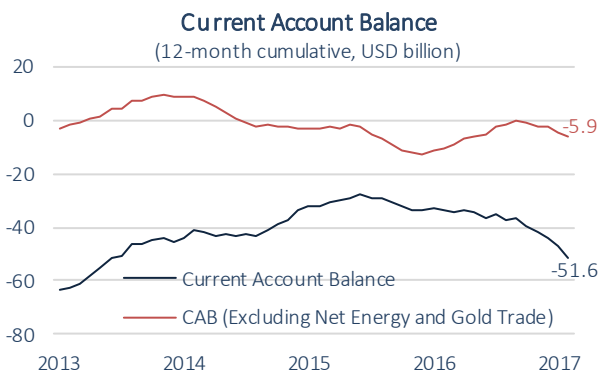




**In January, current account deficit was 7.1 billion USD.**

Widening trend in current account deficit (CAD) continued in the first month of 2018. CAD, which was 2.7 billion USD in the same month of last year, exceeded market expectations with 7.1 billion USD in January 2018. Foreign trade figures continued to be decisive on the course of the current account deficit.

12-month cumulative CAD reached 51.6 billion USD, its highest level since April 2014. Excluding net energy and gold trade, 12-month CAD remained at low levels with 5.9 billion USD albeit kept widening.

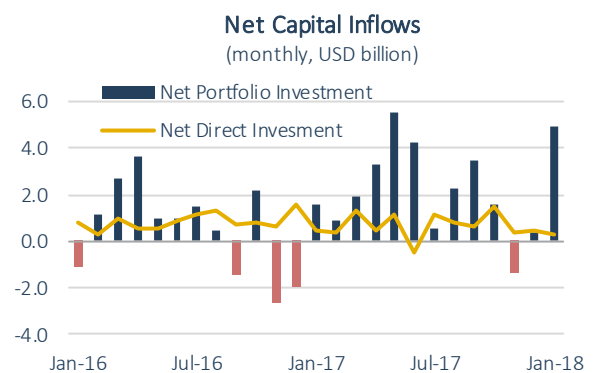


**Rising trend in gold imports continued.**

Gold imports continued to be strong in the first month of 2018. Non-monetary gold imports, which amounted to 469 million USD in January 2017, climbed to 2.3 billion USD in the same month of this year. On the other hand, gold exports decreased by 500 million USD compared to January 2017 to 31 million USD. Tourism revenues, which continued to recover, had limited impact on the current account deficit in January due to seasonal factors.

**Portfolio inflows were strong in January.**

Unlike the last months of 2017, financing of the current account deficit displayed a strong outlook in January. While foreign direct investments continued to lose momentum, net portfolio investments were realized at a high level of 4.9 billion USD thanks to the strong demand for both the general government and the banks' debt securities. In January, banks realized net borrowing of 1.2 billion USD in international capital markets and the general government realized new bond issue of 2 billion USD. In the first month of the year, it was seen that capital inflows to the equity market were relatively limited.



**Other investment rose sharply.**

In the first month of the year, other investments contributed significantly to the financing of the current account deficit with 7.5 billion USD thanks to decrease in banks' foreign exchange deposits by 4.3 billion USD and non-banking sector's net borrowings in short and long-term. Rise in short-term commercial loans during this period also played a role in the financing of the current account deficit. As of January, the 12-month cumulative long-term debt rollover ratio was 101% for banks and 116% for non-banking sectors.

**Net Capital Inflows**

	12-Month Cumulative (million USD)		Breakdown of Net Capital Inflows (%)	
	Dec. 2017	Jan. 2018	Dec. 2017	Jan. 2018
<b>Current Account Balance</b>	<b>-47,170</b>	<b>-51,572</b>	-	-
<b>Total Net Foreign Capital Inflows</b>	<b>38,963</b>	<b>49,801</b>	<b>100.0</b>	<b>100.0</b>
-Direct Investment	8,130	7,981	20.9	16.0
-Portfolio Inflows	24,307	27,624	62.4	55.5
-Other Investments	6,496	12,952	16.7	26.0
-Net Errors and Omissions	14	1,182	0.0	2.4
-Other	16	62	0.0	0.1
<b>Reserves(1)</b>	<b>8,207</b>	<b>1,771</b>	-	-

