



Balance of Payments - November 2014

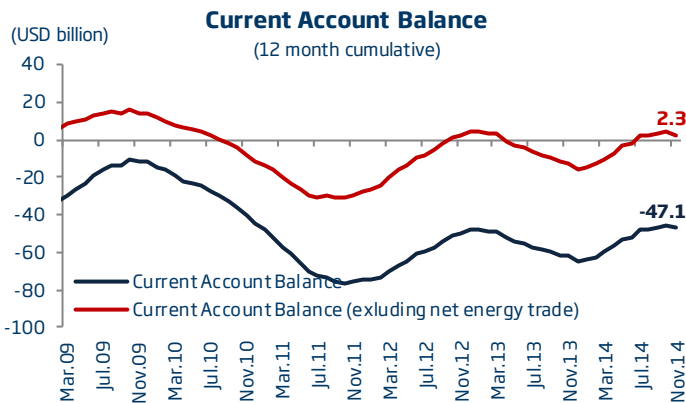
Economic Research Division



On annual basis current account deficit widened.

In November, current account deficit came in at 5.6 billion USD, close to the market expectations. In this period, current account deficit widened on an annual basis for the first time in 2014 due to the decline in annual exports and increase in gold imports which amounted to 2 billion USD. In this context, 12-month cumulative current account deficit increased to 47.1 billion USD in November from 45.7 billion USD in October which was the lowest level recorded in almost last 4 years.

In the first 11 months of 2014, current account deficit narrowed by 31.7% yoy thanks to the favorable outlook in foreign trade performance in the previous months.



Sharp rise in foreign direct investments abroad...

In January-November period, foreign direct investment inflows remained flat compared to the same period of the previous year. On the other hand, the highest foreign direct investment outflows (1.9 billion USD) since March 2012 were recorded in November due to the other capital* outflows under the said account. In fact, capital outflows

(*The loans extended; by parent companies in Turkey to their nonresident direct investment enterprises; by branches, affiliates and subsidiaries in Turkey to their nonresident parent companies and by direct investment enterprises in Turkey to fellow enterprises abroad, and the related repayments are included in other capital.

Breakdown of Net Capital Inflows

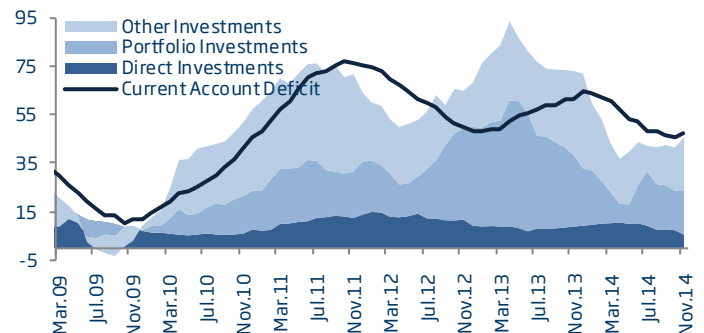
			(12-month cumulative, USD million)	
	December 2013	November 2014	Breakdown of Capital Inflows (%)	
	December 2013	November 2014	December 2013	November 2014
Current Account Balance	-65,035	-47,086	-	-
Total Net Foreign Capital Inflows	74,946	48,534	100.0	100.0
-Direct Investments	9,187	5,458	12.3	11.2
-Portfolio Investments	23,692	18,412	31.6	37.9
-Other Investments	39,108	21,763	52.2	44.8
-Net Errors and Omissions	3,055	2,955	4.1	6.1
-Other	-96	-54	-0.1	-0.1
Reserves⁽¹⁾	-9,911	-1,448	-	-

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

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

Financing of Current Account Deficit

(12 month cumulative, USD billion)



during the first 11 months of 2014 were approximately 2.5 times higher than that of the previous year. Thus, though there was no significant change in foreign direct inflows compared to 2013, net direct investment inflows decreased by 3.7 billion USD yoy to 4.3 billion USD during January-November period as a result of the surge in direct investments abroad.

Portfolio investments...

