

CENTRAL BANK OF THE REPUBLIC OF TURKEY



**Balance of Payments Report  
2012- II**

## CENTRAL BANK OF THE REPUBLIC OF TURKEY

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## OVERVIEW

1. The moderate and steady upward trend in exports that started in the wake of the crisis continued in the second quarter of 2012 as well. The aggravated financial crisis in the EU countries led to a decline in exports to the European Union, Turkey's largest trade partner. Nevertheless, the adverse impact of the weak exports trend to European countries was mitigated by Turkey's success in diversifying to newer export destinations and sectors.

2. Steady growth of exports together with slowdown in imports led to improvement in trade deficit hence decline in the current account deficit. According to the balance of payments definition, in the second quarter of 2012, foreign trade deficit decreased by 5.8 percent year-on-year basis. In the same period, annual foreign trade deficit became USD 77.1 billion, pointing to a continued decline in foreign trade deficit in the second half of 2012.

3. In the April-June 2012 period, current account registered a deficit of USD 14.3 billion, and annual current account deficit reached USD 63 billion. Furthermore, seasonally adjusted data suggest that both current account deficit and current account deficit excluding energy continued to decline.

4. In 2012Q2, net services income increased by 21.5 percent compared to the same period last year. In this period, net tourism revenues increased due to the rise in tourism revenues against the decline in tourism expenses; and net transportation revenues increased on the back of the faster increment in transportation revenues than transportation expenditures.

5. In the second quarter of 2012, capital inflows - excluding changes in reserves (CBT, banks and other sectors) and IMF loans - became USD 20.9 billion. As was the case in the second quarter of 2011, banks and other sectors were net borrowers in the second quarter of 2012. The main sources of capital inflows in this period were short-term loans of banks and other sectors, portfolio investments through debt securities (bond issues abroad by the Treasury and banks) and foreign direct investments (FDI). In this period, the shares of both portfolio investments and short-term capital inflows, which posted a rise compared to the previous period-increased; while those of foreign direct investments and long-term capital inflows decreased.

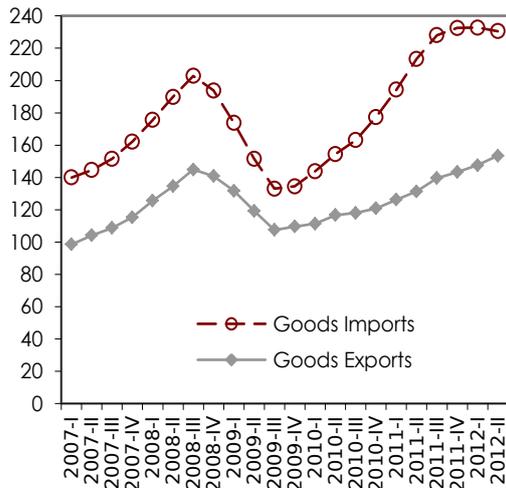
6. According to the International Investment Position (IIP), which shows the value of financial claims of Turkish residents from non-residents as well as their reserve assets, and that of financial liabilities of Turkish residents to non-residents at a particular point in time, external assets of Turkey became USD 186.6 billion while liabilities to non-residents became USD 556.7 billion by the end of the second quarter of 2012.

Balance of Payments  
(billion USD)

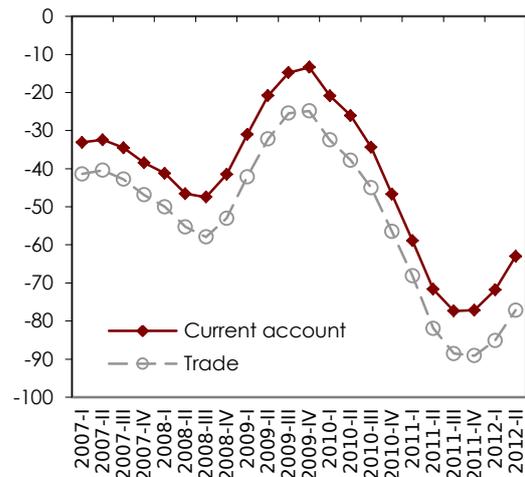
	January-June			June (Annualized)		
	2011	2012	% change	2011	2012	% change
Current Account	-44,8	-30,6	-31,6	-71,7	-63,0	-12,1
Goods	-46,5	-34,5	-25,7	-81,9	-77,1	-5,8
Exports	68,9	78,9	14,5	131,4	153,4	16,7
Exports (fob)	65,6	74,3		124,8	143,7	
Shuttle Trade	2,1	2,6		4,3	4,9	
Imports	-115,4	-113,5	-1,7	-213,3	-230,6	8,1
Imports (cif)	-119,7	-117,2		-221,9	-238,3	
Adjustment: Classification	6,0	5,7		11,6	11,6	
Services	5,4	6,8	24,7	16,9	19,3	14,7
Travel (net)	6,0	6,5		17,1	18,6	
Credit	8,5	8,4		22,3	22,9	
Debit	-2,5	-1,9		-5,2	-4,3	
Other Services (net)	-0,5	0,3		-0,3	0,8	
Income	-4,5	-3,6	-19,8	-8,2	-6,9	-15,7
Compensation of Employees	-0,1	-0,1		-0,1	-0,2	
Direct Investment (net)	-2,0	-1,2		-3,5	-1,9	
Portfolio Investment (net)	-0,5	-0,4		-0,8	-0,8	
Other Investment (net)	-1,8	-1,9		-3,7	-4,0	
Interest Income	0,6	1,0		1,2	1,6	
Interest Expenditure	-2,4	-2,9		-4,9	-5,7	
Current Transfers	0,7	0,7	-3,3	1,6	1,7	9,9
Workers Remittances	0,5	0,4		1,0	1,0	
Capital and Financial Account	36,6	27,1	-25,9	59,0	58,3	-1,2
Financial Account (excl. reserve assets)	46,4	33,4	-27,9	75,5	53,1	-29,7
Direct Investment (net)	5,5	5,7	5,2	10,8	13,7	26,5
Abroad	-1,3	-2,5		-1,8	-3,6	
In Turkey	6,8	8,2		12,7	17,3	
Portfolio Investment (net)	17,1	10,5	-38,5	25,3	17,6	-30,3
Assets	2,3	0,1		-1,4	0,5	
Liabilities	14,8	10,4		26,7	17,2	
Equity Securities	-0,8	1,2		1,9	1,0	
Debt Securities	15,6	9,2		24,8	16,1	
Non-residents' Purchases of GDDS	11,6	3,9		17,8	7,1	
Eurobond Issues of Treasury	1,5	3,6		3,2	4,6	
Borrowing	3,3	4,6		5,0	5,6	
Repayment	-1,8	-1,0		-1,8	-1,0	
Banks (net)	2,4	1,7		3,6	2,2	
Other Sectors (net)	0,0	0,0		0,2	2,2	
Other Investment (net)	23,8	17,2	-27,9	39,4	21,7	-44,9
Assets	13,1	1,0		12,7	-0,8	
Trade Credits	-0,4	-0,4		-2,0	-0,8	
Credits	-0,6	-0,6		-1,0	-0,6	
Currency and Deposits	14,1	2,0		15,7	-0,8	
Banks	3,1	3,6		8,6	0,7	
Foreign Exchange	4,9	4,3		10,6	1,8	
Turkish Lira	-1,8	-0,7		-2,0	-1,1	
Other Sectors	11,0	-1,6		7,2	0,0	
Liabilities	10,7	16,1		26,7	22,5	
Trade Credits	1,3	2,5		3,0	3,3	
Credits	13,7	5,7		23,5	10,9	
Central Bank	0,0	0,0		0,0	0,0	
General Government	0,2	-1,1		0,7	-2,1	
IMF	-1,1	-1,2		-2,6	-2,9	
Long-term	1,3	0,0		3,2	0,8	
Banks	8,7	2,5		18,2	6,1	
Long-term	2,2	-0,3		3,0	3,0	
Short-term	6,5	2,8		15,2	3,2	
Other sectors	4,8	4,4		4,6	6,9	
Long-term	3,4	1,7		2,4	2,6	
Short-term	1,4	2,7		2,2	4,3	
Deposits of Non-residents	-4,6	7,7		-0,2	7,9	
Central Bank	-0,6	-0,7		-1,0	-2,1	
Banks	-4,0	8,4		0,8	9,9	
Change in Official Reserves (- increase)	-9,8	-6,3	-35,2	-16,5	5,2	-131,9
Net Errors and Omissions	8,2	3,5		12,7	6,9	

Source: CBI.

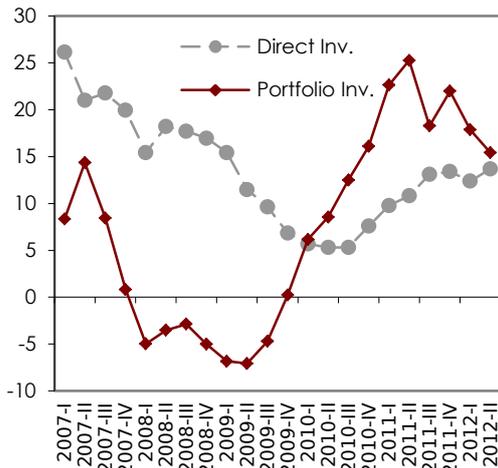
**Exports and Imports of Goods**  
(annualized, billion USD)



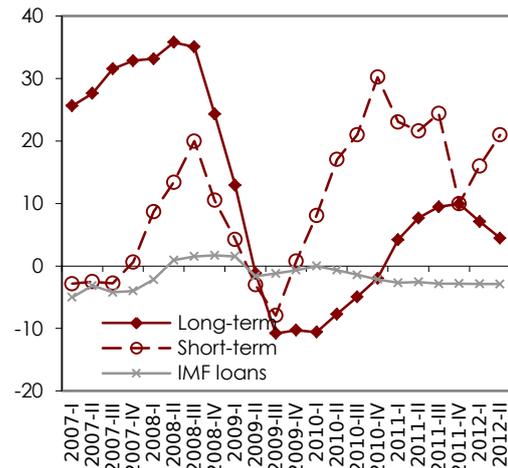
**Foreign Trade and Current Account**  
(annualized, billion USD)



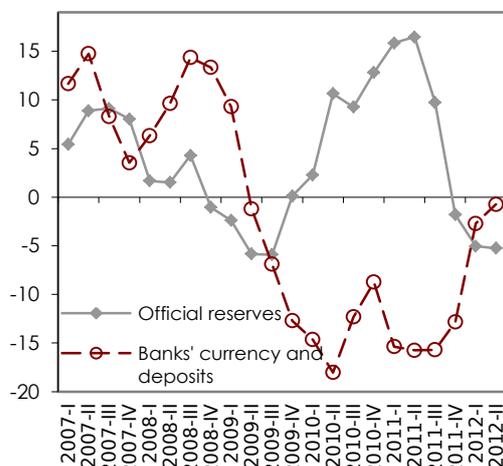
**Direct and Portfolio Investment**  
(annualized, billion USD)



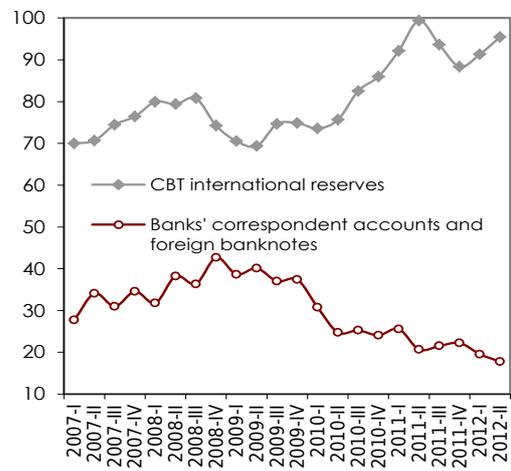
**Other Capital Flows**  
(annualized, billion USD)



**Changes in Reserves**  
(- decrease, + increase)  
(annualized, billion USD)



**International Reserves**  
(billion USD)



Source: CBT, TURKSTAT.

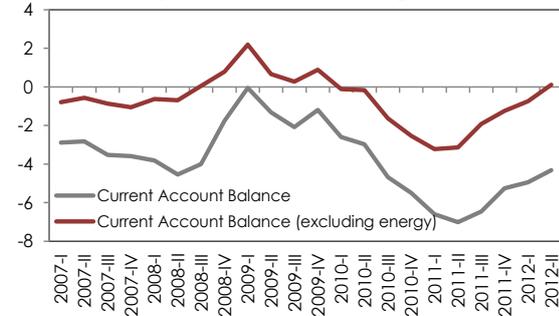


## I. Current Account

1. In the April-June 2012 period, current account registered a deficit of USD 14.3 billion, and annual current account deficit reached USD 63 billion. Furthermore, seasonally adjusted data suggest that both current account deficit and current account deficit excluding energy continued to decline.

### Current Account Balance

(Seasonally adjusted, quarterly average, billion USD)

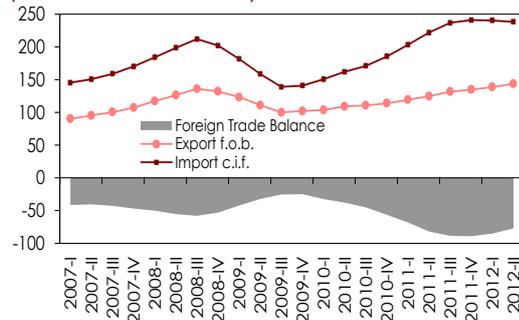


Source: CBT.

2. Steady growth of exports together with slowdown in imports led to improvement in trade deficit hence decline in the current account deficit. According to the balance of payments definition, in the second quarter of 2012, foreign trade deficit decreased by 5.8 percent year-on-year basis. In the same period, annual foreign trade deficit became USD 77.1 billion, pointing to a continued decline in foreign trade deficit in the second half of 2012.

### Foreign Trade Deficit

(annualized, billion USD)



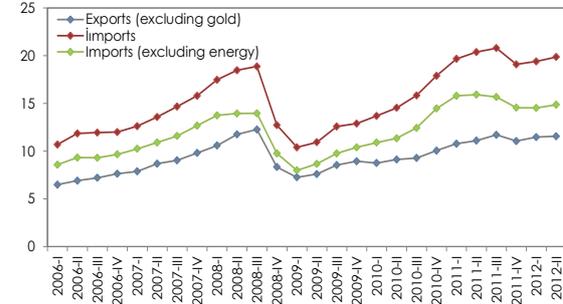
Source: CBT.

3. The moderate and steady upward trend in exports that started in the wake of the crisis continued in the second quarter of 2012 as well. The aggravated financial crisis in the EU countries led to a decline in exports to the European Union, Turkey's largest trade partner. Nevertheless, the adverse impact of the weak exports trend to European countries was mitigated by Turkey's success in diversifying to newer export destinations and sectors.

4. Meanwhile, the slowdown in domestic demand curbed demand for imports, thus imports remained flat.

### Imports and Exports

(Seasonally adjusted, quarterly average, billion USD)

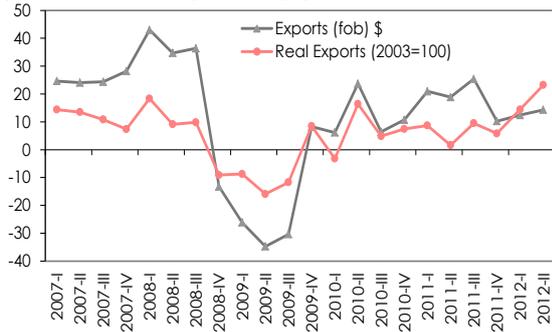


Source: CBT.

