



Foreign trade deficit narrowed by 56.4% yoy in January.

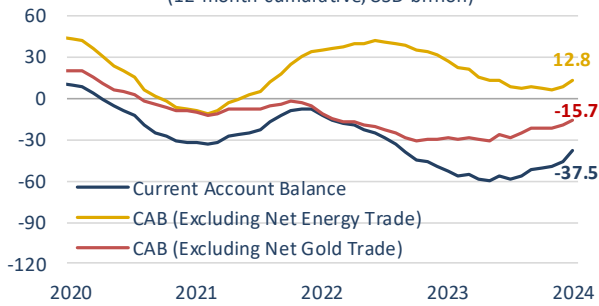
According to data released by Turkstat, exports increased by 3.5% yoy to 20 billion USD in January, while imports decreased by 22% yoy to 26.2 billion USD. Thus, foreign trade deficit narrowed by 56.4% yoy to 6.2 billion USD in January. The import coverage ratio, which was 57.5% in January 2023, rose to 76.2% in the same month of this year.

Current account deficit became 2.6 billion USD in January.

Current account posted a deficit of 2.6 billion USD in January, slightly below market expectations. In this period, current account deficit narrowed by 75.5% yoy, mainly due to the decline in non-monetary gold and net energy imports. In January, net gold imports fell to 936 million USD, the lowest level since April 2022. Thus, current account surplus excluding gold and energy increased by 77.6% yoy to 3.6 billion USD. In January, services balance followed a relatively flat course compared to the same month of the previous year and posted a surplus of 2.8 billion USD, while transportation and travel items recorded a net income of 995 million USD and 2.2 billion USD, respectively. Thus, according to 12-month cumulative figures, current account deficit was realized as 37.5 billion USD in January, the lowest level since August 2022.

Current Account Balance

(12-month cumulative, USD billion)

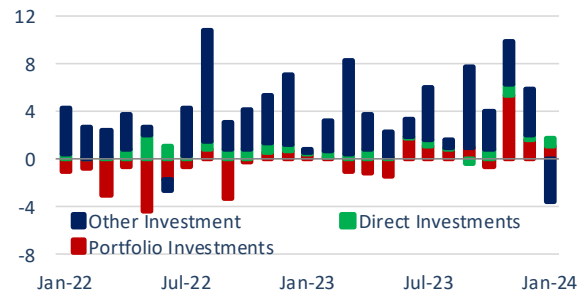


Moderate course in foreign direct investments continued.

In January, foreign direct investments posted a limited net capital inflow of 661 million USD. In this period, residents' net acquisition of financial assets abroad became 249 million USD, while net incurrence of liabilities was realized as 910 million USD. Net real estate investments, which were realized as 415 million USD in January, constituted 45.6% of net incurrence of liabilities. In the same period, non-residents' direct capital investments in Türkiye increased by 57% yoy to 399 million USD.

Net Capital Inflows

(monthly, billion USD)

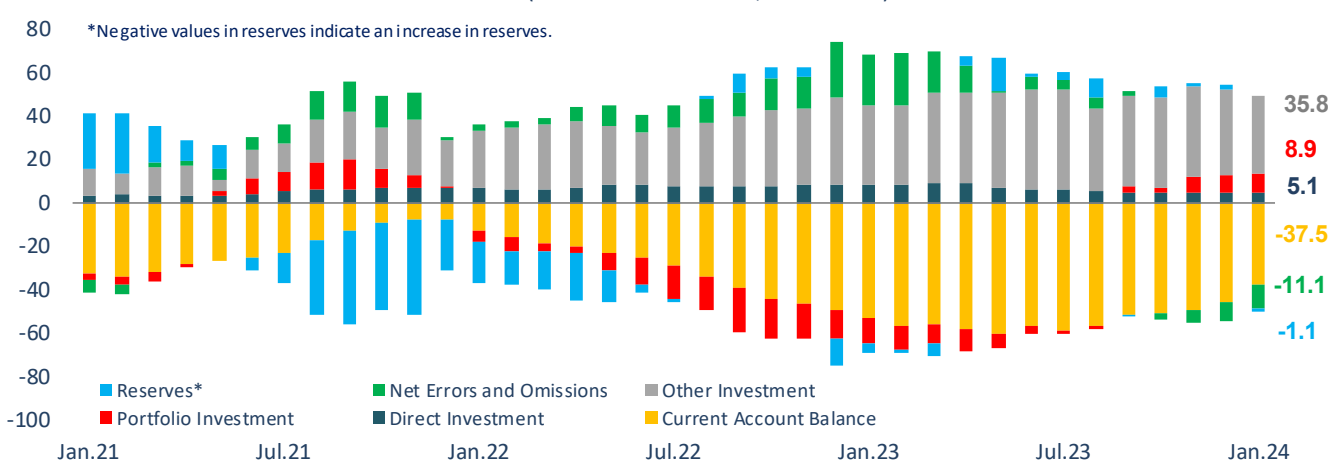


Portfolio investments recorded a net capital inflow of 1.1 billion USD.

