



## Balance of Payments - August 2015

Economic Research Division

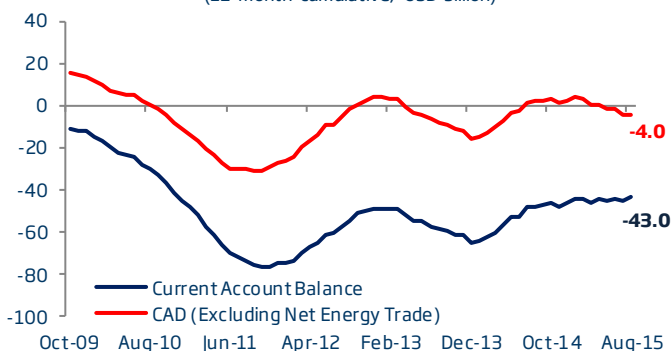


### A low level of current account deficit in August...

Current account posted a deficit of 163 million USD in August as opposed to the market expectations envisaging a surplus of 50 million USD. Nevertheless, this figure marked the best performance since October 2009. Current account deficit was 2.2 billion USD in August last year.

Realizing at 25.7 billion USD in the first eight months of the year, current account deficit narrowed by 11.9% yoy. This development stemmed mostly from the decline in foreign trade deficit which fell by 14.8% yoy in the same period. The 12-month cumulative current account deficit declined to 43 billion USD in August, the lowest level registered since November 2010.

**Current Account Balance**  
(12-month cumulative, USD billion)



### The improvement in external balance supported current account balance.

The decline of 3.7 billion USD in imports recorded in August resulted in a limited amount of current account deficit. Indeed, imports posted the fastest drop since September 2009. Energy prices and weak domestic demand conditions played a considerable role in this development. Net services revenues, on the other hand, fell by 12.9% yoy in August and limited the improvement in current account balance. Net tourism revenues monitored under services balance shrank annually for the sixth consecutive month. Tourism revenues declined by 8.7% yoy in the first eight months of the year. Economic crisis in Russia and

growing concerns over security in Turkey were the main reasons behind this development. Moreover, it was noteworthy that shuttle trade also declined by 32.5% yoy during this period.

### Ongoing positive outlook in foreign direct investments...

In August, a period in which capital inflows to Turkey exhibited a weak outlook, foreign direct investment inflows contributed 1.7 billion USD to the financing of the deficit. The highest amount of foreign direct investment was recorded in the manufacture of coke, refined petroleum products and nuclear fuel in this period. Non-residents' foreign direct investment in Turkey increased by 35.5% yoy to 11.8 billion USD in the first eight months of the year. However, real estate investments (net), which constitute 21.4% of total foreign direct investments, fell by 8.7% yoy during this period.

### Capital outflow recorded in portfolio investments...

Having registered a net capital outflow since May, portfolio investments also recorded a net outflow of 1.5 billion USD in August. The net outflow in this item reached 8.8 billion USD as of the first eight months of the year. Non-residents' equity and debt securities portfolios marked a net sales of 0.7 billion USD and 4.2 billion USD, respectively. Furthermore, it was seen that residents acquired a net amount of 3.9 billion USD worth of assets abroad during this period. In line with the deterioration in risk perception towards the emerging markets, capital flows to emerging countries including Turkey displayed a weak performance.

### Banking sector became a net credit repayer in August.

Other investments also posted a net outflow of 1.9 billion USD in August. A net rise of 2.3 billion USD registered in currency and deposits held by domestic banks' in their foreign correspondent banks and a net fall of 0.3 billion USD foreign banks' currency and deposits within domestic banks played a part in this development. Furthermore, banking sector became a net credit repayer with 335 million USD in August. Banking sector was a net credit borrower of 2.2 billion USD in long-term loans in this period while it was a net credit repayer of 2.5 billion USD in short-term loans. Non-bank sectors, on the other hand, borrowed a net amount of 694 million USD in August. In the same period, non-banking sector was a net credit borrower of

### Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

			Breakdown of Net Capital Inflows (%)	
	Dec. 2014	Aug. 2015	Dec. 2014	Aug. 2015
<b>Current Account Balance</b>	<b>-46,525</b>	<b>-43,047</b>	-	-
<b>Total Net Foreign Capital Inflows</b>	<b>46,057</b>	<b>36,297</b>	<b>100.0</b>	<b>100.0</b>
-Direct Investments	5,718	9,710	12.4	26.8
-Portfolio Investments	20,109	-945	43.7	-2.6
-Other Investments	16,980	22,442	36.9	61.8
-Net Errors and Omissions	3,320	5,110	7.2	14.1
-Other	-70	-20	-0.2	-0.1
<b>Reserves<sup>(1)</sup></b>	<b>468</b>	<b>6,750</b>	-	-

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, Datastream

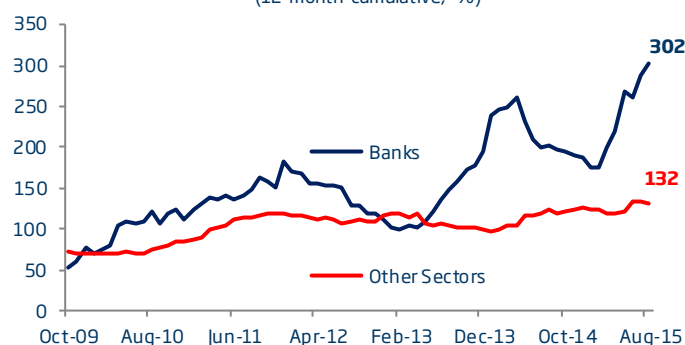
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## Long-term Debt Rollover Ratios

(12-month cumulative, %)



441 million USD in long-term loans. They were a net credit user of 253 million USD in short-term loans as well.

