



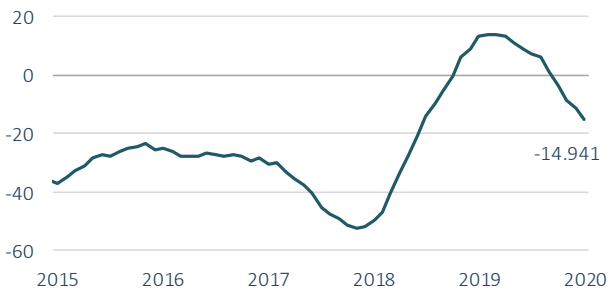
### In July foreign trade deficit decreased by 18.2% yoy.

According to TURKSTAT, exports declined by 5.8% yoy to 15 billion USD in July, while imports dropped by 7.9% yoy to 17.7 billion USD. Thus, foreign trade deficit contracted by 18.2% yoy and became 2.7 billion USD. During January-July 2020, the deficit rose by 55.6% yoy. Import coverage ratio, which was 85.9% in January-July 2019, fell to 77.2% in the same period of this year.

### In July current account gave 1.8 billion USD deficit.

Current account, which posted a surplus of 2 billion USD in July 2019, gave a deficit of 1.8 billion USD in the same month of this year. The decline in net services revenues by 4.6 billion USD compared to the same month of last year due to the decrease in transportation and tourism revenues played role in the widening of the current account deficit. In July, 12-month cumulative current account deficit reached 14.9 billion USD, the highest level since December 2018.

**Current Account Balance**  
(12-month cumulative, USD billion)



### Direct Investments...

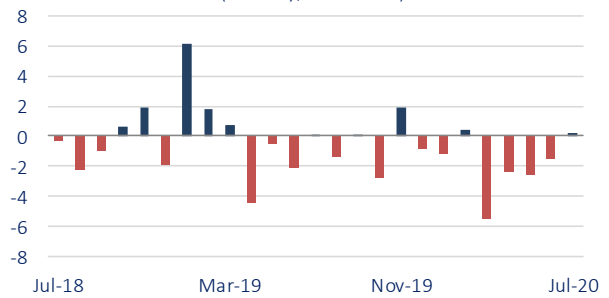
Foreign direct investments item, which had a limited capital outflow (1 billion USD) in June, recorded a net capital inflow of 226 million USD in July. In this period, the net inflow in equity capital became 831 million USD, the highest inflow since December 2018. The capital inflow of 631 million USD in the information and communication

services sector was effective in this development.

### Net inflows in portfolio investments...

After having recorded outflows since March, portfolio investments had an inflow of 254 million USD in July. In this period, nonresidents made net sales of 467 million USD in the stock market and 390 million USD in debt securities market. In this period, non-residents' purchases of bank bonds worth of 579 million USD supported the inflows under the portfolio investments.

**Portfolio Investments**  
(monthly, billion USD)



Following a total outflow of 5.3 billion USD in June, other investments recorded a net capital inflow of 3.2 billion USD in July. In this period, deposits of domestic banks at their foreign correspondents decreased by 1.2 billion USD, while foreign banks' deposits at domestic banks rose by 1.2 billion USD. In July, banks, which borrowed short term loans, were paying back their long-term loans and they realized net borrowings of 73 million USD in total. In this period, other sectors made net loan repayments of 508 million USD repaying both short and long term foreign loans. Thus, according to 12-month cumulative figures, the long-term debt roll-over ratios became 78% in the banking sector and 74% in other sectors as of July.

### Net Capital Inflows

|  | 12-month Cumulative<br>(million USD) |                | Breakdown of Net Capital<br>Inflows (%) |             |
|--|--------------------------------------|----------------|---|-------------|
|  | Dec. 2019                            | Jul. 2020      | Dec. 2019                               | Jul. 2020   |
| <b>Current Account Balance</b>           | <b>8,830</b>                         | <b>-14,941</b> | <b>58.7</b>                             | <b>-</b>    |
| <b>Total Net Foreign Capital Inflows</b> | <b>4,970</b>                         | <b>-1,671</b>  | <b>-</b>                                | <b>-</b>    |
| -Direct Investment                       | 5,863                                | 4,306          | 39.0                                    | 10.1        |
| -Portfolio Inflows                       | -1,246                               | -15,397        | -                                       | -           |
| -Other Investments                       | 319                                  | 9,439          | 2.1                                     | 22.1        |
| -Other                                   | 34                                   | -19            | 0.2                                     | -           |
| <b>Net Errors and Omissions</b>          | <b>-7,476</b>                        | <b>-12,431</b> | <b>-</b>                                | <b>-</b>    |
| <b>Reserves(1)</b>                       | <b>-6,324</b>                        | <b>29,043</b>  | <b>-</b>                                | <b>67.9</b> |

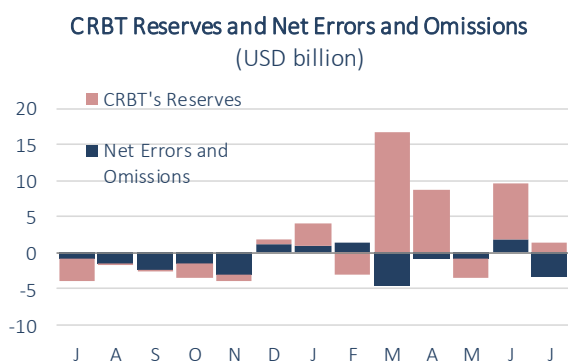
Note: The numbers may not add up total due to rounding.

