Macro: The current account deficit accelerated in the last quarter, ending the year at $25.2 billion, exceeding expectations

The current account deficit was $7.3 billion in December, exceeding both our estimate ($5.6 billion) and the market estimate ($5.4 billion). The higher-than-expected current account deficit was driven by a larger-than-expected deficit in the primary income balance and a relatively weak performance in the transportation balance. In 2025, the current account deficit reached $25.2 billion (1.6% of GDP), an increase of approximately $15 billion compared to 2024.

In the last quarter, the current account deficit (s.a.) averaged $3.8 billion per month, showing a significantly worse outlook compared to previous quarters. This level indicates the highest current account deficit trend since the first quarter of 2023. The Ministry of Trade's provisional foreign trade data for January suggests this trend has carried over into the new year.

The average monthly current account deficit in the last quarter of the year points to a annualized trend of $45.4 billion. Even if we consider some of the movement in the income balance in December as temporary, the annualized trend still remains slightly above $40 billion, which signals that the rise in the current account deficit will continue.

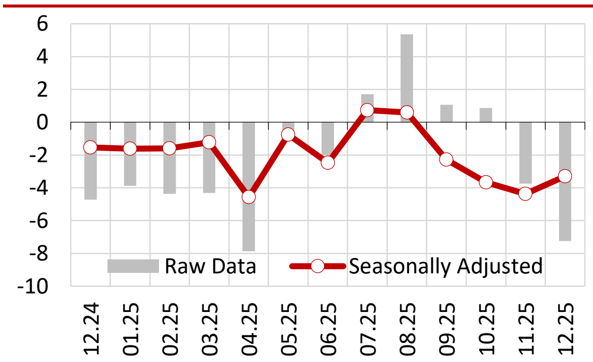
Under the assumption that growth will be around 4.0% in 2026, Brent oil prices will be $65 on average, the Turkish Lira will continue to appreciate moderately in real terms, and there will be no significant recovery in global growth, we are raising our current account deficit forecast to $36 billion (% GDP: 2.0%). We assess that our forecast includes upside risks stemming from domestic growth and the global growth outlook, and balanced risks stemming from oil prices.

Current Account Balance:

The current account deficit was $7.3 billion in December, exceeding both our estimate ($5.6 billion) and the market estimate ($5.4 billion). The higher-than-expected current account deficit was driven by a larger-than-expected deficit in the primary income balance and a relatively weak performance in the transportation balance.

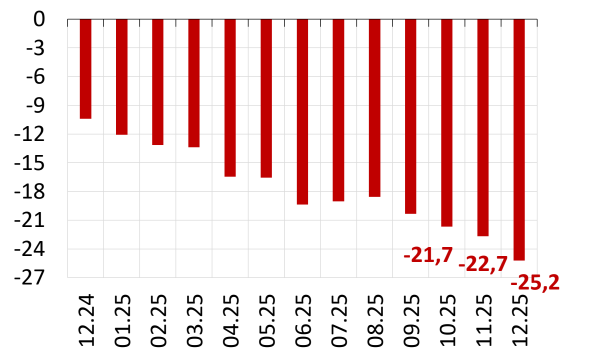
In 2025, the current account deficit reached $25.2 billion, an increase of approximately $15 billion compared to 2024 (Table 1, Chart 2). Thus, we estimate the current account deficit as a percentage of GDP to be 1.6% (2024: 0.8%). Excluding gold and energy, the current account surplus in 2025 decreased by $10.2 billion year-on-year, reaching $42.1 billion (Chart 4). The widening trade balance contributed $13.7 billion to the year-on-year deterioration in the current account balance, while the deterioration in the primary and secondary income balances contributed $3.2 billion. A $2.2 billion increase in the services balance prevented the deficit from becoming even larger.

Chart 1. Current Account Balance (bn $)



Source: CBRT, Akbank

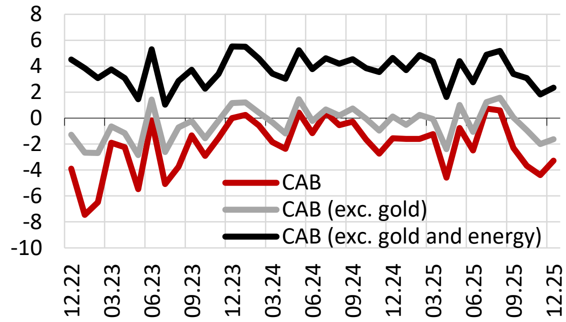
Chart 2. Current Account Balance (12-month cumulative, bn $)



