

## Balance of Payments - October 2013

Economic Research Division



### Current account deficit came in line with the expectations in October.

The current account deficit was realized as 2,890 million USD in October, parallel to the expectations. During January-October, the deficit increased by 31.2% compared to the same period of the previous year and reached 51,901 million USD. 12-month cumulative current account deficit was 60,855 million as of October.

### Gold imports deteriorated the current account deficit during the first 10 months of the year.

According to the balance of payments statistics, foreign trade deficit of October was 5,606 million USD. 685 million USD of this amount stemmed from the deficit originating from the gold trade. Thus, foreign trade deficit during January-October period, which increased by 21.1% compared to the same period of the previous year, in fact narrowed by 5.2% when gold trade excluded from foreign trade figures. Also, excluding the gold trade, the current account deficit declines to 42,220 million USD during January-October period and 12-month cumulative deficit narrows to 51,898 million USD.

### Rising tourism revenues...

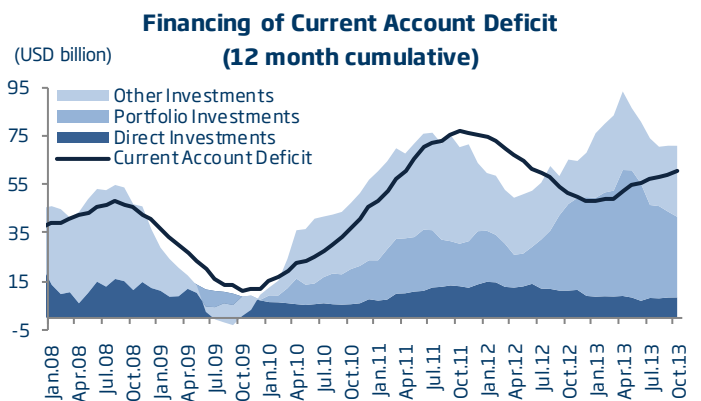
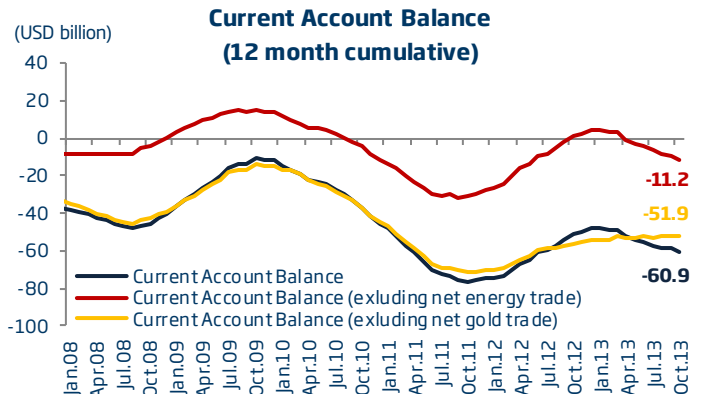
Despite the increase in total foreign trade deficit, tourism revenues continued to limit the current account deficit. Net tourism revenues rose by 10.7% in January-October period compared to the same period of the previous year and reached 20,958 million USD.

### Investment income balance...

Under the investment income balance, direct, portfolio and other investments recorded a net income outflow of 7,931 million USD during January-October period increasing by 28.6% compared to the same period of the previous year and contributed to the widening in the current account deficit.

### Capital inflows through portfolio investments continued.

After recording a net capital outflow of 3,421 million USD during June and July, portfolio investments account started



to register net capital inflow starting from August. Including 3,757 million USD worth of net inflows in October, the total net portfolio investments inflows during August, September and October reached 7,843 million USD. Analyzing the details of the portfolio investments during October, non-residents' equity transactions recorded net purchases of 641 million USD. On the other hand, non-residents' sold net 243 million USD of government domestic debt securities. The general government issued lease certificates and borrowed 1,250 million USD from the international markets. In addition, regarding the bond issuances in international markets, the banking sector and non-bank sectors borrowed 1,190 million USD and 500 million USD, respectively.

### Breakdown of Net Capital Inflows Towards Turkey

(12-month cumulative, million USD)

	December 2012		October 2013	
	December 2012	October 2013	December 2012	October 2013
<b>Current Account Balance</b>	-48,507	-60,855	-	-
<b>Total Net Foreign Capital Inflows</b>	69,321	72,209	100.0	100.0
-Direct Investments	8,944	8,335	12.9	11.5
-Portfolio Investments	40,789	33,283	58.8	46.1
-Other Investments	18,397	29,341	26.5	40.6
-Net Errors and Omissions	1,235	1,326	1.8	1.8
-Other	-44	-76	-0.1	-0.1
<b>Reserves<sup>(1)</sup></b>	-20,814	-11,354	-	-

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

# Balance of Payments - October 2013

Economic Research Division



## Foreign direct investments kept their weak level.

The foreign direct investments continued to keep their low level in financing of the current account deficit. Capital inflows registered through net foreign direct investments were 505 million USD in October. Net foreign direct investments in the first ten months of the year decreased by 7.8% compared to the same period of previous year and were realized as 7,211 million USD.

