CENTRAL BANK OF THE REPUBLIC OF TURKEY

Balance of Payments Report

2015-II

CENTRAL BANK OF THE REPUBLIC OF TURKEY

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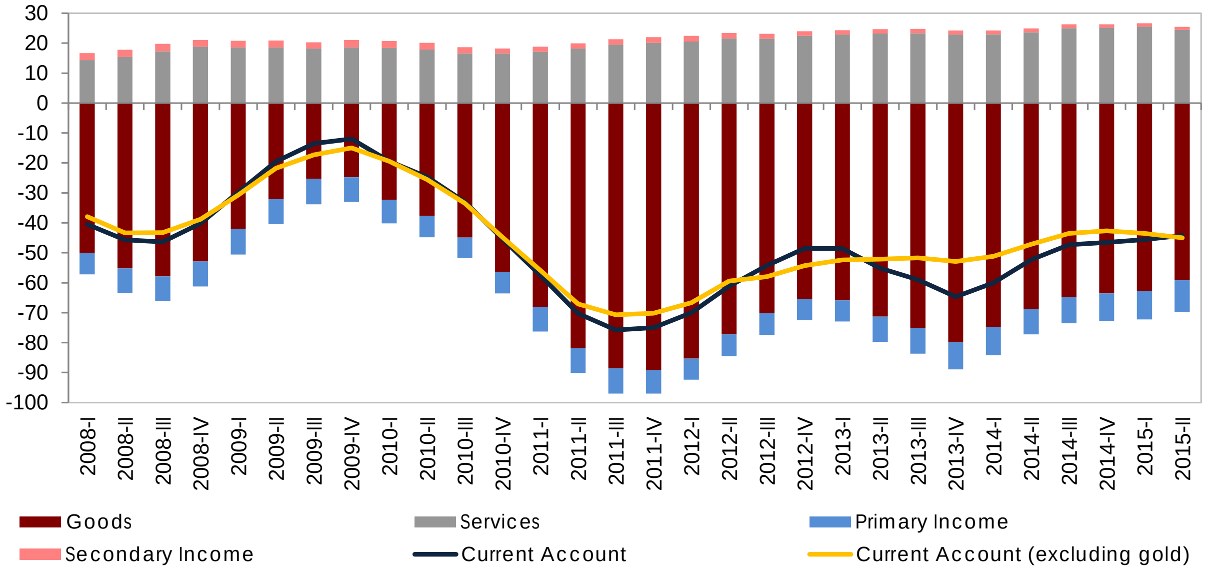
Overview

In the second quarter of 2015, the current account deficit continued to contract, albeit at a decelerating pace. The improvement in the foreign trade of gold was the main driver of the contraction in the current account deficit. When foreign trade of gold is excluded, the 12-month cumulative current account deficit displayed a limited rise quarter-on-quarter. The positive contractionary effect of the services balance on the current account deficit faded due to the decline in net travel revenues in the second quarter (Chart 1).

Chart 1. Current Account and Sub-Items
(annualized, billion USD)



Source: Central Bank of the Republic of Turkey (CBRT).

In the second quarter, exports excluding gold displayed a downtrend. The decline in exports in this quarter was mainly driven by multiple factors such as the significant drop in exports to Iraq and Russia due to the geopolitical and economic developments in the region, the weak growth rates in the European Union (EU) countries, and the weak recovery trend in exports to EU countries due to the ongoing depreciation of the euro against the dollar. The year-on-year decline in shuttle trade revenues continued due to the substantial depreciation of the Russian ruble. Meanwhile, gold exports increased compared to the same quarter last year.

Excluding gold, the downtrend in import expenditures, which started in the third quarter of 2014, continued in the second quarter of 2015, albeit with some deceleration. The decline in imports was mainly driven by moderate domestic demand factors and the decrease in energy imports on the back of falling oil prices. Imports of gold decreased year-on-year.

The services item, which is the second most important determinant of the current account balance after goods, displayed a downtrend in the second quarter. Despite the significant decline in the number of tourists from Russia, the decline in the number of tourists visiting Turkey remained limited thanks to the rise in the number of tourists from Germany and Iran. Nevertheless, the net travel revenues dropped significantly due to both the decline in the average package tour expenditure and the unfavorable parity effect stemming from the depreciation of the euro. The decline in travel revenues became the primary reason for the downtrend in services revenues.

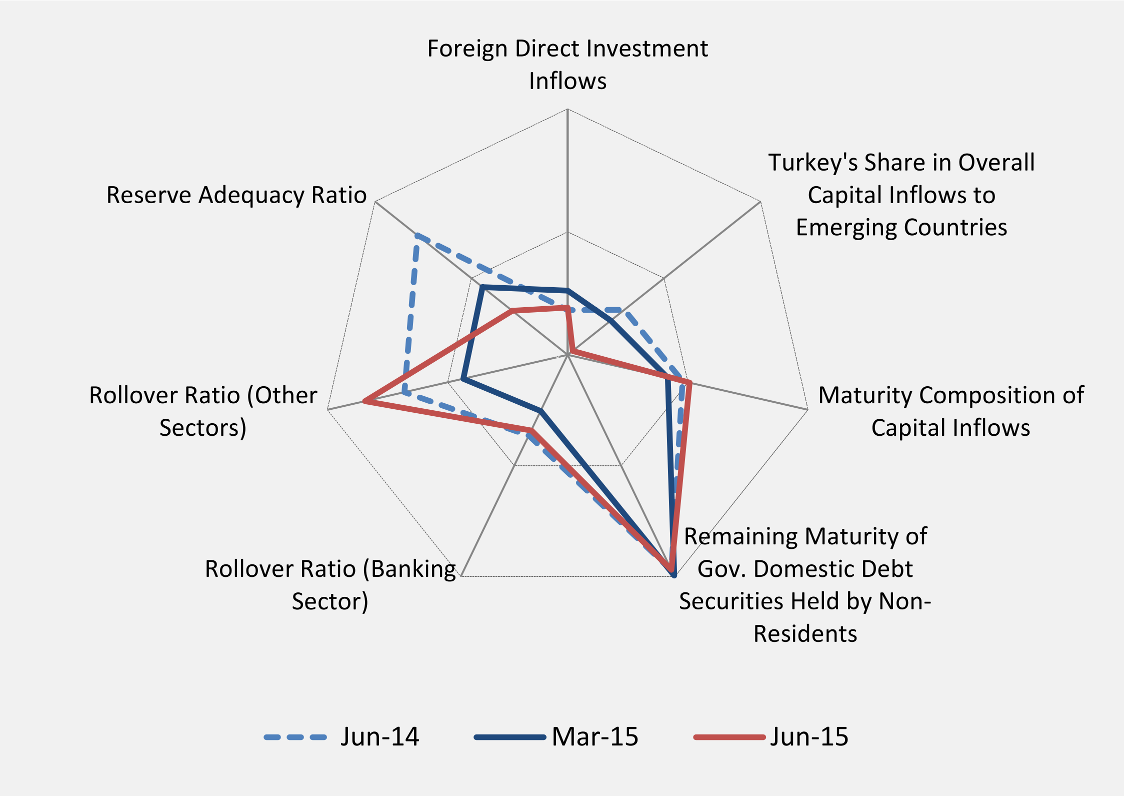
Financing of the Current Account Deficit

The global risk appetite followed a fluctuating trend in the second quarter of 2015. The primary factors negatively affecting the global risk appetite in this period were the lingering weak trend as well as divergence in the global economic activity coupled with the financial volatility caused by uncertainties in monetary policies. Meanwhile, the elevated adverse geopolitical and political developments in Syria stood out as a Turkey-specific factor affecting financial movements.

A breakdown of financial accounts in the balance of payments by main headings reveals that the slowdown in direct investments observed throughout 2014 continued in the second quarter of 2015 as well. Portfolio investments posted outflows in line with the worsening global risk appetite. As for other investment inflows, although the banking sector's and other sectors' debt rollover ratios declined slightly quarter-on-quarter, they still remained above the 100 level.

In terms of the quality of financing sources, reserve adequacy ratios generally remained above 100 percent, despite some decline compared to the previous quarter. In this quarter, Turkey's share in capital flows to emerging economies declined; meanwhile the debt rollover ratios of the banking sector and other sectors improved and other items were close to the values of the previous quarter (Chart 2).

Chart 2: Macro Display of the Quality of Current Account Deficit Financing



Source: CBRT.

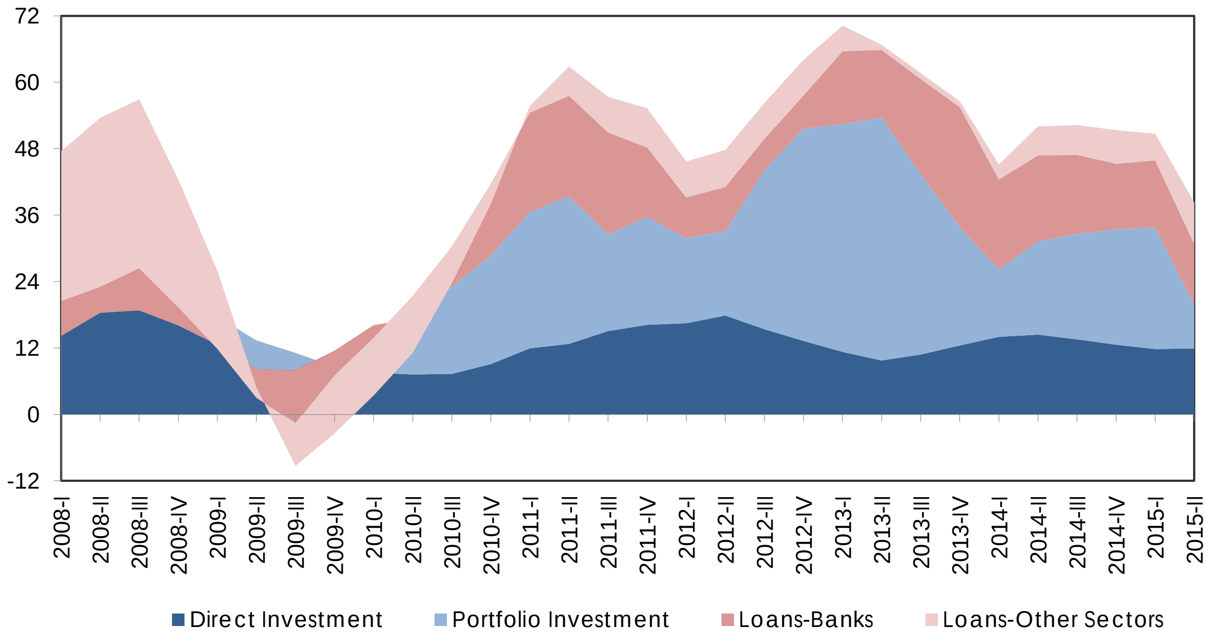
The slowdown in direct investment inflows, which was observed in the previous quarter, continued in this quarter as well. The persistent stagnation in the EU countries is the primary factor slowing down direct investment flows to Turkey (Chart 3).

In this quarter, concerns over growth in the EU as well as in the energy-exporting countries and the uncertainties over the Greek bailout plan became the primary factors affecting portfolio flows into emerging economies. In terms of investment instruments, there were some inflows in equity securities while there were net outflows in debt securities.

In the second quarter of 2015, neither the banking sector nor other sectors had any supply-side constraints in external borrowing through loans. While the banking sector was in a net borrower position, the shift from short-term borrowing to longer-term borrowing accelerated in this quarter. This shift is attributed to the impact of the arrangements that the Central Bank introduced to extend the maturity of banks' external borrowing (Box 3). Meanwhile, other sectors were net borrowers in both short-term and long-term loans, with long-term loans having a larger share. Debt rollover ratios in both sectors remained above the 100 level in the second quarter of the year.

In this quarter, official reserves decreased due to the weakening in capital inflows.

