



Foreign trade deficit continued to expand in January.

According to TURKSTAT data, exports increased by 6.4% yoy and reached 14.8 billion USD in January, while imports rose by 18.8% yoy to 19,2 billion USD. Thus, the foreign trade deficit expanded rapidly by 94.3% and reached 4.4 billion USD. The exports coverage imports ratio, which was 85.8% in January 2019, declined to 76.8% in this period.

Balance of payments data has been revised.

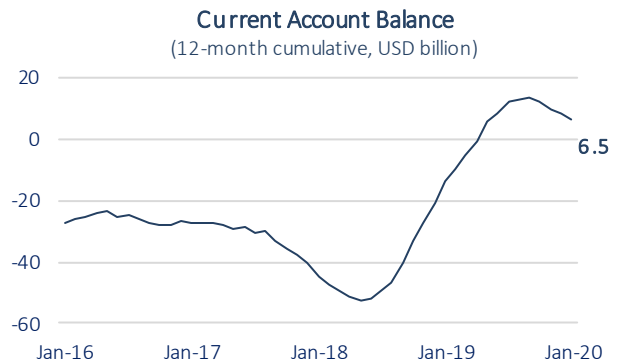
In January, the revisions in foreign trade statistics based on general trade system and the inclusion of international trade in services by Turkstat have been started to be reflected to balance of payments figures. In this framework, backward revisions were also made for 2013-2019 period. Accordingly, the current account surplus which was announced earlier at the level of 1.7 billion USD for 2019 was revised to 8 billion USD. Current account deficit for the end of 2018 was also decreased from 28.3 billion USD to 20.7 billion USD. The ratio of current account surplus to GDP at the end of 2019, which was 0.2% with the previous data, was increased to 1.1% after the revision.

	Current Account Balance (USD billion)			% of GDP		
	Old	Revised	Difference	Old	Revised	Difference (pp)
2013	-64.3	-55.9	8.4	-6.8	-5.9	0.9
2014	-44.9	-38.8	6.1	-4.8	-4.2	0.7
2015	-32.4	-27.3	5.0	-3.8	-3.2	0.6
2016	-31.5	-26.8	4.7	-3.7	-3.1	0.5
2017	-46.6	-40.6	6.0	-5.5	-4.8	0.7
2018	-28.3	-20.7	7.5	-3.6	-2.6	1.0
2019	1.7	8.0	6.3	0.2	1.1	0.8

Current account posted a deficit of 1.8 billion USD.

In the first month of the year, the current account deficit rose nearly 7 times compared to the same period of the

previous year and reached 1.8 billion USD. While the foreign trade deficit nearly tripled in this period reaching 3.2 billion USD, the upward trend in net travel revenues continued to be a development that limited the deterioration in the current balance. According to 12-month cumulative data, the current surplus fell to USD 6.5 billion in this period.



Foreign direct investments continued to contribute to the financing of the current account deficit.

Foreign direct investments in Turkey became 932 million USD in January. In line with the previous months, around 60% of this amount came from real estate investments.

Portfolio investments recorded capital outflows as it was the case in December. In this period, nonresidents' equity securities and government domestic debt securities transactions recorded net sales of 333 million USD and 498 million USD, respectively.

Other investments recorded a net capital outflow of 1.2 billion USD in January. This was largely due to net loan repayments of the banking sector. Banks and other sectors made a total net repayment of 1.5 billion USD and 219 million USD, respectively. In January, 12-month cumulative long-term debt rollover ratios became 74% in banking sector and 91% in other sectors.

Net Capital Inflows

	12-month Cumulative (million USD)		Breakdown of Net Capital Inflows (%)	
	Dec. 2019	Jan. 2020	Dec. 2019	Jan. 2020
Current Account Balance	8,022	6,494	58.2	52.7
Total Net Foreign Capital Inflows	4,508	-2,763	-	-
-Direct Investment	5,540	5,514	40.2	44.7
-Portfolio Inflows	-1,246	-8,597	-	-
-Other Investments	180	322	1.3	2.6
-Net Errors and Omissions	34	-2	0.2	-
-Other	-6,206	-3,609	-	-
Reserves(1)	-6,324	-122	-	-

