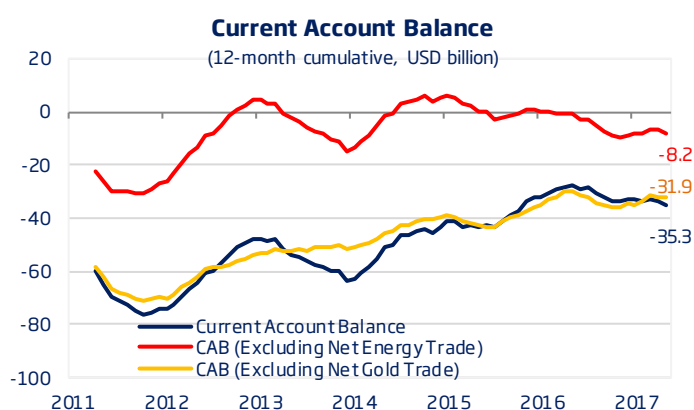


Current account deficit came in above expectations.

Current account deficit posted a rapid increase by 68.4% in May compared to the same month of the previous year and was realized as 5.2 billion USD. This development was led by the rise in non-monetary gold import. On the other hand, tourism revenues limited the deterioration in the current account deficit in May as it was the case in April, thanks to low base effect.

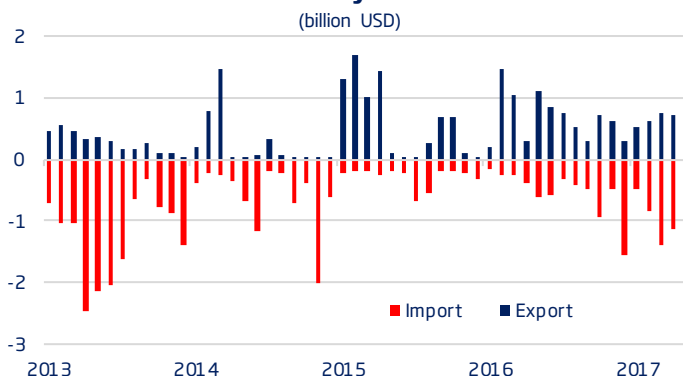
According to 12-month cumulative figures, current account deficit rose by 2.1 billion USD mom to 35.3 billion USD in May. Excluding net gold trade, 12-month cumulative deficit increased only by 71 million USD compared to April.



Rapid increase in gold imports...

Non-monetary gold imports reached 2.1 billion USD in May, increasing by 2.5 times compared to the same month of the previous year. As the highest gold imports of the last 4 years were recorded and gold exports fell, non-monetary gold trade caused deterioration in both foreign trade balance and current account balance.

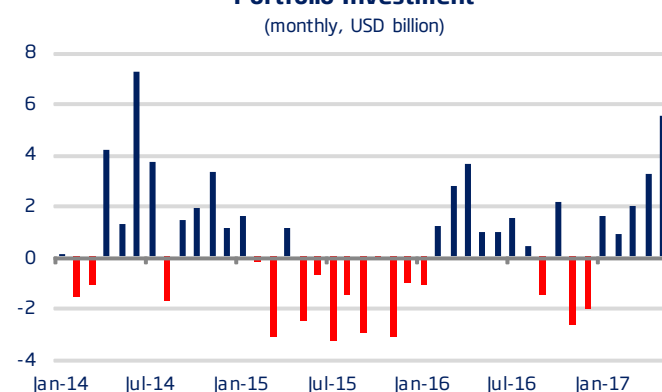
Non-Monetary Gold Trade



Positive outlook in portfolio investments...

Portfolio inflows maintained their positive performance in May. The highest portfolio inflow since the middle of 2014 was registered in this month. The debt securities issued abroad by both banks and Treasury have considerable weight in portfolio inflows. Net portfolio inflow was realized as 5.5 billion USD in May. 4.5 billion USD of this amount belonged to debt securities that were issued abroad. In this period foreign investors' interest in stock market was comparatively weak.

