



# Balance of Payments - May 2015

Economic Research Division

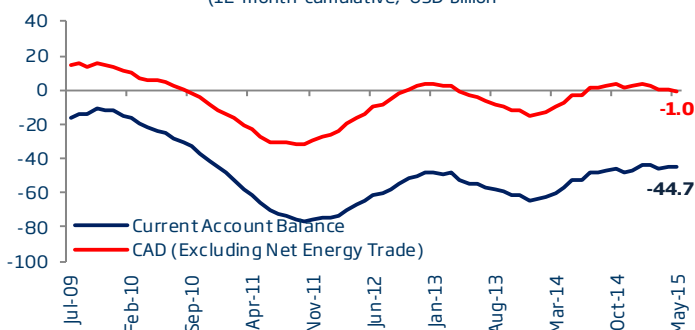
TÜRKİYE İŞ BANKASI

## Current account deficit came in slightly above expectations.

Current account deficit widened by 9.4% yoy and was recorded as 4 billion USD in May. The market expectation for the deficit was 3.6 billion USD. In the first five months of the year, on the other hand, current account deficit fell by 9% yoy to 18.5 billion USD.

12-month cumulative current account deficit was realized as 44.7 billion USD in May, slightly increasing on a monthly basis. It was noteworthy that 12-month cumulative current account deficit excluding net energy trade posted a deficit for the first time after ten straight months of surplus.

**Current Account Balance**  
(12-month cumulative, USD billion)



May figures suggest that foreign trade deficit, narrowing by 2.3% yoy, had a positive impact on current account balance. However, the support of gold exports subsided in May after having been strong in the first months of the year. Tourism revenues, for which expectations have deteriorated due to the concerns over economic crisis in Russia and heightened geopolitical risks, registered a limited annual decline of 1.9% in May. It was seen that the increases in the number of European, especially German, and Asian tourists played a significant role in this development.

## Recovery in foreign direct investments...

Having exhibited a weak performance in April, net foreign investments recovered somewhat in May. However, in the

first five months of the year, net foreign direct investments declined by 14.3% yoy and became 3.3 billion USD.

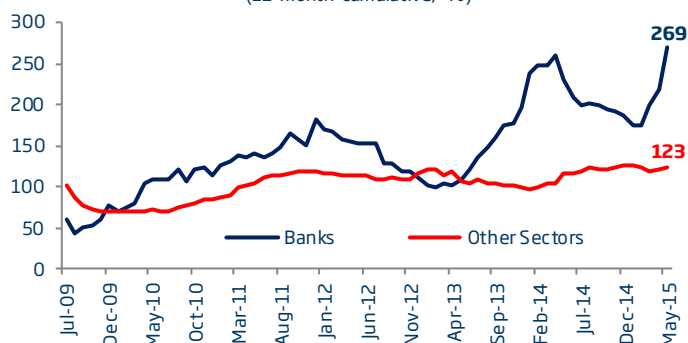
## Weak performance in portfolio investments...

In addition to the meager performance of capital inflows to the emerging economies in May, domestic political uncertainties resulted in a weak performance in portfolio investments. Net capital outflows registered under this item amounted to 2.5 billion USD in May. In this period, non-residents purchased net 74 million USD worth of equity securities and sold net 1.5 billion USD worth of government debt securities.

## Banks continued to raise long-term loans from abroad.

Other investments supported the current account balance by registering an inflow of 2 billion USD in May. Domestic banks' currency and deposits within their foreign correspondent banks recorded an increase of 3 billion USD while trade and other credits items registered a capital inflow of 2.3 billion USD and 2.8 billion USD, respectively. In fact, banks borrowed a net amount of 5.3 billion USD in long-term loans from abroad in May, marking a record reading for this item on monthly basis. However, banking sector was a net credit re-payer in short-term loans with a disbursement of 3.6 billion USD. Other sectors received net 975 million USD long-term loans from abroad in this period.

**Long-term Debt Rollover Ratios**  
(12-month cumulative, %)



## Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

	Dec. 2014		May. 2015	
	USD million	(%)	USD million	(%)
<b>Current Account Balance</b>	<b>-46,516</b>	<b>-44,687</b>	-	-
<b>Total Net Foreign Capital Inflows</b>	<b>46,048</b>	<b>40,683</b>	<b>100.0</b>	<b>100.0</b>
-Direct Investments	5,492	4,941	11.9	12.1
-Portfolio Investments	20,109	13,736	43.7	33.8
-Other Investments	16,868	16,975	36.6	41.7
-Net Errors and Omissions	3,645	5,078	7.9	12.5
-Other	-66	-47	-0.1	-0.1
<b>Reserves<sup>(1)</sup></b>	<b>468</b>	<b>4,004</b>	-	-

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, Datastream

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According to 12-month cumulative figures, banks' and nonbank sectors' long-term debt rollover ratios were realized as 269% and 123%, respectively in May.

