



The widening in the foreign trade deficit continued in August.

According to TURKSTAT data, exports increased by 13.1% yoy and became 21.3 billion USD in August, while imports went up by 40.4% yoy to 32.5 billion USD. In this period, in parallel with the high course of energy and commodity prices, the foreign trade deficit widened by 160% on an annual basis. In the first eight months of the year, the foreign trade deficit widened by 146.3% yoy and reached 73.4 billion USD. The import coverage ratio, which was 82.5% in January-August 2021, decreased to 69.3% in the same period of 2022.

In August, the current account deficit was 3.1 billion USD.

The widening trend in the current account deficit due to the expansion in the foreign trade deficit continued in August as well. The current account, which posted a surplus of 1.1 billion USD in August 2021, gave a deficit of 3.1 billion USD in the same month of this year. Net non-monetary gold and energy imports continued to be the leading factors in the widening of the current account deficit. In August, net gold imports was recorded as 2.2 billion USD and net energy imports as 7.1 billion USD. Excluding these two figures, the current account posted a surplus of 6.3 billion USD in August. On the other hand, ongoing improvement in transportation and tourism revenues continued to limit the rise in the current account deficit. In August, net tourism revenues were at a historically high level with 5.1 billion USD.

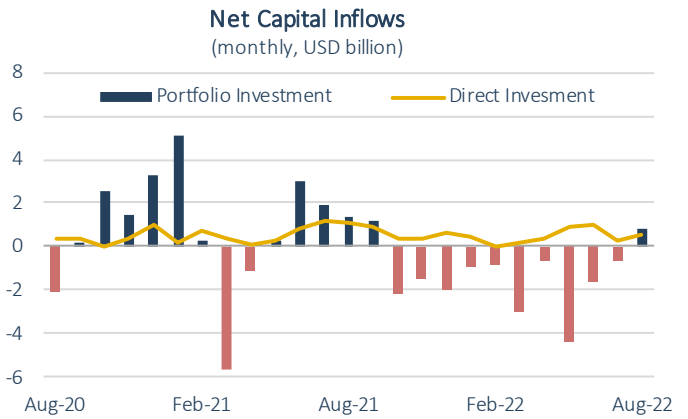
According to the 12-month cumulative data, the current account deficit reached 40.9 billion USD in August, the highest level of the last 4 years. Excluding net energy and gold imports, the 12-month cumulative current account surplus, on the other hand, reached the highest level since March 2020 with 41.2 billion USD in August.

Weakness in direct investments persists.

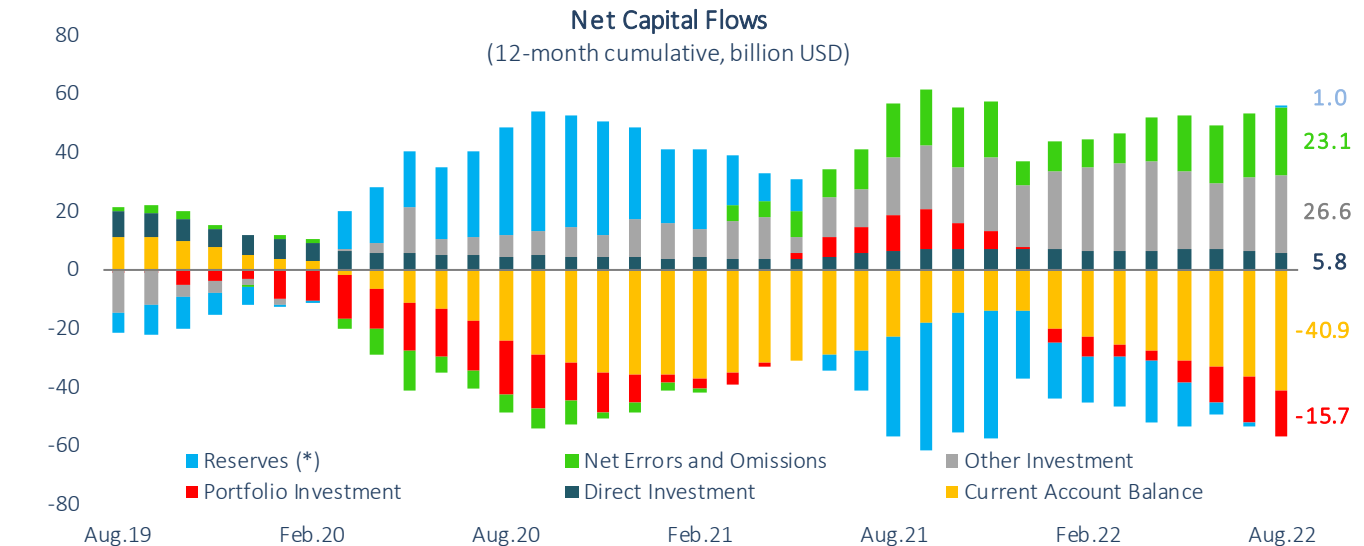
Capital inflow in net foreign direct investments decreased by 45.9% yoy to 573 million USD in August. This decline was mainly driven by the annual contraction of capital investments with 87.3% (1.4 billion USD). While non-residents' net capital investments were 209 million USD in August, real estate investments drew a moderate picture with 550 million USD.

Portfolio investments posted capital inflows after one year.