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

Source: Datastream, Turkstat, CBRT

**Reserves decreased by 1.3 billion USD in July.**

Reserve assets, which decreased by 7.7 billion USD in June, declined by 1.3 billion USD in July. Thus, the fall in reserve assets in the first 7 months of the year reached 31.4 billion USD. In this period, net errors and omissions posted a capital outflow of 3.2 billion USD.

**Expectations...**

According to the preliminary foreign trade data released by the Ministry of Trade, exports decreased by 5.74% yoy in August due to the contraction in demand in the European Union, our main export market, while imports increased by 20.64% because of the fast rise in gold imports. Thus, during this period, the foreign trade deficit widened rapidly by 169.7% yoy. The expected slowdown in imports due to the recent tax regulations and the depreciation of Turkish lira as well as lower oil prices compared to last year may limit the deterioration in the current account balance in the coming months. In addition, the tourism season, which was postponed due to the pandemic, is likely to continue until November and tourism revenues are expected to recover to some extent. However, increasing number of cases around the world indicate that the uncertainties over both foreign trade and tourism revenues will continue in the coming period putting pressure on the current account deficit.

**Balance of Payments**

(USD million)

|                                     | Jul.<br>2020  | Jan. - Jul.<br>2019 | 2020           | %<br>Change    | 12-month<br>Cumulative |
|-------------------------------------|---------------|---------------------|----------------|----------------|------------------------|
| <b>Current Account Balance</b>      | <b>-1,817</b> | <b>2,142</b>        | <b>-21,629</b> | <b>-</b>       | <b>-14,941</b>         |
| Foreign Trade Balance               | -1,853        | -9,250              | -20,116        | 117.5          | -27,513                |
| Services Balance                    | 288           | 18,054              | 3,963          | -78.0          | 22,957                 |
| Travel (net)                        | 328           | 12,175              | 3,051          | -74.9          | 16,595                 |
| Primary Income                      | -332          | -6,943              | -5,293         | -23.8          | -10,895                |
| Secondary Income                    | 80            | 281                 | -183           | -              | 510                    |
| <b>Capital Account</b>              | <b>2</b>      | <b>35</b>           | <b>-18</b>     | <b>-</b>       | <b>-19</b>             |
| <b>Financial Account</b>            | <b>-4,996</b> | <b>2,022</b>        | <b>-26,757</b> | <b>-</b>       | <b>-27,391</b>         |
| Direct Investment (net)             | -226          | -3,711              | -2,154         | -42.0          | -4,306                 |
| Portfolio Investment (net)          | -254          | -1,698              | 12,453         | -              | 15,397                 |
| Net Acquisition of Financial Assets | -606          | 3,212               | -1,693         | -              | -251                   |
| Net Incurrence of Liabilities       | -352          | 4,910               | -14,146        | -              | -15,648                |
| Equity Securities                   | -467          | 946                 | -4,437         | -              | -4,977                 |
| Debt Securities                     | 115           | 3,964               | -9,709         | -              | -10,671                |
| Other Investment (net)              | -3,233        | 3,465               | -5,655         | -              | -9,439                 |
| Currency and Deposits               | -3,115        | 3,207               | -13,154        | -              | -20,867                |
| Net Acquisition of Financial Assets | -1,165        | 9,577               | 1,428          | -85.1          | -327                   |
| Net Incurrence of Liabilities       | 1,950         | 6,370               | 14,582         | 128.9          | 20,540                 |
| Central Bank                        | 560           | 544                 | 11,773         | 2,064.2        | 13,724                 |
| Banks                               | 1,390         | 5,826               | 2,809          | -51.8          | 6,816                  |
| Foreign Banks                       | 1,168         | 3,357               | 1,605          | -52.2          | 4,483                  |
| Foreign Exchange                    | 430           | 2,973               | -1,585         | -              | 1,243                  |
| Turkish Lira                        | 738           | 384                 | 3,190          | 730.7          | 3,240                  |
| Non-residents                       | 222           | 2,469               | 1,204          | -51.2          | 2,333                  |
| Loans                               | 356           | 8,580               | 7,624          | -11.1          | 16,605                 |
| Net Acquisition of Financial Assets | -42           | -54                 | -202           | 274.1          | 220                    |
| Net Incurrence of Liabilities       | -398          | -8,634              | -7,826         | -9.4           | -16,385                |
| Banking Sector                      | 73            | -6,481              | -3,704         | -42.8          | -8,557                 |
| Non-bank Sectors                    | -508          | -1,595              | -3,760         | 135.7          | -7,098                 |
| Trade Credit and Advances           | -472          | -8,286              | -115           | -98.6          | -5,243                 |
| Other Assets and Liabilities        | -2            | -36                 | -10            | -72.2          | 66                     |
| Reserve Assets (net)                | -1,283        | 3,966               | -31,401        | -              | -29,043                |
| <b>Net Errors and Omissions</b>     | <b>-3,181</b> | <b>-155</b>         | <b>-5,110</b>  | <b>3,196.8</b> | <b>-12,431</b>         |

Source: Datastream, Ministry of Trade, CBRT

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