



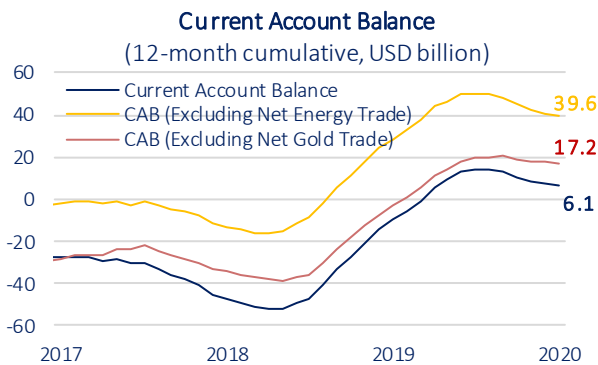
Foreign trade deficit increased by 72% yoy in February.

According to TURKSTAT, the volume of exports increased by 2.3% yoy and reached 14.7 billion USD in February, while imports rose by 9.8% yoy to 17.6 billion USD. Thus, the foreign trade deficit widened by 72% yoy and reached 3 billion USD. During January-February 2020, exports and imports expanded by 4.1% yoy and by 14.3% yoy, respectively. The import coverage ratio, which was 87.5% in January-February 2019, declined to 79.7% in the same period of this year.

In February current account gave 1.2 billion USD deficit.

In February, when the effects of the Covid-19 outbreak on Turkish economy have not been felt yet, the current account gave 1.2 billion USD deficit, in line with market expectations. In this period, relatively favorable course of economic activity reflected in the current account balance through foreign trade figures. Also the rise in non-monetary gold imports played a role in the course of the current account balance in February.

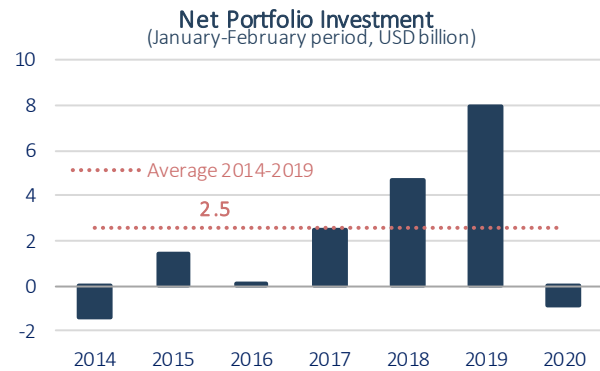
The 12-month cumulative current account balance, which has been posting surplus since May 2019, continued to decline in February and became 6.1 billion USD. Current account surplus excluding net gold trade decreased to 17.2 billion USD in this period.



FDI remained weak.

Capital inflows through foreign direct investment remained weak in February. Net foreign direct investment, which was 438 million USD in January, was realized as 309 million USD in February. Outflow posted in the equity capital investment in February exceeded 1 billion USD for the first time since June 2017 and led net direct investments to decline. On the other hand, real estate investments continued to support foreign direct investment.

In February, portfolio investment posted 382 million USD capital inflow. Government's bond issuance abroad, which was 4 billion USD, came to the fore in this development. In February, non-residents made net sales of 687 million USD in equity market and 1.8 billion USD in government domestic debt securities due to decline in risk appetite led by virus outbreak. In this period, banks made 497 million USD net repayment for the debt securities held abroad.



Other investments posted 2.4 billion USD inflows.

In February, other investments posted 2.4 billion USD capital inflow. The decline in domestic banks' currency and deposits held abroad, which exceeds 3.2 billion USD, was the main driver of this development. In this period, nonresident banks' deposits held within domestic banks also increased approximately by 1 billion USD. While the

Net Capital Flows

	(million USD)		Share in Financing (%)	
	Dec. 2019	Feb. 2020	Dec. 2019	Feb. 2020
Current Account Balance	8,674	6,128	31.3	38.7
Total Net Foreign Capital Flows	10,900	-5,923	-	-
-Direct Investment	5,593	5,447	20.2	34.4
-Portfolio Investment	-1,246	-10,007	-	-
-Other Investment	195	4,245	0.7	26.8
-Other	34	-3	0.1	-
Net Errors and Omissions	6,324	-5,605	22.8	-
Reserves(1)	6,926	-205	25.0	-

