

Current account deficit declined in June.

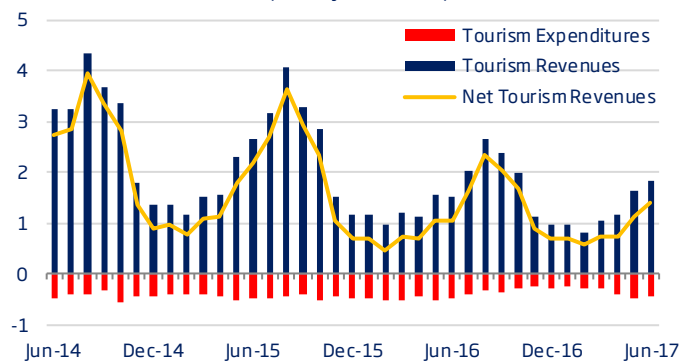
The current account deficit narrowed by 24.2% yoy to 3.8 billion USD in June 2017 due to the effect of the high base figure in June 2016 caused by the higher foreign trade deficit and lower tourism revenues. Decline in the foreign trade deficit and the recovery in tourism revenues had a positive impact on the current deficit this year, however, the surge in gold imports limited this effect.

According to 12-month cumulative figures, the current account deficit decreased by 1.2 billion USD in June compared to the previous month to 34.3 billion USD.

Recovery in tourism revenues...

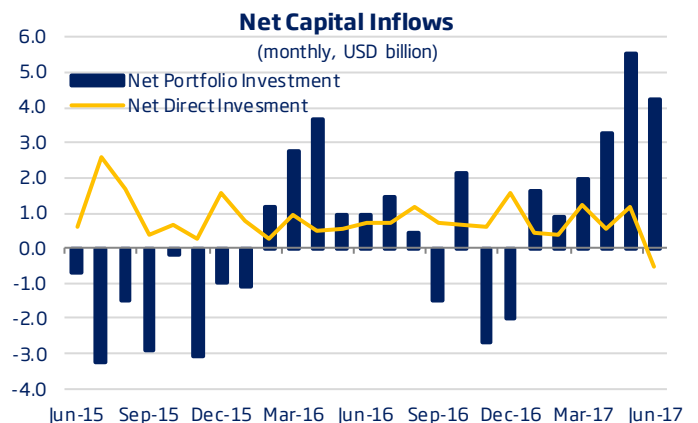
In June, tourism revenues increased by 19.8% yoy to 1.8 billion USD. In this period, tourism expenditures continued to fall. Thus, net tourism revenues were 30.2% higher in June than a year ago, rising to 1.4 billion USD. Taking into account that Turkey registered net tourism revenues of 2.3 billion USD on average for the month of June during the 2011-2015 period, June 2017 figure still remained so low.

Tourism Revenues
(monthly, billion USD)



Positive outlook in portfolio investments...

The portfolio investments continued to perform well in June. In this period, net portfolio investments recorded an inflow of 4.2 billion USD. Non-residents made a net purchase of 693 million USD in equity securities and 3.8 billion USD in debt securities. In this period, eurobond issues of banks and general government in international markets came to the forefront.



Foreign direct investment outflows...

Having followed a recovery trend in most part of the year, net direct investments displayed a negative outlook in June. Foreign direct investments recorded a net outflow of 515 million USD during this period. This was the first net outflow seen since November 2014. Thus, net direct investments over the past 12 months have fallen to 8.6 billion USD. Nonresidents' real estate investments amounted to 4.5 billion USD in the same period.

Other investments registered an inflow of 2.1 billion USD in June. This development is largely due to the increase in nonresident banks' deposits held within domestic banks. In this period, banks were net credit users of 704 million USD. Other sectors, on the other hand, were net credit payers with an amount of 441 million USD.

Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

	Breakdown of Net Capital Inflows (%)			
	December 2016	June 2017	December 2016	June 2017
Current Account Balance	-32,606	-34,340	-	-
Total Net Foreign Capital Inflows	33,419	24,291	100.0	100.0
-Direct Investments	9,160	8,639	27.4	35.6
-Portfolio Investments	6,292	15,335	18.8	63.1
-Other Investments	6,361	-4,948	19.0	-20.4
-Net Errors and Omissions	11,583	5,259	34.7	21.6
-Other	23	6	0.1	0.0
Reserves(1)	-813	10,049	-	-

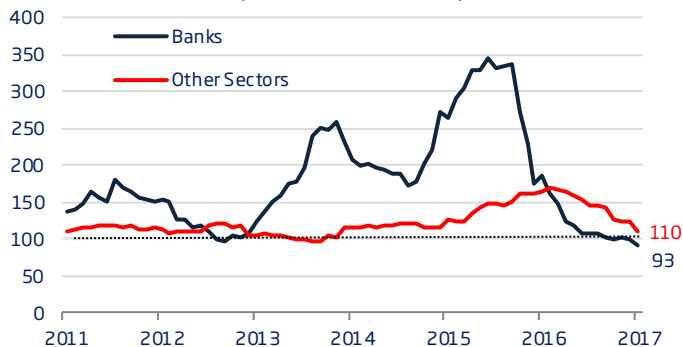
Note: The numbers may not add up to total due to rounding.

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

Source: CBRT, Datastream

Long-term Debt Rollover Ratios

(12-month cumulative, %)



Banking sector's debt rollover ratio fallen below 100%...

According to the 12- month cumulative figures, long-term debt rollover ratio of the banking sector has fallen below 100% for the first time since February 2013 and became 93% in June. Along with the slowdown in economic growth

in 2016, sluggish investments have reduced the demand of banks for long-term borrowing. The long-term debt rollover ratio of the private sector, on the other hand, was 110%.

Net errors and omissions recorded capital inflows in June as was the case in May. CBRT reserves rose by 3 billion USD in this period.

Expectations...

According to the provisional data, foreign trade deficit posted a rapid increase in July owing to the base effect. During this period, gold trade continued to increase due mostly to the rising imports. Hence, we expect the current account deficit to expand in July. Nevertheless, we believe that the recovery in tourism revenues could somewhat limit the widening of the current account deficit.

	(USD million)				
	June 2017	January - June 2016	January - June 2017	% Change	12-month Cumulative
Current Account Balance	-3,763	-19,039	-20,773	9.1	-34,340
Foreign Trade Balance	-4,573	-20,313	-22,453	10.5	-42,999
Services Balance	1,678	4,900	6,091	24.3	16,663
Travel (net)	1,391	4,706	5,308	12.8	14,562
Primary Income	-1,150	-4,543	-5,485	20.7	-9,940
Secondary Income	282	917	1,074	17.1	1,936
Capital Account	2	15	-2	-	6
Financial Account	-2,774	-17,174	-25,249	47.0	-29,075
Direct Investments (net)	515	-3,725	-3,204	-14.0	-8,639
Portfolio Investments (net)	-4,206	-8,367	-17,410	108.1	-15,335
Net Acquisition of Financial Assets	279	599	173	-71.1	1,085
Net Incurrence of Liabilities	4,485	8,966	17,583	96.1	16,420
Equity Securities	693	747	2,203	194.9	2,279
Debt Securities	3,792	8,219	15,380	87.1	14,141
Other Investments (net)	-2,051	-13,544	-2,235	-83.5	4,948
Currency and Deposits	-2,102	-4,748	-157	-96.7	6,379
Net Acquisition of Financial Asse	-717	-65	2,529	-	7,974
Net Incurrence of Liabilities	1,385	4,683	2,686	-42.6	1,595
Central Bank	-13	-178	-81	-54.5	-379
Banks	1,398	4,861	2,767	-43.1	1,974
Foreign Banks	1,392	3,674	2,319	-36.9	3,127
Foreign Exchange	1,199	-237	641	-	1,060
Turkish Lira	193	3,911	1,678	-57.1	2,067
Non-residents	6	1,187	448	-62.3	-1,153
Loans	-31	-7,111	570	-	2,740
Net Acquisition of Financial Asse	53	241	-234	-	-246
Net Incurrence of Liabilities	84	7,352	-804	-	-2,986
Banking Sector	704	345	-1,312	-	-5,194
Non-bank Sectors	-441	7,882	762	-90.3	2,506
Trade Credit and Advances	91	-1,741	-2,640	51.6	-4,215
Other Assets and Liabilities	-9	56	-8	-	44
Reserve Assets (net)	2,968	8,462	-2,400	-	-10,049
Net Errors and Omissions	987	1,850	-4,474	-	5,259

Source: CBRT, Datastream

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