

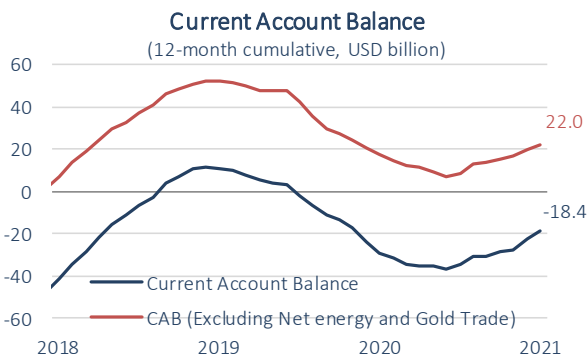


### Foreign trade deficit narrowed by 47.5% in September.

According to TurkStat data, in September, exports increased by 30% yoy and reached its highest-ever monthly figure with 20.8 billion USD, while imports increased by 11.9% yoy to 23.3 billion USD. Thus, in September, the foreign trade deficit narrowed by 47.5% yoy and amounted to 2.5 billion USD. In the first 9 months of the year, the foreign trade deficit decreased by 14.6% compared to the same period of last year to 32.4 billion USD. The ratio of exports to imports, which was 75.8% in the January-September 2020 period, rose to 83.3% in the same period of this year.

### In September, current account posted a surplus of 1.7 billion USD.

Current account, which had a deficit of 2.3 billion USD in September 2020, posted a surplus of 1.7 billion USD in the same month of this year. The narrowing in the foreign trade deficit thanks to the positive performance in exports and the 1.9 billion USD yoy increase in net services revenues due to the rise in transportation and tourism revenues were behind this development. Net travel revenues, which were approximately 3 billion USD in September, widened by 120% yoy and reached 13.3 billion USD in the January-September period.



In the first 9 months of the year, current account deficit narrowed by 58.5% yoy to 11.7 billion USD. 12-month

cumulative current account deficit fell to 18.4 billion USD in September, and reached the lowest level in more than a year. Excluding net energy and gold imports, the 12-month current account balance gave a surplus of 22 billion USD as of September.

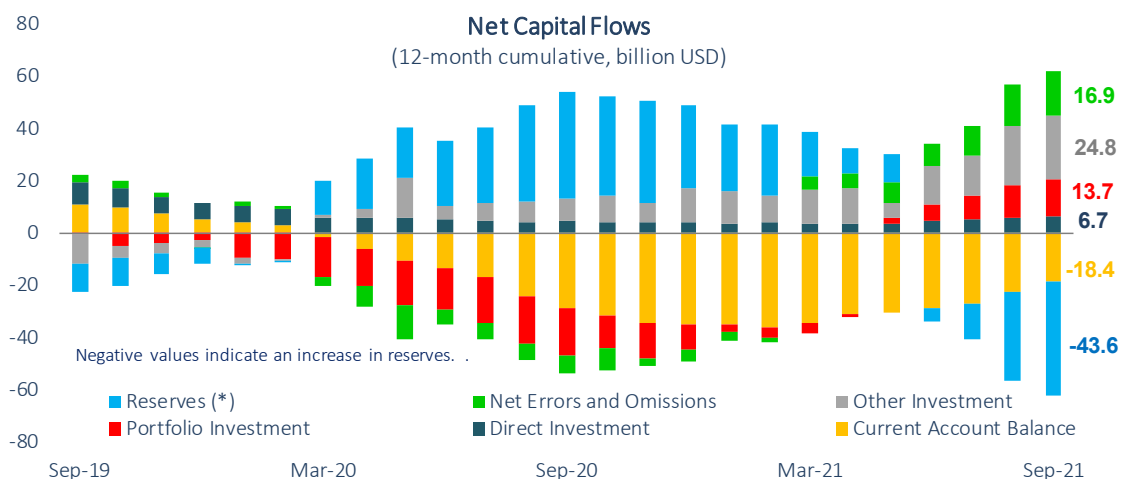
### Direct investments posted a net capital inflow of 1.1 billion USD.

Direct investments item recorded a net capital inflow of 1.1 billion USD in September. In addition, the data pointing to a net capital outflow of 319 million USD in August in the previous data release in the net direct investments item was revised as a capital inflow of 1.1 billion USD. Similar to the previous months, the real estate investments were highlighted in the foreign direct investments in September. In January-September period, real estate investments accounted for 4.1 billion USD (72.4%) of the total 5.6 billion USD foreign direct investments. Accordingly, 12-month cumulative net direct investments continued to display an upward trend and became 6.7 billion USD.

### Other investments posted a capital outflow.

Portfolio investments which recorded a net inflow of 1.3 billion USD in August, posted a net inflow of 1.2 billion USD in September. In this period, non-residents made net purchases of 62 million USD in equity market and net sales of 189 million USD in GDDS market. The rise in portfolio investments was mainly driven by the General Government's net borrowing of 2.25 billion USD from international capital markets.

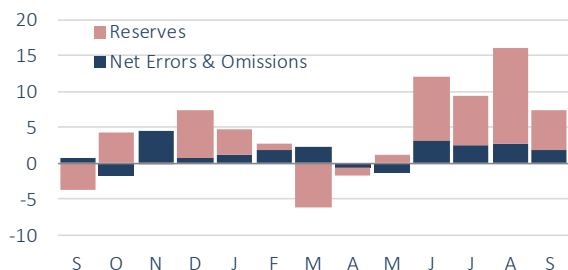
Other investments item, which recorded a net inflow of 7.4 billion USD in August with the effect of the IMF's SDR payments to member countries, posted a net outflow of 122 million USD in September, for the first time since January. In this period, currency and deposits of domestic banks at their foreign correspondents declined by 760 million USD, while foreign banks' deposits at domestic banks decreased by 373 million USD. In September, banks and the general government made net loan repayments of 745 million USD and 131 million USD, respectively. In the same period, other



Source: Datastream, Turkstat, CBRT

sectors used net loans of 540 million USD. Thus, according to 12-month cumulative figures, long-term debt roll-over ratios decreased to 87% in banking sector, but became 127% in other sectors reaching the highest level since April 2019.

