



Balance of Payments - March 2013

Economic Research Division



Lower than expected current account deficit in March...

In March, current account deficit contracted by 13.9% compared to the same month of the previous year and was realized as 5.4 billion USD, lower than the market consensus of 5.9 billion USD. On a quarterly basis, current account deficit decreased by 2.3% to 15.9 billion USD compared to the first quarter of the previous year.

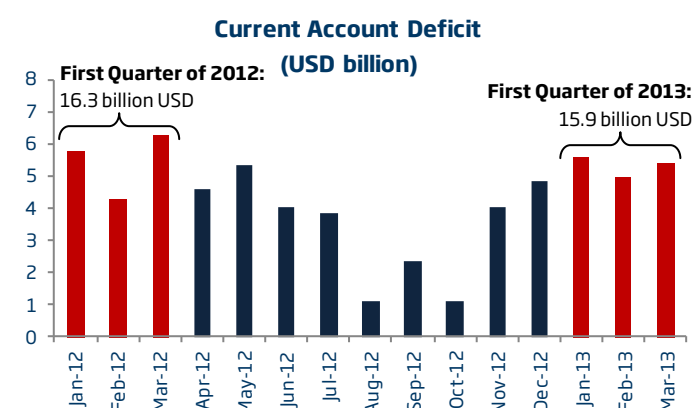
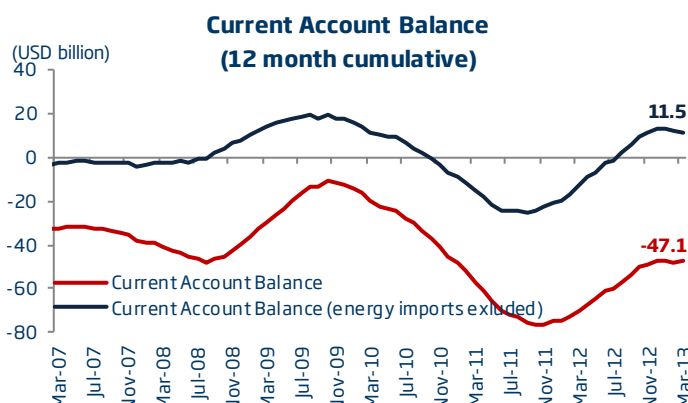
12-month cumulative current account deficit declined from 48 billion USD in February to 47.1 billion USD in March, falling below its 2012 year-end level. The narrowing of the deficit indicated a slower than expected recovery in domestic demand in the first quarter of the year.

Tourism revenues had a positive impact on the balance of payments.

Tourism revenues were realized as 1.6 billion USD in March. The increase in tourism revenues was higher than that of tourism expenditures in the first quarter of the year. Thus, net tourism revenues increased by 35.4% and reached 3 billion USD during this period. Regarding the 12-month cumulative figures, tourism revenues, which followed an upward trend in the last 6 months, have been one of the main factors limiting the expansion of the current account deficit.

Foreign direct investments continued to decline.

Analysis of the financing side of current account deficit revealed that the non-residents' foreign direct investments continued to decline. FDI inflows decreased to 597 million USD in March, the lowest level recorded since September 2012. As of the first quarter of the year, FDI inflows declined by 55.2% compared to the same period of the previous year and were realized as 2 billion USD. On the other hand, residents' direct investments abroad reached 688 million USD in the first quarter and led net foreign direct investments to contract by 40.4% compared to the same period of the previous year.



Portfolio investment inflows were strong.

Net portfolio investments kept their upward trend in March by increasing 29% compared to the same month of the previous year and were realized as 3.9 billion USD. This increase mainly stemmed from the Treasury's debt security issues held in March. Indeed, capital inflows registered via debt securities were 2.4 billion USD in March, 1.6 billion USD of this amount stemmed from Treasury's domestic debt security issues. On the other hand, banking sector's bond issues in international capital markets in this period amounted to USD 670 million. In addition, foreign capital inflows via equity securities were realized as 511 million USD in March.