Chart 3. Financial Account and Sub-Items
(annualized, billion USD)

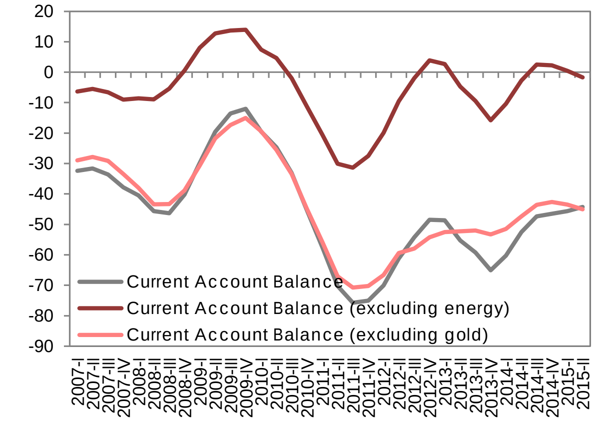


Source: CBRT.

I. Current Account

In the second quarter of 2015, the annualized current account deficit narrowed on the back of the improvement in the foreign trade of gold. The annualized current account deficit, which became USD 44.3 billion in this quarter, contracted by USD 1.4 billion quarter-on-quarter and by USD 8.3 billion compared to the same quarter in 2014.

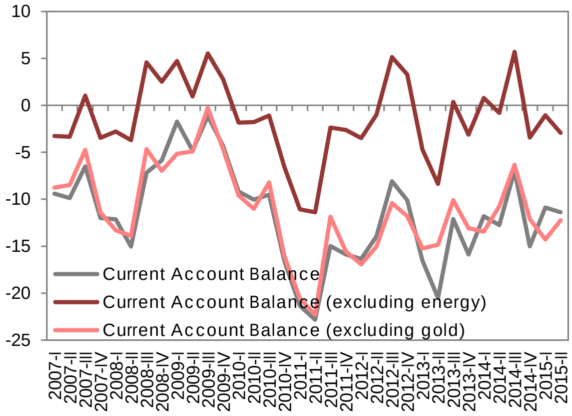
Chart 1. Current Account Balance
(annualized, billion USD)



Source: CBRT.

On a quarter-on-quarter basis, the current account deficit posted a limited rise and became USD 11.4 billion in the second quarter. The positive contribution to the current account deficit from gold exports, although lower compared to the first quarter, continued in the second quarter and pulled down the current account deficit by USD 0.9 billion. Owing to the fall in energy prices, the upward pressure of the energy item on the current account deficit eased by approximately USD 3.6 billion compared to the same quarter last year (Box 1).

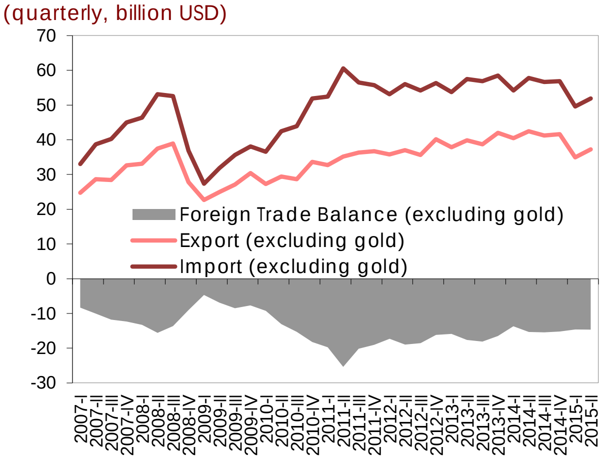
Chart 2. Current Account Balance
(quarterly, billion USD)



Source: CBRT.

In the second quarter of 2015, the current account deficit excluding gold remained at the same level as the first quarter while it contracted marginally compared to the same quarter in 2014. In the second quarter, exports excluding gold decreased year-on-year by USD 5.2 billion to USD 37.2 billion. Meanwhile, imports excluding gold declined by USD 5.9 billion to USD 51.9 billion. The decline in both imports and exports were mainly driven by the price effect stemming from the euro-USD parity developments. Hence, the foreign trade balance improved by USD 0.7 billion and stood at USD -14.7 billion.

Chart 3. Foreign Trade Deficit (Excluding Gold)
(quarterly, billion USD)



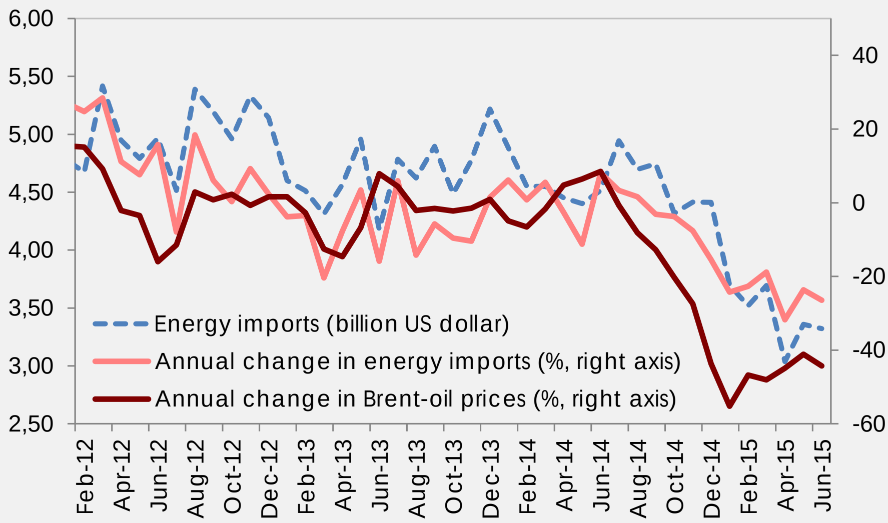
Source: CBRT.

Box 1 Recent Developments Regarding Turkey's Energy Imports

Price drops in international crude oil markets that started in mid-2014 have stood as an important development for Turkey as a net energy importer who is faced with a high current account deficit problem. These price drops have offered a significant opportunity for the improvement of the external balance in a period in which export growth has been contained due to geopolitical problems and the economic bottleneck in Turkey's main trade partners. This Box presents an analysis of the extent of the effect of these price movements on Turkey's energy imports.

The Brent crude oil price took a sharp downturn after it was traded at USD 111.9/barrel in June 2014 and slumped by 44.3 percent year-on-year to USD 62.3/barrel in June 2015. Consequently, Turkey's energy imports also started falling. The monthly energy imports dropped by 26.5 percent to USD 3.3 billion in June 2015 from USD 4.5 billion in June 2014 (Chart 1). The decline in total energy imports was more moderate than the fall in crude oil prices due to the demand for energy that increases in line with the economic growth as well as due to the lagged effects of the decrease in oil prices on natural gas prices.

Chart 1. Energy Imports

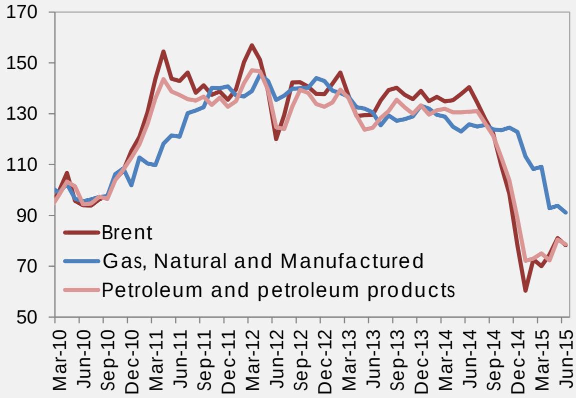


Source: TURKSTAT.

Section 3 of the Standard International Trade Classification (SITC) is composed of mineral fuels, lubricants and related materials. Under this Section, Division 33 comprises petroleum, petroleum products and related materials, while Division 34 covers petroleum gases, natural gas and manufactured gases. An analysis of USD-based import prices of these product groups reveals that prices of petroleum and petroleum products follow international Brent prices very closely. However, there is a slightly weaker relation between the import prices of petroleum gases, natural gas and manufactured gas and the Brent oil price. Import prices of this Division converge to international

Brent prices with a time lag, particularly in times of sudden fluctuations in Brent prices. Actually, the first sharp decline in import prices of petroleum gases, natural gas and manufactured gas was seen in January 2015, approximately 6 months after the decline in Brent prices (Chart 2). Yet, analyzed with six-month and nine-month moving averages, Brent prices display a closer relation with import prices of petroleum gases, natural gas and manufactured gas. Bilateral agreements in the natural gas market and the stipulation in these agreements that the crude oil price movements shall be reflected on natural gas prices with a time lag stand as the most significant factor in this development (Chart 3).

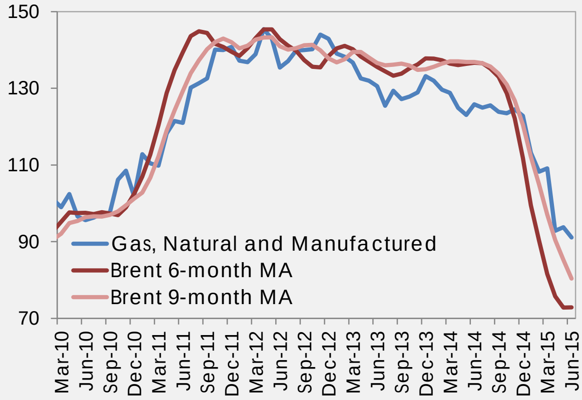
Chart 2. Energy Prices*
(US dollar, 2010=100)



Source: TURKSTAT, Bloomberg.

* Brent prices have been indexed as 2010=100.

Chart 3. Natural Gas Prices-Brent Relation*
(US dollar, 2010=100)



Source: TURKSTAT.

Crude oil prices have once again been in a downtrend since July 2015 and natural gas prices continue to decline, albeit with a time lag. These two developments drag down Turkey's energy imports. Even if crude oil prices stabilize again, due to the lagged nature of natural gas import prices, Turkey's energy payments are believed to keep falling in the second half of 2015 and even in 2016 or remain under pressure depending on quantity movements.

1.1 Exports of Goods

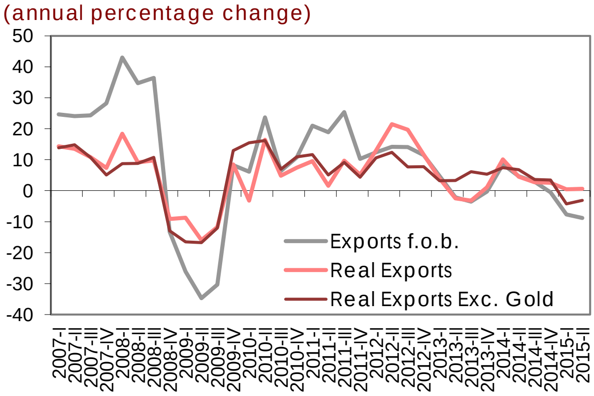
The decline in annual exports continued in the second quarter mainly due to the euro-USD parity developments. Despite the 0.6 percent-rise in the export quantity index in annual terms, the nominal exports dropped by 8.8 percent due to the decrease in export prices. It is noteworthy that the exports quantity index excluding gold decreased by 3.1 percent. This decline can be attributed to the problems in Turkey's important export markets like Iraq and Russia.

According to seasonally adjusted data, exports excluding gold displayed no significant change compared to the first quarter. Seasonally adjusted exports excluding gold dropped by 0.1 percent quarter-on-quarter and overall exports declined by 6.4 percent due to the fall in gold exports.

There has been no significant change in the shares of European Union (EU) and Middle East and Africa (MEA) countries in Turkey's exports excluding gold. In the second quarter of 2015, the share of EU countries in Turkey's total gold-excluded exports stood at 44.1 percent, while the share of Middle East and African countries (MEA) was 29.5 percent. Meanwhile, the share of exports to the Commonwealth of Independent States (CIS) including Russia and Ukraine in Turkey's exports receded by 1.6 point to 6.4 percent.

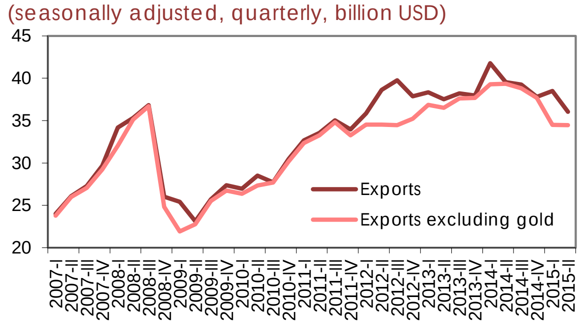
The rate of economic growth in Turkey's export partners inched up in the first quarter to 2.0 percent. In the same quarter, the global growth was 2.3 percent. The growth in Turkey's export markets continues to hover below the global growth rates, yet the gap narrows. The gap between these two growth series was calculated as 0.9 percent in the same quarter in 2014.

