



### Foreign trade deficit recorded a rapid increase in March.

According to TURKSTAT data, exports declined by 17.8% yoy to 13.4 billion USD in March, while imports rose by 3.1% yoy to 18.8 billion USD. Thus, foreign trade deficit widened by 181.6% yoy and reached 5.4 billion USD. During January-March 2020, the deficit rose by 117.3% yoy. The import coverage ratio, which was 88.2% in January-March 2019, declined to 76.8% in the same period of this year.

### Current account deficit became 4.92 billion USD in March.

In March, current account deficit was realized as 4.92 billion USD, beating market expectations which were around 4 billion USD. The current account deficit was 120 million USD in March 2019. The rapid increase in foreign trade deficit (approximately 6 times yoy) as well as the decrease in service revenues due to the virus outbreak played role in the expansion of the current account deficit. In this period, decrease in net tourism revenues by 529 million USD (50.7% yoy) came to the fore in the loss of service revenues.

Monthly Current Account Balance  
(billion USD)



The current account deficit, which remained low because of the weakness in economic activity in the first quarter of 2019, became 7.6 billion USD in the same period of this year. In addition to the pressure on export volume, the

increase in import volume in January-February period also played a role in this development. 12-month current account surplus decreased to 1.5 billion USD as of March 2020.

### Strong outflow in portfolio investments...

In March, nonresidents' net direct investments were realized as 974 million USD in Turkey. While real estate investments maintained their share in direct investments, equity capital investments decreased compared to last year.

Due to decreasing risk appetite on global scale, portfolio investments posted historically high capital outflow in March with 5.5 billion USD. In this period, non-residents made net sales in equity market and government domestic debt securities market by 1.1 billion USD and by 2.1 billion USD, respectively. In the same period, capital outflows stemming from net acquisition of financial assets abroad by domestic residents were realized as 2.2 billion USD. Thus, 12-month cumulative capital outflow increased to the historical level of 8.2 billion USD in March.

Net Acquisition of Financial Assets by Residents  
(12-month cumulative, billion USD)



Other investments also posted net capital outflow of 3 billion USD in March. This development was mainly driven by a decrease of 2.6 billion USD in nonresident banks' deposits held within domestic banks. In March, General

### Net Capital Flows

	(million USD)		Share in Financing (%)	
	Dec. 2019	Mar. 2020	Dec. 2019	Mar. 2020
<b>Current Account Balance</b>	<b>8,691</b>	<b>1,463</b>	<b>61.1</b>	<b>7.2</b>
<b>Total Net Foreign Capital Flows</b>	<b>2,789</b>	<b>-16,539</b>	<b>-</b>	<b>-</b>
-Direct Investment	5,507	5,547	38.7	27.3
-Portfolio Investment	-1,246	-16,286	-	-
-Other Investment	-1,506	-5,797	-	-
-Other	34	-3	0.2	-
<b>Net Errors and Omissions</b>	<b>-8,168</b>	<b>-9,798</b>	<b>-</b>	<b>-</b>
<b>Reserves(1)</b>	<b>-6,324</b>	<b>13,282</b>	<b>-</b>	<b>65.5</b>

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

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

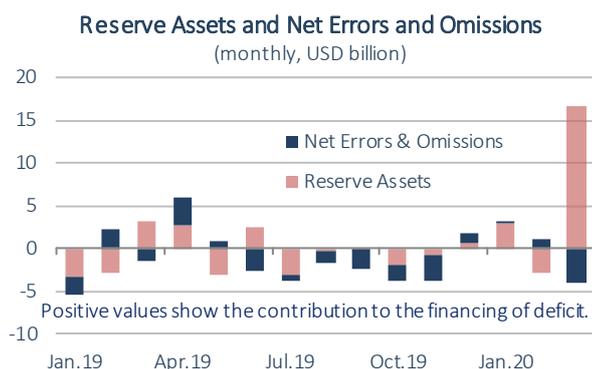
Government, banks and other sectors were net loan repayers. According to 12-month cumulative figures, the long-term debt roll-over ratio of the banking sector was 74% as of March, while this ratio decreased to 84% in other sectors.

