



Foreign trade deficit widened by 155% yoy in May.

According to TURKSTAT data, exports increased by 15.3% yoy to 19 billion USD in May, while imports went up by 43.5% to 29.6 billion USD. In this period, the foreign trade deficit widened by 155.2% and became 10.6 billion USD. Energy and commodity prices, which kept increasing due to geopolitical developments, continued to play a role in the widening of the foreign trade deficit. The import coverage ratio, which was 79.8% in May 2021, decreased to 64.2% in the same month of 2022.

Current account balance posted a deficit of 6.5 billion USD in May.

According to the figures revealed by the CBRT, the current account deficit increased by 3.2 billion USD (95%) in May compared to the same month of the previous year and became 6.5 billion USD. The rise in net energy imports, which played a significant role in the expansion of the current account deficit since March 2021, continued in May as well. Rapid increase in net non-monetary gold imports on an annual basis also came to the fore in this period. In this context, net energy and gold imports amounted to 6.9 billion USD in May. On the other hand, ongoing recovery in transportation and travel revenues continued to limit the deterioration in the current account balance. Tourism revenues remained strong in May as well. In the first 5

months of the year, total tourism revenues of 8.8 billion USD, remained above in comparison to the same period of 2019 (7.9 billion USD).

The 12-month cumulative current account deficit continued to increase in May, reaching the highest level of the last one year with 29.4 billion USD. On the other hand, the 12-month cumulative current account surplus excluding net energy and gold imports also continued to rise and reached its highest level since March 2020 with 38.3 billion USD.

Direct investments increased rapidly on an annual basis.

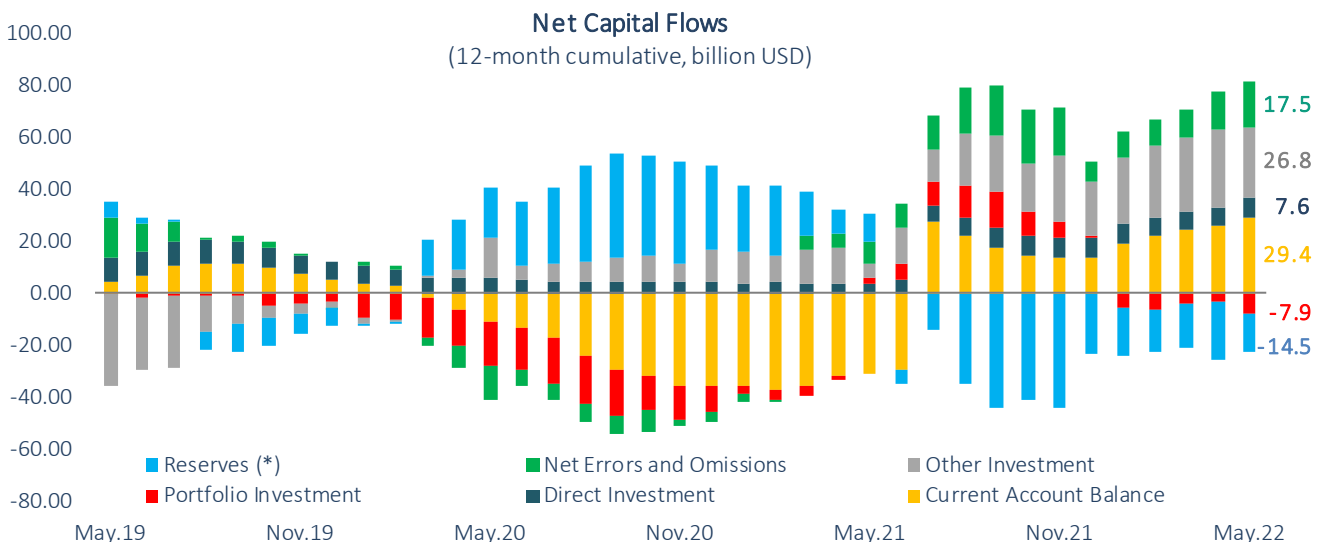
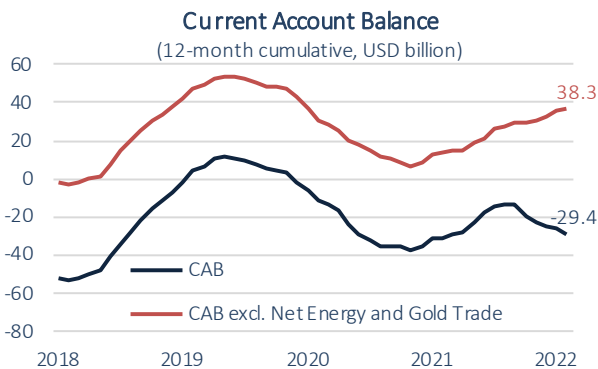
Net direct investments nearly tripled yoy in May, reaching 959 million USD. In this period, real estate investments of non-residents surged by 234% yoy to 657 million USD. In the direct capital investments made by non-residents, the services sector, especially wholesale and retail trade, came to the fore.

The fastest capital outflow in portfolio investments in the last 14 months...

Portfolio investments displayed the fastest capital outflow of the last 14 months with 4.3 billion USD in May. During this period, non-residents sold 1.7 billion USD in the stock market and 495 million USD in the GDDS market. The 1.9 billion USD repayment made by banks for bonds issued abroad was the determining factor in the outflow of portfolio investments.

