



### Foreign trade deficit narrowed by 32.4% yoy in August.

According to TURKSTAT, the export volume expanded rapidly by 51.9% yoy and became 18.9 billion USD, while the import volume rose by 23.6% yoy to 23.2 billion USD in August. Hence, the foreign trade deficit narrowed by 32.4% yoy and became 4.3 billion USD. In the first eight months of the year foreign trade deficit declined by 9.8% yoy to 29.8 billion USD. The import coverage ratio which was 75.6% in January-August 2020 rose to 82.5% in the same period of this year.

### International services trade statistics have been revised.

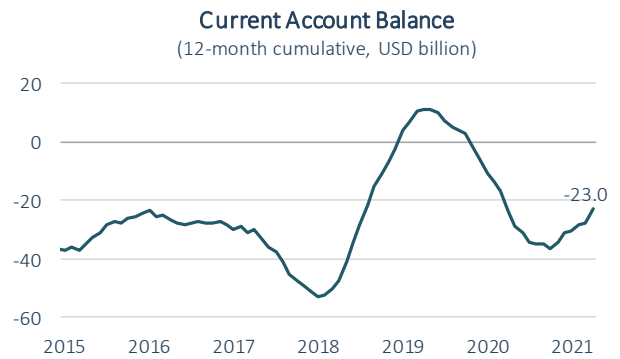
Balance of Payments Statistics was revised within the framework of the "International Services Trade Statistics 2020" bulletin published by TURKSTAT on September 28. With the revision, the services balance surplus for 2020 increased by 2.4 billion USD and became 11.5 billion USD. In this development, the increases in the transportation sub-item freight (1.7 billion USD), insurance and pension services (489 million USD) and financial services (376 million USD) net incomes stood out. On the other hand, net revenues from telecommunications, computer and information services were revised down by 838 million USD.

### Current account balance posted a surplus of 528 million USD in August.

The current account balance, which gave a deficit of 4.1 billion USD in August 2020, posted a surplus of 528 million USD in the same period of this year. Thus, the current account balance posted a monthly surplus for the first time since October 2020. The rise in net transportation revenue continued to support the improvement of the current account balance. In addition, the decrease in the balance of payments defined foreign trade deficit by 2.6 billion USD yoy to 2.8 billion USD thanks to the decline in net gold imports by 3.6 billion USD on an annual basis, also supported the current account balance.

In the January-August period, the current account deficit narrowed by 46% yoy and became 14 billion USD. In this period, foreign trade deficit decreased by 25% yoy, while net tourism revenues doubled compared to the same period of

last year and reached 9.6 billion USD. The 12-month cumulative current account deficit continued its downward trend since March and declined to 23 billion USD in August, the lowest level of more than a year.



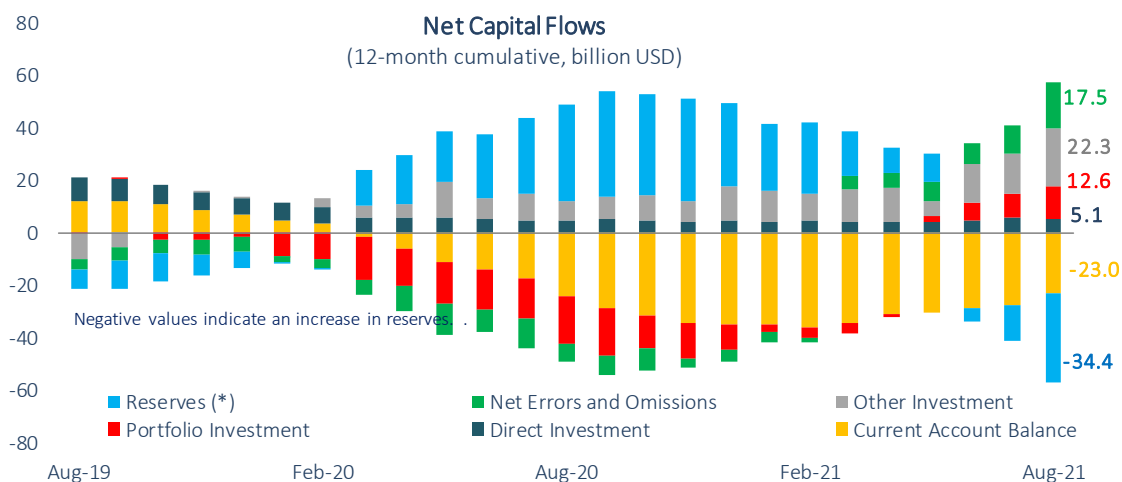
### Capital outflow in direct investments...

In August, net direct investments had a capital outflow (319 million USD) for the first time since October 2020. The monthly increase in net asset acquisition by 1.2 billion USD due to the capital transfers of domestic companies to their foreign subsidiaries was behind this development. In this period, domestic capital investments of non-residents amounted to 264 million USD and real estate investments amounted to 724 million USD. Net direct investments were realized as 3.4 billion USD in the January-August period and 5.1 billion USD according to 12-month cumulative figures as of August.

### Other investments rose rapidly in August.

Portfolio investments, which recorded a net capital inflow of 1.9 billion USD in July, posted an inflow of 1.3 billion USD in August. Non-residents made net purchases of 336 million USD in the GDDS market and 523 million USD in the equity market.

