

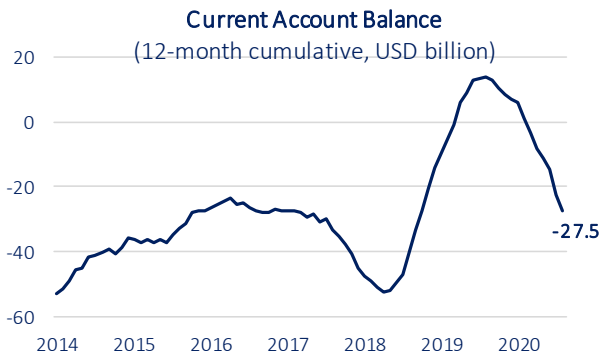


Foreign trade deficit widened rapidly.

According to TURKSTAT, exports increased by 4.8% yoy to 16.9 billion USD in September, while imports rose by 23% yoy to 20.8 billion USD. Thus, foreign trade deficit widened rapidly by 189.6% yoy and became 4.8 billion USD. During January-September 2020 exports declined by 10.9% yoy, while imports rose 1.5% yoy. The foreign trade deficit rose by 79.5% yoy in this period. Import coverage ratio, which was 86.3% in January-September 2019, fell to 75.8% in the same period of this year.

In September current account gave a deficit of 2.4 billion USD.

Current account, which posted a surplus of 2.8 billion USD in September 2019, gave a deficit of 2.4 billion USD in the same month of this year. The rapid widening in the foreign trade deficit because of the rise in gold imports and the 2.9 billion USD yoy decline in net services revenues due to the decrease in transportation and tourism revenues played role in the expansion of the current account deficit. In September, 12-month cumulative current account deficit reached 27.5 billion USD, highest since November 2018.

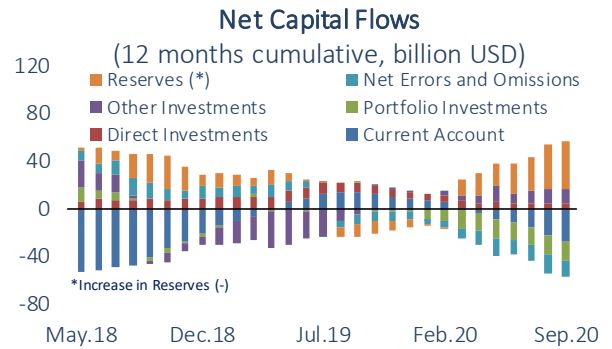


Foreign direct investments...

Foreign direct investments item recorded a net capital inflow of 437 million USD in September. In this period, 165 million capital inflow in transportation and warehousing sector came to the fore.

Portfolio investments...

The portfolio investments, which recorded an outflow of 2 billion USD in August, had an outflow of 607 million USD in September. In this period, nonresidents made net sales of 322 million USD in the stock market and net investment of 509 million USD in debt securities market. Following a total inflow of 1.4 billion USD in August, other investments recorded a net capital outflow of 1 billion USD in September. In this period, deposits of domestic banks at their foreign correspondents increased by 512 million USD, while foreign banks' deposits at domestic banks declined by 952 million USD. In this period, the general government and other sectors made net loan repayments of 48 million USD and 396 million USD, respectively. According to 12-month cumulative figures, the long-term debt rollover ratios became 83% in the banking sector and 63.5% in other sectors as of September.



