Snap | 11 September 2026

TURKEY

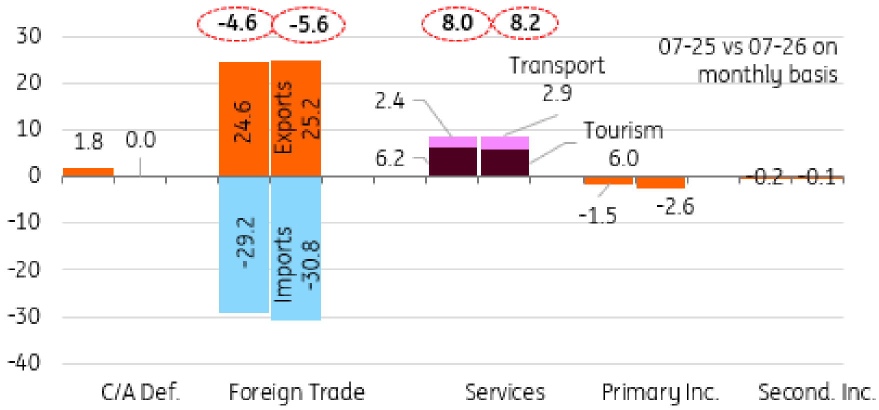
Turkey’s current account deficit maintains its widening trend

Turkey s current account was broadly balanced in July, missing surplus expectations, while the 12 month rolling deficit continued to widen. Meanwhile, stronger capital inflows led to a recovery in official reserves

In July, Turkey's current account balance was broadly balanced, compared with market expectations of a US$0.7bn surplus (our forecast was US$0.4bn). Reflecting the deterioration over the previous year, the 12month rolling deficit widened to US$40.7bn, or approximately 2.6% of GDP, from US$39.0bn a month earlier.

A closer look at the monthly figures shows that the current account surplus narrowed to balance from a US$1.8bn surplus in the same month of 2025, primarily due to a wider trade deficit, which deteriorated from US$4.6bn to US$5.6bn. This was driven by: a) a modest widening in the core trade deficit, and b) a deterioration in the energy trade balance as the US-Iran war pushed energy prices significantly higher. A larger primary income deficit, reflecting increased transfers of investment income abroad, also contributed to the erosion of the current account surplus.

Breakdown of the current account



Source: CBT, ING

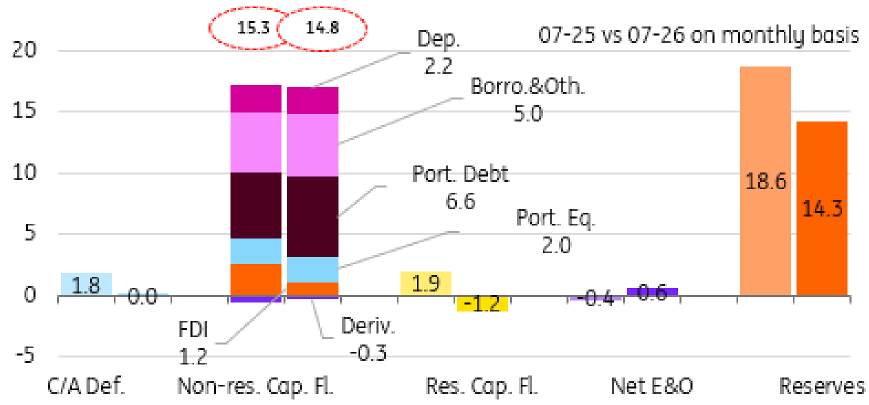
The capital account recorded robust inflows of US$13.6bn after relatively weak figures in the previous two months. With modest inflows from net errors and omissions of US$0.6bn, and given the current account balance, official reserves increased by US$14.3bn.

Further analysis reveals that resident activity generated outflows totalling US$1.2bn, primarily due to the continued acquisition of portfolio assets. Non-residents increased their exposure to Turkey by raising their portfolio investments by US$6.6bn and deposits held at local banks by US$2.2bn. Additional net borrowing of US$3.5bn also contributed to foreign inflows in July.

In the breakdown of net borrowing, both banks and corporates secured higher long-term financing. This translated into long-term debt rollover ratios of 207% for corporates and 136% for banks on a monthly basis, compared with 228% and 148%, respectively, on a 12-month rolling basis. On the corporate side, the acceleration in rollover rates since mid-2025 to above 200% is noteworthy.

In the first seven months of the year, resident outflows edged up to US$12.8bn from US$11.3bn a year earlier. Foreign inflows, on the other hand, jumped to US$44.1bn, compared with US$27.7bn in the same period of 2025. As a result, capital account inflows almost doubled to US$31.1bn from US$16.3bn. In addition, outflows through net errors and omissions remained elevated, totalling US$14.4bn, compared with just US$0.6bn in 2025. Taken together with the widening current account deficit, which increased from US$24.3bn to US$34.8bn, official reserves declined by US$16.1bn, compared with a fall of US$8.6bn recorded a year earlier.

Breakdown of financing



Source: CBT, ING

Overall, the current account deficit continued to widen in July, while stronger capital inflows led to a recovery in official reserves. Preliminary customs data from the Ministry of Trade point to a smaller current account surplus in August. In the months ahead, the trajectory of the current account balance is expected to be shaped by a combination of external risks and domestic demand conditions. In this regard, the geopolitical shock has increased upside risks to the current account deficit, given the elevated path of oil and gas prices. Signs of an agreement between the US and Iran, on the other hand, would be supportive, helping to ease pressure from higher energy prices.

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