# Macro note – Balance of Payments

## Current account balance posts a deficit of USD 4.65 billion in December, while the 12-month cumulative current account deficit for 2024 is realized as USD 9.97 billion. The current account balance, which performed better than expectations throughout last year, may experience a limited decline in the new year with the revival in economic activity.

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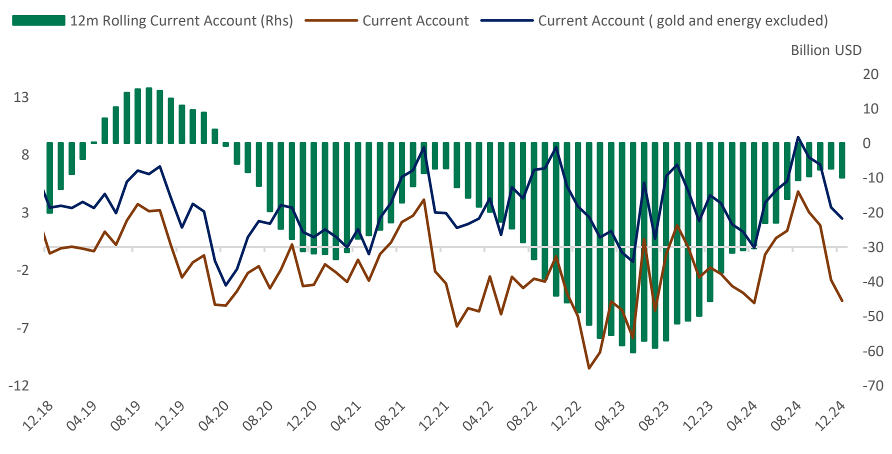
According to the balance of payments statistics, the current account balance posted a surplus of USD 4,650 million in December. As a result, the twelve-month current account deficit for 2024 was realized as USD 9,973 million (previous USD 7,033 million). We had expected a current account deficit of USD 4.25 billion, above market expectations (USD 4 billion deficit). The current account balance, which realized above both market and our expectations, declined to 2021 levels when the year as a whole is evaluated. This was mainly driven by the balance of payments-defined foreign trade deficit of USD 6,243 million and services inflows of USD 3,148 million. Twelve-month cumulative balance of payments-defined foreign trade deficit became USD 56.3 billion, while inflows from the balance of services were realized as USD 62 billion. Travel revenues continued to improve, albeit at a slower pace, and were realized as USD 2,142 million. With the winter season, we expect the balance of services inflows to recede. In addition, the revival in economic activity due to interest rate cuts will trigger a foreign trade deficit through import demand. Geopolitical risks and tariffs and taxes imposed by the new US administration are also putting pressure on global trade. Although we expect a recovery in demand with interest rate cuts in developed countries, it is worth noting that some risks remain. For external demand, we closely monitor the interest rate cuts and economic activity here. As of 2025, we continue to expect a revival in economic activity following the interest rate cuts and a decline in the current account balance through import demand. The current account excluding gold and energy posted a surplus of USD 2,466 million this month. Gold imports remained strong, while downward pressure on energy prices boosted demand. The current account deficit, which tested historical highs due to the change in monetary policy scissors, fell below the target values throughout 2024. If the pace of interest rate cuts continues to depend on the inflation outlook, we believe that the balance of payments will stabilize at levels that ensure financial stability.

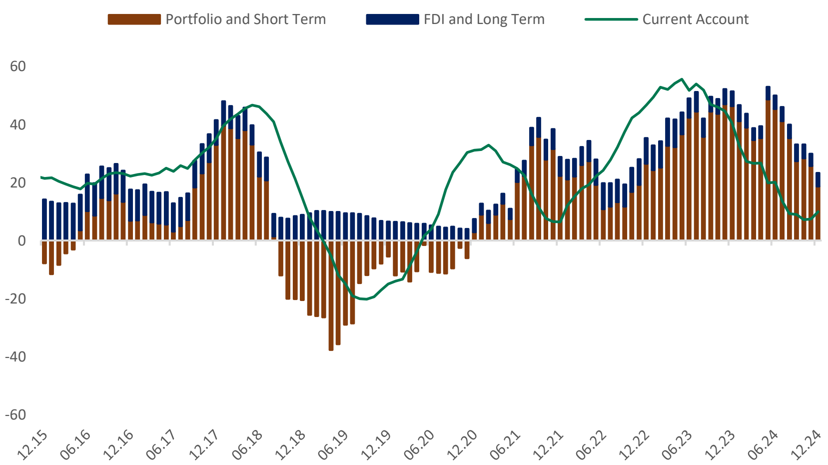
**Graph 1: Current Account (CA), Energy and Gold Excluded (CA), 12M Rolling CA (Billion USD)**



Analyzing the developments in the financial account, net inflows in direct investments were realized as USD 1,138 million. Portfolio investments recorded net outflows of USD 1,479 million. Non-residents made net purchases of USD 77 million in the equity market and net sales of USD 342 million in the government domestic debt securities market. Regarding bond issues abroad, non-residents realized net sales of USD 297 million and net sales of USD 95 million in general government and other sector issues, respectively, and net purchases of USD 54 million in bank issues. This month, banks, other sectors and the General Government utilized net USD 2,816 million, USD 1,211 million and USD 315 million worth of credits from abroad, respectively.

Regarding the financing of the current account deficit, official reserves posted a net decline of USD 1,577 million this month. Due to the recent hot money inflows, portfolio investments and short-term inflows amounted to USD 18.6 billion in a twelve-month period. Meanwhile, foreign direct investment and long-term capital inflows remained low in cumulative figures. As of December, cumulative FDI and long-term financing recorded a net inflow of USD 4.6 billion (previous USD 4.2 billion). Of the total USD 22.8 billion inflows in the financial account, USD 9.9 billion came out of the current account deficit, while USD 12.7 billion was hidden in the net errors and omissions item. If the tight monetary policy stance continues for a while, the low growth-inflation-current account deficit cycle will gradually be completed. If interest rate cuts continue gradually, we expect the inflows in the financial account to slow down and improvement in the current account balance to retreat. In this context, 2025 will be a year of rebalancing. In the last quarter, global uncertainties and domestic concerns over the monetary policy stance keep risks alive.

**Graph 2: Financing of the Current Account Deficit (Billion USD)**




*Source: CBRT*

In summary, December's current account balance posted a deficit of USD 4.65 billion and closed the year with a 12-month current account deficit of USD 9.97 billion. With these levels, we have reached the pre-2021 balance of payments. The long-term positive trend in the core current account balance continues. Loans supporting exports, especially through liquidity management, and the slowdown in import demand will continue to contribute to price stability. The acceleration in the balance of payments, which contributes to financial stability, will support price stability in the medium term. Both the rise in financing costs and the slowdown in production continue to contribute positively to the current account balance through import demand. The monetary policy in the new period, which is both tight and prioritizes the current account balance, will reduce vulnerabilities stemming from the balance of payments. The tight monetary stance that continues despite interest rate cuts will bring both price and financial stability. We would like to underline that new measures and monetary and fiscal policy implementations to be announced will bring new updates to our forecasts. We maintain our year-end current account deficit forecast for 2025 at USD 28 billion.

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