



# Balance of Payments–February 2016

Economic Research Division



## In February, current account deficit came in below expectations.

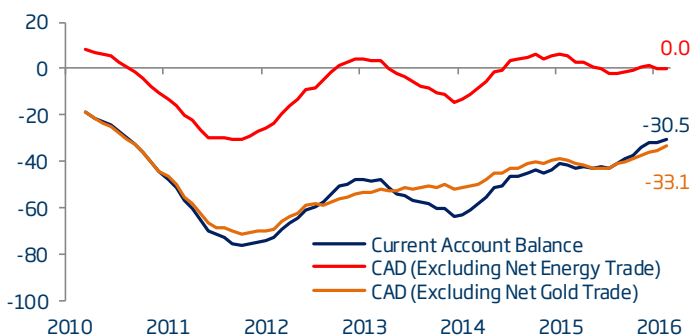
Current account deficit narrowed by 46.1% yoy In February and was realized as 1.8 billion USD, well below the expectations. Compared to the same month of the previous year, the fall in imports as well as strong performance of exports gave way to a decline in current account deficit.

## Decrease in shuttle trade and tourism revenues...

The downward trend in shuttle trade and tourism revenues continued in the second month of the year in the face of the geopolitical developments. In January-February period, shuttle trade and net tourism revenues contracted by 25.6% yoy and 20.1% yoy, respectively.

### Current Account Balance

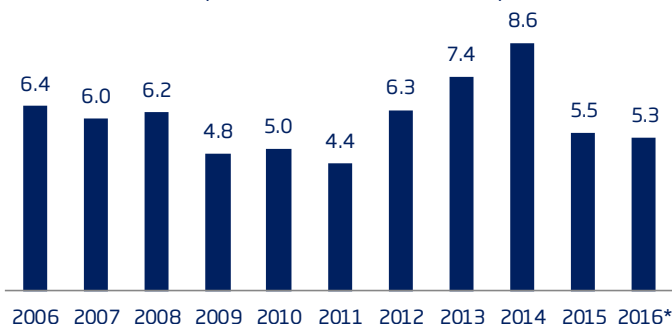
(12-month cumulative, USD billion)



12-month cumulative current account deficit also continued to contract. The deficit, dropped to 30.5 billion USD, the lowest level of last 5.5 years. Gold trade supported the recovery in current account balance in this period. In fact, current account deficit excluding gold trade was realized as 33.1 billion USD as of February.

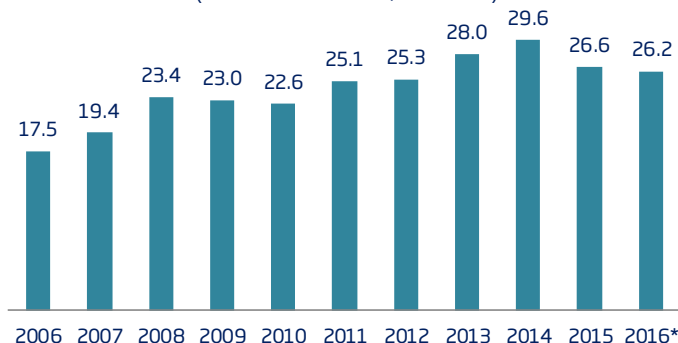
### Shuttle Trade

(12-month cumulative, billion USD)



### Tourism Revenues

(12-month cumulative, billion USD)



## Increase in portfolio investments...

After having posted an outflow of 1.2 billion USD in January, portfolio investments posted an inflow of 1.1 billion USD on the back of the recovery in global risk appetite

Weaker outlook for direct investments, on the other hand, has prevailed also in February. Net foreign direct investments decreased by 695 million USD (83.2%) on annual basis and became 140 million USD.

## Other investments...

Having posted an inflow of 4.2 billion USD in January, other investments registered an outflow of 1.7 billion USD in February. This development stemmed mostly from the increase of 3.1 billion USD recorded in domestic banks' currency and deposit holdings within their foreign correspondent banks. Non-resident banks' deposits in TRY terms held within domestic banks rose by 1.9 billion USD and partly offset the fall in other investments.

## Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

	Breakdown of Net Capital Inflows		Breakdown of Net Capital Inflows (%)	
	Dec. 2015	Feb. 2016	Dec. 2015	Feb. 2016
<b>Current Account Balance</b>	<b>-32,141</b>	<b>-30,511</b>	-	-
<b>Total Net Foreign Capital Inflows</b>	<b>20,310</b>	<b>16,371</b>	<b>100.0</b>	<b>100.0</b>
-Direct Investments	11,730	9,779	57.8	59.7
-Portfolio Investments	-15,498	-16,974	-	-
-Other Investments	14,702	16,268	72.4	99.4
-Net Errors and Omissions	9,397	7,302	46.3	44.6
-Other	-21	-4	-0.1	0.0
<b>Reserves<sup>(1)</sup></b>	<b>11,831</b>	<b>14,140</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.

