



Balance of Payments - November 2013

Economic Research Division



Current account deficit was 3.9 billion USD in November.

Current account deficit was realized as 3.9 billion USD in November, slightly below market expectations. In January-November period, current account deficit increased by 28.3% compared to the same period of previous year and reached 56 billion USD. In terms of 12 month cumulative figures, the current account deficit followed a flat course and was realized as 60.8 billion USD in November.

In 2013, the gold trade was influential on balance of payment figures. In fact, net non-monetary gold trade, which gave a surplus of 5.4 billion USD in the first 11 months of 2012, posted a deficit of 10.4 billion USD in 2013. In this context, excluding the gold trade, 12-month cumulative current account deficit was realized as 50.7 billion USD, following a relatively flat trend.

Tourism revenues lost momentum in November.

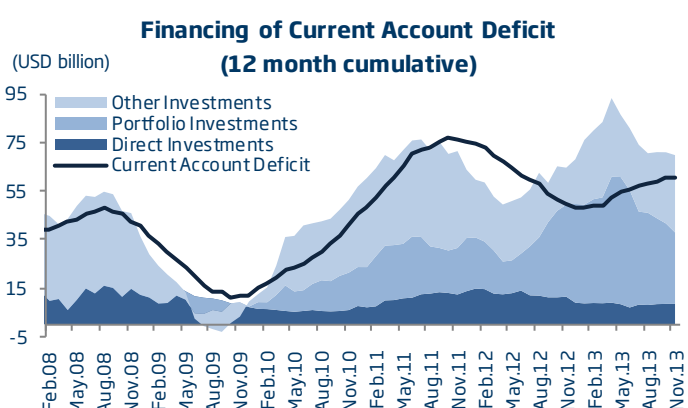
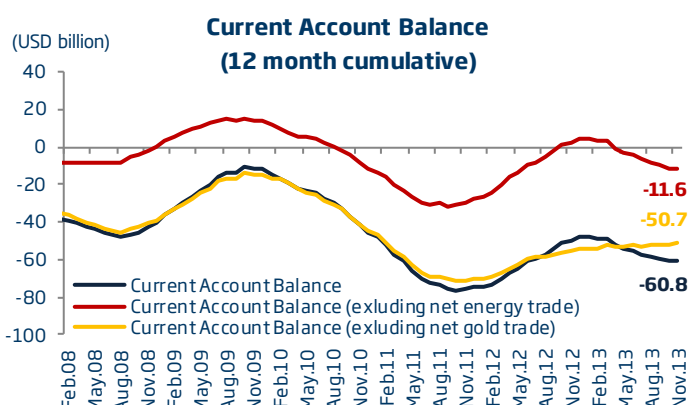
Tourism revenues started to slow down in November due to seasonal factors. However, during the first 11 months of the year tourism revenues increased by 12% compared to the same period of previous year.

Loss of momentum in portfolio investments...

Portfolio investments, which have displayed an upward trend in August-October 2013 period, lost momentum in November and declined to 1.2 billion USD. This was mainly stemmed from the non-resident's net sales of 1.2 billion USD in government domestic debt securities market. On the other hand, general government issued bonds in international markets amounting to 1.7 billion USD. Thus, as of the first 11 months of the year, in line with the increase in risk perception towards emerging market economies, portfolio investments, which followed a weaker trend than 2012, decreased by 32.1% compared to previous year.

Foreign direct investments were weak.

Contribution of foreign direct investments to the financing of current account deficit was low. In fact, 409 million USD worth of capital inflow through net foreign direct investments in November was the lowest level of last 12



months. In January-November 2013 period, total net capital inflows through foreign direct investments decreased by 5.9% compared to the same period of previous year and were realized as 7.7 billion USD.

Other investments...

In November, the banking sector raised 588 million USD long-term credit from abroad. Thus, calculated on the basis of 12-month cumulative data, the long-term debt roll-over ratio of the banking sector continued to increase in November and reached 192%. On the other hand, it was noteworthy that banking sector raised 2.7 billion USD of short-term credit from abroad, the highest level since March.