### 1.1 Exports of Goods

5. According to TURKSTAT data, the moderate rise in exports continued in the second quarter of 2012. In this period, in annualized figures, exports grew by 15.2 percent year-on-year and reached USD 143.7 billion. Compared to the second quarter of 2011, export unit value index decreased by 7.1 percent while export quantity index was up by 23.2 percent. Therefore, it can be asserted that the rise in exports was mainly driven by the increase in real exports reined in by the decline in unit value.

### Exports - Nominal and Real (annual percentage change)

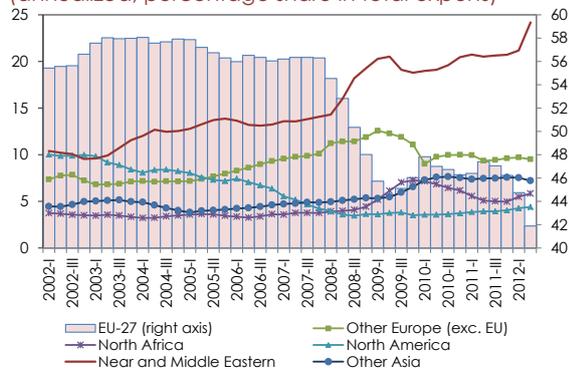


Source: TURKSTAT.

6. Gold exports to Iran became the exports item that made the largest contribution to the exports growth in the second quarter of 2012 and it was followed by exports of motor vehicles, iron and steel.

7. The share of exports to European Union countries in Turkey's overall exports continued to decline due to further weakening import demand in the Euro area (Box 1). While the share of exports to non-EU European countries remained unchanged, the rise in the share of exports to North African and Near and Middle East countries continued. In this period, Iran, Germany, Iraq, United Kingdom and Russia became the leading export partners of Turkey. Meanwhile, the shares of Iran, Saudi Arabia, Egypt, Iraq and Azerbaijan increased the most compared to the previous year; shares of Italy, Romania, the Netherlands, France and Spain were the ones that recorded the highest drop in the share of Turkey's exports.

### Selected Regions' Shares in Exports (annualized, percentage share in total exports)



Source: TURKSTAT

## Box 1

## Latest Developments in the European Union and Exports by Sectors

The latest developments in the European Union (EU) are constraining Turkey's export performance. In the second quarter of 2012, exports (excluding gold) to the EU dropped by 11.9 percent; while exports to non-EU regions increased by 16.3 percent. In this Box, the mentioned developments will be analyzed by sectors.

In 2011, exports to the EU were mainly led by exports of textiles and apparel and motor vehicles sectors (Table).<sup>1</sup> These two sectors counted for approximately 50 percent of overall exports to the EU. Meanwhile, 66 percent of the total exports of textiles and apparel sector and 72 percent of the total exports of motor vehicles sector are directed to the EU countries. Other than textiles and apparel, and motor vehicles sectors; boilers, machinery and mechanical appliances as well as electrical machinery and equipment sectors have significant shares in Turkey's exports to the EU. Almost half of the total exports of both sectors are directed to the EU countries. The mentioned four sectors make up 38 percent of overall exports of Turkey and 61 percent of exports to the EU.

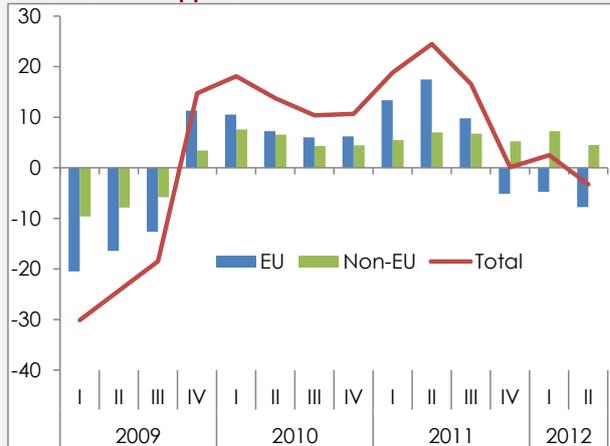
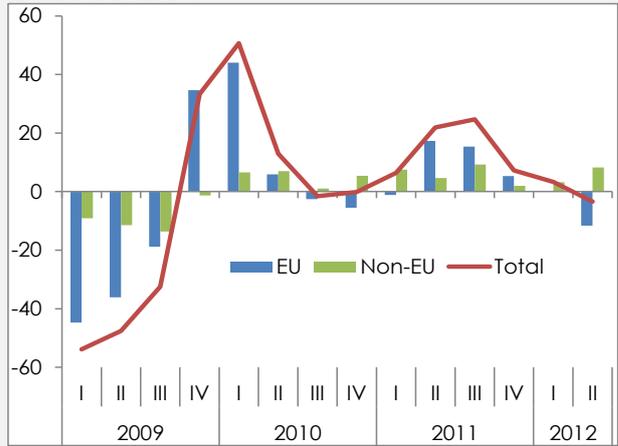
**Table: Shares of Leading Sectors in Turkey's Exports to the EU in 2011 (percent)**

	Share in Exports to the EU	EU's Share in Exports of the Sector	Share in Turkey's Total Exports
Textiles and Apparel	26,4	66,0	15,6
Motor Vehicles	18,2	71,8	9,9
Boilers, machinery and mechanical appliances	9,7	52,3	7,2
Electrical machinery and equipment	7,1	49,8	5,6

Source: TURKSTAT.

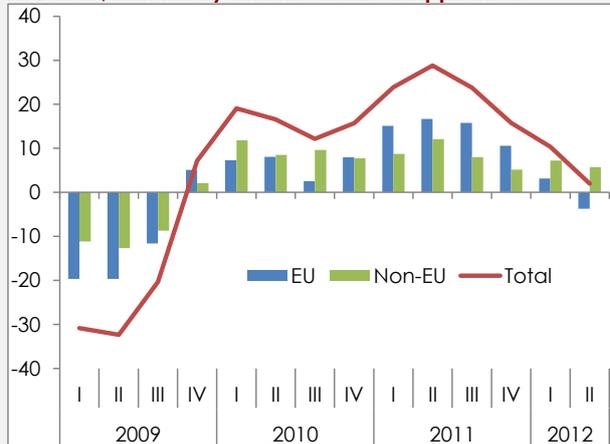
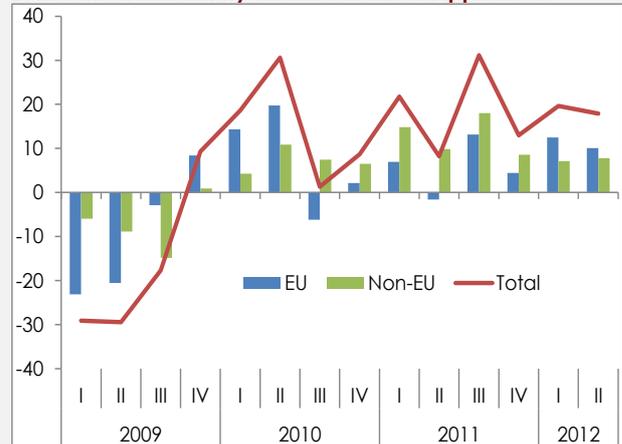
An analysis of the annual contribution of the above-mentioned sectors to overall exports by regions reveals that EU's contribution to Turkey's exports of textiles and apparel turned negative by the final quarter of 2011. In this period, the contribution of non-EU countries were positive, however, overall exports of the sector declined in the second quarter of 2012 (Chart 1A). While the contribution of EU countries to Turkey's exports of motor vehicles increased in 2011, EU countries have adversely affected the sector's performance as of the turn of 2012 (Chart 1B). In this period, the adverse impact of EU countries on Turkish exports was partly offset by non-EU countries' contribution.

<sup>1</sup> In this box, Harmonized System classification is used. Textiles and apparel sector is approximated by the sum of chapters 50 to 63.

**Chart 1: Contribution of Regions to Exports by Sectors (percent)****A: Textiles and Apparel****B: Motor Vehicles**

Source: TURKSTAT.

An analysis of export of boilers, machinery and mechanical appliances sector reveals that the contribution of EU countries have been steadily decreasing as of the second half of 2011; meanwhile, non-EU countries' contribution have been positive throughout this period (Chart 2A). The sector's overall export growth has been gradually decreasing. Unlike this sector, export growth in electrical machinery and equipment sector has been increasing both in EU countries and non-EU countries (Chart 2B).

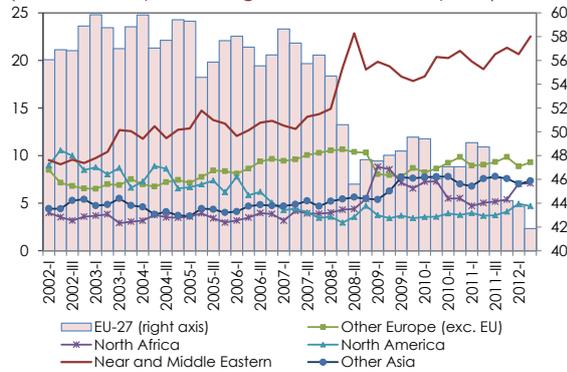
**Chart 2: Contribution of Regions to Exports by Sectors (percent)****A: Boilers, Machinery and Mechanical Appliances****B: Electrical Machinery and Mechanical Appliances**

Source: TURKSTAT.

As EU countries have a large share in Turkey's exports of textiles and apparel, and motor vehicles sectors, they have a significant influence on these sectors' total export performance. Actually, the recent decline in exports of the said two items is not a sign of overall decrease in sector performance, but a consequence of the adverse conditions in the EU.

8. When the impact of the significant amount of exports of gold to Iran is excluded, it is observed that the share of exports to EU has decreased, while those of Middle East countries have increased.

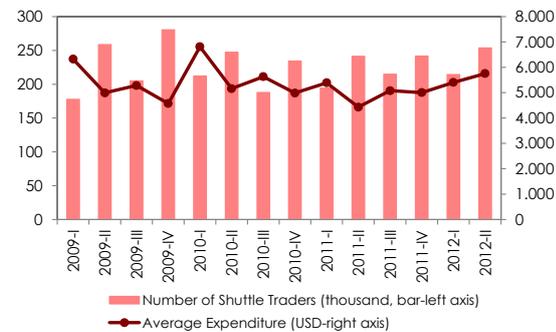
**Selected Regions' Shares in Exports excluding Gold**  
(annualized, percentage share in total exports)



Source: TURKSTAT.

9. According to TURKSTAT data, in the second quarter of 2012, the number of shuttle traders and the average amount of expenditures increased by 5.1 percent and 29.9 percent, respectively, year-on-year and thus, total revenues from shuttle trade increased by 36.4 percent and became USD 1.5 billion.

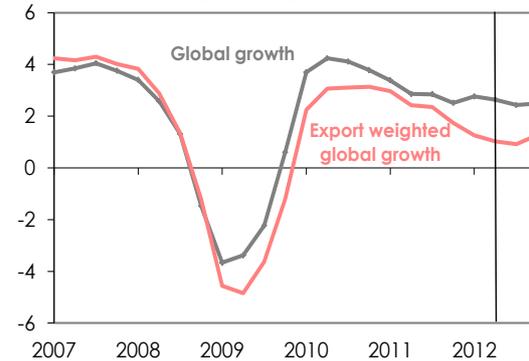
**Shuttle Trade**



Source: TURKSTAT.

10. Uncertainties stemming from the problems across the euro area that have been aggravating since mid-2011 persist, and the growth outlook of the US economy remains weak. The foreign demand index compiled by the CBT suggests that Turkey's external demand will remain subdued in the upcoming period.

**Foreign Demand Index for Turkey**  
(annual percentage change)

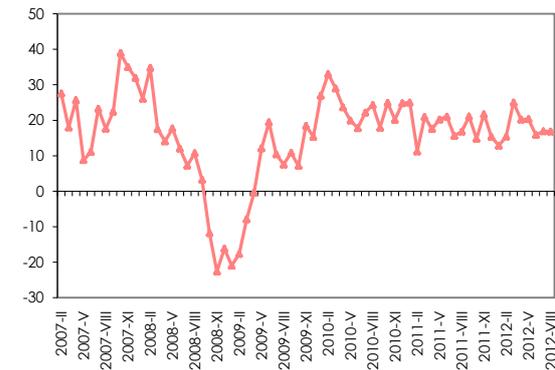


Source: Bloomberg, Consensus Forecasts, IMF, CBT.

11. Manufacturing companies' expectations about exports for the next three months were optimistic in the second quarter; however, July and August expectation survey results suggest a more cautious outlook.

**Export Expectations**

Exports orders - expectations of next 3 months  
(Seasonally adjusted (increase-decrease))

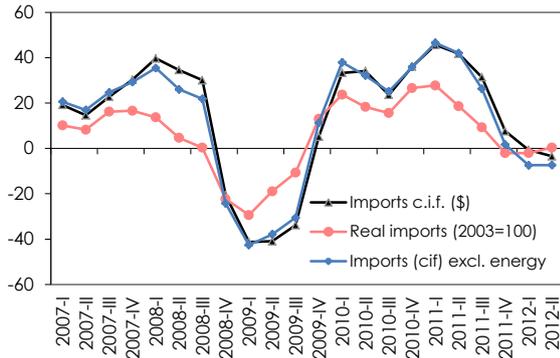


Source: CBT.

1.2 Imports of Goods

12. According to TURKSTAT data, the deceleration in imports, which started in the final quarter of 2011, continued in the second quarter of 2012. While the 3-month imports decreased by 3.5 percent year-on-year basis; imports excluding the energy item decreased by 7.4 percent in the same period. In this period, the import quantity index increased by 0.3 percent against 3.8 percent-decline in the unit value index.

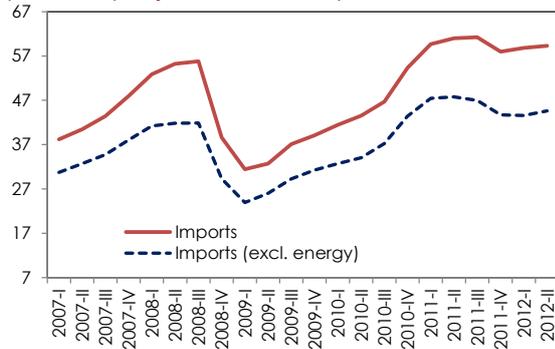
**Imports - Nominal and Real**  
(annual percentage change)



Source: TURKSTAT.

13. Seasonally adjusted data suggest that in the second quarter of 2012, imports excluding energy remained flat, while overall imports increased marginally.

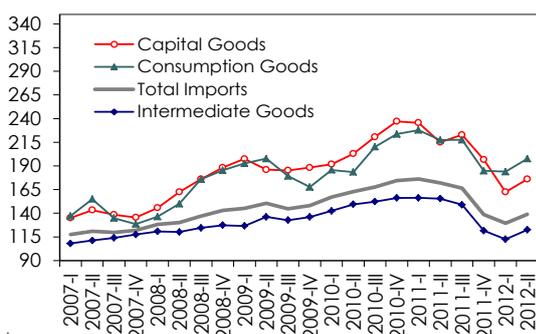
**Imports Excluding Energy**  
(Seasonally adjusted, billion USD)



Source: TURKSTAT, CBT.

