

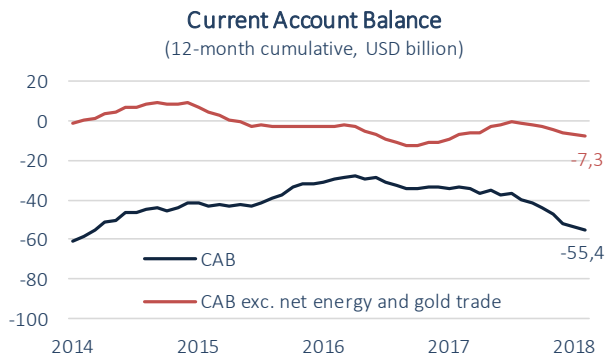


Current account deficit was above expectations with 4.8 billion USD in March.

Current account deficit rose by 54.4% yoy to 4.8 billion USD in March, above market expectations of 4.1 billion USD. The uprising trend in oil prices and net gold imports played a crucial role in the deterioration of current account balance. Non-monetary gold imports increased by 525 million USD compared to the same month of the previous year in March, while the recovery in tourism revenues continued to limit current account deficit. Net tourism revenues increased approximately 240 million USD in the same period.

In the first quarter of the year, the current account deficit almost doubled compared to the same period of the previous year due to the upsurge in foreign trade deficit. In this period, services balance displayed a rapid recovery.

12-month cumulative current account deficit continued to follow an upward trend. Having reached 55.4 billion USD in March 12-months current account deficit hovered around 4 year highs. Excluding net energy and gold trade, 12-month CAD realized as 7.3 billion USD, the highest level in last 13 months.

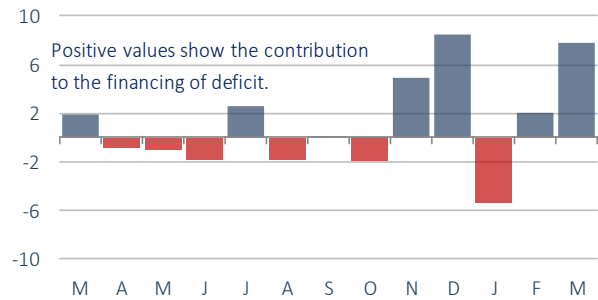


Financing of the current account deficit...

On the financing side, reserve assets and net errors and omissions stood out in March. Reserve assets contributed 4.8 billion USD to the financing of the current account

deficit while net errors and omissions recorded an inflow of 2.9 billion USD. Foreign direct investments had recorded a net inflow of 1 billion USD, highest level in last five months. Despite 8.8 billion USD of net inflow from these three items, portfolio and other investments recorded a net outflow of 4 billion USD.

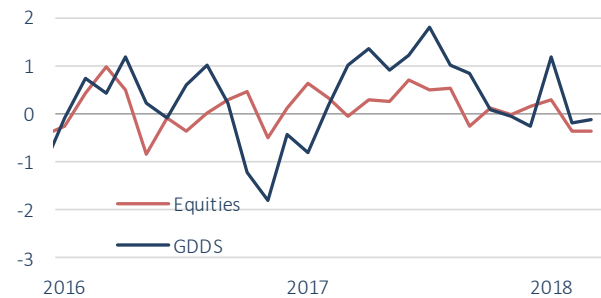
CBRT Reserves and Net Errors and Omissions
(monthly, USD billion)



Portfolio investments of non-residents...

Portfolio investment, which recorded a net inflow of 4.7 billion USD in the first to months of the year thanks to the strong capital inflows in January, recorded the sharpest monthly net outflow (2.4 billion USD) since November 2016. The redemption of 1.5 billion USD eurobonds issued by General Government was decisive in this development. In addition, due also to the rising volatility in capital flows to emerging markets, non-residents' equity

Non-residents' Portfolio Investments
(USD billion)



Net Capital Inflows

	12-month Cumulative (million USD)		Breakdown of Net Capital Inflows (%)	
	Dec. 2017	Mar. 2018	Dec. 2017	Mar. 2018
Current Account Balance	-47,371	-55,380	-	-
Total Net Foreign Capital Inflows	39,164	50,460	100.0	100.0
-Direct Investment	8,241	7,068	21.0	14.0
-Portfolio Inflows	24,445	22,346	62.4	44.3
-Other Investments	5,787	13,080	14.8	25.9
-Net Errors and Omissions	675	7,911	1.7	15.7
-Other	16	55	0.0	0.1
Reserves(1)	8,207	4,920	-	-

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

and government domestic debt securities portfolios recorded net sales of 361 and 123 million USD, respectively.

