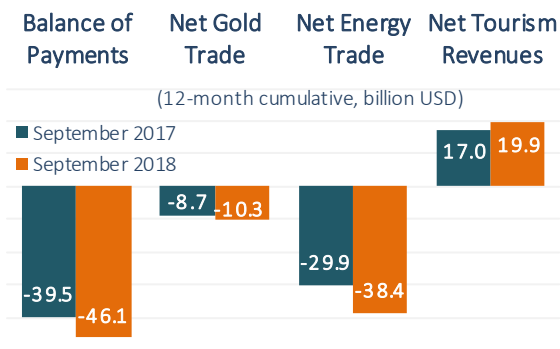




In September, current account balance posted a surplus again.

Current account posted a surplus of 1.8 billion USD in September due to the slowdown in economic activity. The market expectation for the current account surplus was 2 billion USD. In this period, a low level of foreign trade deficit (825 million USD) and increasing net tourism revenues were effective in the improvement of the current account balance. Moreover, a small amount of net non-monetary gold imports, which was 37 million USD in September, supported the improvement in the current account balance.

12-month cumulative current account deficit was realized as 46.1 billion USD in September, the lowest level in 2018. Excluding energy trade, 12-month cumulative current account deficit declined to the lowest level of the last 15 months with 7.7 billion USD.



The decline in reserves stood out on the financing side.

In September, the reserve assets which decreased by 3.5 billion USD came to the forefront on the financing side of the balance of payments. Thus, the official reserves, which contributed significantly to the financing of the current account deficit, decreased by 16.9 billion USD in the January-September period. A limited capital outflow of 416 million USD was observed in the net errors and omissions item, which had also supported the financing of

the current account deficit notably in the previous months. In January-September period, the sum of the said two items was 34.2 billion USD above the current account deficit which was 30 billion USD in this period.

**Net direct inflows are 827 million USD.**

Foreign direct investments which have contributed to the financing of the current account balance since March albeit with a limited amount, came in at 827 million USD in September. Similar to the previous months, the real estate investments were highlighted in the foreign direct investments in September. In January-September period, real estate investments accounted for 3.7 billion USD of 8.1 billion USD of foreign direct investments.

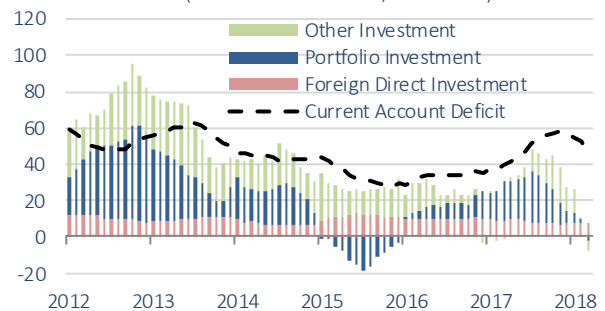
**Portfolio outflows continued.**

Portfolio investments, which did not make a contribution to the financing of the current account balance since January 2018, recorded a net outflow of 904 million USD in September. Non-residents made net sales of 71 million USD in equity market and of 274 million USD in the government domestic debt securities. Despite a capital inflow of 5 billion USD in January, total capital outflow in portfolio investments was realized as 3.1 billion USD in the first 9 months of the year.

**Capital outflows in other investments...**

In September, other investments recorded a capital outflow of 4.8 billion USD. During this period, banking

Financing of Current Account Deficit  
(12-month cumulative, USD billion)



### Net Capital Inflows

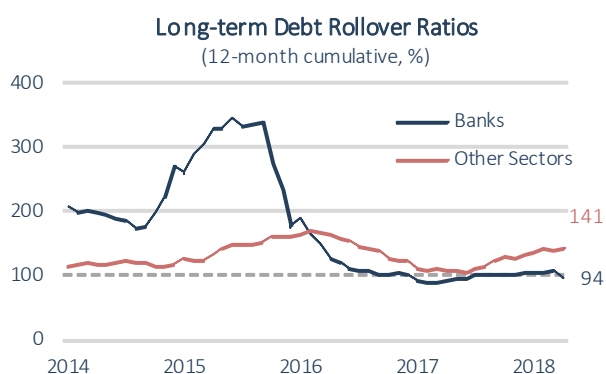
	12-month Cumulative (million USD)		Breakdown of Net Capital Inflows (%)	
	Dec. 2017	Sep. 2018	Dec. 2017	Sep. 2018
<b>Current Account Balance</b>	-47,357	-46,058	-	-
<b>Total Net Foreign Capital Inflows</b>	39,150	21,434	100.0	100.0
-Direct Investment	8,185	7,582	20.9	35.4
-Portfolio Inflows	24,476	-2,322	62.5	-10.8
-Other Investments	5,713	-5,095	14.6	-23.8
-Net Errors and Omissions	759	21,213	1.9	99.0
-Other	17	56	0.0	0.3
<b>Reserves(1)</b>	8,207	24,624	-	-

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

sector was a net credit repayer in both short and long terms. Banks made net repayments of 1.1 billion USD in the short term and 4.4 billion USD in the long term.



