

**BALANCE OF PAYMENTS STATISTICS  
DEFINITION, PRINCIPLES AND PRACTICE IN  
TURKEY**

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## TABLE OF CONTENTS

### Sayfa No

<b>I- DEFINITION .....</b>	<b>1</b>
<b>II- PRINCIPLES .....</b>	<b>2</b>
1. Double-entry .....	2
2. Change of Ownership .....	4
3. Market Value .....	4
<b>III- STANDARD COMPONENTS .....</b>	<b>4</b>
1. Current Account .....	4
a) Goods and Services .....	5
i) Goods .....	5
ii) Services .....	5
b) Income .....	5
c) Current transfers .....	6
2) CAPITAL AND FINANCIAL ACCOUNT .....	6
a) Capital Account: .....	6
b) Financial Account: .....	6
i) Direct investment .....	8
ii) Portfolio investment .....	8
iii) Financial Derivatives .....	9
iv) Other Investment .....	9
v) Reserve Assets .....	9
3) NET ERRORS AND OMISSIONS .....	10
<b>IV- THE PRACTICE IN TURKEY AND DATA SOURCES .....</b>	<b>12</b>
1. Current Account: .....	14
a) Goods: .....	14
b) Services: .....	15
i) Transportation: .....	15
ii) Travel: .....	15
iii) Construction Services: .....	16
iv) Insurance Services: .....	16

v) <i>Financial Services:</i> .....	16
vi) <i>Other Business Services:</i> .....	16
vii) <i>Government Services:</i> .....	17
viii) <i>Other Services:</i> .....	17
c) <i>Income:</i> .....	17
i) <i>Compensation of Employees:</i> .....	17
ii) <i>Income:</i> .....	17
d) <i>Current Tranfers:</i> .....	18
i) <i>General Government:</i> .....	18
ii) <i>Other Sectors:</i> .....	18
<i>Workers' Remittances:</i> .....	18
2) <i>Capital and Financial Account:</i> .....	19
a) <i>Capital Account / Migrants' Transfers:</i> .....	19
b) <i>Financial Account:</i> .....	19
ii) <i>Portfolio Investment:</i> .....	20
iii) <i>Other Investment:</i> .....	21
iv) <i>Reserve Assets:</i> .....	23
Appendix:	
DETAILED PRESENTATION ITEMS IN BALANCE OF PAYMENTS OF TURKEY .....	24

## **BALANCE OF PAYMENTS STATISTICS**

### **DEFINITION, PRINCIPLES AND THE PRACTICE IN TURKEY**

International standards regarding the compilation of balance of payments statistics are described in the fifth edition of the Balance of Payments Manual (BPM5) prepared by the International Monetary Fund (IMF) in order to provide guidance to member countries, and the said standards ensure international comparability of the balance of payments statistics.

Currently, the fifth edition of the Balance of Payments Manual remains in effect, even though the studies continue towards the sixth edition of the Manual. Information on definitions, recording principles and classifications given in this text are prepared based on the BPM5.

#### **I- DEFINITION**

In a general sense, the balance of payments is a statistical statement that systematically records all the economic transactions between residents of a country (Central Government, monetary authority, banks, other sector) and nonresidents for a specific time period.

Economic transactions consist of those involving;

- goods, services and income,
- transactions of financial claims and liabilities,
- one-sided transactions between residents and nonresidents for the provision of real and financial resource transfers without quid pro quo.

There are two basic concepts in the balance of payments definition: “**economic territory**” and “**residence**”. The concept of “**economic territory**” corresponds to a geographic territory administered by a government while the concept of “**residence**” refers to the institutional unit or an individual who regularly resides and engages in economic activities in an economic territory for more than one year.

The balance of payments statistics measure all economic flows between the residents and nonresidents for a specific period, such as month, quarter or annual. The unit of account for compiling these statistics is domestic currency and the other foreign currencies which are convertible in the international markets. However, it is preferable that the unit of account be a stable currency.

## II- PRINCIPLES

### 1. Double-entry

The basic principle applied in the balance of payments statistics in accordance with the double-entry accounting system is that every recorded transaction is represented by two entries with equal values. One of these entries is designated a credit with a positive (+) sign; the other is designated a debit with a negative sign (-). In other words, double-entry accounting system requires every transaction to be recorded with two entries as “**Credit**” and “**Debit**”.

In the balance of payments statistics;

a credit (+) entry indicates,

- in the current account, the export of real resources (goods and services)
- in the capital and financial account, an increase in liabilities or a decrease in

assets,

while a debit (-) entry indicates,

- in the current account, the import of real resources (goods and services)
- in the capital and financial account, a decrease in liabilities or an increase in

assets

Some examples of the double-entry transactions are given below :

i- In return for exported goods, 100 units are deposited by a nonresident importer to an exporter’s account in a domestic bank. This transaction is recorded as follows:

	<b>Credit</b>	<b>Debit</b>
<b>Current Account:</b>		

Export	100	
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**Capital and Financial Account:**

Other Investments/Assets/Currency and Deposits		100
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ii- A syndication loan with an amount of 100 units provided by nonresident banks to a resident bank is recorded as follows:

	<b>Credit</b>	<b>Debit</b>
<b>Capital and Financial Account:</b>		

Other Investments/Assets/ Currency and Deposits		100
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**Capital and Financial Account:**

Other Investments /Liabilities/Loans	100	
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iii- Non-cash transactions are also recorded in the balance of payments. For example, a resident importer imports 100 units worth of goods, which will be repaid in a future date after the delivery is realized. The recording of this transaction is as follows:

**During the delivery of the goods:**

	<b>Credit</b>	<b>Debit</b>
<b>Current Account:</b>		

Goods		100
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**Capital and Financial Account:**

Other Investments /Liabilities /Trade Credits	100	
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### When the payment is realized:

	Credit	Debit
<b>Capital and Financial Account:</b>		
Other Investments/Assets/Currency and Deposits	100	
Other Investments/ Liabilities/ Trade Credits		100

### **2. Change of Ownership**

Within the framework of double-entry accounting principle, the credit and debit entries of all economic transactions are recorded at the time of change of ownership.

### **3. Market Value**

Economic transactions are valued at market prices. Market prices are defined as amounts of money that willing buyers pay to acquire something from willing sellers.

## **III- STANDARD COMPONENTS**

The balance of payments statistics are classified under two major groups as determined in the BPM5: "Current Account" and "Capital and Financial Account". In summary, the current account covers all transactions that involve real sources (goods, services, income) and current transfers; the capital and financial accounts show how these transactions are financed (by means of capital transfer or investment in financial instruments).

### **1. Current Account**

The current account is subdivided into three broad categories:

- a) Goods and Services
- b) Income
- c) Current Transfers (Unrequited Transfers)

## **a) Goods and Services**

### **i) Goods**

Goods item covers general merchandise, goods for processing, repairs on goods, goods procured in ports by carriers and nonmonetary gold.

Foreign trade flows are measured in terms of “**Special Trade**” or “**General Trade**” systems and choice of the system may differ among countries. Special trade system is based on the physical movement of goods across customs, but does not include the movement of goods to or from the free trade zones located in country’s border, whereas general trade system requires to cover all goods crossing the national territory.

### **ii) Services**

Services account covers Transportation (including freight), Travel, Communication services, Construction services, Insurance services, Financial services, Computer and Information services, Royalties and License Fees, Merchanting and Other Trade-Related services, Operational Leasing services, Miscellaneous Technical services, Personal, Cultural and Recreational services and Government services.

## **b) Income**

Income covers two types of transactions between residents and nonresidents:

- compensation of employees, which is paid to nonresident workers (e.g., border, seasonal and other short-term workers),
- investment income receipts and payments on external financial assets and liabilities, comprising direct investment, portfolio investment and other investment. Direct investment income includes income on equity, dividends, reinvested earnings and other intercompany investment income. Portfolio investment income refers to dividends earned on equity securities (dividend), income earned from bonds and other debt

instruments. Finally, other investment income refers to income earned from other resident claims on and liabilities to non-residents respectively (interest).

### **c) Current transfers**

Transfers are defined as offsetting entries for real resources or financial items provided, without a quid pro quo, by one economy to another.

This item is splitted, according to sector, into two main categories:

- General Government (such as grants)
- Other Sectors (workers' remittances and other transfers)

## **2) CAPITAL AND FINANCIAL ACCOUNT**

This item is divided into two main categories: The capital account and the financial account.

### **a) Capital Account:**

Capital account consists of two categories:

**i) Capital transfers** (such as debt forgiveness, migrants' transfers)

**ii) Acquisition or Disposal of Nonproduced and Nonfinancial Assets** (intangible assets like land and tangible assets like franchise, copyright, trademarks and leases and other transferable contracts)

### **b) Financial Account:**

The other important part of balance of payments is related to transactions in the external assets and liabilities of an economy. International short and long-term financial flows of private and public sector are followed under this account.

International economic transactions are partly constituted from the capital movements. Basically, the financial flows cover all transactions associated with the change of ownership in the foreign financial assets and liabilities of an economy.

According to the type of financial flows, the “Financial Account” is classified as follows:

- i) Direct investment
- ii) Portfolio investment
- iii) Financial derivatives
- iv) Other investment
- v) Reserve assets

Assets and liabilities of the above items, except for the “Reserve Assets”, are classified on the following basis:

- “**Direct Investment**”, according to direction of the investment;
- “**Portfolio Investment**”, according to sector and instrument;
- “**Financial Derivatives**”, according to sector;
- “**Other Investment**”, according to instrument, sector and maturity;

**Sectors** are classified as

- Monetary authority (Central Bank)
- Central Government (Government and subordinate bodies, local administrations etc.)
- Banks (Public and private banks)
- Other sectors (Public and private institutions)

and **Maturity** is determined as:

- short-term referring to a maturity of less than or equal to 1 year
- long-term referring to a maturity of more than 1 year.

### **i) Direct investment**

Direct investment is an international investment that reflects the objective of obtaining a long-term interest by a resident entity in one economy in an enterprise resident in another economy. Direct investment definition requires that direct investor should have the ownership of 10 percent or more of the ordinary shares or the voting power in the management of an enterprise.