Banking sector was net credit payer, while nonbank sectors were net borrowers regarding the funds raised from abroad.

Other investments recorded a net outflow of 1.6 billion USD in March. Resident banks' withdrawal of currency and deposits held in their foreign correspondent banks amounted to 1.4 billion USD during this period. On the loans side, resident banks were net credit payers in both short-term and long-term loans with a total of 2.1 billion USD. Other sectors were also net repayers with 429 million USD in short-term while they were net borrowers in long-term by raising 2.3 billion USD and repaying 1.8 billion USD. According to 12-month cumulative data, long-term debt roll-over ratios in the banking sector and non-banking sector in March became 102% and 131%, respectively.

Upside risks to current account deficit...

The increasing trend in oil prices as well as the measures taken to stimulate domestic demand and investments points to an upward pressure on the current account deficit. According to provisional data, foreign trade deficit widening around 30% yoy in April revealed this trend. On the other hand, recovery in tourism revenues will be a balancing factor particularly for the second and third quarters. Against this backdrop, we expect the current account deficit to GDP ratio to stand at a similar level to the end of 2017.

Balance of Payments	(USD million)				
	Mar. 2018	January - March 2017 - 2018		% Change	% 12-month Cumulative
Current Account Balance	-4,812	-8,383	-16,392	95.5	-55,380
Foreign Trade Balance	-4,608	-8,501	-17,164	101.9	-67,608
Services Balance	1,115	1,742	2,967	70.3	21,171
Travel (net)	988	2,013	2,651	31.7	18,293
Primary Income	-1,313	-2,181	-2,378	9.0	-11,275
Secondary Income	-6	557	183	-67.1	2,332
Capital Account	-3	-10	29	-	55
Financial Account	-1,899	-11,942	-12,676	6.1	-47,414
Direct Investments (net)	-1,029	-2,179	-1,006	-53.8	-7,068
Portfolio Investments (net)	2,381	-4,425	-2,326	-47.4	-22,346
Net Acquisition of Financial Assets	108	-98	617	-	321
Net Incurrence of Liabilities	-2,273	4,327	2,943	-32.0	22,667
Equity Securities	-361	931	-420	-	1,841
Debt Securities	-1,912	3,396	3,363	-1.0	20,826
Other Investments (net)	1,585	-1,342	-8,635	543.4	-13,080
Currency and Deposits	-1,928	-1,733	-7,069	307.9	-3,484
Net Acquisition of Financial Assets	-1,498	1,122	-4,518	-	-2,063
Net Incurrence of Liabilities	430	2,855	2,551	-10.6	1,421
Central Bank	-11	-32	-30	-6.3	-253
Banks	441	2,887	2,581	-10.6	1,674
Foreign Banks	137	1,902	1,450	-23.8	-1,338
Foreign Exchange	6	791	-30	-	-2,601
Turkish Lira	131	1,111	1,480	33.2	1,263
Non-residents	304	985	1,131	14.8	3,012
Loans	1,888	945	-1,619	-	-6,771
Net Acquisition of Financial Assets	-147	-86	-254	195.3	417
Net Incurrence of Liabilities	-2,035	-1,031	1,365	-	7,188
Banking Sector	-2,108	-477	-1,658	247.6	870
Non-bank Sectors	47	-755	2,956	-	7,823
Trade Credit and Advances	1,630	-556	48	-	-2,890
Other Assets and Liabilities	-5	2	5	150.0	65
Reserve Assets (net)	-4,836	-3,996	-709	-82.3	-4,920
Net Errors and Omissions	2,916	-3,549	3,687	-	7,911

Source: Datastream , CBRT

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