CENTRAL BANK OF THE REPUBLIC OF TURKEY

Balance of Payments Report 2015-IV

CENTRAL BANK OF THE REPUBLIC OF TURKEY

Head Office

İstiklal Cad. 10 Ulus, 06100 Ankara, Türkiye

Editors

Ahmet Adnan EKEN, Adnan.Eken@tcmb.gov.tr

Gülbin ŞAHİNBEYOĞLU, Gulbin.Sahinbeyoglu@tcmb.gov.tr

Prepared by

Mustafa Faruk AYDIN, Faruk.Aydin@tcmb.gov.tr

Barış BABAOĞLU, Baris.Babaoglu@tcmb.gov.tr

Eda ALTUNTAŞ DURSUN, Eda.Altuntas@tcmb.gov.tr

Serdar ERKILIÇ, Serdar.Erkilic@tcmb.gov.tr

Evrim GÜRLER, Evrim.Gurler@tcmb.gov.tr

Osman Çağatay MUTLU, Cagatay.Mutlu@tcmb.gov.tr

Ferya ÖĞÜNÇ, Ferya.Kadioglu@tcmb.gov.tr

Elif ÖZCAN TOK, Elif.Tok@tcmb.gov.tr

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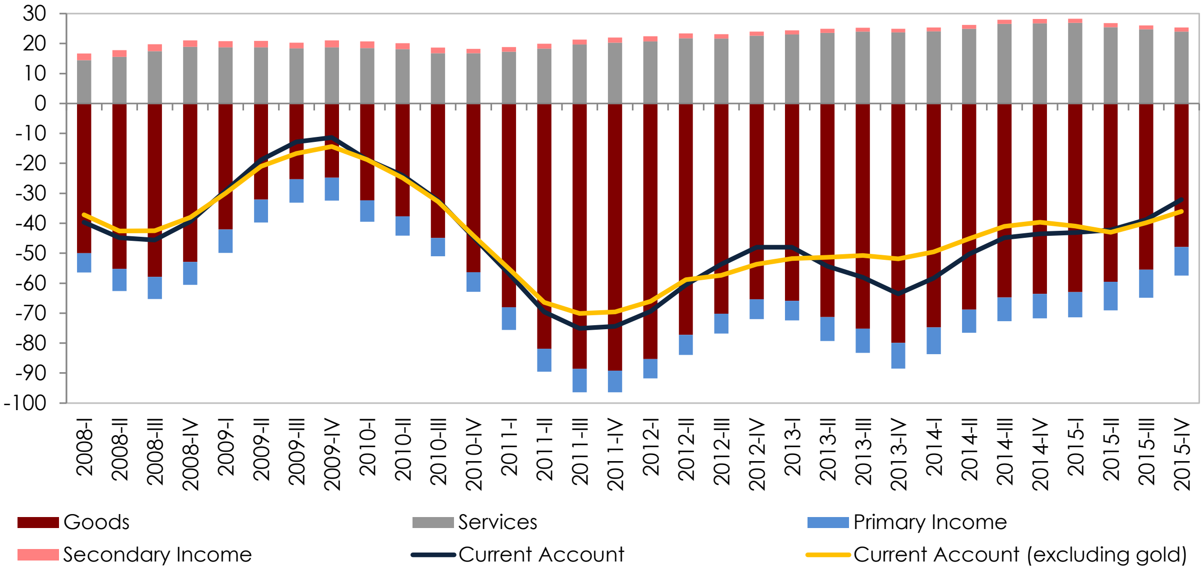
Overview

In the fourth quarter of 2015, the current account deficit continued to contract. The main driver of the contraction was the improvement in the foreign trade balance. The positive contractionary effect of the services balance on the current account deficit weakened due to the decline in net travel revenues (Chart 1).

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



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

Exports, excluding gold, displayed a downtrend in the last quarter. Despite the increase in exports to the European Union (EU), the significant drop in those to Iraq and Russia due to the geopolitical and economic developments led to a decline in exports. In the last quarter, shuttle trade revenues continued to decline year-on-year due to tensions with Russia, Turkey's leading partner in shuttle trade. Meanwhile, gold exports increased compared to the same quarter last year.

Gold excluded, the decline in imports that started in the third quarter of 2014 continued in the fourth quarter of 2015. The decline in imports was mainly driven by the decrease in Turkey's imported energy bill owing to lower energy prices. Imports of gold decreased year-on-year in this quarter.

The services item, which is the second most important determinant of the current account after foreign trade, followed a downtrend in the fourth quarter, due to the decline in net travel revenues. Another determinant of the current account balance, the primary income balance, which accounts for the sum of compensation of employees and investment income, continued to run a further deficit in the fourth quarter. The year-on-year increase in the direct investment expenditure where the profit transfers abroad are recorded became the main driver of the widening primary income deficit in this quarter. Meanwhile, with the publication of December 2015 Balance of Payments Statistics, wages earned by Turkish employees/workers working abroad calculated on the basis of the Turkish Employment Agency's records have started to be recorded in the Compensation of Employees item under Primary Income beginning with the data of 2005 (Box 2).

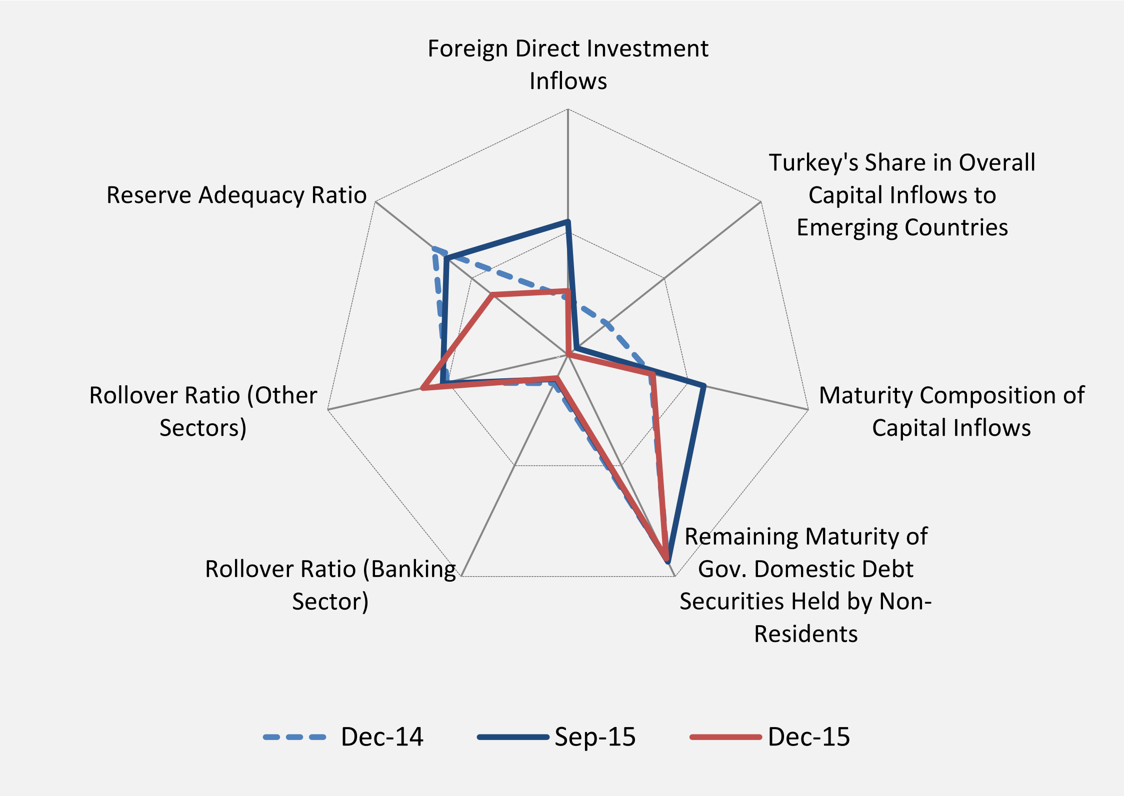
Financing of the Current Account Deficit

Due to the persistence of the weak trend and the divergence in global economic activity as well as the financial volatility triggered by uncertainties in monetary policies, the global risk appetite presented a negative outlook. Meanwhile, the intense adverse geopolitical developments in Syria stood out as a Turkey-specific factor affecting financial movements.

A breakdown of financial accounts in the balance of payments by main headings reveals that the uptrend in direct investment inflows that started in the third quarter of 2015 continued in the fourth quarter as well. Portfolio investments continued to post outflows due to the worsening global risk appetite. Regarding other investment inflows, those received by the banking sector receded slightly while external borrowings of other sectors continued at an increased pace.

As for the quality of financing sources, while the reserve adequacy ratios and the share of Turkey in capital flows to EMEs declined, all other items remained unchanged or improved slightly compared to the previous year (Chart 2).

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



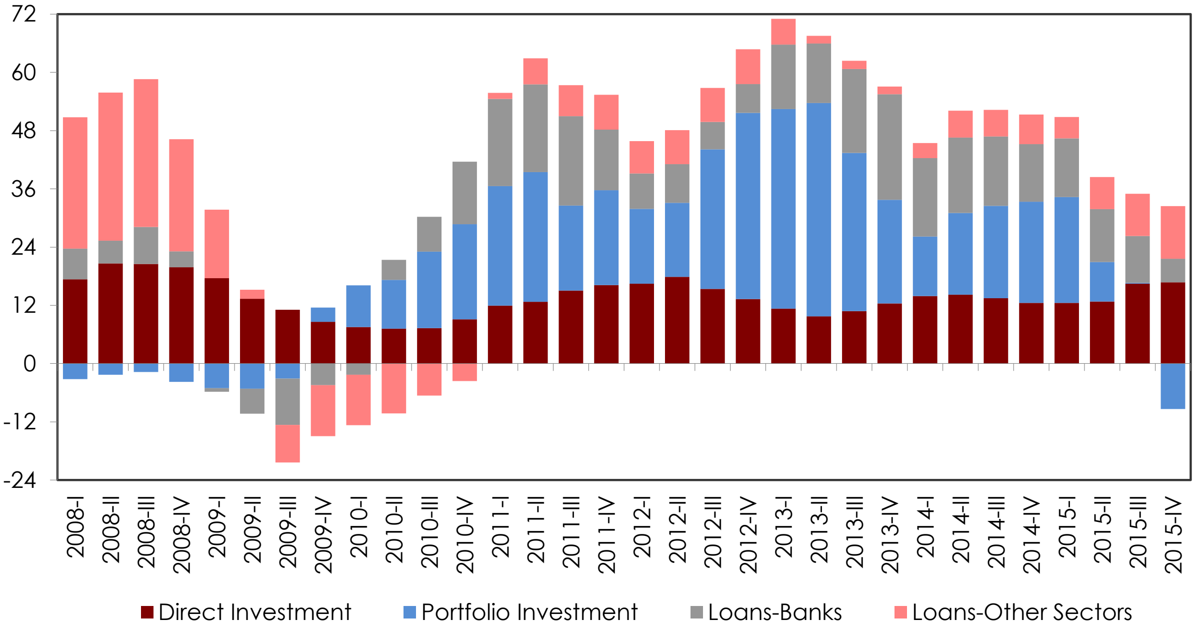
Source: CBRT.

The upward trend in direct investment inflows, which was observed in the previous quarter, continued in this quarter as well. This situation is an outcome of a few transactions with large amounts, rather than a result of an overall change in the direct investments trend (Chart 3).

In this quarter, concerns over growth in China and in the energy-exporting countries stood as the primary factor affecting portfolio flows towards emerging economies. In terms of investment instruments, other sectors' equity securities and all other debt securities, excluding bond issues abroad posted net outflows throughout the quarter.

In 2015Q4, neither the banking sector nor other sectors had any supply-side constraints in external borrowing through loans. While the banking sector repaid a net debt of a small amount in overall terms in this quarter, the shift from short-term borrowing through loans to long-term borrowing that had started in the first quarter of the year continued in this quarter. This shift is attributed to the impact of the arrangements that the Central Bank introduced to extend the maturity of banks' external borrowing. Meanwhile, other sectors were net borrowers due to the surge in their long-term loans. The average borrowing maturity of the other sector recorded an upsurge on the back of loans received for financing major domestic projects with very long maturities (Box 4).

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



Source: CBRT.

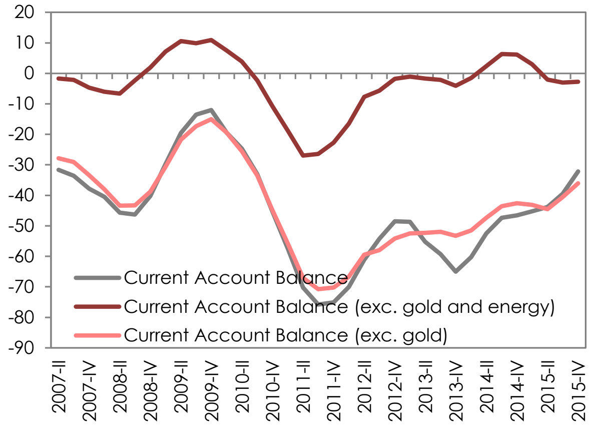
I. Current Account

In the final quarter of 2015, the current account deficit maintained its year-on-year decline and materialized as USD 7.6 billion. In this period, the improvement in the current account balance is attributable to the year-on-year decline by USD 4.7 billion in the cost of energy imports due to the fall in oil prices, and the year-on-year decrease by USD 2.3 billion in imports of gold. However, tourism revenues receded in the last quarter, as was the case throughout the year, and became a factor that put a cap on the improvement of the current account balance. The current account balance recorded an improvement by USD 11.4 billion compared to the previous year. Alternatively, the year-end revisions in balance of payments statistics have become another factor that has had a positive effect on the current account balance since 2005 (Box 1).

