

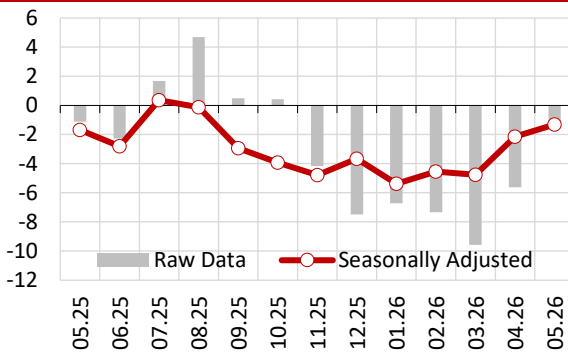
Macro: The current account balance continued to improve in May but will deteriorate again in June

In May, the current account posted a deficit of \$1.46 billion, in line with our forecast and slightly above the market forecast (-\$1.0 billion). Thus, the 12-month cumulative current account deficit (CAD) rose from \$36.9 billion to \$37.3 billion (2.2% of GDP). As we had anticipated, in seasonally adjusted (s.a.) terms, the monthly improvement in the current account balance driven by foreign trade continued, and the lowest deficit since July-August period of last year was recorded. However, provisional foreign trade data for June indicates the improvement in the current account may not be permanent. In light of this data, we estimate that CAD in June will be \$5.3 billion (\$6.4 billion s.a.). The geopolitical risks that had eased somewhat in June became more pronounced again due to the recent increase in tensions, pushing oil prices to around \$80/bbl. If oil prices remain around these levels, we believe that the year-end current account deficit will be approximately \$55 billion (~3.0% of GDP).

Current Account Balance:

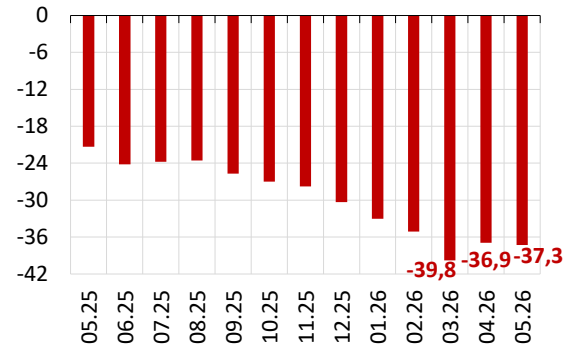
The current account balance posted a deficit of \$1.46 billion in May, in line with our estimate and slightly above the market forecast (-\$1.0 billion). Thus, the year-to-date current account deficit (CAD) reached \$30.7 billion, \$7.0 billion higher than the previous year. The 12-month cumulative CAD increased from \$36.9 billion to \$37.3 billion (%GDP: 2.2) (Table 1, Chart 2). Excluding gold and energy, the current account surplus remained flat at \$29.5 billion (Chart 4).

Chart 1. Current Account Balance (bn \$)



