance recorded a $5.5 billion surplus in August, slightly above our forecast (+$5.1 billion) and closer to the market estimate (+$5.4 billion). The cumulative current account deficit was $15.9 billion in the first eight months of the year, while the 12-month cumulative deficit narrowed from $18.8 billion to $18.3 billion (Table 1, Chart 2). Excluding gold and energy, the current account surplus increased by $0.4 billion to $47.5 billion (Chart 4).

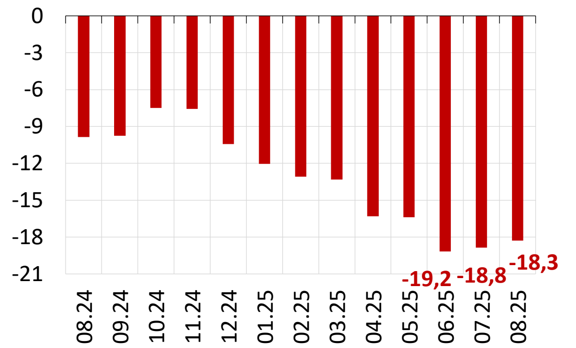
In seasonally adjusted (s.a.) terms, the current account balance, following the significant improvement in July, was maintained in August (Charts 1 and 3). The improvement continued in core indicators (Chart 3).

Chart 1. Current Account Balance (bn $)



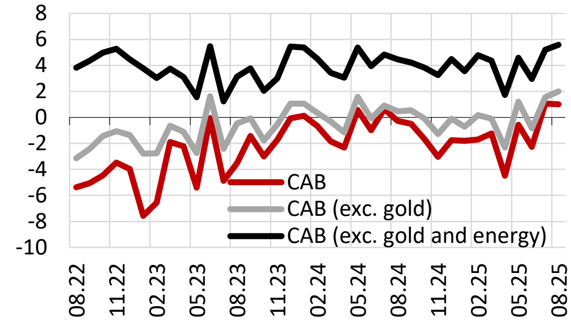
Source: CBRT, Akbank

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



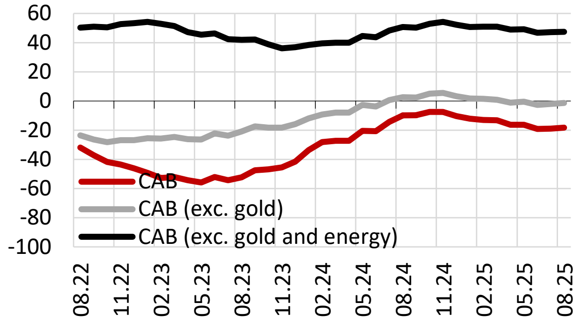
Source: CBRT

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



Source: CBRT, Akbank

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

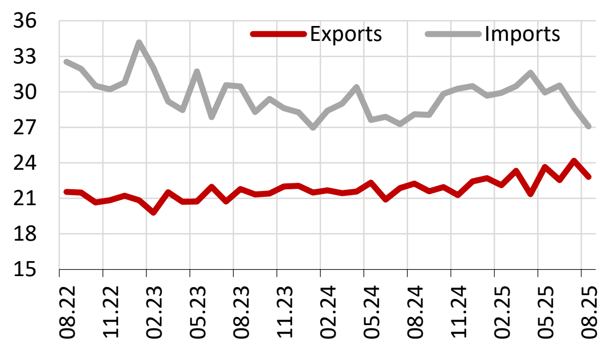


Source: CBRT

Trade Balance:

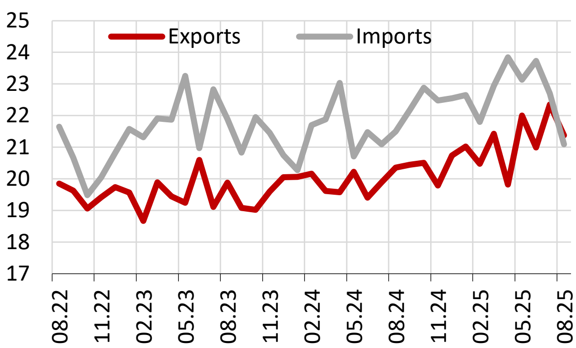
The foreign trade balance (s.a.) recorded a significant improvement in August, along with improvements in core indicators. The improvement in the foreign balance was driven by a decrease in imports exceeding exports (Charts 5 and 6) ([Macro: Significant improvement in the trade balance in August]).

