



Balance of Payments - March 2015

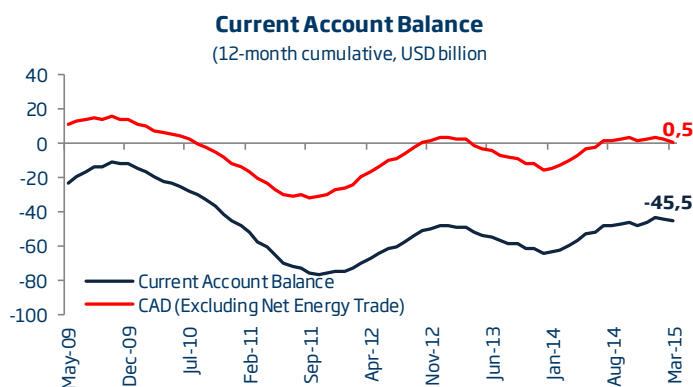
Economic Research Division

TÜRKİYE BANKASI

In March, current account deficit came in above expectations.

In March, current account deficit increased by 46.5% yoy and was realized around 5 billion USD. The market expectation for current account deficit in March was 4.3 billion USD. Analysis of the quarterly figures revealed that current account deficit narrowed by 7.4% yoy to 10.9 billion USD in the first quarter.

12-month cumulative current account deficit widened to 45.5 billion USD by March. The main driver behind this development was the expansion in foreign trade deficit.



Gold exports lost momentum.

According to the balance of payments figures, exports fell by 16.2% yoy, the sharpest decline recorded since 2009. In this period, current account deficit widened compared to March 2014 because of a much limited decline in imports which posted an annual decrease of 5.5%. Besides, after displaying a strong performance in previous months, gold exports lost some momentum in March.

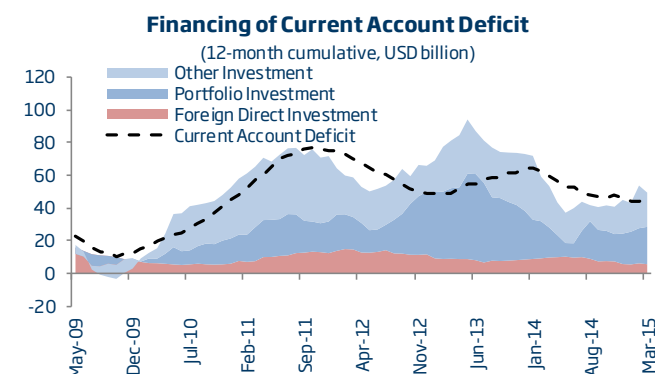
Flat course in tourism revenues...

In March, tourism revenues decreased by 2.6% yoy and was realized as 1.5 billion USD. On the other hand, in the first quarter of the year, tourism revenues recorded a slight

annual rise of 0.3%. In this period, while tourist arrivals from Russia fell by 27%, tourist arrivals from Germany surged by 11%. This development compensated the decline in tourism revenues to some degree.

Further capital outflows in portfolio investments account.

Having registered capital outflows in February, portfolio investment account recorded an outflow also in March. This net outflow amounted to 2.9 billion USD. In this period, non-residents sold net 580 million USD in equity market and bought net 444 million USD in debt security market. Regarding the debt securities issues abroad in the third month of the year, it is seen that general government realized a net repayment of 2.8 billion USD. Banks and other sectors borrowed net 553 million USD and 107 million USD, respectively.



In March, non-residents' foreign direct investments followed a flat course with 900 million USD. Moreover, residents' direct investments abroad, reaching 620 million USD, limited the rise in net foreign direct investments account.

Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

	Dec. 2014		Mar. 2015		Breakdown of Net Capital Inflows (%)	
	Dec. 2014	Mar. 2015	Dec. 2014	Mar. 2015	Dec. 2014	Mar. 2015
Current Account Balance	-46,377	-45,499	-	-	-	-
Total Net Foreign Capital Inflows	45,909	46,278	100.0	100.0	100.0	100.0
-Direct Investments	5,503	4,806	12.0	10.4		
-Portfolio Investments	20,009	20,944	43.6	45.3		
-Other Investments	17,080	21,586	37.2	46.6		
-Net Errors and Omissions	3,383	-1,011	7.4	-2.2		
-Other	-66	-47	-0.1	-0.1		
Reserves⁽¹⁾	468	-779	-	-		

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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Banks raised net 3.2 billion USD of long-term loans from abroad.

