



# Balance of Payments - September 2015

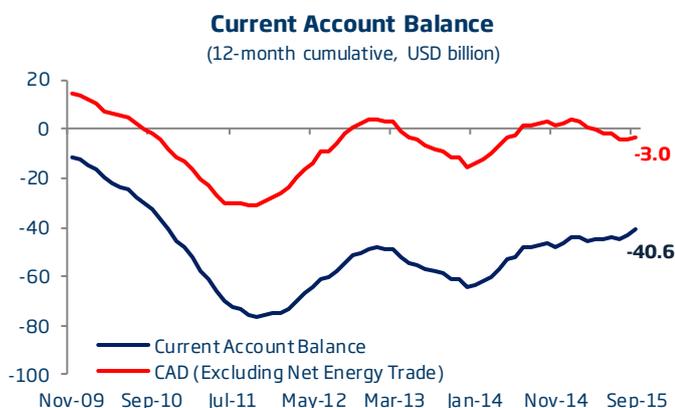
Economic Research Division



## Current account posted a surplus in September.

Despite the decline in tourism revenues, current account balance gave a surplus of 95 million USD in September thanks to the contraction in foreign trade deficit. Also, August's data was revised to a surplus of 27 million USD from a deficit of 163 million USD. Thus, the current account recorded a monthly surplus for the first time since October 2009. After two consecutive months of current account surpluses, 12-month cumulative current account deficit declined to 40.6 billion USD, its lowest level since October 2010.

In the first nine months of the year, current account deficit contracted by 18.9% yoy and was realized as 25.6 billion USD.



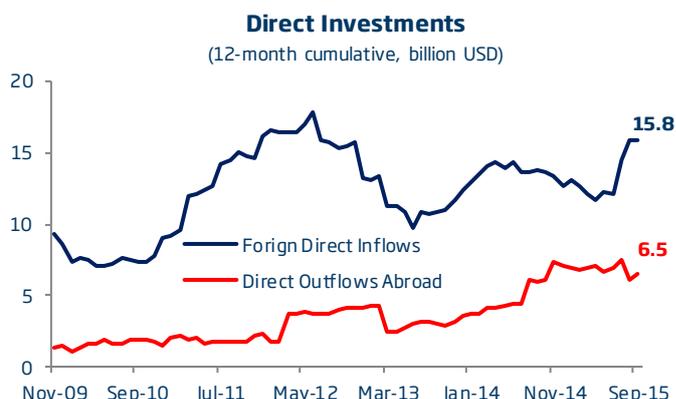
## The improvement in foreign trade continued to positively affect current account balance.

According to current account figures, exports declined by 2.3 billion USD yoy while imports fell by 4.8 billion USD yoy mainly driven by the slide in energy prices. Having been a net importer of gold in September 2014 with a volume of 649 million USD, Turkey became a net exporter of gold (520 million USD) in the same month of this year. Hence, the foreign trade deficit halved compared to the same period of the last year. On the other hand, tourism revenues have

been declining since March. Despite this weakening, net tourism revenues continued to make a significant contribution to the services balance by recording a 2.9 billion USD in September.

## The increase in foreign direct investment lost momentum in September.

Foreign direct investments, which played an important role in the financing of current account deficit in July and August, lost momentum in September. In this period, non-residents' foreign direct investments were recorded as 791 million USD while residents' direct investments abroad became 536 million USD. Thus, net capital inflows registered under foreign direct investments were 255 million USD. Foreign direct investment posted a net inflow of 1.7 billion USD in the previous month. In the first nine months of the year, on the other hand, net capital inflows increased by 71% yoy to 8.7 billion USD.



## Capital outflows from portfolio investments continued.

Having recorded a net capital outflow since May, portfolio investments posted an outflow of 2.9 billion USD in September as well. Capital outflows via portfolio investments gained momentum due to the ongoing fall in non-residents' equity and debt security investments as well

## Breakdown of Net Capital Inflows (12-month cumulative, USD million)

			Breakdown of Net Capital Inflows (%)	
	Dec. 2014	Sep. 2015	Dec. 2014	Sep. 2015
<b>Current Account Balance</b>	<b>-46,525</b>	<b>-40,569</b>	-	-
<b>Total Net Foreign Capital Inflows</b>	<b>46,057</b>	<b>33,421</b>	<b>100.0</b>	<b>100.0</b>
-Direct Investments	5,702	9,324	12.4	27.9
-Portfolio Investments	20,104	-5,256	43.7	-15.7
-Other Investments	16,917	21,381	36.7	64.0
-Net Errors and Omissions	3,404	7,981	7.4	23.9
-Other	-70	-9	-0.2	0.0
<b>Reserves<sup>(1)</sup></b>	<b>468</b>	<b>7,148</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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as the acceleration in resident banks' portfolio investments abroad. In the first nine months of the year, net capital outflows under portfolio investments reached 11.6 billion USD.

