

## Turkey's current account remains benign in September

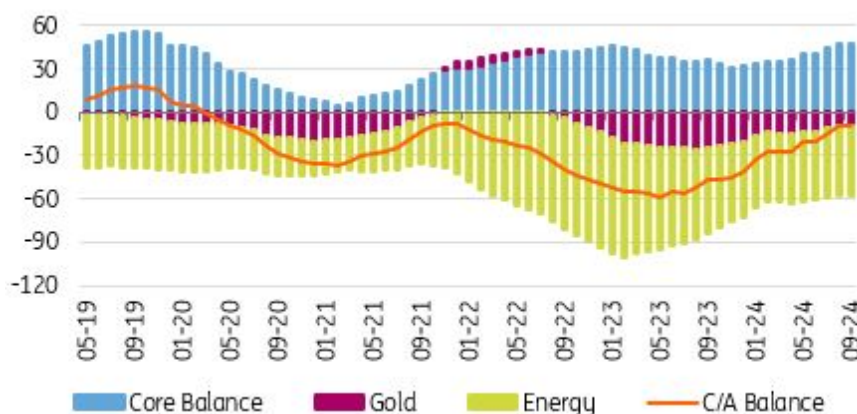
Turkey's current account recorded another surplus in September, while its 12-month rolling deficit dropped to single digits at US\$9.7bn. We think that the current policy mix is contributing to the country's external adjustment process



Ankara, Turkey

September's current account balance in Turkey posted a US\$3.0bn surplus, broadly in line with expectations, and was slightly better than the level we saw in the same month last year. Accordingly, the 12-month rolling deficit has maintained its narrowing trend to US\$9.7bn (translating into around 0.7% of GDP) from US\$9.8bn a month ago. This was its lowest reading since the end of 2021. It should also be noted that the Central Bank of Turkey also revised the cumulative current account deficit downwards in the first eight months by US\$1.4bn.

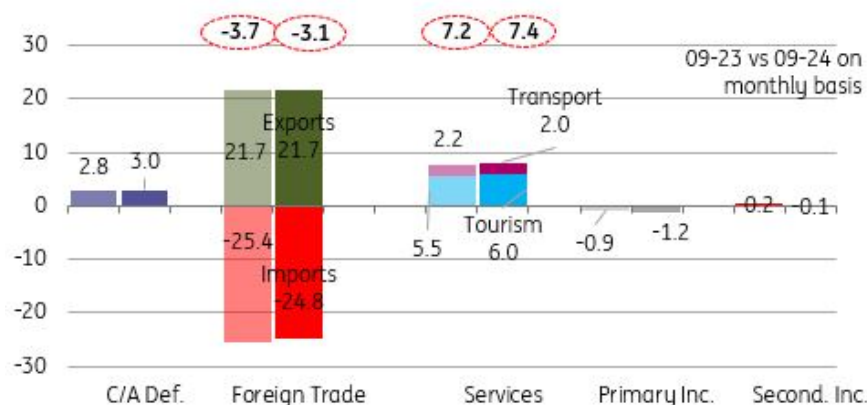
## Current account (12M rolling, US\$bn)



Source: CBT, ING

In the breakdown and compared with the same month of last year, we see: a) the gold deficit inching up to US\$-0.8bn vs US\$-0.7bn last year b) a slight drop in the (net) energy bill to US\$3.7bn, c) a flat core trade balance at a US\$1.6bn surplus, d) slightly higher services income (including tourism revenues) at US\$7.4bn, e) a deterioration in primary and secondary income to US\$-1.2bn and US\$-0.1bn respectively. The cumulative impact of these developments was a US\$0.2bn improvement in the headline current account balance in September alone.

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



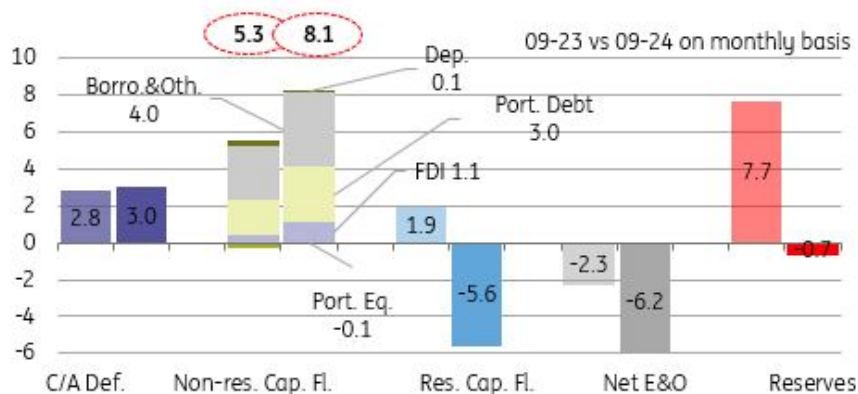
Source: CBT, ING

After outflows in August and for the first time since January, Turkey's capital account turned positive at US\$2.5bn, while unidentified outflows remained strong at US\$6.2bn. Despite the strong monthly c/a surplus and positive capital account, official reserves posted a US\$0.7bn drop in September, with a large negative reading in net errors and omissions.

In the breakdown of the monthly data, residents' movements – including outward FDI, financial assets held abroad etc. – posted US\$5.6bn in outflows. On the other hand, the negative reading seen in August for non-residents turned positive at US\$8.1 bn. Renewed strength in foreign flows is attributable to: a) banks' US\$1.9bn Eurobond issuances b) continuing domestic debt purchases at

US\$1.7bn, and c) US\$5.3bn net borrowing, driven both by banks (more on a short term basis) and corporates. Rollover rates stood at 210% for corporates and 133% for banking (vs 112% and 141% respectively on a 12M rolling basis).

## Breakdown of financing (monthly, US\$bn)



Source: CBT, ING

In the first nine months of 2024, non-resident inflows improved in comparison to the same period of 2023, at US\$51.8bn from US\$44.3bn. Meanwhile, increasing asset acquisitions of locals abroad led a decline in net identified flows to US\$22bn from US\$33.6bn last year. Additionally, outflows via net errors and omissions jumped to US\$20.7bn vs US\$8.3bn in 2023. So despite a strong recovery in Turkey's current account balance from US\$-36.1bn to a mere US\$-5.3bn, official reserves recorded a US\$4.1bn contraction vs US\$11.0bn decline last year.

Overall, Balance of Payment (BoP) dynamics have improved significantly this year. This is largely thanks to resilient exports and recovering global activity (especially in the first half, despite significant real Turkish lira appreciation), as well as contracting imports driven by a lower gold and energy deficit – though the impact of monetary policy tightening on consumption goods imports has remained limited so far. The provisional customs data released by the Ministry of Trade reveals that the foreign trade deficit recorded another drop in October by more than 10% year-on-year. This data suggests that the recovery in the external imbalances will likely continue, while the impact of the CBT's actions on the balancing of demand factors should be supportive for the current account in the near term.

### 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).