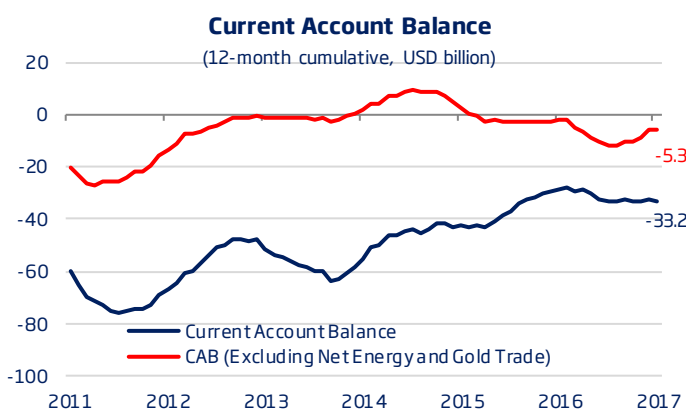


Current account deficit was in line with expectations.

In April, current account deficit came in line with expectations. The deficit, which increased by 17.6% compared to the same month of the previous year, was realized as 3.6 billion USD. As foreign trade deficit surged by 563 million USD, the current account deficit expanded by 542 million USD in this period. Jump in gold imports in April drove current account deficit higher. On the other hand, tourism revenues limited the deterioration in current account deficit by recording an annual increase for the first time in more than two years.

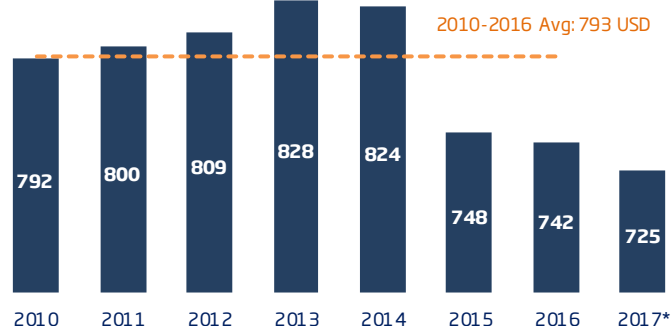


According to the 12-month cumulative figures, the current account deficit remained relatively flat at 33.2 billion USD. Excluding net energy and gold trading, the current account deficit fell to the lowest level of 10 months.

Recovery in tourism revenues...

Tourism revenues that had been under pressure due to the geopolitical developments and thus affected current account balance negatively, posted an annual increase in April. Normalization of relations between Russia and Turkey as well as low base effect played a part in this development. In April, tourism revenues picked up by 9.5% from a year earlier. On the other hand, analysis of tourism revenues per visitor indicated that the weak outlook has persisted. While

Tourism Revenues Per Foreign Visitor (USD)

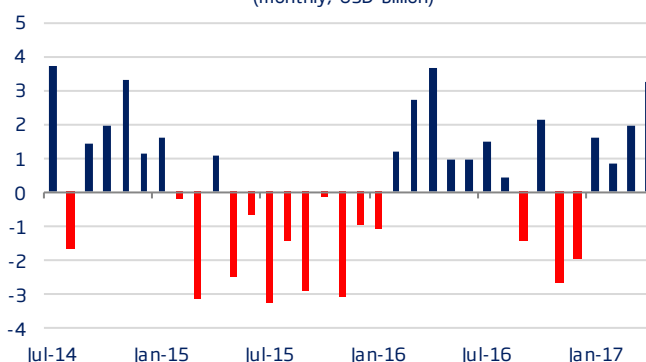


the revenue per visitor in the period 2010-2016 was 793 USD, it dropped to 725 USD in the 12 months ended April 2017.

Solid portfolio inflows...

Positive performance of portfolio inflows observed since the beginning of the year continued in April. Portfolio investments posted a net inflow of 3.3 billion USD mainly due to the strong demand for the government debt instruments. Foreign direct investments, on the other hand, remained below the last year's reading.