Portfolio investment inflows continued to contribute significantly to the financing of current account deficit in November. During this period, portfolio investments directed to debt securities were realized as 2.3 billion USD while 1.9 billion USD of this amount stemmed from the public bond issues. On the other hand, net capital inflows via equity securities amounted to 524 million USD.

Other investments...

In January-November, banking sector raised 11.1 billion USD net loans from abroad, 37.7% lower than the same period of the previous year. This drop mainly stemmed from the decline in short term funding needs of banking sector due to the ongoing weak domestic demand conditions. In contrast, banking sector kept raising long term loans during this period. As a matter of fact, 5.8 billion USD of net borrowing of banking sector was long-term while short-term borrowing was realized as 5.3 billion USD.

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During the first 11 months of 2014, loans received from abroad by non-bank sectors' surged significantly. In this period, non-bank sectors' net borrowing from abroad increased by 4.2 billion USD to 5.2 billion USD. Banks' and nonbank sectors' long-term debt roll-over ratios were realized as 174% and 119%, respectively.

Net errors and omissions account recorded an outflow of 3.5 billion USD in November.

In November, net errors and omissions registered an outflow of 3.5 billion USD. As a result, capital inflows under net errors and omissions account declined to 2.3 billion USD in the first 11 months of the year. However, it was seen that this account continued to contribute to the financing of current account deficit. Reserve assets, on the other hand, increased by 5.2 billion USD during January-November period.

Expectations

In November, disruption in export growth and elevated gold imports led to an expansion in current account deficit on a monthly basis. Should the economic activity in the European countries continue to weaken, this might make it harder for Turkey to sustain the strong export performance of 2014 in the forthcoming period. That might result in an upward pressure on the current account deficit. However, the high amount of gold imports recorded in November is likely to be temporary. Moreover, lower energy bill of Turkey in line with the drop in oil prices is expected to support the improvement in current account balance.

					(USD million)
	November 2014	2013	Jan.-Nov. 2014	% Change	12 Month Cumulative
Current Account Balance	-5,636	-56,665	-38,716	-31.7	-47,086
Foreign Trade Balance	-6,598	-72,128	-57,011	-21.0	-65,096
Services Balance	1,462	22,738	25,189	10.8	25,584
Tourism Revenues (net)	1,449	22,261	23,842	7.1	24,761
Income Balance	-598	-8,499	-7,923	-6.8	-8,776
Current Transfers	98	1,224	1,029	-15.9	1,202
Capital and Financial Accounts	9,098	54,282	36,433	-32.9	44,131
Direct Investments (net)	-1,035	8,019	4,290	-46.5	5,458
Portfolio Investments (net)	3,203	23,924	18,644	-22.1	18,412
Assets	422	2,689	-1,590	-	-1,678
Liabilities	2,781	21,235	20,234	-4.7	20,090
Equity Securities	524	1,087	2,540	133.7	2,295
Debt Securities	2,257	20,148	17,694	-12.2	17,795
Other Investments (net)	7,733	36,066	18,721	-48.1	21,763
Assets	2,028	3,970	548	-86.2	-1,052
Currency and Deposits	1,690	6,151	2,211	-64.1	608
Liabilities	5,705	32,096	18,173	-43.4	22,815
Trade Credits	1,363	4,242	643	-84.8	2,004
Loans	3,433	17,966	15,481	35.9	19,437
Banking Sector	1,916	17,764	11,066	-37.7	14,938
Non-bank Sectors	1,645	984	5,167	425.1	5,339
Deposits	904	9,324	1,592	-82.9	901
Foreign Banks	456	7,868	740	-90.6	98
Foreign Exchange	-1,111	6,966	-1,704	-	-2,296
Turkish Lira	1,567	902	2,444	171.0	2,394
Non-residents	549	3,286	3,099	-5.7	3,220
Reserve Assets (net)	-803	-13,631	-5,168	-62.1	-1,448
Net Errors and Omissions	-3,462	2,383	2,283	-4.2	2,955

Source: CBRT

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