Chart 4. Exports - Nominal and Real
(annual percentage change)



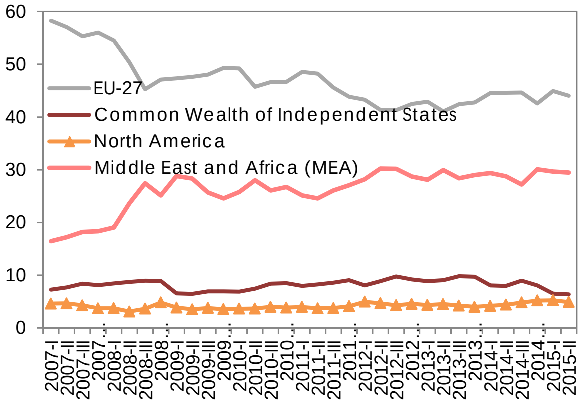
Source: TURKSTAT.

Chart 5. Export vs. Gold Excluded Exports
(seasonally adjusted, quarterly, billion USD)



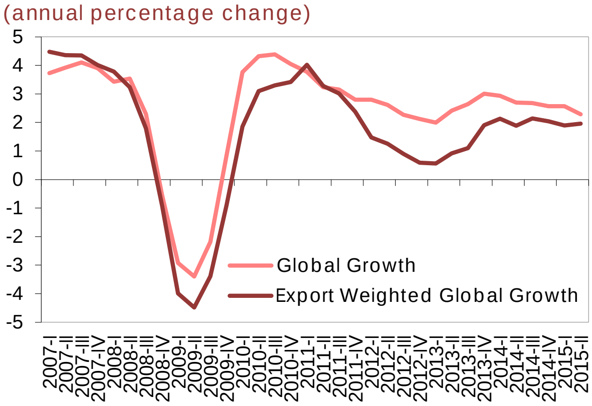
Source: TURKSTAT.

Chart 6. Selected Regions' Shares in Exports Excluding Gold (6-month moving average, percentage)



Source: Bloomberg, Consensus Forecasts, IMF, CBRT.

Chart 7. Foreign Demand Index for Turkey
(annual percentage change)



Source: CBRT

1.2 Imports of Goods

In the second quarter of 2015, real imports moderately increased year-on-year. The import quantity index rose by 2.5 percent annually, whereas the import quantity index excluding gold increased by 5.3 percent. Meanwhile, import prices declined due to the significant decreases in the euro-dollar parity and the energy prices and nominal imports contracted by 12.7 percent annually.

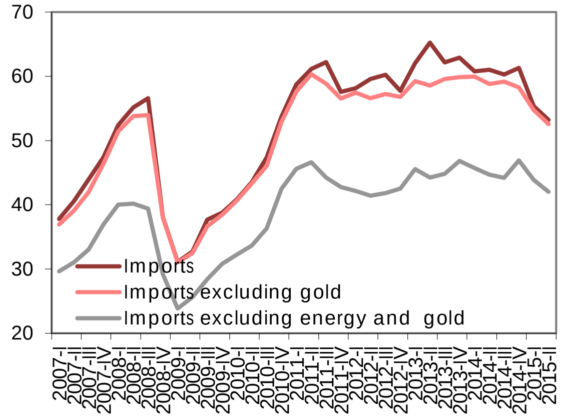
In seasonally adjusted terms, imports excluding gold and energy declined in the second quarter compared to the previous quarter. Core imports decreased by 4.2 percent quarter-on-quarter due to the changes in the parity. Total imports, which decreased by 9.7 percent in the first quarter, decreased by 3.8 percent in the second quarter as effects stemming from gold imports ceased.

1.3. Real Exchange Rate Developments

The real exchange rate indices, which showed no significant change throughout 2014, remained flat in the first quarter of 2015 and decreased in the second quarter. The decrease in real exchange rate indices was mainly driven by the nominal exchange rate movements.

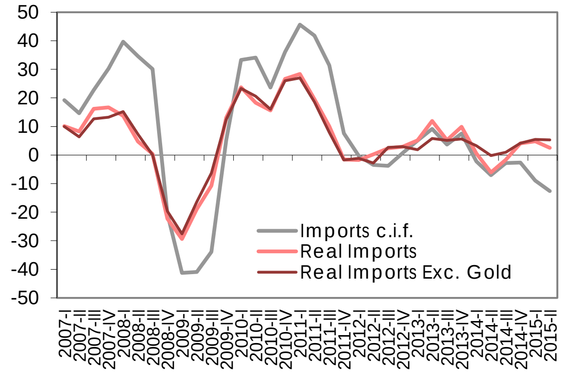
In the second quarter, the Turkish lira depreciated in real terms against the currencies of both advanced economies and emerging economies. Despite this depreciation, the emerging countries sub-index is still above 100 points; thus, the Turkish lira is still valuable against this country group.

Chart 8. Import vs. Gold Excluded Imports
(seasonally adjusted, quarterly, billion USD)



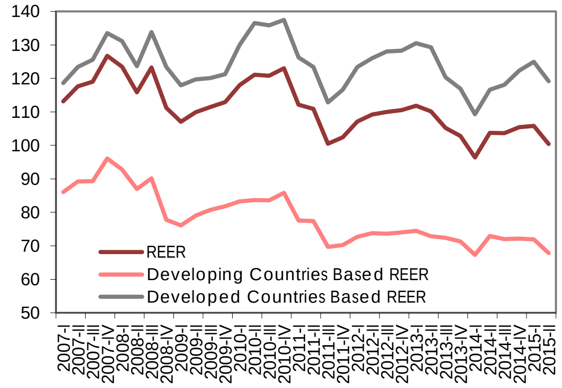
Source: TURKSTAT.

Chart 9. Imports-Nominal and Real
(annual percentage change)



Source: CBRT.

Chart 9. Real Effective Exchange Rate
(CPI based, 2003=100)



Source: CBRT.

1.4 Global Outlook

Provisional data from the World Trade Organization reveal that world trade continued to decrease in the second quarter of 2015. The decline in world trade is mainly attributed to the price effects. Data pertaining to the first quarter suggest that global exports contracted by 12.1 percent and real exports growth stood at 4.0 percent.

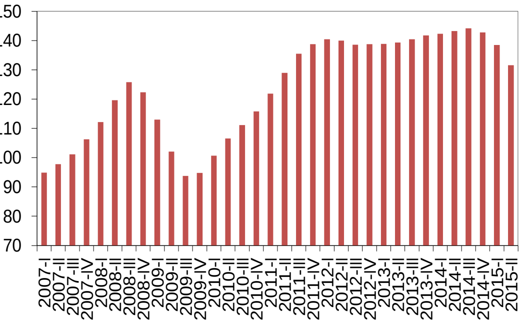
According to World Trade Organization data, Turkey's shares in global imports and global exports increased marginally in this quarter. In the second quarter, Turkey's share in global imports and global exports were 1.3 percent and 0.9 percent, respectively.

1.5 Terms of Trade

The downtrend in both export and import prices continued in the second quarter of 2015. Export prices and import prices decreased by 9.2 percent and 14.9 percent, respectively, in annual terms. The decline in export prices was mainly driven by the euro-dollar parity, while both the euro-dollar parity and the decline in energy prices were instrumental in the fall in import prices.

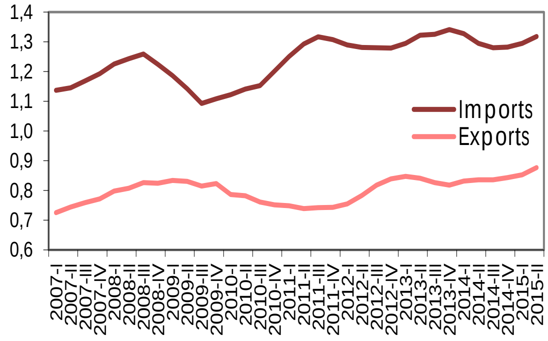
Terms of trade, which increased due to the fact that the fall in export prices was relatively lower than the fall in import prices, continued to uptrend in the second quarter. Terms of trade, which became 106.3 with a 6.6 point annual increase in the second quarter, assumed a value of 103.4 as the annual growth decreased as low as 1.7 points when gold and energy are excluded.

Chart 11. World Trade
(annualized, 2007-I=100)



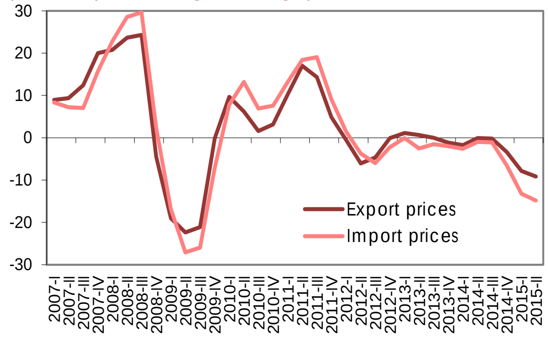
Source: CBRT.

Chart 12. Share of Turkey in World Trade (percent)



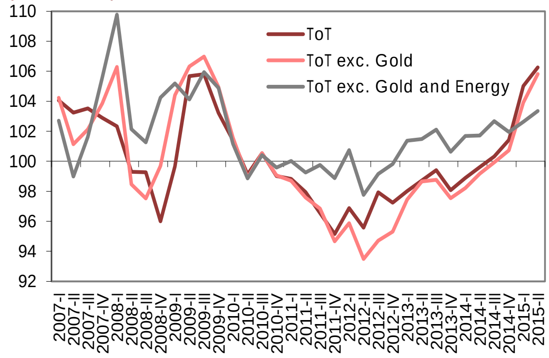
Source: WTO.

Chart 13. Import and Export Prices
(annual percentage change)



Source: TURKSTAT.

Chart 14. Terms of Trade
(2010=100)



Source: TURKSTAT.

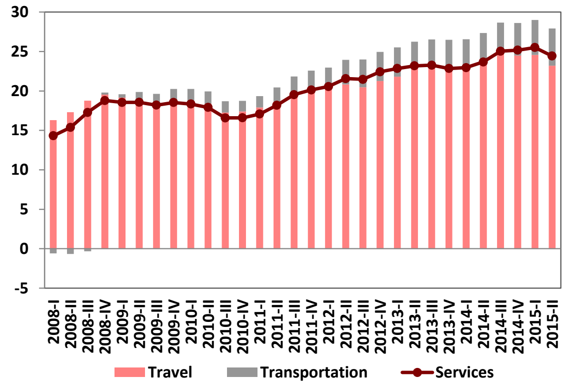
1.6 Services Account

The services item, which is the second most important determinant of the current account balance after goods, followed a downtrend in the second quarter. Despite the significant decline in the number of tourists from Russia, the decline in the number of tourists visiting Turkey remained limited thanks to the rise in the number of tourists from Germany and Iran. Nevertheless, the net travel revenues dropped significantly due to both the decline in the average package tour expenditures and the unfavorable parity effect stemming from the depreciation of the euro. The decline in travel revenues became the primary reason for the downtrend in services revenues.

Despite the year-on-year rise in transportation, construction services and other services items under the services balance, the contribution of the services item to the current account remained limited due to the decline in travel revenues. In the second quarter of 2015, travel revenues decreased by 15.9 percent year-on-year, while travel expenditures increased by 10.0 percent. In conclusion, in the second quarter, net travel revenues decreased by 21.2 percent year-on-year to USD 5.1 billion. Meanwhile, the number of tourists that visited Turkey decreased by 2.9 percent year-on-year. An analysis by country groups suggests that in the second quarter, the highest proportional year-on-year decline in the number of tourists was registered for the CIS countries (particularly Russia) and Europe, while the highest increase was recorded for the Asian countries.

