

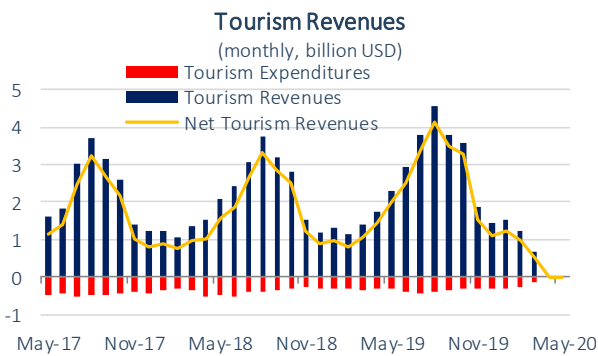


Foreign trade deficit continued to expand in May.

According to TURKSTAT data, exports declined by 41% yoy to 10 billion USD in May, while imports dropped by 27.8% yoy to 13.4 billion USD. Thus, foreign trade deficit widened by 102.7% yoy and reached 3.4 billion USD. During January-May 2020, the deficit rose by 102.8% yoy. Import coverage ratio, which was 88.1% in January-May 2019, fell to 74.6% in the same period of this year.

Current account deficit became 3.8 billion USD in May.

Current account balance, which posted a surplus of 1.1 billion USD in May 2019, gave a deficit of 3.8 billion USD in the same month of this year. The net outflow in services item due to the absence of tourism revenues as well as the rapid increase in foreign trade deficit were behind the deterioration of the current account balance. In May, 12-month cumulative current account deficit reached 8.2 billion USD, the highest level since February 2019.



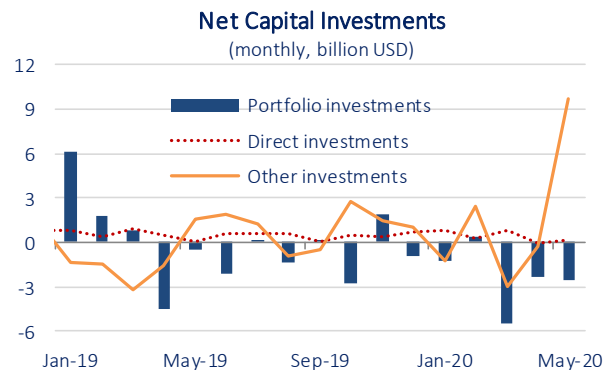
Direct Investments...

Foreign direct investments item, which had capital outflows in April, recorded a net capital inflow of 118 million USD in May. In this period, the outflow in other capital investments became 126 million USD, while real estate investment inflows were 229 million USD.

Capital outflows in portfolio investments...

There was a net capital outflow of 2.5 billion USD from the portfolio investments item in May. In this period, nonresidents made net sales of 1 billion USD in the stock market and 986 million USD in debt securities market. Net repayment of 2.2 billion USD made by the general government was also effective in the capital outflow of portfolio investments. On the other hand, the decrease of approximately 2 billion USD in banks' foreign investments limited the decline in portfolio investments. The related item had decreased by 1.2 billion USD in April.

Following a total outflow of 3.2 billion USD in March and April, other investments recorded a net capital inflow of 9.7 billion USD in May. The increase in the short-term debt of the CBRT, which is thought to be due to the swap transactions, was effective in this development. In this period, deposits of domestic banks at their foreign correspondents decreased by 488 million USD, while foreign banks' deposits at domestic banks increased by 619 million USD. According to 12-month cumulative figures, the long-term debt roll-over ratios became 73% in the banking sector and 76% in other sectors as of May.