Portfolio Investment (monthly, USD billion)



Breakdown of Net Capital Inflows

	(12-month cumulative, USD million)		Breakdown of Net Capital Inflows (%)	
	December 2016	April 2017	December 2016	April 2017
Current Account Balance	-32,590	-33,227	-	-
Total Net Foreign Capital Inflows	33,403	23,701	100.0	100.0
-Direct Investments	9,148	9,013	27.4	38.0
-Portfolio Investments	6,292	7,527	18.8	31.8
-Other Investments	7,085	3,368	21.2	14.2
-Net Errors and Omissions	10,855	3,793	32.5	16.0
-Other	23	0	0.1	0.0
Reserves(1)	-813	9,526	-	-

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

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

(*) 12- month cumulative figures.

Other investments recorded an inflow of only 40 million USD in April. While banks were net credit payers with 0.4 billion USD, other sectors were net credit borrowers of 1.1 billion USD. Nevertheless, it is noteworthy that both groups were net credit borrowers in long term loans. According to the 12-month cumulative figures, long-term debt rollover ratios of banking and other sectors' were realized as 105% and 125%, respectively.

In April, net errors and omissions showed an outflow of 3.9 billion USD, the highest reading since October 1998. Fall in the reserves accelerated in April, declining by 3.8 billion USD on a monthly basis.

Expectations...

Preliminary data indicated that the foreign trade deficit widened by almost 50% in May from a year ago due to the strong upsurge in gold imports. Besides, indicators related to the economic activity painted a positive picture for domestic demand. In this framework, despite the signs of recovery from tourism revenues, we expect that the current account deficit will continue to widen. Regarding the financing side, Turkey is anticipated to attract inflows via loans received from abroad and portfolio investments

	(USD million)				
	April 2017	Jan. - Apr. 2016		% Change	12-Month Cumulative
Current Account Balance	-3,615	-10,959	-11,596	5.8	-33,227
Foreign Trade Balance	-3,533	-11,240	-11,965	6.5	-41,579
Services Balance	1,112	2,531	3,248	28.3	16,185
Travel (net)	888	2,606	2,901	11.3	14,255
Primary Income	-1,192	-3,095	-3,353	8.3	-9,255
Secondary Income	-2	845	474	-43.9	1,422
Capital Account	8	15	-8	-	0
Financial Account	-7,480	-10,082	-17,804	76.6	-29,434
Direct Investments (net)	-362	-2,500	-2,365	-5.4	-9,013
Portfolio Investments (net)	-3,259	-6,441	-7,676	19.2	-7,527
Net Acquisition of Financial Assets	-166	164	-264	-	1,083
Net Incurrence of Liabilities	3,093	6,605	7,412	12.2	8,610
Equity Securities	307	1,679	1,238	-26.3	382
Debt Securities	2,786	4,926	6,174	25.3	8,228
Other Investments (net)	-40	-3,665	52	-	-3,368
Currency and Deposits	1,062	-1,780	838	-	4,406
Net Acquisition of Financial Assets	2,519	3,273	4,089	24.9	6,196
Net Incurrence of Liabilities	1,457	5,053	3,251	-35.7	1,790
Central Bank	-13	-103	-45	-56.3	-418
Banks	1,470	5,156	3,296	-36.1	2,208
Foreign Banks	1,369	4,898	3,271	-33.2	2,855
Foreign Exchange	-119	947	672	-29.0	-93
Turkish Lira	1,488	3,951	2,599	-34.2	2,948
Non-residents	101	258	25	-90.3	-647
Loans	-532	-1,260	324	-	-4,081
Net Acquisition of Financial Assets	46	676	-40	-	-487
Net Incurrence of Liabilities	578	1,936	-364	-	3,594
Banking Sector	-424	-1,561	-966	-38.1	-2,090
Non-bank Sectors	1,152	4,233	549	-87.0	5,814
Trade Credit and Advances	-568	-713	-1,111	55.8	-3,714
Other Assets and Liabilities	-2	88	1	-98.9	21
Reserve Assets (net)	-3,819	2,524	-7,815	-	-9,526
Net Errors and Omissions	-3,873	862	-6,200	-	3,793

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