



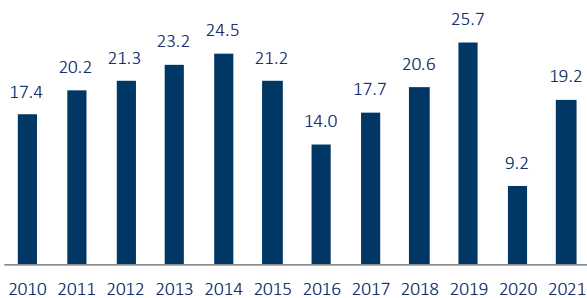
Exports rose by 32.8% in 2021.

According to TURKSTAT data, in the last month of 2021, export volume increased by 24.9% yoy to 22.3 billion USD, while imports rose by 29.9% yoy to 29.1 billion USD. In 2021, the export volume expanded by 32.8% to 225.3 billion USD, while the import volume increased by 23.6% to 271.4 billion USD. Thus, the foreign trade deficit narrowed by 7.5% yoy and became 46.1 billion USD in 2021. In addition, the import coverage ratio which was 77.3% in 2020, rose to 83.0% in 2021.

The current account balance gave a deficit of 14.9 billion USD in 2021.

In December 2021, the current account deficit increased by 11.7% yoy and reached 3.8 billion USD, the highest level of the last 16 months. In this period, the rise in balance of payments defined foreign trade balance by 48.3% yoy (to 5 billion USD) with the effect of the increase in energy prices was behind the widening of the current account deficit. Due to the limited impact of the pandemic on economic activity compared to 2020, the net service revenues rose by 190.8% yoy in December, in parallel with the increase in transportation and tourism revenues, and limited the widening of the current account deficit.

Tourism Revenues
(billion USD)



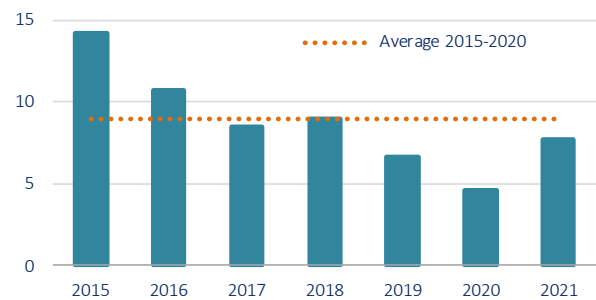
In 2021, the current account deficit narrowed by 58% yoy to 14.9 billion USD. While high oil prices in the global markets put pressure on the current account balance, the contraction

in the foreign trade deficit throughout the year limited this pressure. The doubling of net travel revenues was another factor supporting the positive course in the current account balance. Excluding net energy imports, the current account balance ended 2021 with a surplus of 27.3 billion USD.

In December, direct investments declined annually.

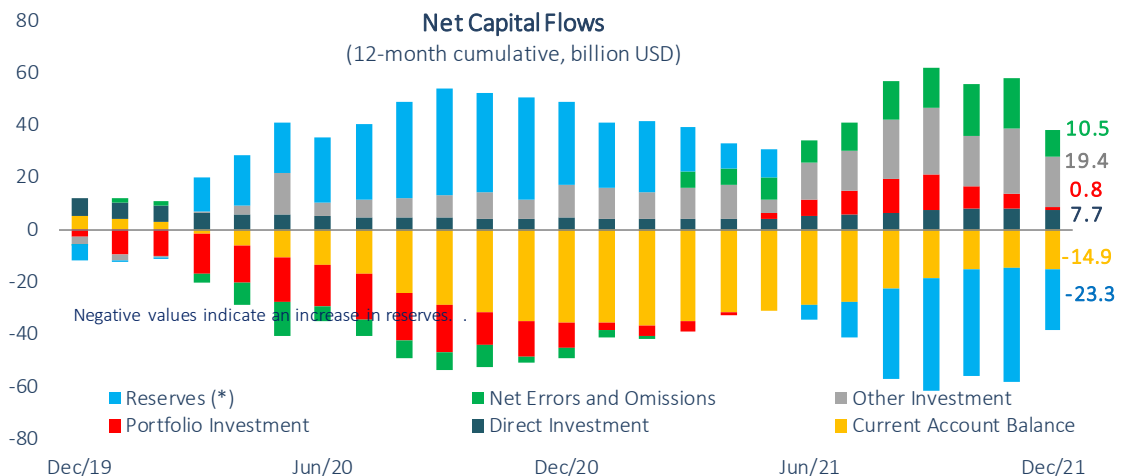
Net foreign direct investments contracted by 26.1% yoy to 739 million USD in December. In this period, capital investments of non-residents in Turkey amounted to 793 million USD, while real estate investments amounted to 618 million USD. In December, investments in information & communication and wholesale & retail trade sectors came to the fore in the distribution of direct investments by sectors. On the other hand, net capital outflow in the amount of 1 billion USD limited net inflows in direct investments in the last month of the year. In the whole year of 2021, net direct investments went up by 67.6% yoy to 7.7 billion USD, with the effect of the increase in investments of non-residents, especially in the wholesale & retail trade sector, which reached nearly 6 times of their level in 2020.