Portfolio Investment



Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

	December 2016		May 2017	
	December 2016	May 2017	December 2016	May 2017
Current Account Balance	-32,564	-35,340	-	-
Total Net Foreign Capital Inflows	33,377	26,004	100.0	100.0
-Direct Investments	9,163	9,456	27.5	36.4
-Portfolio Investments	6,292	12,101	18.9	46.5
-Other Investments	7,115	1,414	21.3	5.4
-Net Errors and Omissions	10,784	3,032	32.3	11.7
-Other	23	1	0.1	0.0
Reserves(1)	-813	9,336	-	-

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

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

Source: CBRT, Datastream

Rise in foreign direct investments...

The recovery in foreign direct investments continued in May. According to 12-month cumulative figures, net foreign direct investments reached 12.8 billion USD in May, the highest level of the last 10 months.

Other investments item posted an outflow of 444 million USD in May. Banks became net payers with an amount of 1 billion USD in May. Other sectors were net payers for short term loans whereas they were net borrowers for long term loans.

Net errors and omissions recorded an inflow of 1.7 billion USD in May. CBRT reserves increased in May after a two-month break.

Expectations...

According to the provisional foreign trade data, the rising trend in gold imports continued in June. On the other hand, provisional data suggests a contraction in the foreign trade deficit in this period which will likely have a positive impact on the current account balance. We anticipate that the recovery in tourism revenues will also become more visible in the summer and, in turn, will support the current account balance.

Balance of Payments	(USD million)				
	May 2017	Jan. - May. 2017		% Change	12-Month Cumulative
Current Account Balance	-5,242	-14,073	-16,849	19.7	-35,340
Foreign Trade Balance	-5,645	-15,069	-17,608	16.8	-43,395
Services Balance	1,118	3,711	4,372	17.8	16,157
Travel (net)	1,213	3,638	4,114	13.1	14,436
Primary Income	-956	-3,530	-4,329	22.6	-9,796
Secondary Income	241	815	716	-12.1	1,694
Capital Account	1	15	-7	-	1
Financial Account	-3,581	-10,958	-21,508	96.3	-32,307
Direct Investments (net)	-944	-3,019	-3,312	9.7	-9,456
Portfolio Investments (net)	-5,528	-7,395	-13,204	78.6	-12,101
Net Acquisition of Financial Assets	158	438	-106	-	967
Net Incurrence of Liabilities	5,686	7,833	13,098	67.2	13,068
Equity Securities	272	841	1,510	79.5	1,492
Debt Securities	5,414	6,992	11,588	65.7	11,576
Other Investments (net)	444	-5,325	376	-	-1,414
Currency and Deposits	1,672	-1,418	2,417	-	5,623
Net Acquisition of Financial Asse	3,745	4,762	7,741	62.6	8,359
Net Incurrence of Liabilities	2,073	6,180	5,324	-13.9	2,736
Central Bank	-23	-141	-68	-51.8	-403
Banks	2,096	6,321	5,392	-14.7	3,139
Foreign Banks	1,690	5,634	4,961	-11.9	3,809
Foreign Exchange	-1,232	1,970	-560	-	-2,348
Turkish Lira	2,922	3,664	5,521	50.7	6,157
Non-residents	406	687	431	-37.3	-670
Loans	367	-3,421	694	-	-1,579
Net Acquisition of Financial Asse	-239	167	-279	-	-217
Net Incurrence of Liabilities	-606	3,588	-973	-	1,362
Banking Sector	-1,002	-1,444	-1,934	33.9	-3,175
Non-bank Sectors	525	5,756	1,036	-82.0	4,807
Trade Credit and Advances	-1,596	-556	-2,737	392.3	-5,498
Other Assets and Liabilities	1	70	2	-97.1	40
Reserve Assets (net)	2,447	4,781	-5,368	-	-9,336
Net Errors and Omissions	1,660	3,100	-4,652	-	3,032

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