Source: CBRT

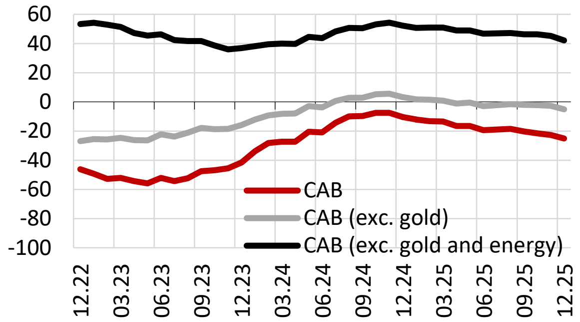
Despite the monthly improvement, current account deficit remained high in seasonally adjusted terms (Charts 1 and 3). In the last quarter, the current account deficit (s.a) averaged $3.8 billion per month, showing a significantly worse performance compared to previous quarters. The current level indicates the highest current account deficit trend since the first quarter of 2023. As a reminder, in the first quarter of 2023, the negative impact of the earthquake, as well as the cumulative appreciation in the real exchange rate and the strong momentum in individual loans, negatively affected the external balance due to the increase in core import demand.

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



Source: CBRT, Akbank

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



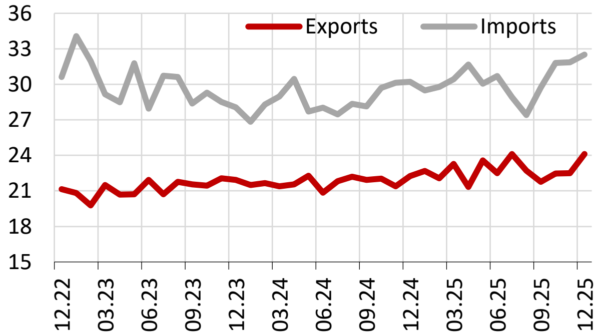
Source: CBRT

Trade Balance:

The trade balance (s.a) improved slightly in December, but remained the main determinant of the high current account balance. Total goods exports increased more than goods imports (Chart 5). The improvement in the core indicator was more limited than in the headline indicator (Chart 6).

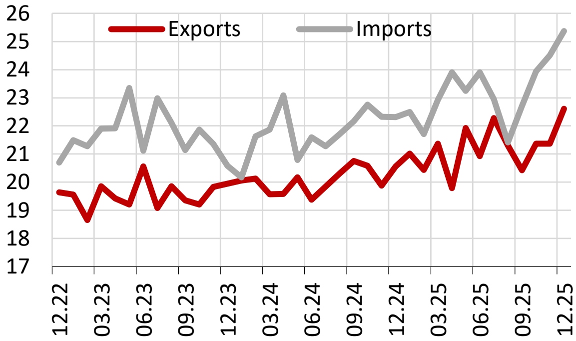
In 2025, BOP-defined exports increased by 5.2% to $270.8 billion, while BOP-defined imports increased by 8.6% to $340.5 billion (Table 1). Thus, the foreign trade deficit increased by $13.7 billion compared to 2024.

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 only slightly, as the increase in services expenditures was stronger than the increase in services revenues (Chart 7). The transportation balance was the determining factor in the decline, while the travel balance remained relatively flat (Chart 8).

In 2025, service revenues increased by 4.6% to $122.6 billion, while service expenditures increased by 5.9% to $59.1 billion (Chart 9). Thus, the services balance gave a surplus of $63.5 billion, an increase of $2.1 billion compared to the previous year. Travel revenues reached $60.0 billion in 2025, an increase of 6.6% year-on-year. Supported by the real appreciation of the Turkish Lira, travel expenditures increased by 21.9% year-on-year to approximately $9.0 billion.

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

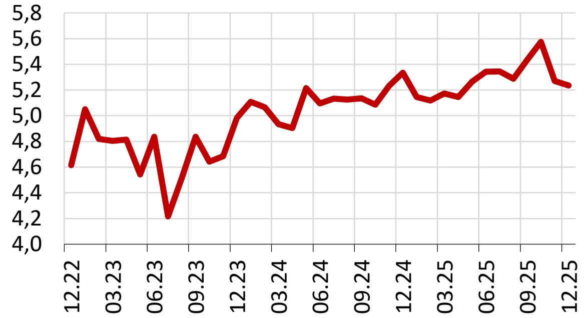


Chart 8. Services Balance (seasonally adjusted, billion $)

