CENTRAL BANK OF THE REPUBLIC OF TURKEY

Balance of Payments Report
2013- III

CENTRAL BANK OF THE REPUBLIC OF TURKEY

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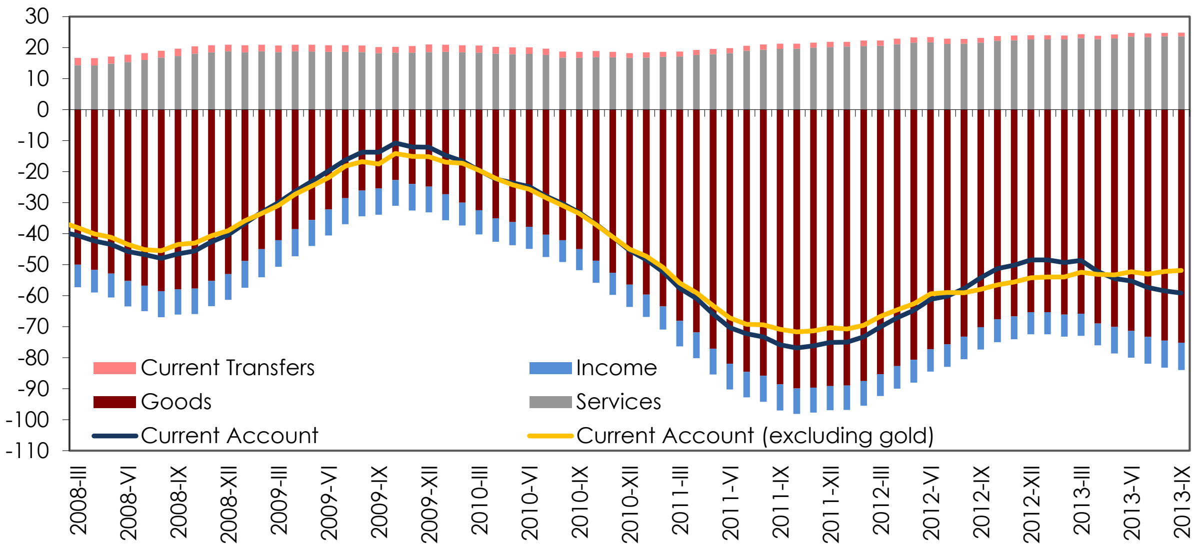
Overview

The current account deficit widened in the third quarter of 2013. Gold imports still recording above historic averages became the main driver of the current account deficit expansion. In fact, an analysis excluding gold reveals that the current account deficit tended to narrow in the third quarter (Chart 1). The imports posted a slight increase due to a moderate course in domestic demand factors and the exports displayed an upward trend in response to the revival in the European Union (EU)-driven demand, all of which became instrumental in improving the foreign trade deficit excluding gold. The decline in the value of the Turkish lira to competitive levels, particularly compared to emerging economies, is considered another factor supporting the contraction in the foreign trade deficit excluding gold. The increasing trend in tourism revenues receded due to the backward revision of the Turkish Statistical Institute (TURKSTAT). However, services revenues grew by 9.5 percent over the same period in 2012 and continued to contribute positively to the current account balance.

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



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

Exports, excluding gold, posted an increasing trend in the third quarter of the year. The main contributors to the rise in exports in this period were the recovery trend in the domestic demand in EU countries after alleviation of the crisis effects, the exchange rate hovering at competitive levels and production of new models in the domestic automotive sector for export purposes. On the other hand, shuttle trade revenues listed in the balance of payments defined exports category continued to rise in this quarter as well.

The modest upward trend in import expenditures that started in the last quarter of 2012 continued to prevail in the third quarter of the year. A moderate recovery in domestic demand factors and the decline in energy imports due to the receding energy prices were the main factors restraining the growth rate of imports in this period. On the other hand, gold imports that had posted a significant rise parallel to the slump in gold prices in the second quarter, declined towards historical averages in this quarter.

The Services item, which is the second most important determinant of the current account balance after foreign trade, contributed further to the improvement in the current account balance in the third quarter. The TURKSTAT's revision to tourism statistics by removing the "tourist" status of those entering the country through the four border gates with Syria curbed the rate of increase in tourism revenues; yet, tourism continued to be the main determinant of the services item. Likewise, the ongoing upsurge in the other transportation revenues that move in line with the tourism sector became the other important factor that contributed positively to the current account deficit in the services item.

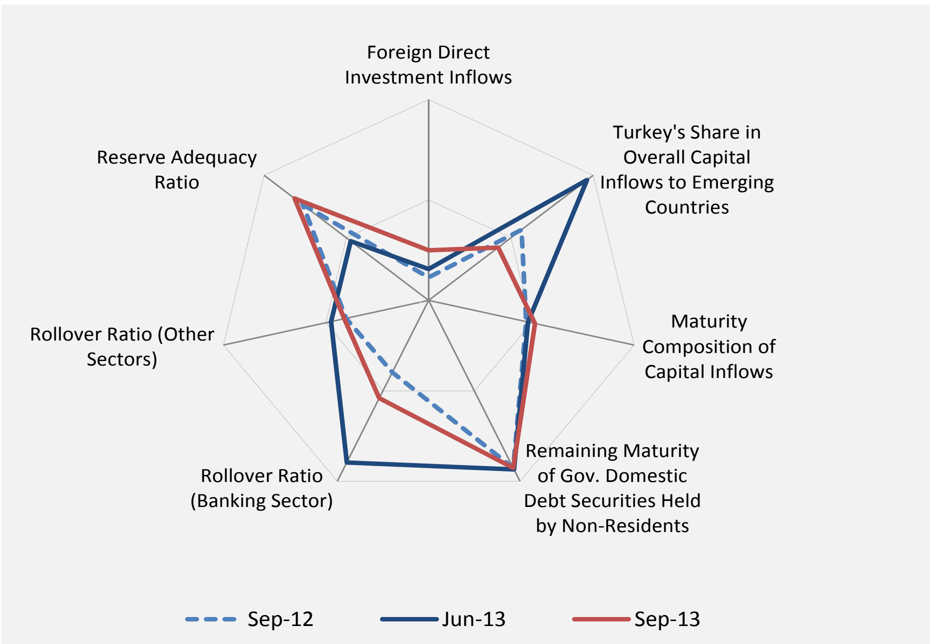
Financing of the Current Account Deficit

In May, with emerging expectations that the U.S. Federal Reserve Bank (Fed) would soon switch its quantitative easing policy that it had started to follow in the post-crisis period, the emerging economies started to post capital outflows. The lingering uncertainties over the timing of the Fed's pullback from a quantitative easing policy led to continuation of the re-pricing process of financial assets all over the world in the third quarter. Additionally, problems regarding the solutions to the U.S. debt ceiling became another driver that reduced portfolio inflows towards emerging economies.

A breakdown of financial accounts in balance of payments by main headings reveals that while the share of direct investments continued to remain low compared to historical averages in the third quarter of 2013, the declining trend on the portfolio side that had started in the previous quarter accelerated. As for other investment inflows, although the banking sector's and other sectors' debt rollover ratios declined slightly, they maintained their levels above 100. On the other hand, outflows from deposits that are included in liabilities became the main factor behind the decline in other investments compared to the second quarter.

An analysis of the quality of financing sources indicates that in the third quarter, while the debt rollover ratios of banking and other sectors posted a modest quarter-on-quarter decline, the maturity structure of the portfolio and reserve adequacy ratios presented a more positive outlook compared to previous quarters. On the other hand, Turkey's share in international capital flows towards emerging economies declined compared to the previous period and the same period of the previous year (Chart 2).

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



Source: CBRT.

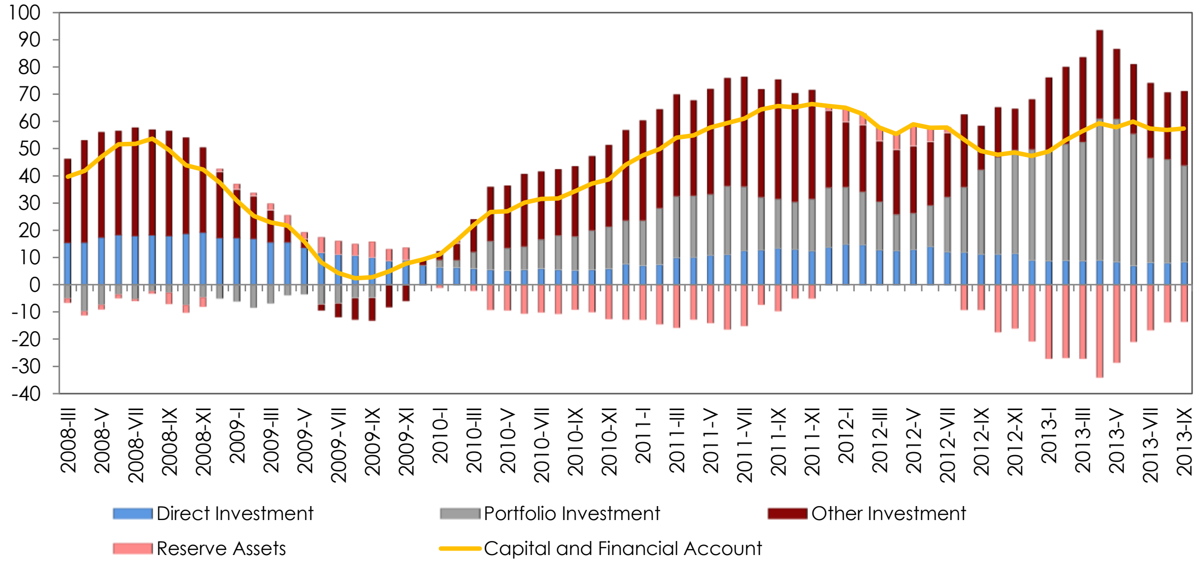
Although direct investment inflows rose quarter-on-quarter, this development was not observed throughout all sectors and the rise continued to remain below historical averages. Despite the relative economic recovery in the Euro area that has the largest share in direct investments to Turkey, the investment appetite still presents a weak outlook, which is considered influential in the recent course of direct investments below historical averages (Chart 3).

The third quarter of the year recorded fluctuations in the global risk appetite. In this period, the unrest in Syria caused Turkey to diverge from other emerging market economies in a negative direction in terms of portfolio inflows. The Government Domestic Debt Securities (GDDS)-driven portfolio outflows fueled by the Syrian unrest in July were replaced by portfolio inflows in the remainder of the quarter as a result of the ease of the Syrian unrest and waning expectations for the Fed tapering in the near future. Despite the fall in portfolio inflows, the maturity structure of the instruments that were invested in did not display a deterioration compared to the previous quarter. Banks' and other sectors' bond issues abroad continued in this quarter as well.

In the third quarter of 2013, neither the banking sector nor other sectors had any supply-side constraints in external borrowing through loans. When banks' borrowings through bonds are included, the banking sector's total debt rollover ratio rises quite a bit above the 100 percent level. Long-term external loans used by other sectors mainly to finance investments posted net inflows in the third quarter of the year. With the inclusion of bond issues, the other sector's debt rollover ratio rises quite above the 100 percent level.

Despite the fall in capital inflows compared to the previous quarter, the Central Bank official reserves posted an increase particularly in August. Repatriation Amnesty, with the first term of implementation completed in this period, is considered to have contributed to the increase in reserves by supporting FX inflows.

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



Source: CBRT.

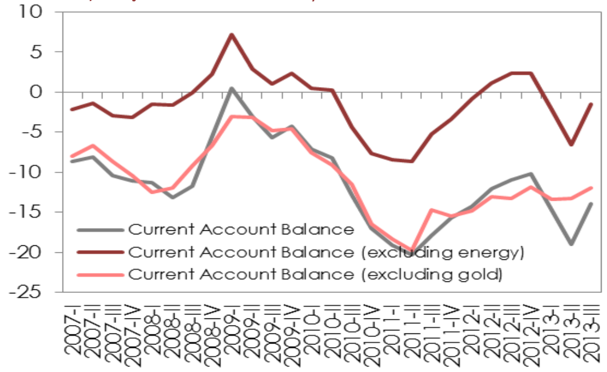
I. Current Account

The seasonally adjusted data indicates that the current account deficit narrowed quarter-on-quarter in the third quarter of 2013. By the third quarter, the quarterly current account deficit contracted by approximately USD 5 billion compared to the previous quarter and stood at USD 13.9 billion. The seasonally-adjusted 12-month cumulative current account deficit increased by USD 3 billion to USD 57.8 billion. On the other hand, the current account deficit excluding gold materialized as USD 11.9 billion in quarterly terms and as USD 50.5 billion in 12-month cumulative terms.

The foreign trade deficit item, the main driver of the current account deficit, showed signs of recovery in the third quarter after being adjusted for seasonal effects. In the third quarter of 2013, the foreign trade deficit, adjusted for seasonal effects, declined by USD 4.0 billion compared to the previous quarter to USD 23.4 billion. However, the quarter-on-quarter rise of USD 3.3 billion in the 12-month cumulative foreign trade deficit is noteworthy.

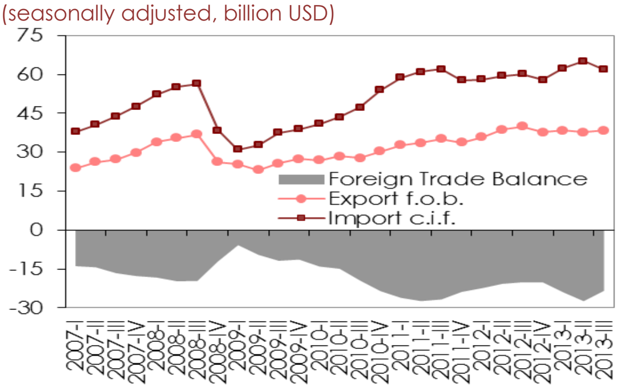
Excluding gold, the seasonally adjusted foreign trade deficit posted a modest decline in the third quarter of 2013. The seasonally adjusted foreign trade deficit excluding gold declined by approximately USD 0.3 billion quarter-on-quarter to USD 21.4 billion in the third quarter. This positive development is mainly attributed to the depreciation of the Turkish lira and the moderate growth of the domestic demand.