In portfolio investments, which posted uninterrupted capital outflows since October 2021, a capital inflow of 812 million USD was recorded in August. In this period, non-residents made a net purchase of 761 million USD in the stock market, and the lowest sale in the GDDS markets for a year with 6 million USD.



In August, the biggest contribution to the financing of the current account deficit came from other investments with 8.5 billion USD. The decrease in the effective and deposits held by residents abroad by 1.7 billion USD, as well as the expansion of 4 billion USD in the effective and deposits held by non-residents in Turkey played the decisive role in

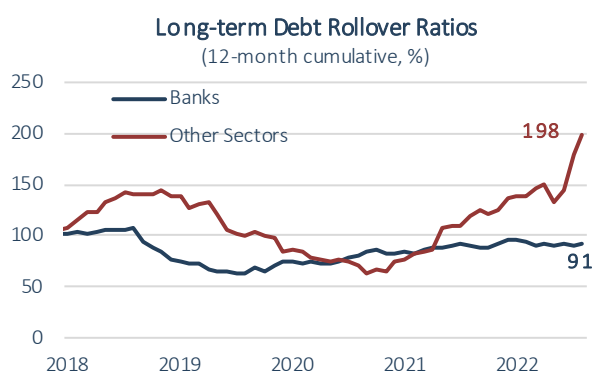


(*) Negative values indicate an increase in reserves.

Source: Datastream, Turkstat, CBRT

this development. 2.1 billion USD of the said amount was held by the CBRT.

Banks continued to be net loan re-payers in August, as they have been since May. In August banks made a net repayment of 260 million USD in loans that they had taken from abroad. Other sectors, whose long-term loan demand from abroad remained strong, used 2.4 billion USD worth of loans in this period. In the first eight months of the year, banks made a net loan repayment of 3 billion USD, while other sectors borrowed 8.5 billion USD. Thus, according to the 12-month cumulative figures, the long-term debt rollover ratio was 91% in the banking sector and 198% in other sectors.



Reserve assets increased by 10.8 billion USD in August.

The rise of net reserves with 10.8 billion USD in August pointed to the fastest monthly increase in reserves in the last one year. With the inflow of 4 billion USD in the net errors and omissions figure recorded in August, the inflow since the beginning of the year reached 28.3 billion USD.

Expectations...

According to preliminary figures, the foreign trade deficit remained high at 10.4 billion USD in September, by nearly quadrupling compared to the same month of the previous year. Although it has been fluctuating recently due to global recession concerns, the high level of energy prices continues to put pressure on the current account deficit. In addition, despite strong tourism and transportation revenues, the slowdown of the economic activity in EU countries, which is expected to deepen, and the low levels of EUR/USD parity stand out as additional risk factors on the current account deficit.

Balance of Payments

	Aug. 2022	Jan. - Aug. 2021	2022	% Change	12-month Cumulative
Current Account Balance	-3,112	-12,760	-39,717	211.3	-40,889
Foreign Trade Balance	-9,700	-19,463	-59,764	207.1	-69,614
Services Balance	7,236	13,925	27,190	95.3	39,270
Travel (net)	5,132	10,299	19,532	89.6	28,410
Primary Income	-685	-7,980	-6,515	-18.4	-10,073
Secondary Income	37	758	-628	-	-472
Capital Account	9	-60	-21	-65.0	-25
Financial Account	855	372	-11,431	-	-17,772
Direct Investment (net)	-573	-4,655	-3,605	-22.6	-5,848
Portfolio Investment (net)	-812	-5,180	11,254	-	15,683
Net Acquisition of Financial Assets	-26	-80	4,395	-	6,735
Net Incurrence of Liabilities	786	5,100	-6,859	-	-8,948
Equity Securities	761	-1,378	-2,819	104.6	-2,875
Debt Securities	25	6,478	-4,040	-	-6,073
Other Investment (net)	-8,546	-17,004	-21,941	29.0	-26,587
Currency and Deposits	-5,656	-9,553	-16,982	77.8	-16,873
Net Acquisition of Financial Assets	-1,703	3,077	3,154	2.5	5,300
Net Incurrence of Liabilities	3,953	12,630	20,136	59.4	22,173
Central Bank	2,060	4,769	6,494	36.2	6,473
Banks	1,893	7,861	13,642	73.5	15,700
Foreign Banks	894	6,559	9,337	42.4	12,084
Foreign Exchange	972	4,720	6,103	29.3	9,200
Turkish Lira	-78	1,839	3,234	75.9	2,884
Non-residents	999	1,302	4,305	230.6	3,616
Loans	-2,363	-29	-5,044	17,293.1	-5,584
Net Acquisition of Financial Assets	-165	2,030	793	-60.9	1,024
Net Incurrence of Liabilities	2,198	2,059	5,837	183.5	6,608
Banking Sector	-260	-1,718	-2,970	72.9	-4,784
Non-bank Sectors	2,441	3,836	8,454	120.4	11,217
Trade Credit and Advances	-518	-1,070	124	-	-4,097
Other Assets and Liabilities	-9	-14	-39	178.6	-33
Reserve Assets (net)	10,786	27,211	2,861	-89.5	-1,020
Net Errors and Omissions	3,958	13,192	28,307	114.6	23,142

Source: Datastream, Ministry of Trade, CBRT

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