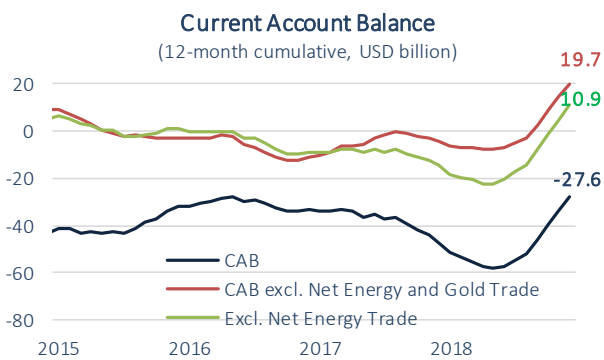




Current account deficit was 27.6 billion USD in 2018.

Having posted a surplus on a monthly basis since August 2018, current account gave a deficit of 1.4 billion USD in December, parallel to expectations. Momentum loss in recovery in foreign trade balance and decrease in tourism revenues compared to the previous months due to seasonal effects drove this development.

In 2018, current account deficit (CAD) decreased by 41.6% yoy to 27.6 billion USD, the lowest level since 2009. Contraction in CAD was mainly driven by the fall in foreign trade deficit. Besides the slowdown in domestic demand, the annual fall in in Brent crude oil prices (almost 30%) was effective on this contraction. Annual rise in net tourism revenues (16.8%) also supported the recovery in CAD. In 2018, CAD excluding net energy trade gave a surplus of 10.9 billion USD. Excluding gold trade from this figure, CAD rose to 19.7 billion USD.



A net inflow of 9.5 billion USD was recorded in direct investments.

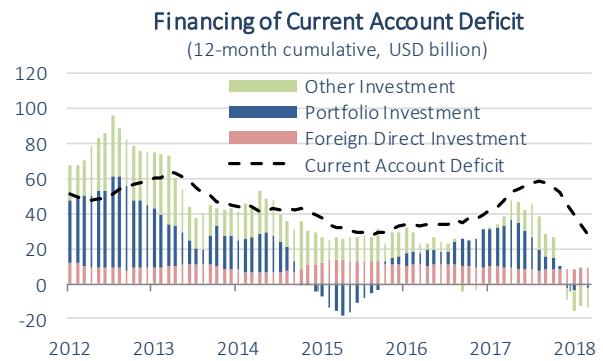
Direct investment recorded a net inflow of 803 million USD in December. In 2018, net direct investments increased by 7.7% yoy to 9.5 billion USD. 62% of this amount came from net real estate investments.

Portfolio investments followed a weak course in 2018.

Having recorded capital inflows in October and November 2018, portfolio investments recorded a net outflow of 1.8 million USD in December. In the whole year, a net outflow of 3 billion USD was recorded in portfolio investments, which displayed a weak performance throughout the year. During this period, non-residents' made net sales of 908 million USD in equity securities and 1 billion USD in government domestic debt securities transactions.

Other investments...

Having realized a net inflow of 518 million USD in December, other investments recorded a net outflow of 10.5 billion USD in 2018. This was mainly driven by banks' credit repayments of 6.3 billion USD in short term and 8.7 billion USD in long term.



According to 12-month cumulative data, as of December 2018, long term debt roll-over ratio of the banking sector continued to decline and came in at 76%, the lowest level since February 2010. For non-bank sectors, the said ratio was 133%.

In 2018, official reserves and net error omissions stood out in financing of current account deficit.

