



Balance of Payments - April 2015

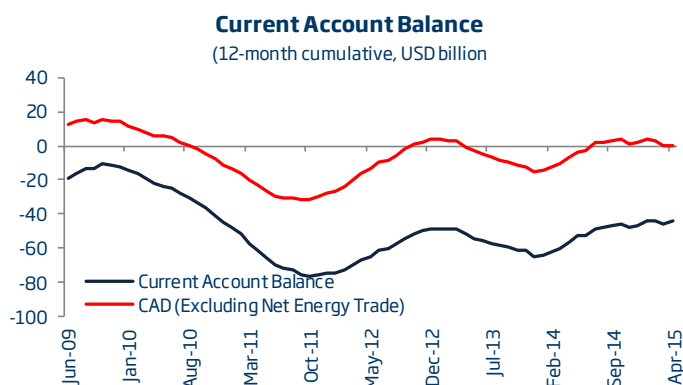
Economic Research Division

TÜRKİYE İŞ BANKASI

In April, current account deficit came in slightly above the expectations.

In April, current account deficit contracted by 30.8% yoy and was realized as 3.4 billion USD. The market expectation for the deficit was 3 billion USD. Regarding the first four months of the year, current account deficit fell by 13.4% yoy to 14.5 billion USD.

Current account deficit, after recording a rapid expansion in March parallel to the widening of foreign trade deficit, started to narrow once again in April. During this period, as the exports remained flat, this development mainly stemmed from the decline recorded in imports on annual basis. Furthermore, the strong performance of gold exports limited the current account deficit. In fact, when gold exports are excluded, exports fell by 9.8% yoy in April. 12-month cumulative current account deficit, on the other hand, came in at 44.3 billion USD by April.



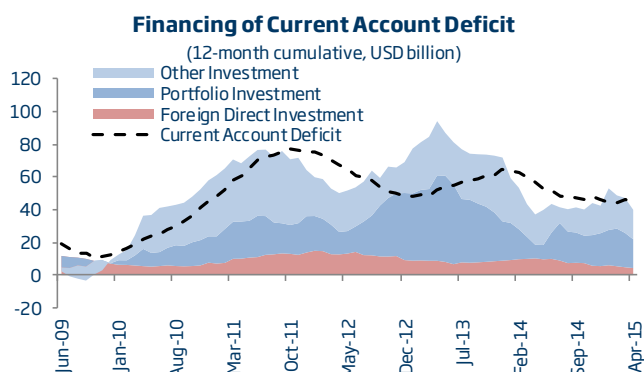
The deceleration in foreign direct investments

In April, net foreign investments was realized as 0.2 billion USD, the lowest level of the last 11 months. In the first four months of the year, net foreign direct investments also dropped by 30.6% yoy and amounted to 2.6 billion USD. Analysis of the non-residents' direct investments in Turkey

revealed that the weak performance become more evident as the capital inflows registered under this item fell to its lowest level recorded since November 2011.

The signs of recovery in portfolio inflows

Having registered capital outflows in the first quarter of this year due to the elevated political uncertainties, portfolio investments recovered slightly in April with a net inflow of 755 million USD. In this period, non-resident's purchased net 652 million USD worth of equity securities and sold net 1 billion worth of government debt securities. In April, Treasury borrowed 1.5 billion USD via Eurobond issuance in the international capital markets while debt securities issued abroad by private sector remained limited. Thus, net inflow in debt securities was realized as 500 million USD in April.



Banks continued to raise long-term loans from abroad.

Banks borrowed a net amount of 117 million USD from abroad in April. Analysis by maturity composition revealed that banking sector was a net credit re-payer in short-term loans while it was net credit user in long-term loans. In April, the long-term net borrowing of banks reached 2.9 billion USD, the highest figure recorded in almost last 8 years.

Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

	Dec. 2014		Apr. 2015		Breakdown of Net Capital Inflows (%)	
	Dec. 2014	Apr. 2015	Dec. 2014	Apr. 2015	Dec. 2014	Apr. 2015
Current Account Balance	-46,504	-44,257	-	-	-	-
Total Net Foreign Capital Inflows	46,036	44,221	100.0	100.0		
-Direct Investments	5,492	4,337	11.9	9.8		
-Portfolio Investments	20,109	17,550	43.7	39.7		
-Other Investments	16,830	18,026	36.6	40.8		
-Net Errors and Omissions	3,671	4,355	8.0	9.8		
-Other	-66	-47	-0.1	-0.1		
Reserves⁽¹⁾	468	36	-	-		

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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Other sectors, on the other hand, received a net 1.2 billion USD long-term loans from abroad.

According to 12-month cumulative figures, banks' and nonbank sectors' long-term debt roll-over ratios were realized as 220% and 121%, respectively by April.

Net errors and omissions

Having declined sharply in March, reserve assets increased by 1.9 billion USD in April. However, it was worth mentioning that net errors and omissions registered an inflow of 2.9 billion USD and contributed most to the financing of current account deficit.

Expectations

The current account deficit continued to narrow in line with expectations. Despite the upturn observed in consumer

expenditures in the first quarter of the year, the sustained low oil prices and strong gold exports enabled the current account deficit to narrow. We expect that current account deficit would keep its declining trend in the upcoming months and the current account deficit to GDP ratio would be around 5% at the end of this year.

On the financing side, weak outlook observed in the first quarter has improved somewhat as of April. While portfolio investments exhibited a moderate performance during this period, banking sector and other sectors kept borrowing comfortably from abroad. The heightened political uncertainties stemming from the general elections might cause fluctuations in capital flows in the short-run yet there would not be a persistent problem of financing the current account deficit in the medium term.

	Current Account Balance				(USD million)
	April	Jan. - Apr.		%	12-Month
	2015	2014	2015	Change	Cumulative
Current Account Balance	-3,408	-16,716	-14,469	-13.4	-44,257
Foreign Trade Balance	-3,332	-17,629	-14,518	-17.6	-60,468
Services Balance	1,394	3,923	4,020	2.5	25,274
Travel (net)	1,364	4,204	4,216	0.3	24,492
Primary Income	-1,555	-3,293	-4,246	28.9	-10,162
Secondary Income	85	283	275	-2.8	1,099
Capital Account	0	-21	-2	-90.5	-47
Financial Account	-515	-10,445	-7,495	-28.2	-39,949
Direct Investments (net)	-234	-3,776	-2,621	-30.6	-4,337
Portfolio Investments (net)	-755	-1,727	832	-	-17,550
Net Acquisition of Financial Assets	397	934	1,130	21.0	937
Net Incurrence of Liabilities	1,152	2,661	298	-88.8	18,487
Equity Securities	652	987	31	-96.9	1,603
Debt Securities	500	1,674	267	-84.1	16,884
Other Investments (net)	-1,433	-2,784	-3,980	43.0	-18,026
Currency and Deposits	-1,240	-706	-2,649	275.2	-2,543
Net Acquisition of Financial Assets	182	-1,071	5,718	-	7,085
Net Incurrence of Liabilities	1,422	-365	8,367	-	9,628
Central Bank	-46	-508	-162	-68.1	-1,987
Banks	1,456	143	8,529	5,864.3	9,405
Foreign Banks	1,549	-846	7,931	-	6,499
Foreign Exchange	1,471	2	6,814	340,600.0	3,958
Turkish Lira	127	-848	1,117	-	4,915
Non-residents	-130	989	598	-39.5	2,742
Loans	-1,011	-4,032	-3,257	-19.2	-14,175
Net Acquisition of Financial Assets	180	132	264	100.0	1,995
Net Incurrence of Liabilities	1,191	4,164	3,521	-15.4	16,170
Banking Sector	117	1,396	1,889	35.3	12,283
Non-bank Sectors	1,239	3,249	2,213	-31.9	4,878
Trade Credit and Advances	857	2,131	2,007	-5.8	-933
Other Assets and Liabilities	-39	-177	-81	-54.2	-375
Reserve Assets (net)	1,907	-2,158	-1,726	-20.0	-36
Net Errors and Omissions	2,893	6,292	6,976	10.9	4,355

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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