#### Reserves decreased by 16.6 billion USD in March.

The strong capital outflow recorded in March led the use of reserve assets in financing the current account deficit. In this period, reserve assets declined by historically high level with 16.6 billion USD. Net errors and omissions also posted a capital outflow of 4 billion USD.

#### Expectations...

According to preliminary data released by the Ministry of Trade showed that the fall in exports accelerated due to the impact of coronavirus pandemic in April. In this period, exports shrank by 41.4% yoy while foreign trade deficit expanded by 45.1%. Although the normalization steps taken to ease measures against the outbreak are on the agenda, we think that foreign trade and tourism revenues will continue to put pressure on the current account balance in the short term. In particular, we consider that it may take time for the tourism sector to fully achieve its pre-outbreak performance.



#### Balance of Payments

	Mar. 2020	Jan. - Mar. 2019	Mar. 2020	% Change	12-month Cumulative
<b>Current Account Balance</b>	<b>-4,923</b>	<b>-416</b>	<b>-7,644</b>	<b>1,737.5</b>	<b>1,463</b>
Foreign Trade Balance	-4,289	-2,718	-9,492	249.2	-23,416
Services Balance	735	4,436	4,256	-4.1	36,701
Travel (net)	514	2,845	2,694	-5.3	25,568
Primary Income	-1,172	-2,307	-2,234	-3.2	-12,449
Secondary Income	-197	173	-174	-	627
<b>Capital Account</b>	<b>-3</b>	<b>26</b>	<b>-13</b>	<b>-</b>	<b>-5</b>
<b>Financial Account</b>	<b>-8,913</b>	<b>-1,633</b>	<b>-10,530</b>	<b>544.8</b>	<b>-8,340</b>
Direct Investment (net)	-796	-1,997	-2,037	2.0	-5,547
Portfolio Investment (net)	5,498	-8,702	6,338	-	16,286
Net Acquisition of Financial Assets	2,192	-138	3,386	-	8,178
Net Incurrence of Liabilities	-3,306	8,564	-2,952	-	-8,108
Equity Securities	-1,063	882	-2,083	-	-2,559
Debt Securities	-2,243	7,682	-869	-	-5,549
Other Investment (net)	2,974	5,983	1,692	-71.7	-5,797
Currency and Deposits	2,846	6,720	-1,733	-	-12,955
Net Acquisition of Financial Assets	281	9,561	-545	-	-2,281
Net Incurrence of Liabilities	-2,565	2,841	1,188	-58.2	10,674
Central Bank	-5	-32	-8	-75.0	2,519
Banks	-2,560	2,873	1,196	-58.4	8,155
Foreign Banks	-2,565	1,807	614	-66.0	5,041
Foreign Exchange	-2,354	528	-1,285	-	3,988
Turkish Lira	-211	1,279	1,899	48.5	1,053
Non-residents	5	1,066	582	-45.4	3,114
Loans	715	3,475	2,907	-16.3	15,793
Net Acquisition of Financial Assets	143	139	25	-82.0	254
Net Incurrence of Liabilities	-572	-3,336	-2,882	-13.6	-15,539
Banking Sector	-460	-3,121	-2,261	-27.6	-10,470
Non-bank Sectors	-3	-92	-554	502.2	-4,149
Trade Credit and Advances	-586	-4,204	512	-	-8,689
Other Assets and Liabilities	-1	-8	6	-	54
Reserve Assets (net)	-16,589	3,083	-16,523	-	-13,282
<b>Net Errors and Omissions</b>	<b>-3,987</b>	<b>-1,243</b>	<b>-2,873</b>	<b>116.9</b>	<b>-9,798</b>

Source: Datastream, Ministry of Trade, CBRT

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