**Reserves and Net Errors & Omissions**  
(monthly, USD billion)



### Reserve assets increased by 5.6 billion USD.

While reserve assets increased by 5.6 billion USD in September, the rise in reserves reached 32.8 billion USD in the January-September period. Net errors and omissions item recorded a capital inflow of 1.8 billion USD in September. Thus, net errors and omissions posted a capital inflow of 13.5 billion USD in the first 9 months of 2021. In the same period of 2020, there was a capital outflow of 7.8 billion USD in the said item.

### Expectations...

According to the preliminary foreign trade data released by the Ministry of Commerce, the export volume, which increased by 20.2% yoy in October, continued to hover at the historical high levels after September, at 20.8 billion USD. In this period, import volume also rose by 13% to 22.3 billion USD. Following the high level of gold imports last year, we see that the total import volume is increasing more moderately this year with the effect of the regulation made in the first months of the year, and this leads the foreign trade deficit to narrow. In addition to this development, we anticipate that the recovery in tourism and transportation revenues will have a positive impact on the balance of payments, while the rise in global commodity prices will continue to pose an upside risk to the current account deficit in the coming period. In this context, we estimate that the current account deficit to GDP ratio, which was 4.9% at the end of 2020, will converge to the 2.6% projection in the Medium-Term Program for the year-end of 2021.

### Balance of Payments

|                                     | Sep. 2021    | Jan. - Sep. 2020 | Jan. - Sep. 2021 | % Change     | 12-month Cumulative |
|-------------------------------------|--------------|------------------|------------------|--------------|---------------------|
| <b>Current Account Balance</b>      | <b>1,652</b> | <b>-28,313</b>   | <b>-11,738</b>   | <b>-58.5</b> | <b>-18,444</b>      |
| Foreign Trade Balance               | -1,023       | -29,350          | -20,312          | -30.8        | -28,825             |
| Services Balance                    | 3,674        | 7,808            | 16,918           | 116.7        | 20,648              |
| Travel (net)                        | 2,983        | 6,037            | 13,282           | 120.0        | 16,425              |
| Primary Income                      | -1,037       | -6,793           | -9,140           | 34.6         | -11,160             |
| Secondary Income                    | 38           | 22               | 796              | 3,518.2      | 893                 |
| <b>Capital Account</b>              | <b>-2</b>    | <b>-25</b>       | <b>-62</b>       | <b>148.0</b> | <b>-73</b>          |
| <b>Financial Account</b>            | <b>3,406</b> | <b>-36,164</b>   | <b>1,716</b>     | <b>-</b>     | <b>-1,657</b>       |
| Direct Investment (net)             | -1,086       | -3,187           | -5,600           | 75.7         | -6,730              |
| Portfolio Investment (net)          | -1,219       | 16,795           | -6,443           | -            | -13,673             |
| Net Acquisition of Financial Assets | 535          | 1,669            | 455              | -72.7        | 1,688               |
| Net Incurrence of Liabilities       | 1,754        | -15,126          | 6,898            | -            | 15,361              |
| Equity Securities                   | 62           | -5,657           | -1,316           | -76.7        | 86                  |
| Debt Securities                     | 1,692        | -9,469           | 8,214            | -            | 15,275              |
| Other Investment (net)              | 122          | -7,138           | -19,041          | 166.8        | -24,826             |
| Currency and Deposits               | -714         | -13,079          | -9,936           | -24.0        | -15,739             |
| Net Acquisition of Financial Assets | -794         | 3,576            | 2,614            | -26.9        | -1,997              |
| Net Incurrence of Liabilities       | -80          | 16,655           | 12,550           | -24.6        | 13,742              |
| Central Bank                        | -8           | 12,496           | 4,761            | -61.9        | 4,926               |
| Banks                               | -72          | 4,159            | 7,789            | 87.3         | 8,816               |
| Foreign Banks                       | -373         | 2,941            | 6,186            | 110.3        | 9,273               |
| Foreign Exchange                    | 392          | -1,208           | 5,112            | -            | 8,185               |
| Turkish Lira                        | -765         | 4,149            | 1,074            | -74.1        | 1,088               |
| Non-residents                       | 301          | 1,218            | 1,603            | 31.6         | -457                |
| Loans                               | 415          | 6,159            | -258             | -            | -2,523              |
| Net Acquisition of Financial Assets | 79           | -771             | 2,109            | -            | 499                 |
| Net Incurrence of Liabilities       | -336         | -6,930           | 2,367            | -            | 3,022               |
| Banking Sector                      | -745         | -1,515           | -2,457           | 62.2         | -2,734              |
| Non-bank Sectors                    | 540          | -4,944           | 4,995            | -            | 5,869               |
| Trade Credit and Advances           | 404          | -220             | -2,511           | 1,041.4      | -224                |
| Other Assets and Liabilities        | 17           | 2                | 2                | 0.0          | -2                  |
| Reserve Assets (net)                | 5,589        | -42,634          | 32,800           | -            | 43,572              |
| <b>Net Errors and Omissions</b>     | <b>1,756</b> | <b>-7,826</b>    | <b>13,516</b>    | <b>-</b>     | <b>16,860</b>       |

Source: Datastream, Ministry of Trade, CBRT

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