CENTRAL BANK OF THE REPUBLIC OF TURKEY

Balance of Payments Report 2014-II

CENTRAL BANK OF THE REPUBLIC OF TURKEY

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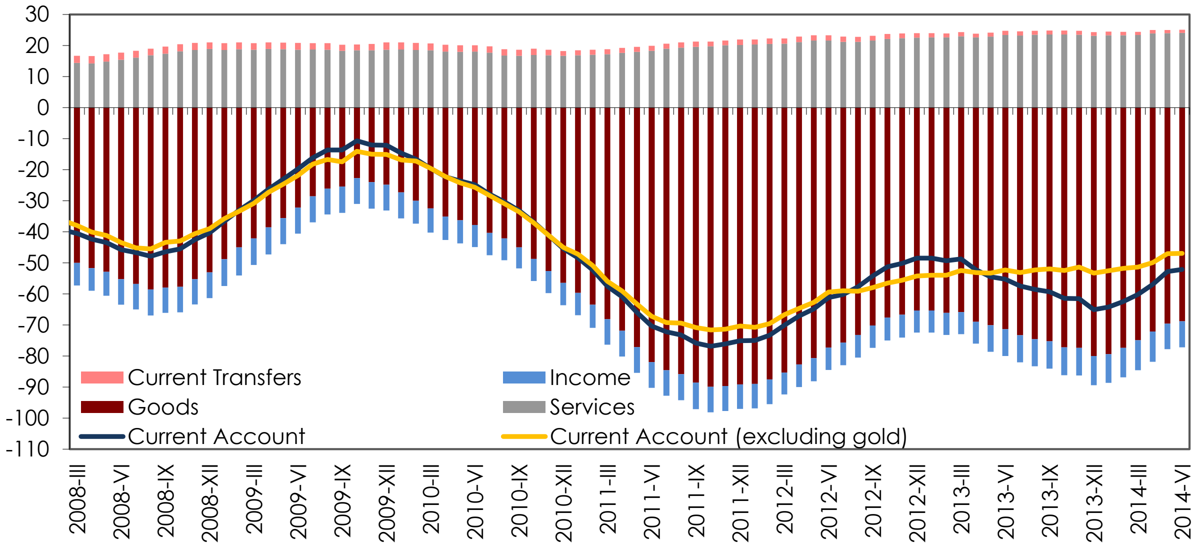
Overview

The contraction in the current account deficit continued in the second quarter of 2014. The main driver of this contraction was the improvement in the foreign trade balance. Foreign trade of gold stood at its historical average, thus contributing to the decline in the current account balance. Despite the flat course of net travel revenues, with the support of the ongoing increase in transportation revenues, the services balance continued to surge (Chart 1).

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



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

In the second quarter, exports excluding gold displayed an uptrend. Although exports to Iraq decelerated considerably in June due to the recent developments in the region, overall exports maintained their uptrend in this quarter, thanks to the ongoing acceleration in exports to European Union (EU) countries. Meanwhile, despite the weak outlook in EU economies, the competitive level of exchange rates helped increase exports to these countries. The automotive sector stood out as the main contributor of the boost in exports. Gold exports and shuttle trade revenues inched down year-on-year, putting a brake on the acceleration in balance of payments-defined exports.

Excluding gold, the recent modest uptrend in import expenditures continued in the second quarter as well. The moderate course of domestic demand factors was the main factor curbing the growth of imports in this period. On the other hand, gold imports continued to hover below historical averages in this quarter as well, which was another factor restraining the increase in imports.

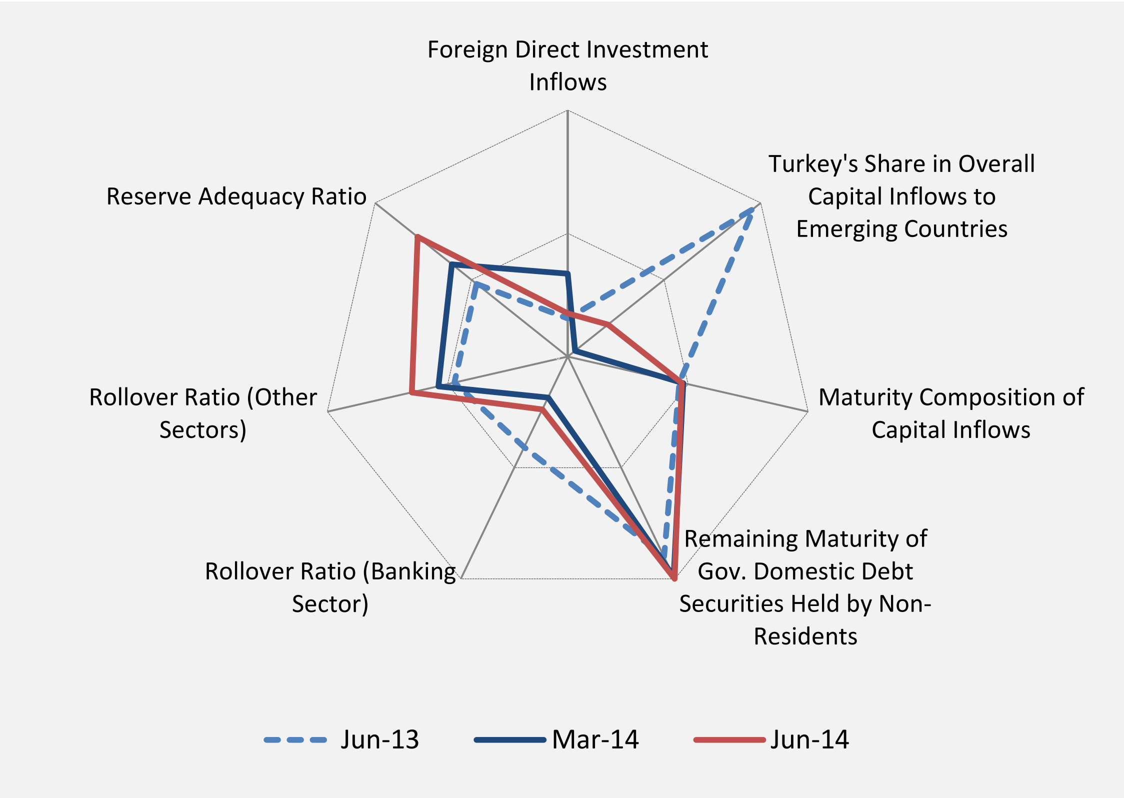
The services item, which is the second most important determinant of the current account balance after foreign trade, continued to contribute positively to the improvement in the current account balance, albeit at a lower rate. Travel revenues escalated due to the surge in the number of tourists visiting Turkey. Yet, net travel revenues remained flat in the second quarter as there was also an increase in travel expenditures. The other transportation sector was the sector with the greatest contribution to the growth in overall services revenues.

Financing of the Current Account Deficit

The second quarter of 2014 was a calmer period compared to the first quarter in which the global risk appetite followed a fluctuating course and capital inflows decelerated considerably due to domestic political developments. A breakdown of financial account in the balance of payments by main headings reveals that direct investment, which had been below the historical average for some time, continued on the uptrend that they assumed in the last quarter of 2013 in this quarter as well, albeit at a decelerated pace. Portfolio investment registered high inflows across all instruments. As for other investment inflows, both the banking sector's and other sectors' debt rollover ratios remained above 100. Meanwhile, the outflow from deposits on the liabilities side, which had started in the third quarter of 2013, stopped in the second quarter of 2014.

In terms of the quality of financing sources, there was an improvement in all headings compared to the previous quarter (Chart 2).

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



Source: CBRT.

The moderate revival in direct investment inflows, which emerged in the last quarter of 2013 after a long flat period, reversed in the second quarter of 2014. On the other hand, real estate investments under the direct investment item continued to post a rapid increase in this quarter. This increase is attributed to the legal arrangement in 2013 that has facilitated house sales to foreigners (Chart 3).

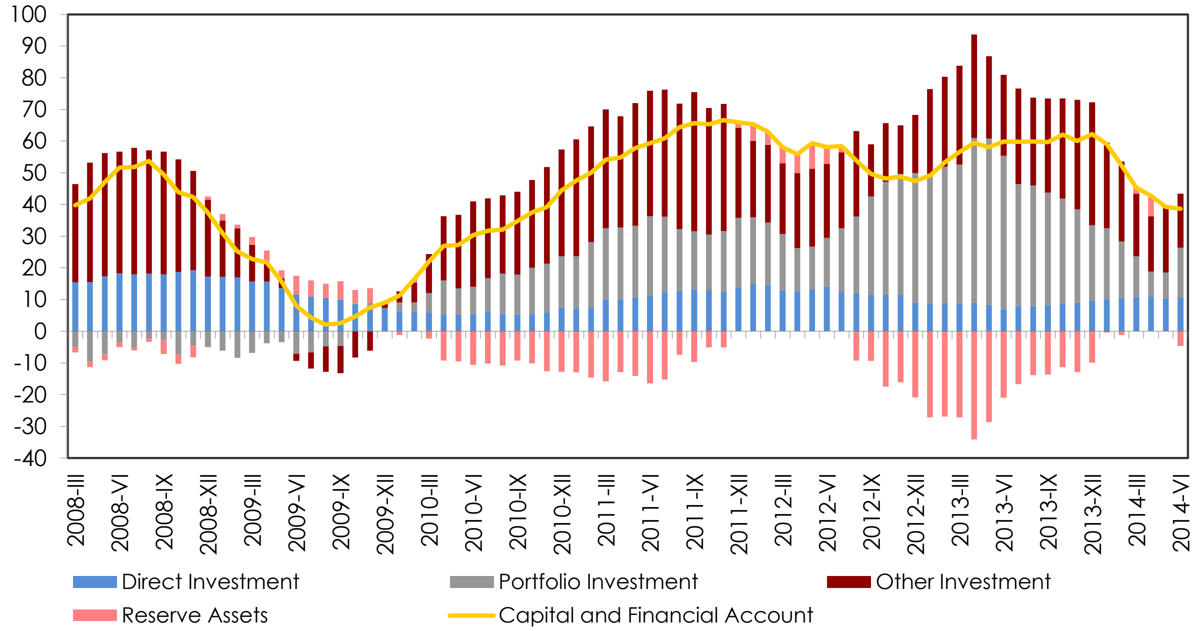
The global risk appetite was relatively flat in the second quarter of the year. Turkey diverged positively from other emerging markets due to the waning impact of domestic developments following the mayoral election. In terms of investment instruments, non-residents bought all types of instruments throughout the period. The surge in inflows from Government Domestic Debt Securities (GDDS) and the banking sector's bond issues abroad is particularly outstanding. Other sectors resumed their bond issues abroad after a pause in the previous quarter.

