

CENTRAL BANK OF THE REPUBLIC OF TURKEY



**Balance of Payments
Report
2015-I**

CENTRAL BANK OF THE REPUBLIC OF TURKEY

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CONTENTS

OVERVIEW 03

1. CURRENT ACCOUNT 06

1.1. Exports of Goods	10
1.2. Imports of Goods	11
1.3. Real Exchange Rate Developments.....	11
1.4. Global Outlook	17
1.5. Terms of Trade	17
1.6. Services Account	18
1.7. Primary Income	19
1.8. Secondary Income.....	19

2. FINANCIAL ACCOUNT 20

2.1. Direct Investment	21
2.2. Portfolio Investment	22
2.3. Loans and Deposits	23

3. ANNEX TABLES 35

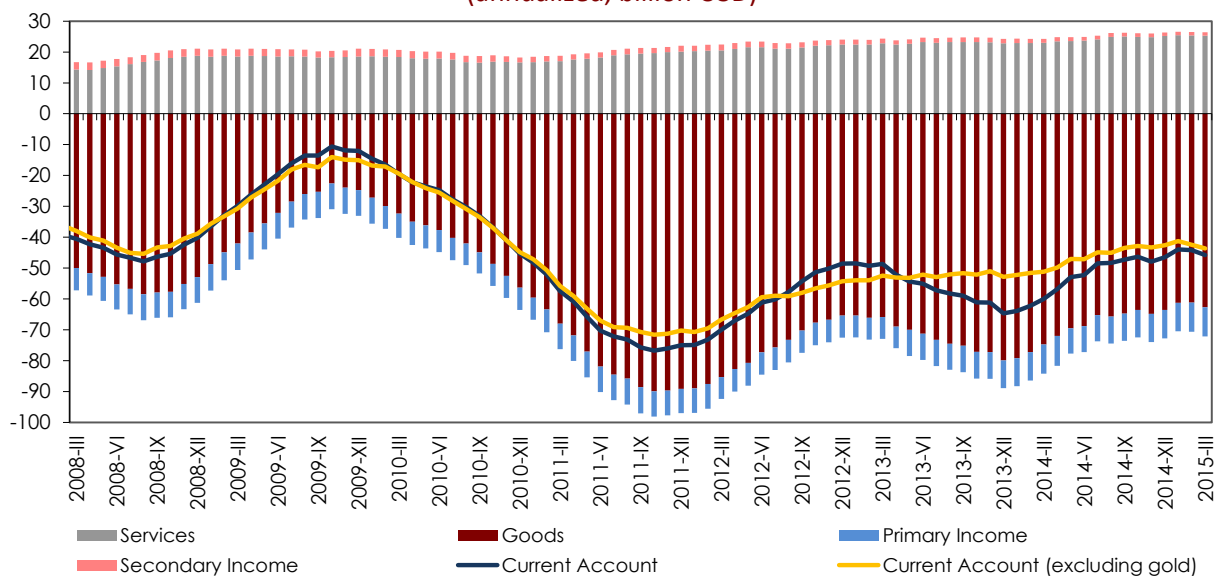
BOXES

Box 1. Revisions Made in the Current Account in 2014.....	07
Box 2. Updating Real Effective Exchange Rate Indices of Turkey.....	12
Box 3. An Analysis of the International Investment Position by Sectors	25
Box 4. Integrated International Investment Position Statement	30

Overview

In the first quarter of 2015, the contraction in the current account deficit continued, albeit at a decelerating pace. The main driver of this contraction was the improvement in the foreign trade balance. Foreign trade of gold had a positive effect on the current account balance due to the increase in gold exports compared to previous quarters. The positive contractionary effect of the services balance on the current account deficit remained contained in line with the flat trend in net travel revenues in the first quarter of the year (Chart 1).

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



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

In the first quarter, exports excluding gold displayed a downtrend. The downtrend in exports to Iraq observed due to the geopolitical developments in the region, the weak growth rates in the European Union (EU) countries and the ongoing depreciation of the euro against the dollar constituted the main reasons for the downtrend in exports in this quarter. Shuttle trade revenues posted a year-on-year decrease in this quarter parallel to the substantial depreciation in the Russian ruble. Meanwhile, gold exports grew significantly compared to the same quarter last year.

Excluding gold, the downtrend in import expenditures, which started in the third quarter of 2014, continued in the first quarter of 2015 as well. Favorable domestic demand factors and the decline in oil prices curbing energy imports were the main drivers of the decrease in imports. Meanwhile, gold imports remained flat in this quarter.

The services item, which is the second most important determinant of the current account balance after foreign trade, had a limited amount of contribution to the improvement in the current account balance in the first quarter. Although the number of tourists visiting Turkey continued to increase, the average spending per visitor decreased supposedly due to the rapid depreciation in the euro, thereby causing the total travel revenues to remain flat in the first quarter compared to the same period last year. In this quarter, transportation revenues continued to contribute to overall services revenues on the back of the decline in freight expenditures and the rise in the number of tourists visiting Turkey.

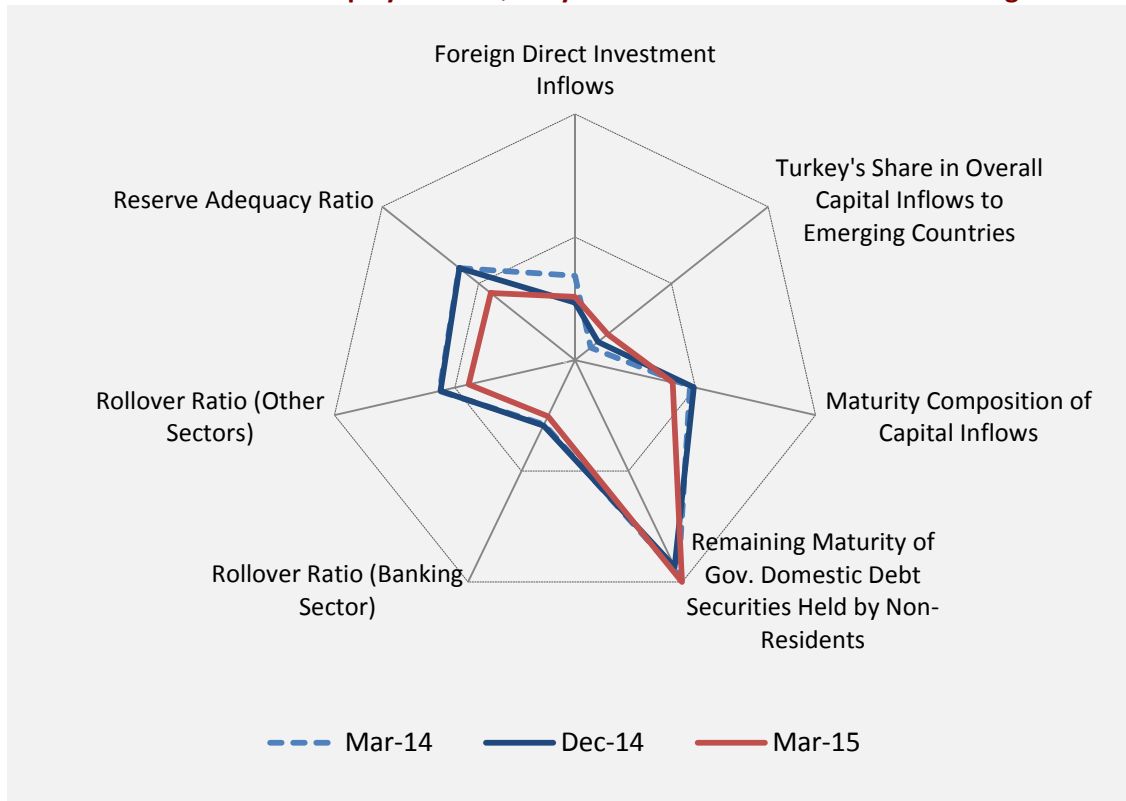
Financing of the Current Account Deficit

The global risk appetite followed a variable course in the first quarter of 2015. The primary factors negatively affecting the global risk appetite in this period were the persistence of the weak trend as well as the divergence in global economic activity and the financial volatility in energy exporting countries originating from rapidly declining energy prices. On the other hand, the lingering intensified unrest in Syria stood out as a Turkey-specific factor affecting financial movements.

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

In terms of the quality of financing sources, reserve adequacy ratios moderately dropped compared to the previous quarter, whereas all other sources remained close to the previous quarter's values (Chart 2).

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



Source: CBRT.

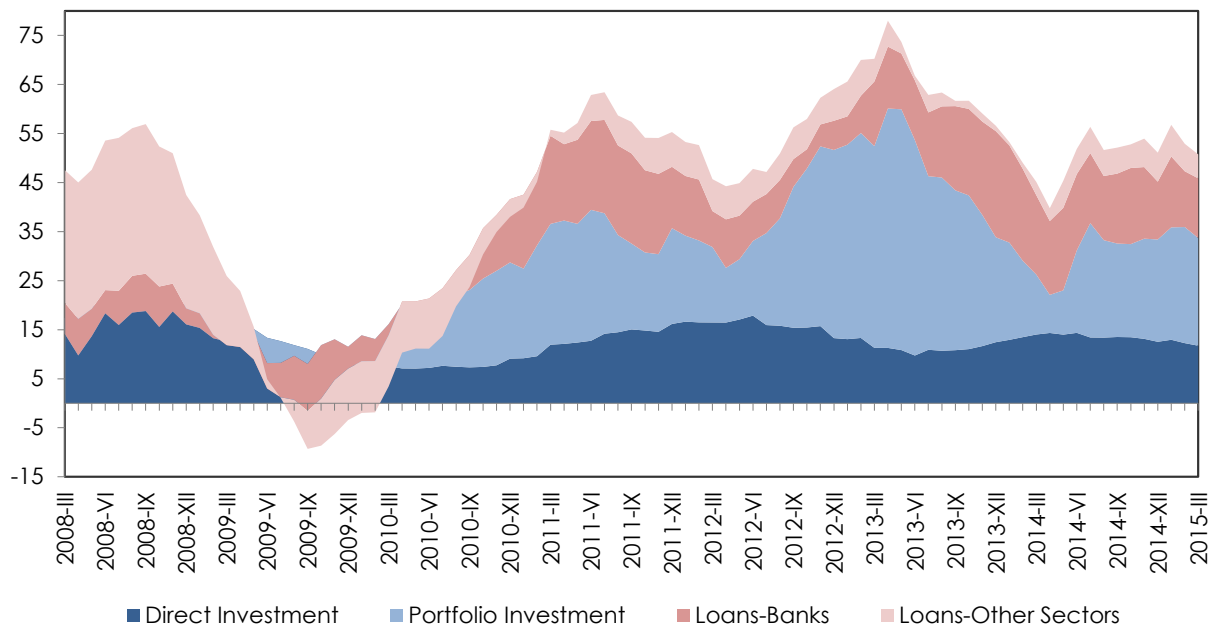
The slowdown in direct investment inflows, which was observed in the previous quarter, continued in this quarter as well. The increasing economic stagnation in EU countries is the primary factor slowing down direct investment inflows to Turkey (Chart 3).

In this quarter, concerns over growth in energy-exporting countries as well as the EU continued to be the primary factor affecting portfolio flows into emerging economies. In terms of investment instruments, all items, excluding banks' and other sectors' bond issues abroad, posted net outflows throughout the period.

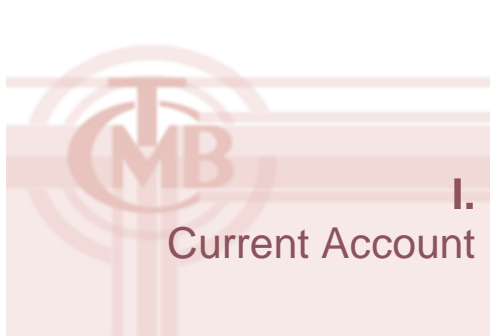
In the first quarter of 2015, neither the banking sector nor other sectors had any supply-side constraints in external borrowing through loans. The banking sector was in a net borrower position in total during this period, while there was a shift from short-term borrowing to longer-term borrowing. This shift may be interpreted as an impact of the arrangements that the Central Bank introduced to extend the maturity of banks' external borrowing. Meanwhile, other sectors were net borrowers in short-term and long-term loans, with long-term loans having a larger share. Debt rollover ratios in both sectors remained above the 100 level in the first quarter of the year.

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

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



Source: CBRT.

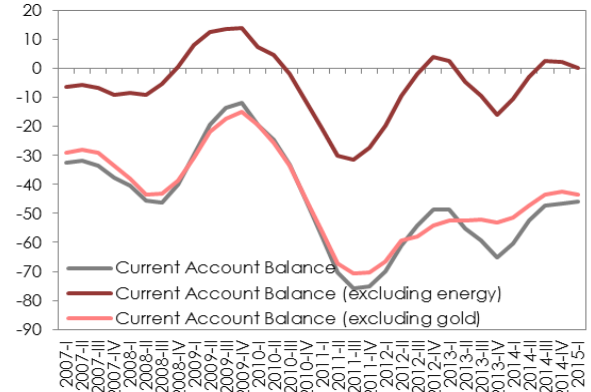


The current account balance improved on a year-on-year basis in the first quarter of 2015. The annualized current account deficit contracted quarterly by USD 0.7 billion and stood at USD 45.8 billion in the first quarter. In annual terms, the improvement in the current account balance amounted to USD 14.5 billion (Box 1).

On a quarter-on-quarter basis, the current account deficit was USD 11.1 billion in the first quarter. The high level of gold exports in this period decreased the current account deficit by USD 3.4 billion. Excluding gold, the current account deficit was USD 14.5 billion. Due to the fall in energy prices, the upward pressure of the energy item on the current account deficit eased by approximately USD 2.7 billion compared to the same quarter last year.

