



### Foreign trade deficit became 8.3 billion USD in March.

According to TURKSTAT figures, exports increased by 4.4% yoy to 23.6 billion USD in March, reaching a historical high level. In this period, imports rose by 3.4% yoy to 31.9 billion USD. Thus, foreign trade deficit expanded by 0.9% yoy and maintained its high course at 8.3 billion USD in March. The ratio of exports to imports remained relatively flat at 73.9%, up from 73.2% in March 2022.

### Current account deficit was below market expectations in March.

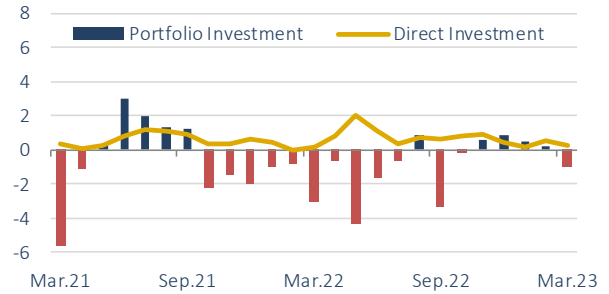
In March, the current account deficit decreased by 19.6% yoy to 4.5 billion USD. Markets were expecting current account deficit to be 5.2 billion USD in this period. The annual decline in the current account deficit was mainly driven by the contraction of foreign trade deficit thanks to the fall in global energy prices. Net energy imports, which were 7.1 billion USD in March 2022, were realized as 4.6 billion USD in the same month of this year, the lowest level of the last 10 months. In addition, net services revenues increased by 29% yoy to 3.1 billion USD due to the rapid rise in transportation and travel revenues and supported the improvement in the current account deficit. Thus, the current account deficit rose by 32.8% yoy to 23.6 billion USD in the first quarter of 2023. According to 12-month

cumulative figures, current account deficit displayed the first decline since December 2021 narrowing to 54.2 billion USD as of March.

### The weak course in foreign direct investments continues.

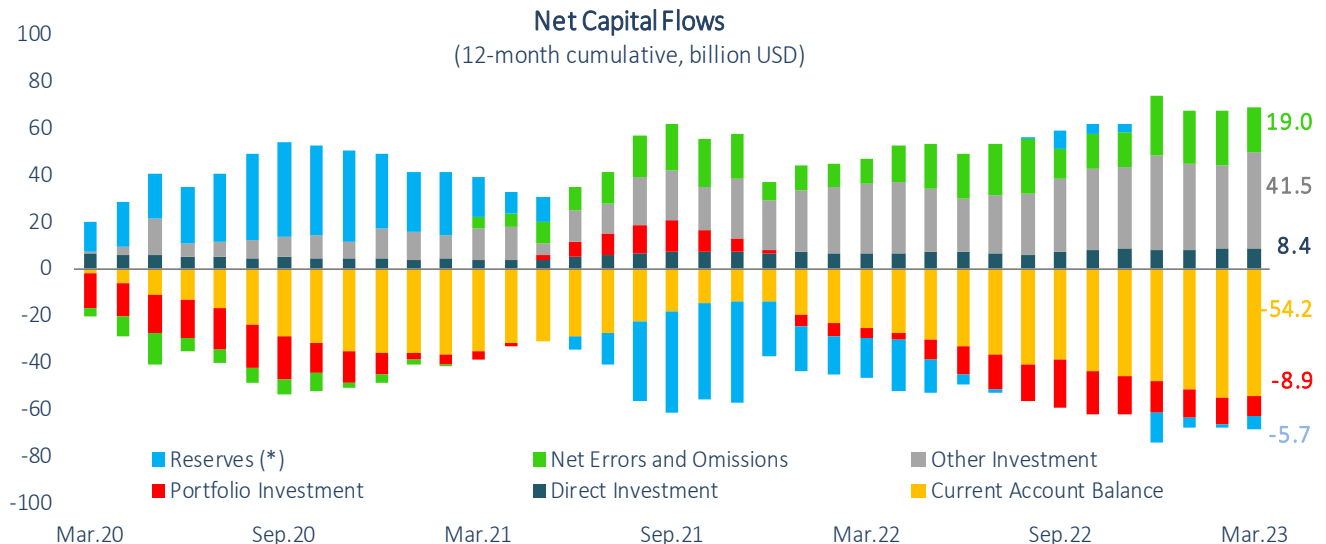
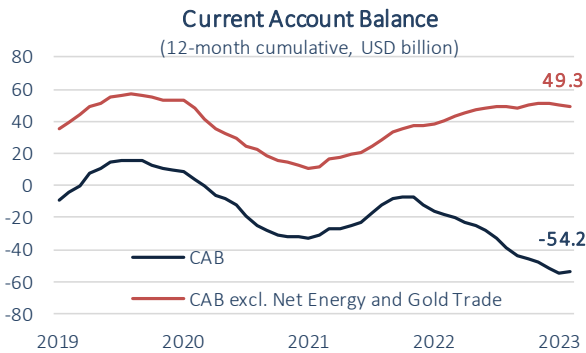
In March, net foreign direct investment to Türkiye continued to be weak at 238 million USD. In this period, non-residents' net direct investments amounted to 741 million USD, 60% of which was composed of real estate investments. Thus, non-residents' real estate purchases in Türkiye reached 1.4 billion USD in the first quarter of the year. In March, direct capital investments were realized as 225 million USD, the lowest level since August 2022.