Breakdown of Net Capital Inflows Towards Turkey

(12-month cumulative, million USD)

	December 2012		November 2013		Breakdown of Capital Inflows (%)	
	December 2012	November 2013	December 2012	November 2013	December 2012	November 2013
Current Account Balance	-48,504	-60,838	-	-	-	-
Total Net Foreign Capital Inflows	69,318	73,707	100.0	100.0		
-Direct Investments	8,942	8,455	12.9	11.5		
-Portfolio Investments	40,789	29,491	58.8	40.0		
-Other Investments	18,434	31,946	26.6	43.3		
-Net Errors and Omissions	1,197	3,891	1.7	5.3		
-Other	-44	-76	-0.1	-0.1		
Reserves⁽¹⁾	-20,814	-12,869	-	-		

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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Non-bank sectors, on the other hand, raised 2.1 billion USD of long term credit while they repaid 1.9 billion in November. The cumulative 12-month figures showed that non-bank sectors' long-term debt rollover ratio was realized as 99%.

Increase in reserves...

Reserves increased by 2.1 billion USD in November and 13.6 billion USD during January-November period. Under the net errors and omissions account in November, 1 billion USD worth of capital inflows were registered.

Expectations...

In December, the Fed's decision of tapering the monthly asset purchases by 10 billion USD together with the corruption probe launched in Turkey increased the risk perception against Turkey. These developments might increase the volatility in portfolio investment inflows in the forthcoming period.

On the other hand, the expected recovery in European Union in 2014, which is the most important export destination of Turkey, and the developments in real effective exchange rate would have a positive impact on the export volume. Moreover, the trend of energy prices have an utmost importance for Turkey which is a net energy importer. In an environment where most of the international organizations anticipate a downward trend in energy and commodity prices throughout 2014, increase in Turkey's energy bill is expected to be limited. In this context, foreign trade deficit and external financing requirement of Turkey are expected to be kept under control. The tight monetary policy of CBRT and the latest measures taken by BRSA regarding the consumer credits would also have a positive impact on balance of payments figures by limiting the domestic consumption.

	Current Account Balance				(USD million)
	November 2013	January-November 2012 2013		% Change	12 Month Cumulative
Current Account Balance	-3,935	-43,628	-55,962	28.3	-60,838
Foreign Trade Balance	-5,154	-59,953	-71,493	19.2	-76,872
Services Balance	1,423	21,925	23,017	5.0	23,694
Tourism Revenues (net)	1,377	20,330	22,335	9.9	23,256
Income Balance	-335	-6,710	-8,475	26.3	-8,922
Current Transfers	131	1,110	989	-10.9	1,262
Capital and Financial Accounts	2,980	41,483	51,123	23.2	56,947
Direct Investments (net)	409	8,215	7,728	-5.9	8,455
Portfolio Investments (net)	1,208	35,222	23,924	-32.1	29,491
Assets	-122	2,298	2,689	17.0	3,048
Liabilities	1,330	32,924	21,235	-35.5	26,443
Equity Securities	772	5,422	1,087	-80.0	1,939
Debt Securities	558	27,502	20,148	-26.7	24,504
Other Investments (net)	3,462	19,666	33,178	68.7	31,946
Assets	-1,306	2,316	1,188	-48.7	-1,697
Currency and Deposits	9	4,424	3,407	-23.0	151
Liabilities	4,768	17,350	31,990	84.4	33,643
Trade Credits	693	1,173	4,242	261.6	4,091
Loans	3,307	7,674	17,864	132.8	19,887
Banking Sector	2,948	3,885	17,534	351.3	18,811
Non-bank Sectors	569	5,933	1,193	-79.9	1,888
Deposits	764	8,022	9,315	16.1	9,092
Foreign Banks	688	7,437	7,859	5.7	7,551
Foreign Exchange	-220	5,931	6,957	17.3	6,271
Turkish Lira	908	1,506	902	-40.1	1,280
Non-residents	233	2,707	3,286	21.4	3,492
Reserve Assets (net)	-2,099	-21,576	-13,631	-36.8	-12,869
Net Errors and Omissions	955	2,145	4,839	125.6	3,891

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