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 balance of services (s.a) declined slightly on a monthly basis, driven by items excluding travel and transportation (Charts 7, 8). On a 12-month cumulative basis, services revenues increased by $0.4 billion to $119.9 billion (Chart 9). Travel revenues, on the other hand, saw a modest increase to $58.1 billion. These figures for both services and travel revenues are notable for their highest levels to date.

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

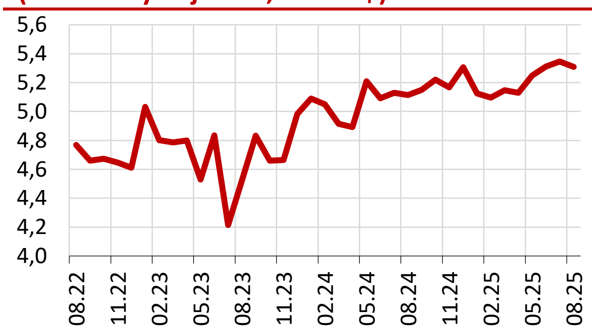


Chart 8. Services Balance (seasonally adjusted, billion $)

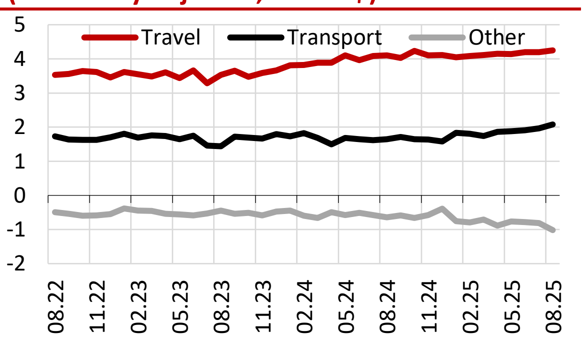
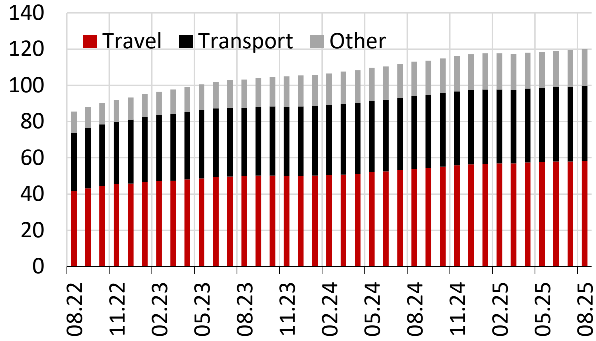
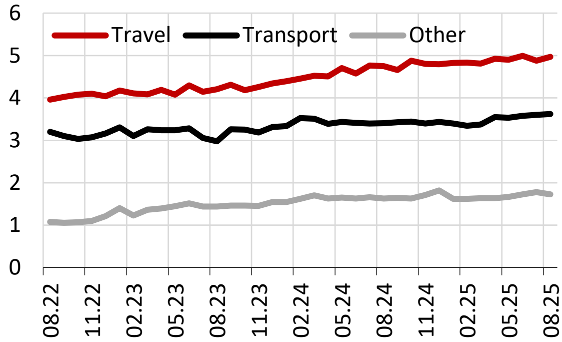


Chart 9. Services Credit (12-month cumulative, bn $)



Source: CBRT

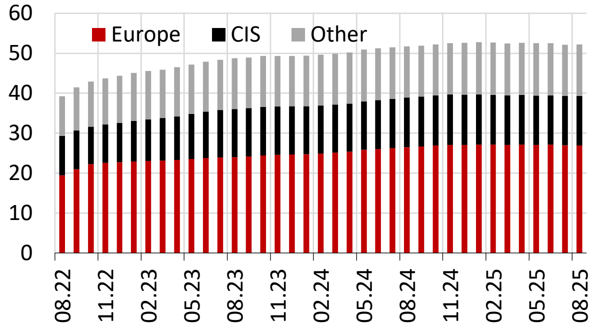
Chart 10. Services Credit (seasonally adjusted, bn $)