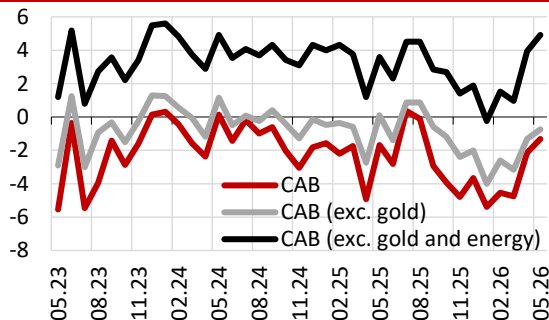
Source: CBRT, Akbank

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



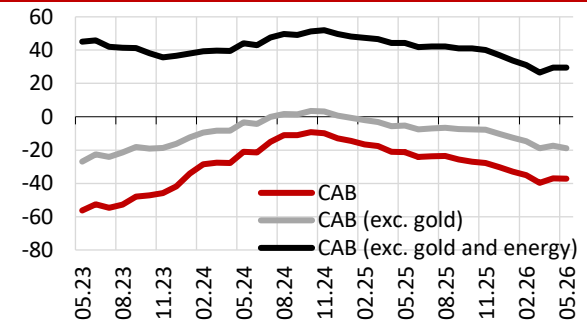
Source: CBRT

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



Source: CBRT, Akbank

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



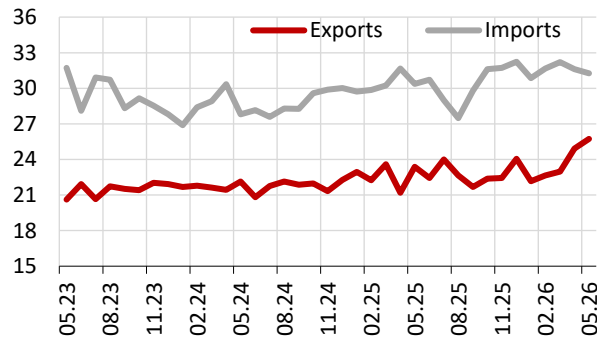
Source: CBRT

Seasonally adjusted data indicated an improvement in the current account balance on a monthly basis. Consequently, the lowest deficit since July-August period of last year was recorded (Charts 1 and 3). The improvement in the core foreign trade balance was the decisive factor in this development, despite the ongoing price-driven rise in energy imports.

Trade Balance:

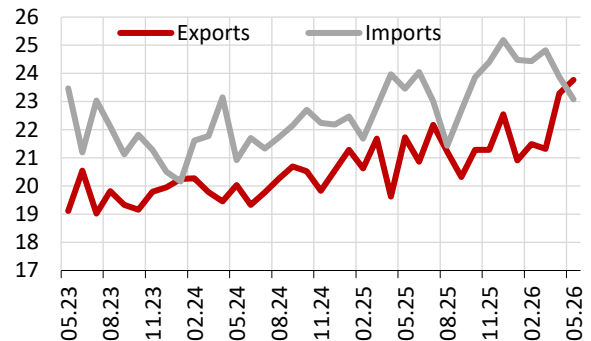
The improvement in the foreign trade balance (s.a.) continued in May, driven by rising exports and falling imports, resulting in the trade deficit reaching its lowest level since August (Chart 5). The decline in total imports was driven by a decrease in imports excluding gold and energy—despite an increase in energy imports (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:

A flat trend has been observed in the services balance (s.a.) recently (Charts 7, 8). On a 12-month cumulative basis, services revenues stood at \$122.2 billion, reflecting a slight decline (Chart 9). Gross travel revenues also saw a slight decrease to \$60.1 billion, while transportation revenues rose by \$0.2 billion to reach \$42.7 billion.

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

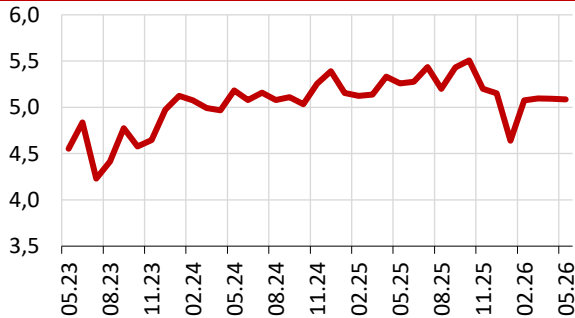
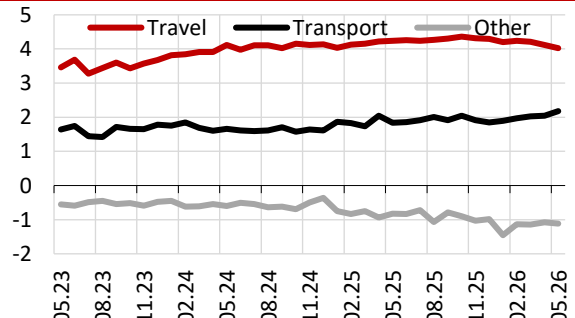
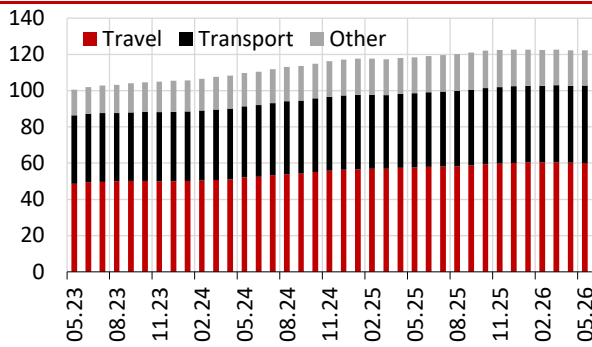