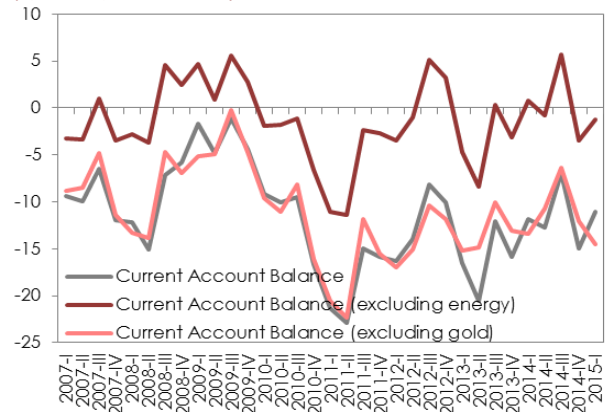
The foreign trade deficit, which is the most important component of the current account deficit, shrank slightly in the first quarter of the year, in gold-excluded terms. Gold-excluded exports slumped year-on-year by USD 5.5 billion to USD 35.0 billion in this period. Gold-excluded imports, on the other hand, dropped by USD 4.6 billion to USD 49.6 billion. Hence, the foreign trade balance improved by USD 0.9 billion and stood at USD -14.6 billion.

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



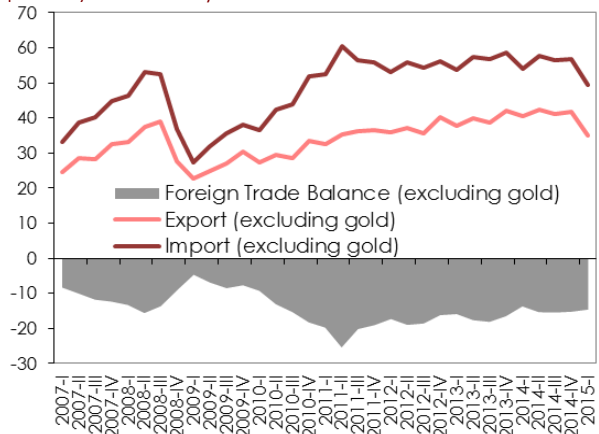
Source: CBRT.

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



Source: CBRT.

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



Source: CBRT.

Box 1

Revisions Made in the Current Account in 2014

The International Monetary Fund (IMF)'s Special Data Dissemination Standards (SDDS) stipulates that the member states shall publish their balance of payments statistics on a quarterly basis with a three month time lag at the latest. In Turkey, the balance of payments statistics dissemination practice is well beyond the international standards as BOP statistics in Turkey are published monthly and with only a six weeks lag. The objective of this practice is to make statistics available to the users before they lose their actuality and Turkey is one of the leading countries with respect to timeliness. However, releasing current account data on a monthly basis calls for the necessity of using provisional data in place of the data that is not yet available during the publication period. For instance, until the results of the quarterly surveys conducted by the TURKSTAT for travel revenues - expenditures and shuttle trade are finalized, the TURKSTAT's monthly estimates for these items for the respective month are used in the balance of payments statistics. Similarly, monthly estimates are used while compiling some items of the Current Account/Services until the final results of the Transport/Other Transport, Postal and Courier Services, Telecommunication Services, Insurance and Pension Services and Legal Services surveys conducted by the Balance of Payments Division mostly on a quarterly basis.

The balance of payments statistics are sometimes subject to revision due to finalization of the provisional data used, some updates in the source data or when data from a new source starts to be collected. As per the revision policy,

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

Apart from these; whenever a large-scale revision is needed in any data that compose the Balance of Payments Statistics, previous years' data will be subject to revision by informing the public at large. The announcements pertaining to these changes are accessible at "Methodological Changes" and "Future Revisions" headings under the Balance of Payments Statistics page. For instance, the revisions made by TURKSTAT on tourism statistics on 14 February 2013 and covering years 2003-2012 were reflected in the balance of payments statistics and the revision was announced with a statement dated 12 March 2013 under the "Methodological Changes" heading.

Table 1: Key Revisions Made in the Current Account in 2014*
(million USD)

	2014				
	Q1	Q2	Q3	Q4	Jan.-Dec.
CURRENT ACCOUNT	-527	-432	658	-521	-822
Goods					
<i>Exports f.o.b.</i>	-238	-187	-186	-163	-774
<i>Imports c.i.f.</i>	27	-30	-111	109	-5
<i>Shuttle Trade</i>	231	-275	556	-19	493
Services					
<i>Travel (Net)</i>	-129	25	458	-274	80
<i>Transport/Other Transport (Net)</i>	-198	147	51	-27	-27
Others	-220	-112	-110	-147	-589

Source: CBRT.

*According to the balance of payments statistics of April 2015.

Table 1 summarizes the key revisions made in the current account in 2014 by quarters. According to the balance of payments statistics of April 2015, the current account was revised by a cumulative total amount of USD -822 million throughout 2014. The key factors behind the revisions are summarized as follows:

- The monthly Foreign Trade Statistics (exports f.o.b. and imports c.i.f) disseminated by the TURKSTAT are recorded in the balance of payments statistics under Current Account / General Merchandise on a Balance of Payments Basis item. The TURKSTAT has revised data for exports f.o.b. and imports c.i.f. downward by USD 774 million and USD 5 million, respectively. As regards to quarterly data, while exports were revised downward in all quarters, imports were revised upward in two quarters and downward in two quarters of 2014. The revisions accounted for -0.49 percent and 0,002 percent of the 2014 exports and imports, respectively.
- Travel (Net) and Shuttle Trade items were revised upward by USD 493 million and USD 80 million, respectively. By quarters, revisions were downward in two quarters and upward in two quarters. The revisions accounted for 0.33 percent and 6.07 percent of the 2014 Net Travel and Shuttle Trade revenues, respectively.
- The Transportation/Other item was revised downward by USD 27 million in 2014. The revisions accounted for - 0.66 percent of the total Transportation item in 2014.
- The total amount of the revisions made in the current account items other than those above was USD 589 million downward in 2014. Revisions made in other items in 2014 were downward in all quarters. The revisions accounted for 1.29 percent of the related current account items in 2014.

To conclude, balance of payments statistics in Turkey are published with a higher frequency and a lower lag compared to international standards and this calls for data revisions. Therefore, the balance of payments statistics are regularly revised in the framework of the Revision Policy announced. The total amount of the revisions made in the current account in 2014 was USD 822 million downward and exports item was the one that was subject to the most significant revision. By quarters, revisions were downward in three quarters and upward in one quarter. The revisions in 2014 accounted for 1.80 percent of the total current account balance.

1.1 Exports of Goods

In the first quarter of 2015, total exports decreased significantly in annual terms especially due to the continued depreciation of the euro against the dollar. Overall exports rose by 0.6 percent annually, whereas exports excluding gold dropped by 4.2 percent. With the impact of the decline in export prices driven mainly by the euro-dollar parity, total exports weakened by 7.6 percent.

According to seasonally adjusted data, exports climbed compared to the previous quarter, whereas exports excluding gold plunged. Seasonally adjusted gold-excluded exports dropped by 7.9 percent quarter-on-quarter. Meanwhile, gold exports grew by USD 3.9 billion compared to the previous quarter.

The moderate uptrend in the European Union (EU) countries' share in Turkey's exports, which was seen in the last one-year period, halted in the third quarter of 2014 and their share declined in the last quarter of 2014 and the first quarter of 2015. In the first quarter of 2015, the share of EU countries in Turkey's total gold-excluded exports stood at 43.6 percent, while the share of other European countries slightly decreased to 8.0 percent. The share of the North America region increased in the first quarter as well and reached 5.1 percent. Meanwhile, the share of Middle East and Africa (MEA) countries climbed by 1.6 percentage points to 32.2 percent. On the other hand, the share of exports to the Commonwealth of Independent States (CIS) including Russia and the Ukraine in Turkey's exports receded by 0.9 point to 7.7 percent.

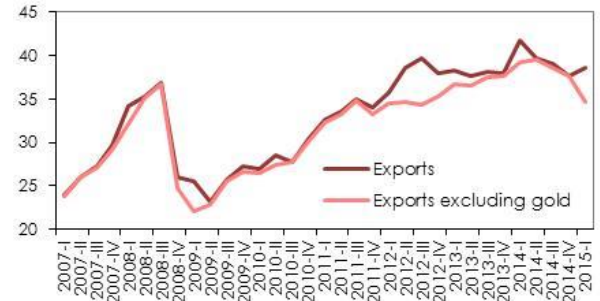
The rate of economic growth in Turkey's export partners decelerated to 1.7 percent in the first quarter of 2015. The average annual growth rate in these countries was 2.0 percent for the whole of 2014. The global growth rate for the first quarter exceeded the export-weighted growth by 0.6 point, with 2.3 percent.

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



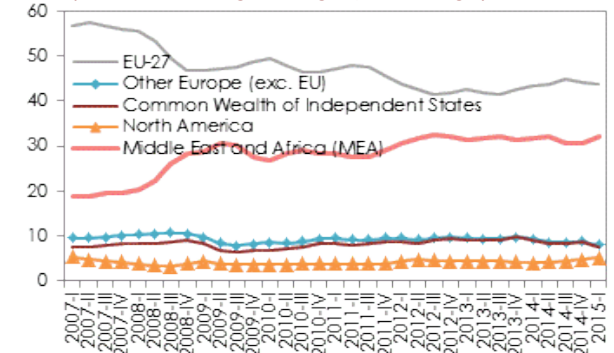
Source: TURKSTAT.

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



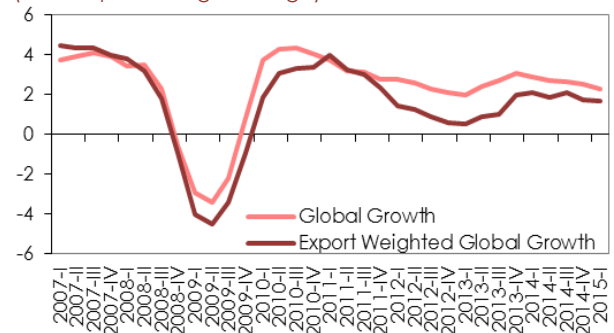
Source: TURKSTAT.

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



Source: Bloomberg, Consensus Forecasts, IMF, CBRT.

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



Source: CBRT

1.2 Imports of Goods

In the first quarter of 2015, real imports moderately increased year-on-year. In annual terms, real imports and gold-excluded real imports escalated by 4.9 percent and 5.4 percent, respectively. On the other hand, import prices declined and the nominal imports contracted by 9.0 percent annually with the impact of the euro-dollar parity and the significant falls in energy prices.

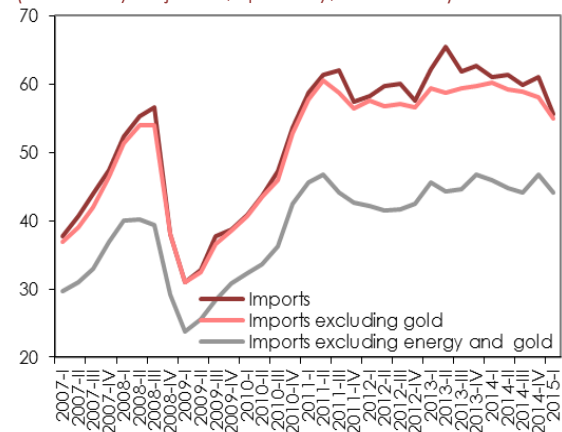
In seasonally adjusted terms, core imports, defined as imports excluding gold and energy, declined in the first quarter of 2015 compared to the previous quarter. Core imports decreased by 5.8 percent quarter-on-quarter due to the impact of the changes in the euro-dollar parity. The fall in total imports amounted to 9 percent particularly as a result of the decrease in gold imports.

1.3. Real Exchange Rate Developments

The real exchange rate indices, which had been in a downtrend since the second quarter of 2013 when the first signals for the termination of the asset purchase program came from the Federal Reserve, took an uptrend in the first quarter 2014. This uptrend continued, albeit at a slower pace, in the first quarter of 2015 (Box 2).

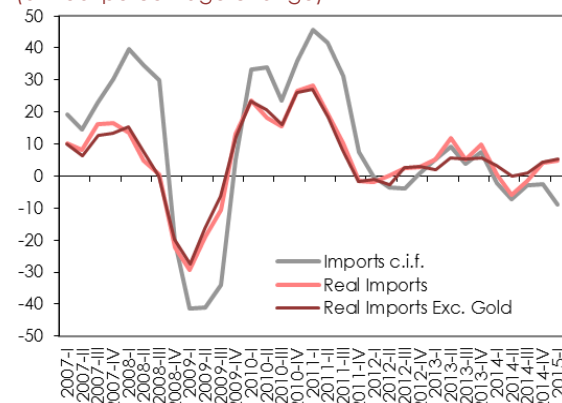
In this period, the Turkish lira appreciated in real terms against the currencies of advanced economies, whereas it depreciated against the currencies of emerging economies. Low inflation rates in advanced economies were instrumental in this development.

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



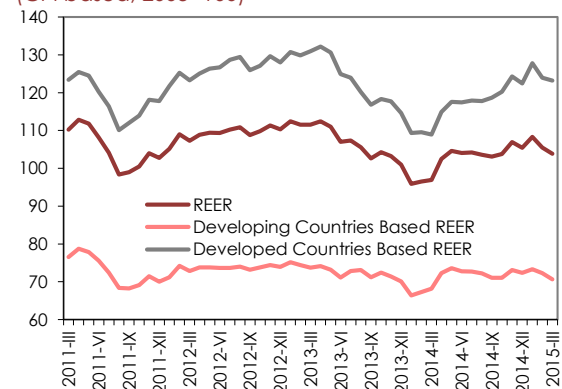
Source: TURKSTAT.

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



Source: CBRT.

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



Source: CBRT.

Box 2

Updating Real Effective Exchange Rate Indices of Turkey

The changes in the value of one country's currency against currencies of other countries shall be monitored closely as it is a factor affecting foreign trade. The Real Effective Exchange Rate Index (REER) is the most commonly used indicator used to measure the changes in the value of currencies. Until February 2015, the weights used in calculating the monthly REER indices issued by the CBRT were based on the foreign trade data of 2006-2008 (Saygılı et al., 2010). However, as a result of the developments in foreign trade, a new study was launched that would enable reflecting the increase in the foreign trade volume and the change in country composition to the indices. The revised indices were disseminated as of March 2015.¹ This Box presents a summary of the study.

