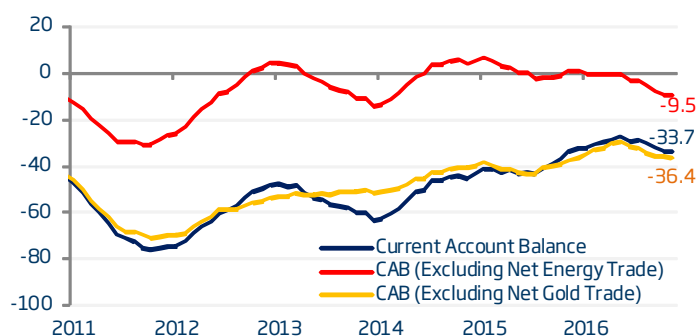


Current account deficit came in below expectations.

Having remained broadly flat in November, current account deficit was 2.3 billion USD, below market expectations.

In the first eleven months of the year, on the other hand, the current account deficit expanded by 5% yoy to 26.5 billion USD. According to 12-month cumulative figures, the deficit rose to 33.7 billion USD, climbing to one-year high. Worth mentioning that, excluding net energy trade, the current account balance which gave a surplus of 1 billion USD at the end of 2015, posted a deficit of 9.5 billion USD in November. Hence, this reading was the highest level since February 2014.

Current Account Balance
(12-month cumulative, USD billion)

**Contraction in foreign trade deficit...**

According to the balance-of-payments data, 6.4% annual contraction in foreign trade deficit thanks mainly to the upsurge in exports, positively affected the current account figures in November. The increase in gold exports amounting to 524 million USD played a big part in this development. Indeed, the current account deficit widened by 14.4% yoy in November when net gold trade is excluded.

Having remained low throughout 2016, tourism revenues displayed their weakest November performance in nine years with a reading of 1.3 billion USD. In addition to tourism

revenues, other services items such as transportation declined and thus services balance narrowed by 292 million USD yoy. As a result, deterioration in the services balance offset positive impact of improving foreign trade on the current account deficit.

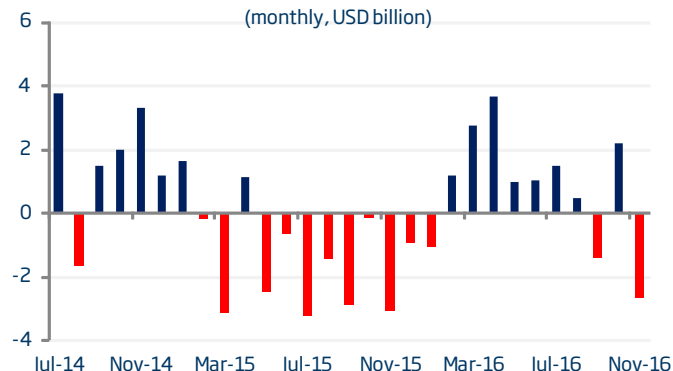
6.1 billion USD capital inflows in foreign direct investments...

In November, foreign direct investments recorded a net capital inflow of 444 million USD. Having decelerated since August, foreign direct investments dropped by 42.6% yoy to 6.1 billion USD in the January-November period.

Volatile capital flows under portfolio investments...

Portfolio investments remained on a volatile trajectory in 2016. In November, portfolio investments recorded the highest capital outflow in 2016 with an amount of 2.7 billion USD.

Portfolio Flows
(monthly, USD billion)



Analyzing the sub-items, non-residents made sales of 504 million USD in equity transactions and 1.8 billion USD in government domestic debt securities transactions. Regarding the bond issues in international capital markets, banking sector made a net repayment of 513 million USD, while other sectors borrowed net 500 million USD.

Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

			Breakdown of Net Capital Inflows (%)	
	Dec. 2015	Nov. 2016	Dec. 2015	Nov. 2016
Current Account Balance	-32,278	-33,651	-	-
Total Net Foreign Capital Inflows	20,447	34,783	100.0	100.0
-Direct Investments	11,972	7,479	58.6	21.5
-Portfolio Investments	-15,719	7,311	-	-
-Other Investments	14,893	12,687	72.8	36.5
-Net Errors and Omissions	9,322	7,298	45.6	21.0
-Other	-21	8	-0.1	0.0
Reserves⁽¹⁾	11,831	-1,132	-	-

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

Other investments...