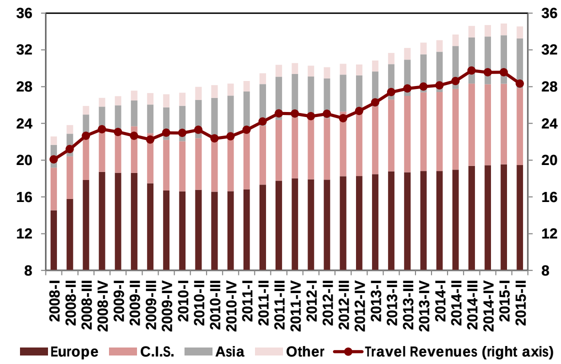
In this quarter, the average expenditure per foreign visitor and per non-resident Turkish citizen visiting Turkey decreased in year-on-year terms. The related data show that the average expenditure per foreign visitor in Turkey decreased by 11.3 percent year-on-year to USD 593, while the average expenditure per non-resident Turkish citizen visiting Turkey dropped by 33.3 percent year-on-year to USD 711.

Chart 15. Services Account, Travel and Transportation
(annualized, billion USD)



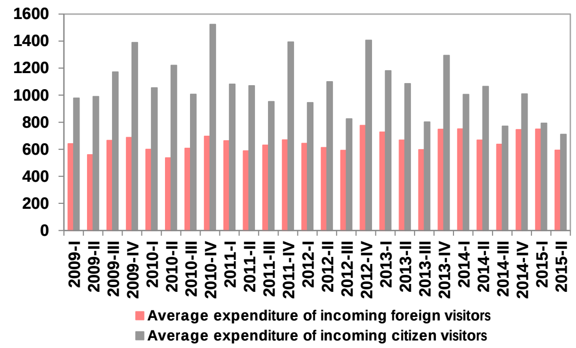
Source: CBRT.

Chart 16. Breakdown of Tourists Visiting Turkey by Country and Travel Revenues
(left axis: annualized, million people; right axis: billion USD)



Source: TURKSTAT.

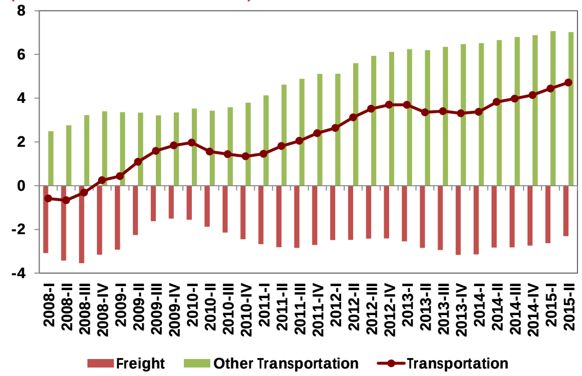
Chart 17. Average Expenditure
(USD/person)



Source: TURKSTAT.

The uptrend in net transportation revenues observed since Q1-2014 continued in this quarter as well. In the second quarter of 2015, transportation revenues decreased by 4.8 percent and transportation expenditures slumped by 17.2 percent year-on- year, thereby leading to a 24.6-percent rise in net transportation revenues. This rise can be mainly attributed to the decline in net freight expenditures despite the 2.2 percent fall in other transportation revenues composed of international passenger and baggage transport and postal and courier services. In this period, the share of foreign carriers in imports declined by 1.4 points quarter-on-quarter to 49.3 percent.

Chart 18. Transportation and Sub-items
(annualized, billion USD)

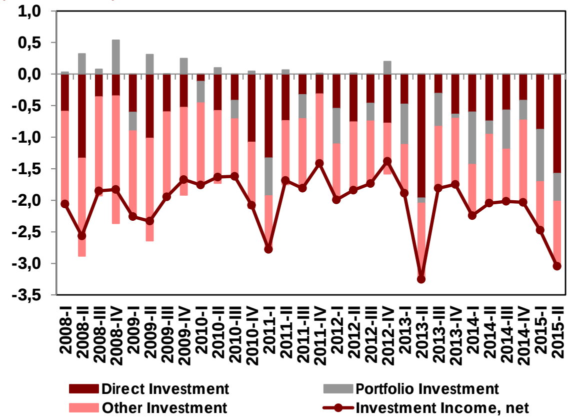


Source: TURKSTAT, CBRT.

1.7 Primary Income Balance

In the second quarter of 2015, the primary income balance posted net outflows in its compensation of employees and investment income balance sub-items. Net outflows from the primary income balance increased by 45.8 percent year-on-year to USD 3.3 billion. Outflows from direct investments under the investment income item increased year-on-year to stand at USD 1.6 billion, while outflows from other investments dropped to USD 1.0 billion. Outflows from portfolio investments surged compared to the same period last year and stood at USD 0.4 billion.

Chart 19. Composition of Investment Income (net)
(billion USD)

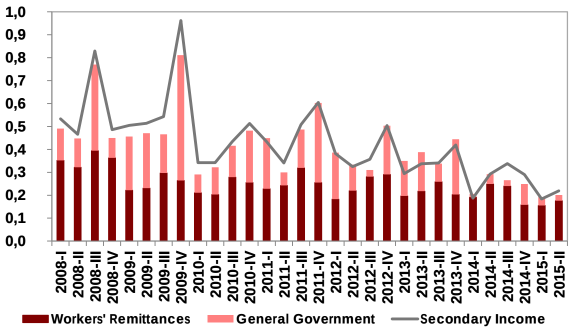


Source: CBRT.

1.8 Secondary Income Balance

Net inflows in the secondary income balance, which consists of current transfers of the general government and other sectors, increased compared to the previous quarter. In this quarter, the secondary income balance contracted by 25.0 percent year-on-year, registering a net inflow of USD 219 million. This decrease was mainly attributed to the 29.3-percent decline in workers' remittances under the other sectors item and the 41.9-percent fall in net inflows in the general government item which includes grants between countries.

Chart 20. Secondary Income and Workers' Remittances
(billion USD)



Source: CBRT.

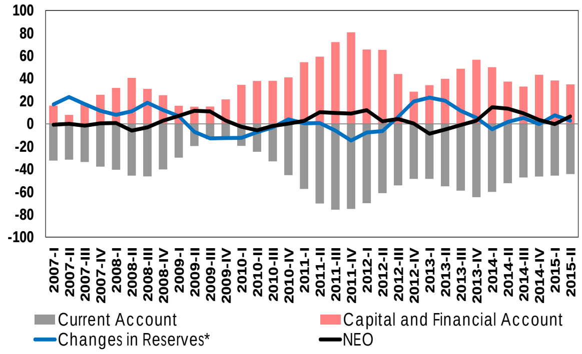
II. Financial Account

The global risk appetite followed a fluctuating course in the second quarter of 2015. The primary factors negatively affecting the global risk appetite in this period were the persistence of the weak trend and the divergence in global economic activity as well as the financial volatility triggered by uncertainties in monetary policies. On the other hand, the intensification of lingering unfavorable geopolitical developments in Syria in this period stood out as a Turkey-specific factor affecting financial movements. A breakdown of financial accounts in the balance of payments by main headings reveals that the slowdown in direct investments seen throughout 2014 continued in the second quarter of 2015 as well. Portfolio investments posted outflows in line with the worsening global risk appetite. As for other investment inflows, although the banking sector's and other sectors' debt rollover ratios declined slightly quarter-on-quarter, they still remained above the 100 level.

In the second quarter, the financing requirement increased year-on-year. The financing requirement item shrank by USD 137 million quarter-on-quarter to USD 24.0 billion.[1]

In this quarter, the share of debt-creating flows in total liabilities dropped while that of non-debt-creating flows grew year-on-year. Debt-creating flows and non-debt-creating flows increased by USD 8.4 billion and USD 3.2 billion, respectively.

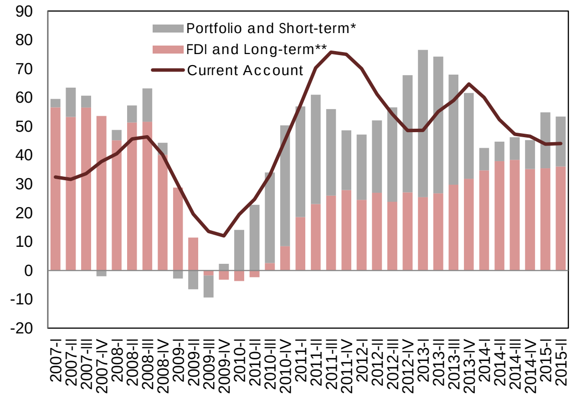
Chart 21. Current Account Balance and Net Financial flows (annualized, billion USD)



Source: CBRT.

* Changes in reserves are composed of banks' and other sectors' total foreign currency and deposits besides official reserves in the balance of payments table. A negative value denotes an increase, while a positive value denotes a decrease in reserves.

Chart 22. Current Account and its Financing (annualized, billion USD)

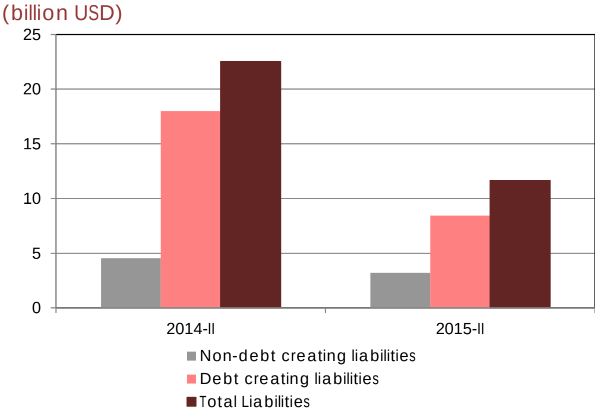


Source: CBRT.

* This series is composed of equity securities, domestic debt securities, short-term net loans of banks and other sectors, deposits at the banks, as well as short-term deposits held in Central Bank.

** This series is composed of net direct investment item, residents' security issues abroad, long-term net loans of banks and other sectors, and long-term deposits held in Central Bank.

Chart 23. Debt-Creating and Non-Debt-Creating Liabilities Under the Financial Account (billion USD)



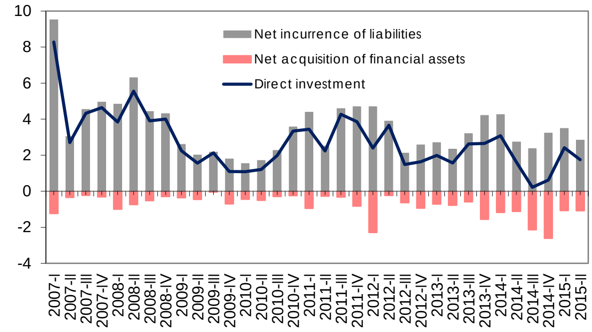
Source: CBRT.

[1] See Annex Tables, "Financing Requirements and Sources".

2.1 Direct Investment

The slowdown in direct investment inflows, which was observed in the previous quarter, continued in this quarter as well. The surging economic stagnation in EU countries was the main factor keeping direct investment inflows at low levels.

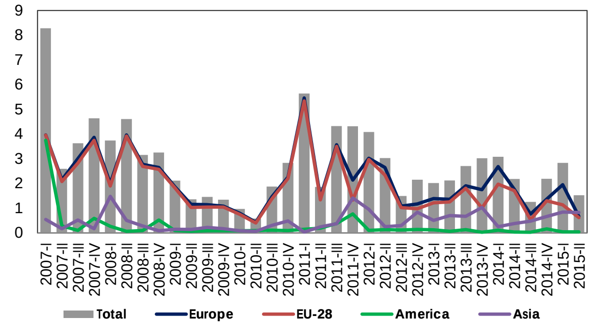
Chart 24. Direct Investment
(billion USD)



Source: CBRT.

In the second quarter of 2015, the amount of direct investment in Turkey was USD 2.8 billion. The majority of these investments were composed of investments in the manufacturing sectors as well as in financial and insurance activities. In this quarter, while the share of investments from Asian countries in the equity capital item under the direct investments in Turkey climbed to 54.2 percent, that of European countries dropped to 43.3 percent.

