Macro: Already-high trend for current account deficit to worsen with the war

The current account deficit exceeded expectations in February, reaching $7.5 billion, while the 12-month cumulative current account deficit (CAD) increased by $2.2 billion to $35.4 billion (%GDP: -2.2). In seasonally adjusted (s.a.) terms, CAD maintained its recent high level in February. Even without war-related effects, the average annualized trend of the CAD reached $55-60 billion, which would require measures to address the external balance.

We are in a period where both the external deficit will increase and its financing will become more difficult due to the war. The duration of the war and the extent to which the increase in energy prices will be permanent remain uncertain. However, in a scenario where Brent oil price $95 and the Dutch TTF LNG price €50 in 2026 on average, we estimate that CAD could reach around $68 billion (%GDP: -3.7) in 2026. The risk of deterioration in the services balance due to geopolitical developments is also strengthening. Under this outlook, maintaining tight monetary and financial conditions is a necessity. In terms of policy implementation, the trade-off between internal and external balance is becoming increasingly apparent. The direction in which priorities will shift will become clear over time.

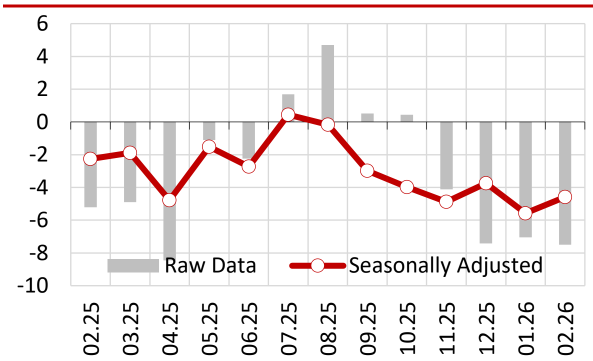
Current Account Balance:

The current account deficit (CAD) in February was $7.5 billion, exceeding both our estimate ($6.8 billion) and the market estimate ($7.1 billion). The deficit for January was revised from $6.8 billion to $7.0 billion. As a result, the 12-month cumulative CAD rose from $33.2 billion to $35.4 billion (%GDP: -2.2) (Table 1, Chart 2). Excluding gold and energy, the current account surplus decreased by $2.8 billion to $30.8 billion (Chart 4).

In seasonally adjusted (s.a.) terms, current account balance improved slightly on a monthly basis but CAD remained at high levels (Charts 1 and 3). The monthly CAD trend averaged $4.7 billion in the November-February period and $5.1 billion in the January-February period. These two values, when annualized, are $56 billion and $61 billion, respectively, indicating a high trend and significantly above the current value of the 12-month cumulative CAD.

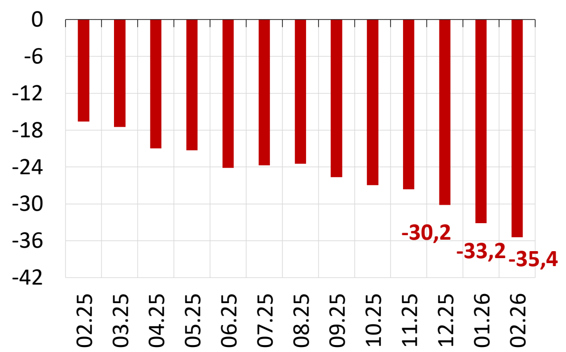
Since this trend belongs to the pre-war period, it does not include the effects of energy price increases caused by geopolitical developments in March. Therefore, we have entered a period in which the CAD trend will further rise starting in March.

Chart 1. Current Account Balance (bn $)