Banking sector was a short-term net credit re-payer with 766 million USD in March. On the other hand, despite a net disbursement of 1.2 billion USD, the sector raised 4.4 billion USD of long-term loans from abroad. On net basis, long-term borrowing of banking sector was 3.2 billion USD, the highest monthly reading recorded since December 2006. Other sectors made a net credit repayment of 203 million USD during the same period.

In 12-month cumulative terms, banks' and nonbank sectors' long-term debt roll-over ratios were realized as 202% and 119% by March, respectively.

In March, under the item of resident banks' currency and deposits held in foreign correspondent banks revealed an asset acquisition of 4 billion USD, the highest level in last seven years. Non-residents' currency and deposits held within domestic banks also increased by 2.7 billion USD.

Currency and deposits monitored under the other investments account registered an outflow of 1.4 billion USD due to a higher reading registered in net acquisition of financial assets.

The fast decline in reserve assets

In March, official reserves experienced a sharp fall of 6.6 billion USD. Having dropped by 1.1 billion USD in February, official reserves declined by 3.6 billion USD as of the first quarter.

Expectations

In recent months, a combination of the weak performance of exports and upward movements in oil prices has put pressure on current account deficit. This development indicated that the 12-month cumulative current account deficit, which widened in March, is likely to maintain this upward trend in the coming period as well.

	Current Account Balance				(USD million)
	March 2015	Jan. - Mar. 2014		% Change	12-Month Cumulative
Current Account Balance	-4,961	-11,788	-10,910	-7.4	-45,499
Foreign Trade Balance	-4,860	-12,049	-11,211	-7.0	-62,737
Services Balance	1,075	2,519	2,764	9.7	25,436
Travel (net)	1,102	2,767	2,852	3.1	24,565
Primary Income	-1,264	-2,445	-2,663	8.9	-9,335
Secondary Income	88	187	200	7.0	1,137
Capital Account	0	-21	-2	-90.5	-47
Financial Account	-4,870	-3,525	-7,022	99.2	-46,557
Direct Investments (net)	-280	-3,082	-2,385	-22.6	-4,806
Portfolio Investments (net)	2,949	2,475	1,540	-37.8	-20,944
Net Acquisition of Financial Assets	708	523	644	23.1	862
Net Incurrence of Liabilities	-2,241	-1,952	-896	-54.1	21,806
Equity Securities	-580	408	-621	-	1,530
Debt Securities	-1,661	-2,360	-275	-88.3	20,276
Other Investments (net)	-988	1,962	-2,544	-	-21,586
Currency and Deposits	1,383	1,877	-1,393	-	-3,961
Net Acquisition of Financial Assets	4,002	-532	5,543	-	6,348
Net Incurrence of Liabilities	2,619	-2,409	6,936	-	10,309
Central Bank	-44	-354	-116	-67.2	-2,095
Banks	1,456	-2,055	7,052	-	9,405
Foreign Banks	1,549	-2,027	6,330	-	6,499
Foreign Exchange	711	-1,361	5,340	-	3,847
Turkish Lira	1,094	-666	990	-	4,674
Non-residents	858	-28	722	-	3,883
Loans	-2,281	-3,006	-2,273	-24.4	-14,377
Net Acquisition of Financial Assets	-106	128	59	-53.9	1,794
Net Incurrence of Liabilities	2,175	3,134	2,332	-25.6	16,171
Banking Sector	2,431	1,387	1,750	26.2	12,384
Non-bank Sectors	-203	2,013	997	-50.5	4,827
Trade Credit and Advances	-65	3,184	1,164	-63.4	-2,828
Other Assets and Liabilities	-25	-93	-42	-54.8	-420
Reserve Assets (net)	-6,551	-4,880	-3,633	-25.6	779
Net Errors and Omissions	91	8,284	3,890	-53.0	-1,011

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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