Net Capital Flows  
(monthly, USD billion)



### 1 billion USD net outflow from portfolio investments...

In March, portfolio investments posted a net outflow of 1 billion USD for the first time in 4 months. 256 million USD of this outflow, stemmed from equity securities and 774 million USD from debt securities. While the General Government realized net borrowing of 750 million USD through bond issues abroad, banks and other sectors made net repayments of 805 million USD and 745 million USD, respectively.



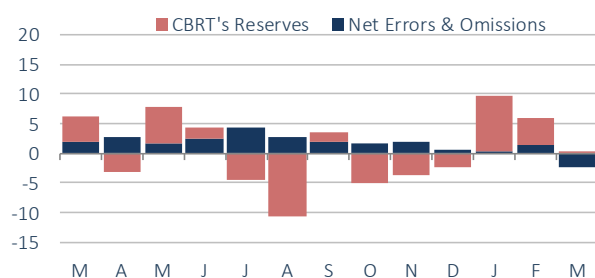
(\*) Negative values indicate an increase in reserves.

Source: Datastream, Turkstat, CBRT

**The highest capital inflow in other investments in the last 7 months...**

Other investments posted a net capital inflow of 7.5 billion USD in March, the highest capital inflow since August 2022. The deposits transferred to the CBRT by the Saudi Arabia Development Fund were behind this development. In this period, domestic banks' currency and deposits in foreign correspondent banks decreased by 1.4 billion USD, while foreign banks' deposits in Türkiye increased by 757 million USD.

**CBRT Reserves and Net Errors and Omissions**  
(monthly, USD billion)

**Net errors and omissions posted an outflow of 2.4 billion USD.**

Reserve assets, which decreased by 264 million USD in March, recorded a total decline of 14.3 billion USD in the first quarter of the year. Net errors and omissions posted the first outflow since December 2021 with 2.4 billion USD in March.

**Expectations...**

According to preliminary figures, exports recorded the fastest contraction since the pandemic and declined by 17.2% yoy in April due to the high base and the long Eid holiday. During this period, imports also decreased by 4.5% parallel to the fall in global commodity prices. Thus, the foreign trade deficit continued its high course with 8.9 billion USD in April. In the coming months, economic activity in Türkiye's main export markets, as well as the course of global commodity prices and the value of TRY will continue to be decisive on current account outlook. The pressures on the current account deficit are expected to ease somewhat with the start of the tourism season.

**Balance of Payments**

(USD million)

	Mar. 2023	Jan. - 2022	Mar. 2023	% Change	12-month Cumulative
<b>Current Account Balance</b>	<b>-4,484</b>	<b>-17,765</b>	<b>-23,591</b>	<b>32.8</b>	<b>-54,221</b>
Foreign Trade Balance	-6,298	-21,312	-29,315	37.6	-97,506
Services Balance	3,088	6,265	8,381	33.8	52,182
Travel (net)	2,067	5,270	6,222	18.1	38,269
Primary Income	-1,354	-2,328	-2,567	10.3	-8,823
Secondary Income	80	-390	-90	-76.9	-74
<b>Capital Account</b>	<b>-10</b>	<b>-3</b>	<b>-50</b>	<b>1,566.7</b>	<b>-82</b>
<b>Financial Account</b>	<b>-6,938</b>	<b>-12,026</b>	<b>-24,441</b>	<b>103.2</b>	<b>-35,300</b>
Direct Investment (net)	-238	-653	-889	36.1	-8,405
Portfolio Investment (net)	1,033	4,896	303	-93.8	8,935
Net Acquisition of Financial Assets	3	2,694	1,378	-48.8	3,179
Net Incurrence of Liabilities	-1,030	-2,202	1,075	-	-5,756
Equity Securities	-256	-1,324	-927	-30.0	-3,641
Debt Securities	-774	-878	2,002	-	-2,115
Other Investment (net)	-7,469	-8,603	-9,573	11.3	-41,525
Currency and Deposits	-7,858	-5,930	-7,651	29.0	-36,376
Net Acquisition of Financial Assets	-1,439	3,517	2,793	-20.6	-7,301
Net Incurrence of Liabilities	6,419	9,447	10,444	10.6	29,075
Central Bank	5,292	3,852	6,376	65.5	9,841
Banks	1,127	5,595	4,068	-27.3	19,234
Foreign Banks	610	2,067	499	-75.9	6,061
Foreign Exchange	147	2,771	2,165	-21.9	3,517
Turkish Lira	370	757	1,404	85.5	9,656
Non-residents	757	4,838	2,664	-44.9	9,578
Loans	270	-1,417	-578	-59.2	-2,967
Net Acquisition of Financial Assets	-179	-554	-186	-66.4	80
Net Incurrence of Liabilities	-449	863	392	-54.6	3,047
Banking Sector	7	-1,230	280	-	-4,144
Non-bank Sectors	-464	1,597	380	-76.2	6,912
Trade Credit and Advances	127	-1,245	-1,328	6.7	-2,124
Other Assets and Liabilities	-8	-11	-16	45.5	-58
Reserve Assets (net)	-264	-7,666	-14,282	86.3	5,695
<b>Net Errors and Omissions</b>	<b>-2,444</b>	<b>5,742</b>	<b>-800</b>	<b>-</b>	<b>19,003</b>

Source: Datastream, Ministry of Trade, CBRT

---

## Economic Research Division

---

Alper Grler  
Division Head  
alper.gurler@isbank.com.tr

Berkay Arık  
Asst. Economist  
berkay.arik@isbank.com.tr

H. Erhan Gl  
Unit Manager  
erhan.gul@isbank.com.tr

Utkan İnam  
Asst. Economist  
utkan.inam@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 Trkiye İř Bankası A.ř. 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 Trkiye İř Bankası A.ř. 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, Trkiye İř Bankası A.ř, 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.

---