In the second quarter of 2014, neither the banking sector nor other sectors had any supply-side constraints in external borrowing through loans. In fact, the banking sector's debt rollover ratio is well above the 100 percent level. Long-term external loans used by other sectors mainly to finance investments posted net inflows in the second quarter of 2014. Accordingly, other sectors' total debt rollover ratios were also above the 100 percent level. When other sectors' borrowings through bonds are included, this level further increases.

The outflow from deposits - included in other investment item liabilities - which had started in the third quarter of 2013, halted in this quarter. In this period, there were deposit inflows from both non-residents and banks abroad.

Strong capital inflows helped boost official reserves significantly in the second quarter.

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



Source: CBRT.

The new edition of the Balance of Payments Manual (The Sixth Edition of the Manual), which was released by the International Monetary Fund (IMF) in 2009 and includes concepts, definitions, classifications and practices regarding the balance of payments and international investment position (IIP) statistics, introduces both presentational and methodological changes in balance of payments statistics. The Central Bank of the Republic of Turkey (CBRT) is planning to release the balance of payments statistics in BPM6 format on 13 November 2014 for September 2014 data, and previous data series as well (Box 1).

Box 1 Turkey's Practice in the Changeover to the 6th Edition of the Balance of Payments and International Investment Position Manual

In 2009, the IMF released the Balance of Payments and International Investment Position Manual, 6th Edition (BPM6), which includes concepts, definitions, classifications and practices regarding the balance of payments and international investment position (IIP) statistics. The new manual introduces both presentational and methodological changes in balance of payments statistics. The CBRT is planning to release the balance of payments statistics in BPM6 format on 13 November 2014 for September 2014 data, and previous data series as well. This box aims to give information about the main changes that the CBRT plans to make regarding the Balance of Payments statistics while transitioning from the Balance of Payments Manual, 5th Edition (BPM5) format to BPM6 format.

The New Sign Convention:

While updating the Balance of Payments and IIP standards, there will be no value changes in the presentations of "Current Account", "Capital Account", "Financial Account" and "Net Errors and Omissions" items between BPM5 and BPM6. The most important change in the new edition has been made in the sign convention. Accordingly, the sign convention, in which increases in assets and decreases in liabilities were shown with the negative sign while decreases in assets and increases in liabilities were indicated with the positive sign, has been abandoned. For each account, the new sign convention will be as follows:

Current Account and Capital Account

- Credit and Debit items will be recorded with the positive (+) sign. With some exceptions[1] , only the balances on accounts, in which items are netted out, will take the negative (-) sign. Balances on accounts will be calculated by subtracting "debit" from "credit" and take either the positive (+) or negative (-) sign.

Financial Account

- The new sign convention for the Financial Account in the Balance of Payments will be consistent with the IIP: A positive sign indicates an increase in assets or liabilities, and a negative sign indicates a decrease in assets or liabilities.
- The account balances, under which asset and liability transactions are netted out, can be positive or negative.
- The balance on the Financial Account in BPM6 format and the net balance on the Financial Account in BPM5 format will have opposite signs. In other words, net inflows in the Financial Account will be registered with the negative sign in BPM6, whereas they are displayed with the positive sign in BPM5.

[1] Items such as reinvested earnings under direct investment income, net exports of goods under merchanting, etc. may take the negative sign.

Changes:

A. Current Account

The most significant change in the current account balance is that the imputation of “change of ownership" has been eliminated and transactions are now recorded in full compliance with the "change of ownership" principle. As a result, some items will shift between "Goods" and "Services". Accordingly,

- The "Goods Procured in Ports by Carriers" item, which is shown as a separate item under "Goods" in BPM5 format, will be included under “General Merchandise” through the “Adjustment” item and hence, will not be presented as a separate item.
- Studies conducted by the Turkish Statistical Institute (TURKSTAT) on "Goods for Processing" and "Goods for Repairs" items under "Goods" in BPM5 have made it possible to include these items in the balance of payments. As transactions recorded under these two items do not involve "change of ownership" according to the new standards set by BPM6, these items will be registered under the "Services" account as "Manufacturing Services on Physical Inputs Owned by Others" and "Maintenance and Repair Services n.i.e", respectively.
- The "Net Exports of Goods Under Merchanting" item, which was recorded under "Services/ Other Business Services" in the previous presentation, will be moved to "Goods".
- "Postal and Courier Services", previously recorded under "Other Services", will be moved to "Transport/Other Modes of Transport".
- The “Investment Income Balance” and “Current Transfers” items will be renamed “Primary Income” and “Secondary Income”, respectively. The content of these items will be basically the same. The main methodological change, as explained below in the “Financial Account” item, is the reflection of the balance sheet-based "Assets/Liabilities” presentation of the “Direct Investment” item to the “Primary Income” item.
- “Workers’ Remittances” under “Current Transfers” will be replaced by the “Personal Transfers” item that records all transfers, including workers’ remittances, between residents and non-residents.

There will be no change in the Current Account Balance due to BPM6 conversion, since reclassifications take place between “Goods” and “Services” accounts. The change will result from the inclusion of data related to the newly compiled “Manufacturing Services on Physical Inputs Owned by Others”, “Maintenance and Repair Services n.i.e” and “Personal Transfers” items. However, these items will also be included in BPM5 format and balance of payments statistics will be published in both BPM6 and BPM5 formats for a certain period of time. Hence, the difference between the formats of two publications will be entirely due to the conversion to the new format.

B. Capital Account

The "Migrants' Transfers" item will be removed from the balance of payments as there is no economic transaction recorded under this item and no change of ownership in the goods of persons changing their territories of residence permanently.

C. Financial Account

In BPM6, the Financial Account is broken down into "Assets" and "Liabilities" for each sub-item with the headings "Net Acquisition of Financial Assets" and "Net Incurrence of Liabilities", respectively.

- Although not newly introduced by BPM6, "Portfolio Investment" / "Liabilities" / "Equity" will be broken down into "Banks" and "Other Sectors", presenting the sector of investments.

- The most significant change that BPM6 has introduced in the financial account is that the "Direct Investment" item will be broken down into "Assets" and "Liabilities" in line with the balance sheet approach, instead of the previous "In Turkey" and "Abroad" presentation which was based on the directional principle. For example, according to the directional principle,
  - Turkish parent companies' direct investments in their foreign branches, affiliates and subsidiaries, and
  - Foreign branches', affiliates' and subsidiaries' direct investments in their Turkish parent companies (Reverse Investment)

  had to be netted and shown under the "Abroad" item.

  However, in the new "Assets / Liabilities" presentation,
  - Turkish parent companies' direct investments in their foreign branches, affiliates and subsidiaries will be displayed under the "Assets" item and,
  - Foreign branches', affiliates' and subsidiaries' direct investments in their Turkish parent company (Reverse Investment) will be shown under the "Liabilities" item.[2]

  This change will not lead to a BPM6 conversion-based value change in the "Direct Investment" item for now, as studies to compile data on reverse investment in Turkish balance of payments statistics are still under way. Yet, there will be a change originating from the use of newly compiled "Direct Investment / Net Acquisition of Assets / Other Capital" data with the adoption of BPM6.

- According to BPM6, so called "permanent debt" transactions of banks and other financial institutions with affiliates are reclassified from "Direct Investment" to "Portfolio Investment" or "Other Investment". Since Turkey's balance of payment statistics are already compiled according to this principle, there will be no change in this item.

[2] Resident affiliates' and subsidiaries' direct investment in their non-resident parent company will also be shown under "Assets".

- Likewise, as data regarding credit disbursements/repayments of resident direct investment enterprises from/to non-resident fellow enterprises, which are now classified under direct investment in BPM6, have already been recorded in compliance with the new standards in Turkey's balance of payment statistics, this item will also remain the same.
- In BPM6, allocations of Special Drawing Rights (SDRs) to member countries by the IMF are recorded as increases in gross reserve assets and, at the same time, as "Net Incurrence of Liabilities" in long-term debt liabilities of the general government. In line with Turkey's quota increase by the IMF, the Fund made a "general SDR allocation" of SDR 883.1 million in August 2009 and a "special SDR allocation" of SDR 75.9 million in September 2009. These allocations were already recorded in balance of payments and international investment position statistics of the related months in 2009 under "Other Investment / Liabilities / Other Liabilities" and "Reserve Assets / Official Reserves / Foreign Exchange", complying with BPM6.

