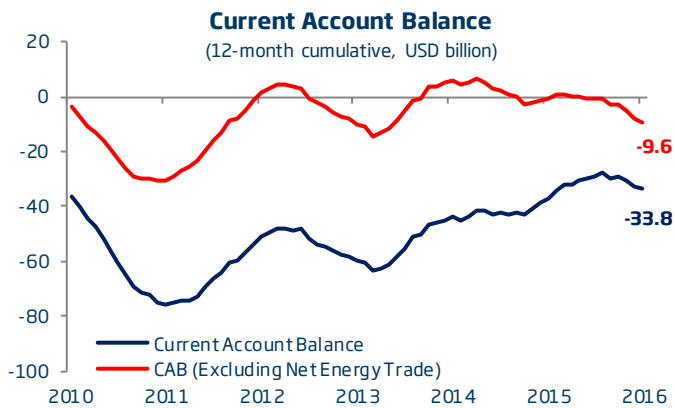


Current account deficit came in line with the expectations in October.

In October, current account balance posted a deficit of 1.7 billion USD, in tandem with the market expectations. Current account had recorded a deficit of 343 million USD in the same month of the previous year.

In the first ten months of the year, the current account deficit expanded by 6% yoy and became 26.5 billion USD. 12-month cumulative current account deficit, however, stood at 33.8 billion USD, the highest since November 2015. The current account deficit excluding net energy trade hit the highest level in the last 32 months, according to 12-month cumulative figures.



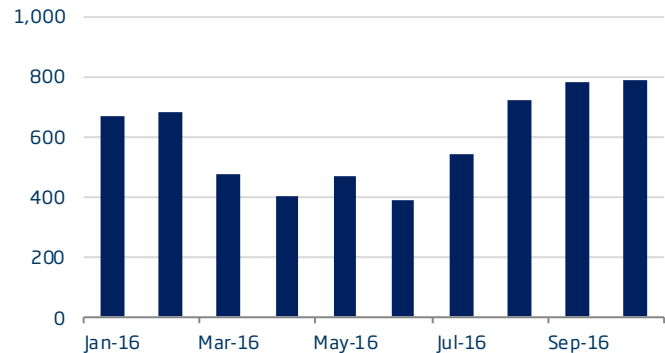
The fall in tourism revenues and the rise in foreign trade deficit weighed on the current account balance.

In October, the rise in the current account deficit mostly stemmed from the deterioration in services balance. The surplus in services balance fell by 916 million USD compared to a year ago. About 630 million USD of this amount was driven by the decline in tourism revenues. Nevertheless, it is seen that the fall in net tourism revenues has lost some momentum in the recent months.

The foreign trade performance also had a negative impact on the current account deficit in this period. Foreign trade deficit widened by 13.5% yoy due to the fall in exports.

Net Foreign Direct Investments

(3-month moving average, USD million)



Capital flows...

Net foreign direct investments to Turkey showed no significant change both on an annual and a monthly basis and became 665 million USD in October. This amount remained above the average of the January–October period.

In October, portfolio investments posted an inflow of 2 billion USD, the highest since April this year. Non-residents made purchases of around 0.5 billion USD in equity markets and sold 1.2 billion USD in government debt securities market. Government's and banks' net borrowing of 3.1 billion USD through bond issues in international markets led the portfolio investment account to become positive in this period.

Other investments recorded a net inflow of 596 million USD in October. The inflows remained limited due to the rise in domestic banks' currency and deposits within their foreign correspondent banks and the decline in foreign banks' deposits held within domestic banks. Non-banking sector, on the other hand, raised a net 1.2 billion USD of credit from abroad and became the main contributor to the capital inflows under other investments account. Banking sector also borrowed a net 215 million USD and supported the capital inflows to the country.

Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

	USD million		Breakdown of Net Capital Inflows (%)	
	Dec. 2015	Oct. 2016	Dec. 2015	Oct. 2016
Current Account Balance	-32,283	-33,773	-	-
Total Net Foreign Capital Inflows	20,452	35,481	100.0	100.0
-Direct Investments	11,972	7,214	58.5	20.3
-Portfolio Investments	-15,719	6,631	-	-
-Other Investments	14,924	17,105	73.0	48.2
-Net Errors and Omissions	9,296	4,523	45.5	12.7
-Other	-21	8	-0.1	0.0
Reserves⁽¹⁾	11,831	-1,708	-	-

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

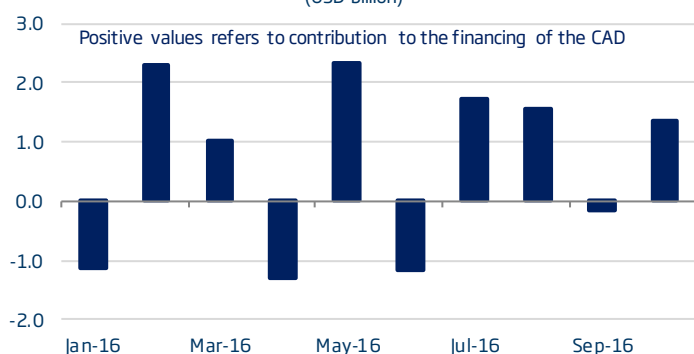
(1) (-) sign indicates an increase in reserves while (+) sign indicates a decrease.

Source: CBRT, Datastream

Long-term debt rollover ratio for the banking sector continued to decline and became 119% while the ratio for the non-banking sectors stood at 164%, according to 12-month cumulative figures.

Net Errors and Omissions

(USD billion)



Reserves & net errors and omissions...

Having fallen fast in September, reserve assets posted an increase of 2.9 billion USD in October. Net errors and omissions, on the other hand, registered an inflow of 1.3 billion USD in this period, contributing to the financing of the current account deficit.

Expectations...

While the decline in tourism revenues persisted despite losing some momentum, weak performance on the foreign trade front indicated that the upward risks on the current account deficit have increased. Even though the foreign trade deficit is expected to narrow in November as provisional data suggested, we foresee that the current account deficit might follow an upward trend if oil prices continue to rise in the period ahead.

Balance of Payments	(USD million)				
	October 2016	Jan. - Oct. 2015	Jan. - Oct. 2016	% Change	12-Month Cumulative
Current Account Balance	-1,675	-24,978	-26,468	6.0	-33,773
Foreign Trade Balance	-2,804	-39,980	-33,772	-15.5	-41,906
Services Balance	1,793	22,253	13,702	-38.4	15,596
Travel (net)	1,693	19,507	12,389	-36.5	14,130
Primary Income	-771	-8,140	-7,597	-6.7	-9,095
Secondary Income	107	889	1,199	34.9	1,632
Capital Account	0	-6	23	-	8
Financial Account	-328	-13,693	-19,927	45.5	-29,242
Direct Investments (net)	-665	-10,364	-5,606	-45.9	-7,214
Portfolio Investments (net)	-1,990	11,665	-10,685	-	-6,631
Net Acquisition of Financial Assets	313	5,607	-75	-	447
Net Incurrence of Liabilities	2,303	-6,058	10,610	-	7,078
Equity Securities	471	-921	1,209	-	-265
Debt Securities	1,832	-5,137	9,401	-	7,343
Other Investments (net)	-596	-10,022	-12,203	21.8	-17,105
Currency and Deposits	1,366	3,836	-1,786	-	-3,361
Net Acquisition of Financial Assets	827	16,209	1,757	-89.2	696
Net Incurrence of Liabilities	-539	12,373	3,543	-71.4	4,057
Central Bank	-50	-826	-442	-46.5	-532
Banks	-489	13,199	3,985	-69.8	4,589
Foreign Banks	-115	9,431	3,580	-62.0	4,091
Foreign Exchange	213	5,005	-702	-	-999
Turkish Lira	-328	4,426	4,282	-3.3	5,090
Non-residents	-374	3,768	405	-89.3	498
Loans	-1,676	-13,225	-7,617	-42.4	-8,367
Net Acquisition of Financial Assets	-362	466	-13	-	313
Net Incurrence of Liabilities	1,314	13,691	7,604	-44.5	8,680
Banking Sector	215	5,253	-2,320	-	-2,259
Non-bank Sectors	1,150	9,145	10,821	18.3	12,315
Trade Credit and Advances	-283	-371	-2,812	658.0	-5,389
Other Assets and Liabilities	-3	-262	12	-	12
Reserve Assets (net)	2,923	-4,972	8,567	-	1,708
Net Errors and Omissions	1,347	11,291	6,518	-42.3	4,523

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

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