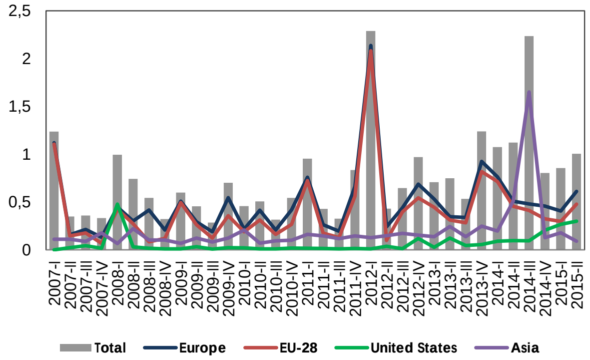
Chart 25. Direct Investment in Turkey - Geographical Distribution (billion USD)



Source: CBRT.

Turkey's direct investments abroad maintained their sluggish course of the first quarter and became USD 1.1 billion. The share of European countries in the equity capital item under Turkey's direct investments abroad escalated to 60.8 percent and that of American countries decreased to 29.8 percent.

Chart 26. Direct Investment Abroad - Geographical Distribution
(billion USD)



Source: CBRT.

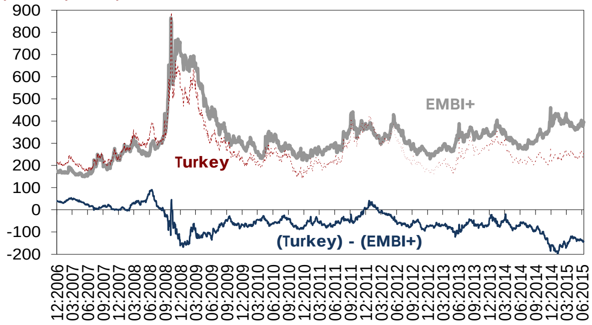
2.2. Portfolio Investment

In the second quarter of 2015, concerns over growth in energy-exporting countries as well as the EU and the uncertainty surrounding the bailout package for Greece stood as the primary factors affecting portfolio flows into emerging economies. In this quarter, Turkey's risk premium remained below the average risk premium of the Emerging Markets Bond Index (EMBI+) and the gap between the two risk premia decreased slightly compared to the previous quarter.

In the second quarter of the year, portfolio investments decelerated quarter-on-quarter and posted outflows. In terms of investment instruments, throughout the period, equity securities registered modest inflows, whereas debt securities posted net outflows. In this period, USD 0.7 billion worth of net inflows were recorded in the stock market and USD 2.9 billion worth of net outflows in the GDDS market. The maturity structure of the portfolio investments item improved quarter-on-quarter.

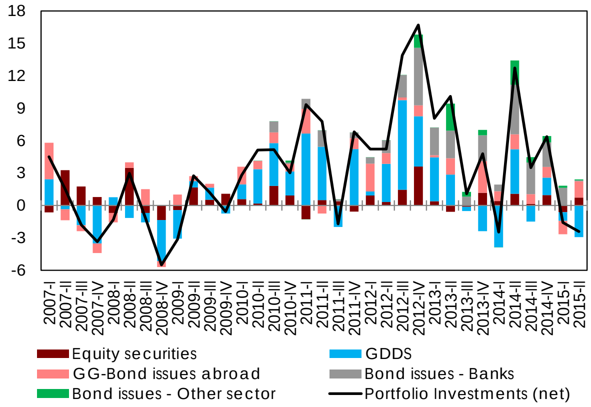
The downtrend in banks' and other sectors' bond issues abroad further accelerated. Through these bond issues abroad, banks and other sectors borrowed net USD 138 million and USD 87 million, respectively. Consequently, as of end-June, stocks of debt securities issued abroad by banks and other sectors climbed to USD 32.7 billion and USD 8.4 billion, respectively. Meanwhile, non-residents sold net USD 45 million worth of domestic debt securities to banks.

Chart 27. Secondary Market Spreads and Turkey's Relative Position
(basis point)



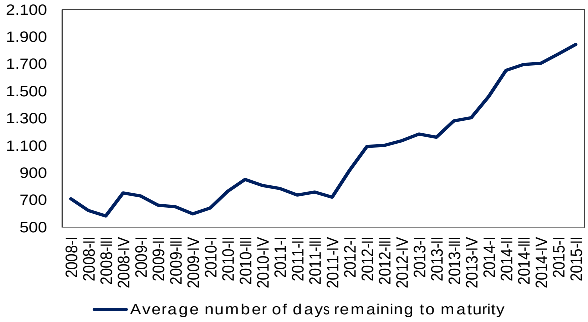
Source: JP Morgan.

Chart 28. Portfolio Investment - Liabilities
(billion USD)



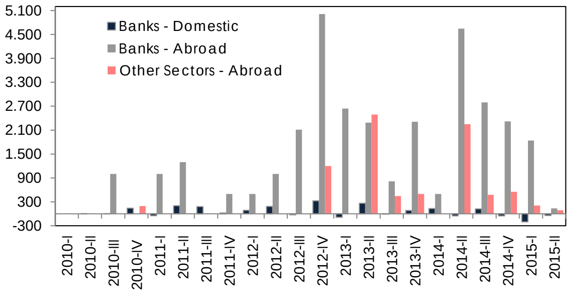
Source: CBRT.

Chart 29. Maturity Structure of Non-Residents' Holdings of GDDS (average number of days remaining to maturity)*



Source: CBRT.
* It is calculated by weighing the number of days to maturity of securities according to their market values in terms of US dollars.

Chart 30. Debt Securities Issued by Banks and Other Sectors
(million USD)



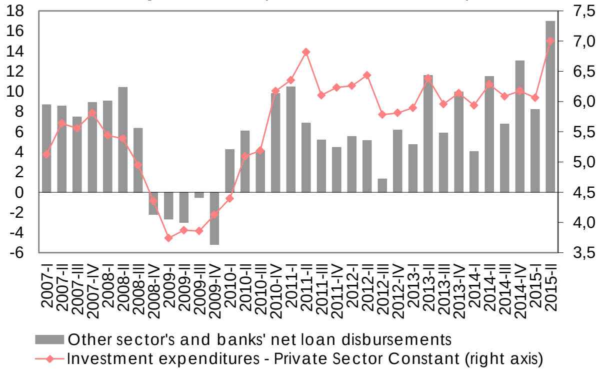
Source: CBRT.

2.3 Loans and Deposits

In the second quarter of 2015, neither the banking sector nor other sectors had any supply-side constraints in external borrowing through loans. The banking sector was in a net borrower position in total during this period, while the shift from short-term loan borrowing to longer-term borrowing accelerated. This shift is believed to be an outcome of the arrangements that the Central Bank introduced to extend the maturity of banks' external borrowing (Box 2). The total loan utilization recorded a net quarter-on-quarter decline due to the decrease in banks' short-term external loans, despite the surge in long-term loan utilization. In the second quarter of 2015, banks used net USD 8.6 billion of long-term loans and repaid USD 6.9 billion of short-term loans. Meanwhile, the share of euro loans in banks' long-term loans swelled (Box 3). The total external debt rollover ratio of banks increased quarter-on-quarter to 105 percent in the second quarter of the year. The banking sector's total debt rollover ratio, including banks' borrowings through bonds, stood at 119 percent.

Long-term external loans used by other sectors mainly to finance investments posted net inflows in this quarter. Likewise, there was a surge in trade credits utilization as well (Box 4). Net USD 3.7 billion worth of long-term loans were used in this period and the debt rollover ratio rose quarter-on-quarter to 144 percent. Including short-term loans and borrowings through bonds, the total debt rollover ratio of other sectors increased quarter-on-quarter to 141 percent.

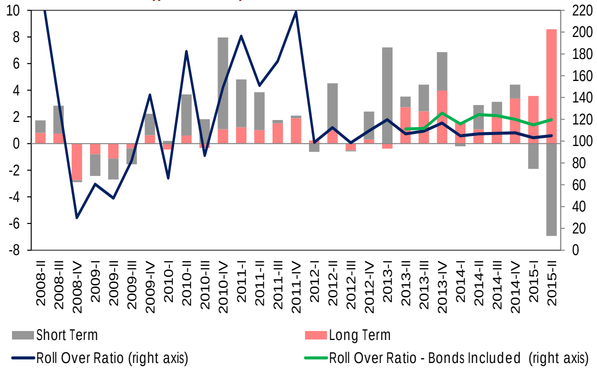
Chart 31. Net Long-Term Loan Utilization*(billion USD, covering the effect of Decree No: 32) **and Other Sectors' Investment Expenditures** (billion TL, 1998=100,)



* Including FX-denominated loans extended by banks in the domestic market.

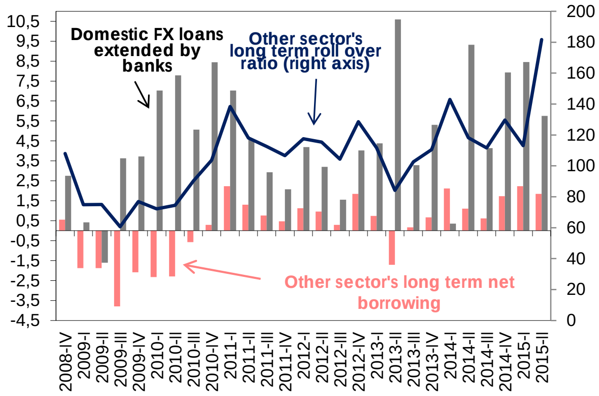
Source: CBRT.

Chart 32. Banks' Net Borrowing (billion USD) **and Total Rollover Ratio** (percent)



Source: CBRT.

Chart 33. Domestic FX Loans Extended by Banks - Other Sectors' Long-Term Net Borrowing (billion USD) **and Long-Term Debt Rollover Ratio** (percent)



Source: CBRT.

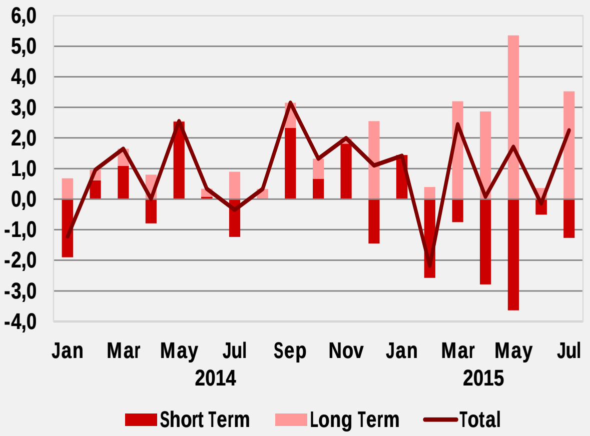
Box 2 The New Framework of the Reserve Requirements and the External Borrowing of the Banking Sector

In the framework of the monetary and exchange rate policy for 2015 launched by the Central Bank of the Republic of Turkey (CBRT), the Bank announced at a press conference held on 10 December 2014 that it would implement new macroprudential policies to contain macro-financial risks and support prudent borrowing. Accordingly, in early January, the reserve requirement ratios for foreign exchange-denominated short-term non-core liabilities of banks and financing companies were revised in order to encourage the extension of maturities of external borrowing.[2] This revision was intended to extend the maturities of non-core liabilities on the one hand and anticipated to contribute to the foreign exchange reserves of the Central Bank on the other hand. This Box offers an analysis of the effect of this revision, which has been effective since the calculation period dated 13 February 2015, on the maturity of banks' external borrowing through loans under the "Financial Account" in the balance of payments table.

Non-core liabilities of banks and financing companies are composed of liabilities other than foreign exchange-denominated deposits/participation funds (funds obtained via repo transactions, loans received, securities issues and liabilities in other foreign currency denominations). With the revision in reserve requirement ratios for non-core liabilities, the highest increase was introduced in liabilities with a maturity up to 1 year (increased from 13 percent to 18 percent). The ratio for liabilities with a maturity up to 3 years was cut from 11 percent to 8 percent. This revision was aimed at discouraging banks' short-term funding. In this context, Chart 1 shows the short-term and long-term loan utilization of banks monitored in the "3.Other Investment/3.2.Loans/3.2.2. Net Incurrence of Liabilities/3.2.2.2.Banks" item under the Financial Account in the balance of payments table.