A year-on-year analysis indicates that the current account deficit that had narrowed since early 2014 maintained its trend. Thus, in 2015, the current account deficit receded to USD 32.1 billion, and its share in GDP dropped to 4.5 percent. However, the current account balance excluding gold and energy showed a slight deterioration.

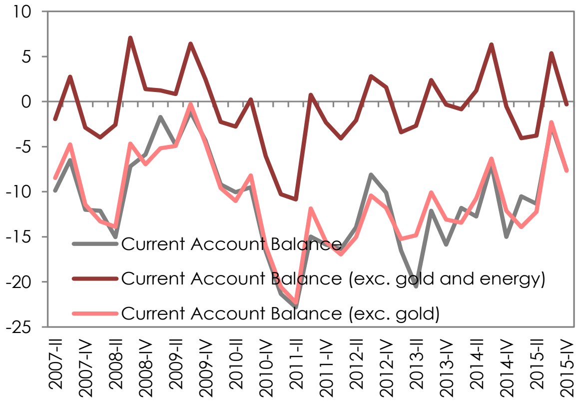
The foreign trade deficit excluding gold, which is the most influential determinant of the current account deficit, contracted by USD 4.6 billion year-on-year in the final quarter. In this period, both imports and exports declined. Nevertheless, the decline of imports, which was more remarkable than that of exports, became instrumental in the contraction of the foreign trade deficit. Throughout 2015, the foreign trade balance excluding gold recovered by USD 7.8 billion.

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



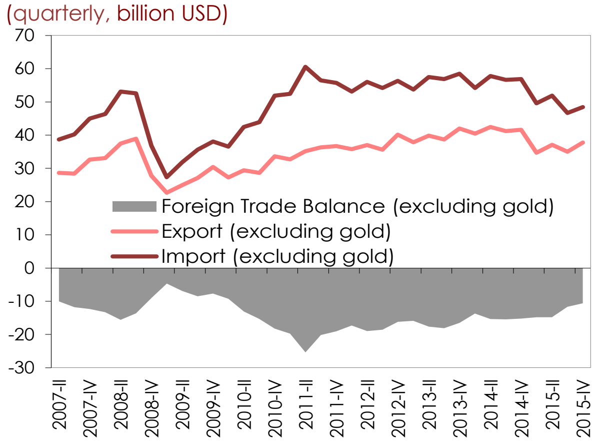
Source: CBRT.

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



Source: CBRT.

Chart 3. Foreign Trade Balance (excluding gold)
(quarterly, billion USD)



Source: CBRT.

Box 1 Year-End Revisions in Balance of Payments Statistics

Balance of payments statistics in Turkey are published on a monthly basis, with a six-week-time lag at the latest; thus, the BOP dissemination practice in Turkey is far beyond international standards in many aspects. With this practice, which aims to make statistics available to users before they lose their actuality, Turkey is one of the leading countries in terms of timeliness. However, releasing current account data on a monthly basis calls for the necessity of using provisional data in place of the data that are not yet available during the publication period. Therefore, the balance of payments statistics may be subject to revision also for the previous years due to the finalization of the mentioned provisional data, revisions in the source data and use of a new source in data compilation.

As per the revision policy of the balance of payments statistics,

- While disseminating the current month's data except for December,
  - Short-term external debt and long-term private external debt data back to the year 2002,
  - For other items, the current year's data as well as the previous year's monthly data may be subject to revision.
- While disseminating the data of December, previous five years' data of all items may be subject to revision.

On the other hand, in case of using a new source in data compilation or a methodological change, revisions may go back to the date when the data are available.

Within this framework, a number of revisions was made going back to 2005 during the publication of the December 2015 balance of payments statistics based on detailed studies conducted vis-à-vis the relevant public entities and agencies, companies and the banks submitting monthly foreign exchange reports. While some of these revisions were only classification changes, others had an impact on the "Current Account" and the "Financial Account", and hence on the "Net Errors and Omissions" item. The major revisions were as follows.

I. Current Account

- The "Current Account / Services / Transport / Other Transport" data are compiled through the direct reporting of the domestic airline companies, which also provided data for the Turkish Statistical Institute (TURKSTAT)'s pilot surveys on International Trade in Services for 2013 and 2014. Within this scope, due to revisions regarding 2013-2014 data as reported by the mentioned companies, finalization of the provisional data for 2015 and other revisions, "Services / Transport / Other Transport (Net)" item has been revised upwards by a total of USD 1.7 billion for the 2013-2015 period.

- Wages earned by non-residents who have been granted work permits by the Ministry of Labor and Social Security has been recorded as “Debit” and wages earned by the Turkish staff working in foreign diplomatic and consular missions in Turkey has been recorded as “Credit” in the "Current Account / Primary Income / Compensation of Employees" item since 2005.

  With the December 2015 Balance of Payments Statistics, in addition to the mentioned wages, wages earned by Turkish employees/workers working abroad calculated on the basis of the Turkish Employment Agency’s records were recorded as “Credit”, whereas wages earned by the foreign staff working in Turkey's consulates and embassies abroad calculated on the basis of the Republic of Turkey Ministry of Foreign Affairs’ records were recorded as “Debit” in the related item. The newly calculated data based on the mentioned administrative records were reflected in the “Compensation of Employees" item beginning with 2005 data which resulted in an upward revision in the "Compensation of Employees (Net)" item by a total of USD 7.0 billion for the 2005-2015 period.

- The “Current Account / Primary Income / Direct Investment / Debit” item has been revised downwards by a total of USD 0.6 billion, USD 0.3 billion for 2014 and 2015 each, due to reinvested earnings data that were finalized with the 2014 inward foreign direct investment survey and due to revisions in data reported by banks.

- The “Current Account / Secondary Income / General Government” item has been revised due to a change in classification and also year-end studies. Based on the on-going studies towards full implementation of the “Balance of Payments and International Investment Position Manual, 6th Edition (BPM6)”, “contributions paid to international organizations” have been moved from the “Current Account / Services / Government Goods and Services n.i.e / Debit” item to the “Current Account / Secondary Income / General Government” item, starting with the 2006 data.

  Moreover, within year-end studies, data pertaining to the European Union grants reported by banks and recorded as credit under the “Current Account / Secondary Income / General Government” item, have been revised upwards by a total of USD 1.1 billion for 2014 and 2015.

  As a result, the “Current Account / Services / Government Goods and Services n.i.e / Debit” and the “Current Account / Secondary Income / General Government (Net)” items have been revised downwards by USD 1.8 billion and USD 0.7 billion respectively, for the 2006-2015 period.

II. Financial Account

- The “Financial Account / Direct Investment / Net Incurrence of Liabilities / Equity Capital / Inflow” item has been revised downwards by USD 0.3 billion and upwards by USD 0.4 billion for 2014 and 2015, respectively, in line with the reinvested earnings data that were finalized with the 2014 inward foreign direct investment survey and due to revisions in data reported by banks (based upon studies conducted within the Ministry of Economy and companies).

- With regard to long and short-term credit disbursements and repayments that are reported by banks, necessary revisions have been made in the External Debt Monitoring System database upon the studies conducted with banks and companies, on large loans mostly used abroad without being brought into Turkey. Within this framework, the "Banks" and "Other Sectors" items under the “Financial Account / Other Investment / Loans / Net Incurrence of Liabilities” have been revised upwards by USD 90 million and USD 758 million, respectively, for the 2011-2015 period.

In conclusion, the Current Account Deficit has been revised downwards by USD 10 billion, the Financial Account has been revised by USD 0.4 billion as an increase in net liabilities, and thereby the Net Errors and Omissions item has been revised downwards by USD 10.4 billion, stemming primarily from the following revisions of:

- USD 7.0 billion on "Compensation of Employees",
- USD 1.7 billion on “Other Transport”,
- USD 1.1 billion on “Secondary Income / General Government (Grant)” (excluding the classification change) and
- USD 0.6 billion on “Primary Income / Direct Investment”.

The revisions covered the period from January 2005 to the end of November 2015.

Table 1: Changes in Balance of Payments Key Items
(billion USD)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015*	Total
Current Account Balance**	0,5	0,7	0,8	0,8	0,7	0,7	0,6	0,6	1,1	3,0	0,7	10,0
Financial Account**	0,0	0,0	0,0	0,0	0,0	0,0	-0,1	-0,7	-0,3	1,2	-0,4	-0,4
Net Errors and Omissions	-0,5	-0,7	-0,8	-0,8	-0,7	-0,7	-0,7	-1,3	-1,4	-1,8	-1,1	-10,4

*January-November

** A positive change in the "Current Account" denotes a decline in the "Current Account Deficit", whereas a negative change in the "Financial Account" denotes a net increase in liabilities. The figures in the table may not add up due to rounding.

1.1 Exports of Goods

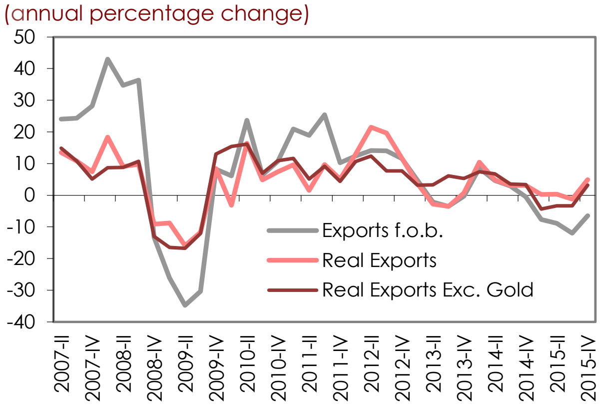
Throughout 2015, nominal exports trended down on an annual basis specifically due to the adverse effects of geopolitical developments regarding Russia and Iraq and the ongoing decrease in the euro/USD parity. The ongoing turnaround in EU countries could not recoup these adverse developments, impelling exports to decrease by 6.5 percent in the final quarter and by 8.7 throughout 2015. Real exports, both including and excluding gold, increased in the final quarter of the year.

According to the seasonally adjusted data by quarters, both total exports and exports excluding gold decreased in the final quarter. Seasonally adjusted exports and exports excluding gold, each posted quarter-on-quarter declines by 5.8 percent and 5.4 percent, respectively.

While the share of European Union (EU) countries in Turkey's exports excluding gold continued to increase in the final quarter, that of the Middle East and African (MEA) countries decreased. In this quarter, the share of EU countries in Turkey's total exports excluding gold recorded its highest increase since 2011Q2 and stood at 47.7 percent. Thereby, the share of EU countries climbed to 45.7 percent in 2015. The share of Middle East and African (MEA) countries, on the other hand, stood at 30.1 percent in the final quarter and at 31.2 percent throughout the year. Meanwhile, the share of exports to the Commonwealth of Independent States (CIS) including Russia and the Ukraine declined to 6 percent in the final quarter and to 6.4 percent throughout 2015, thus receding to 2006 levels.

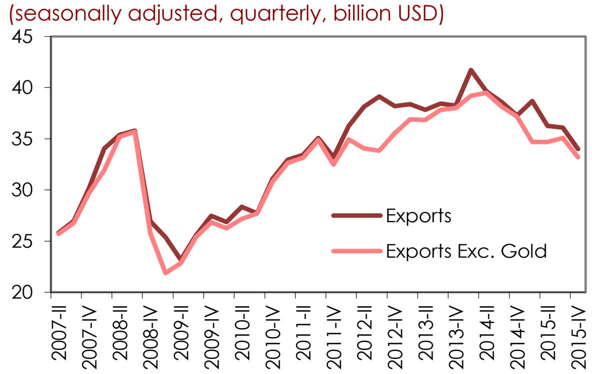
Growth in Turkey's export markets remained lower than global growth. While economic growth in Turkey's export markets was up 0.6 percent annually, the global growth rate was 1.7 percent in 2015Q4.

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



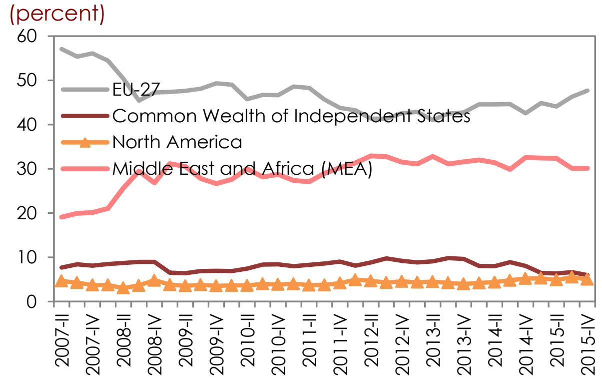
Source: TURKSTAT.

