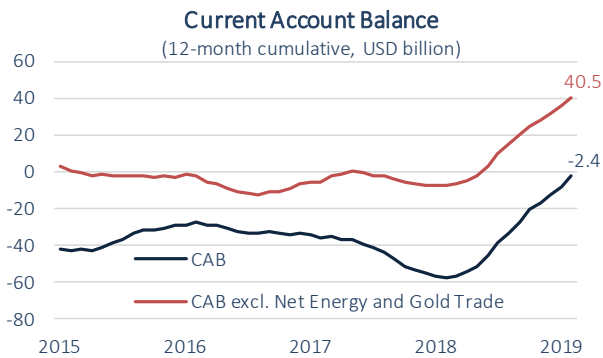




In May, current account balance posted a surplus of 151 million USD.

Slowdown in economic activity continued to be effective on current account balance in May. Current account balance, which registered a deficit of 6.2 billion USD in May 2018, posted a surplus of 151 million USD in the same month of this year. The course of foreign trade balance and the rise in tourism revenues led this development. According to the balance of payments data, foreign trade deficit decreased by 89.2% to 706 million USD compared to the same period of the previous year, while net travel revenues increased by 16.2%, contributing 1.8 billion USD to the current account balance.

12-month cumulative current account deficit, which continued to decline in May, fell to 2.4 billion USD, the lowest level since February 2003. Excluding net energy and gold imports, 12-month current account surplus reached 40.5 billion USD, the record level of all times.



#### Limited capital inflow in net foreign direct investments...

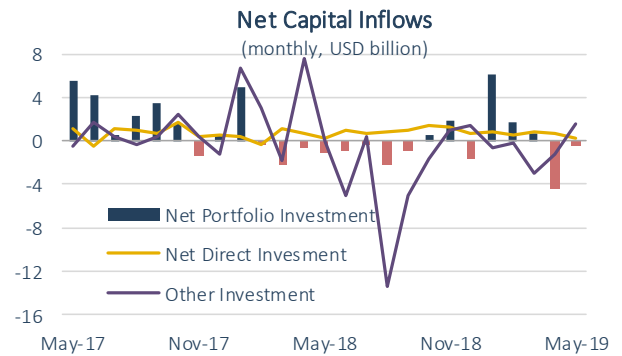
In May, net foreign direct investments (FDI) posted a limited capital inflow of 204 million USD. The annual rise of 33.5% in real estate investments, one of the sub-items of FDI, was noteworthy in this period. On the other hand, residents' direct investments abroad reached 632 million USD in this period.

#### Outflows recorded in portfolio investments...

Having recorded heavy capital outflows of 4.5 billion USD in April, portfolio investments recorded relatively limited outflow of 456 million USD in May. During this period, non-residents' equity securities and government domestic debt securities transactions recorded net sales of 138 million USD and 369 million USD, respectively.

#### Other investments recorded a net inflow of 1.5 billion USD.

In May, net capital inflows in other investments were realized at the highest level in more than a year by 1.5 billion USD. This development was driven by the fall in banks' currency and deposits held at their foreign correspondent banks by 4 billion USD. On the other hand, nonresident banks' deposits held within domestic banks decreased by 1.8 billion USD.



Regarding the loans provided from abroad, banks and other sectors realized net repayments of 616 million USD and 524 million USD, respectively. According to the 12-month cumulative figures, the long-term debt roll-over ratio of the banking sector fell to lowest level since November 2009 with 65%, parallel to the slowdown in loan demand. The said ratio was 116% in other sectors.

#### Net Capital Flows

	12-month Cumulative (million USD)		Share in Financing (%)	
	Dec. 2018	May. 2019	Dec. 2018	May. 2019
<b>Current Account Balance</b>	-27,263	-2,370	-	-
<b>Total Net Foreign Capital Flows</b>	<b>16,886</b>	<b>-6,398</b>	-	-
-Direct Investment	9,202	10,071	24.9	35.6
-Portfolio Investment	-2,892	22	-	0.1
-Other Investment	-6,812	-25,894	-	-
-Other	58	46	0.2	0.2
<b>Net Errors and Omissions</b>	<b>17,330</b>	<b>9,357</b>	<b>46.9</b>	<b>33.1</b>
<b>Reserves(1)</b>	<b>10,377</b>	<b>8,768</b>	<b>28.1</b>	<b>31.0</b>

