

## Current account balance posted a deficit of US\$32.4 bn in the Jan.-June period

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**The current account deficit continued its widening trend.** In June, the current account posted a deficit of US\$3.46bn. In the same month of 2021, the CAB had a deficit of US\$1.19bn. External balance gave a high deficit especially due to the increase in energy imports. Service revenues continued to contribute positively to the current account balance. In June, total imports of goods maintained a strong upward trend with 40% increase yoy. The annual growth in total goods exports, on the other hand, was 18.9%, below the increase in imports. As a result, the external deficit widened by US\$4.8bn in absolute annual terms to US\$6.4bn. In the first half of the year, the CAB posted a deficit of US\$32.4 bn (in 2021, the deficit was US\$13.4bn).

**The increase in services revenues (net) continued;** it increased 165% yoy and posted a US\$4.0bn surplus, driven by the increase in travel and transportation revenues. Transport revenues (net) increased by 80% in June and 52.5% in the Jan.-June period. The upward trend continued in tourism revenues (gross), increasing 169% yoy to US\$3.1bn in June. Thus, travel revenues reached US\$11.9bn in the Jan.-June period, which was US\$4.6bn in the same period of 2021. Travel revenues were also above the 2019 level of US\$10.8bn during the Jan.-June 2019. **The 12-month cumulative CAD widened from US\$30.4bn to US\$32.7bn.** Excluding energy and gold, the current account surplus rose from US\$37.3bn to US\$39.6bn. On the financing side; there was an outflow of US\$2.5bn in June, whereas an inflow of US\$4.0bn in net errors & omissions. Reserves decreased by US\$2.0 bn.

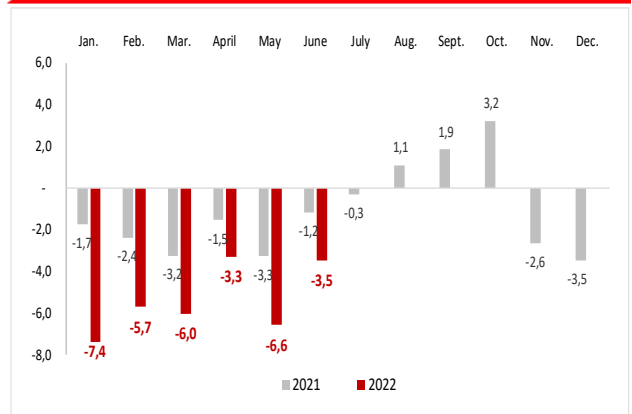
Despite the decline in commodity prices from the recent peaks, the continuation of the course above the averages of the past period continues to exert upward pressure on imports. The trend in domestic demand is also effective on imports; latest data point to a moderate slowdown in economic activity. On the export side, with the slowdown potential, the growth outlook in the EU, poses a risk. Istanbul Chamber of Industry Manufacturing Export Climate Index, which was announced this week, dropped to the 50 threshold level in July. The report stated that some of the main export markets moved into the contraction zone, and Europe and the USA were the determinants of the weakness. It was noted that the Middle East, where activity continues to increase strongly, could become the main source of new business opportunities for Turkish manufacturers.

### On the financing side;

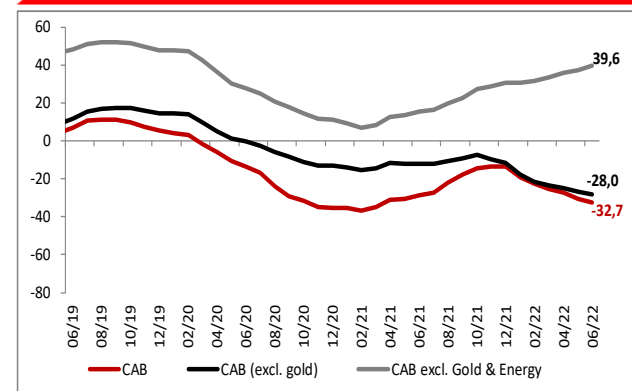
- **Portfolio investments** recorded net outflow of US\$1.58bn in June.
  - **Equities:** Outflow of US\$509mn in June and US\$3.4bn in the Jan.- June period.
  - **Bonds:** Outflows of US\$218mn in June and US\$1.7bn in the Jan.- June period. **In the Jan.- June period, an outflow of US\$5.1bn was seen in equities and bonds** (in 2021, the outflow was US\$0.7bn).
- **Amount of FDI inflows** (gross) was US\$1.7bn in June (of which US\$1.1bn in real estate). In the Jan. - June period, FDI inflows was US\$5.45bn (of which US\$3.5bn in real estate).
- **Regarding the loans provided from abroad:** Banks realized net repayments of US\$1.0bn in June and US\$1.9bn in the Jan. - June period. Non-bank sector realized net repayments of US\$264mn in June and net borrowing of US\$1.4bn in the Jan.-June period. External debt rollover ratios, including loans&bonds (6-month trailing), remain high at 93.63% for banks and 125.14% for non-bank sectors.

According to the leading data in July; the increase in the external deficit continued due to the rapid pace of energy prices and the decrease in the euro/dollar parity. Imports increased by 40.8% yoy while exports rose by 13.4%. As a result, the external deficit reached US\$10.6bn. In the same month of 2021 it was US\$4.3bn. Although the positive contribution of services revenues continues, we think that the current account deficit will increase in July due to the increase in the external deficit.

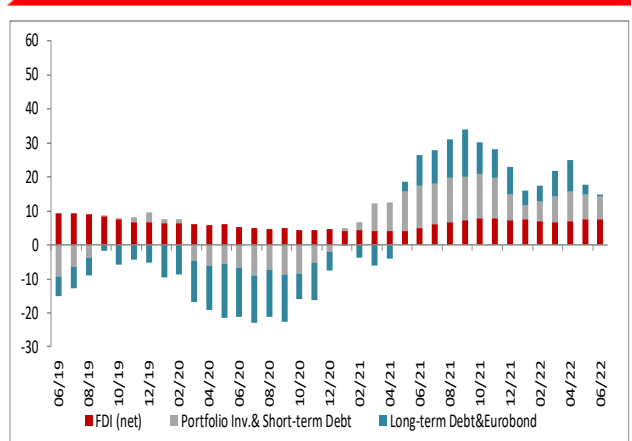
### CHART-1: Monthly CAD Realizations (US\$bn)



### CHART-2: CAB (12-month cumulative, US\$bn)



### CHART-3: Financing (12-month cumulative US\$bn)



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