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



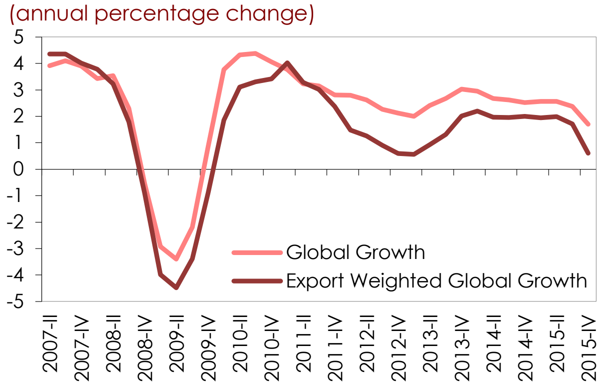
Source: TURKSTAT.

Chart 6. Selected Regions' Shares in Exports Excluding Gold
(percent)



Source: TURKSTAT.

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

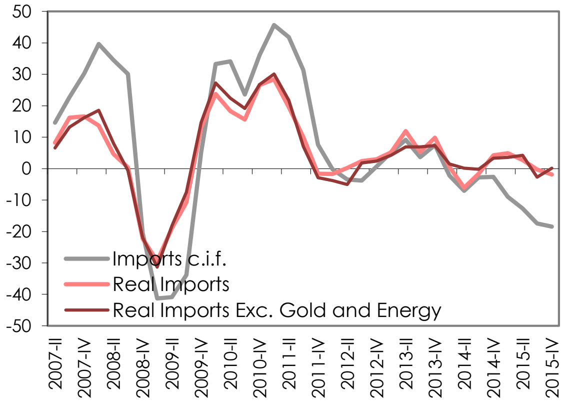


Source: CBRT.

1.2 Imports of Goods

Imports continued to decelerate in the final quarter of 2015. Imports decreased owing to the decline in the euro/USD parity and the fall in import prices, especially energy prices. Moreover, imports of gold decreased considerably year-on-year in the final quarter. Nominal imports contracted by 18.4 percent annually while the contraction in imports in real terms was 1.8 percent. Imports excluding gold increased by 2.3 percent in real terms, while imports excluding gold and energy remained flat year-on-year.

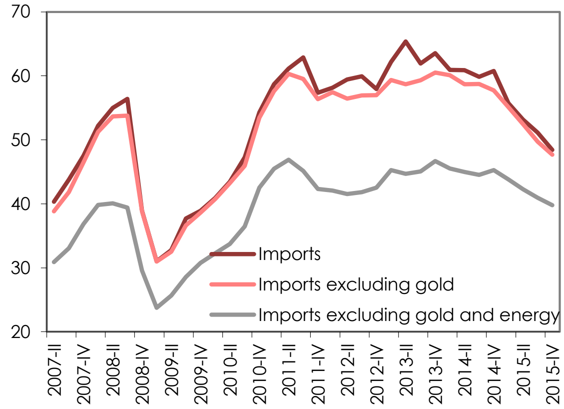
Chart 8. Imports - Nominal and Real
(annual percentage change)



Source: TURKSTAT.

Seasonally adjusted data suggest that imports declined significantly in quarterly terms. In 2015Q4, imports fell by 5.2 percent, while imports excluding gold and energy dropped by 2.8 percent, compared to the previous period.

Chart 9. Imports vs. Gold Excluded Imports
(seasonally adjusted, quarterly, billion USD)



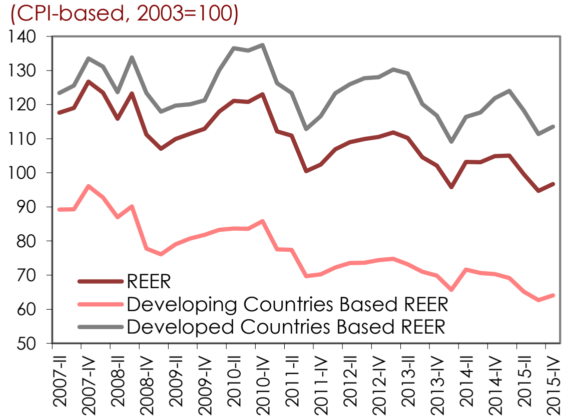
Source: CBRT.

1.3. Real Exchange Rate Developments

In the final quarter of 2015, the real exchange rate indices appreciated slightly compared to the previous quarter. Domestic inflation developments were influential in the trend of real exchange rate indices in this period.

The Turkish lira appreciated in real terms against currencies of both advanced and emerging economies. The emerging markets sub-index continued to hover above 100 points, preserving the value of the Turkish lira against this country group.

Chart 10. Real Effective Exchange Rates (REER)
(CPI-based, 2003=100)



Source: CBRT.

1.4 Global Outlook

Provisional data from the World Trade Organization reveal that world trade continued to decline in the final quarter. In this quarter, world trade contracted by 10.6 percent year-on-year. The decline in nominal exports in this quarter can be attributed to euro/USD parity developments in addition to price declines.

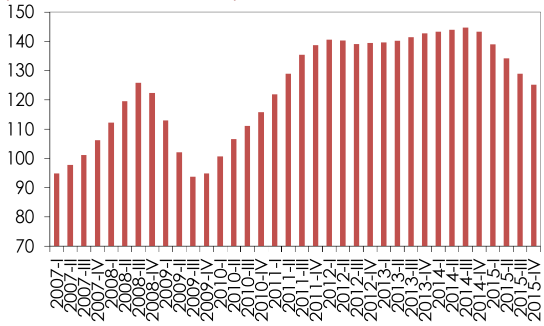
World Trade Organization data suggest that in 2015, while Turkey's share in global imports declined, its share in global exports posted a modest increase. Thus, in the final quarter of 2015, Turkey's share in global imports and global exports were 1.25 percent and 0.88 percent, respectively.

1.5 Terms of Trade

The recent downtrend in both export and import prices continued in the final quarter of 2015. In this quarter, export prices and import prices decreased by 10.9 percent and 16.9 percent, respectively, year-on-year. Decline in oil and energy prices was influential on the downtrend of export and import prices and price decreases were observed across all sub-sectors.

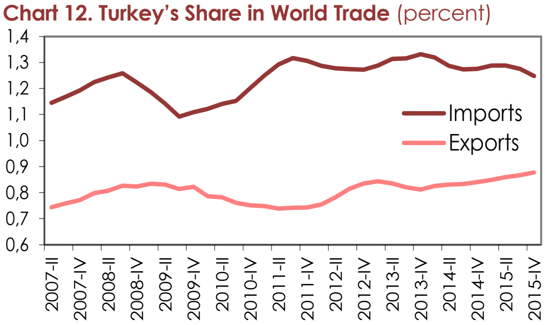
Terms of trade, which had been on the rise since mid-2012 due to import prices that posted a more significant decline than export prices, continued to increase in 2015Q4. When energy and gold are excluded, the rise in terms of trade is slower and more gradual. Terms of trade became 108.8 with a 7.3 point annual increase in the final quarter. However, with the exclusion of gold and energy, the annual increase of the index receded by 0.5 points to 102.4.

Chart 11. World Exports
(annualized, 2007=100)



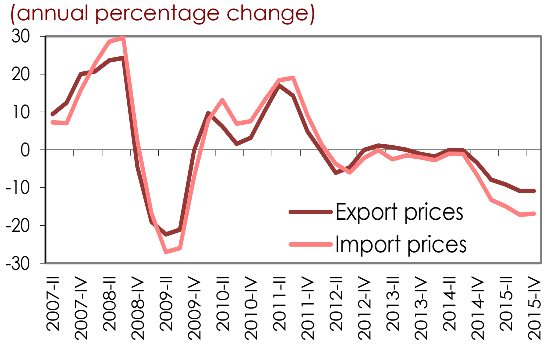
Source: WTO.

Chart 12. Turkey's Share in World Trade (percent)



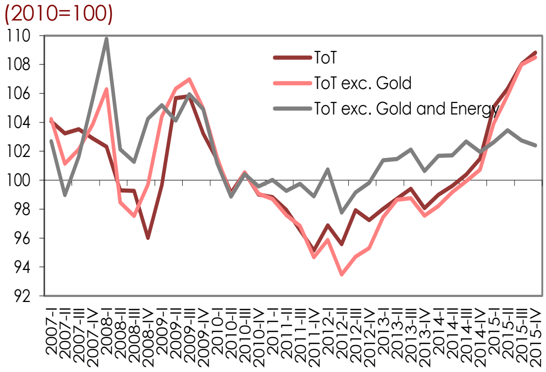
Source: WTO.

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



Source: TURKSTAT.

Chart 14. Terms of Trade
(2010=100)



Source: TURKSTAT.

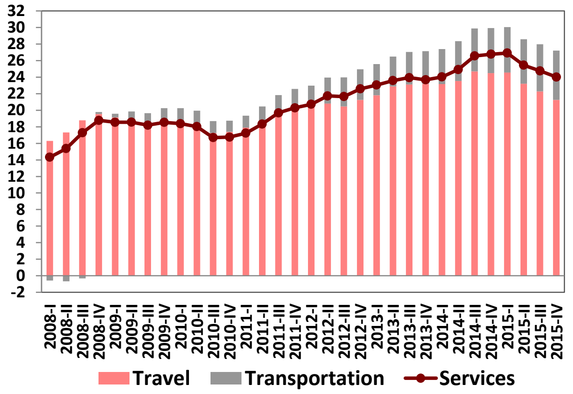
1.6 Services Account

The services item, which is the second most important determinant of the current account after foreign trade, followed a downtrend in the fourth quarter, due to the decline in net travel revenues. Compared to the same quarter of the previous year, the contribution of transport, other business services and government goods and services n.i.e items to the services account increased; whereas, the contribution of travel, construction and financial services decreased.

Despite the year-on-year rise in transport under the services balance, the contribution from the services item to the current account decreased due to the drop in the travel item. In 2015Q4, travel revenues decreased by 15.5 percent year-on-year, while travel expenditures increased by 1.2 percent. To sum up, in the fourth quarter of 2015, net travel revenues decreased by 20.2 percent year-on-year to USD 4.1 billion. Meanwhile, the number of tourists visiting Turkey decreased by 3.4 percent compared to the same period of previous year.. An analysis by country groups suggests that in the fourth quarter, the highest proportional year-on-year increase in the number of tourists was registered for Asian and the CIS countries, while the highest decrease was recorded for African and European countries.

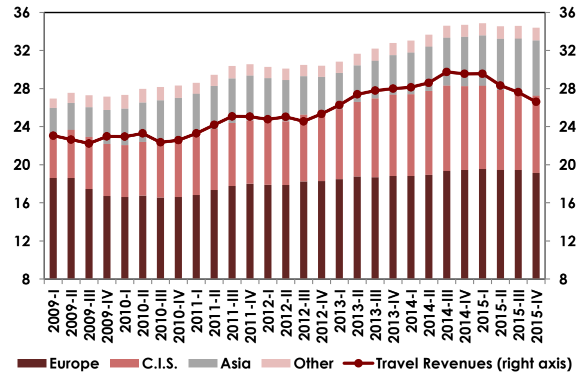
In the final quarter of 2015, the average spending both per foreign visitor and per non-resident Turkish citizen in Turkey decreased in year-on-year terms. The related data show that the average expenditure per foreign visitor in Turkey decreased by 16.0 percent year-on-year to USD 627, while the average expenditure per non-resident Turkish citizen visiting Turkey fell by 5.2 percent year-on-year to USD 957.

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



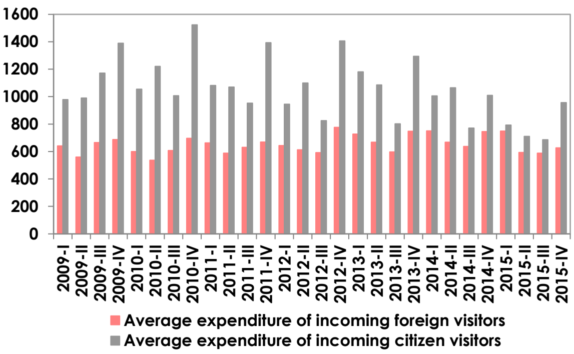
Source: CBRT.

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



Source: TURKSTAT.

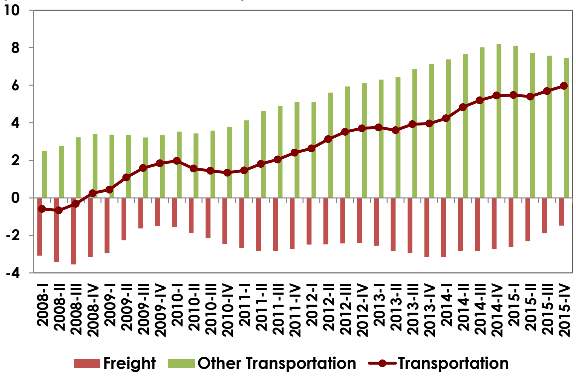
Chart 17. Average Expenditure
(USD/person)



Source: TURKSTAT.

The uptrend in net transportation revenues observed since 2014Q1 continued in this quarter as well. In the final quarter of 2015, transportation revenues decreased by 4.7 percent and transportation expenditures by 18.1 percent year-on-year, thereby leading to a 24.8 percent-rise in net transportation revenues. In this period, the share of foreign carriers in imports declined by 0.5 points quarter-on-quarter to 48.9 percent.