Net Capital Flows

	12-month Cumulative (million USD)		Share in Financing (%)	
	Dec. 2019	Sep. 2020	Dec. 2019	Sep. 2020
Current Account Balance	8,561	-27,539	56.9	-
Total Net Foreign Capital Flows	5,225	352	-	-
-Direct Investment	6,128	4,711	40.7	8.2
-Portfolio Investment	-1,260	-16,673	-	-
-Other Investment	323	12,346	2.1	21.4
-Other	34	-32	0.2	-
Net Errors and Omissions	-7,462	-13,372	-	-
Reserves(1)	-6,324	40,559	-	70.4

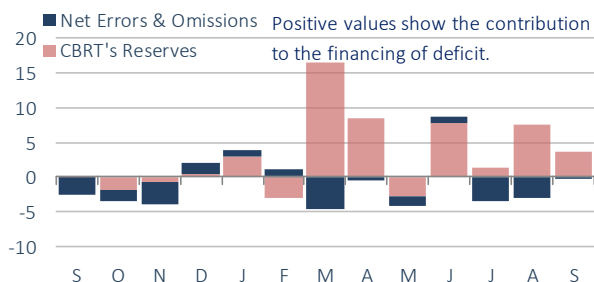
Note: The numbers may not add up total due to rounding.

(1) (-) sign indicates an increase in reserves, while (+) sign indicates decrease.

Source: Datastream, Turkstat, CBRT

CBRT Reserves and Net Errors and Omissions

(monthly, USD billion)



Reserve assets decreased by 3.6 billion USD.

While the reserve assets decreased by 3.6 billion USD in September, the decline in reserve assets reached 42.6 billion USD in January-September period. In September there was capital outflow of 67 million USD in net errors and omissions

item. Thus, net errors and omissions posted a capital outflow of 10.2 billion USD in the first 9 months of 2020.

Expectations...

According to the preliminary foreign trade data released by the Ministry of Trade, exports increased by 5.6% yoy and became 17.3 billion USD in October, while imports rose by 8.5% to 19.7 billion USD. Thus, the 35.7% expansion in the foreign trade deficit during this period indicated that the pressure on the current account deficit continued. The rise in coronavirus cases worldwide and the widespread restrictive measures in European countries, Turkey's biggest export market, are expected to put pressure on the external balance for the rest of the year. On the other hand, optimistic news regarding vaccination studies indicate that these pressures may ease off as of 2021.

Balance of Payments	(USD million)			
	2019	September 2020	% Change	12-month Cumulative
Current Account Balance	2,828	-2,364	-	-27,539
Foreign Trade Balance	-665	-3,709	457.7	-34,636
Services Balance	4,561	1,692	-69.2	16,400
Travel (net)	3,471	1,555	-55.2	11,962
Primary Income	-1,159	-544	-53.1	-10,039
Secondary Income	91	197	116.5	736
Capital Account	-6	-1	-83.3	-32
Financial Account	376	-2,432	-	-40,943
Direct Investments (net)	-7	-437	6,142.9	-4,711
Portfolio Investments (net)	-113	607	-	16,673
Net Acquisition of Financial Assets	143	794	455.2	301
Net Incurrence of Liabilities	256	187	-27.0	-16,372
Equity Securities	120	-322	-	-5,914
Debt Securities	136	509	274.3	-10,458
Other Investments (net)	467	1,029	120.3	-12,346
Currency and Deposits	1,289	1,219	-5.4	-22,378
Net Acquisition of Financial Assets	2,064	513	-75.1	-1,328
Net Incurrence of Liabilities	775	-706	-	21,050
Central Bank	-18	342	-	14,483
Banks	793	-1,048	-	6,567
Foreign Banks	510	-952	-	4,869
Foreign Exchange	764	-516	-	323
Turkish Lira	-254	-436	71.7	4,546
Non-residents	283	-96	-	1,698
Loans	339	-143	-	14,573
Net Acquisition of Financial Assets	111	218	96.4	193
Net Incurrence of Liabilities	-228	361	-	-14,380
Banking Sector	-807	805	-	-5,311
Non-bank Sectors	717	-396	-	-8,670
Trade Credit and Advances	-1,152	-64	-94.4	-4,633
Other Assets and Liabilities	-9	17	-	92
Reserve Assets (net)	29	-3,631	-	-40,559
Net Errors and Omissions	-2,446	-67	-97.3	-13,372

Source: Datastream, Ministry of Trade, CBRT

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