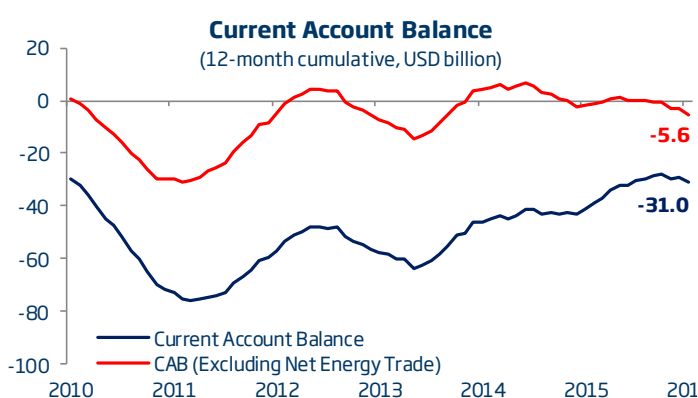


Current account deficit was 1.8 billion USD in August.

Current account balance, which gave a surplus of 256 million USD in August 2015, was realized above expectations and posted a deficit of 1.8 billion USD in August this year. In the first eight months of the year, the deficit contracted by 4.9% yoy and became 23.5 billion USD.

12-month cumulative current account deficit, on the other hand, rose by 2 billion USD compared to July and surpassed 31 billion USD. Thus, current account deficit reached the highest level since January. Excluding net energy trade, 12-month cumulative current account deficit hit the highest level since March 2014.



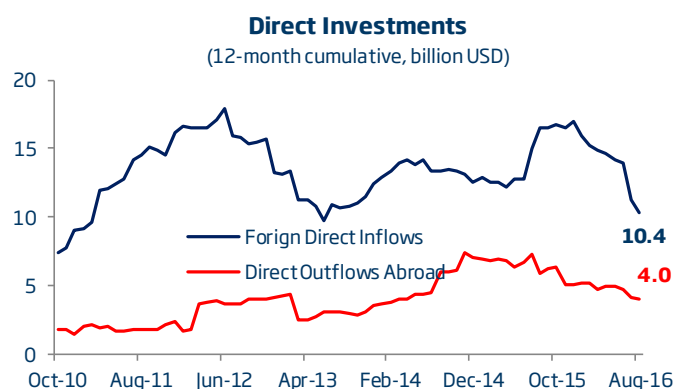
The support of net gold trade on current account balance diminished to a great extent in August. The recovery in foreign trade balance also remained limited compared to July. Indeed, import volume posted an annual rise for the second time in the last 24 months.

Deterioration in tourism revenues became evident in summer months. Sharp decline in tourism revenues in August weighed on the current account balance as was also the case in June and July. Net tourism revenues, which were 3.6 billion USD in August 2015, decreased to 2.2 billion USD in the same month of this year. Adding this figure to the

picture, annual deterioration in net tourism revenues stepped into its 18th consecutive month.

FDI continued to decline.

Foreign direct investments halved in August compared to the same month of the previous year. A similar picture is also observed for the January-August period. According to 12-month cumulative figures FDI decreased to its lowest level since June 2015.

**Portfolio investments...**

Equity markets, which had witnessed outflows in July due to domestic developments, recorded a limited inflow in August. Bonds market recorded an inflow of 1 billion USD via purchases of government domestic debt securities. On the other hand, expansion in non-banking sectors' portfolio investments and repayments of banks for securities issued abroad limited the rise in portfolio investments. Thus, portfolio investments lost momentum in August compared to the previous month.

For the first eight months, portfolio investments continued to present a positive outlook compared to the previous year. Portfolio investments, which had posted an outflow of 8.6 billion USD in January-August period last year, recorded an inflow of 10.1 billion USD in the same period of this year.

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

			Breakdown of Net Capital Inflows (%)	
	Dec. 2015	Aug. 2016	Dec. 2015	Aug. 2016
Current Account Balance	-32,228	-31,019	-	-
Total Net Foreign Capital Inflows	20,397	32,578	100.0	100.0
-Direct Investments	11,862	6,318	58.2	19.4
-Portfolio Investments	-15,498	3,218	-	-
-Other Investments	14,829	18,663	72.7	57.3
-Net Errors and Omissions	9,225	4,371	45.2	13.4
-Other	-21	8	-0.1	0.0
Reserves⁽¹⁾	11,831	-1,559	-	-

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

2.1 billion USD inflow in other investments...

