



Balance of Payments - January 2014

Economic Research Division



Current account deficit was slightly below expectations in January.

In the first month of 2014, current account deficit decreased by 16% to 4.9 billion USD compared to the same month of the previous year. The market expectation was 5 billion USD. Non-monetary gold trade, which was influential on foreign trade figures in the last 2 years, slowed down significantly in January. Thus, non-monetary gold trade volume in January 2014 declined by 63.7% compared to the previous 24-month average and non-monetary gold exports were realized as 212 million USD, while imports amounted to 387 million USD.

Increase in tourism revenues...

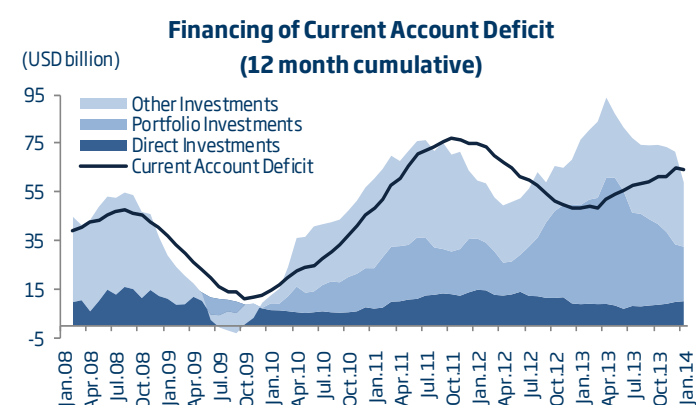
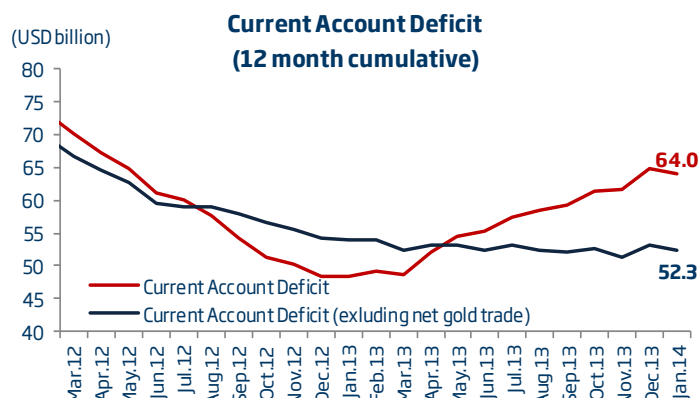
Tourism revenues, which have a large share in the services balances, continued to increase in January. In the first month of the year, net tourism revenues increased by 7.8% compared to the same period of the previous year and reached 966 million USD. 12-month cumulative net tourism revenues were realized as 23.3 billion USD.

Significant loss of momentum in portfolio investments...

In January, the growing uncertainty in the global markets as well as the deterioration in the perception of political risk towards Turkey have led the portfolio investments to be realized at low levels. Indeed, portfolio investments which recorded 215 million USD outflow in December, were realized at a fairly low level with 72 million USD in January. During this period, non-residents' net sales were 319 million USD in the stock market and 1,105 million USD in government domestic debt securities. In contrast, in January, via bond issues in international markets the general government and banking sector borrowed 2.5 billion USD and 503 million USD, respectively.

Increase in net foreign direct investments

After having a rapid increase in December, foreign direct investments registered a notable increase also in January. The net foreign direct investments increased by 52.1% in January compared to the same month of the previous year and were realized as 917 million USD. According to the 12-



month cumulative figures, net foreign direct investment inflows increased by 13.9% annually and reached 10.1 billion USD as of January.

4.1 billion USD capital outflow in other investments account

The deterioration in risk perception towards domestic markets led 4.1 billion USD outflow in other investments account, the highest outflow since December 2011. In January, banks and real sector increased their deposits in foreign banks by 1.888 billion USD. On the other hand, the deposits of non-resident banks within domestic banks recorded net outflow of 911 million USD.

Breakdown of Net Capital Inflows Towards Turkey

(12-month cumulative, million USD)

	Breakdown of Capital Inflows (%)	
	January 2013	January 2014
Current Account Balance	-48,490	-64,008
Total Net Foreign Capital Inflows	75,678	64,416
-Direct Investments	8,842	10,072
-Portfolio Investments	40,815	22,406
-Other Investments	26,882	26,473
-Net Errors and Omissions	-812	5,559
-Other	-49	-94
Reserves⁽¹⁾	-27,188	-408

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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Banking sector, which raised 767 million USD long-term loans from abroad while repaying 260 million USD, was a net credit user in January. On the other hand, it was noteworthy that in this period non-banking sector raised 1,958 million USD long-term loans from abroad while repaying 1,668 million USD. Regarding the 12-month cumulative figures, long-term debt roll-over ratio of the banking sector was 252% and that of non-banking sectors was 98%.

Reserve assets...

In January, as a result of the CBRT's record high FX selling to markets, reserve assets recorded a sharp decrease by 5.8 billion USD. According to the 12-month cumulative figure, on the other hand, reserves increased by only 408 million USD. In January, net errors and omissions account registered an inflow of 2.2 billion USD.

Expectations...

In 2014, the policy decisions of major central banks would continue to be influential in the course of global capital inflows. In this period, the developments regarding the domestic markets and Turkey's export performance would be effective on the balance of payment figures. Furthermore, the expectations that the Euro Area economy, which is the most important export market of Turkey, will continue to recover and the rise in the competitiveness of Turkey in export markets due to the decline in real effective exchange rate will support the exports. On the other hand, we anticipate that measures taken to limit the domestic demand will limit the rise in imports and the current account deficit as well. In this period, CBRT's interest rate hike would have a positive impact on portfolio inflows. Besides, we anticipate that banking sector will not face any difficulty in raising credits from abroad and contribute to the financing of current account deficit increasingly. In this context, we forecast the current account deficit/GDP ratio to be 5.5% in 2014.

Current Account Balance				(USD million)
	January 2013	January 2014	% Change	12 Month Cumulative
Current Account Balance	-5,809	-4,877	-16.0	-64,008
Foreign Trade Balance	-5,869	-5,239	-10.7	-79,229
Services Balance	632	888	40.5	23,323
Tourism Revenues (net)	896	966	7.8	23,250
Income Balance	-601	-544	-9.5	-9,287
Current Transfers	29	18	-37.9	1,185
Capital and Financial Accounts	5,800	2,660	-54.1	58,449
Direct Investments (net)	603	917	52.1	10,072
Portfolio Investments (net)	1,375	72	-94.8	22,406
Assets	53	318	500.0	2,884
Liabilities	1,322	-246	-	19,522
Equity Securities	235	-319	-	287
Debt Securities	1,087	73	-93.3	19,235
Other Investments (net)	7,539	-4,113	-	26,473
Assets	2,344	-1,530	-	-2,020
Currency and Deposits	2,078	-1,888	-	74
Liabilities	5,195	-2,583	-	28,493
Trade Credits	1,392	-743	-	3,465
Loans	1,425	-832	-	20,254
Banking Sector	595	-1,216	-	19,567
Non-bank Sectors	945	523	-44.7	1,581
Deposits	2,370	-1,040	-	4,170
Foreign Banks	2,246	-911	-	3,155
Foreign Exchange	1,060	-648	-	4,666
Turkish Lira	1,186	-263	-	-1,511
Non-residents	215	-10	-	3,043
Reserve Assets (net)	-3,703	5,800	-	-408
Net Errors and Omissions	9	2,217	24,533.3	5,559

Source: CBRT

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**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

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