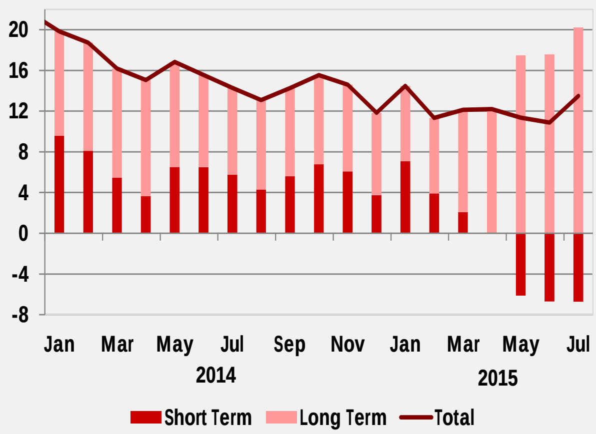
Chart 1: Loans Received from Abroad by Banks (net, million USD)

a. Monthly



Source: CBRT.

b. 12-Month



Source: CBRT.

[2] For the entire arrangement, please see: CBRT Press Release No: 2015-01, dated 3 January 2015.

With the onset of the implementation in February, banks' short-term loan utilization weakened and consequently, their long-term borrowing increased. A close look at bank loans under the liabilities item in the balance of payments table reveals that short-term loan repayment amounted to net USD 11.5 billion, whereas net USD 15.7 billion worth of long-term loans were used in the period between February and July 2015. According to 12-month cumulative data, the shift from short-term loans to long-term loans has been more apparent since after February this year (Chart 1b). In fact, according to short-term external debt statistics, the short-term external debt stock of banks, which had rapidly increased since 2010, had a share of 33.4 percent in the total short-term external debt stock with a figure of USD 48.2 billion in end-2014. However, due to the revisions in reserve requirements introduced to extend the maturity of non-core foreign exchange liabilities, banks' short-term external debt stock dropped to USD 37.5 billion in end-June 2015.

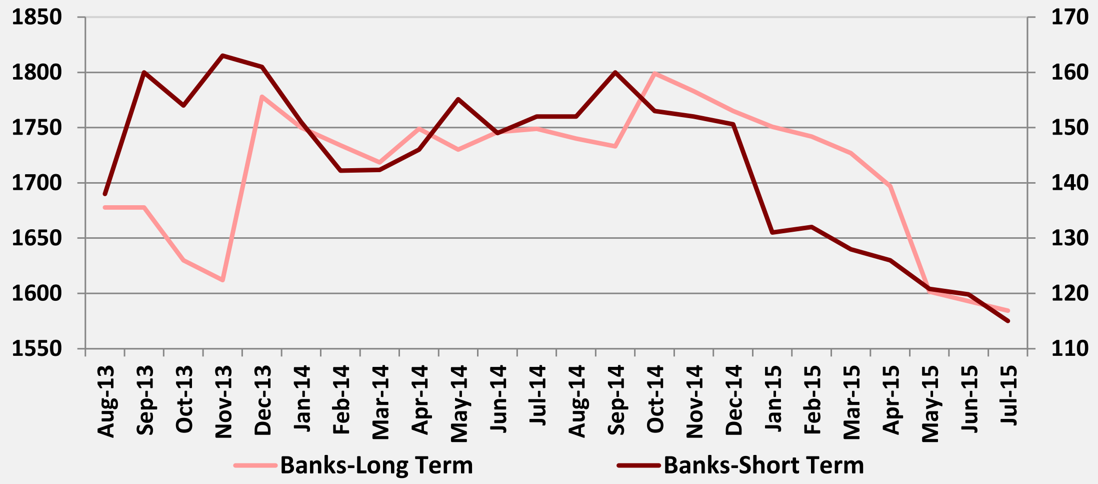
The average maturity of banks' external loans based on the remaining maturity is shown in Table 1. Accordingly, the average maturity of short-term loans declined from 150 days in the January-December 2014 period to 115 days as of July 2015. For the same periods, the average maturity of long-term loans dropped from 1750 days to 1584 days. (Table 1 and Chart 2)

Table 1: Average Maturity Based on a Remaining Maturity Basis (days)

	2014	2015						
	Average	January	February	March	April	May	June	July
Short Term	150	131	132	128	126	121	120	115
Long Term	1750	1751	1742	1727	1697	1602	1593	1584

Source: CBRT

Chart 2: Average Maturity Based on a Remaining Maturity Basis (days)



Source: CBRT

To sum up, the changes to reserve requirements for non-core foreign exchange liabilities introduced by the CBRT in February has been effective in extending the maturity of banks' external borrowing. In the February-July 2015 period, the share of short-term loans in banks' external borrowing decreased, whereas that of long-term loans increased.

Box 3 Currency Composition of Loans that the Private Sector Receives from Abroad

Raised expectations for a Fed lift-off in the second half of 2015, problems in the euro area - particularly in Greece- and concerns over growth led to a change in the volatility in the euro-USD parity to the detriment of the euro. This box summarizes the foreign currency composition of the loans that the private sector receives from abroad with respect to the euro-USD parity trend.

Pursuant to Decree No.32 on the Protection of the Value of the Turkish Currency, external loans obtained by the corporate sector are monitored by the Central Bank. External debt of the corporate sector is built of cash loans, bond issues abroad, trade loans and loans as foreign capital belonging to private banks (excluding state banks), non-bank financial institutions, non-financial institutions (excluding State Economic Enterprises) and real persons. These loans are published by the CBRT with the heading "Outstanding Loans Received From Abroad by the Private Sector", broken down as short-term and long-term. The foreign currency composition of the corporate sector external debt is displayed as stock value in this publication.

An analysis of the outstanding **long- term** loans by end-July 2015 suggests that:

- The amount of long-term loans that the private sector received from abroad is USD 178.2 billion while 61.8 percent of these loans are USD-denominated; 31.5 percent are in euros, 4.8 percent is in Turkish liras and 1.9 percent is in other currencies.
- An analysis by sectors reveals that while there is no significant change in the indebtedness levels of other sectors, there has been a remarkable increase in the banking sector's borrowings (Table 1). The banking sector's debt stock, which was USD 30.5 billion and euro 7 billion at the end of 2012, reached USD 56.8 billion and euro 15.1 billion in July 2015.

Table 1: Outstanding Long-term Loans Received from Abroad by the Private Sector
(Original Currency, billion)

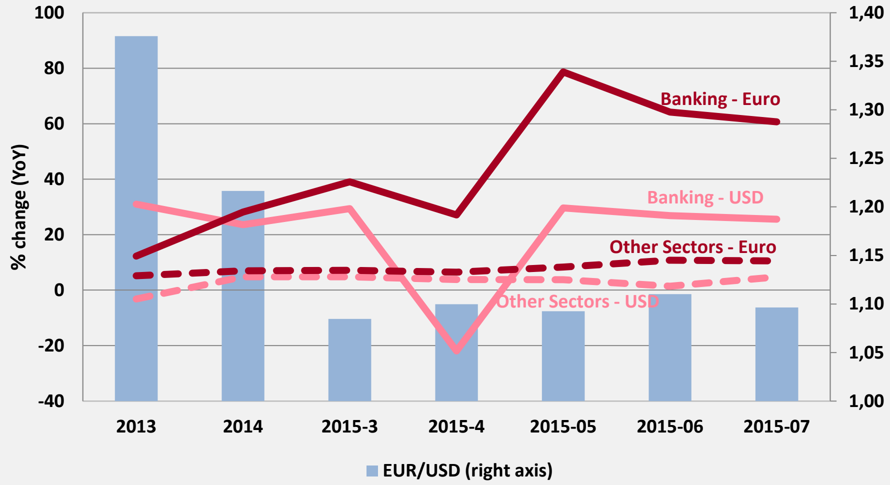
Original Currency (billion)	2012	2013	2014-3	2014-4	2014-5	2014-6	2014-7	2014	2015-3	2015-4	2015-5	2015-6	2015-7
USD (Banking)	30,5	39,9	40,8	43,0	43,2	44,1	45,2	49,3	52,8	33,6	56,0	56,0	56,8
EURO (Banking)	7,1	8,0	8,1	8,0	8,0	8,9	9,4	10,2	11,2	10,2	14,3	14,5	15,1
USD (Other Sec.)	49,9	48,3	48,0	48,7	49,1	50,6	49,1	50,6	50,4	50,6	51,0	51,3	51,5
EURO (Other Sec.)	27,8	29,2	30,1	30,4	30,3	30,0	30,3	31,2	32,2	32,3	32,9	33,3	33,5

Source: CBRT.

- Based on original currency, loans in euros displayed higher percentage increases than loans in USD throughout 2015 (Chart 1). In 2015, the banking sector's borrowing in USD increased by 30 percent year-on-year (except for April 2015); while, borrowing in euros increased by 60 percent especially after May 2015. The euro-dollar parity, which was 1.23 at the end of

2014, came below the 1.10. Meanwhile, the annual percentage change of other sectors' borrowing in euros is higher than those in USD, yet the annual percentage changes in debt stock hovers around 5 percent.

Chart 1: Annual Percentage Change of Outstanding Long-term Loans Received from Abroad by the Private Sector
(Original Currency - Year-on-year)



Source: CBRT

An analysis of the breakdown of short-term loans by foreign currency by end-July reveals that:

- Of the USD 33.1 billion worth of total short-term loans that the private sector obtained from abroad, 58.4 percent was in USD; 31.5 percent was in euros, 9.7 percent was in Turkish liras and 0.4 percent was in other currencies.
- As of the first quarter of 2015, banking sector's short-term borrowing both in USD and euros declined. Although borrowing levels in other sectors are quite lower than those of the banking sector, other sector's USD-denominated borrowings decreased while euro-denominated borrowings increased.

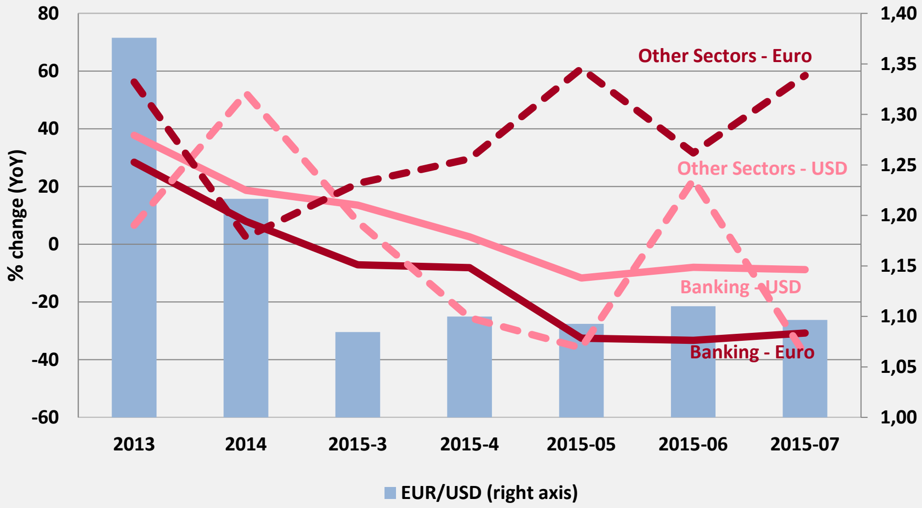
Table 2: Outstanding Short-term Loans Received from Abroad by the Private Sector
(Original Currency, billion)

Original Currency (billion)	2012	2013	2014-3	2014-4	2014-05	2014-06	2014-07	2014	2015-3	2015-4	2015-05	2015-06	2015-07
USD (Banking)	14,2	19,6	19,8	20,1	21,5	20,7	20,0	23,2	22,5	20,6	19,0	19,0	18,2
EURO (Banking)	8,5	10,9	11,2	11,0	12,0	12,4	12,1	11,7	10,4	10,1	8,1	8,3	8,4
USD (Other Sec.)	0,7	0,8	1,1	1,8	2,0	0,9	1,8	1,2	1,2	1,3	1,3	1,1	1,1
EURO (Other Sec.)	0,6	0,9	0,8	0,8	0,7	0,8	0,7	0,9	1,0	1,1	1,1	1,0	1,1

Source: CBRT

- A breakdown by original currency suggests that in 2015, the banking sector's borrowing in euros displayed higher percentage declines compared to borrowing in USD (Chart 2). The annual changes in borrowing in euro and USD, which was positive in 2013 and 2014, started taking negative values as of April 2015. Recently, in other sectors, short-term loans in euros increased by 40 percent annually while loans in USD decreased by approximately 35 percent annually except for June 2015. Other sector's short-term debt stock is much lower than that of the banking sector; therefore, the base effect shall be taken into account while evaluating annual percentage changes.