Calculating Country Weights in the New Indices

The country weights of the REER indices were revised by using the foreign trade data and the number of countries included in weight calculations that comprise 90 percent of Turkey's trade (44 for periods 2003-2005 and 2006-2008)² was increased from 36 to 45. For the new study, weights for periods 2003-2005, 2006-2008 and 2009-2011 were calculated separately and the indices for the three periods were later compiled. Table 1 below shows a comparison of the share of countries covered by Turkey's total foreign trade volume for the production industry with the percentage share in Turkey's foreign trade. The Table reveals that the newly covered countries comprise 86.6 percent of Turkey's total foreign trade volume for 2009-2011.

Table 1: Quarterly Foreign Trade Volume of Manufacturing Industry and Countries' Shares

	2003-2005	2006-2008	2009-2011
Total Foreign Trade Volume (million USD)	353.990	599.750	647.534
Countries' Share in Foreign Trade (Old Index)	85.0	81.6	80.3
Countries' Share in Foreign Trade (New Index)	87.4	85.7	86.6

Source: TURKSTAT.

¹ For details please see: "Updating Real Effective Exchange Rate Indexes of Turkey" (only in Turkish) (Yahya Kocakale, Hakan Hüsnü Toprak), CBRT Research Notes in Economics, No: 15/06.

² The countries added to the index are Ukraine, Algeria, Canada, Azerbaijan, Norway, Brazil, Slovenia, Libya, Jordan, Qatar and Iraq. Iraq was not included in the index in the 2003-2005 period and 2006-2008 period due to the instability in the country and was included in the index again in the 2009-2011 period on the back of the increased foreign trade volume. Taiwan and Ireland were excluded from the index.

Base Year and Mean Selection

As with the old indices, the new REER indices also take 2003 as the base year and the geometric mean method is used in calculations

$$REK = \prod_{i=1}^N \left[\frac{P_{TUR}}{P_i * e_{i,TUR}} \right]^{w_i}$$

In the equation, w_i stands for the weight of country "i" in Turkey's REER index, P_{TUR} stands for Turkey's price index, P_i stands for price index of country "i", $e_{i,TUR}$ stands for the value of the currency of country "i" in Turkish liras and N stands for the number of countries. A rise in the index denotes a real appreciation in the Turkish lira which means the competitive power of Turkish origin goods is decreasing.

Merging Series with Chain-method

International institutions such as the BIS and the ECB recommend updating weights calculated based on foreign trade data every three years to ensure the weights' actuality (Klau and Fung, 2006 and Schmitz et al., 2012). In this framework, in transition between periods, the index established by using the previous period's weights and the new index with revised weights are to be compiled. To this end, unlike the old practice, the indices of the respective periods for which weights are calculated for three periods (2003-2005, 2006-2008 and 2009-2011) are merged by using the following formula (the chain-linking method): (t: current month, t-1: previous month, $w_{t,i}$: current weight of country i, REK_{t-1} : real exchange rate index of the previous month) (Ellis, 2001).

$$REK_t = REK_{t-1} \prod_{i=1}^N \left[\frac{\frac{P_{t,TUR}}{P_{t,i} * e_{t,i,TUR}}}{\frac{P_{t-1,TUR}}{P_{t-1,i} * e_{t-1,i,TUR}}} \right]^{w_{t,i}}$$

Table 2 (below) shows the weights of the countries included in the study by periods:

Table 2: Country Weights (percent)

	2003-2005	2006-2008	2009-2011
Germany	16,7	14,6	12,3
China	5,6	8,7	12,3
Italy	8,5	7,3	6,2
France	6,5	5,5	5,0
USA	3,6	3,9	4,5
England	4,6	3,7	2,9
Russia	3,6	3,8	2,6
South Korea	2,6	2,6	3,4
Spain	3,4	3,0	2,6
Netherlands	3,5	3,1	2,6
Belgium	3,3	3,0	2,4
Iraq	-	-	3,3
Ukraine	1,9	2,5	1,9
Japan	2,4	2,1	1,7
Romania	2,7	2,9	2,0
Bulgaria	3,1	3,1	2,0
Iran	1,0	1,2	3,1
Azerbaijan	2,3	3,0	3,1
India	1,1	1,3	1,7
Switzerland	1,7	1,5	1,3
Poland	1,6	1,6	1,5
Austria	1,6	1,4	1,3
Jordan	1,1	1,0	1,8
Sweden	1,5	1,3	1,2
Israel	1,5	1,4	1,3
Greece	1,5	1,6	1,2
Egypt	1,1	1,1	1,8
Hungary	1,1	1,3	1,0
Czech Republic	1,1	1,0	1,2
Saudi Arabia	0,7	0,7	1,0
Kazakhstan	1,1	1,4	1,0
Finland	1,0	0,9	0,6
Libya	0,3	1,0	2,3
Algeria	1,5	1,5	1,1
Thailand	0,5	0,7	0,7
Denmark	0,8	0,7	0,6
Slovakia	0,5	0,7	0,7
Indonesia	0,5	0,5	0,4
Slovenia	0,6	0,5	0,4
Malaysia	0,4	0,4	0,3
Norway	0,5	0,4	0,4
Portugal	0,5	0,5	0,3
Canada	0,3	0,3	0,3
Qatar	0,2	0,9	0,3
Brazil	0,3	0,3	0,3
Total	100	100	100
Number of Countries	44	44	45

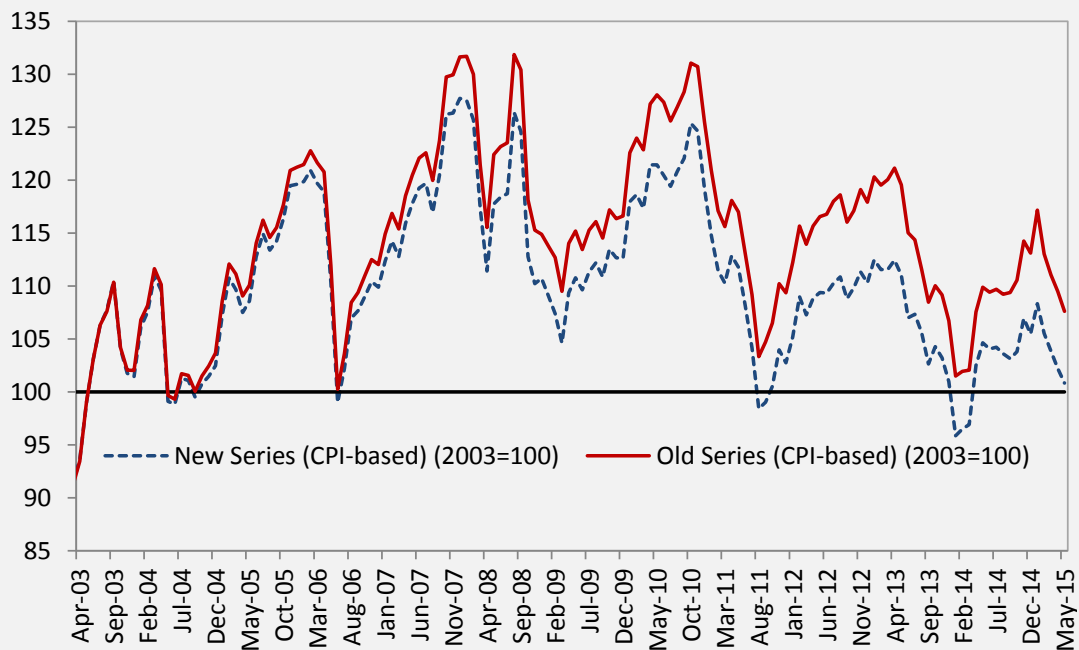
Source: CBRT.

The Table suggests that the weight of China has displayed an upward trend across all periods and reached 12.3 percent in the 2009-2011 period. Meanwhile, the weights of European countries (excluding Slovakia, Czech Republic and Poland) has declined, while those of oil exporting countries such as Saudi Arabia, Iran, Azerbaijan and Libya increased in each period.

CPI-based REER

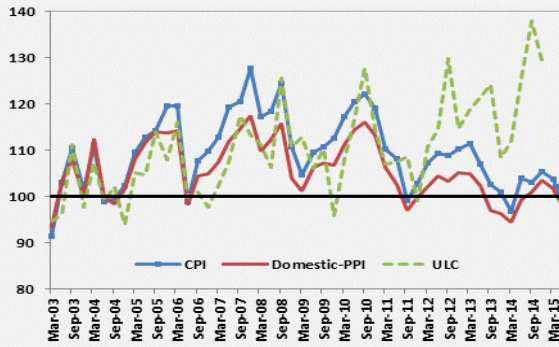
Chart 1 (below) shows the change in the old and new CPI-based REER. When the two series are compared, based on January 2003 as the starting year and as of May 2015, the real appreciation in the Turkish lira is calculated as 12.6 percent according to the new index and as 20.6 percent according to the old index. Therefore, the new index denotes a lower appreciation in the Turkish lira. According to Kocakale and Toprak (2015), 60 percent of the decline in appreciation is driven by the change in method and weight and the rest is driven by the change in the scope of countries. Meanwhile, in May 2015, the CPI-based REER was 100.82 while the value was 107.61 according to the old indices. In other words, both indices point to a depreciation in the Turkish lira in real terms due to the recent appreciation in the nominal exchange rates.

Chart 1: CPI-based Real Exchange Rate Index

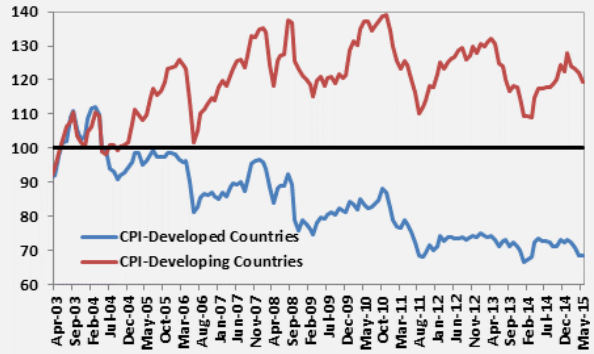


Source: CBRT.

In addition to the CPI-based and the Domestic-PPI-based indices, a real effective exchange rate index was produced based on the unit cost of labor while the CPI-based real effective exchange rate index was calculated for developed countries and developing countries separately (Chart 2 and 3). In different REER calculations, the number of countries differs according to the limitations on the data. Weights of 45 countries were used to calculate the CPI-based REER index, and 38 and 20 countries to calculate the PPI-based and unit labor cost-based REER indices.

Chart 2: CPI, Domestic-PPI and ULC-based REER

Source: CBRT.

Chart 3: CPI-based REER According to Level of Development

Source: CBRT.

To conclude, the REER indices compiled by the CBRT have been revised according to the international institutions' methodologies. The revised series, which are based on updated country weights and developed calculations with respect to method and scope, allow establishing sub-indices for various definitions and making more detailed analyses.

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1.4 Global Outlook

Provisional data from the World Trade Organization reveal that world trade decreased in the first quarter of 2015 in line with the weakening global economic activity and the problems in global foreign trade. Global exports, which had posted a year-on-year growth of 0.7 percent in the last quarter of 2014, contracted by 2.0 percent in the first quarter of 2015.

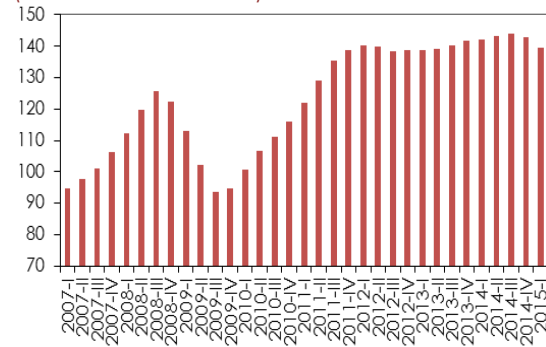
According to World Trade Organization data, Turkey's shares in global imports and global exports remained the same in this period, standing at 1.3 percent and 0.8 percent, respectively.

1.5 Terms of Trade

The downtrend in both export and import prices continued and further accelerated in the first quarter of 2015. In this quarter, export prices and import prices decreased by 8.0 percent and 13.3 percent, respectively, in annual terms. The fall in export prices was mainly driven by the euro-dollar parity, while both the euro-dollar parity and the decline in energy prices were instrumental in the fall in import prices.

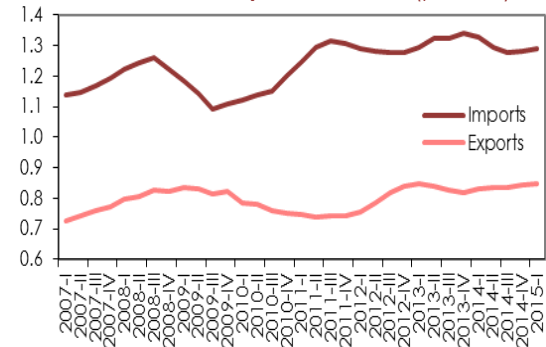
Terms of trade, which improved in the recent period due to the fact that the fall in export prices was relatively lower than the fall in import prices, continued to increase in the first quarter of 2015. Accordingly, terms of trade remained well above the 100 level both in total terms and when gold and energy are excluded.

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



Source: CBRT.

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



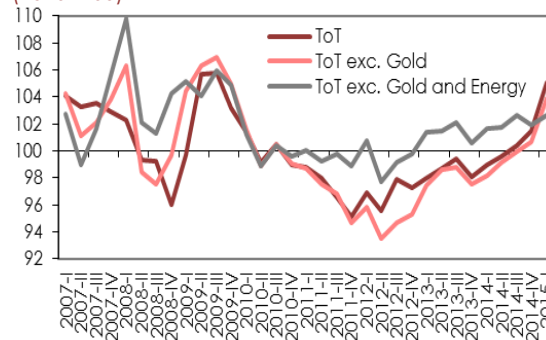
Source: WTO.

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



Source: TURKSTAT.

Chart 14. Terms of Trade
(2010=100)



Source: TURKSTAT.

