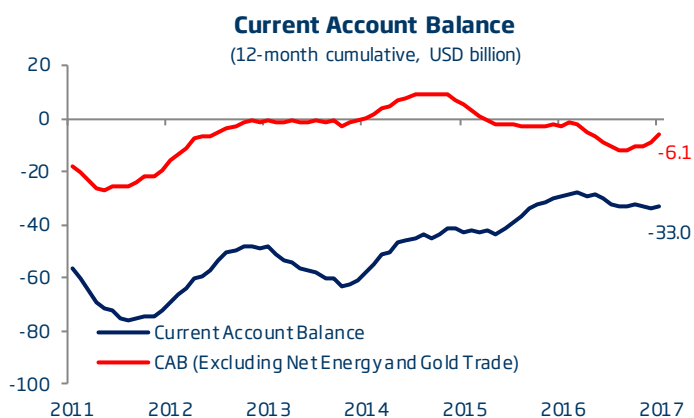


Current account deficit is narrower than the previous year.

In March, current account deficit came in 3.1 billion USD, in line with the expectations, decreasing by 17.9% compared to the same month of the previous year. This development was led by the fall in foreign trade deficit as exports rose faster than imports in this period. Foreign trade deficit went down by 793 million USD from a year earlier while current account deficit narrowed by 666 million USD. In addition, despite the fact that tourism revenues were below the previous year's result in March, net tourism revenues increased as tourism expenditures decreased. Thus, net tourism revenues limited the deficit in March as it was the case in February.

5.2% expansion in the first quarter deficit...

Analyzing the figures of the first quarter of the year, it is seen that the current account deficit reached 8.3 billion USD, picking up by 5.2% yoy. The increase in imports of gold during this period played a role in the widening deficit. According to the 12-month cumulative figures, the current account deficit, on the other hand, decreased to 33 billion USD. Excluding energy and gold trading, the deficit has improved.

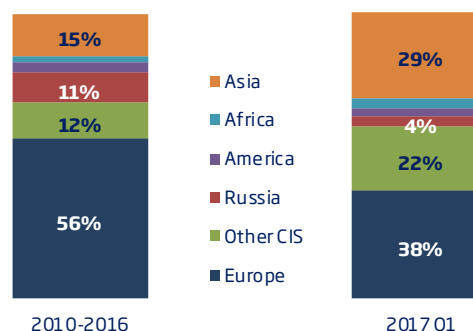


The changing composition of visitor arrivals...

The negative impact of geopolitical developments on tourism revenues continued in the first quarter of the year. Tourism revenues dropped by 16.4% in the first quarter compared to the same period of last year and the number of tourists also decreased by 6%. The composition of arrivals has also changed. In this period, the number of tourists from Europe and America decreased by 21.6% and 29.5%, respectively. Even if the number of tourists coming from Russia doubled and the tourists coming from other CIS (Commonwealth of Independent States) increased by 12.8% yoy, the fall in total number of tourists could not be offset. The growth rate of the number of tourists from Middle Eastern countries was around 3%.

Composition of Tourists

(%)



Portfolio flows to turkey have strengthened....

Portfolio investments, driven by strong demand for debt securities, had the best first-quarter performance since 2013. Also, direct investment inflows were close to the previous year's level in the first quarter of the year thanks to the inflow of 1.6 billion USD registered in March. Thus, portfolio investments and direct investments contributed 6.4 billion USD to the financing of current account in the first quarter.

Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

	Dec. 2016		Mar. 2017		Breakdown of Net Capital Inflows (%)	
	USD million	USD million	Dec. 2016 (%)	Mar. 2017 (%)	Dec. 2016 (%)	Mar. 2017 (%)
Current Account Balance	-32,615	-33,023	-	-	-	-
Total Net Foreign Capital Inflows	33,428	27,733	100.0	100.0		
-Direct Investments	9,147	9,128	27.4	32.9		
-Portfolio Investments	6,292	7,912	18.8	28.5		
-Other Investments	7,082	4,307	21.2	15.5		
-Net Errors and Omissions	10,884	6,394	32.6	23.1		
-Other	23	-8	0.1	0.0		
Reserves⁽¹⁾	-813	5,290	-	-		