To conclude, the conversion from BPM5 to BPM6 will bring about both presentational and methodological changes in balance of payments statistics. However, once again, there will be no value changes in the presentations of "Current Account", "Capital Account", "Financial Account" and "Net Errors and Omissions" items between BPM5 and BPM6 while updating the Balance of Payments and IIP standards.

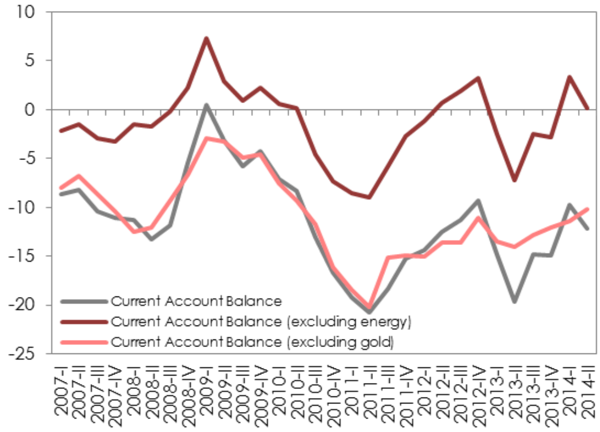
I. Current Account

The seasonally adjusted data indicate that the current account balance deteriorated in the second quarter of 2014 compared to the previous quarter. Yet, gold-excluded data suggest an improvement. The fact that net gold imports, which were USD 11.8 billion throughout 2013, plunged to USD 0.4 billion in the first half of the year continued to be an important factor affecting the current account dynamics**.** In fact, when adjusted for the gold trade effect, the gradual improvement in the current account deficit since the second quarter of 2013 becomes apparent.

The (seasonally adjusted) foreign trade deficit, which is the most important component of the current account balance, increased - though slightly - in the second quarter of the year. The foreign trade deficit, which had decreased by USD 4.8 billion quarter-on-quarter to USD 19.5 billion in the first quarter of 2014, bounced by USD 2.3 billion to USD 21.8 billion in the second quarter.

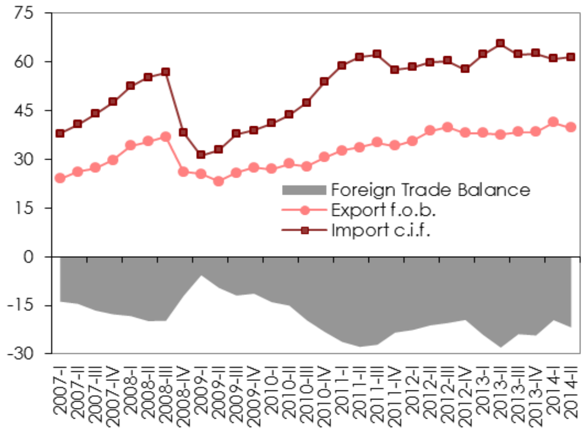
Excluding gold, the foreign trade deficit displays an improvement. The seasonally adjusted foreign trade deficit, excluding gold, contracted by USD 1.4 billion to USD 19.8 billion in the second quarter of the year. This level is below the quarterly average of 2013 of USD 22.1 billion.

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



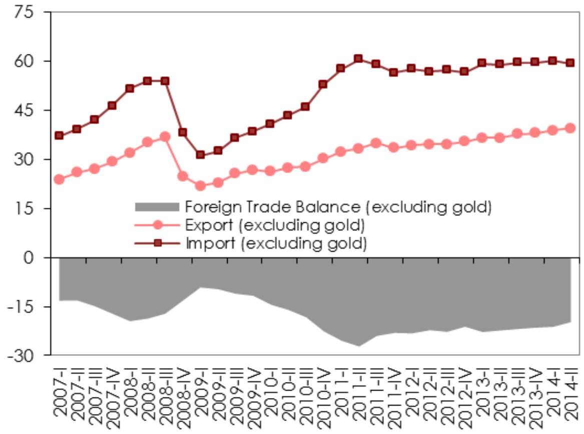
Source: CBRT.

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



Source: CBRT.

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



Source: CBRT.

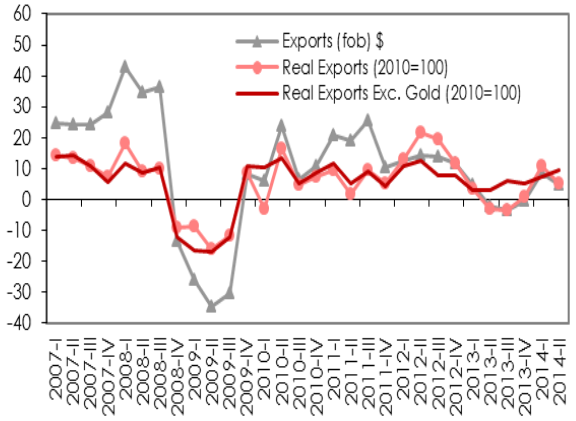
1.1 Exports of Goods

The overall downtrend in total exports in annual terms throughout 2013 was replaced by an uptrend in the first half of 2014 due to the elimination of the base effect stemming from gold exports. While total exports dropped by 0.4 percent annually in 2013, they increased by 8.5 percent and 4.8 percent year-on-year in the first and second quarters of 2014, respectively. On the other hand, the deceleration in gold exports in the second quarter of the year was notable. Exports excluding gold grew by 7.2 percent. The rate of annual change in the export quantity index excluding gold gained pace in the first half of the year.

Although the share of EU countries in Turkey's exports was almost flat in Q2-2014, there was a significant increase in this share in the first half of the year. Non-gold exports to EU countries increased by 13.2 percent year-on-year posting a faster rise than that of total exports. As a result, the EU countries' share in Turkey's total exports climbed to 44.6 percent in this quarter from 42.3 percent in the last quarter of 2013. The Middle East and Africa (MEA) countries' share in Turkey's exports moderately declined due to the geopolitical tension in Iraq in June. Yet, these countries remained as Turkey's second most important trade partner with a share of 31.3 percent (Box 2). On the other hand, the share of exports to non-EU member European countries and Commonwealth of Independent States (CIS) countries in total exports fell remarkably.

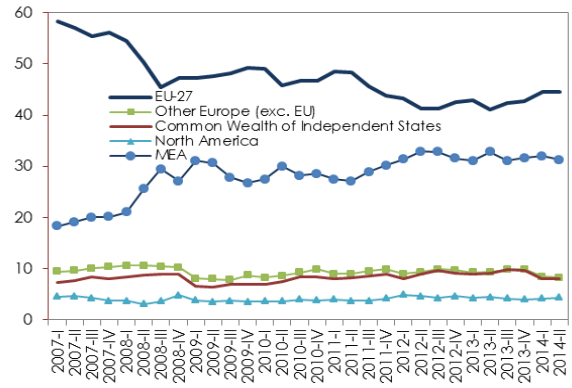
Turkey's export markets, which have been on a recovery trend since the second quarter of 2013, registered a slowdown in the second quarter of 2014. In this quarter, while global growth was at 2.4 percent in annual terms, export-weighted global growth decreased by 0.2 points quarter-on-quarter to an annual level of 1.9 percent. The gap between global growth and Turkey's growth driven by its trade partners started to narrow in this period.

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



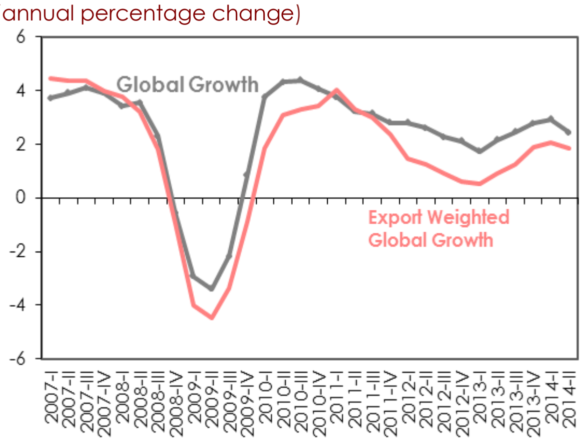
Source: TURKSTAT.

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



Source: TURKSTAT.

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



Source: Bloomberg, Consensus Forecasts, IMF, CBRT.

Box 2 Impact of the Geopolitical Tension in Iraq on Exports

The geopolitical tension and clashes that emerged in Iraq in mid-June have increased the downward risks on Turkey's exports to this country. Exports to Iraq plummeted by approximately 50 percent in annual terms (adjusted for the calendar effect) in July and August. This Box presents an analysis of the adverse effects of developments in Iraq on Turkey's exports.

Exports to Iraq had increased rapidly, particularly since 2008. They jumped from approximately USD 2.8 billion in 2007 to USD 12 billion in 2013. Accordingly, the share of exports to Iraq in Turkey's overall exports climbed from 2.7 percent to 7.9 percent, making Iraq the second largest export market for Turkey after Germany (Chart 1). A breakdown of exports to Iraq by sectors shows that food and livestock and basic metal sectors were the leading sectors in exports. As of 2013, the share of food and livestock products exported to Iraq in overall exports was around 30 percent, while that of basic metal products was 15 percent. On the other hand, the share of furniture products, which was at a low level in 2007, increased gradually over the years. The furniture sector was ranked the fourth largest sector in 2013 (Chart 2).

