

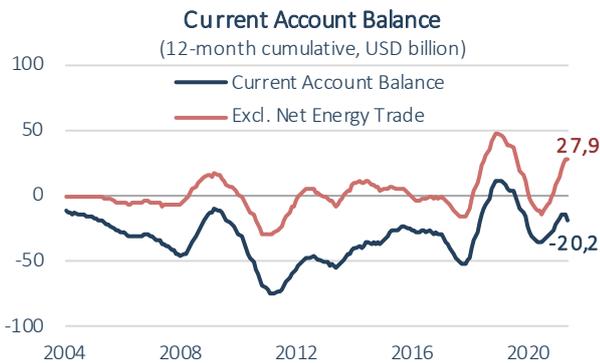


### Foreign trade deficit widened rapidly in January

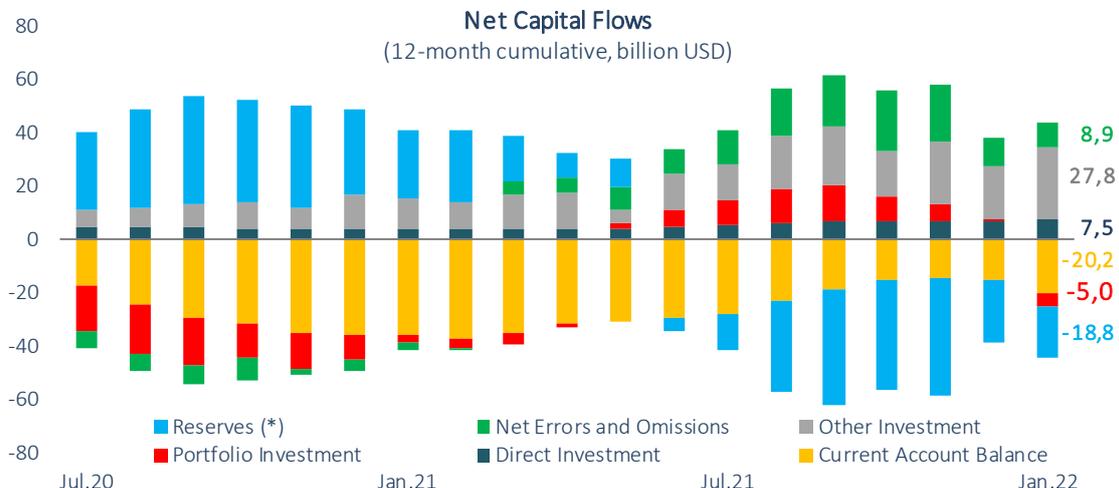
According to TURKSTAT, in January 2022, export volume expanded by 17.2% on an annual basis to 17.6 billion USD, while imports increased by 54.2% to 27.8 billion USD. Thus, the foreign trade deficit increased approximately by 3.5 times on an annual basis in January and amounted to 10.3 billion USD. The rise in global commodity prices, especially energy prices, led foreign trade deficit to widen rapidly. The import coverage ratio, which was 83% in January 2021, decreased to 63.2% in the first month of 2022, the lowest level of the last 4 years.

**In the first month of the year, the current account balance posted a deficit of 7.1 billion USD.**

Due to the rapid expansion in the foreign trade deficit, the current account deficit quadrupled on an annual basis and became 7.1 billion USD in January. In this period, increasing travel and transportation revenues limited the rise in the current account deficit. Despite the positive outlook in the services balance and the decline in non-monetary gold imports, the monthly current account deficit reached its highest level since the end of 2017.



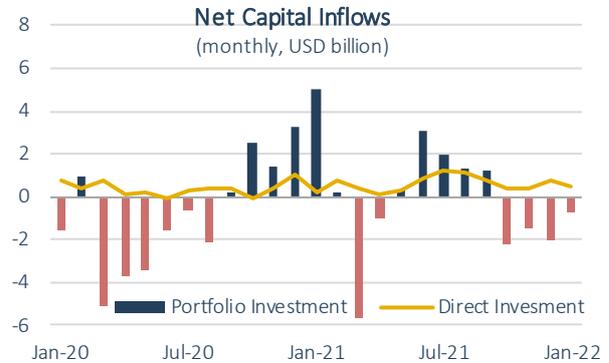
The 12-month cumulative current account deficit, which was 14.9 billion USD in December 2021, reached the highest level of the last 5 months with 20.2 billion USD in



(\*) Negative values indicate an increase in reserves.

Source: Datastream, Turkstat, CBRT

January 2022. On the other hand, current account surplus excluding net energy trade continued to increase and reached 27.9 billion USD in January.



### Weakness in direct investments persists.

Although net foreign direct investment inflow increased on an annual basis in January, inflow lost momentum compared to the previous month and was realized as 516 million USD. In this period, direct capital investments in the food industry and wholesale and retail trade sectors came to the fore. In January 2022 foreign residents continued to invest in real estate in Turkey. In this period, 41% of foreign direct investments were in the form of real estate investments.