Chart 1. Current Account Balance
(seasonally adjusted, billion USD)



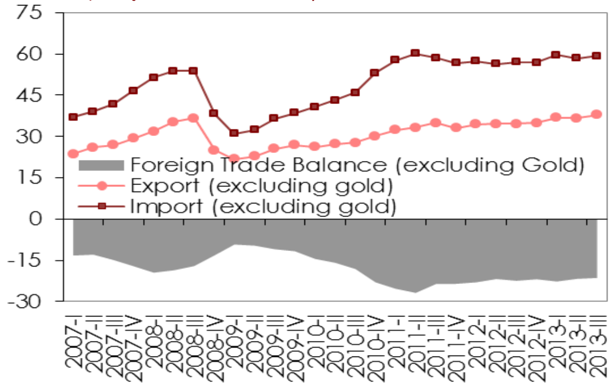
Source: CBRT.

Chart 2. Foreign Trade Deficit
(seasonally adjusted, billion USD)



Source: CBRT.

Chart 3. Imports and Exports
(seasonally adjusted, billion USD)

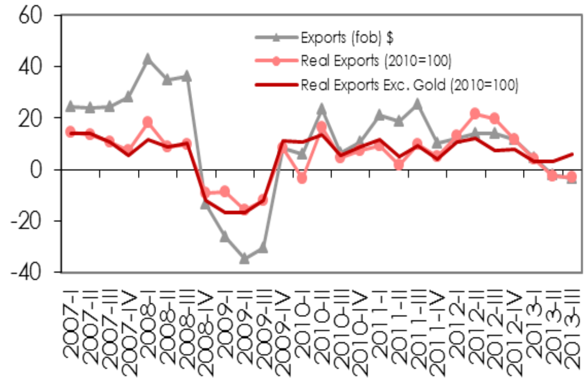


Source: CBRT.

1.1 Exports of Goods

The gold-driven year-on-year decline in exports continued in the third quarter of 2013 as well. Although 2013 Q3 exports decreased by 3.4 percent year-on-year, the 10.2 percent increase in exports excluding gold in the same period reveals that the decrease in exports was driven by the fall in gold exports. Although the export quantity index dropped by 3.2 percent in the same period, the same figure excluding gold posted an increase by 6.2 percent.

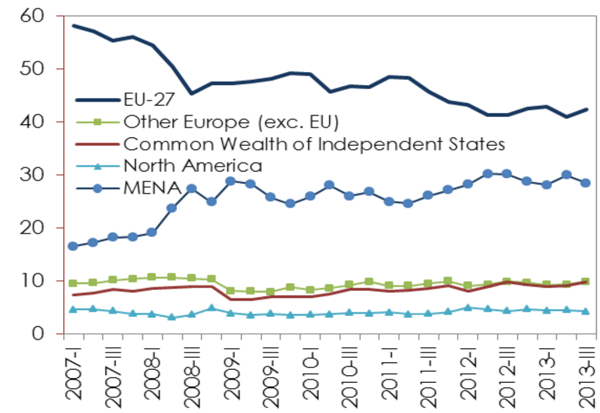
Chart 4. Exports - Nominal and Real
(annual percentage change)



Source: TURKSTAT.

The shift of the exports weight from Middle East and North Africa (MENA) countries to EU countries became more apparent in the third quarter of 2013. In fact, while the non-gold exports to EU countries increased by 10.4 percent year-on-year in the third quarter of 2013, exports to the Commonwealth of Independent States (CIS) and to MENA countries increased by 10.6 percent and 4.1 percent, respectively. Thus, the rise in the share of EU countries in Turkish exports that started in the third quarter of 2012 and the declining trend in MENA countries became more evident (Box 1).

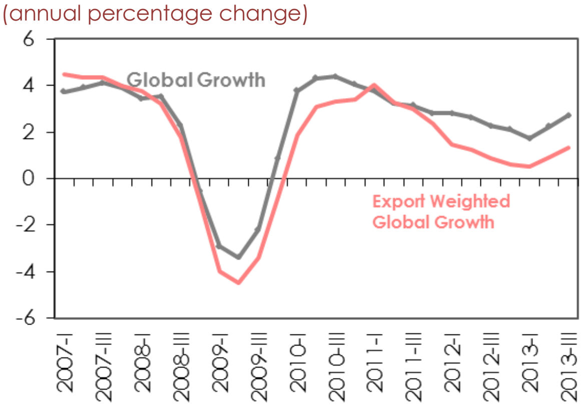
Chart 5. Selected Regions' Shares in Exports Excluding Gold (percentage share in total exports)



Source: TURKSTAT.

Parallel to the global economy that assumed a modest recovery trend in early 2013, the economies that constitute Turkey's export markets also displayed an improvement. While global growth recorded a quarter-on-quarter increase of 0.5 points to 2.7 percent in annual terms in the third quarter of 2013, the export-weighted global growth surged by 0.4 points quarter-on-quarter in the same period and reached 1.3 percent in annual terms. The global growth recovery contributes positively to Turkey's non-gold exports.

Chart 6. Foreign Demand Index for Turkey
(annual percentage change)



Source: Bloomberg, Consensus Forecasts, IMF, CBRT.

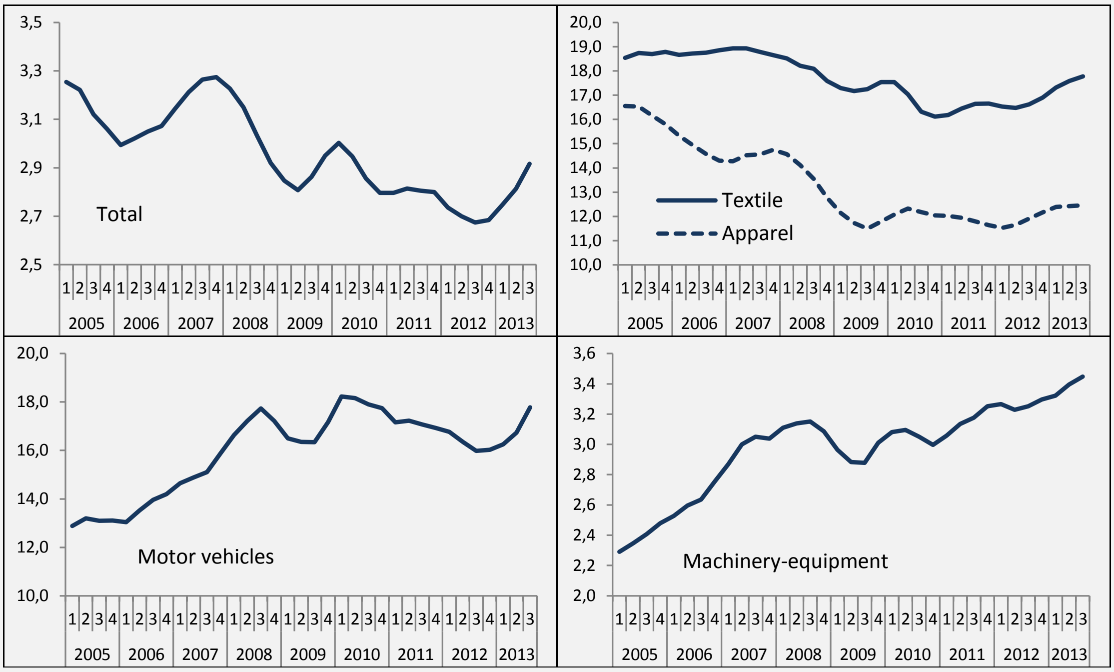
Box 1 Recent Developments in Exports to EU Countries

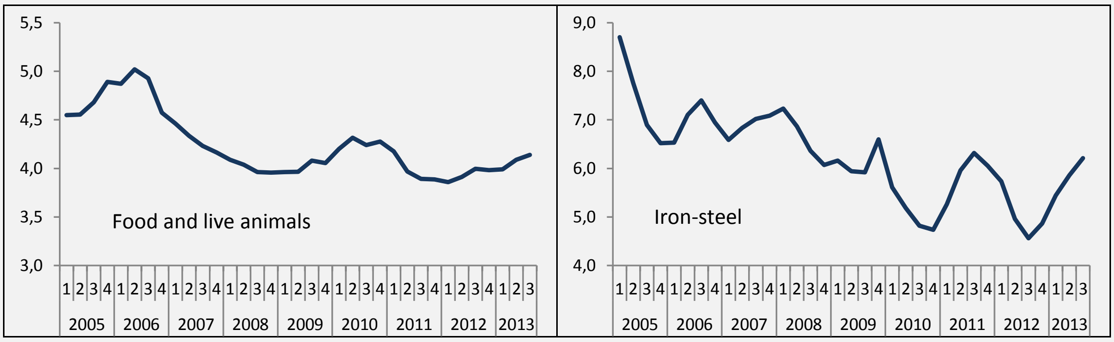
The recent data point to a relative recovery in the EU countries. How this development will reflect in Turkey's exports becomes more of an issue considering that the EU is the largest export market for Turkey. To answer this question, this box presents an analysis of the developments in the first nine months of 2013.

During the global crisis, Turkey's share in the EU's imports from non-EU countries generally displayed a downward trend. However this trend has reversed since early 2013 and Turkey's market share has progressively improved (Chart 1). As a matter of fact, Eurostat (the European Statistics Institute) data suggest that in the first nine-month-period of 2013, while EU imports from non-EU trade partners generally showed a decline, Turkey became the non-EU trade partner which increased its share most in the EU's imports.

The improvement in the total market share is still below that of pre-crisis levels; however, it is noteworthy that motor vehicles and machinery-equipment sectors, the primary drivers of exports, have recorded market shares above pre-crisis levels. Despite the Chinese and Indian pressure in global markets in the apparel and textile sectors, Turkey's market share in these sectors also increased. Although the iron-steel sector has remained volatile, it seems to have offset 2012 losses (Chart 1).

Chart 1: Share of Turkey in EU's Imports from Non-EU Countries (annualized, percent)



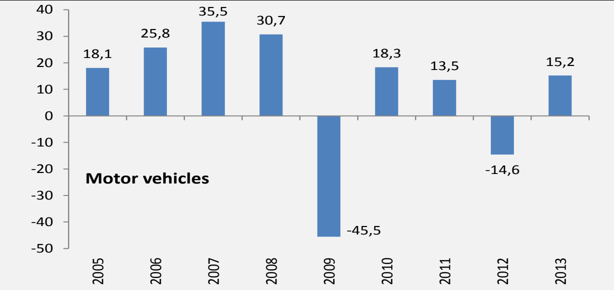


Source: Eurostat.

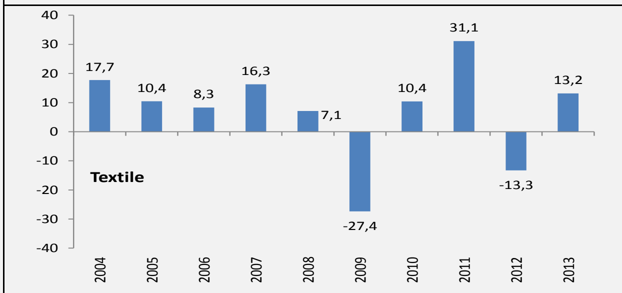
According to the TURKSTAT data, exports (excluding gold) to EU countries increased by 7.3 percent annually during the first nine-month-period of 2013. All sectors having a major weight in exports posted annual rates of increase that can largely offset the contraction in 2012. Motor vehicles, textiles, apparel and iron-steel sectors made the largest contributions to the annual rate of increase. The first four countries that contributed most to this increase -the UK, Spain, Italy and the Netherlands- covered almost half of the Turkish exports. The UK's share in the exports of motor vehicles to the EU posted a significant increase, making the UK the largest contributor in the increase of exports in this sector. While contributions of Germany and Romania in textile, apparel and machinery-equipment exports are noteworthy, Italy had positive contributions to all sectors reviewed, except for apparel, particularly in the iron-steel sector (Chart 2).

To sum up, although the recovery process in the EU countries has not yet been mirrored in the total import demand, it has engendered positive effects on Turkey's exports in a short time. Turkey has been able to display a significant improvement of market share in leading sectors in exports. Particularly the gains in relatively more advanced technological products signal that Turkey's exports have been recording positive progress with respect to indicators of competition other than cost as well. In this framework, achievement of a stable economic recovery in the EU countries along with an exit from the global financial crisis continues to be of critical importance for export performance.

