



### Foreign trade deficit widened by 6.9% yoy in November.

According to TURKSTAT data, in November, exports increased by 33.7% yoy to 21.5 billion USD, while imports expanded by 27.3% to 26.9 billion USD. Thus, in this period, the foreign trade deficit increased by 6.9% yoy to 5.4 billion USD. In the January-November 2021 period, the foreign trade deficit narrowed by 13.2% compared to the same period of the previous year and became 39.4 billion USD. The ratio of exports to imports rose from 77% in January-November 2020 to 83.8% in the same period of 2021.

### Current account deficit was 2.7 billion USD in November.

Current account, which gave a deficit of 3.5 billion USD in November 2020, posted a deficit of 2.7 billion USD in the same month of 2021. The rise in net service revenues by 70.8% yoy, thanks to the increase in transportation and tourism revenues, played a key role in this development. It is noteworthy that in November 2021, net travel revenues reached 1.5 billion USD, the level of November 2019 before the pandemic. The annual decline of 96.2% in gold imports in November also supported the improvement in the current account balance. On the other hand, the current account balance, which posted a surplus in the August-October 2021 period, turned to a deficit again in November.

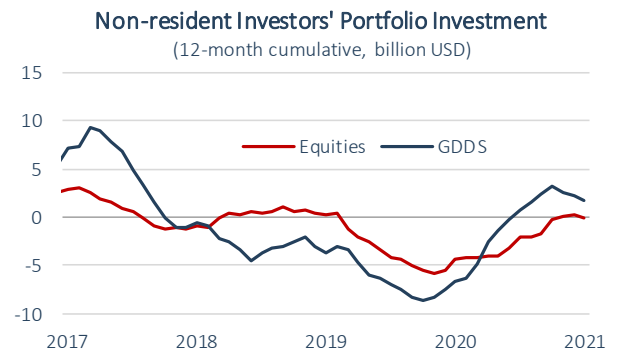
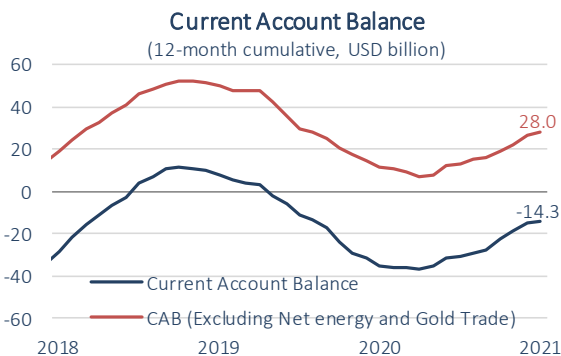
and fell to 14.3 billion USD, the lowest level since June 2020. Excluding net gold and energy trade, the 12-month current account balance gave a surplus of 28 billion USD at the end of November.

### A net inflow of 359 million USD was recorded in direct investments.

Adding only a limited contribution to the financing of current account deficit (359 million USD) in November, net foreign direct investments have presented a stronger performance in January-November 2021. Net foreign direct investments, which were 3.5 billion USD in January-November 2020, reached 6.3 billion USD in the same period of 2021. During this period, 5.2 billion USD of foreign residents' direct investments were in the form of real estate investments..