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

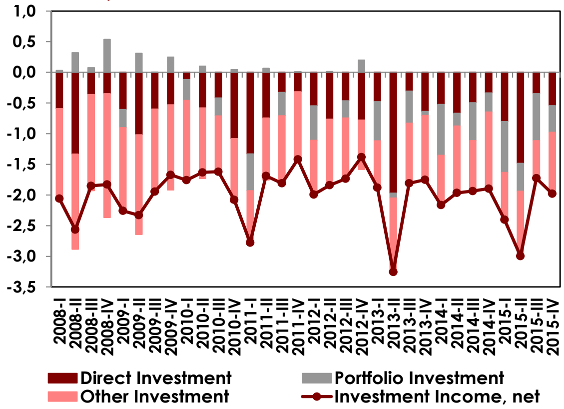


Source: TURKSTAT, CBRT.

1.7 Primary Income

The primary income, another component of the current account balance and the sum of compensation of employees and investment income items, continued to post outflows in 2015Q4. The rise in the primary income deficit in this quarter can mainly be attributed to the year-on-year increase in direct investment expenditure, under which profit transfer abroad is tracked. Meanwhile, starting with the December 2016 balance of payments data, the wages of Turkish employees/workers working abroad started to be recorded as a “Credit” for compensation of employees item under primary income balance. The mentioned data is received from the Turkish Employment Agency and the data covers wages since 2005 (Box 2). Outflows from the primary income balance increased by 7.3 percent year-on-year to USD 2.1 billion in 2015Q4. While outflows from direct investment and portfolio investment sub-items under the investment income item increased, outflows from other investment sub-item decreased.

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

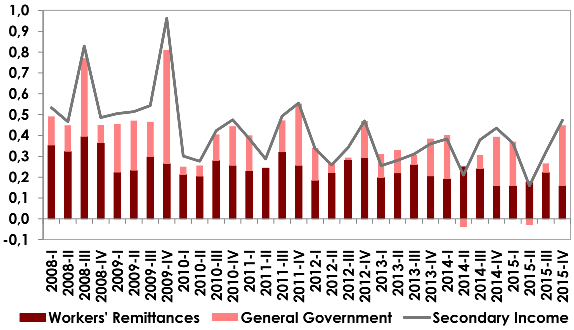


Source: CBRT.

1.8 Secondary Income

Net inflows in the secondary income, which consists of current transfers of the general government and other sectors, increased quarter-on-quarter. In 2015Q4, the secondary income balance expanded by 8.7 percent year-on-year, registering a net inflow of USD 473 million. This expansion can be mainly attributed to the 22.5 percent rise in net inflows in the general government item, which includes grants between countries, despite the decline in net inflows in the other sectors item.

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



Source: CBRT.

Box 2

Compensation of Employees and Its Implications on Balance of Payments Statistics

Definition and Scope

Compensation of Employees presents basically the total remuneration, in cash or in kind, salaries and other earnings of resident employees in an economy (country A), receivable by them in return for the labor input to the production process of other economies (country B) in an employer-employee relationship with the enterprise (IMF Balance of Payments and International Investment Position Manual 6th Edition-BPM6, page 185).

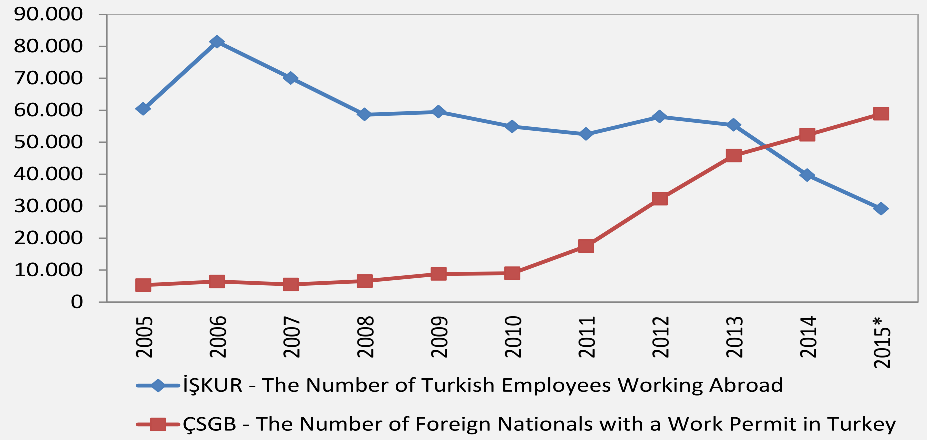
In this scope, “Compensation of Employees” has three main components (BPM6, page 186):

(1) wages and salaries in cash,
(2) wages and salaries in kind,
(3) employers' social contributions.

In Turkey's balance of payments table, earnings of foreigners, granted a work permit for a definite period of time in Turkey by the Ministry of Labour and Social Security (ÇSGB), had been recorded as "Debit" and earnings of the Turkish staff employed in foreign diplomatic and consular missions in Turkey had been recorded as "Credit" in the "Compensation of Employees" item under the “Current Account/Primary Income” since 2005.

With the publication of the December 2015 Balance of Payments Statistics on 11 February 2016, compensation of Turkish employees working abroad, calculated based on the records of the Turkish Employment Agency (İŞKUR) are now recorded as "Credit", whereas foreign nationals working at Turkish embassies, consulate generals and consulates abroad, calculated based on the records of the Republic of Turkey Ministry of Foreign Affairs are now recorded as "Debit" under the same item, in addition to the aforementioned earnings. The newly calculated data based on the records obtained have been incorporated into the "Compensation of Employees" item to cover the years back to 2005.

Chart 1: The Number of Turkish Employees Working Abroad and The Number of Foreign Nationals with a Work Permit in Turkey (2005-2015*)



Source: ÇSGB, İŞKUR.
(*) January-November

Compensation of Employees / Credit

İŞKUR annually publishes the number of workers sent abroad according to a breakdown by countries and occupations. In recent years, the destinations of Turkish employees working abroad have mainly been Russia, Iraq, Saudi Arabia, Turkmenistan, Azerbaijan, Algeria, Kazakhstan, Tunisia, Libya, Afghanistan, Qatar and the UAE. The occupations held by these workers have mainly been in the construction sector as well as in maintenance and repair work.

While calculating the earnings of Turkish employees working abroad in view of their locational and occupational profile, the minimum wage allocations legally defined for foreigners, who hold a work permit for a definite period of time in Turkey, based on their occupational groups were used.

Another sub-component of the credit item is the wages earned by Turkish staff employed in foreign diplomatic and consular missions in Turkey, which are calculated based on the data of the Republic of Turkey Ministry of Foreign Affairs. These data have also been updated within the scope of year-end revisions.

Compensation of Employees / Debit

ÇSGB publishes the statistics on **"Work Permits of Foreigners"** by economic activities, education status and type of permission. The data available cover the years back to 2010.

For the "Average Salary" data, foreigner profile information as included in statistics was used based on the criteria set forth in the **"Application Regulations for the Law No. 4817 on Work Permits of Foreigners"**.[1] During year-end revisions, the debit data derived from data of foreigners with a work permit in Turkey was updated.

[1] As per Article 13 of the Application Regulations for the Law No. 4817 on Work Permits of Foreigners, **the monthly salary** payable to a foreigner as declared by the employer should be commensurate with the position and competence of the foreigner. Accordingly, **taking into consideration the minimum wage prevailing on the date of the application, the salary to be paid to a foreigner should be equal to at least**

- **6.5 times** the minimum wage for senior executives and pilots, as well as for engineers and architects applying for a preliminary permit,
- **4 times** the minimum wage for unit or branch managers, as well as for engineers and architects,
- **3 times** the minimum wage for persons to be employed in occupations requiring expertise and proficiency, as well as teachers, psychologists, physical therapists, musicians and performing artists,
- the minimum wage for foreigners to be employed in household services and at least **1.5 times** the minimum wage for foreigners to be employed in occupations other than the aforementioned ones (such as salesperson, marketing-export officer, etc.)
- **2 times** the minimum wage for foreigners to be employed in tourism-animation organization companies as acrobats or at similar posts, as well as for foreigners to be employed as masseurs and SPA therapists. (http://www.calismaizni.gov.tr/calisma-izni/izin-degerlendirme-kriterleri/)

Another sub-component of the debit item is the salaries paid to foreign nationals employed in Turkish embassies, consulate generals and consulates abroad, calculated based on the records of the Republic of Turkey Ministry of Foreign Affairs.

Table 1: Revision of the Compensation of Employees Item, 2005-2015*
(million USD)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015*	Total
Net	469	670	830	766	653	697	610	579	406	714	577	**6.971**
Credit	481	687	848	781	669	719	673	728	765	611	376	**7.338**
Debit	12	17	18	15	16	22	63	149	359	-103	-201	**367**

Source: CBRT
(*) January-November

To sum up, a revision has been made in the "Compensation of Employees" item covering the period from January 2005 to the end of November 2015. Accordingly, this item has been revised up by a net total of USD 7.0 billion with a breakdown of USD 7.3 billion in credit and USD 0.3 billion in debit.

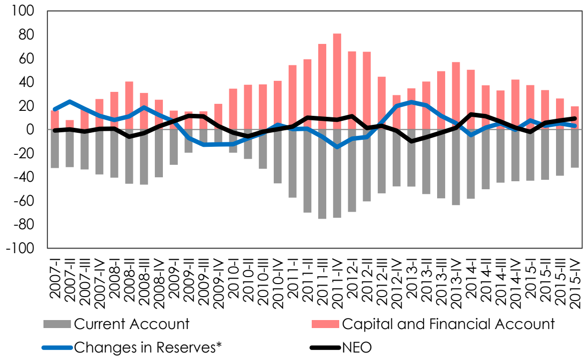
II. Financial Account

The global risk appetite presented a negative outlook due to the lingering weak trend and the divergence in global economic activity as well as the financial volatility triggered by uncertainties in monetary policies. Meanwhile, the intense adverse geopolitical and political developments in Syria stood out as a Turkey-specific factor affecting financial movements. A breakdown of financial account in the balance of payments by main headings reveals that the uptrend in direct investment inflows that started in the third quarter of 2015 continued in the fourth quarter as well. Portfolio investments continued to post outflows due to the worsening global risk appetite. As for other investment inflows, while inflows received by the banking sector slightly receded, other sectors' external borrowings continued with further acceleration.

In the final quarter, the financing requirement decreased year-on-year. The financing requirement item increased by USD 2.2 billion quarter-on-quarter to USD 19.9 billion.[2]

In this quarter, the share of debt-creating flows in total liabilities decreased while that of non-debt-creating flows in total liabilities grew year-on-year. Debt-creating flows and non-debt-creating flows increased by USD 2.0 billion and USD 4.6 billion, respectively.

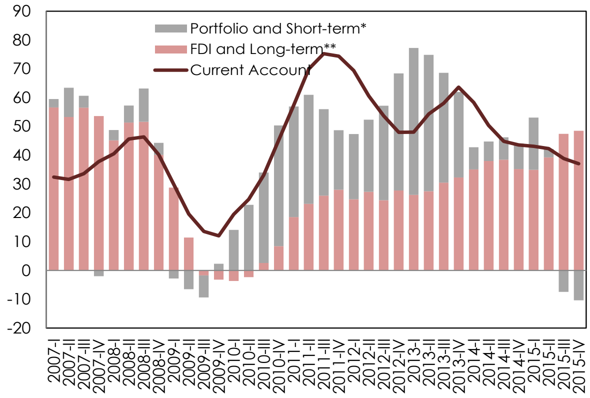
Chart 21. Current Account Balance and Net Financial flows (annualized, billion USD)



Source: CBRT.

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

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

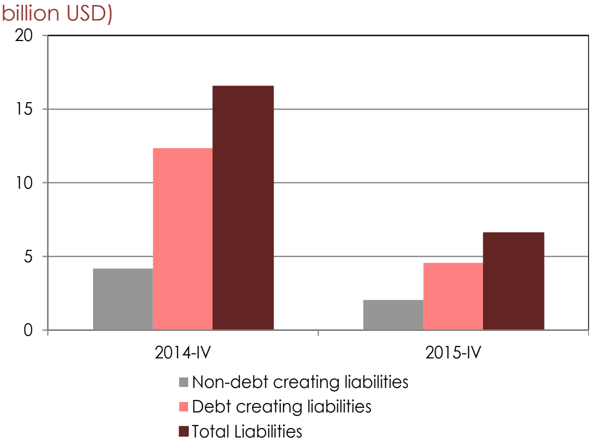


Source: CBRT.

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

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

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



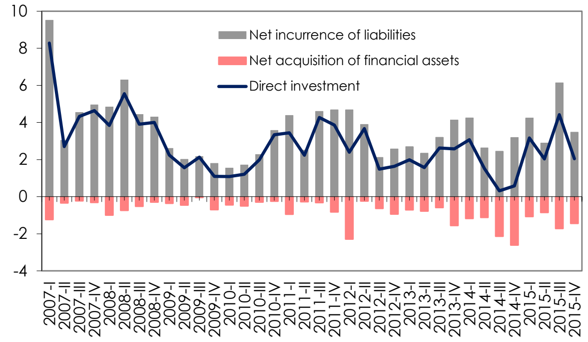
Source: CBRT.

