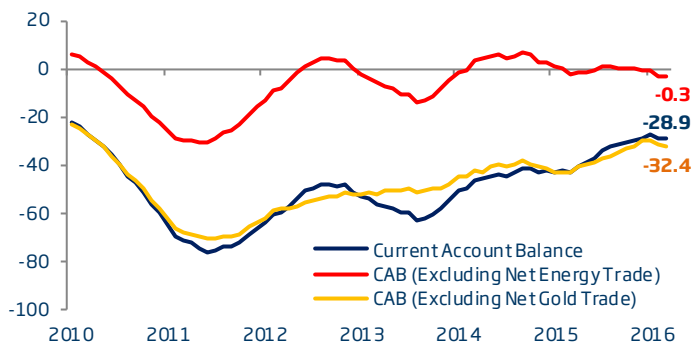


Current account deficit was 2.6 billion USD in July.

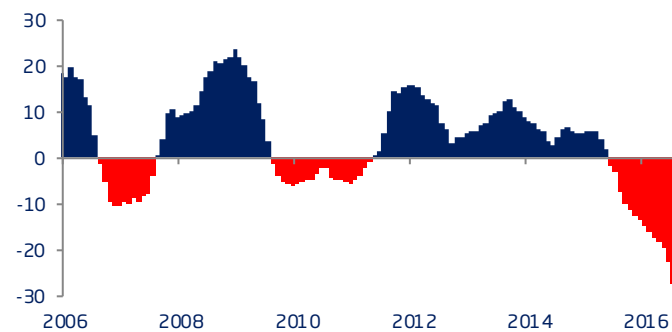
Current account deficit, which was 3.1 billion USD in July 2015, became 2.6 billion USD in the same month of this year. The deficit decreased by 13.2% yoy in the first seven months of the year and stood at 21.7 billion USD. Having fallen by 500 million USD compared to the previous month, 12-month cumulative deficit became 28.9 billion USD in July.

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



Against the improvement in foreign trade balance supported by net gold trade, abrupt decline in tourism revenues weighed on the current account balance in July. Net tourism revenues, which were 2.7 billion USD in July 2015, declined to 1.5 billion USD in the same month of 2016. Adding this figure

Net Tourism Revenues
(12-month cumulative, annual % change)



to the picture, annual deterioration in net tourism revenues stepped into its 17th consecutive month.

Weak outlook in foreign direct investments...

The slowdown in foreign direct investments prevailed in July. Having reached 10.5 billion USD in the first seven months of 2015, net foreign direct investments remained limited at 4.8 billion USD.

Favorable performance in portfolio investments...

The size of the negative impact of the mid-July events remained relatively modest. Portfolio investments recorded a net inflow of 1.4 billion USD in this period as 1.1 billion USD of this amount stemmed from the reductions in residents' holdings of securities issued in international markets. Equity markets witnessed a capital outflow of 348 million USD while bond markets recorded a capital inflow of 645 million USD in July.

Likewise, portfolio investments painted a favorable picture in the first seven months of the year compared to a year ago. Having recorded a net outflow of 7.1 billion USD in the first seven months of 2015, portfolio investments posted a net inflow of 9.7 billion USD. It was a positive development that portfolio investments have inched into positive territory for the first time since June 2015, according to 12-month cumulative figures.

Capital outflow in other investments...

Other investments registered an outflow of 3.1 billion USD in July as domestic banks increased their currency and deposit holdings within their foreign correspondent banks by 3.5 billion USD during this period. In June, on the other hand, domestic banks had reduced their currency and deposit holdings within their foreign correspondent banks by 4.8 billion USD.

Banking sector borrowed 3.3 billion USD from abroad in long term loans while it made a repayment of 3.1 billion USD. Non-bank sector also raised long-term credits by 1.6 billion USD and repaid 1.4 billion USD during this period. Hence, long-

Breakdown of Net Capital Inflows**(12-month cumulative, USD million)**

	Breakdown of Net Capital Inflows (%)			
	Dec. 2015	Jul. 2016	Dec. 2015	Jul. 2016
Current Account Balance	-32,241	-28,931	-	-
Total Net Foreign Capital Inflows	20,410	26,402	100.0	100.0
-Direct Investments	11,827	7,096	57.9	26.9
-Portfolio Investments	-15,498	1,259	-	-
-Other Investments	14,724	14,204	72.1	53.8
-Net Errors and Omissions	9,378	3,805	45.9	14.4
-Other	-21	38	-0.1	0.1
Reserves⁽¹⁾	11,831	2,529	-	-

