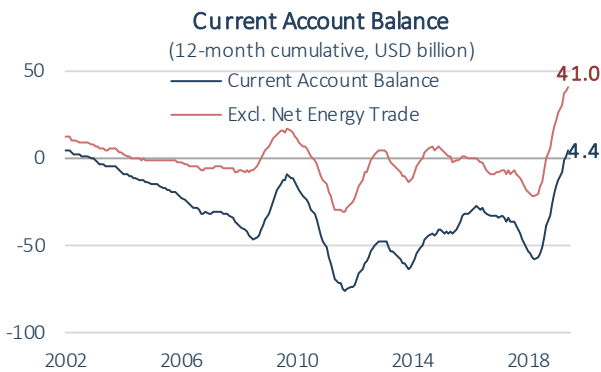




In July, current account balance posted a surplus of 1.2 billion USD.

Slowdown in economic activity continued to drive the current account balance in July. Current account balance, which posted a deficit of 2.2 billion USD in July last year, posted a surplus of 1.2 billion USD in the same month of this year. The course of the foreign trade balance and the increase in tourism revenues were behind this development. In this period, foreign trade deficit decreased by 49% yoy and net travel revenues increased by 23.9% (637 million USD).

12-month cumulative current account balance, which has been improving since mid-2018, reached its highest level since January 2002, with a surplus of 4.4 billion USD. Excluding net energy imports, 12-month current account surplus reached 41 billion USD which is a historically high level.

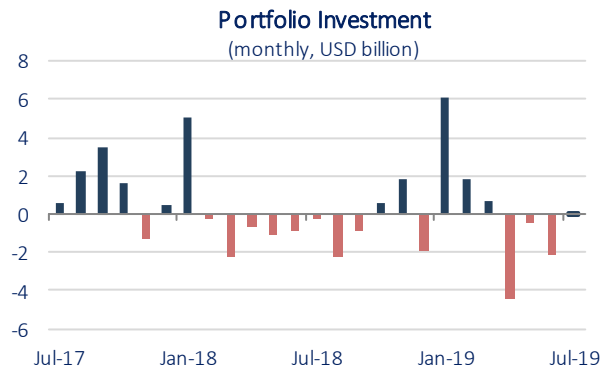


Weak course in foreign direct investments...

The weak outlook in net foreign direct investments continued in July. Net capital inflows in direct investments decreased by 9.1% (66 million USD) compared to the same month of the previous year to 657 million USD. On the other hand, real estate investments increased on a yearly basis for the first time in four months in this period.

Capital inflow in portfolio investments ...

Portfolio investments recorded a limited capital inflow. Despite the 1.4 billion USD bond repayments made by banks, the general government's issuance of new bonds amounting to 2.3 billion USD was effective in this development. In this period, non-residents' net purchases of equity and debt securities were realized as 88 million USD and 1.2 billion USD, respectively.



Capital inflows in other investments...

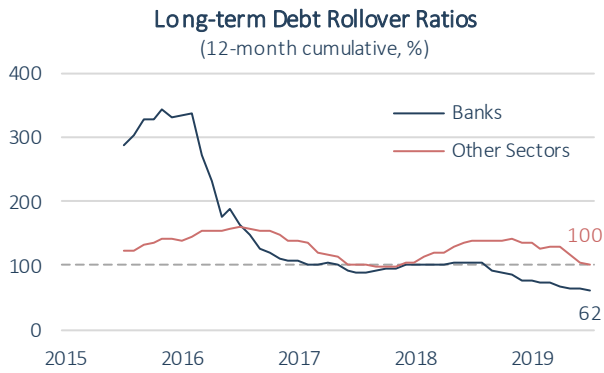
In July, other investments recorded a net capital inflow of 634 million USD. In this period, the increase of foreign banks' domestic deposits by 1.6 billion USD and other non-residents' by 688 million USD was effective in this development. On the other hand, the increase of 1.7 billion USD in the effective and deposits of domestic banks in foreign correspondents limited the net capital inflow in other investments. Moreover, banks, General Government and other sectors made net repayments of 417 million USD, 102 million USD and 43 million USD, respectively. Thus, according to the 12-month cumulative figures, the long-term debt roll-over ratio of the banking sector decreased to 62%, while the ratio decreased to 100% in other sectors.