Chart 8. Services Balance
(seasonally adjusted, billion \$)

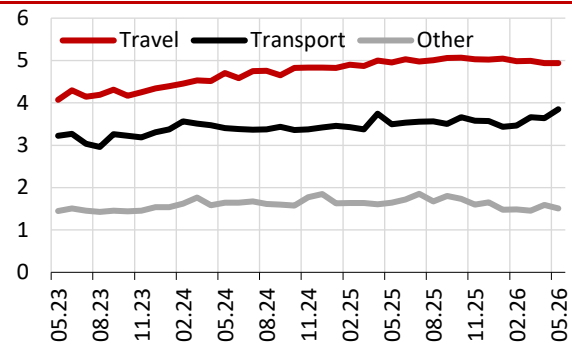


**Chart 9. Services Credit
(12-month cumulative, bn \$)**



Source: CBRT

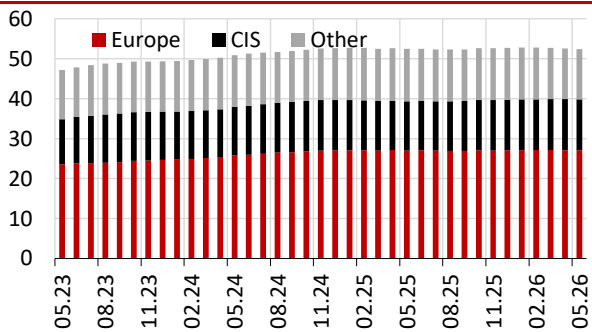
**Chart 10. Services Credit
(seasonally adjusted, bn \$)**



Source: CBRT, Akbank

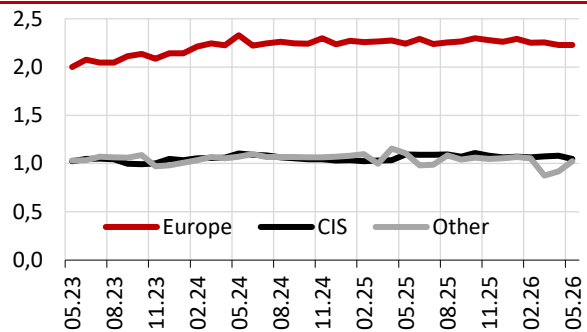
The number of foreign visitors (s.a) has been on an upward trend for the past two months; following a 0.6% monthly increase in April, the rise reached 1.8% in May. On an annual basis, however, the figure declined by 3.6%. While the number of tourists from Asia increased month-on-month, the number of visitors from Europe remained flat; declines were observed in other regions (Charts 11 and 12). The weak trend in foreign visitor numbers continues to be reflected in travel revenues as well.

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



Source: CBRT

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



Source: CBRT, Akbank

Provisional data for June indicated that the improvement in the foreign trade balance observed during the April–May period was not lasting—like the trend seen during the July–August period of the previous year. This development confirms our earlier assessment that the improvements in the foreign trade and current account balances might prove temporary.

Based on preliminary foreign trade data, we project a current account deficit of \$5.3 billion for June; in seasonally adjusted terms, we anticipate a figure of \$6.4 billion, representing a significant increase compared to the April–May average (\$1.7 billion).

Geopolitical risks, which had eased earlier, intensified once more due to recently escalating tensions, pushing oil prices back to around \$80/bbl. We estimate that if oil prices remain at these levels, the year-end current account deficit will settle at approximately \$55 billion (~3.0% of GDP).