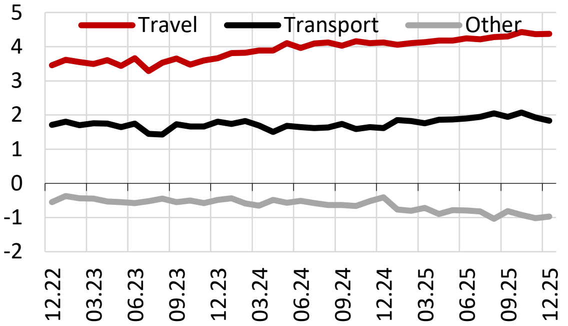
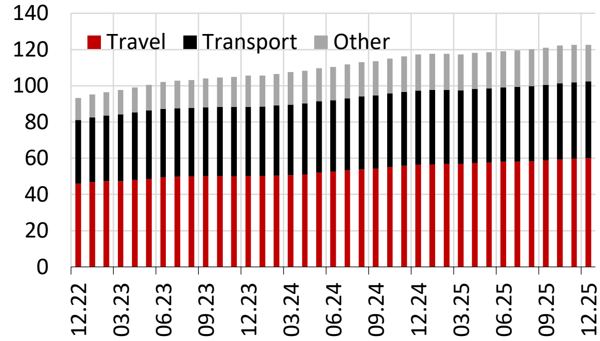
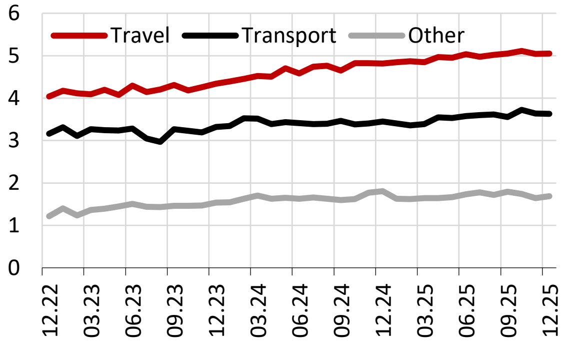


Chart 9. Services Credit (12-month cumulative, bn $)



Source: CBRT

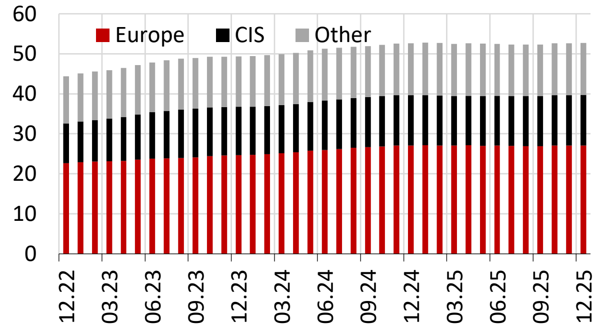
Chart 10. Services Credit (seasonally adjusted, bn $)



Source: CBRT, Akbank

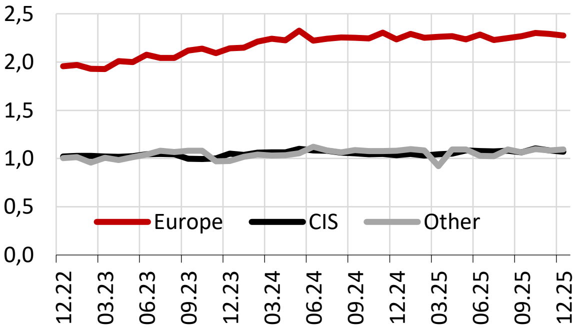
While the number of foreign visitors (s.a) saw a limited monthly decline in December, it increased by 1.9% in the last quarter compared to the previous quarter. The quarterly increase was spread across regions outside the Americas (Charts 11 and 12). For the whole of 2025, the number of international visitors reached 52.7 million, representing a limited increase of 0.2%. Considering this alongside a 6.6% increase in travel revenue, the annual increase in per capita travel revenue was 6.4%.

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, the foreign trade balance recorded a deficit of $8.4 billion in January, an increase of $0.8 billion year-on-year. In seasonally and calendar-adjusted terms, the trend in the foreign trade deficit from the last quarter carried over into January. We believe this development is partly due to the weakness in export performance caused by the first working day of the year falling on a Friday, potentially creating a bridge day. Nevertheless, the persistence of the high foreign trade deficit means that the deteriorating current account balance trend recently has carried over into the new year (No improvement in trade deficit trend yet).

The average monthly current account deficit in the last quarter of the year points to a annualized trend of $45.4 billion. Even if we consider some of the movement in the income balance in December as temporary, the annualized trend still remains slightly above $40 billion, which signals that the rise in the current account deficit will continue.