According to 12-month cumulative data, as of September, long term debt roll-over ratio of the banking sector decreased below 100% for the first time since November 2017 and was realized as 94%. The said ratio was 141% for other sectors.

### Expectations...

Having become more evident since the third quarter of the year, the slowdown in the economic activity continues to be effective in improving the current account balance. Current account balance posted a surplus in September after August thanks to the contraction in the foreign trade deficit, which was triggered by the depreciation of the Turkish lira and the favorable course of net tourism revenues. We foresee that the pressure on domestic demand due to the tight monetary policy will contribute to the improvement in the current account balance. However, in the recent period, the SCT and VAT cuts made in the automotive, furniture and white goods sectors may have an upward impact on imports. We anticipate that the contraction in the current account deficit will continue in the rest of the year under the assumptions that the tourism revenues in the upcoming period will continue to support albeit to a lesser extent and balanced outlook in energy prices will continue. We anticipate that the current account deficit will be somewhat above 30 billion USD at the end of the year and the current account deficit to GDP ratio, which was 5.6% last year, will be realized within the 4% to 4.5% band.

Balance of Payments	(USD million)				
	Sep. 2018	Jan. - Sep. 2017	2018	% Change	% 12-month Cumulative
<b>Current Account Balance</b>	<b>1,830</b>	<b>-31,291</b>	<b>-29,992</b>	<b>-4.2</b>	<b>-46,058</b>
Foreign Trade Balance	-825	-40,987	-40,932	-0.1	-58,900
Services Balance	3,491	15,585	18,990	21.8	23,343
Travel (net)	2,852	13,710	15,969	16.5	19,914
Primary Income	-938	-7,780	-8,397	7.9	-11,671
Secondary Income	102	1,891	347	-81.6	1,170
<b>Capital Account</b>	<b>-1</b>	<b>18</b>	<b>57</b>	<b>216.7</b>	<b>56</b>
<b>Financial Account</b>	<b>1,413</b>	<b>-34,420</b>	<b>-12,628</b>	<b>-63.3</b>	<b>-24,789</b>
Direct Investments (net)	-827	-5,935	-5,332	-10.2	-7,582
Portfolio Investments (net)	904	-23,678	3,120	-	2,322
Net Acquisition of Financial Assets	564	-1,121	1,496	-	2,223
Net Incurrence of Liabilities	-340	22,557	-1,624	-	-99
Equity Securities	-71	2,963	-1,352	-	-1,123
Debt Securities	-269	19,594	-272	-	1,024
Other Investments (net)	4,812	-4,338	6,470	-	5,095
Currency and Deposits	-349	-2,884	3,225	-	7,965
Net Acquisition of Financial Assets	2,537	-243	12,401	-	16,225
Net Incurrence of Liabilities	2,886	2,641	9,176	247.4	8,260
Central Bank	3,978	-206	4,856	-	4,807
Banks	-1,092	2,847	4,320	51.7	3,453
Foreign Banks	-991	588	3,871	558.3	2,397
Foreign Exchange	-1,192	90	947	952.2	-923
Turkish Lira	201	498	2,924	487.1	3,320
Non-residents	-101	2,259	449	-80.1	1,056
Loans	5,356	2,136	3,034	42.0	-3,233
Net Acquisition of Financial Assets	-104	622	-230	-	-267
Net Incurrence of Liabilities	-5,460	-1,514	-3,264	115.6	2,966
Banking Sector	-5,177	-2,157	-9,147	324.1	-4,939
Non-bank Sectors	38	1,531	6,449	321.2	8,950
Trade Credit and Advances	-184	-3,552	272	-	324
Other Assets and Liabilities	-11	-38	-61	60.5	39
Reserve Assets (net)	-3,476	-469	-16,886	3,500.4	-24,624
<b>Net Errors and Omissions</b>	<b>-416</b>	<b>-3,147</b>	<b>17,307</b>	<b>-</b>	<b>21,213</b>

Source: Datastream , CBRT

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