



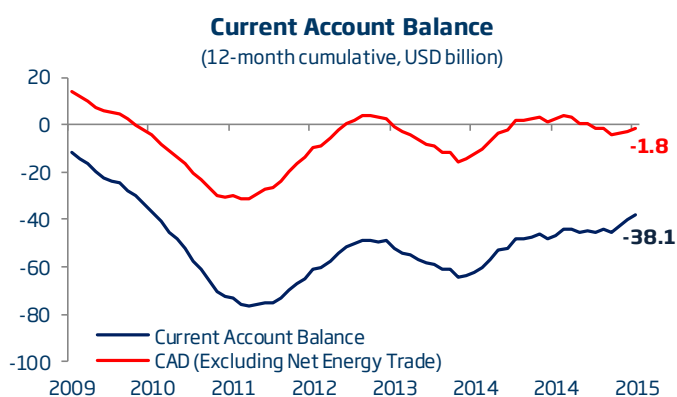
Balance of Payments - October 2015

Economic Research Division



Current account deficit was 133 million USD in October.

In October, current account deficit receded by 2.2 billion USD yoy to 133 million USD. Thus, current account figures exhibited a positive outlook right after posting surpluses in both August and September. In January-October period, current account deficit decreased by 24.9% yoy and was realized as 25.4 billion USD while 12-month cumulative current account deficit declined to 38.1 billion USD, its lowest level of last 5 years.



Improving foreign trade balance affected positively current account figures.

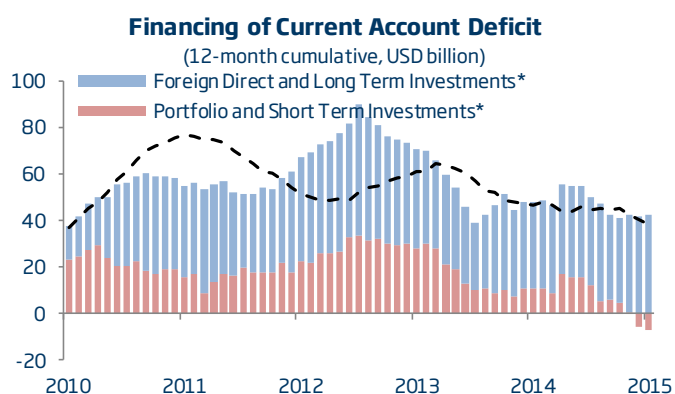
Lower imports thanks to the slide in energy prices were influential on the improvement in current account deficit throughout the year. According to balance of payment figures, imports shrank by 2,1 billion USD yoy in October. Additionally, exports which exhibited a weak performance throughout 2015, had a positive impact on the current account balance in October and increased by 271 million USD yoy. Gold exports also supported the current account balance in October. On the other hand, weak performance in tourism revenues continued in October.

During the January-October period, the improvement in trade balance lowered the current account deficit by 10.8 billion USD yoy. On the other hand, in this period, net

tourism revenues decreased by 11.5% (USD 2.6 billion) and limited the improvement in the current account deficit.

Decrease in foreign direct investments...

Net foreign direct investments have made a significant contribution to the financing of current account deficit during summer months. However, net foreign direct investments were only 367 million USD in October. In this period, non-residents' foreign direct investments were recorded as 318 million USD while acquisitions of real estate were realized 450 million USD. Net foreign direct investments, which have exhibited a weak performance since 2011, increased by 3.5 billion USD yoy to 9.1 billion USD in January-October period.



(*) Short-term capital movements are sum of banking and real sectors' short term net credits and deposits in banks.

(**) Long term capital movements are sum of banking and real sectors' long term net credit and

Limited inflow in portfolio investments...

Portfolio investments, which posted an outflow since May 2015, recorded a limited inflow of 147 million USD in October. In this period, equity and debt securities posted a net inflow of total 428 million USD. Regarding the bond issues in international capital markets, banking sector made a net repayment of 211 million USD, while other sectors borrowed net 466 million USD.

Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

			Breakdown of Net Capital Inflows (%)	
	Dec. 2014	Oct. 2015	Dec. 2014	Oct. 2015
Current Account Balance	-46,523	-38,109	-	-
Total Net Foreign Capital Inflows	46,055	28,304	100.0	100.0
-Direct Investments	5,702	9,166	12.4	32.4
-Portfolio Investments	20,104	-7,123	43.7	-25.2
-Other Investments	16,936	19,317	36.8	68.2
-Net Errors and Omissions	3,383	6,952	7.3	24.6
-Other	-70	-8	-0.2	0.0
Reserves⁽¹⁾	468	9,805	-	-

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

Balance of Payments - October 2015

Economic Research Division



In the first ten months of the year, capital outflows via portfolio investments reached 11.6 billion USD. 5.2 billion of this amount stemmed mainly from debt securities' repayments.

Total credit repayment of General Government and banking sector was 533 million USD in October. Other sectors, on the other hand, were a net credit borrower of 2.5 billion USD in October. Thus, total loans raised from abroad contributed to the financing of current account deficit by 1.9 billion USD in October. However other investments receded to 558 million USD due to the outflow of 1.4 billion USD through cash-deposits and commercial loans.

In October, reserve assets decreased by 1.2 billion USD while net errors and omissions posted an outflow of 2.1 billion USD. Having a significant contribution to the financing of current account deficit throughout the year, net errors and omissions registered an inflow of 11.2 billion USD in the first ten months of the year.

According to the 12-month cumulative figures, banks' and non-bank sectors' long-term debt roll-over ratios kept rising and were 316% and 154% in October, respectively.

Expectations

Decline in energy prices gained momentum recently. Additionally, export prospects based on European demand support positive expectations on current account deficit. In this context, it is anticipated that the contraction in the foreign trade deficit has also continued in the last months of the year. However, the rising geopolitical concerns and tensions regarding Russia might adversely affect the foreign trade figures and tourism revenues in 2016. In this context, the current account deficit to GDP ratio, which is expected to fell below 5% at the end of 2015, would be higher in 2016.

Balance of Payments	(USD million)				
	October 2015	Jan. - Oct. 2014 2015		% Change	12-Month Cumulative
Current Account Balance	-133	-33,825	-25,411	-24.9	-38,109
Foreign Trade Balance	-2,356	-50,167	-39,376	-21.5	-52,793
Services Balance	2,854	23,136	22,044	-4.7	24,072
Travel (net)	2,472	22,213	19,656	-11.5	21,923
Primary Income	-721	-7,706	-8,858	14.9	-10,362
Secondary Income	90	912	779	-14.6	974
Capital Account	0	-68	-6	-91.2	-8
Financial Account	-2,269	-26,259	-14,214	-45.9	-31,165
Direct Investments (net)	-367	-5,622	-9,086	61.6	-9,166
Portfolio Investments (net)	-147	-15,677	11,550	-	7,123
Net Acquisition of Financial Assets	281	2,012	5,432	170.0	4,166
Net Incurrence of Liabilities	428	17,689	-6,118	-	-2,957
Equity Securities	204	2,039	-873	-	-353
Debt Securities	224	15,650	-5,245	-	-2,604
Other Investments (net)	-558	-9,325	-11,706	25.5	-19,317
Currency and Deposits	547	630	2,106	234.3	867
Net Acquisition of Financial Assets	1,457	1,313	14,482	1,003.0	13,456
Net Incurrence of Liabilities	910	683	12,376	1,712.0	12,589
Central Bank	-95	-2,146	-826	-61.5	-1,013
Banks	1,456	2,829	13,202	366.7	9,405
Foreign Banks	1,549	279	9,432	3,280.6	6,499
Foreign Exchange	347	-593	5,005	-	2,744
Turkish Lira	224	872	4,427	407.7	6,505
Non-residents	434	2,550	3,770	47.8	4,353
Loans	-1,941	-10,103	-13,248	31.1	-18,194
Net Acquisition of Financial Assets	16	2,108	466	-77.9	221
Net Incurrence of Liabilities	1,957	12,211	13,714	12.3	18,415
Banking Sector	-382	8,736	4,853	-44.4	7,953
Non-bank Sectors	2,490	4,071	9,788	140.4	11,680
Trade Credit and Advances	844	613	-302	-	-1,722
Other Assets and Liabilities	-8	-465	-262	-43.7	-268
Reserve Assets (net)	-1,197	4,365	-4,972	-	-9,805
Net Errors and Omissions	-2,136	7,634	11,203	46.8	6,952

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 - October 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

LEGAL NOTICE

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.