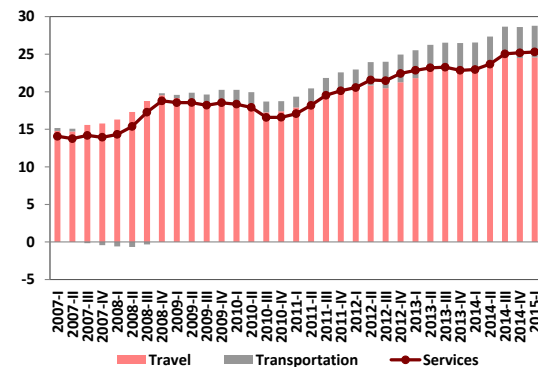
1.6 Services Account

The services item, which is the second most important determinant of the current account balance after foreign trade, had a limited amount of contribution to the current account balance in the first quarter. Although the number of tourists visiting Turkey continued to increase, the average spending per visitor decreased supposedly due to the rapid depreciation in the euro, thereby causing the total travel revenues to remain flat in the first quarter compared to the same period last year. In this quarter, transportation revenues continued to contribute to overall services revenues on the back of the decline in freight expenditures and the rise in the number of tourists visiting Turkey.

Despite the year-on-year rise in transportation, construction services and other services items under the services balance, the contribution of the services item to the current account remained limited due to the decline in travel revenues. In the first quarter of 2015, travel revenues rose by 0.3 percent year-on-year, while travel expenditures decreased by 5.8 percent. Consequently, net travel revenues increased by 3.1 percent year-on-year to USD 2.9 billion in this quarter. Meanwhile, the number of tourists increased by 4.0 percent compared to the same quarter last year. An analysis by country groups indicates that in the first quarter, the highest proportional year-on-year rise in the number of tourists was registered for America and Asia, while the lowest decline was recorded for the CIS countries.

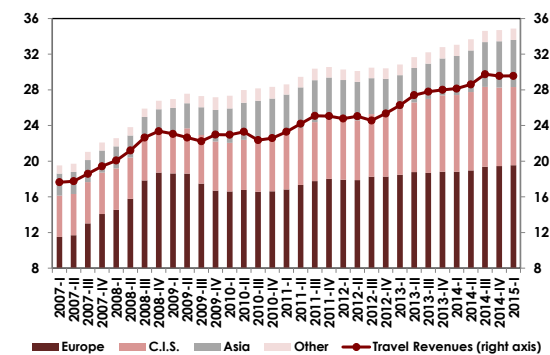
In this period, the average expenditure per foreign visitor and per non-resident Turkish citizen in Turkey decreased in year-on-year terms. The related data show that the average expenditure per foreign visitor in Turkey rose by 0.1 percent year-on-year to USD 749, while the average expenditure per non-resident Turkish citizen visiting Turkey plunged by 21.2 percent year-on-year to USD 793.

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



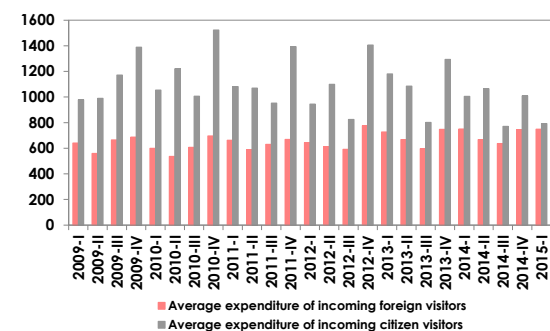
Source: CBRT.

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



Source: TURKSTAT.

Chart 17. Average Expenditure (USD/person)



Source: TURKSTAT.

The uptrend in net transportation revenues observed since Q1-2014 continued in this quarter as well. In the first quarter of 2015, transportation revenues decreased by 8.3 percent and transportation expenditures dropped by 13.1 percent year-on-year, thereby leading to a 12.5 percent rise in net transportation revenues. This rise can be mainly attributed to the decline in net freight expenditures despite the 4.3 percent fall in other transportation revenues composed of international passenger and baggage transport and postal and courier services. In this period, the share of foreign carriers in imports decreased by 1.2 points quarter-on-quarter to 50.7 percent.

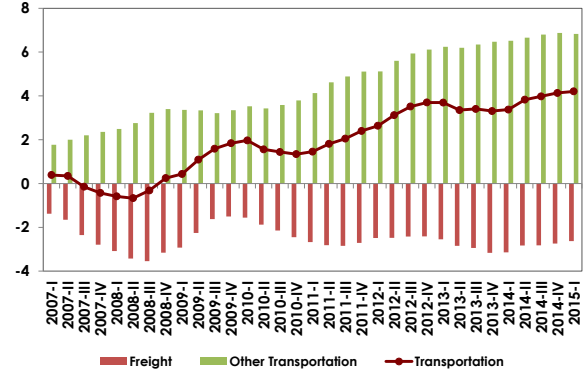
1.7 Primary Income Balance

In the first quarter of 2015, the primary income balance posted net outflows in its sub-items of compensation of employees and investment income balance. Net outflows from the primary income balance increased by 10.0 percent year-on-year to USD 2.7 billion. Outflows from direct investments under the investment income item increased year-on-year to stand at USD 0.9 billion, while outflows from other investments dropped to USD 0.8 billion. Outflows from portfolio investments displayed a trend parallel to the same period last year and stood at USD 0.8 billion.

1.8 Secondary Income Balance

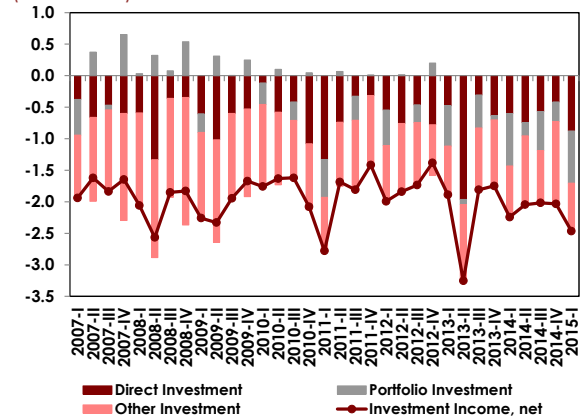
Net inflows in the secondary income balance, which consists of current transfers of the general government and other sectors, decreased compared to the previous quarter. In this period, the secondary income balance expanded by 1.6 percent year-on-year, registering a net inflow of USD 190 million. This expansion was mainly attributed to the 146.7 percent rise in net inflows in the general government item, which includes grants between countries, despite the slump in net inflows in the other sectors item.

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



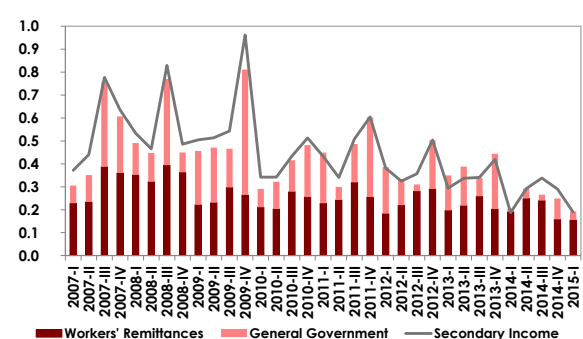
Source: TURKSTAT, CBRT.

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



Source: CBRT.

Chart 20. Current Transfers and Workers' Remittances
(billion USD)



Source: CBRT.

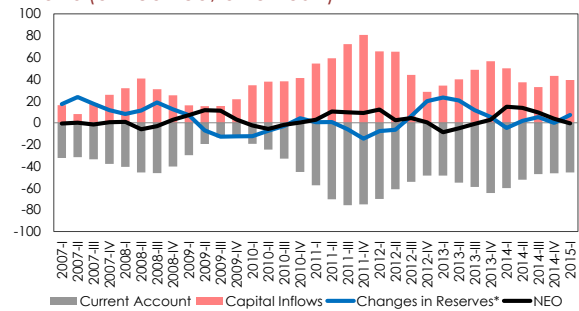


The global risk appetite followed a variable course in the first quarter of 2015. The primary factors negatively affecting the global risk appetite in this period were the persistence of the weak trend as well as the divergence in global economic activity and the financial volatility in energy exporting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

In the first quarter, the financing requirement decreased year-on-year. The financing requirement item decreased by USD 2.5 billion quarter-on-quarter to USD 23.9 billion.³

Debt-creating liabilities, which had exerted a downward pressure on total liabilities in the same quarter last year, took an upturn in this quarter. Debt-creating flows and non-debt-creating flows increased by USD 7.2 billion and USD 2.9 billion, respectively.⁴

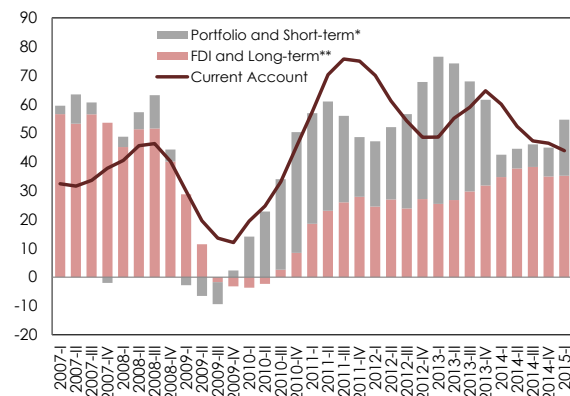
Chart 21. Current Account Balance and Net Capital Inflows (annualized, billion USD)



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

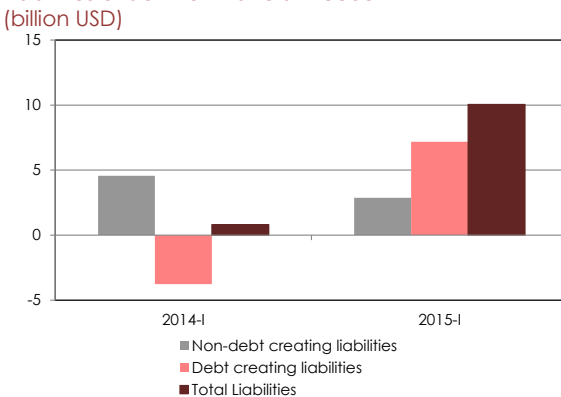


Source: CBRT.

* 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.

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

⁴ See Annex Tables, "Balance of Payments Debt-Creating and Non-Debt-Creating Flows".

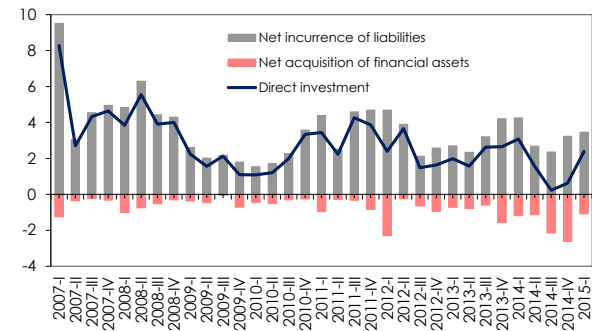
2.1 Direct Investment

The slowdown in direct investment inflows, which was observed in the previous quarter when compared according to year-on-year periods, continued through the first quarter of 2015. The ongoing weak recovery in EU countries was the primary factor putting a brake on direct investment inflows to Turkey. On the other hand, the deceleration in direct investments abroad led to a growth in net direct investments in the first quarter of the year.

In the first quarter of 2015, the amount of direct investment in Turkey was USD 3.5 billion. The majority of these investments were composed of investments in the electricity, gas, steam and air conditioning as well as the manufacturing sectors. In this quarter, while the share of investments from Asian countries in the equity capital item under the direct investments in Turkey dropped to 29.8 percent, that of European countries escalated to 68.6 percent.

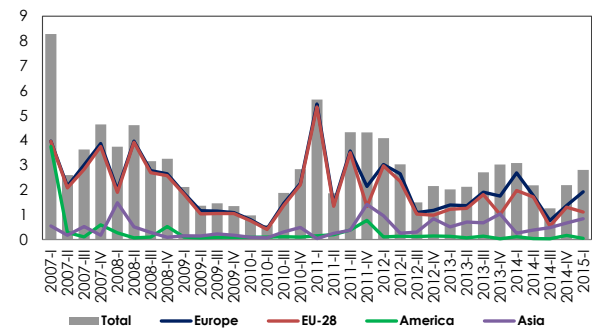
Turkey's direct investments abroad shrank in the first quarter to USD 1.1 billion. The share of European countries in the equity capital item under Turkey's direct investments abroad receded to 47.4 percent and that of American countries jumped to 31.1 percent.

Chart 24. Direct Investment
(billion USD)



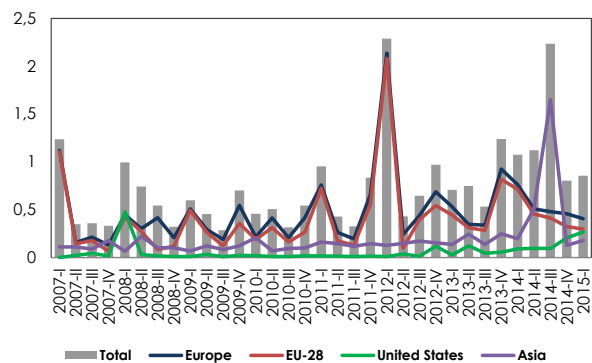
Source: CBRT.

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



Source: CBRT.

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



Source: CBRT.

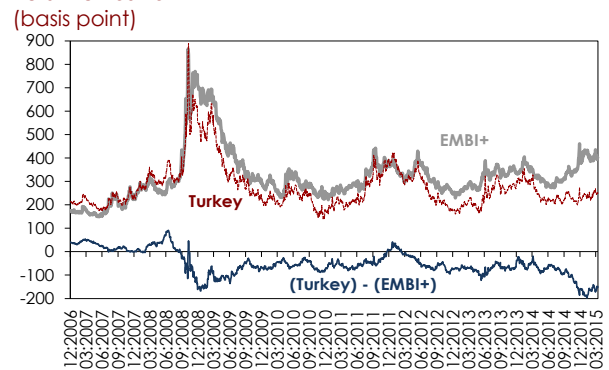
2.2. Portfolio Investment

In the first quarter of 2015, concerns over growth in energy-exporting countries as well as the EU continued to be the primary factor affecting portfolio flows into emerging economies. In this period, Turkey's risk premium remained below the average risk premium of the Emerging Markets Bond Index (EMBI+) and both risk premiums increased slightly.