Being recorded on a directional basis (the resident direct investment abroad and nonresident direct investment in reporting economy), the major components of direct investment item are **Equity Capital, Reinvested Earnings, and Other Capital.**

- **Equity Capital** refers to the investment of a direct investor for the establishment of a new enterprise outside the economy in which the investor is located or the acquisition of the share of ownership in an existing enterprise,

- **Reinvested Earnings** refer to direct investor's share of earnings not distributed as dividends and added to the equity capital,

- **Other Direct Investment Capital** refers to investments associated with the borrowing and lending of funds between direct investors and their subsidiaries, branches and associates.

### **ii) Portfolio investment**

The portfolio investment, which is briefly defined as the investment on securities, generally covers bills, bonds, equities and other money market instruments of public and private institutions.

There are significant differences between direct investment and portfolio investment. The most important difference arises from the management and the control of the investment being invested in the foreign country. In case of direct investment, the investors expect to have an effective voice in management and control of the enterprise. However, investment in the form of portfolio investment provides for the resident enterprise funds from international capital markets without having an effective voice in management. Also direct investor may provide production

technology and management skills to the direct investment enterprise, in addition to the investment capital. On the other hand, the portfolio investor only provides capital to the enterprise.

The portfolio investment components, classified under assets and liabilities, are equity securities and debt securities.

### **iii) Financial Derivatives**

Financial derivatives are financial instruments that are linked to a specific asset that may be purchased or sold in their own right. Derivatives are conducted by binding contracts in which the conditions of future transactions are determined today. There are two main types of financial derivative contracts: forward-type and option-type.

### **iv) Other Investment**

All the other financial transactions, not covered by direct investments, portfolio investments, financial derivatives and reserves, are included in this category.

Similar to the portfolio investments, it is categorized according to the types and institutional sectors under assets and liabilities as:

- Trade credits (credits extended for exports or imports)
- Loans
- Currency and deposits
- Other assets and liabilities

### **v) Reserve Assets**

Reserve Assets are classified as,

- Monetary Gold
- Special Drawing Rights (SDRs)
- Reserve Position in the Fund
- Foreign Exchange Holdings
- Other claims

**Monetary Gold:** Monetary gold refers to the gold owned by the monetary authority of the country.

**Special Drawing Rights (SDR):** SDR's are international reserve assets created by the IMF to supplement other reserve assets that have been allocated to IMF members in proportion to their respective quotas.

**Reserve Position in the Fund:** The members' reserve positions in the IMF are the sum of members' reserve tranche purchases that is readily repayable to them. The purchases from the Fund are recorded as an increase in foreign exchange holdings and a decrease in the reserve position.

**Foreign Exchange Holdings:** Foreign exchange holdings cover monetary authorities' claims on nonresidents in the forms of currency, bank deposits, securities, other bond and notes, money market instruments, claims arising from arrangements between central banks or governments.

**Other Claims:** Other claims is a residual category including the items that are not classified previously. For example, the reserve assets of the banks that are subject to the control of the monetary authority are classified under this category.

### **3) NET ERRORS AND OMISSIONS**

Since the balance of payments is constructed as an accounting system, in which each transaction is recorded twice with two opposite signs (credit and debit entries), every transaction is recorded under the related item in the balance of payments and the opposite entry is recorded in another item. That is, the "Current Account" and the "Capital and Financial Account" should always be equal in absolute values since each transaction is recorded as credit and debit entries with equal values.

In practice, however, this theoretical consequence occurs rarely. The collection of data from different sources leads to differences in valuation, measurement and time of recording; as a result, these differences are reflected in "Net Errors and Omissions" item as residual.

For example, the physical movement of goods is recorded on the basis of customs documents, while the payments records are provided from banks' reports. The value of these records may differ causing unequal entries to the related items. Assuming that the exported goods are invoiced as 100 units in custom documents, and 70 units of this total amount are debited to the exporter's deposit account in a resident bank, while the remaining 30 units are kept in an account abroad; the remaining 30 units of money is recorded under net errors and omissions item since it will not be reflected in a resident bank records. If the remaining 30 units are also debited to the resident deposit accounts, net error and omission will be offset by an opposite entry in subsequent periods.

Another example that may result with net errors and omissions is related to the surveys conducted for estimating travel revenues and expenditures. For example, if the 100 units of tourism revenues or expenditures derived from survey results do not match with a corresponding 100 units increase or decrease in holdings of the banks, the difference is reflected in net errors and omissions item.

Consequently, the balance is provided by reflecting the difference between the total credit and debit entries to net errors and omissions item. That is, net errors and omissions is not an estimated item, but a residual item reflecting the differences between (+) and (-) entries.