Official reserves increased by 860 million USD in December, while a net inflow of 2.8 billion USD was

Net Capital Inflows

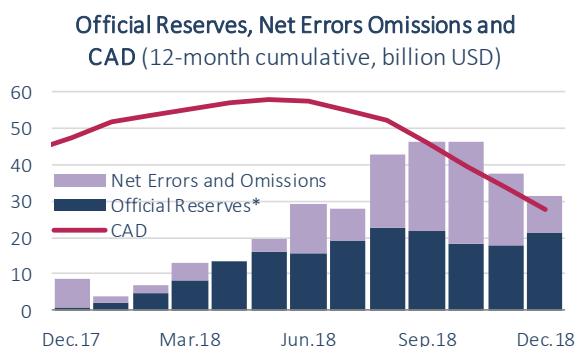
	(million USD)		Breakdown of Net Capital Inflows (%)	
	2017	2018	2017	2018
Current Account Balance	-47,347	-27,633	-	-
Total Net Foreign Capital Inflow	39,140	17,256	100.0	100.0
-Direct Investment	8,845	9,526	22.6	55.2
-Portfolio Inflows	24,476	-3,011	62.5	-17.4
-Other Investments	5,188	-10,490	13.3	-60.8
-Net Errors and Omissions	614	21,173	1.6	122.7
-Other	17	58	0.0	0.3
Reserves(1)	8,207	10,377	-	-

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

recorded in net errors and omissions. Throughout the year, official reserves and net errors omissions stood out in financing of current account deficit. Official reserves, which decreased by 8.2 billion USD in 2017, fell by 10.4 billion USD in 2018. During the same period, net errors and omissions recorded a capital inflow of 21.2 billion USD. The sum of the said two items (31.6 billion USD) contributed to the financing of capital outflows in financial account and current account deficit which was 27.6 billion USD in this period.



Expectations...

The notable improvement in foreign trade data due mainly to fall in oil prices had a positive impact on current account balance in 2018. Moreover, recovery in tourism revenues supported the current account balance. Thus, current account deficit, which widened in the first half of 2018, declined to the lowest level in 9 years during the rest of the year. We believe that the slowdown in economic activity will continue to have a positive impact on current account balance in 2019. On the other hand, the course of oil prices will continue to be decisive on current account balance.

Balance of Payments	(USD million)			% Change
	Dec. 2018	January - December 2017	December 2018	
Current Account Balance	-1,437	-47,347	-27,633	-41.6
Foreign Trade Balance	-1,683	-58,955	-41,585	-29.5
Services Balance	1,068	19,938	24,770	24.2
Travel (net)	898	17,655	20,625	16.8
Primary Income	-958	-11,044	-11,695	5.9
Secondary Income	136	2,714	877	-67.7
Capital Account	-1	17	58	241.2
Financial Account	1,379	-46,716	-6,402	-86.3
Direct Investments (net)	-803	-8,845	-9,526	7.7
Portfolio Investments (net)	1,840	-24,476	3,011	-
Net Acquisition of Financial Assets	862	-394	3,175	-
Net Incurrence of Liabilities	-978	24,082	164	-99.3
Equity Securities	143	3,192	-908	-
Debt Securities	-1,121	20,890	1,072	-94.9
Other Investments (net)	-518	-5,188	10,490	-
Currency and Deposits	-1,892	1,090	1,281	17.5
Net Acquisition of Financial Assets	-2,883	3,583	8,435	135.4
Net Incurrence of Liabilities	-991	2,493	7,154	187.0
Central Bank	-503	513	4,275	733.3
Banks	-488	1,980	2,879	45.4
Foreign Banks	-991	-886	1,735	-
Foreign Exchange	-527	-1,780	-2,504	40.7
Turkish Lira	-464	894	4,239	374.2
Non-residents	503	2,866	1,144	-60.1
Loans	2,769	-2,840	10,071	-
Net Acquisition of Financial Assets	437	589	121	-79.5
Net Incurrence of Liabilities	-2,332	3,429	-9,950	-
Banking Sector	-1,999	2,112	-15,003	-
Non-bank Sectors	-282	2,684	5,888	119.4
Trade Credit and Advances	-1,492	-3,500	-888	-74.6
Other Assets and Liabilities	97	62	26	-58.1
Reserve Assets (net)	860	-8,207	-10,377	26.4
Net Errors and Omissions	2,817	614	21,173	3,348

(*) Positive values show the contribution to the financing of deficit.

Source: Datastream , CBRT

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