Chart 1: Turkey's Exports to Iraq
(billion USD)

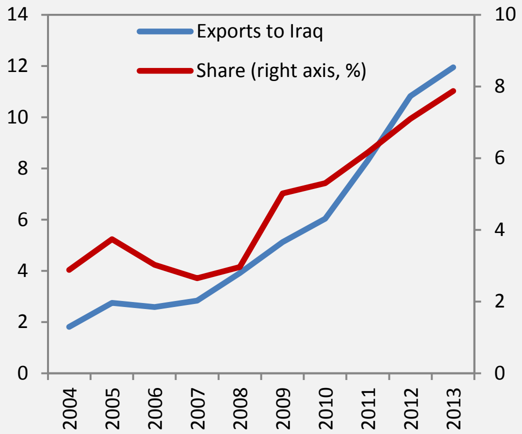
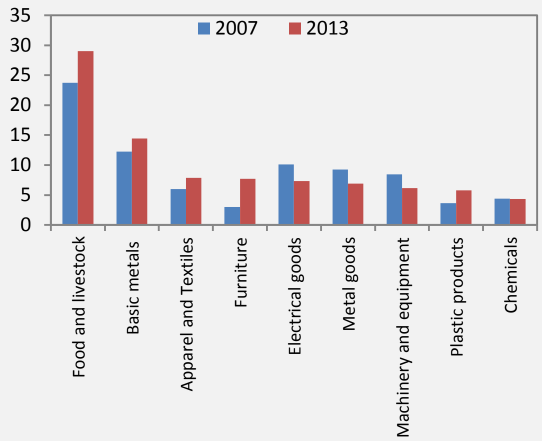


Chart 2: Turkey's Exports to Iraq
(Sectors, percentage share in total exports)



Source: TURKSTAT, CBRT.

Turkey's export performance (for exports to Iraq) was on a positive track especially before the tension in this country peaked in June and July 2014. In fact, total exports of goods rose by 7.2 percent year-on-year in the January-May 2014 period, whereas exports to Iraq grew by 11.6 percent. However, with the escalating tension since mid-June, exports to Iraq have dropped drastically. They decelerated by 19.4 percent and 45.3 percent in June and July, respectively.[3] This deceleration continued in August as well. An analysis of exports to Iraq in July by sectors reveals

[3] Since the Ramadan Feast was in August and July in 2013 and 2014, respectively, annual changes in exports in these months should be adjusted for the calendar effect.

that the basic metal sector, which has the second highest share in total exports to the region, was the main determinant of the fall in exports. The annual decline in exports of basic metal products was 75 percent, whereas that of food and livestock products - the sector with the highest share in exports - was 33 percent (Chart 3).

Chart 3: Turkey's Exports to Iraq in July
(Percentage contribution to annual growth)

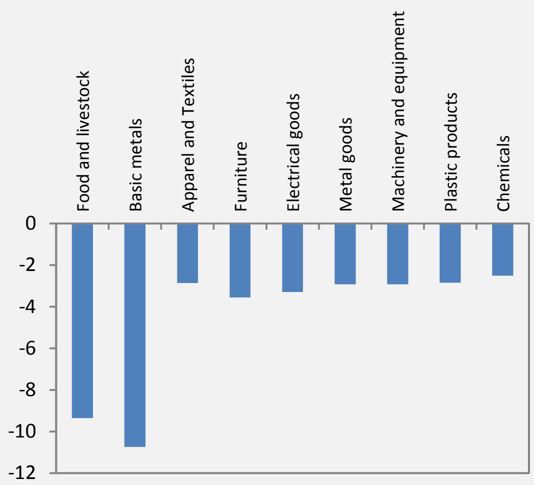
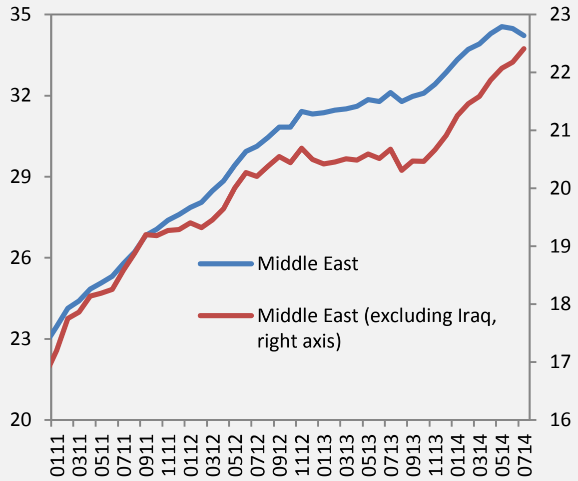


Chart 4: Turkey's Exports to Middle East Countries
(12-month, excluding gold, billion USD)



Source: TURKSTAT, CBRT.

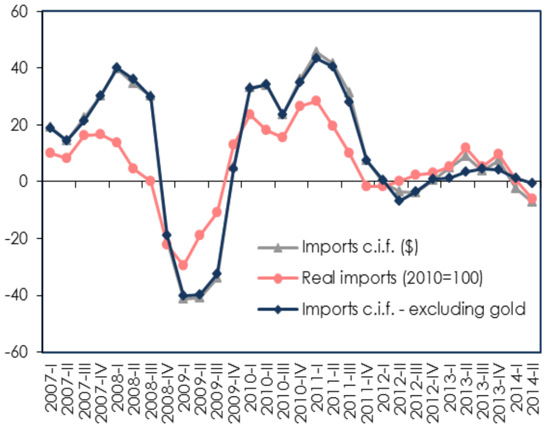
As Turkey has a land border with Iraq, the political tension in Iraq may be expected to affect Turkey's exports to other countries in the region due to the likely problems in land transportation. However, in July, gold-excluded and gold-included exports to Middle East countries other than Iraq increased annually by 12.6 percent and 4.8 percent, respectively. These figures are above the growth in total exports. On the other hand, an analysis of 12-month export tendencies (for exports excluding gold) indicates that exports to Middle East countries assumed a downtrend as of June and July. Nevertheless, exports to the region (excluding Iraq) maintain their uptrend that has been prevailing since the last quarter of 2013. Thus, developments in Iraq have not had an adverse impact on exports to other countries in the region.

To sum up, as of July and August, the geopolitical unrest in Iraq has had an unfavorable effect on direct exports to Iraq but has not affected exports to other countries in the region negatively. Exports to Iraq are expected to increase in the upcoming period once the tension relatively eases and export companies start using alternative routes. As a matter of fact, provisional export data for September released by the Turkish Exporters Assembly (TIM) point to an evident recovery in exports to Iraq compared to July and August.

1.2 Imports of Goods

Total imports, which assumed a downward trend in the first quarter of 2014 on the back of the slowdown in domestic demand and the moderate course of gold imports, remained on the same track in the second quarter as well. The annual rate of increase in imports excluding gold, which was 4.0 percent in the last quarter of 2013, receded to 0.3 percent in the first half of 2014. On the other hand, total imports posted an annual decline by 4.8 percent in this period.

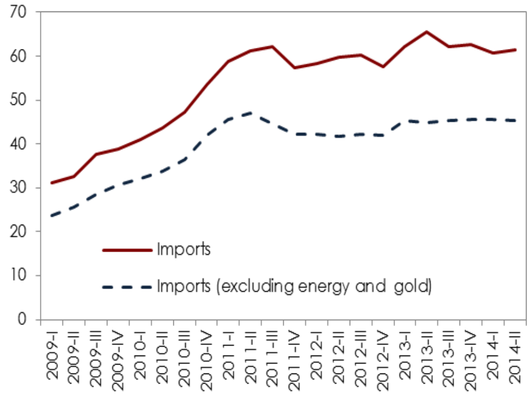
Chart 7. Imports-Nominal and Real
(annual percentage change)



Source: TURKSTAT.

Seasonally adjusted core imports, defined as imports excluding gold and energy, maintained the flat trend observed in 2013. Core imports decreased by 0.4 percent in the second quarter of 2014 compared to the previous quarter.

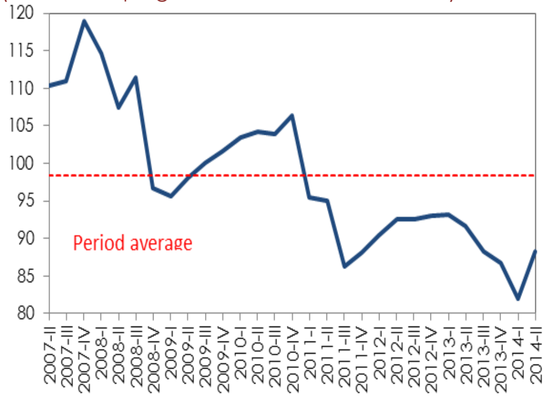
Chart 8. Imports Excluding Energy and Gold
(seasonally adjusted, quarterly, billion USD)



Source: CBRT.

The real exchange rate based on the CPI and developing countries increased in the second quarter but still remained obviously below the quarterly average.

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

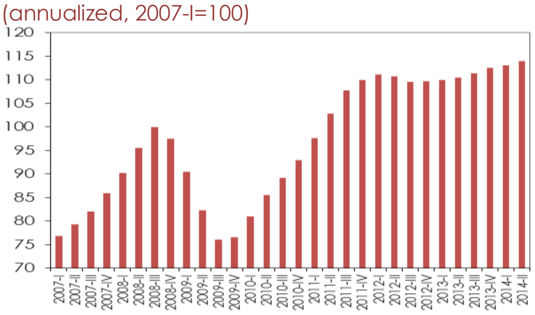


Source: CBRT.

