

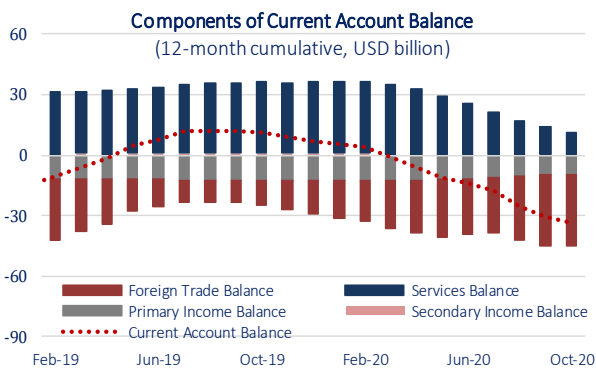


### Foreign trade deficit continued to widen in October.

According to TURKSTAT, exports increased by 5.6% yoy to 17.3 billion USD in October, while imports rose by 8.4% yoy to 19.7 billion USD. Thus, foreign trade deficit widened by 34.4% yoy and became 2.4 billion USD. During January-October 2020 exports declined by 9.1% yoy, while imports rose by 2.2% yoy. Import coverage ratio, which was 86.7% in January-October 2019, fell to 77.1% in the same period of this year.

### The current account gave 273 million deficit in October.

Current account, which posted a surplus of 2.7 billion USD in October 2019, gave a deficit of 273 million USD in October 2020. As well as the widening in foreign trade deficit annual decrease (2.9 billion USD) in net inflows in services balance was effective in this development. On the other hand, in October 2020, the current account deficit fell by 89.3% mom and was realized at the lowest level since December 2019. In October, 12- month cumulative current account deficit became 33.8 billion USD.

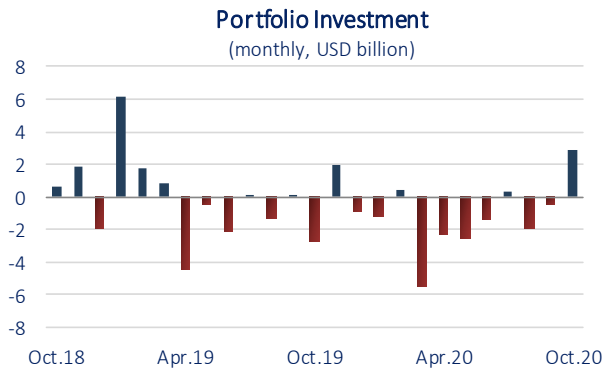


### Strong inflow in portfolio investments...

In October, nonresidents' net direct investments were realized as 303 million USD in Turkey. In this period, among direct investments real estate investments were the only item which recorded capital inflows. The capital outflow in

capital investments item for the first time since 2017 also drew attention.

There was a rise in portfolio investments in October. Portfolio investments, which had a capital outflow of 2.8 billion USD in October 2019, recorded a capital inflow of 2.9 billion USD in the same month of this year. In this period, non-residents continued to make net sales in equity market, while they became buyers in debt securities market. The Ministry of Treasury and Finance's bond issuance abroad (2.5 billion USD) for the first time since February 2020 was effective in this development. Banks and other sectors also borrowed 50 million USD and 650 million USD, respectively, in October.



Other investments recorded a limited capital outflow of 70 million USD in October. In this period, the banks were net debt repayers in both short and long terms, while their commercial loans have increased. On the other hand, in October, deposits of domestic banks at their foreign correspondents decreased by 3.1 billion USD, while foreign banks' deposits at domestic banks increased by 432 million USD. According to 12-month cumulative figures, the long-term debt rollover ratio of the banking sector became 84.6% as of October, while the said ratio became 67.4% in other sectors.

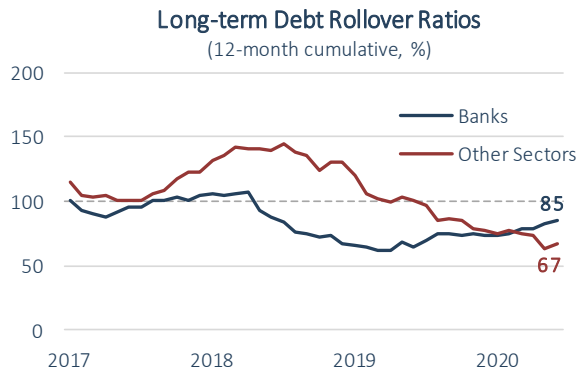
### Net Capital Flows

	12-month Cumulative (million USD)		Share in Financing (%)	
	Dec. 2019	Oct. 2020	Dec. 2019	Oct. 2020
<b>Current Account Balance</b>	<b>6,909</b>	<b>-33,795</b>	<b>51.6</b>	<b>-</b>
<b>Total Net Foreign Capital Flows</b>	<b>5,228</b>	<b>2,714</b>	<b>-</b>	<b>-</b>
-Direct Investment	6,128	4,214	45.7	8.1
-Portfolio Investment	-1,260	-10,876	-	-
-Other Investment	326	9,408	2.4	18.1
-Other	34	-32	0.3	-
<b>Net Errors and Omissions</b>	<b>-5,813</b>	<b>-7,166</b>	<b>-</b>	<b>-</b>
<b>Reserves(1)</b>	<b>-6,324</b>	<b>38,247</b>	<b>-</b>	<b>73.7</b>

Note: The numbers may not addup total due to rounding.