Portfolio investments decelerated quarter-on-quarter and posted outflows. In terms of investment instruments, all items, excluding banks' and other sectors' bond issues abroad, posted net outflows throughout the period. In this quarter, USD 807 million and USD 621 million worth of net outflows were recorded in the GDDS market and the stock market, respectively. The maturity structure of the portfolio investments item improved quarter-on-quarter.

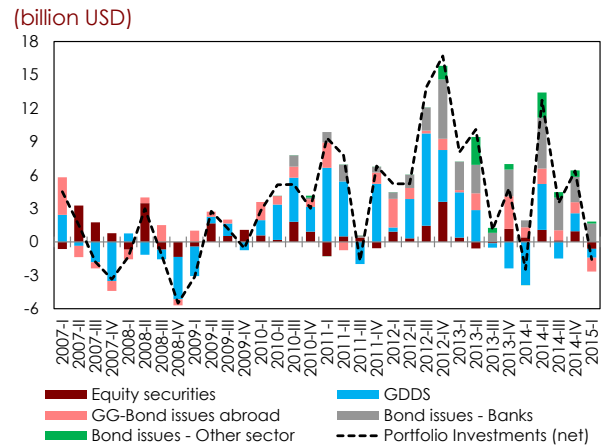
Banks' and other sectors' bond issues abroad declined compared to the previous quarter. Through these bond issues abroad, banks and other sectors borrowed net USD 1.8 billion and USD 0.2 billion, respectively. Consequently, as of end-March, stocks of debt securities issued abroad by banks and other sectors climbed to USD 32.6 billion and USD 8.3 billion, respectively. Meanwhile, non-residents sold net USD 204 million and net USD 23 million worth of domestic debt securities to banks and other sectors, respectively.

Chart 27. Secondary Market Spreads and Turkey's Relative Position



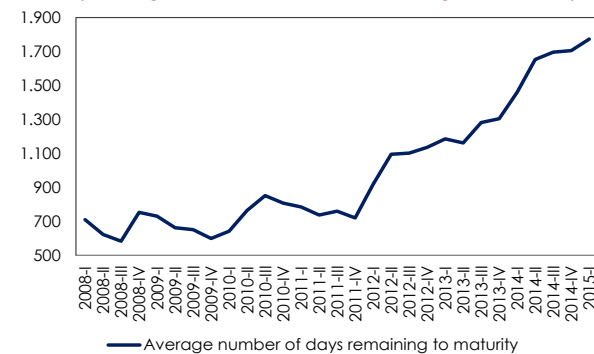
Source: JP Morgan.

Chart 28. Portfolio Investment - Liabilities



Source: CBRT.

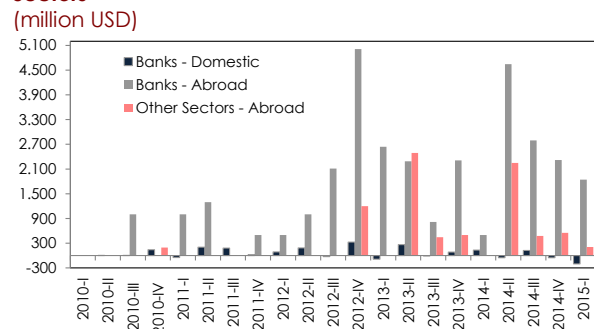
Chart 29. Maturity Structure of Non-Residents' Holdings of GDDS (average number of days remaining to maturity)*



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



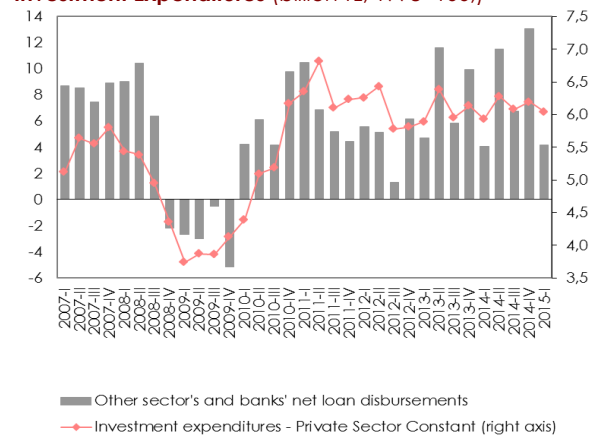
Source: CBRT.

2.3 Loans and Deposits

In the first quarter of 2015, neither the banking sector nor other sectors had any supply-side constraints in external borrowing through loans. The total loan utilization recorded a net quarter-on-quarter decline due to the decrease in banks' short-term external loans, despite the surge in long-term loan utilization. In this period, banks used net USD 3.6 billion of long-term loans and repaid USD 1.8 billion of short-term loans. The total external debt rollover ratio of banks dropped quarter-on-quarter and was recorded as 103 percent. The banking sector's total debt rollover ratio, including banks' borrowings through bonds, stood at 125 percent.

Long-term external loans used by other sectors mainly to finance investments posted net inflows in the first quarter of 2015 despite a moderate decline compared to the previous quarter. Net USD 0.6 billion worth of long-term loans were used in this period and the debt rollover ratio dropped quarter-on-quarter to 111 percent. Including short-term loans and borrowings through bonds, the total debt rollover ratio of other sectors rose quarter-on-quarter to 109 percent.

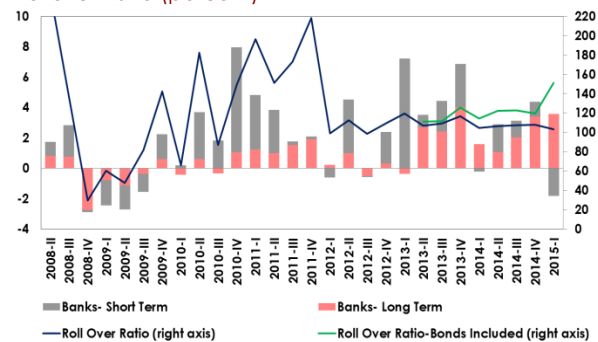
Chart 31. Net Long-Term Loan Utilization* (billion USD, covering the effect of Decree No: 32) and Other Sectors' Investment Expenditures (billion TL, 1998=100),



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

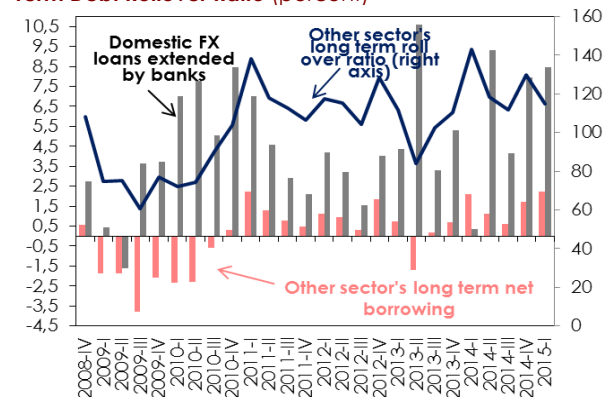
Source: CBRT.

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



Source: CBRT.

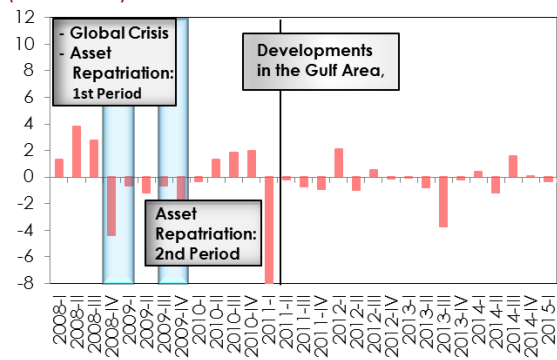
Chart 33. Domestic FX Loans Extended by Banks - Other Sectors' Long-Term Net Borrowing (billion USD) and Long-Term Debt Rollover Ratio (percent)



Source: CBRT.

Residents' deposits in banks abroad 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 is an important item to monitor with respect to capital movements as rapid and short-term movements are observed in these accounts particularly in times of financial turbulence. The indicative data for the first quarter of 2015 point to a USD 0.3-billion decline.

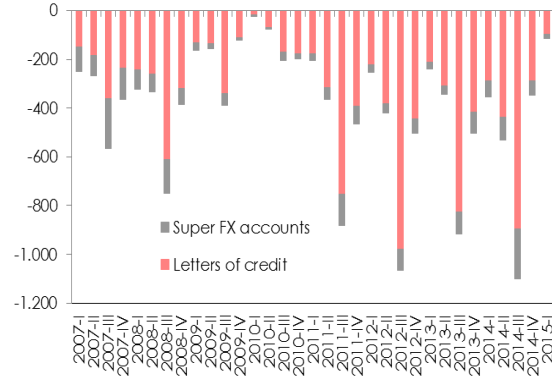
Chart 34. Other Sectors' Deposit Assets Abroad
(billion USD)



Source: CBRT.

The implementation allowing non-resident Turkish citizens to open long-term FX deposit accounts with letters of credit and super FX accounts with the Central Bank was terminated. As the accounts that matured were closed, a net outflow of USD 0.1 billion was registered in these accounts in the first quarter of 2015.

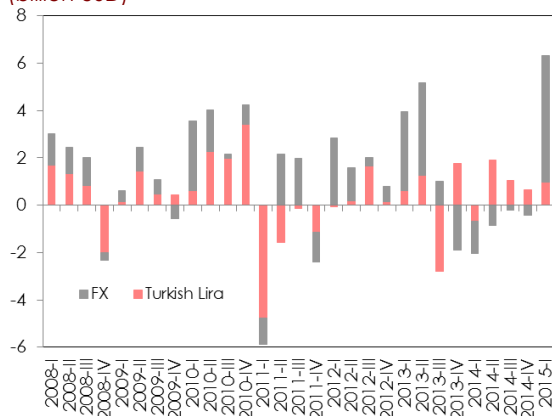
Chart 35. Deposits within the CBRT
(million USD)



Source: CBRT.

The inflow in bank deposits on the liabilities side of the other investment item, which had started in the previous quarter, continued in this quarter as well. In this period, there were deposit inflows from both banks abroad and non-residents. In the first quarter of 2015, the FX deposits and TL deposits of banks abroad in domestic banks increased by net USD 5.3 billion and USD 990 million, respectively (Box 3 and Box 4).

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



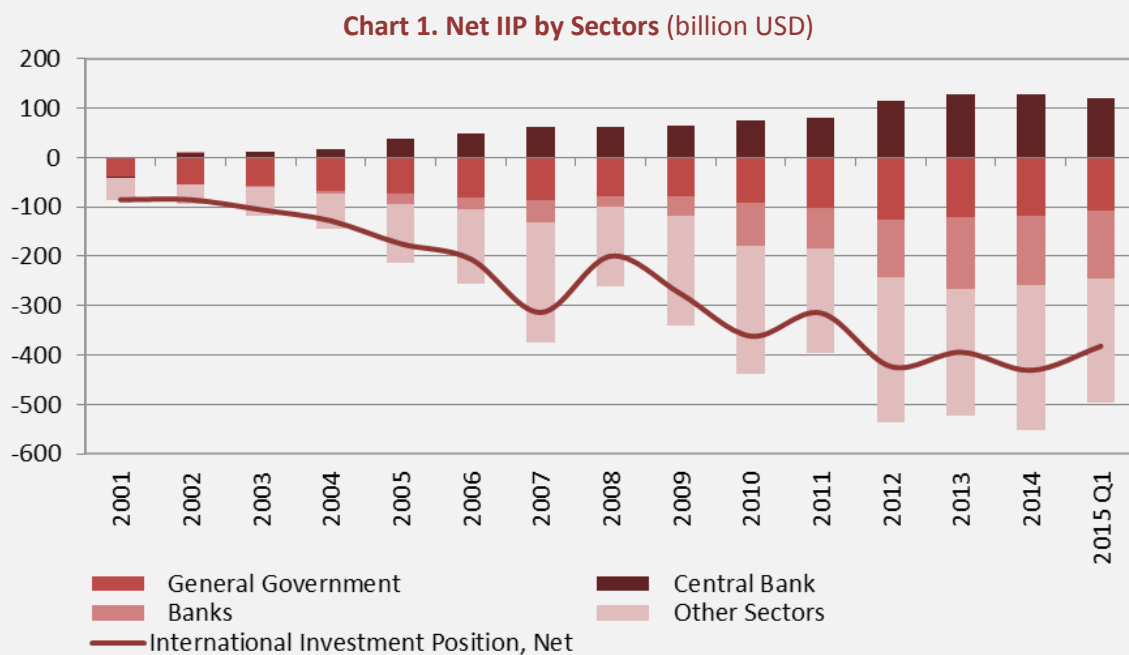
Source: CBRT.

Box 3

An Analysis of the International Investment Position by Sectors

The international investment position (IIP) is a statistical statement that shows at a point in time the stock value of financial assets of residents of an economy that are claims on nonresidents or are gold bullion held as reserve assets, and the liabilities of residents of an economy to non-residents. The IIP has been compiled and released by the CBRT since 1996. It serves as an important data source for external debt and risk analyses as it offers detailed, comprehensive and comparable information in a breakdown by sector, financial instrument and maturity. In this framework, this box presents an analysis of the asset and liability positions implied by the IIP on a sectoral basis as well as the maturity breakdown of liability items for all sectors.

As seen in Chart 1, the total IIP throughout the country showed a balance on the liability side and displayed an uptrend until 2012. The improvement in the IIP was most evident in 2008 and 2011. In 2012 and after, the net IIP was relatively flat at approximately USD -400 billion.

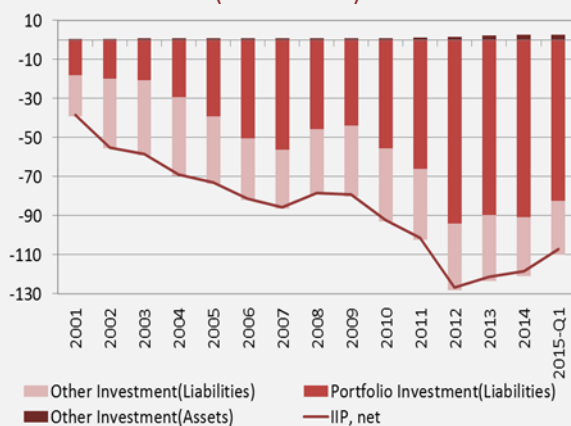


Source: CBRT.