Net Capital Inflows

	12-month Cumulative (million USD)		Breakdown of Net Capital Inflows (%)	
	Dec. 2019	May. 2020	Dec. 2019	May. 2020
Current Account Balance	8,663	-8,244	55.8	-
Total Net Foreign Capital Inflows	5,604	3,736	-	-
-Direct Investment	5,905	5,268	38.1	13.4
-Portfolio Inflows	-1,246	-16,199	-	-
-Other Investments	911	14,672	5.9	37.3
-Other	34	-5	0.2	-
Net Errors and Omissions	-7,943	-14,865	-	-
Reserves(1)	-6,324	19,373	-	49.3

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

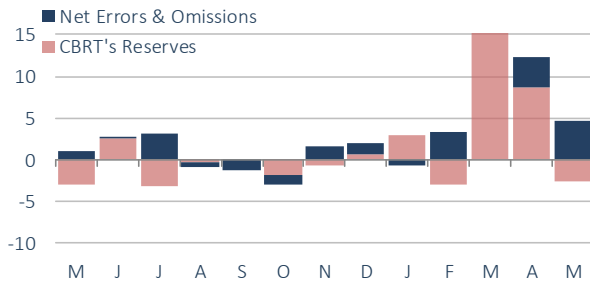
(1) (-) sign indicates an increase in reserves, while (+) sign indicates decrease.

Source: Datastream, Turkstat, CBRT

Reserves increased by 2,7 billion USD in May.

Reserve assets, which declined by 25.2 billion USD in March and April, increased by 2.7 billion USD in May. In this period, net errors and omissions posted a capital outflow of 829 million USD.

CBRT Reserves and Net Errors and Omissions
(monthly, USD billion)

**Expectations...**

According to preliminary foreign trade data published by the Ministry of Trade, in June, exports rose by 15.8% yoy while imports increased by 8.2% yoy along with the recovery trend in domestic demand conditions. Thus, the foreign trade deficit narrowed by 17.3% yoy in June. Lower oil prices compared to last year and additional customs duties imposed on various products to support domestic production may support the foreign trade balance also in the coming months. However, given the worldwide increase in the number of covid-19 cases, the pandemic could still not be taken under control. This situation may put pressure on export revenues and the recovery of tourism revenues may take much longer than expected.

Balance of Payments

(USD million)

	May. 2020	Jan. - May. 2019	May. 2020	% Change	12-month Cumulative
Current Account Balance	-3,764	187	-16,720	-	-8,244
Foreign Trade Balance	-2,734	-4,594	-16,169	252.0	-28,222
Services Balance	-33	9,676	4,043	-58.2	31,248
Travel (net)	0	6,278	2,694	-57.1	22,135
Primary Income	-969	-4,991	-4,399	-11.9	-11,953
Secondary Income	-28	96	-195	-	683
Capital Account	-4	19	-20	-	-5
Financial Account	-4,597	2,997	-20,871	-	-23,114
Direct Investment (net)	-118	-2,596	-1,959	-24.5	-5,268
Portfolio Investment (net)	2,539	-3,732	11,221	-	16,199
Net Acquisition of Financial Assets	-2,107	2,115	-38	-	2,501
Net Incurrence of Liabilities	-4,646	5,847	-11,259	-	-13,698
Equity Securities	-1,009	666	-3,939	-	-4,199
Debt Securities	-3,637	5,181	-7,320	-	-9,499
Other Investment (net)	-9,735	6,039	-7,722	-	-14,672
Currency and Deposits	-11,174	6,745	-13,593	-	-24,841
Net Acquisition of Financial Assets	-574	9,271	32	-99.7	-1,414
Net Incurrence of Liabilities	10,600	2,526	13,625	439.4	23,427
Central Bank	9,969	-505	10,958	-	13,958
Banks	631	3,031	2,667	-12.0	9,469
Foreign Banks	619	1,502	1,948	29.7	6,681
Foreign Exchange	-54	1,107	-1,115	-	3,579
Turkish Lira	673	395	3,063	675.4	3,102
Non-residents	12	1,529	719	-53.0	2,788
Loans	1,102	4,971	5,542	11.5	17,536
Net Acquisition of Financial Assets	-295	139	-309	-	-80
Net Incurrence of Liabilities	-1,397	-4,832	-5,851	21.1	-17,616
Banking Sector	-402	-4,558	-3,478	-23.7	-10,259
Non-bank Sectors	-878	47	-2,153	-	-6,495
Trade Credit and Advances	338	-5,654	337	-	-7,422
Other Assets and Liabilities	-1	-23	-8	-65.2	55
Reserve Assets (net)	2,717	3,286	-22,411	-	-19,373
Net Errors and Omissions	-829	2,791	-4,131	-	-14,865

Source: Datastream, Ministry of Trade, CBRT

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