1.3 Global Outlook

The World Trade Organization (WTO) data point to a persisting uptrend in world trade in line with the moderate upbeats in global growth in the first half of 2014. Global exports posted an annual increase of 2.4 percent in the first half of 2014, following an overall annual growth of 2.6 percent in 2013.

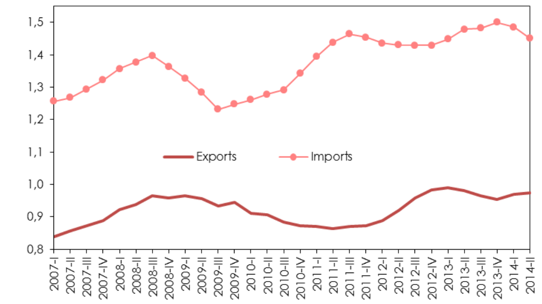
Chart 10. World Trade
(annualized, 2007-I=100)



Source: CBRT.

In this period, Turkey's share in global imports dropped, whereas its share in global exports assumed an uptrend. They now stand at 1.40 percent and 0.92 percent, respectively.

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

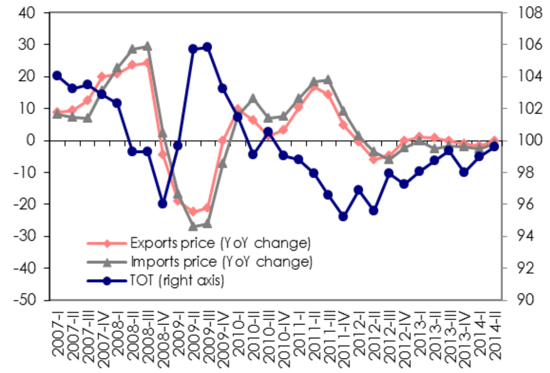


Source: WTO.

1.4 Terms of Trade

Terms of trade are improving. In the second quarter of 2014, terms of trade rose quarter-on-quarter as the fall in export prices was relatively more limited than the fall in import prices. In this period, annual export and import prices inched down by 0.1 percent and 1.0 percent, respectively.

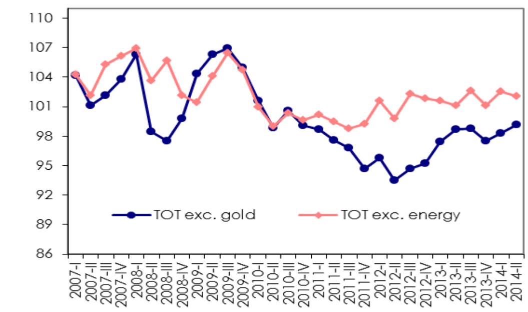
Chart 12. Terms of Trade (ToT)
(2010=100)



Source: TURKSTAT.

Terms of trade excluding gold hovered above both the previous quarter's level and the average of 2013. Terms of trade excluding energy prices declined slightly.

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

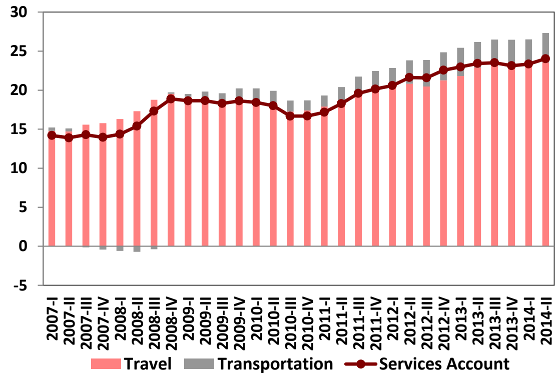


Source: TURKSTAT.

1.5 Services Account

The services item, which is the second most important determinant of the current account balance after foreign trade, continued to contribute positively to the improvement in the current account balance, albeit at a lower rate. Travel revenues escalated due to the rise in the number of tourists visiting Turkey. Yet, net travel revenues remained flat in the second quarter as there was also an increase in travel expenditures. The other transportation sector was the sector with the greatest contribution to the growth in overall services revenues.

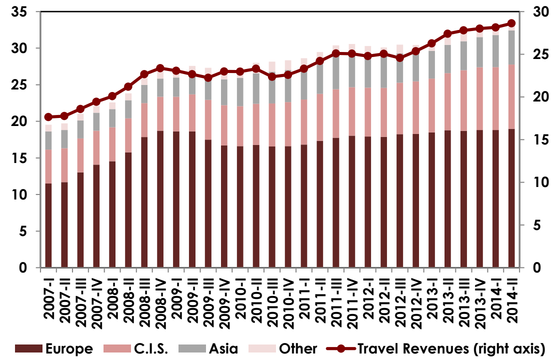
Chart 14. Services Account, Travel and Transportation (annualized, billion USD)



Source: CBRT.

Despite the flat course of net travel revenues, services revenues increased by 11.5 percent compared to the same period in 2013 owing to the rise in transportation revenues. As a result, the contribution of services revenues to the current account balance increased. In the second quarter of 2014, travel revenues increased by 6.5 percent and travel expenditures by 9.4 percent year-on-year. Thus, compared to the second quarter of 2013, net travel revenues increased by 5.9 percent reaching USD 6.5 billion in the second quarter of 2014. Meanwhile, the number of tourists increased by 7.0 percent compared to the same quarter last year. An analysis by country groups indicates that in the second quarter, the highest proportional year-on-year rise with respect to the number of tourists was recorded for Asia and Africa.

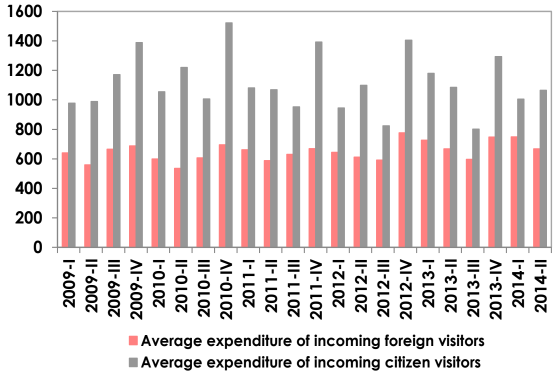
Chart 15. Breakdown of Tourists Visiting Turkey by Country and Travel Revenues
(left axis: annualized, million people;
right axis: billion USD)



Source: TURKSTAT.

In the second quarter of 2014, the average expenditure per foreign visitor remained flat whereas the average expenditure per non-resident Turkish citizen in Turkey decreased year-on-year. The related data show that compared to the same period last year, the average expenditure per foreign visitor in Turkey remained flat at USD 669, while the average expenditure per non-resident Turkish citizen visiting Turkey decreased by 1.8 percent year-on-year to USD 1065.

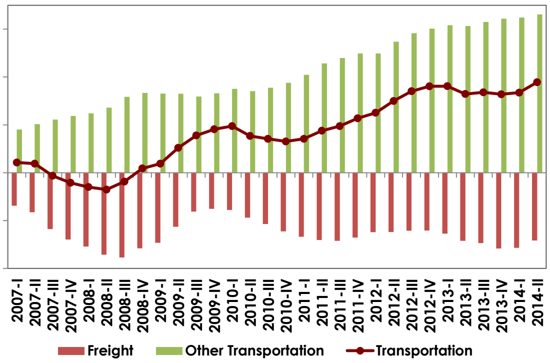
Chart 16. Average Expenditure (USD/person)



Source: TURKSTAT.

The flat trend observed in transportation revenues since the second quarter of 2013 assumed an upward trend in the second quarter of 2014. In this period, transportation revenues increased by 10.7 and transportation expenditures decreased by 3.0 percent year-on-year; thus, net transportation revenues were up 65.6 percent. This rise was mainly triggered by the 30.2-percent decline in net freight expenditures and the rise in other transportation revenues. The net other transportation revenues item composed of tickets and food-beverage increased by 7.9 percent. In this period, the share of foreign carriers in imports increased by 1.2 points quarter-on-quarter to 53.6 percent.

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

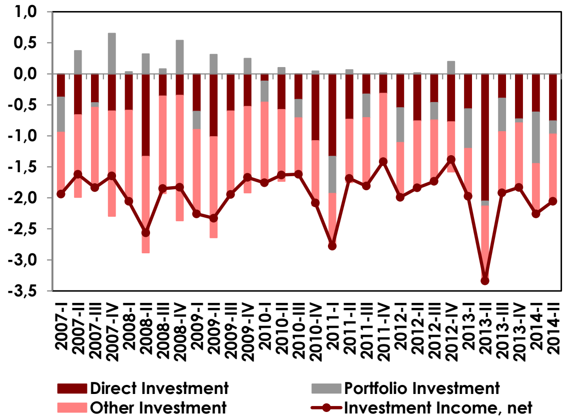


Source: TURKSTAT, CBRT.

1.6 Income Account

In the second quarter of 2014, the income account posted net outflows across all its sub-items. Net outflows from the income account decreased by 36.9 percent year-on-year to USD 2.2 billion in this quarter. Outflows from both direct investment and other investment under the investment income item decreased year-on-year and became USD 0.8 billion and USD 1.1 billion, respectively. Portfolio investment posted an outflow of USD 0.2 billion with a 156.1 percent-rise compared to the same period last year.

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

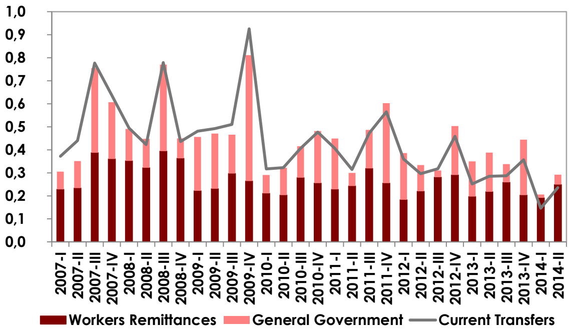


Source: CBRT.

