



## Balance of Payments - November 2015

Economic Research Division

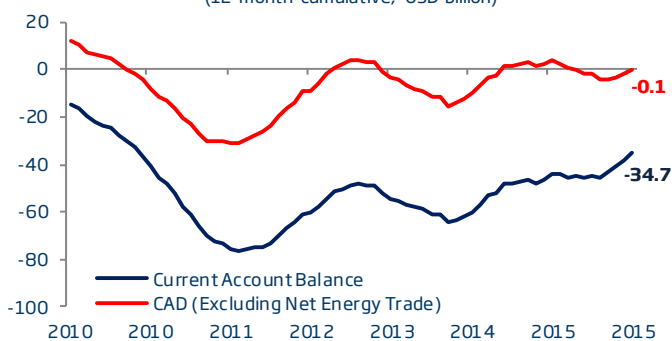


### Current account posted a deficit of 2.1 billion USD in November.

Current account balance presented a better outlook compared to the previous year in November as this was also the case throughout the year. Current account deficit, which was 5.8 billion USD in November 2014, became 2.1 billion USD in the same month of 2015. In January-November period, the deficit recovered by 29.7% yoy and came in at 27.8 billion USD while 12-month cumulative current account deficit narrowed to 34.7 billion USD, the lowest level since September 2010.

#### Current Account Balance

(12-month cumulative, USD billion)



### Narrowing foreign trade deficit continued to support current account balance.

In the first eleven months of 2015, imports registered faster drops than exports mostly thanks to the persistent downward trend in energy prices. Parallel to the weak course of energy prices and the sharp decline in gold imports recorded in November, 55% plunge in foreign trade deficit has been instrumental in the improvement in current account balance. However, tourism revenues offered a lackluster outlook also in November due to the geopolitical risks and the ongoing economic crisis in Russia. Leaving the worst November performance since 2010 behind, net tourism revenues declined by 13% yoy exerting pressure on current account deficit.

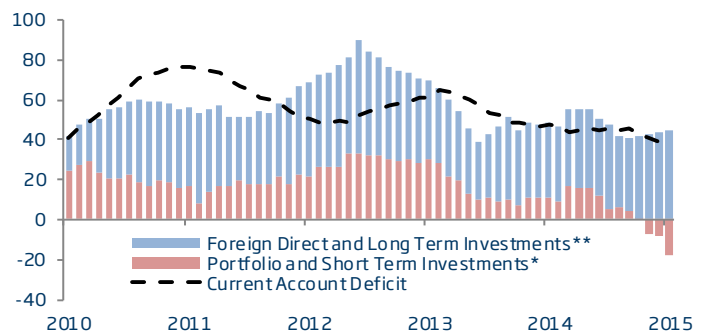
The annual contraction in trade balance during the January-November period amounted to 14 billion USD while net tourism revenues contracted by 2.7 billion USD.

### An inflow of 9.2 billion USD in net foreign direct investments...

Making only a limited contribution to the financing of current account deficit (92 million USD) in November, net foreign direct investments have presented a stronger performance in the first eleven months of 2015. Net foreign direct investments, which were 4.8 billion USD in January-November 2014, reached 9.2 billion USD in the same period of 2015.

#### Financing of Current Account Deficit

(12-month cumulative, USD billion)



(\*) 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 bonds issued by banks and the Treasury

### Capital outflow in portfolio investments in November...

Having posted a limited capital inflow in October, net portfolio investments recorded a huge outflow of 3.1 billion USD in November. It had registered an inflow of 3.3 billion USD in the same month of the previous year. 1.1 billion USD of this amount stemmed from the equity market while debt securities reported a net outflow of 623 million USD. Realizing at 1.4 billion USD, residents' portfolio investments

#### Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

			Breakdown of Net Capital Inflows (%)	
	Dec. 2014	Nov. 2015	Dec. 2014	Nov. 2015
<b>Current Account Balance</b>	<b>-46,526</b>	<b>-34,741</b>	-	-
<b>Total Net Foreign Capital Inflows</b>	<b>46,058</b>	<b>23,921</b>	<b>100.0</b>	<b>100.0</b>
-Direct Investments	5,716	10,099	12.4	42.2
-Portfolio Investments	20,104	-13,637	43.6	-57.0
-Other Investments	16,942	16,693	36.8	69.8
-Net Errors and Omissions	3,366	10,773	7.3	45.0
-Other	-70	-7	-0.2	0.0
<b>Reserves<sup>(1)</sup></b>	<b>468</b>	<b>10,820</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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abroad also weighed on the outlook in net portfolio investments.

