

Macro note – Balance of Payments

Current account balance prints a surplus of USD1.1 billion in September, while the 12-month cumulative current account deficit reaches USD20.2 billion. With the removal of seasonal effects, inflows from the services balance decelerate, putting pressure on the current account balance.

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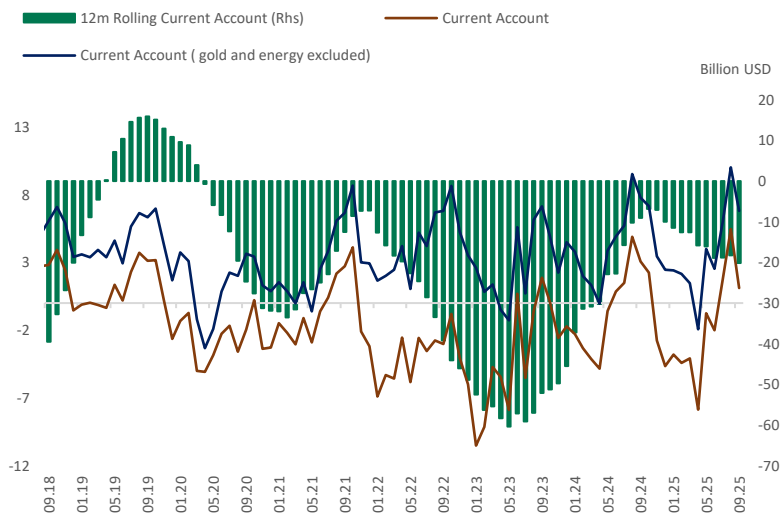
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According to balance of payments statistics, the current account balance in September showed a surplus of USD1,112 million. This resulted in a twelve-month current account deficit of USD20,146 million (previously USD18,427 million). We had anticipated a current account surplus of USD1.27 billion, exceeding market expectations (a USD1.2 billion surplus). Seasonality in the services balance appears to have kicked in. Looking at the impact on the foreign trade balance, the expectation of an interest rate cut, albeit limited, is affecting import demand. We stated that we would experience a period of limited year-over-year current account deficit growth throughout 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. Although the frequency and magnitude of interest rate cuts differed from our baseline scenario, the underlying trend continues. The services balance saw strong inflows from June to September, led by travel. We anticipate that this effect will continue to weaken in the final quarter. The upward revision of forecasts in the latest inflation report may sustain the tight monetary policy stance for longer than expected. This would lead to a positive deviation from our baseline scenario and a more positive outlook for the balance of payments. Looking at the actual current account balance, the foreign trade deficit defined by the balance of payments was USD5,356 million, and inflows from the balance of services were USD7,707 million. The twelve-month cumulative foreign trade deficit defined by the balance of payments was USD64.8 billion, while inflows from the balance of services amounted to USD62.6 billion. Excluding gold and energy, the current account posted a surplus of USD6,803 million this month. The positive sentiment in core indicators will continue, particularly with a more cautious stance regarding interest rate cuts.

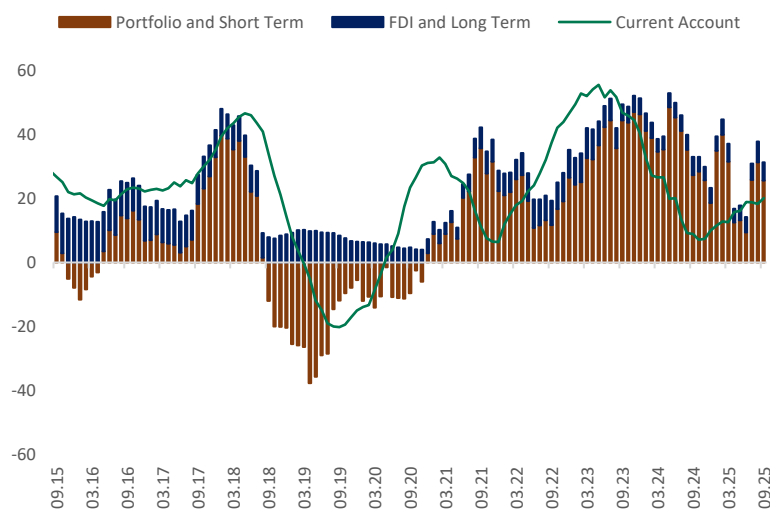
Graph 1: Current Account (CA), Energy and Gold Excluded (CA), 12M Rolling CA



An examination of developments in the financial account reveals net outflows in direct investments of USD162 million. Portfolio investments recorded net inflows of USD1,152 million. Non-residents made net sales of USD322 million in the stock market and net purchases of USD554 million in the government bond market. Regarding bond issuances abroad, non-residents made net purchases of USD1,336 million, USD1,726 million, and USD865 million in issuances by banks, the General Government, and other sectors, respectively. In terms of foreign loans, banks and the General Government made net repayments of USD1,335 million and USD134 million, respectively, while other sectors made net use of USD842 million.

Looking at how the current account deficit was financed, official reserves saw a net decrease of USD8,692 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 totaled USD2 billion and the credit-deposit channel USD23.6 billion in inflows over the twelve months. Foreign direct investment and long-term capital inflows, however, remain low in cumulative figures. As of September, cumulative direct investment and long-term financing for the twelve months recorded a net inflow of USD5.7 billion (previously USD6.5 billion). Of the total inflow of USD38 billion in the financial account, USD20 billion resulted from the current account deficit, while USD18 billion was recorded as 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 macro-prudential measures will offset these risks.

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



Source: CBRT

In summary, the current account balance in September showed a surplus of USD1.1 billion, resulting in a total 12-month deficit of USD20.2 billion. The seasonal effects of inflows from the services balance in the current account balance are returning to their normal trend as of the last quarter. Credits supporting exports 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. Macro policies that monitor economic activity through sectoral support loans rather than policy rates will continue to positively support both 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 practices, we maintain our 2025 year-end current account deficit expectation at USD24 billion.

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