1.7 Current Transfers

Net inflows from current transfers, which posted a sharp drop in the first quarter of 2014, posted a rebound in the second quarter. In this period, current transfers posted a net inflow of USD 236 million with a year-on-year decline by 17.2 percent. This decline is mainly attributed to the 74.7 percent fall in the general government item including grants between countries, despite the increase in workers' remittances and the decline in net outflows from the other transfers item under the other sectors item.

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



Source: CBRT.

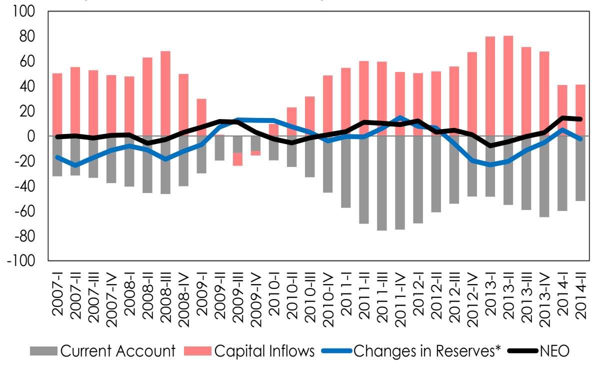
II. Capital and Financial Accounts

The second quarter of 2014 was a calmer period compared to the first quarter in which the global risk appetite followed a fluctuating course and capital inflows decelerated significantly due to domestic political developments. A breakdown of financial account in the balance of payments by main headings reveals that the uptrend, which started in the final quarter of 2013, was reversed in this period. Portfolio investment posted high inflows across all instruments. As for other investment inflows, both the banking sector's and other sectors' debt rollover ratios remained above 100. Meanwhile, the outflow from deposits on the liabilities side, which had started in the third quarter of 2013, stopped in the second quarter of 2014.

In this quarter, the financing requirement decreased year-on-year. The financing requirement item, which is a combination of the Current Account Balance, Debt Securities and Credit Repayments and Other Assets items, weakened by USD 1.7 billion in this quarter and stood at USD 23.2 billion.[4]

In the second quarter of 2014, the share of debt-creating flows in total liabilities declined while that of non-debt-creating flows in total liabilities increased year-on-year. Debt-creating flows and non-debt-creating flows increased by USD 18.0 billion and USD 4.5 billion, respectively.[5]

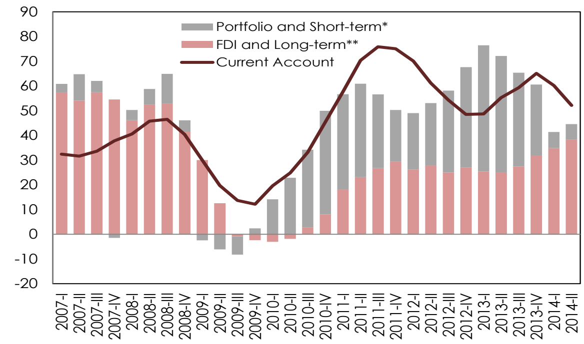
Chart 20. Current Account Balance and Net Capital Inflows (annualized, billion USD)



Source: CBRT.

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

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

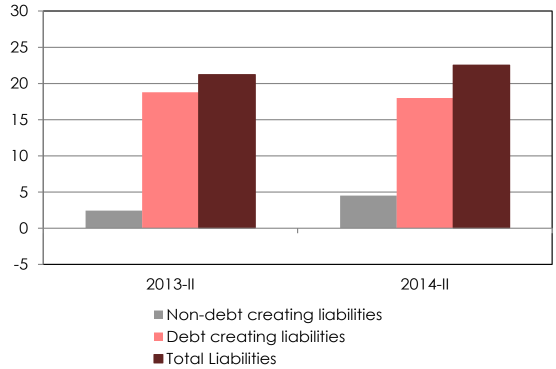


Source: CBRT.

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

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

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



Source: CBRT.

[4] See Annex Tables, "Financing Requirements and Sources".
[5] See Annex Tables, "Balance of Payments Debt-Creating and Non-Debt-Creating Flows".

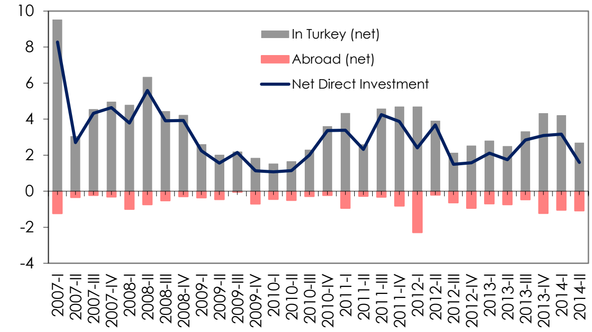
2.1 Direct Investment

The moderate recovery in direct investment inflows, which started in the last quarter of 2013 after a long flat period, reversed in the second quarter of 2014. Meanwhile, the rapid rise in real estate investments under the direct investment item continued in this quarter. This increase is attributed to the legal arrangement introduced in 2013 facilitating house sales to foreigners.

In the second quarter of 2014, the amount of direct investment in Turkey were USD 2.7 billion, the majority of which was composed of investments in the fields of chemical manufacturing, chemical products and basic pharmaceutical products and pharmaceutical preparations and investments in the wholesale and retail trade sector. In this quarter, while the share of investments from Asia in Turkey's overall investments increased to 10.3 percent, that of European countries fell to 78.1 percent.

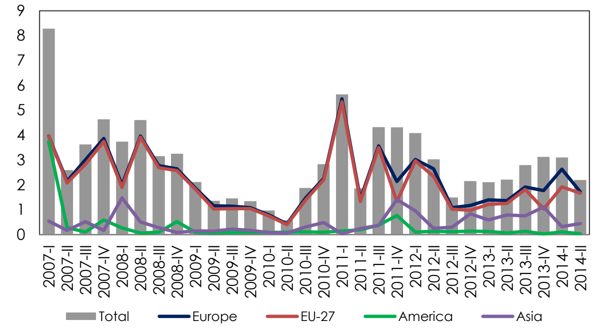
Turkey's direct investment abroad, which bounced in the last quarter of 2013, remained flat at high levels in the second quarter as they did in the first quarter of 2014. Direct investment abroad were approximately USD 1.1 billion in this quarter, while the share of European countries dropped to 45.3 and that of Asian countries increased to 45.4 percent.

Chart 23. Direct Investment
(billion USD)



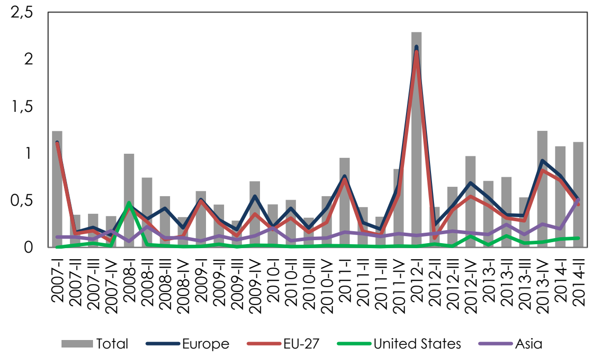
Source: CBRT.

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



Source: CBRT.

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



Source: CBRT.

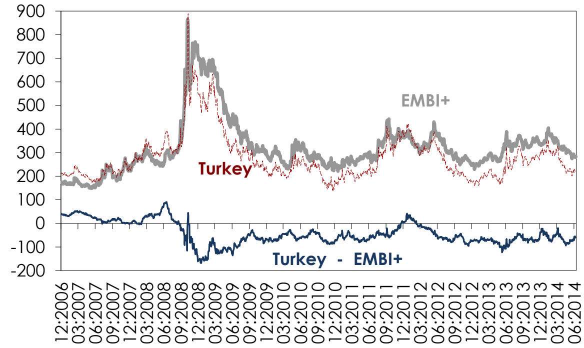
2.2. Portfolio Investment

The global risk appetite was relatively flat in the second quarter of the year. Turkey diverged positively from other emerging markets as the impact of the domestic developments following the mayoral elections waned. In terms of investment instruments, non-residents were buyers of all types of instruments throughout the period. In this period, Turkey's risk premium remained below the average risk premium of Emerging Markets Bond Index (EMBI+) and both risk premiums declined in the second quarter.

In this quarter, portfolio investment posted high inflows. The rise in inflows through Government Domestic Debt Securities (GDDS) and the banking sector's bond issues abroad is particularly significant. Other sector resumed bond issues abroad after a pause in the first quarter. In this quarter, USD 4.1 billion and USD 0.4 billion of inflows were recorded in the GDDS market and in the stock market, respectively. The maturity structure of portfolio investment improved both quarter-on-quarter and year-on-year.

