

**Macro: The effects of the slowdown in economic activity are becoming apparent**

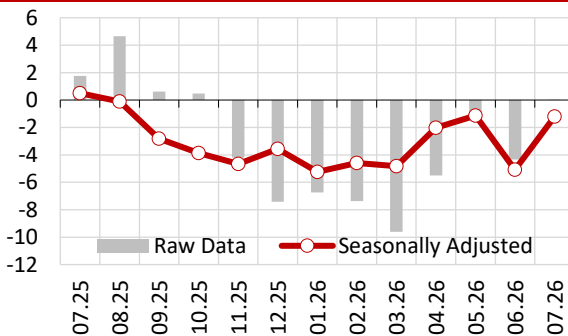
The current account recorded a modest surplus of \$36 million in July. Consequently, the 12-month cumulative current account deficit rose from \$39.0 billion to \$40.7 billion (2.4% of GDP). Despite the adverse impact of rising energy prices driven by geopolitical developments, a renewed improvement was observed in the seasonally adjusted current account balance, supported by an improvement in the non-energy foreign trade balance.

While provisional data released by the Ministry of Trade indicate that the adverse trend in the energy component intensified slightly in August, the shift of the gold trade balance to positive territory—combined with the core trade balance remaining moderate, supported by the slowdown in domestic demand—will ensure the maintenance of the current trend in the (seasonally adjusted) current account balance. In light of this data, we project that the current account balance will record a surplus of around \$3.5 billion in August, driven by strengthening seasonal effects.

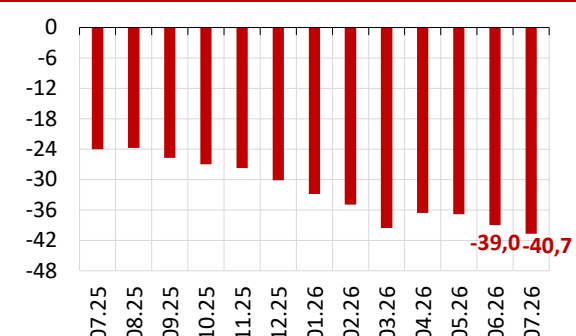
We project that the current account deficit will stand at around \$45 billion (2.5% of GDP) by year-end, driven by the limited deterioration in the terms of trade despite rising commodity prices, the slowdown in economic activity, and the improvement in gold trade balance.

**Current Account Balance:**

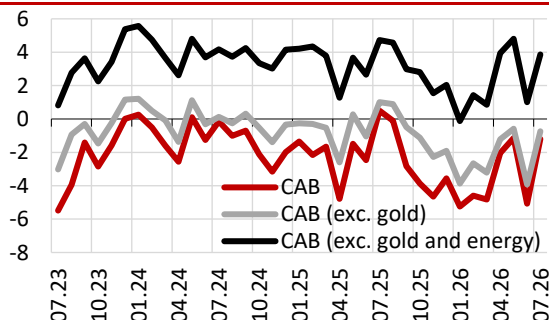
In July, the current account recorded a surplus of \$36 million, below the market forecast of \$0.7 billion. Consequently, current account deficit (CAD) for the first seven months of the year stood at \$34.8 billion, up \$10.6 year-on-year. Meanwhile, the 12-month cumulative CAD rose from \$39.0 billion to \$40.7 billion (2.4% of GDP) (Table 1, Chart 2). The current account surplus, excluding gold and energy, declined from \$28.9 billion to \$27.8 billion (Chart 4). Seasonally adjusted data indicated a marked improvement in the current account balance (Charts 1 and 3). This development was driven by a decline in core imports, which offset the rise in energy imports. As a result, the current account deficit retreated to levels seen in May.

