



### Foreign trade deficit widened by 184.5% yoy in June.

According to TURKSTAT data, exports increased by 18.7% yoy to 23.4 billion USD in June, while imports went up by 39.7% to 31.6 billion USD. In this period, due to the continued high course of energy and commodity prices because of geopolitical risks, the foreign trade deficit widened by 184.5% and became 8.2 billion USD. The import coverage ratio, which was 87.3% in June 2021, decreased to 74.1% in the same month of 2022.

### In June, the current account deficit was 3.5 billion USD.

In June, the current account deficit increased by 2.3 billion USD compared to the same month of the previous year and became 3.5 billion USD. The increase in net energy and non-monetary gold imports was effective in widening of the current account deficit. The deficit in these two figures amounted to 7.8 billion USD in this period. On the other hand, the recovery in transportation and tourism revenues continues to limit the expansion in the current account balance. These two figures limited the widening in current account balance deficit by 3.4 billion USD in June

The 12-month cumulative current account deficit, by keeping its upward trend, reached 32.7 billion USD in June, the highest level since March 2021. On the other hand, 12-

month cumulative current account surplus excluding net energy and gold imports continued to increase and came in at 39.6 billion USD.

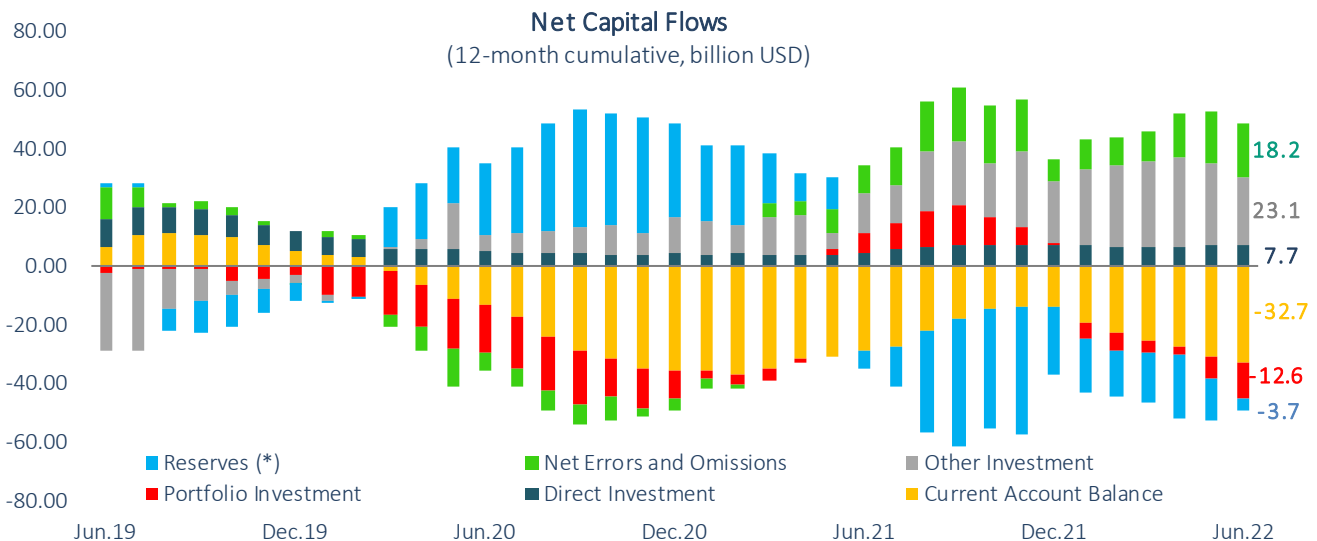
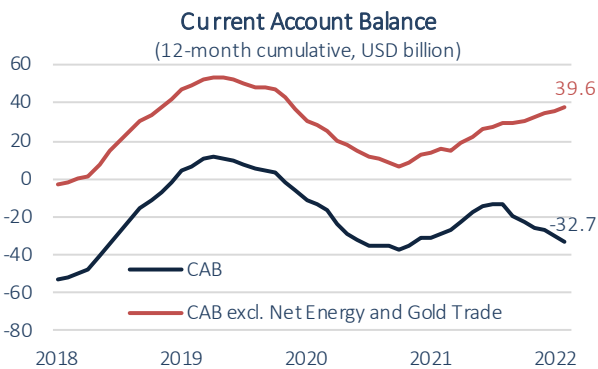
### In June, net real estate investments reached a historical high level.

Direct investments posted a net inflow of 950 million USD in June. In this period, non-residents' net capital investments became 501 million USD, while net real estate investments reached a historical high level with 1.1 billion USD. In the January-June period, net direct investments expanded by 11% yoy and reached 2.9 billion USD. In this period, annual rise of non-residents' capital investments in the food and wholesale & retail trade sectors by 454% and 285%, respectively, stood out.

### Portfolio investments posted an outflow of 1.6 billion USD.

In June, portfolio investments posted a net capital outflow of 1.6 billion USD. Thus, the outflow trend in portfolio investments continued for nine month in a row. During this period, non-residents' transactions on equity securities and government domestic debt securities recorded net sales of USD 509 million and USD 218 million, respectively. As of the first six months of the year, the portfolio investments recorded a capital outflow of 11.4 billion USD.

