



Foreign trade deficit expanded rapidly in July.

According to Turkstat data, exports increased by 10.2% yoy to 16.4 billion USD in July, and imports expanded by 16.8% yoy to 20.7 billion USD. Thus, in this period, the foreign trade deficit reached 4.3 billion USD, recording the highest increase in the last 8 months with 51.3% yoy. In the first seven months of the year, the foreign trade deficit decreased by 4.7% compared to the same period of last year and became 25.5 billion USD. The import coverage ratio which was 77.1% in January-July 2020 rose to 82.6% in the same period of this year.

Revision of the Balance of Payments data...

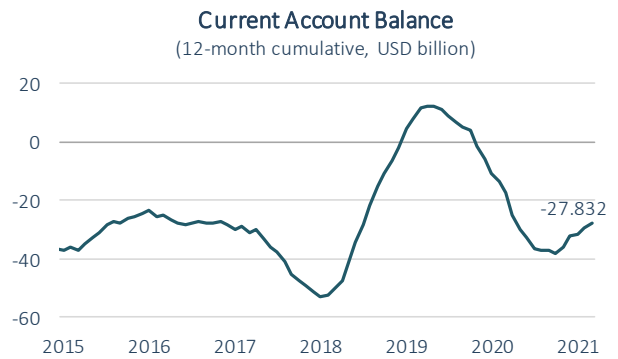
The effect of TURKSTAT's revisions in "Export Receivables" and "Import Payables" data and the transition from legal ownership to economic ownership in the ownership definition of securities within the framework of compliance with the international methodology was reflected in the balance of payments figures with the announcement of the July data. The relevant revisions have been mainly reflected in the financial account of the balance of payments since January. In the January-June period, net asset acquisition of commercial loans, which had significant updates, recorded a decrease of 1.7 billion USD.

Current account balance gave a deficit of 683 million USD in July.

In July, the current account deficit was realized as 683 million USD, the lowest level since October 2020. In July 2020, the current account balance had a deficit of 2 billion USD. The rise in net transportation and net travel revenues were effective in the improvement of the current account balance. On the other hand, despite the 1.7 billion USD decrease in net gold imports on an annual basis, the balance of payments defined foreign trade deficit widened by 1 billion yoy and reached 3 billion USD and limited this improvement.

In the first seven months of the year, the current account deficit narrowed by 40.8% yoy and became 13.7 billion USD. In this period, foreign trade deficit decreased by 18.8%, while tourism revenues rose by 73.3% to 6.9 billion USD. The

12-month cumulative current account deficit also continued to decline and became 27.8 billion USD in July, the lowest level of the last year.



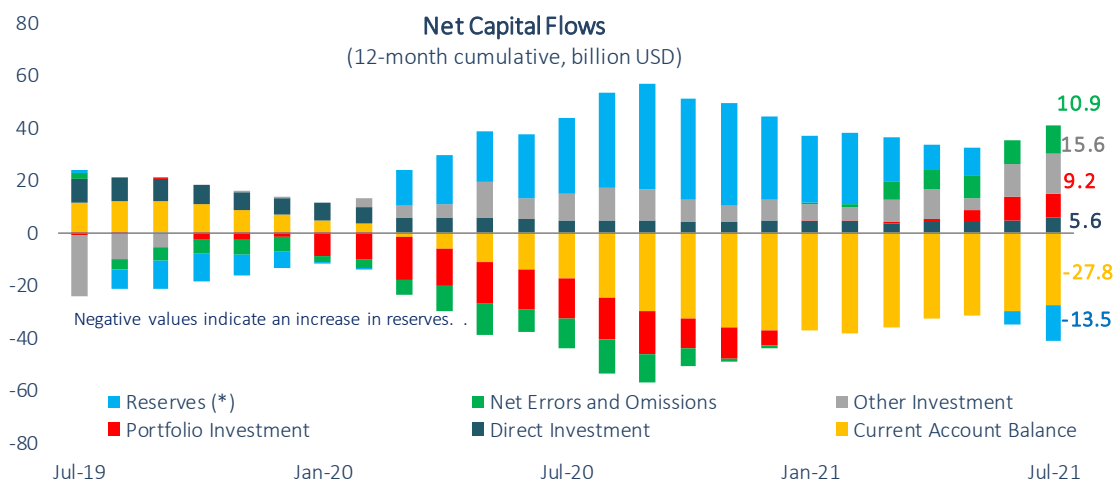
Direct investments drew a positive display in July.

Net direct investments rose to 1 billion USD in July, the highest level since November 2018. In this period, capital investments amounted to 1 billion USD and real estate investments became 453 million USD. According to the distribution of direct investments by sectors, investments in wholesale and retail trade, finance and insurance sectors stood out in July. Net direct investments stood at 3.6 billion USD in the January-July period, and 5.6 billion USD according to 12-month cumulative figures as of July.

Portfolio investments recorded an inflow of 1.9 billion USD.

Portfolio investments, which recorded a net capital inflow of 3 billion USD in June, posted an inflow of 1.9 billion USD in July. During this period, through bond issues in international capital markets, general government and other sectors borrowed a net amount of 1.8 billion USD and 195 million USD, respectively. Non-residents made net sales of 93 million USD in the equity market and net purchases of 439 million USD in the GDDS market.