The main sectors included in the IIP are the General Government, the Central Bank, banks and other sectors (primarily composed of non-financial corporations). Except for the Central Bank, external liabilities of all sectors are greater than their external assets. In terms of the sectors' contributions to the total net IIP, the highest negative contributions came from other sectors and banks, respectively.

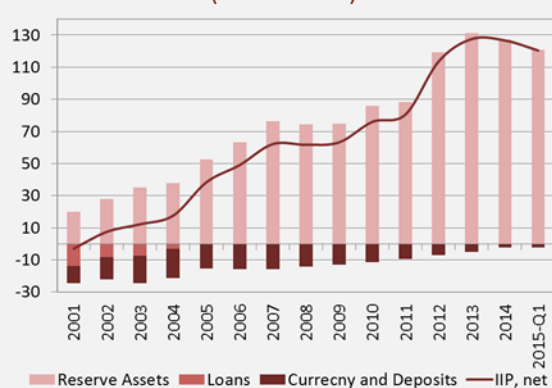
A close look at the IIP of the General Government reveals that the largest liability item is the portfolio investment item that covers bond issues abroad. The deterioration observed in the IIP of this sector in the aftermath of the global financial crisis in 2008 reversed as of 2013 (Chart 2a). On the other hand, the reserve assets item was the largest asset item of the Central Bank which was the only sector whose net IIP showed a balance on the asset side. The reserve assets item refers to the total of external assets under the control of the Central Bank that have a gold and foreign currency equivalent. The "securities" item under the foreign currency item has a determining role; it accounted for 79.3 percent of total reserves as of end-March 2015 (Chart 2b).

Chart 2a. Net IIP of the General Government
(billion USD)



Source: CBRT.

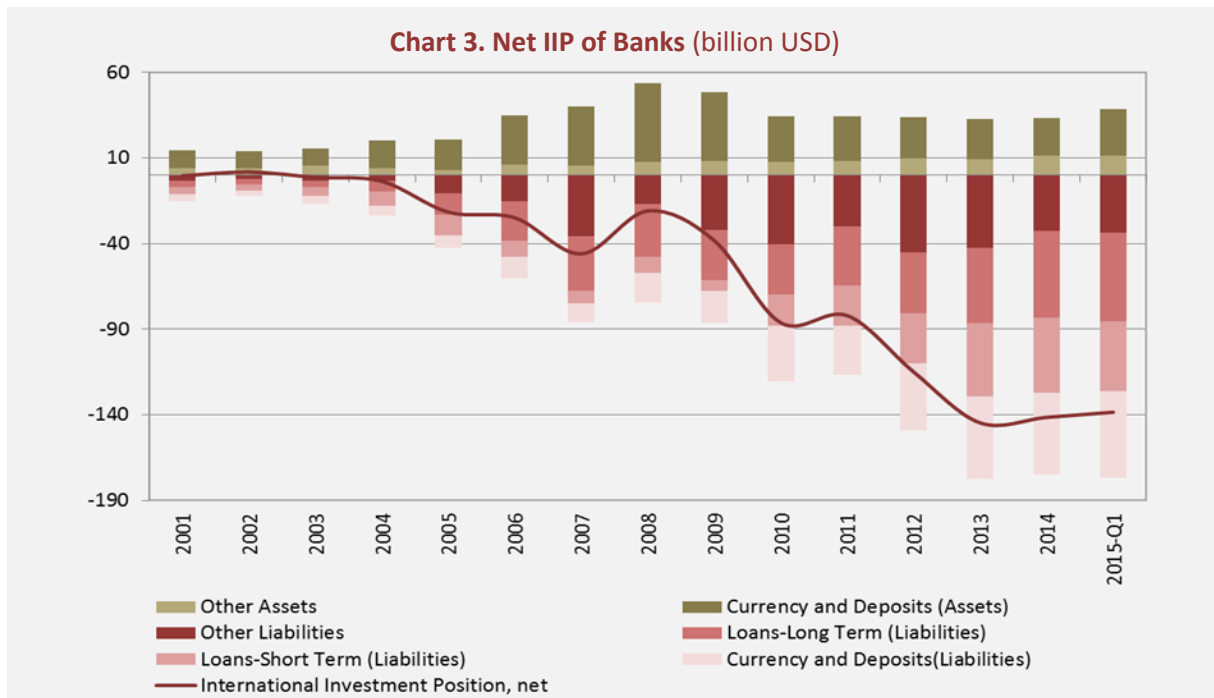
Chart 2b. Net IIP of the Central Bank
(billion USD)



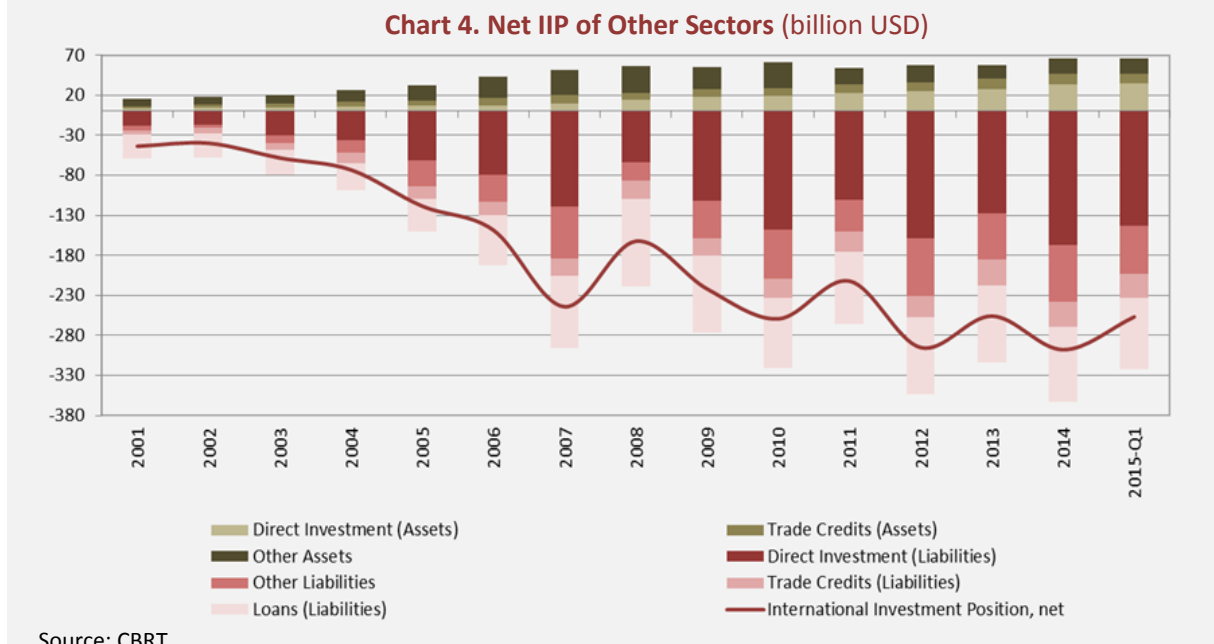
Source: CBRT.

An analysis of banks' net IIP suggests that the uptrend in liabilities accelerated particularly after 2008 but assumed a flat course after 2013. This development is attributed to the legal arrangement introduced in 2009 regarding FX and FX-indexed loans.⁵ With this legal arrangement, firms with no FX revenue have been allowed to get FX loans from local banks "as long as the average maturity of loans is longer than one year and the amount of borrowing is USD 5 million and higher". In addition, banks have been allowed to extend FX-indexed loans to residents for commercial or professional purposes. Standing as the other significant developments, short-term loan utilization has increased, liabilities in the form of equity securities have dropped and the share of bills and bonds has grown in recent years (Chart 3).

⁵Council of Ministers Decree No.2009/15082 published in the Official Gazette No. 27260 of 16 June 2009.



The net IIP of other sectors remained on the liability side throughout the analysis period and posted a rapid increase especially in the period between 2001 and 2007. Inward direct investments constituted the largest liability item of other sectors. This item constituted 44.5 percent of the total liabilities of other sectors as of end-March 2015. It is followed by long-term loans (35.3 percent) and equity securities (16.1 percent) (Chart 4). Changes in the market and exchange rate values of these liability items had a determining role in 2008, 2011 and 2013 in which the net IIP was on the rise. As a matter of fact, in 2011 and 2013, although balance of payments flow values had a negative effect on the net IIP, positive effects originating from exchange rate and market valuations enabled the net IIP to improve (See Box 4).



A breakdown of sectors' liability items by maturity shows that long-term liabilities predominate in sectors other than banks. The external liabilities of the General Government are mainly composed of debt securities; thus, almost all of them are long-term liabilities. Likewise, the main liability item of the Central Bank is the deposits item that is composed of workers' remittances; a large portion of this item is of a long-term nature as well (Chart 5).

Chart 5. Maturity Breakdown of Liabilities (billion USD)



Source: CBRT.

An analysis of the maturity structure of the banking sector's liabilities reveals that the share of long-term liabilities was higher until 2010 but then dropped below 50 percent in line with the hike in short-term loans. This breakdown in maturity composition remained flat in 2013 and after. Meanwhile, more than 70 percent of other sectors' liabilities are made of long-term items such as inward direct investments and long-term loans. This breakdown is prevalent for the whole period analyzed (Chart 5).

To conclude, the IIP data increased in the net liabilities direction between 2001 and 2012, whereas they have remained flat at around USD 400 billion since 2012. In terms of sectors, other sectors (mainly composed of non-financial corporations) and banks played a determining role in this flat trend, while the Central Bank provided a positive contribution throughout the period. On the other hand, an analysis of the maturity structure of sectors' liabilities suggests that long-term liabilities predominated in all sectors until 2010. After that year, short-term liabilities became prominent only in the banking sector, parallel to the growth in short-term loans.

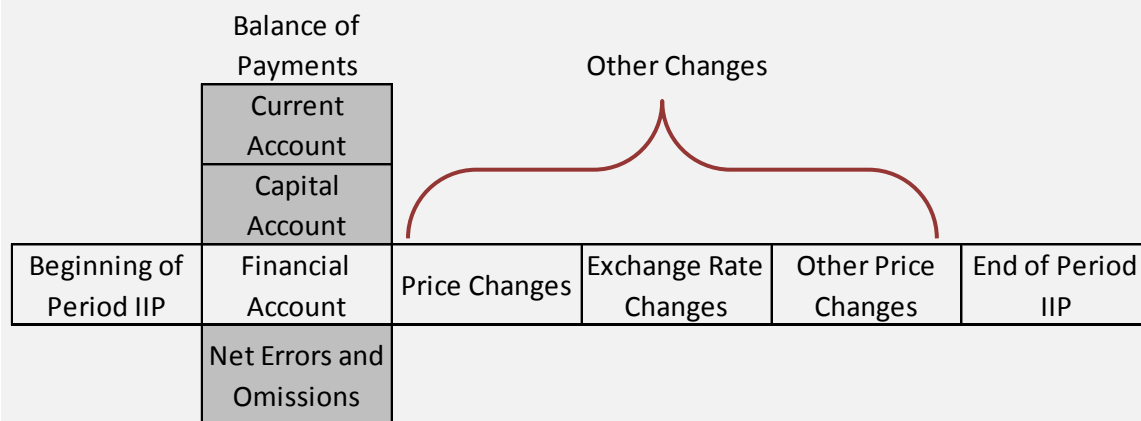
Box 4

Integrated International Investment Position Statement

In a broad sense, the balance of payments is a statistical statement prepared to obtain systematic records of economic transactions between residents and nonresidents during a specific time period. Market prices effective in the course of transaction are used in the evaluation of economic transactions. As the US dollar is used in the Report, other foreign currency units are converted based on the exchange rates applicable during the transaction period. On the other hand, the International Investment Position (IIP) shows at a point in time the stock value of financial assets of residents of an economy that are claims on nonresidents or are gold bullion held as reserve assets and the liabilities of residents of an economy to non-residents. The evaluation of the IIP stock is based on the market price in the reference period and the exchange rates at the end of the period. In other words, since the IIP is a summary of a country's external financial assets and liabilities on a sector and instrument basis, the IIP stock difference between the two periods is expected to be equal to Balance of Payments Financial Account flows in the relevant period. However, the changes in market prices and exchange rates used in the compilation periods of these two statements or the likely methodological revisions may impair this equality. To identify these changes, the Integrated International Investment Position (Integrated IIP) statement is prepared. Accordingly, this box presents an analysis of the integrated IIP statement prepared for Turkey with data pertaining to the period between 2010 and 2014 as well as a summary of the main sources of the change between the Balance of Payments Financial Account and the IIP.

