

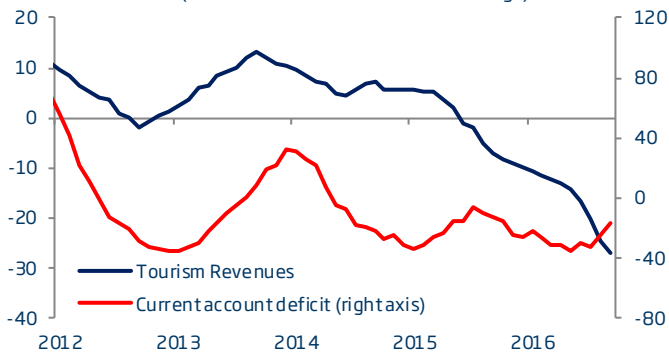
Current account deficit was 1.7 billion USD in September.

Current account balance, which posted a surplus of 167 million USD in September 2015, recorded a deficit of 1.7 billion USD in the same month this year. On the other hand, this level suggested a better outlook than markets expected.

In the first nine months of the year, the current account deficit widened by 1% yoy and became 24.8 billion USD. 12-month cumulative current account deficit, however, stood at 32.4 billion USD, the highest since December 2015. It was also noteworthy that the current account deficit excluding net energy trade hit the highest level in the last 30 months, according to 12-month cumulative figures.

Current Account and Tourism Revenues

(12-month cumulative, annual % change)



The deterioration in services balance played a significant role in the rise in the current account deficit in September. The surplus in services balance declined by 1.2 billion USD on an annual basis. About 900 million USD of this fall stemmed from the drop in tourism revenues. Indeed, net tourism revenues shrank by 30.5% yoy while the annual rate of decline reached almost 40% in the first nine months of the year. The foreign trade also contributed to the rise in current account deficit in September. Foreign trade deficit widened by 27% yoy during this period. The fall of 5.6% in exports was behind this performance.

FDI is above the year-average.

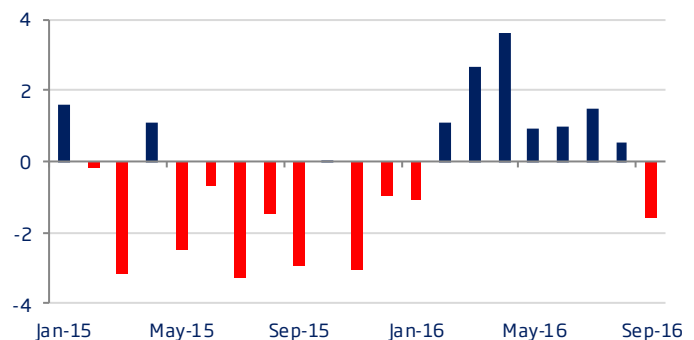
Net foreign direct investments increased by 468 million USD compared to a year-ago. Nevertheless, in January-September period, foreign direct investments almost halved compared to the same period of the previous year despite the upturn observed in September.

Capital outflow in portfolio investment account...

In September, portfolio investments posted a net capital outflow of 1.6 billion USD, the largest since November 2015. Equities and government debt securities recorded a limited inflow by the purchases of non-residents in this period. Government's net payment of 2 billion USD regarding its bond issues in international markets led the portfolio investment account to become negative in September.

Portfolio Flows

(monthly, USD billion)



For the first nine months, portfolio investments continued to paint a better picture compared to the previous year. Net portfolio investments, which had posted an outflow of 11.5 billion USD in January-September period last year, recorded an inflow of 8.7 billion USD in the same period of this year.

Other investments...

Other investments registered a net outflow of 2.3 billion USD in September. This mainly stemmed from the rise in domestic banks' currency and deposits within their foreign correspondent banks and the decline in foreign banks'

Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

	Dec. 2015		Sep. 2016	
	USD million	(%)	USD million	(%)
Current Account Balance	-32,170	-	-32,412	-
Total Net Foreign Capital Inflows	20,339	100.0	30,000	100.0
-Direct Investments	11,862	58.3	7,099	23.7
-Portfolio Investments	-15,498	-	4,648	-
-Other Investments	14,838	73.0	16,068	53.6
-Net Errors and Omissions	9,158	45.0	2,177	7.3
-Other	-21	-0.1	8	0.0
Reserves⁽¹⁾	11,831	-	2,412	-