14. An analysis of sub-items of imports indicates that imports of consumption goods and capital goods increased compared to last quarter however they remained below the level in second quarter of 2011. Imports of intermediate goods displayed a moderate rise on a quarterly basis due to the slowdown in the economic activity.

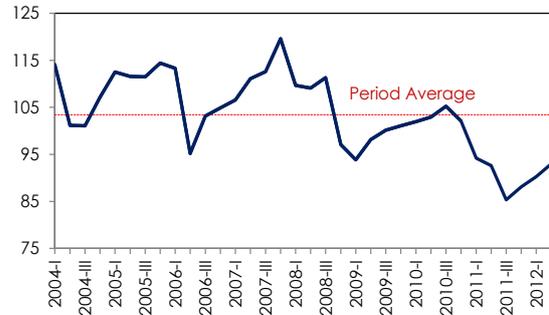
**Imports and Selected Sub-Sectors**  
(Seasonally adjusted quantity indices, 2003=100)



Source: CBT.

15. Real exchange rates have been appreciating since the final quarter of 2011. Nevertheless, Turkey's real exchange rates based on developing countries, continue to hover below the period average.

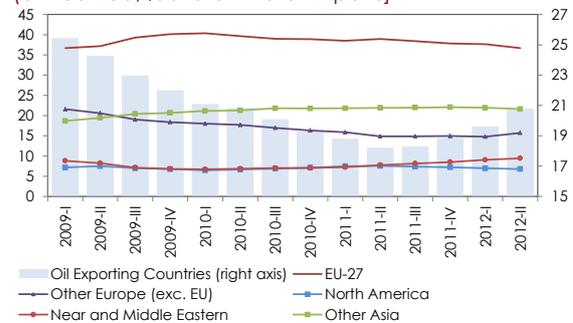
**Real Effective Exchange Rate**  
(CPI-Developing Countries Based (2003=100))



Source: CBT.

16. An analysis by countries reveals that Russia, Germany, China, the USA, Italy and Iran were Turkey's largest import partners in the second quarter of 2012. In this period, Switzerland and Russia's shares posted the highest rise in Turkey's overall imports.

**Selected Regions' Shares in Total Imports**  
(annualized, % share in total imports)

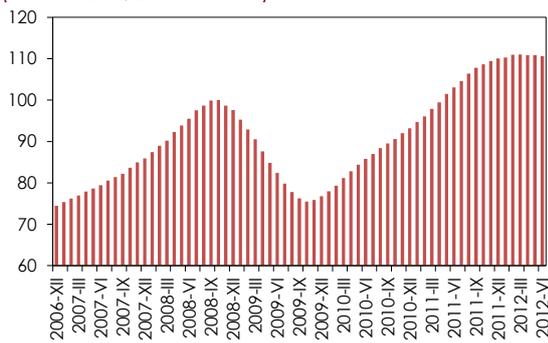


Source: TURKSTAT.

1.3 Global Outlook

17. According to World Trade Organization data, the deceleration in world trade, which started in end-2011, continued in the second quarter of 2012. In this period, the world exports decreased by 1.4 percent compared to the same period in 2011. In terms of annualized data, in the second quarter of 2012, the world exports decreased by 0.4 percent compared to the previous quarter.

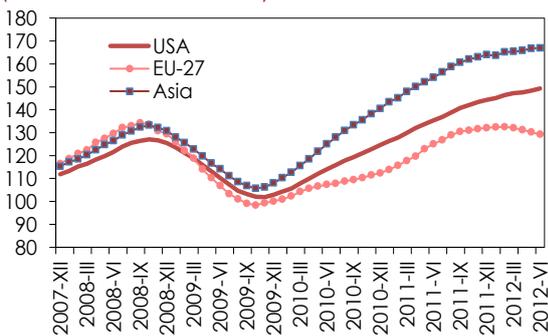
**World Exports**  
(annualized, 2008:10=100)



Source: WTO.

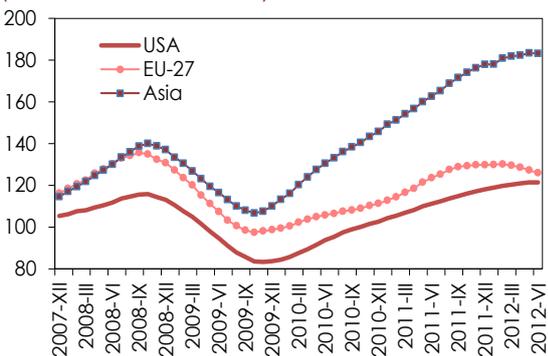
18. Foreign trade data by regions suggests that the exports of EU countries have been decreasing while exports of Asian countries continue to slow down. Likewise, growth in imports of the USA, Asia and EU continued to decelerate.

**Exports of Selected Regions**  
(annualized, 2006:12=100)



Source: TURKSTAT.

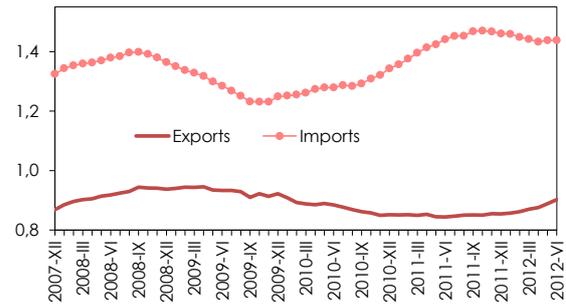
**Imports of Selected Regions**  
(annualized, 2006:12=100)



Source: TURKSTAT.

19. Turkey's share in overall world exports, which had been dropping since 2010, continued to increment marginally in the first quarter of 2012. Whereas, the moderate decline in the share of Turkey's imports in global imports, which started in the second half of 2011, continues.

**Share of Turkey in World Trade (%)**

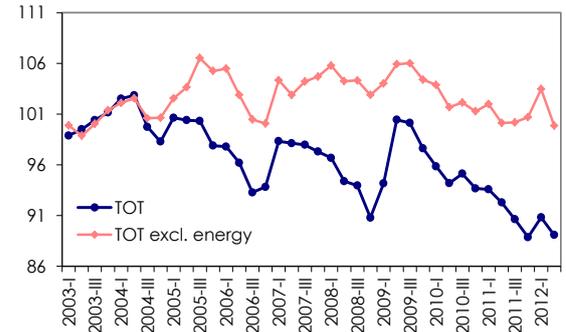


Source: WTO.

**1.4 Terms of Trade**

20. In the second quarter of 2012, import prices decreased by 3.8 percent year-on-year against the 7.1 percent-fall in export prices. Export prices in textile and apparels and motor vehicles sectors, which have a considerable weight in exports, became the ones that displayed the highest decrease.

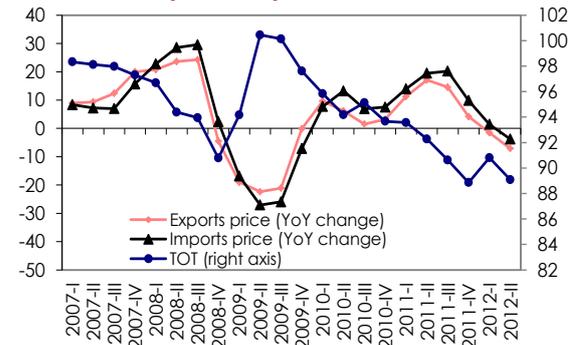
**TOT and TOT excl. Energy (2003=100)**



Source: TURKSTAT.

21. In the second quarter of 2012, imports prices increased by 0.3 percent, while export prices decreased by 1.6 percent compared to the previous quarter. Therefore, terms of trade posted a slight decline in the second quarter of the year.

**Terms of Trade (2003=100)**

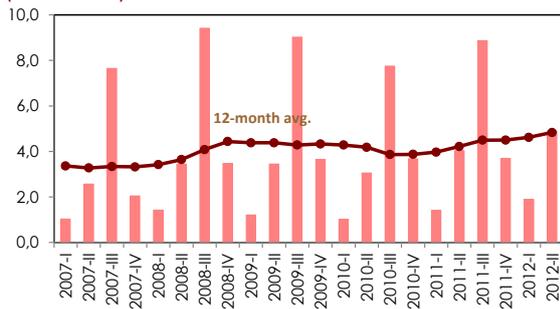


Source: TURKSTAT.

### 1.5 Services Account

22. In 2012Q2, net services income was up 21.5 percent compared to the same period last year. In this period, net tourism revenues increased owing to the decline in tourism expenses against the rise in tourism revenues; meanwhile transportation revenues increased owing to the faster rise in transportation revenues than transportation expenditures.

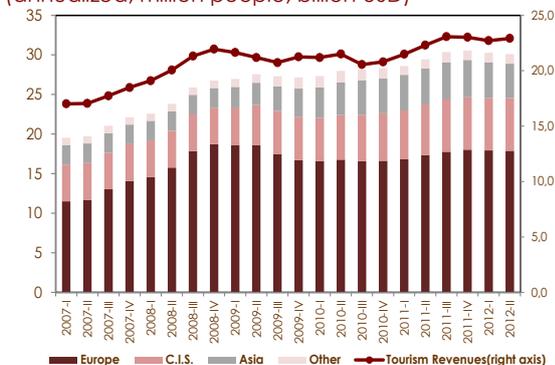
#### Services Account, net (billion USD)



Source: CBT.

23. An analysis of net tourism revenues, which assumes the largest share in the services account, reveals that in the second quarter of 2012, tourism revenues increased by 3.8 percent, while tourism expenditures decreased by 14.9 percent year-on-year. Consequently, compared to the same quarter of the previous year, in 2012Q2, net tourism revenues increased by 9.9 percent and reached USD 4.5 billion. The number of tourists visiting Turkey decreased by 1.1 percent compared to the same period last year (Box 2).

#### Breakdown of Foreign Visitors and Turkish Citizens Visiting Turkey by Country, and Tourism Revenues (annualized, million people, billion USD)



Source: TURKSTAT.

## Box 2

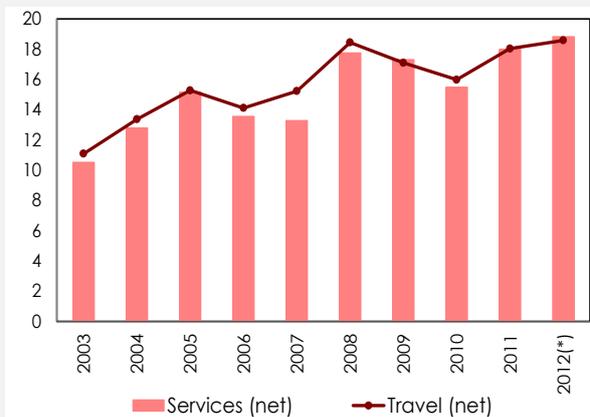
## Profile of Tourists Visiting Turkey and a General Analysis of Tourism Revenues by Nationality

In this box, tourists visiting Turkey and tourism revenues will be analyzed to be followed by a presentation of trends of the recent years based on the “Departing Visitors Survey” that has been jointly conducted by the Turkish Statistical Institute (TURKSTAT), Ministry of Culture and Tourism (MCT) and the Central Bank of Turkey (CBT) since 2003. The said survey covers Turkish citizens and foreigners that are residing abroad and visiting Turkey.

On Turkey’s balance of payments table, the most important item under “Services” heading is the “Travel” item and the share of travel income in total services revenues between 2003-2011 was 65 percent; while that of travel expenditures in total services expenditures was 24 percent. The share of the sum of transportation, construction, insurance, financial, official and other services in overall expenditures is higher compared to that of travel expenditures and that makes net travel figures more important for balance of services (Chart 1).

Even if net tourism income have been increasing since 2003, the growth of the said item decelerated in the wake of the 2008 financial crisis. Approximately 75 percent of total tourism income come from foreign visitors, while 25 percent come from Turkish citizens residing abroad and this ratio is quite stable (Chart 2).

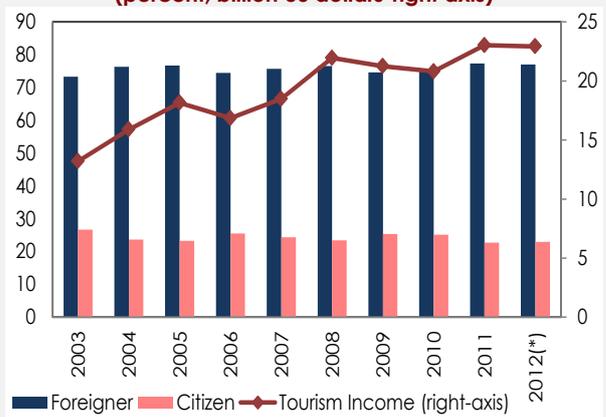
**Chart 1**  
Travel and Services  
(billion US dollars)



(\*)annualized.

Source: TURKSTAT, CBT.

**Chart 2**  
Total Tourism Revenues and the Share of Foreigners and  
Turkish Citizens Residing Abroad  
(percent, billion US dollars-right axis)

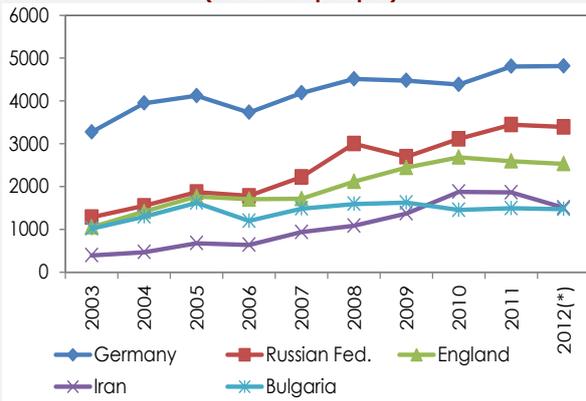


(\*)annualized.

Source: TURKSTAT.

An analysis of visitors by country reveals that between 2003-2012, Germany, Russia and United Kingdom were the first three countries, and as of 2009, Bulgaria, the Netherlands and Iran took their places in the top 5 countries sending tourists to Turkey (Chart 3). When average expenditure per tourist from the top 5 countries that Turkey attracts tourists from is analyzed, it is observed that only the average expenditure per tourists from Iran is on an upward trend (Chart 4).

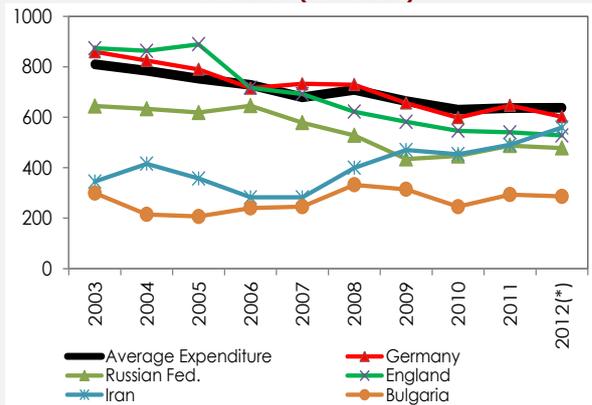
**Chart 3**  
Number of Visitors from the Top 5 countries  
(thousand people)



(\*)annualized.