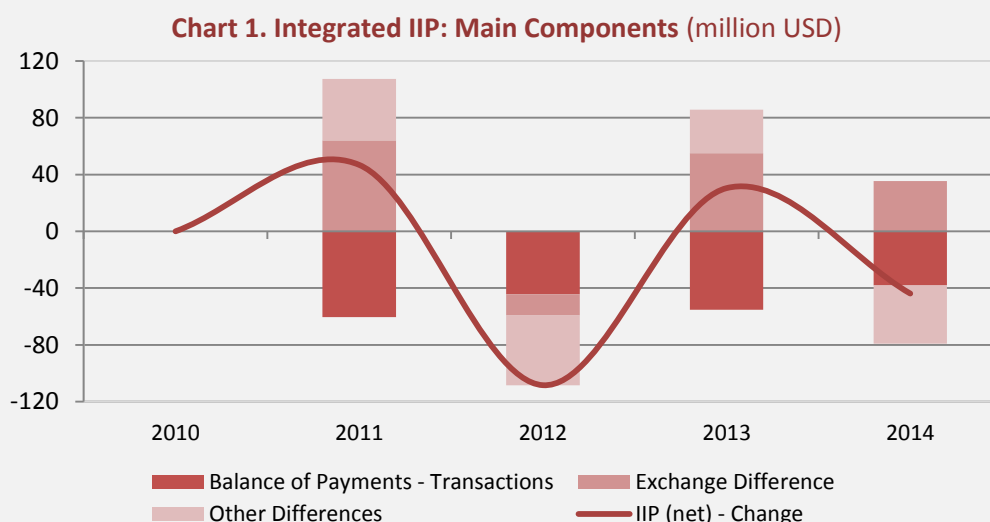
The difference between the IIP data of two selected periods is based on the flows in the relevant period's Balance of Payments Financial Account and the "Other Changes". Other changes stem from three different reasons (Diagram 1):

Diagram 1. Stock-Flow Relation



- **Price changes:** The Balance of Payments data are recorded on a transaction basis. In the IIP, transactions are recorded based on the market price in the reference period. Therefore, price changes in financial assets and liabilities affect the values of data in the two stocks.
- **Exchange rate changes:** The Balance of Payments data are recorded based on exchange rates effective on the date of transaction. The IIP data are recorded based on exchange rates effective at the end of the period. Hence, there is an exchange rate changes in stocks between the two periods.
- **Other price changes:** These changes result from factors such as the use of different data sources in the Balance of Payments and the IIP and the reclassification of instruments.

Chart 1 below shows the main components of the change in the Net IIP compiled from the Integrated IIP statement prepared for the IIP data of Turkey between 2010 and 2014 (see Annex Tables, Integrated IIP: Main Items) (Chart 1).⁶ A close look at the chart reveals that the net IIP changes in either direction (positive and negative) between USD 47 to 108 billion. Flows that originated from balance of payments running a current account deficit negatively affected the Net IIP throughout the analysis period. However, except for the year 2012 in which the TL appreciated, the exchange rate effect helped improve the Net IIP to the extent that this negative effect was eliminated. TL liabilities account for a significant portion of Direct Investment and Portfolio Investment liabilities, which leads to an improvement in the Net IIP by reducing liabilities in times of depreciation in the TL. On the other hand, the contribution of the Other Changes item that covers price and other changes to the Net IIP varied from one year to another. This item had an upside effect on the Net IIP in years in which equity securities prices dropped, whereas it exerted a downward pressure on Net IIP in years in which the same prices escalated (Chart 1 and Chart 2).

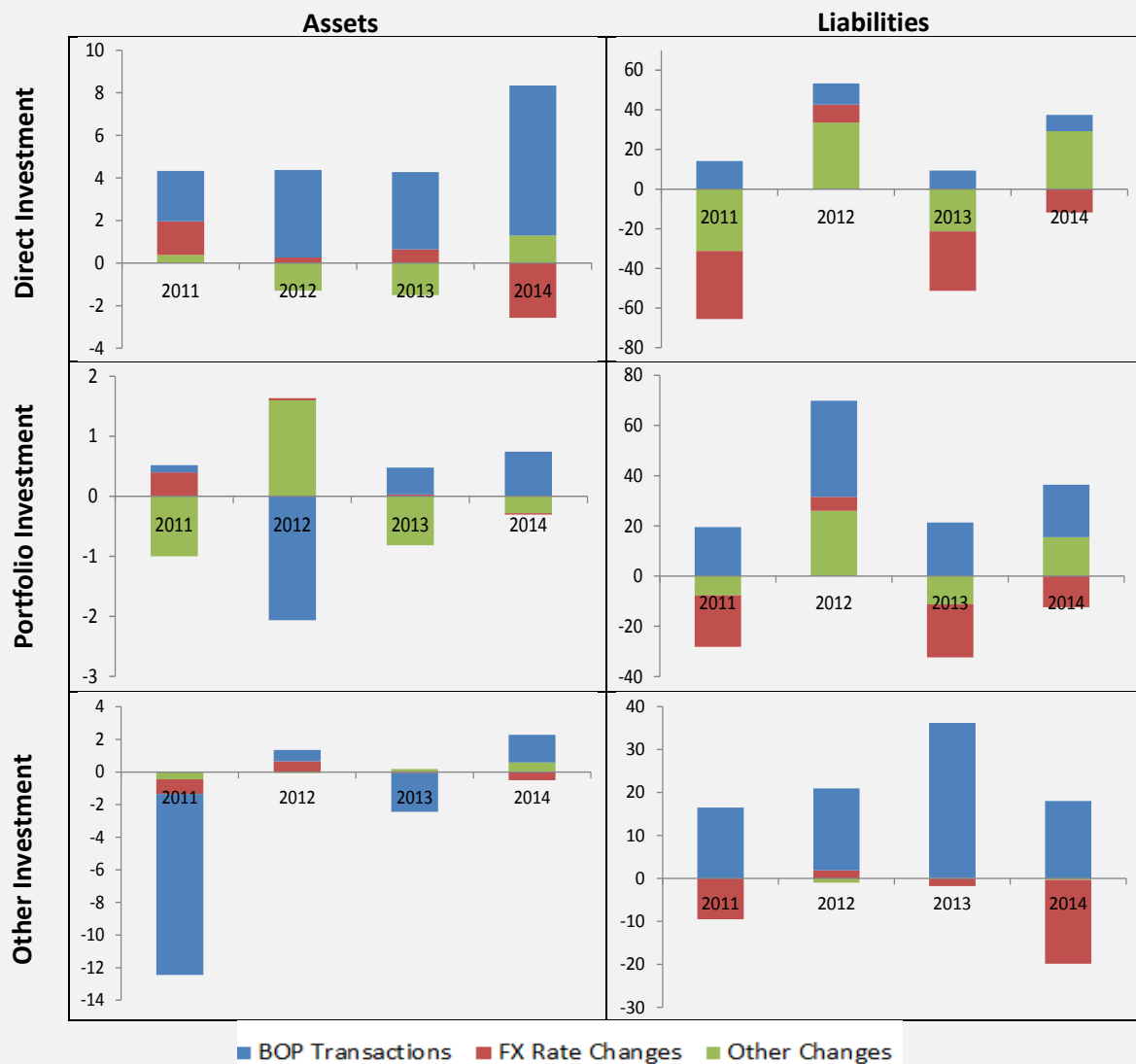


A detailed analysis of the change in the Net IIP based on main assets and liabilities items provides the following results:

⁶ It is not possible to calculate the price changes for all the financial assets and liabilities in the IIP statistics. For this reason, the price changes and the other changes have been aggregated under the "Other Changes" heading.

- Balance of Payments flows are the determining positive contributor in the Direct Investment item that has a share of around 15 percent on the asset side. The share of this item increases to 27 percent on the liability side. The change is mainly attributed to the exchange rate changes and other changes. In line with the exchange rate developments, exchange rate changes have had a downside impact on liabilities except for the year 2012.
- While the share of Portfolio Investment is at a negligible level on the asset side, its share escalates to 28 percent on the liability side. Balance of Payments flows are the largest variable with a positive contribution, whereas the exchange rate changes have contained the increase in liabilities except for the year 2012.
- The Other Investment item, mainly composed of commercial loans, loans and currency and deposits items, constitute approximately 28 percent of the Integrated IIP statement on the asset side and approximately 46 percent of it on the liability side. Balance of Payments flows are the determining factor in the change in either side.

Chart 2. Stock-Flow Relation



Source: CBRT.

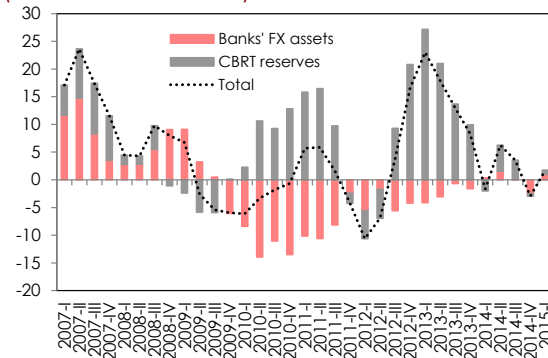
In conclusion, an analysis of the Integrated International Investment Position data for Turkey covering the last four-year period shows that the Balance of Payments Financial Account flows had a reducing effect on the Net IIP between 2010 and 2014 but exchange differences helped improve it in this period, except for the year 2012 in which the TL appreciated. These effects played a determining role in the flat course of the Net IIP after 2012.

In this quarter, the official reserves in the balance of payments table decreased by USD 3.6 billion due to the decline in capital inflows. This decrease was mainly triggered by the principal/interest repayment of bonds issued abroad as well as the FX sales to energy-exporting SEEs and banks. Meanwhile, inflows to the official reserves were mainly driven by the Treasury's bond issues in January, the FX inflows originating from the repayment of rediscount loans extended to exporters by the Central Bank and the increase in required reserves that banks hold with the CBRT.

The CBRT's international reserves decreased by USD 6.6 billion quarter-on-quarter to USD 120.7 billion. As of March, 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 1.6 percent compared to the end of the previous quarter and stood at USD 164.1 billion. As a result, the ratio of total international reserves to STED, which is considered to be one of the reserve adequacy indicators, was recorded as 84.2 percent. However, this ratio becomes 102 percent when branches and affiliates abroad are excluded.

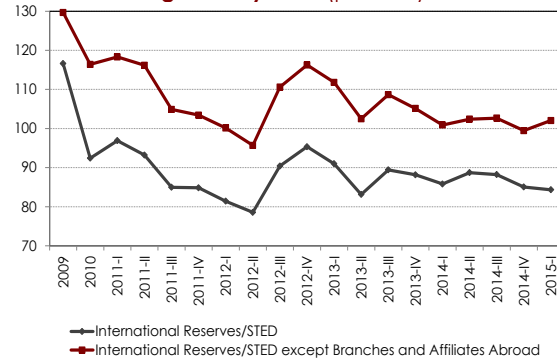
The Net Errors and Omissions (NEO) item posted a net inflow of approximately USD 4.1 billion in the first quarter of 2015. In annual terms, the 12-month cumulative NEO stood at USD -0.6 billion in this period and the ratio of 12-month cumulative NEO to total FX inflows fell to -0.3 percent.

Chart 37. International Reserves
(annualized, billion USD)



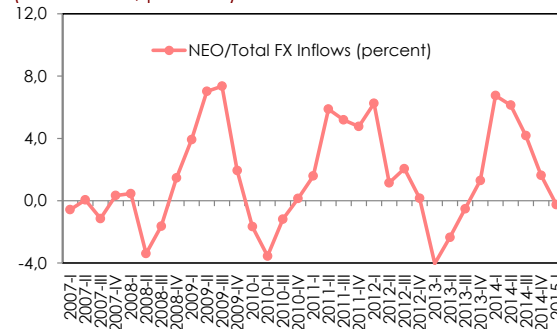
Source: CBRT.
Note: (+) increase; (-) decrease

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-March			March (Annualized)		
	2014	2015	% change	2014	2015	% change
Current Account	-11,8	-11,1	-6,2	-60,0	-45,8	-23,7
Goods	-12,0	-11,2	-7,2	-74,8	-62,7	-16,1
Exports	43,0	39,0	-9,3	165,4	164,9	-0,3
Exports (fob)	40,1	37,1		154,9	154,6	
Shuttle Trade	2,2	1,1		7,9	7,5	
Imports	55,0	50,1	-8,8	240,2	227,7	-5,2
Imports (cif)	57,5	52,3		250,4	237,0	
Adjustment: Classification	-3,1	-2,7		-13,1	-12,3	
Services	2,5	2,6	4,2	22,9	25,3	10,2
Travel (net)	2,8	2,9		23,2	24,6	
Credit	4,0	4,1		28,1	29,6	
Debit	1,3	1,2		5,0	5,0	
Other Services (net)	-0,2	-0,2		-0,2	0,7	
Primary Income	-2,4	-2,7	10,0	-9,5	-9,5	-0,3
Compensation of Employees	-0,2	-0,2		-0,4	-0,9	
Direct Investment (net)	-0,6	-0,9		-3,5	-2,6	
Portfolio Investment (net)	-0,8	-0,8		-1,5	-2,0	
Other Investment (net)	-0,8	-0,8		-4,0	-4,0	
Interest Income	0,4	0,3		1,7	1,6	
Interest Expenditure	1,2	1,1		5,7	5,6	
Secondary Income	0,2	0,2	1,6	1,3	1,1	-13,6
Workers Remittances	0,2	0,2		0,9	0,8	
Capital Account	0,0	0,0		-0,1	0,0	
Financial Account	-3,5	-7,0	99,4	-45,4	-46,4	2,2
Direct Investment (net)	-3,1	-2,4	-22,5	-9,9	-4,8	-51,6
Net Acquisition of Financial Assets	1,2	1,1		4,1	6,9	
Net Incurrence of Liabilities	4,3	3,5		14,0	11,7	
Portfolio Investment (net)	2,5	1,6	-35,9	-13,5	-21,0	55,9
Net Acquisition of Financial Assets	0,5	0,7		-1,3	1,0	
Net Incurrence of Liabilities	-2,0	-0,9		12,2	21,9	
Equity Securities	0,4	-0,6		0,9	1,5	
Debt Securities	-2,4	-0,2		11,4	20,4	
GDDS	-3,9	-0,8		-3,8	3,4	
Eurobond Issues of Treasury	0,9	-1,3		5,3	2,1	
Borrowing	4,0	1,5		8,4	4,8	
Repayment	3,1	2,8		3,1	2,8	
Banks (net)	0,6	1,6		6,4	11,4	
Other Sectors (net)	0,0	0,2		3,5	3,5	
Other Investment (net)	2,0	-2,5	-228,3	-20,0	-21,4	6,9
Currency and Deposits	1,9	-1,4		-4,2	-3,9	
Net Acquisition of Financial Assets	-0,5	5,5		-2,8	6,3	
Banks	-0,9	5,8		1,5	6,2	
Foreign Exchange	-0,6	2,8		0,3	1,0	
Turkish Lira	-0,3	3,0		1,2	5,2	
Other Sectors	0,4	-0,3		-4,3	0,2	
Net Incurrence of Liabilities	-2,4	6,9		1,5	10,3	
Central Bank	-0,4	-0,1		-2,1	-2,1	
Banks	-2,1	7,1		3,6	12,3	
Loans	-3,0	-2,2		-18,0	-14,2	
Net Acquisition of Financial Assets	0,1	0,1		0,1	1,8	
Net Incurrence of Liabilities	3,1	2,3		18,1	16,0	
Banks	1,4	1,8		16,2	12,2	
Short-term	-0,2	-1,8		5,5	2,1	
Long-term	1,6	3,6		10,7	10,1	
General Government	-0,3	-0,4		-0,8	-1,0	
Long-term	-0,3	-0,4		-0,4	-1,0	
Other sectors	2,0	1,0		2,7	4,9	
Short-term	-0,1	0,4		1,5	0,8	
Long-term	2,1	0,6		1,2	4,1	
Trade Credit and Advances	3,2	1,2		2,7	-2,8	
Net Acquisition of Financial Assets	0,9	-0,7		2,5	-2,1	
Net Incurrence of Liabilities	-2,3	-1,9		-0,2	0,8	
Other Assets and Liabilities	-0,1	0,0		-0,5	-0,4	
Change in Official Reserves	-4,9	-3,6		-2,0	0,8	
Net Errors and Omissions	8,3	0,0		14,7	0,0	

Source: CBRT.