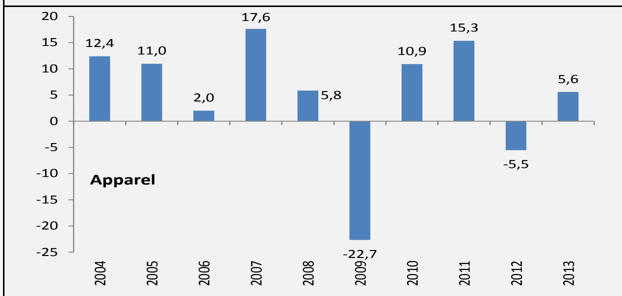
Chart 2: Developments in Leading Sectors in Exports to EU Countries
(January-September, annual percentage change)



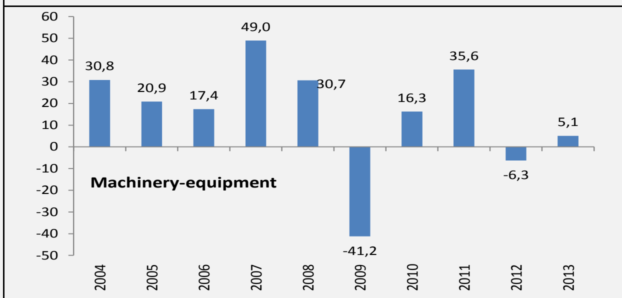
Contribution to growth (percentage point)	2005	2006	2007	2008	2009	2010	2011	2012	2013
UK	2,8	1,0	4,2	4,2	-7,9	4,9	1,0	-1,3	7,8
Belgium	1,3	-0,1	1,2	2,2	-0,4	-1,5	2,4	0,0	2,4
Italy	5,0	7,4	3,2	3,3	-6,3	5,6	-0,3	-4,9	1,4
Slovenia	2,8	0,5	0,7	2,2	-0,8	-3,0	2,1	-0,5	1,4
France	-1,8	6,6	6,2	8,9	-3,0	-4,5	-0,1	-3,0	1,1
Other	8,0	10,4	19,8	9,8	-27,1	16,7	8,4	-4,7	1,2



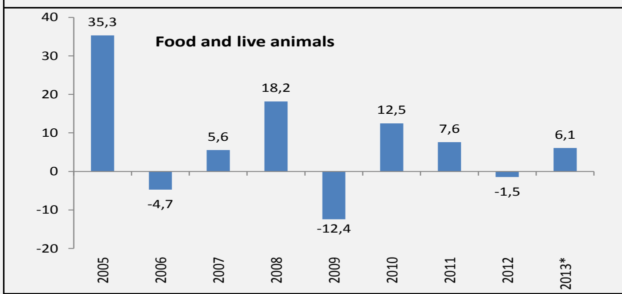
Contribution to growth (percentage point)	2005	2006	2007	2008	2009	2010	2011	2012	2013
Italy	0,2	1,8	2,3	0,8	-3,1	1,7	6,7	-3,3	3,2
Germany	1,9	-1,0	0,9	2,9	-3,7	3,3	8,5	-5,5	2,4
Romania	1,9	0,6	2,3	0,2	-3,3	0,5	0,7	-0,3	1,2
France	0,5	0,1	1,4	0,1	-1,8	1,2	2,3	-2,2	0,9
Belgium	0,0	0,5	1,2	0,0	-0,8	0,6	0,7	-0,3	0,8
Other	5,9	6,4	8,0	3,3	-14,7	3,1	12,3	-1,8	4,7



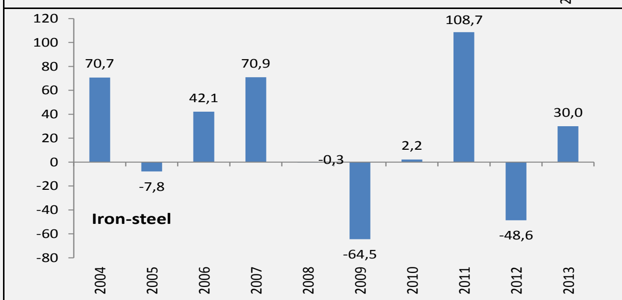
Contribution to growth (percentage point)	2005	2006	2007	2008	2009	2010	2011	2012	2013
Germany	0,4	-2,2	3,2	1,7	-6,1	2,5	4,6	-4,3	2,1
Romania	0,2	0,4	0,3	0,5	-0,7	1,0	-0,2	0,0	0,7
Netherland	1,4	-0,3	1,6	0,5	-3,6	0,2	1,7	-0,2	0,7
France	1,2	-0,6	0,8	1,2	-1,4	1,2	1,8	-2,1	0,7
Slovakia	0,0	0,1	0,2	0,0	0,0	0,2	0,1	0,0	0,6
Other	7,7	4,7	11,5	2,1	-10,9	5,9	7,5	1,1	0,8



Contribution to growth (percentage point)	2005	2006	2007	2008	2009	2010	2011	2012	2013
Germany	7,8	6,0	22,5	8,5	-15,6	3,4	17,7	1,9	3,4
Romania	2,0	1,0	4,2	1,6	-0,7	6,2	-0,2	-2,5	0,9
Italy	-1,3	1,2	2,3	3,5	-3,8	0,8	2,7	-1,2	0,8
Bulgaria	2,8	-0,1	1,5	1,3	-2,0	-0,1	0,8	0,5	0,6
Portugal	0,1	0,0	0,1	0,1	-0,1	0,2	0,0	-0,2	0,2
Other	9,4	9,2	18,4	15,6	-19,1	5,8	14,6	-4,9	-0,9



Contribution to growth (percentage point)	2005	2006	2007	2008	2009	2010	2011	2012	2013
Germany	3,5	0,4	1,6	5,2	-3,5	3,7	3,1	-0,3	2,1
Italy	15,9	-1,2	-5,5	1,6	-2,5	1,6	0,4	-0,4	1,9
Netherland	0,4	0,5	1,0	2,3	-0,9	0,5	1,1	0,5	1,5
Spain	1,0	-0,3	0,6	0,5	-0,8	0,5	0,6	-0,5	0,9
UK	2,0	-0,5	1,5	0,1	-0,5	0,3	1,8	0,1	0,5
Other	12,5	-3,7	6,3	8,5	-4,2	5,9	0,6	-0,9	-0,7



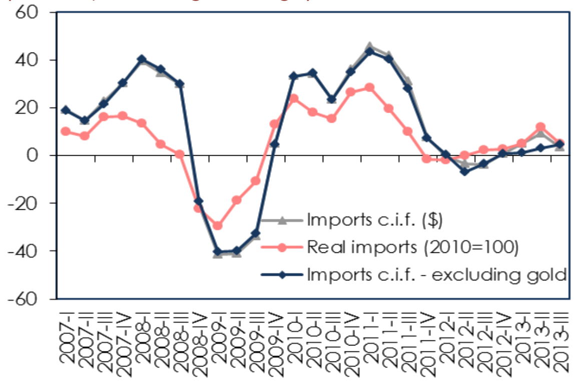
Contribution to growth (percentage point)	2005	2006	2007	2008	2009	2010	2011	2012	2013
Italy	-1,5	3,3	4,5	-1,9	-3,7	-0,9	52,9	-26,0	13,6
Portugal	-0,9	7,4	1,4	-3,0	-1,5	0,0	-0,4	-0,3	7,1
Netherland	-2,5	0,9	3,6	0,0	-2,2	-1,3	3,8	-2,0	4,1
Spain	-0,9	11,2	8,9	-7,6	-7,9	2,9	4,6	-5,1	4,0
France	-0,4	0,3	0,9	0,5	-0,9	-0,2	3,6	-1,1	2,4
Other	-1,6	19,0	51,6	11,7	-48,4	1,8	44,1	-14,1	-1,2

Source: TURKSTAT.

1.2 Imports of Goods

The upward trend in imports continued with a diminishing pace in the third quarter of 2013. Imports grew by 3.7 percent year-on-year in the third quarter. The same growth rate was recorded as 9.1 percent in the previous quarter. However, imports excluding gold rose by 4.6 percent in annual terms in the third quarter of the year. This growth rate, which remains relatively low compared to previous years, is considered to reflect a moderate growth process in the domestic demand.

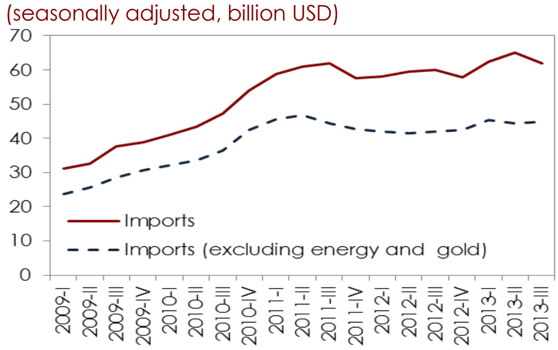
Chart 7. Imports - Nominal and Real
(annual percentage change)



Source: TURKSTAT.

The share of gold and energy imports in total imports declined in the third quarter of 2013, particularly due to the decrease in gold imports. Actually, while total imports decreased by USD 3.2 billion quarter-on-quarter to USD 61.9 billion in the third quarter of 2013, imports excluding gold and energy increased by USD 0.5 billion to USD 44.9 billion.

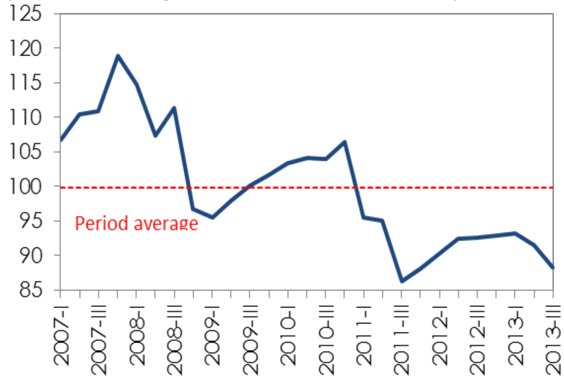
Chart 8. Imports Excluding Energy and Gold
(seasonally adjusted, billion USD)



Source: CBRT.

Developing countries based real exchange rate continued to remain below the quarterly average. In this period, the real exchange rate trended down in comparison to the developing countries based real exchange rate average and inched closer to the lowest levels of 2011 Q3 due to the relative decline in the nominal exchange rate.

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



Source: CBRT.

1.3 Global Outlook

According to the World Trade Organization (WTO) data, global trade continued to remain weak in the third quarter of 2013. Quarterly data suggest that compared to the same quarter of the previous year, global exports increased by 3.3 percent and global imports surged by 2.6 percent.

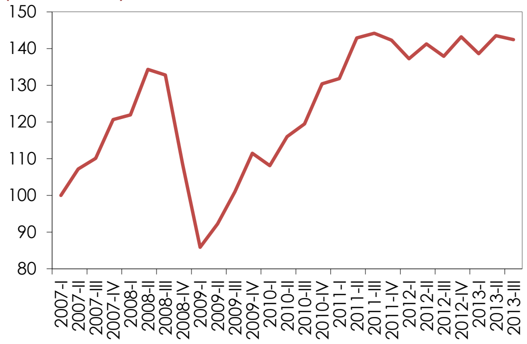
Turkey's shares in global exports and imports declined. In this period, Turkey's shares in global imports and exports became 1.4 percent and 0.9 percent, respectively, thereby posting a 0.5 percentage-point difference between its shares in these two categories.

1.4 Terms of Trade

In the third quarter of 2013, while export prices remained stable, import prices declined. While export prices did not display a significant change compared to the same period of the previous year, import prices fell by 1.5 percent; hence, terms of trade rose by 1.5 points in this period.

The improvement in terms of trade becomes more apparent when gold is excluded. In the third quarter of 2013, terms of trade excluding gold increased by 4.1 points year-on-year, while terms of trade excluding energy rose by 0.4 points.

Chart 10. World Trade
(2007-I=100)

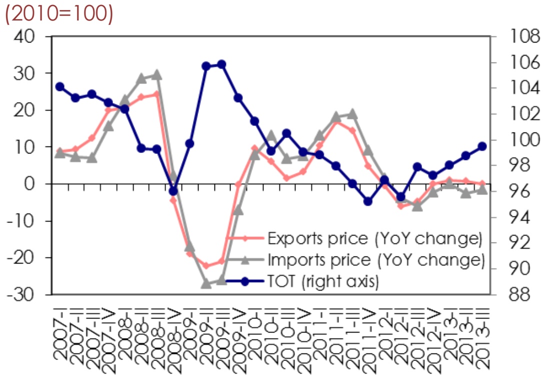


Source: WTO.

Chart 11. Share of Turkey in World Trade (percent)

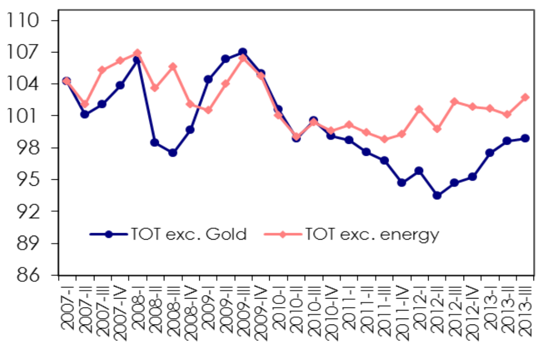
Source: WTO.

Chart 12. Terms of Trade (TOT)
(2010=100)



Source: TURKSTAT.

Chart 13. TOT Excluding Gold and Energy
(2010=100)



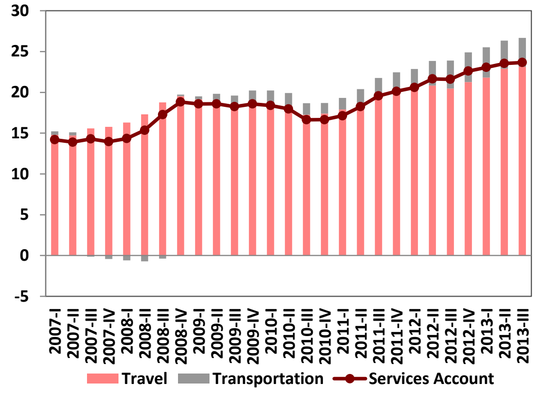
Source: TURKSTAT.

1.5 Services Account

The Services item, which is the second most important determinant of the current account balance after foreign trade, contributed further to the improvement in the current account balance in the third quarter. The TURKSTAT's revision to tourism statistics by removing the "tourist" status of those entering the country through the four border gates with Syria curbed the rate of increase in travel revenues; yet, travel continued to be the main determinant of the services item (Box 2). Likewise, the ongoing upsurge in the other transportation revenues that move in line with the tourism sector became the other important factor that contributed positively to the current account deficit in the services item.

