



Balance of Payments - September 2013

Economic Research Division



Current account deficit was slightly higher than market expectations in September.

Current account deficit was realized as 3.3 billion USD in September, slightly above the market expectations. In the first 9 months of 2013, current account deficit increased by 27.7% and reached 49 billion USD compared to the same period of the previous year. The revision in tourism revenues was influential in the higher than expected current account deficit figure. 12-month cumulative current account deficit which followed an upward trend in recent months, increased to 59.1 billion USD, the highest level since July 2012. On the other hand, it was seen that when the gold trade was excluded, the current account deficit continued its flat course with 51.8 billion USD.

The impact of gold trade on the balance of payments continued to decline in September.

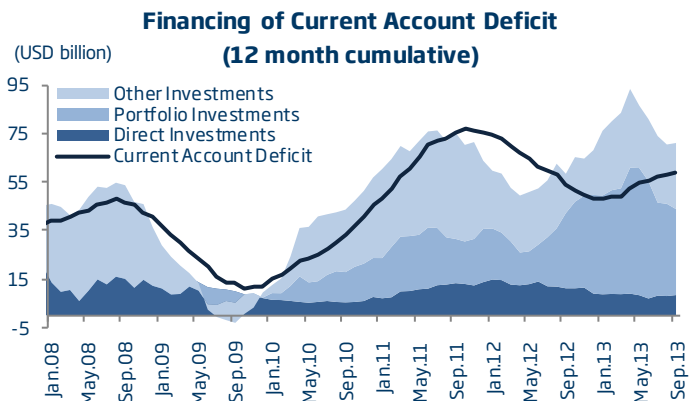
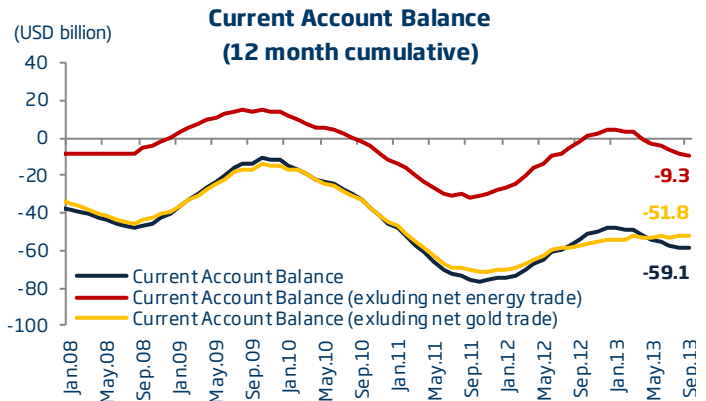
Net non-monetary gold trade, which posted a deficit of 9 billion USD in the first nine months of the year, gave a deficit of only 78 million USD in September, the lowest level of 2013. Thus, the negative impact of gold trade on the balance of payments has almost disappeared as of September.

Limited increase in tourism revenues...

Tourism revenues slightly increased by %5 compared to the same month of the previous year and were realized as 3.4 billion USD in September. In the first nine months of the year, tourism revenues increased by 13% compared to the same period of previous year and reached 21.3 billion USD.

Capital inflows through portfolio investments continued in September.

Following the capital outflows observed in June and July, the capital inflows registered through portfolio investments in line with the recovery in global risk perception in August also continued in September. In this context, capital inflows of net 2.2 billion USD were recorded through portfolio investments in September. A net purchase of 733 million USD was recorded through equity securities market in



September after 3 consecutive months of outflows while capital inflow of 1.5 billion USD was registered through debt securities. Thus, non-residents' equity securities portfolio decreased by 326 million USD while the amount of debt securities increased by 17 billion USD in the first 9 months of the year. Moreover, banks' eurobond issues abroad continued in September and reached 5.8 billion USD during January-September 2013.

On the other hand, the foreign direct investments continued to keep their low level. Indeed, 596 million USD of capital inflows were registered through net foreign direct investments in September. Net foreign direct investments

Breakdown of Net Capital Inflows Towards Turkey

	(12-month cumulative, million USD)		Breakdown of Capital Inflows (%)	
	December 2012	September 2013	December 2012	September 2013
Current Account Balance	-48,505	-59,135	-	-
Total Net Foreign Capital Inflows	69,319	72,809	100.0	100.0
-Direct Investments	8,950	8,361	12.9	11.5
-Portfolio Investments	40,789	35,519	58.8	48.8
-Other Investments	18,458	27,304	26.6	37.5
-Net Errors and Omissions	1,166	1,702	1.7	2.3
-Other	-44	-77	-0.1	-0.1
Reserves⁽¹⁾	-20,814	-13,674	-	-

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

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

Source: CBRT

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in the first nine months of the year decreased by 8% compared to the same period of previous year and were realized as 6.8 billion USD.

