

Balance of Payments–March 2016

Economic Research Division

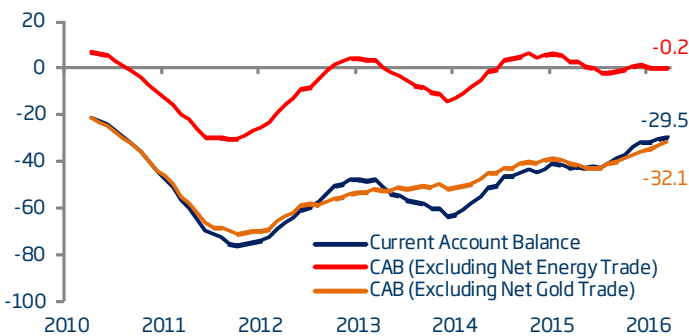


Current account deficit was in line with the expectations.

Current account deficit contracted by 22.9% yoy in March and was realized as 3.7 billion USD. In the first quarter of the year, the deficit narrowed by 25.1% compared to the same period of 2015 and came in at 7.9 billion USD. Decrease in trade deficit played a significant role in the positive performance of the current account balance.

Current Account Balance

(12-month cumulative, USD billion)



12-month cumulative deficit shrank to the lowest level of 68 months.

According to the 12-month cumulative figures, current account deficit kept its downward trend in March. 12-month deficit was realized as 29.5 billion USD in March, falling by 1.1 billion USD compared to February. Thus, the deficit recorded its lowest reading since July 2010.

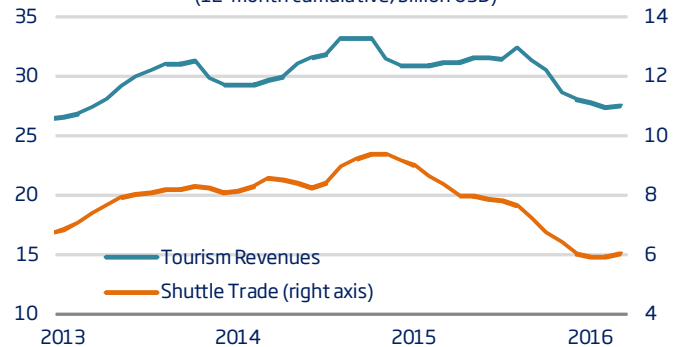
Improvement in foreign trade deficit continued.

While export of goods rose by 3.2% in March compared to the same month of 2015, the decline in imports persisted despite losing momentum. Contracting by 1.3 billion USD in the same period, the fall in foreign trade deficit was higher than that of current account deficit (1.1 billion USD).

Analysis of the quarterly figures revealed that while export volume posted a limited decrease, import volume declined by more than 10%. In this context, developments in the foreign trade balance had positive repercussions for the current account balance. On the other hand, as travel

Tourism Revenues and Shuttle Trade

(12-month cumulative, billion USD)



revenues dropped by 16.8% yoy in this period, services revenues continued to affect negatively current account deficit.

Rapid increase in portfolio inflows...

In line with the increase in capital flows into emerging countries, portfolio inflows to Turkey gained momentum in March. Portfolio inflows contributed to the financing of the current account deficit by 2.7 billion USD in March, after registering 1.1 billion USD capital inflows in February. Government domestic debt securities posted an inflow of 0.5 billion USD and inflows via equity securities were realized as 1 billion USD in March. Regarding the bond issues in international capital markets, general government and other sectors borrowed net 0.7 billion USD and 0.8 billion USD, respectively. Hence, net portfolio inflows amounted to 2.6 billion USD in the first quarter.

Weak performance in foreign direct investments...

Having exhibited a sluggish performance in the first two months of the year, foreign direct investments continued to lose steam in March. Net foreign direct investments fell by almost 60% yoy in the first quarter.

Banks were net credit repayer in March.

