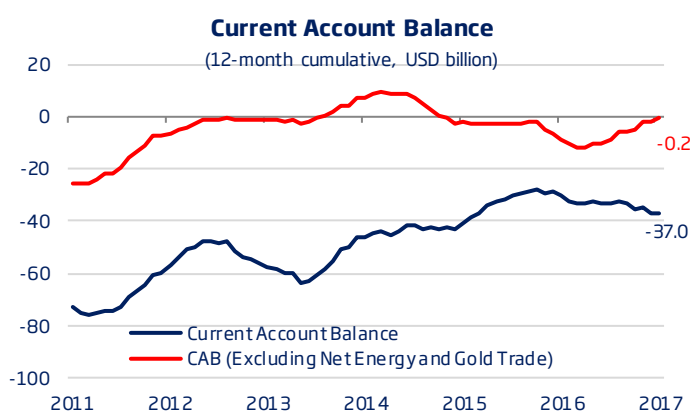


## Current account deficit was better than expected in August.

Current account deficit came in below market expectations with 1.2 billion USD in August. The deficit was 1.4 billion USD in the same month of last year. While the expansion in foreign trade deficit pushed the deficit up, the recovery in tourism revenues played an important role in positive performance of the current account balance in August.

In the first eight months of the year, the current account deficit expanded by 19% compared to the same period of the previous year and became 27.2 billion USD. Analyses of 12-month cumulative data reveals that the current account deficit narrowed to 37.0 billion USD in August. When the gold and energy trade are excluded, the improvement in the current account deficit was noteworthy.



## Gold and energy imports have been the main drivers.

Monthly gold imports, which were at a record-high level with 2.7 billion USD in July, fell to 1.1 billion USD in August, the lowest level since February. Despite this fall, gold imports have increased by 0.7 billion USD compared to the same month of the previous year. This limited the recovery in current account deficit this month. The slight rise in oil prices also has also a negative impact on the current account balance.

## Increase in tourism revenues...

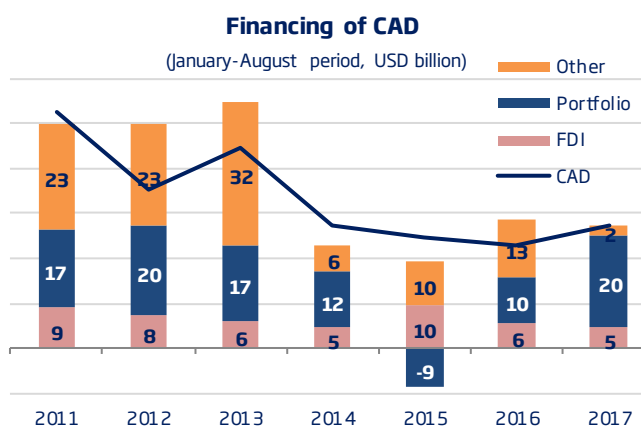
The recovery in tourism revenues continued in August. In this period, tourism revenues picked up by 29.2% yoy to 3.4 billion USD, the highest reading in the last two years. Despite the limited increase in tourism spending, net tourism revenues rose to 3 billion USD in August. Net tourism revenues grew by 22.1% yoy in the first 8 months of 2017.

## The increase in the contribution of portfolio investments...

Portfolio investments kept its importance in the financing of the current account. In August, thanks to the positive mood on global markets, portfolio investments posted a net capital inflow of 2.2 billion USD. Bond issuances by general government played a significant role in the performance of portfolio investments.

Foreign direct investments lost momentum in August. In this period, direct investments registered a net capital inflow of 657 million USD. In the first 8 months of the year, net direct investment inflows amounted to 4.9 billion USD.

Other investments also continued to present a weak outlook. In August, there has been a net capital inflow of 133 million USD in other investments. While banks were net credit borrowers in short term with 692 million USD, they



## Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

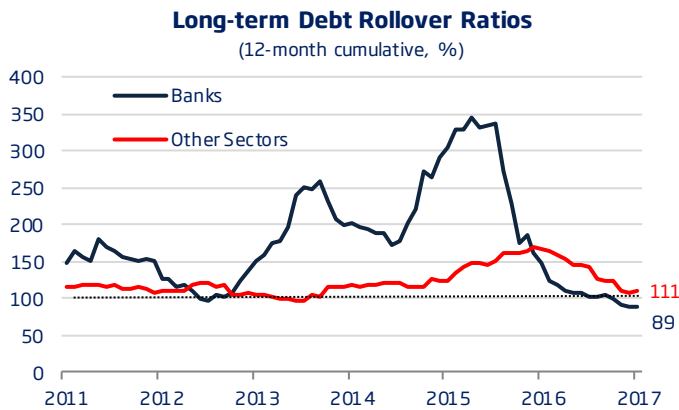
	December 2016		August 2017		Inflows (%)	
	December 2016	August 2017	December 2016	August 2017	December 2016	August 2017
<b>Current Account Balance</b>	-32,634	-36,972	-	-	-	-
<b>Total Net Foreign Capital Inflows</b>	<b>33,447</b>	<b>25,925</b>	<b>100.0</b>	<b>100.0</b>		
-Direct Investments	9,160	8,454	27.4	32.6		
-Portfolio Investments	6,300	16,110	18.8	62.1		
-Other Investments	6,691	-3,881	20.0	-15.0		
-Net Errors and Omissions	11,273	5,225	33.7	20.2		
-Other	23	17	0.1	0.1		
<b>Reserves(1)</b>	<b>-813</b>	<b>11,047</b>	-	-		

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

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

Source: CBRT, Datastream

made a net loan repayment of 884 million USD in long term. Other sectors were net credit borrowers in both short and long term with 354 million USD and 726 million USD, respectively.



### Long-term debt roll-over ratios...

According to 12-month cumulative data, banks' long-term debt roll-over ratio was 89%, the lowest reading in the last 7.5 years. That ratio for other sectors, on the other hand, became 111% in August registering a limited increase.

In August, net errors and omissions recorded a capital inflow of 1.6 billion USD. Showing the fastest rise in one year, CBRT reserves surged by 3.4 billion USD.

### Expectations...

According to the provisional foreign trade data, foreign trade deficit widened considerably in September due largely to the rapid increase in the imports of intermediate goods. This situation is likely to have negative repercussions on the current account deficit. The recovery in tourism revenues is expected to continue albeit losing some steam. Against this backdrop, we anticipate that the current account deficit will continue to expand in September.

### Balance of Payments

	August	January - August	%	(USD million)	
	2017	2016	Change	12-month Cumulative	
<b>Current Account Balance</b>	<b>-1,237</b>	<b>-22,887</b>	<b>-27,225</b>	<b>19.0</b>	<b>-36,972</b>
Foreign Trade Balance	-4,279	-27,685	-34,043	23.0	-47,217
Services Balance	3,511	9,673	12,079	24.9	17,855
Travel (net)	2,997	8,671	10,583	22.1	15,872
Primary Income	-675	-5,912	-6,764	14.4	-9,850
Secondary Income	206	1,037	1,503	44.9	2,240
<b>Capital Account</b>	<b>5</b>	<b>23</b>	<b>17</b>	<b>-26.1</b>	<b>17</b>
<b>Financial Account</b>	<b>374</b>	<b>-18,394</b>	<b>-28,786</b>	<b>56.5</b>	<b>-31,730</b>
Direct Investments (net)	-657	-5,623	-4,917	-12.6	-8,454
Portfolio Investments (net)	-2,237	-10,278	-20,088	95.4	-16,110
Net Acquisition of Financial Assets	-273	-357	-1,011	183.2	857
Net Incurrence of Liabilities	1,964	9,921	19,077	92.3	16,967
Equity Securities	520	430	3,211	646.7	3,604
Debt Securities	1,444	9,491	15,866	67.2	13,363
Other Investments (net)	-133	-12,955	-2,383	-81.6	3,881
Currency and Deposits	-349	-4,093	-266	-93.5	5,615
Net Acquisition of Financial Asse	-48	368	1,068	190.2	6,080
Net Incurrence of Liabilities	301	4,461	1,334	-70.1	465
Central Bank	-50	-327	-166	-49.2	-315
Banks	351	4,788	1,500	-68.7	780
Foreign Banks	-376	4,049	143	-96.5	576
Foreign Exchange	164	-298	-349	17.1	131
Turkish Lira	-540	4,347	492	-88.7	445
Non-residents	727	739	1,357	83.6	204
Loans	-639	-6,375	1,031	-	2,140
Net Acquisition of Financial Asse	132	194	-58	-	-23
Net Incurrence of Liabilities	771	6,569	-1,089	-	-2,163
Banking Sector	-192	-1,354	-3,373	149.1	-5,301
Non-bank Sectors	1,080	8,689	2,751	-68.3	3,764
Trade Credit and Advances	868	-2,509	-3,119	24.3	-3,926
Other Assets and Liabilities	-13	22	-29	-	52
Reserve Assets (net)	3,401	10,462	-1,398	-	-11,047
<b>Net Errors and Omissions</b>	<b>1,606</b>	<b>4,470</b>	<b>-1,578</b>	<b>-</b>	<b>5,225</b>

Source: CBRT, Datastream

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