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

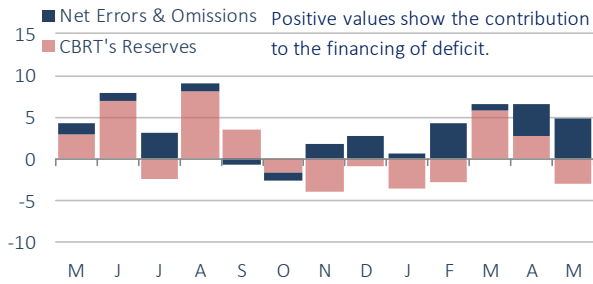
(1) (-) sign indicates an increase in reserves, while (+) sign indicates decrease.

Source: Datastream, CBRT

**Official reserves and net errors-omissions...**

While official reserves increased by 3 billion USD in May, net errors and omissions posted an inflow of 1.6 billion USD. According to the 12-month cumulative figures, CBRT reserves contributed 8.8 billion USD to financing of the current account deficit and outflows in financial accounts.

**CBRT Reserves and Net Errors and Omissions**  
(monthly, USD billion)

**Expectations...**

As the June provisional data indicated, the decline in foreign trade deficit will continue to 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. We foresee that the current account deficit/GDP ratio will be around 1.5% in 2019.

**Balance of Payments**

(USD million)

	May. 2019	Jan. - May. 2018	2019	% Change	12-month Cumulative
<b>Current Account Balance</b>	<b>151</b>	<b>-28,035</b>	<b>-3,142</b>	<b>-88.8</b>	<b>-2,370</b>
Foreign Trade Balance	-706	-29,268	-5,557	-81.0	-18,103
Services Balance	2,303	6,152	7,276	18.3	26,685
Travel (net)	1,846	5,254	5,849	11.3	21,220
Primary Income	-1,419	-5,072	-5,086	0.3	-11,879
Secondary Income	-27	153	225	47.1	927
<b>Capital Account</b>	<b>-6</b>	<b>31</b>	<b>19</b>	<b>-38.7</b>	<b>46</b>
<b>Financial Account</b>	<b>1,749</b>	<b>-19,292</b>	<b>-2,384</b>	<b>-87.6</b>	<b>7,033</b>
Direct Investment (net)	-204	-2,180	-3,049	39.9	-10,071
Portfolio Investment (net)	456	-776	-3,690	375.5	-22
Net Acquisition of Financial Assets	-118	-56	2,157	-	5,360
Net Incurrence of Liabilities	-574	720	5,847	712.1	5,382
Equity Securities	-138	-858	666	-	616
Debt Securities	-436	1,578	5,181	228.3	4,766
Other Investment (net)	-1,511	-15,565	3,517	-	25,894
Currency and Deposits	-2,584	-8,918	4,138	-	11,505
Net Acquisition of Financial Assets	-4,116	-3,408	6,664	-	15,348
Net Incurrence of Liabilities	-1,532	5,510	2,526	-54.2	3,843
Central Bank	-8	130	-503	-	3,642
Banks	-1,524	5,380	3,029	-43.7	201
Foreign Banks	-1,797	4,297	1,502	-65.0	-1,060
Foreign Exchange	-1,484	2,071	1,107	-46.5	-3,468
Turkish Lira	-313	2,226	395	-82.3	2,408
Non-residents	273	1,083	1,527	41.0	1,261
Loans	1,256	-4,981	5,407	-	19,701
Net Acquisition of Financial Assets	-10	-360	138	-	619
Net Incurrence of Liabilities	-1,266	4,621	-5,269	-	-19,082
Banking Sector	-616	-422	-4,548	977.7	-19,133
Non-bank Sectors	-524	5,197	-400	-	1,039
Trade Credit and Advances	-175	-1,661	-5,989	260.6	-5,304
Other Assets and Liabilities	-8	-5	-39	680.0	-8
Reserve Assets (net)	3,008	-771	838	-	-8,768
<b>Net Errors and Omissions</b>	<b>1,604</b>	<b>8,712</b>	<b>739</b>	<b>-91.5</b>	<b>9,357</b>

Source: Datastream , CBRT

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