

Balance of Payments–January 2016

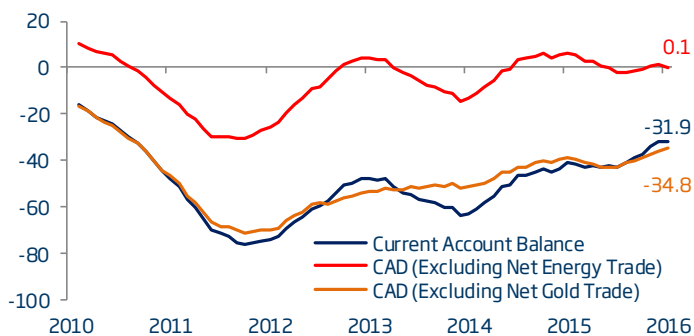
Economic Research Division



The ongoing downward trend in CAD...

Despite the low base effect, current account deficit (CAD) came in at 2.2 billion USD in January, slightly below market expectations. Although tourism revenues exhibited a weak performance and net gold trade fell by 1 billion USD in this period, the contraction in CAD was noteworthy. 3 billion USD decline in imports played a significant role in this development. Thus, 12-month cumulative CAD was 31.9 billion USD, the lowest level in more than 5 years.

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



Decline in direct investment inflows...

Foreign direct investment inflow recorded an annual decrease of 1.1 billion USD in January and became 620 million USD. The reading was the lowest monthly capital inflow of last 17 months. As a result, net foreign direct investments, which exhibited a positive outlook throughout 2015, declined by 1.3 billion USD on an annual basis in the first month of 2016.

Outflow from portfolio investments continued.

Having registered a capital outflow of 15.5 billion USD in 2015, portfolio investments also posted an outflow of 1.2 billion USD in January 2016. A significant amount of this outflow stemmed from the redemption of banks' bond issues in international markets and non-residents' sales in equity market in this period. According to the 12-month

cumulative data, net capital outflow in portfolio investments reached 18.2 billion USD, a record high level. Elevated geopolitical risks and volatile conditions in global markets were significant in this development.

An inflow of 4.2 billion USD in other investments...

While foreign direct and portfolio investments displayed an unfavorable performance in the first month of the year, other investments posted a capital inflow of 4.2 billion USD. The rise of 2.4 billion USD in non-resident banks' currency and deposits held within domestic banks supported the increase in other investments. Also, a limited amount of inflow (585 million USD) was registered under the credit item.

Banks became a net credit borrower with a small amount of 53 million USD. On the other hand, non-bank sectors, using 1 billion USD net credits, contributed to the financing of the current account deficit. According to 12-month cumulative figures, banks' and non-bank sectors' long-term debt roll-over ratios became 329% and 157%, respectively. These high roll-over ratios indicated that the sectors did not face any difficulty in raising funds from abroad.

There has been no need for using CBRT reserves in current account financing in January. Having marked a significant contribution to the financing of the current account in 2015 as a whole, net errors and omissions posted an outflow of 1.1 billion USD in the first month of 2016.

Expectations...

Low energy prices continue to mitigate the risks to the current account through the import channel. However, the weak performance of the world trade as well as geopolitical issues exerts downward pressure on exports. In addition, should the domestic demand rise in the upcoming period, the decline in imports may lose steam along with an unfavorable basis effect. In 2016, the estimated decline in tourism revenues may also exacerbate the risks, yet the deficit is expected to remain relatively low.

Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

			Breakdown of Net Capital Inflows (%)	
	Dec. 2015	Jan. 2016	Dec. 2015	Jan. 2016
Current Account Balance	-32,105	-31,889	-	-
Total Net Foreign Capital Inflows	20,274	16,004	100.0	100.0
-Direct Investments	11,666	10,410	57.5	65.0
-Portfolio Investments	-15,468	-18,225	-76.3	-113.9
-Other Investments	14,753	15,406	72.8	96.3
-Net Errors and Omissions	9,344	8,417	46.1	52.6
-Other	-21	-4	-0.1	0.0
Reserves⁽¹⁾	11,831	15,885	-	-