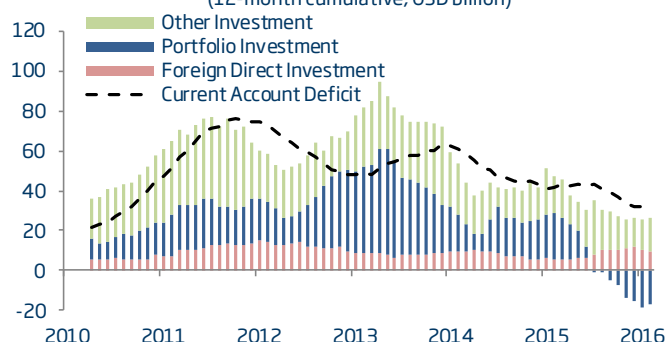
Source: CBRT, Datastream, (\*) As of February 2016 12-month cumulative.

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## Financing of Current Account Deficit

(12-month cumulative, USD billion)



Banking sector became a net credit-repayer in short-term loans during the second month of the year while it was a net credit-user in long term loans. Other sectors presented the same picture. According to 12-month cumulative figures, banks' and non-bank sectors' long-term debt rollover ratios became 336% and 161%, respectively.

On the other hand, CBRT's reserves surged by 646 million USD mom in February. Net errors and omissions recorded an inflow of 2.9 billion USD. This capital inflow compensated the outflow associated with financial account and totally financed the current account deficit.

## Expectations...

The low level of energy prices has mitigated the current account deficit through the foreign trade channel. Nonetheless, the downward pressures on shuttle trade and tourism revenues as well as the course of economic activity in European countries continue to be the major risk factors regarding the current account deficit of Turkey.

## Balance of Payments

(USD million)

	February 2016	Jan. - Feb. 2015	Jan. - Feb. 2016	% Change	12-Month Cumulative
<b>Current Account Balance</b>	<b>-1,785</b>	<b>-5,753</b>	<b>-4,123</b>	<b>-28.3</b>	<b>-30,511</b>
Foreign Trade Balance	-1,962	-6,535	-4,795	-26.6	-46,196
Services Balance	495	1,832	1,330	-27.4	23,509
Travel (net)	613	1,750	1,398	-20.1	20,896
Primary Income	-717	-1,275	-1,151	-9.7	-9,406
Secondary Income	399	225	493	119.1	1,582
<b>Capital Account</b>	<b>0</b>	<b>-2</b>	<b>15</b>	<b>-</b>	<b>-4</b>
<b>Financial Account</b>	<b>1,093</b>	<b>-1,841</b>	<b>-2,289</b>	<b>24.3</b>	<b>-23,213</b>
Direct Investments (net)	-140	-2,371	-420	-82.3	-9,779
Portfolio Investments (net)	-1,086	-1,395	81	-	16,974
Net Acquisition of Financial Assets	164	-78	557	-	6,764
Net Incurrence of Liabilities	1,250	1,317	476	-63.9	-10,210
Equity Securities	444	-111	183	-	-2,101
Debt Securities	806	1,428	293	-79.5	-8,109
Other Investments (net)	1,673	-993	-2,559	157.7	-16,268
Currency and Deposits	1,529	-2,421	-1,807	-25.4	2,720
Net Acquisition of Financial Assets	3,174	1,896	2,235	17.9	15,332
Net Incurrence of Liabilities	1,645	4,317	4,042	-6.4	12,612
Central Bank	-18	-72	-36	-50.0	-880
Banks	1,663	4,389	4,078	-7.1	13,492
Foreign Banks	1,813	4,525	4,253	-6.0	9,670
Foreign Exchange	-124	4,629	582	-87.4	661
Turkish Lira	1,937	-104	3,671	-	9,009
Non-residents	-150	-136	-175	28.7	3,822
Loans	-1,081	231	-1,692	-	-15,535
Net Acquisition of Financial Assets	214	148	604	308.1	1,248
Net Incurrence of Liabilities	1,295	-83	2,296	-	16,783
Banking Sector	418	-750	466	-	6,100
Non-bank Sectors	864	912	1,942	112.9	11,767
Trade Credit and Advances	1,226	1,214	837	-31.1	-3,311
Other Assets and Liabilities	-1	-17	103	-	-142
Reserve Assets (net)	646	2,918	609	-79.1	-14,140
<b>Net Errors and Omissions</b>	<b>2,878</b>	<b>3,914</b>	<b>1,819</b>	<b>-53.5</b>	<b>7,302</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 - February 2016**

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