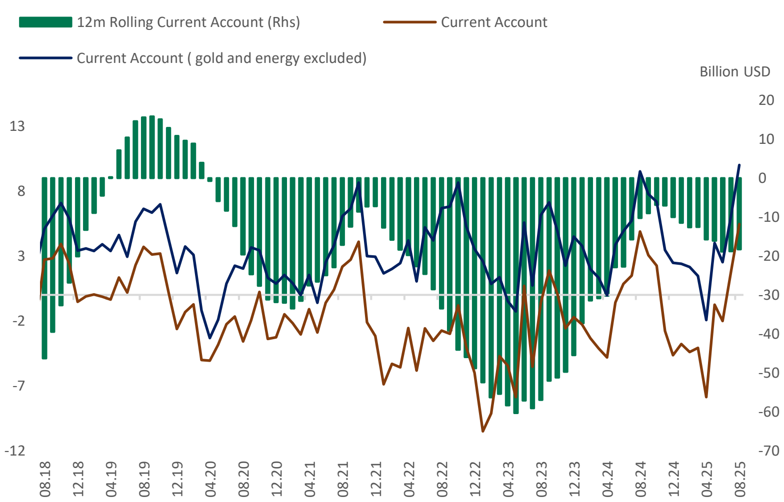
Macro note – Balance of Payments

The current account balance posts a surplus of USD5.5 billion in August, while the 12-month cumulative current account deficit reaches USD18.3 billion. The recovery in the trade balance and the strong contribution from services fuel the current account surplus in August.

Abdulkadir DOGAN
Chief Economist
adogan@sekeryatirim.com.tr
(+90) 212 334 33 33/313

According to balance of payments statistics, the current account balance in August showed a surplus of USD5,455 million. Consequently, the twelve-month current account deficit stood at USD18,282 million (previously USD18,849 million). We had anticipated a current account surplus of USD5.1 billion, below market expectations (a surplus of USD5.4 billion). We observe that seasonal effects have resulted in a current account surplus above our expectations. Contributions from both main items of the current account balance contributed to this development. Despite a limited recovery in the foreign trade deficit, an inflow of approximately USD9.5 billion in the services balance has led to a current account surplus. Developments in the current account balance continue in line with our general expectations for 2025.
Our baseline scenario for the current account balance was a recovery in domestic economic activity led by import demand, coupled with interest rate cuts. Due to the summer season, both the recovery in the trade balance and the strong inflows in the services balance are contributing positively to the current account balance. We expect this effect to evolve into a limited negative outlook in the final quarter. Inflation inertia and hardening expectations may prompt a more moderate reduction or suspension scenario in interest rate decisions. This would lead to a positive deviation from our baseline scenario and a more positive outlook for the balance of payments.
Looking at the details of the current account balance, the foreign trade deficit defined by the balance of payments was USD2,806 million, and inflows from the balance of services were USD9,516 million. The twelve-month cumulative foreign trade deficit defined by the balance of payments was USD62.6 billion, while inflows from the balance of services amounted to USD62.3 billion. The balance of goods and services is considered break-even, and the current account deficit appears to stem from the primary income balance. The current account, excluding gold and energy, posted a surplus of USD10,005 million this month. The core current account balance remains positive. However, developments in monetary policy, the realization of deferred demand, and interest rate cuts keep risks to the balance of payments alive. In the last quarter, there is weaker risk appetite and a more negative outlook in the current account balance.

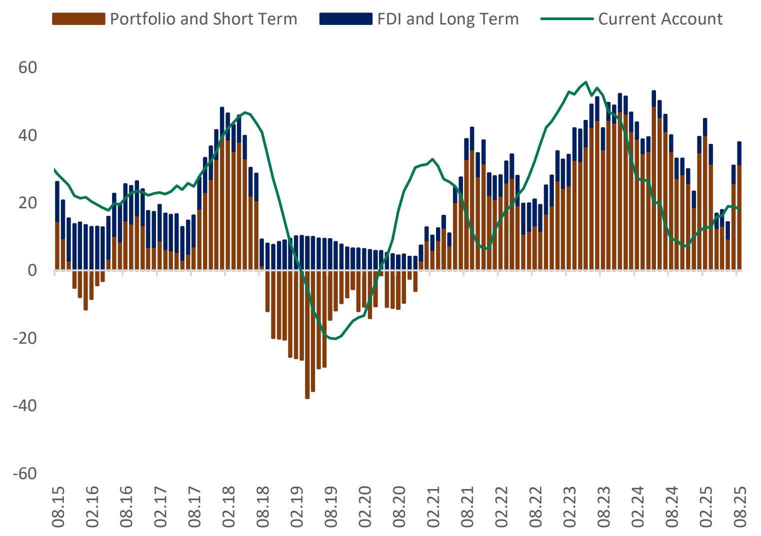
Graph 1: Current Account (CA), Energy and Gold Excluded (CA), 12M Rolling CA



An examination of developments in the financial account reveals net inflows in direct investments of USD986 million. Portfolio investments recorded net outflows of USD662 million. Non-residents made net purchases of USD279 million in the stock market and USD1,572 million in the government bond market. Regarding bond issuances abroad, non-residents made net sales of USD337 million, USD940 million, and USD74 million in issuances by banks, the General Government, and other sectors, respectively. In terms of foreign loans, banks and other sectors used USD2,798 million and USD1,239 million, respectively, this month, while the General Government made net repayments of USD68 million.