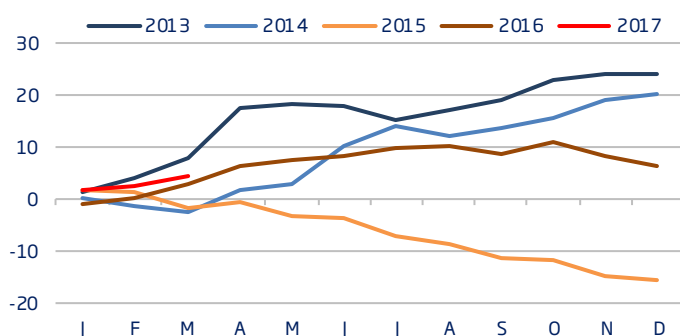
Note: The numbers may not add up to total due to rounding.

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

Source: CBRT, Datastream

Cumulative Portfolio Inflows

(billion USD)



Other investments, on the other hand, posted a net outflow of 1.4 billion USD in March. This development stemmed from banks and other sectors which became net credit payers. In the first quarter, on the other hand, other investments

recorded a net inflow of 97 million USD. According to the 12-month cumulative figures, the long-term debt rollover ratio of the banking sector and other sectors was 104% and 127%, respectively.

In March, reserves decreased by 2.5 billion USD. The net outflow of 1.1 billion USD in errors and omissions was also remarkable. While reserves fell by 4 billion USD in the first quarter, net errors and omissions recorded an outflow of 2.2 billion USD.

Expectations...

According to the preliminary data, the foreign trade deficit narrowed by 15.8% in April from a year earlier. Even though the recovery in tourism revenues stemming from Russian tourists as well as the weakness of tourism expenditures have positive impacts on the current account deficit, the foreign trade deficit is expected to be the main driver of the current account balance in the coming months.

Balance of Payments	(USD million)				
	March 2017	Jan. - Mar. 2016	Jan. - Mar. 2017	% Change	12-Month Cumulative
Current Account Balance	-3,057	-7,888	-8,296	5.2	-33,023
Foreign Trade Balance	-2,844	-8,269	-8,363	1.1	-40,936
Services Balance	672	1,762	1,760	-0.1	15,430
Travel (net)	749	1,917	2,013	5.0	14,056
Primary Income	-1,043	-1,914	-2,155	12.6	-9,239
Secondary Income	158	533	462	-13.3	1,722
Capital Account	0	15	-16	-	-8
Financial Account	-4,204	-5,551	-10,480	88.8	-26,637
Direct Investments (net)	-1,158	-1,986	-1,967	-1.0	-9,128
Portfolio Investments (net)	-1,938	-2,800	-4,420	57.9	-7,912
Net Acquisition of Financial Assets	294	456	-180	-	875
Net Incurrence of Liabilities	2,232	3,256	4,240	30.2	8,787
Equity Securities	-49	1,182	931	-21.2	572
Debt Securities	2,281	2,074	3,309	59.5	8,215
Other Investments (net)	1,409	-2,872	-97	-96.6	-4,307
Currency and Deposits	-172	-2,235	-247	-88.9	3,776
Net Acquisition of Financial Assets	-656	3,024	1,547	-48.8	3,903
Net Incurrence of Liabilities	-484	5,259	1,794	-65.9	127
Central Bank	-16	-66	-32	-51.5	-442
Banks	-468	5,325	1,826	-65.7	569
Foreign Banks	-546	5,034	1,902	-62.2	1,350
Foreign Exchange	-627	1,103	791	-28.3	-130
Turkish Lira	81	3,931	1,111	-71.7	1,480
Non-residents	78	291	-76	-	-781
Loans	1,507	-1,053	649	-	-3,959
Net Acquisition of Financial Assets	-5	556	-86	-	-413
Net Incurrence of Liabilities	-1,512	1,609	-735	-	3,546
Banking Sector	-473	-1,181	-542	-54.1	-2,046
Non-bank Sectors	-930	3,370	-389	-	5,737
Trade Credit and Advances	77	322	-502	-	-4,141
Other Assets and Liabilities	-3	94	3	-96.8	17
Reserve Assets (net)	-2,517	2,107	-3,996	-	-5,290
Net Errors and Omissions	-1,147	2,322	-2,168	-	6,394

Source: CBRT, Datastream

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