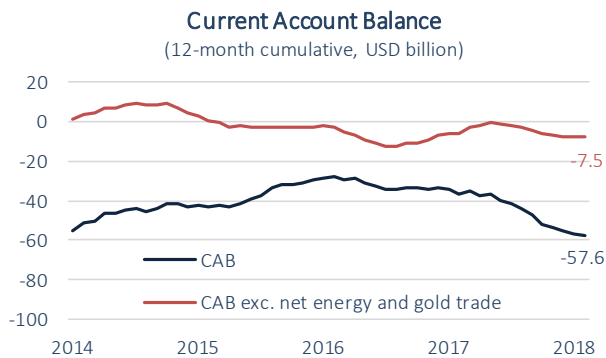




### Current account deficit came in above expectations in May.

In May, current account deficit increased by 9.6% compared to the same month of the previous year to 5.9 billion USD, exceeding expectations. In this period, annual expansion in the current account deficit lost some momentum compared to the previous months thanks to decelerating foreign trade deficit increase. In May, net gold trade continued to have a negative impact on the current account balance. Also, net tourism revenues increased by 47.8% yoy, limiting the deterioration in current account balance.

12-month cumulative current account deficit, which continued to expand in May, reached 57.6 billion USD, the highest level in more than four years. Excluding net energy and gold trade, current account deficit decreases to 7.5 billion USD.



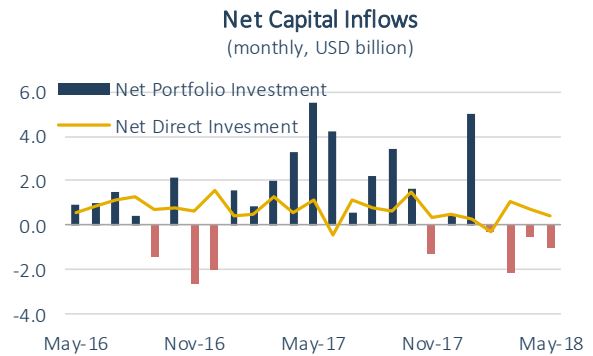
### Foreign direct investments remained weak.

Having recorded a net inflow of 703 million USD in April, foreign direct investments (FDI), posted a net inflow of 429 million USD in May. Real estate investments, which have increased since February, continued to support FDI inflows. On the other hand, residents' direct investments abroad reached 406 million USD in this period.

### Net outflow in portfolio investments continued.

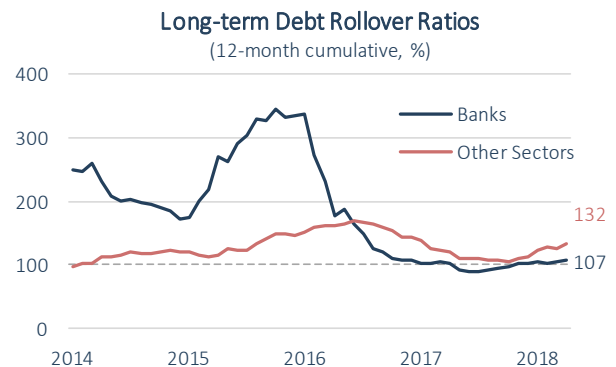
Net capital outflow was recorded in portfolio investments in May as it was since February. Non-residents'

government domestic debt securities transactions, which recorded a net sales of 1.2 billion USD, was influential on the net capital outflow of 1 billion USD in portfolio investments. During this period, banks realized net borrowing of 493 million USD.



### Limited inflow in other investments...

Other investments posted a limited net inflow of 255 million USD in May. Banks' currency and deposits within their foreign correspondent banks surged up by 2.2 billion USD, while non-resident banks' deposits held within domestic banks rose by 607 million USD. Besides, non-bank sectors made a long term borrowing of 2.4 billion USD. According to 12-month cumulative data, long-term debt roll-over ratios of the banking sector and other sector were realized as 107% and 132%, respectively.



