



Foreign trade deficit narrowed by 48% yoy in May.

According to foreign trade data released by Turkstat, exports increased by 11.3% yoy to 24.1 billion USD in May, while imports decreased by 10.4% yoy to 30.6 billion USD. Hence, foreign trade deficit narrowed by 48% yoy to 6.5 billion USD in this period. Import coverage ratio, which was 63.4% in May 2023, reached the highest level of 2024 with 78.7% in the same month of this year.

Current account deficit was realized as 1.2 billion USD in May.

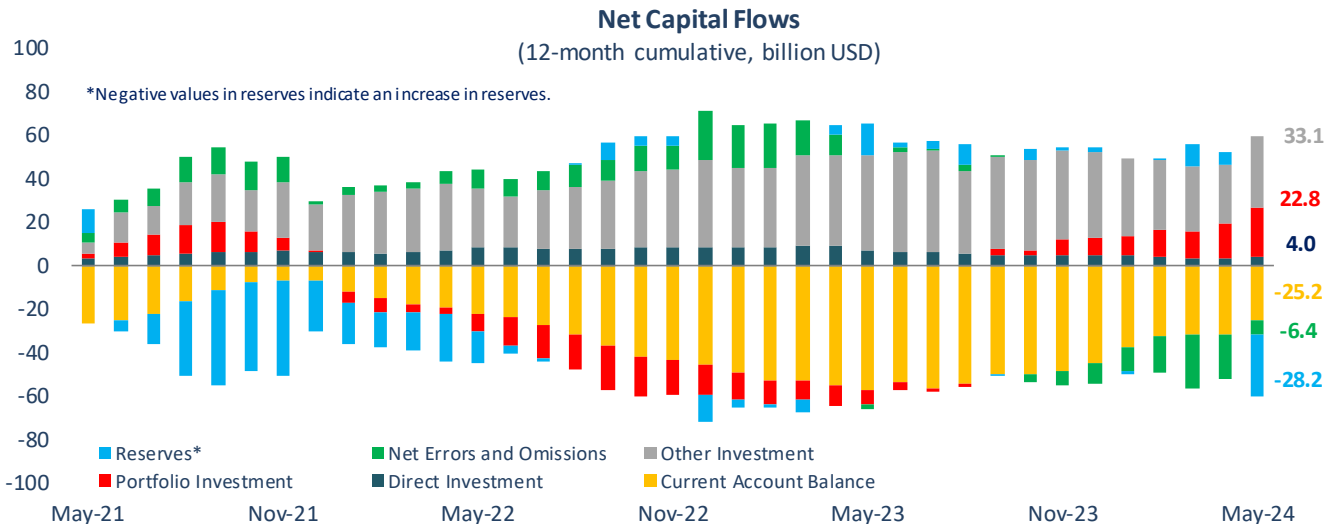
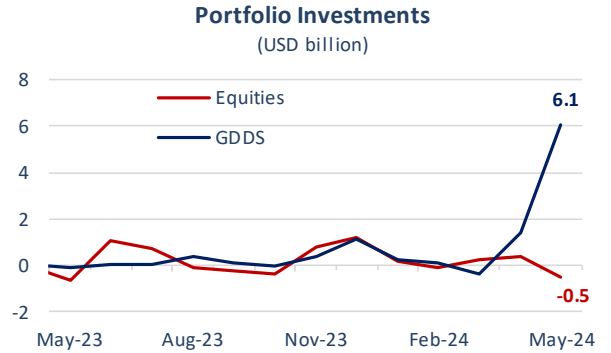
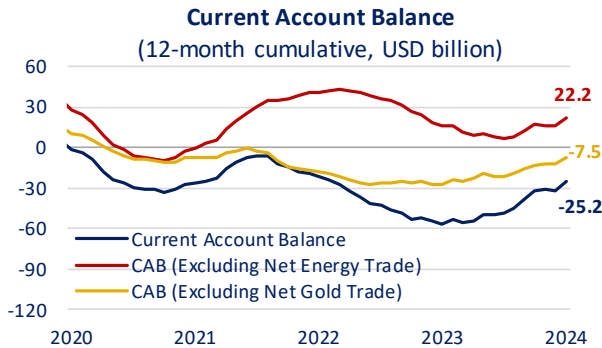
Current account deficit decreased by 84.1% yoy to 1.2 billion USD in May. In this period, balance of payments-defined foreign trade deficit, which narrowed by 60% yoy to 4.2 billion USD, supported the decline in the current account deficit. Moreover, the rise in services inflows, led by a 18% increase in tourism revenues, also had a positive impact on the current account balance outlook. In May, net non-monetary gold imports and net energy imports decreased to 1 billion USD and 3.5 billion USD, respectively, so that current account balance excluding gold and energy posted a surplus of 3.3 billion USD. 12-month cumulative current account deficit narrowed to 25.2 billion USD in May, the lowest level since June 2022.

Highest inflow of the calendar year in equity capital investments...

Net capital inflows related to non-residents' real estate purchases were weak in May with 189 million USD. On the other hand, equity capital investments came in at the highest level in 2024 with 582 million USD in May. Thus, foreign direct investments recorded a net capital inflow of 361 million USD. In this period, residents' net asset acquisition of financial assets was realized as 713 million USD, the highest level of the last 5 months, and limited net foreign direct investments.

