

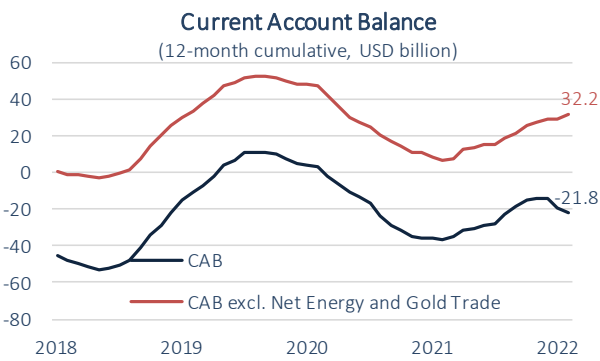


Foreign trade deficit widened by 136% yoy in February.

According to TURKSTAT data, exports increased by 25.4% yoy to 20 billion USD, while imports rose by 44.5% yoy to 27.9 billion USD in February. Thus, the foreign trade deficit increased approximately by 1.5 times on an annual basis and reached 7.9 billion USD. The rise in energy and commodity prices continued to be influential in the rapid widening of the foreign trade deficit. The import coverage ratio, which was 82.7% in February 2021, decreased to 71.7% in February 2022.

Current account deficit became 5.2 billion USD in February.

Current account deficit widened by 110.6% yoy in February, reaching 5.2 billion USD. Net energy imports, which were 2.2 billion USD in February of last year, reached 6.9 billion USD with the effect of rising energy prices and became the determining factor in the widening of the current account deficit. On the other hand, the increase in net services revenues by 874 million USD on an annual basis in parallel with the rise in tourism and transportation revenues limited the widening of the current account deficit.

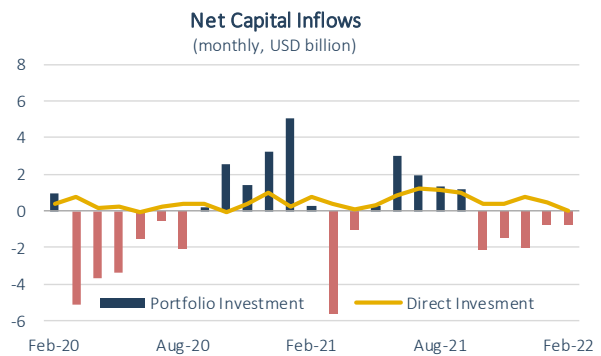


In the first two months of the year, current account deficit expanded by 186% compared to the same period of the previous year and reached 12.1 billion USD. In this period, the annual increase in net travel revenues by 1.5 times supported the current account balance, while the rising oil prices in global markets due to the tension between Russia and Ukraine put pressure on the foreign trade balance. Excluding net energy imports, the current account balance gave a surplus of 2.9 billion USD in this period. 12-month cumulative current account

deficit became 21.8 billion USD in February, reaching its highest level since August 2021.

Net FDI displayed a weak outlook in February.

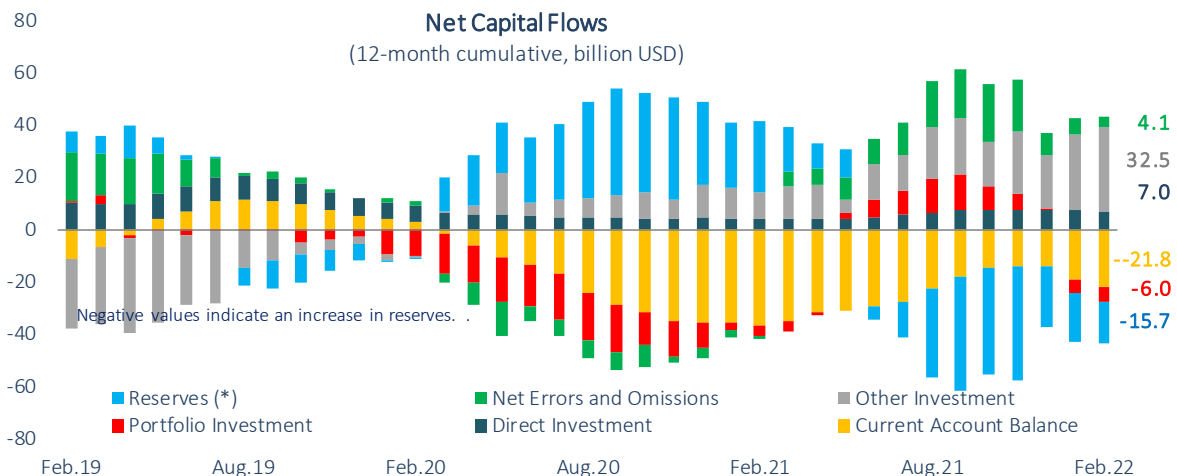
Net direct investments, which were 768 million USD in February of last year, decreased to 4 million USD in the same period of this year. In this period, non-residents' net capital investments declined to 207 million USD, the weakest performance of the last 10 months. Real estate investments became 396 million USD. In the January-February period, net foreign direct investments decreased by 4.8% yoy to 710 million USD. In this period, non-residents' capital investments in the food and wholesale & retail trade sectors increased by 570% and 169%, respectively, on an annual basis.