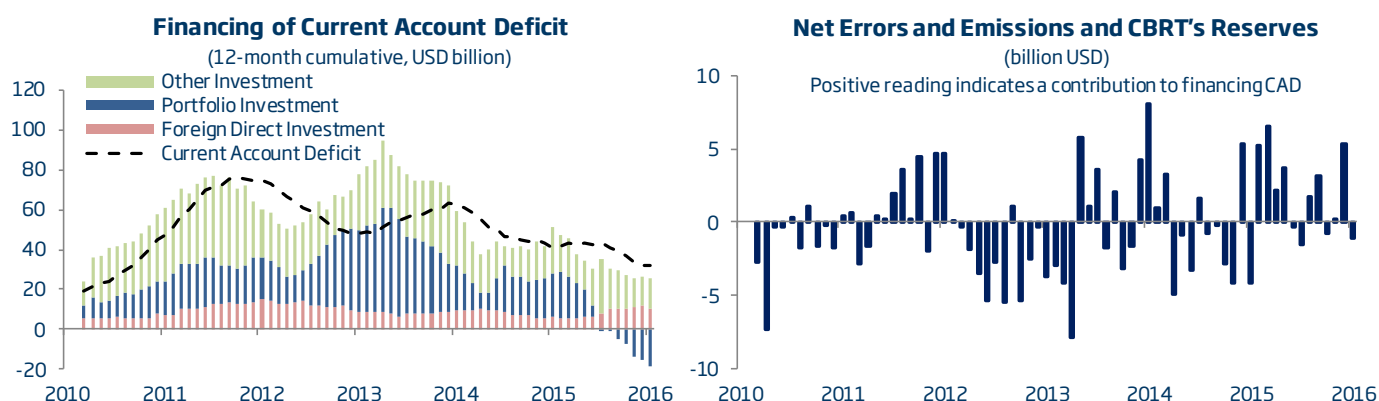
Note: The numbers may not add up to total due to rounding.

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

Source: CBRT, Datastream

Balance of Payments - January 2016

Economic Research Division



Balance of Payments

(USD million)

	January		%	12-Month Cumulative
	2015	2016		
Current Account Balance	-2,443	-2,227	-8.8	-31,889
Foreign Trade Balance	-3,095	-2,845	-8.1	-47,659
Services Balance	1,109	957	-13.7	23,863
Travel (net)	967	785	-18.8	21,066
Primary Income	-459	-434	-5.4	-9,502
Secondary Income	2	95	4,650.0	1,409
Capital Account	-2	15	-	-4
Financial Account	-2,642	-3,336	26.3	-23,476
Direct Investments (net)	-1,536	-280	-81.8	-10,410
Portfolio Investments (net)	-1,590	1,167	-	18,225
Net Acquisition of Financial Assets	278	393	41.4	6,213
Net Incurrence of Liabilities	1,868	-774	-	-12,012
Equity Securities	506	-261	-	-3,162
Debt Securities	1,362	-513	-	-8,850
Other Investments (net)	-3,533	-4,186	18.5	-15,406
Currency and Deposits	-2,504	-3,342	33.5	1,269
Net Acquisition of Financial Assets	365	-945	-	13,684
Net Incurrence of Liabilities	2,869	2,397	-16.5	12,415
Central Bank	-42	-18	-57.1	-892
Banks	2,911	2,415	-17.0	13,307
Foreign Banks	2,976	2,440	-18.0	9,406
Foreign Exchange	2,027	706	-65.2	3,387
Turkish Lira	949	1,734	82.7	6,019
Non-residents	-65	-25	-61.5	3,901
Loans	-1,797	-585	-67.4	-12,465
Net Acquisition of Financial Assets	109	390	257.8	1,073
Net Incurrence of Liabilities	1,906	975	-48.8	13,538
Banking Sector	1,407	53	-96.2	3,496
Non-bank Sectors	801	1,038	29.6	11,094
Trade Credit and Advances	774	-363	-	-4,058
Other Assets and Liabilities	-6	104	-	-152
Reserve Assets (net)	4,017	-37	-	-15,885
Net Errors and Omissions	-197	-1,124	471	8,417

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, Datastream

Balance of Payments - January 2016

Economic Research Division

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

izlem.erdem@isbank.com.tr

Hatice Erkiletlioğlu - 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

İlker Şahin - Economist

ilker.sahin@isbank.com.tr

M. Kemal Gündoğdu - 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.