Chart 2: Annual Percentage Change of Short-term Loans Received from Abroad by the Private Sector
(Original Currency - Year-on-year)



Source: CBRT

To sum up, the private sector's borrowing from abroad is overhelmingly in US dollars. Nevertheless, compared to end-2014, some changes were observed in the banking sector's borrowing preferences due to the changes in the euro-USD parity in the first half of 2015. In terms of original currency, long-term borrowing in euros increased faster than long-term borrowing in USD, whereas borrowing in euros decreased more rapidly in short-term loans. This observation is attirbuted to the parity expectations. No indicator reflecting the parity effect is observed in other sectors' borrowing from abroad.

Box 4 Impact of the Resource Utilization Support Fund (RUSF) Deductions on Trade Credits

Trade Credits consist of claims and liabilities arising from the direct extension of credit by importers and exporters with the aim of financing foreign trade. This box evaluates the compilation practice of the data on "trade credits due to imports", which is an important source for the financing of imports and analyzes the impact of the new arrangement on the Resource Utilization Support Fund (RUSF) deductions effected on 10 April 2015 on these credits.

The trade credit liabilities due to imports are short and long-term credits that a resident buyer in Turkey (importer) obtains from a non-resident supplier (exporter), where payment of the goods is realized after the delivery. The data are compiled separately for short and long-term trade credits.

Short-term Trade Credits

Two sources of data are used for compiling short-term “trade credits due to imports” which are recorded under Short-term External Debt Statistics. The first of these is the short-term import liabilities based on the "acceptance credits" (except cash against goods with acceptance credit) and "deferred payment letter of credit" type of payments, which are compiled through the “Monthly Foreign Exchange Report” submitted by the resident banks. Nevertheless, as there is not an obligation for the banks to report imports by cash against goods and imports by cash against goods with acceptance credits, using this data alone is not sufficient. Therefore, data on drawings by the mentioned types of payments are compiled from the TURKSTAT's statistics on imports by type of payment whereas repayments are calculated through the moving average method, where the maturities are based on the results of a survey conducted within the resident importing firms. Meanwhile, the associated stock data is compiled by accumulating the flow data, taking into account the exchange rate changes.

To sum up, short-term “trade credits due to imports” is the sum of these two figures.

Long-term Trade Credits

As regards “Outstanding Loans Received From Abroad by Private Sector”, details on debtor and creditor, currency denomination, drawings, principal/interest payments and repayment schedule are compiled via the intermediary resident banks’ transaction basis reporting forms submitted to the CBRT. The long-term trade credits (with a maturity longer than 365 days) with the payment types of "letter of credit with acceptance credit", "documents with acceptance credit" and "deferred payment letter of credit" are also compiled within the same framework on a transaction by transaction basis.

RUSF Arrangement

The Decision, which was annexed to the Council of Ministers Decision No: 2015/7511 promulgated on Official Gazette No: 29322 dated 10 April 2015, stipulates that the RUSF deduction shall be zero in imports of the goods in the annexed list to the Decision when imported under acceptance credit, deferred payment letter of credit and on a cash-against-goods basis.

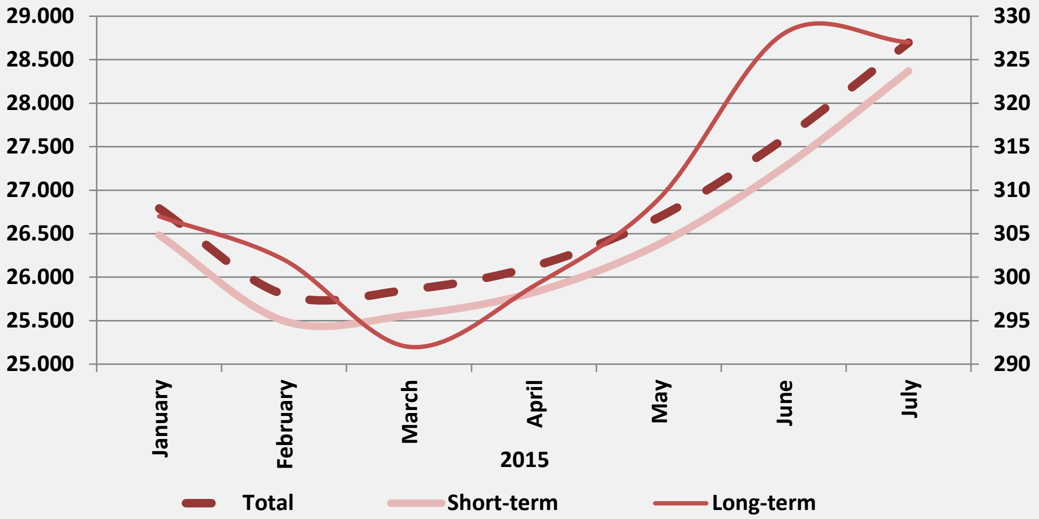
In summary, the table below that presents the short and long-term trade credit stock due to imports points to a rise in the months following the arrangement. This rise is expected to continue in the coming months (Chart 1).

Table 1: Trade Credit Stock due to Imports
(million USD)

	Long-term	Short-term	Total	Difference
2014	324	27.744	28.068	
2015				
January	307	26.484	26.791	-1.277
February	302	25.498	25.800	-991
March	292	25.565	25.857	57
April	299	25.827	26.126	269
May	309	26.379	26.688	562
June	328	27.261	27.589	901
July	327	28.370	28.697	1.108

Source: CBRT

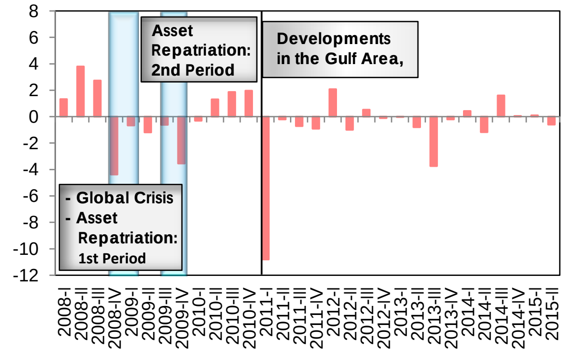
Chart 1: Trade Credit Stock due to Imports
(million USD)



Source: CBRT

The indicative data regarding the residents' deposits in banks abroad point to a USD 0.6-billion decline in the second quarter of 2015. These data are recorded in the balance of payments table under the "Financial Account / Other Investment / Currency and Deposits / Net Acquisition of Financial Assets / Other Sectors". This item is an important source of information for the monitoring of capital movements as rapid and short-term movements are observed in these accounts particularly in times of financial turbulence.

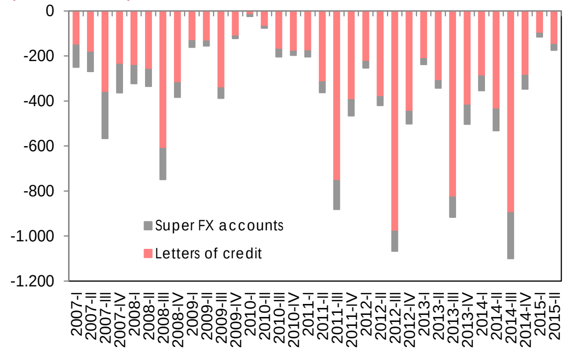
Chart 34. Other Sectors' Deposit Assets Abroad
(billion USD)



Source: CBRT.

The implementation allowing non-resident Turkish citizens to open long-term FX deposit accounts with letters of credit and super FX accounts with the Central Bank was terminated on 1 January 2014. As the accounts that matured were closed, a net outflow of USD 0.2 billion was registered in these accounts in the second quarter of 2015.

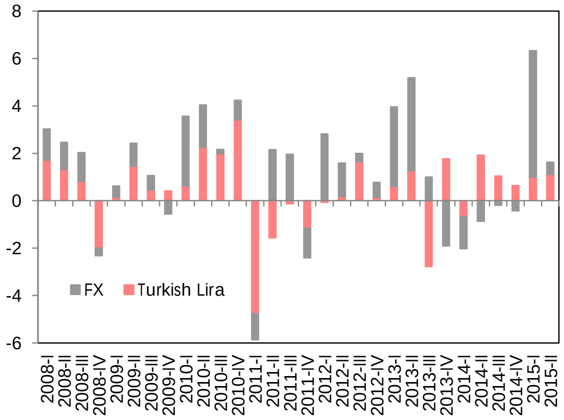
Chart 35. Deposits within the CBRT
(million USD)



Source: CBRT.

The inflow in bank deposits on the liabilities side of the other investment item, which had started in the previous quarter, continued in this quarter as well. In this period, there were deposit inflows from both banks abroad and non-residents. In the second quarter of 2015, the FX deposits and TL deposits of banks abroad in domestic banks increased by net USD 0.5 billion and USD 1.1 billion, respectively.

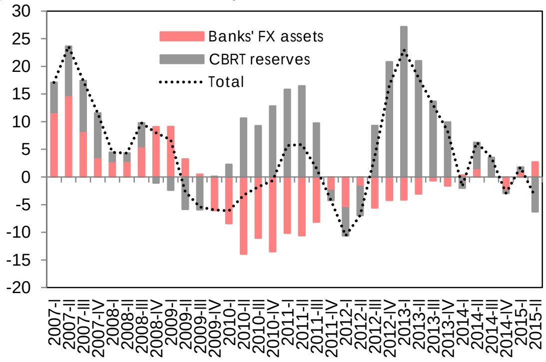
Chart 36. Deposits of Non-resident Banks within the Domestic Banks - Composition of FX and TL
(billion USD)



Source: CBRT.

In this quarter, the official reserves in the balance of payments table decreased due to the fall in capital inflows. This decrease was mainly triggered by the interest payment of bonds issued abroad as well as the FX sales to energy-exporting SEEs and banks. Meanwhile, inflows to the official reserves were mainly driven by the Treasury's bond issues in April, the FX inflows originating from the repayment of rediscount loans extended to exporters by the Central Bank and the increase in accounts that banks hold within the CBRT.

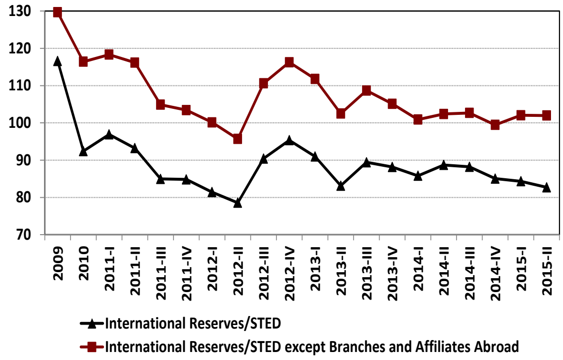
Chart 37. International Reserves
(annualized, billion USD)



Source: CBRT.
Note: (+) increase; (-) decrease

The CBRT's international reserves decreased by USD 1.1 billion quarter-on-quarter to USD 119.6 billion. As of June, the "short-term external debt stock on a remaining maturity basis (STED)", which is calculated based on the external debt maturing within 1 year or less regardless of the original maturity, expanded by 2.7 percent compared to the end of the previous quarter and stood at USD 168.3 billion. As a result, the ratio of total international reserves to STED, which is considered to be one of the reserve adequacy indicators, was recorded as 82.7 percent. However, this ratio becomes 102 percent when branches and affiliates abroad are excluded.

