

Turkey's current account continued a gradual widening in October

Turkey's current account balance, which aligned with expectations in October, has maintained a gradual widening of the deficit on a 12-month rolling basis. In the capital account, though, inflows turned weak following outflows in September



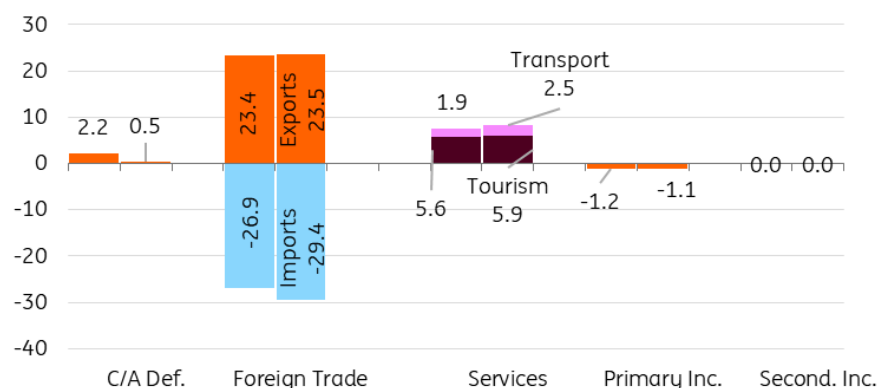
A combination of external risks, as well as ongoing weakness in domestic demand, should shape the path of the current account balance in the coming months

Turkey's current account posted a surplus of US\$0.5bn, broadly in line with the market forecast. A closer look at the monthly figures shows that the surplus narrowed by roughly US\$1.8bn compared to the same month last year, primarily due to a higher trade gap, which deteriorated from US\$-3.5bn to US\$-6.0 bn.

This deterioration was mostly driven by a lower core trade surplus and a worsening balance in net gold trade. However, a further increase in the services income, driven by growing transportation and tourism revenues, limited the decline in the current account surplus.

As a result, the 12-month rolling current account deficit, which began rising in November of the previous year, maintained its uptrend; it reached US\$22.0 bn, or approximately 1.6% of GDP, from US\$20.3 bn a month ago.

Breakdown of the current account (monthly, US\$bn) Source: CBT,



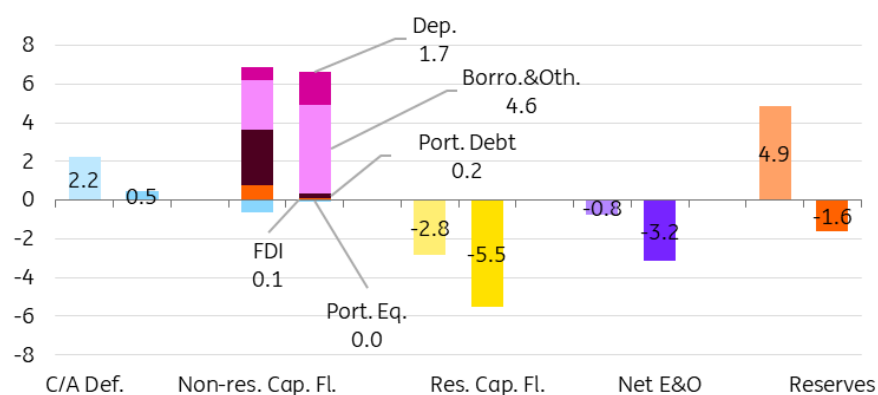
Source: CBT, ING

On the capital account side, after a month of outflows in September following the political news, we saw fairly weak inflows in October at US\$1.1bn. With net outflows from errors and omissions of US\$3.2bn, and considering the current account surplus, official reserves contracted by US\$1.6bn.

Further analysis reveals that resident activities generated an outflow of US\$5.5bn, mainly due to an increase in deposits held by domestic banks abroad, outward FDI investments, extension of trade credits and acquisition of financial assets abroad.

On the flip side, non-resident activity led to inflows totalling US\$6.6bn, primarily from debt-related channels. Key components of non-resident inflows include: a) a US\$1.7bn increase in foreign deposits in local banks, and b) US\$4.7bn net borrowing. While banks have maintained short-term debt repayments, long-term borrowing in October more than offset their repayments. Corporate borrowing was even stronger at US\$3.1bn, almost all of which was in the long-term. In turn, long-term debt rollover ratios stood at 309% for corporations and 332% for banks, compared to 168% and 177%, respectively, on a 12-month rolling basis.

Breakdown of financing (monthly, US\$bn)



Source: CBT, ING

During the first 10 months of 2025, resident outflows fell from US\$34.1bn in 2024 to US\$32bn.

Foreign inflows, on the other hand, recorded an increase, coming in at US\$49.2 bn, compared to US\$44bn during the same period in 2024. As a result, the capital account has remained in positive territory at US\$17bn, compared to US\$9.8bn in the previous year.

In addition, outflows via net errors and omissions remained elevated, totalling US\$-15.6 bn vs US\$-6.1 bn in 2024. Taken together with the widening current account deficit, which grew from US\$-2.9bn to US\$-14.5bn, official reserves were depleted by US\$13.1bn vs a slight US\$0.7bn increase recorded a year earlier.

Overall, the current account surplus in October aligned with expectations and maintained a widening trend, while the capital account has remained weak after significant outflows a month ago. Preliminary customs data from the Ministry of Trade suggests a slight deterioration in the November current account, as the foreign trade deficit appears to be only marginally widened by US\$0.3bn in comparison to last year.

Looking forward, a combination of external risks – including developments in global trade and geopolitical tensions – as well as ongoing weakness in domestic demand, is expected to shape the path of the current account balance in the coming months.

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