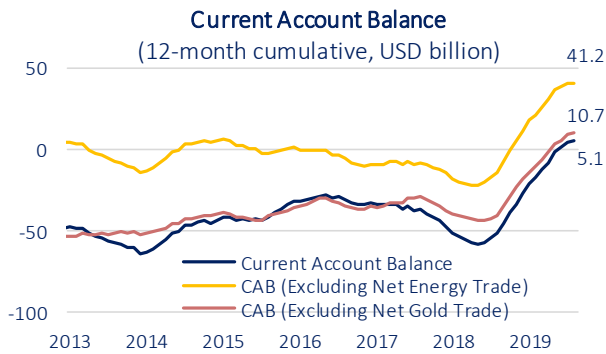




Current account surplus came in at 2.6 billion USD.

Current account balance has also posted a surplus in August. In this period, current account surplus increased by 27% compared to the same period of the previous year and came in at 2.6 billion USD, slightly below expectations. The course of the general merchandise trade and the rise in tourism revenues were behind this development.

12-month cumulative current account balance rose to a historically high level with a surplus of 5.1 billion USD in August. Excluding net energy trade, 12-month current account surplus reached to 41.2 billion USD, while current account surplus excluding gold trade increased to 10.7 billion USD.



Net tourism revenues at historically high level...

The contribution of tourism revenues to the current account balance have continued in August. Net tourism revenues rose by 22.2% yoy to 4.1 billion USD, reaching historically high level. According to the general merchandise on a balance of payments basis, foreign trade deficit narrowed by 42.8% to 1.2 billion USD. On the other hand, non-monetary gold trade, which posted a surplus of 531 million USD in August 2018, gave a deficit in the same month of this year, putting pressure on current account balance.

Direct investments recorded a net inflow of 825 million USD.

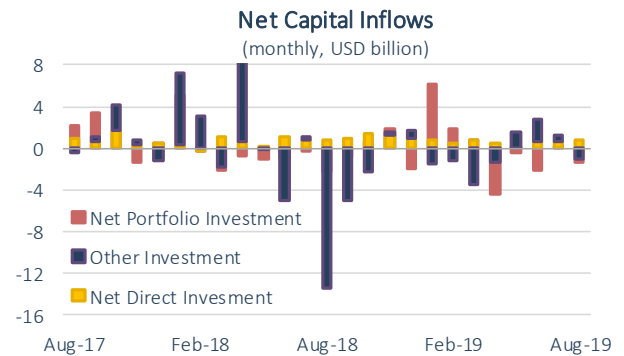
Net foreign direct investments were realized as 825 million USD, close to the amount of the same period of the previous year. In this period, real estate investments increased by 1.9% yoy to 542 million USD.

Weak course in portfolio investments continued.

Portfolio investment recorded a net outflow of 1.3 billion USD in August. In this period, non-residents' equity securities and government domestic debt securities transactions posted a net sales of 512 million USD and 149 million USD, respectively.

Other investments...

In August, a net outflow of 1 billion USD was realized in other investments. In this period, banks' currency and deposits within their foreign correspondent banks and nonresident banks' deposits held within domestic banks increased by 769 million USD and 434 million USD, respectively.



Regarding the loans provided from abroad, banks, General Government and other sectors realized net repayments of 1.8 billion USD, 430 million USD and 175 million USD, respectively. According to the 12-month cumulative

Net Capital Flows

| | 12-month Cumulative (million USD) | | Share in Financing (%) | |
|--|--------------------------------------|-----------|------------------------|-----------|
| | Dec. 2018 | Aug. 2019 | Dec. 2018 | Aug. 2019 |
| Current Account Balance | -27,031 | 5,097 | - | 28.5 |
| Total Net Foreign Capital Flows | -2,434 | -1,442 | - | - |
| -Direct Investment | 9,353 | 9,143 | 24.1 | 51.2 |
| -Portfolio Investment | -3,115 | -66 | - | - |
| -Other Investment | -8,734 | -10,548 | - | - |
| -Other | 62 | 29 | 0.2 | 0.2 |
| Net Errors and Omissions | 19,088 | 3,598 | 49.1 | 20.1 |
| Reserves(1) | 10,377 | -7,253 | 26.7 | - |

Note: The numbers may not addup total due to rounding.