Portfolio investments recorded 765 million USD outflow in February.

Following an outflow in January, net portfolio investments recorded an outflow in February as well. During this period, non-residents made net sales in the stock and government securities markets of 228 million USD and 573 million USD, respectively. 551 million USD repayments made by the banks for their eurobond issuances limited the portfolio inflows. General Government borrowed a net 1 billion USD through bond issuances. Thus, with the net outflow of 765 million USD in February, a capital outflow of 1.5 billion USD was recorded from the portfolio investments in the first two months of the year.

In February, other investments followed a positive course with 4.2 billion USD worth of net capital inflows. In this period,



Source: Datastream, Turkstat, CBRT

effective and deposit assets of domestic banks in their foreign correspondents increased by 2.2 billion USD, while domestic deposits of foreign banks increased by 2.5 billion USD. Banks and the General Government made long-term net loan repayments of 1.2 billion USD and 174 million USD, respectively, in February. In this period, the 12-month cumulative long-term debt rollover ratio was 93% in the banking sector and 136% in other sectors.

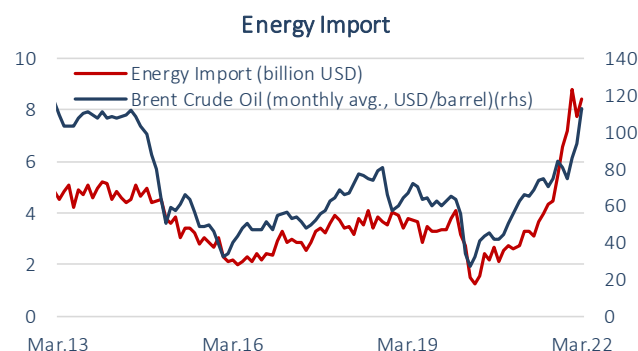
Reserve assets declined by 2.2 billion in February.

Reserve assets, which have been declining since December 2021, decreased by 2.2 billion USD in February. Thus, the decrease in reserve assets reached 3.2 billion USD in the January-February period. In the net errors and omissions, which recorded a capital outflow of 1.5 billion USD in January, posted an outflow of 511 million USD in February.

Expectations...

The increase in global commodity prices due to the Russia-Ukraine war continues to be decisive on the course of the balance of payments. In March, when the effects of the war began to be felt intensely, the average Brent crude oil prices rose by 19.5% compared to the previous month, indicating that the increase in the current account deficit will continue in March through the foreign trade deficit channel. Thus, according to the preliminary foreign trade data released by the Ministry of Trade, the import volume increased by 31% yoy in March and reached

30.9 billion USD. In this period, the export volume increased by 19.8% yoy to 22.7 billion USD, while the foreign trade deficit increased by 76.7% yoy to 8.2 billion USD in March. In the first quarter of 2022, the foreign trade deficit increased by more than 100% compared to the same period of the previous year, with 26.4 billion USD. For the remainder of the year, the extent to which European and Gulf countries will compensate for the Turkey's tourism revenue loss from Russia and Ukraine will be significant for the course of the current account deficit. Russian and Ukrainian tourists had accounted for more than 25% of the total foreign visitors in 2021.



Balance of Payments

	Feb. 2022	Jan. - 2021	Feb. 2022	% Change
Current Account Balance	-5,154	-4,250	-12,136	185.6
Foreign Trade Balance	-6,003	-4,006	-14,348	258.2
Services Balance	1,608	1,390	3,379	143.1
Travel (net)	1,235	1,101	2,729	147.9
Primary Income	-821	-1,788	-1,194	-33.2
Secondary Income	62	154	27	-82.5
Capital Account	-1	-19	-1	-94.7
Financial Account	-5,666	-1,396	-14,153	913.8
Direct Investment (net)	-4	-994	-477	-52.0
Portfolio Investment (net)	765	-5,289	1,531	-
Net Acquisition of Financial Assets	412	-502	1,126	-
Net Incurrence of Liabilities	-353	4,787	-405	-
Equity Securities	-228	-779	-580	-25.5
Debt Securities	-125	5,566	175	-96.9
Other Investment (net)	-4,209	392	-12,047	-
Currency and Deposits	-3,154	-510	-6,005	1,077.5
Net Acquisition of Financial Assets	2,034	3,914	1,616	-58.7
Net Incurrence of Liabilities	5,188	4,424	7,621	72.3
Central Bank	2,724	1,377	3,853	179.8
Banks	2,464	3,047	3,768	23.7
Foreign Banks	2,476	2,962	3,523	18.9
Foreign Exchange	495	1,329	574	-56.8
Turkish Lira	1,981	1,633	2,949	80.6
Non-residents	-12	85	245	188.2
Loans	583	868	315	-63.7
Net Acquisition of Financial Assets	-258	570	-470	-
Net Incurrence of Liabilities	-841	-298	-785	163.4
Banking Sector	-911	-492	-1,068	117.1
Non-bank Sectors	244	342	505	47.7
Trade Credit and Advances	-1,636	30	-6,353	-
Other Assets and Liabilities	-2	4	-4	-
Reserve Assets (net)	-2,218	4,495	-3,160	-
Net Errors and Omissions	-511	2,873	-2,016	-

Source: Datastream, Ministry of Trade, CBRT

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