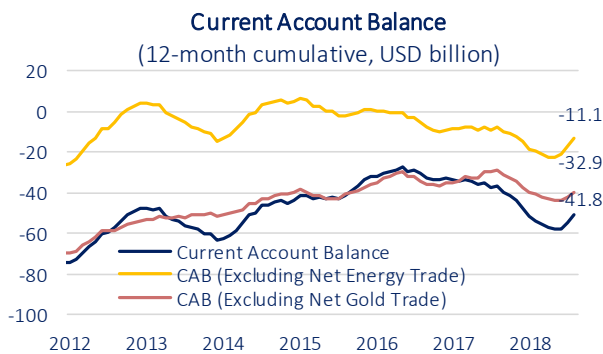




### Current account balance posted a surplus in August.

Current account balance posted a surplus of 2.6 billion USD in August due to the cooling economic activity. Market expectation was a surplus of 2.5 billion USD. The improvement in current account balance continued in the third consecutive month thanks to the rapid contraction in foreign trade deficit and recovery in tourism revenues. In this period, while foreign trade deficit contracted by 70.5% yoy, non-monetary gold trade gave a surplus for the first time since January 2017. Besides, tourism revenues increased by 11.9% yoy to 4.1 billion USD in August.

12-month cumulative current account deficit fell to 51.1 billion USD in August, the lowest level since December 2017. Excluding net energy trade, current account deficit declines to the lowest level since November 2017 with 13.1 billion USD.

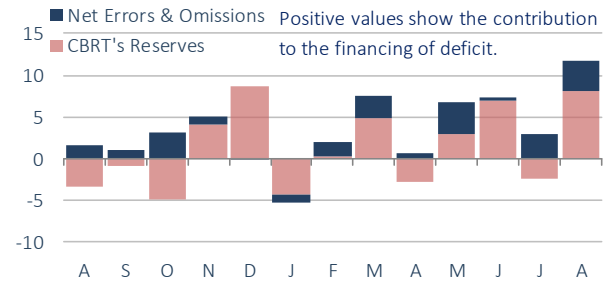


### Official reserves and net errors and omissions stood out on the financing side.

Official reserves stood out on the financing side of the balance of payments by declining 8.1 billion USD. Fall in reserve assets reached 13.4 billion USD in January-August period. Net errors and omissions recorded significant capital inflows by 3.7 billion USD in August and by 15.1 billion USD in January-August period. Thus, 93.3% (28.5 billion USD) of the current account deficit, which was 30.6

billion USD in the first 8 months of the year, financed by reserve assets and net errors and omissions.

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



### Foreign direct investments recorded a net inflow of 737 million USD.

In August, direct investments showed a similar performance to July by recording a net inflow of 737 million USD. Almost half of the direct investments inflows were in the form of real estate investments.

### Portfolio outflows continued.

In August, when domestic markets faced sharp fluctuations, portfolio investments recorded a net outflow of 1.8 billion USD. During this period, non-residents' equity securities transactions and government domestic debt securities transactions recorded net sales of 36 million USD and 666 million USD, respectively. Excluding January when a strong inflow was recorded in portfolio investments, the total capital outflows in 2018 in portfolio investments came in at 7.2 billion USD as of August.

### Capital outflows in other investments hit record high.

Other investments posted a rapid capital outflow with 13.3 billion USD in August. This was mainly led by the increase of 10.4 billion USD in banks' currency and deposits within their foreign correspondent banks. In this period, on the loans side, banks made net repayments in both long and short term, while other sectors were net

### Net Capital Inflows

	12-month Cumulative (million USD)		Breakdown of Net Capital Inflows (%)	
	Dec. 2017	Aug. 2018	Dec. 2017	Aug. 2018
<b>Current Account Balance</b>	-47,478	-51,125	-	-
<b>Total Net Foreign Capital Inflows</b>	<b>39,271</b>	<b>30,906</b>	<b>100.0</b>	<b>100.0</b>
-Direct Investment	8,325	7,367	21.2	23.8
-Portfolio Inflows	24,476	2,028	62.3	6.6
-Other Investments	5,716	1,450	14.6	4.7
-Net Errors and Omissions	738	20,004	1.9	64.7
-Other	16	57	0.0	0.2
<b>Reserves(1)</b>	<b>8,207</b>	<b>20,219</b>	-	-

