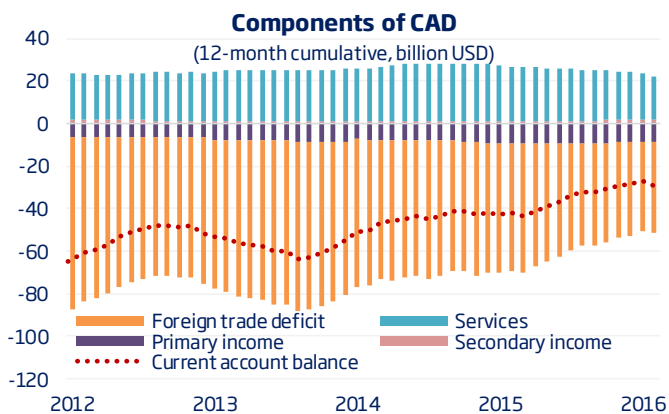


### Current account deficit came in above expectations.

Current account deficit, which was 3.2 billion USD in June 2015, became 4.9 billion USD in the same month of this year. Thus the deficit posted an annual increase for the first time since July 2015. On the other hand, the deficit decreased by 12.9% yoy in the first half of the year and was realized as 19.1 billion USD.

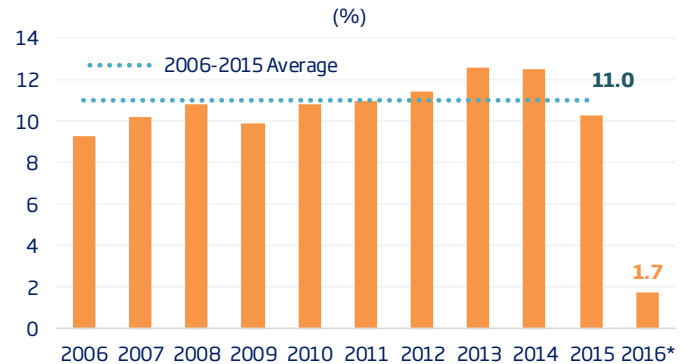
According to 12-month cumulative figures, after falling for 10 consecutive months, current account deficit once again increased in June. 12-month cumulative deficit surged to 29.4 billion USD in this period.



Sharp drop in tourism revenues played an important role in rise in current account deficit in June. Net tourism revenues, which were 2.2 billion USD in June 2015, contracted by 51.2% yoy and were realized as 1.1 billion USD in the same month of 2016.

In the first half of the year, the number of Russian tourists decreased by 86% yoy. While the decrease in total foreign visitors was 3.6 million in this period, the number of Russian tourists fell by 1.1 million. Having been as high as 11% during 2006-2015 period, the share of Russian visitors in total foreign visitors dropped to 1.7% in the first half of the year. As Russia and Turkey have taken steps towards normalizing relations, the restart of charter flights to Turkey is expected to lead to a pickup in this ratio. Nevertheless, it will take some time to get there.

### Share of Russian Tourists

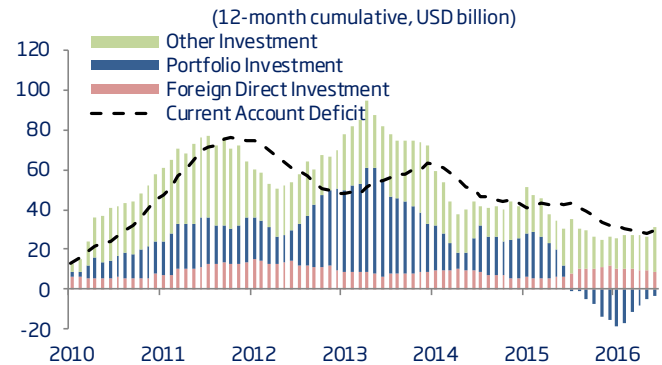


Foreign trade figures had a limited impact on current account deficit in June. Increase in imports was partly offset by the rise in non-monetary gold exports in this period. Analyses of the 12-month cumulative figures showed that non-monetary gold trade has continued to pull down the deficit.

### Almost 1 billion USD inflows in portfolio investment...

Portfolio investments recorded a net inflow of 996 million USD in June. Non-residents were sellers in both government domestic debt securities and equity securities, albeit marginal. On the other hand, regarding the bond issues in international capital markets, general government and banks realized a net borrowing of 1 billion USD and 235 million USD, respectively. In the first half of the year,

### Financing of Current Account Deficit



### Breakdown of Net Capital Inflows

	(12-month cumulative, USD million)		Breakdown of Net Capital Inflows (%)	
	Dec. 2015	Jun. 2016	Dec. 2015	Jun. 2016
<b>Current Account Balance</b>	<b>-32,241</b>	<b>-29,416</b>	-	-
<b>Total Net Foreign Capital Inflows</b>	<b>20,410</b>	<b>30,595</b>	<b>100.0</b>	<b>100.0</b>
-Direct Investments	11,807	8,880	57.8	29.0
-Portfolio Investments	-15,498	-3,372	-	-
-Other Investments	14,739	22,681	72.2	74.1
-Net Errors and Omissions	9,383	2,411	46.0	7.9
-Other	-21	-5	-0.1	0.0
<b>Reserves<sup>(1)</sup></b>	<b>11,831</b>	<b>-1,179</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.