In July, net capital inflows in other investments were realized as 1.9 billion USD. In this period, deposits of domestic banks held within their foreign correspondents decreased by 467

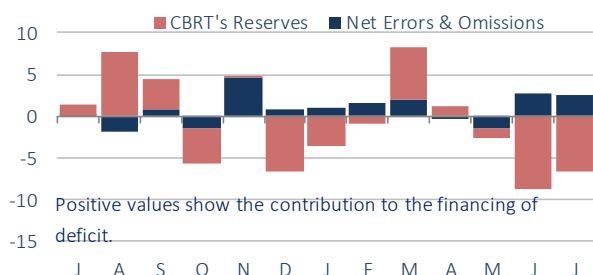


Source: Datastream, Turkstat, CBRT

million USD, while the domestic deposits of foreign banks increased by 301 million USD. During this period, banks and other sectors used long-term loans of 1.4 billion USD and 755 million USD, respectively. According to 12-month cumulative data, the long-term debt rollover ratio was realized as 91.9% in the banking sector and 111.8% in other sectors. With the revision made, the recording of foreign resources and funds obtained through repo as bank loan liabilities increased the short-term loan item of banks. According to the 12-month cumulative data, while banks were 384 million USD net loan payers in June before the revision, they were 2.4 billion USD net loan users after the revision.

CBRT Reserves and Net Errors and Omissions

(monthly, USD billion)



Reserve assets increased by 6.7 billion USD in July.

Reserve assets, which increased by 8.8 billion USD in June, expanded by 6.7 billion USD in July. In the January-July period, the increase in reserve assets were realized as 14 billion USD. Net errors and omissions item recorded a capital inflow of 2.5 billion USD in July and the capital inflow in this item reached 8 billion USD as of the first seven months of the year.

Expectations...

According to the provisional foreign trade data released by the Ministry of Commerce, the export volume increased by 51.8% yoy to 18.9 billion USD in August, reaching the highest August figure. In the same period, the import volume rose by 23.8% to 23.2 billion USD. Thus, the foreign trade deficit narrowed by 31.7% yoy to 4.3 billion USD. The current account balance is expected to improve in August thanks to the rising trend in exports as well as the tourism season. The current account deficit, which was 13.7 billion USD in the first seven months of the year, is estimated to become 21 billion USD at the end of the year according to the Medium Term Program published on 5 September 2021. As the current outlook suggests, this figure seems plausible.

Balance of Payments

(USD million)

	Jul. 2021	Jan. - Jul. 2020	Jan. - Jul. 2021	% Change	12-month Cumulative
Current Account Balance	-683	-23,215	-13,744	-40.8	-27,832
Foreign Trade Balance	-2,984	-20,228	-16,418	-18.8	-34,071
Services Balance	2,948	2,898	9,184	216.9	15,440
Travel (net)	2,118	3,151	6,205	96.9	12,234
Primary Income	-702	-5,568	-7,177	28.9	-10,304
Secondary Income	55	-317	667	-	1,103
Capital Account	-19	-18	-38	111.1	-59
Financial Account	1,816	-28,468	-5,758	-79.8	-16,928
Direct Investment (net)	-1,030	-2,526	-3,579	41.7	-5,637
Portfolio Investment (net)	-1,933	14,889	-3,885	-	-9,209
Net Acquisition of Financial /	-129	721	-365	-	1,816
Net Incurrence of Liabilities	1,804	-14,168	3,520	-	11,025
Equity Securities	-93	-4,437	-1,901	-57.2	-1,719
Debt Securities	1,897	-9,731	5,421	-	12,744
Other Investment (net)	-1,921	-9,430	-12,258	30.0	-15,585
Currency and Deposits	-824	-13,892	-7,490	-46.1	-12,480
Net Acquisition of Financi	-461	690	3,797	450.3	2,072
Net Incurrence of Liabilitie	363	14,582	11,287	-22.6	14,552
Central Bank	-89	11,773	4,699	-60.1	5,587
Banks	452	2,809	6,588	134.5	8,965
Foreign Banks	301	1,605	5,059	215.2	9,482
Foreign Exchange	217	-1,585	3,922	-	7,372
Turkish Lira	84	3,190	1,137	-64.4	2,110
Non-residents	151	1,204	1,529	27.0	-517
Loans	31	5,124	-1,328	-	-2,380
Net Acquisition of Financi	129	-900	1,884	-	403
Net Incurrence of Liabilitie	98	-6,024	3,212	-	2,783
Banking Sector	43	-1,971	-593	-69.9	-2,130
Non-bank Sectors	-176	-3,691	3,821	-	3,485
Trade Credit and Advances	-1,120	-654	-3,427	424.0	-718
Other Assets and Liabilities	-8	-8	-13	62.5	-7
Reserve Assets (net)	6,700	-31,401	13,964	-	13,503
Net Errors and Omissions	2,518	-5,235	8,024	-	10,963

Source: Datastream, Ministry of Trade, CBRT

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