Net Capital Flows

	12-month Cumulative (million USD)		Share in Financing (%)	
	Dec. 2018	Jul. 2019	Dec. 2018	Jul. 2019
Current Account Balance	-27,020	4,445	-	19.0
Total Net Foreign Capital Flows	16,643	-5,521	-	-
-Direct Investment	9,354	9,160	24.1	39.1
-Portfolio Investment	-3,115	-1,050	-	-
-Other Investment	-8,681	-22,381	-	-
-Other	62	42	0.2	0.2
Net Errors and Omissions	19,023	8,708	49.0	37.2
Reserves(1)	10,377	1,076	26.7	4.6

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



Expectations...

As the provisional data announced by the Ministry of Trade showed, the improvement in the foreign trade balance continued in August due to the ongoing weakness in economic activity. We believe that the increase in travel revenues will also continue to have a positive impact on the current account balance. In this context, we expect that the current account balance will post a surplus in August.

Reserves and net errors and omissions...

In July, official reserves declined by 3.2 billion USD. Net errors and omissions, also posted an inflow of 603 million USD.

Balance of Payments	(USD million)				
	Jul. 2019	Jan. - Jul. 2018	2019	% Change	12-month Cumulative
Current Account Balance	1,158	-33,160	-1,695	-94.9	4,445
Foreign Trade Balance	-2,524	-38,699	-10,639	-72.5	-13,856
Services Balance	4,277	11,998	15,205	26.7	29,048
Travel (net)	3,297	9,795	12,102	23.6	22,932
Primary Income	-733	-6,722	-6,658	-1.0	-11,736
Secondary Income	138	263	397	51.0	989
Capital Account	7	40	20	-50.0	42
Financial Account	1,768	-19,813	1,317	-	13,195
Direct Investment (net)	-657	-3,931	-3,737	-4.9	-9,160
Portfolio Investment (net)	-97	425	-1,640	-	1,050
Net Acquisition of Financial Assets	1,196	181	3,270	1,706.6	6,236
Net Incurrence of Liabilities	1,293	-244	4,910	-	5,186
Equity Securities	88	-1,245	946	-	1,060
Debt Securities	1,205	1,001	3,964	296.0	4,126
Other Investment (net)	-634	-10,972	2,728	-	22,381
Currency and Deposits	-249	-5,554	2,717	-	8,790
Net Acquisition of Financial Assets	2,050	-335	9,039	-	16,679
Net Incurrence of Liabilities	2,299	5,219	6,322	21.1	7,889
Central Bank	-8	95	544	472.6	4,724
Banks	2,307	5,124	5,778	12.8	3,165
Foreign Banks	1,619	4,626	3,357	-27.4	466
Foreign Exchange	1,650	2,384	2,973	24.7	-1,915
Turkish Lira	-31	2,242	384	-82.9	2,381
Non-residents	688	498	2,421	386.1	2,699
Loans	578	-4,158	8,276	-	21,725
Net Acquisition of Financial Assets	16	-145	-54	-62.8	212
Net Incurrence of Liabilities	-562	4,013	-8,330	-	-21,513
Banking Sector	-417	-1,926	-6,191	221.4	-19,272
Non-bank Sectors	-43	6,186	-1,543	-	-1,071
Trade Credit and Advances	-952	-1,245	-8,219	560.2	-8,129
Other Assets and Liabilities	-11	-15	-46	206.7	-5
Reserve Assets (net)	3,156	-5,335	3,966	-	-1,076
Net Errors and Omissions	603	13,307	2,992	-77.5	8,708

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

Batuhan Atman
Asst. Economist
batuhan.atman@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.
