

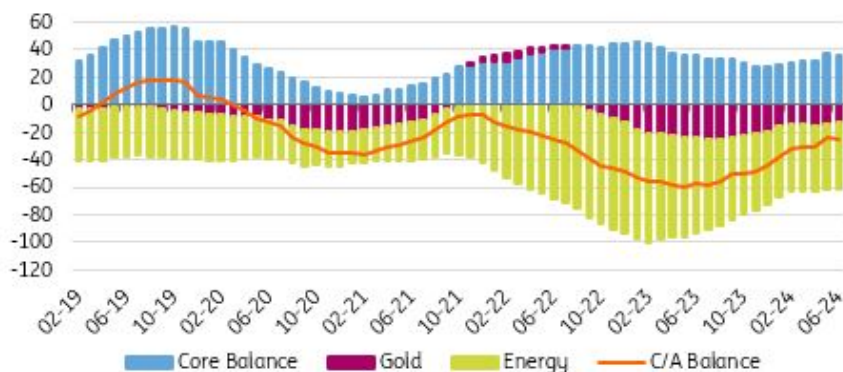
## Turkish current account as expected in June

The current account turned to surplus in June due to seasonality, while the 12M rolling deficit deteriorated slightly. The impact of the central bank's actions on the balancing of demand factors will continue to support the external outlook



Turkey's current account balance in June was a US\$0.4bn surplus, in line with expectations, although it was lower than the level realised in the same month of 2023. Accordingly, the 12M rolling deficit slightly deteriorated to \$24.8bn (around 2.1% of GDP) from \$24.5bn a month ago.

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

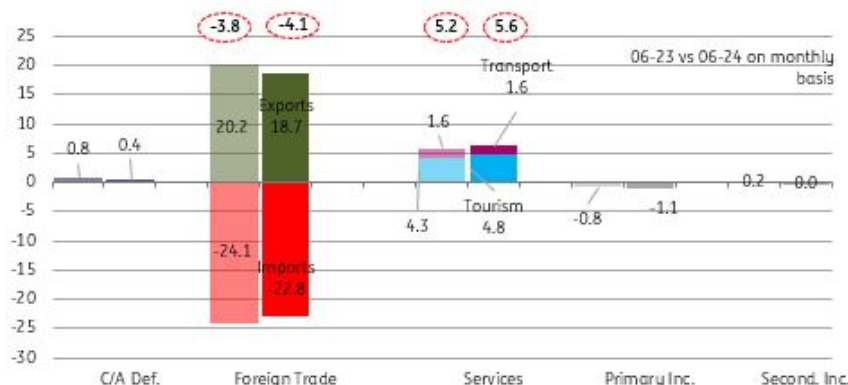


Source: CBT, ING

Looking at the breakdown, compared with the same month of last year, we can see there was a lower gold deficit of \$0.5bn vs \$1.1bn last year. Gold imports are on the decline after the local elections while the 12M rolling gold trade (net) has maintained improvement to the lowest level since the end of 2022 at \$27.2bn.

There was also a flat energy bill at \$3.2bn, core foreign trade (excluding energy and gold exports and imports) came in on balance vs a \$1.1bn surplus a year ago, higher services income (including tourism revenues) was at \$5.6bn, and there was a slight deterioration in primary and secondary income.

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



Source: CBT, ING

The capital account, which posted strong \$14.4bn inflows in May was down to just \$0.1bn inflows in June, while unidentified flows stood at \$0.8bn. With the monthly c/a surplus, official reserves posted a \$1.2bn increase.