**Chart 1. Current Account Balance (bn \$)**

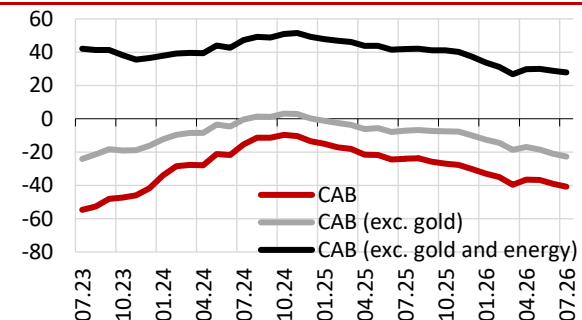
Source: CBRT, Akbank

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

Source: CBRT

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

Source: CBRT, Akbank

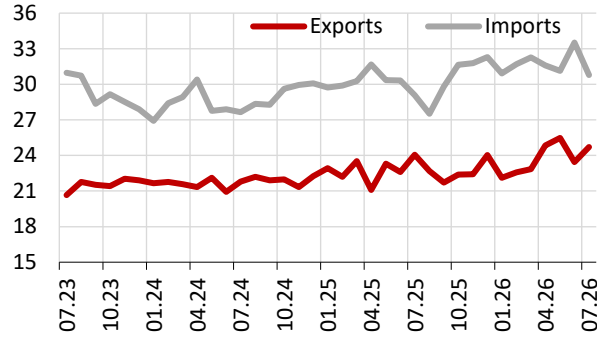
**Chart 4. Current Account Balance (12-month cumulative, bn \$)**

Source: CBRT

**Trade Balance:**

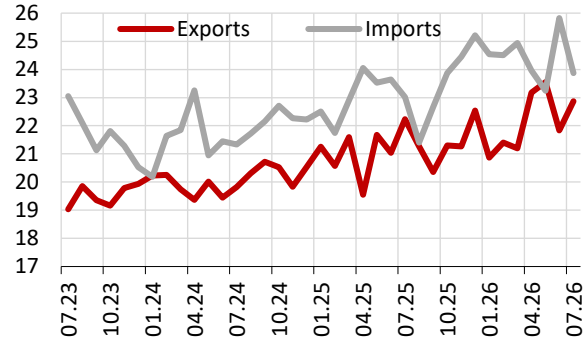
**Foreign trade data (s.a.)** show an increase in exports and a decline in imports (Chart 5). The decline in imports excluding gold and energy was the primary driver of the overall drop in imports (Chart 6). This indicates that the slowdown in domestic demand observed in the GDP data for the second quarter continues into the third quarter.

**Chart 5. Exports and Imports**  
(seasonally adjusted, bn \$)



Source: CBRT, Akbank

**Chart 6. Foreign Trade excluding Gold and Energy**  
(seasonally adjusted, bn \$)

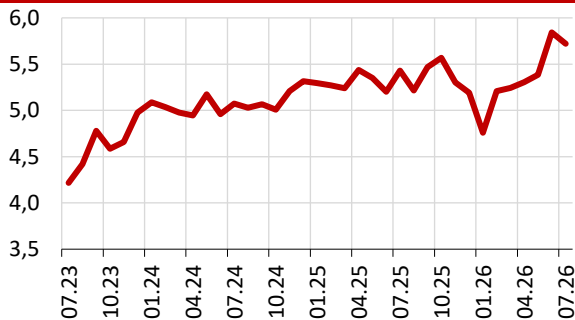


Source: CBRT, Akbank

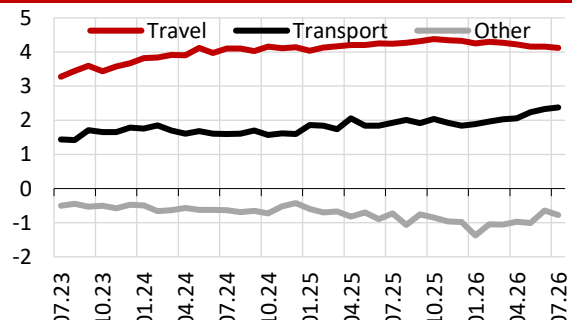
**Services Balance:**

Following the improvement in June, a slight deterioration was noted in July in the services balance (s.a.) (Charts 7, 8). While the travel balance remained flat, the positive outlook for transportation revenues persisted. 12-month cumulative services revenues rose by \$0.2 billion to reach \$124.7 billion (Chart 9). Travel revenues stood at \$60.25 billion following a slight decline, while transportation revenues increased by \$0.4 billion to \$43.7 billion (Chart 9).

