

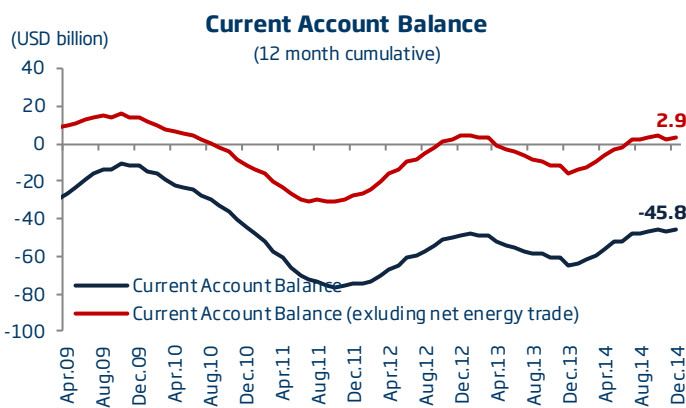
Balance of Payments - December 2014

Economic Research Division

TÜRKİYE BANKASI

The current account deficit decreased to 45.8 billion USD in 2014.

In December, current account deficit came in slightly above the market expectations and was realized as 6.8 billion USD while the deficit was realized as 45.8 billion USD in 2014. Thus, current account deficit declined by 18.8 billion USD throughout 2014 compared to 64.7 billion USD in 2013. This development mainly stemmed from the 20.3% yoy contraction in foreign trade deficit, according to the balance of payments figures. Besides, having increased by 5.6% yoy, tourism revenues continued to have positive impact on current account.



Rise in residents' foreign direct investments abroad...

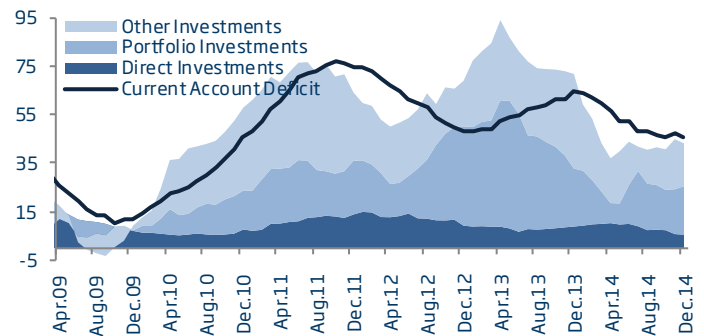
In 2014, foreign direct investment inflows were almost unchanged compared to the previous year and amounted to 12.1 billion USD. Foreign direct investment outflows, on the other hand, almost doubled and reached 6.7 billion USD. As a result, net foreign direct investment inflows were recorded as 5.4 billion USD, decreasing by 37.9% compared to the previous year.

Portfolio investments recorded 20 billion USD inflow in 2014.

Although portfolio investment inflows fell by 16.7% yoy in 2014, they continued to make a significant contribution to

Financing of Current Account Deficit

(12 month cumulative, USD billion)



the financing of current account deficit, registering a net inflow of 20 billion USD. In this period, bond issues of banking sector covered nearly half of the total portfolio investment inflows. Indeed, banking sector's bond issues rose from 8.1 billion USD in 2013 to 10.2 billion USD in 2014.

In the last month of the year, long-term borrowing of banking sector from abroad rose.

Long-term loans raised by banking sector from abroad were realized as 3.9 billion USD in December, the highest level recorded in 2014 on a monthly basis. Regarding the whole year, on the other hand, long-term loans raised from abroad by banking sector remained flat with 8.3 billion USD. Banking sector's short-term borrowing from abroad decreased to 3.8 billion USD in 2014 from 12.9 billion USD in 2013.

In 2014, net loans received from abroad by non-bank sectors were recorded as 5.8 billion USD, increasing by 4.7 billion USD yoy. Banks' and nonbank sectors' long-term debt roll-over ratios were realized as 191% and 125%, respectively.

Net errors and omissions account registered an inflow of 2.2 billion USD in 2014.