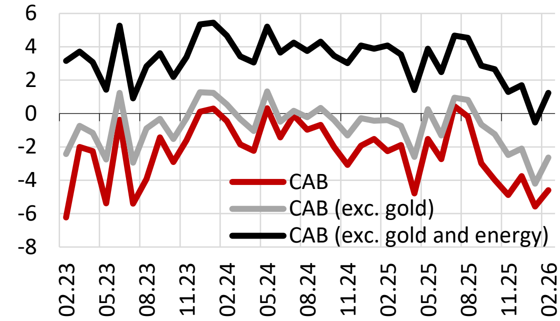
Source: CBRT, Akbank

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



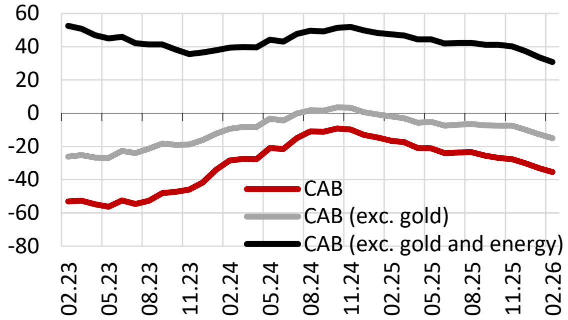
Source: CBRT

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



Source: CBRT, Akbank

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

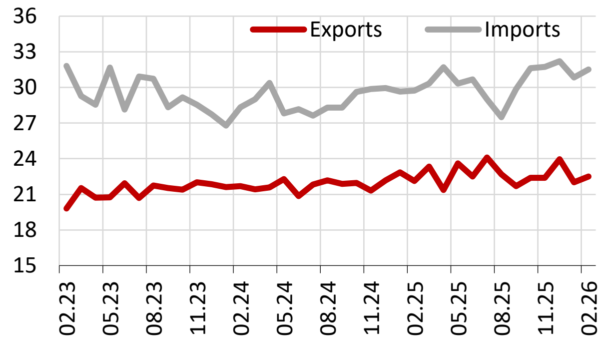


Source: CBRT

Trade Balance:

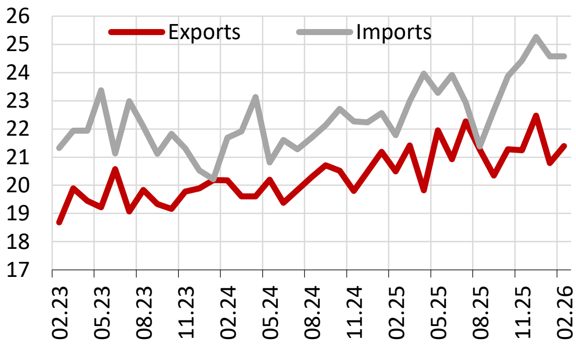
Although the trade balance (s.a.) showed limited improvement in February, the external deficit remained high. The limited monthly improvement stemmed from export growth exceeding import growth (Chart 5). Excluding gold and energy, the improvement was somewhat stronger (Chart 6).

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 sharp decline in the services balance (s.a.) in January was temporary as we had expected. However, the correction in February was not significant enough to offset the January decline, and it was decisive in the CAD exceeding expectations (Charts 7, 8). On a 12-month cumulative basis, services revenues decreased by $0.3 billion to $122.3 billion (Chart 9). Travel revenues (gross) decreased slightly to $60.1 billion.

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

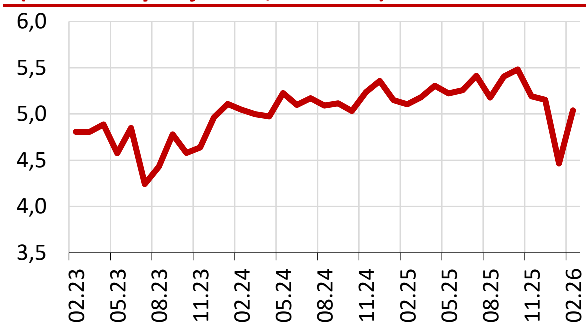


Chart 8. Services Balance (seasonally adjusted, billion $)

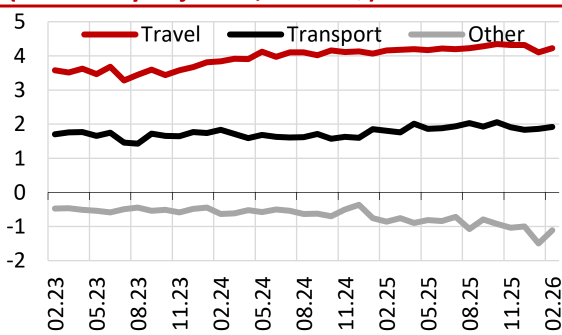
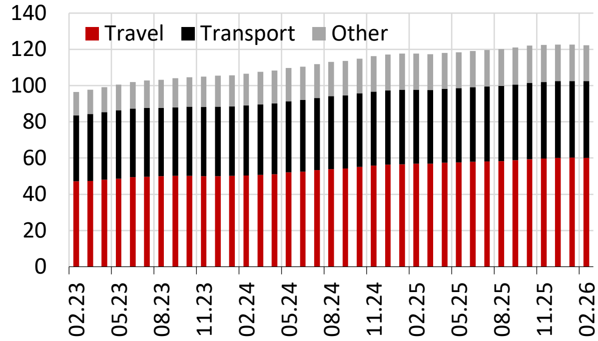
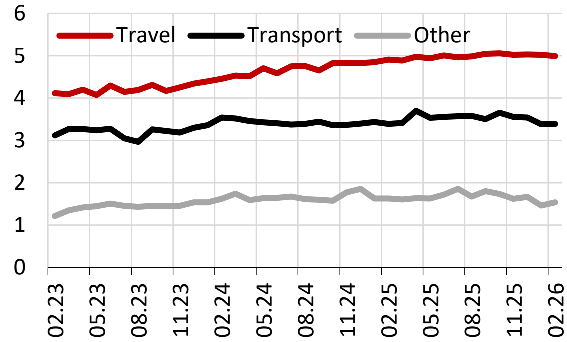