## Banks and non-bank sectors continue to raise funds from abroad...

In September, the banking sector raised 3 billion USD of net long-term credit from abroad while it repayed the same amount of net short-term debt. In the first nine months of the year, banking sector became a net credit borrower. The non-bank sectors, on the other hand, obtained 1.3 billion USD of net long term credit and 164 million USD of net short-term credit. In January-September period, the non-bank sectors were also a net credit borrower.

According to the 12-month cumulative figures, banks' and non-bank sectors' long-term debt roll-over ratios kept rising and were 318% and 143% in September, respectively.

## 2 billion USD worth of inflow was recorded in net errors and omissions...

Net errors and emissions registered an inflow of 2 billion USD in September. Financing account, which posted a deficit of 2.1 billion USD mainly because of the outflows in portfolio investments, was compensated by the capital inflows via net errors and emissions account. In the first nine months of the year, net errors and omissions, amounting to 13.4 billion USD, made a significant contribution to the financing of current account deficit.

## Expectations

It is expected that Turkey's foreign trade deficit will continue to contract in the rest of the year and, in turn, the current account balance is anticipated to keep improving. On the other hand, the expected rate hike from Fed at the end of this year is likely to lead capital flows to the emerging market economies including Turkey weaken. Despite this outlook, banks' and other sectors' borrowing from abroad will continue to play an important role in the financing of the current account deficit.

Balance of Payments	(USD million)				
	September 2015	Jan. - Sep. 2014 2015		% Change	12-Month Cumulative
<b>Current Account Balance</b>	<b>95</b>	<b>-31,517</b>	<b>-25,561</b>	<b>-18.9</b>	<b>-40,569</b>
Foreign Trade Balance	-2,527	-45,485	-37,198	-18.2	-55,297
Services Balance	3,445	20,112	19,022	-5.4	24,074
Travel (net)	2,913	19,390	17,184	-11.4	22,274
Primary Income	-942	-6,961	-8,107	16.5	-10,358
Secondary Income	119	817	722	-11.6	1,012
<b>Capital Account</b>	<b>0</b>	<b>-67</b>	<b>-6</b>	<b>-91.0</b>	<b>-9</b>
<b>Financial Account</b>	<b>2,075</b>	<b>-22,718</b>	<b>-12,124</b>	<b>-46.6</b>	<b>-32,597</b>
Direct Investments (net)	-255	-5,097	-8,719	71.1	-9,324
Portfolio Investments (net)	2,871	-13,736	11,624	-	5,256
Net Acquisition of Financial Assets	1,346	701	5,221	644.8	5,266
Net Incurrence of Liabilities	-1,525	14,437	-6,403	-	10
Equity Securities	-233	1,608	-948	-	3
Debt Securities	-1,292	12,829	-5,455	-	7
Other Investments (net)	306	-6,790	-11,254	65.7	-21,381
Currency and Deposits	940	1,781	1,572	-11.7	-818
Net Acquisition of Financial Assets	1,252	1,844	13,038	607.0	11,481
Net Incurrence of Liabilities	312	63	11,466	18,100.0	12,299
Central Bank	-125	-1,986	-731	-63.2	-1,078
Banks	1,456	2,049	12,197	495.3	9,405
Foreign Banks	1,549	-120	8,861	-	6,499
Foreign Exchange	-134	-2,425	4,658	-	4,229
Turkish Lira	612	2,305	4,203	82.3	4,848
Non-residents	-41	2,169	3,336	53.8	4,300
Loans	-1,249	-8,503	-11,481	35.0	-18,007
Net Acquisition of Financial Assets	54	2,031	450	-77.8	282
Net Incurrence of Liabilities	1,303	10,534	11,931	13.3	18,289
Banking Sector	-42	7,416	5,212	-29.7	9,632
Non-bank Sectors	1,420	4,035	7,491	85.7	9,403
Trade Credit and Advances	637	381	-1,091	-	-2,280
Other Assets and Liabilities	-22	-449	-254	-43.4	-276
Reserve Assets (net)	-847	2,905	-3,775	-	-7,148
<b>Net Errors and Omissions</b>	<b>1,980</b>	<b>8,866</b>	<b>13,443</b>	<b>51.6</b>	<b>7,981</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 - September 2015**

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