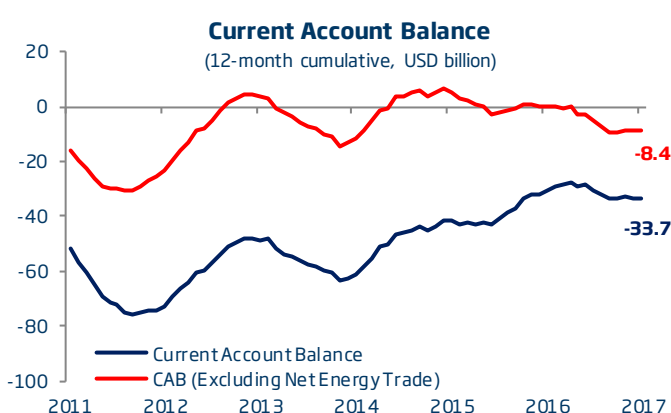


**Balance of payments posted a deficit of 2.5 billion USD.**

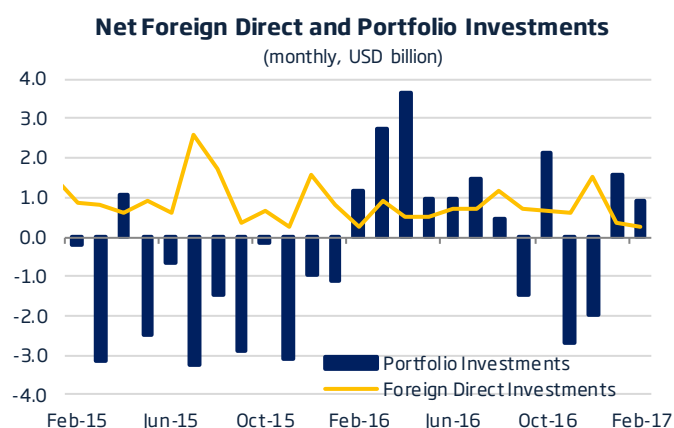
According to the balance of payments figures, higher imports and lower exports in February led to a 28.1% annual increase in foreign trade deficit. Tourism revenues also continued to decline in February. However, the fall in tourism expenditures in this period caused net tourism revenues to increase compared to the same month of the previous year. Despite the narrowing effect of net tourism revenues, current account deficit reached 2.5 billion USD, expanding by 28.7% yoy. The 12-month cumulative current account deficit also rose to 33.7 billion USD.

**Portfolio investments lost momentum in February.**

Regarding the financing of the current account deficit, portfolio investments continued to slow down in February. After recording a net inflow of 1.6 billion USD in January, portfolio investments registered 907 million USD net capital inflows in February. Non-residents made a net purchase of 331 million USD in equity securities and only 78 million USD in debt securities in this period. Capital inflows in debt securities remained limited as the Treasury issued 1.3 billion worth of eurobonds while repaying 1.6 billion USD in February.

**Foreign direct investments continued to decelerate.**

The contribution of direct investments to the financing of the current account deficit has been diminishing. The foreign direct investments, which were 602 million USD in January, decreased to 457 million USD in February. Thus, net foreign direct investments fell to 270 million USD, the lowest level since November 2015.

**Other investments posted a capital inflow due to deposit movements.**

In February, both resident and non-resident banks brought their currency and deposits to Turkey. As a result, net capital inflows recorded under the currency and deposits item became 2.2 billion USD during this period.

In this period, capital inflows through credits were realized limited by 183 million USD as the banks were net credit payer and other sectors had a low level of credit utilization from abroad.

According to 12-month cumulative figures, banking sector was a net credit payer in short-term with 4.9 billion USD whereas the sector raised 1.3 billion USD of long-term credits. Long-term debt rollover ratio of the sector declined from 109% in January to 104% in February. The ratio for the other sectors became 141% in the same period.