IMF made a general Special Drawing Rights (SDR) allocation to all IMF members in proportion to their existing quotas in the Fund. Accordingly, withdrawal of 4.5 billion SDR equivalent to 6.3 billion USD was instrumental in the rapid

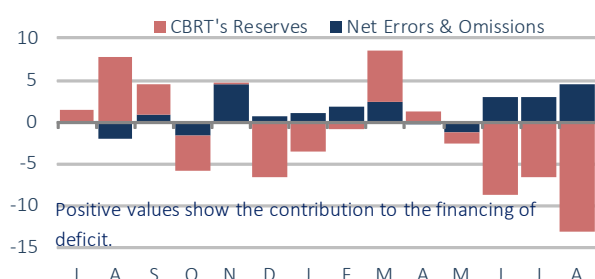


Source: Datastream, Turkstat, CBRT

rise of the other investments. In this period, net capital inflow in other investments was 7.3 billion USD, the highest level since May 2020. In August, the effective and deposit assets of domestic banks in their foreign correspondents decreased by 318 million USD, while the domestic deposits of foreign banks increased by 1.5 billion USD. While banks and the General Government made long-term loan repayments of 555 and 57 million USD, respectively in August; other sectors used a net long-term loan of 953 million USD. According to the 12-month cumulative data, the long-term debt rollover ratio was realized as 89% in the banking sector and 120% in other sectors.

### CBRT Reserves and Net Errors and Omissions

(monthly, USD billion)



### Reserve assets increased by 13,2 billion USD in August.

Rising by 13.2 billion USD in August, reserve assets recorded the fastest monthly increase since data began to be released in 1992. Thus, according to 12-month cumulative data, the rise in reserve assets reached 34.4 billion USD. The capital inflow in the net errors and omissions item were recorded as 4.5 billion USD in August and 13.5 billion USD in January-August period.

### Expectations...

According to the provisional foreign trade data released by the Ministry of Commerce, the export volume, which increased by 30% yoy in September, exceeded the 20 billion USD threshold for the first time on a monthly basis, reaching 20.8 billion USD. In this period, import volume rose by 12% yoy to 23.4 billion USD. Thus, the foreign trade deficit narrowed by 46.4% yoy to and became 2.6 billion USD in September. We think that the downward trend in the foreign trade deficit thanks to the positive performance in exports, as well as the increase in tourism and transportation revenues, supported the current account balance in September as well. On the other hand, the ongoing rises in global commodity prices, especially oil, stand out as risk factors that will put pressure on the current account balance in the coming period.

### Balance of Payments

(USD million)

	Aug. 2021	Jan. - 2020	Aug. 2021	% Change	12-month Cumulative
<b>Current Account Balance</b>	<b>528</b>	<b>-25,977</b>	<b>-13,992</b>	<b>-46.1</b>	<b>-23,033</b>
Foreign Trade Balance	-2,757	-25,597	-19,158	-25.2	-31,424
Services Balance	4,076	6,059	12,542	107.0	18,021
Travel (net)	3,397	4,482	9,602	114.2	14,300
Primary Income	-850	-6,264	-8,103	29.4	-10,651
Secondary Income	59	-175	727	-	1,021
<b>Capital Account</b>	<b>-22</b>	<b>-27</b>	<b>-60</b>	<b>122.2</b>	<b>-69</b>
<b>Financial Account</b>	<b>4,956</b>	<b>-34,766</b>	<b>-553</b>	<b>-98.4</b>	<b>-5,650</b>
Direct Investment (net)	319	-3,033	-3,433	13.2	-5,099
Portfolio Investment (net)	-1,339	16,973	-5,224	-	-12,632
Net Acquisition of Financial Assets	285	1,551	-80	-	1,271
Net Incurrence of Liabilities	1,624	-15,422	5,144	-	13,903
Equity Securities	523	-5,444	-1,378	-74.7	-189
Debt Securities	1,101	-9,978	6,522	-	14,092
Other Investment (net)	-7,271	-9,703	-19,107	96.9	-22,271
Currency and Deposits	-1,772	-14,490	-9,258	-36.1	-13,650
Net Acquisition of Financial Assets	-429	2,870	3,372	17.5	-533
Net Incurrence of Liabilities	1,343	17,360	12,630	-27.2	13,117
Central Bank	70	12,154	4,769	-60.8	5,276
Banks	1,273	5,206	7,861	51.0	7,841
Foreign Banks	1,500	3,893	6,559	68.5	8,694
Foreign Exchange	798	-692	4,720	-	7,277
Turkish Lira	702	4,585	1,839	-59.9	1,417
Non-residents	-227	1,313	1,302	-0.8	-853
Loans	292	5,626	-597	-	-2,273
Net Acquisition of Financial Assets	156	-1,240	2,040	-	899
Net Incurrence of Liabilities	-136	-6,866	2,637	-	3,172
Banking Sector	-838	-1,930	-1,729	-10.4	-1,627
Non-bank Sectors	759	-4,512	4,446	-	4,868
Trade Credit and Advances	549	-824	-2,899	251.8	-8
Other Assets and Liabilities	-2	-15	-15	0.0	-2
Special drawing rights (Net incur. of lia)	6,338	0	6,338.0	-	6,338
Reserve Assets (net)	13,247	-39,003	27,211	-	34,352
<b>Net Errors and Omissions</b>	<b>4,450</b>	<b>-8,762</b>	<b>13,499</b>	<b>-</b>	<b>17,452</b>

Source: Datastream, Ministry of Trade, CBRT

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