Net capital outflows in portfolio investments reached 14.8 billion USD in the first eleven months of the year. The outflow registered in government debt securities' was responsible for more than 40% of this amount.

### Private sector continued to obtain funds from abroad.

Despite the abrupt changes in global risk perception and unfavorable outlook of portfolio flows towards emerging markets, banks and other sectors did not face any difficulty in attaining funds from abroad in 2015. According to the 12-month cumulative figures, banks' and non-bank sectors' long-term debt roll-over ratios kept increasing in November and became 340% and 160%, respectively.

Details of credit accounts revealed that banking sector made a net repayment of 2 billion USD in short-term while it was a net credit borrower with 2.2 billion USD in long-term. Other sectors also made a net repayment 279 million USD in short term and raised credits amounting to a net 1.6 billion USD in long-term. Hence, loans raised from abroad contributed to the financing of current account deficit in

November as this was also the case during the whole year. Consequently, other investments exhibited a solid performance in November registering a net capital inflow of 4.7 billion USD also led by the 2.4 billion USD inflow recorded in cash and deposits account.

Reserve assets registered a fall in eight of the first eleven months in 2015. In November, the decline in this account was 212 million USD while net errors and omissions contributed to the financing of the deficit by 203 million USD. Net errors and emissions had a significant share in the sources of financing in January-November period with an inflow of 11.9 billion USD.

### Expectations...

Should the economic upturn in European Union countries take place as strongly as expected reinforcing the export performance of Turkey and should low levels of energy prices prevail, current account deficit might keep drawing a favorable picture in the forthcoming period. Nevertheless, the rising geopolitical risks and the recent tension with Russia imply that current account deficit can come under pressure in 2016 via foreign trade and tourism channels.

Balance of Payments	(USD million)				
	November 2015	Jan. - Nov. 2014 2015		% Change	12-Month Cumulative
<b>Current Account Balance</b>	<b>-2,105</b>	<b>-39,622</b>	<b>-27,837</b>	<b>-29.7</b>	<b>-34,741</b>
Foreign Trade Balance	-2,953	-56,743	-42,693	-24.8	-49,534
Services Balance	1,484	24,461	23,554	-3.7	24,257
Travel (net)	1,179	23,568	20,835	-11.6	21,747
Primary Income	-719	-8,337	-9,560	14.7	-10,436
Secondary Income	83	997	862	-13.5	972
<b>Capital Account</b>	<b>0</b>	<b>-69</b>	<b>-6</b>	<b>-91.3</b>	<b>-7</b>
<b>Financial Account</b>	<b>-1,902</b>	<b>-35,190</b>	<b>-15,935</b>	<b>-54.7</b>	<b>-23,975</b>
Direct Investments (net)	-92	-4,805	-9,188	91.2	-10,099
Portfolio Investments (net)	3,076	-18,958	14,783	-	13,637
Net Acquisition of Financial Assets	1,396	1,603	6,937	332.8	6,080
Net Incurrence of Liabilities	-1,680	20,561	-7,846	-	-7,557
Equity Securities	-1,057	2,563	-1,978	-	-1,982
Debt Securities	-623	17,998	-5,868	-	-5,575
Other Investments (net)	-4,674	-16,595	-16,346	-1.5	-16,693
Currency and Deposits	-2,416	-1,545	-359	-76.8	577
Net Acquisition of Financial Assets	-1,995	-26	12,435	-	12,748
Net Incurrence of Liabilities	421	1,519	12,794	742.3	12,171
Central Bank	-51	-2,247	-877	-61.0	-963
Banks	472	3,766	13,671	263.0	13,134
Foreign Banks	354	667	9,785	1,367.0	9,214
Foreign Exchange	122	-1,704	5,127	-	3,977
Turkish Lira	232	2,371	4,658	96.5	5,237
Non-residents	118	3,099	3,886	25.4	3,920
Loans	-1,393	-13,632	-14,522	6.5	-15,945
Net Acquisition of Financial Assets	59	2,051	525	-74.4	337
Net Incurrence of Liabilities	1,452	15,683	15,047	-4.1	16,282
Banking Sector	188	10,732	5,039	-53.0	6,143
Non-bank Sectors	1,307	5,649	10,978	94.3	11,298
Trade Credit and Advances	-868	-949	-1,206	27.1	-1,064
Other Assets and Liabilities	3	-469	-259	-44.8	-261
Reserve Assets (net)	-212	5,168	-5,184	-	-10,820
<b>Net Errors and Omissions</b>	<b>203</b>	<b>4,501</b>	<b>11,908</b>	<b>164.6</b>	<b>10,773</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 - November 2015**

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