

Snap | 13 December 2021

TURKEY

Turkey: October current account surplus beats estimates

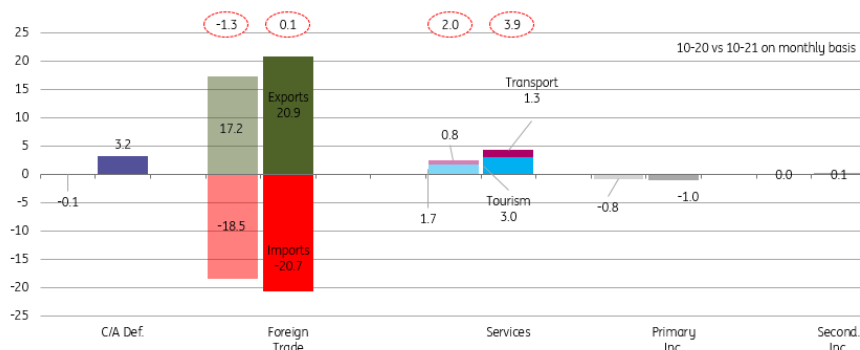
The current account deficit on a 12-month rolling basis has continued to narrow in recent months from its cyclical peak in February, driven mainly by robust exports, contracting gold imports and a continued recovery in tourism revenues, notwithstanding the higher energy deficit



Source: iStock

Standing at \$3.2bn, the current account surplus in October turned out to be stronger than the consensus forecast (\$2.4bn), pulling the 12-month rolling external balance to \$-15.4bn (or c. 1.9% of GDP) from \$-18.7bn a month ago. Despite the continuing increase in energy bills, the outcome is attributable to i) a further increase in tourism revenues supporting services income and ii) a narrowing core trade deficit with strength in exports and iii) lower gold imports.

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

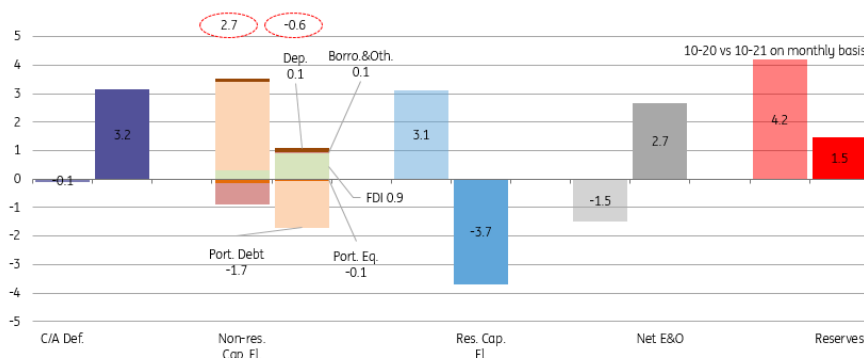


Source: CBT, ING

The capital and financial account, on the other hand, was negative at \$-4.3bn driven mainly by resident outflows. Including higher net errors & omissions at \$2.7bn, the monthly c/a surplus and capital account, official reserves recorded another increase of \$1.5bn. In the breakdown of monthly flows, we saw continued asset acquisitions by residents amounting to \$3.7bn, while \$0.6bn of outflows by foreign investors contributed to a negative figure in the capital account. Non-resident outflows were driven by maturing eurobonds of banks at \$1.2bn, a \$0.4bn sell-off in the local bond market and \$1.0 of debt repayments by banks and corporates. Gross FDI came in at \$0.9bn and trade credits amounted to \$1.0bn.

In the first 10 months, we saw: i) some improvement in (gross) FDI flows at \$10.8 bn vs \$6.2 bn in the same period of 2020 ii) non-resident portfolio inflows standing at \$5.2bn including bond issuances vs. outflows of \$12.1bn in the equivalent period of last year iii) accelerating unidentified inflows at \$14.7bn vs \$9.1bn of outflows iv) trade credits up by \$8.6bn vs a \$1.8bn decline last year v) a net \$1.3bn borrowing by banks and companies vs \$9.0bn net repayment vi) residents taking \$16.8bn of their assets abroad vs \$0.7bn of asset acquisitions last year vii) regarding international reserves, an increase of \$34.3bn on the back of the Central Bank of Turkey's swap arrangements, the export re-discount scheme, the Treasury's eurobond issuances and the IMF's SDR deployment vs. a drawdown of \$38.5bn in the same period of 2020.

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 peak in February at \$37.0bn 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 narrowing path in the period ahead, with support from higher tourism revenues despite energy imports moving to record highs. On the financing side, the October outcome shows increasing challenges that will likely continue next year with an increasing focus to roll-overs.

Author

Muhammet Mercan

Chief Economist, Turkey

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.

THINK economic and financial analysis

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.