Under the assumption that growth will be around 4.0% in 2026, Brent oil prices will be $65 on average, the Turkish Lira will continue to appreciate moderately in real terms, and there will be no significant recovery in global growth, we are raising our current account deficit forecast to $36 billion (% GDP: 2.0%). We assess that our forecast includes upside risks stemming from domestic growth and the global growth outlook, and balanced risks stemming from oil prices

Tablo 1. Current Account Balance (Million $)

	Monthly		Annual	
	Dec.25	**Dec.24**	**2025**	**2024**
Current Account Balance	**-7,253**	**-4,716**	**-25,207**	**-10,415**
Foreign Trade Balance	**-7,439**	**-6,231**	**-69,688**	**-55,987**
Export*	25,933	23,248	270,804	257,453
Gold	338	346	3,054	3,444
Export (exc. gold)	25,595	22,902	267,750	254,009
Import*	33,372	29,479	340,492	313,440
Gold	1,996	2,001	23,129	17,100
Energy	6,063	6,804	62,466	65,590
Import (exc. gold and energy)	25,313	20,674	254,897	230,750
Service Balance	**2,651**	**3,031**	**63,508**	**61,369**
Services Credit	9,224	9,121	122,613	117,189
Transport	3,590	3,400	42,448	40,991
Travel	3,143	2,863	59,995	56,278
Other	2,491	2,858	20,170	19,920
Services Debit	6,573	6,090	59,105	55,820
Transport	1,916	1,883	19,578	21,388
Travel	610	721	8,967	7,358
Other	4,047	3,486	30,560	27,074
Primary Income**	**-2,465**	**-1,516**	**-19,027**	**-15,797**
Current Account Balance (exc. gold)	**-5,595**	**-3,061**	**-5,132**	**3,241**
Current Account Balance (exc. energy)	**-2,349**	**733**	**22,005**	**38,623**
Current Account Balance (exc. gold and energy)	**-691**	**2,388**	**42,080**	**52,279**

* Balance of payments-defined values

** The sum of primary and secondary income

Source: CBRT

Financing:

The current account balance recorded a deficit of $7.3 billion in December, capital inflows to the economy totaled $21.1 billion. Net errors and omissions recorded an inflow of $1.0 billion. Consequently, reserves decreased by $4.1 billion on a monthly basis (Table 2). On the financing side, there was a net outflow of $465 million into direct investments (FDI) and an inflow of $2.5 billion into other investments, while portfolio investments recorded an inflow of $73 million (Table 2).

Thus, in 2025, the current account balance posted a deficit of $25.2 billion, while capital inflows reached $20.0 billion and the net errors and omissions item showed an outflow of $16.6 billion. Thus, reserves decreased by $22.0 billion

Details on the financing side are as follows:

- **Gross FDI inflows** amounted to **$642 million** in December. Inflows into real estate amounted to $287 million. In 2025, total inflows were $13.1 billion (real estate: $2.3 billion).
  - Real estate acquisition of residents from abroad amounted to $252 million in December and $2.7 billion throughout the year.
- **Portfolio investments** posted a net inflow of $73 billion in December and a total outflow of $1.7 billion in 20025.
  - Equities saw inflows of $839 million in December and $2.08 billion for the entire year.
  - Inflows into government bonds amounted to $501 million in December and $3.2 billion in 2025. According to the Central Bank of Turkey's weekly securities statistics, inflows into equities and government bonds continued in January.
  - Regarding bond issuances abroad in December the general government repaid a net $140 million in debt, while banks borrowed a net $383 million and other sectors borrowed a net $85 million. In 2025, the general government, banks, and other sectors have borrowed $288 million, $3.3 billion, and $3.0 billion, respectively.
- **In loans obtained from abroad**, banks borrowed a net $1.3 billion in December, while the real sector borrowed a net $4.3 billion. For the entire year, total borrowing reached $13.5 billion for banks and $23.6 billion for the real sector.
- **External debt rollover ratios** including loans+bonds (6-month moving total) remained high at 119.5% for banks and 205.5 % for other sectors.

Table 2. Financing (Million $)

	Monthly		Annual	
	Dec.25	Dec.24	Dec.25	Dec.24
Foreign Direct Investment (FDI, net)	**-465**	**1,106**	**3,255**	**5,050**
Real estate	35	18	-332	669
FDI (exc, real estate)	-500	1,088	3,587	4,381
Portfolio Investment (net)	**73**	**-1,181**	**-1,739**	**11,977**
Equity	839	103	2,080	-2,481
Bond	501	-342	3,230	16,024
Government Eurobond	-140	-248	288	498
Banks	403	271	3,590	3,555
Other Sectors	155	-113	3,126	3,913
Other Investment (net)	**2,471**	**5,542**	**18,459**	**5,369**
Effective and Deposits	-5,367	-1,537	-15,602	-13,898
Loans	7,315	4,698	36,243	19,603
Banks (foreign borrowing)	1,317	3,248	13,469	17,994
Other Sectors	4,333	1,339	23,630	3,191
Trade credit	521	2,376	-2,212	-402
Reserve	**-4,136**	**-1,492**	**-22,027**	**558**
Net Errors and Omissions	**1,041**	**-2,234**	**-16,647**	**-11,297**

Source: CBRT

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