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

2.1 Direct Investment

The uptrend in direct investment inflows, which was observed in the previous quarter, continued in this quarter as well. This is not an overall change in the direct investments trend but instead the result of a few transactions with large amounts.

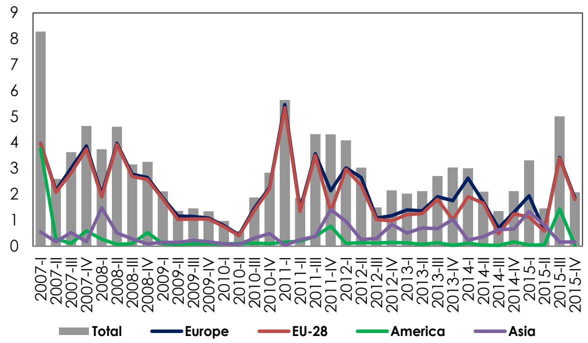
Chart 24. Direct Investment
(billion USD)



Source: CBRT.

In the final quarter of 2015, the amount of direct investments in Turkey was USD 3.5 billion. The majority of these investments were composed of investments in manufacturing sectors and in the transportation and storage sector. In this quarter, while the share of investments from the American countries in the equity capital item under the direct investments in Turkey dropped to 2.5 percent, those of European and Asian countries escalated to 89.6 and 7.9 percent, respectively (Box 3).

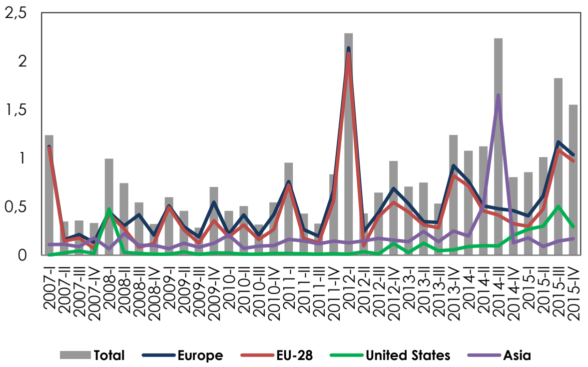
Chart 25. Direct Investment in Turkey - Geographical Distribution (billion USD)



Source: CBRT.

Turkey's direct investments abroad slightly decreased in the final quarter compared to the previous quarter and became USD 1.4 billion. The share of European countries in the equity capital item in Turkey's direct investments abroad increased to 66.7 percent, while that of Asian countries dropped to 18.9 percent.

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

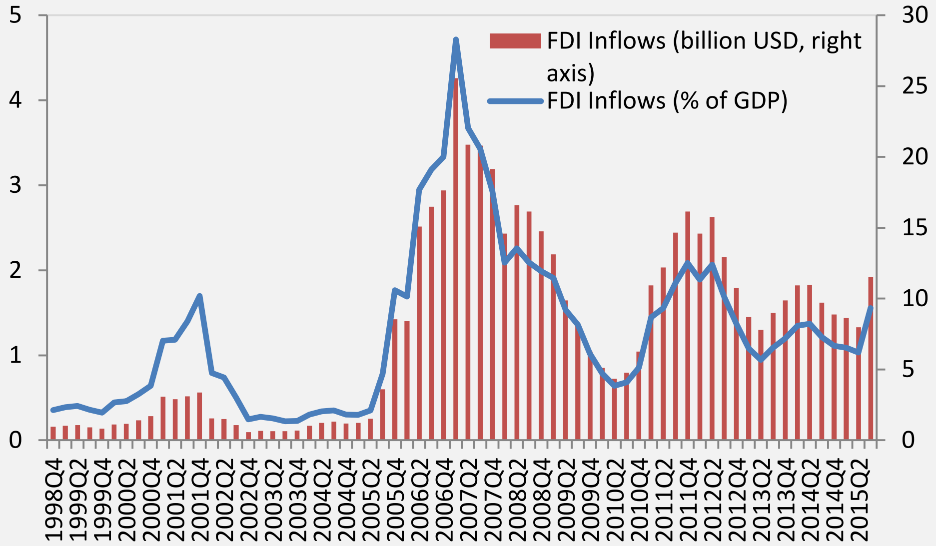


Source: CBRT.

Box 3 Foreign Direct Investments in Turkey and a Comparison with Emerging Economies

Foreign direct investments (FDI)[3] in Turkey have displayed a fluctuating trend over the years. While the share of FDIs in the overall economy was at negligible levels until the 2000s, it has shown a significant uptrend particularly as of 2004. The share of FDI inflows in the GDP, which reached as high as 5 percent in the second half of 2000s, dropped below 1 percent during the global financial crisis, and stabilized at around 1-2 percent after the financial crisis until today (Chart 1).

Graph 1: FDI Inflows

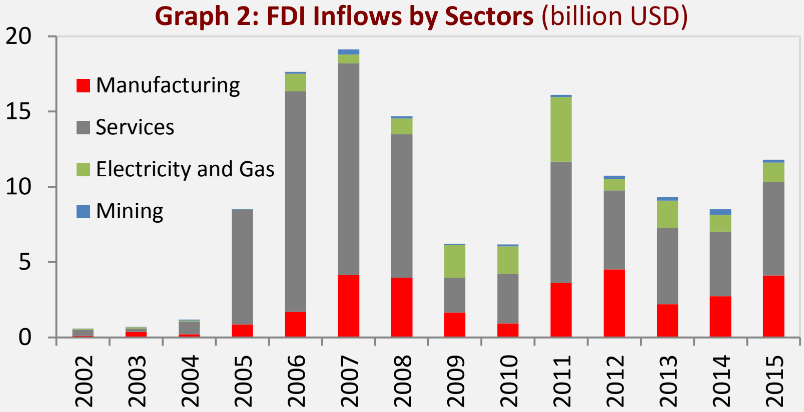


Source: CBRT.

A breakdown of FDIs by sectors reveals that FDI inflows mainly concentrated in the services sector between 2002 and 2015. In the first half of 2000s, FDI inflows accelerated and 80 percent of FDI flows were received by the services sector in Turkey; after 2009, the share of the services sector in FDI flows decreased to 50 percent (Chart 2). An analysis of FDI flows to the services sector by sub-items suggests that FDI flows concentrated mainly in the banking sector (Chart 3). In the manufacturing industry, the petroleum products and food sectors received the highest FDI flows (Chart 4).

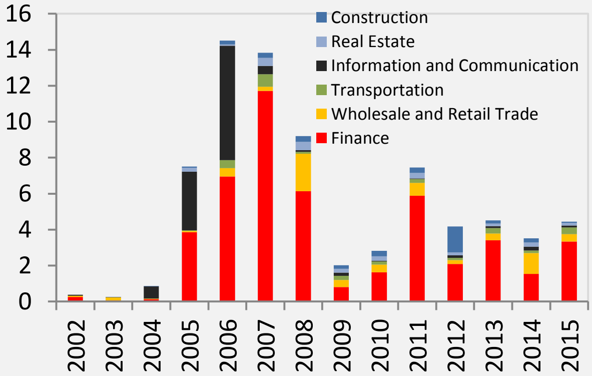
[3] In the balance of payments presentation system, non-residents' FDI in Turkey cover also non-residents' real estate purchases. In this Box, real estate item has been excluded while analyzing FDI in Turkey.

Graph 2: FDI Inflows by Sectors (billion USD)

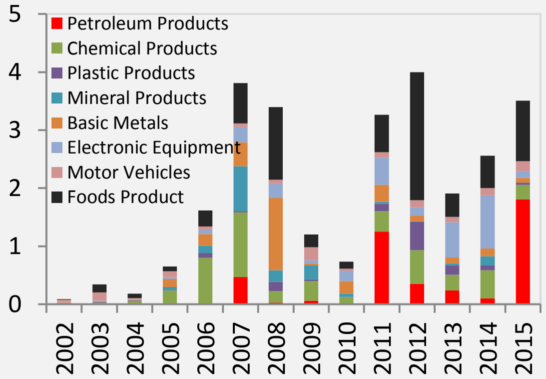


Source: CBRT

Graph 3: FDI Inflows in Services (billion USD)



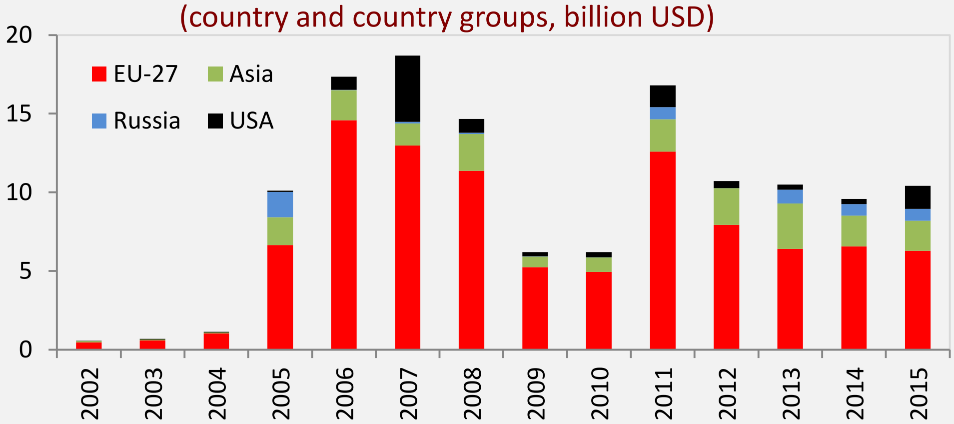
Graph 4: FDI Inflows in Manufacturing (billion USD)



Source: CBRT.

An analysis of FDI to Turkey by countries and country groups reveals that the share of EU countries was 78.0 percent between 2002 and 2014. The EU countries' share has been decreasing over the last few years and was 62.0 percent in 2015. In the same period, the shares of Asian countries and Russia increased significantly. The rise in Asian countries' share was mainly driven by Japan and Azerbaijan.

Graph 5: FDI Inflows (country and country groups, billion USD)

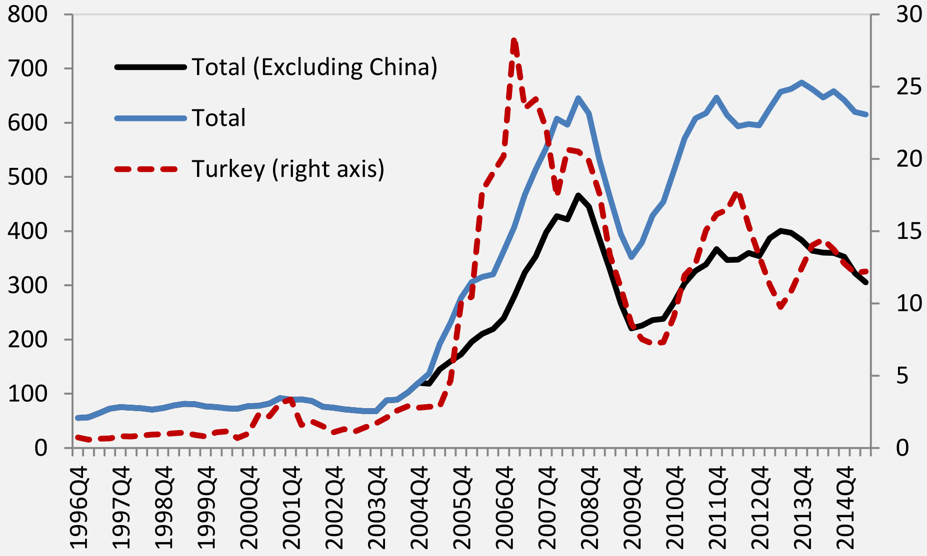


Source: CBRT

Comparison between FDI Flows to Turkey and other Emerging Economies

Chart 6 shows FDI flows to emerging market economies and Turkey. For FDI flows to emerging economies, the "Net Incurrence of Liabilities" sub-item under "Direct Investment"[4] in the "Sixth Edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6)" database was used. Data for 27 countries[5] for 1996Q1-2015Q2 period was retrieved from the IMF database. Accordingly, FDI flows to emerging economies between 1996 and 2015 were analyzed in three periods. Between 1996 and 2004, capital flows to emerging markets through FDI was low (USD 70 billion on average) and displayed a stable trend. Between 2004 and 2008, a period marked by rapid increase in global liquidity, FDI flows to emerging economies significantly increased. Right before the global financial crisis, in 2007, FDI flows to emerging economies had reached an all-time high level at USD 640 billion in total. Despite some decline during the global financial crisis, in the post-crisis period FDIs have maintained their 2007 levels. China is the leading country among emerging economies with respect to FDI inflows. FDI flows to emerging economies, excluding China, have changed between USD 300 to 400 billion over the last four years. However, as of mid-2013, FDI flows to emerging economies except for China assumed a downtrend.