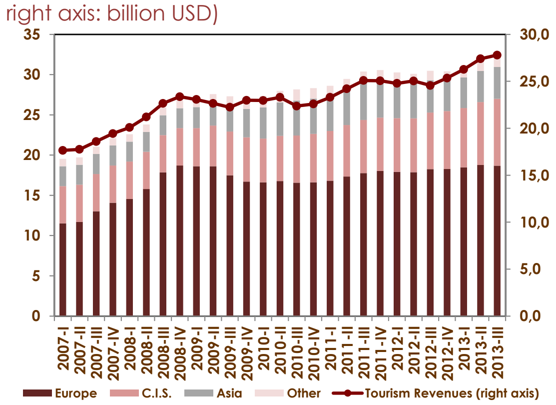
While the upward trend in travel revenues reversed on the back of the TURKSTAT's backward revision, services revenues grew by 9.5 percent compared to the same period of 2012 and continued to contribute positively to the current account balance. In the third quarter of 2013, travel revenues and travel expenditures increased by 4.1 percent and 17.8 percent respectively compared to the same period of the previous year. In conclusion, net travel revenues surged by 2.6 percent year-on-year to USD 9.0 billion in the third quarter of 2013 and the number of tourists posted a year-on-year increase by 4.2 percent. An analysis by country groups indicates that in the third quarter, the highest proportional rise with respect to the number of tourists was recorded for the CIS and the Americas.

Chart 14. Services Account, Travel and Transportation
(annualized, billion USD)



Source: CBRT.

Chart 15. Breakdown of Tourists Visiting Turkey by Country and Travel Revenues
(left axis: annualized, million people;
right axis: billion USD)



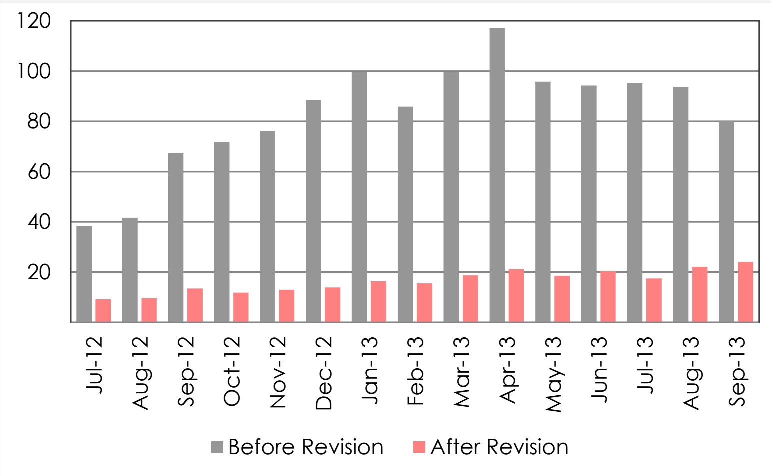
Source: TURKSTAT.

Box 2 A Correction in Travel Statistics Regarding Syrian Refugees and its Impact on the Balance of Payments Statistics

Travel revenues, which are compiled jointly by the Ministry of Culture and Tourism, the TURKSTAT and the CBRT, are based on the "Departing Visitors Survey" conducted by TURKSTAT. The objective of the survey is to calculate the tourism-related expenditures of non-residents visiting and departing Turkey and Turkish citizens living abroad. Travel revenues are calculated by nationalities and the calculation is based on data about the number of visitors provided by the Turkish National Police for the respective period.

The TURKSTAT's Press Bulletin on Tourism Statistics for the 3rd quarter dated 14 February 2013[1], states that the domestic war in Syria that has intensified since the beginning of 2012 led to a significant rise in the number of refugees coming to Turkey (Chart 1). The statement explains that "most of the entry/exits, the majority of which are not for touristic purposes, are made through Turkey's border gates of Kargamış in Gaziantep, Cilvegözü and Yayladağı in Hatay, Öncüpınar in Kilis and Akçakale in Şanlıurfa and the number of refugees has been on a steady rise since the third quarter of 2012”. As the data contains the number of entry/exits with no touristic purposes as well, it was decided that the number of Syrian citizens that exited from these border gates shall be excluded from the records of the Turkish National Police and the revision shall be extended until the third quarter of 2012.[2]

Chart 1. Number of Visitors from Syria (thousand people)



Source: CBRT.

[1] Information on the Tourism Statistics Revision can be found at the TURKSTAT's website www.tuik.gov.tr.

[2] The sixth edition of the Balance of Payments and International Investment Position Manual (BPM6), states that no special treatment is adopted for refugees, and their residence will change from their home territory to the territory of refuge, if they have stayed or intend to stay in their place of refuge for one year or more, even if that residence is involuntary or transient, and its future status is unclear (BPM6, paragraph 4.128). In general, the balance of payments systematically records all economic transactions between residents of an economy and nonresidents within a specific time frame. Therefore, the Syrian refugees shall be regarded as Turkey's residents according to the balance of payments methodology and the transactions, which the Syrian refugees are a party to (Tourism, aid in cash or kind), shall not be recorded in the balance of payments statistics.

The impact of the revision on the number of Syrian tourists is shown in Table 1. Accordingly, the number of Syrian nationals visiting Turkey, which was 1,245,000, was decreased to 245,000 people for the period between the third quarter of 2012 and the third quarter of 2013.

Table 1. Impact of the Revision on the Number of Syrian Tourists

	2012		2013			TOTAL
	Q3	Q4	Q1	Q2	Q3	
Before Revision	147,312	236,402	285,203	306,981	269,018	1,244,916
After Revision	32,315	38,675	50,604	59,970	63,594	245,158
Number of Reduced People	**114,997**	**197,727**	**234,599**	**247,011**	**247,011**	**1,041,345**

Source: TURKSTAT.

A revision was made in the Travel Revenues item in the balance of payments statistics in tandem with the revision in the Turkish National Police's data on the number of tourists. Accordingly, the **Tourism Revenues** statistics for the 12-month period between July 2012 - June 2013 was revised downwards by USD 817 million (Table 2).

Table 2. Impact of the Revision on Travel Revenues Statistics (million USD)

	2012		2013		Total
	Q3	Q4	Q1	Q2	
Before Revision	9,791	6,715	4,125	7,584	28,214
After Revision	9,688	6,509	3,902	7,297	27,397
Net Decline	**102**	**206**	**223**	**286**	**817**

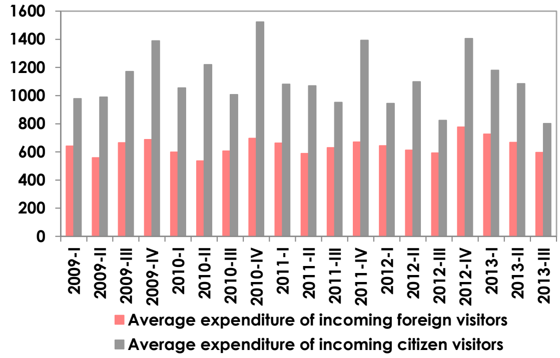
Source: CBRT.

For the two-month period between July - August 2013, TURKSTAT revised travel revenues downwards by USD 734 million and travel expenditures by USD 209 million (net is USD 524 million) taking into account the results of the tourism survey conducted in the third quarter and the Syrian impact. Therefore, while issuing statistics for September, the "Net Travel Revenues" for the 14-month period between July 2012 and August 2013 was revised downwards by USD 1,359,000.

In the third quarter of 2013, the average expenditure per foreign visitor in Turkey increased. Relevant data suggest that the average expenditure per foreign visitor increased by 0.7 percent year-on-year to USD 597, and the average expenditure per non-resident Turkish citizen visiting Turkey decreased by 2.8 percent year-on-year to USD 802.

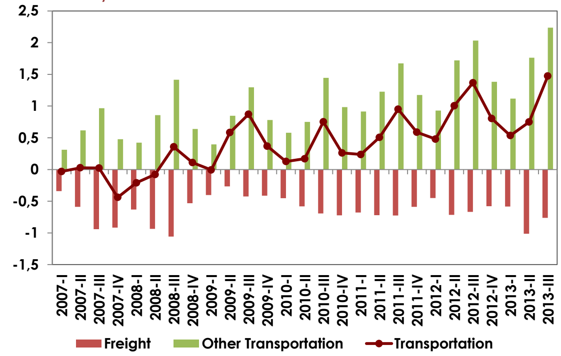
The recovery in transportation revenues, which had started in the second quarter, continued with further acceleration in the third quarter. In the third quarter of 2013, both transportation revenues and transportation expenditures increased by 4.4 percent and 2.5 percent year-on-year, respectively, thereby leading to a 7.8 percent-rise in the net transportation revenues. The main driver of this rise was the 14.4 percent increase in net freight revenues. The net other transportation revenues item composed of tickets and food-beverage increased by 10.0 percent. In this period, the share of foreign carriers in imports declined by 0.6 points quarter-on-quarter to 54.6 percent.

Chart 16. Average Expenditure
(USD/person)



Source: TURKSTAT.

Chart 17. Transportation and Sub-items
(billion USD)

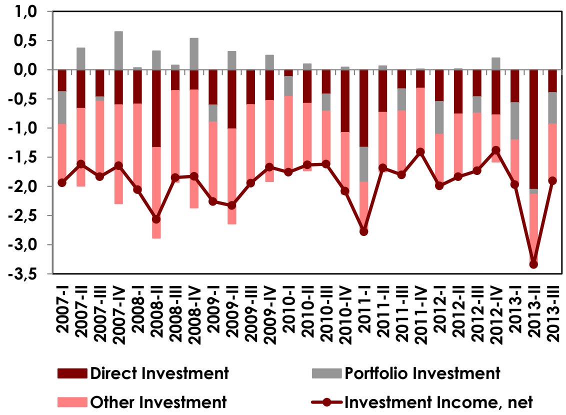


Source: TURKSTAT, CBRT.

1.6 Income Account

In the third quarter of 2013, the income account posted net outflows across all its sub-items. Net outflows from the income account increased by 10.6 percent year-on-year to reach USD 2.0 billion in third quarter of 2013. Outflows from direct investments and other investments under the investment income item decreased compared to the same period last year and became USD 0.4 billion and USD 1.0 billion, respectively while outflows from portfolio investments increased, reaching USD 0.5 billion.

Chart 18. Composition of Investment Income, net
(billion USD)

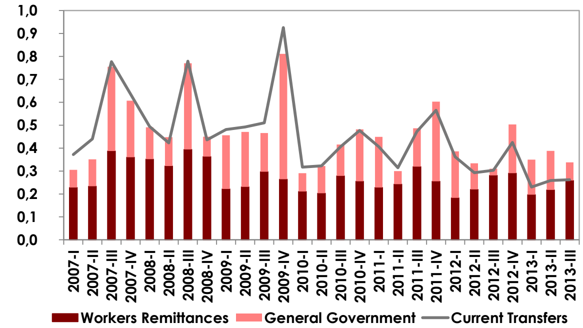


Source: CBRT.

1.7 Current Transfers

Net inflows from current transfers, which reached the lowest value in the first quarter of 2013 since 2005, picked up in the following period. In the third quarter, current transfers posted a net inflow of USD 262 million with a year-on-year decline by 13.5 percent. This decline was mainly attributed to the fall in workers' remittances and net outflows from the other transfers item under the other sectors item despite the 49.1 percent-rise in the general government item which includes grants between countries.

Chart 19. Current Transfers and Workers' Remittances
(billion USD)



Source: CBRT.

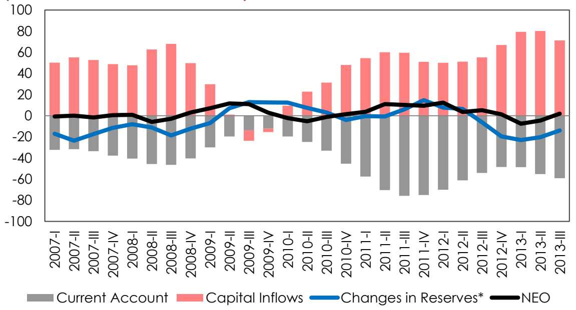
II. Capital and Financial Accounts

In the third quarter of 2013, the downtrend in capital inflows continued on the back of a growing current account deficit. Rising expectations about a Fed "taper" of quantitative easing policies in May led to capital outflows from emerging markets that continued for three months. In this quarter, the share of direct investments remained below the historical average while the decline in portfolio inflows to emerging markets was further aggravated by US debt ceiling problems and the downward trend that started in the previous quarter continued. In other investment inflows, although the debt rollover ratios of the banking sector and other sectors decreased, they still remained above 100. Meanwhile, net outflows from deposits on the liabilities side became the main factor behind the decline in other investments compared to the second quarter.

In the third quarter, the financing requirement increased year-on-year. The financing requirement item, which is a compilation of the Current Account Balance, Debt Security and Credit Repayments and Other Assets items, increased by USD 0.8 billion in this quarter and reached USD 19.8 billion.[3]

In the third quarter of 2013, the share of debt-creating flows in total liabilities declined while the share of non-debt-creating flows in total liabilities remained at the same level as the same quarter of last year. Similar to cases in other emerging market economies especially in recent years, the share of non-debt creating operations such as direct investments and equity transactions in external financing has been increasing in Turkey (Box 3).

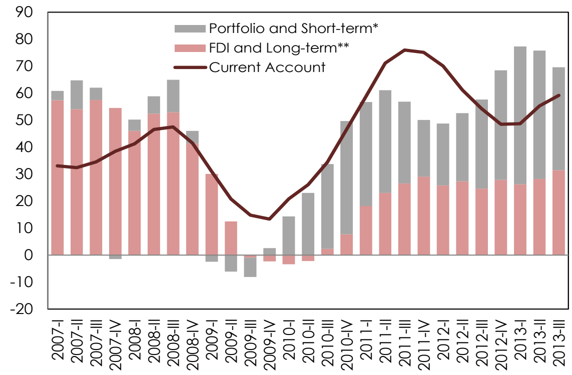
Chart 20. Current Account Balance and Net Capital Inflows
(annualized, billion USD)



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 21. Current Account and Its Financing
(annualized, billion USD)

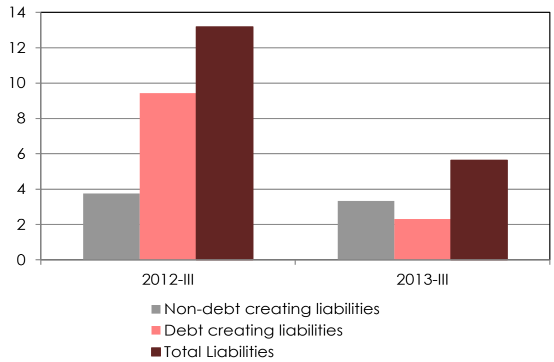


Source: CBRT.