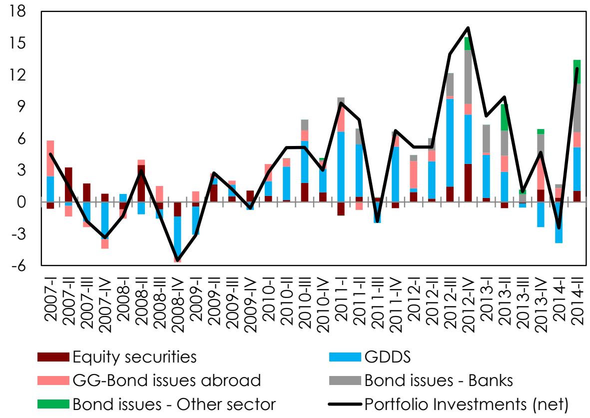
Banks and other sectors issued bonds abroad in significant amounts in this quarter (Box 3). In the second quarter of the year, banks issued USD 4.6 billion worth of bonds abroad, while other sectors issued USD 2.2 billion worth of bonds abroad. Regarding domestic debt securities of banks and other sectors, non-residents sold net USD 36 million and purchased net USD 8 million worth of debt securities.

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



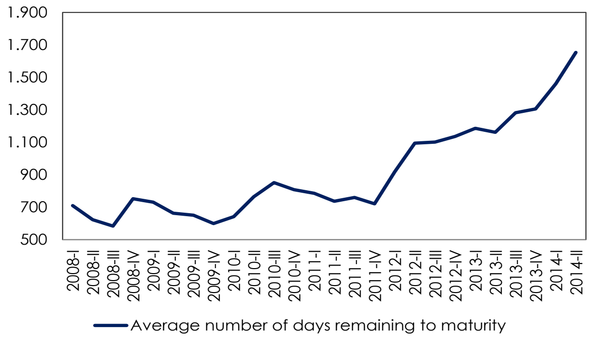
Source: JP Morgan.

Chart 27. Portfolio Investment - Liabilities
(billion USD)



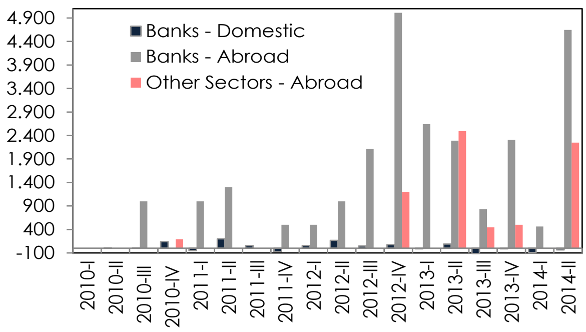
Source: CBRT.

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



Source: CBRT.

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



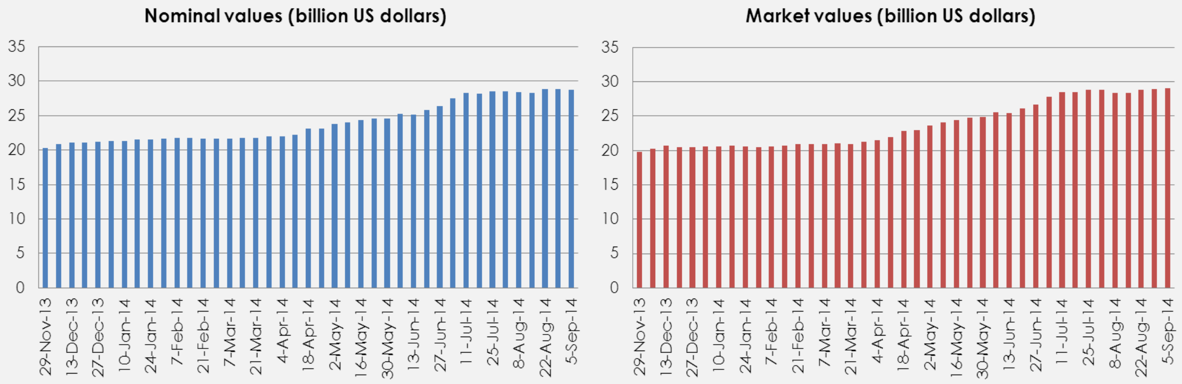
Source: CBRT.

Box 3 Bonds and Bills Issued Abroad by the Banking Sector

Issuing bonds or bills abroad became an important financing method for banks after the introduction of the new legal arrangements allowing simplification, flexibility and cost-effectiveness in issues like taxation of interest income from bonds, and limit and registration fees of bond issues. This funding method, which has been used since 2010, is advantageous for banks since it allows banks to improve the maturity mismatch between their assets and liabilities items. Moreover, banks use bond issues for liquidity management as an alternative instrument against interest rates and reserve requirement ratios that change in tandem with the changes in the macroeconomic conjuncture. This study analyzes the bonds and bills issued by banks abroad by amount, issuing bank, currency and maturity structure on a security-by-security basis.

Originally, the bonds and bills were mostly issued as allocated bonds and bills, but the ratio of the bills and bonds offered to the public increased over time and eventually became one of the favorite investment instruments for domestic and foreign investors. As of 2013, some banks started to employ the Medium Term Note-MTN program that requires less paper work and is more time and cost effective; thus, the original maturity was shortened, the number of issues were increased and the type of currencies were proliferated.

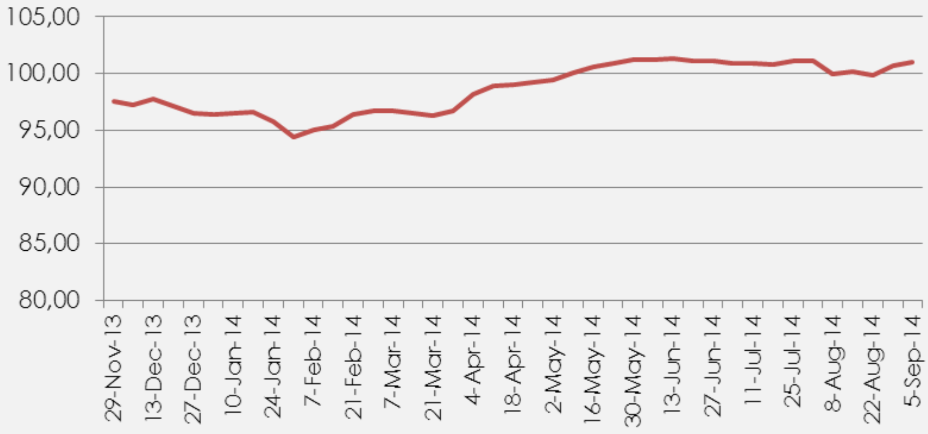
Chart 1: Bonds and Bills Issued Abroad by the Banking Sector
(billion USD)



Source: Bloomberg, CBRT.

An analysis starting in November 2013 reveals that both the nominal and the market values of bills and bonds issued abroad have been rising (Chart 1). The rise accelerated especially after Turkey's rating was upgraded to investment grade in May 2013. The change in the price index over time, which is obtained by weighing the price of a security with the nominal value of the same security, is shown in Chart 2.This index, which is influenced by market interest rates and demand balance, assumed a slight downtrend at the end of 2013 but picked up and surpassed its earlier level in March 2014 on the back of the decrease in the yields of other instruments and the rise in demand for these bills and bonds.

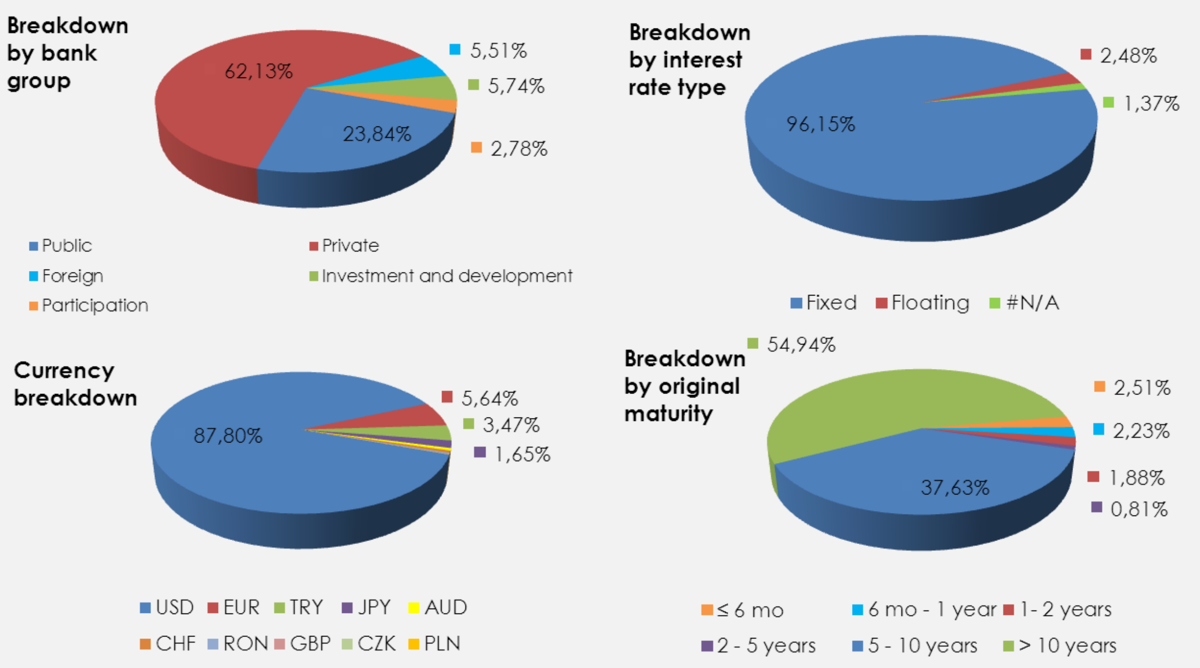
Chart 2: Weighted Average Price Index of Bonds and Bills Issued Abroad by the Banking Sector



Source: CBRT.

