



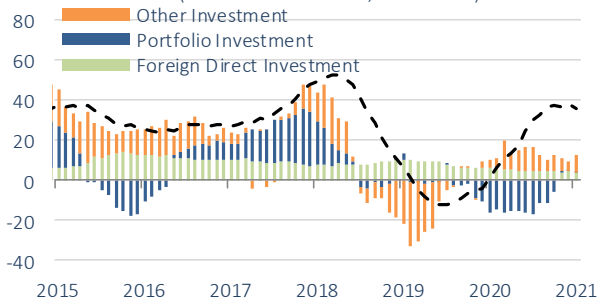
### Foreign trade deficit narrowed by 14.9% yoy in March.

According to TURKSTAT data, in March 2021 the export volume increased by 42.2% compared to March 2020, when the early effects of the pandemic began to be seen, and became 19 billion USD, while the import volume rose by 25.6% yoy to 23.6 billion USD. Hence, in this period, the foreign trade deficit decreased by 14.9% yoy and became 4.7 billion USD. The ratio of exports to imports increased from 70.9% in March 2020 to 80.3% in March 2021. In the first quarter of 2021, foreign trade deficit narrowed by 15.2% yoy and became 11 billion USD.

### The current account balance gave a deficit of 3.3 billion USD in March.

In March, current account deficit was realized as 3.3 billion USD, below market expectations which were 3.8 billion USD. The current account deficit was 5.5 billion USD in March 2020 due to the negative effects of the pandemic. The balance of payments defined foreign trade deficit decreased by 32.1% yoy to 3 billion USD in March 2021, thanks to decline in non-monetary gold imports, as well as the rise in export volume, with the contribution of the low base effect in the same month of 2020. Furthermore, service revenues went up by 95.2% yoy along with the rise in transportation and travel revenues, also thanks to the low base effect. Thus, the current account deficit contracted by 12.1% yoy and became 7.8 billion USD in the first quarter of 2021. 12-month cumulative current account deficit was realized as 36.2 billion USD as of March 2021.

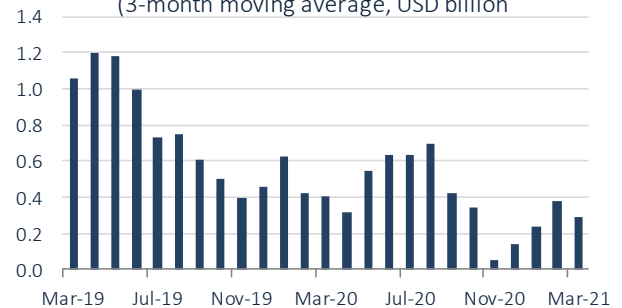
**Financing of Current Account Deficit**  
(12-month cumulative, USD billion)



### Direct investments declined in March.

The capital inflow in net direct investments item, which was 763 million USD in February, declined to 363 million USD in March. During this period, capital investments decreased by 94 million USD compared to the previous month and were realized as 388 million USD, while the limited increase in real estate investments continued. According to the distribution of nonresidents' direct investment by sectors in Turkey, transportation vehicles and the production of computers, electrical-electronic and optical products from the manufacturing sectors, and the information and communication sector from the services sectors stood out in March. In the first quarter of the year, net direct investments declined by 35% yoy to 1.4 billion USD.

**Net Foreign Direct Investment**  
(3-month moving average, USD billion)



### Portfolio investments...

In March, a net capital outflow of 5.7 billion USD was recorded in portfolio investments. During this period, the repayments of 3.6 billion USD for the eurobonds issued by the general government abroad played an important role in the portfolio outflows. In addition, non-residents made net sales of 1 billion USD and 915 million USD, respectively, in the equity and government securities markets in March due to the decline in the risk appetite along with the expectations that a change in monetary policy would be possible. With the contribution of entries realized at the beginning of 2021, the net outflow in portfolio investments item in the first quarter of the year became 596 million USD.

### Net Capital Inflows

	12-month Cumulative (million USD)		Share in Financing (%)	
	Dec. 2020	Mar. 2021	Dec. 2020	Mar. 2021
<b>Current Account Balance</b>	-37,264	-36,192	-	-
<b>Total Net Foreign Capital Inflows</b>	<b>7,059</b>	<b>12,414</b>	-	-
-Direct Investment	4,637	3,916	10.4	10.8
-Portfolio Inflows	-5,485	294	-	0.8
-Other Investments	7,946	8,251	17.9	22.8
-Other	-39	-47	-	-
<b>Net Errors and Omissions</b>	<b>-1,657</b>	<b>6,765</b>	-	<b>18.7</b>
<b>Reserves(1)</b>	<b>31,862</b>	<b>17,013</b>	<b>71.7</b>	<b>46.9</b>

Note: The numbers may not add up total due to rounding.

(1) (-) sign indicates an increase in reserves, while (+) sign indicates decrease.