#### **IV- THE PRACTICE IN TURKEY AND DATA SOURCES**

*The classifications and definitions of the balance of payments statistics of Turkey are based on the international standards and principles recommended by the IMF to all member countries that were summarized in the previous section. Turkey's balance of payments statistics were compiled by the Ministry of Finance until 1975 and has been compiled by the Central Bank of Turkey (CBRT) since then. The statistics are available only for main items regarding the period 1975 through 1983, while they are published annually for the period between 1984 and 1991, and monthly since 1992 by the Balance of Payments Division of the Statistics Department of the CBRT in accordance with the "Detailed Presentation" given in the appendix section of this text.*

*The balance of payments statistics and developments are available at the internet address <http://www.tcmb.gov.tr> under the heading "**Data / Periodic Data / Balance of Payments Statistics and International Investment Position**", and also as time series data in the Electronic Data Dissemination System at the same internet address under the heading "**Data/Statistical Data**". The statistics are disseminated to the public according to a release calendar that is specified within the context of "Special Data Dissemination Standards" of the IMF. "**The Release Calendars**" are available either under the heading "**Data / Periodic Data / Balance of Payments Statistics and International Investment Position**", or under the address <http://www.tuik.gov.tr/TURCAT/SDDS/sdds.htm> of the Turkish Statistical Institute (Turkstat).*

*The report named "Balance of Payments Statistics: Definitions, Principles and Turkish Practice" are given in the CBRT's internet address under "**Data / Periodic Data / Balance of Payments Statistics and International Investment Position**".*

*The major sources of the balance of payments statistics are:*

- Foreign exchange transaction reports of the CBRT and resident banks,*
- Trial balances of resident banks*
- Foreign trade statistics compiled by the Turkstat,*

- *Credit and debit figures on freight and insurance regarding merchandise trade provided by Turkstat,*
- *The surveys conducted by the Ministry of Culture and Tourism, Turkstat, and the CBRT,*
- *The data provided through direct reporting of the related resident enterprises,*
- *Stocks data on nonresidents' portfolio investments provided from custodian banks,*
- *Stocks data on bond issues of banks and other sector and equity transactions provided from Central Registry Agency,*
- *Annual direct investment survey,*
- *Financial press.*

*The foreign exchange transactions of the CBRT and the resident banks are reported monthly in electronic form on the basis of approximately 600 transaction codes specified in terms of transaction types. These sources are mainly used in the compilation of Financial Account.*

*For the most part of the current account, the main data source is Turkstat. The export and import data compiled by Turkstat constitutes the foreign trade figures and are also used in the calculation of trade credits. Freight and insurance statistics of merchandise trade are also provided by Turkstat based on monthly studies. The shuttle trade and travel revenue and expenditure figures are based on the related surveys conducted by Turkstat.*

*The detailed presentation items of Turkey's balance of payments statistics and the related compilation methods are explained below. In the detailed presentation, there are some items (like shuttle trade) that are not determined in the BPM5's standard components. The importance of specific items leads to differentiation in the standard components of countries. For example, oil exporting countries disseminate the relevant data in their statistics.*

## **1. Current Account:**

### **a) Goods:**

*This item covers the movement of exported and imported goods between the resident and nonresidents that are cleared through the customs. As regards the foreign trade figures, the data disseminated by Turkstat on a “special trade” basis are converted to “general trade” basis through adjustment item using the data on free trade zones provided separately by Turkstat. In terms of timing, the recording of the goods during the clearance through customs is consistent with the change of ownership principle of the balance of payments statistics.*

*Data on exports that are valued at f.o.b. basis (cost of goods excluding insurance and freight) and data on imports that are valued at c.i.f basis (cost of goods including insurance and freight) are published with the inclusion of non-monetary gold data by Turkstat. The exports and imports of non-monetary gold are deducted from general exports and imports figures and recorded under the “Adjustment: Coverage” item, exports of fuels and provisions procured at ports by carriers are deducted from general exports figures and are also recorded under the “Adjustment: Coverage” item; whereas the freight and insurance are deducted from import c.i.f. figure and recorded under the “Adjustment: Classification” item. So that, data on gold exports and imports are transferred to “Non-Monetary Gold” item, data on goods procured at ports by carriers are transferred to “Goods Procured in Ports by Carriers” item and imports figure would imply only the cost of goods, by transforming into f.o.b. basis. Besides, data on imports in the form of financial leasing are recorded in the Financial Account under “Other Investment / Liabilities / Loans / Other Sectors / Long-Term / Drawings”.*

*The goods purchased by the foreign visitors from former Soviet Union and East European countries to be resold in foreign countries are not covered in the foreign trade statistics. This kind of exports, named “Shuttle Trade”, has become an important source of external trade and the value of these exports is calculated by Turkstat by means of a quarterly “Shuttle Trade Survey” conducted at the customs.*

**b) Services:**

**i) Transportation:**

*Transportation item is composed of “Freight” and “Other Transportation”. While the former refers to transportation regarding merchandise trade, the latter refers to international passenger and baggage transportation.*

*Freight service can be provided to or acquired from abroad either by resident or nonresident carriers, however in the balance of payments statistics, freight services provided to nonresidents by resident transport operators regarding exports are recorded as credit, whereas freight services acquired from nonresident operators by residents regarding imports are recorded as debit. Credit and debit figures for freight services are calculated within the framework of the results of a monthly study performed by Turkstat based on the invoices attached to customs declaration forms.*

*Other transportation data are based on data obtained from transportation operators.*