In January, non-residents' equity securities portfolio increased by 186 million USD, while their net purchases in debt securities market were realized as 1.7 billion USD. Thus, in the first month of the year, portfolio investments increased by 131.6% on an annual basis.

Net Capital Flows

(12-month cumulative, billion USD)



Source: Datastream, Turkstat, CBRT

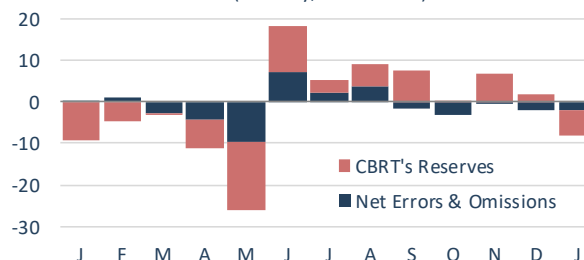
First capital outflow in other investments since June 2022...

In January 2024, other investments recorded a net capital outflow for the first time since June 2022, with an amount of 3.5 billion USD. In this period, domestic banks' currency and deposits in correspondents increased by 4.1 billion USD and nonresident banks' deposits in Türkiye rose by 1.7 billion USD. In January, banks and the General Government realized net credit utilization of 912 million USD and 17 million USD, respectively, while other sectors realized net repayment of 890 million USD. According to 12-month figures, long-term debt rollover ratio was 121% in banking sector and 93.4% in other sectors.

Reserve assets decreased by 6.2 billion USD.

Having increased by 24.5 billion USD in the second half of 2023, reserve assets decreased by 6.2 billion USD in January. Thus, reserve assets contributed to the financing of the current account deficit for the first time since May 2023. Net errors and omissions item, which recorded capital outflows for the last 5 months, had a capital outflow of 1.9 billion USD in January.

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

**Expectations...**

12-month cumulative current account deficit, which has been declining since August 2023, maintained this trend in January. Moreover, according to the preliminary data released by the Ministry of Trade, exports increased by 13.6% yoy in February, while imports continued to decline by 8.5% yoy. The fall of 5.1 billion USD in foreign trade deficit compared to February 2023 indicates that the 12-month cumulative current account deficit will continue to decline.

Balance of Payments	(USD million)			
	January 2023	January 2024	% Change	12-month Cumulative
Current Account Balance	-10,423	-2,556	-75.5	-37,516
Foreign Trade Balance	-12,625	-4,448	-64.8	-78,612
Services Balance	2,818	2,792	-0.9	52,003
Travel (net)	2,160	2,195	1.6	41,059
Primary Income	-391	-856	118.9	-11,681
Secondary Income	-225	-44	-80.4	774
Capital Account	-14	33	-	-158
Financial Account	-10,216	-4,421	-56.7	-48,769
Direct Investments (net)	-163	-661	305.5	-5,140
Portfolio Investments (net)	-469	-1,086	131.6	-8,944
Net Acquisition of Financial Assets	658	799	21.4	3,128
Net Incurrence of Liabilities	1,127	1,885	67.3	12,072
Equity Securities	-486	186	-	2,059
Debt Securities	1,613	1,699	5.3	10,013
Other Investments (net)	-243	3,533	-	-35,792
Currency and Deposits	1,024	1,874	83.0	-23,090
Net Acquisition of Financial Assets	4,334	4,006	-7.6	3,391
Net Incurrence of Liabilities	3,310	2,132	-35.6	26,481
Central Bank	558	62	-88.9	13,016
Banks	2,752	2,070	-24.8	13,465
Foreign Banks	-2	3	-	7,148
Foreign Exchange	1,637	1,699	3.8	3,111
Turkish Lira	1,117	368	-67.1	3,206
Non-residents	1,635	1,702	4.1	10,259
Loans	435	120	-72.4	-11,075
Net Acquisition of Financial Assets	-9	159	-	-1,492
Net Incurrence of Liabilities	-444	39	-	9,583
Banking Sector	-856	912	-	8,847
Non-bank Sectors	455	-890	-	15
Trade Credit and Advances	-1,697	1,543	-	-1,681
Other Assets and Liabilities	-5	-4	-20.0	54
Reserve Assets (net)	-9,341	-6,207	-33.6	1,107
Net Errors and Omissions	221	-1,898	-	-11,095

Source: Datastream, Ministry of Trade, CBRT

Economic Research Division

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

Dilek Sarsın Kaya
Asst. Manager
dilek.kaya@isbank.com.tr

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

Berkay Arık
Asst. Economist
berkay.arik@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.