Looking at how the current account deficit was financed, official reserves saw a net increase of USD5,747 million this month. The sharp outflows in portfolio investments are more clearly evident in the twelve-month figures. Driven by recent hot money outflows, portfolio investment outflows totaled USD437 million over the twelve months, while the credit-deposit channel saw inflows of USD31.6 billion. Cumulative foreign direct investment and long-term capital inflows remain low. As of August, cumulative direct investment and long-term financing over the twelve months recorded a net inflow of USD6.5 billion (up from USD5.5 billion previously). Of the total inflow of USD36.6 billion in the financial account, USD18.3 billion was generated through the current account deficit, while USD18.2 billion was captured in net errors and omissions. Considering inflationary developments, there may be limited improvement in the current account balance. This is primarily due to the increased likelihood of a pause in interest rate cuts or a limited reduction. While both local and global concerns keep risks alive, we anticipate that a tight monetary stance and macroprudential measures will offset these risks.

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



Source: CBRT

In summary, the current account balance in August showed a surplus of USD5.5 billion, resulting in a 12-month deficit of USD18.3 billion. The seasonal effects of inflows from the services balance in the current account balance are strong. The decline in commodity prices will also continue to contribute to the current account. Credits supporting exports through liquidity management and the slowdown in import demand will also contribute to price stability. The acceleration in the balance of payments, which contributes to financial stability, will support price stability in the medium term. Macro policies that monitor economic activity through sectoral support loans, rather than policy rates, will continue to positively support inflation and the current account balance. We would like to emphasize that new measures to be announced and monetary/fiscal policy implementations will also prompt updates to our forecasts. Under current conditions, we maintain our 2025 year-end current account deficit expectation at USD24 billion.

ŞEKER INVEST RESEARCH

Şeker Yatırım Menkul Değerler A.Ş.
Buyukdere Cad. No: 171 Metrocity
A Blok Kat 4-5 34330 SİSLİ /IST
TURKEY

TEL: +90 (212) 334 33 33
Fax: +90 (212) 334 33 34
E-mail: research@sekeryatirim.com
Web: http://www.sekeryatirim.com/english/index.aspx

For additional information, please contact:

Research

Kadir Tezeller	**Head**	**+90 (212) 334 33 81**	ktezeller@sekeryatirim.com.tr
Burak Demirbilek	**Utilities**	**+90 (212) 334 33 33-128**	bdemirbilek@sekeryatirim.com.tr
Atasav Can Tuglu	**Food & Beverages, Automotive, Retail, Aviation**	**+90 (212) 334 33 33-334**	atuglu@sekeryatirim.com.tr
Basak Kamber	**Glass, Pharmaceutical, Defense, Telcos, Cons. Dur.**	**+90 (212) 334 33 33-251**	bkamber@sekeryatirim.com.tr
M. Mucahid Yıldırım	**Banking**	**+90 (212) 334 33 33-150**	myildirim@sekeryatirim.com.tr
Yusuf Kemal Erdekli	**Cement, Conglomerates, Real Estate**	**+90 (212) 334 33 33-115**	yerdekli@sekeryatirim.com.tr
O. Furkan Ozdemir	**Iron & Steel, Oil- Gas & Deriv.**	**+90 (212) 334 33 33-245**	oozdemir@sekeryatirim.com.tr

Economy & Politics

Abdulkadir Dogan	**Chief Economist**	**+90 (212) 334 91 04**	adogan@sekeryatirim.com.tr

Institutional Sales

Batuhan Alpman	**Head**	**+90 (212) 334 33 70**	balpman@sekeryatirim.com.tr
Deniz Keskin	**Trader**	**+90 (212) 334 33 36**	dkeskin@sekeryatirim.com.tr
Kerim Culum	**Trader**	**+90 (212) 334 33 33-316**	kculum@sekeryatirim.com.tr

DISCLAIMER

I, Abdulkadir Dogan, hereby certify that the views expressed in this research accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

This report has been prepared by Seker Yatirim Menkul Degerler A.S. (Seker Invest). The information and opinions contained in this report have been obtained from and is based upon public sources Seker Invest believes to be reliable, but no representation or warranty, express or implied, is made that such information is accurate or complete and it should not be relied upon as such. All estimates and opinions included in this report constitute our judgments as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. Seker Invest may, from time to time, have a long or short position in the securities mentioned in this report and may solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) for any company referred to in this report and may, to the extent permitted by law, have acted upon or used the information contained herein, or the research or analysis upon which it is based, before its publication. This report is for the use of intended recipients and may not be reproduced in whole or in part or delivered or transmitted to any other person without the prior written consent of Seker Invest. By accepting this document, you agree to be bound by the foregoing limitations.