**ii) Travel:**

*The travel revenues are based on “Departing Visitors Survey” conducted by Turkstat in cooperation with the Ministry of Culture and Tourism and the CBRT. In the survey, it is targeted to determine the domestic expenditures of foreign visitors departing from Turkey and travel related expenditures of citizen visitors, who are living abroad and considered as nonresidents of Turkey in compliance with the balance of payments methodology.*

*The surveys are conducted at the border gates, on the nationality basis, four times a year, so as to cover quarterly periods.*

*The survey results estimate the average expenditures of foreign visitors on nationality basis with the breakdown of overnight-stays and the excursions. On package tours, only the expenditures in Turkey are taken into consideration. These figures on average expenditures are multiplied with the number of tourists provided by the Directorate General for Security for the related periods.*

*Likewise, the survey results regarding the average expenditures of citizen visitors residing abroad are expanded by the result of another survey which estimates the number of people.*

*The travel expenditures are compiled from “Arriving Citizens Survey” conducted by Turkstat. In order to estimate per capita expenditure figures for Turkish travelers abroad, these sample surveys are also conducted on a quarterly basis for resident visitors arriving in Turkey.*

***iii) Construction Services:***

*Receipts related to the construction services performed abroad by the resident companies are compiled from the banks’ reports.*

***iv) Insurance Services:***

*The data on insurance and reinsurance transactions other than freight insurance with non-residents are collected from the resident insurance companies. Freight insurance, as in the calculation of freight, are calculated within the framework of the results of a monthly study performed by Turkstat based on the invoices attached to customs declaration forms*

***v) Financial Services:***

*Financial services conducted between residents and nonresidents cover the financial intermediary and auxiliary services (except those of insurance enterprises and pension funds). It includes the commissions and the other fees paid and received related to financial services between the resident banks and nonresidents. The data are compiled from the banks’ reports.*

***vi) Other Business Services:***

*This item covers the commissions and other fees acquired from or paid to nonresidents due to merchanting activities. The data are based on the bank records. Additionally, credit data on ‘Legal Services’ have been obtained from the domestic companies providing legal services to non-residents.*

**vii) Government Services:**

*Included are revenues and expenditures of embassies, consulates, and government units in foreign countries. The data are compiled from the records of the CBRT and the banks except the data on ‘Embassies and Consulates’, which are obtained from administrative records.*

**viii) Other Services:**

*This item covers the credits and debits of other services not covered in previous items. Included items are postal and courier services, telecommunications, news agency services, royalties and license fees, and the related services for proprietary rights. The figures on telecommunications and news agency services and, postal and courier services are submitted by the related companies, while the others are based on the records of the CBRT and the banks.*

**c) Income:**

**i) Compensation of Employees:**

*Data on wages earned by non-residents working in Turkey are recorded under this item. The calculations are based on the number of foreigners who have been granted work permits by the Ministry of Labor and Social Security.*

**ii) Income:**

**Direct Investment:**

*The profits accruing to a direct investor from the ownership of a direct investment abroad are recorded as “Credit”, whereas the profits acquired from the direct investment in the reporting economy are recorded as “Debit”, which also includes reinvested earnings in addition to distributed profit. The figure on distributed profit is compiled from banks’ reports, while the figure on reinvested earnings is calculated from “Direct Investment Survey”, which is conducted annually.*

**Portfolio Investment:**

*Portfolio investment income consists of income from equity securities and debt securities like bonds and notes, excluding the transactions realized in the form of direct investments. Included in this item are the loss and profits from the security holdings of the CBRT and the banks, the income of the other sector from the the bond issues in the international capital markets and the related expenditures of the Undersecretariat of Treasury and the banks related to the bond issues in the international capital markets. These figures are obtained from the records of the CBRT and the banks' reports.*

**Other Investment:**

*The other investment income comprises interest revenues or expenditures related to the foreign exchange deposits, loans and trade credits. The data are based on the detailed records of the CBRT and the banks.*

**d) Current Tranfers:**

*“Current Transfers” are composed of “General Government” and “Other Sectors.*

**i) General Government:**

*This item includes the grants between the countries, the revenues from the transactions of the foreign and Turkish embassies and consulates, and the payments of Turkish citizens residing abroad in return for the military service. These data are based on the reports of the CBRT and the banks.*

**ii) Other Sectors****Workers' Remittances:**

*This item covers the foreign exchange remittances of Turkish citizens residing abroad. Workers' remittances are sent through the domestic banks and converted to domestic currency. However, the remittances into their foreign exchange accounts in the domestic banks are recorded in the “Currency and*

*Deposits” item under the “Financial Account”. The data are obtained from the banks’ reports.*

**Other Transfers:**

*Data regarding net value of the earned premiums and received claims vis-à-vis the paid premiums and incurred claims owing to exchange of insurance services are recorded in this item.*

**2) Capital and Financial Account:**

**a) Capital Account /**

**i) Migrants’ Transfers:**

*The transfers of foreign assets into Turkey by migrants are recorded under this item for which the data are obtained from the official records.*