(\*) As of first half of 2016.  
Source: CBRT, Datastream

portfolio investment registered a net inflow of 8.3 billion USD.

### Foreign direct investments...

As foreign direct investments have lost momentum, the contribution of foreign direct investments to the financing of current account deficit remained limited by 2.3 billion USD.

### Other investments were at all-time high...

Other investments received an inflow of 8.9 billion USD in June, at a historic high. This development stemmed mostly from the 4.8 billion USD decrease recorded in domestic banks' currency and deposit holdings within their foreign correspondent banks. Besides, residents borrowed net 3.7 billion USD from abroad. Banking and non-banking sectors were net credit borrowers with 1.8 billion USD and 2.1 billion USD, respectively.

After falling to the lowest level of last 3 years in May, 12-month trailing long-term debt rollover ratio of the banking sector increased to 186% in June. This ratio for non-banking sector stood at 174%.

### Expansion in Central Bank reserves...

Reserves surged by 3.7 billion USD in June. In the first half of the year, the rise in reserves was realized as 8.5 billion USD. Net errors and omissions item posted an outflow of 1.5 billion USD in June.

### Expectations...

With the start of the summer season, the impact of tourism revenues on current account balance became more evident. Despite recent improvements in the bilateral relations between Russia and Turkey, more time is required for the tourism revenues to fully recover. Against this backdrop, we think that this unfavorable impact of tourism on the deficit is likely to prevail in the coming period.

Balance of Payments	(USD million)				
	June 2016	Jan. - Jun. 2015	Jan. - Jun. 2016	% Change	12-Month Cumulative
<b>Current Account Balance</b>	<b>-4,942</b>	<b>-21,886</b>	<b>-19,061</b>	<b>-12.9</b>	<b>-29,416</b>
Foreign Trade Balance	-5,228	-25,424	-20,306	-20.1	-43,039
Services Balance	1,194	8,590	4,875	-43.2	20,403
Travel (net)	1,068	7,947	4,706	-40.8	18,007
Primary Income	-997	-5,573	-4,502	-19.2	-8,453
Secondary Income	89	521	872	67.4	1,673
<b>Capital Account</b>	<b>0</b>	<b>-1</b>	<b>15</b>	<b>-</b>	<b>-5</b>
<b>Financial Account</b>	<b>-6,475</b>	<b>-13,284</b>	<b>-17,415</b>	<b>31.1</b>	<b>-27,010</b>
Direct Investments (net)	-271	-5,197	-2,270	-56.3	-8,880
Portfolio Investments (net)	-996	3,840	-8,286	-	3,372
Net Acquisition of Financial Assets	167	2,615	735	-71.9	4,249
Net Incurrence of Liabilities	1,163	-1,225	9,021	-	877
Equity Securities	-59	-67	782	-	-1,546
Debt Securities	1,222	-1,158	8,239	-	2,423
Other Investments (net)	-8,889	-7,379	-15,321	107.6	-22,681
Currency and Deposits	-4,026	-603	-5,982	892.0	-3,295
Net Acquisition of Financial Assets	-5,526	8,863	-1,107	-	5,001
Net Incurrence of Liabilities	-1,500	9,466	4,875	-48.5	8,296
Central Bank	-37	-291	-178	-38.8	-803
Banks	-1,463	9,757	5,053	-48.2	9,099
Foreign Banks	-1,958	7,963	3,680	-53.8	5,659
Foreign Exchange	-2,205	5,863	-231	-	-1,386
Turkish Lira	247	2,100	3,911	86.2	7,045
Non-residents	495	1,794	1,373	-23.5	3,440
Loans	-3,694	-5,943	-7,709	29.7	-15,379
Net Acquisition of Financial Assets	75	704	242	-65.6	330
Net Incurrence of Liabilities	3,769	6,647	7,951	19.6	15,709
Banking Sector	1,789	3,356	342	-89.8	1,934
Non-bank Sectors	2,129	3,704	8,503	129.6	15,472
Trade Credit and Advances	-1,155	-677	-1,686	149.0	-3,957
Other Assets and Liabilities	-14	-156	56	-	-50
Reserve Assets (net)	3,681	-4,548	8,462	-	1,179
<b>Net Errors and Omissions</b>	<b>-1,533</b>	<b>8,603</b>	<b>1,631</b>	<b>-81.0</b>	<b>2,411</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](#).

Source: CBRT, Datastream

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