

Turkey: September current account again in surplus

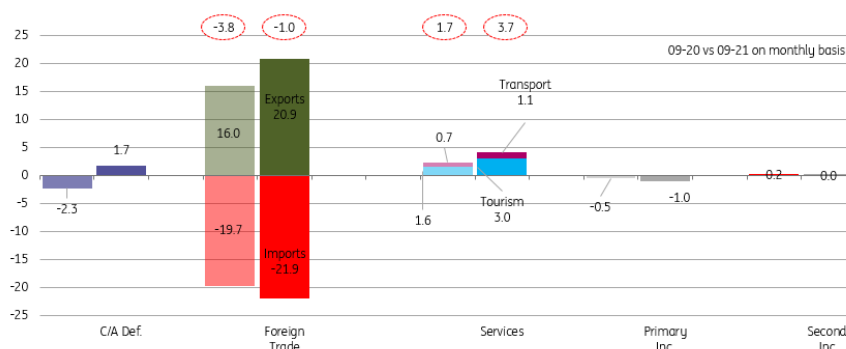
While the current account deficit continued to narrow in September, higher energy costs will likely offset any improvement in the gold balance, leaving little scope for continuation of this trend in the last quarter of 2021.



Shoppers in Istanbul

The current account balance recorded a surplus in September, for the second month in a row. With the latest figure at US\$1.7 bn being close to the market consensus, the 12M rolling external balance maintained its improvement, to US\$18.4 bn (c.2.4% of GDP), from US\$22.4 bn a month ago. As has been the case in recent months, (1) a recovery in tourism revenues supporting services income and (2) a narrowing goods trade deficit on the back of lower gold imports and a better core trade balance (notwithstanding a deteriorating energy bill due to the uptrend in oil & natural gas prices) were the reasons for the continuing narrowing in the current account deficit.

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



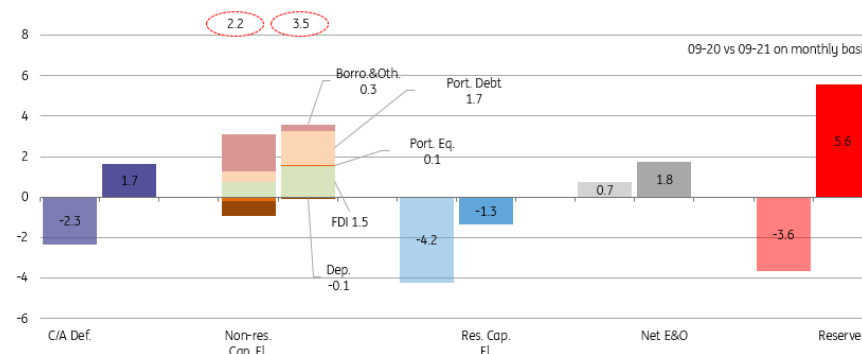
Source: CBT, ING

The capital account remained positive at US\$2.2 bn, driven by non-resident inflows. Including higher net errors & omissions at US\$1.8 bn, the monthly c/a surplus and the capital account, official reserves saw further accumulation (by US\$5.6 bn).

In the breakdown of monthly flows, we saw continuing asset acquisitions by residents amounting to US\$1.3 bn, while US\$3.5 bn in inflows by foreign investors contributed to a positive figure in the capital account. US\$1.8 bn gross FDI and the Treasury's US\$2.25 bn issuance in international markets were the drivers behind non-resident inflows.

On a year-to-date basis, we saw: (i) some improvement in (gross) FDI flows at US\$9.9 bn vs US\$5.8 bn in the same period of 2020, (ii) non-resident portfolio inflows standing at US\$6.9 bn including bond issuances, vs. outflows of US\$15.1 bn in the equivalent period of last year, (iii) accelerating unidentified inflows at US\$13.5 bn vs US\$7.8 bn in outflows, (iv) trade credits up by US\$6.4 bn, vs a US\$2.5 bn decline in the first nine months of last year, (v) net US\$2.2bn borrowing by banks and companies vs US\$7.6 bn net repayment, (vi) residents' taking US\$13.3 bn of their assets abroad vs US\$3.8 bn in asset acquisitions between January and September last year, and (vii) regarding international reserves, an increase of US\$32.8 bn on the back of the CBT's swap arrangements, the export re-discount scheme, Euro bond issuance and the IMF's SDR deployment vs. a drawdown of US\$42.6 bn in the same period of 2020.

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



Source: CBT, ING

Overall, in line with market expectations and the CBT call, the current account has remained on its narrowing path in recent months from its cyclical peak in Feb at US\$36.4 bn. This has been driven mainly by an improving services balances on the back of tourism and transportation revenues and a lower foreign trade deficit. In the last quarter, higher energy costs will likely offset the improvement in the gold balance, leaving little scope for continuation of the recovery in the current account deficit. Accordingly, for the core trade deficit particularly the pace of core imports will likely determine the extent of improvement in the period ahead.

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.

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>.