Turkey: Annual current account balance still in surplus

The current account further deteriorated in February, though remained in positive territory. Going forward, the likely decline in tourism revenues and softer exports should determine the outlook despite low oil prices and weaker domestic demand

Source: Shutterstock

US$6.1bn

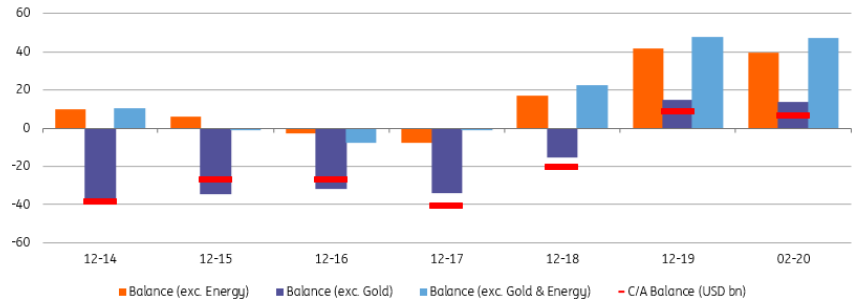
Current account balance

(12M rolling)

The February current account deficit stood at US$1.6 billion, mainly on the back of a deficit in the goods balance (-US$1.9bn) and contribution from the primary income balance (-US$0.7bn) despite a surplus in services (US$1.5bn) and secondary income balance (US$0.1bn).

Accordingly, the 12-month rolling current account balance remained with a US$6.1bn surplus, though it declined from the previous month's US$7.2bn surplus. This indicates that the external balance is still on a modest deteriorating trend after a significant improvement until the last quarter of 2019.

External Balances (US$bn, 12M rolling)



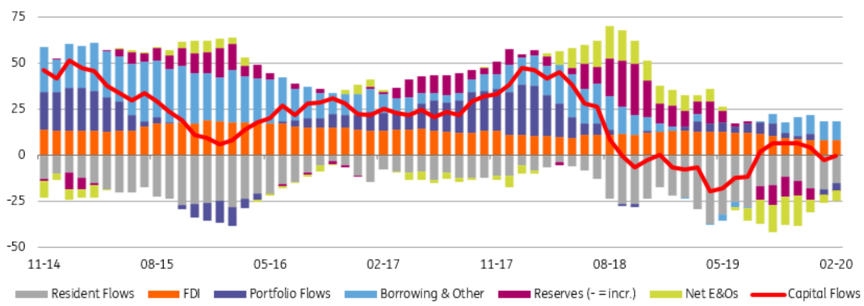
Source: TurkStat, CBT, ING

On the capital account, February showed US$3.1bn inflows, mainly on the back of locals' reducing their assets held abroad by US$2.3bn. This is mainly driven by banks cutting their deposit holdings outside of Turkey by US$3.2bn. With the current account deficit and net errors & omissions at +US$0.6bn, official reserves rose by US$3.0bn.

In the breakdown, debt creating flows increased by US$1.3bn despite falling trade credits and a total US$0.6bn debt repayment by banks and corporates. This is attributable to 1) foreign banks' depositing US$1.2bn and 2) the Treasury's US$4.0bn Eurobond issuance vs a US$1.8bn repayment.

In February alone, the long-term rollover ratio for banks was at 77% vs 65% of corporates, while the ratios were 73% and a healthy 90%, respectively on a 12-month rolling basis.

Breakdown of C/A Financing (US$bn, 12M rolling)



Source: CBT, ING

Overall, with the end of the external rebalancing process, the current account has started deteriorating again in recent months. The likely decline in tourism revenues and softer exports should bring the current account to a slight deficit this year from a surplus of 1.2% in 2019, despite low oil prices and weaker domestic demand, in our view.

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