



### Foreign trade deficit became 12.5 billion USD in May.

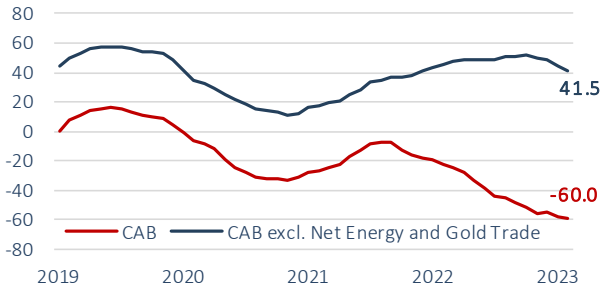
According to Turkstat figures, exports increased by 14.4% yoy to 21.7 billion USD in May, while imports rose by 15.5% yoy to 34.2 billion USD. Thus, foreign trade deficit expanded by 17.6% yoy and remained high at 12.5 billion USD in this period. In May, import coverage ratio was realized as 63.4%.

### Current account deficit became 7.9 billion USD in May.

In May, current account deficit increased by 36% compared to the same month of the previous year and became 7.9 billion USD. While the widening foreign trade deficit was the main driver of the rapid rise in the current account deficit, the deficit excluding energy reached a historic high of 3.9 billion USD. Current account balance excluding gold and energy, which posted a surplus of 998 million USD in May 2022, gave the highest deficit of the last 3 years with 1.3 billion USD in the same month of this year. On the other hand, despite recording the first contraction of the last 2 years by 2.2% yoy due to the high base effect, services revenues continued to limit the deterioration in the current account balance. Thus, current account deficit surged by 44.2% yoy to 37.7 billion USD in January-May period of 2023, and became 60 billion USD as of May according to 12-month cumulative figures.

#### Current Account Balance

(12-month cumulative, USD billion)

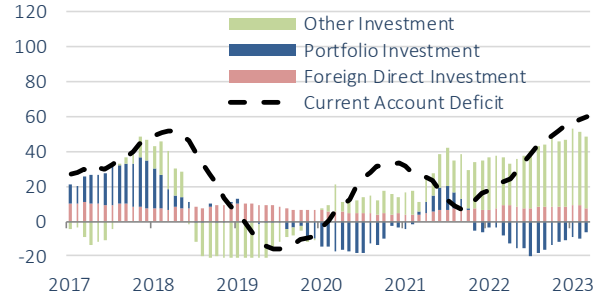


### Foreign direct investments recorded the lowest capital inflow since February 2022.

In May, net foreign direct investment inflows were realized as 89 million USD, the lowest level since February 2022. In this period, non-residents' net direct capital investments decreased significantly compared to April and were realized as 305 million USD. Real estate investments, which amounted to 356 million USD in May, were 40% below their level in May 2022. Thus, in the first five months of the year, net direct investment inflows declined by 41.8% yoy to 2 billion USD.

#### Financing of Current Account Deficit

(12-month cumulative, USD billion)



### Portfolio investments continued to outflow.

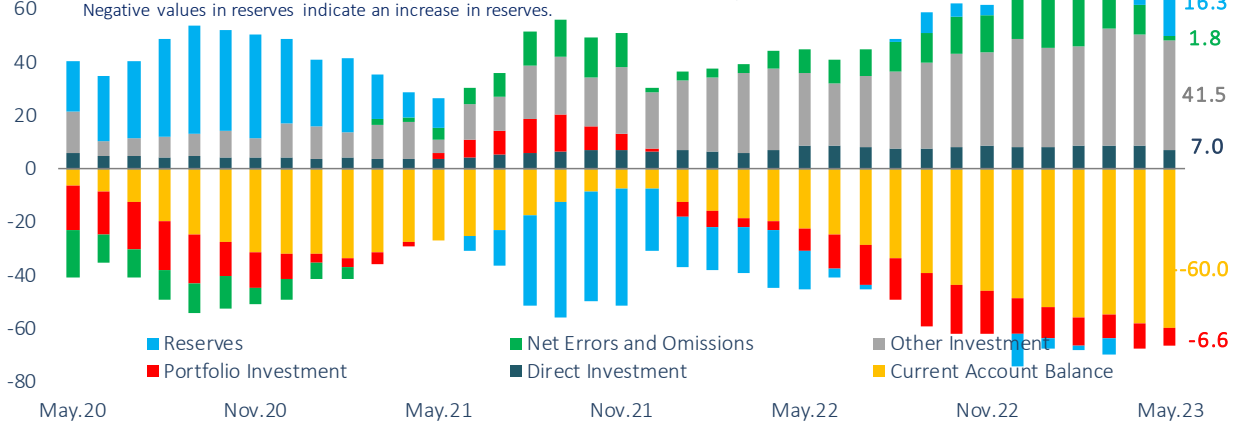
Capital outflow from portfolio investments continued in May and was realized as 1.4 billion USD, the highest level of the last 8 months. In this period, banks realized a net borrowing of 52 million USD through bond issues abroad, while other sectors repaid 102 million USD worth of debt securities abroad. In January-May period, total outflow from portfolio investments was 2.9 billion USD.

