

## Turkey: Current account gap widens

Turkey's current account deficit widened in January to USD7.1bn, above the market consensus, while the 12-month rolling deficit neared a four-year high



Source: iStock

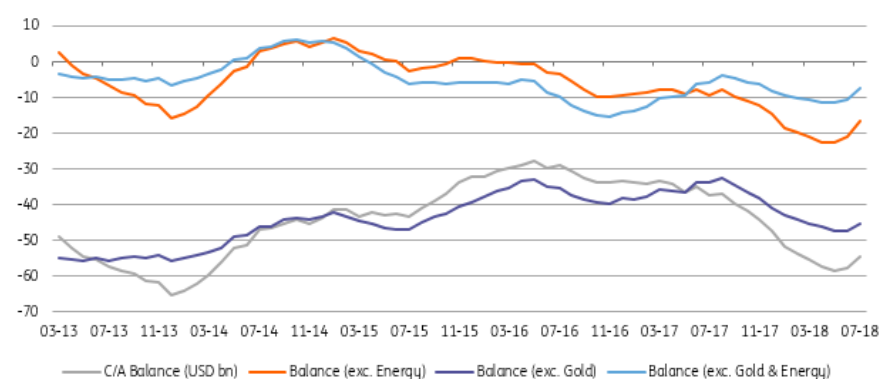
**-7.1** current account deficit in January  
(USD bn)

Worse than expected

Turkey's current account deficit in January widened to USD7.1bn, worse than the market consensus at USD6.9bn and our call of USD6.6bn, pulling the 12-month rolling deficit up to USD51.6bn- the highest since mid-2014 amid continuous widening from early 2017 onwards. The breakdown shows that the deterioration versus the same month of 2017 is mainly attributable to an ongoing expansion in the trade deficit with rising gold imports and energy bills as well as recently accelerating core imports. Growing services income on the back of a jump in tourism by 25% YoY more than offset declines in primary income and secondary income.

## External Balances

(USD bn, 12M rolling)



Source: CBT, ING Bank

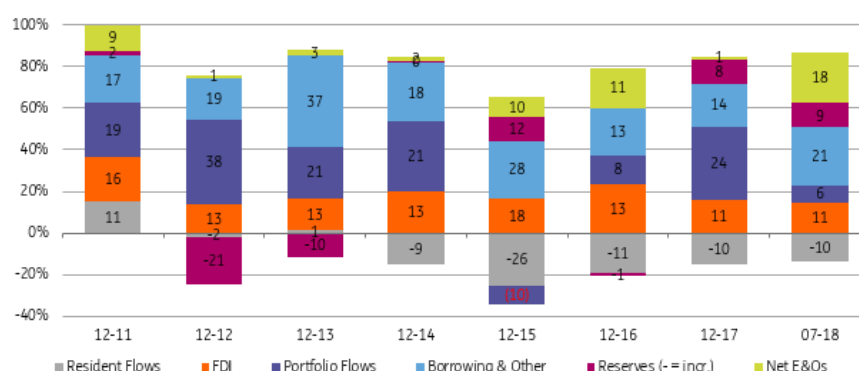
On the financing front, following a significant weakening in November and December, January saw strength in capital inflows standing at USD12.7bn, ahead of the sell-off in global equities in early February. Official reserves recorded a USD4.4bn increase, despite the negative impact of net errors & omissions with USD1.2bn.

In the breakdown of the capital account, items that supported flow outlook were:

1. A decline in banks' assets abroad by USD2.9bn and drop in extended net trade credits by USD0.5bn
2. Banks', corporates' and Treasury's issuances at USD3.7bn
3. Strength in portfolio inflows that turned out to be the major source of financing last year thanks to purchases of foreign investors in the bond and equity markets, with USD1.5bn in total
4. A rise in trade credit liabilities by USD1.5bn
5. Borrowing of corporates by USD1.1bn (USD0.8bn of which in short-term). Accordingly, the long-term (LT) rollover ratio for the corporate sector improved marginally to 116% on an annual basis, gradually recovering in recent months. In contrast, the banking sector's 12-month LT debt rollover ratio stood at 101%, practically unchanged over the previous month. On a positive note, net borrowing on a 12M rolling basis has been improving since Aug-17
6. An increase in foreigners' deposits held in Turkey by USD1.4bn

## Breakdown of C/A Financing

(USDbn, 12M rolling)



Source: CBT, ING Bank

Overall, the 12-month rolling current account deficit has maintained a fluctuating uptrend on the back of widening trade deficit, reflecting the impact of strong domestic demand, higher energy prices and gold imports. The capital flow outlook that deteriorated last year with an increasing reliance on portfolio flows and short-term funding will continue to remain in the spotlight this year.

### Author

#### Muhammet Mercan

Chief Economist, Turkey

[muhammet.mercan@ingbank.com.tr](mailto: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 <http://www.ing.com>.