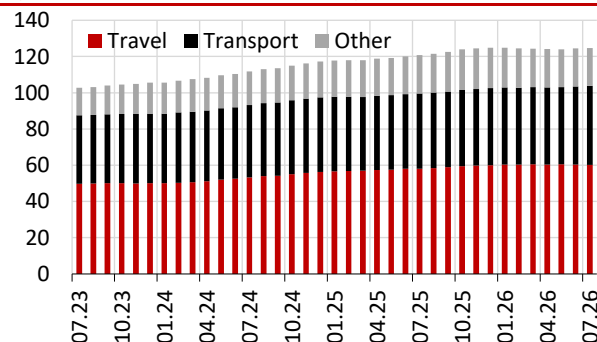
**Chart 7. Services Balance**  
(seasonally adjusted, billion \$)



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

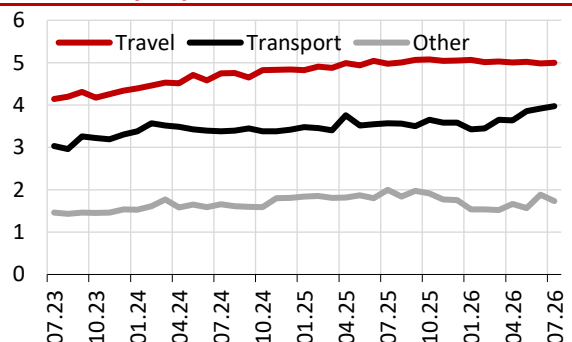


**Chart 9. Services Credit**  
(12-month cumulative, bn \$)



Source: CBRT

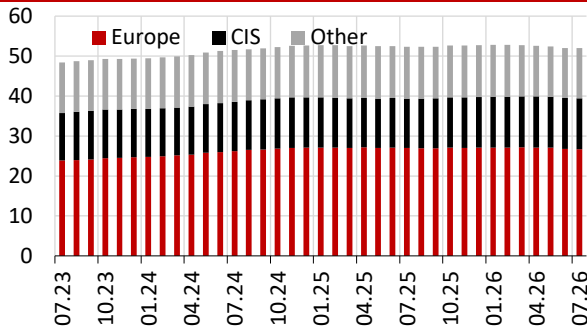
**Chart 10. Services Credit**  
(seasonally adjusted, bn \$)



Source: CBRT, Akbank

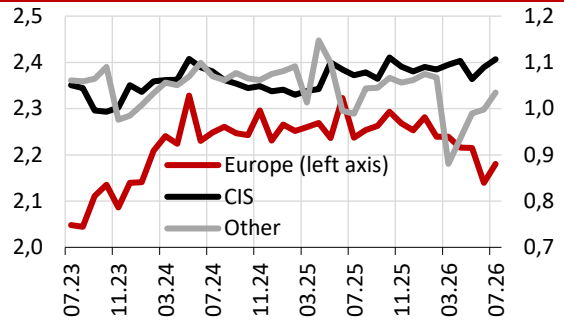
The number of foreign visitors (s.a.) recorded a monthly increase (2.3%) again in July. On an annual basis, however, there was a 0.4% decline. Monthly figures pointed to an increase in the number of tourists arriving from all regions except the Americas (Charts 11 and 12). Nevertheless, the weak trend observed throughout the year continues to constrain travel revenues.

