



Balance of Payments - February 2015

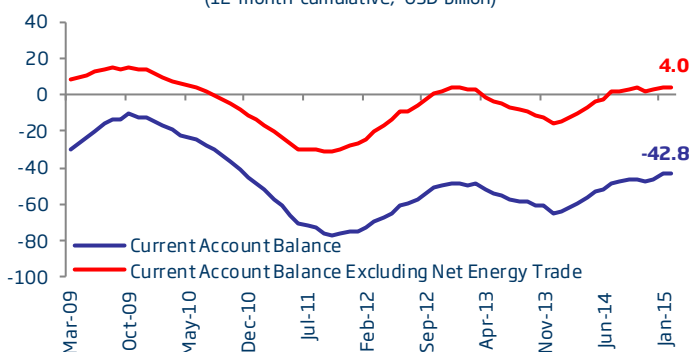
Economic Research Division

TÜRKİYE BANKASI

Current account deficit came in at 3.2 billion USD, above expectations.

Current account balance posted a deficit of 3.2 billion USD in February, surpassing market expectations. In this period, the deficit narrowed by 4.4% yoy compared to the same period of last year. 12-month cumulative current account deficit continued to follow a downward trend and was realized as 42.8 billion USD as of February.

Balance of Payments
(12-month cumulative, USD billion)



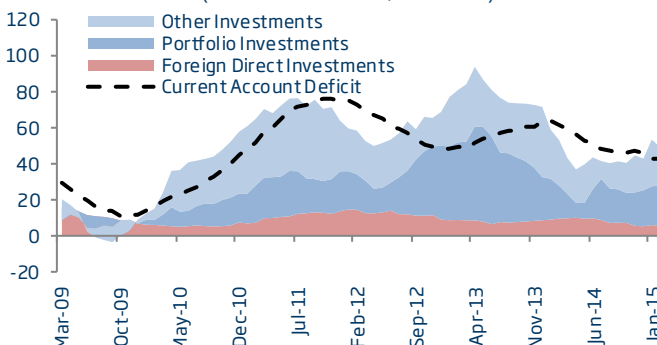
Strong rise in gold exports...

According to the balance of payments figures of February, while imports declined by 6.8% yoy, exports exhibited a weak outlook. This caused the deficit in commodity trade to widen. In fact, exports fell by 13.2% yoy during this period. However, strong rise in gold exports paved the way for a narrower current account deficit. Net gold exports, which were nearly 0.6 billion USD in February 2014, reached 1.5 billion USD in February 2015, showing a significant rise.

The outflow in direct investment item under primary income account including distributed profits was a noteworthy development observed in February. The outflow in this item surged by 221 million USD yoy to 358 million USD in February.

Financing of Current Account Deficit

(12-month cumulative, USD billion)



Net errors and omissions account registered a capital inflow of 4.3 billion USD.

Capital outflow of 1.1 billion USD registered under finance account did not contribute to the financing of the current account deficit. On the other hand, it was noteworthy that 4.3 billion USD worth of capital inflows registered under net errors and omissions item contributed the most to the financing of the current account deficit. In fact, this amount was the highest monthly figure recorded since 1998 under the said account. In this period, reserve assets shrank by 1.1 billion USD.

Weak outlook in portfolio flows...

Portfolio investment flows exhibited a weak outlook in February. In this period, debt securities displayed its weakest performance in the past six months. Equity securities recorded an outflow of 503 million USD. On the other hand, banks borrowed an amount of 1.1 billion USD via the bond issues abroad. Yet, there was a net capital outflow of 168 million USD in portfolio investments due to the outflows registered in public debt securities in February.

After posting a strong figure in January, foreign direct investment inflows demonstrated a moderate course in February.

Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

	December 2014		February 2015	
	December 2014	February 2015	December 2014	February 2015
Current Account Balance	-45,947	-42,822	-	-
Total Net Foreign Capital Inflows	45,479	49,456	100.0	100.0
-Direct Investments	5,488	5,621	12.1	11.4
-Portfolio Investments	19,980	22,829	43.9	46.2
-Other Investments	17,590	20,925	38.7	42.3
-Net Errors and Omissions	2,487	127	5.5	0.3
-Other	-66	-46	-0.1	-0.1
Rezervler⁽¹⁾	468	-6,634	-	-

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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Banking sector was net credit re-payer in short term loans in February.

While banking sector was net credit re-payer in short term loans with a net repayment of 2.5 billion USD, it was net credit user in long-term loans with a net drawing of 398 million USD. In this period, while non-bank sectors were net credit re-payers with a net disbursement of 17 million USD in short term loans, they were net credit users in long term loans with a net drawing of 257 million USD.

In 12-month cumulative terms, banks' and nonbank sectors' long-term debt roll-over ratios were realized as 178% and 124%, respectively.

Expectations

Even though sustained low oil prices in international markets led to a lower import bill, modest upturn in domestic demand mitigated this favorable impact.

Nonetheless, the weak course of economic activity in European Union countries, Turkey's major export destination, and the ongoing problems in other important trade partners including Russia and Iraq cause export performance to lose momentum. These, in turn, create an upward risk for current account deficit. In light of these developments, the recent recovery observed in current account deficit would be hard to sustain in the forthcoming period.

Current Account Balance	(USD million)				
	February 2015	January - February 2014	February 2015	% Change	12 Month Cumulative
Current Account Balance	-3,196	-8,326	-5,201	-37.5	-42,822
Foreign Trade Balance	-3,143	-8,689	-5,723	-34.1	-60,606
Services Balance	724	1,397	1,727	23.6	25,554
Travel (net)	769	1,659	1,759	6.0	24,580
Primary Income	-853	-1,156	-1,356	17.3	-8,922
Secondary Income	76	122	151	23.8	1,152
Capital Account	0	-22	-2	-90.9	-46
Financial Account	1,086	-3,050	-2,265	-25.7	-42,741
Direct Investments (net)	-713	-2,180	-2,313	6.1	-5,621
Portfolio Investments (net)	168	1,440	-1,409	-	-22,829
Net Acquisition of Financial Assets	-311	12	-64	-	665
Net Incurrence of Liabilities	-479	-1,428	1,345	-	23,494
Equity Securities	-503	-403	-41	-89.8	2,921
Debt Securities	24	-1,025	1,386	-	20,573
Other Investments (net)	2,730	1,874	-1,461	-	-20,925
Currency and Deposits	342	1,301	-2,754	-	-5,259
Net Acquisition of Financial Assets	1,768	-660	1,541	-	1,961
Net Incurrence of Liabilities	1,426	-1,961	4,295	-	7,220
Central Bank	-30	-220	-72	-67.3	-2,185
Banks	1,456	-1,741	4,367	-	9,405
Foreign Banks	1,549	-1,810	4,525	-	6,499
Foreign Exchange	2,602	-1,365	4,629	-	3,140
Turkish Lira	-1,053	-445	-104	-76.6	3,359
Non-residents	-93	69	-158	-	2,906
Loans	1,941	-1,073	69	-	-13,963
Net Acquisition of Financial Assets	39	28	165	489.3	2,000
Net Incurrence of Liabilities	-1,902	1,101	96	-91.3	15,963
Banking Sector	-2,128	-261	-681	160.9	11,585
Non-bank Sectors	240	1,519	1,147	-24.5	5,482
Trade Credit and Advances	458	1,702	1,241	-27.1	-1,272
Other Assets and Liabilities	-11	-56	-17	-69.6	-431
Reserve Assets (net)	-1,099	-4,184	2,918	-	6,634
Net Errors and Omissions	4,282	5,298	2,938	-44.5	127

The figures used in the table are according to the Sixth Edition of the Balance of Payments Manual. You can find the details [here](#).

Source: CBRT

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