Macro note – Balance of Payments

The current account balance posts a deficit of USD 7.9 billion in April, while the 12-month cumulative current account deficit is at USD 15.8 billion. Strong outflows from portfolio investments continue.

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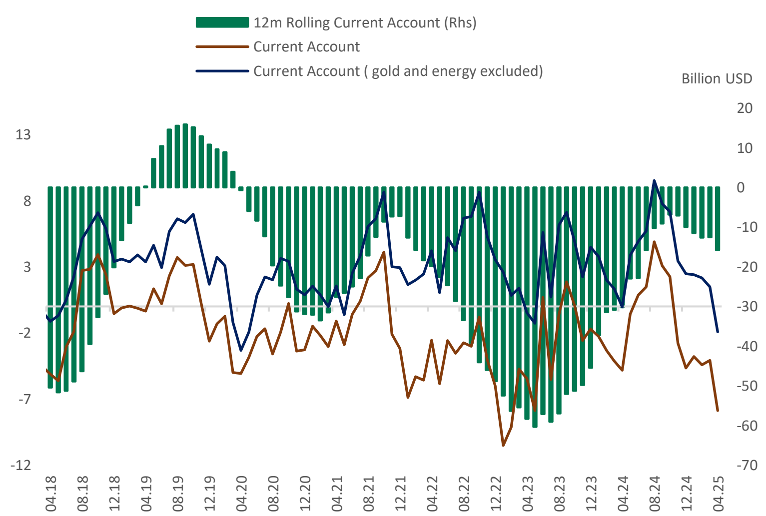
According to balance of payments statistics, the current account balance for April showed a deficit of USD 7,864 million. As a result, the 12-month current account deficit stood at US$15,815 million (previous: USD 12,780 million). Our expectation was for a current account deficit of USD 7.3 billion, which was below market expectations (USD 7.5 billion deficit). There is a deterioration above both the market's and our expectations. We had anticipated a more negative outlook for the current account deficit compared to 2024, particularly in the second half of 2025. The recovery of domestic economic activity led by import demand, alongside interest rate cuts, formed the basis of our baseline scenario for the current account balance. Despite the high interest rate environment, the actual figures indicate that we may experience a current account deficit exceeding our expectations once interest rate cuts are implemented. The current outlook could delay our year-start projections by a quarter. The CBRT is closely monitoring developments in the global outlook and risk appetite. In this period of heightened geopolitical risk, the Bank will take into account the potential shocks to both inflation and the payments balance from energy prices. May inflation figures are hinting at interest rate cuts. If the slowdown in inflation is accompanied by a global environment of peace and risk appetite, we may see more aggressive interest rate cuts as of June. Looking into the details of the current account balance, the balance of payments-defined trade deficit of USD 9,891 million and inflows from the services balance of USD 3,903 million were effective. The 12-month cumulative trade deficit defined by the balance of payments was USD 60.3 billion, while inflows from the services balance reached USD 62 billion. We expect inflows from the services balance to gain momentum starting in the summer months. The current account balance, excluding gold and energy, showed a deficit of USD 1,938 million this month. While the strong trend in gold imports continues, downward pressure on energy prices is increasing demand. Core current account balance indicators also deteriorated beyond expectations for the first time in 23 months as of April. If tariff and new measures related to global trade are resolved through negotiations, markets will see relief. However, a limited negative process is expected to impact the balance of payments.

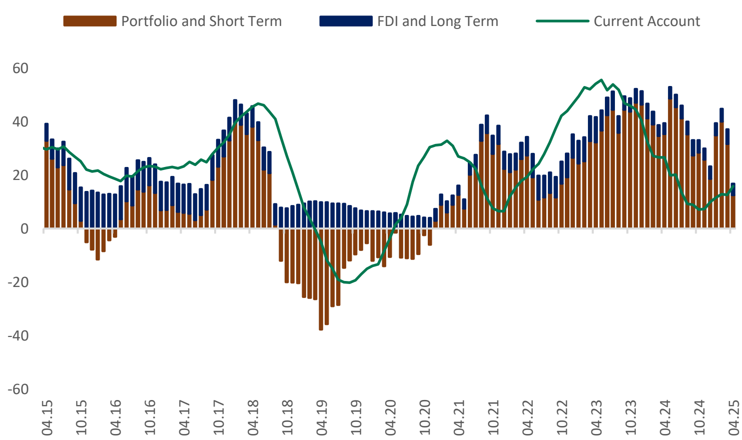
Graph 1: Current Account (CA), Energy and Gold Excluded (CA), 12M Rolling CA



When developments in the financial account are examined, net outflows in direct investments amounted to USD $ 268 million. In portfolio investments, net outflows of USD 10,877 million were recorded. Non-residents made net sales of USD 147 million in the stock market and USD 6,430 million in the government bond market. Regarding bond issuances abroad, non-residents made net sales of USD 578 million, USD 2,139 million, and USD 17 million in issuances by banks, the General Government, and other sectors, respectively. In terms of credit usage from abroad, banks made repayments of USD 10,830 million this month, while the General Government and other sectors made net usage of USD 3 million and USD 625 million, respectively.

When examining how the current account deficit was financed, a net decrease of USD 24,988 million was observed in official reserves this month. Due to the impact of recent hot money inflows, portfolio investments and short-term inflows had reached USD 12.5 billion over the past twelve months. Direct foreign investment and long-term capital inflows, however, continued their downward trend in cumulative data. As of February, cumulative direct investment and long-term financing recorded a net inflow of USD 4.2 billion (previously USD 5.4 billion). Of the total USD 27.7 billion inflows in the financial account, USD 15.8 billion came from the current account deficit, while USD 11.9 billion was hidden in the net errors and omissions item. If the tight monetary policy stance continues for a while longer, the low growth-inflation-current account deficit cycle will gradually come to an end. Considering recent developments, we estimate that the current account balance may perform better than our year-end forecasts. This is largely due to the decline in commodity prices and the possibility of a pause in interest rate cuts. While local and global concerns keep risks alive, we estimate that the tight monetary stance and macroprudential measures will balance these risks.

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



Source: CBRT

In summary, the current account balance for April posted a deficit of USD 7.9 billion, bringing the total for the year to USD 15.8 billion. The deterioration in the current account balance is continuing gradually. A temporary pause in interest rate cuts would also contribute positively to the external trade balance. Yet, the decline in commodity prices may limit this contribution. Loans supporting exports through liquidity management and the slowdown in import demand will continue to contribute to price stability. The acceleration in the payments balance, which contributes to financial stability, will support price stability in the medium term. Macroeconomic policies that monitor economic activity through sectoral support loans rather than policy rates will continue to provide positive support for both inflation and the current account balance. We emphasize here that the new measures to be announced and the implementation of monetary/fiscal policies will prompt updates to our forecasts. Within the scope of current applications, we maintain our 2025 year-end current account deficit forecast at USD 24 billion.

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