Note: Countries are shown based on 2012 statistics.  
Source: TURKSTAT.

**Chart 4**  
Average Expenditure per Foreign Visitor from the Top 5  
Countries (US dollars)

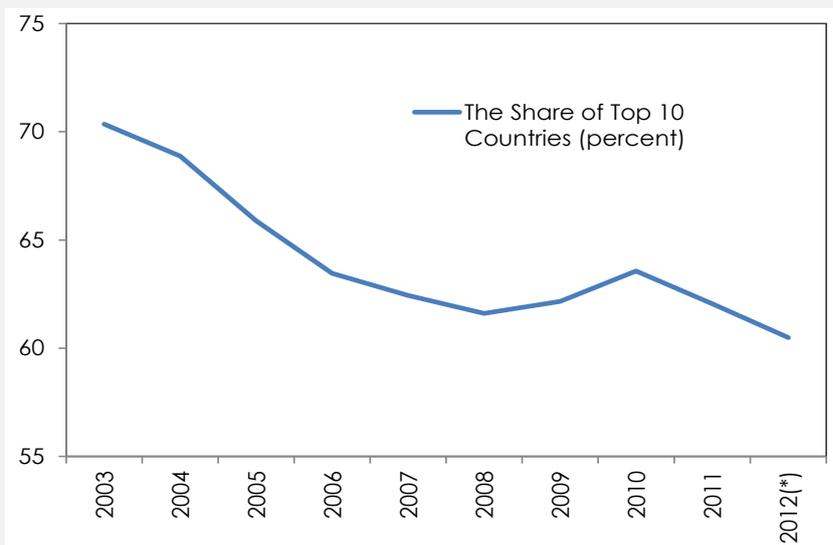


(\*)annualized.

Note: Countries are shown based on 2012 statistics.  
Source: TURKSTAT.

Chart 5 displays the change in the shares of the top 10 countries that have the largest share in Turkey's tourism income. In the analyzed period, the share of the top 10 countries display a declining trend despite the overall rise in the number of tourists and this suggests that Turkey has succeeded in diversifying her tourism market over time.

**Chart 5. Share of the Top 10 Countries in the Number of Visitors (percent)**



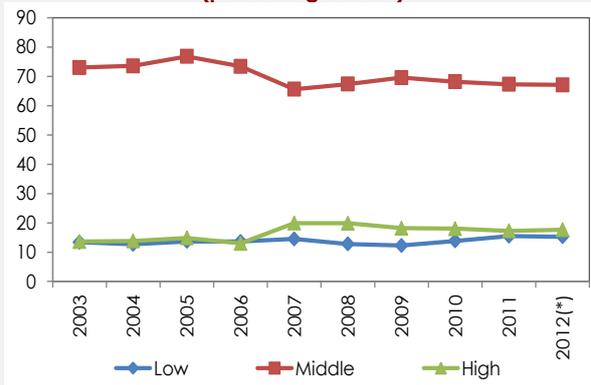
(\*) January-June

Source: TURKSTAT, MCT.

Although Turkey has diversified the country group that it attracts visitors from, there has not been a significant change in the income profile of the tourists visiting Turkey. It is observed that approximately 70 percent of the foreign visitors visiting Turkey in the period in question were composed of middle income people (Chart 6).

Meanwhile, an analysis by gender indicates that while the ratio of male visitors was 59 percent in 2003, the ratios of male and female visitors have converged over the time (Chart 7).

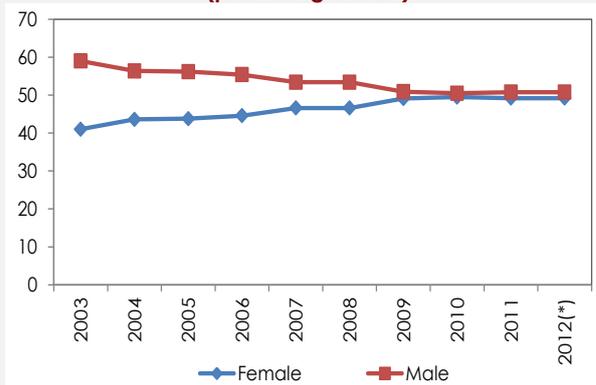
**Chart 6**  
Foreign Visitors to Turkey by Income Group  
(percentage share)



(\*) January-June

Source: TURKSTAT.

**Chart 7**  
Foreign Visitors to Turkey by Gender  
(percentage share)



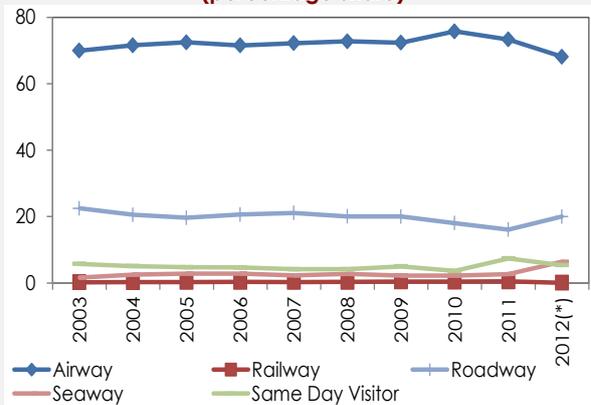
(\*) January-June

Source: TURKSTAT.

Incoming visitors traveling by airways account for the majority of the whole group and their share has not displayed a significant change throughout the quarter (Chart 8).

Majority of the foreign visitors is composed of graduates of high school or universities, along with those conducting their Master's or doctoral studies. The share of this group has been on an upward track in recent years (Chart 9).

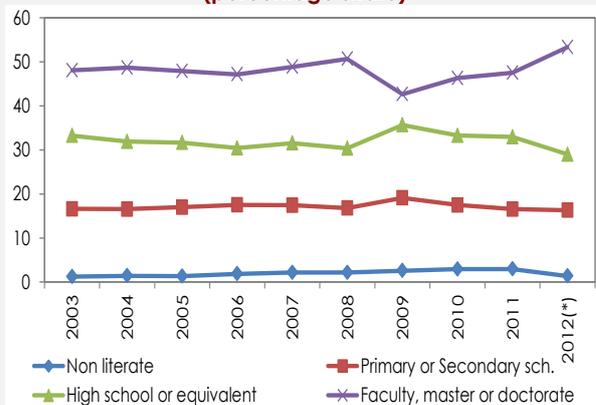
**Chart 8**  
Foreign Visitors by Mode of Entry into the Country  
(percentage share)



(\*) January-June

Source: TURKSTAT.

**Chart 9**  
Foreign Visitors by Educational Status  
(percentage share)

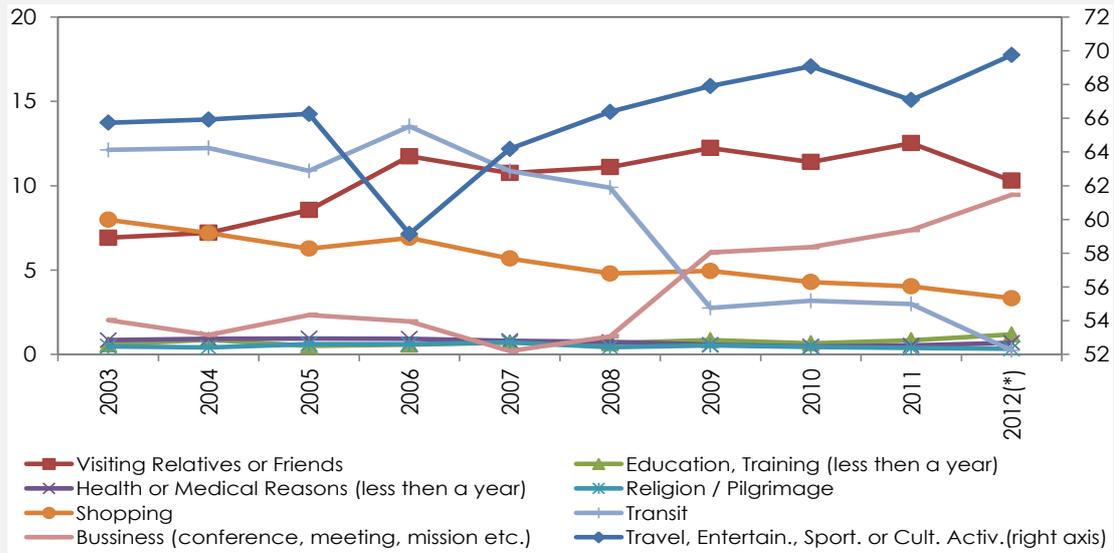


(\*) January-June

Source: TURKSTAT.

An analysis by the purpose of travel suggests that those traveling to Turkey for excursion, recreation, sports and cultural activities constitute approximately two-thirds of the total number of visitors. The number of those traveling for business purposes has been rising since 2008. While the share of transit stopovers was around 12 percent between 2003 and 2007, a significant decline was observed after 2009 pushing the said share down to some 3 percent (Chart 10).

**Chart 10. Foreign Visitors to Turkey by Purpose of Travel (percentage share)**

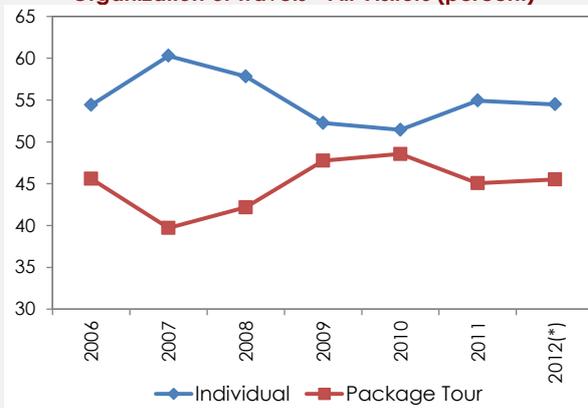


(\*) January-June  
Source: TURKSTAT.

In the period of 2006-2012, 55 percent of the foreign visitors on average organized their trips to Turkey individually and 45 percent on average traveled on a package tour. Despite fluctuations by years, 2012Q2 ratios remained same with 2006 figures (Chart 11).

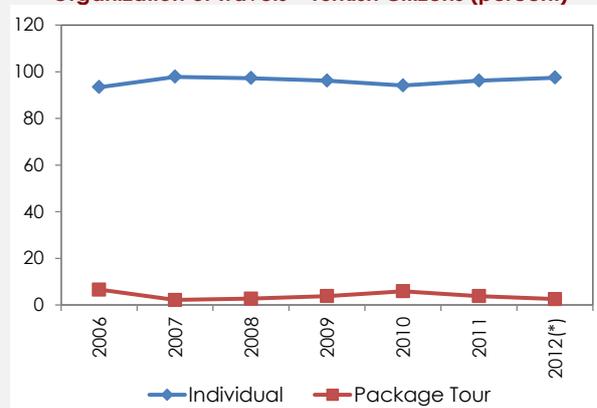
Turkish citizens residing abroad have mostly organized their travels to Turkey individually (Chart 12).

**Chart 11  
Organization of Travels - All Visitors (percent)**



(\*) January-June  
Note: Accompanying persons have been proportionately distributed to both categories.  
Source: TURKSTAT.

**Chart 12  
Organization of Travels - Turkish Citizens (percent)**



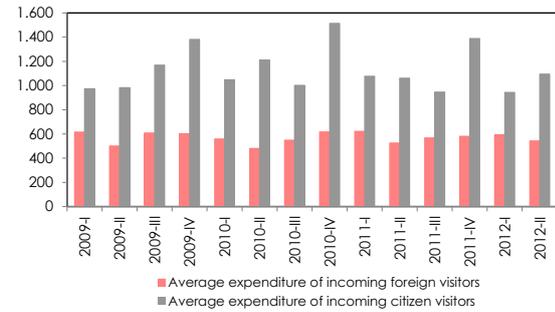
(\*) January-June  
Note: Accompanying persons have been proportionately distributed to both categories.  
Source: TURKSTAT.

In conclusion, most of the foreign visitors traveling to Turkey are composed of middle income groups with high education. A great majority of them travel for the purposes of excursion, recreation, sports and cultural activities and they travel by airways.

Despite country diversification in tourism, the profile of visitors to Turkey has not displayed a significant change.

24. In 2012Q2, average expenditure per foreign visitor increased by 3.4 percent compared to the same quarter last year and became USD 543. Meanwhile, the average expenditure per expatriate Turkish citizen visiting Turkey increased by 3.2 percent and reached USD 1,095.

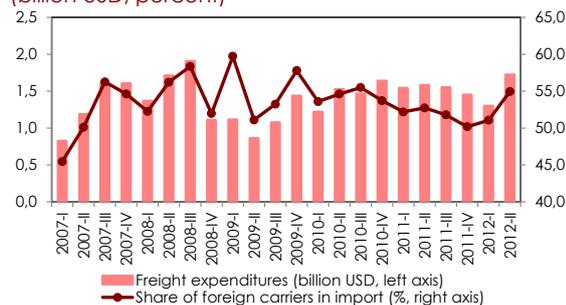
#### Average Expenditure (USD/person)



Source: TURKSTAT.

25. In 2012Q2, transportation revenues increased by 16.9 percent and transportation expenditures were up 4.0 percent; thus, the rise in net transportation revenues became 69.5 percent. The rise was mainly driven by the 32.2 percent net rise in other transportation items composed of tickets and food-beverage. In this period, the share of foreign carriers in imports increased as well.

#### Freight Expenditures in Imports and the Share of Foreign Carriers in Imports (billion USD, percent)



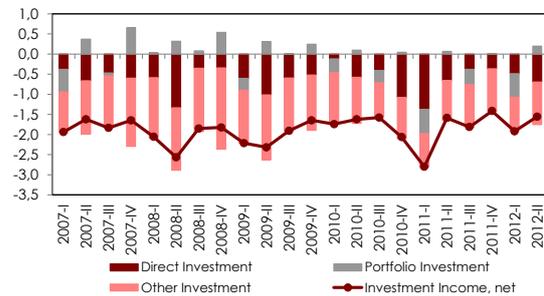
Source: CBT.

### 1.6 Income Account

26. In the second quarter of 2012, net outflows from the income account decreased by 1.2 percent year-on-year and became USD 1.6 billion. Direct investments and other investments, which are all listed under the "investment income" item and constitute the largest

share in the said flows, posted net outflows of USD 0.7 billion and USD 1.1, respectively.

#### Composition of Investment Income, net (billion USD)

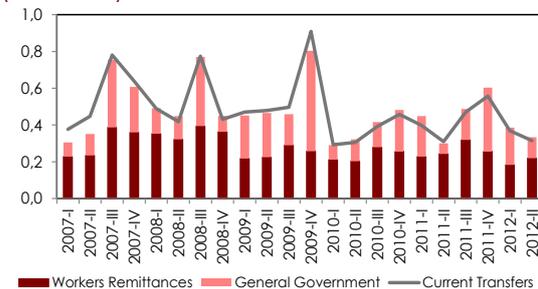


Source: CBT.

### 1.7 Current Transfers

27. In the second quarter of 2012, inflows through current transfers materialized at almost the same level as the same quarter of 2011. In this period, workers' remittances composed of non-resident Turkish citizens' transfers to their relatives in Turkey became the leading item in current transfers.