**ii) Acquisition or Disposal of Nonproduced and Nonfinancial Assets**

*The data source for Acquisition or Disposal of Nonproduced and Nonfinancial Assets, which records intangible assets like land and tangible assets like franchise, copyright, trademarks and leases and other transferable contracts, is the Turkish sports clubs’ reporting revenues gained and expenses incurred from nonresident sports club for the transfer of a player.*

**b) Financial Account:**

**i) Direct Investment:**

*Direct investment is the category of investment that reflects the objective of a resident entity in one economy obtaining a lasting interest in a direct investment enterprise located in another economy, by controlling the management of the enterprise. Direct investment occurs when the investor owns 10 percent or more of the ordinary shares in the enterprise.*

### **Direct Investment Abroad:**

*Residents' direct investment transactions abroad by means of establishing a new enterprise or sharing the ownership in existing ones, opening a new branch and the repatriation of the capital are recorded under this item in addition to the real estate purchases in abroad. Data are obtained from the banks' foreign exchange records on transaction basis consisting the country, institutional sector and company information.*

### **Direct Investment in Turkey:**

**Equity capital:** *"Equity Capital" item comprises nonresidents' direct investment transactions in Turkey by means of establishing a new enterprise, sharing the ownership in existing ones and opening a new branch, as well as reinvested earnings. These data are compiled from the banks' foreign exchange reports, annual "Direct Investment Survey", noncash transactions provided by Undersecretariat of Treasury and "Daily Bulletins" of İstanbul Stock Exchange (İMKB) and financial press.*

**Other capital:** *The loans extended by parent companies to their direct investment enterprises and the repayments are included in other capital. The data source is banks' reports providing the details on the credit disbursements of private sector on credit by credit basis.*

**Real Estate:** *This item covers the value of the real estate acquisitions and sales of nonresidents in Turkey. The data sources are the records of the "General Directorate of Land Registry and Cadastre" showing the figures on traded real estates with a country breakdown and the unit prices estimated from "Visitors Revenue Survey" conducted by Turkstat.*

### **ii) Portfolio Investment:**

*Portfolio investment is composed of investment on equity and debt securities not covered by direct investment and reserve assets.*

**Assets:** *This item covers the residents' security transactions in international markets. Also included are repurchase agreements and the other transactions related*

to the residents' (for example Treasury) bond issues in international markets. The data source is the banks' reports consisting of the sectoral breakdown.

**Liabilities:** Nonresidents' security transactions in domestic markets associated with equity securities and residents' bond issues in domestic and international capital markets (for example Treasury's Eurobond issues, banks' and other sectors' bond issues in domestic and international markets) are recorded under this item. Data source for bond issues in international capital markets is the CBRT's and the banks' reports. The figures for domestic bond issues of banks and other sectors and equity transactions are derived from stocks provided by Central Registry Agency on security basis by adjusting for foreign exchange and market price changes. On the other hand, the figures on government domestic debt securities are derived from stocks provided by custodian banks on security basis, and adjusted for foreign exchange and market price changes.

### **iii) Other Investment:**

Other investments contain all financial transactions not covered in direct investment, portfolio investment and reserve assets.

**Assets:** This item consists of trade credits and loans extended by the residents to nonresidents and the banks' foreign exchange holdings with foreign correspondent banks.

**Trade Credits** consist of the credits extended for the goods exported by a resident exporter to a nonresident importer and the related payments for these exports in the maturity dates. The data on disbursements are based on the figures compiled by Turkstat providing the details on the payment structure. Data on the repayments of these credits are estimated by the moving average method depending on the maturity dates, which are determined from the results of a survey conducted with the exporting companies.

**Loans** comprise cash funds extended by the CBRT and the banks to nonresidents, in addition to the deposits of banks on the noncorrespondent banks. Data sources are the reports of the CBRT and the banks.

**Currency and Deposits** reflect the change in the foreign exchange and Turkish Lira holdings of the commercial banks deposited in their foreign correspondent banks. This change in foreign exchange holdings reflects all foreign currency transactions between the residents and nonresidents and resident to resident transactions. Furthermore, residents' deposit holdings abroad are also shown under this item. Data source for foreign exchange holdings of banks is the banks' reports, Turkish Lira holdings of banks is the trial balances of banks and other residents deposit holdings is the Bank for International Settlements (BIS) statistics.

**Other Assets** cover the foreign notes earned from shuttle trade and held by residents in their vaults instead of bank accounts. Therefore, these amounts are not covered in banks' records. The figures for this item, which are assumed to be zero after 2004, were provided from the studies conducted for shuttle trade in the past years. Also, The General Government item under the Other Assets records the government participation shares to the international organizations.

**Liabilities:** This item consists of trade credits and loans obtained by the residents from nonresidents and foreign exchange deposit accounts of nonresidents held with the CBRT and the banks.

**Trade Credits** consist of the credits disbursed for the goods imported by a resident from a nonresident exporter and the related payments for these imports when it is due. The data on disbursements are based on the figures compiled by Turkstat and figures obtained from banks' reports. Data on the repayments of these credits are estimated by the moving average method depending on the maturities, which are determined from the results of a survey conducted with the importing companies.