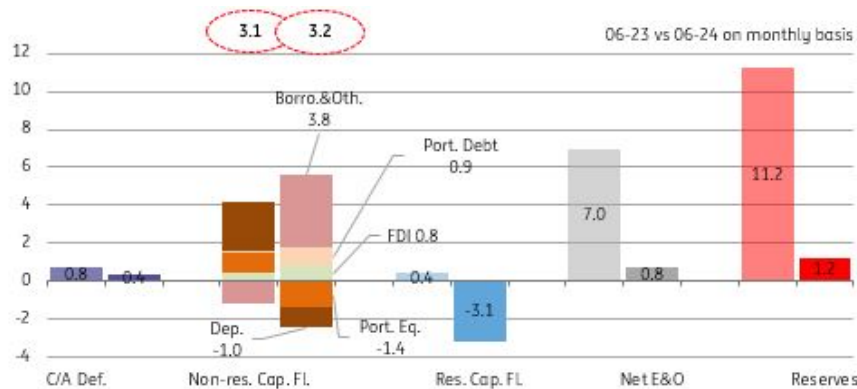
In the breakdown of the monthly data, resident movements almost offset non-resident inflows. The latter is attributable to:

- \$4.8bn net borrowing driven by banks. In June, rollover rates stood at 81% for corporates

and 177% for banking (vs 101% and 141% respectively on a 12M rolling basis). The data that show relatively higher short-term borrowing of the banking sector imply increasing appetite with tightening spreads after years of deleveraging.

- \$0.9bn portfolio investments in debt instruments thanks to banks' Eurobond issuance and foreign investors' purchases in the local debt.
- \$0.7bn gross foreign direct investment. On the flip side, continuing sales in the equity market (\$1.4bn), declining trade credits (\$0.8bn) and a fall in deposit holdings (\$1bn) have limited foreign inflows.

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

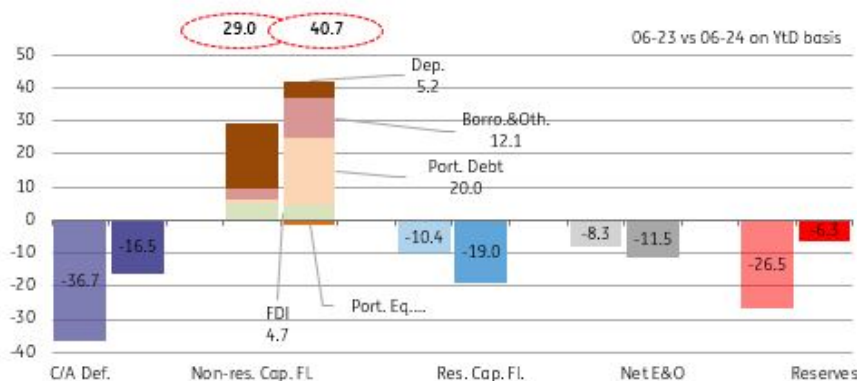


Source: CBT, ING

In the first half of 2024, non-resident inflows improved markedly in comparison to the same period of 2023 at around \$41bn (from \$29bn), while increasing asset acquisitions of locals abroad limited the extent of recovery in net identified flows (\$21.7bn in the first half of the year vs \$18.4bn last year).

Additionally, outflows via net errors and omissions jumped to \$11.5bn vs \$8.3bn in 2023. Accordingly, despite a strong recovery in the current account balance from \$-36.7bn to \$-16.5bn, official reserves recorded a \$6.3bn contraction vs a \$26.5bn decline last year.

## Breakdown of financing (year-to-date, US\$bn)



Source: CBT, ING

Overall, while the narrowing in the current account stagnated in June, the provisional customs data released by the Ministry of Trade reveal that the foreign trade deficit plunged by more than 40% to \$7.2bn in July. The data imply a return to the improving course in the current account as the impact of the Central Bank of Turkey's (CBT) actions on the balancing of demand factors will likely remain supportive of the external outlook.

On the capital account, the very low current account deficit until October and the continuation of the tight monetary policy supporting foreign flows will continue to have a positive impact on CBT reserves in the period ahead, despite adverse effects of recent global volatility that weighted on reserves in the week of 5-9 August.

## 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>.