In December, net errors and omissions account recorded an outflow of 1 billion USD while this item registered capital

Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

	December 2013		December 2014	
	December 2013	December 2014	December 2013	December 2014
Current Account Balance	-64,658	-45,836	-	-
Total Net Foreign Capital Inflows	74,569	45,368	100.0	100.0
-Direct Investments	8,830	5,483	11.8	12.1
-Portfolio Investments	23,986	19,987	32.2	44.1
-Other Investments	39,053	17,720	52.4	39.1
-Net Errors and Omissions	2,796	2,244	3.7	4.9
-Other	-96	-66	-0.1	-0.1
Reserves⁽¹⁾	-9,911	468	-	-

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

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

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inflows amounting to 2.2 billion USD in 2014. Thus, this account continued to contribute to the financing of current account deficit in 2014. In December, CBRT's reserve assets were also used in financing of the current account deficit with 5.6 billion USD. Reserve assets, on the other hand, remained almost unchanged for the whole year.

Expectations

The favorable outlook in foreign trade in 2014 has enabled current account deficit to contract significantly. It was seen that the positive impact of lower oil prices on foreign trade figures became evident at the end of 2014. Should the oil prices kept their current low levels; the improvement in the current account balance is anticipated to continue in the forthcoming period. However, the expected recovery in

domestic demand conditions in 2015 is likely to put pressure on the current account deficit. In addition, the weak economic outlook in Turkey's main export destination, namely European countries and the ongoing geopolitical tensions in the neighborhood region are among the factors that can limit the improvement in current account deficit.

Current Account Balance	(USD million)			
	December 2014	Jan.-Dec. 2013	Jan.-Dec. 2014	% Change
Current Account Balance	-6,816	-64,658	-45,836	-29.1
Foreign Trade Balance	-6,888	-80,213	-63,960	-20.3
Services Balance	790	23,150	25,728	11.1
Tourism Revenues (net)	912	23,180	24,480	5.6
Income Balance	-846	-8,986	-8,723	-2.9
Current Transfers	128	1,391	1,119	-19.6
Capital and Financial Accounts	7,836	61,862	43,592	-29.5
Direct Investments (net)	912	8,830	5,483	-37.9
Portfolio Investments (net)	1,218	23,986	19,987	-16.7
Assets	929	2,601	-706	-
Liabilities	289	21,385	20,693	-3.2
Equity Securities	-4	842	2,559	203.9
Debt Securities	293	20,543	18,134	-11.7
Other Investments (net)	71	39,053	17,720	-54.6
Assets	-368	2,370	-1,116	-
Currency and Deposits	-609	4,548	267	-94.1
Liabilities	439	36,683	18,836	-48.7
Trade Credits	-190	5,605	341	-93.9
Loans	1,245	21,865	17,063	37.8
Banking Sector	1,065	21,636	12,160	-43.8
Non-bank Sectors	371	1,099	5,795	427.3
Deposits	-624	8,633	968	-88.8
Foreign Banks	-571	7,226	169	-97.7
Foreign Exchange	-1,150	6,374	-2,854	-
Turkish Lira	579	852	3,023	254.8
Non-residents	33	3,407	3,132	-8.1
Reserve Assets (net)	5,636	-9,911	468	-
Net Errors and Omissions	-1,020	2,796	2,244	-19.7

Source: CBRT

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**Türkiye İş Bankası A.Ş. - Economic Research Division****İzlem Erdem - Manager**

izlem.erdem@isbank.com.tr

Alper Gürler - Unit Manager

alper.gurler@isbank.com.tr

Hatice Erkiletlioğlu - Asst. Manager

hatice.erkiletlioglu@isbank.com.tr

Bora Çevik - Economist

bora.cevik@isbank.com.tr

Eren Demir - Asst.Economist

eren.demir@isbank.com.tr

M. Kemal Gündoğdu - Asst.Economist

kemal.gundogdu@isbank.com.tr

Gamze Can - Asst.Economist

gamze.can@isbank.com.tr

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