



Balance of Payments - January 2013

Economic Research Division



Current account deficit was realized as 5.6 billion USD in the first month of 2013.

Current account deficit was realized as 5.6 billion USD in January, slightly above expectations. 12-month cumulative current account deficit, on the other hand, receded to 46.8 billion USD due to the fact that the expected recovery in domestic demand has not been fully restored yet. The recovery in foreign trade deficit observed throughout 2012 lost some momentum in January 2013. Thus, downward trend in the 12-month cumulative current account deficit also slowed down.

Balance of payments figures have been revised.

Due to the Turkstat's revisions on methodology of calculating the tourism revenues and expenditures, the balance of payment figures have also been updated. The revisions have increased the tourism revenues while a significant change in tourism expenditures has not been observed. In this context, current account deficit, which was previously announced as 48.9 billion USD for 2012, revised down to 46.9 billion USD. Thus, the current account deficit to GDP ratio is expected to be realized as 5.9% in 2012.

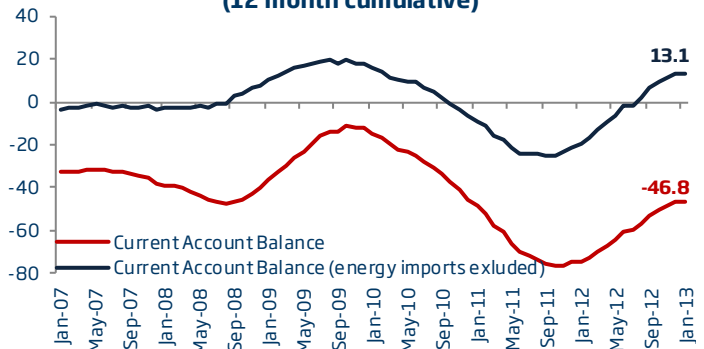
Downward trend in foreign direct investments continued.

Analysis of the financing side of balance of payments revealed that the non-residents' foreign direct investments towards Turkey continued their weak course. Besides, Turkish investors' foreign direct investments abroad have increased significantly lowering the net foreign direct investments inflow. In fact, 12-month cumulative net foreign direct investments were realized as 8 billion USD in January, the lowest level in the last two years.

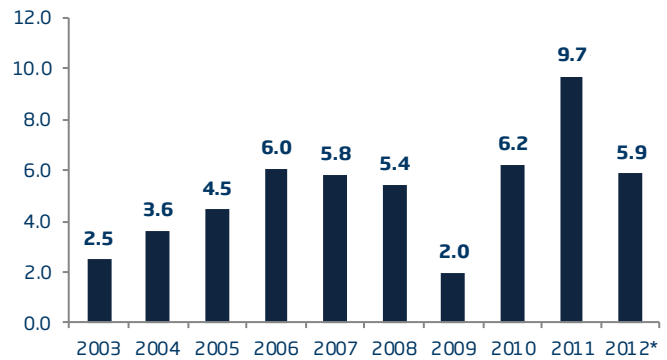
Decline in portfolio investments...

Portfolio investments, which have accelerated in the second half of 2012, lost momentum and was recorded as 1.6 billion USD in January. During this period, net capital inflows via equity securities and debt securities were 235 million USD

Current Account Balance
(12 month cumulative)



Current Account Deficit / GDP (%)



(*) Isbank Economic Research Division forecast.

and 901 million USD, respectively. 500 million USD of foreign capital inflows registered via debt securities were stemmed from the banks' bond issues in international capital markets. Thus as of January 2013, banks' bond issues in international markets reached 9.1 billion USD on 12-month cumulative basis.

7.1 billion USD capital inflow in other investments...