* Composed of equity securities, Government domestic debt securities, short-term credits of banks and other sectors and deposits at the banks.

** Composed of long-term capital movements, long-term net credits of banks and other sectors and bonds issued by the Treasury abroad.

Chart 22. Debt Creating and Non-debt Creating Liabilities under Financial Account
(annualized, billion USD)



Source: CBRT.

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

Box 3 International Investment Position: An Analysis of Turkey

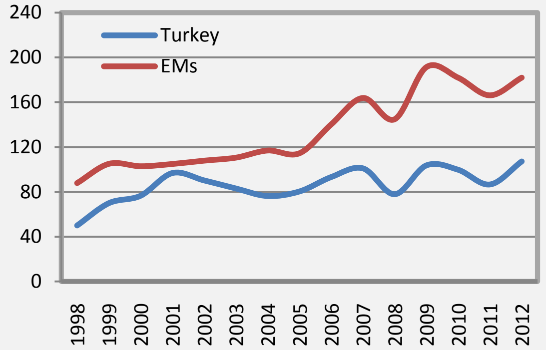
The international investment position (IIP) shows at a point in time the stock value of transactions that generate claims and liabilities between the residents and non-residents of an economy. The IIP data, which is compiled according to international standards, allows comparisons between countries and also provides breakdown information by sectors, instrument, maturity and type of. The IIP data, which serve as an important data source for country riskiness analyses owing to their comparability and comprehensive nature, have been compiled by the CBRT since 1996. In 2000, direct investments data were added to the IIP items, and in 2001, the stock value of residents' portfolio investments abroad on the assets side were added in the IIP and thus, the IIP items were completed. The IIP data have been issued on a quarterly and monthly bases (indicative data) since May 2012.

The IIP is composed of portfolio investments, direct investments abroad, other investments and reserve assets on the asset side and of direct investments in reporting economy, portfolio investments and other investments items on the liabilities side. The general government, the Central Bank, banks and other sectors (non-financial institutions) are the main sectors covered by the IIP. This box displays an evaluation of the structure and financing sources of the IIP since 1996.

IIP and Current Account Balance

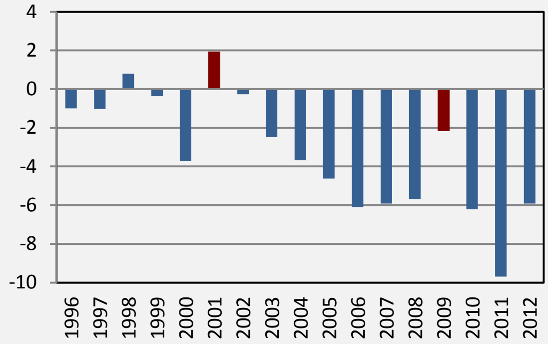
The trend of assets and liabilities items of the IIP over the course of time is accepted as an indicator of International Financial Integration - IFI in the economics literature. In Turkey, this ratio has doubled between 1998 and 2012 reaching a financial integration level exceeding the GDP. Although abovementioned development points to a rapid financial integration process, this level is relatively low compared to other emerging market economies (EME)[4]. Actually, the average IFI value calculated for emerging market economies points to a financial integration level that is equivalent to two- folds of the sum of the GDPs of these countries (Chart 1a).

Chart 1a. IFI Ratio*
(Ratio to GDP, percent)



Source: Lane and Milesi-Ferretti (2007) updated data, CBRT.
* Ratio of the external assets and liabilities to GDP.

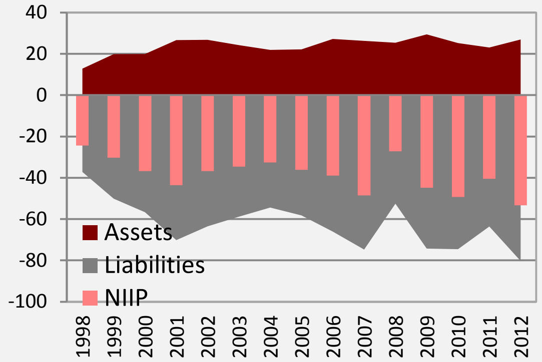
Chart 1b. Current Account Balance
(Ratio to GDP, percent)



Source: CBRT.

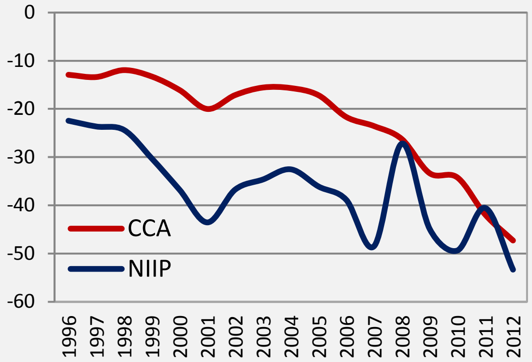
4 Emerging Market Economies (EMs) are Mexico, Brazil, South Korea, Poland, Hungary, Czech Republic and South Africa.

Chart 1c. External Assets and Liabilities and NIIP (Ratio to GDP, percent)



Source: CBRT.

Chart 1d. NIIP and Cumulative Current Account Balance * (Ratio to GDP, percent)



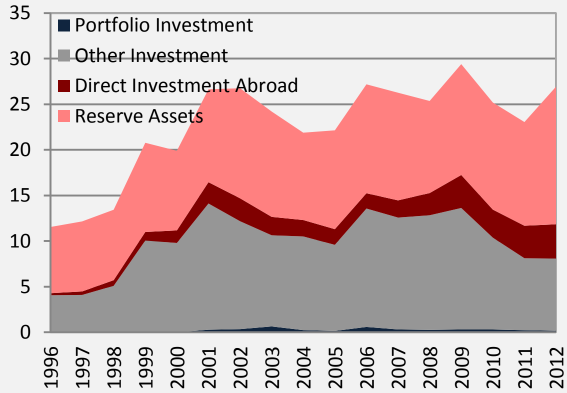
Source: CBRT.
*NIIP data for 1996 has been taken as the starting data for cumulative current account balance.

Further, the Net International Investment Position (NIIP), which is calculated by taking the net value of external assets and liabilities, grew on the net liabilities side especially in the 2000s in line with the widening current account deficit (Chart 1b and Chart 1c). A comparison of the NIIP as a stock value with the cumulative data of the current account balance shows that the two items move in tandem; however, the NIIP has been more volatile since the global financial crisis (Chart 1d).

Gross Assets and Liabilities: Breakdown by Instruments

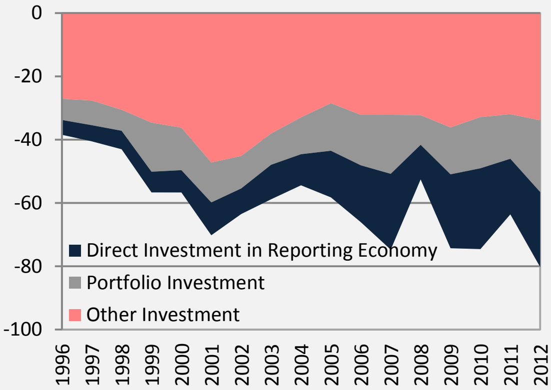
An analysis of the IIP's assets and liabilities items in gross terms illustrates that in the period of analysis, the share of external assets in GDP has increased by 1.2 fold to reach 27 percent; likewise, external liabilities increased to 80 percent. Moreover, the acceleration both in assets and liabilities was more significant between 1996-2000 (Chart 2a and Chart 2b).

Chart 2a. Gross External Assets (Ratio to GDP, percent)



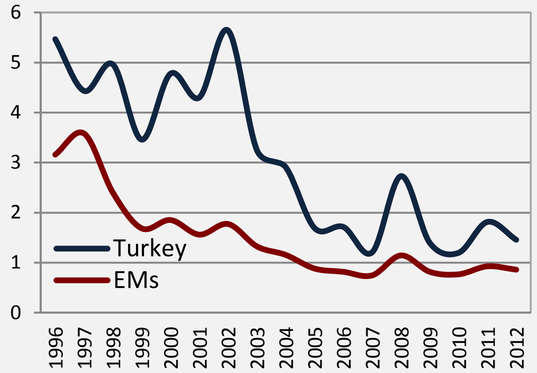
Source: CBRT.

Chart 2b. Gross External Liabilities (Ratio to GDP, percent)



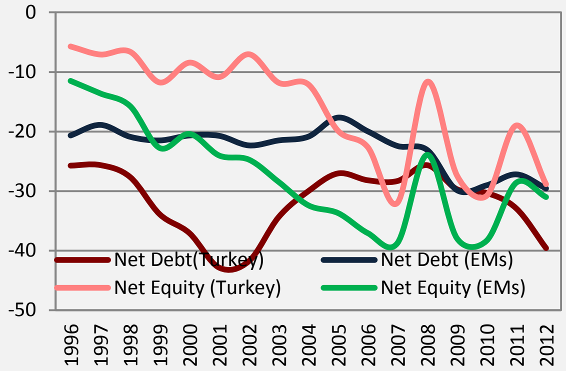
Source: CBRT.

Chart 2c. Debt/ Equity Security* Ratio in External Liabilities



Source: Lane and Milesi-Ferretti (2007) updated data, CBRT.
*Direct investment item included.

Chart 2d. Net Debt and Net Equity Security* Position(Ratio to GDP, percent)



Source: Lane and Milesi-Ferretti (2007) updated data, CBRT.
*Direct investment item included.

An analysis of the breakdown of assets and liabilities by instrument reveals that debt-creating transactions are dominant on both sides; however, in line with the main trend in emerging economies the share of such transactions has decreased significantly over time and the share of equity security transactions that do not generate debt has increased. Actually, in the analysis period, the share of debt items in total assets has decreased from 87 percent to 67 percent and the share of the same item in total liabilities has decreased from 85 percent to 63 percent. Counterbalancing this development, the share of equity securities transactions, most of which are composed of direct investment items, reached one third of the sum of assets and liabilities. Meanwhile, the shift from debt items to the non-debt-creating equity security transactions became significant after 2002; the debt/equity security ratio of external liabilities, which was between 3.5-5.6 range during 1996-2002, decreased rapidly after 2002 and fell below 2. Likewise, the average of the emerging market economies dropped from 3.1 – 3.6 range to 0.9 (Chart 2c). Moreover, the net debt and net equity security positions moved in a counterbalancing manner after 2002 and while the share of the net debt position in GDP decreased, that of net equity securities increased. While the share of the net equity security position in GDP displayed a fluctuating trend in the aftermath of the 2008 financial crisis, both net positions widened in 2012 (Chart 2d).

Conclusion

The IIP data, which summarizes the transactions between the residents and non-residents of an economy during a specific period and serves as a data source for risk analysis has been compiled for Turkey since 1996. While the data in question points to increased financial integration process, Turkey's net liabilities position has increased over time parallel to the widening current account deficit. Similar to the case in other emerging market economies in recent years, in external financing the share of direct investments and equity security transactions that are non-debt creating transactions has been increasing. The structural changes in question have urged international investors to partly bear the cost burden stemming from unfavorable price or exchange rate conditions during times of volatility in markets and thus has curbed the rise in net liabilities.

References:

Lane, P. (2013). Risk Exposures in International and Sectoral Balance Sheets. First IMF Statistical Forum: “Statistics for Global Economic and Financial Stability”, 12-13 November 2013.

Lane, P., Milesi-Ferretti, G. M. (2007). The External Wealth of Nations Mark II: Revised and Extended Estimates of Foreign Assets and Liabilities, 1970–2004 “Journal of International Economics”, 73, 223 - 250.

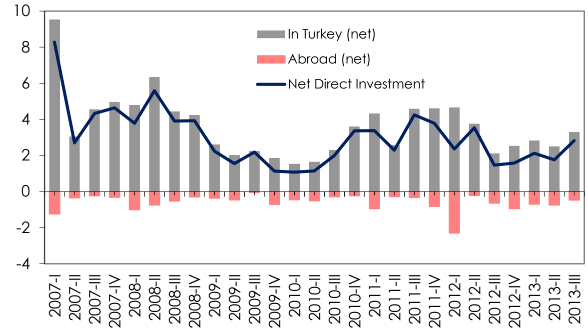
2.1 Direct Investment

Although direct investment inflows rose quarter-on-quarter, this rise was not observed throughout all sectors and the level of direct investments continued to remain below historical averages. Despite the relative economic recovery in the Euro area that has the largest share in direct investments in Turkey, investment appetite still presents a weak outlook, which is believed to be the underlying cause of the recent course of direct investments that are below historical averages.

In the third quarter of 2013, direct investments in Turkey became USD 3.3 billion, the majority of which was composed of investments in the finance and insurance sectors as well as those in the fields of electricity, gas, steam and air conditioning generation and distribution. As a result of the economic recovery in the euro area having the largest share in direct investment flows to Turkey, a significant improvement was observed in direct investments in Turkey in the third quarter. In this quarter, while the share of investments from Europe in total investments increased to 68.6 percent; that of Asian countries fell to 26.6 percent.

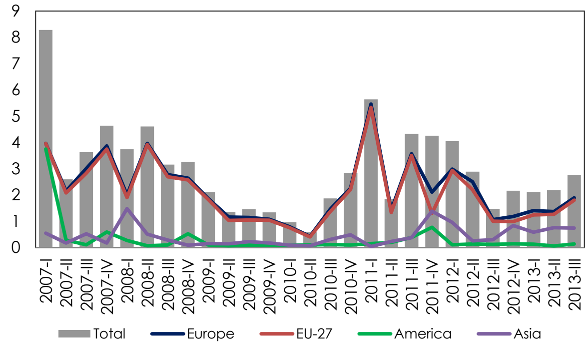
After recording historic high levels in 2012, Turkey's direct investments abroad remained flat in the third quarter of 2013. In this quarter, Turkey's direct investments abroad were USD 0.5 billion, while the share of European countries increased to 65.3 percent and that of Asian countries dropped to 24.7 percent.