Financing Requirements and Sources (billion USD)

	2014				2014	2015
	I	II	III	IV		I
Financing Requirements	-25,4	-22,6	-20,0	-26,3	-94,4	-23,9
Current Account Balance (Excluding Current Transfers)	-12,0	-13,0	-7,3	-15,3	-47,6	-11,3
Debt Security and Credit Repayments	-11,5	-10,8	-9,9	-11,6	-43,8	-12,8
Debt Securities (Abroad)	-4,2	-1,2	-1,8	-2,1	-9,2	-5,2
Long Term Credits	-7,3	-9,6	-8,1	-9,5	-34,6	-7,6
Trade Credits	-0,1	0,0	0,0	-0,1	-0,2	-0,1
Monetary Authority (IMF)	0,0	0,0	0,0	0,0	0,0	0,0
General Government (IMF)	-0,5	-1,0	-0,6	-1,0	-3,1	-0,7
Banks	-1,9	-2,5	-2,2	-2,6	-9,2	-2,8
Other Sectors	-4,9	-6,1	-5,3	-5,8	-22,1	-4,1
Other Assets (- indicates to an increase) 1/	-2,0	1,2	-2,8	0,5	-3,0	0,2
Financing Sources	25,4	22,6	20,0	26,3	94,4	23,9
Current Transfers	0,2	0,3	0,3	0,3	1,1	0,2
Capital Account	0,0	0,0	0,0	0,0	-0,1	0,0
Direct Investment (Net)	3,1	1,6	0,2	0,6	5,5	2,4
Equity Securities (Net)	0,4	1,1	0,1	1,0	2,6	-0,6
Debt Securities and Credits	10,0	27,8	17,3	24,0	79,2	13,0
Debt Securities	1,8	13,5	4,7	7,5	27,5	5,0
In Turkey (Net)	-3,8	4,1	-1,3	1,6	0,6	-1,0
Abroad	5,6	9,4	6,0	5,9	26,9	6,0
Long Term Credits	10,8	11,3	10,6	14,6	47,3	11,3
Trade Credits	0,0	0,0	0,0	0,0	0,2	0,0
Monetary Authority (IMF)	0,0	0,0	0,0	0,0	0,0	0,0
General Government (IMF)	0,2	0,5	0,5	1,0	2,2	0,3
Banks	3,5	3,6	4,2	6,0	17,3	6,4
Other Sectors	7,0	7,2	5,9	7,6	27,7	4,7
Short Term Credits (Net)	-2,6	3,1	2,0	1,9	4,4	-3,3
Trade Credits	-2,3	1,4	0,5	0,7	0,3	-1,9
Monetary Authority	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
Banks	-0,2	1,8	1,1	1,0	3,7	-1,8
Other Sectors	-0,1	-0,1	0,4	0,2	0,4	0,4
Deposits (Net)	-2,4	1,3	1,1	0,8	0,9	6,9
Other Liabilities	0,1	0,2	0,1	0,0	0,5	0,0
Net Errors and Omissions	8,3	-2,4	3,2	-5,4	3,7	4,1
Banks' Currency and Deposits 2/	0,9	-1,2	-0,7	1,6	0,6	-5,8
Reserve Assets 2/	4,9	-6,1	-1,6	3,4	0,5	3,6

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
	I	II	III	IV		I
A) Current Account Balance	-11,7	-12,6	-6,7	-14,8	-45,8	-11,1
B) Capital and Financial Account	3,5	15,5	3,6	20,9	43,5	7,0
Capital Account	0,0	0,0	0,0	0,0	-0,1	0,0
Financial Account	3,5	15,5	3,6	20,9	43,5	7,0
Assets	-2,2	-1,1	-5,7	0,0	-8,9	-6,7
Direct Investment	-1,2	-1,1	-2,1	-2,6	-7,0	-1,1
Portfolio Investment	-0,5	-0,7	0,5	-0,1	-0,8	-0,7
Other Investment	-0,5	0,7	-4,0	2,7	-1,1	-4,9
Liabilities	0,8	22,7	11,0	17,5	52,0	10,1
Non-Debt Creating Flows	4,6	4,5	2,5	4,2	15,8	2,9
Direct Investment 1/	4,1	3,2	2,2	3,3	12,8	3,4
Portfolio Investment/Equity Securities	0,4	1,1	0,1	1,0	2,6	-0,6
Other Investment/Other Liabilities 2/	0,1	0,2	0,1	0,0	0,5	0,0
Debt Creating Flows	-3,8	18,2	8,5	13,3	36,2	7,2
Portfolio Investment/Debt Securities	-2,4	12,3	2,8	5,4	18,1	-0,2
Trade Credits	-2,3	1,4	0,5	0,7	0,3	-1,9
Loans	3,3	3,1	4,0	6,3	16,7	2,3
Deposits	-2,4	1,3	1,1	0,9	1,0	6,9
Other Investment/Other Liabilities 2/	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
C) Net Errors and Omissions	8,2	-2,8	3,1	-6,1	2,4	4,1

Source: CBRT.

Annex to Box 4: Integrated IIP Statement: Main Items

	IIP 2010	BOP Transactions	FX Rate Changes	Other Changes	IIP 2011
Net International Investment Position	-361.643	-60.579	64.119	43.266	-314.837
Assets	185.908	-10.420	-261	4.445	179.672
Direct investment	23.962	2.370	1.581	381	28.294
Portfolio investment	2.230	120	398	-998	1.750
Other investment	73.732	-11.097	-909	-444	61.282
Reserve assets	85.984	-1.813	-1.331	5.506	88.346
Liabilities	547.551	50.159	-64.380	-38.821	494.509
Direct investment	188.469	14.163	-34.308	-31.207	137.117
Portfolio investment	118.195	19.516	-20.558	-7.614	109.539
Other investment	240.887	16.480	-9.514		247.853

	IIP 2011	BOP Transactions	FX Rate Changes	Other Changes	IIP 2012
Net International Investment Position	-314.837	-44.531	-14.743	-49.186	-423.297
Assets	179.672	23.559	1.840	9.373	214.444
Direct investment	28.294	4.105	269	-1.290	31.378
Portfolio investment	1.750	-2.063	34	1.599	1.320
Other investment	61.282	703	651	-53	62.583
Reserve assets	88.346	20.814	886	9.117	119.163
Liabilities	494.509	68.090	16.583	58.559	637.741
Direct investment	137.117	10.646	9.111	33.558	190.432
Portfolio investment	109.539	38.355	5.589	25.969	179.452
Other investment	247.853	19.089	1.883	-968	267.857

	IIP 2012	BOP Transactions	FX Rate Changes	Other Changes	IIP 2013
Net International Investment Position	-423.297	-55.286	55.000	30.726	-392.857
Assets	214.444	11.610	2.059	-1.652	226.461
Direct investment	31.378	3.627	649	-1.504	34.150
Portfolio investment	1.320	442	34	-817	979
Other investment	62.583	-2.370	-67	182	60.328
Reserve assets	119.163	9.911	1.443	487	131.004
Liabilities	637.741	66.896	-52.941	-32.378	619.318
Direct investment	190.432	9.408	-29.987	-21.308	148.545
Portfolio investment	179.452	21.385	-21.205	-11.176	168.456
Other investment	267.857	36.103	-1.749	106	302.317

	IIP 2013	BOP Transactions	FX Rate Changes	Other Changes	IIP 2014
Net International Investment Position	-392.857	-38.098	35.512	-40.990	-436.433
Assets	226.461	9.006	-8.177	3.452	230.742
Direct investment	34.150	7.047	-2.573	1.298	39.922
Portfolio investment	979	741	-25	-281	1.414
Other investment	60.328	1.687	-502	591	62.104
Reserve assets	131.004	-468	-5.077	1.843	127.302
Liabilities	619.318	47.104	-43.689	44.442	667.175
Direct investment	148.545	8.218	-11.797	29.230	174.196
Portfolio investment	168.456	20.850	-12.366	15.538	192.479
Other investment	302.317	18.036	-19.527	-326	300.500

Source: CBRT.

Boxes in Balance of Payments Reports

2014-IV

- Box 1. Potential Risk Factors for Current Account Balance in the Near Future
- Box 2. Adjustments in the Goods Item in the Balance of Payments Statistics
- Box 3. Shuttle Trade
- Box 4. Reserve Adequacy with Respect to the Gross External Financing Requirement

2014-III

- Box 1. Impact of Transition to the Sixth Edition of the Balance of Payments and International Investment Position Manual (BPM6) on Balance of Payments Statistics
- Box 2. Foreign Currency Composition of the Corporate Sector's External Borrowing
- Box 3. Net Errors and Omissions Item and Comparison Across Selected Countries

2014-II

- Box 1. Turkey's Practice in the Changeover to the 6th Edition of the Balance of Payments and International Investment Position Manual
- Box 2. Impact of the Geopolitical Tension in Iraq on Exports
- Box 3. Bonds and Bills Issued Abroad by the Banking Sector

2014-I

- Box 1. Evaluation of the Developments in Russia and Ukraine with Respect to the Balance of Payments Statistics
- Box 2. The Impact of Expectations Regarding the Quantitative Easing Program on Portfolio Investments in Turkey
- Box 3. Revisions in the Net Errors and Omissions Item

2013-IV

- Box 1. Impact of Economic Developments in the Euro Area on Foreign Direct Investments in Turkey
- Box 2. The Effect of Rediscount Credits on International Reserves
- Box 3. An Analysis on the External Debt Service in 2014

2013-III

- Box 1. Recent Developments in Exports to EU Countries
- Box 2. A Correction in Tourism Statistics about Syrian Refugees and its Impact on Balance of Payments Statistics
- Box 3. International Investment Position: An Analysis of Turkey
- Box 4. Corporate Sector External Debt Stock

2013-II

- Box 1. Turkey's Energy Imports for Electricity Generation
- Box 2. The Impact of Turkey's Gold Trade on the Current Account Deficit and Recent Developments
- Box 3. Investment Income and International Money Market Rates
- Box 4. The ROM Facility and Structural Change in International Reserves

2013-I

- Box 1. Technological Structure of Foreign Trade in Turkey: 1990-2012
- Box 2. Maturity Structure of Non-Residents' Holdings of Securities
- Box 3. Outflows From the Net Errors and Omissions Item

2012-IV

- Box 1. Macro Display of the Quality of Current Account Deficit Financing
- Box 2. Domestic and Foreign Value Added Ratios in Exports
- Box 3. Methodological Revision in Tourism Statistics and Its Impact on Balance of Payments Statistics
- Box 4. IMF Lending Arrangements and Balance of Payments Statistics
- Box 5. A New Approach to Assessing Reserve Adequacy

2012-III

- Box 1. Latest Developments in Exports to the European Union and Middle East and North Africa Countries
- Box 2. FX Deposit Accounts with Letters of Credit and Super FX Accounts Flows and Net Errors and Omissions
- Box 3. Outstanding Loans Received From Abroad by Private Sector

2012-II

- Box 1. Latest Developments in the European Union and Exports by Sectors
- Box 2. Profile of Tourists Visiting Turkey and a General Analysis of Travel Revenues by Nationality
- Box 3. Composition of Non-Residents' Government Domestic Debt Securities

2012-I

- Box 1. Turkey's Export Performance with Respect to the Diversification of Product and Country Groups
- Box 2. Turkish Residents' Deposits Abroad and Net Errors and Omissions
- Box 3. Repo Transactions with Non-Residents
- Box 4. Net International Reserves

2011-IV

- Box 1. Credit Expansion and Current Account Balance
- Box 2. Repercussions of the Developments In Syria on Turkey's Exports
- Box 3. Current Account Deficit and Financing Items
- Box 4. The Impact of European Debt Crisis on Capital Flows To Turkey
- Box 5. Foreign Direct Investments in Turkey
- Box 6. Revisions Made in the Scope of the Revision Policy for Balance of Payments Statistics

2011-III

- Box 1. Rise in Imports of Gold and Its Impact on Total Imports
- Box 2. International Reserves and FX Liquidity
- Box 3. Turkey's Financial Assets In Troubled Peripheral Euro Area Countries

2011-II

- Box 1. The Impact of Terms of Trade on Widening Current Account Deficit
- Box 2. The Impact of Residents On Capital Flows
- Box 3. Analysis of Net Errors and Omissions Item in the Context of Residents' Deposit Accounts Against Net Foreign Currency

2011-I

- Box 1. Impacts of the Political Unrest in North Africa on Turkey's Foreign Trade by Sectors
- Box 2. Implications of the Unrest in the Gulf Region on the Balance of Payments Financial Accounts
- Box 3. Recording of Swap Transactions in Balance of Payments Statistics in the Context of the Off Balance Sheet Foreign Exchange Net General Position
- Box 4. International Reserves and Short-Term External Debt

2010-IV

- Box 1. The Trend of Capital Flows to Emerging Markets During and After the Crisis and Turkey
- Box 2. The Effect of Foreign Branches of Resident Banks (Foreign Branches) on Balance of Payments Statistics in 2010
- Box 3. Short-Term External Debt - Developments in 2010