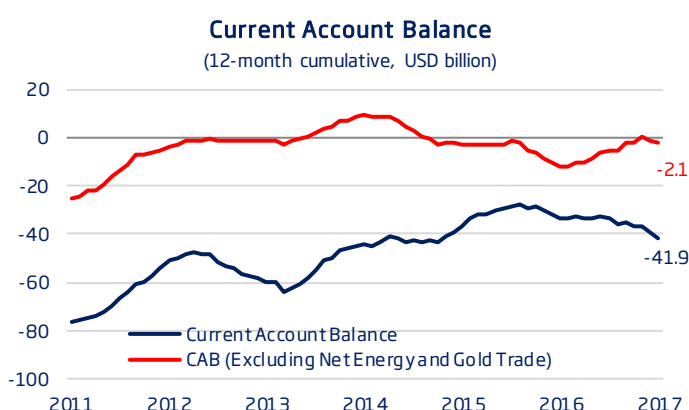


Current account deficit was below expectations...

In October, current account deficit increased by 134% yoy to 3.8 billion USD, remaining below the market expectations. Doubling of trade deficit in October was decisive in the expansion of current account deficit. Despite the decline in gold imports, net gold exports continued to put pressure on the current account deficit due to the sharp decrease in gold exports. On the other hand, recovery in tourism revenues limited the expansion of current account deficit in October.

In the first 10 months of the year, current account deficit expanded by 33.7% compared to the same period of the previous year and reached 35.3 billion USD. 12-month cumulative current account deficit reached its highest level since July 2015 with 41.9 billion USD in October. Especially increase in commodity prices has played a major role in this development. Excluding gold and energy trade, current account deficit was realized as 2.1 billion USD in this period.

**Rise in tourism revenues continued.**

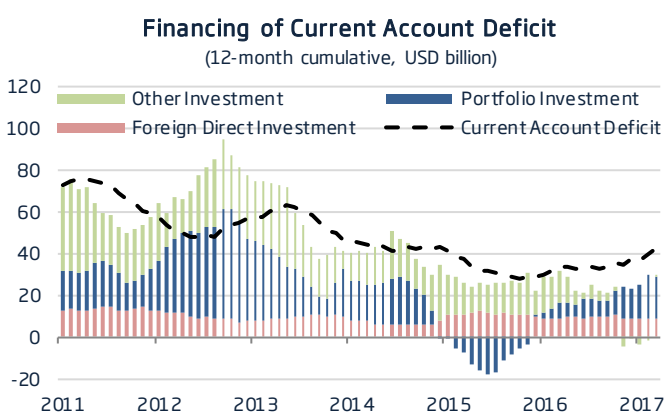
Tourism revenues continued to support current account balance in October. In October, net tourism revenues which increased by 503 million USD (29.8%) yoy was 2.2 billion

USD. Thus, contribution of the increase in net tourism revenues to current account balance stood at 3.5 billion USD in the first 10 months of the year.

Loss of momentum in portfolio investments...

Due to slowdown in general government's tendency on borrowing, portfolio investments seem to have lost some momentum in October. On the other hand, net capital inflow of 111 million USD to the equity market, where capital outflow was observed in September, was noted as a positive development.

In October, other investments posted a strong capital inflow (2.8 billion USD) thanks to net borrower positions of banks and non-banking sectors. Banking sector borrowed 2.4 billion USD while other sectors borrowed 1.6 billion USD in October. Thus, according to 12-month cumulative data, long-term debt roll-over ratios in these sectors were realized as 95% and 109%, respectively.

**Strong inflow in net errors and omissions...**

Capital inflows in net errors and omissions was 3.8 billion USD in October, reaching 6.7 billion USD in the last 3 months. Moreover, increase in CBRT reserves (5 billion USD) in October was remarkable.

Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

	#AD?	#AD?	Breakdown of Net Capital Inflows (%)	
			#AD?	#AD?
Current Account Balance	-32,640	41,904	-	-
Total Net Foreign Capital Inflows	33,453	38,626	100.0	100.0
-Direct Investments	9,624	8,462	28.8	21.9
-Portfolio Investments	6,300	20,622	18.8	53.4
-Other Investments	6,725	1,116	20.1	2.9
-Net Errors and Omissions	10,781	8,409	32.2	21.8
-Other	23	17	0.1	0.0
Reserves ⁽¹⁾	-813	3,240	-	-

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

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

Upward risks on current account deficit...

In addition to the rises in energy prices, developments in net gold exports have negatively affected current account balance via foreign trade deficit channel. Moreover, the accelerating economic activity has also upward pressure on the current account deficit. On the other hand, the recovery in tourism revenues limits the deterioration in current account balance. Besides, foreign trade figures for November indicated that the current account deficit continues to expand.

Balance of Payments	(USD million)				
	October 2017	January - October 2016 2017		% Change	12-month Cumulative
Current Account Balance	-3,827	-26,088	-35,293	35.3	-41,904
Foreign Trade Balance	-5,599	-33,748	-46,382	37.4	-53,493
Services Balance	2,621	13,928	18,246	31.0	19,764
Travel (net)	2,189	12,382	15,899	28.4	17,477
Primary Income	-1,073	-7,582	-9,006	18.8	-10,425
Secondary Income	224	1,314	1,849	40.7	2,309
Capital Account	-1	23	17	-26.1	17
Financial Account	-32	-20,942	-32,546	55.4	-33,440
Direct Investments (net)	-614	-7,441	-6,279	-15.6	-8,462
Portfolio Investments (net)	-1,621	-10,959	-25,281	130.7	-20,622
Net Acquisition of Financial Assets	245	-385	-876	127.5	1,020
Net Incurrence of Liabilities	1,866	10,574	24,405	130.8	21,642
Equity Securities	111	1,209	3,074	154.3	2,688
Debt Securities	1,755	9,365	21,331	127.8	18,954
Other Investments (net)	-2,780	-11,109	-5,500	-50.5	-1,116
Currency and Deposits	961	-1,782	184	-	3,754
Net Acquisition of Financial Assets	787	1,577	1,590	0.8	5,393
Net Incurrence of Liabilities	-174	3,359	1,406	-58.1	1,639
Central Bank	-25	-442	-231	-47.7	-265
Banks	-149	3,801	1,637	-56.9	1,904
Foreign Banks	-395	3,581	193	-94.6	1,094
Foreign Exchange	-294	-702	-204	-70.9	680
Turkish Lira	-101	4,283	397	-90.7	414
Non-residents	246	220	1,444	556.4	810
Loans	-4,029	-7,128	-2,399	-66.3	-571
Net Acquisition of Financial Assets	-188	-15	434	-	678
Net Incurrence of Liabilities	3,841	7,113	2,833	-60.2	1,249
Banking Sector	2,380	-2,292	237	-	-753
Non-bank Sectors	1,597	10,282	3,741	-63.6	3,195
Trade Credit and Advances	294	-2,202	-3,242	47.2	-4,356
Other Assets and Liabilities	-6	3	-43	-	57
Reserve Assets (net)	4,983	8,567	4,514	-47.3	-3,240
Net Errors and Omissions	3,796	5,288	2,730	-48.4	8,409

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