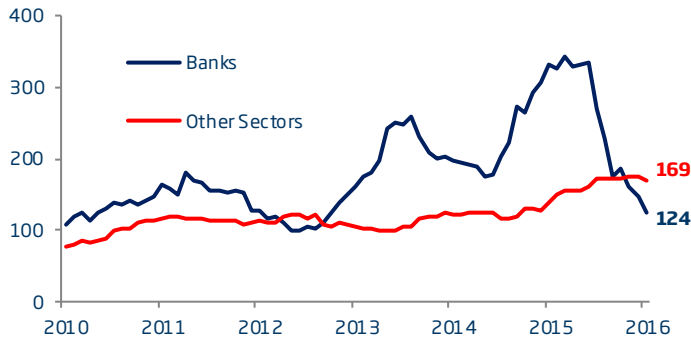
Note: The numbers may not add up to total due to rounding.

(1) (-) sign indicates an increase in reserves while (+) sign indicates a decrease.

Source: CBRT, Datastream

Long-term Debt Rollover Ratios

(12-month cumulative, %)



deposits held within domestic banks as well as the net credit repayments of banking sector amounting to 1.2 billion USD. It is seen that banking sector has become a net credit repayer for the last three consecutive months. Non-banking sector, on the other hand, raised a net 245 million USD of credit from abroad.

As 12-month cumulative figures suggested, long-term debt rollover ratios of banking and non-banking sectors stood at 124% and 169%, respectively.

Fall in reserves ...

Reserves posted a rapid decline by 4.8 billion USD in September. Net errors and omissions registered a limited inflow of 36 million USD in this period.

Expectations...

We believe that the risks to current account deficit are tilted to the upside for the coming period. The widening of the foreign trade deficit in October, revealed by the provisional data, supports our view. Furthermore, we expect the current account deficit to remain under pressure for a while longer by the fall in tourism revenues. Together with these, the steps taken by the policymakers to increase domestic demand and the possibility of an oil price rebound imply that the current account deficit could widen in the forthcoming period.

Balance of Payments	(USD million)				
	September 2016	Jan. - Sep. 2015	Jan. - Sep. 2016	% Change	12-Month Cumulative
Current Account Balance	-1,684	-24,551	-24,793	1.0	-32,412
Foreign Trade Balance	-3,235	-37,509	-30,924	-17.6	-41,529
Services Balance	2,336	19,544	11,817	-39.5	16,420
Travel (net)	2,025	17,184	10,696	-37.8	14,760
Primary Income	-927	-7,422	-6,793	-8.5	-8,896
Secondary Income	142	836	1,107	32.4	1,593
Capital Account	0	-6	23	-	8
Financial Account	-1,648	-12,130	-19,324	59.3	-30,227
Direct Investments (net)	-719	-9,669	-4,906	-49.3	-7,099
Portfolio Investments (net)	1,589	11,495	-8,651	-	-4,648
Net Acquisition of Financial Assets	-26	5,230	-331	-	568
Net Incurrence of Liabilities	-1,615	-6,265	8,320	-	5,216
Equity Securities	308	-1,125	738	-	-532
Debt Securities	-1,923	-5,140	7,582	-	5,748
Other Investments (net)	2,300	-10,181	-11,411	12.1	-16,068
Currency and Deposits	1,135	2,387	-3,111	-	-3,417
Net Acquisition of Financial Asse	572	13,853	971	-93.0	2,086
Net Incurrence of Liabilities	-563	11,466	4,082	-64.4	5,503
Central Bank	-65	-731	-392	-46.4	-577
Banks	-498	12,197	4,474	-63.3	6,080
Foreign Banks	-353	8,861	3,695	-58.3	4,776
Foreign Exchange	-617	4,658	-915	-	-865
Turkish Lira	264	4,203	4,610	9.7	5,641
Non-residents	-145	3,336	779	-76.6	1,304
Loans	1,201	-11,139	-5,812	-47.8	-8,382
Net Acquisition of Financial Asse	155	450	349	-22.4	691
Net Incurrence of Liabilities	-1,046	11,589	6,161	-46.8	9,073
Banking Sector	-1,228	5,434	-2,529	-	-2,870
Non-bank Sectors	245	6,774	9,570	41.3	13,420
Trade Credit and Advances	-24	-1,175	-2,505	113.2	-4,278
Other Assets and Liabilities	-12	-254	17	-	9
Reserve Assets (net)	-4,818	-3,775	5,644	-	-2,412
Net Errors and Omissions	36	12,427	5,446	-56.2	2,177

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

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 - 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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