



Foreign trade deficit narrowed by 3.2% in 2023.

According to TurkStat data, export volume increased slightly to 23 billion USD in December and rose by 0.6% yoy to 255.8 billion USD in the whole 2023. On the other hand, import volume, in which the annual decline has been evident in recent months, decreased by 11% yoy to 29 billion USD in December, and fell by 0.5% yoy to 361.8 billion USD in the whole year. Thus, foreign trade deficit in 2023 decreased by 3.2% yoy to 106 billion USD. The imports coverage ratio increased from 69.9% in 2022 to 70.7% in 2023.

Balance of payments data was revised.

CBRT announced that it has made various revisions starting from 2019 on the balance of payments statistics, mainly in the services, primary income, direct investments, portfolio investments and other investments items. In this context, the net errors and omissions item was revised as 1.1 billion USD for 2019-2022 and 434 million USD for the January-November period of 2023.

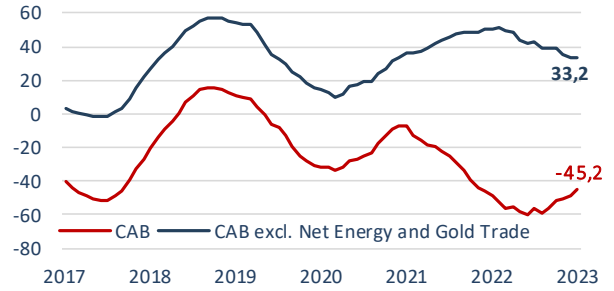
Current account deficit was 45.2 billion USD in 2023.

Current account posted a deficit of 2.1 billion USD in December, below market expectations. In December, net gold imports continued to decline and were realized as 1.1 billion USD, and the current account surplus excluding gold and energy became 4.2 billion USD.

In calendar year 2023, current account deficit narrowed by 8% yoy to 45.2 billion USD. This development was mainly driven by the contraction in foreign trade deficit and by a 9.9% yoy increase in net travel revenues. In 2023, net energy imports decreased by 34.2% yoy to 52.7 billion USD due to the decline in energy prices. On the other hand, the current account surplus excluding gold and energy, that was realized as 50.4 billion USD in 2022, declined to 33.2 billion USD in 2023.

Current Account Balance

(12-month cumulative, USD billion)



Moderate course in foreign direct investments continued.

Foreign direct investments recorded a limited capital inflow of 317 million USD in December. In this period, residents' net acquisition of financial assets abroad were realized as 721 million USD, the highest level since June 2022. In December, net real estate investments in Türkiye remained weak with 214 million USD. In the whole 2023, net foreign direct investments decreased by 46.4% yoy to 4.7 billion USD. In this period, non-residents' net capital investments in Türkiye decreased by 18.6% yoy to 5.2 billion USD.

Net portfolio inflows continued in December.

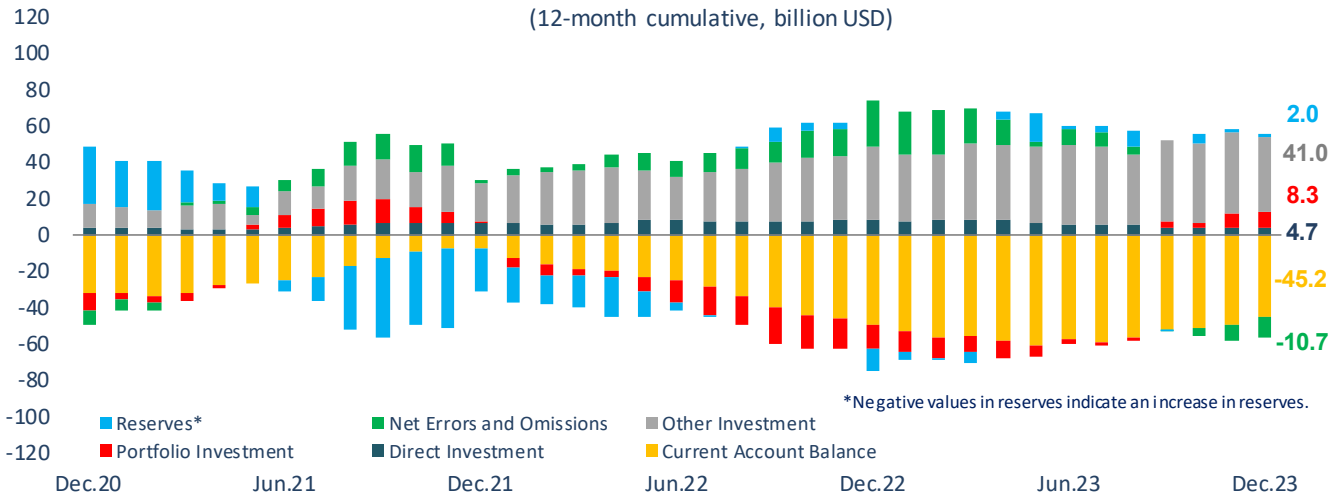
Portfolio investments recorded a net inflow of 1.7 billion USD in December, following the high inflow in November. In December, non-residents' equity portfolio recorded the highest capital inflow of the last 3 years with 1.2 billion USD, while their net purchases in the debt securities market were 139 million USD. Thus, portfolio investments recorded a net capital inflow of 8.3 billion USD in 2023.