Other investments, in which had been recorded capital inflows since September 2021, a net capital outflow of 1.9 billion USD was recorded in June. In this development, bank's loans to abroad in the amount of 1.1 billion USD were effective. In addition, banks and other sectors made net loan repayments of 1 billion USD and 264 million USD, respectively. According to the 12-month cumulative data, as of June, the long-term debt rollover ratio was 92% in the banking sector and 132% in other sectors.

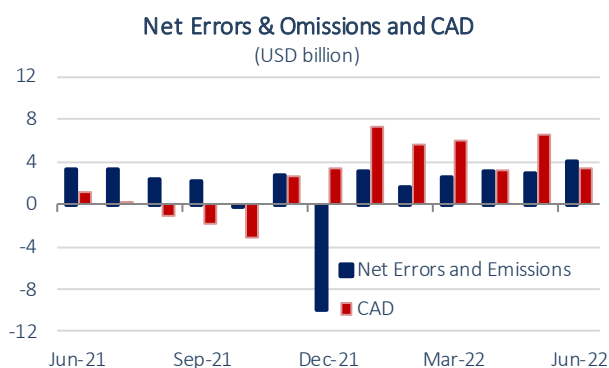


(\*) Negative values indicate an increase in reserves.

Source: Datastream, Turkstat, CBRT

**Reserve assets declined by 2 billion USD in June.**

Reserve assets declined by 2.0 billion USD in June. Thus, the decrease in reserve assets in the January-June period reached 12.3 billion USD. Net errors and omissions, which recorded a capital inflow of 4 billion USD in June, posted a historical high capital inflow with 17.5 billion USD as of the first six months of the year.

**Expectations...**

According to the preliminary foreign trade figures released by the Ministry of Commerce, the export volume expanded by 13.4% yoy to 18.6 billion USD, while the

import volume increased by 40.8% to 29.1 billion USD in July. In this period, the foreign trade deficit widened by 144.5% on an annual basis to 10.6 billion USD. Thus, the foreign trade deficit in the January-July period rose by 143% compared to the same period of the last year and reached 62 billion USD.

The high level of energy prices continued to suppress the current account balance through the foreign trade channel. Indeed, the half-year current account deficit reached its highest level since 2011 in the first half of the year. The deceleration of economic activity in EU countries, which are our main export markets, and the low level of EUR/USD parity stand out as other factors that posed additional risks on the current account deficit. On the other hand, the better-than-expected performance of tourism revenues, despite geopolitical risks, limited the upward pressures on the current account deficit. In addition, we think that the current account deficit may present a more positive outlook in the upcoming period if the recent decline in energy and commodity prices remain permanent due to the slowdown in global economic activity.

**Balance of Payments**

(USD million)

	Jun. 2022	Jan. - Jun. 2021	2022	% Change	12-month Cumulative
<b>Current Account Balance</b>	<b>-3,458</b>	<b>-13,364</b>	<b>-32,444</b>	<b>142.8</b>	<b>-32,667</b>
Foreign Trade Balance	-6,426	-13,419	-40,962	205.3	-56,830
Services Balance	4,024	6,024	14,477	140.3	35,125
Travel (net)	2,728	4,087	10,310	152.3	25,400
Primary Income	-946	-6,688	-5,423	-18.9	-10,764
Secondary Income	-110	719	-536	-	-198
<b>Capital Account</b>	<b>0</b>	<b>-19</b>	<b>-14</b>	<b>-26.3</b>	<b>-59</b>
<b>Financial Account</b>	<b>526</b>	<b>-6,550</b>	<b>-14,950</b>	<b>128.2</b>	<b>-14,483</b>
Direct Investment (net)	-950	-2,661	-2,945	10.7	-7,679
Portfolio Investment (net)	1,578	-1,952	11,403	-	12,559
Net Acquisition of Financial Assets	870	-236	4,214	-	6,710
Net Incurrence of Liabilities	-708	1,716	-7,189	-	-5,849
Equity Securities	-509	-1,808	-3,358	85.7	-2,984
Debt Securities	-199	3,524	-3,831	-	-2,865
Other Investment (net)	1,858	-9,201	-11,060	20.2	-23,081
Currency and Deposits	-795	-6,639	-10,160	53.0	-12,965
Net Acquisition of Financial Assets	819	4,285	3,871	-9.7	4,809
Net Incurrence of Liabilities	1,614	10,924	14,031	28.4	17,774
Central Bank	127	4,788	3,977	-16.9	3,937
Banks	1,487	6,136	10,054	63.9	13,837
Foreign Banks	643	4,758	7,745	62.8	12,293
Foreign Exchange	638	3,705	4,720	27.4	8,832
Turkish Lira	5	1,053	3,025	187.3	3,461
Non-residents	844	1,378	2,309	67.6	1,544
Loans	2,489	-889	838	-	1,588
Net Acquisition of Financial Assets	1,119	1,755	663	-62.2	1,169
Net Incurrence of Liabilities	-1,370	2,644	-175	-	-419
Banking Sector	-1,039	-782	-1,918	145.3	-4,668
Non-bank Sectors	-264	3,677	1,434	-61.0	3,911
Trade Credit and Advances	171	-1,669	-1,704	2.1	-5,328
Other Assets and Liabilities	-7	-4	-34	750.0	-38
Reserve Assets (net)	-1,960	7,264	-12,348	-	3,718
<b>Net Errors and Omissions</b>	<b>3,984</b>	<b>6,833</b>	<b>17,508</b>	<b>156.2</b>	<b>18,243</b>

Source: Datastream, Ministry of Trade, CBRT

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