Other investments registered an inflow of 2.1 billion USD in August. This development mainly stemmed from both the decline in domestic banks' currency and deposits within their foreign correspondent banks by 2.7 billion USD and increase in foreign banks' deposits held within domestic banks by 421 million USD.

Banking sector was a net credit repayer with 1.2 billion USD in August. Non-banking sector, on the other hand, was a net credit borrower with 568 million USD. As 12-month cumulative figures suggested, both banking and non-banking sectors long-term borrowings were realized above their credit repayments. On the other hand, long-term rollover ratio of banking sector declined to 147%, the lowest level since July 2013.

Reserves & net errors and omissions...

Reserves expanded fast by 3.7 billion USD in August. In the first eight months of the year, the rise in reserves was 10.5 billion USD. Net errors and omissions registered an inflow of

2 billion USD in August. During the January-August period, this account made a considerable contribution to the financing of current account deficit by recording an inflow of more than 5.4 billion USD.

Expectations...

Having expanded in August according to 12-month cumulative figures, current account deficit is expected to widen in the coming period. Indeed, provisional data on September revealed that a widening trend in the foreign trade deficit seems likely. Furthermore, we think that it will take some time for the tourism revenues to recover and therefore the adverse impact on the current account balance will persist for a while. The dismal outlook for energy imports due to the recent rises in oil prices; led by the potential deal among oil producing countries to freeze production, also constitutes another risk factor for the current account.

Balance of Payments	(USD million)				
	August 2016	Jan. - Aug. 2015 2016		% Change	12-Month Cumulative
Current Account Balance	-1,776	-24,756	-23,547	-4.9	-31,019
Foreign Trade Balance	-3,529	-34,989	-27,618	-21.1	-40,786
Services Balance	2,547	16,036	9,031	-43.7	17,127
Travel (net)	2,234	14,271	8,396	-41.2	15,373
Primary Income	-848	-6,537	-5,956	-8.9	-8,944
Secondary Income	54	734	996	35.7	1,584
Capital Account	-3	-6	23	-	8
Financial Account	211	-14,480	-18,096	25.0	-26,640
Direct Investments (net)	-859	-9,418	-3,874	-58.9	-6,318
Portfolio Investments (net)	-495	8,580	-10,136	-	-3,218
Net Acquisition of Financial Assets	188	3,858	-177	-	2,094
Net Incurrence of Liabilities	683	-4,722	9,959	-	5,312
Equity Securities	31	-888	430	-	-1,077
Debt Securities	652	-3,834	9,529	-	6,389
Other Investments (net)	-2,124	-10,714	-14,548	35.8	-18,663
Currency and Deposits	-2,499	1,300	-5,127	-	-4,343
Net Acquisition of Financial Assets	-2,312	12,454	-482	-	2,035
Net Incurrence of Liabilities	187	11,154	4,645	-58.4	6,378
Central Bank	-95	-606	-327	-46.0	-637
Banks	282	11,760	4,972	-57.7	7,015
Foreign Banks	421	8,383	4,048	-51.7	5,607
Foreign Exchange	51	4,792	-298	-	-382
Turkish Lira	370	3,591	4,346	21.0	5,989
Non-residents	-139	3,377	924	-72.6	1,408
Loans	647	-10,026	-6,982	-30.4	-10,659
Net Acquisition of Financial Assets	-13	396	194	-51.0	590
Net Incurrence of Liabilities	-660	10,422	7,176	-31.1	11,249
Banking Sector	-1,222	5,374	-1,288	-	-1,614
Non-bank Sectors	568	5,590	9,284	66.1	14,357
Trade Credit and Advances	-258	-1,756	-2,467	40.5	-3,659
Other Assets and Liabilities	-14	-232	28	-	-2
Reserve Assets (net)	3,689	-2,928	10,462	-	1,559
Net Errors and Omissions	1,990	10,282	5,428	-47.2	4,371

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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