Net Foreign Direct Investment
(billion USD)



Portfolio investment recorded a net outflow of 2 billion USD in December.

In December 2021, an outflow of 2 billion USD was recorded in portfolio investments. In the last month of the year, non-residents made net sales of 1 billion USD and 226 million USD in the stock and government securities markets,



Source: Datastream, Turkstat, CBRT

respectively. In this period, banks realized a net borrowing of 72 million USD through bond issuances in foreign markets. Portfolio investments, which completed 2020 with a net outflow of 9.6 billion USD, finished the year of 2021 with limited capital inflows of 761 million USD despite the high outflows of 6.7 billion USD in the March-April period and 5.7 billion USD in the last quarter of the year.

In December, net capital inflows in other investments displayed a weak course with 29 million USD. In this period, Turkish banks' currency and deposits within their foreign correspondent bank accounts increased by 3.7 billion USD, while non-resident banks' deposit accounts held within domestic banks rose by 838 million USD. Banks and other sectors used long-term net loans of 858 million USD and 1.5 billion USD, respectively, in December. In 2021, the long-term debt rollover ratio was 95% in the banking sector and 133% in other sectors.

Reserve assets decreased by 13.8 billion USD in December.

Reserve assets, which have risen since May 2021, decreased by 13.8 billion USD in December due to the fluctuations in the financial markets. In 2021, there was an increase of 23.3 billion USD in reserve assets. Net errors and omissions item, which recorded a capital outflow of 8.7 billion USD in

December, had a capital inflow of 10.5 billion USD in the whole 2021.

Expectations...

According to the preliminary foreign trade figures released by the Ministry of Commerce, the rapid expansion of export volume since August lost some momentum in January, while the increase in import volume accelerated mostly driven by the rise in energy prices. In this period, the export volume expanded by 17.3% yoy and became 17.6 billion USD, while the import volume went up by 55.2% yoy and reached 28 billion USD. Thus, in the first month of the year, the foreign trade deficit more than tripled on an annual basis and reached 10.4 billion USD. Preliminary foreign trade figures negatively affected the expectations regarding the current account balance in January. In 2022, a better outlook is expected in terms of travel revenues, while the effects of the pandemic on economic activity of Turkey and Turkey's export markets, as well as the course of energy and other commodity prices, will continue to be important in terms of current account balance.

Balance of Payments

	Dec. 2021	Jan. - Dec. 2020	2021	% Change
Current Account Balance	-3,841	-35,537	-14,882	-58.1
Foreign Trade Balance	-4,989	-37,863	-29,161	-23.0
Services Balance	1,710	11,538	25,161	118.1
Travel (net)	1,306	9,180	19,177	108.9
Primary Income	-666	-9,392	-11,780	25.4
Secondary Income	104	180	898	398.9
Capital Account	-5	-36	-70	94.4
Financial Account	-12,539	-39,480	-4,478	-88.7
Direct Investment (net)	-739	-4,592	-7,697	67.6
Portfolio Investment (net)	2,010	9,556	-761	-
Net Acquisition of Financial Assets	859	2,894	2,295	-20.7
Net Incurrence of Liabilities	-1,151	-6,662	3,056	-
Equity Securities	-1,001	-4,255	-1,434	-66.3
Debt Securities	-150	-2,407	4,490	-
Other Investment (net)	-29	-12,582	-19,350	53.8
Currency and Deposits	2,953	-18,856	-9,976	-47.1
Net Acquisition of Financial Assets	3,649	-1,010	4,691	-
Net Incurrence of Liabilities	696	17,846	14,667	-17.8
Central Bank	-3	12,661	4,748	-62.5
Banks	699	5,185	9,919	91.3
Foreign Banks	838	6,028	9,306	54.4
Foreign Exchange	1,364	1,865	7,817	319.1
Turkish Lira	-526	4,163	1,489	-64.2
Non-residents	-139	-843	613	-
Loans	-894	4,063	169	-95.8
Net Acquisition of Financial Assets	603	-2,381	2,261	-
Net Incurrence of Liabilities	1,497	-6,444	2,092	-
Banking Sector	-243	-1,792	-3,563	98.8
Non-bank Sectors	1,692	-4,239	5,985	-
Trade Credit and Advances	-2,085	2,213	-3,195	-
Other Assets and Liabilities	-3	-2	-10	400.0
Reserve Assets (net)	-13,781	-31,862	23,330	-
Net Errors and Omissions	-8,693	-3,907	10,474	-

Source: Datastream, Ministry of Trade, CBRT

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