3.2 billion USD net capital inflow in other investments...

The favorable course in other investments throughout 2023 continued in December with a net capital inflow of 3.2 billion

Net Capital Flows

(12-month cumulative, billion USD)



*Negative values in reserves indicate an increase in reserves.

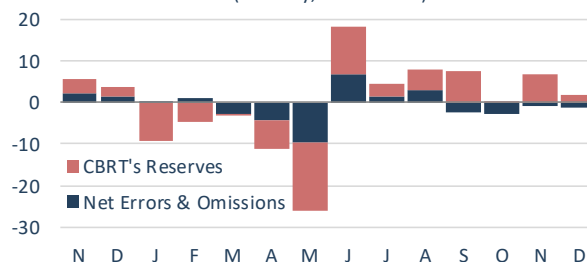
Source: Datastream, Turkstat, CBRT

USD. In this period, foreign banks' currency and deposits in Türkiye recorded the highest increase of the last 6 months with 1.7 billion USD, while domestic banks' currency and deposits with foreign correspondents rose by 199 million USD. In December, the banking sector repaid 401 million USD in loans obtained from abroad, while other sectors and the general government realized net credit utilization of 686 million USD and 369 million USD, respectively. Thus, net capital inflows from other investments increased by 2% yoy to 41 billion USD in 2023. In this period, long-term debt rollover ratio was realized as 115.3% in the banking sector and 100.4% in other sectors.

Reserve assets increased by 2 billion USD in December.

The rise in reserve assets since June continued in December with 2 billion USD. Thus, the total decline in reserve assets in 2023 came down to 2 billion USD. Net errors and omissions recorded a capital outflow of 1.1 billion USD in December and 10.7 billion USD in 2023.

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



Expectations...

Considering the GDP forecast announced in the Medium Term Program (MTP), the ratio of current account balance to GDP in 2023 was realized as 4.2%. According to preliminary data released by the Ministry of Trade, exports increased by 3.6% yoy in the first month of 2024, while imports fell by 22%. These data indicated that the favorable impact of foreign trade balance on the current account deficit continued in January. In 2024, in addition to the expected rebalancing in domestic demand, the course of economic activity in Türkiye's main export markets and the impact of geopolitical developments on commodity prices will continue to be determinant for the current account balance.

Balance of Payments	(USD million)			
	Dec. 2023	Jan. - Dec. 2022	2023	% Change
Current Account Balance	-2,091	-49,085	-45,150	-8.0
Foreign Trade Balance	-4,586	-89,600	-86,559	-3.4
Services Balance	2,574	49,665	52,029	4.8
Travel (net)	1,696	37,317	41,024	9.9
Primary Income	-233	-8,779	-11,213	27.7
Secondary Income	154	-371	593	-
Capital Account	-8	-35	-205	485.7
Financial Account	-3,182	-22,936	-56,050	144.4
Direct Investment (net)	-317	-8,731	-4,678	-46.4
Portfolio Investment (net)	-1,690	13,672	-8,344	-
Net Acquisition of Financial Assets	-364	4,495	2,995	-33.4
Net Incurrence of Liabilities	1,326	-9,177	11,339	-
Equity Securities	1,187	-4,038	1,387	-
Debt Securities	139	-5,139	9,952	-
Other Investment (net)	-3,153	-40,188	-41,001	2.0
Currency and Deposits	-1,892	-35,898	-24,178	-32.6
Net Acquisition of Financial Assets	331	-6,496	3,481	-
Net Incurrence of Liabilities	2,223	29,402	27,659	-5.9
Central Bank	-23	7,317	13,512	84.7
Banks	2,246	22,085	14,147	-35.9
Foreign Banks	1,677	11,752	10,192	-13.3
Foreign Exchange	1,633	7,629	7,143	-6.4
Turkish Lira	44	4,123	3,049	-26.0
Non-residents	569	10,333	3,955	-61.7
Loans	-751	-3,656	-10,749	194.0
Net Acquisition of Financial Assets	-97	-288	-1,660	476.4
Net Incurrence of Liabilities	654	3,368	9,089	169.9
Banking Sector	-401	-5,752	7,248	-
Non-bank Sectors	686	7,950	1,628	-79.5
Trade Credit and Advances	-618	-581	-6,127	954.6
Other Assets and Liabilities	108	-53	53	-
Reserve Assets (net)	1,978	12,311	-2,027	-
Net Errors and Omissions	-1,083	26,184	-10,695	-

Source: Datastream, Ministry of Trade, CBRT

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