

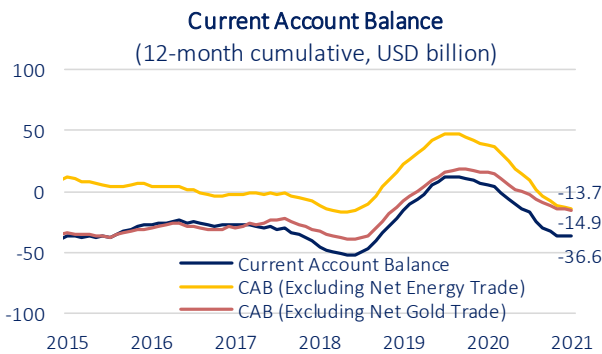


Foreign trade deficit narrowed by 32.8% in January.

According to TURKSTAT, exports increased by 2.3% yoy to 15.1 billion USD in January, while imports decreased by 5.9% yoy to 18.1 billion USD. Thus, foreign trade deficit contracted by 32.8% yoy and became 3 billion USD in January. Import coverage ratio, which was 76.5% in January 2020, rose to 83.2% in the same period of 2021.

The current account balance posted a deficit of 1.9 billion USD in January.

In January, the current account balance posted a deficit of 1.9 billion USD, slightly above market expectations. The market expectation was that the current account deficit would be 1.6 billion USD. Despite the decline in the foreign trade deficit, the annual decrease of 1.1 billion USD in the balance of services due to the loss in tourism and transportation revenues had an effect on the current account deficit. Completing the year 2020 at the level of 36.8 billion USD, the 12-month cumulative current account deficit became 36.6 billion USD in the first month of 2021.

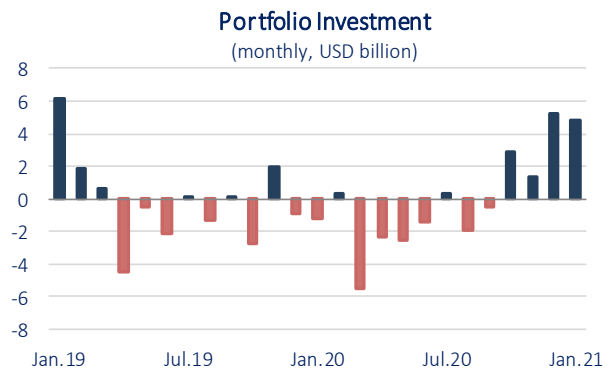


Capital inflows in portfolio investments continued in January.

Nonresidents' direct investments in Turkey were realized as 500 billion USD in January. In this period, real estate investments were at the lowest level of the last six months with 294 million USD, while capital investments became 228 million USD. Real estate and information&communication

sectors stood out in the distribution of direct investments by sectors.

Portfolio investments in Turkey presented a strong outlook in January. Portfolio investments, which had a capital outflow of 1.2 billion USD in January 2020, recorded a capital inflow of 4.8 billion USD in the same month of this year. During this period, non-residents made net sales of 293 million USD in equity market, while they made 924 million USD net purchases in debt securities markets. In January, through bond issues abroad, the Treasury and banks borrowed 3.5 billion USD and 857 million USD, respectively.



In January, a net capital outflow of 3.4 billion USD was realized in the other investments item. In this period, a net increase of 3 billion USD was recorded in the foreign banks' deposits at domestic banks. On the other hand, the deposits of the domestic banks at their foreign correspondents increased by 5.9 billion USD in January and were effective in the net capital outflow. In this period, banks made a net repayment of 291 million USD in loans from abroad, while other sectors made a net loan use of 256 million USD. According to 12-month cumulative figures, as of January, the long-term debt rollover ratio became 81.1% in the banking sector and 77.7% in other sectors.

Reserves increased by 3.6 billion USD in January.