#### Current Transfers and Workers' Remittances (billion USD)



Source: CBT.

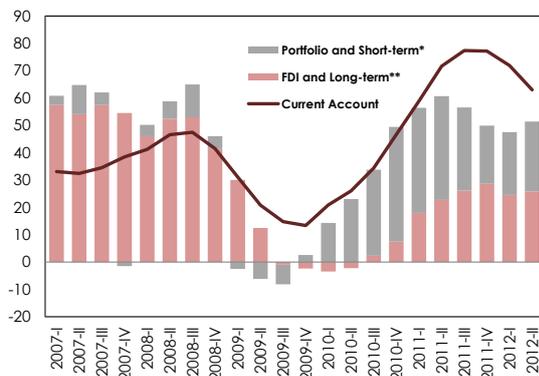


## II. Capital and Financial Account

28. In the second quarter of 2012, capital inflows - excluding changes in reserves (CBT, banks and other sectors) and IMF loans - became USD 20.9 billion. As was the case in the second quarter of 2011, banks and other sectors were net borrowers in the second quarter of 2012. The main sources of capital inflows in this period were short-term loans of banks and other sectors, portfolio investments through debt securities (bond issues abroad by the Treasury and banks) and foreign direct investments (FDI). In this period, the shares of both portfolio investments and short-term capital inflows, which posted a rise compared to the previous period, increased; while those of foreign direct investments and long-term capital inflows decreased.

### Current Account and Its Financing

(annualized, billion USD)



Source: CBT.

\*Portfolio and short-term capital flows are composed of equities, Government Domestic Debt Securities, short-term loans of banks and other sectors and deposits at the banks.

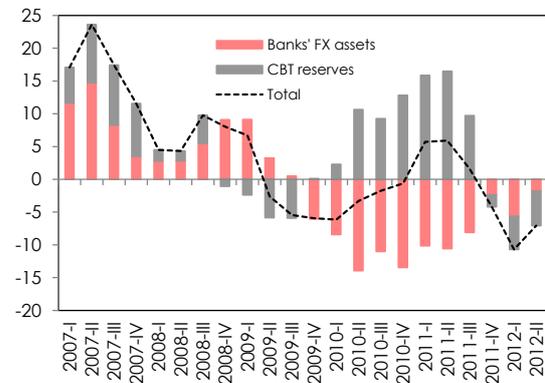
\*\*Long-term capital flows are composed of long-term net loans of banks and other sectors and bonds issued by banks and the Treasury abroad

29. The USD 5.6 billion rise in CBT reserves in the second quarter of 2012 can mainly

be attributed to the deposits kept by banks at the Central Bank and the rise in Treasury's bond issues abroad. In this period, banks' FX assets decreased by USD 1.6 billion, and the rise in total international reserves became USD 3.7 billion.

### International Reserves

(annualized, billion USD)



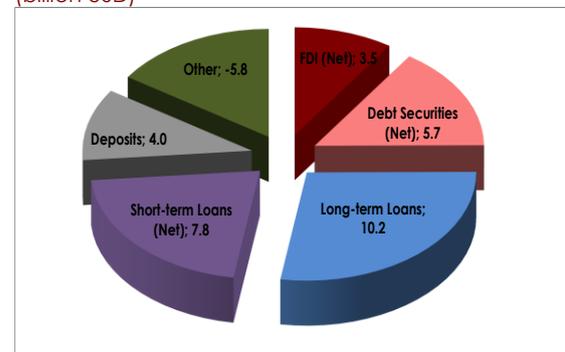
Source: CBT.

Note: (+) increase; (-) decrease

30. In the second quarter of 2012, current account deficit excluding current transfers decreased by USD 8.9 billion compared to the same quarter of the previous year and thus, the financing requirement became USD 25.3 billion<sup>2</sup>. An analysis by financing sources suggests that long and short-term borrowings by other sectors and banks, debt instruments (net purchase of debt securities and bond issues abroad by the Treasury and banks), deposits of banks at the banks in Turkey and foreign direct investments were the main drivers of this change.

### Selected Items of Financing Sources\*

(billion USD)



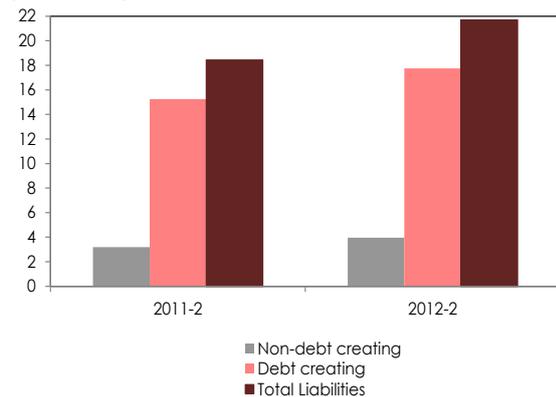
Source: CBT.

\* Represents 2012Q2 realizations.

<sup>2</sup> Please refer to table "Foreign Financing Requirements and Financing Sources".

31. In line with the mentioned developments in financing sources, debt-creating financing sources increased by USD 17.7 billion and non-debt-creating financing sources increased by USD 4.0 billion in the second quarter of 2012. Whereas, in the same quarter of 2011, the said sources had increased by USD 15.2 billion and USD 3.2 billion, respectively.<sup>3</sup>

#### Debt Creating and Non-debt Creating Liabilities Under Financial Account (billion USD)

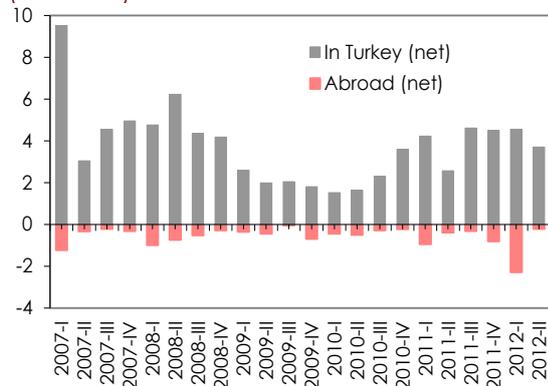


Source: CBT.

### 2.1 Direct Investment

32. In the second quarter of 2012, direct investments in Turkey and abroad materialized as USD 3.7 billion and USD 0.2 billion, respectively. As a result, net direct investments increased by 59.1 percent compared to the same quarter of 2011 and became USD 3.5 billion.

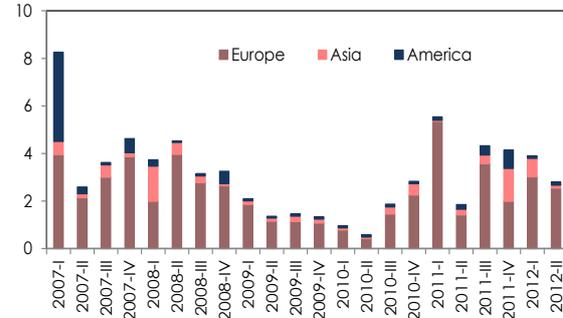
#### Direct Investment (billion USD)



Source: CBT.

33. Regarding direct investments in Turkey, the leading investors have always been the European countries. This trend continued in the second quarter of 2012 and the total share of European countries became 90.8 percent.

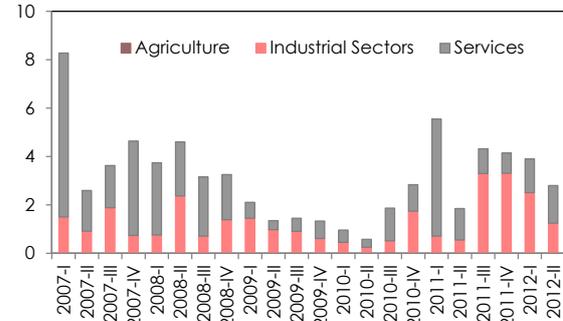
#### Direct Investment in Turkey- Geographical Distribution (billion USD)



Source: CBT.

34. A breakdown of non-residents' direct investments in Turkey by sectors suggests that USD 1.6 billion was invested in services sector and USD 1.2 billion was invested in industrial sectors in the second quarter of 2012. 73.3 percent of the investments in services sector were made in construction works, while 69.3 percent of the investments in industrial sectors were made in manufacturing industry.

#### Direct Investment in Turkey-Sectoral Distribution (billion USD)

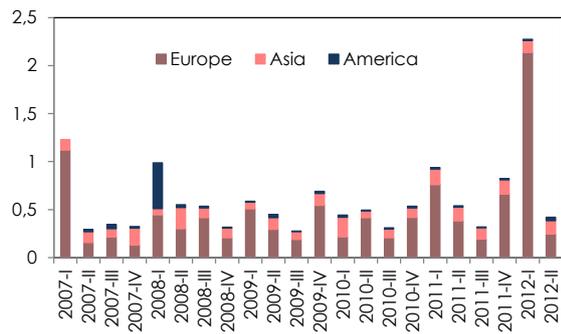


Source: CBT.

35. A country-based analysis of the "Direct Investment/Abroad/Outflow" item suggests that the share of European countries, which receive the bulk of Turkey's direct investments abroad, decreased to 57.1 percent in the second quarter of 2012 from its 75.2 percent level in 2011.

<sup>3</sup> See Annex Tables, "Balance of Payments Debt-Creating and Non-Debt Creating Flows".

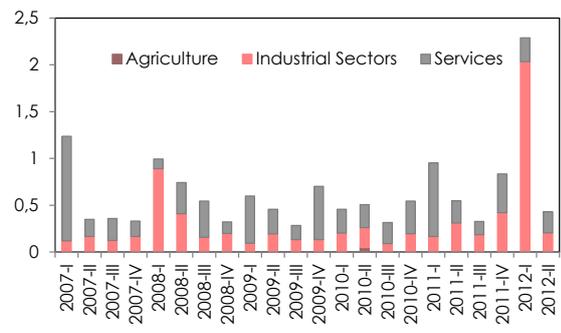
**Direct Investments Abroad -Geographical Distribution**  
(billion USD)



Source: CBT.

36. In the second quarter of 2012, while 52.0 percent of residents' total direct investments abroad amounting to USD 0.4 billion were made in services sector, 48.0 percent were made in industrial sectors.

**Direct Investment Abroad - Sectoral Distribution**  
(billion USD)

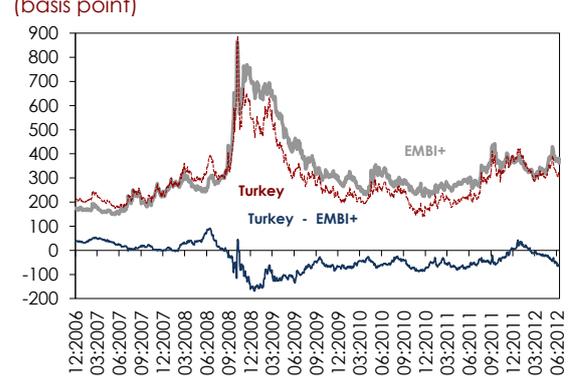


Source: CBT.

2.2 Portfolio Investment

37. Due to austerity measures implemented in response to the ongoing Euro area sovereign debt problem, coupled with US growth and employment data falling short of expectations, financial stability in global economy has not been restored yet. In the second quarter of 2012, on the back of the improvement in Turkey's risk premium, Turkey's yield spread (risk premium) remained below the average risk premium of Emerging Markets Bond Index (EMBI+) and the discrepancy between the two risk premiums has increased in favor of Turkey.

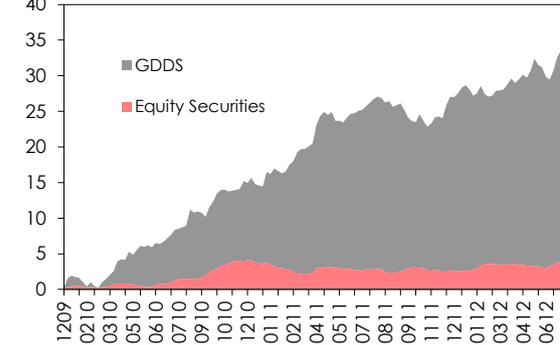
**Secondary Market Spreads and Turkey's Relative Position**  
(basis point)



Source: JP Morgan.

38. Particularly due to purchases in June, net inflows from GDDS (Government Domestic Debt Securities) recorded USD 3.5 billion in the second quarter of 2012. Meanwhile, the equities market posted a net inflow of USD 0.3 billion in the second quarter despite net sales in April and May.

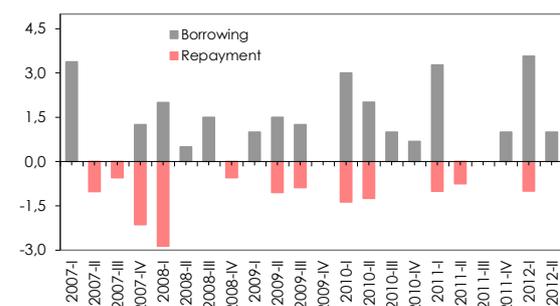
**Non-residents' Security Purchases**  
(cumulative, billion USD)



Source: CBT.

39. In the second quarter, the Treasury borrowed USD 1.0 billion through international bond issues in June. In the same period, the Treasury did not make any repayment for bond issues.

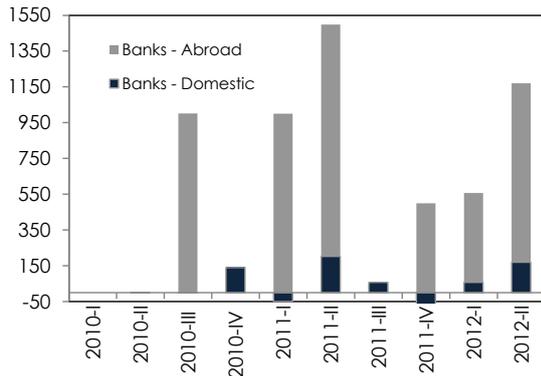
**Bonds Issued by General Government Abroad**  
(billion USD)



Source: CBT.

40. Banks borrowed USD 1.0 billion in the second quarter through bond issues abroad, while other sectors did not issue any bonds abroad in this period. As for debt securities issued in the domestic market by the banks and other sectors, non-residents recorded net purchases of USD 170 million and USD 3 million, respectively in the second quarter of 2012.

#### Debt Securities Issued by Banks (million USD)

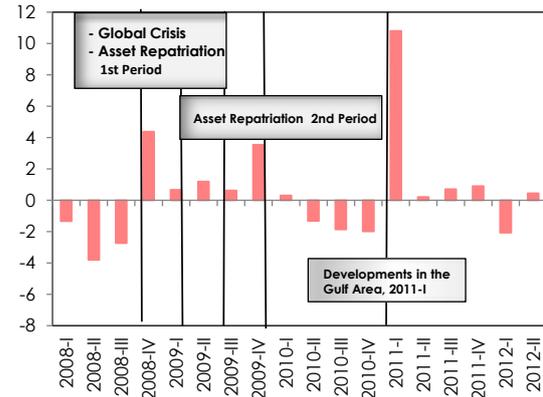


Source: CBT.