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

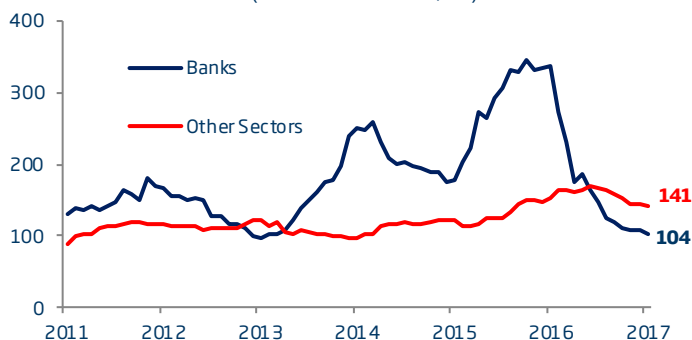
	Breakdown of Net Capital Inflows (%)			
	Dec. 2016	Feb. 2017	Dec. 2016	Feb. 2017
<b>Current Account Balance</b>	<b>-32,626</b>	<b>-33,747</b>	-	-
<b>Total Net Foreign Capital Inflows</b>	<b>33,439</b>	<b>32,472</b>	<b>100.0</b>	<b>100.0</b>
-Direct Investments	9,148	8,716	27.4	26.8
-Portfolio Investments	6,292	8,704	18.8	26.8
-Other Investments	6,708	5,847	20.1	18.0
-Net Errors and Omissions	11,268	9,213	33.7	28.4
-Other	23	-8	0.1	0.0
<b>Reserves<sup>(1)</sup></b>	<b>-813</b>	<b>1,275</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.

## Long-term Debt Rollover Ratios

(12-month cumulative, %)



In February, reserves increased by 576 million USD. On the other hand, net errors and omissions recorded a capital outflow in February as it was the case in January.

### Expectations...

According to the preliminary data released by Ministry of Customs and Trade, the foreign trade deficit narrowed in March. However, we believe that the increase in net gold imports and the weak performance in tourism revenues could limit the improvement in the current account deficit. The recent upward trend in energy prices also might continue to exert upward pressure on current account deficit in the upcoming period.

Balance of Payments	(USD million)				
	February 2017	Jan. - Feb. 2016	Jan. - Feb. 2017	% Change	12-Month Cumulative
<b>Current Account Balance</b>	<b>-2,527</b>	<b>-4,166</b>	<b>-5,287</b>	<b>26.9</b>	<b>-33,747</b>
Foreign Trade Balance	-2,491	-4,632	-5,614	21.2	-41,825
Services Balance	519	1,129	1,117	-1.1	15,407
Travel (net)	502	1,196	1,091	-8.8	13,855
Primary Income	-709	-1,162	-1,108	-4.6	-8,937
Secondary Income	154	499	318	-36.3	1,608
<b>Capital Account</b>	<b>0</b>	<b>15</b>	<b>-16</b>	<b>-</b>	<b>-8</b>
<b>Financial Account</b>	<b>-2,611</b>	<b>-2,918</b>	<b>-6,125</b>	<b>109.9</b>	<b>-24,542</b>
Direct Investments (net)	-270	-1,063	-631	-40.6	-8,716
Portfolio Investments (net)	-907	-70	-2,482	3,445.7	-8,704
Net Acquisition of Financial Assets	-498	384	-474	-	653
Net Incurrence of Liabilities	409	454	2,008	342.3	9,357
Equity Securities	331	183	980	435.5	1,620
Debt Securities	78	271	1,028	279.3	7,737
Other Investments (net)	-2,010	-2,394	-1,533	-36.0	-5,847
Currency and Deposits	-2,150	-1,908	-75	-96.1	3,661
Net Acquisition of Financial Asse	-1,136	2,087	2,203	5.6	5,536
Net Incurrence of Liabilities	1,014	3,995	2,278	-43.0	1,875
Central Bank	-8	-36	-16	-55.6	-456
Banks	1,022	4,031	2,294	-43.1	2,331
Foreign Banks	936	4,253	2,448	-42.4	2,677
Foreign Exchange	862	582	1,418	143.6	1,018
Turkish Lira	74	3,671	1,030	-71.9	1,659
Non-residents	86	-222	-154	-30.6	-346
Loans	-183	-1,416	-883	-37.6	-4,797
Net Acquisition of Financial Asse	-24	603	-81	-	-455
Net Incurrence of Liabilities	159	2,019	802	-60.3	4,342
Banking Sector	-256	464	-69	-	-3,568
Non-bank Sectors	280	1,649	566	-65.7	8,432
Trade Credit and Advances	326	830	-578	-	-4,722
Other Assets and Liabilities	-3	100	3	-97.0	11
Reserve Assets (net)	576	609	-1,479	-	-1,275
<b>Net Errors and Omissions</b>	<b>-84</b>	<b>1,233</b>	<b>-822</b>	<b>-</b>	<b>9,213</b>

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