

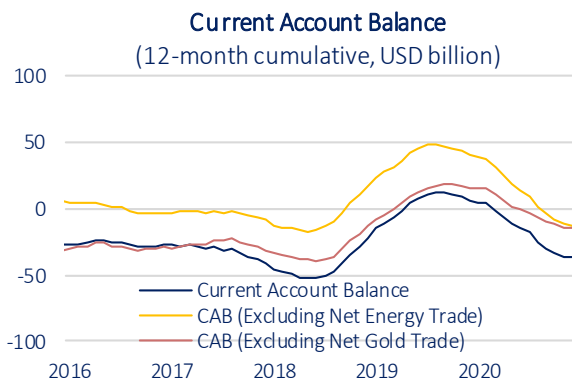


Foreign trade deficit widened by 69.1% in 2020.

According to TURKSTAT data, in December 2020, the export volume increased by 16% yoy to 17.9 billion USD, while the import volume increased by 11.6% yoy to 22.4 billion USD. Thus, in this period, the foreign trade deficit narrowed by 3% yoy and became 4.5 billion USD. In 2020, exports decreased by 6.3% compared to 2019, while imports increased by 4.3%. During this period, the foreign trade deficit rose by 69.1%, while the ratio of exports to imports declined from 86% in 2019 to 77.2% in 2020.

In 2020 current account gave 36.7 billion USD deficit.

The current account balance, which had a deficit of 2.7 billion USD in December 2019, gave a deficit of 3.2 billion USD in the same period of 2020. Thus, the current account balance which posted a surplus of 6.8 billion USD in 2019, gave a deficit of 36.7 billion USD in 2020. Gold imports reaching 25.2 billion USD in 2020 and tourism revenues, which remained weak due to the pandemic, were decisive in this development. Net tourism revenues, which were 25.7 billion USD in 2019, decreased to 9.2 billion USD in 2020. The current account surplus, excluding gold and energy became 9.9 billion USD in 2020.



Foreign direct investments...

In December, 836 million USD net capital inflow was recorded in foreign direct investments item. In this period, direct investments made by non-residents in Turkey became 1.3 billion USD and reached the highest level since November 2018.. 38.4% of that amount stemmed from net real estate investments. In

Net Capital Flows

	12-month Cumulative (million USD)		Breakdown of Net Capital Inflows (%)	
	Dec. 2019	Dec. 2020	Dec. 2019	Dec. 2020
Current Account Balance	6,759	-36,724	51.0	-
Total Net Foreign Capital Flows	-435	4,862	-	-
-Direct Investment	6,323	4,631	47.7	10.2
-Portfolio Investment	-1,447	-5,493	-	-
-Other Investment	140	9,039	1.1	19.9
-Net Errors and Omissions	-5,485	-3,276	-	-
-Other	34	-39	0.3	-
Reserves(1)	-6,324	31,862	-	70.0

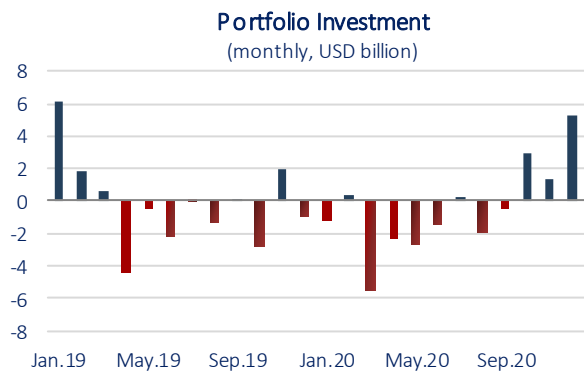
Note: The numbers may not addup total due to rounding.

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

2020, net direct investments decreased by 26.8% compared to the previous year and became 4.6 billion USD. When looking at the distribution of nonresidents' direct investments by sector in Turkey, in 2020 insurance and financial activities as well as information and communication sectors stood out.

Strong capital inflow in portfolio investments in December...

In December, a net capital inflow of 5.2 billion USD was realized in portfolio investments. Thus, the strongest capital inflow has been recorded in portfolio investments since January 2019. On the other hand, non-residents made net sales of 4.3 billion USD and 4.9 billion USD, respectively, in the equity and government securities markets throughout the year. Thus, the total net capital outflow in portfolio investments was 5.5 billion USD in 2020.



