

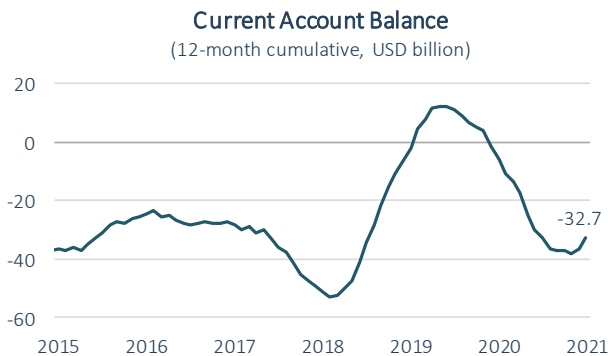


Foreign trade deficit narrowed by 33.2% yoy in April.

According to TURKSTAT data, in April 2021 the export volume expanded by 109.2% yoy due to the low base effect and became 18.8 billion USD, while the import volume rose by 61.1% yoy to 21.8 billion USD. Hence, in this period, the foreign trade deficit narrowed by 33.2% yoy and became 3.1 billion USD. The ratio of exports to imports increased from 66.2% in April 2020 to 86% in April 2021. In the January-April period, foreign trade deficit narrowed by 19.7% yoy and became 14.1 billion USD.

Current account balance posted a deficit of 1.7 billion USD in April.

In April, the current account deficit decreased by 67.7% yoy and came in at 1.7 billion USD, below market expectations. The market expectation was that the current account deficit would be 2.2 billion USD in this period. The decline in the foreign trade deficit and the improvement in balance of services had a positive impact on the current account balance. Transportation revenues, one of the sub-items of the balance of services, increased by almost 4 times compared to April 2020, when the effects of the pandemic were intensely felt, and amounted to 551 million USD in April 2021. Tourism revenues, which was absent in April 2020, also made contribution to the current account balance by 596 million USD in April 2021. Thus, the 12-month cumulative current account deficit, which has continued to decline since February, became 32.7 billion USD as of April.



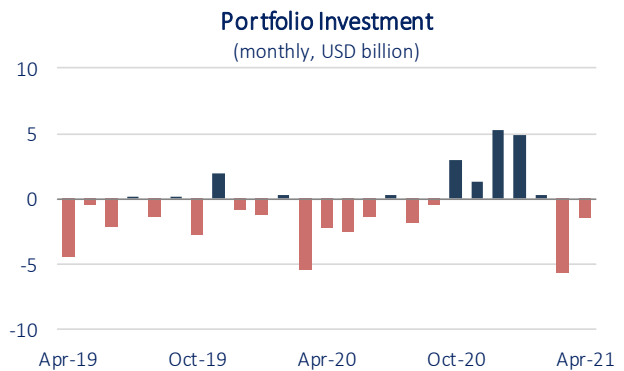
The weak course of foreign direct investments continues.

Nonresidents' net direct investments in Turkey were realized as 56

million USD in April. Nonresidents' direct investments in Turkey, amounting to 597 million USD, were mostly in the form of real estate investments (501 million USD). Capital investments decreased by 54% compared to the previous month and became 177 million USD. Thus, 12-month cumulative net direct investments were realized as 3.9 billion USD.

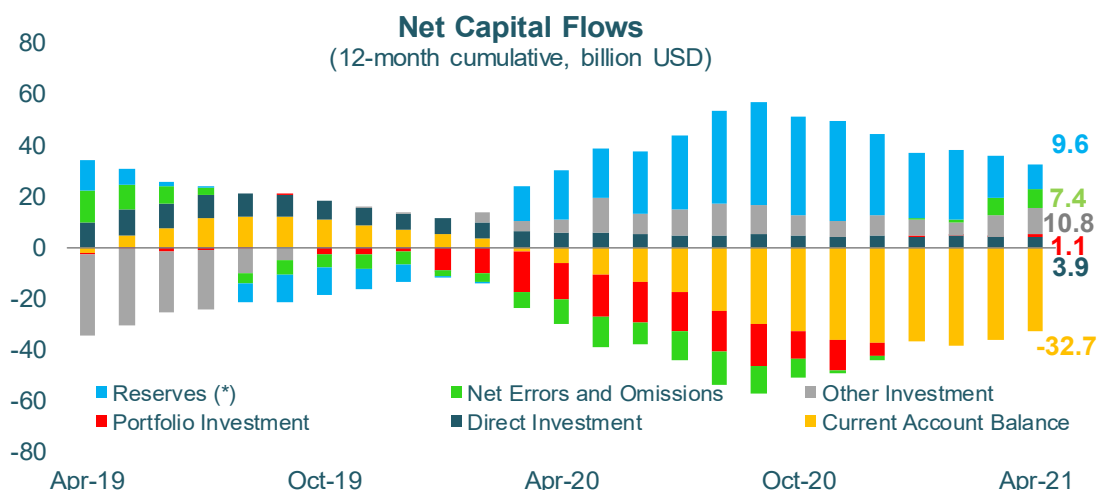
In April, there was a net capital outflow of 1.5 billion USD in portfolio investments.