12-month cumulative data indicated that banks' and non-bank sectors' long-term debt roll-over ratios stood at 302% and 132% in August, respectively.

## An inflow of 11 billion USD in net errors and omissions account...

Net errors and omissions account posted a surge of 1.4 billion USD in August. Hence, capital inflows recorded under this item, which was 9.2 billion USD in the first eight months of 2014, became 11 billion USD in the same period of this year. Accordingly, this account continued to make a significant contribution to the financing of the current account deficit.

## Expectations...

In line with the expectations that the narrowing of foreign trade deficit might persist in the coming period, current account balance is expected to continue to improve. On the financing front, fluctuations have been observed owing to the shifts in expectations regarding the normalization process of Fed's policy. Moreover, the deterioration in risk perception toward emerging markets, in particular China, reinforced capital outflows recently. Nonetheless, as banks and non-banking sectors have no difficulty in accessing funds in international markets, it is anticipated that no setbacks will be faced in financing the current account deficit in the forthcoming period.

Balance of Payments	(USD million)				
	August 2015	Jan. - Aug.		% Change	12-Month Cumulative
<b>Current Account Balance</b>	<b>-163</b>	<b>-29,152</b>	<b>-25,674</b>	<b>-11.9</b>	<b>-43,047</b>
Foreign Trade Balance	-3,634	-40,419	-34,441	-14.8	-57,606
Services Balance	3,947	16,696	15,287	-8.4	23,755
Travel (net)	3,364	16,038	14,124	-11.9	22,566
Primary Income	-586	-6,104	-7,147	17.1	-10,255
Secondary Income	110	675	627	-7.1	1,059
<b>Capital Account</b>	<b>27</b>	<b>-56</b>	<b>-6</b>	<b>-89.3</b>	<b>-20</b>
<b>Financial Account</b>	<b>1,294</b>	<b>-20,052</b>	<b>-14,734</b>	<b>-26.5</b>	<b>-37,957</b>
Direct Investments (net)	-1,675	-4,474	-8,466	89.2	-9,710
Portfolio Investments (net)	1,477	-12,290	8,764	-	945
Net Acquisition of Financial Assets	453	784	3,871	393.8	3,828
Net Incurrence of Liabilities	-1,024	13,074	-4,893	-	2,883
Equity Securities	-347	2,014	-715	-	-170
Debt Securities	-677	11,060	-4,178	-	3,053
Other Investments (net)	1,891	-6,642	-12,104	82.2	-22,442
Currency and Deposits	2,111	414	47	-88.6	-967
Net Acquisition of Financial Assets	2,077	187	11,199	5,888.8	11,308
Net Incurrence of Liabilities	-34	-227	11,152	-	12,275
Central Bank	-196	-1,645	-606	-63.2	-1,294
Banks	1,456	1,418	11,758	729.2	9,405
Foreign Banks	1,549	-229	8,381	-	6,499
Foreign Exchange	-821	-765	4,790	-	2,701
Turkish Lira	500	536	3,591	570.0	6,005
Non-residents	483	1,647	3,377	105.0	4,863
Loans	-461	-6,542	-10,203	56.0	-18,762
Net Acquisition of Financial Assets	-141	1,724	396	-77.0	535
Net Incurrence of Liabilities	320	8,266	10,599	28.2	19,297
Banking Sector	-335	4,267	5,254	23.1	12,823
Non-bank Sector	694	4,779	6,033	26.2	7,273
Trade Credit and Advances	294	-98	-1,713	1,648.0	-2,423
Other Assets and Liabilities	-53	-416	-235	-43.5	-290
Reserve Assets (net)	-399	3,354	-2,928	-	-6,750
<b>Net Errors and Omissions</b>	<b>1,430</b>	<b>9,156</b>	<b>10,946</b>	<b>19.6</b>	<b>5,110</b>

The figures used in the table are according to the Sixth Edition of the Balance of Payments Manual. You can find the details [here](http://research.isbank.com.tr).

Source: CBRT, Datastream

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

izlem.erdem@isbank.com.tr

**Alper Gürler - Unit Manager**

alper.gurler@isbank.com.tr

**Hatice Erkiletlioğlu - Asst. Manager**

hatice.erkiletlioglu@isbank.com.tr

**İlker Şahin - Economist**

ilker.sahin@isbank.com.tr

**Eren Demir - Asst.Economist**

eren.demir@isbank.com.tr

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

kemal.gundogdu@isbank.com.tr

**Gamze Can - Asst.Economist**

gamze.can@isbank.com.tr

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