Source: Datastream, Turkstat, CBRT

**Other investments...**

In March, a net capital inflow of 941 million USD was recorded in other investments item. During this period, a net increase of 1.1 billion USD was realized in the domestic deposits of foreign banks, while the rise of 838 million USD in foreign resident's currency and deposit assets in Turkey drew attention. On the other hand, in March, a net increase of 3.6 billion USD in domestic banks' currency and deposit assets at their foreign correspondents caused investment outflow and limited the rise in other investments item.

Banks and other sectors made a total of 374 million USD and 202 million USD net loans from abroad, respectively. As of March, the long-term debt rollover ratio became 86% in the banking sector and 84% in other sectors. In addition, commercial loans from abroad reached 2.2 billion USD, the highest level in more than a year.

**Reserve assets decreased by 6.2 billion USD.**

Reserve assets decreased by 6.2 billion USD in March, while the decline in reserves became 1.7 billion USD in the January-

March period. On the other hand, a capital inflow of 1.6 billion USD was realized in the net errors and omissions item in March. Thus, the net capital inflow in the errors and omissions item reached 6.9 billion USD in the first quarter of this year.

**Expectations...**

According to leading foreign trade data released by the Ministry of Commerce, export volume expanded by 109% yoy to 18.8 billion USD thanks to the low base in April, while import volume rose by 61.4% to 21.9 billion USD. Hence, in this period, foreign trade deficit decreased by 31.9% and became 3.1 billion USD. In addition to the deceleration in gold imports, the high level of export volume thanks to the recovery in the economic activities of Turkey's export markets supports the foreign trade balance. The widespread vaccination around the world and in Turkey suggests that 2021 may be a better year for the tourism sector when compared to 2020. In Turkey, the full lockdown measures taken for the period 29 April-17 May are expected to support the outlook in the tourism sector in the coming months.

Balance of Payments	(USD million)				
	Mar. 2021	Jan. - Mar. 2020	2021	% Change	12-month Cumulative
<b>Current Account Balance</b>	<b>-3,329</b>	<b>-8,841</b>	<b>-7,769</b>	<b>-12.1</b>	<b>-36,192</b>
Foreign Trade Balance	-2,959	-9,616	-6,951	-27.7	-35,201
Services Balance	767	3,458	1,867	-46.0	7,558
Travel (net)	742	2,694	1,843	-31.6	8,329
Primary Income	-1,184	-2,375	-2,894	21.9	-9,233
Secondary Income	47	-308	209	-	684
<b>Capital Account</b>	<b>-2</b>	<b>-13</b>	<b>-21</b>	<b>61.5</b>	<b>-47</b>
<b>Financial Account</b>	<b>-1,774</b>	<b>-10,358</b>	<b>-872</b>	<b>-91.6</b>	<b>-29,474</b>
Direct Investment (net)	-363	-2,077	-1,356	-34.7	-3,916
Portfolio Investment (net)	5,699	6,375	596	-90.7	-294
Net Acquisition of Financial Assets	-140	3,408	-591	-	-3,750
Net Incurrence of Liabilities	-5,839	-2,967	-1,187	-60.0	-3,456
Equity Securities	-1,033	-2,083	-1,812	-13.0	-3,984
Debt Securities	-4,806	-884	625	-	528
Other Investment (net)	-941	1,867	1,562	-16.3	-8,251
Currency and Deposits	1,696	-1,833	1,504	-	-15,547
Net Acquisition of Financial Assets	3,590	-645	7,940	-	7,548
Net Incurrence of Liabilities	1,894	1,188	6,436	441.8	23,095
Central Bank	1	-8	1,378	-	14,047
Banks	1,893	1,196	5,058	322.9	9,048
Foreign Banks	1,055	614	4,135	573.5	9,549
Foreign Exchange	1,775	-1,285	3,222	-	6,372
Turkish Lira	-720	1,899	913	-51.9	3,177
Non-residents	838	582	923	58.6	-501
Loans	-436	3,277	286	-91.3	5,173
Net Acquisition of Financial Assets	4	25	379	1,416.0	-927
Net Incurrence of Liabilities	440	-3,252	93	-	-6,100
Banking Sector	374	-2,273	-232	-89.8	-3,032
Non-bank Sectors	202	-925	609	-	-2,425
Trade Credit and Advances	-2,200	430	-231	-	2,116
Other Assets and Liabilities	-1	-7	3	-	7
Reserve Assets (net)	-6,169	-16,523	-1,674	-89.9	-17,013
<b>Net Errors and Omissions</b>	<b>1,557</b>	<b>-1,504</b>	<b>6,918</b>	<b>-</b>	<b>6,765</b>

Source: Datastream, Ministry of Trade, CBRT

---

## Economic Research Division

---

İzlem Erdem  
Chief Economist  
izlem.erdem@isbank.com.tr

İlker Şahin  
Economist  
ilker.sahin@isbank.com.tr

Alper Gürler  
Unit Manager  
alper.gurler@isbank.com.tr

Ahmet Berat Ocak  
Asst. Economist  
berat.ocak@isbank.com.tr

Dilek Sarsın Kaya  
Asst. Manager  
dilek.kaya@isbank.com.tr

---

Our reports are available on our website <https://research.isbank.com.tr>

### **LEGAL NOTICE**

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.

---