

Macro note – Balance of Payments

The current account balance showed a deficit of USD 2 billion in June, while the 12-month cumulative current account deficit stood at USD 18.9 billion. Strong outflows from portfolio investments continued.

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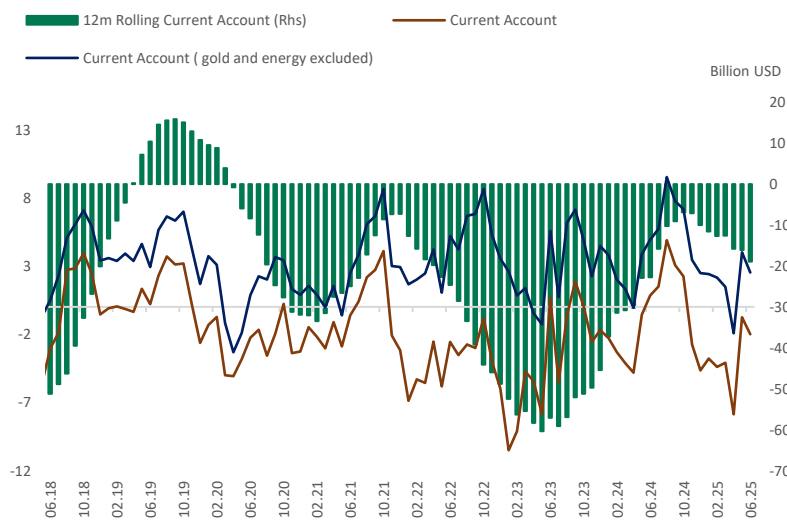
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According to balance of payments statistics, the current account balance for June showed a deficit of USD 2,006 million. As a result, the 12-month current account deficit stood at USD 18,926 million (previous: USD 16,091 million). Our expectation was for a current account deficit of USD 1.32 billion, below market expectations (USD 1.45 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, along with interest rate cuts, formed our base scenario for the current account balance. With the strengthening of interest rate cut expectations, brought-forward demand is putting pressure on the current account deficit, led by the trade balance. The current account balance may deteriorate beyond our base scenario. The CBRT is closely monitoring developments in the global outlook and risk appetite. Although fluctuations in energy prices increase risks to the current account balance and inflation, we can say that we have entered a calmer period compared to the March-April period. The CBRT, which began cutting interest rates in July, albeit with a delay, is maintaining its cautious stance on monetary policy. Looking at the details of the current account balance, the trade deficit defined by the balance of payments amounted to USD 6,476 million, while inflows from the services balance amounted to USD 5,989 million. The 12-month cumulative trade deficit under the balance of payments definition stood at USD 63.3 billion, while inflows from the services balance reached USD 62.1 billion. We expect inflows from the services balance to gain momentum starting from the summer months. The current account balance excluding gold and energy recorded a surplus of USD 2.579 billion this month. This indicator, which we can refer to as the core current account balance, has returned to its normal trend after the unusual deterioration in April. The more negative outlook for tariff negotiations compared to the period before March is increasing pressure on the balance of payments.

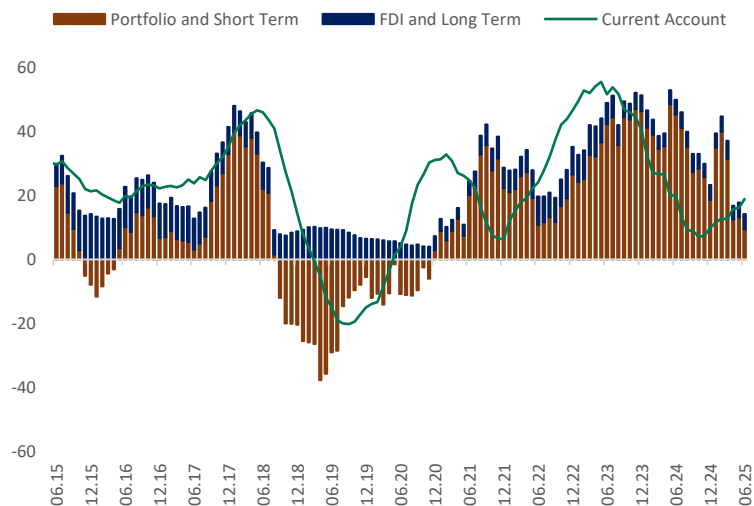
Graph 1: Current Account (CA), Energy and Gold Excluded (CA), 12M Rolling CA



When developments in the financial account are examined, net inflows from direct investments amounted to USD 616 million. Net inflows of USD 1,049 million were recorded in portfolio investments. Non-residents made net purchases of USD 641 million in the stock market and USD 114 million in the government bond market. Regarding bond issuances abroad, non-residents made net purchases of USD 743 million in bank issuances, while the General Government and other sectors made net sales of USD 179 million and USD 37 million, respectively. In terms of credit usage from abroad, banks and other sectors made net usage of USD 2,098 million and USD 445 million, respectively, while the General Government made a net repayment of USD 36 million this month.

When examining how the current account deficit was financed, a net decrease of USD 4,050 million was observed in official reserves this month. The sharp outflows in portfolio investments are more clearly reflected in the twelve-month figures. Due to the impact of recent hot money outflows, portfolio investments recorded a net outflow of USD 4 billion over the twelve-month period, while the short-term credit-deposit channel saw a net inflow of USD 13.3 billion. Direct foreign investment and long-term capital inflows, however, continued their downtrend in the cumulative data. As of June, the twelve-month cumulative net inflow of direct investment and long-term financing stood at USD 4.8 billion (previously USD 4.6 billion). Of the total USD 34.4 billion inflow in the financial account, USD 18.9 billion was due to the current account deficit, while USD 15.5 billion was hidden in the net errors and omissions item. Considering recent developments, we estimate that the current account balance may perform more negatively than our year-end forecasts. This is due to the combined effect of commodity price fluctuations and interest rate cuts supporting domestic demand. While both local and global concerns keep risks alive, we estimate that tight monetary stance and macro-prudential measures will balance these risks.

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



Source: CBRT

In summary, the current account balance for June showed a deficit of USD 2 billion, bringing the total for the year to USD 18.9 billion. The deterioration in the current account balance is continuing gradually. The start of interest rate cuts is creating additional pressure, led by foreign trade. In particular, the decline in commodity prices may limit this contribution. Credits 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 focus on 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 would like to emphasize that the new measures to be announced and the implementation of monetary/fiscal policies will bring about updates to our forecasts. Within the scope of current policies, we maintain our 2025 year-end current account deficit forecast at USD 24 billion.

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