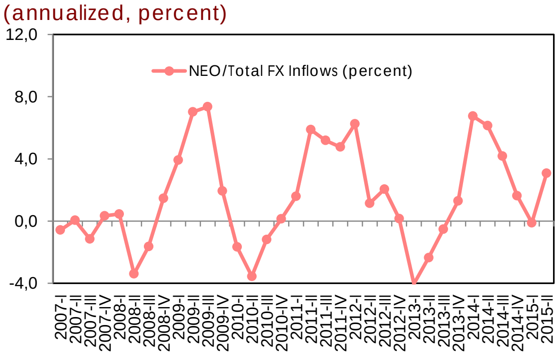
Chart 38. The Ratio of International Reserves to STED on a Remaining Maturity Basis (percent)



Source: CBRT.

The Net Errors and Omissions (NEO) item posted a net inflow of approximately USD 4.4 billion in the second quarter of 2015. In annual terms, the 12-month cumulative NEO stood at USD 6.6 billion in this period and the ratio of 12-month cumulative NEO to total FX inflows rose to 3.1 percent.

Chart 39. Net Errors and Omissions (NEO) and Total Foreign Exchange Inflows
(annualized, percent)



Source: CBRT.

III. Annex Tables

Balance of Payments (billion USD)

	January-June			June (Annualized)		
	2014	2015	% change	2014	2015	% change
Current Account	-24,5	-22,3	-9,2	-52,3	-44,3	-15,4
Goods	-29,4	-25,0	-14,9	-68,8	-59,2	-14,0
Exports	85,5	77,7	-9,2	167,1	161,1	-3,6
Exports (fob)	80,1	73,5		156,7	151,0	
Shuttle Trade	4,1	2,7		7,6	7,3	
Imports	114,9	102,7	-10,7	235,9	220,3	-6,6
Imports (cif)	119,8	106,7		245,6	229,1	
Adjustment: Classification	-6,4	-5,2		-12,8	-11,6	
Services	9,1	8,3	-8,2	23,7	24,4	3,2
Travel (net)	9,2	7,9		23,5	23,2	
Credit	11,8	10,6		28,6	28,3	
Debit	2,6	2,6		5,1	5,1	
Other Services (net)	-0,1	0,4		0,1	1,2	
Primary Income	-4,7	-6,0	27,7	-8,4	-10,5	24,8
Compensation of Employees	-0,4	-0,5		-0,6	-1,0	
Direct Investment (net)	-1,3	-2,5		-2,3	-3,4	
Portfolio Investment (net)	-1,0	-1,3		-1,6	-2,2	
Other Investment (net)	-1,9	-1,8		-3,9	-3,9	
Interest Income	0,8	0,8		1,7	1,6	
Interest Expenditure	2,7	2,6		5,6	5,6	
Secondary Income	0,5	0,4	-15,9	1,2	1,0	-16,8
Workers Remittances	0,4	0,3		0,9	0,7	
Capital Account	0,0	0,0		-0,1	0,0	
Financial Account	-18,8	-13,3	-29,2	-39,0	-37,7	-3,3
Direct Investment (net)	-4,7	-4,2	-11,4	-10,0	-5,0	-49,8
Net Acquisition of Financial Assets	2,3	2,2		4,4	6,9	
Net Incurrence of Liabilities	7,0	6,3		14,4	11,9	
Portfolio Investment (net)	-10,3	4,0	-139,1	-16,1	-5,8	-63,7
Net Acquisition of Financial Assets	1,2	2,6		0,7	2,1	
Net Incurrence of Liabilities	11,5	-1,4		16,8	8,0	
Equity Securities	1,5	0,1		2,5	1,2	
Debt Securities	10,0	-1,5		14,3	6,8	
GDDS	0,2	-3,7		-2,5	-3,6	
Eurobond Issues of Treasury	2,3	0,3		5,2	2,2	
Borrowing	5,4	3,0		8,3	4,9	
Repayment	3,1	2,8		3,1	2,8	
Banks (net)	5,2	1,7		8,4	6,9	
Other Sectors (net)	2,2	0,3		3,2	1,4	
Other Investment (net)	-5,1	-8,6	69,3	-17,6	-20,6	17,0
Currency and Deposits	0,6	-1,2		-0,1	-2,4	
Net Acquisition of Financial Assets	-0,5	8,3		-3,0	9,0	
Banks	0,3	8,8		1,7	7,9	
Foreign Exchange	0,2	5,3		1,6	2,7	
Turkish Lira	0,1	3,5		0,1	5,2	
Other Sectors	-0,8	-0,5		-4,7	1,1	
Net Incurrence of Liabilities	-1,1	9,5		-2,9	11,4	
Central Bank	-0,9	-0,3		-2,3	-1,7	
Banks	-0,2	9,8		-0,6	13,2	
Loans	-6,5	-6,6		-20,2	-15,3	
Net Acquisition of Financial Assets	0,1	0,7		0,1	2,4	
Net Incurrence of Liabilities	6,6	7,3		20,3	17,7	
Banks	4,3	3,3		15,6	10,9	
Short-term	1,6	-8,8		6,5	-6,7	
Long-term	2,7	12,2		9,1	17,6	
General Government	-0,8	-0,5		-0,4	-0,7	
Long-term	-0,8	-0,5		-0,4	-0,7	
Other sectors	3,1	4,5		5,2	7,5	
Short-term	-0,2	0,4		1,1	1,0	
Long-term	3,3	4,1		4,2	6,5	
Trade Credit and Advances	1,1	-0,7		3,4	-2,6	
Net Acquisition of Financial Assets	0,2	-1,1		1,2	-1,7	
Net Incurrence of Liabilities	-0,9	-0,4		-2,2	0,8	
Other Assets and Liabilities	-0,3	-0,2		-0,6	-0,3	
Change in Official Reserves	1,3	-4,5		4,7	-6,3	
Net Errors and Omissions	5,8	9,0		13,4	6,6	

Source: CBRT.

Financing Requirements and Sources (billion USD)

	2014				2014	2015	
	I	II	III	IV		I	II
Financing Requirements	-25,4	-22,6	-20,1	-26,3	-94,4	-24,2	-24,0
Current Account Balance (Excluding Current Transfers)	-12,0	-13,0	-7,3	-15,3	-47,6	-11,1	-11,6
Debt Security and Credit Repayments	-11,5	-10,8	-9,9	-11,6	-43,8	-12,9	-10,9
Debt Securities (Abroad)	-4,2	-1,2	-1,8	-2,1	-9,2	-5,2	-2,5
Long Term Credits	-7,4	-9,6	-8,1	-9,5	-34,6	-7,7	-8,4
Trade Credits	-0,1	0,0	0,0	-0,1	-0,2	-0,1	0,0
Monetary Authority	0,0	0,0	0,0	0,0	0,0	0,0	0,0
(IMF)	0,0	0,0	0,0	0,0	0,0	0,0	0,0
General Government	-0,5	-1,0	-0,6	-1,0	-3,1	-0,7	-0,7
(IMF)	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Banks	-1,9	-2,5	-2,2	-2,6	-9,2	-2,8	-3,3
Other Sectors	-4,9	-6,1	-5,3	-5,9	-22,2	-4,1	-4,3
Other Assets (- indicates to an increase) 1/	-2,0	1,2	-2,8	0,5	-3,0	-0,2	-1,6
Financing Sources	25,4	22,6	20,1	26,3	94,4	24,2	24,0
Current Transfers	0,2	0,3	0,3	0,3	1,1	0,2	0,2
Capital Account	0,0	0,0	0,0	0,0	-0,1	0,0	0,0
Direct Investment (Net)	3,1	1,6	0,2	0,6	5,5	2,4	1,7
Equity Securities (Net)	0,4	1,1	0,1	1,0	2,6	-0,6	0,7
Debt Securities and Credits	10,0	27,9	17,3	24,2	79,4	12,8	16,3
Debt Securities	1,8	13,5	4,7	7,5	27,5	5,0	1,2
In Turkey (Net)	-3,8	4,1	-1,3	1,6	0,6	-1,0	-3,0
Abroad	5,6	9,4	6,0	5,9	26,9	6,0	4,2
Long Term Credits	10,8	11,4	10,6	14,7	47,5	11,4	20,5
Trade Credits	0,0	0,0	0,0	0,0	0,2	0,0	0,1
Monetary Authority	0,0	0,0	0,0	0,0	0,0	0,0	0,0
(IMF)	0,0	0,0	0,0	0,0	0,0	0,0	0,0
General Government	0,2	0,5	0,5	1,0	2,2	0,3	0,6
(IMF)	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Banks	3,5	3,6	4,2	6,0	17,3	6,4	11,9
Other Sectors	7,0	7,3	5,9	7,7	27,9	4,7	7,9
Short Term Credits (Net)	-2,6	3,1	2,0	1,9	4,4	-3,5	-5,3
Trade Credits	-2,3	1,4	0,5	0,7	0,3	-1,9	1,4
Monetary Authority	0,0	0,0	0,0	0,0	0,0	0,0	0,0
General Government	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Banks	-0,2	1,8	1,1	1,0	3,8	-1,9	-6,9
Other Sectors	-0,1	-0,1	0,4	0,2	0,3	0,2	0,2
Deposits (Net)	-2,4	1,3	1,1	0,8	0,9	6,9	2,5
Other Liabilities	0,1	0,2	0,1	0,0	0,5	0,0	0,1
Net Errors and Omissions	8,3	-2,5	3,2	-5,6	3,4	4,6	4,4
Banks' Currency and Deposits 2/	0,9	-1,2	-0,7	1,6	0,6	-5,9	-2,9
Reserve Assets 2/	4,9	-6,1	-1,6	3,4	0,5	3,6	0,9

Source: CBRT.

1/ Excluding Banks' Currency and Deposits

Balance of Payments Debt-Creating and Non-Debt Creating Flows (billion USD)

	2014				2014	2015	
	I	II	III	IV		I	II
A) Current Account Balance	-11,8	-12,8	-7,0	-15,0	-46,5	-10,9	-11,4
B) Capital and Financial Account	3,5	15,2	3,8	20,6	43,1	6,3	7,0
Capital Account	0,0	0,0	0,0	0,0	-0,1	0,0	0,0
Financial Account	3,5	15,3	3,8	20,6	43,2	6,3	7,0
Assets	-2,2	-1,1	-5,7	-0,5	-9,5	-7,1	-5,6
Direct Investment	-1,2	-1,1	-2,1	-2,6	-7,0	-1,1	-1,1
Portfolio Investment	-0,5	-0,7	0,5	0,0	-0,7	-0,7	-1,9
Other Investment	-0,5	0,7	-4,0	2,2	-1,7	-5,3	-2,6
Liabilities	0,8	22,5	11,1	17,7	52,2	9,8	11,7
Non-Debt Creating Flows	4,6	4,5	2,5	4,2	15,8	2,9	3,2
Direct Investment 1/	4,1	3,2	2,2	3,3	12,8	3,5	2,4
Portfolio Investment/Equity Securities	0,4	1,1	0,1	1,0	2,6	-0,6	0,7
Other Investment/Other Liabilities 2/	0,1	0,2	0,1	0,0	0,5	0,0	0,1
Debt Creating Flows	-3,7	18,0	8,7	13,4	36,4	6,9	8,4
Portfolio Investment/Debt Securities	-2,4	12,3	2,8	5,5	18,3	-0,2	-1,3
Trade Credits	-2,3	1,4	0,5	0,7	0,3	-1,9	1,5
Loans	3,3	3,0	4,2	6,4	16,9	2,0	5,7
Deposits	-2,4	1,3	1,1	0,8	0,9	6,9	2,5
Other Investment/Other Liabilities 2/	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Reserve Assets	4,9	-6,1	-1,6	3,4	0,5	3,6	0,9
C) Net Errors and Omissions	8,3	-2,5	3,2	-5,6	3,4	4,6	4,4

Source: CBRT.

1/ "Other Capital" item, which is comprised in the Direct Investment, is presented under Debt Creating Flows/Loans.
2/ The International Monetary Fund (IMF) has made an SDR allocation to its members in proportion to their existing quotas in the Fund in August and September 2009. Accordingly, SDR equivalent of USD 1.497 million was allocated to Turkey, and recorded under the following "Financial Account" items in the balance of payments statistics: "Special Drawing Rights (Net Incurrence of Liabilities)" and "Reserve Assets / Official

Boxes in Balance of Payments Reports