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

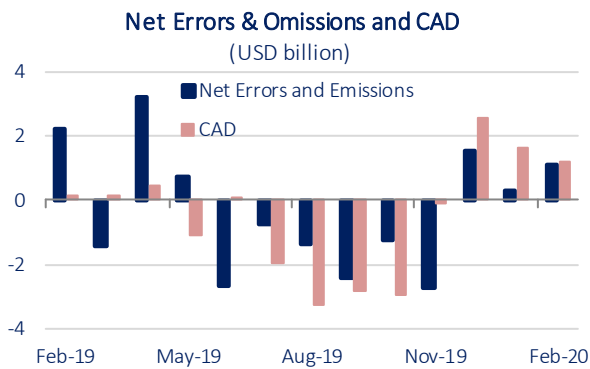
(1) (-) sign indicates an increase in reserves, while (+) sign indicates decrease.

Source: Datastream, Turkstat, CBRT

short and long-term debt of banking sector decreased in February, short-term debt of other sectors' posted a limited increase of 21 million USD despite the decrease in their long-term debts. However, other sectors, similar to banks, made net loan repayment in this period. In February, 12-month cumulative long-term debt rollover ratios became 73% in banking sector and 90% in other sectors.

Reserves increased by 3 billion USD in February.

CBRT reserves, which declined rapidly in January, increased by 3 billion USD in February. In this period, net errors and omissions posted 1.1 billion USD capital inflow.



Thus, 1.4 billion USD of the total current account deficit of 2.8 billion USD in the first two months of the year was financed by net errors and omissions.

Expectations...

According to the preliminary data released by the Ministry of Commerce, the coronavirus outbreak led the exports to decline by 17.8% in March, and the foreign trade deficit to expand rapidly by 181.8%. We estimate that the uncertainties created by the epidemic on a global scale will continue to put pressure on foreign trade and tourism revenues in the coming period. On the other hand, we think that decline in oil prices and the slowdown in domestic demand will limit the expansion in the foreign trade deficit and current account deficit by suppressing the increase in imports. On the financing side, it is understood that a fluctuating trend will prevail especially in portfolio investments in the following months in parallel with the financial markets.

Balance of Payments	(million USD)				
	February 2020	January-February 2019	February 2020	% Change	12-month Cumulative
Current Account Balance	-1230	-297	-2,843	857.2	6,128
Foreign Trade Balance	-1901	-1,980	-5,201	162.7	-19,856
Services Balance	1492	2,781	3,350	20.5	37,423
Travel (net)	855	1,802	1,955	8.5	25,872
Primary Income	-729	-1,140	-1,062	-6.8	-12,441
Secondary Income	-92	42	70	66.7	1,002
Capital Account	-2	27	-10	-	-3
Financial Account	-108	-145	-1,407	870.3	520
Direct Investments (net)	-309	-1,229	-1,083	-11.9	-5,447
Portfolio Investments (net)	-382	-7,921	840	-	10,007
Net Acquisition of Financial Asset	619	-132	1,194	-	5,980
Net Incurrence of Liabilities	1001	7,789	354	-95.5	-4,027
Equity Securities	-687	1,436	-1,020	-	-2,050
Debt Securities	1688	6,353	1,374	-78.4	-1,977
Other Investments (net)	-2417	2,820	-1,230	-	-4,245
Currency and Deposits	-4107	2,167	-4,579	-	-9,948
Net Acquisition of Financial Ass	-2894	4,141	-826	-	4,152
Net Incurrence of Liabilities	1213	1,974	3,753	90.1	14,100
Central Bank	-4	-14	-3	-78.6	2,506
Banks	1217	1,988	3,756	88.9	11,594
Foreign Banks	986	1,504	3,179	111.4	7,903
Foreign Exchange	425	118	1,069	805.9	6,746
Turkish Lira	561	1,386	2,110	52.2	1,157
Non-residents	231	484	577	19.2	3,691
Loans	509	3,452	2,235	-35.3	15,151
Net Acquisition of Financial Ass	-124	-2	-118	-	252
Net Incurrence of Liabilities	-633	-3,454	-2,353	-31.9	-14,899
Banking Sector	-298	-2,412	-1,801	-25.3	-10,719
Non-bank Sectors	-373	-1,010	-594	-41.2	-3,278
Trade Credit and Advances	1184	-2,794	1,107	-	-9,500
Other Assets and Liabilities	-3	-5	7	-	52
Reserve Assets (net)	3000	6,185	66	-98.9	205
Net Errors and Omissions	1124	125	1,446	1,056.8	-5,605

Source: Datastream, Ministry of Trade, CBRT

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