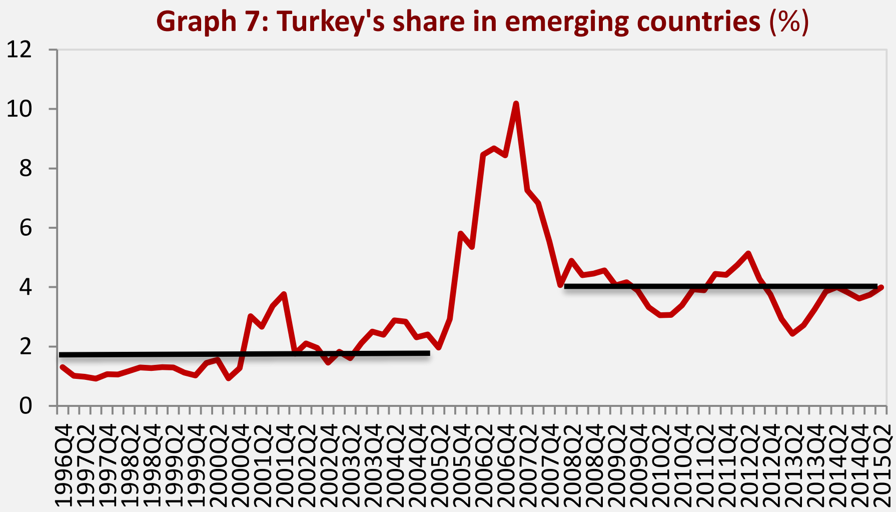
Graph 6: FDI Inflows to Emerging Countries
(12-month cumulative, billion USD)



Source: CBRT.

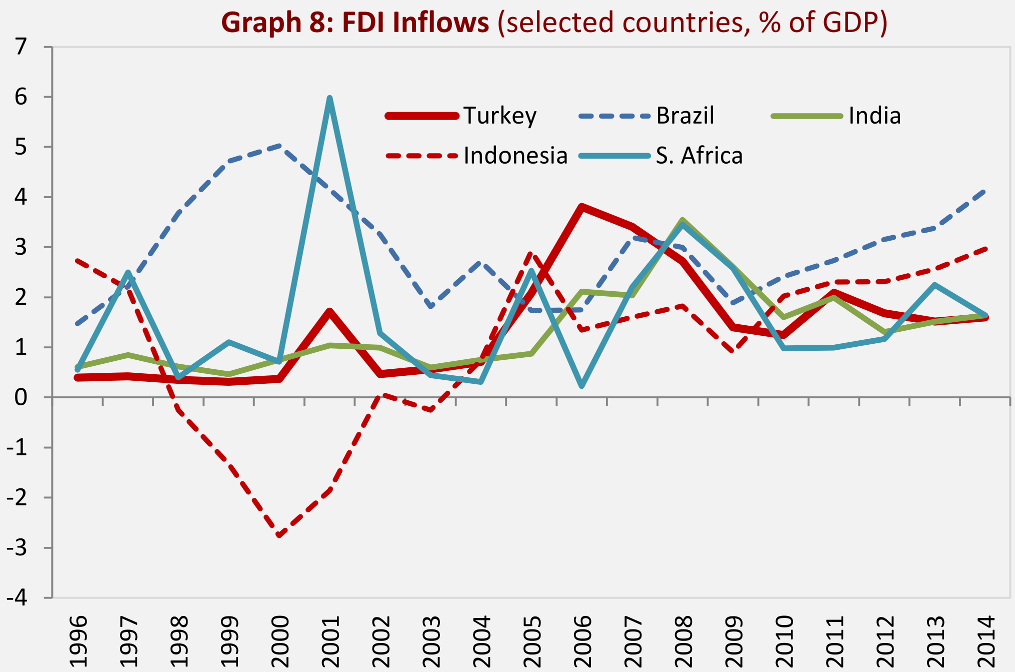
While Turkey's share in FDI flows to emerging economies excluding China was 1-2 percent between 1990s and in the first half of the 2000s, this share increased to 3-5 percent between 2008 and 2015 (Chart 7).

[4] Covers non-residents' real estate purchases.
[5] These countries are; Argentina, Bolivia, Brazil, Bulgaria, Chile, China, Colombia, Croatia, Equador, Hungary, Indonesia,India, Malaysia, Peru, Paraguay, the Phillipines, Romania, S.Africa, Turkey, Thailand, Ukraine, Uruguay, Venezuela, Vietnam.



Source: CBRT.

Chart 8 presents the ratio of FDI inflows to GDP for Turkey and for selected peer countries (S. Africa, Brazil, India and Indonesia). The data suggest that Turkey has had a trend similar to those of S. Africa and India. Brazil and Indonesia have diverged from these countries.



Source: CBRT.

To sum up, FDI flows to Turkey have increased significantly as of 2004 and inflows mainly concentrated in the services sector; however, the manufacturing sector's share has been rising recently. Compared to FDI flows to other emerging economies, capital flows to Turkey have been displaying a similar trend to that of other emerging economies.

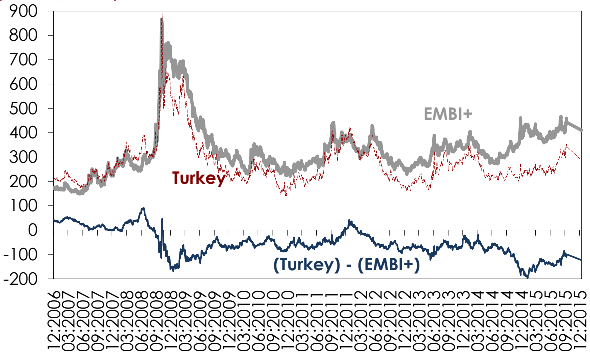
2.2. Portfolio Investment

In this quarter, concerns over growth in China and in the energy-exporting countries stood out as the primary factor affecting portfolio flows towards emerging economies. Turkey's risk premium remained below the average risk premium of the Emerging Markets Bond Index (EMBI+) and the gap between the two risk premia slightly expanded quarter-on-quarter.

In the final quarter of the year, outflows from portfolio investments decelerated compared to the previous quarter. In terms of investment instruments, other sectors' equity securities and all other debt securities, excluding bond issues abroad, posted net outflows throughout the quarter. In this period, the stock market and the GDDS market recorded net outflows of USD 1.3 billion and USD 1.8 billion, respectively. The maturity structure of the portfolio investment item continued to deteriorate.

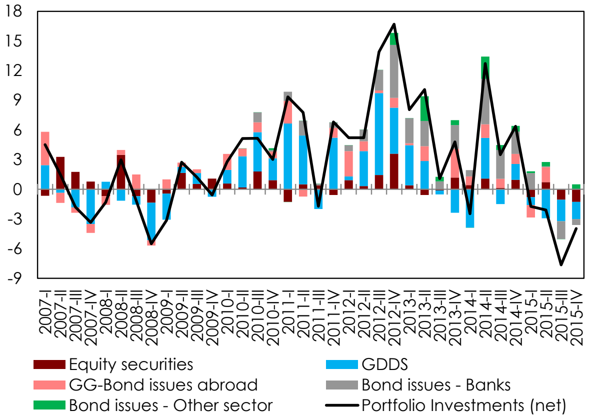
While banks' bond issues abroad declined, those of other sectors increased in this quarter. In 2015Q4, banks effected a net repayment of USD 0.7 billion through these bond issues abroad. In the same quarter, other sectors borrowed net USD 0.5 billion through bond issues abroad. Consequently, by December 2015, the stock of debt securities issued by banks abroad decreased to USD 30.2 billion while the stock of debt securities issued by other sectors abroad increased to USD 9.2 billion.

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



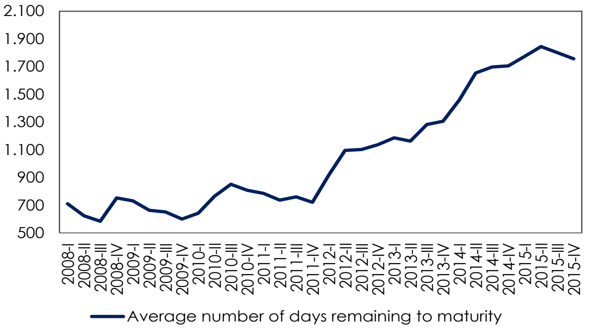
Source: JP Morgan.

Chart 28. Portfolio Investment - Liabilities
(billion USD)



Source: CBRT.

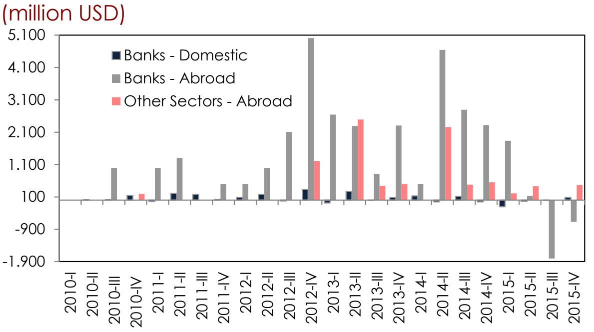
Chart 29. Maturity Structure of Non-Residents' Holdings of GDDS (average number of days remaining to maturity)*



Source: CBRT.

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

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

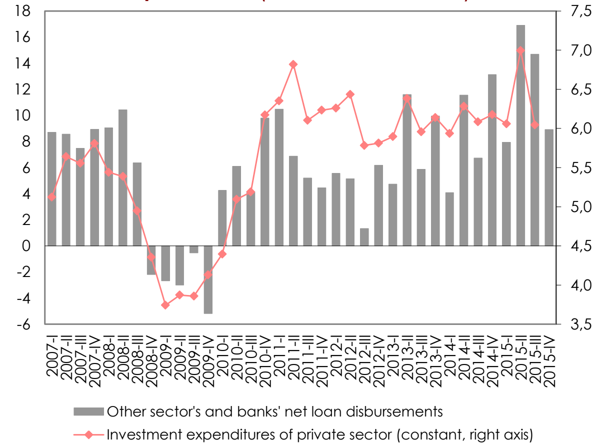


Source: CBRT.

2.3 Loans and Deposits

In the final quarter of 2015, neither the banking sector nor other sectors had any supply-side constraints in external borrowing through loans. As the banking sector recorded a net repayment by a small margin, the shift from short-term borrowing through loans to long-term borrowing that had started in the first quarter of the year continued in this quarter as well. This shift is attributed to the impact of the arrangements that the Central Bank introduced to extend the maturity of banks' external borrowing. In this quarter, banks used net USD 4.4 billion of long-term loans and repaid USD 4.8 billion of short-term loans. Banks' total debt rollover ratio (in short and long-term loans) decreased quarter-on-quarter to 99 percent; when borrowing through bonds is included, the ratio drops to 97 percent.

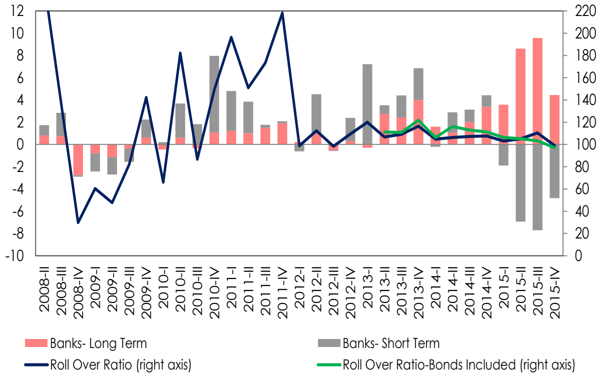
Chart 31. Net Long-Term Loan Utilization*(billion USD, covering the effect of Decree No: 32) **and Other Sectors' Investment Expenditures** (billion TL, 1998=100,)



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

Source: CBRT.

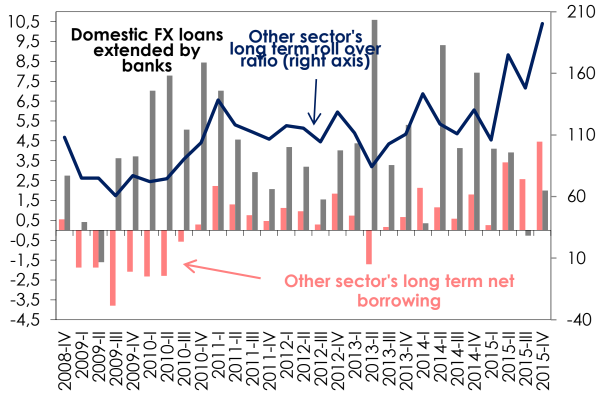
Chart 32. Banks' Net Borrowing (billion USD) **and Total Rollover Ratio** (percent)



Source: CBRT.

Meanwhile, other sectors were net borrowers in long-term loans due to the rise in these loans and were net repayers in short-term loans. In this quarter, net USD 4.4 billion of long-term loans were utilized and the average borrowing maturity was extended on the back of the loans received for financing the large-scale domestic projects with very long maturities. While the long-term debt rollover ratio reached 200.3 percent, the total debt rollover ratio of other sectors including short-term loans and borrowings through bonds increased quarter-on-quarter and reached 146 percent (Box 4).

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



Source: CBRT.

Box 4 Average Maturity of Outstanding Loans Received From Abroad by Non-Financial Private Sector Corporations

Pursuant to Decree No.32 on the Protection of the Value of the Turkish Currency, external loans obtained by the corporate sector are monitored by the Central Bank. External debt of the corporate sector is built of cash loans, bond issues abroad, trade loans and loans as foreign capital belonging to private banks (excluding state banks), non-bank financial institutions, non-financial institutions (excluding State Economic Enterprises) and real persons. These loans are published by the CBRT with the heading "Outstanding Loans Received From Abroad by the Private Sector", broken down as short-term and long-term. In this publication, data on the average maturity on a remaining maturity basis of the loans that the private sector obtains from abroad are presented by sectors[6].

