

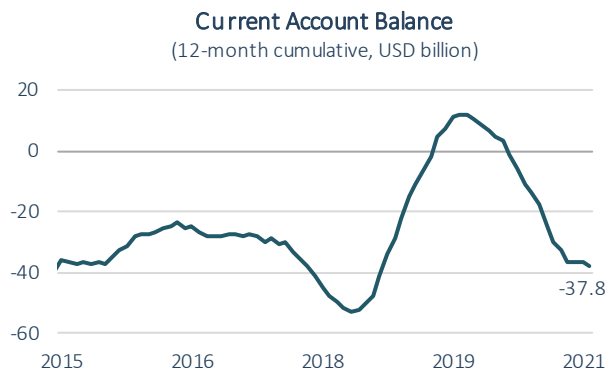


### Foreign trade deficit widened by 8.7% in February.

According to TURKSTAT data, the export volume increased by 9.6% yoy and became 16 billion USD in February, while the import volume rose by 9.4% yoy to 19.3 billion USD. Hence, in this period, the foreign trade deficit widened by 8.7% yoy and became 3.3 billion USD. In the January-February period, foreign trade deficit decreased by 15.9% compared to the same period of 2020 to 6.4 billion USD, and the ratio of exports to imports increased from 79.5% to 83%.

### The current account balance gave a deficit of 2.6 billion USD in February.

The current account balance, which had a deficit of 1.4 billion USD in February 2020, gave a deficit of 2.6 billion USD in the same period of 2021. Thus, the deficit in the current account balance became 4.4 billion USD in the first two months of this year. In February, the balance of payments defined foreign trade deficit increased by 122 million USD compared to the same month of last year and became 2.1 billion USD. While inflows from services balance decreased by 984 million USD (66.6%) to 494 million USD, the total loss of 1.1 billion USD in net transportation and net travel revenues due to the pandemic was decisive in this development. The 12-month cumulative current account deficit stood at 37.8 billion USD as of February.



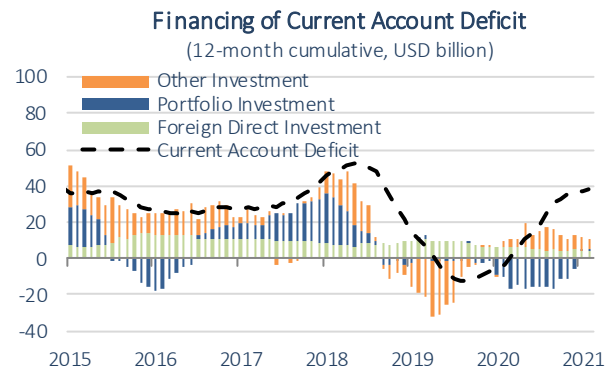
### Increase in direct investments in February...

The capital inflow in net direct investments item, which was 218 million USD in January, became 714 million USD in

February. During this period, capital investments increased by 257 million USD compared to the previous month and reached 482 million USD, while real estate investments increased to 466 million USD with a rise of 158 million USD. According to the distribution of nonresidents' direct investment by sector in Turkey, the investments in the manufacture of transport equipment and information and communication sectors stood out in February. South Korea and the Netherlands took the lead in direct investments. On the other hand, net direct investments, which were 1.2 billion USD in the January-February period of 2020, declined to 932 million USD in the same period of 2021.

### Portfolio investments lost momentum in February.

Net capital inflows in portfolio investments, which were 4.8 billion USD due to the massive eurobond issuance made by the Government in January, decreased significantly in February to 273 million USD. In terms of sub-items, non-residents made net sales of 486 million USD in the stock market and 546 million USD in the government securities market in this period. In February, banks made a net repayment of 439 million USD for the bonds they issued abroad.



In February, a net capital inflow of 666 million USD was recorded in the other investments item. During this period, domestic banks' currency and deposit assets at their foreign correspondents decreased by 1.4 billion USD, while a net increase of 70 million USD was realized in the domestic

### Net Capital Inflows

	12-month Cumulative (million USD)		Share in Financing (%)	
	Dec. 2020	Feb. 2021	Dec. 2020	Feb. 2021
<b>Current Account Balance</b>	<b>-36,770</b>	<b>-37,786</b>	-	-
<b>Total Net Foreign Capital Inflows</b>	<b>7,851</b>	<b>10,536</b>	-	-
-Direct Investment	4,640	4,367	10.3	11.5
-Portfolio Inflows	-5,485	516	-	1.4
-Other Investments	8,735	5,701	19.3	15.0
-Other	-39	-48	-	-
<b>Net Errors and Omissions</b>	<b>-2,943</b>	<b>-183</b>	-	-
<b>Reserves(1)</b>	<b>31,862</b>	<b>27,433</b>	<b>70.4</b>	<b>72.2</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

deposits of foreign banks. Banks and the Government made a net repayment of 534 million USD and 141 million USD, respectively, and other sectors made a net use of 179 million USD in their loans from abroad. As of February, the long-term debt rollover ratio was 81.4% in the banking sector and 80.9% in other sectors.