Breakdown of Net Capital Inflows Towards Turkey

	December 2012	March 2013
Current Account Balance	-47,521	-47,138
Total Net Foreign Capital Inflows	68,335	74,286
-Direct Investments	8,481	7,561
-Portfolio Investments	40,780	44,355
-Other Investments	17,960	30,610
-Net Errors and Omissions	1,158	-8,202
-Other	-44	-38
Reserves⁽¹⁾	-20,814	-27,148

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

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

(12 month cumulative, million USD)

Breakdown of Capital Inflows (%)

	December 2012	March 2013
Current Account Balance	-	-
Total Net Foreign Capital Inflows	100.0	100.0
-Direct Investments	12.4	10.2
-Portfolio Investments	59.7	59.7
-Other Investments	26.3	41.2
-Net Errors and Omissions	1.7	-11.0
-Other	-0.1	-0.1
Reserves⁽¹⁾	-	-

Source: CBRT

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On a quarterly basis, net portfolio investments increased by 69.1% compared to the first quarter of the previous year and were realized as 8.8 billion USD. During this period, banking sector's bond issues in international capital markets increased more than five times of their level in the first quarter of 2012.

Banking sector's loans from abroad were effective in the increase in the other investments.

Analyzing the other investments, it was noteworthy that banking sector raised significant amount of short-term loans from abroad in March. During this period, short-term loans raised from abroad by the banking sector amounted to 3.7 billion USD, the highest level recorded since December 2010. In terms of long-term loans, banks were net credit borrowers in March while they were net credit payers in the first quarter of the year. On the other hand, non-banking sector, which was net credit user from abroad in the first two months, became net credit payer in March.

In the first quarter, banks raised net 6.8 billion USD loans from abroad while this amount was 169 million USD for the non-banking sector.

Analyzing 12-month cumulative figures, it was seen that long term debt roll-over ratio of the banking sector was 93% and that of non-banking sector was 113%.

Rapid increase in reserves In March...

Reserve assets increased by 2.4 billion USD partly due to the CBRT's increase in the reserve option coefficients in its March meeting. The increase in the reserve assets reached 7 billion USD in the first quarter and 27.1 billion USD in the last 12 months.

Expectations ...

The 12-month cumulative current account deficit, which increased in February, decreased again in March and pointed out that the recovery in domestic demand was slower than expected. However, the current account deficit is expected to widen in the coming period as an outcome of the CBRT's latest rate cut decisions and supportive monetary policy stance. However, the gradual economic recovery indicated that this increase would remain limited.

Current Account Balance	(USD million)				
	March 2013	January-March 2012	January-March 2013	% Change	12 Month Cumulative
Current Account Balance	-5,396	-16,300	-15,917	-2.3	-47,138
Foreign Trade Balance	-5,737	-16,783	-17,047	1.6	-65,986
Services Balance	1,263	2,050	2,873	40.1	24,332
Tourism Revenues (net)	1,188	2,216	3,001	35.4	22,344
Income Balance	-946	-1,929	-1,975	2.4	-6,721
Current Transfers	24	362	232	-35.9	1,237
Capital and Financial Accounts	6,856	10,566	19,543	85.0	55,340
Direct Investments (net)	424	2,275	1,355	-40.4	7,561
Portfolio Investments (net)	3,887	5,175	8,750	69.1	44,355
Assets	1,006	757	1,455	92.2	3,346
Liabilities	2,881	4,418	7,295	65.1	41,009
Equity Securities	511	920	393	-57.3	5,747
Debt Securities	2,370	3,498	6,902	97.3	35,262
Other Investments (net)	4,992	3,823	16,473	330.9	30,610
Assets	-1,903	-901	1,444	-	1,896
Currency and Deposits	-840	-581	1,935	-	3,851
Liabilities	6,895	4,724	15,029	218.1	28,714
Trade Credits	1,158	-127	3,539	-	4,674
Loans	3,296	1,118	6,567	487.4	14,582
Banking Sector	4,176	-406	6,805	-	12,049
Non-bank Sectors	-1,058	1,921	169	-91.2	4,616
Deposits	2,433	3,738	4,916	31.5	8,961
Foreign Banks	1,804	2,740	3,952	44.2	8,325
Foreign Exchange	-150	2,809	3,346	19.1	5,766
Turkish Lira	1,954	-69	606	-	2,559
Non-residents	705	1,252	1,202	-4.0	2,863
Reserve Assets (net)	-2,447	-690	-7,024	918.0	-27,148
Net Errors and Omissions	-1,460	5,734	-3,626	-	-8,202

Source: CBRT

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