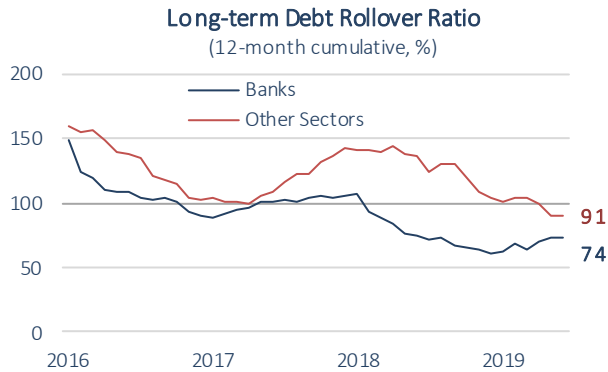
Note: The numbers may not add up total due to rounding.

(1) (-) sign indicates an increase in reserves, while (+) sign indicates decrease.

Source: Datastream, Turkstat, CBRT

CBRT reserves declined by 2.9 billion USD.

In January, CBRT reserves recorded their strongest decline since March 2019 at 2.9 billion USD. In this period, a capital inflow of 574 million USD was experienced in net errors and omissions item.

**Expectations...**

The current account balance started the year with a deficit as the foreign trade deficit continued to expand thanks to the recovery in economic activity. According to preliminary data released by the Ministry of Commerce, 72.9% widening of the foreign trade deficit in February indicates that this trend continues. We believe that the global uncertainties caused by the coronavirus outbreak would put pressure on foreign trade and tourism revenues in the coming period.

	(USD million)			
	January		%	12-month
	2019	2020	Change	cumulative
Balance of Payments				
Current Account Balance	-276	-1,804	553.6	6,494
Foreign Trade Balance	-1,251	-3,245	159.4	-18,611
Services Balance	1,508	1,586	5.2	36,282
Travel (net)	988	1,100	11.3	25,831
Primary Income	-633	-340	-46.3	-12,246
Secondary Income	100	195	95.0	1,069
Capital Account	28	-8	-	-2
Financial Account	-2,271	-1,238	-45.5	2,883
Direct Investments (net)	-791	-765	-3.3	-5,514
Portfolio Investments (net)	-6,129	1,222	-	8,597
Net Acquisition of Financial Assets	-490	575	-	5,719
Net Incurrence of Liabilities	5,639	-647	-	-2,878
Equity Securities	1,300	-333	-	-1,227
Debt Securities	4,339	-314	-	-1,651
Other Investments (net)	1,381	1,239	-10.3	-322
Currency and Deposits	811	-472	-	-4,485
Net Acquisition of Financial Assets	3,170	2,068	-34.8	8,017
Net Incurrence of Liabilities	2,359	2,540	7.7	12,502
Central Bank	0	1	-	2,496
Banks	2,359	2,539	7.6	10,006
Foreign Banks	2,215	2,193	-1.0	6,206
Foreign Exchange	370	644	74.1	6,069
Turkish Lira	1,845	1,549	-16.0	137
Non-residents	144	346	140.3	3,800
Loans	2,545	1,724	-32.3	15,547
Net Acquisition of Financial Assets	-37	6	-	411
Net Incurrence of Liabilities	-2,582	-1,718	-33.5	-15,136
Banking Sector	-2,212	-1,503	-32.1	-10,621
Non-bank Sectors	-275	-219	-20.4	-3,638
Trade Credit and Advances	-1,971	-22	-98.9	-11,437
Other Assets and Liabilities	-4	9	-	53
Reserve Assets (net)	3,268	-2,934	-	122
Net Errors and Omissions	-2,023	574	-	-3,609

Source: Datastream, Ministry of Trade, CBRT

Economic Research Division

İzlem Erdem
Chief Economist
izlem.erdem@isbank.com.tr

İlker Şahin
Economist
ilker.sahin@isbank.com.tr

Alper Gürler
Unit Manager
alper.gurler@isbank.com.tr

Gamze Can
Economist
gamze.can@isbank.com.tr

Dilek Sarsın Kaya
Asst. Manager
dilek.kaya@isbank.com.tr

Our reports are available on our website <https://research.isbank.com.tr>

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