Table 1. Current Account Balance (Million \$)

	Monthly		Year-to-date Cumulative		12-month Cumulative	
	May.26	May.25	May.26	May.25	May.26	May.25
Current Account Balance	-1,459	-1,105	-30,679	-23,728	-37,287	-21,301
Foreign Trade Balance	-4,340	-4,782	-35,050	-30,542	-74,363	-60,685
Export*	21,918	24,296	108,817	110,678	268,815	263,193
Gold	377	339	1,382	1,642	2,794	4,032
Export (exc, gold)	21,541	23,957	107,435	109,036	266,021	259,161
Import*	26,258	29,078	143,867	141,220	343,178	323,878
Gold	940	2,113	7,689	9,690	21,128	20,069
Energy	6,106	4,259	28,343	27,665	63,205	65,064
Import (exc, gold and energy)	19,212	22,706	107,835	103,865	258,845	238,745
Service Balance	5,207	5,545	16,448	17,475	62,476	61,479
Services Credit	10,042	10,161	40,185	40,565	122,224	118,427
Transport	3,762	3,535	15,659	15,437	42,670	40,936
Travel	4,948	5,109	17,944	17,814	60,125	57,592
Other	1,332	1,517	6,582	7,314	19,429	19,899
Services Debit	4,835	4,616	23,737	23,090	59,748	56,948
Transport	1,519	1,669	7,472	7,904	19,146	20,399
Travel	1,133	811	4,088	3,981	9,074	8,513
Other	2,183	2,136	12,177	11,205	31,528	28,036
Primary Income**	-2,326	-1,868	-12,077	-10,661	-25,400	-22,095
Current Account Balance (exc, gold)	-896	669	-24,372	-15,680	-18,953	-5,264
Current Account Balance (exc, energy)	3,063	1,846	-8,634	-2,831	11,138	28,215
Current Account Balance (exc, gold and energy)	3,626	3,620	-2,327	5,217	29,472	44,252

* Balance of payments-defined values

** The sum of primary and secondary income

Source: CBRT

Financing:

The CAD was \$1.46 billion in May, while \$1.76 billion in capital flowed out of the economy. There was an outflow of \$77 million from the net errors and omissions (NEO) item. As a result, **reserves decreased by \$3.3 billion** on a monthly basis (Table 2). On the financing side, there was a net outflow of \$455 million from direct investments (FDI) and \$3.07 billion from portfolio investments, an inflow of \$1.77 billion into other investments.

In the January-May period, CAD was \$30.7 billion. There was a capital inflow of \$15.9 billion into the economy. NEO showed an outflow of \$18.5 billion. **Reserves decreased by \$33.3 billion.**

Details on the financing side are as follows:

- **Gross FDI inflows** amounted to \$296 million in May, inflows into real estate amounted to \$184 million. Gross FDI inflows for the first five months of the year were \$4.01 billion (\$4.71 billion in the same period of 2025), with real estate inflows reaching \$983 million.
 - Real estate acquisition of residents from abroad amounted to \$143 million in May (Total of \$950 million in January-May).
- **Portfolio investments** saw a net outflow of \$3.07 billion in May. Thus, the total outflow for the first five months of the year reached \$3.67 billion.
 - In May, there was an outflow of \$454 million from equities and \$287 million from government bonds. In the first five months of the year, there was a \$1.75 billion inflow into equities and a \$1.93 billion outflow from government bonds.

- Non-residents realized net sales of investment fund shares amounting to \$2.33 billion in May (Net sales for the January–May period: \$1.07 billion).
- According to the CBRT's weekly securities statistics, total inflows were observed in June, driven by the positive impact of ceasefire news.
- Regarding bond issuances abroad, while the general government repaid \$169 million in May, banks and other sectors borrowed net debt of \$562 million and \$860 million, respectively.
- **In loans obtained from abroad**, banks borrowed a net \$2.65 billion and the real sector borrowed a net \$755 million in May. Thus, total borrowing in the January-May period amounted to \$6.8 billion and \$8.6 billion, respectively.
- **External debt rollover ratios** including loans+bonds (6-month moving total) remained high at 111.6% for banks and 182.2% for non-bank sectors.