In May, capital inflows through other investments decreased by 74% yoy to 1 billion USD. In this period, the effective and deposits held by domestic banks at their correspondents abroad rose by 1.3 billion USD, while the effective and deposits held by foreign banks at their domestic correspondents increased by 1.1 billion USD in total.

Net repayments of long-term loans used by banks and other sectors from abroad were 614 million USD and 238 million USD, respectively. Thus, as of May, the long-term debt roll-over ratio on a 12-month cumulative basis decreased to 90% in the banking sector and 128% in other sectors.

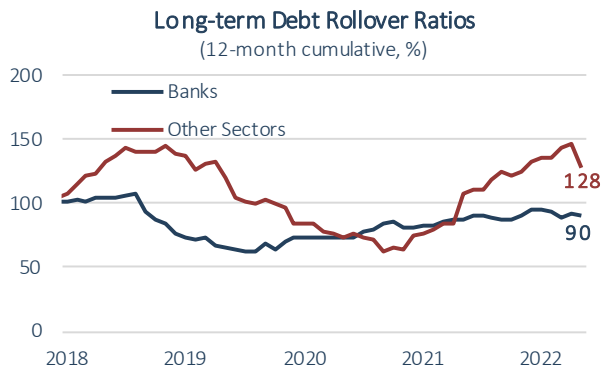


(*) Negative values indicate an increase in reserves.

Source: Datastream, Turkstat, CBRT

Reserve assets decreased by USD 5.9 billion in May.

Reserve assets contributed 5.9 billion USD to the financing of the current account deficit in May. Thus, the total decrease in reserve assets in the first 5 months of the year became 10.4 billion USD. In May, net errors and omissions also played an important role in financing the current account deficit with a capital inflow of 2.9 billion USD. In this item, a total capital inflow of 13.3 billion USD was recorded in the January-May 2022 period.

**Expectations...**

According to the preliminary foreign trade figures released by the Ministry of Commerce, the export volume expanded by 18.5% yoy to 23.4 billion USD, while the import volume increased by 39.6% to 31.6 billion USD in June. In this period, the foreign trade deficit widened by 184.3% on an annual basis to 8.2 billion USD. Thus, the foreign trade deficit in the January-June period rose by 142.5% compared to the same period of the previous year and reached 51.4 billion USD.

The widening in foreign trade deficit due to the increasing energy imports continues to put pressure on the current account balance. We foresee that the pressure on commodity prices, especially energy, due to the expected slowdown in global economic activity in the coming months may slow down the increase in imports. On the other hand, considering its high share in our total exports, the slowdown in economic activity of the EU countries and the continuation of the decline in EUR/USD parity may adversely affect export performance. Despite the recent increase in coronavirus cases worldwide, the positive course of tourism revenues in the summer months will continue to limit the pressures on the current account deficit.

Balance of Payments

(USD million)

	May. 2022	Jan. - May. 2021	2022	% Change	12-month Cumulative
Current Account Balance	-6,468	-12,376	-28,122	127.2	-29,444
Foreign Trade Balance	-8,753	-11,787	-34,304	191.0	-51,801
Services Balance	3,222	4,376	10,918	149.5	33,093
Travel (net)	2,097	3,061	7,581	147.7	23,697
Primary Income	-913	-5,639	-4,476	-20.6	-10,868
Secondary Income	-24	674	-260	-	132
Capital Account	-8	-18	-14	-22.2	-60
Financial Account	-3,610	-8,743	-14,798	69.3	-12,008
Direct Investment (net)	-959	-1,803	-1,978	9.7	-7,589
Portfolio Investment (net)	4,325	1,080	9,770	804.6	7,894
Net Acquisition of Financial Assets	317	-501	3,289	-	6,050
Net Incurrence of Liabilities	-4,008	-1,581	-6,481	309.9	-1,844
Equity Securities	-1,664	-1,836	-2,849	55.2	-2,447
Debt Securities	-2,344	255	-3,632	-	603
Other Investment (net)	-1,037	-6,444	-12,202	89.4	-26,831
Currency and Deposits	-163	-2,183	-8,703	298.7	-15,955
Net Acquisition of Financial Assets	1,378	5,530	3,714	-32.8	3,416
Net Incurrence of Liabilities	1,541	7,713	12,417	61.0	19,371
Central Bank	2	1,315	3,850	192.8	7,283
Banks	1,539	6,398	8,567	33.9	12,088
Foreign Banks	1,138	4,883	7,102	45.4	11,525
Foreign Exchange	1,056	3,491	4,082	16.9	8,408
Turkish Lira	82	1,392	3,020	117.0	3,117
Non-residents	401	1,515	1,465	-3.3	563
Loans	504	-1,953	-1,597	-18.2	356
Net Acquisition of Financial Assets	84	1,209	-456	-	596
Net Incurrence of Liabilities	-420	3,162	1,141	-63.9	240
Banking Sector	-172	-617	-888	43.9	-3,803
Non-bank Sectors	-94	4,126	1,653	-59.9	3,540
Trade Credit and Advances	-1,369	-2,309	-1,876	-18.8	-4,859
Other Assets and Liabilities	-9	1	-26	-	-35
Reserve Assets (net)	-5,939	-1,576	-10,388	559.1	14,518
Net Errors and Omissions	2,866	3,651	13,338	265.3	17,496

Source: Datastream, Ministry of Trade, CBRT

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