

## Turkey's current account swings into deficit in November but longer-term trend improves

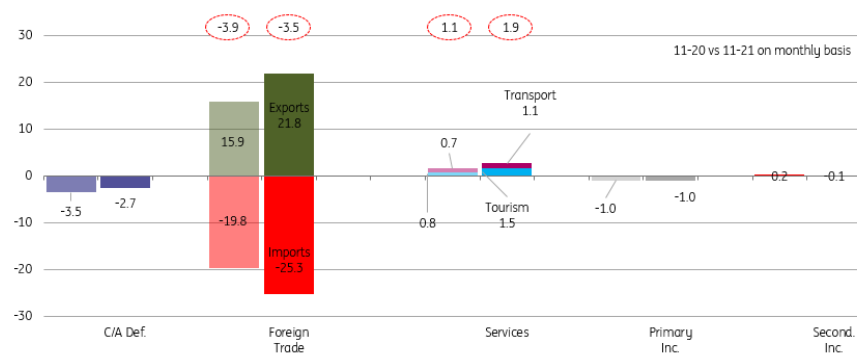
Despite higher energy bills, the current account deficit has continued to narrow on a 12-month rolling basis amid robust exports, contracting gold imports and a recovery in the services balance



Source: iStock

The current account balance, which recorded significant surpluses in the previous three months, fell into deficit at US\$-2.7bn in November, but the deficit has narrowed on a 12 month rolling basis, at US\$-14.3bn (translating into c. 1.8% of GDP), a trend that has continued since early 2021. A quick glance at the November data points to a relatively strong recovery in the services balance (on the back of higher transportation and tourism revenues) and a narrower deficit in the goods balance (thanks mainly to relatively strong exports despite a higher energy bill).

## Breakdown of the current account (US\$ bn, on a monthly basis)



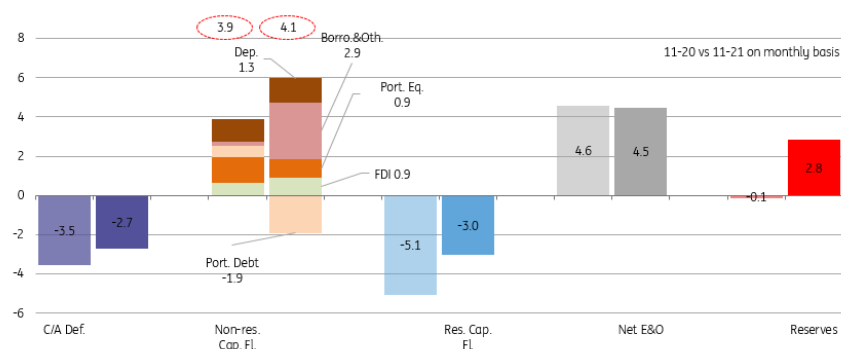
Source: CBT, ING

The capital and financial account, on the other hand, was barely positive at US\$1.1bn driven mainly by resident outflows. Including higher net errors & omissions at US\$4.5bn, the monthly c/a deficit and capital account inflows, official reserves recorded a US\$2.8bn increase.

In the breakdown of monthly flows, we saw continuing asset acquisitions by residents amounting to US\$3.0bn driven by trade credits extended to foreign counterparties. For the non-residents, US\$4.1 bn inflows were attributable to i) US\$3.0bn trade credits, ii) US\$1.3bn deposits placed by foreign investors to Turkish banks iii) US\$0.9bn gross FDI iv) US\$0.9bn inflows to Turkish equities. On the flip side, a US\$1.4bn Eurobond repayment by the Treasury limited foreign inflows.

We saw a strong long-term debt rollover rate for corporates at 108% (vs 127% on a 12M rolling basis), while the same ratio for banks stood at 102% (91% on a 12M rolling basis) with a net US\$0.3bn of repayments.

## Breakdown of the capital account (US\$ bn, on a monthly basis)



Source: CBT, ING

The current account deficit has continued to narrow in recent months from its cyclical trough in February, at US\$-36.9bn driven mainly by robust exports, contracting gold imports and a continuing recovery in tourism revenues, notwithstanding the higher energy deficit. Given the adjustment in the exchange rate, with repercussions on domestic demand and imports, the current account is likely to remain on this path in the period ahead, also with the support of higher tourism revenues despite energy imports moving to record highs. On

the financing side, significant reliance on net errors & omissions and weakening registered flows show increasing challenges that will likely continue this year with an increasing focus to roll-overs.

## 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>.