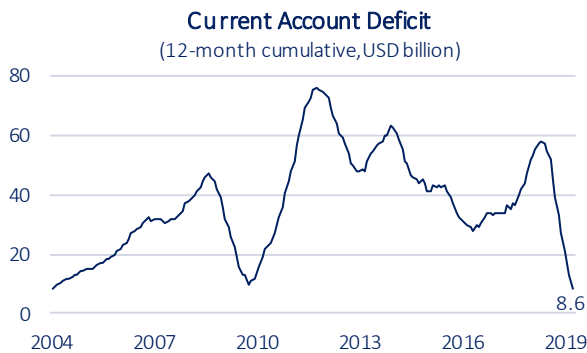




Current account deficit was 1.3 billion USD in April.

The contraction in the current account deficit continued in April in line with the rebalancing in Turkish economy. In the fourth month of the year, current account deficit decreased by 76.2% yoy to 1.3 billion USD, while current account balance excluding net energy and gold trade gave a surplus for the 11th consecutive month with 2.3 billion USD.

12 month cumulative current account deficit continued to decline, reaching 8.6 billion USD, the lowest level since January 2004. Excluding net energy and gold imports, 12-month current account surplus reached 35.9 billion USD.



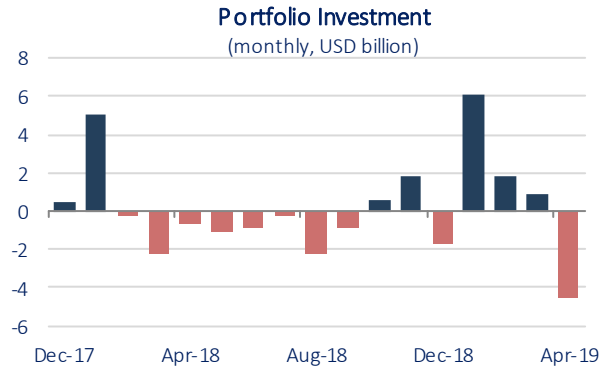
Decline in import volume is effective in the course of the current account balance.

According to the balance of payments data, the 66.5% contraction in the foreign trade deficit in April made the most significant contribution to the decline of current account deficit. On the other hand, annual increase in tourism revenues contributed to the contraction in current account deficit.

Capital outflow in portfolio investments...

In April, net capital outflows in portfolio investments were

realized at the highest level since October 2008 by 4.5 billion USD. This development was driven by the non-bank private sector's 2.2 billion USD portfolio investment abroad, and the 1.4 billion USD eurobond repayment of the government. On the other hand, the outflow in stocks remained limited in April.



Foreign direct investments recorded a net inflow of 578 million USD.

In April, net foreign direct investments decreased by 140 million USD compared to the same month of the previous year and were realized as 578 million USD. Thus, capital inflows in FDI became 2.8 billion USD in the January-April period.

Other investments...

Other investments recorded a capital outflow of 1.3 billion USD in April. 3.1 billion USD increase in currency and deposits of domestic banks' foreign correspondents was influential in this development. It was observed that non-resident banks' deposits held within domestic banks increased by 1.5 billion USD.

Regarding the loans provided from abroad, banks and the General Government realized net repayments of 833 million USD and 72 million USD, respectively. On the other hand, other sectors borrowed 157 million USD. According

Net Capital Inflows

	12-month Cumulative (million USD)		Breakdown of Net Capital Inflows (%)	
	Dec. 2018	Apr. 2019	Dec. 2018	Apr. 2019
Current Account Balance	-27,125	-8,634	-	-
Total Net Foreign Capital Inflows	16,748	-5,965	100.0	100.0
-Direct Investment	9,330	10,194	55.7	-170.9
-Portfolio Inflows	-2,892	-475	-17.3	8.0
-Other Investments	-6,951	-27,660	-41.5	463.7
-Net Errors and Omissions	17,203	11,918	102.7	-199.8
-Other	58	58	0.3	-1.0
Reserves(1)	10,377	14,599	-	-

Note: The numbers may not addup total due to rounding.

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

Source: Datastream , CBRT

to the 12-month cumulative figures, the long-term debt roll-over ratio of the banking sector was 67%, while the same ratio for other sectors increased to 130%.

Net errors and omissions...

In April, net errors and omissions posted an inflow of 3.8 billion USD. In this period, official reserves fell by 2.8 billion USD.

Expectations...

The contraction in the foreign trade deficit due to the weak course of economic activity remains an influential factor in the course of the current account balance. We expect the downward trend in the current account deficit to continue in the coming period along with the anticipated increase in travel revenues during summer months.

Balance of Payments	(USD million)				
	Apr. 2019	Jan. - Apr. 2018	2019	% Change	12-month Cumulative
Current Account Balance	-1,334	-21,822	-3,331	-84.7	-8,634
Foreign Trade Balance	-1,844	-22,709	-4,899	-78.4	-24,001
Services Balance	1,738	4,443	4,867	9.5	25,985
Travel (net)	1,158	3,665	4,003	9.2	20,963
Primary Income	-1,243	-3,840	-3,554	-7.4	-11,444
Secondary Income	15	284	255	-10.2	826
Capital Account	-1	25	25	0.0	58
Financial Account	2,417	-17,369	-4,163	-76.0	3,342
Direct Investments (net)	-578	-1,925	-2,789	44.9	-10,194
Portfolio Investments (net)	4,519	-1,855	-4,272	130.3	475
Net Acquisition of Financial Assets	2,376	-171	2,326	-	5,644
Net Incurrence of Liabilities	-2,143	1,684	6,598	291.8	5,169
Equity Securities	-78	-834	804	-	730
Debt Securities	-2,065	2,518	5,794	130.1	4,439
Other Investments (net)	1,281	-15,641	5,068	-	27,660
Currency and Deposits	1,861	-10,855	6,705	-	16,009
Net Acquisition of Financial Assets	3,076	-6,030	10,763	-	22,069
Net Incurrence of Liabilities	1,215	4,825	4,058	-15.9	6,060
Central Bank	-465	143	-495	-	3,637
Banks	1,680	4,682	4,553	-2.8	2,423
Foreign Banks	1,492	3,690	3,299	-10.6	1,344
Foreign Exchange	2,063	1,719	2,591	50.7	-1,632
Turkish Lira	-571	1,971	708	-64.1	2,976
Non-residents	188	992	1,254	26.4	1,079
Loans	758	-3,745	4,202	-	17,392
Net Acquisition of Financial Assets	10	-477	148	-	746
Net Incurrence of Liabilities	-748	3,268	-4,054	-	-16,646
Banking Sector	-833	-262	-3,968	1,414.5	-18,713
Non-bank Sectors	157	3,629	124	-96.6	2,999
Trade Credit and Advances	-1,325	-1,043	-5,808	456.9	-5,734
Other Assets and Liabilities	-13	2	-31	-	-7
Reserve Assets (net)	-2,805	2,052	-2,170	-	-14,599
Net Errors and Omissions	3,752	4,428	-857	-	11,918

Source: Datastream , CBRT

Economic Research Division

İzlem Erdem Chief Economist izlem.erdem@isbank.com.tr	İlker Şahin Economist ilker.sahin@isbank.com.tr
Alper Gürler Unit Manager alper.gurler@isbank.com.tr	Gamze Can Economist gamze.can@isbank.com.tr
H. Erhan Gül Asst. Manager erhan.gul@isbank.com.tr	Ayşim Kalkan Asst. Economist aysim.kalkan@isbank.com.tr

Our reports are available on our website <https://research.isbank.com.tr>

LEGAL NOTICE

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.