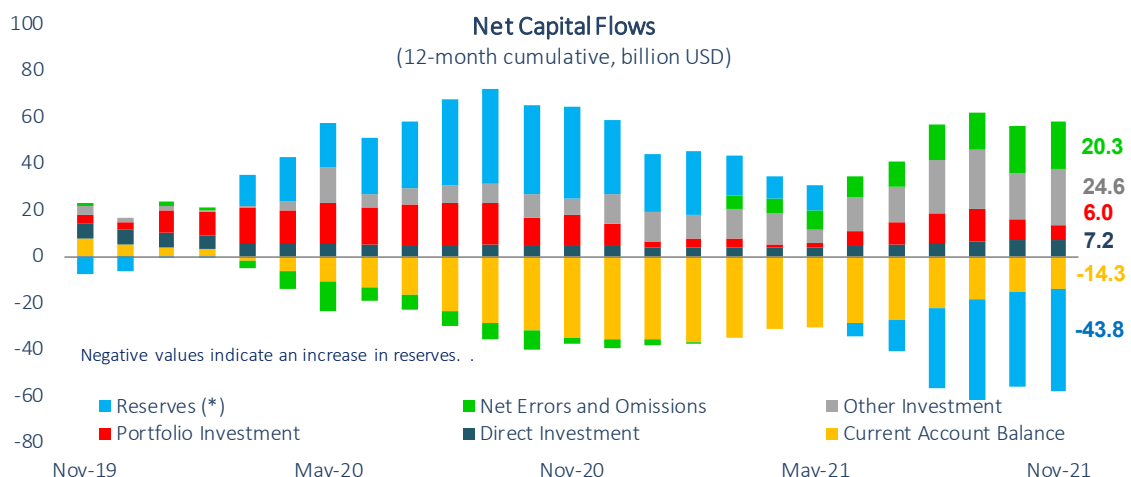
### Portfolio investment recorded a net outflow in November.

Following an outflow of 2.2 billion USD in October, net portfolio investments recorded an outflow of 1.4 billion USD in November. The said outflow was mainly due to the redemption of the government bonds issued abroad. On the other hand, in November 2021, non-residents made a net purchase of 938 million USD in the stock market. In the January-November 2021 period, net portfolio inflows remained at 2.8 billion USD.



According to the 12-month cumulative data, the current account deficit continued its downward trend in November

In November, other investments item recorded a net inflow of 2.2 billion USD. In this period, Turkish banks' currency and deposits within their foreign correspondent bank accounts

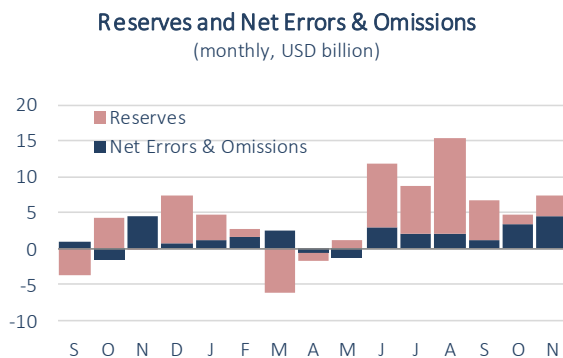


Source: Datastream, Turkstat, CBRT

decreased by 1.2 million USD, while non-resident banks' deposit accounts held within domestic banks increased by 885 million USD. Regarding the loans provided from abroad, banks and general government made net repayments, while other sectors made net borrowing of 273 million USD in November. According to the 12-month cumulative data, the long-term debt rollover ratio was 91% in the banking sector and 127% in the non-banking sectors.

#### Reserve assets increased by 2.8 billion USD.

While reserve assets increased by 2.8 billion USD in November, the rise in reserves reached 37.1 billion USD in the first 11 months of 2021. In November, a capital inflow of 4.5 billion USD in the net errors and omissions item drew



attention. Thus, in the January-November period, the said item contributed 19.7 billion USD to the financing of the current account deficit.

#### Expectations...

According to the preliminary foreign trade data released by the Ministry of Commerce, the widening in the foreign trade deficit in November continued in December as well. In this period, the export volume continued to increase by 25% yoy to 22.3 billion USD, while the import volume expanded by 29% to 28.9 billion USD with the effect of the rise in energy prices. Thus, the foreign trade deficit rose by 46% yoy and reached 6.6 billion USD in December. In the whole year of 2021, the foreign trade deficit decreased by 7.8% yoy to 46 billion USD. Taking into account the course of foreign trade data, we estimate that the current account balance gave a deficit in December as well, and that the ratio of the current account deficit to GDP was around 2% in 2021. With the spread of Omicron variant, the effects of the pandemic on economic activity and social life in domestic and export markets will be important for the current account balance in the coming period. However, rapidly increasing energy prices throughout 2021 are expected to follow a more moderate course in 2022. The statements from major central banks to normalize their monetary policies earlier than expected point to an increasing risk to the financing side of the balance of payments in the coming period.

