Turkey’s higher-than-expected current account deficit

Turkey's wider-than-expected current account deficit in November maintained a gradual increase on a 12M rolling basis, while inflows have remained weak in the capital account

People on one of Istanbul's major shopping streets

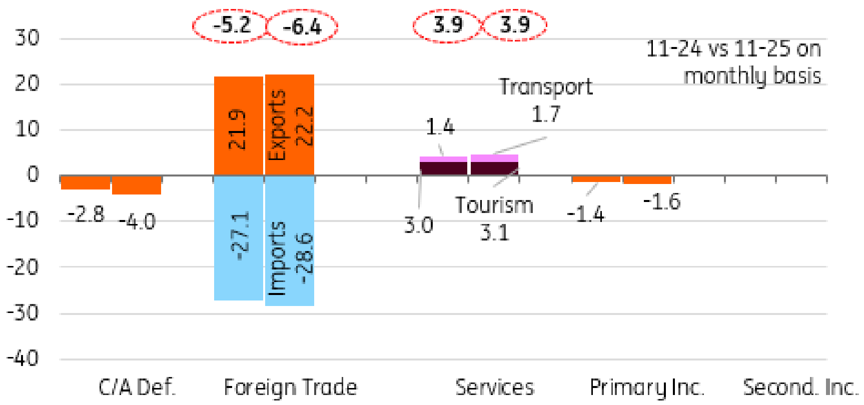
Turkey's current account posted a deficit of US$4.0bn, higher than the market forecast and our call at US$3.5bn. A closer look at the monthly figures shows the deficit widened by roughly US$1.2bn compared with the same month in 2024, primarily due to a larger trade gap, which increased from US$-5.2bn to US$-6.4bn.

This deterioration was primarily driven by the core trade surplus turning to a deficit and a worsening balance in primary income. However, the lower energy deficit limited the deterioration in the current account balance.

As a result, the 12-month rolling current account deficit, which began rising in November of the previous year, continued its uptrend and reached US$23.2 bn, or approximately 1.6% of GDP, up from US$22.0 bn a month ago.

Breakdown of the current account

Monthly, US$bn



Source: CBT, ING

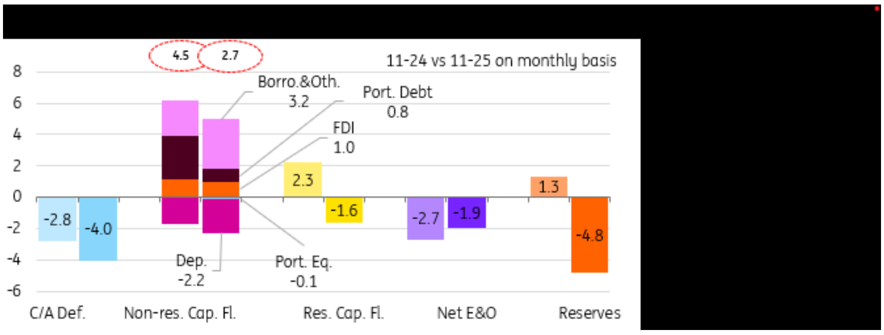
On the capital account side, inflows remained weak in November at US$1.2bn. With net outflows from errors and omissions of US$1.9bn, and considering the current account deficit, official reserves contracted by US$4.8bn.

Further analysis reveals that resident activities generated an outflow of US$1.6bn, mainly due to the acquisition of financial assets abroad by corporates. On the flip side, non-resident activity led to inflows totalling US$2.7bn, primarily from debt-related channels. Accordingly, despite a US$2.2bn fall in foreign deposits in local banks, a US$4.1bn net borrowing turned out to be the major contributor to a positive capital account. In the breakdown, banks' long-term borrowing reached US$1.5bn, while corporate borrowing was also strong, at US$2.0 bn, of which US$1.7bn was long-term. Consequently, long-term debt rollover ratios stood at 175% for corporations and 144% for banks, compared with 181% and 185%, respectively, on a 12-month rolling basis.

During the first eleven months of 2025, resident outflows rose to US$33.5 bn in 2025 from US$31.8bn. Foreign inflows, on the other hand, increased to US$52.3bn, compared with US$48.5bn in the same period in 2024. As a result, the capital account has remained on the positive territory with US$18.6bn, compared to a US$16.6bn a year ago.

In addition, outflows via net errors and omissions remained elevated, totalling US$-18.0 bn vs US$-8.8 bn in 2024. Taken together with the widening current account deficit, which grew from US$-5.7bn to US$-18.5 bn, official reserves were depleted by US$17.9bn vs a slight US$2.1bn increase recorded a year earlier.

Breakdown of financing (monthly, US$bn)



Source: CBT, ING

Overall, the current account surplus in November exceeded expectations and maintained a widening trend, while the capital account has remained weak. Preliminary customs data from the Ministry of Trade suggest a slight deterioration in the December current account, as the foreign trade deficit appears to have widened by US$0.6bn in comparison to the previous year.

In the months ahead, the trajectory of the current account balance is expected to be influenced by a mix of external risks, such as global trade developments and geopolitical tensions, as well as domestic demand conditions. Latest indicators suggest that persistently high inflation expectations, combined with ongoing easing in financial conditions and the wealth effect from rising gold prices, continue to support domestic demand in the fourth quarter of 2025.

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