Other investments registered an inflow of 0.7 billion USD in March as the rise in domestic banks' currency and deposit holdings within their foreign correspondent banks softened compared to February. Having reached 3.7 billion USD in the

Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

	USD million		Breakdown of Net Capital Inflows (%)	
	Dec. 2015	Mar. 2016	Dec. 2015	Mar. 2016
Current Account Balance	-32,136	-29,491	-	-
Total Net Foreign Capital Inflows	-1,749	-7,052	100.0	100.0
-Direct Investments	-11,725	-9,828	670.4	139.4
-Portfolio Investments	15,498	11,137	-	-
-Other Investments	-14,800	-16,535	846.2	234.5
-Net Errors and Omissions	9,299	8,179	-531.7	-116.0
-Other	-21	-5	-0.1	0.1
Reserves ⁽¹⁾	-11,831	-6,091	-	-

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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first two months of the year and become instrumental in the course of the other investments, non-resident banks' TRY deposits within domestic banks rose by 0.1 billion USD in March.

Banks were net credit repayers in March in both short-term and long-term loans. The sector realized a net disbursement of 1.5 billion USD during this period. Non-banking sectors were net credit repayer in short-term loans while they are net credit borrower in long-term loans. Non-banking sector became a net borrower of 1.9 billion USD in long term loans in March and of 3.1 billion USD in the first quarter.

The long-term debt rollover ratio of the banking sector, according to 12-month cumulative data, came in at high levels despite the sharp monthly decline in March. That ratio of non-banking sector, on the other hand, maintained its upward trend during this period.

Reserves increased by 1.5 billion USD in March while net errors and omissions posted an inflow of 1.1 billion USD. The ratio of the capital inflows recorded under the net error and omissions item to current account deficit became 36% in the first quarter.

Long-term Debt Rollover Ratios
(12-month cumulative, %)



Expectations...

The contraction in the foreign trade deficit has supported the improvement in current account deficit. The adverse impact of geopolitical developments, however, unraveled itself through the channel of tourism revenues. The more sluggish the performance of tourism revenues becomes in the period ahead, the more severe the unfavorable impact on the current account deficit will be.

Balance of Payments

	(USD million)				
	March 2016	Jan. - Mar. 2015	Jan. - Mar. 2016	% Change	12-Month Cumulative
Current Account Balance	-3,677	-10,523	-7,878	-25.1	-29,491
Foreign Trade Balance	-3,566	-11,408	-8,149	-28.6	-44,686
Services Balance	575	3,003	1,628	-45.8	22,642
Travel (net)	721	2,852	1,917	-32.8	20,313
Primary Income	-723	-2,480	-1,873	-24.5	-8,923
Secondary Income	37	362	516	42.5	1,476
Capital Account		-1	15		-5
Financial Account	-2,563	-6,566	-5,025	-23.5	-21,317
Direct Investments (net)	-650	-3,165	-1,268	-59.9	-9,828
Portfolio Investments (net)	-2,693	1,749	-2,612	-	11,137
Net Acquisition of Financial Assets	220	716	777	8.5	6,190
Net Incurrence of Liabilities	2,913	-1,033	3,389	-	-4,947
Equity Securities	999	-794	1,182	-	-419
Debt Securities	1,914	-239	2,207	-	-4,528
Other Investments (net)	-718	-1,517	-3,252	114.4	-16,535
Currency and Deposits	-516	-970	-2,300	137.1	748
Net Acquisition of Financial Assets	716	5,975	2,972	-50.3	11,962
Net Incurrence of Liabilities	1,232	6,945	5,272	-24.1	11,214
Central Bank	-30	-116	-66	-43.1	-866
Banks	1,262	7,061	5,338	-24.4	12,080
Foreign Banks	664	6,333	4,917	-22.4	8,526
Foreign Exchange	521	5,343	1,103	-79.4	468
Turkish Lira	143	990	3,814	285.3	8,058
Non-residents	598	728	421	-42.2	3,554
Loans	222	-1,637	-1,468	-10.3	-13,507
Net Acquisition of Financial Assets	-48	84	555	560.7	1,263
Net Incurrence of Liabilities	-270	1,721	2,023	17.5	14,770
Banking Sector	-1,537	1,670	-1,073	-	2,198
Non-bank Sectors	1,760	364	3,692	914.3	14,071
Trade Credit and Advances	-419	1,132	420	-62.9	-3,652
Other Assets and Liabilities	-5	-42	96	-	-124
Reserve Assets (net)	1,498	-3,633	2,107	-	-6,091
Net Errors and Omissions	1,114	3,958	2,838	-28.3	8,179

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

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