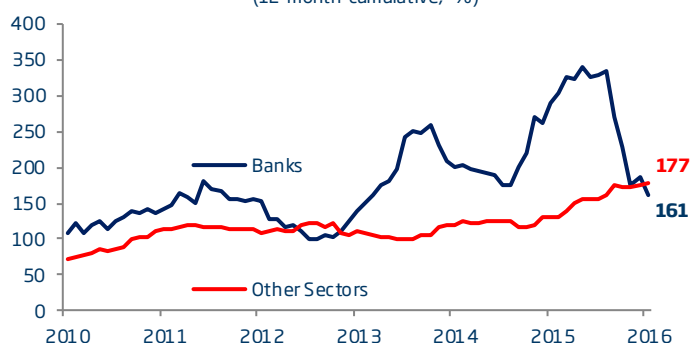
Note: The numbers may not add up to total due to rounding.

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

Source: CBRT, Datastream

Long-term Debt Rollover Ratios

(12-month cumulative, %)



term debt rollover ratios continued to hover above 100%. Having said that, 12-month cumulative figures revealed that the debt rollover ratio of the banking sector fell behind that of non-bank sector in July for the first time since April 2013.

Reserves & net errors and omissions...

Having expanded by 3.7 billion USD in June, reserves declined by 1.7 billion USD in July. In the first seven months of the year,

on the other hand, reserves rose by 6.8 billion USD.

Net errors and omissions played a significant part in the financing of current account deficit posting an inflow of 2.1 billion USD in July. The total net inflow recorded in 2016 so far reached 3.5 billion USD.

Expectations...

The impact of the fall in tourism revenues on current account balance became more evident in the summer months. On the other hand, as charter flights to Turkey restarted thanks to the ongoing normalization process between Turkey and Russia, positive expectations grew for the period ahead. Should the improvement in foreign trade balance be sustained as suggested by the provisional data on August, the recovery trend in current account deficit can be maintained to a large extent. Having said that, current account balance may come under pressure if the upward moves in commodity prices, particularly in oil prices, continue. The loss of momentum in the improvement of the current account deficit excluding energy supports this expectation.

Balance of Payments	(USD million)				
	July 2016	Jan. - Jul. 2015	Jan. - Jul. 2016	% Change	12-Month Cumulative
Current Account Balance	-2,602	-25,011	-21,701	-13.2	-28,931
Foreign Trade Balance	-3,725	-31,291	-24,057	-23.1	-40,923
Services Balance	1,659	11,671	6,522	-44.1	18,969
Travel (net)	1,456	10,629	6,162	-42.0	16,781
Primary Income	-605	-6,029	-5,108	-15.3	-8,603
Secondary Income	69	638	942	47.6	1,626
Capital Account	11	-33	26	-	38
Financial Account	-501	-16,012	-18,216	13.8	-25,088
Direct Investments (net)	-458	-7,720	-2,989	-61.3	-7,096
Portfolio Investments (net)	-1,417	7,104	-9,653	-	-1,259
Net Acquisition of Financial Assets	-1,120	3,405	-382	-	2,342
Net Incurrence of Liabilities	297	-3,699	9,271	-	3,601
Equity Securities	-348	-541	399	-	-1,455
Debt Securities	645	-3,158	8,872	-	5,056
Other Investments (net)	3,063	-12,867	-12,347	-4.0	-14,204
Currency and Deposits	3,340	-1,395	-2,639	89.2	840
Net Acquisition of Financial Asse	2,928	9,791	1,819	-81.4	6,999
Net Incurrence of Liabilities	-412	11,186	4,458	-60.1	6,159
Central Bank	-54	-410	-232	-43.4	-738
Banks	-358	11,596	4,690	-59.6	6,897
Foreign Banks	-47	8,702	3,627	-58.3	4,867
Foreign Exchange	-112	5,611	-349	-	-1,252
Turkish Lira	65	3,091	3,976	28.6	6,119
Non-residents	-311	2,894	1,063	-63.3	2,030
Loans	221	-9,261	-7,562	-18.3	-11,899
Net Acquisition of Financial Asse	-34	537	207	-61.5	462
Net Incurrence of Liabilities	-255	9,798	7,769	-20.7	12,361
Banking Sector	-420	5,593	-66	-	-711
Non-bank Sectors	84	4,740	8,650	82.5	14,568
Trade Credit and Advances	-485	-2,029	-2,188	7.8	-3,107
Other Assets and Liabilities	-13	-182	42	-	-38
Reserve Assets (net)	-1,689	-2,529	6,773	-	-2,529
Net Errors and Omissions	2,090	9,032	3,459	-61.7	3,805

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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