### Capital inflows slowed down in other investments.

In May, net capital inflow in other investments was realized as 99 million USD, the lowest level since June 2022. In this

#### Net Capital Flows

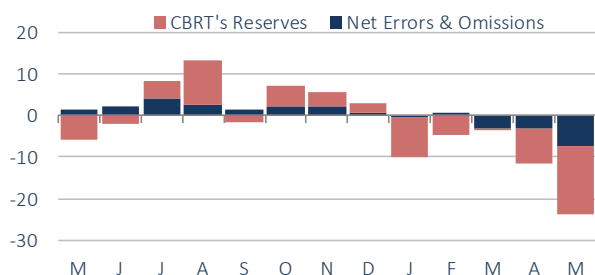
(12-month cumulative, billion USD)



Source: Datastream, Turkstat, CBRT

period, deposits of foreign banks in Türkiye decreased by 4 million USD, recording a net decrease for the first time since December 2022. In May, the banking sector and other sectors borrowed 725 million USD and 37 million USD net loans from abroad, while General Government repaid 49 million USD net loans. According to 12-month cumulative figures, long-term debt rollover ratios in the banking sector and other sectors were 85% and 142%, respectively.

**CBRT Reserves and Net Errors and Omissions**  
(monthly, USD billion)



### Reserve assets decreased by 16.6 billion USD in May.

In May, reserve assets contributed 16.6 billion USD to the financing of the current account deficit. Thus, the total decline in reserve assets became 39 billion USD in the first 5 months of the year. Net errors and omissions item, which recorded a capital outflow of 3.2 billion USD in April, had an outflow of 7.4 billion USD in May. Thus, the related item recorded a total capital outflow of 13.7 billion USD in the January-May 2023 period.

### Expectations...

According to preliminary figures, exports and imports decreased by 10.5% yoy to 20.9 billion USD and 16.8% yoy to 26.3 billion USD, respectively in June. Thus, foreign trade deficit was 5.4 billion USD in June, and reached 61.4 billion USD in the first half of the year. We anticipate that the recent rise in exchange rates and the increase in tourism revenues in the summer season will support the current account balance in the following months. Despite the mild course of energy prices, we think that the weak course in Türkiye's main export markets will continue to keep the risks to the current account balance alive.

### Balance of Payments

	May. 2023	Jan. - May. 2022	2023	% Change	(USD million) 12-month Cumulative
<b>Current Account Balance</b>	<b>-7,933</b>	<b>-26,140</b>	<b>-37,696</b>	<b>44.2</b>	<b>-59,961</b>
Foreign Trade Balance	-10,480	-34,476	-46,874	36.0	-101,917
Services Balance	3,858	13,003	14,445	11.1	51,511
Travel (net)	3,050	10,273	11,470	11.7	38,514
Primary Income	-1,320	-4,084	-5,190	27.1	-9,690
Secondary Income	9	-583	-77	-86.8	135
<b>Capital Account</b>	<b>-16</b>	<b>-14</b>	<b>-74</b>	<b>428.6</b>	<b>-95</b>
<b>Financial Account</b>	<b>-15,354</b>	<b>-16,325</b>	<b>-51,460</b>	<b>215.2</b>	<b>-58,222</b>
Direct Investment (net)	-89	-3,442	-2,003	-41.8	-6,973
Portfolio Investment (net)	1,412	9,882	2,947	-70.2	6,593
Net Acquisition of Financial Assets	648	3,344	2,389	-28.6	3,540
Net Incurrence of Liabilities	-764	-6,538	-558	-91.5	-3,053
Equity Securities	-630	-2,849	-1,594	-44.1	-2,783
Debt Securities	-134	-3,689	1,036	-	-270
Other Investment (net)	-99	-12,377	-13,381	8.1	-41,518
Currency and Deposits	-511	-9,139	-9,288	1.6	-36,128
Net Acquisition of Financial Assets	4,158	3,674	6,928	88.6	-3,323
Net Incurrence of Liabilities	4,669	12,813	16,216	26.6	32,805
Central Bank	5,088	3,850	12,406	222.2	15,873
Banks	-419	8,963	3,810	-57.5	16,932
Foreign Banks	59	4,082	850	-79.2	4,397
Foreign Exchange	-63	3,020	1,942	-35.7	3,045
Turkish Lira	-415	1,861	1,018	-45.3	9,490
Non-residents	-4	7,102	2,792	-60.7	7,442
Loans	5	-1,471	-897	-39.0	-3,319
Net Acquisition of Financial Assets	718	-456	606	-	774
Net Incurrence of Liabilities	713	1,015	1,503	48.1	4,093
Banking Sector	725	-982	1,359	-	-3,315
Non-bank Sectors	37	1,571	492	-68.7	7,027
Trade Credit and Advances	417	-1,741	-3,189	83.2	-2,037
Other Assets and Liabilities	-10	-26	-7	-73.1	-34
Reserve Assets (net)	-16,578	-10,388	-39,023	275.7	-16,324
<b>Net Errors and Omissions</b>	<b>-7,405</b>	<b>9,829</b>	<b>-13,690</b>	<b>-</b>	<b>1,834</b>

Source: Datastream, Ministry of Trade, CBRT

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