

## Turkish external deficit recovery accelerates

The Turkish current account continued to improve in April driven by a fall in gold imports and an uptrend in exports despite strong commodity prices

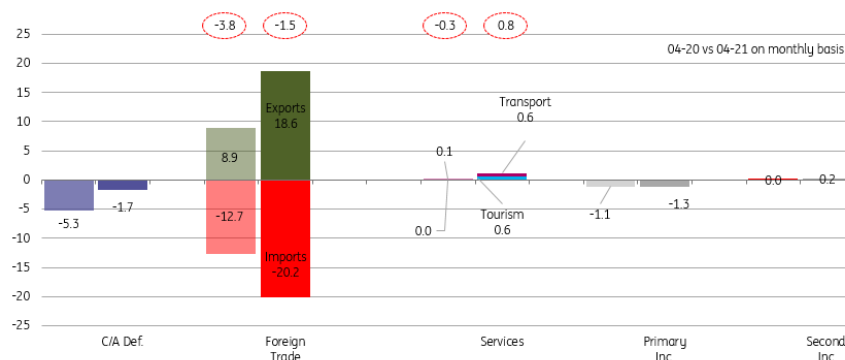


Source: Shutterstock

Recovery in 12-month rolling current account deficit continued in April with another pronounced drop to US\$32.7 bn from US\$36.3 bn a month ago, though it remained elevated at roughly 4.5% of GDP.

Better than the monthly figure at US\$1.7 bn is attributable to i) narrower gold trade deficit with ongoing mean reversion trend, in place since the beginning of the year ii) turn of services balance to surplus in comparison to a deficit in the same month of 2020 driven by the impact of reopening in tourism and transportation revenues iii) jump in core exports on the back of strong external demand with global activity picking up. However, widening energy deficit with higher oil prices and still high core imports due to domestic demand limited the extent of improvement in the external deficit.

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



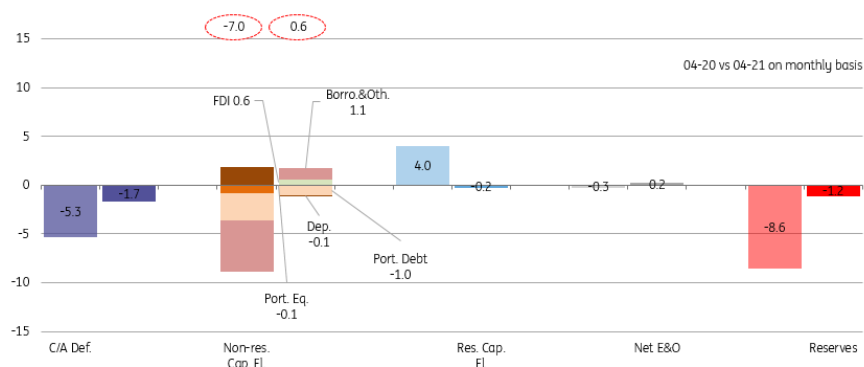
Source: CBT, ING

The negative capital account in March, reflecting the impact of the change at the CBT, was barely positive in April, showing the continuation of a weak outlook. Despite small positive net errors & omissions at US\$0.2 bn, monthly c/a balance at a deficit and capital inflows at a mere US\$0.3 bn caused another drop in official reserves by US\$1.2 bn on a monthly basis.

In the breakdown, residents posted a small US\$0.2 bn outflows as locals' expanding deposit holdings abroad almost offset the extension of trade credits to foreign companies as well as the acquisition of other financial assets and portfolio investments. Non-resident flows were slightly positive at US\$0.6 bn despite banks' Eurobond repayments and debt payments. This is attributable to i) continuing strength in trade credits supported by high domestic rates and strong growth abroad, and ii) foreign direct investments.

In April, we saw healthy debt rollover rates for both banks and corporates standing at 82% and 92% (translating into 88% and 86% on a 12M rolling basis), while trade credits rollover exceeded 110% on monthly basis.

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



Source: CBT, ING

Overall, the improvement in the current account accelerated in April given the fall in gold imports and an improvement in exports despite strength in commodity prices.

Going forward, not only exports but also subdued prospects for core imports driven by

expected moderation in domestic demand should be supportive of the external deficit. Capital account on the other hand will likely remain challenging in the period ahead given the weakness in portfolio flows, though any improvement in geopolitics should be supportive of the flow outlook.

## 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).