Chart 9. Services Credit (12-month cumulative, bn $)



Source: CBRT

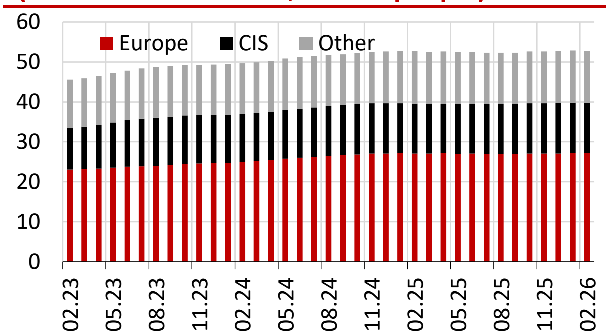
Chart 10. Services Credit (seasonally adjusted, bn $)



Source: CBRT, Akbank

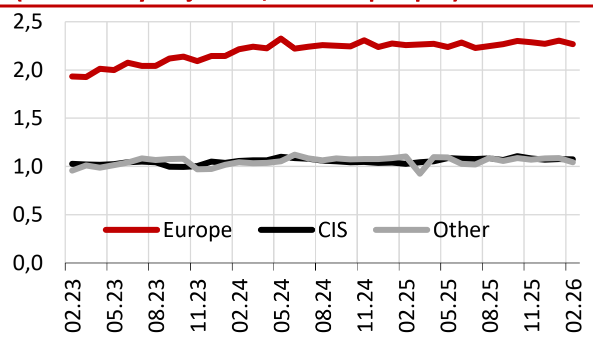
The number of foreign visitors (s.a) decreased by 2.0% on a monthly basis in February, while the year-on-year decrease was 1.4%. The monthly decrease appears to be widespread across regions (Charts 11 and 12). The weakening in the number of foreign visitors is also reflected in travel revenues. We believe that the real appreciation of the Turkish lira is limiting travel revenues. Recent geopolitical developments may have a limiting effect on tourism revenues, particularly through the decrease in the number of tourists coming to our country from nearby regions.

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 Ministry of Trade's provisional data for March, exports decreased by 6.4% year-on-year to $21.9 billion, while imports increased by 8.4% to $33.2 billion. As a result, the foreign trade deficit increased by $4.1 billion compared to the same month of the previous year, reaching $11.3 billion, the highest level since April 2025. According to seasonally and calendar adjusted (s.a.) data, the core deficit (excluding gold and energy) reached its highest level since the last quarter of 2017

Preliminary foreign trade data indicate that the high current account deficit trend seen in January-February will continue to strengthen in March. **We estimate that the current account deficit will be approximately $10 billion on a monthly basis in March**, that the 12-month cumulative current account deficit will increase by approximately $5 billion to exceed $40 billion, and that the annualized current account deficit trend implied by the seasonally adjusted monthly current account deficit will approach $64 billion. Under a scenario in which the average Brent oil is $95 and the Dutch LNG price is €50 in 2026, we estimate that the CAD at the end of the year could be around $68 billion (%GDP: -3.7).

Table 1. Current Account Balance (Million $)

	Monthly		Year-to-date Cumulative		12-month Cumulative	
	Feb.26	Feb.25	Feb.26	Feb.25	Feb.26	Feb.25
Current Account Balance	**-7,501**	**-5,218**	**-14,543**	**-9,249**	**-35,447**	**-16,620**
Foreign Trade Balance	**-7,478**	**-5,476**	**-14,378**	**-11,025**	**-73,169**	**-57,998**
Export*	20,670	21,143	40,413	42,221	268,928	259,175
Gold	292	260	579	640	2,993	3,894
Export (exc. gold)	20,378	20,883	39,834	41,581	265,935	255,281
Import*	28,148	26,619	54,791	53,246	342,097	317,173
Gold	2,238	2,110	3,896	3,582	23,443	18,550
Energy	4,914	6,085	10,045	12,471	60,104	65,788
Import (exc. gold and energy)	20,996	18,424	40,850	37,193	258,550	232,835
Service Balance	**2,014**	**2,266**	**4,388**	**5,308**	**62,578**	**61,123**
Services Credit	6,298	6,567	13,870	14,212	122,271	117,688
Transport	2,534	2,585	5,408	5,521	42,335	40,820
Travel	2,669	2,695	6,094	5,946	60,143	56,820
Other	1,095	1,287	2,368	2,745	19,793	20,048
Services Debit	4,284	4,301	9,482	8,904	59,693	56,565
Transport	1,319	1,427	2,776	2,953	19,401	21,086
Travel	828	807	1,782	1,659	9,090	7,891
Other	2,137	2,067	4,924	4,292	31,202	27,588
Primary Income**	**-2,037**	**-2,008**	**-4,553**	**-3,532**	**-24,856**	**-19,745**
Current Account Balance (exc. gold)	**-5,555**	**-3,368**	**-11,226**	**-6,307**	**-14,997**	**-1,964**
Current Account Balance (exc. energy)	**-3,408**	**-502**	**-6,255**	**563**	**10,308**	**32,708**
Current Account Balance (exc. gold and energy)	**-1,462**	**1,348**	**-2,938**	**3,505**	**30,758**	**47,364**

