



Foreign trade deficit narrowed by 40.1% yoy in October.

According to Turkstat data, in October, exports increased by 20.1% yoy to 20.8 billion USD, and imports expanded by 12.8% yoy to 22.2 billion USD. Hence, in this period, foreign trade deficit continued to narrow and decreased by 40.1% yoy to 1.4 billion USD. In the January-October period, the foreign trade deficit decreased by 15.9% compared to the same period of last year to 33.9 billion USD. The ratio of exports to imports rose from 77.1% in January-October 2020 to 84.3% in the same period of this year.

Current account balance posted a surplus of 3.2 billion USD in October.

The current account balance, which gave a deficit of 93 million USD in October 2020, posted a surplus of 3.2 billion USD in the same period of this year. Thus, the monthly current account surplus reached its highest level since October 2018. Increases in travel and transportation revenues continued to support the current account balance outlook in October. In addition, the balance of payments defined foreign trade balance, which gave a deficit of 1.3 billion USD in October 2020, backed the current account balance by giving a surplus of 146 million USD in October 2021, thanks to the annual decrease of 1.7 billion USD in net gold imports.

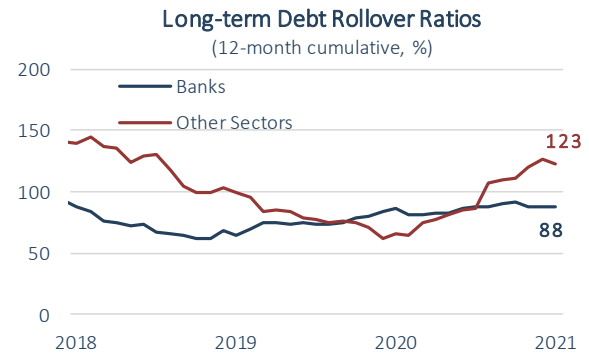
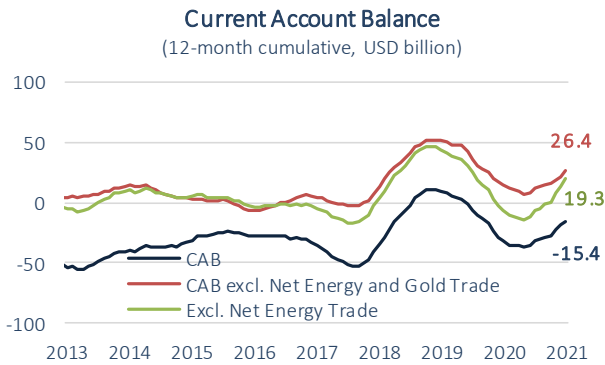
trade deficit, as well as the increase in net tourism revenues by 111% yoy to 16.3 billion USD were effective in this development. The 12-month cumulative current account deficit continued its downward trend since March and declined to 15.4 billion USD in October, the lowest level of the last 16 months.

Limited capital inflows were recorded in direct investments.

In October, direct investments recorded a net capital inflow of 337 million USD, the lowest level since May 2021. Likewise throughout the year, most of the direct investments were real estate investments in October. In January-October period, real estate investments accounted for 4.6 billion USD (78%) of the total 5.9 billion USD foreign direct investments. As of October 2021, 12-month cumulative net direct investments became 7.1 billion USD, the highest level of the last 2 years.

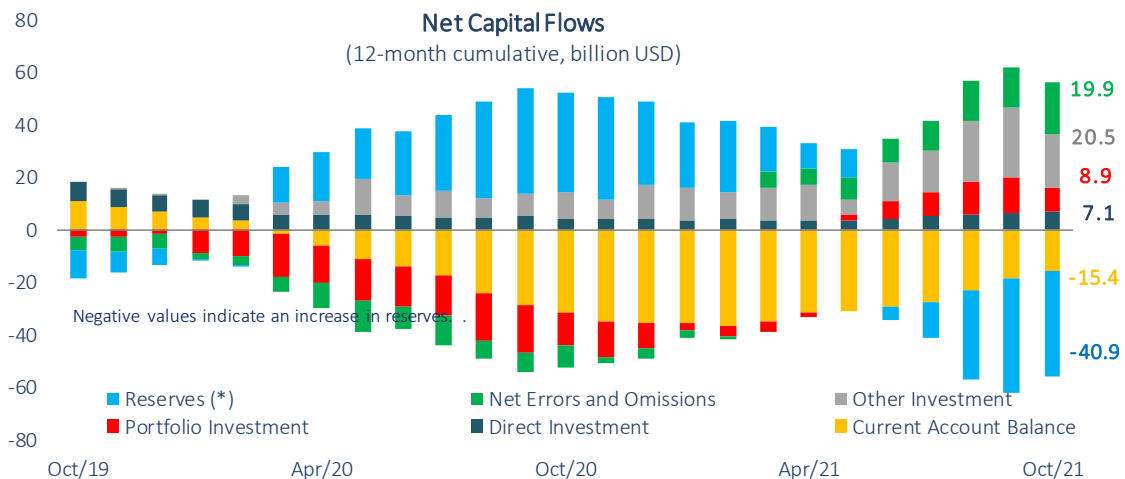
Rapid decline in other investments...

Portfolio investments recorded a net outflow of 2.2 billion USD in October. During this period, non-residents made net sales of 55 million USD and 400 million USD in equity and GDDS market, respectively. In addition, the 1.2 billion USD repayment made by banks for their bond issuances abroad was also behind the capital outflow recorded in the portfolio investments.