The fastest capital inflow of the last 7 years in portfolio investments...

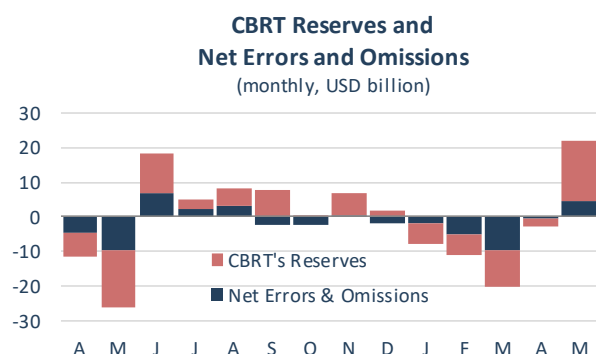
In May, net capital inflow in portfolio investments was realized as 5.6 billion USD, the highest level since May 2017. The capital inflow of 6.9 billion USD in debt securities market was influential in this development. On the other hand, the net capital outflow of 529 million USD in the equity market in May limited the positive outlook in portfolio investments to some extent. Thus, stock market recorded the fastest capital outflow of the last one year.



Source: Datastream, Turkstat, CBRT

Capital inflows in other investments accelerated in May.

In May, net capital inflow in other investments item was realized as 8.4 billion USD, the highest level since August 2022. In this period, domestic banks reduced currency and deposit holdings in foreign correspondents by 4.5 billion USD, which was the main factor supporting the favorable outlook in other investments. In May, banking sector's net borrowing from abroad was realized as 3.4 billion USD, while other sectors' net borrowing was limited with 356 million USD. According to 12-month cumulative figures, long-term debt rollover ratio was 127.6% in the banking sector and 99.8% in other sectors as of in May.

**Record high increase in reserve assets...**

In May, reserve assets recorded a record high increase of 17.6 billion USD, led by FX assets. In this period, net errors and omissions recorded a capital inflow for the first time since November 2023, with 4.5 billion USD.

Expectations...

Preliminary data released by the Ministry of Trade pointed out that foreign trade deficit widened rapidly on an annual basis in June. In this period, the annual contraction in imports was accompanied by exports. On the other hand, we think that the rise in tourism revenues will limit the foreign trade deficit-driven widening in the current account deficit in June. On the financing side of the current account deficit, portfolio inflows slowed down in June after the strong inflow in May. In the medium term, foreign direct investment news, especially related to the automotive sector, signal a positive development in terms of the financing quality of the current account deficit.

Balance of Payments	(USD million)				
	May. 2024	Jan. - 2023	May. 2024	% Change	12-month Cumulative
Current Account Balance	-1,235	-37,449	-17,614	-53.0	-25,191
Foreign Trade Balance	-4,199	-47,154	-26,372	-44.1	-66,131
Services Balance	4,724	14,816	15,101	1.9	52,844
Travel (net)	3,915	11,619	12,660	9.0	42,635
Primary Income	-1,607	-5,198	-6,276	20.7	-12,307
Secondary Income	-153	87	-67	-	403
Capital Account	-13	-72	-23	-68.1	-156
Financial Account	3,224	-52,755	-30,007	-43.1	-31,776
Direct Investment (net)	-361	-2,118	-1,504	-29.0	-4,033
Portfolio Investment (net)	-5,637	2,947	-11,517	-	-22,806
Net Acquisition of Financial Assets	748	2,389	7,547	215.9	8,027
Net Incurrence of Liabilities	6,385	-558	19,064	-	30,833
Equity Securities	-529	-1,594	117	-	3,098
Debt Securities	6,914	1,036	18,947	1,728.9	27,735
Other Investment (net)	-8,371	-15,851	-9,469	-40.3	-33,126
Currency and Deposits	-4,468	-10,598	-1,108	-89.5	-13,897
Net Acquisition of Financial Assets	-4,216	6,930	5,152	-25.7	2,494
Net Incurrence of Liabilities	252	17,528	6,260	-64.3	16,391
Central Bank	-1,142	13,697	-1,418	-	-1,603
Banks	1,394	3,831	7,678	100.4	17,994
Foreign Banks	739	2,813	5,384	91.4	12,763
Foreign Exchange	-368	850	1,142	34.4	7,435
Turkish Lira	1,107	1,963	4,242	116.1	5,328
Non-residents	655	1,018	2,294	125.3	5,231
Loans	-3,894	-930	-7,103	663.8	-17,396
Net Acquisition of Financial Assets	-144	603	-145	-	-2,408
Net Incurrence of Liabilities	3,750	1,533	6,958	353.9	14,988
Banking Sector	3,420	1,424	6,741	373.4	12,924
Non-bank Sectors	356	423	285	-32.6	1,157
Trade Credit and Advances	2	-4,314	-1,252	-71.0	-1,889
Other Assets and Liabilities	-11	-9	-6	-33.3	56
Reserve Assets (net)	17,593	-37,733	-7,517	-80.1	28,189
Net Errors and Omissions	4,472	-15,234	-12,370	-18.8	-6,429

Source: Datastream, Ministry of Trade, CBRT

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