Chart 23. Direct Investment
(billion USD)



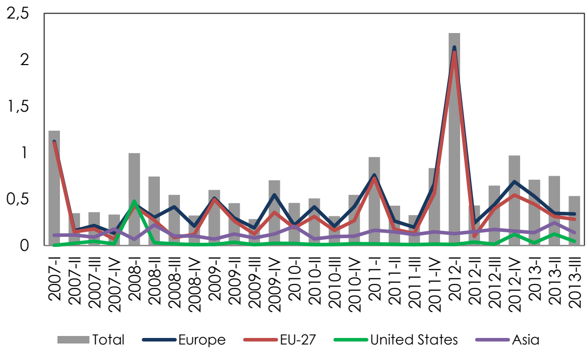
Source: CBRT.

Chart 24. Direct Investment in Turkey - Geographical Distribution
(billion USD)



Source: CBRT.

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



Source: CBRT.

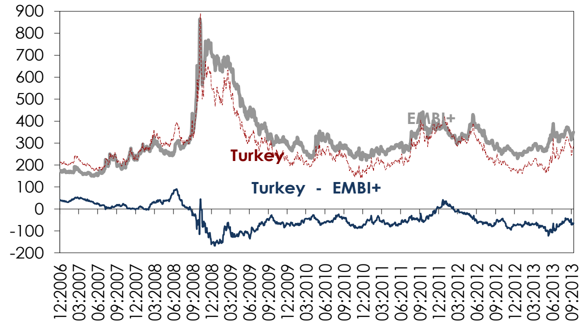
2.2 Portfolio Investment

The third quarter of the year recorded fluctuations in the global risk appetite. The third quarter of the year was a period in which the global risk appetite followed a fluctuating course. In this period, the unrest in Syria caused Turkey to diverge from other emerging market economies in a negative direction in terms of portfolio inflows. GDDS-driven portfolio outflows fueled by the Syrian unrest in July gave way to portfolio inflows for the remainder of the quarter as a result of the easing unrest and waning expectations for the Fed tapering in the near future. In this period, Turkey's risk premium remained below the average risk premium of the Emerging Markets Bond Index (EMBI+) and both risk premiums declined towards the end of September.

Despite the deceleration in portfolio inflows, the maturity structure of the instruments that were invested in did not deteriorate compared to the previous quarter. In the third quarter of 2013, banks' bond issues abroad plunged to USD 0.7 billion. In this quarter, the other sectors' bond issues abroad amounted to USD 0.5 billion.

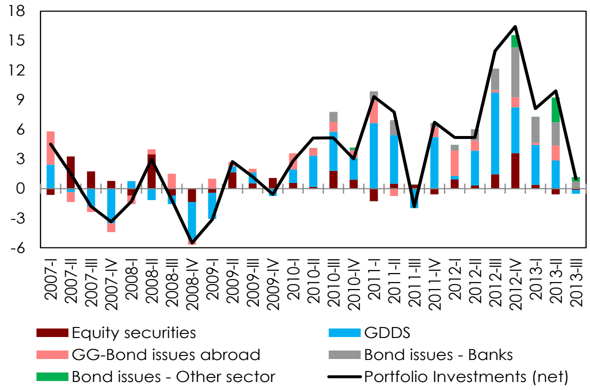
On the other hand, in the third quarter of the year, the General Government did not issue bonds abroad. GDDS-driven net outflows became USD 0.4 billion, while the equity security market registered an outflow of USD 0.1 billion. Moreover, in the third quarter of 2013, non-residents sold net USD 115 million to banks and purchased net USD 6 million worth of debt securities issued in the domestic market from other sectors.

Chart 26. Secondary Market Spreads and Turkey's Relative Position
(basis point)



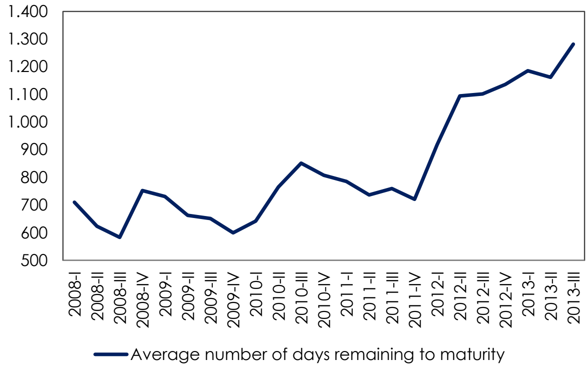
Source: JP Morgan.

Chart 27. Portfolio Investment - Liabilities
(billion USD)



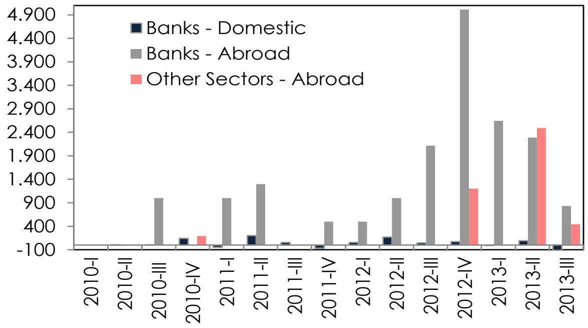
Source: CBRT.

Chart 28. The Maturity Structure of Non-residents' Holdings of GDDS
(weighted market value, billion USD)



Source: CBRT.

Chart 29. Debt Securities Issued by Banks and Other Sectors
(million USD)



Source: CBRT.

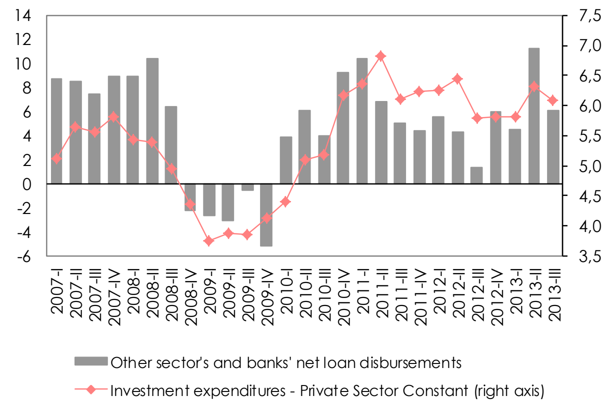
2.3 Loans and Deposits

In the third quarter of 2013, neither the banking sector nor other sectors had any supply-side constraints in external borrowing through loans. In this period, banks predominantly opted for long-term borrowings through loans. Yet, their short-term borrowings also increased compared to the previous quarter. Banks retained their role as net borrowers for both short-term and long-term loans and used net USD 1.8 billion and USD 2.4 billion worth of short-term and long-term loans, respectively. Banks' total external debt rollover ratio climbed to 109 percent in the third quarter. However, when banks' borrowings through bonds are included, the banking sector's total debt rollover ratio moves to 110 percent.

Long-term external loans used by other sectors mainly to finance investments posted net inflows in the third quarter of 2013. In addition, other sectors issued bonds abroad in this quarter as was the case in the second quarter. The related sectors made a net long-term borrowing of USD 0.4 billion in this quarter. An analysis of debt rollover ratios indicates that the long-term external debt rollover ratio of the other sectors surged to 106.3 percent from 80.7 percent in the third quarter of 2013. Including bond issues, the total debt rollover ratio of the other sectors rose to 116 percent.

As of September 2013, the corporate sector's external debt stock stood at USD 255.2 billion which is a sum of USD 147.6 billion worth of long-term loans and USD 107.6 billion worth of short-term loans. A breakdown of the corporate sector's external debt stock by sectors reveals that the share of non-financial institutions declined due to the introduction of the facility that enables FX-borrowings from the domestic market, whereas the share of banks increased (Box 4).

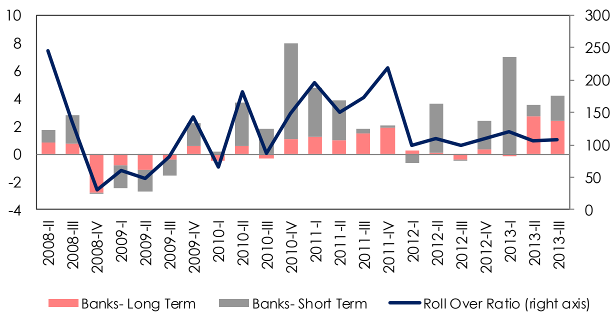
Chart 30. Net Long-term Loan Utilization* and Investment Expenditures of Other Sectors
(billion TL, 1998=100, covering the effect of Decree No:32)



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

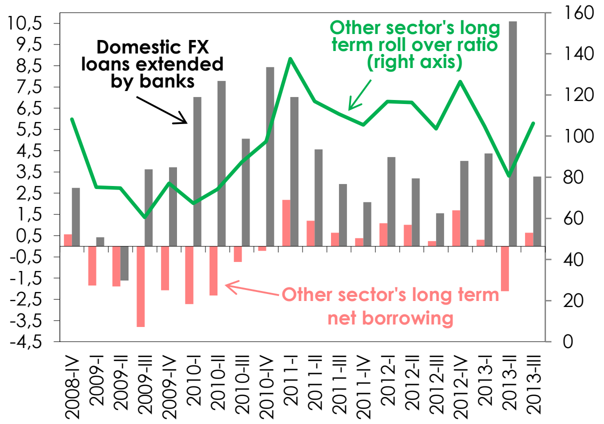
Source: CBRT.

Chart 31. Banks' Long and Short Term Net Borrowing (billion USD) **and Long Term Rollover Ratio** (percent)



Source: CBRT.

Chart 32. Domestic FX Loans Extended By Banks – Other Sectors' Long- Term Net Borrowing (billion USD) **and Other Sectors' Long- Term Debt Rollover Ratio** (percent)



Source: CBRT.

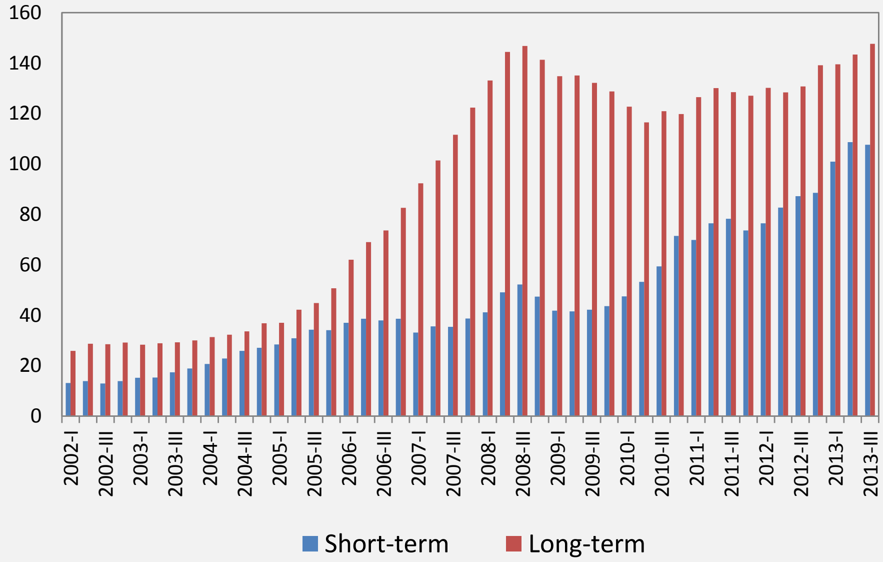
Box 4 Private Sector External Debt Stock

Pursuant to Decree No.32 on the Protection of the Value of the Turkish Currency, long-term loans and short-term external debt of the private sector are monitored by the Central Bank. In this framework, detailed information about the private sector's long-term external loans, the monitoring of which was transferred from the Undersecretariat of the Treasury to the Bank in 2001, is obtained from borrowers and reported to the Bank by the banks that carry out the transactions related to the drawing and repayment of these loans. The long-term external debt stock of the private sector is built of cash loans, bond issues abroad, trade loans maturities with longer than one year 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.

Data pertaining to the private sector's short-term external debt are compiled basically from banks' monthly foreign exchange position reports, the private sector's external debt monitoring database, import data from the TURKSTAT related to trade loans and the Central Bank's monthly foreign exchange position reports. The short-term external debt stock of the private sector is composed of cash loans, bond issues, Turkish lira deposits, FX deposit accounts, import-related debt and pre-export financing. The long and short-term external debt statistics are released by the CBRT as two separate groups of statistics with the headings "Outstanding Loans Received from Abroad by the Private Sector" and "Short-Term External Debt Statistics". This box presents data on the total external debt of the private sector by combining data from these two statistics groups on a basis that takes the private sector as the debtor.

Chart 1 shows short and long-term external debt stocks of the private sector by quarters. As of September 2013, the external debt of the private sector was USD 255.2 billion with long-term loans accounting for 58 percent. The share of long-term loans, which stood at 66 percent in 2002, took a downturn until 2005 but reached 76 percent with a rapid rise before the 2008 crisis. However, this trend reversed after 2008 crisis and share share of short-term loans started increasing thereafter.