Other investments recorded a net inflow of 1 billion USD in November. Surge in nonresident banks' deposits held within domestic banks was the main driver behind this development. Regarding the loans raised from abroad, banks and non-banks sectors borrowed a net amount of 125 million and 669 million USD, respectively in

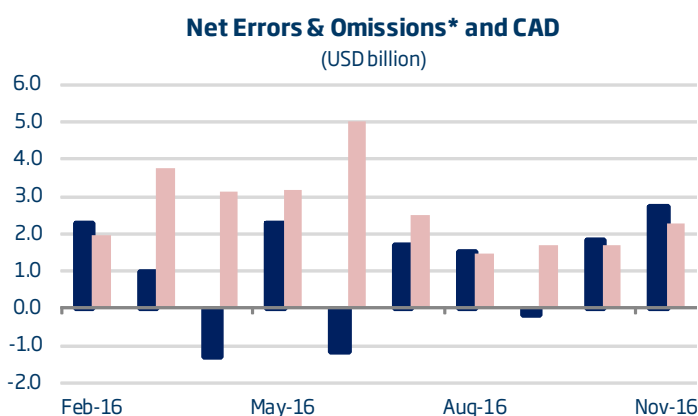
this period. Besides, downward trend in long-term debt rollover ratios persisted in November. This ratio for the banking sector was 111% while that for the non-banking sectors became 158%, according to the 12-month cumulative figures.

Net errors and omissions...

Net errors and omissions registered an inflow of 2.7 billion USD in November. It was noteworthy that this amount exceeded monthly current account deficit. Having declined by 788 million USD, reserves also made contribution to the financing of the current account deficit in the same period.

Expectations...

Provisional figures of exports in December posting almost 10% increase indicate that favorable impact of the foreign trade on current account might persist. On the contrary, we think that the deterioration in the services balance arising from weak performance of tourism revenues, may limit this impact to some extent. Against this backdrop, we anticipate that the current account deficit has been realized as 4.5 billion USD in December and bringing the year-end deficit to 33 billion USD.



(*) Positive values indicates capital inflows

	(USD million)				
	November 2016	Jan. - Nov. 2016		% Change	12-Month Cumulative
Current Account Balance	-2,268	-27,211	-28,584	5.0	-33,651
Foreign Trade Balance	-2,888	-43,067	-36,674	-14.8	-41,721
Services Balance	1,002	23,550	14,868	-36.9	15,470
Travel (net)	955	20,558	13,344	-35.1	14,034
Primary Income	-476	-8,792	-8,078	-8.1	-8,924
Secondary Income	94	1,098	1,300	18.4	1,524
Capital Account	0	-6	23	-	8
Financial Account	457	-15,562	-18,930	21.6	-26,345
Direct Investments (net)	-444	-10,558	-6,065	-42.6	-7,479
Portfolio Investments (net)	2,693	14,739	-8,291	-	-7,311
Net Acquisition of Financial Assets	401	7,001	16	-99.8	-856
Net Incurrence of Liabilities	-2,292	-7,738	8,307	-	6,455
Equity Securities	-504	-1,978	705	-	288
Debt Securities	-1,788	-5,760	7,602	-	6,167
Other Investments (net)	-1,004	-14,559	-12,353	-15.2	-12,687
Currency and Deposits	-306	1,507	-1,917	-	-1,163
Net Acquisition of Financial Assets	825	14,301	2,758	-80.7	3,605
Net Incurrence of Liabilities	1,131	12,794	4,675	-63.5	4,768
Central Bank	-18	-877	-460	-47.5	-499
Banks	1,149	13,671	5,135	-62.4	5,267
Foreign Banks	1,224	9,785	4,805	-50.9	4,962
Foreign Exchange	1,160	5,127	458	-91.1	39
Turkish Lira	64	4,658	4,347	-6.7	4,923
Non-residents	-75	3,886	330	-91.5	305
Loans	-681	-14,550	-8,228	-43.5	-7,622
Net Acquisition of Financial Assets	105	525	92	-82.5	359
Net Incurrence of Liabilities	786	15,075	8,320	-44.8	7,981
Banking Sector	125	5,450	-2,210	-	-2,356
Non-bank Sectors	669	10,356	11,415	10.2	11,677
Trade Credit and Advances	-17	-1,257	-2,212	76.0	-3,903
Other Assets and Liabilities	0	-259	4	-	1
Reserve Assets (net)	-788	-5,184	7,779	-	1,132
Net Errors and Omissions	2,725	11,655	9,631	-17.4	7,298

Source: CBRT, Datastream

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