## Net errors and omissions...

Having increased in April, reserve assets dropped by 2 billion USD in May. On the other hand, having contributed most to the financing of current account deficit in April, net errors and emissions posted an inflow of 1.8 billion USD also in May. As of the first five months of the year, almost half of the current account deficit was financed by capital inflows registered under this item.

## Expectations

Having followed broadly a favorable performance since the early 2014, current account deficit displayed a limited deterioration in May. Continued narrowing in foreign trade deficit, in particular thanks to the persistently low levels of oil prices, supported the current account deficit in this period. Provisional foreign trade figures indicated that the

current account deficit again narrowed on an annual basis in June.

On the financing side, a relatively weak outlook has been observed so far in 2015. We think that portfolio investments might keep presenting a sluggish performance in the short-term depending on the expectations for the Fed's rate hike and prevailing domestic political uncertainties as a new government is expected to be formed following the general election. On the other hand, banks and other sectors keep borrowing comfortably from abroad. Against this backdrop, we do not foresee any difficulty in financing the current account deficit in the medium term.

Current Account Balance	(USD million)				
	May 2015	Jan. - May. 2015		% Change	12-Month Cumulative
<b>Current Account Balance</b>	<b>-3,994</b>	<b>-20,376</b>	<b>-18,547</b>	<b>-9.0</b>	<b>-44,687</b>
Foreign Trade Balance	-5,367	-23,123	-19,917	-13.9	-60,373
Services Balance	2,138	6,333	6,139	-3.1	24,981
Travel (net)	2,110	6,483	6,326	-2.4	24,323
Primary Income	-814	-3,968	-5,093	28.4	-10,344
Secondary Income	49	382	324	-15.2	1,049
<b>Capital Account</b>	<b>0</b>	<b>-21</b>	<b>-2</b>	<b>-90.5</b>	<b>-47</b>
<b>Financial Account</b>	<b>-2,193</b>	<b>-12,932</b>	<b>-9,651</b>	<b>-25.4</b>	<b>-39,656</b>
Direct Investments (net)	-638	-3,841	-3,290	-14.3	-4,941
Portfolio Investments (net)	2,505	-3,024	3,349	-	-13,736
Net Acquisition of Financial Assets	1,174	1,533	2,304	50.3	1,512
Net Incurrence of Liabilities	-1,331	4,557	-1,045	-	15,248
Equity Securities	74	1,630	105	-93.6	1,034
Debt Securities	-1,405	2,927	-1,150	-	14,214
Other Investments (net)	-2,021	-5,838	-5,945	1.8	-16,975
Currency and Deposits	3,076	-300	463	-	163
Net Acquisition of Financial Asse	3,035	-1,553	8,788	-	10,637
Net Incurrence of Liabilities	-41	-1,253	8,325	-	10,474
Central Bank	-68	-686	-230	-66.5	-1,877
Banks	1,456	-567	8,555	-	9,405
Foreign Banks	1,549	-1,080	7,702	-	6,499
Foreign Exchange	-91	-511	6,722	-	4,379
Turkish Lira	-137	-569	980	-	4,499
Non-residents	255	513	853	66.3	3,473
Loans	-2,797	-7,521	-6,016	-20.0	-13,483
Net Acquisition of Financial Asse	5	22	269	1,122.7	2,110
Net Incurrence of Liabilities	2,802	7,543	6,285	-16.7	15,593
Banking Sector	1,734	3,939	3,580	-9.1	11,431
Non-bank Sectors	1,173	4,258	3,370	-20.9	5,064
Trade Credit and Advances	-2,252	2,213	-263	-	-3,285
Other Assets and Liabilities	-48	-230	-129	-43.9	-370
Reserve Assets (net)	-2,039	-229	-3,765	1,544.1	-4,004
<b>Net Errors and Omissions</b>	<b>1,801</b>	<b>7,465</b>	<b>8,898</b>	<b>19.2</b>	<b>5,078</b>

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, Datastream

**Balance of Payments - May 2015**

Economic Research Division

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

izlem.erdem@isbank.com.tr

**Alper Gürler - Unit Manager**

alper.gurler@isbank.com.tr

**Hatice Erkiletlioğlu - Asst. Manager**

hatice.erkiletlioglu@isbank.com.tr

**İlker Şahin - Economist**

ilker.sahin@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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