Capital outflows in other investments account...

Analyzing the assets item of other investments account, it was observed that deposits of Turkish banks and real sector held within banks abroad decreased by 1.9 billion USD in September.

On the liabilities side, it was noteworthy that banking sector tended to raise long-term loans again. In this context, net long-term loans, which were 40 million USD in August, increased to 937 million USD in September while short-term loans maintained high level with 1 billion USD. Calculated on the basis of 12-month cumulative data, the long-term debt rollover ratio of the banking sector continued to increase in September and reached 162%.

Non-banking sector, on the other hand, was net credit payer in September. The cumulative 12-month figures showed that non-banking sector's long-term debt rollover ratio was realized as 101%.

In September, it was seen that deposits of foreign banks held in domestic banks decreased by 2.5 billion USD. Of that amount, 1.7 billion USD were foreign currency liabilities and 815 million USD were Turkish Lira liabilities.

Limited increase in reserves in September...

Reserves registered a limited increase of 641 million USD in September and in the first nine months of the year reserves rose by 9.4 billion USD mainly due to strong capital inflows in the first 5 months of the year. In addition, 1.7 billion USD capital inflows were registered under the net errors and omissions account in September.

Expectations...

Concerns regarding the U.S. Federal Reserve's (Fed) tapering its asset purchase program in the short-term increased the volatility in capital inflows towards domestic market. In this context, considering the financing side of current account deficit, Fed's decisions would continue to be influential in the coming period.

CBRT, on the other hand, is keeping the monetary policy tight which in turn would put pressure on the economic activity in the last quarter of the year. In this context, a significant deterioration in the current account deficit is not expected in the remaining part of the year. In addition, the negative impact of gold trade on the balance of payments has almost disappeared as of September and the current account deficit is not expected to increase due to the gold trade.

Current Account Balance	(USD million)				
	September 2013	January-September 2012		% Change	12 Month Cumulative
Current Account Balance	-3,281	-38,370	-49,000	27.7	-59,135
Foreign Trade Balance	-5,988	-50,843	-60,600	19.2	-75,092
Services Balance	3,383	17,231	18,272	6.0	23,642
Tourism Revenues (net)	3,087	16,011	17,878	11.7	23,118
Income Balance	-787	-5,716	-7,434	30.1	-8,872
Current Transfers	111	958	762	-20.5	1,187
Capital and Financial Accounts	1,563	33,797	43,891	29.9	57,433
Direct Investments (net)	596	7,368	6,779	-8.0	8,361
Portfolio Investments (net)	2,206	24,343	19,073	-21.6	35,519
Assets	-8	1,766	2,428	37.5	3,319
Liabilities	2,214	22,577	16,645	-26.3	32,200
Equity Securities	733	2,680	-326	-	3,268
Debt Securities	1,481	19,897	16,971	-14.7	28,932
Other Investments (net)	-585	18,632	27,478	47.5	27,304
Assets	1,439	2,451	489	-80.0	-2,527
Currency and Deposits	1,875	3,228	1,686	-47.8	-370
Liabilities	-2,024	16,181	26,989	66.8	29,831
Trade Credits	-921	1,698	3,834	125.8	3,158
Loans	1,367	6,812	13,881	103.8	16,786
Banking Sector	1,945	2,766	14,543	425.8	16,941
Non-bank Sectors	-448	5,451	-69	-	1,126
Deposits	-2,562	7,205	8,739	21.3	9,333
Foreign Banks	-2,489	6,351	7,365	16.0	8,143
Foreign Exchange	-1,674	4,604	8,281	79.9	8,922
Turkish Lira	-815	1,747	-916	-	-779
Non-residents	243	2,595	2,871	10.6	3,189
Reserve Assets (net)	-641	-16,503	-9,363	-43.3	-13,674
Net Errors and Omissions	1,718	4,573	5,109	11.7	1,702

Source: CBRT

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