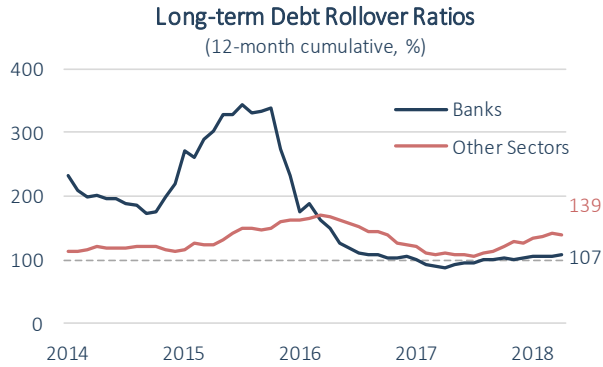
Note: The numbers may not add up total due to rounding.

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

Source: Datastream , CBRT

credit repayer only in short term. In long term, non-banking sectors were net borrower with 434 million USD.

According to 12-month cumulative data, as of August, long term debt roll-over ratios of the banking and other sectors were realized as 107% and 139%, respectively.



### Expectations...

The slowdown in economic activity, which became evident in summer months, mirrored in the current account balance. Indeed, the current account surplus confirmed the momentum loss in August. We expect domestic demand will remain under pressure in the coming period due to the tight monetary policy. Although the support of travel revenues may weaken slightly during the last quarter of the year, in the case of a balanced outlook in energy costs, we believe that the contraction in the current account deficit will continue through the rest of this year and in the first half of 2019. We estimate that current account deficit to GDP ratio, which was 5.6% last year, will be around 5% by the end of this year.

### Balance of Payments

	Aug.	January - August		(USD million)	
	2018	2017	2018	% 12-month	
				Change Cumulative	
<b>Current Account Balance</b>	<b>2,592</b>	<b>-26,932</b>	<b>-30,579</b>	<b>13.5</b>	<b>-51,125</b>
Foreign Trade Balance	-1,284	-34,263	-39,755	16.0	-64,447
Services Balance	4,627	12,451	16,407	31.8	23,895
Travel (net)	3,693	11,024	13,890	26.0	20,521
Primary Income	-761	-6,796	-7,482	10.1	-11,862
Secondary Income	10	1,676	251	-85.0	1,289
<b>Capital Account</b>	<b>22</b>	<b>17</b>	<b>58</b>	<b>241.2</b>	<b>57</b>
<b>Financial Account</b>	<b>6,279</b>	<b>-31,046</b>	<b>-15,386</b>	<b>-50.4</b>	<b>-31,064</b>
Direct Investments (net)	-737	-5,392	-4,434	-17.8	-7,367
Portfolio Investments (net)	1,786	-20,236	2,212	-	-2,028
Net Acquisition of Financial Assets	821	-998	932	-	1,536
Net Incurrence of Liabilities	-965	19,238	-1,280	-	3,564
Equity Securities	-36	3,211	-1,281	-	-1,300
Debt Securities	-929	16,027	1	-100.0	4,864
Other Investments (net)	13,305	-4,020	246	-	-1,450
Currency and Deposits	9,589	-2,444	2,072	-	6,372
Net Acquisition of Financial Assets	10,601	-49	8,363	-	11,993
Net Incurrence of Liabilities	1,012	2,395	6,291	162.7	5,621
Central Bank	969	-166	878	-	789
Banks	43	2,561	5,413	111.4	4,832
Foreign Banks	284	192	4,862	2,432.3	3,784
Foreign Exchange	-245	-300	2,139	-	659
Turkish Lira	529	492	2,723	453.5	3,125
Non-residents	-241	2,369	551	-76.7	1,048
Loans	2,101	1,620	-2,236	-	-7,990
Net Acquisition of Financial Assets	19	-58	-126	117.2	517
Net Incurrence of Liabilities	-2,082	-1,678	2,110	-	8,507
Banking Sector	-2,210	-3,370	-3,971	17.8	1,450
Non-bank Sectors	133	2,143	6,333	195.5	8,225
Trade Credit and Advances	1,648	-3,167	458	-	125
Other Assets and Liabilities	-33	-29	-48	65.5	43
Reserve Assets (net)	-8,075	-1,398	-13,410	859.2	-20,219
<b>Net Errors and Omissions</b>	<b>3,665</b>	<b>-4,131</b>	<b>15,135</b>	<b>-</b>	<b>20,004</b>

Source: Datastream , CBRT

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