### 2.3 Loans and Deposits

41. The data source of "Financial Account / Other Investment / Assets / Currency and Deposits / Other Sectors" item, which shows changes in deposits of other sectors at foreign banks (including domestic banks' branches abroad), is the local banking statistics published by the Bank for International Settlements (BIS). The BIS issues these data on a quarterly basis with a time lag of about 4 months. Starting with the 2011 data, data pertaining to banks' branches abroad have started to be used as an indicator until the BIS announces the data. In this context, while the final BIS data for the first quarter of 2012 indicates an increase of USD 2.1 billion in other sectors' deposits abroad, the indicator data for the second quarter of 2012 suggests a decline of USD 0.4 billion.

#### Other Sectors' Deposit Assets Abroad (billion USD)

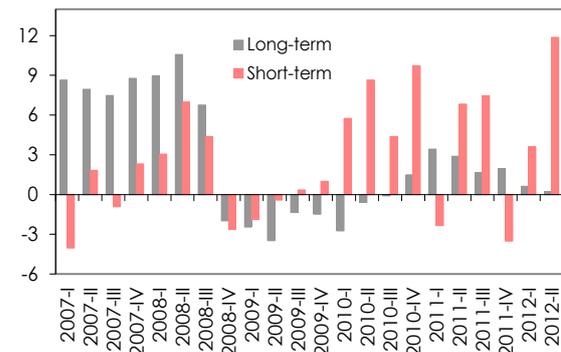


Source: CBT.

Note: (+) deposit decrease; (-) deposit increase

42. An analysis of other investment account excluding IMF loans and banks' and other sectors' FX currency and deposits suggests that net inflows that started to decelerate from the second half of 2011 materialized as USD 0.2 billion in the second quarter of 2012. Meanwhile, short-term flows recorded a net inflow of USD 11.9 billion in the same period on the back of an increase of USD 5.1 billion in short-term net loans of banks and other sectors as well as a rise of USD 4.4 billion in the deposits of non-resident banks and persons.

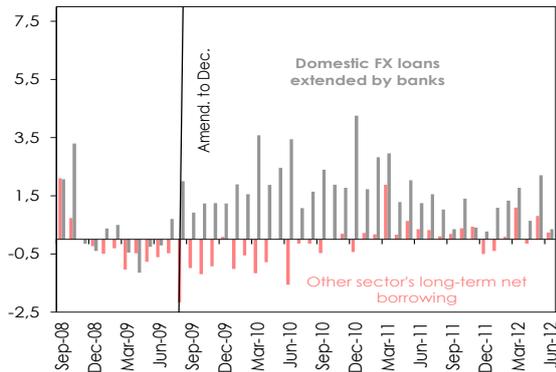
#### Other Investment (billion USD, net)



Source: CBT.

43. Due to the contraction in international loan markets, other sectors, which were net repayers of debt in 2009 and 2010, became net borrowers throughout 2011 – except for December, and throughout 2012– except for January, mainly due to the significant rise in long-term and short-term loans.

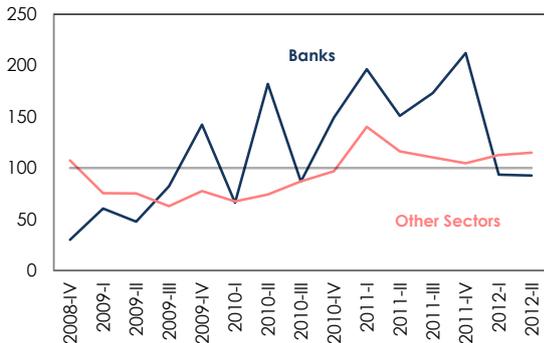
**Other Sector's Long-term Net Borrowing and Banks' Domestic FX Loans**  
(billion USD)



Source: CBT.

44. In the first half of 2012, banks were net repayers of long-term loans. Thus, banks' long-term debt roll-over ratio became 92.5 percent in the second quarter. The decline in the said ratio is not attributed to the difficulty in providing external financial resource but to the slowdown in the domestic credit growth.

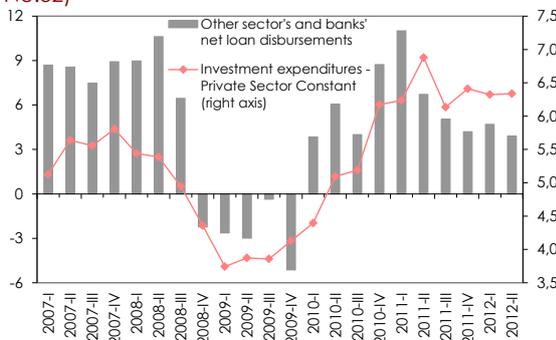
**Banks' and Other Sectors' Long-term Rollover Ratios (%)**



Source: CBT.

**Net Long-term Loan Utilization and Investment Expenditures of Other Sectors**

(billion TL, 1998=100, covering the effect of Decree No:32)

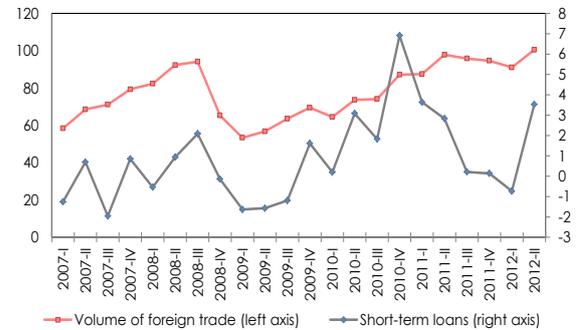


Source: CBT.

45. The decline in banks' short-term net loan utilization from abroad observed since the first quarter of 2011 was replaced

by an apparent increase in the second quarter of 2012. In this period, banks borrowed USD 3.5 billion of net short-term loans.

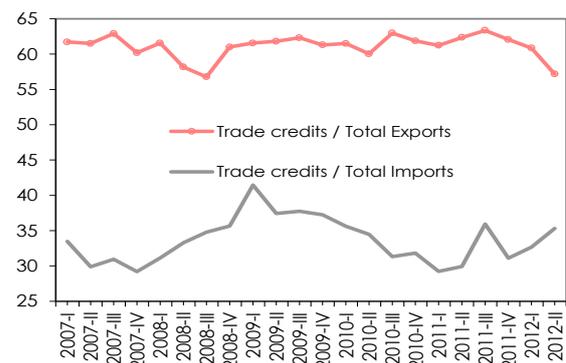
**Short-term Bank Loans**  
(net, billion USD)



Source: CBT.

46. In the second quarter of 2012, while the share of trade loans in exports declined year-on-year and quarter-on-quarter, the respective figures for imports recorded a rise.

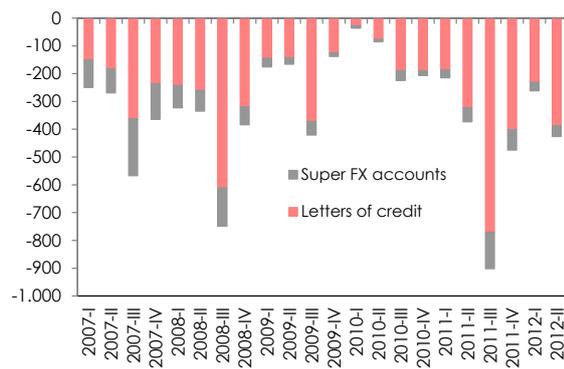
**Ratio of Trade Loans to Exports and Imports (%)**



Source: CBT, TURKSTAT.

47. Outflows – due to the interest rate cuts, the latest of which was made in October 2010 – from non-resident Turkish workers' long-term FX deposit accounts with letters of credit and super FX accounts at the Central Bank continued also in the second quarter of 2012.

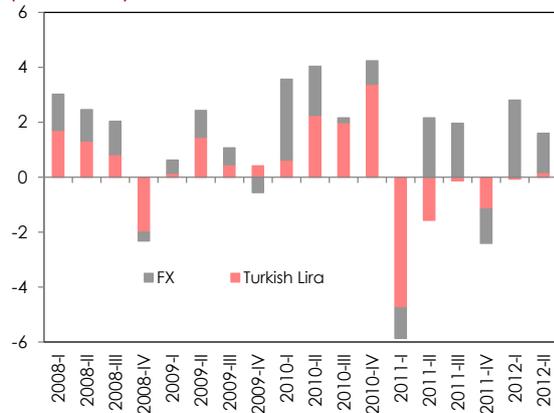
### Deposits within the Central Bank (million USD)



Source: CBT.

48. As was the case in the first quarter, non-residents' deposit accounts in domestic banks displayed a significant increase in the second quarter as well and materialized as USD 4.4 billion. The said increase was driven by the surge in non-resident banks' FX deposits and non-residents' deposits, amounting to USD 1.4 billion and USD 2.8 billion, respectively.

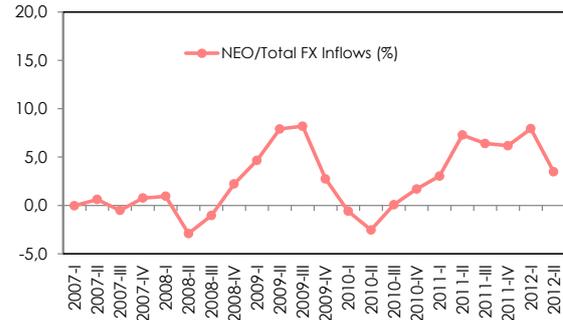
### Deposits of Non-resident Banks within the Domestic Banks - Composition of FX and TL (billion USD)



Source: CBT.

49. The ratio of the net errors and omissions item to total FX inflows – which is the sum of total exports of goods, services balance/credit, income balance/credit and current transfers items declined significantly and became 3.5 percent in the second quarter of 2012.

### Net Errors and Omissions (NEO) and Total Foreign Exchange Inflows (annualized)



Source: CBT.

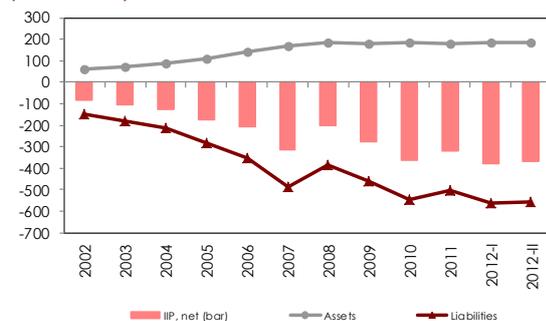


### III. International Investment Position

50. According to the International Investment Position (IIP), which shows the value of financial claims of Turkish residents from non-residents as well as their reserve assets, and that of financial liabilities of Turkish residents to non-residents at a particular point in time, external assets of Turkey became USD 186.6 billion while external liabilities became USD 556.7 billion by the end of the second quarter of 2012.

51. The net IIP, defined as the difference between Turkey's external assets and liabilities, which was USD -379.7 billion at the end of the first quarter of 2012, became USD -370.1 billion at the end of the second quarter of 2012. The USD 9.6 billion-decline in the net IIP was driven by a decrease by USD 7.5 billion in liabilities somewhat offset by USD 2.1 billion increase in assets.

#### International Investment Position-IIP (billion USD)



Source: CBT.

52. Compared to the end of the first quarter, equities stock decreased to USD 50.4 billion by the end of the second quarter. This is attributed to the depreciation of Turkish lira by 2.5 percent in nominal terms against US dollar, despite an increase in the Istanbul Stock Exchange National 100 index by 0.2 percent and purchase of equities worth of net USD 1.2 billion arising from balance of payments.

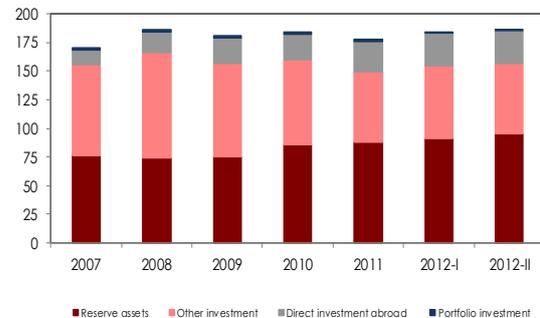
53. By the end of the second quarter, inward direct investment stock decreased

to USD 162.8 billion due to changes in value and exchange rate effect, despite USD 8.2 billion worth of the balance of payments-generated inflow.

#### 3.1 Assets

54. In the second quarter of 2012, as a result of the increase in reserve assets and outward direct investments, asset stock rose by USD 2.1 billion compared to end of the first quarter. The composition of the USD 186.6 billion-asset stock remained almost unchanged compared to the first quarter-end, with 51 percent reserve assets, 33 percent other investments, 15 percent outward direct investments and 1 percent portfolio investments.

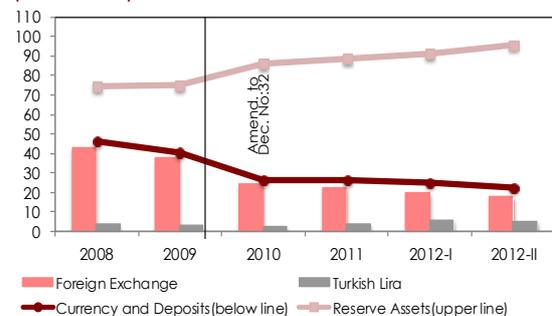
#### Composition of Assets (billion USD)



Source: CBT.

55. Deposits and foreign currency held by banks, which are among the sub-items of other investments, fell to USD 22.5 billion on the back of a USD 1.8 billion-decline compared to the end of the first quarter. Meanwhile, other sectors' assets abroad did not display a significant change and was recorded as USD 21.3 billion in the second quarter of 2012.

#### FX and TL Composition of the Currency and Deposits abroad of Banks resident in Turkey (billion USD)

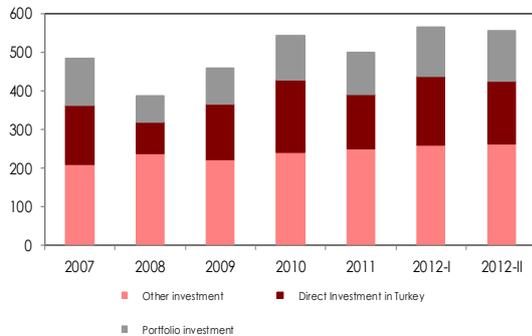


Source: CBT.

### 3.2 Liabilities

56. In the second quarter of 2012, liabilities items decreased by USD 7.5 billion compared to the end of the first quarter. While direct investments decreased by USD 14.5 billion, portfolio investments and other investments increased by USD 3.2 billion and USD 3.7 billion, respectively. By the end of the second quarter, liabilities stock totaled USD 556.7 billion, 39 percent of which came from trade loans and other loans (sub-items of other investment), 29 percent from inward direct investments, 23 percent from portfolio investments and 8 percent from deposits (sub-item of other investment).

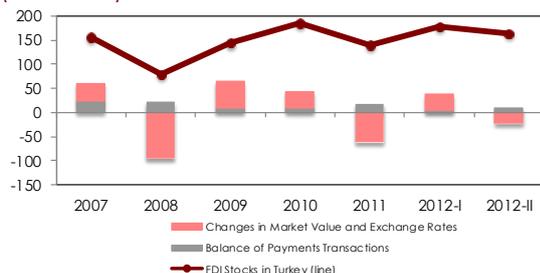
#### Composition of Liabilities (billion USD)



Source: CBT

57. By the end of the second quarter of 2012, inward direct investment stock decreased by 8.2 percent (by USD 14.5 billion) compared to the first quarter-end and became USD 162.8 billion. Given that net inward direct investments posted a balance of payments-generated inflow of USD 8.2 billion and the Istanbul Stock Exchange National 100 Index increased by 0.2 percent in the said period, the depreciation of the Turkish lira against US dollar by 2.5 percent in nominal terms comes into prominence as being influential in the said increase.

