Macro note – Balance of Payments

While the current account balance posts a surplus of USD2.7 billion in September, the 12-month cumulative current account deficit stands at USD39.2 billion. As the foreign trade deficit declines significantly and the services balance remains strong, portfolio investments record an outflow of USD7.7 billion and reserves fall by USD10 billion.

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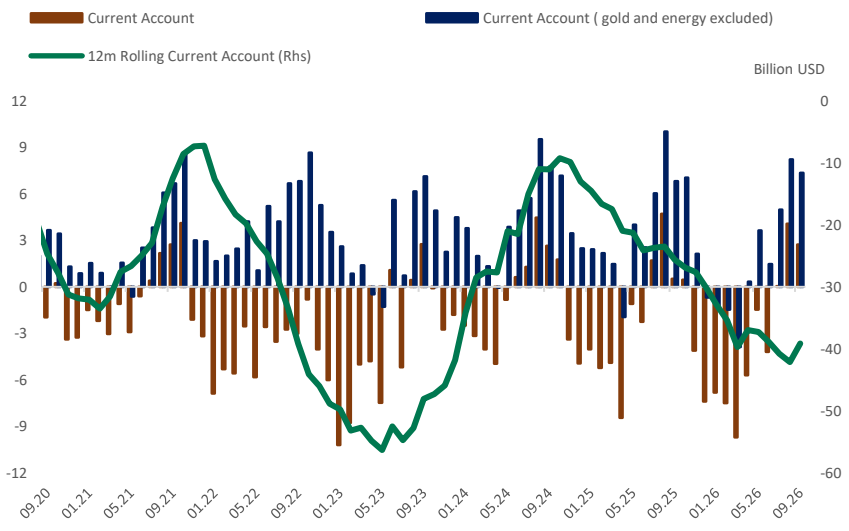
According to balance of payments statistics, the current account balance for September posted a surplus of USD2,720 million. As a result, the 12-month current account deficit stood at USD39,150 million. We had expected a current account surplus of USD2.6 billion, which was above market expectations (a surplus of USD2.3 billion). We can say that the data printed in line with our expectations. The momentum in September indicates that the positive trend in third-quarter current account figures has continued. A sharp decline in the trade deficit and continued strong inflows driven by the services balance have triggered the improvement in the current account surplus. When we examine the components of the balance of payments, the trade deficit narrowed to USD3.6 billion in September. While exports continued to improve, the decline in domestic demand was clearly reflected in imports. Seasonal effects in the services balance remained strong, and inflows in September reached USD9 billion. Looking at the 12-month cumulative figures, the trade deficit stood at USD76.8 billion, while inflows from the services balance totaled USD66 billion. Excluding gold and energy, the current account posted a surplus of USD7,342 million this month. The continued positive trend in the core balance—when adjusted for volatility in gold and energy prices—points to the resilience of the balance of payments. The real sector's ability to maintain its export performance despite slowing external demand, coupled with continued inflows in the services balance despite the strong Turkish lira, is reducing vulnerabilities in the balance of payments. On the downside, however, the current account deficit is being financed entirely through loans and deposits, along with limited portfolio investments. If this were to translate into direct foreign investment, it would also improve the financing structure. The slowdown in domestic demand became more pronounced in September, coinciding with funding events. If this trend continues, we may close the year with a current account deficit at a better level than our initial forecast at the beginning of the year.

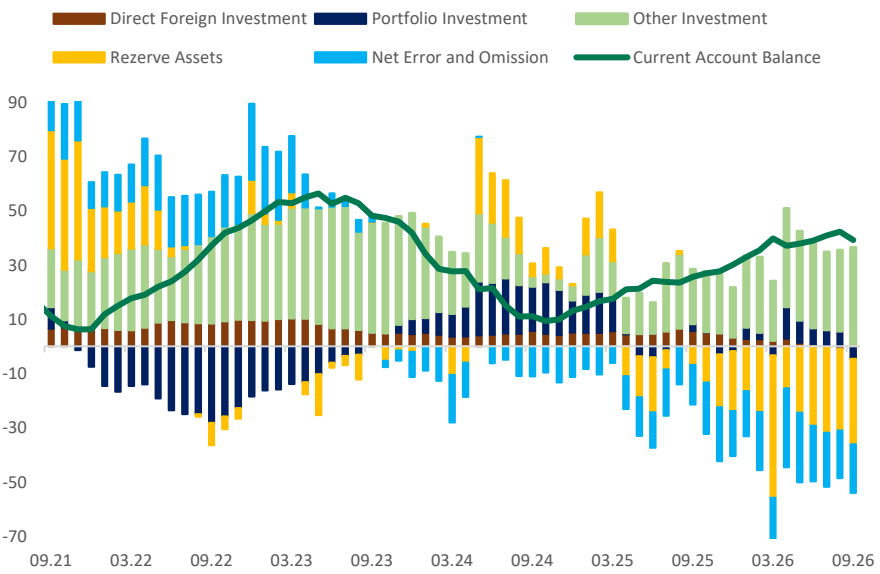
Graph 1: Current Account (CA), Energy and Gold Excluded (CA), 12M Rolling CA



An analysis of developments in the financial account shows that net inflows from direct investment totaled USD859 million. In portfolio investment, a net outflow of USD7,733 million was recorded. Non-residents made net sales of USD5,859 million in the stock and investment fund markets and USD495 million in the government bond market. Regarding bond issuances abroad, non-residents made net purchases of USD780 million, USD662 million, and USD32 million in issuances by banks, the General Government, and other sectors, respectively. In terms of credit utilization from abroad, banks made net repayments of USD820 million this month, while the General Government and other sectors recorded net utilization of USD4 million and USD1,861 million, respectively.

Looking at how the current account deficit was financed, a net decrease of USD10,013 million was observed in official reserves this month. Over the past twelve months, there was a net outflow of USD4.6 billion in portfolio investments and a net inflow of USD36.3 billion through the loan-deposit channel. Foreign direct investment has recently taken a negative turn and continues its downtrend in cumulative data. As of September, the twelve-month cumulative foreign direct investment recorded a net inflow of USD200 million. In the financial account, out of a total inflow of USD58.5 billion, USD39.2 billion was attributed to the current account deficit, while USD18 billion was recorded under the net errors and omissions item. Although the net errors and omissions have declined following revisions, they remain at a high level. Meanwhile, the high level of activity in the credit channel increases the risk of concentration and fragility in the quality of financing.

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



**CAD is converted to positive scale. Source: CBRT*

In summary, the current account balance for September posted a surplus of USD2.7 billion, bringing the 12-month total down to USD39.2 billion. While the services balance continued its strong performance, there was a modest narrowing of the trade deficit. Despite the slowdown in domestic demand in September, the resilience of external demand contributed to the improvement in the balance of payments. The acceleration in the balance of payments, which contributes to financial stability, will support price stability in the medium term. We would like to emphasize that any new measures announced and the implementation of monetary and fiscal policies will necessitate further updates to our forecasts. Under current policies, we maintain our year-end 2026 current account deficit forecast at USD45 billion.

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