



Foreign trade deficit widened by 147% yoy in July.

According to TURKSTAT data, exports increased by 13.4% yoy to 18.6 billion USD, while imports went up by 41.4% to 29.2 billion USD in July. Parallel to the high energy and commodity prices, foreign trade deficit widened by 147% yoy in this period. In the first seven months of the year, foreign trade deficit increased by 143.7% compared to the same period of last year and reached 62.2 billion USD. Import coverage ratio, which was 82.6% in January-July 2021, decreased to 69.9% in the same period of 2022.

In July, current account deficit was 4 billion USD.

In July, current account deficit expanded by 3.7 billion USD compared to the same month of the last year and became 4 billion USD. According to the Reuters survey, current account deficit was expected to be 3.6 billion USD in this period. Net non-monetary gold and energy imports continued to be the leading factor in the widening of current account deficit. According to balance of payments figures, foreign trade deficit was 9.3 billion USD in July, 6.1 billion USD of which stemmed from net energy imports and 1.7 billion USD of which was net non-monetary gold imports. On the other hand, the positive trend in transportation and tourism revenues significantly limited

the increase in the current account deficit. In July, the total net income from those two items was 6.3 billion USD..

12-month cumulative current account deficit reached the highest level of the last 1.5 years with 36.6 billion USD in July. Excluding net energy and gold imports, 12-month cumulative current account surplus exceeded 40 billion USD..

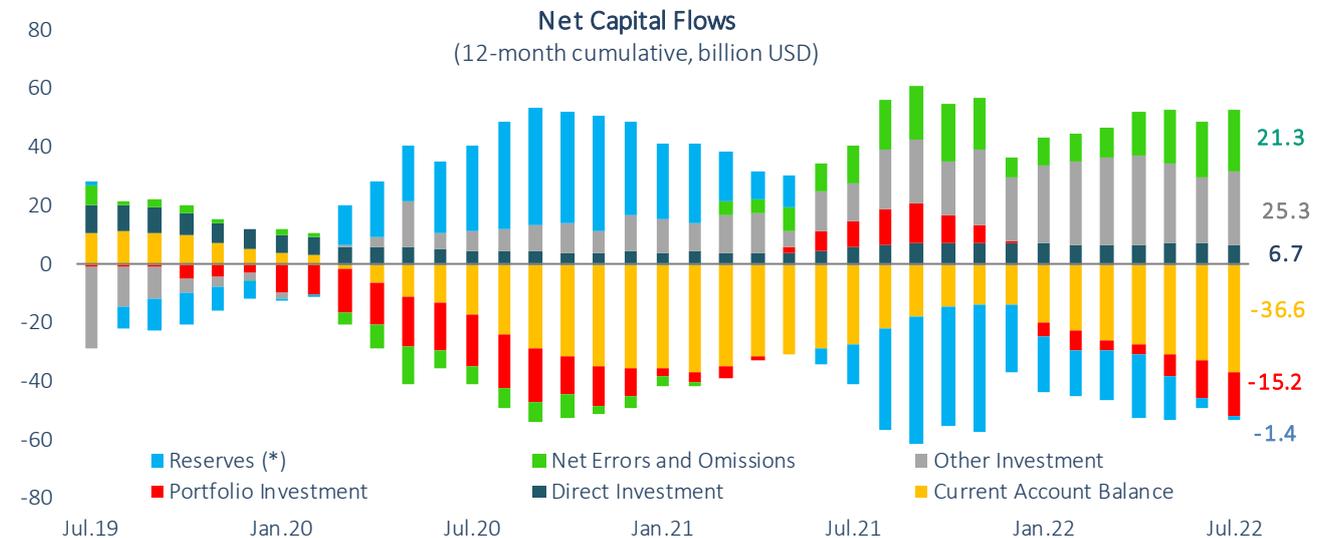
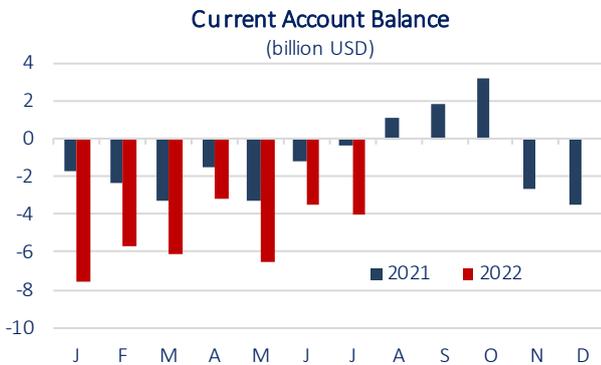
Weak course in foreign direct investments...

In July, foreign direct investments FDI showed a poor performance. In this period, FDI declined by 79.4% yoy to 252 million USD. In this period, non-residents' net capital investments became 387 million USD, while net real estate investments decreased to 306 million USD, the lowest level of the last 14 months. In the January-July period, net FDI contracted by 17.6% yoy and became 3.2 billion USD. As of the first 7 months of the year, investments in the food sector rose by 339% on an annual basis.

Other investments posted a net capital inflow of 3.4 billion USD.

In July, portfolio investments gave a net capital outflow of 631 million USD. During this period, non-residents made net sales of 222 million USD and 173 million USD, from the equity and government securities markets, respectively. As of January-July period, a capital outflow of 12.1 billion USD was recorded in the portfolio investments.