### Net Capital Inflows

	12-month Cumulative (million USD)		Breakdown of Net Capital Inflows (%)	
	Dec. 2017	May. 2018	Dec. 2017	May. 2018
<b>Current Account Balance</b>	-47,389	-57,637	-	-
<b>Total Net Foreign Capital Inflows</b>	<b>39,182</b>	<b>54,027</b>	<b>100.0</b>	<b>100.0</b>
-Direct Investment	8,204	6,528	20.9	12.1
-Portfolio Inflows	24,453	12,266	62.4	22.7
-Other Investments	5,569	20,344	14.2	37.7
-Net Errors and Omissions	940	14,837	2.4	27.5
-Other	16	52	0.0	0.1
<b>Reserves(1)</b>	<b>8,207</b>	<b>3,610</b>	-	-

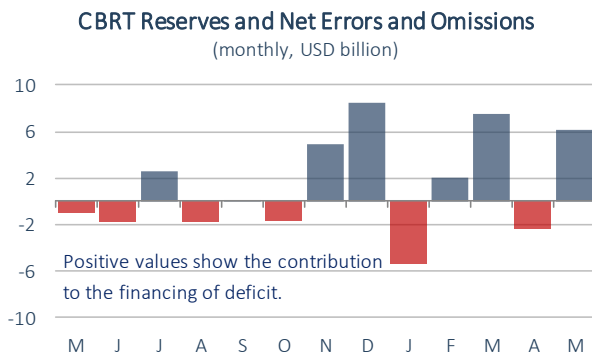
Note: The numbers may not add up total due to rounding.

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

Source: Datastream, CBRT

## Net errors and omissions...

In May, reserve assets and net errors and omissions stood out in financing of the current account deficit contributing by 2.8 billion USD and 3.4 billion USD, respectively.



## Expectations...

As the June provisional data indicated, the decline in foreign trade deficit will be reflected positively on the current account balance. Also, we anticipate that the recovery in tourism revenues in summer will support current account balance in the upcoming period. On the other hand, high oil prices remain a risk for the current account deficit.

Balance of Payments	(USD million)			
	2017	May 2018	% Change	12-month Cumulative
<b>Current Account Balance</b>	<b>-5,369</b>	<b>-5,885</b>	<b>9.6</b>	<b>-57,637</b>
Foreign Trade Balance	-5,820	-6,498	11.6	-70,153
Services Balance	1,139	1,907	67.4	22,312
Travel (net)	1,148	1,697	47.8	19,208
Primary Income	-942	-1,156	22.7	-11,767
Secondary Income	254	-138	-	1,971
<b>Capital Account</b>	<b>1</b>	<b>10</b>	<b>900</b>	<b>52</b>
<b>Financial Account</b>	<b>-3,915</b>	<b>-2,492</b>	<b>-36.3</b>	<b>-42,748</b>
Direct Investments (net)	-1,132	-429	-62.1	-6,528
Portfolio Investments (net)	-5,525	1,015	-	-12,266
Net Acquisition of Financial Assets	156	115	-26.3	-545
Net Incurrence of Liabilities	5,681	-900	-	11,721
Equity Securities	272	-24	-	824
Debt Securities	5,409	-876	-	10,897
Other Investments (net)	295	-255	-	-20,344
Currency and Deposits	1,498	1,496	-0.1	-8,315
Net Acquisition of Financial Assets	879	2,176	147.6	-3,411
Net Incurrence of Liabilities	-619	680	-	4,904
Central Bank	-23	-13	-43.5	-243
Banks	-596	693	-	5,147
Foreign Banks	-1,013	607	-	2,436
Foreign Exchange	-1,230	352	-	849
Turkish Lira	217	255	17.5	1,587
Non-residents	417	86	-79.4	2,711
Loans	395	-1,154	-	-9,842
Net Acquisition of Financial Assets	-247	117	-	512
Net Incurrence of Liabilities	-642	1,271	-	10,354
Banking Sector	-1,060	-160	-84.9	3,738
Non-bank Sectors	547	1,482	170.9	8,061
Trade Credit and Advances	-1,598	-590	-63.1	-2,245
Other Assets and Liabilities	0	-7	-	58
Reserve Assets (net)	2,447	-2,823	-	-3,610
<b>Net Errors and Omissions</b>	<b>1,453</b>	<b>3,383</b>	<b>132.8</b>	<b>14,837</b>

Source: Datastream , CBRT

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