In the January-October period, the current account deficit narrowed by 71% yoy and became 8.4 billion USD. The 33% annual decrease in the balance of payments defined foreign

investments in October. In this period, currency and deposits of domestic banks at their foreign correspondents declined by



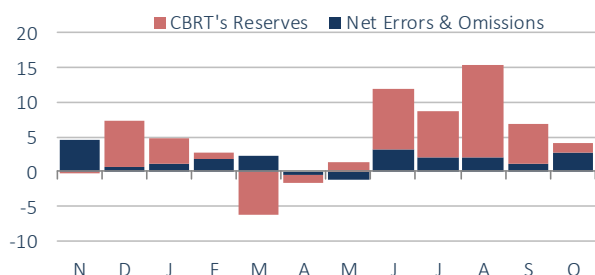
Source: Datastream, Turkstat, CBRT

806 million USD, while foreign banks' deposits at domestic banks increased by 1.4 billion USD. On the other hand, domestic deposit accounts of non-residents recorded the fastest decline since July 2012 by 1.25 billion USD, and affected other investments negatively. In October, banks, the general government and other sectors made net loan repayments of 575 million USD, 61 million USD and 328 million USD, respectively. Thus, according to 12-month cumulative figures, the long-term debt rollover ratio was realized as 88% in the banking sector and 123% in other sectors.

Reserve assets increased by 1.5 billion USD in October.

CBRT Reserves and Net Errors and Omissions

(monthly, USD billion)



Reserve assets expanded by 1.5 billion USD in October, lowest monthly increase since May. According to the 12-month cumulative data, the increase in reserve assets became 40.9 billion USD. Net errors and omissions recorded a capital inflow of 2.7 billion USD in October. Total inflow in this item reached 14.7 billion USD as of the first ten months of the year.

Expectations...

According to the preliminary foreign trade data released by the Ministry of Commerce, the export volume, which increased by 33.4% yoy in November, reached the historical high level at 21.5 billion USD. In this period import volume rose by 26.7% yoy to 26.8 billion USD, while foreign trade deficit increased by 5.4% yoy to 5.3 billion USD. Despite the end of the summer season, the ongoing activity in the tourism sector in November also supported the current account balance. On the other hand, the effects of possible disruptions in economic activity due to the rapid depreciation of the Turkish lira in the recent period and the omicron variant that emerged at the end of November on the current account balance will be closely monitored in the coming period.

Balance of Payments

(USD million)

	Oct. 2021	Jan. - Oct. 2020	2021	% Change	12-month Cumulative
Current Account Balance	3,156	-28,601	-8,426	-70.5	-15,425
Foreign Trade Balance	146	-30,639	-20,411	-33.4	-27,635
Services Balance	3,863	9,828	21,183	115.5	22,893
Travel (net)	3,025	7,726	16,307	111.1	17,761
Primary Income	-985	-7,783	-10,125	30.1	-11,736
Secondary Income	132	-7	927	-	1,053
Capital Account	-1	-26	-63	142.3	-73
Financial Account	5,807	-37,758	6,199	-	4,422
Direct Investment (net)	-337	-3,136	-5,884	87.6	-7,063
Portfolio Investment (net)	2,220	14,251	-4,216	-	-8,910
Net Acquisition of Financial Assets	509	2,112	971	-54.0	1,753
Net Incurrence of Liabilities	-1,711	-12,139	5,187	-	10,663
Equity Securities	-55	-5,803	-1,371	-76.4	177
Debt Securities	-1,656	-6,336	6,558	-	10,486
Other Investment (net)	2,444	-10,422	-17,981	72.5	-20,474
Currency and Deposits	-836	-16,130	-10,772	-33.2	-13,523
Net Acquisition of Financial Assets	-695	641	1,919	199.4	243
Net Incurrence of Liabilities	141	16,771	12,691	-24.3	13,766
Central Bank	-6	12,549	4,755	-62.1	4,867
Banks	147	4,222	7,936	88.0	8,899
Foreign Banks	1,399	3,373	7,585	124.9	10,240
Foreign Exchange	708	-351	5,820	-	8,036
Turkish Lira	691	3,724	1,765	-52.6	2,204
Non-residents	-1,252	849	351	-58.7	-1,341
Loans	987	5,487	720	-86.9	-866
Net Acquisition of Financial Assets	23	-2,853	2,132	-	2,604
Net Incurrence of Liabilities	-964	-8,340	1,412	-	3,470
Banking Sector	-575	-3,425	-3,032	-11.5	-1,399
Non-bank Sectors	-328	-4,399	4,676	-	4,998
Trade Credit and Advances	2,295	220	-1,591	-	256
Other Assets and Liabilities	-2	1	0	-100.0	-3
Reserve Assets (net)	1,480	-38,451	34,280	-	40,869
Net Errors and Omissions	2,652	-9,131	14,688	-	19,920

Source: Datastream, Ministry of Trade, CBRT

Economic Research Division

İzlem Erdem
Chief Economist
izlem.erdem@isbank.com.tr

İlker Şahin
Economist
ilker.sahin@isbank.com.tr

Alper Gürler
Unit Manager
alper.gurler@isbank.com.tr

Ahmet Berat Ocak
Asst. Economist
berat.ocak@isbank.com.tr

Dilek Sarsın Kaya
Asst. Manager
dilek.kaya@isbank.com.tr

Our reports are available on our website <https://research.isbank.com.tr>

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