Table 2. Financing (Million \$)

	Monthly		Year-to-date Cumulative		12-month Cumulative	
	May.26	May.25	May.26	May.25	May.26	May.25
Foreign Direct Investment (FDI, net)	-455	727	-220	1,208	1,755	4,532
Real estate (net)	41	-67	33	-305	5	-210
FDI (exc, real estate) (Net)	-496	794	-253	1,513	1,750	4,742
Portfolio investment (net)	-3,069	3,297	-3,665	-5,480	5,295	-954
Equity	-454	396	1,754	-113	3,947	-2,711
Bond	-287	2,576	-1,928	-3,051	4,353	5,534
Government Eurobond	-169	916	3,790	-1,321	5,399	-1,503
Banks	560	-56	1,236	123	4,704	394
Other Sectors	879	139	2,542	1,134	4,532	3,773
Other investment (net)	1,765	9,997	19,785	12,252	28,140	15,977
Effective and Deposits	187	6,686	-4,373	157	-18,833	-14,144
Loans	2,389	4,103	21,044	11,680	46,727	25,782
Banks (foreign borrowing)	2,653	1,769	6,806	5,949	15,459	18,472
Other Sectors	755	1,197	8,632	7,150	24,951	10,388
Trade credit	-816	-797	3,101	415	201	4,270
Reserve	-3,300	13,466	-33,347	-23,117	-32,257	-15,042
Net Errors and Omissions	-77	562	-18,478	-7,370	-29,928	-13,193

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

DISCLAIMER STATEMENT: The text, information and graphs in this report and comments has been prepared from the primary accessible systemic sources on a bona fide basis, and without consideration to establishing any guarantee and assurance for establishing a basis for any informed decision under any name or form, in terms of their accuracy, validity and effectiveness, and thus it has only been gathered for information purposes. Akbank TAŞ, Ak Yatırım AŞ and their employees will not be held responsible for any damages resulting from the comments included in this report such as lack of information and/or updates. Akbank TAŞ and Ak Yatırım AŞ may modify and/or remove the above information and recommendations at any time, without having to serve any prior notice and/or warning in any way, manner or form. Since this report and comments, the comprehensive information and recommendations which have been prepared in the form of general investment suggestions for the purpose of providing general information do not include any commitment by Akbank TAŞ and Ak Yatırım AŞ, the consequences of any decisions taken, conclusions reached, transactions made and any risks caused by any private and/or legal person based on such information will therefore rest with such persons. For this reason, Akbank T.A.Ş., Ak Yatırım A.Ş. and their employees shall not by any means or in any manner be liable for any material and moral damages, loss of profits, or any direct and/or indirect damages, whatsoever, incurred by the persons concerned or 3rd parties, as a result of the decisions taken, conclusions reached, or transactions performed by private and/or legal persons due to reliance on the information contained in this report, the comments and recommendations herein, and the persons concerned understand and accept that they are not entitled to claim any indemnity, whatsoever, from Akbank TAŞ, Ak Yatırım AŞ and their employees for any damages suffered/to be suffered. The information given in this report, and the comments and recommendations contained herein do not constitute an "investment consultancy" service and/or activity, but fall within the scope of a general investment consultancy activity, and individuals and entities willing to receive an investment consultancy service must contact entities and institutions that are authorized to provide such service and obtain such service under a service agreement pursuant to the legislations of CMB. Investment consultancy services are offered under an investment consultancy agreement to be signed between brokerage houses, portfolio management companies, banks that do not admit deposits and the clients. The comments and recommendations contained herein depend upon the personal opinions of the persons who make the comments and recommendations. Since such opinions have been arranged in the scope of a general investment consultancy activity they do not contain reports, comments and recommendations specific to a person, and may therefore not suit your financial status, risk and return preferences. Thus, making investment decisions solely based on the information contained herein might not bring an outcome that meets your expectations.