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

Source: Datastream, Turkstat, CBRT



### Reserve assets increased by 4.2 billion USD in October.

The reserve assets which has been decreasing since June increased by 4.2 billion USD in October. Thus, the decline in reserve assets which had been 42.6 billion USD as of January-September 2020, fell to 38.5 billion USD in January-October period. In October, there was a net capital inflow of 1.6 billion USD in net errors and omissions item.

### Expectations...

According to the preliminary foreign trade data released by the Ministry of Trade, exports decreased by 1% yoy and became 16.1 billion USD in November, while imports rose by 16.1% to 21.2 billion USD. Thus, the foreign trade deficit expanded by 155.4%. While the rapid increase on the import side stemmed from high gold imports, the recent restrictive measures taken against the increase in the number of coronavirus cases on a global scale put pressure on exports. Although the vaccines developed against the coronavirus limit the uncertainty regarding the recovery in the global economy to some extent, uncertainty about the process of vaccination continues. The downward revision of the growth expectations for 2021 for the European Union, our largest export market, also indicates that the effects of the pandemic will continue to put pressure on foreign trade in the coming period. On the other hand, considering the improvement in risk perception towards Turkey, depending on the course of relations with the US and the EU, there would be a more positive outlook in the financing side of the current account deficit.

### Balance of Payments

	Oct. 2020	Jan. - Oct. 2019	2020	% Change	12-month Cumulative
<b>Current Account Balance</b>	<b>-273</b>	<b>9,649</b>	<b>-31,055</b>	<b>-</b>	<b>-33,795</b>
Foreign Trade Balance	-1,267	-12,134	-30,626	152.4	-35,243
Services Balance	1,576	31,715	6,586	-79.2	10,399
Travel (net)	1,335	23,060	7,372	-68.0	10,031
Primary Income	-613	-10,519	-7,257	-31.0	-9,552
Secondary Income	31	587	242	-58.8	601
<b>Capital Account</b>	<b>-1</b>	<b>37</b>	<b>-29</b>	<b>-</b>	<b>-32</b>
<b>Financial Account</b>	<b>1,331</b>	<b>5,209</b>	<b>-36,914</b>	<b>-</b>	<b>-40,993</b>
Direct Investment (net)	-27	-5,076	-3,162	-37.7	-4,214
Portfolio Investment (net)	-2,895	2,300	11,916	418.1	10,876
Net Acquisition of Financial Assets	-139	3,675	-434	-	545
Net Incurrence of Liabilities	2,756	1,375	-12,350	-	-10,331
Equity Securities	-146	62	-5,803	-	-5,459
Debt Securities	2,902	1,313	-6,547	-	-4,872
Other Investment (net)	70	1,865	-7,217	-	-9,408
Currency and Deposits	-3,419	-1,114	-16,992	1,425.3	-20,383
Net Acquisition of Financial Assets	-3,301	7,880	-219	-	-277
Net Incurrence of Liabilities	118	8,994	16,773	86.5	20,106
Central Bank	53	506	12,549	2,380.0	14,538
Banks	65	8,488	4,224	-50.2	5,568
Foreign Banks	432	5,286	3,373	-36.2	4,322
Foreign Exchange	857	4,983	-351	-	467
Turkish Lira	-425	303	3,724	1,129.0	3,855
Non-residents	-367	3,202	851	-73.4	1,246
Loans	-189	13,960	7,834	-43.9	11,428
Net Acquisition of Financial Assets	-1,702	179	-1,837	-	-1,648
Net Incurrence of Liabilities	-1,513	-13,781	-9,671	-29.8	-13,076
Banking Sector	-1,995	-11,229	-4,993	-55.5	-5,098
Non-bank Sectors	534	-1,526	-4,148	171.8	-7,554
Trade Credit and Advances	3,679	-10,925	1,941	-	-549
Other Assets and Liabilities	-1	-56	0	-100.0	96
Reserve Assets (net)	4,183	6,120	-38,451	-	-38,247
<b>Net Errors and Omissions</b>	<b>1,605</b>	<b>-4,477</b>	<b>-5,830</b>	<b>30.2</b>	<b>-7,166</b>

Source: Datastream, Ministry of Trade, CBRT

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