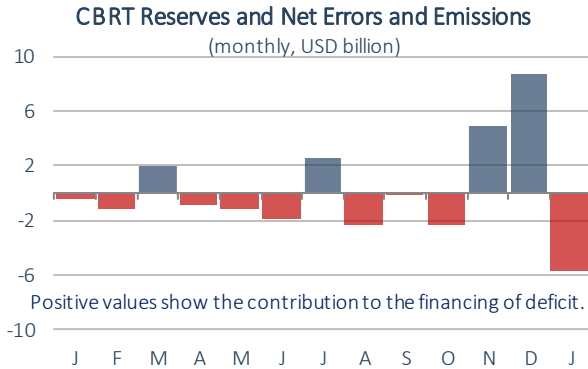
Note: The numbers may not add up total due to rounding.

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

Source: Datastream , CBRT

**Official reserves rose sharply.**

In January, reserve assets, which contracted by 8.6 billion USD in the last month of 2017, expanded by 4.4 billion USD due to rise in capital inflows. In this period, net errors and omissions recorded an outflow of 1.2 billion USD.

**Expectations...**

Non-monetary gold trade continued to be effective on current account deficit. According to the 12-month cumulative figures, current account deficit expanded by 18 billion USD as of January compared to the same month of last year. Non-monetary gold trade during this period led the current deficit to expand by 14 billion USD. Rise in energy prices continues to have negative effects on the current balance. We anticipate that the expanding effect of gold trade on the current account balance will gradually decline in the upcoming period due to the base effect and foreign trade developments particularly regarding oil prices will continue to be the main factor for the current balance. The news regarding the increasing bookings from European countries to Turkey indicates that the limiting effect of tourism revenues on the current account deficit will increase in summer.

Balance of Payments	(USD million)			
	2017	2018	% Change	12-month Cumulative
<b>Current Account Balance</b>	<b>-2,694</b>	<b>-7,096</b>	<b>163.4</b>	<b>-51,572</b>
Foreign Trade Balance	-3,097	-7,634	146.5	-63,381
Services Balance	631	919	45.6	20,394
Travel (net)	695	822	18.3	17,782
Primary Income	-397	-479	20.7	-11,152
Secondary Income	169	98	-42.0	2,567
<b>Capital Account</b>	<b>-13</b>	<b>33</b>	<b>-</b>	<b>62</b>
<b>Financial Account</b>	<b>-5,110</b>	<b>-8,298</b>	<b>62.4</b>	<b>-50,328</b>
Direct Investments (net)	-437	-288	-34.1	-7,981
Portfolio Investments (net)	-1,600	-4,917	207.3	-27,624
Net Acquisition of Financial Assets	24	334	1,291.7	54
Net Incurrence of Liabilities	1,624	5,251	223.3	27,678
Equity Securities	649	289	-55.5	2,832
Debt Securities	975	4,962	408.9	24,846
Other Investments (net)	-1,018	-7,474	634.2	-12,952
Currency and Deposits	539	-4,317	-	-3,012
Net Acquisition of Financial Assets	2,864	-2,912	-	-2,265
Net Incurrence of Liabilities	2,325	1,405	-39.6	747
Central Bank	-8	-11	37.5	-258
Banks	2,333	1,416	-39.3	1,005
Foreign Banks	1,512	922	-39.0	-1,534
Foreign Exchange	556	33	-94.1	-2,361
Turkish Lira	956	889	-7.0	827
Non-residents	821	494	-39.8	2,539
Loans	-659	-1,179	78.9	-5,431
Net Acquisition of Financial Assets	-57	-294	415.8	348
Net Incurrence of Liabilities	602	885	47.0	5,779
Banking Sector	195	-88	-	1,514
Non-bank Sectors	237	1,093	361.2	5,926
Trade Credit and Advances	-905	-1,976	118.3	-4,562
Other Assets and Liabilities	7	-2	-	53
Reserve Assets (net)	-2,055	4,381	-	-1,771
<b>Net Errors and Omissions</b>	<b>-2,403</b>	<b>-1,235</b>	<b>-48.6</b>	<b>1,182</b>

Source: Datastream , CBRT

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