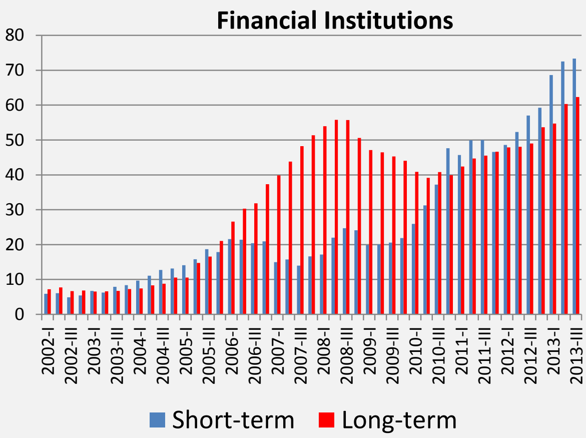
Chart 1. Private Sector - Long and Short-Term External Debt Stock (billion USD)

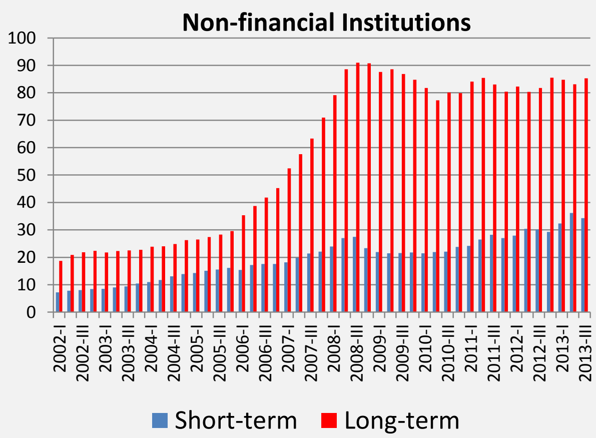


Source: CBRT.

Chart 2 shows the breakdown of the maturity structure of the private sector's external debt stock by financial and non-financial institutions. By the third quarter of 2013, long-term external debt of financial institutions amounted to USD 62.3 billion while their short-term external debt reached to USD 73.3 billion. Non-financial institutions long and short-term external debt figures stand at USD 85.3 billion and USD 34.3 billion, respectively. An analysis of the maturity structure of non-financial institutions' external debt suggests that the 72-percent share of long-term loans in 2002 climbed to 80 percent in the period before the 2008 crisis parallel to the economic recovery. However, it assumed a downtrend after the crisis and dropped to 71 percent as of September 2013. On the other hand, the maturity structure of financial institutions' external debt displays periodical fluctuations: The share of long-term loans declined in the 2002-2004 period while a rapid increase pushed up the share to 78 percent in the 2004-2008 period. With a reversal of this trend after 2008 crisis, the share of long-term loans was on a downward track until the fourth quarter of 2010 but took on a moderate uptrend afterwards.

Chart 2. Maturity Structure of the Private Sector's External Debt Stock by Sectors (billion USD)

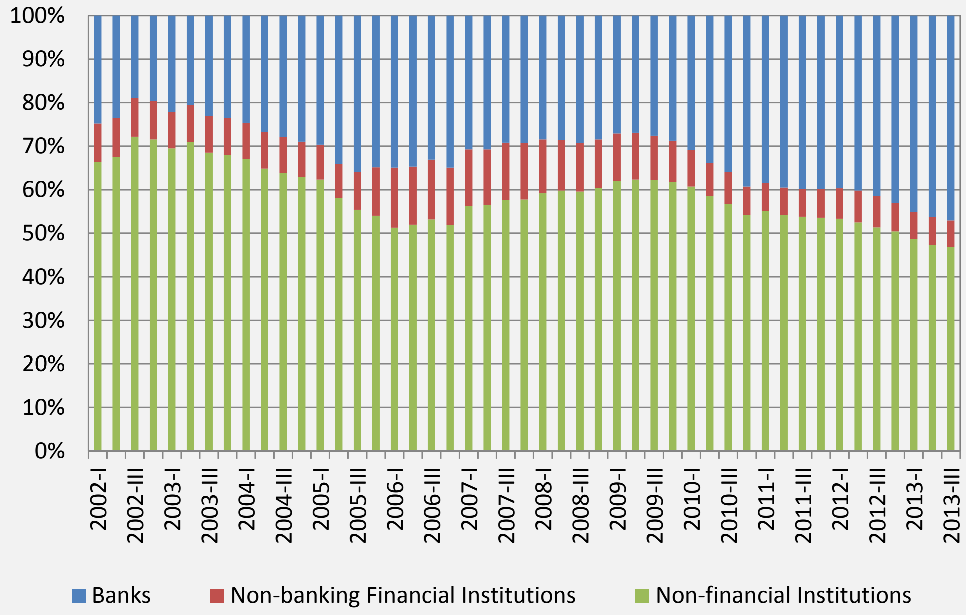




Source: CBRT.

The percentage breakdown of the private sector's external debt stock by sectors as shown in Chart 3 reveals that the share of non-financial institutions fell from 66 percent in 2002 to 47 percent as of September 2013, whereas the share of banks rose to 47 percent from 25 percent in the same period. This shift in the sectoral composition of the private sector's external debt is believed to be an outcome of the facility that allows non-financial institutions to borrow in foreign currency from the domestic market, introduced in July 2009.

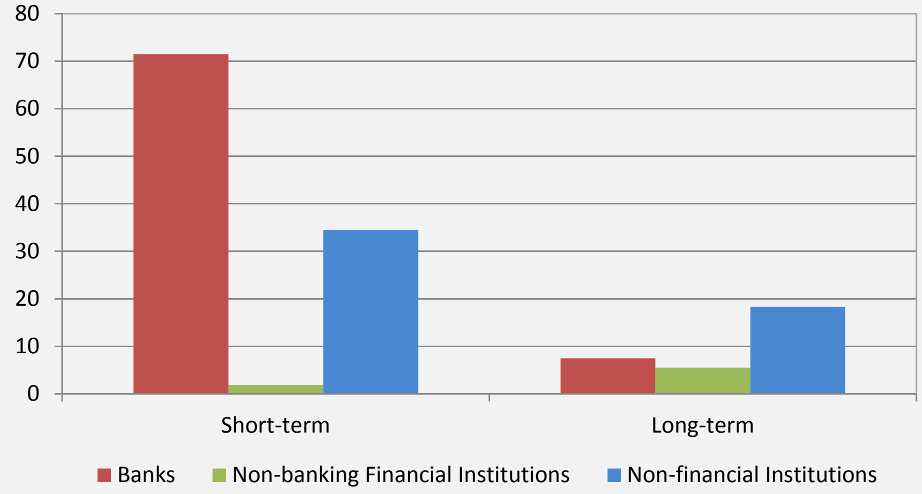
Chart 3. Breakdown of the Private Sector's External Debt Stock by Sectors (percent)



Source: CBRT.

By September 2013, the USD 139.1 billion portion of the external debt of the private sector was formed of loans with maturities one year or less, regardless of the original maturity (Chart 4). Of this amount, 23 percent belongs to long-term loans. An analysis of the breakdown of external debt with maturities of one year or less by sectors shows that USD 78.9 billion of these loans belongs to banks, USD 52.8 billion to non-financial institutions and USD 7.4 billion to non-bank financial institutions.

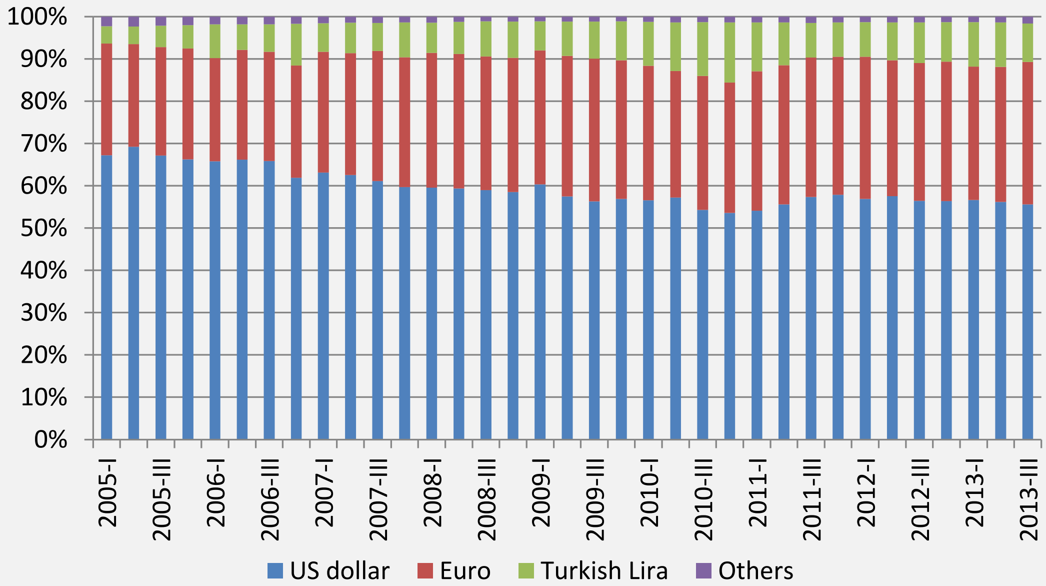
Chart 4. Private Sector's External Debt Stock by Borrowers on a Remaining Maturity Basis* (billion USD)



Source: CBRT.
* Refers to external debt with maturities of one year or less, regardless of the original maturity.

The private sector external debt stock's currency composition is formed of USD, Euro and TL with shares of 56 percent, 34 percent and 9 percent, respectively, whereas the remaining 1 percent consists of other foreign currencies (Chart 5). Still having the largest share, borrowings in USD decelerated compared to 2005. In this period, the share of Euro loans elevated to 34 percent from 26 percent while the share of TL loans increased to 9 percent from 4 percent.

Chart 5. Foreign Currency Composition of the Private Sector's External Debt (percent)



Source: CBRT.

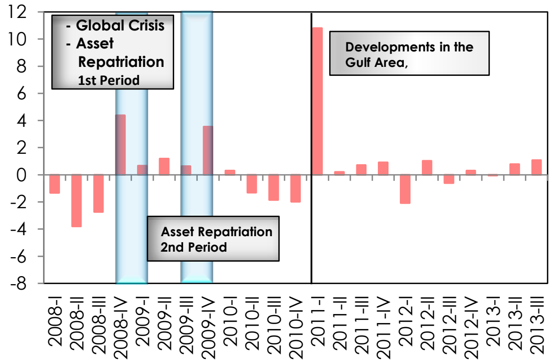
To conclude, the private sector's external debt was predominantly composed of long-term loans as of September 2013 while the share of short-term loans has also been on the rise recently. In terms of sectoral composition, the share of non-financial institutions declined due to the allowance for institutions to borrow in foreign currency from the domestic market, whereas the share of banks escalated. Loans with maturities of less than one year build up 55 percent of the private sector's external debt, with the banking sector having the largest share. Finally, an analysis of the foreign currency composition suggests that USD borrowings maintain their leading share but have decelerated compared to 2005, while the shares of Euro and Turkish lira borrowings have increased significantly.

Residents' deposits in banks abroad are recorded in the balance of payments table under "Financial Account / Other Investments /Currency and Deposits / Other Sectors". While activities in these accounts -particularly in times of crisis- are considered to be an important determinant of capital movements in the balance of payments statistics, deposits tend to accumulate in these accounts at other times. The indicative data for the third quarter of 2013 suggest a USD 1,071-million increase.

The recent decline in FX accounts at the Central Bank of Turkey of non-resident Turkish citizens persists due to the cuts in interest rates applied to these accounts. The last cut in the interest rates applied to long-term FX deposit accounts with credit letters and to super FX accounts was effected in April 2013. While the highest outflow from these accounts was observed in 2012, deposits in these accounts decreased by USD 0.9 billion in the third quarter of 2013.

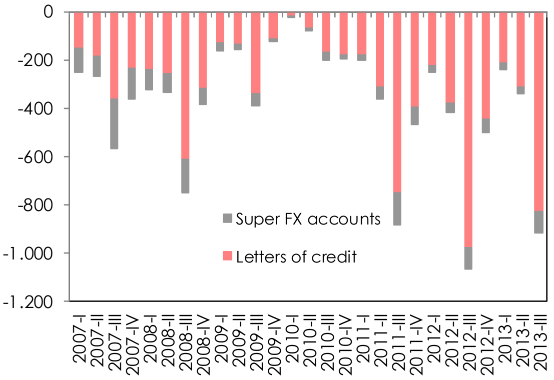
The cost advantage provided by the facility, which allows banks to keep a certain fraction of their Turkish lira reserve requirements as FX and gold, had led to a surge in non-resident citizens' and banks' deposits in domestic banks in the previous two quarters of 2013. Yet, in the third quarter, while deposits in domestic banks eroded by USD 1.8 billion, FX deposits soared by USD 1 billion and TL deposits dipped by USD 2.8 billion.

Chart 33. Other Sectors' Deposit Assets Abroad
(billion USD)



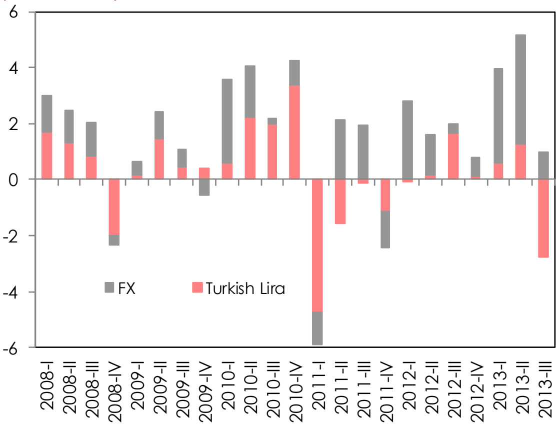
Source: CBRT.
(+): Decrease in deposits abroad, (-): Increase in deposits abroad

Chart 34. Deposits within the Central Bank
(billion USD)



Source: CBRT.

Chart 35. Deposits of Non-resident Banks within the Domestic Banks - Composition of FX and TL
(billion USD)



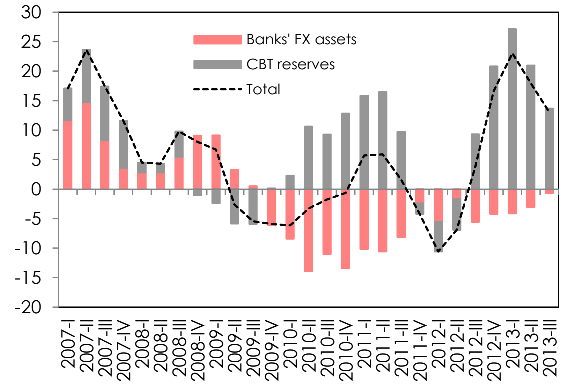
Source: CBRT.