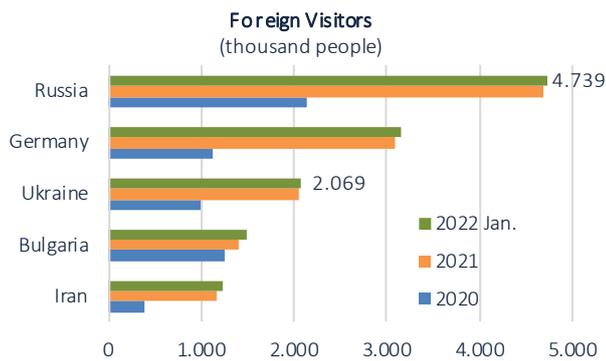
The outflow from portfolio investments during the last quarter of 2021 continued in January as well. In this period, nonresidents' equity securities and government domestic debt securities transactions recorded net sales of 352 million USD and 98 million USD, respectively. Non-residents, on the other hand, purchased 512 million USD of debt securities from non-bank sectors.

### Inflow of 6.7 billion USD through other investments...

In the first month of 2022, other investments figure posted 6.7 billion USD capital inflow. Commercial loan use

of 4.7 billion USD stood out in the said capital inflow. In addition, the 1.65 billion USD decrease in deposits of domestic banks at their foreign correspondents supported the inflows originating from other investments.

In January, banks paid 535 million USD for their short-term debts, while their long-term debts rose by a limited amount of 39 million USD. Similarly, other sectors were net re-payers of 156 million USD in the short term, but they utilized 239 million USD net loans in the long term. According to the 12-month cumulative data, as of January, the long-term debt rollover ratio was 95% in the banking sector and 134% in other sectors.



### Reserve assets declined in January.

Reserve assets decreased by 942 million USD in the first month of 2022. In this period, net errors and omissions posted a limited capital outflow of 245 million USD.

### Expectations...

According to the preliminary foreign trade data released by the Ministry of Commerce, foreign trade deficit continued to expand rapidly in February as well. In this period, the export volume increased by 25.4% on an annual basis to 20 billion USD, while the import volume went up by 45.6% to 28.1 billion USD due to the rise in energy prices. Thus, the foreign trade deficit increased by 2.5 times on an annual basis in February and reached 8.1 billion USD. Considering the course of foreign trade figures, upward trend in the current account deficit seems to continue in February. In addition, the Ukraine-Russia war is expected to increase commodity prices on a global scale and to have a direct impact on Turkey's balance of payments figures through travel revenues.

Balance of Payments	(USD million)			
	2021	January 2022	% Change	12-month Cumulative
<b>Current Account Balance</b>	<b>-1,776</b>	<b>-7,112</b>	<b>300.5</b>	<b>-20,223</b>
Foreign Trade Balance	-1,908	-8,333	336.7	-35,623
Services Balance	656	1,631	148.6	26,165
Travel (net)	603	1,494	-	20,068
Primary Income	-550	-360	-34.5	-11,588
Secondary Income	26	-50	-	823
<b>Capital Account</b>	<b>-18</b>	<b>0</b>	<b>-100.0</b>	<b>-46</b>
<b>Financial Account</b>	<b>-685</b>	<b>-7,357</b>	<b>974.0</b>	<b>-11,407</b>
Direct Investments (net)	-225	-516	129.3	-7,483
Portfolio Investments (net)	-5,056	766	-	5,026
Net Acquisition of Financial Assets	97	714	636.1	2,877
Net Incurrence of Liabilities	5,153	-52	-	-2,149
Equity Securities	-293	-352	20.1	-1,493
Debt Securities	5,446	300	-94.5	-656
Other Investments (net)	1,026	-6,665	-	-27,768
Currency and Deposits	1,405	-2,276	-	-13,672
Net Acquisition of Financial Assets	5,698	-1,652	-	-2,674
Net Incurrence of Liabilities	4,293	624	-85.5	10,998
Central Bank	1,377	1,129	-18.0	4,500
Banks	2,916	-505	-	6,498
Foreign Banks	3,010	196	-93.5	6,492
Foreign Exchange	1,478	79	-94.7	6,418
Turkish Lira	1,532	117	-92.4	74
Non-residents	-94	-701	645.7	6
Loans	41	324	690.2	316
Net Acquisition of Financial Assets	359	-173	-	1,729
Net Incurrence of Liabilities	318	-497	-	1,413
Banking Sector	137	-496	-	-4,178
Non-bank Sectors	217	83	-61.8	5,969
Trade Credit and Advances	-421	-4,711	1,019.0	-8,062
Other Assets and Liabilities	1	-2	-	-12
Reserve Assets (net)	3,570	-942	-	18,818
<b>Net Errors and Omissions</b>	<b>1,109</b>	<b>-245</b>	<b>-</b>	<b>8,862</b>

Source: Datastream, Ministry of Culture and Tourism Ministry of Trade, CBRT

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