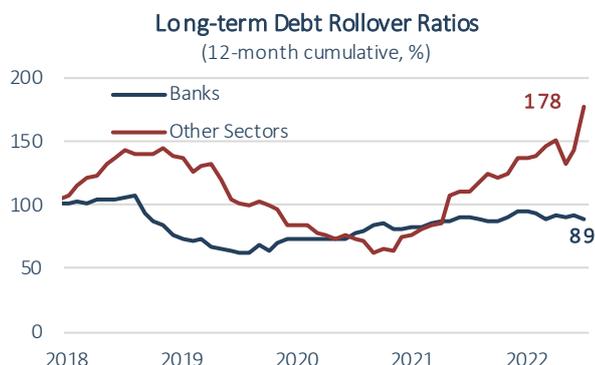
In July, net capital inflows in other investments was 3.4 billion USD. In this period, Turkish banks' currency and deposits within their foreign correspondent bank accounts rose by 983 million USD, while non-resident banks' deposit accounts held within domestic banks increased by 698 million USD in total. In addition, the effective and deposits held by non-residents in Turkish banks went up by 1 billion USD. In July, banks realized a net repayment of 801 million USD in total for the loans they used from abroad, while



(*) Negative values indicate an increase in reserves.

Source: Datastream, Turkstat, CBRT

other sectors realized a net loan use of 3.5 billion USD. Thus, in July, the 12-month cumulative long-term debt rollover ratio was 89% in the banking sector and 178% in other sectors.



Official reserves rose by 4.4 billion USD in July.

In July, official reserves increased by 4.4 billion USD. Thus, the decline in official reserves since the beginning of the year decreased to 7.9 billion USD. Net errors and omissions, which recorded a capital inflow of 5.5 billion USD in July, posted a capital inflow of 24.3 billion USD in the first seven months of the year.

Expectations...

Although the deceleration in global economic activity limits the upward pressures to some extent, energy prices remain high due to the increasing supply concerns. According to the preliminary data released by the Ministry of Trade, the rapid expansion in the foreign trade deficit continued in August. In this period, exports rose by 13.2% on an annual basis, while the imports increased by 40.8% yoy. Thus, the foreign trade deficit, which expanded by 161.8% yoy to 11.3 billion USD in August, reached 73.5 billion USD in the January-August period with an annual increase of 146.4%.

In the upcoming period, besides energy prices, the course of economic activity in EU countries and the EUR/USD parity will be closely monitored in terms of the current account balance outlook. The positive performance in tourism revenues despite geopolitical developments is expected to continue in the winter months due to the energy crisis in European countries and will continue to support the current account balance.

Balance of Payments	(USD million)				
	Jul. 2022	Jan. - Jul. 2021	2022	% 12-month Change	% 12-month Cumulative
Current Account Balance	-4,010	-13,677	-36,672	168.1	-36,585
Foreign Trade Balance	-9,308	-16,565	-50,367	204.1	-63,089
Services Balance	5,778	9,534	20,163	111.5	37,301
Travel (net)	4,090	6,599	14,400	118.2	26,978
Primary Income	-559	-7,431	-5,984	-19.5	-10,585
Secondary Income	79	785	-484	-	-212
Capital Account	-17	-38	-31	-18.4	-57
Financial Account	1,446	-3,507	-12,356	252.3	-15,368
Direct Investment (net)	-252	-3,880	-3,197	-17.6	-6,710
Portfolio Investment (net)	631	-3,886	12,066	-	15,156
Net Acquisition of Financial Assets	207	-365	4,421	-	7,046
Net Incurrence of Liabilities	-424	3,521	-7,645	-	-8,110
Equity Securities	-222	-1,901	-3,580	88.3	-3,113
Debt Securities	-202	5,422	-4,065	-	-4,997
Other Investment (net)	-3,356	-9,705	-13,300	37.0	-25,255
Currency and Deposits	-1,284	-7,683	-11,326	47.4	-13,087
Net Acquisition of Financial Assets	867	3,604	4,857	34.8	6,476
Net Incurrence of Liabilities	2,151	11,287	16,183	43.4	19,563
Central Bank	457	4,699	4,434	-5.6	4,483
Banks	1,694	6,588	11,749	78.3	15,080
Foreign Banks	698	5,059	8,443	66.9	12,690
Foreign Exchange	411	3,922	5,131	30.8	9,026
Turkish Lira	287	1,137	3,312	191.3	3,664
Non-residents	996	1,529	3,306	116.2	2,390
Loans	-2,432	-471	-2,604	452.9	-2,709
Net Acquisition of Financial Assets	295	1,884	958	-49.2	1,335
Net Incurrence of Liabilities	2,727	2,355	3,562	51.3	4,044
Banking Sector	-801	-906	-2,710	199.1	-5,336
Non-bank Sectors	3,525	3,288	5,942	80.7	9,260
Trade Credit and Advances	367	-1,539	660	-	-3,095
Other Assets and Liabilities	-7	-12	-30	150.0	-26
Reserve Assets (net)	4,423	13,964	-7,925	-	1,441
Net Errors and Omissions	5,473	10,208	24,347	138.5	21,274

Source: Datastream, Ministry of Trade, CBRT

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