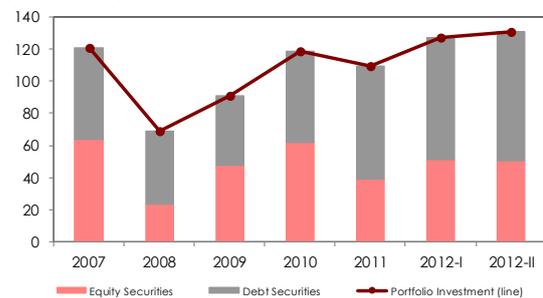
#### Composition of the Changes in FDI Stocks in Turkey (billion USD)



Source: CBT.

58. At the end of the second quarter of 2012, non-residents' equity holdings, which account for 39 percent of the portfolio investments stock became USD 50.4 billion with a decline of 1.1 percent compared to the end of the first quarter, while the stock of bonds issued abroad by the Treasury and held by non-residents was down 2.6 percent to become USD 29 billion (after deducting residents' bond purchases). In the same period, non-residents' holdings of GDDS rose by 8.2 percent to reach USD 45.5 billion. USD 8.3 billion of this amount came from repo transactions (Box 3).

#### Composition of Portfolio Investment (billion USD)



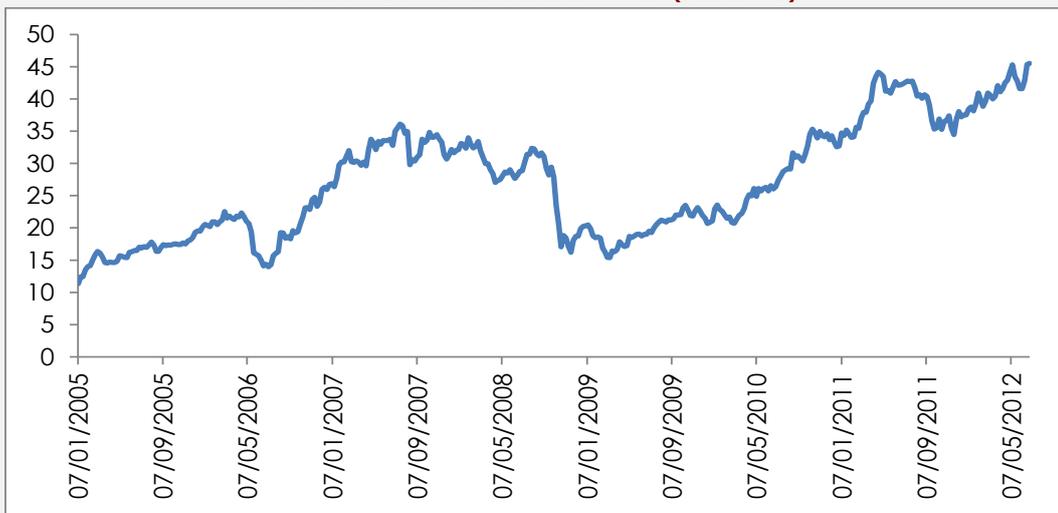
Source: CBT.

## Box 3

## Composition of Non-Residents' Government Domestic Debt Securities

In the past decade, foreigners' portfolio investments in Turkey increased significantly. Bulk of the said investments is composed of the purchase of Government Domestic Debt Securities (GDDS) by non-residents. The chart below demonstrates the weekly development of the GDDS stock held by foreigners, from early 2005. This stock, which stood at around USD 11 billion in early 2005 increased to around USD 46 billion at the end of June 2012.

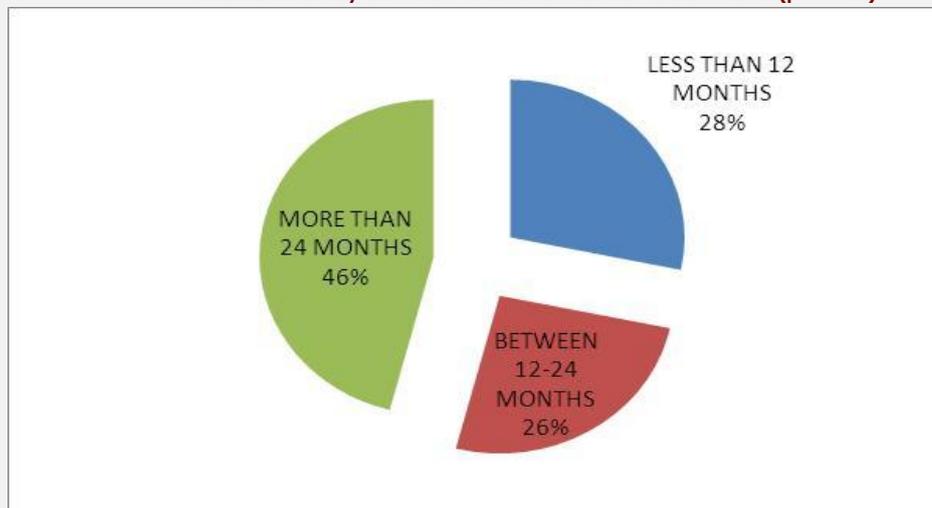
**Chart 1. GDDS Stock of Non-Residents (billion USD)**



Source: CBT

The Central Bank's weekly publication, "Non-Residents' Holdings of Securities", provides information on the composition of GDDS portfolio held by foreigners. Accordingly, as of June 2012, 46 percent of the said stock was composed of GDDS with a maturity of longer than two years, while the share of GDDS with a residual maturity of less than a year constituted only 28 percent of the total stock (Chart 2).

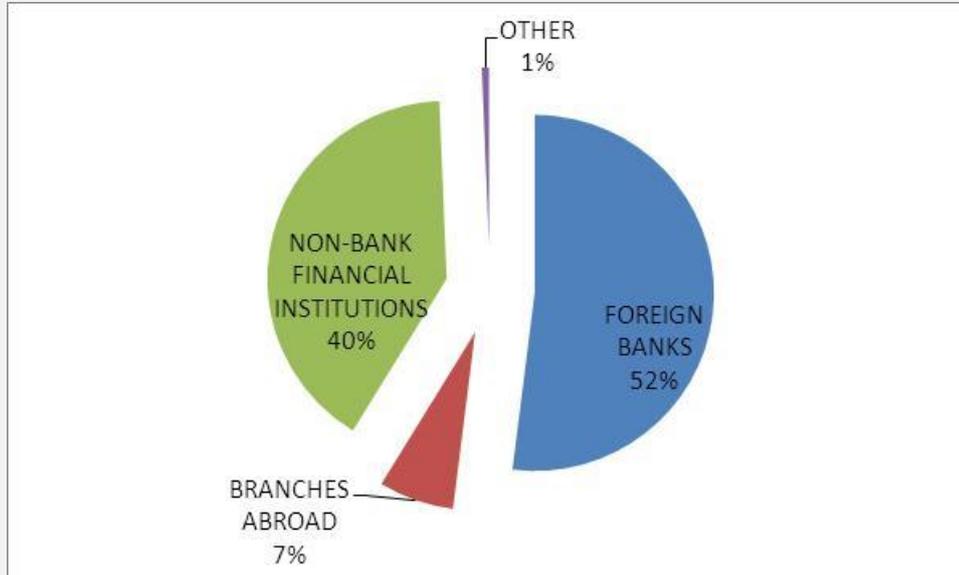
**Chart 2. Maturity Structure of Non-Residents' GDDS Stock (percent)**



Source: CBT

Meanwhile, an analysis by creditors reveals that 52 percent and 7 percent of the GDDS stock are held by foreign banks and foreign branches of the Turkish banks, respectively, while non-bank financial corporations have only a 40 percent share (Chart 3).

**Chart 3. Non-Residents' GDDS Stock by Creditors (percent)**



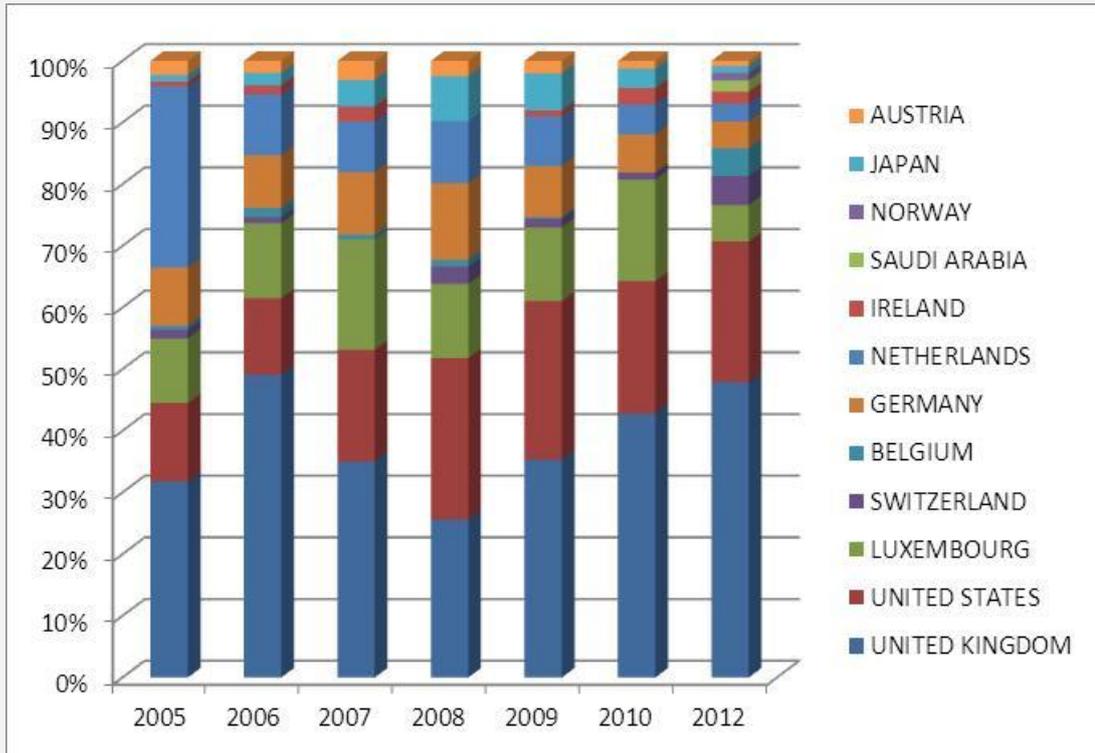
Source: CBT.

Another highlight on the composition of the said stock is the country information of the non-resident investors. The said information can be found in the Coordinated Portfolio Investment Survey (CPIS) of the International Monetary Fund (IMF).

CPIS is a survey conducted under the supervision of the IMF, with participation of 78 countries, including Turkey. Within the scope of the survey, participating countries report to the IMF their residents' investments in short and long-term debt securities and equity securities abroad, along with a geographic breakdown. By using the survey data, the IMF produces the geographic breakdown of portfolio investment liabilities of the participating countries. Annually published by the IMF, this data comprises year-end figures up to 2010. Meanwhile, in order to directly obtain an up-to-date data on geographic breakdown, the CBT Statistics Department started to collect the country information of investors from the institutions that provide custodian service in Turkey on behalf of non-residents in July 2012. Chart 4, prepared by using both data sets is given below.

Chart 4 demonstrates that as of July 2012, approximately 45 percent of the total GDDS stock was held by foreign investors from the UK, followed by investors from the US that had approximately 20 percent of the total stock. Meanwhile, it is observed that there have been significant changes in the country profile of the stock. Another point to be noted is that the share of security investments of Germany and Netherlands in Turkey in total investments decreased significantly during the period of 2005-2012. Whereas, the UK, the US and Switzerland stood out as the countries with increased share during the same period.

Chart 4. Foreign GDDS Investors by Country (percent)

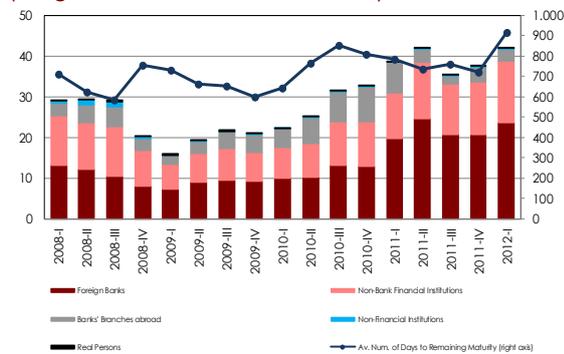


Source: IMF, CBT

In sum, while the GDDS stock held by foreign investors has increased notably over the years, the composition of the stock has also changed. Today, while foreign investors invest predominantly in long-term GDDS, the banking and non-bank financial sector hold almost half of the total stock. Meanwhile, approximately 65 percent of the total stock is held by investors from two countries.

59. In the second quarter of 2012, an analysis of the breakdown of non-residents' GDDS stock by holder compared to the end of the first quarter suggests that while GDDS held by foreign banks and foreign branches of domestic banks remained unchanged, those held by non-bank financial corporations increased by USD 3 billion. In the same period, the average number of days to maturity of GDDS held by non-residents, increased from the first quarter-end to become 1,095 days.

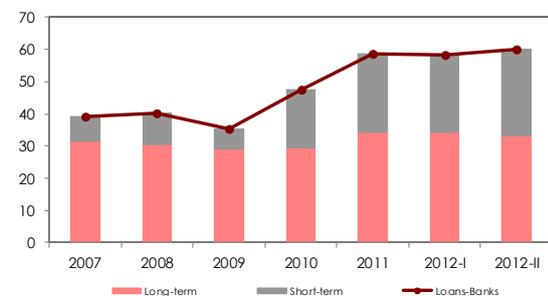
**Composition of Non-residents' Holdings of GDDS by Lisors and Average Number of Days to Remaining Maturity of GDDS**  
(weighted market value, billion USD)



Source: CBT.

60. Total external loan stock of banks became USD 60.2 billion by the end of the second quarter of 2012. Compared to the end of the first quarter, this development implies an increase of USD 1.8 billion, driven by a surge of USD 2.9 billion in short-term loan stocks as opposed to a decrease in long-term loans by USD 1 billion.

**Long-term and Short-term Composition of Banks' Loan Stocks**  
(billion USD)

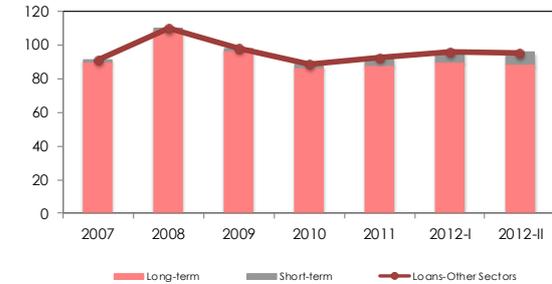


Source: CBT.

61. Total external loan stock of the other sectors, which had been on an upward track for the last two years, was down USD

463 million to become USD 95.3 billion by the end of the second quarter of 2012. The decline in this period was driven by a decrease of USD 1.7 billion in long-term loans as opposed to an increase of USD 1.2 billion in short-term loans.