The capital outflow in portfolio investments has also continued in April, albeit at a slight slowdown compared to March. Portfolio investments, in which there was a capital outflow of 2.3 billion USD in April 2020 due to the impact of the pandemic, recorded a net capital outflow of 1.5 billion USD in the same month of this year. In this period, banks' repayment of eurobonds exceeding 1 billion USD was effective in the capital outflow in portfolio investments. On the other hand, nonresidents' made 123 million USD net sales in the stock market in April, while they made 44 million USD net purchases in the GDDS market. Thus, due to the total capital outflow of 7.2 billion USD in the last two months, the capital inflow in portfolio investments decreased to 1.1 billion USD in the last 12 months.



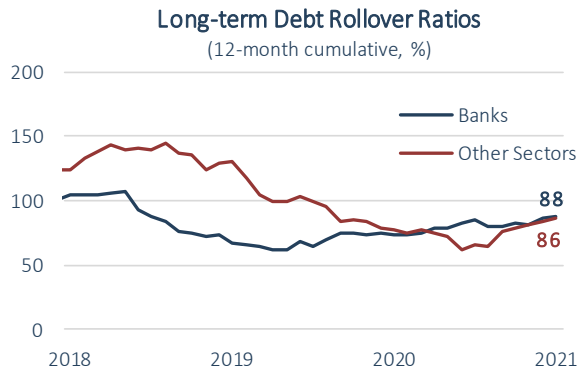
Capital inflows in other investments were at the highest level of this year.

In April, net capital inflow in the other investments item became 1.8 billion USD, the highest level of this year. In this period, domestic deposits of foreign banks increased by a limited amount of 61 million USD. On the other hand, domestic banks' currency and



Source: Datastream, Turkstat, CBRT

deposit assets at their foreign correspondents decreased by 2.5 billion USD in April, playing an important role in the rise of other investments. In April, banks and the General Government made net repayments in their loans from abroad in the amounts of 336 million USD and 79 million USD, respectively. Other sectors made a net loan use of 39 million USD in the same period. According to the 12-month cumulative data, as of April, the long-term debt rollover ratio became 87.8% in the banking sector and 85.9% in other sectors.



Reserve assets decreased by 1.2 billion USD in April.

Reserve assets decreased by 1.2 billion USD in April, while the decline in reserves became 2.9 billion USD in the January-April

period. According to 12-month cumulative data, the decrease in reserve assets became 9.6 billion USD as of April. There was a capital inflow of 198 million USD in the net errors and omissions item. Thus, the capital inflow recorded in the last four months in the net errors and omissions item reached 7.2 billion USD.

Expectations...

According to the preliminary foreign trade data released by the Ministry of Commerce, export volume expanded by 65.5% yoy to 16.5 billion USD in May, with the realization of delayed demand as vaccination accelerated in European countries, one of our most important export markets, and the low base effect. In the same period, import volume increased by 54% to 20.6 billion USD. Thus, the foreign trade deficit widened by 20.7% and became 4.1 billion USD in May. We expect that the strong performance in exports will continue in the coming months with the normalization steps that support the economic activity around the world and the annual rise in the EUR/USD parity. We anticipate that the decline in the number of new Covid-19 cases along with the vaccinations in Turkey as of June may have a positive impact on the tourism sector in the coming months. In this context, the decisions regarding travels to Turkey taken by Germany and the US are viewed as positive developments, while the decisions to be taken by Russia, Turkey's biggest tourism market, will be closely monitored in the coming days.

Balance of Payments	(USD million)			
	2020	April 2021	% Change	12-month Cumulative
Current Account Balance	-5,296	-1,712	-67.7	-32,737
Foreign Trade Balance	-3,845	-1,513	-60.7	-32,902
Services Balance	-339	811	-	8,655
Travel (net)	0	596	-	8,925
Primary Income	-1,148	-1,258	9.6	-9,345
Secondary Income	36	248	588.9	855
Capital Account	-3	-1	-66.7	-45
Financial Account	-5,593	-1,515	-72.9	-25,382
Direct Investments (net)	-28	-56	100.0	-3,897
Portfolio Investments (net)	2,331	1,534	-34.2	-1,106
Net Acquisition of Financial Assets	-1,317	456	-	-1,992
Net Incurrence of Liabilities	-3,648	-1,078	-70.4	-886
Equity Securities	-847	-123	-85.5	-3,260
Debt Securities	-2,801	-955	-65.9	2,374
Other Investments (net)	709	-1,810	-	-10,788
Currency and Deposits	-131	-2,119	1,517.6	-17,540
Net Acquisition of Financial Assets	1,706	-2,183	-	3,408
Net Incurrence of Liabilities	1,837	-64	-	20,948
Central Bank	997	-1	-	13,049
Banks	840	-63	-	7,899
Foreign Banks	715	61	-91.5	8,649
Foreign Exchange	224	-325	-	5,577
Turkish Lira	491	386	-21.4	3,072
Non-residents	125	-124	-	-750
Loans	1,305	460	-64.8	4,326
Net Acquisition of Financial Assets	-39	84	-	-804
Net Incurrence of Liabilities	-1,344	-376	-72.0	-5,130
Banking Sector	-823	-336	-59.2	-2,545
Non-bank Sectors	-478	39	-	-1,906
Trade Credit and Advances	-466	-149	-68.0	2,421
Other Assets and Liabilities	1	-2	-	5
Reserve Assets (net)	-8,605	-1,183	-86.3	-9,591
Net Errors and Omissions	-294	198	-	7,400

Source: Datastream, Ministry of Trade, CBRT

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