This box analyzes the average maturity of outstanding loans received from abroad by non-financial private sector corporations on a remaining maturity basis. The analysis is carried out for short-term loans, long-term loans and total debt stock (short and long).

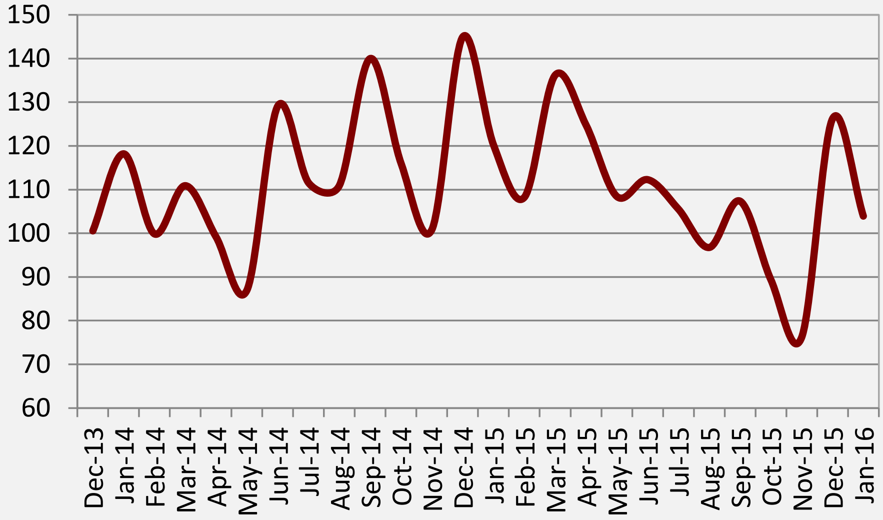
The average maturity calculations for the Statistics on Outstanding Loans Received from Abroad by Private Sector are based on remaining maturity. In this framework, the difference between the payment due date of each installment of the loan7 and the publication date is weighted with the installment amount. As the calculation of the average maturity is based on remaining maturity, the calculations cannot be updated regressively. Therefore, this fact shall be taken into account in analyses based on time series.

In light of this information, the average maturity based on a remaining maturity basis of short-term loans obtained by non-financial corporations from abroad, which assumed a downtrend in March 2015, was as short as 75 days in November 2015. The average maturity, which was extended to 126 days in December 2015, contracted and was 104 days by January 2016. This fluctuating trend can mainly be attributed to the fact that the ratio of short-term loans to total short-term is significantly low. In other words, a loan with a large amount can significantly influence the average maturity value for non-financial corporations (Chart 1).

[6] The sectoral breakdown is presented as financial (banks and non-bank financial institutions as two sub-groups) and non-financial corporations.

[7] The credit types are analyzed in the following sub-items: Loans received from parent companies, loans received from parent companies' affiliates, loans, bonds (borrower is the bank), loans received from foreign branches , syndication, securitization, bond (borrower is non-bank), financial leasing.

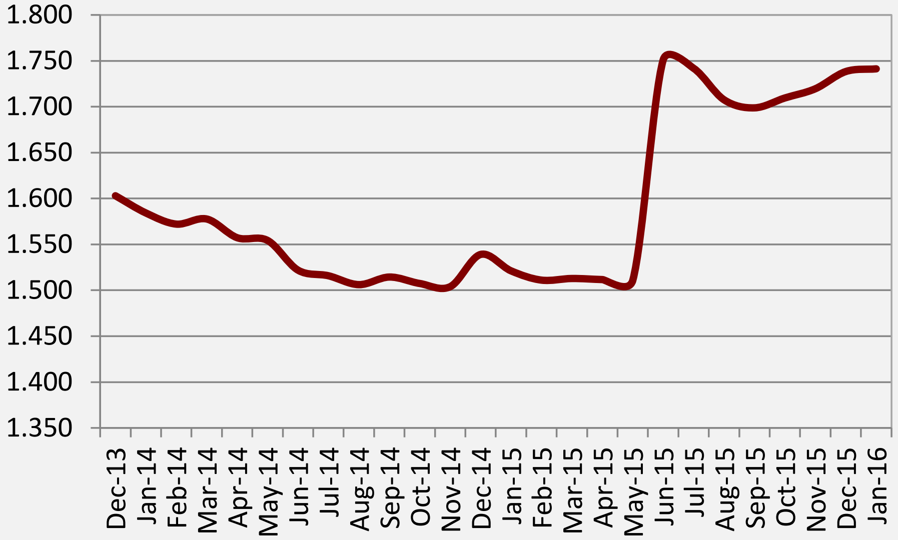
Chart 1. Average Maturity of Non-Financial Corporations' Short -Term Loans
(days)



Source: CBRT

The share of non-financial corporations in long-term debt stock was 46.7 percent in January 2016 and the average maturity of non-financial corporations' loans, which was hovering within the 1500-1550 day band in 2014, was extended to 1751 days in 2015Q2. Average maturity, which contracted in 2015Q3 again, showed an uptrend after October 2015 and reached 1741 days by January 2016 (Chart 2).

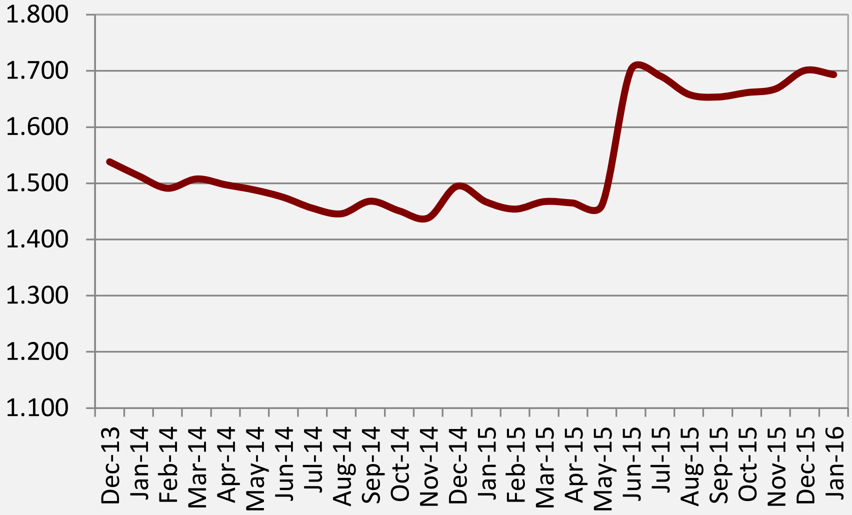
Chart 2. Average Maturity of Non-Financial Corporations' Long -Term Loans
(days)



Source: CBRT

The share of non-financial corporations in total debt stock decreased from 45.4 percent to 43.5 percent in December 2013-January 2016 period and the average maturity of non-financial corporations' loans, which decreased to 1450 days in March 2015, revealed an uptrend to become 1700 days by 2015Q2 and remained at this level by January 2016 (Chart 3).

Chart 3. Average Maturity of Non-Financial Corporations' Total Loans (Long and Short-term)
(days)

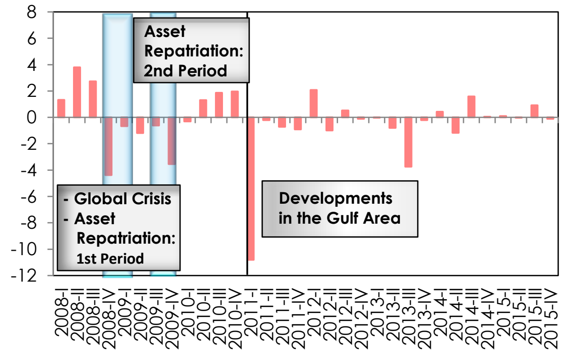


Source: CBRT

To sum up, average maturity of outstanding loans received from abroad by non-financial private sector corporations has been extended as of the second half of 2015. The extension in the average maturity of loans in this period can mainly be attributed to the very long maturities of the loans for large-scale projects in Turkey.

The indicative data on residents' deposits in banks abroad point to a USD 107 million drop in the final quarter of the year. These data are recorded in the balance of payments table under the "Financial Account / Other Investment / Currency and Deposits / Net Acquisition of Financial Assets / Other Sectors". This item stands as an important source of information that allows monitoring of capital movements as rapid and short-term movements are observed in these accounts particularly in times of financial turbulence.

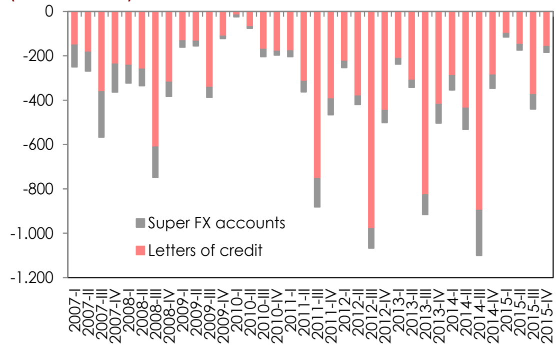
Chart 34. Other Sectors' Deposit Assets Abroad (billion USD)



Source: CBRT.

The implementation allowing non-resident Turkish citizens to open long-term FX deposit accounts with letters of credit and super FX accounts at the Central Bank was terminated on 1 January 2014. As the maturing accounts were closed, a net outflow of USD 185 million was registered in these accounts in 2015Q4.

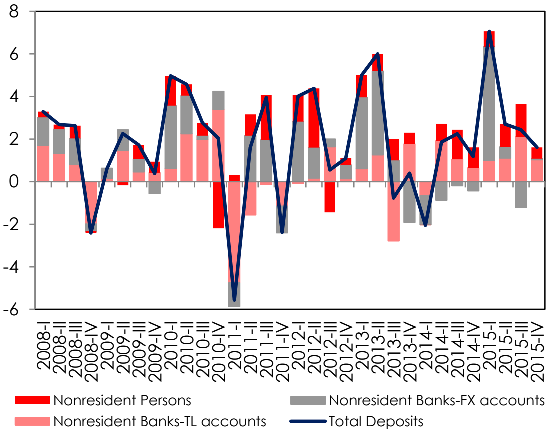
Chart 35. Deposits within the CBRT (million USD)



Source: CBRT.

In this period, there were deposit inflows to Turkey both from banks abroad and nonresident persons. In 2015Q4, the amount of FX deposits kept by banks abroad in domestic banks increased by net USD 0.5 billion, while TL deposits increased by USD 1.0 billion; thus, deposits in domestic banks kept by banks abroad posted a net increase of TL 1.5 billion. Meanwhile, non-residents' deposits increased by net USD 0.5 billion. Consequently, deposits kept in domestic banks by non-resident sources posted a net inflow of USD 1.6 billion.

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



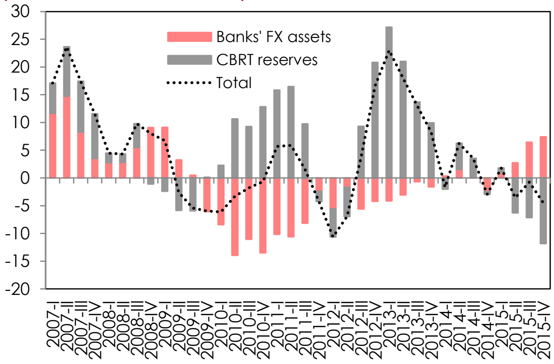
Source: CBRT.

In the last quarter of 2015, the reserve assets item in the balance of payments statistics decreased due to the capital outflows particularly in December. In addition to the FX sales to energy-exporting SEEs and banks, the narrowing of banks' deposits at the Central Bank, and the capital and interest payments for Treasury bonds issued abroad were the main outflow items from the reserves. Meanwhile, the primary sources of inflows to the reserve assets item in BOP contained the repayments on rediscount loans that the CBRT extends to exporters and FX inflow originating from the acquisition by the EBRD of the shares in Borsa Istanbul.

In 2015Q4, the CBRT's gross international reserves decreased by USD 9.2 billion quarter-on-quarter to USD 110.5 billion. 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, increased by 1.1 percent quarter-on-quarter and stood at USD 172.7 billion. As a result, the ratio of total international reserves to STED, which is considered as one of the reserve adequacy indicators, was recorded as 76.9 percent. Nevertheless, this ratio becomes 95.7 percent when branches and affiliates abroad are excluded.

