



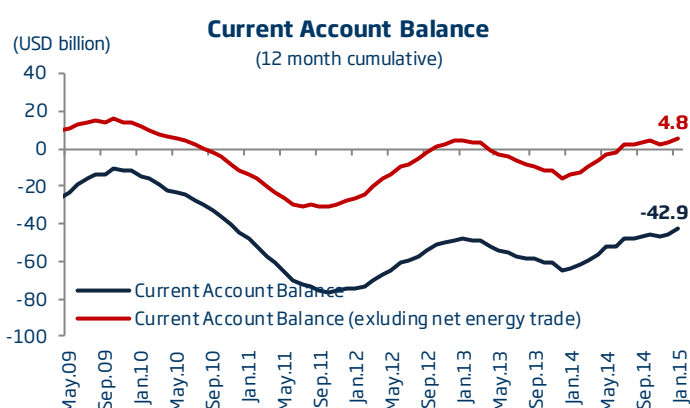
Balance of Payments - January 2015

Economic Research Division

TÜRKİYE BANKASI

Current account deficit kept contracting in the first month of 2015.

In January, current account deficit came in below market expectations and was realized as 2 billion USD. 12-month cumulative current account deficit fell to its lowest level since November 2010, driven by the declining foreign trade deficit. Net non-monetary gold exports, amounted to 1.1 billion USD in January, was also played an important role in this development. Besides, tourism revenues continued to contribute to the current account balance by increasing 11.7% yoy.



Increase in foreign direct investment inflows...

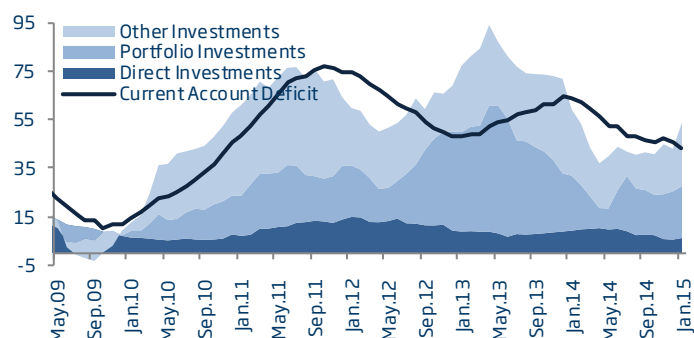
Foreign direct investment inflows came in at 1.8 billion USD in January, highest monthly inflow during the last 1 year. Sectorial breakdown showed that the capital inflows were towards to the energy and transportation/storage sectors. On the other hand, 12-month cumulative foreign direct investment inflows still remained weak compared to the levels registered before the global financial crisis.

Portfolio investment inflows were realized as 1.6 billion USD in January ...

Portfolio investment inflows continued to contribute to the financing of the current account deficit in January. In this

Financing of Current Account Deficit

(12 month cumulative, USD billion)



period, capital inflows directed to debt securities were realized as 1.4 billion USD, mainly stemmed from the eurobond issues of public sector. Moreover, net capital inflows via equity securities amounted 462 million USD.

Nonresident banks increased their foreign currency deposits in January.

Net capital inflows via currency and deposits account were realized as 3.5 billion USD in January. While 2.5 billion USD of this amount were held as foreign currency by nonresident banks, approximately 1 billion USD was held as Turkish Lira.

Banks and non-bank sectors raised 2.3 billion USD of loans from abroad.

Banking sector raised 1.5 billion USD of net short term loans from abroad in January while sector was net credit re-payer in long term loans. In this period, non-bank sectors raised 1.4 billion USD long term loans despite a repayment of 1.1 billion USD. Thus, adding 670 million USD worth of short term loans, in total, non-bank sectors raised 889 million USD net loans abroad in January. In 12-month cumulative terms, banks' and nonbank sectors' long-term debt roll-over ratios were realized as 177% and 125%, respectively.

Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

	December 2014		January 2015		Breakdown of Capital Inflows (%)	
	December 2014	January 2015	December 2014	January 2015	December 2014	January 2015
Current Account Balance	-45,846	-42,866	-	-	-	-
Total Net Foreign Capital Inflows	45,378	52,215	100.0	100.0		
-Direct Investments	5,487	6,154	12.1	11.8		
-Portfolio Investments	19,934	21,475	43.9	41.1		
-Other Investments	17,629	26,182	38.8	50.1		
-Net Errors and Omissions	2,394	-1,551	5.3	-3.0		
-Other	-66	-45	-0.1	-0.1		
Reserves⁽¹⁾	468	-9,349	-	-		

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 - January 2015

Economic Research Division



Increase in reserve assets ...

In January, net errors and omissions account registered an outflow 1.5 billion USD while reserve assets increased by 4 billion USD.

Expectations

Turkey's current account deficit kept contracting, driven by the relatively lower energy bill. However, exports to the European Union countries started to decrease lately due to the weak economic activity in the region, which in turn, may adversely affect the foreign trade performance. This would also have a negative impact on current account deficit, following a downward trend since 1 year. However, leading

indicators showed that domestic demand conditions started 2015 with a weak course. Should the expected recovery in domestic demand take time the imports might be suppressed and current account deficit would be affected positively.

Current Account Balance	(USD million)			
	2014	January 2015	% Change	12 Month Cumulative
Current Account Balance	-4,982	-2,002	-59.8	-42,866
Foreign Trade Balance	-5,200	-2,563	-50.7	-60,905
Services Balance	713	990	38.8	25,573
Travel (net)	906	990	9.3	24,564
Primary Income	-541	-503	-7.0	-8,685
Secondary Income	46	74	60.9	1,151
Capital Account	-22	-1	-95.5	-45
Financial Account	-2,522	-3,466	37.4	-44,462
Direct Investments (net)	-933	-1,600	71.5	-6,154
Portfolio Investments (net)	-72	-1,613	2,140.3	-21,475
Net Acquisition of Financial Assets	-318	270	-	1,347
Net Incurrence of Liabilities	-246	1,883	-	22,822
Equity Securities	-318	462	-	3,339
Debt Securities	72	1,421	1,873.6	19,483
Other Investments (net)	4,283	-4,270	-	-26,182
Currency and Deposits	3,055	-3,522	-	-7,813
Net Acquisition of Financial Assets	2,015	-225	-	-2,507
Net Incurrence of Liabilities	-1,040	3,297	-	5,306
Central Bank	-119	-42	-64.7	-2,256
Banks	-921	3,339	-	7,562
Foreign Banks	-911	3,404	-	4,484
Foreign Exchange	-648	2,455	-	249
Turkish Lira	-263	949	-	4,235
Non-residents	-10	-65	550.0	3,078
Loans	946	-1,852	-	-17,915
Net Acquisition of Financial Assets	54	126	133.3	1,935
Net Incurrence of Liabilities	-892	1,978	-	19,850
Banking Sector	-1,220	1,446	-	14,801
Non-bank Sectors	466	889	90.8	6,162
Trade Credit and Advances	326	1,110	240.5	-22
Other Assets and Liabilities	-44	-6	-86.4	-432
Reserve Assets (net)	-5,800	4,017	-	9,349
Net Errors and Omissions	2,482	-1,463	-	-1,551

The figures used in the table are according to the Sixth Edition of the Balance of Payments Manual. You can find the details [here](#).

Source: CBRT

Balance of Payments - January 2015

Economic Research Division

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

izlem.erdem@isbank.com.tr

Hatice Erkiletliođlu - Asst. Manager

hatice.erkiletlioglu@isbank.com.tr

Eren Demir - Asst.Economist

eren.demir@isbank.com.tr

Gamze Can - Asst.Economist

gamze.can@isbank.com.tr

Alper Gürler - Unit Manager

alper.gurler@isbank.com.tr

Bora Çevik - Economist

bora.cevik@isbank.com.tr

M. Kemal Gündođdu - Asst.Economist

kemal.gundogdu@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.