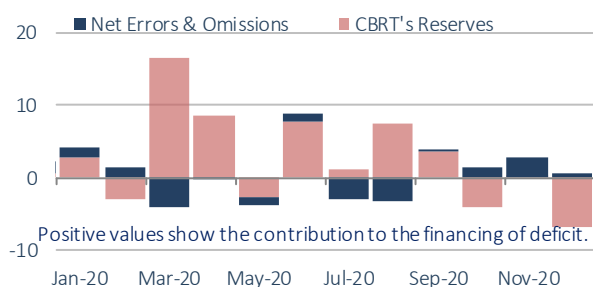
Other investments...

In December, a net capital inflow of 3.2 billion USD was recorded in other investments. During this period, foreign banks' currency and deposit assets in their foreign correspondents decreased by 3.2 billion USD, while a net increase of 425 million USD was realized in the domestic deposits of foreign banks. Banks and other sectors borrowed a total of 1.2 billion USD from abroad in December. According to 12-month cumulative data, the long-term debt rollover ratio was 79.8% in the banking sector and 75.7% in other sectors in December. In the whole of 2020, a total of 9 billion USD net capital inflow was realized in other investments.

Reserves increased by 6.7 billion USD in December.

Reserve assets, which have decreased by 145 million USD in November, increased by 6.7 billion USD in December. Thus, the total decrease in reserve assets in 2020 fell to USD 31.9 billion. In 2020, capital outflow in the net errors and omissions item was 3.3 billion USD.

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

**Expectations...**

With the impact of the pandemic weakening economic activity on a global scale in 2020, exports remained under pressure, while the increase in imports led to a rapid expansion of the foreign trade deficit. In addition, the weak trend in tourism revenue due to the restrictive measures taken in the face of the pandemic was also a determinant in the widening of the current account deficit. On the other hand, the contraction in the foreign trade deficit in the last month of 2020 also continued in the first month of 2021. According to the leading foreign trade data released by the Ministry of Trade, exports increased by 2.5% yoy and reached the highest January export value with USD 15.1 billion. Imports, on the other hand, decreased by 5.6% to 18.1 billion USD. Thus, the foreign trade deficit narrowed by 32% in this period. However, ongoing quarantine practices in the main export markets due to the increase in the number of Covid-19 cases are expected to keep foreign trade and tourism revenues under pressure in the coming months. Depending on the speed and success of countries in the vaccination process, tourism revenues in the second half of the year may ease the pressure on the current account balance.

	(USD million)			
	2019	December 2020	% Change	12-month Cumulative
Current Account Balance	-2,737	-3,210	17.3	-36,724
Foreign Trade Balance	-3,673	-3,344	-9.0	-37,878
Services Balance	1,807	644	-64.4	9,640
Travel (net)	1,112	617	-44.5	9,180
Primary Income	-1,119	-590	-47.3	-8,769
Secondary Income	248	80	-67.7	283
Capital Account	-2	-7	250.0	-39
Financial Account	-988	-2,483	151.3	-40,039
Direct Investments (net)	-704	-836	18.8	-4,631
Portfolio Investments (net)	888	-5,209	-	5,493
Net Acquisition of Financial Assets	1,234	23	-98.1	220
Net Incurrence of Liabilities	346	5,232	1,412.1	-5,273
Equity Securities	89	269	202.2	-4,255
Debt Securities	257	4,963	1,831.1	-1,018
Other Investments (net)	-633	-3,172	401.1	-9,039
Currency and Deposits	-2,202	-3,105	41.0	-19,779
Net Acquisition of Financial Assets	375	-3,188	-	-1,932
Net Incurrence of Liabilities	2,577	-83	-	17,847
Central Bank	1,995	-2	-	12,661
Banks	582	-81	-	5,186
Foreign Banks	333	425	27.6	6,028
Foreign Exchange	227	613	170.0	1,865
Turkish Lira	106	-188	-	4,163
Non-residents	249	-506	-	-842
Loans	3,673	-981	-	8,199
Net Acquisition of Financial Assets	143	311	117.5	-1,281
Net Incurrence of Liabilities	-3,530	1,292	-	-9,480
Banking Sector	-79	559	-	-5,050
Non-bank Sectors	-3,517	604	-	-4,007
Trade Credit and Advances	-2,205	915	-	2,546
Other Assets and Liabilities	101	-1	-	-5
Reserve Assets (net)	-539	6,734	-	-31,862
Net Errors and Omissions	1,751	734	-58.1	-3,276

Source: Datastream, Ministry of Trade, CBRT

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