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

Source: Datastream, CBRT

figures, the long-term debt roll-over ratio of the banking sector remained at the lowest level since November 2009 with 62%, parallel to the slowdown in loan demand. The said ratio was 97% in other sectors.

Reserves and net errors and omissions...

In August, official reserves increased by 254 million USD. In this period, net errors and omissions posted an outflow of 800 million USD.

Expectations...

According to provisional data announced by the Ministry of Trade, the foreign trade deficit posted a slight increase in September. In addition to the upward trend in the foreign trade deficit, we think that weaker support from tourism revenues will put pressure on the current account balance in the upcoming period. We expect the current account deficit to GDP ratio to be 0.2% in 2019.

| Balance of Payments | (USD million) | | | | |
|-------------------------------------|---------------|---------------------|--------------|--------------|------------------------|
| | Aug. 2019 | Jan. - Aug. 2018 | 2019 | % Change | 12-month Cumulative |
| Current Account Balance | 2,604 | -31,116 | 1,012 | - | 5,097 |
| Foreign Trade Balance | -1,619 | -40,273 | -12,235 | -69.6 | -13,878 |
| Services Balance | 5,216 | 16,360 | 20,550 | 25.6 | 30,021 |
| Travel (net) | 4,059 | 13,117 | 16,161 | 23.2 | 23,669 |
| Primary Income | -1,093 | -7,493 | -7,779 | 3.8 | -12,086 |
| Secondary Income | 100 | 290 | 476 | 64.1 | 1,040 |
| Capital Account | 9 | 62 | 29 | -53.2 | 29 |
| Financial Account | 1,813 | -12,971 | 3,634 | - | 8,724 |
| Direct Investment (net) | -825 | -4,776 | -4,566 | -4.4 | -9,143 |
| Portfolio Investment (net) | 1,337 | 2,711 | -338 | - | 66 |
| Net Acquisition of Financial Assets | 736 | 1,002 | 3,971 | 296.3 | 6,116 |
| Net Incurrence of Liabilities | -601 | -1,709 | 4,309 | - | 6,050 |
| Equity Securities | -512 | -1,281 | 434 | - | 584 |
| Debt Securities | -89 | -428 | 3,875 | - | 5,466 |
| Other Investment (net) | 1,047 | 2,504 | 4,318 | 72.4 | 10,548 |
| Currency and Deposits | -45 | 4,100 | 2,675 | -34.8 | -906 |
| Net Acquisition of Financial Assets | 752 | 10,248 | 9,842 | -4.0 | 6,899 |
| Net Incurrence of Liabilities | 797 | 6,148 | 7,167 | 16.6 | 7,805 |
| Central Bank | -18 | 1,064 | 526 | -50.6 | 3,737 |
| Banks | 815 | 5,084 | 6,641 | 30.6 | 4,068 |
| Foreign Banks | 434 | 4,910 | 3,791 | -22.8 | 616 |
| Foreign Exchange | 527 | 2,139 | 3,500 | 63.6 | -1,143 |
| Turkish Lira | -93 | 2,771 | 291 | -89.5 | 1,759 |
| Non-residents | 381 | 174 | 2,850 | 1,537.9 | 3,452 |
| Loans | 2,346 | -1,954 | 10,568 | - | 21,814 |
| Net Acquisition of Financial Assets | -21 | -126 | -75 | -40.5 | 172 |
| Net Incurrence of Liabilities | -2,367 | 1,828 | -10,643 | - | -21,642 |
| Banking Sector | -1,762 | -4,309 | -7,954 | 84.6 | -18,652 |
| Non-bank Sectors | -175 | 6,390 | -1,664 | - | -1,397 |
| Trade Credit and Advances | -1,246 | 406 | -8,870 | - | -10,379 |
| Other Assets and Liabilities | -8 | -48 | -55 | 14.6 | 19 |
| Reserve Assets (net) | 254 | -13,410 | 4,220 | - | 7,253 |
| Net Errors and Omissions | -800 | 18,083 | 2,593 | -85.7 | 3,598 |

Source: Datastream , CBRT

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