* Balance of payments-defined values

** The sum of primary and secondary income

Source: CBRT

Financing:

The current account balance posted a deficit of $7.5 billion in February and capital inflows to the economy totaled $3.4 billion. There was an outflow of $6.5 billion from the net errors and omissions. Reserves decreased by $10.6 billion on a monthly basis (Table 2). On the financing side, there was a net outflow of $138 million from direct investments (FDI), net inflow of $780 million into portfolio investments and $2.7 billion into other investments.

Details on the financing side are as follows:

- **Gross FDI inflows** amounted to **$780 million** in February. Inflows into real estate amounted to $230 million. FDI inflows (gross) reached $1.5 billion (compared to $2.0 billion in the same period of 2025), with real estate inflows reaching $393 million for the first two months of the year.
  - Real estate acquisition of residents from abroad amounted to $225 million in February (Total of $433 million in January-February).

- Following a net inflow of $8.4 billion into **portfolio investments** in January, inflows of $780 million were recorded in February. Thus, total inflows for the first two months of the year reached $9.2 billion.
    - Inflows into equities and government bonds amounted to $932 million and $366 million in February, respectively. In the first two months of the year, inflows were $2.4 billion and $4.4 billion.
    - In March, capital outflows were observed due to geopolitical developments. According to the CBRT's weekly securities statistics, there were outflows of over $7 billion from equities and government bonds.
    - Regarding bond issuances abroad in February, the general government and banks borrowed net $674 million and $43 million respectively, while other sectors repaid $81 million in debt.
- **In loans obtained from abroad**, banks borrowed a net $17 million in February, while the real sector borrowed a net $1.5 billion. Thus, total borrowing in January-February amounted to $1.6 billion and $3.2 billion, respectively.
- **External debt rollover ratios** including loans+bonds (6-month moving total) remained high at 111.1% for banks and 205.6% for non-bank sectors.

Table 2. Financing (Million $)

	Monthly		Year-to-date Cumulative		12-month Cumulative	
	Feb.26	Feb.25	Feb.26	Feb.25	Feb.26	Feb.25
Foreign Direct Invesment (FDI, net)	**-138**	**-37**	**-113**	**533**	**2,580**	**4,989**
Real estate (net)	5	-56	-40	-68	-305	323
FDI (exc. real estate) (Net)	-143	19	-73	601	2,885	4,666
Portfolio investment (net)	**780**	**2,566**	**9,172**	**4,997**	**2,435**	**15,209**
Equity	932	25	2,395	37	4,438	-2,494
Bond	366	675	4,376	2,325	5,281	17,987
Government Eurobond	674	1,471	3,081	1,260	2,109	1,139
Banks	80	284	1,505	157	4,939	1,942
Other Sectors	260	321	812	1,601	2,335	5,221
Other investment (net)	**2,734**	**1,555**	**14,560**	**6,171**	**27,870**	**20,277**
Effective and Deposits	-2,326	-885	2,608	-1,527	-11,496	-11,031
Loans	3,976	2,347	9,564	8,770	38,010	28,497
Banks (foreign borrowing)	17	381	1,615	6,106	10,011	22,779
Other Sectors	1,478	1,114	3,219	2,000	24,641	6,116
Trade credit	1,085	92	2,388	-1,075	1,329	2,744
Reserve	**-10,630**	**-2,899**	**1,366**	**3,531**	**-24,192**	**16,526**
Net Errors and Omissions	**-6,471**	**-1,732**	**-7,647**	**1,064**	**-21,411**	**-7,204**

Source: CBRT

This report is prepared by Akbank Economic Research

Economic.research@akbank.com

Çağlar Yüncüler, PhD – Vice President
Caglar.Yunculer@akbank.com

M. Sibel Yapıcı
Sibel.Yapici@akbank.com

Sercan Pişkin
Sercan.Piskin@akbank.com