Reserve assets increased by 3.6 billion USD in January. Thus, the rise in reserve assets in last two months exceeded 10

Net Capital Flows

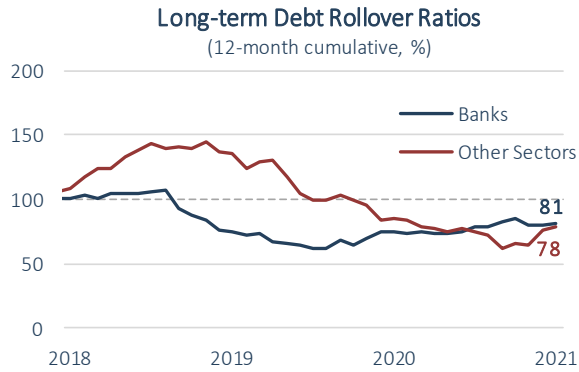
	12-month Cumulative (million USD)		Share in Financing (%)	
	Dec. 2020	Jan. 2021	Dec. 2020	Jan. 2021
Current Account Balance	-36,765	-36,599	-	-
Total Net Foreign Capital Flows	7,958	11,720	-	-
-Direct Investment	4,731	4,096	10.4	11.0
-Portfolio Investment	-5,485	567	-	1.5
-Other Investment	8,751	7,106	19.3	19.1
-Other	-39	-49	-	-
Net Errors and Omissions	-3,055	-479	-	-
Reserves(1)	31,862	25,358	70.3	68.3

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

billion USD, while the decrease in 12-month cumulative reserve assets became 25.4 billion USD as of January. In January, there was a capital inflow of 3.8 billion USD in the net errors and omissions item. The rise in net errors and omissions item for the last five months reached 8.8 billion USD.



Expectations...

According to the preliminary foreign trade data released by the Ministry of Trade, exports rose by 9.6% yoy and became 16 billion USD in February, while imports increased by 9.8% yoy to 19.4 billion USD. In this period foreign trade deficit expanded by 10.7% yoy and became 3.4 billion USD. Despite the strong export performance in the first two months of the year that was supported by the annual increase in the EUR/USD parity, rising oil and other commodity prices are expected to put pressure on the current account deficit.

Balance of Payments	(USD million)			
	2020	January 2021	% Change	12-month Cumulative
Current Account Balance	-2,033	-1,867	-8.2	-36,599
Foreign Trade Balance	-3,317	-1,913	-42.3	-36,430
Services Balance	1,573	455	-71.1	8,384
Travel (net)	1,226	487	-60.3	8,441
Primary Income	-383	-472	23.2	-8,773
Secondary Income	94	63	-33.0	220
Capital Account	-8	-18	125.0	-49
Financial Account	-794	1,938	-	-37,127
Direct Investments (net)	-829	-194	-76.6	-4,096
Portfolio Investments (net)	1,222	-4,830	-	-567
Net Acquisition of Financial Assets	580	172	-70.3	-159
Net Incurrence of Liabilities	-642	5,002	-	408
Equity Securities	-333	-293	-12.0	-4,215
Debt Securities	-309	5,295	-	4,623
Other Investments (net)	1,747	3,392	94.2	-7,106
Currency and Deposits	-47	1,554	-	-18,162
Net Acquisition of Financial Assets	2,493	5,848	134.6	1,439
Net Incurrence of Liabilities	2,540	4,294	69.1	19,601
Central Bank	1	1,377	137,600.0	14,037
Banks	2,539	2,917	14.9	5,564
Foreign Banks	2,193	3,010	37.3	6,845
Foreign Exchange	644	1,478	129.5	2,699
Turkish Lira	1,549	1,532	-1.1	4,146
Non-residents	346	-93	-	-1,281
Loans	1,869	137	-92.7	6,462
Net Acquisition of Financial Assets	6	66	1,000.0	-1,221
Net Incurrence of Liabilities	-1,863	-71	-96.2	-7,683
Banking Sector	-1,502	-291	-80.6	-3,839
Non-bank Sectors	-365	256	-	-3,389
Trade Credit and Advances	-80	1,702	-	4,605
Other Assets and Liabilities	5	-1	-	-11
Reserve Assets (net)	-2,934	3,570	-	-25,358
Net Errors and Omissions	1,247	3,823	206.6	-479

Source: Datastream, Ministry of Trade, CBRT

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