Source: CBRT, Akbank

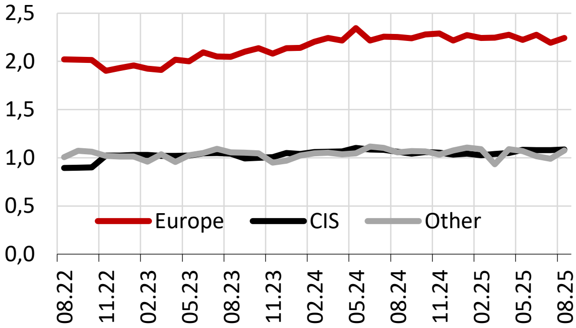
While the general trend in the number of foreign visitors (s.a) has been declining since the beginning of the year, a 3.3% increase in August offset the declines in June and July. Regionally, there was an increase in the number of visitors from all regions except Africa (Charts 11 and 12).

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



Source: CBRT

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



Source: CBRT, Akbank

According to provisional data for September released by the Ministry of Trade, the foreign trade deficit increased by $1.7 billion in September compared to the same month of the previous year, reaching $6.9 billion. Thus, the 12-month cumulative foreign trade deficit rose from $87.6 billion to $89.3 billion. Seasonally adjusted data also showed a deterioration in the foreign trade deficit on a monthly basis (Macro: Foreign trade balance improved in the third quarter)

We estimate that the current account balance (s.a.) return to its June level following the correction in the foreign trade deficit in September. However, due to the strong seasonality of service revenues, we estimate the current account balance will record a surplus of around $1.0 billion in September (Chart 11). In this context, we estimate the 12-month cumulative current account deficit to rise to $20 billion.

Last month, we noted that the average of the current account balance over the last three months implied a very limited annualized deficit and that if this trend persisted, the current account deficit could approach $15 billion (1.0% of GDP) in 2025. However, provisional foreign trade data for September indicate that the surplus in July and August in "s.a." terms was temporary and that current account deficit (s.a.) in September would return to the June level (≈$2.5 billion). We anticipate some improvement in the final quarter compared to September. In this context, we estimate the current account deficit to be $17.5 billion in 2025 (MTP estimate: $22.6 billion).

Table 1. Current Account Balance (Million $)

	Monthly		Year-to-date Cumulative		12-month Cumulative	
	Aug.25	Aug.24	Aug.25	Aug.24	Aug.25	Aug.24
Current Account Balance	**5,455**	**4,888**	**-15,854**	**-7,998**	**-18,282**	**-9,854**
Foreign Trade Balance	**-2,806**	**-2,886**	**-44,528**	**-37,901**	**-62,613**	**-55,596**
Export*	21,386	21,722	177,001	167,270	267,182	256,261
Gold	159	543	2,376	2,485	3,372	4,958
Export (exc. gold)	21,227	21,179	174,625	164,785	263,810	251,303
Import*	24,192	24,608	221,529	205,171	329,795	311,857
Gold	1,146	1,293	13,333	10,075	20,359	17,458
Energy	4,832	5,306	42,241	43,354	64,477	66,288
Import (exc. gold and energy)	18,214	18,009	165,955	151,742	244,959	228,111
Service Balance	**9,516**	**9,248**	**41,235**	**40,325**	**62,279**	**59,356**
Services Credit	14,121	13,658	78,821	76,097	119,913	113,031
Transport	4,290	4,074	27,540	27,001	41,530	40,295
Travel	8,312	8,163	38,905	37,074	58,109	53,920
Other	1,519	1,421	12,376	12,022	20,274	18,816
Services Debit	4,605	4,410	37,586	35,772	57,634	53,675
Transport	1,521	1,769	12,792	14,221	19,959	20,133
Travel	647	612	6,183	4,792	8,749	7,697
Other	2,437	2,029	18,611	16,759	28,926	25,845
Primary Income**	**-1,255**	**-1,474**	**-12,561**	**-10,422**	**-17,948**	**-13,614**
Current Account Balance (exc. gold)	**6,442**	**5,638**	**-4,897**	**-408**	**-1,295**	**2,646**
Current Account Balance (exc. energy)	**9,018**	**8,851**	**15,532**	**23,634**	**30,510**	**38,152**
Current Account Balance (exc. gold and energy)	**10,005**	**9,601**	**26,489**	**31,224**	**47,497**	**50,652**