Despite the quarter-on-quarter deceleration in capital inflows, the Central Bank's official reserves displayed an upbeat especially in August. In the third quarter, the official reserves in the balance of payments table expanded by USD 2.9 billion. This expansion was triggered by the repayment of rediscount loans that the Central Bank extends to exporters and the entry of the Worldbank loan into the Treasury's accounts in July as well as the surge in banks' deposits within the Central Bank, whereas the CBRT's FX sales to banks and the Treasury's Eurobond interest payments became the main drivers of outflows from reserves.

In the third quarter of 2013, due to the upward trend in reserves, CBRT reserves ascended by 6.7 percent quarter-on-quarter to USD 130.8 billion. Meanwhile, "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, dropped by 0.9 percent in September compared to the previous quarter-end to USD 163.7 billion. As a result, the ratio of international reserves to STED, which is considered to be one of the reserve adequacy indicators, was 89 percent. However, this ratio becomes 109 percent when branches and affiliates abroad are excluded.

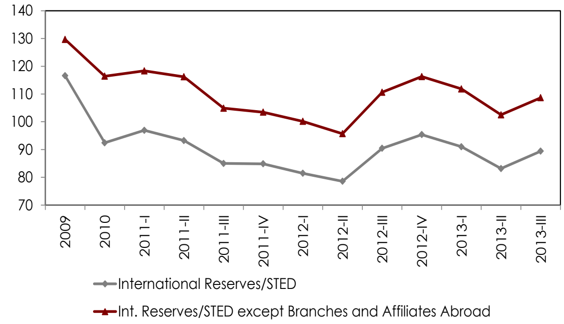
The Net Errors and Omissions (NEO) item posted a net inflow of approximately USD 9.8 billion in the third quarter of 2013. One of the likely causes of the high level of the NEO in this period is believed to be the last Asset Repatriation incentive of the Ministry of Finance, the first notification and declaration period of which covered 29 May - 31 July 2013 and was then extended to 31 October 2013.[5] In annual terms, the ratio of the cumulative NEO to total FX inflows converged to zero.

Chart 36. International Reserves
(billion USD, annualized)



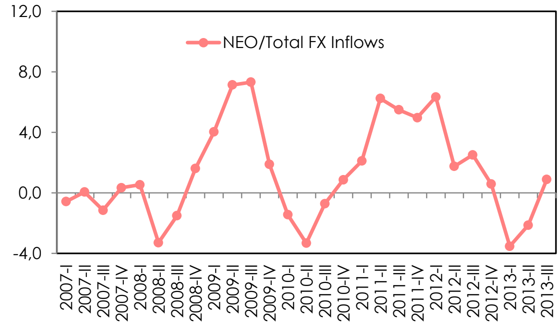
Source: CBRT.
Note: + increase; - decrease

Chart 37. The Ratio of International Reserves to STED on a Remaining Maturity Basis (percent)



Source: CBRT.

Chart 38. Net Errors and Omissions (NEO) and Total Foreign Exchange Inflows
(annualized, percent)



Source: CBRT.

[5] For the impact of the Asset Repatriation incentive on the net errors and omissions item, see: "CBRT Balance of Payments Report", 2012-I, Box 2: Turkish Residents' Deposits Abroad and Net Errors-Omissions, Page 19.

III. Annex Tables

Balance of Payments (billion USD)

	January-September			September (Annualized)		
	2012	2013	% change	2012	2013	% change
Current Account	-38,4	-49,0	27,7	-54,3	-59,1	9,0
Goods	-50,8	-60,6	19,2	-70,2	-75,1	7,0
Exports	120,1	120,8	0,6	157,8	163,9	3,8
Exports (fob)	112,9	112,4		148,4	152,0	
Shuttle Trade	4,2	5,5		5,4	7,6	
Imports	-171,0	-181,4	6,1	-228,0	-239,0	4,8
Imports (cif)	-177,0	-187,6		-236,1	-247,2	
Adjustment: Classification	8,8	9,6		11,7	12,7	
Services	17,2	18,3	6,1	21,6	23,7	9,5
Travel (net)	16,0	17,9		20,5	23,1	
Credit	18,8	21,3		24,6	27,8	
Debit	-2,8	-3,4		-4,1	-4,7	
Other Services (net)	1,2	0,4		1,1	0,5	
Income	-5,7	-7,4	29,7	-7,2	-8,9	23,4
Compensation of Employees	-0,2	-0,2		-0,2	-0,3	
Direct Investment (net)	-1,8	-3,0		-2,1	-3,8	
Portfolio Investment (net)	-0,8	-1,3		-0,8	-1,1	
Other Investment (net)	-3,0	-2,9		-4,1	-3,8	
Interest Income	1,3	1,3		1,7	2,0	
Interest Expenditure	-4,3	-4,2		-5,7	-5,8	
Current Transfers	1,0	0,8	-21,6	1,5	1,2	-22,8
Workers Remittances	0,7	0,7		0,9	1,0	
Capital and Financial Account	33,8	43,8	29,5	49,1	57,2	16,4
Financial Account (excl. reserve assets)	50,3	53,2	5,7	58,4	70,9	21,3
Direct Investment (net)	7,4	6,7	-8,9	11,1	8,3	-25,7
Abroad	-3,1	-1,9		-3,9	-2,8	
In Turkey	10,5	8,6		15,1	11,1	
Portfolio Investment (net)	24,3	19,0	-21,9	31,1	35,5	14,1
Assets	1,8	2,4		2,4	3,3	
Liabilities	22,6	16,6		28,7	32,1	
Equity Securities	2,7	-0,3		2,1	3,3	
Debt Securities	19,9	16,9		26,6	28,9	
Non-residents' Purchases of GDI	12,2	6,5		17,4	11,2	
Eurobond Issues of Treasury	3,8	1,7		4,8	2,7	
Borrowing	6,1	3,2		7,1	4,2	
Repayment	-2,3	-1,5		-2,3	-1,5	
Banks (net)	3,9	5,7		4,3	10,8	
Other Sectors (net)	0,0	3,0		0,0	4,2	
Other Investment (net)	18,6	27,4	47,5	16,2	27,2	67,9
Assets	2,5	0,5		1,8	-2,5	
Trade Credits	-0,3	-0,5		-0,8	-1,1	
Credits	-0,4	-0,5		-0,4	-0,9	
Currency and Deposits	3,2	1,7		3,1	-2,5	
Banks	4,9	-0,1		3,9	-2,5	
Foreign Exchange	6,4	2,9		5,6	0,7	
Turkish Lira	-1,5	-3,0		-1,7	-3,2	
Other Sectors	-1,7	1,8		-0,8	2,1	
Liabilities	16,2	27,0		14,4	29,8	
Trade Credits	1,7	3,8		0,0	3,2	
Credits	6,8	13,8		9,6	16,7	
Central Bank	0,0	0,0		0,0	0,0	
General Government	-1,4	-0,5		-1,9	-1,2	
IMF	-1,6	-0,9		-2,3	-1,3	
Long-term	0,2	0,3		0,4	0,1	
Banks	2,8	14,6		4,9	17,0	
Long-term	-0,1	5,0		1,8	5,3	
Short-term	2,8	9,6		3,0	11,7	
Other sectors	5,4	-0,2		6,7	1,0	
Long-term	2,3	-1,4		2,7	0,3	
Short-term	3,1	1,2		3,9	0,7	
Deposits of Non-residents	7,2	8,7		4,4	9,3	
Central Bank	-1,7	-1,5		-2,2	-2,0	
Banks	8,9	10,2		6,6	11,3	
Change in Official Reserves (- increase)	-16,5	-9,4		-9,3	-13,7	
Net Errors and Omissions	4,6	5,3		5,2	1,9	

Source: CBRT.

Financing Requirements and Sources (billion USD)

	2012				2012	2013		
	I	II	III	IV		I	II	III
Financing Requirements	-29,4	-24,5	-18,9	-19,9	-92,8	-29,0	-33,3	-19,8
Current Account Balance (Excluding Current Transfers)	-16,7	-14,2	-8,4	-10,6	-49,9	-16,7	-20,7	-12,3
Debt Security and Credit Repayments	-11,1	-10,1	-11,7	-9,6	-42,4	-12,6	-13,9	-8,8
Debt Securities (Abroad)	-1,0	0,0	-1,3	0,0	-2,3	-1,5	0,0	-0,2
Long Term Credits	-10,1	-10,1	-10,5	-9,6	-40,2	-11,1	-13,9	-8,6
Trade Credits	0,0	0,0	0,0	0,0	-0,1	0,0	-0,1	-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	-0,8	-1,5	-4,9	-0,9	-1,5	-0,5
(IMF)	-0,6	-0,6	-0,4	-0,4	-2,0	-0,4	-0,4	0,0
Banks	-2,6	-2,3	-2,8	-1,7	-9,4	-3,8	-1,4	-1,7
Other Sectors	-6,5	-6,1	-6,8	-6,4	-25,8	-6,3	-11,0	-6,4
Other Assets (- indicates to an increase) 1/	-1,6	-0,2	1,2	0,2	-0,4	0,3	1,4	1,3
Financing Sources	29,4	24,5	18,9	19,9	92,8	29,0	33,3	19,8
Current Transfers	0,4	0,3	0,3	0,4	1,4	0,2	0,3	0,3
Capital Account	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Direct Investment (Net)	2,4	3,5	1,5	1,6	8,9	2,1	1,8	2,8
Equity Securities (Net)	0,9	0,3	1,4	3,6	6,3	0,4	-0,6	-0,1
Debt Securities and Credits	16,0	23,6	21,6	23,8	85,0	29,7	27,4	12,7
Debt Securities	4,5	5,7	12,0	12,0	34,1	8,4	9,2	0,9
In Turkey (Net)	0,4	3,7	8,3	4,7	17,2	4,1	3,0	-0,5
Abroad	4,1	2,0	3,6	7,2	16,9	4,3	6,3	1,4
Long Term Credits	11,1	10,5	10,0	10,9	42,5	10,9	13,6	12,0
Trade Credits	0,1	0,1	0,1	0,0	0,3	0,1	0,1	0,0
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	0,6	0,9	0,6	0,8	2,8	0,5	0,6	1,2
(IMF)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Banks	2,8	2,4	2,4	2,0	9,6	3,6	4,1	4,1
Other Sectors	7,5	7,2	7,0	8,1	29,8	6,7	8,8	6,8
Short Term Credits (Net)	0,4	7,4	-0,4	0,9	8,3	10,5	4,6	-0,3
Trade Credits	-0,2	2,6	-0,9	-0,7	0,9	3,5	3,4	-3,0
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	-0,6	3,5	-0,1	2,1	4,9	7,0	0,8	1,8
Other Sectors	1,2	1,3	0,6	-0,5	2,6	-0,1	0,4	0,9
Deposits (Net)	3,8	4,0	-0,5	0,6	7,8	4,8	5,7	-1,7
Other Liabilities	0,0	0,2	0,3	0,0	0,5	0,0	0,2	0,3
Net Errors and Omissions	5,3	-3,9	3,2	-3,4	1,2	-3,6	-0,9	9,8
Banks' Currency and Deposits 2/	1,4	2,1	1,4	-2,4	2,5	2,3	-1,1	-1,3
Reserve Assets 2/	-0,7	-5,6	-10,2	-4,3	-20,8	-7,0	0,5	-2,9

Source: CBRT.

1/ Excluding Banks' Currency and Deposits

2/- denotes an increase.

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

	2012				2012	2013		
	I	II	III	IV		I	II	III
A) Current Account Balance	-16,3	-13,9	-8,1	-10,1	-48,5	-16,5	-20,5	-12,0
B) Capital and Financial Account	11,0	17,8	4,9	13,5	47,3	20,1	21,4	2,3
Capital Account	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Financial Account	11,0	17,8	4,9	13,5	47,3	20,1	21,4	2,3
Assets	-2,5	1,7	1,9	-3,1	-2,0	1,9	-0,5	-0,4
Direct Investment	-2,3	-0,2	-0,6	-0,9	-4,1	-0,7	-0,7	-0,5
Portfolio Investment	0,8	-0,8	1,8	0,9	2,7	0,8	1,3	0,3
Other Investment	-1,0	2,7	0,8	-3,0	-0,6	1,8	-1,0	-0,3
Liabilities	14,2	21,8	13,2	20,9	70,1	25,2	21,3	5,6
Non-Debt Creating Flows	5,5	4,0	3,8	6,1	19,3	3,0	2,4	3,3
Direct Investment 1/	4,6	3,5	2,1	2,5	12,6	2,6	2,8	3,2
Portfolio Investment/Equity Securities	0,9	0,3	1,4	3,6	6,3	0,4	-0,6	-0,1
Other Investment/Other Liabilities 2/	0,0	0,2	0,3	0,0	0,5	0,0	0,2	0,3
Debt Creating Flows	8,8	17,8	9,4	14,8	50,8	22,2	18,9	2,3
Portfolio Investment/Debt Securities	3,5	5,7	10,7	12,0	31,9	6,9	9,2	0,8
Trade Credits	-0,1	2,7	-0,8	-0,7	1,0	3,5	3,3	-3,0
Loans	1,6	5,5	0,1	2,9	10,1	6,9	0,7	6,3
Deposits	3,8	4,0	-0,5	0,6	7,8	4,8	5,7	-1,7
Other Investment/Other Liabilities 2/	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Reserve Assets	-0,7	-5,6	-10,2	-4,3	-20,8	-7,0	0,5	-2,9
C) Net Errors and Omissions	5,3	-3,9	3,2	-3,4	1,2	-3,6	-0,9	9,8

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

Boxes in Balance of Payments Reports