#### Reserve assets increased by 925 million USD in February.

Reserve assets, which rose rapidly by 3.6 billion USD in January, increased by 925 million USD in February as well. Thus, according to 12-month cumulative data, the decrease in reserve assets became 27.4 billion USD. The capital inflow in the net errors and omissions item was realized as 1.9

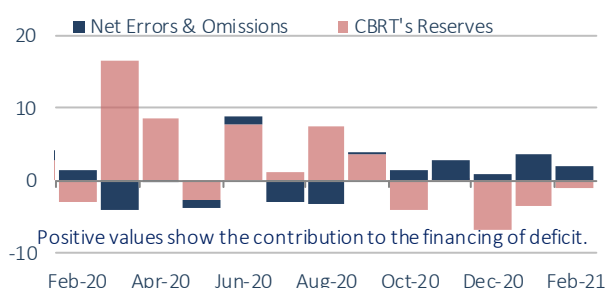
billion USD in February, and it exceeded 5.4 billion USD in the first two months of the year.

#### Expectations...

According to leading foreign trade data released by the Ministry of Commerce, export volume expanded by 42.2% yoy in March, reaching an all-time high monthly value of 19 billion USD. Import volume in March was 23.7 billion USD with an annual increase of 25.8%. Hence, in this period, foreign trade deficit decreased by 14.2% to 4.7 billion USD. In addition to the brisk course in the manufacturing sectors of Turkey's export markets, the strong performance in exports continues due to the annual rise in the EUR/USD parity and the recent depreciation in TRY. On the other hand, increasing logistics costs and the ongoing rise in commodity prices are expected to continue to put pressure on the current account deficit. In addition, considering the impact of the recent rapid increase in the number of coronavirus cases in Turkey, travel decisions to be taken by countries that send visitors to Turkey, will be decisive on the outlook of the tourism sector.

#### CBRT Reserves and Net Errors and Omissions

(monthly, USD billion)



#### Balance of Payments

(USD million)

	Feb. 2021	Jan. - Feb. 2020	2021	% Change	12-month Cumulative
<b>Current Account Balance</b>	<b>-2,610</b>	<b>-3,409</b>	<b>-4,425</b>	<b>29.8</b>	<b>-37,786</b>
Foreign Trade Balance	-2,065	-5,260	-3,995	-24.0	-36,584
Services Balance	494	3,051	1,006	-67.0	7,460
Travel (net)	393	2,180	880	-59.6	7,880
Primary Income	-1,171	-1,164	-1,643	41.2	-9,164
Secondary Income	132	-36	207	-	502
<b>Capital Account</b>	<b>-1</b>	<b>-10</b>	<b>-19</b>	<b>90.0</b>	<b>-48</b>
<b>Financial Account</b>	<b>-728</b>	<b>-763</b>	<b>972</b>	<b>-</b>	<b>-38,017</b>
Direct Investment (net)	-714	-1,205	-932	-22.7	-4,367
Portfolio Investment (net)	-273	898	-5,103	-	-516
Net Acquisition of Financial Assets	-623	1,214	-451	-	-1,416
Net Incurrence of Liabilities	-350	316	4,652	1,372.2	-900
Equity Securities	-486	-1,020	-779	-23.6	-4,014
Debt Securities	136	1,336	5,431	306.5	3,114
Other Investment (net)	-666	-522	2,512	-	-5,701
Currency and Deposits	-1,745	-4,105	-190	-95.4	-15,848
Net Acquisition of Financial Assets	-1,429	-352	4,419	-	2,855
Net Incurrence of Liabilities	316	3,753	4,609	22.8	18,703
Central Bank	0	-3	1,377	-	14,041
Banks	316	3,756	3,232	-14.0	4,662
Foreign Banks	70	3,179	3,080	-3.1	5,929
Foreign Exchange	-31	1,069	1,447	35.4	2,243
Turkish Lira	101	2,110	1,633	-22.6	3,686
Non-residents	246	577	152	-73.7	-1,267
Loans	805	2,531	723	-71.4	6,444
Net Acquisition of Financial Assets	309	-118	375	-	-788
Net Incurrence of Liabilities	-496	-2,649	-348	-86.9	-7,232
Banking Sector	-534	-1,800	-606	-66.3	-3,879
Non-bank Sectors	179	-887	435	-	-2,725
Trade Credit and Advances	272	1,055	1,978	87.5	3,704
Other Assets and Liabilities	2	-3	1	-	-1
Reserve Assets (net)	925	66	4,495	6,710.6	-27,433
<b>Net Errors and Omissions</b>	<b>1,883</b>	<b>2,656</b>	<b>5,416</b>	<b>103.9</b>	<b>-183</b>

Source: Datastream, Ministry of Trade, CBRT

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