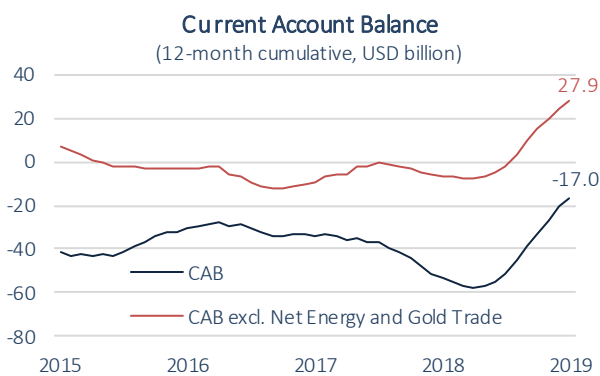




Current account deficit was 718 million USD in February.

Current account deficit kept contracting in parallel with rebalancing in economic activity. In the second month of the year, current account deficit decreased by 84% to 718 million USD, while current account excluding net gold and energy trade gave a surplus of 2.7 billion USD.

12-month cumulative figures revealed that current account deficit kept declining and came in at 17 billion USD, the lowest level of last 9 years. In this period, current account balance excluding net energy and gold trade posted a surplus of 27.9 billion USD, a new historically high level.



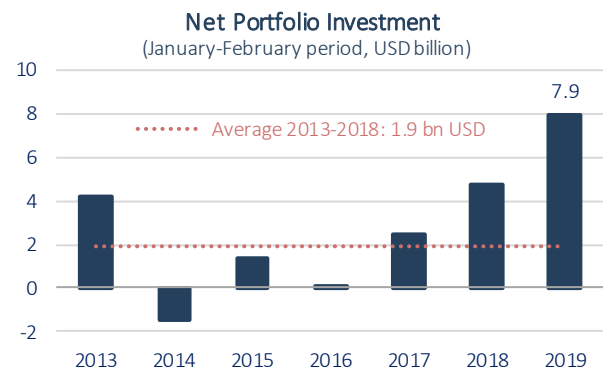
The decrease in import volume positively affects the current account balance.

Decrease in imports contributed 75.9 pp to annual contraction in current account deficit, which was 84%. Considering the limited increase in export volume, foreign trade developments contributed 82.1 pp to the decrease in current account deficit. Moreover, the ongoing recovery in travel revenues was one of the factors contributing to the contraction in the current account deficit.

Inflows in portfolio investments continued.

Portfolio inflows, which were robust in January, remained strong in February, albeit with a momentum loss. During

this period, 1.8 billion USD portfolio inflows were realized, thanks to general government's foreign debt issuances. In February, non-residents made 136 million USD worth of net purchases in the equity market and 492 million USD worth of net sales in government debt securities. On the other hand, the Treasury realized a net borrowing of 2 billion USD through eurobond issues. In this period, the eurobond issuance of 500 million USD held by non-bank sectors abroad contributed to the portfolio investments. Thus, in the first two months of the year, a total of 6.4 billion USD was obtained through eurobond issues. In this period, net portfolio inflows came in at 7.9 billion USD, the highest level in history.



Net foreign direct investments, which recorded a capital outflow in February 2018, had a net inflow of 486 million USD in the same month of this year. In this period, non-residents' capital and real estate investments were 323 million USD and 440 million USD, respectively.

Net capital outflow in other investments...

Other investments recorded an outflow of 128 million USD in February. In this period, banks and other sectors made net credit repayments of 206 million USD and 677 million USD, respectively. Thus, according to 12-month cumulative figures, the long-term debt rollover ratio of the

Net Capital Inflows

	12-month Cumulative (million USD)		Breakdown of Net Capital Inflows (%)	
	Dec. 2018	Feb. 2019	Dec. 2018	Feb. 2019
Current Account Balance	-27,228	-17,044	-	-
Total Net Foreign Capital Inflows	16,851	8,903	100.0	100.0
-Direct Investment	9,336	10,516	55.4	118.1
-Portfolio Inflows	-2,863	323	-17.0	3.6
-Other Investments	-9,957	-20,706	-59.1	-232.6
-Net Errors and Omissions	20,277	18,717	120.3	210.2
-Other	58	53	0.3	0.6
Reserves(1)	10,377	8,141	-	-

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

banking sector decreased to 73%, while the same ratio for other sectors fell to 123%. On the other hand, foreign banks' currency and deposits held in domestic banks, which had shown a rapid increase in January, declined by 711 million USD in February.

12-month cumulative inflows in net errors and omissions surpassed 12-month cumulative current account deficit.

In February, official reserves increased by 2.8 billion USD, while net errors and omissions in this period recorded an inflow of 1.4 billion USD. 12-month cumulative inflows recorded under net errors and omissions item amounted to 18.7 billion USD surpassing 12-month cumulative current account deficit for the first time since 2002.

Difference between Net Errors and Omissions and CAD



Expectations...

We expect the contraction in the current account deficit to continue in the first half of 2019 in parallel with the weakening trend in economic activity.

Balance of Payments	(USD million)			
	2018	February 2019	% Change	12-month Cumulative
Current Account Balance	-4,494	-718	-84.0	-17,044
Foreign Trade Balance	-4,764	-1,074	-77.5	-31,824
Services Balance	837	894	6.8	25,833
Travel (net)	756	815	7.8	20,811
Primary Income	-563	-495	-12.1	-11,792
Secondary Income	-4	-43	975.0	739
Capital Account	-1	-1	-	53
Financial Account	-2,685	679	-	1,726
Direct Investments (net)	271	-486	-	-10,516
Portfolio Investments (net)	299	-1,786	-	-323
Net Acquisition of Financial Assets	264	364	37.9	2,505
Net Incurrence of Liabilities	-35	2,150	-	2,828
Equity Securities	-348	136	-	587
Debt Securities	313	2,014	543.5	2,241
Other Investments (net)	-3,001	128	-	20,706
Currency and Deposits	-1,113	596	-	6,979
Net Acquisition of Financial Assets	-347	216	-	14,002
Net Incurrence of Liabilities	766	-380	-	7,023
Central Bank	-8	-12	50.0	4,282
Banks	774	-368	-	2,741
Foreign Banks	441	-711	-	1,926
Foreign Exchange	-19	-252	1,226.3	-2,350
Turkish Lira	460	-459	-	4,276
Non-residents	333	343	3.0	815
Loans	-2,276	870	-	16,231
Net Acquisition of Financial Assets	210	35	-83.3	226
Net Incurrence of Liabilities	2,486	-835	-	-16,005
Banking Sector	443	-206	-	-17,779
Non-bank Sectors	1,882	-677	-	2,683
Trade Credit and Advances	377	-1,337	-	-2,515
Other Assets and Liabilities	11	-1	-	11
Reserve Assets (net)	-254	2,823	-	-8,141
Net Errors and Omissions	1,810	1,398	-22.8	18,717

(*) Positive values show the contribution to the financing of deficit.

Source: Datastream , CBRT

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