Regarding other investments, It was noteworthy that the banking sector decreased its foreign exchange denominated currency and deposit assets that were held

Breakdown of Net Capital Inflows Towards Turkey

	(12 month cumulative, million USD)		Breakdown of Capital Inflows (%)	
	December 2012	January 2013	December 2012	January 2013
Current Account Balance	-46,935	-46,836	-	-
Total Net Foreign Capital Inflows	67,749	74,024	100.0	100.0
-Direct Investments	8,335	7,950	12.3	10.7
-Portfolio Investments	40,773	41,031	60.2	55.4
-Other Investments	16,721	25,208	24.7	34.1
-Net Errors and Omissions	1,964	-127	2.9	-0.2
-Other	-44	-38	-0.1	-0.1
Reserves⁽¹⁾	-20,814	-27,188	-	-

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

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

Source: CBRT

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abroad by 2.6 billion USD in January. It is thought that this transaction, which accounted as a capital inflow, stemmed also from the CBRT's reserve option mechanism framework.

It was seen that banking sector, which raised 576 million USD long term loans from abroad while repaying 1.4 billion USD, was a net credit payer in January. On the other hand, it was noteworthy that in this period non-banking sector raised 2.4 billion USD long term loans from abroad while repaying 2.1 billion USD. Regarding the 12-month cumulative figures, long term debt roll-over ratio of the banking sector was 86% and that of non-banking sectors was 117%.

It is expected that non-residents directed their investments mainly to deposit accounts in January. In fact, foreign banks' capital inflows towards deposits in domestic banks increased by 38% compared to the same month of previous year and rose to 2.2 billion USD in January.

CBRT continued to build up reserves.

Reserves, which followed an upward trend in recent months due to the CBRT's reserve option mechanism framework and strong course of capital inflows, also increased by 3.7 billion USD in January. Thus, in the last 12-months CBRT increased its reserves by 27 billion USD. On the other hand, the low level of net errors and omissions item in January was noteworthy. It is thought that Turkstat's revisions on the tourism accounts had an impact on net errors and omissions.

Recovery in current account deficit is expected to lose momentum in the coming period.

Recovery in the current account deficit, which has been observed since October 2011, is expected to lose some momentum in the coming period in line with the foreseen recovery in domestic demand. However, CBRT is expected to increase its emphasis on the macroprudential measures in case of a higher than anticipated current account deficit increase. In this context, we expect current account deficit to be realized as 60 billion USD and 6.5-7% as a percentage of GDP at the end of 2013.

	January		%	(USD million)
	2012	2013		Change
Current Account Balance	-5,731	-5,632	-1.7	-46,836
Foreign Trade Balance	-5,888	-5,881	-0.1	-65,633
Services Balance	669	752	12.4	24,090
Tourism Revenues (net)	716	795	11.0	21,638
Income Balance	-574	-580	1.0	-6,681
Current Transfers	62	77	24.2	1,388
Capital and Financial Accounts	3,499	5,491	56.9	46,963
Direct Investments (net)	871	486	-44.2	7,950
Portfolio Investments (net)	1,349	1,607	19.1	41,031
Assets	1,249	471	-62.3	1,863
Liabilities	100	1,136	1,036.0	39,168
Equity Securities	556	235	-57.7	5,953
Debt Securities	-456	901	-	33,215
Other Investments (net)	-1,375	7,112	-	25,208
Assets	-3,037	2,212	-	4,111
Currency and Deposits	-3,069	1,947	-	5,678
Liabilities	1,662	4,900	194.8	21,097
Trade Credits	-632	1,393	-	3,046
Loans	893	1,094	22.5	8,771
Banking Sector	734	656	-10.6	4,251
Non-bank Sectors	31	555	1,690.3	6,838
Deposits	1,399	2,405	71.9	8,789
Foreign Banks	1,622	2,240	38.1	7,731
Foreign Exchange	614	1,054	71.7	5,669
Turkish Lira	1,008	1,186	17.7	2,062
Non-residents	-132	256	-	3,302
Reserve Assets (net)	2,671	-3,703	-	-27,188
Net Errors and Omissions	2,232	141	-93.7	-127

Source: CBRT

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