Macro note – Balance of Payments

The current account balance showed a surplus of USD 457 million in October, while the cumulative current account deficit for the past 12 months reached USD 22 billion. The trade deficit remained relatively stable, while the strong performance in the services balance continued.

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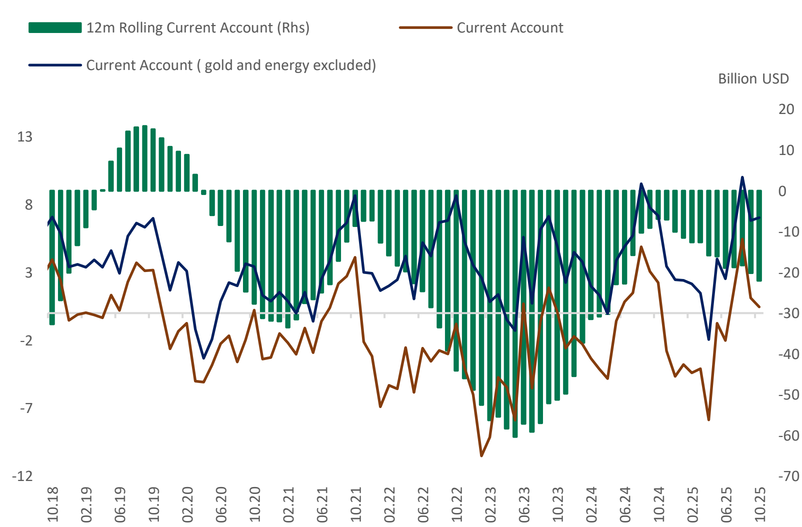
According to balance of payments statistics, the current account balance for October showed a surplus of US$457 million. As a result, the twelve-month current account deficit reached US$22,020 million (previously US$20,252 million). We had expected a current account surplus of US$375 million, exceeding market expectations (US$200 million surplus). The outlook shows a limited positive divergence from both market and our expectations. The trade deficit remains relatively flat. However, despite the summer months being over, strong inflows in the services balance continue. We had stated that we would experience a period of limited but noticeable year-on-year increase in the current account deficit throughout 2025. Our base scenario for the current account balance was based on a recovery in domestic economic activity driven by import demand, along with interest rate cuts. Although the frequency and magnitude of interest rate cuts differ from our base scenario, the main trend continues. The recent decline in inflation, both in terms of the main trend and actual figures, points to a continuation of interest rate cuts. In this scenario, pressure on the current account deficit will continue. The buoyancy in economic activity and the third-quarter growth figures also support the strong performance in domestic demand. The negative contribution of net export figures to growth also supports our thesis of an upward trend in the current account deficit. Looking at the details of the current account balance, the trade deficit as defined by the balance of payments was USD 5.963 million and inflows from the services balance amounted to USD 7.588 million. The twelve-month cumulative trade deficit as defined by the balance of payments was USD 67.2 billion, while inflows from the services balance were USD 63.2 billion. Excluding gold and energy, the current account balance showed a surplus of USD 7.028 million this month. Excluding volatile items, there is no deterioration in the core indicators of the balance of payments. We estimate that the limited negative outlook in the current account balance will continue throughout 2026, adapted to disinflation and monetary policy.

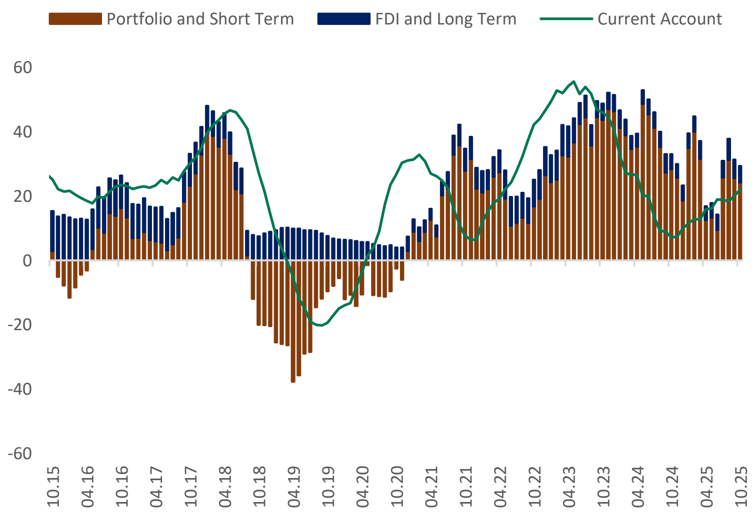
Graph 1: Current Account (CA), Energy and Gold Excluded (CA), 12M Rolling CA



Examining developments in the financial account, net outflows in direct investments amounted to USD 838 million. Portfolio investments also saw net outflows of USD 1,023 million. Foreign residents made net sales of USD 44 million in the equity market and USD98 million in the government bond market. Regarding bond issuances abroad, foreign residents made net purchases of USD 529 million and USD 606 million in bank and other sector issuances, respectively, while making net sales of USD646 million in general government issuances. In terms of foreign loan utilization, banks, the general government, and other sectors made net use of US$829 million, USD 850 million, and USD 3,139 million respectively this month.

Looking at how the current account deficit was financed, official reserves decreased by USD 1,610 million 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 totaled USD 233 million and credit-deposit inflows reached USD 23.8 billion over the past twelve months. Direct foreign investment and long-term capital inflows remain low in cumulative data. As of September, cumulative direct investment and long-term financing recorded a net inflow of USD 5.1 billion over the past twelve months (previously USD 5.8 billion). Of the total inflow of USD 42.5 billion in the financial account, USD 22 billion is reflected in the current account deficit, while USD 20 billion is recorded in net errors and omissions. Considering recent inflation developments and monetary policy actions, we can say that interest rate cuts will continue and the limited negative outlook in the balance of payments will be maintained. On the financial account side, capital inflows are expected to continue under the assumption of high returns and limited volatility in exchange rate movements.

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



Source: CBRT

In summary, the current account balance for October showed a surplus of USD 457 million, bringing the 12-month total deficit for the year to USD 22 billion. Seasonal effects of service balance inflows in the current account 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, contributing to financial stability, will support price stability in the medium term. Macroeconomic policies that support economic activity through sectoral support credits instead of policy interest rates will continue to provide positive support to both inflation and the current account balance. We emphasize that new measures and monetary/fiscal policy implementations to be announced will necessitate further updates to our forecasts. Under current practices, we maintain our 2025 year-end current account deficit expectation at USD 24 billion.

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