

## 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

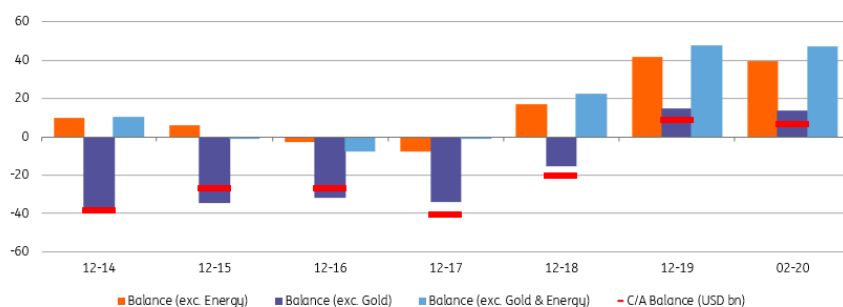
**US\$6.1bn** Current account balance  
(12M rolling)

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)



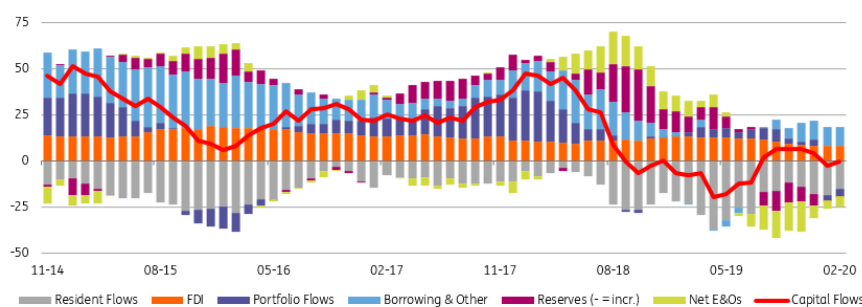
Source: TurkStat, CBT, ING

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.

## 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 [www.ing.com](http://www.ing.com).