**Loans** comprise the lending of funds (including the disbursements from International Monetary Fund) provided from nonresidents to the residents according to the sector and maturity on borrower side. Data are compiled from the reports of the CBRT and the banks.

Furthermore, data on short-term trade credits provided from abroad and data on long-term trade credits and loans provided by the private sector are compiled from

*the banks' reports giving the details on transaction basis and constitutes the stock data to the external debt statistics.*

*Data on imports in the form of financial leasing are recorded in the Financial Account under "Other Investment / Liabilities / Loans / Other Sectors / Long-Term / Drawings".*

**Currency and Deposits** *comprise the deposit accounts of nonresidents held with the CBRT and the banks. Deposit accounts held with the CBRT refer to the change in the FX Deposit Accounts with Credit Letters and Super FX Accounts belonging to Turkish citizens residing abroad, while the deposits held within the banks reflect the change in the FX and Turkish Lira deposits of the nonresident persons and banks. Data are compiled from the reports of the CBRT and the banks and banks' trial balances.*

**iv) Reserve Assets:**

**Reserve Position in the Fund:** *This item reflects the change in the reserve position in the IMF. The latest quota change has been conducted in 1999. Data are compiled from the records of the CBRT.*

**Official Reserves:** *This item consists of the change in the foreign exchange holdings of the CBRT held in the correspondent banks and the tradable securities with the aim of portfolio management. The change in reserves reflects all foreign currency transactions between the residents and nonresidents and resident to resident transactions. Data source is the CBRT's reports.*