**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 |                |
|-------------------------------------------------------|---------------|---------------|-------------------------|----------------|---------------------|----------------|
|                                                       | Jul.26        | Jul.25        | Jul.26                  | Jul.25         | Jul.26              | Jul.25         |
| <b>Current Account Balance</b>                        | <b>36</b>     | <b>1,762</b>  | <b>-34,830</b>          | <b>-24,254</b> | <b>-40,706</b>      | <b>-23,985</b> |
| <b>Foreign Trade Balance</b>                          | <b>-5,579</b> | <b>-4,561</b> | <b>-49,365</b>          | <b>-41,342</b> | <b>-77,166</b>      | <b>-62,313</b> |
| Export*                                               | 25,185        | 24,620        | 158,245                 | 155,619        | 273,266             | 267,523        |
| Gold                                                  | 484           | 442           | 2,058                   | 2,212          | 2,900               | 3,742          |
| Export (exc. gold)                                    | 24,701        | 24,178        | 156,187                 | 153,407        | 270,366             | 263,781        |
| Import*                                               | 30,764        | 29,181        | 207,610                 | 196,961        | 350,432             | 329,836        |
| Gold                                                  | 946           | 943           | 9,987                   | 12,184         | 20,932              | 20,502         |
| Energy                                                | 5,826         | 5,149         | 40,085                  | 37,408         | 65,205              | 64,950         |
| Import (exc. gold and energy)                         | 23,992        | 23,089        | 157,538                 | 147,369        | 264,295             | 244,384        |
| <b>Service Balance</b>                                | <b>8,228</b>  | <b>8,015</b>  | <b>31,797</b>           | <b>31,278</b>  | <b>63,515</b>       | <b>61,309</b>  |
| Services Credit                                       | 13,325        | 13,162        | 65,943                  | 66,085         | 124,738             | 120,864        |
| Transport                                             | 4,585         | 4,145         | 24,435                  | 23,353         | 43,651              | 41,482         |
| Travel                                                | 6,964         | 7,021         | 31,001                  | 30,788         | 60,251              | 58,155         |
| Other                                                 | 1,776         | 1,996         | 10,507                  | 11,944         | 20,836              | 21,227         |
| Services Debit                                        | 5,097         | 5,147         | 34,146                  | 34,807         | 61,223              | 59,555         |
| Transport                                             | 1,692         | 1,736         | 10,762                  | 11,420         | 19,119              | 20,400         |
| Travel                                                | 996           | 819           | 5,869                   | 5,738          | 9,098               | 8,916          |
| Other                                                 | 2,409         | 2,592         | 17,515                  | 17,649         | 33,006              | 30,239         |
| <b>Primary Income**</b>                               | <b>-2,613</b> | <b>-1,692</b> | <b>-17,262</b>          | <b>-14,190</b> | <b>-27,055</b>      | <b>-22,981</b> |
| <b>Current Account Balance (exc. gold)</b>            | <b>498</b>    | <b>2,263</b>  | <b>-26,901</b>          | <b>-14,282</b> | <b>-22,674</b>      | <b>-7,225</b>  |
| <b>Current Account Balance (exc. energy)</b>          | <b>4,510</b>  | <b>5,522</b>  | <b>-3,778</b>           | <b>3,563</b>   | <b>9,806</b>        | <b>25,201</b>  |
| <b>Current Account Balance (exc. gold and energy)</b> | <b>4,972</b>  | <b>6,023</b>  | <b>4,151</b>            | <b>13,535</b>  | <b>27,838</b>       | <b>41,961</b>  |

\* Balance of payments-defined values

\*\* The sum of primary and secondary income

Source: CBRT

**Financing:**

While the current account recorded a surplus of \$36 million in July, capital inflows to the economy amounted to \$13.7 billion. The net errors and omissions item indicated an inflow of \$0.6 billion. Consequently, reserves increased by \$14,3 billion on a monthly basis (Table 2). On the financing side, there were net inflows of \$514 million in foreign direct investment (FDI), \$5.8 billion in portfolio investment, and \$7.6 billion in other investments, alongside an outflow of \$300 million from financial derivatives.

During the January–July period, the current account posted a deficit of \$34.8 billion, while capital inflows totaled \$31.3 billion. There was an outflow of \$14.4 billion from the net errors and omissions item. Consequently, reserves declined by \$18.1 billion.

