

Turkey's annual current account deficit widened in November

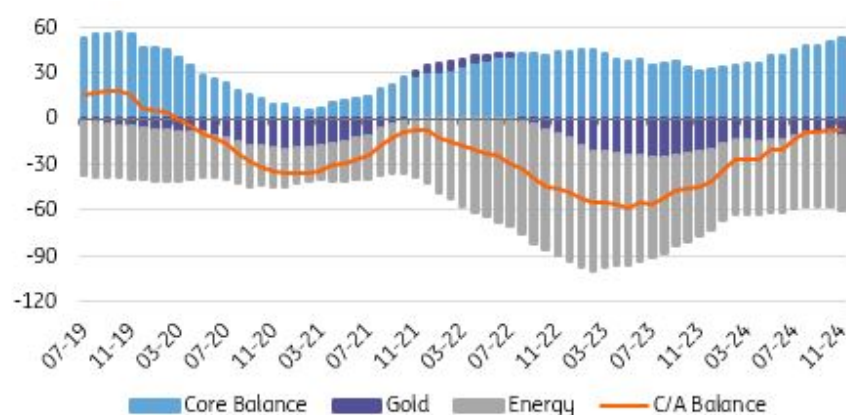
In November, Turkey recorded a US\$2.9bn current account deficit. The primary factor for the slight increase in the 12-month rolling deficit compared to the previous month was a higher foreign trade deficit



The Turkish current account (c/a) balance posted a US\$2.9bn deficit in November, better than market expectations. However, this figure represents a deterioration compared to the same month in 2023, driven by foreign trade.

Consequently, the 12-month rolling deficit widened to \$7.4bn (approximately 0.6% of GDP) from \$7.1bn a month ago, the lowest level since mid-2020. After a prolonged improvement trend since mid-2023, we believe the annual deficit is likely nearing its cyclical trough.

Current account (12M rolling, US\$bn)



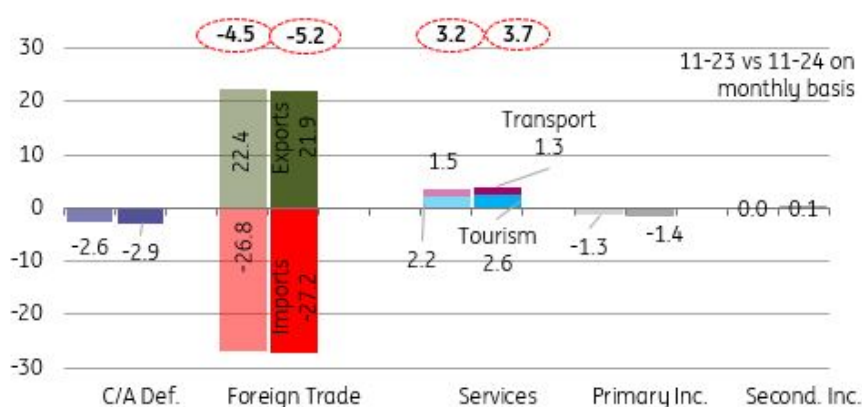
Source: CBT, ING

In the breakdown and compared with the same month of 2023, we see:

- The core trade balance recorded a higher surplus at \$1.1bn vs \$0.4bn.
- An increasing (net) energy bill to \$-4.5bn vs \$-3.7bn.
- The gold deficit widened to \$-2.0bn vs \$-0.9bn last year.
- Higher services income (including tourism revenues) at \$3.7bn vs \$3.2bn.
- No meaningful changes in primary and secondary income offsetting each other.

Despite improving core trade and services income, the cumulative impact of energy and gold trade determined the widening in the November c/a deficit.

Breakdown of current account (monthly, US\$bn)

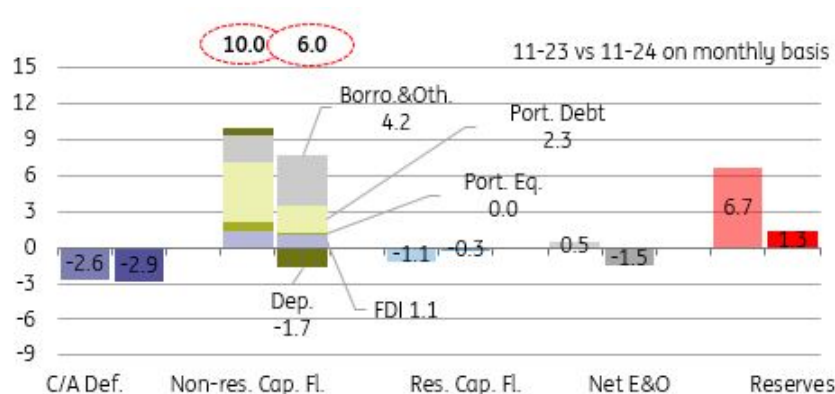


Source: CBT, ING

The capital account, which was positive in September and October after experiencing outflows in August, continued to show inflows of \$5.7bn. These positive inflows more than offset the monthly current account deficit and net errors and omissions outflows of \$-1.5bn, resulting in an expansion of official reserves by \$1.3bn in November.

In the breakdown of monthly data, residents' movements posted \$0.3bn outflows with outward FDI and portfolio investments exceeding the decline in deposits abroad and credits extended. Non-resident flows on the other hand stood at \$6.0bn, driven mainly by debt-creating flows. Foreign flows can be attributed to banks' \$0.6bn Eurobond issuances, ongoing domestic debt purchases of \$1.6bn, and \$3.5bn net borrowing mainly due to banks (more on the short-term). Accordingly, long-term debt rollover rates stood at 81% for corporates and 120% for banking (vs 111% and 134% respectively on a 12M rolling basis). Additionally, trade credits increased by \$0.9bn. On the flip side, the decline in foreign investors' deposits held in the central bank and banking sector by \$1.7bn attracted attention.

Breakdown of financing (monthly, US\$bn)



Source: CBT, ING

Between January and November 2024, non-resident inflows improved in comparison to the same period of 2023 at \$70.5bn (from \$58.4bn), while increasing asset acquisitions of locals abroad led to a decline in net identified flows (to \$23.5bn from \$44.8bn in 2023). Additionally, outflows via net errors and omissions rose to \$15.8bn vs \$10.1bn. Accordingly, despite a strong recovery in the current account balance from \$-38.7bn to a mere \$-5.6bn, official reserves recorded a slight \$2.1bn expansion vs a \$4bn decline in 2023.

Overall, despite the deterioration in the headline deficit in November, the balance of payments dynamics improved significantly last year as the non-energy c/a balance rose to a surplus of \$43.6bn, while the core c/a balance (excluding energy and gold) reflecting the underlying trend, recorded a \$54.4bn surplus.

The provisional customs data released by the Ministry of Trade reveals that the foreign trade deficit widened in December by more than 40% YoY. However, the near-term outlook implies that the 12M rolling c/a deficit will likely remain below \$10bn at the end of 2024, while the impact of the Central Bank of Turkey's actions on the balancing of demand factors will continue to be supportive for the current account this year.

Author

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.