#### Balance of Payments

|                                     | Nov.<br>2021  | Jan. - Nov.<br>2020 | 2021           | %<br>Change  | 12-month<br>Cumulative |
|-------------------------------------|---------------|---------------------|----------------|--------------|------------------------|
| <b>Current Account Balance</b>      | <b>-2,681</b> | <b>-32,096</b>      | <b>-10,816</b> | <b>-66.3</b> | <b>-14,256</b>         |
| Foreign Trade Balance               | -3,475        | -34,499             | -23,976        | -30.5        | -27,340                |
| Services Balance                    | 1,916         | 10,950              | 23,439         | 114.1        | 24,027                 |
| Travel (net)                        | 1,549         | 8,563               | 17,856         | 108.5        | 18,473                 |
| Primary Income                      | -986          | -8,762              | -11,109        | 26.8         | -11,738                |
| Secondary Income                    | -136          | 215                 | 830            | 286.0        | 795                    |
| <b>Capital Account</b>              | <b>-2</b>     | <b>-29</b>          | <b>-65</b>     | <b>124.1</b> | <b>-72</b>             |
| <b>Financial Account</b>            | <b>1,779</b>  | <b>-36,734</b>      | <b>8,813</b>   | <b>-</b>     | <b>6,016</b>           |
| Direct Investment (net)             | -359          | -3,475              | -6,282         | 80.8         | -7,168                 |
| Portfolio Investment (net)          | 1,446         | 12,827              | -2,771         | -            | -6,042                 |
| Net Acquisition of Financial Assets | 465           | 2,568               | 1,436          | -44.1        | 1,762                  |
| Net Incurrence of Liabilities       | -981          | -10,259             | 4,207          | -            | 7,804                  |
| Equity Securities                   | 938           | -4,524              | -433           | -90.4        | -164                   |
| Debt Securities                     | -1,919        | -5,735              | 4,640          | -            | 7,968                  |
| Other Investment (net)              | -2,139        | -7,490              | -19,245        | 156.9        | -24,619                |
| Currency and Deposits               | -2,150        | -15,979             | -12,423        | -22.3        | -15,321                |
| Net Acquisition of Financial Assets | -884          | 1,949               | 1,550          | -20.5        | -1,430                 |
| Net Incurrence of Liabilities       | 1,266         | 17,928              | 13,973         | -22.1        | 13,891                 |
| Central Bank                        | -4            | 12,663              | 4,751          | -62.5        | 4,749                  |
| Banks                               | 1,270         | 5,265               | 9,222          | 75.2         | 9,142                  |
| Foreign Banks                       | 885           | 5,603               | 8,470          | 51.2         | 8,895                  |
| Foreign Exchange                    | 635           | 1,252               | 6,455          | 415.6        | 7,068                  |
| Turkish Lira                        | 250           | 4,351               | 2,015          | -53.7        | 1,827                  |
| Non-residents                       | 385           | -338                | 752            | -            | 247                    |
| Loans                               | -317          | 6,732               | 607            | -91.0        | -2,177                 |
| Net Acquisition of Financial Assets | -474          | -2,448              | 1,658          | -            | 1,725                  |
| Net Incurrence of Liabilities       | -157          | -9,180              | 1,051          | -            | 3,902                  |
| Banking Sector                      | -301          | -3,983              | -3,550         | -10.9        | -1,359                 |
| Non-bank Sectors                    | 273           | -4,650              | 4,972          | -            | 5,498                  |
| Trade Credit and Advances           | 333           | 1,758               | -1,085         | -            | -776                   |
| Other Assets and Liabilities        | -5            | -1                  | -6             | 500.0        | -7                     |
| Reserve Assets (net)                | 2,831         | -38,596             | 37,111         | -            | 43,845                 |
| <b>Net Errors and Omissions</b>     | <b>4,462</b>  | <b>-4,609</b>       | <b>19,694</b>  | <b>-</b>     | <b>20,344</b>          |

Source: Datastream, Ministry of Trade, CBRT

---

## Economic Research Division

---

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

Gamze Can  
Economist  
gamze.can@isbank.com.tr

Alper Grler  
Unit Manager  
alper.gurler@isbank.com.tr

İlkim Bengisu Tuncer  
Asst. Economist  
bengisu.tuncer@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.

---