## Other investments account...

Analyzing the assets item of other investments account, it was observed that deposits of Turkish banks and real sector held abroad decreased by 1,710 million USD in October.

On the liabilities side, the banking sector raised 1,700 million USD long-term loans from abroad. Thus, calculated on the basis of 12-month cumulative data, the long-term debt rollover ratio of the banking sector continued to increase in October and reached 190%. Regarding short-term loans, banking sector made 1,651 million USD worth of net re-payment in October. Non-bank sectors, on the other hand, were net credit payer in long-term loans with 193 million USD while raising short-term loans amounting to 978

million USD. The cumulative 12-month figures showed that non-bank sectors' long-term debt rollover ratio was realized as 100%.

## Reserves increased.

Reserves increased by 2,169 million USD in October and 11,532 million USD during January-October period. 1,450 million USD capital outflows were registered under the net errors and omissions account in October.

## Expectations...

Excluding the gold trade, the current account deficit showed a declining trend. The improvement in current account deficit excluding gold trade is anticipated to continue in the coming months as the impacts of monetary tightening of CBRT begins to become more evident and the recent measures against the excessive rise in household indebtedness become effective.

Despite the continuation of the portfolio investments in the last three months, there might be fluctuations in inflows depending on the policy decisions of Fed.

Current Account Balance	(USD million)				
	October 2013	January-October 2012 2013		% Change	12 Month Cumulative
<b>Current Account Balance</b>	<b>-2,890</b>	<b>-39,553</b>	<b>-51,901</b>	<b>31.2</b>	<b>-60,855</b>
Foreign Trade Balance	-5,606	-54,684	-66,236	21.1	-76,887
Services Balance	3,351	20,451	21,636	5.8	23,787
Tourism Revenues (net)	3,080	18,927	20,958	10.7	23,282
Income Balance	-742	-6,340	-8,159	28.7	-8,976
Current Transfers	107	1,020	858	-15.9	1,221
<b>Capital and Financial Accounts</b>	<b>4,340</b>	<b>35,807</b>	<b>48,064</b>	<b>34.2</b>	<b>59,529</b>
Direct Investments (net)	505	7,820	7,211	-7.8	8,335
Portfolio Investments (net)	3,757	30,276	22,770	-24.8	33,283
Assets	383	3,121	2,811	-9.9	2,347
Liabilities	3,374	27,155	19,959	-26.5	30,936
Equity Securities	641	3,039	315	-89.6	3,550
Debt Securities	2,733	24,116	19,644	-18.5	27,386
Other Investments (net)	2,247	18,747	29,691	58.4	29,341
Assets	1,977	3,126	2,468	-21.0	-1,226
Currency and Deposits	1,710	4,890	3,393	-30.6	-328
Liabilities	270	15,621	27,223	74.3	30,567
Trade Credits	-279	398	3,556	793.5	4,180
Loans	710	6,041	14,551	140.9	18,169
Banking Sector	49	2,369	14,616	517.0	17,409
Non-bank Sectors	785	5,267	585	-88.9	1,908
Deposits	-192	8,686	8,550	-1.6	7,663
Foreign Banks	-198	8,228	7,170	-12.9	6,071
Foreign Exchange	-1,108	6,691	7,176	7.2	5,730
Turkish Lira	910	1,537	-6	-	341
Non-residents	182	2,428	3,053	25.7	3,538
Reserve Assets (net)	-2,169	-20,992	-11,532	-45.1	-11,354
<b>Net Errors and Omissions</b>	<b>-1,450</b>	<b>3,746</b>	<b>3,837</b>	<b>2.4</b>	<b>1,326</b>

Source: CBRT

**Balance of Payments - October 2013**

Economic Research Division

**Türkiye İş Bankası A.Ş. - Economic Research Division****İzlem Erdem - Manager**

izlem.erdem@isbank.com.tr

**Bora Çevik - Economist**

bora.cevik@isbank.com.tr

**Alper Gürler - Unit Manager**

alper.gurler@isbank.com.tr

**Eren Demir - Asst.Economist**

eren.demir@isbank.com.tr

**Kıvılcım Eraydın - Economist**

kivilcim.eraydin@isbank.com.tr

**M. Kemal Gündoğdu - Asst.Economist**

kemal.gundogdu@isbank.com.tr

**Erhan Gül - Economist**

erhan.gul@isbank.com.tr

**Gamze Can - Asst.Economist**

gamze.can@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.