Details on the financing side are as follows:

- **Gross FDI inflows** amounted to **\$1.15 billion** in July, inflows into real estate amounted to \$322 million. Gross FDI inflows for the first seven months of the year were \$5.8 billion (\$8.8 billion in the same period of 2025), with real estate inflows reaching \$1.6 billion.
  - Real estate acquisition of residents from abroad amounted to \$169 million in July (cumulatively \$1.4 billion in January–July).
- **Portfolio investments** saw a net inflow of \$5.8 billion in July. Thus, total inflows for the seven months of the year amounted to \$4.7 billion.
  - In July, there was an inflow of \$22 million into equities and \$2.4 billion into government bonds (GDDS). During the January–July period, there was an inflow of \$1.39 billion into equities and \$1.63 billion to GDDS.
  - According to CBRT weekly securities statistics, capital inflows continued in August.
  - Non-residents realized net purchases of investment fund shares amounting to \$1.9 billion in July (Net purchases for the January–July period: \$4.2 billion).
  - Regarding bond issuances abroad, while the general government and banks borrowed net debt of \$1.7 billion and \$914 million, respectively, in July, while other sectors repaid \$172 million.
- **In loans obtained from abroad**, banks borrowed a net \$1.7 billion and the real sector borrowed a net \$2.0 billion in July. Thus, total borrowing in the January–July period amounted to \$12.0 billion and \$12.6 billion, respectively.
- **External debt rollover ratios** including loans+bonds (6-month moving total) remained high at 112.30% for banks and 167.83% for non-bank sectors.

Table 2. Financing (Million \$)

|                                             | Monthly       |               | Year-to-date Cumulative |               | 12-month Cumulative |               |
|---------------------------------------------|---------------|---------------|-------------------------|---------------|---------------------|---------------|
|                                             | Jul.26        | Jul.25        | Jul.26                  | Jul.25        | Jul.26              | Jul.25        |
| <b>Foreign Direct Investment (FDI, net)</b> | <b>514</b>    | <b>1,626</b>  | <b>-166</b>             | <b>3,335</b>  | <b>-325</b>         | <b>5,389</b>  |
| Real estate (net)                           | 153           | 105           | 235                     | -281          | 183                 | -232          |
| FDI (exc, real estate) (Net)                | 361           | 1,521         | -401                    | 3,616         | -508                | 5,621         |
| <b>Portfolio investment (net)</b>           | <b>5,841</b>  | <b>6,249</b>  | <b>4,713</b>            | <b>2,233</b>  | <b>5,960</b>        | <b>2,578</b>  |
| Equity                                      | 1,969         | 2,011         | 5,572                   | 4,410         | 8,462               | 4,118         |
| Bond                                        | 2,368         | 1,992         | 1,625                   | -945          | 5,800               | 4,473         |
| Government Eurobond                         | 1,710         | 2,399         | 4,604                   | 899           | 3,993               | -613          |
| Banks                                       | 1,772         | 970           | 3,382                   | 1,839         | 5,134               | 1,485         |
| Other Sectors                               | 792           | -32           | 4,403                   | 1,349         | 6,178               | 2,844         |
| <b>Other investment (net)</b>               | <b>7,648</b>  | <b>10,036</b> | <b>29,815</b>           | <b>13,616</b> | <b>28,817</b>       | <b>22,127</b> |
| Effective and Deposits                      | 5,456         | 5,993         | -3,952                  | -3,638        | -22,475             | -8,458        |
| Loans                                       | 2,990         | 5,232         | 31,048                  | 17,329        | 50,863              | 27,138        |
| Banks (foreign borrowing)                   | 1,713         | 1,508         | 11,966                  | 9,219         | 17,349              | 17,002        |
| Other Sectors                               | 1,998         | 2,013         | 12,551                  | 9,613         | 26,188              | 12,995        |
| Trade credit                                | -805          | -1,197        | 2,694                   | -89           | 386                 | 3,381         |
| <b>Reserve</b>                              | <b>14,252</b> | <b>18,597</b> | <b>-18,056</b>          | <b>-8,570</b> | <b>-31,513</b>      | <b>-7,103</b> |
| <b>Net Errors and Omissions</b>             | <b>620</b>    | <b>-388</b>   | <b>-14,350</b>          | <b>-620</b>   | <b>-19,968</b>      | <b>-8,889</b> |

Source: CBRT

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