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TURKEY

Turkish current account deficit jumps after methodological revision

The current account deficit rose sharply in January in part due to the central bank's methodological revision, while the capital account recorded its strongest monthly inflows on record



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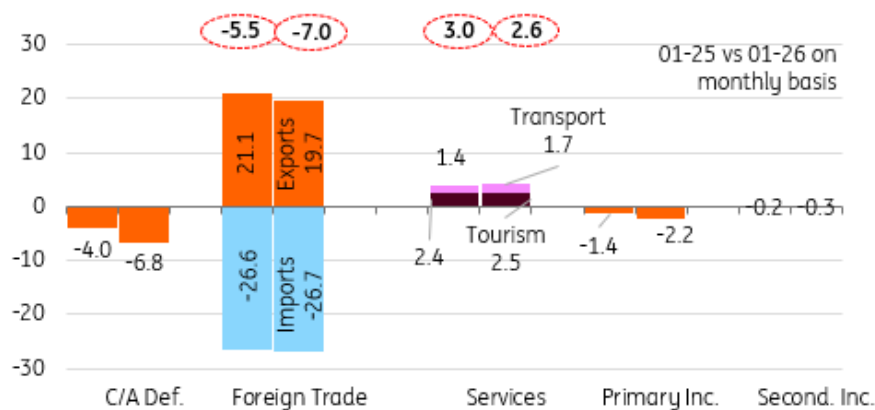
The Turkish current account posted a deficit of US\$6.8bn in January, much higher than the market forecast of US\$4.8bn and our call of US\$5.4bn. One reason for the higher-than-expected turnout is the Central Bank of Turkey's methodological change in the calculation of interest payments for portfolio investments. This has resulted in a cumulative US\$8.9bn upward revision since Sep-20 (US\$2.6bn in 2024 and US\$4.8bn in 2025).

The 12-month rolling current account deficit has continued to rise, reaching US\$32.9bn, or approximately 2.2% of GDP, from US\$30.1bn in the previous month.

A closer look at the monthly data shows the deficit widened by about US\$2.8bn from the same month in 2025, mainly due to a larger trade gap, which grew from US\$5.5bn to US\$7.0bn. This reflects the shift from a core trade surplus last year to a deficit, along with higher gold imports despite lower energy costs. The monthly deterioration was also worsened by a weaker primary income balance.

Breakdown of the current account

Monthly, US\$bn



Source: CBT, ING

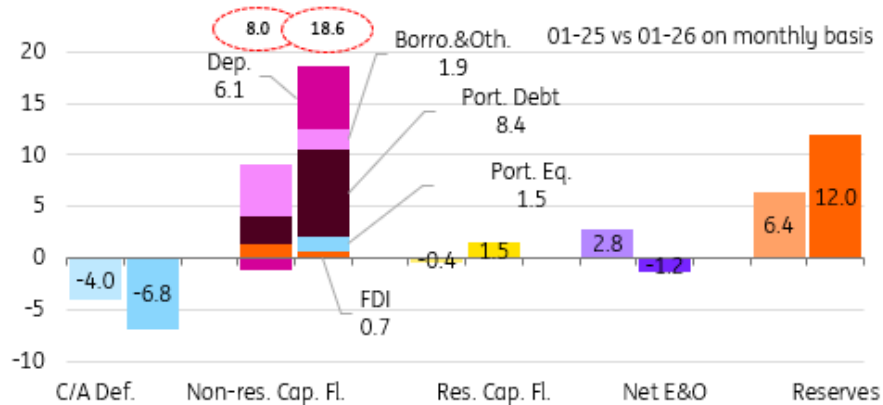
On the capital account side, inflows accelerated in January, standing at US\$20bn (the largest ever monthly figure). With net outflows from errors and omissions of US\$1.2bn, and considering the current account deficit, official reserves expanded by US\$12.0bn.

Further analysis reveals that resident activities generated an inflow of US\$1.5bn. On the flip side, non-resident activity led to inflows totalling US\$18.6bn, primarily from debt-related channels. Accordingly, despite a US\$1.2bn fall in trade credits, a US\$3.5bn net borrowing, US\$6.1bn increase in foreign deposits held at local banks, and portfolio inflows amounting to US\$9.9bn (including the Treasury's US\$2.4bn eurobond issuance) turned out to be the major contributors to a positive capital account.

In the breakdown of net borrowing, banks and corporates secured US\$1.4bn and US\$1.7bn respectively, which translates into long-term debt rollover ratios of 204% for corporations and 216% for banks on a monthly basis.

Breakdown of financing

Monthly, US\$bn



Source: CBT, ING

Overall, the current account surplus in January exceeded expectations and maintained a widening trend while the capital account recorded its strongest ever inflows.

Preliminary customs data from the Ministry of Trade suggest continuing deterioration in the February current account, as the foreign trade deficit appears to have widened by US\$1.4bn in comparison to last year.

In the months ahead, the trajectory of the current account balance is expected to be influenced by a mix of external risks alongside domestic demand conditions. In this regard, the recent geopolitical shock will increase the upside pressures on the current account deficit, given the elevated forecasts for oil and gas prices, in addition to a potential decline in tourism revenues and a rise in gold imports.

Author

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

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