**Appendix:**

**DETAILED PRESENTATION ITEMS IN BALANCE OF PAYMENTS OF TURKEY**

**CURRENT ACCOUNT**

**I-a-Goods, Services and Income (A+B+C)**

**I-b-Goods and Services (A+B)**

**I-A.GOODS**

**I-A.a-Exports**

**I-A.b-Imports**

**I-A.1.General Merchandise**

**I-A.1.1.Exports f.o.b.**

**I-A.1.1.1.Exports f.o.b.**

**I-A.1.1.2.Shuttle trade**

**I-A.1.1.3.Adjustment**

**I-A.1.2.Imports f.o.b.**

**I-A.1.2.1.Imports c.i.f.**

**I-A.1.2.2.Adjustment**

**I-A.1.2.3.Adjustment**

**I-A.2.Non Monetary Gold (net)**

**I-A.2.a-Exports**

**I-A.2.b-Imports**

**I-A.3.Goods procured in ports by carriers**

**I-A.3.a-Exports**

**I-A.3.b-Imports**

**I-B.SERVICES**

**I-B.a-Credit**

**I-B.b-Debit**

**I-B.1.Transportation**

**I-B.1.a-Credit**

**I-B.1.b-Debit**

**I-B.1.1.Freight**

**I-B.1.1.a-Credit**

**I-B.1.1.b-Debit**

**I-B.1.2.Other Transportation**

**I-B.1.2.a-Credit**

**I-B.1.2.b-Debit**

**I-B.2.Travel**

**I-B.2.a-Credit**

**I-B.2.b-Debit**

**I-B.3.Construction Services**

**I-B.3.a-Credit**

**I-B.3.b-Debit**

**I-B.4.Insurance Services**

**I-B.4.a-Credit**

**I-B.4.b-Debit**

**I-B.5.Financial Services**

**I-B.5.a-Credit**

**I-B.5.b-Debit**

**I-B.6.Other Business Services**

**I-B.6.a-Credit**

**I-B.6.b-Debit**

**I-B.7.Government Services**

**I-B.7.a-Credit**

**I-B.7.b-Debit**

**I-B.8.Other Services**

**I-B.8.a-Credit**

**I-B.8.b-Debit**

**I-C.INCOME**

**I-C.a-Credit**

**I-C.b-Debit**

**I-C.1.Compensation of Employees**

**I-C.1.a-Credit**

**I-C.1.b-Debit**

**I-C.2.Investment Income**

**I-C.2.a-Credit**

**I-C.2.b-Debit**

**I-C.2.1.Direct Investment**

**I-C.2.1.a-Credit**

**I-C.2.1.b-Debit**

**I-C.2.2.Portfolio Investment**

**I-C.2.2.a-Credit**

**I-C.2.2.b-Debit**

**I-C.2.3.Other Investment**

**I-C.2.3.1.Interest Income**

**I-C.2.3.2.Interest Expenditure**

**I-C.2.3.2.1.Long Term**

**I-C.2.3.2.1.1.Monetary Authority**

**I-C.2.3.2.1.2.General Government**

**I-C.2.3.2.1.3.Banks**

**I-C.2.3.2.1.4.Other Sector**

**I-C.2.3.2.2.Short Term**

**I-D.CURRENT TRANSFERS**

**I-D.1.Official Transfers**

**I-D.2.Other Sectors**

**I-D.2.1.Workers Remittances**

**I-D.2.2.Other Transfers**

**II-CAPITAL AND FINANCIAL ACCOUNT**

**II-A.CAPITAL ACCOUNT**

**II-A.1.Migrants' transfers**

**II-A.2.Acquisition/Disposal of Nonproduced, Nonfinancial Assets**

**II-B.FINANCIAL ACCOUNT**

**II-B.1.Direct Investment**

**II-B.1.1.Abroad**

**II-B.1.1.a-Inflow**

**II-B.1.1.b-Outflow**

**II-B.1.2.In Turkey**

**II-B.1.2.1.Equity Capital**

**II-B.1.2.1.a-Inflow**

**II-B.1.2.1.b-Outflow**

**II-B.1.2.2.Other Capital (Net)**

**II-B.1.2.3.Real Estate (Net)**

**II-B.2.Portfolio Investment**

**II-B.2.1.Assets**

**II-B.2.1.1.General Government**

**II-B.2.1.2.Banks**

**II-B.2.1.3.Other Sectors**

**II-B.2.2.Liabilities**

**II-B.2.2.1.Equity Securities**

**II-B.2.2.2.Debt Securities**

**II-B.2.2.2.1.Monetary Authority**

**II-B.2.2.2.2.General Government**

**II-B.2.2.2.2.1.In Turkey**

**II-B.2.2.2.2.2.Abroad**

**II-B.2.2.2.2.2.1.Borrowing**

**II-B.2.2.2.2.2.2.Repayment**

**II-B.2.2.2.3.Banks**

**II-B.2.2.2.3.1.In Turkey**

**II-B.2.2.2.3.2.Abroad**

**II-B.2.2.2.4.Other Sectors**

**II-B.2.2.2.4.1.In Turkey**

**II-B.2.2.2.4.2.Abroad**

**II-B.3.Other Investment**

**II-B.3.1.Assets**

**II-B.3.1.1.Trade Credits**

**II-B.3.1.1.1.Credits Extended**

**II-B.3.1.1.2.Repayments**

**II-B.3.1.2.Loans**

**II-B.3.1.2.1.Monetary Authority**

**II-B.3.1.2.2.Banks**

**II-B.3.1.3.Currency and Deposits**

**II-B.3.1.3.1.Banks**

**II-B.3.1.3.1.1.Foreign Exchange**

**II-B.3.1.3.1.2.Turkish Lira**

**II-B.3.1.3.2.Other Sectors**

**II-B.3.1.4.Other Assets**

**II-B.3.1.4.1.Monetary Authority**

**II-B.3.1.4.2.General Government**

**II-B.3.1.4.2.Other Sectors**

**II-B.3.2.Liabilities**

**II-B.3.2.1.Trade Credits**

**II-B.3.2.1.1.Long Term**

**II-B.3.2.1.1.1.Drawings**

**II-B.3.2.1.1.2.Repayments**

**II-B.3.2.1.2.Short Term**

**II-B.3.2.1.2.1.Drawings**

**II-B.3.2.1.2.2.Repayments**

**II-B.3.2.2.Loans**

**II-B.3.2.2.1.Monetary Authority**

**II-B.3.2.2.1.1.Use of Fund Credits and Loans**

**II-B.3.2.2.1.1.1.Drawings**

**II-B.3.2.2.1.1.2.Repayments**

**II-B.3.2.2.1.2.Long Term**

**II-B.3.2.2.1.2.1.Drawings**

**II-B.3.2.2.1.2.2.Repayments**

**II-B.3.2.2.1.3.Short Term**

**II-B.3.2.2.2.General Government**

**II-B.3.2.2.2.1.Use of Fund Credits and Loans**

**II-B.3.2.2.2.1.1.Drawings**

**II-B.3.2.2.2.1.2.Repayments**

**II-B.3.2.2.2.2.Long Term**

**II-B.3.2.2.2.2.1.Drawings**

**II-B.3.2.2.2.2.2.Repayments**

**II-B.3.2.2.2.3.Short Term**

**II-B.3.2.2.3.Banks**

**II-B.3.2.2.3.1.Long Term**

**II-B.3.2.2.3.1.1.Drawings**

**II-B.3.2.2.3.1.2.Repayments**

**II-B.3.2.2.3.2.Short Term**

**II-B.3.2.2.4.Other Sectors**

**II-B.3.2.2.4.1.Long Term**

**II-B.3.2.2.4.1.1.Drawings**

**II-B.3.2.2.4.1.2.Repayments**

**II-B.3.2.2.4.2.Short Term**

**II-B.3.2.3.Currency and Deposits**

**II-B.3.2.3.1.Monetary Authority**

**II-B.3.2.3.1.1.Long Term**

**II-B.3.2.3.1.2.Short Term**

**II-B.3.2.3.2.Banks**

**II-B.3.2.3.2.1.Banks**

**II-B.3.2.3.2.1.1.Foreign Exchange**

**II-B.3.2.3.2.1.2.Turkish Lira**

**II-B.3.2.3.2.2.Other Sectors**

**II-B.3.2.4.Other Liabilities**

**II-B.4.Reserve Assets**

**II-B.4.1.Reserve Position in the Fund**

**II-B.4.2.Foreign Exchange**

**II-B.4.2.1.Currency and Deposits**

**II-B.4.2.2.Securities**

**II-B.4.2.3.Other Reserve Assets**

**III-NET ERRORS AND OMISSIONS**