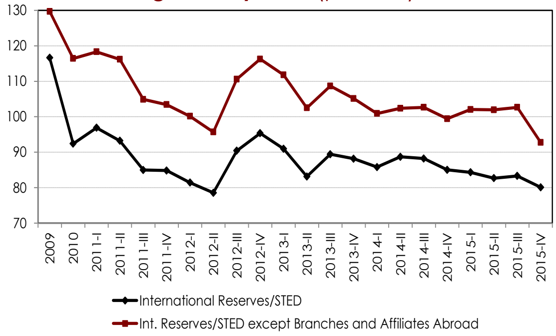
The Net Errors and Omissions (NEO) item posted a net outflow of approximately USD 3.3 billion in the fourth quarter of 2015. In annual terms, the 12-month cumulative NEO stood at USD 9.3 billion in this period and the ratio of 12-month cumulative NEO to total FX inflows reached 4.6 percent

Chart 37. Reserve Assets Item on the Balance of Payments Table and Banks' FX Accounts in Correspondent Banks (flow data, billion USD) (annualized, billion USD)



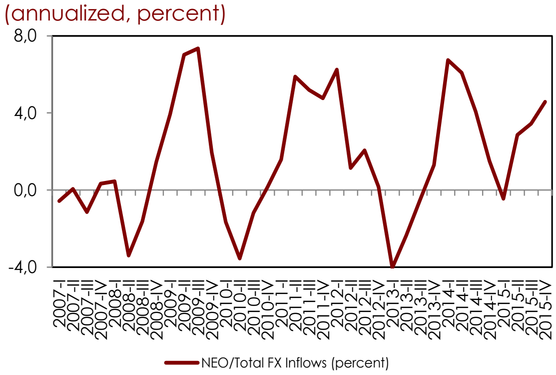
Source: CBRT.
Note: (+) increase; (-) decrease

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



Source: CBRT.

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



Source: CBRT.

III. Annex Tables

Balance of Payments (billion USD)

	January-December			December (Annualized)		
	2014	2015	% change	2014	2015	% change
Current Account	-43,6	-32,1	-26,3	-44,8	-38,8	-13,3
Goods	-63,6	-47,9	-24,7	-64,8	-55,5	-14,4
Exports	168,9	152,0	-10,0	169,4	155,2	-8,4
Exports (fob)	157,6	143,9		157,8	146,4	
Shuttle Trade	8,6	5,5		8,7	6,3	
Imports	232,5	199,9	-14,0	234,2	210,6	-10,1
Imports (cif)	242,2	207,2		243,9	218,7	
Adjustment: Classification	-12,7	-9,9		-12,9	-10,7	
Services	26,8	24,0	-10,3	26,6	24,8	-6,8
Travel (net)	24,5	21,2		24,7	22,3	
Credit	29,6	26,6		29,8	27,6	
Debit	5,1	5,4		5,1	5,4	
Other Services (net)	2,3	2,8		1,9	2,5	
Primary Income	-8,1	-9,5	17,2	-7,9	-9,4	18,7
Compensation of Employees	-0,2	-0,4		-0,1	-0,4	
Direct Investment (net)	-2,0	-3,2		-2,3	-3,0	
Portfolio Investment (net)	-2,0	-2,5		-1,7	-2,4	
Other Investment (net)	-4,0	-3,4		-3,8	-3,7	
Interest Income	1,7	1,7		1,7	1,7	
Interest Expenditure	5,6	5,2		5,5	5,4	
Secondary Income	1,4	1,3	-6,5	1,3	1,3	-4,1
Workers Remittances	0,8	0,7		0,9	0,7	
Capital Account	-0,1	0,0		-0,1	0,0	
Financial Account	-42,1	-22,8	-45,8	-38,1	-31,3	-17,9
Direct Investment (net)	-5,5	-11,7	113,0	-7,5	-10,2	36,5
Net Acquisition of Financial Assets	7,0	5,1		6,0	6,3	
Net Incurrence of Liabilities	12,5	16,8		13,5	16,5	
Portfolio Investment (net)	-20,1	15,5	-176,9	-18,5	5,1	-127,7
Net Acquisition of Financial Assets	0,7	6,1		0,5	5,3	
Net Incurrence of Liabilities	20,9	-9,4		19,0	0,1	
Equity Securities	2,6	-2,4		2,8	-0,2	
Debt Securities	18,3	-7,0		16,3	0,3	
GDDS	0,4	-7,7		-3,6	-4,3	
Eurobond Issues of Treasury	4,2	0,3		6,1	1,3	
Borrowing	7,3	3,0		9,2	4,0	
Repayment	3,1	2,8		3,1	2,8	
Banks (net)	10,4	-0,7		10,5	2,2	
Other Sectors (net)	3,3	1,1		3,2	1,2	
Other Investment (net)	-16,0	-14,8	-7,9	-15,6	-19,1	22,4
Currency and Deposits	0,4	2,1		1,8	1,1	
Net Acquisition of Financial Assets	0,3	15,0		1,7	12,3	
Banks	-0,6	14,1		1,1	11,3	
Foreign Exchange	-2,5	7,4		0,1	6,4	
Turkish Lira	1,9	6,7		1,0	4,8	
Other Sectors	0,9	0,9		0,6	1,0	
Net Incurrence of Liabilities	-0,2	12,9		0,0	11,2	
Central Bank	-2,3	-0,9		-2,5	-1,1	
Banks	2,2	13,8		2,4	12,3	
Loans	-15,2	-13,7		-16,3	-17,5	
Net Acquisition of Financial Assets	1,9	0,8		2,1	0,3	
Net Incurrence of Liabilities	17,0	14,5		18,5	17,8	
Banks	11,8	4,9		14,3	9,7	
Short-term	3,8	-21,4		5,6	-15,5	
Long-term	8,1	26,2		8,7	25,2	
General Government	-0,9	-1,2		-1,3	-0,6	
Long-term	-0,9	-1,2		-1,3	-0,6	
Other sectors	6,1	10,9		5,5	8,7	
Short-term	0,3	0,1		0,8	0,7	
Long-term	5,8	10,7		4,7	8,0	
Trade Credit and Advances	-0,8	-2,9		-0,5	-2,4	
Net Acquisition of Financial Assets	-0,5	-1,0		0,8	-1,4	
Net Incurrence of Liabilities	0,3	2,0		1,4	1,0	
Other Assets and Liabilities	-0,5	-0,3		-0,5	-0,3	
Change in Official Reserves	-0,5	-11,8		3,5	-7,1	
Net Errors and Omissions	1,6	9,3		6,8	7,6	

Source: CBRT.

Financing Requirements and Sources (billion USD)

	2014 I	2014 II	2014 III	2014 IV	2014	2015 I	2015 II	2015 III	2015 IV	2015
Financing Requirements	-24,8	-21,9	-19,3	-25,9	-91,9	-24,2	-24,7	-17,7	-19,9	-86,5
Current Account Balance (Excluding Current Transfers)	-11,4	-12,4	-6,5	-14,7	-45,0	-10,9	-11,5	-3,0	-8,1	-33,4
Debt Security and Credit Repayments	-11,5	-10,8	-10,0	-11,6	-43,9	-13,1	-11,1	-11,2	-10,8	-46,3
Debt Securities (Abroad)	-4,2	-1,2	-1,8	-2,1	-9,2	-5,2	-2,4	-3,1	-2,3	-13,0
Long Term Credits	-7,3	-9,6	-8,2	-9,6	-34,7	-7,9	-8,6	-8,2	-8,6	-33,2
Trade Credits	-0,1	0,0	0,0	-0,1	-0,2	-0,1	0,0	0,0	0,0	-0,1
Monetary Authority	0,0	0,0	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	0,0	0,0
General Government	-0,5	-1,0	-0,6	-1,0	-3,1	-0,7	-0,7	-0,4	-1,0	-2,8
(IMF)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Banks	-1,9	-2,5	-2,2	-2,6	-9,2	-2,8	-3,3	-2,4	-3,1	-11,6
Other Sectors	-4,9	-6,1	-5,3	-5,9	-22,3	-4,3	-4,6	-5,4	-4,5	-18,7
Other Assets (- indicates to an increase) 1/	-2,0	1,2	-2,8	0,5	-3,0	-0,2	-2,1	-3,5	-1,0	-6,8
Financing Sources	24,8	21,9	19,3	25,9	91,9	24,2	24,7	17,7	19,9	86,5
Current Transfers	0,4	0,2	0,4	0,4	1,4	0,4	0,2	0,3	0,5	1,3
Capital Account	0,0	0,0	0,0	0,0	-0,1	0,0	0,0	0,0	0,0	0,0
Direct Investment (Net)	3,1	1,5	0,3	0,6	5,5	3,2	2,0	4,4	2,0	11,7
Equity Securities (Net)	0,4	1,1	0,1	1,0	2,6	-0,8	0,7	-1,1	-1,3	-2,4
Debt Securities and Credits	10,0	28,0	17,3	24,2	79,6	12,8	16,5	12,7	13,8	55,7
Debt Securities	1,8	13,5	4,7	7,5	27,5	5,0	1,5	-0,9	0,4	6,0
In Turkey (Net)	-3,8	4,1	-1,3	1,6	0,6	-1,0	-3,0	-2,2	-1,6	-7,8
Abroad	5,6	9,4	6,0	5,9	26,9	6,0	4,5	1,3	2,1	13,9
Long Term Credits	10,8	11,4	10,6	14,8	47,7	11,4	20,6	20,2	16,9	69,1
Trade Credits	0,0	0,0	0,0	0,0	0,2	0,0	0,1	0,1	0,1	0,3
Monetary Authority	0,0	0,0	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	0,0	0,0
General Government	0,2	0,5	0,5	1,0	2,2	0,4	0,6	0,2	0,4	1,6
(IMF)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Banks	3,5	3,6	4,2	6,0	17,3	6,4	11,9	11,9	7,5	37,8
Other Sectors	7,1	7,3	5,9	7,7	28,1	4,6	8,0	7,9	8,9	29,4
Short Term Credits (Net)	-2,6	3,1	2,0	1,9	4,4	-3,6	-5,6	-6,6	-3,6	-19,4
Trade Credits	-2,3	1,4	0,5	0,7	0,3	-1,9	1,4	0,6	1,6	1,8
Monetary Authority	0,0	0,0	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	0,0	0,0
Banks	-0,2	1,8	1,1	1,0	3,8	-1,9	-6,9	-7,7	-4,8	-21,4
Other Sectors	-0,1	-0,1	0,4	0,2	0,3	0,1	-0,1	0,5	-0,4	0,1
Deposits (Net)	-2,4	1,3	1,1	-0,2	-0,2	6,9	2,5	2,0	1,4	12,9
Other Liabilities	0,1	0,2	0,1	0,0	0,5	0,0	0,1	0,1	0,0	0,3
Net Errors and Omissions	7,5	-3,0	2,2	-5,1	1,6	3,9	4,7	4,1	-3,3	9,3
Banks' Currency and Deposits 2/	0,9	-1,2	-0,7	1,6	0,6	-5,9	-2,9	-4,1	-1,2	-14,1
Reserve Assets 2/	4,9	-6,1	-1,6	3,4	0,5	3,6	0,9	-0,8	8,1	11,8

Source: CBRT.

1/ Excluding Banks' Currency and Deposits
2/- denotes an increase.

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

	2014				2014	2015				2015
	I	II	III	IV		I	II	III	IV	
A) Current Account Balance	-11,0	-12,1	-6,1	-14,3	-43,6	-10,5	-11,3	-2,7	-7,6	-32,1
B) Capital and Financial Account	3,5	15,2	3,9	19,4	42,0	6,6	6,7	-1,4	10,9	22,8
Capital Account	0,0	0,0	0,0	0,0	-0,1	0,0	0,0	0,0	0,0	0,0
Financial Account	3,5	15,2	3,9	19,4	42,1	6,6	6,7	-1,4	10,9	22,8
Assets	-2,2	-1,1	-5,6	-0,5	-9,5	-7,1	-5,9	-9,3	-3,7	-26,0
Direct Investment	-1,2	-1,1	-2,1	-2,6	-7,0	-1,1	-0,9	-1,7	-1,4	-5,1
Portfolio Investment	-0,5	-0,7	0,5	0,0	-0,7	-0,7	-1,9	-2,6	-0,9	-6,1
Other Investment	-0,5	0,7	-4,0	2,2	-1,7	-5,3	-3,2	-4,9	-1,4	-14,8
Liabilities	0,9	22,5	11,2	16,5	51,0	10,1	11,7	8,6	6,6	37,0
Non-Debt Creating Flows	4,5	4,4	2,5	4,2	15,7	3,2	3,1	5,1	2,0	13,5
Direct Investment 1/	4,0	3,1	2,3	3,2	12,6	4,0	2,3	6,1	3,3	15,7
Portfolio Investment/Equity Securities	0,4	1,1	0,1	1,0	2,6	-0,8	0,7	-1,1	-1,3	-2,4
Other Investment/Other Liabilities 2/	0,1	0,2	0,1	0,0	0,5	0,0	0,1	0,1	0,0	0,3
Debt Creating Flows	-3,6	18,0	8,7	12,4	35,4	6,9	8,5	3,5	4,6	23,4
Portfolio Investment/Debt Securities	-2,4	12,3	2,8	5,5	18,3	-0,2	-0,9	-4,0	-1,8	-7,0
Trade Credits	-2,3	1,4	0,5	0,7	0,3	-1,9	1,5	0,7	1,7	2,0
Loans	3,4	3,0	4,1	6,4	16,9	2,0	5,4	4,8	3,3	15,6
Deposits	-2,4	1,3	1,1	-0,2	-0,2	6,9	2,5	2,0	1,4	12,9
Other Investment/Other Liabilities 2/	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Reserve Assets	4,9	-6,1	-1,6	3,4	0,5	3,6	0,9	-0,8	8,1	11,8
C) Net Errors and Omissions	7,5	-3,0	2,2	-5,1	1,6	3,9	4,7	4,1	-3,3	9,3

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:
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