* Balance of payments-defined values

** The sum of primary and secondary income

Source: CBRT

Financing:

The current account balance recorded a surplus of $5.46 billion in August, while $1.9 billion in capital inflows entered the economy. There was a $1.5 billion outflow from net errors and omissions. Consequently, **reserves increased by $5.7 billion month-over-month** (Table 2). On the financing side, there was a net inflow of approximately $1.0 billion to direct investment (FDI), while portfolio investment saw an outflow of $0.7 billion. Other investments saw an inflow of $1.6 billion (Table 2).

Thus, in the first eight months of the year, the current account balance recorded a deficit of $15.9 billion, while capital inflows totaled approximately $24.0 billion, and the outflow from the net errors and omissions accounted for $10.8 billion. As a result, reserves decreased by $2.8 billion.

Details on the financing side are as follows:

- **Gross FDI inflows** amounted to $1.8 billion in August, of which $202 million was in real estate. In the first eight months of the year, total inflows were $10.6 billion (real estate: $1.4 billion).
    - Real estate acquisition of residents from abroad amounted to $288 million in August and $1,8 billion in the first 8 months of the year.

- **Portfolio investments** posted a net outflow of $0.7 billion in August and a total outflow of $1.4 million in January-August period.
    - There has been a steady inflow into equities over the past four months. In August, the inflow was $279 million, and in the first eight months of the year, the total inflow was $1.7 billion.
    - There has also been inflows into government securities over the last four months. While inflows of $1.6 billion were recorded in August, total inflows for the first eight months of the year was $627 million. According to the CBRT's weekly securities statistics, there was a limited outflow from equities in September, while approx $0.4 billion entered the government securities.
    - Regarding bond issuances abroad in July, the general government, banks and other sectors paid off a net $0.9 billion, $337 million, and $74 million, respectively.
- **In loans obtained from abroad**, banks borrowed a net total of $2.8 billion in August, while the real sector borrowed $1.24 billion in net debt. In the first eight months of the year, total borrowing reached $10.8 billion for banks and $8.4 billion for the real sector.
- **External debt rollover ratios** including loans+bonds (6-month moving total) remained high at 121.8% for banks and 139.6 % for other sectors.

Table 2. Financing (Million $)

	Monthly		Year-to-date Cumulative		12-month Cumulative	
	Aug.25	**Aug.24**	**Aug.25**	**Aug.24**	**Aug.25**	**Aug.24**
Foreign Direct Investment (FDI, net)	**986**	**-55**	**4,394**	**2,947**	**6,546**	**4,590**
Real estate	-86	27	-367	647	-345	963
FDI (exc. real estate)	1,072	-82	4,761	2,300	6,891	3,627
Portfolio Investment (net)	**-662**	**-1,588**	**-1,452**	**10,962**	**-437**	**18,090**
Equity	279	-627	1,666	-1,898	1,083	-609
Bond	1,572	1,412	627	12,018	4,633	13,599
Government Eurobond	-940	-1,253	-41	757	-300	3,067
Banks	-341	-442	1,497	3,467	1,585	5,032
Other Sectors	-57	-186	1,293	2,232	2,974	3,100
Other Investment (net)	**1,582**	**-2,903**	**21,102**	**-5,704**	**31,655**	**11,540**
Effective and Deposits	-1,301	-2,564	4,180	-11,120	1,402	-2,217
Loans	3,898	-235	17,621	9,378	27,335	18,337
Banks (foreign borrowing)	2,798	-515	10,834	9,696	19,133	15,484
Other Sectors	1,239	507	8,441	135	10,985	755
Trade credit	-1,020	-113	-717	-3,985	2,857	-4,496
Reserve	**5,747**	**-2,510**	**-2,823**	**-3,419**	**1,154**	**13,175**
Net Errors and Omissions	**-1,543**	**-2,845**	**-10,817**	**-3,521**	**-18,111**	**-11,025**

Source: CBRT

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