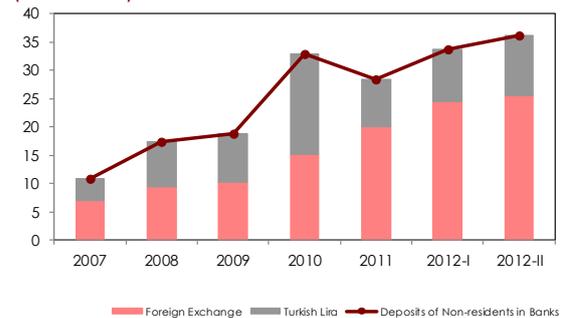
**Long-term and Short-term Composition of Other Sectors' Loan Stocks**  
(billion USD)



Source: CBT.

62. Compared to the end of the first quarter, non-residents' deposits in Turkey increased by USD 1.5 billion in the second quarter of 2012. The USD 1 billion-rise in non-residents' foreign currency deposits at domestic banks was the main factor behind this increase. Meanwhile, non-resident Turkish citizens' deposits at the Central Bank decreased by USD 1 billion to stand at USD 8.7 billion in the same period.

**FX and TL Composition of the Deposits of Non-residents within Turkish Banks**  
(billion USD)

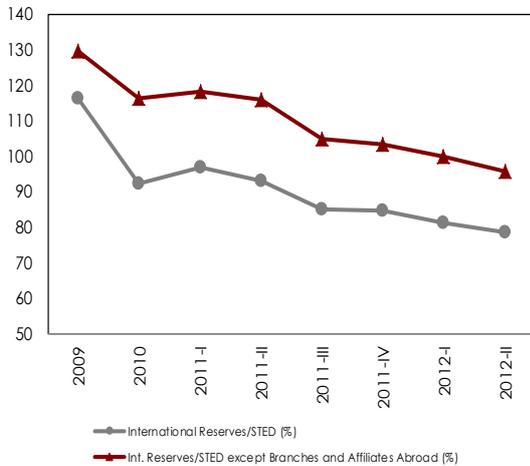


Source: CBT.

63. Compared to the end of the first quarter, short-term external debt stock on a remaining maturity basis (STED), calculated, regardless of the original maturity but instead, based on the external debt maturing within 1 year or less, increased by 1.4 percent and reached USD 144.1 billion by June 2012. In the same period, while the ratio of CBT's net international reserves to STED was

calculated as 79 percent, the said ratio went up to 96 percent when branches and affiliates abroad are excluded.

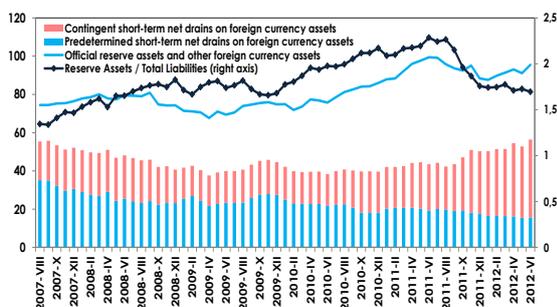
#### The Ratio of International Reserves to STED on A Remaining Maturity Basis (percent)



Source: CBT.

64. Reserve assets, composed of CBT's Official Reserve Assets and other FX assets, increased by 8.1 percent by the end of June compared to end-2011 and reached USD 95.5 billion. In the same period, while the "predetermined liabilities in foreign currency" with a residual maturity of 1 year or less regardless of the original maturity became USD 15.6 billion on the back of a decline by 12.4 percent compared to end-2011, contingent liabilities in foreign currency, composed mostly of banks' reserve requirements in foreign currency and gold held with the CBT increased by 25.6 percent and became USD 40.8 billion. Consequently, the ratio of reserve assets to total liabilities (predetermined and contingent liabilities in foreign currency) materialized at the level of 1.69 in June.

#### Reserve Assets and Short-Term Net Drains On Foreign Currency Assets (billion USD)



Source: CBT.



## IV. Annex Tables

### Financing Requirements and Sources (billion USD)

	2011				2011	2012		2012
	I	II	III	IV		I	II	
Financing Requirements	-19,9	-33,8	-25,6	-26,4	-105,6	-29,3	-25,3	-54,6
Current Account Balance (Excluding Current Transfers)	-21,9	-23,5	-16,3	-17,1	-78,9	-16,6	-14,7	-31,3
Debt Security and Credit Repayments	-9,0	-11,5	-9,7	-10,3	-40,5	-10,9	-9,9	-20,8
Debt Securities (Abroad)	-1,0	-0,8	0,0	0,0	-1,8	-1,0	0,0	-1,0
Long Term Credits	-8,0	-10,7	-9,7	-10,2	-38,7	-9,9	-9,9	-19,8
Trade Credits	-0,1	-0,1	-0,2	0,0	-0,4	0,0	0,0	-0,1
Monetary Authority	0,0	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	0,0
General Government	-1,0	-1,6	-1,4	-1,7	-5,7	-1,0	-1,6	-2,6
(IMF)	-0,5	-0,6	-1,0	-0,7	-2,8	-0,6	-0,6	-1,2
Banks	-1,3	-2,0	-2,1	-1,6	-6,9	-2,6	-2,3	-4,9
Other Sectors	-5,7	-7,1	-5,9	-6,9	-25,6	-6,3	-6,0	-12,3
Other Assets (- indicates to an increase) 1/	11,1	1,3	0,4	1,0	13,8	-1,8	-0,7	-2,5
Financing Sources	19,9	33,8	25,6	26,4	105,6	29,3	25,3	54,6
Current Transfers	0,4	0,3	0,5	0,6	1,7	0,4	0,3	0,7
Capital Account	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Direct Investment (Net)	3,3	2,2	4,3	3,7	13,4	2,3	3,5	5,7
Equity Securities (Net)	-1,3	0,5	0,4	-0,6	-1,0	0,9	0,3	1,2
Debt Securities and Credits	25,7	25,4	12,6	18,0	81,7	14,8	23,4	38,2
Debt Securities	10,9	6,4	-1,9	6,7	22,0	4,5	5,7	10,2
In Turkey (Net)	6,6	5,1	-1,9	5,2	15,0	0,4	3,7	4,1
Abroad	4,3	1,3	0,0	1,5	7,1	4,1	2,0	6,1
Long Term Credits	11,1	13,4	11,1	11,9	47,5	10,2	10,0	20,1
Trade Credits	0,0	0,0	0,0	0,0	0,1	0,1	0,1	0,2
Monetary Authority	0,0	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	0,0
General Government	0,7	2,1	0,9	1,2	4,9	0,6	0,9	1,5
(IMF)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Banks	2,5	3,0	3,6	3,4	12,5	2,4	2,1	4,5
Other Sectors	7,9	8,3	6,6	7,2	30,0	7,1	6,9	14,0
Short Term Credits (Net)	3,7	5,6	3,4	-0,5	12,1	0,2	7,8	7,9
Trade Credits	-0,4	1,8	2,6	-1,7	2,3	-0,2	2,6	2,4
Monetary Authority	0,0	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	0,0
Banks	3,6	2,8	0,2	0,1	6,8	-0,7	3,5	2,8
Other Sectors	0,4	1,0	0,6	1,1	3,1	1,1	1,6	2,7
Deposits (Net)	-5,8	1,2	3,1	-2,9	-4,4	3,7	4,0	7,7
Other Liabilities	0,0	0,2	0,3	0,0	0,5	0,0	0,2	0,2
Net Errors and Omissions	2,8	5,4	2,1	1,4	11,6	6,4	-2,9	3,5
Banks' Currency and Deposits 2/	-1,2	4,3	-1,9	-1,0	0,2	1,5	2,1	3,6
Reserve Assets 2/	-3,9	-5,8	4,4	7,2	1,8	-0,7	-5,6	-6,3

Source: CBT.

1/ Excluding Banks' Currency and Deposits

2/- denotes an increase.

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

	2011				2011	2012		2012
	I	II	III	IV		I	II	
A) Current Account Balance	-21,5	-23,2	-15,8	-16,6	-77,1	-16,3	-14,3	-30,6
B) Capital and Financial Account	18,8	17,8	13,8	15,2	65,5	9,9	17,2	27,1
Capital Account	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Financial Account	18,8	17,8	13,8	15,2	65,6	9,9	17,2	27,1
Assets	8,9	5,2	-1,8	-0,8	11,5	-2,6	1,2	-1,4
Direct Investment	-0,9	-0,4	-0,3	-0,8	-2,5	-2,3	-0,2	-2,5
Portfolio Investment	0,7	1,6	-0,3	0,6	2,7	0,8	-0,7	0,1
Other Investment	9,1	4,0	-1,2	-0,6	11,3	-1,1	2,1	1,0
Liabilities	13,8	18,4	11,2	8,8	52,2	13,1	21,7	34,8
Non-Debt Creating Flows	3,0	3,2	5,2	4,0	15,4	5,3	4,0	9,3
Direct Investment 1/	4,2	2,5	4,6	4,6	15,9	4,4	3,4	7,9
Portfolio Investment/Equity Securities	-1,3	0,5	0,4	-0,6	-1,0	0,9	0,3	1,2
Other Investment/Other Liabilities 2/	0,0	0,2	0,3	0,0	0,5	0,0	0,2	0,2
Debt Creating Flows	10,8	15,2	6,0	4,8	36,8	7,8	17,7	25,5
Portfolio Investment/Debt Securities	9,9	5,7	-1,9	6,7	20,3	3,5	5,7	9,2
Trade Credits	-0,5	1,8	2,4	-1,7	2,0	-0,1	2,7	2,5
Loans	7,2	6,6	2,5	2,7	18,9	0,7	5,4	6,1
Deposits	-5,8	1,2	3,1	-2,9	-4,4	3,7	4,0	7,7
Other Investment/Other Liabilities 2/	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Reserve Assets	-3,9	-5,8	4,4	7,2	1,8	-0,7	-5,6	-6,3
C) Net Errors and Omissions	2,8	5,4	2,1	1,4	11,6	6,4	-2,9	3,5

Source: CBT.

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: "Other Investment / Other Liabilities" and "Reserve Assets / Foreign Exchange / Currency and Deposits".

## International Investment Position (billion USD)

	2007	2008	2009	2010	2011	2012 I	2012 II
International Investment Position, net	-314,1	-200,3	-276,9	-360,7	-322,6	-379,7	-370,1
<b>Assets</b>							
Direct investment abroad	170,1	186,4	181,0	184,5	177,9	184,5	186,6
Portfolio investment	12,2	17,8	22,3	22,5	26,4	28,7	28,9
Equity securities	2,0	2,0	1,9	2,3	1,8	1,4	1,2
Debt securities	0,1	0,1	0,2	0,4	0,3	0,2	0,3
Other investment	1,9	1,9	1,7	1,9	1,5	1,2	1,0
Trade credits	79,5	92,4	82,0	73,7	61,3	63,1	61,0
Loans	10,3	8,6	9,3	10,5	11,1	11,7	11,5
Currency and deposits	1,9	2,4	2,6	2,6	2,6	2,6	3,2
Banks	65,1	79,2	67,7	58,2	45,1	46,3	43,8
Foreign exchange	34,6	46,0	40,1	26,6	26,1	25,0	22,5
Turkish Lira	34,6	42,7	37,4	24,1	22,2	19,5	17,8
Other sectors	n.a.	3,4	2,7	2,5	3,9	5,4	4,7
Other assets	30,5	33,2	27,5	31,6	19,0	21,3	21,3
Monetary authorities	2,3	2,3	2,4	2,5	2,5	2,5	2,5
General government	1,5	1,5	1,5	1,5	1,5	1,5	1,5
Reserve assets	0,8	0,8	0,9	1,0	1,0	1,0	1,0
Monetary gold	76,4	74,2	74,8	86,0	88,3	91,3	95,5
Special drawing rights	3,1	3,2	4,1	5,3	9,9	11,2	12,4
Reserve position in the Fund	0,1	0,0	1,5	1,5	1,5	1,5	1,5
Foreign exchange	0,2	0,2	0,2	0,2	0,2	0,2	0,2
Currency and deposits	73,1	70,8	69,0	79,1	76,8	78,5	81,4
Securities	5,4	4,1	5,1	7,8	10,8	5,9	7,3
Other assets	67,7	66,8	63,9	71,3	66,0	72,5	74,2
<b>Liabilities</b>							
Direct investment in reporting economy	484,2	386,7	457,9	545,2	500,5	564,2	556,7
Portfolio investment	155,1	80,4	143,7	185,8	140,0	177,3	162,8
Equity securities	120,6	68,8	91,2	118,4	109,4	127,5	130,7
Debt securities	64,2	23,2	47,2	61,5	39,1	51,0	50,4
Bonds and notes	56,4	45,6	43,9	56,9	70,3	76,6	80,3
General government	56,4	45,6	43,9	55,5	66,1	71,9	74,5
In Turkey	32,2	20,4	21,1	32,7	37,5	42,1	45,5
Abroad	24,3	25,2	22,9	22,8	28,5	29,8	29,0
Banks	0,0	0,0	0,0	1,1	4,0	4,5	5,6
Other sectors	0,0	0,0	0,0	0,2	0,2	0,2	0,2
Other investment	208,5	237,5	223,0	241,0	251,0	259,4	263,1
Trade credits	21,5	22,6	21,6	23,4	25,7	25,7	28,1
Other sectors	21,5	22,6	21,6	23,4	25,7	25,7	28,1
Long-term	0,4	0,6	0,5	0,6	0,3	0,4	0,4
Short-term	21,1	22,0	21,1	22,8	25,4	25,3	27,6
Loans	160,3	183,5	167,7	171,6	185,9	188,9	188,8
Monetary authorities	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Use of Fund credit & loans from the Fund	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other long-term	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Short-term	0,0	0,0	0,0	0,0	0,0	0,0	0,0
General government	30,1	33,5	34,7	36,0	34,9	34,7	33,3
Long-term	30,1	33,5	34,7	36,0	34,9	34,7	33,3
Short-term	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Banks	39,1	40,1	35,4	47,4	58,5	58,4	60,2
Long-term	31,5	30,6	29,1	29,3	34,3	34,4	33,3
Short-term	7,5	9,5	6,3	18,1	24,2	24,0	26,8
Other sectors	91,2	109,9	97,5	88,2	92,5	95,8	95,3
Long-term	89,8	108,1	96,6	86,0	87,8	89,7	88,0
Short-term	1,4	1,8	1,0	2,3	4,7	6,1	7,3
Currency and deposits	26,6	31,4	32,2	44,6	38,0	43,3	44,8
Monetary authorities	15,8	14,1	13,3	11,8	9,7	9,7	8,7
Banks	10,8	17,3	18,9	32,8	28,3	33,6	36,1
Foreign Exchange	7,0	9,4	10,1	15,2	19,9	24,4	25,5
Turkish Lira	3,8	7,9	8,8	17,6	8,4	9,2	10,6
Other liabilities (**)	0,0	0,0	1,5	1,5	1,5	1,5	1,5

Source: CBT.

(\*) Monthly inward FDI stocks disseminated as an indicator are calculated by adding inward FDI flow figures to the preceeding year-end stocks and by revaluating the preceeding year-end FDI stocks based on FX rate and market value changes of foreign direct investment enterprises.

(\*\*) Special Drawing Rights (SDR) allocation made by International Monetary Fund (IMF) to Turkey is recorded under this item.