With respect to the type of issuer of these bonds and bills, 62 percent were issued by private banks, 24 percent by public banks, approximately 6 percent by foreign banks, 6 percent by development and investment banks and 3 percent by participation banks (Chart 3, upper left corner). As for the type of securities, bills and bonds with a fixed coupon rate constitute the majority (96.15 percent) (Chart 3, upper right corner).

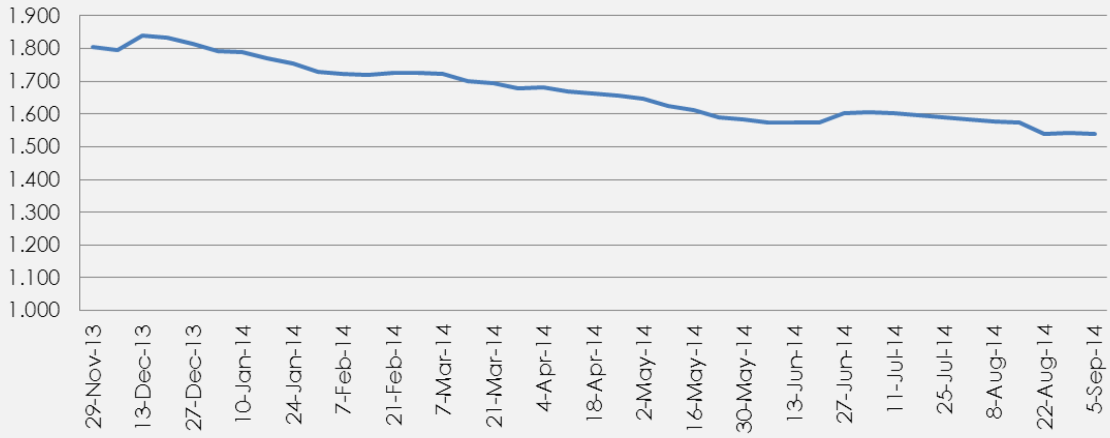
Chart 3: Breakdown of Bills and Bonds Issued Abroad by Type of Issuing Bank, Type of Security, Currency and Original Maturity (as of 5 September 2014)



Source: Bloomberg, CBRT.

As for the type of currency of these securities, although there are 10 currencies, USD has the largest share (87.80 percent) (Chart 3, upper left corner). USD is followed by Euro with 6 percent, Turkish lira with 3 percent and Japanese Yen with 2 percent. The total share of other currencies is approximately 1.5 percent. An analysis of securities by original maturity shows that the majority of these securities have 5-10 year maturities (68.5 percent) (Chart 3, lower right corner). Bonds with a maturity longer than 10 years rank second with a share close to 18 percent. Weighted average number of days to maturity, which allows analyzing maturity structure with respect to remaining days to maturity, are shown in Chart 4. This variable, which is one of the important indicators of liquidity risk, is calculated by weighing the days to maturity of these securities by ends of period by the market values. Maturities have been contracting since December 2013. This date coincides with the period when large-volume banks willing to issue bonds in a regular and uninterrupted manner started to use the medium-term note program. Subsequently, weighted average number of days to maturity, which was 1804 days (approximately 4 years and 11 months) in November 2013, decreased to 1540 days (approximately 4 years and 2 months) in September 2014.

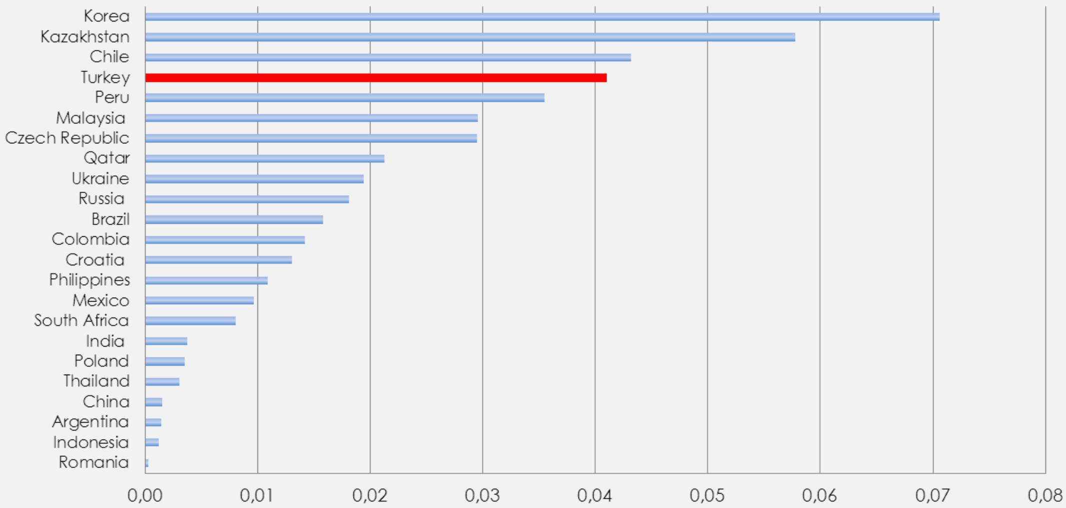
Chart 4: Weighted Average Number of Days to Maturity



Source: Bloomberg.

Lastly, to allow a comparative analysis of the data on banks' bond issues abroad with that of foreign countries, the ratio of bonds issued abroad by banks to the GDP of the originating country has been calculated for a sample set of selected developing countries. Chart 5illustrates that Turkey's ratio is well above the average ratio of other developing countries.

Chart 5: Ratio of Bonds Issued Abroad (2014 IV. Quarter) **to GDP** (2013)



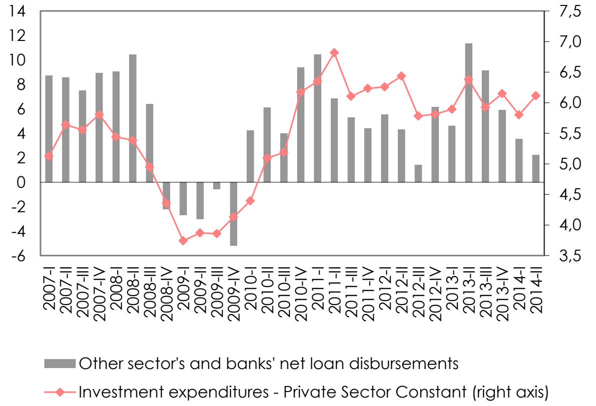
In sum, bills and bonds issued abroad, which came to the fore as an alternative financing method for banks in recent years, have been rising as evidenced by the figures above. While private banks have the highest share with respect to the nominal value, public banks rank second. A total of 86 percent of this type of borrowing, overwhelmingly in USD with fixed coupon rates, are constituted by bonds with a maturity longer than 5 years. Nevertheless, weighted average number of days to maturity of these securities have been trending downwards since November 2013. To sum up, even if the market is quite new, the ratio of bills and bonds issued by banks abroad to GDP suggests that Turkey has an important place among other developing countries.

2.3 Loans and Deposits

In the second quarter of 2014, neither the banking sector nor other sectors had any supply-side constraints in external borrowing through loans. In this quarter, the share of banks' short-term borrowing through loans increased, while that of long-term borrowing through loans decreased, albeit slightly. In this period, banks used net USD 1.4 billion of long-term loans and USD 1.9 billion of short-term loans. There has been no significant change in banks' total external debt rollover ratios compared to the previous quarter and stood at 107 percent in the second quarter of the year. The banking sector's total debt rollover ratio - including banks' borrowings through bonds - was 112 percent.

Long-term external loans used by other sectors mainly to finance investments posted net inflows in the second quarter of 2014. The related sectors used net USD 0.8 billion worth of long-term loans in this quarter. An analysis of debt rollover ratios reveals that the long-term external debt rollover ratio of other sectors decreased to 114.1 percent from 139.3 percent in this quarter.

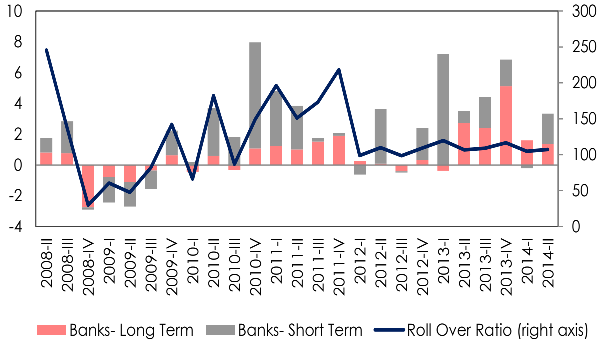
Chart 30. Net Long-Term Loan Utilization* and Other Sectors' Investment Expenditures
(billion TL, 1998=100, covering the effect of Decree No: 32)



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

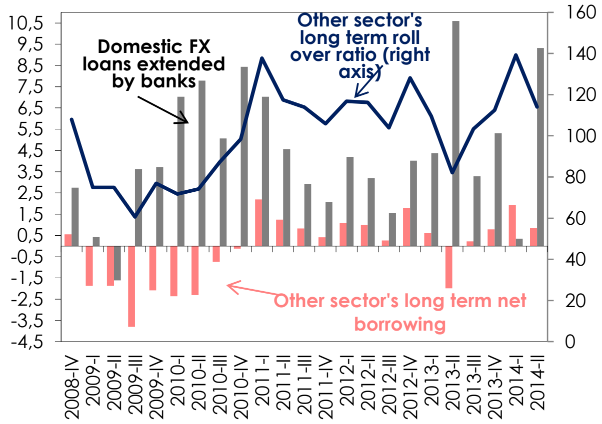
Source: CBRT.

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



Source: CBRT.

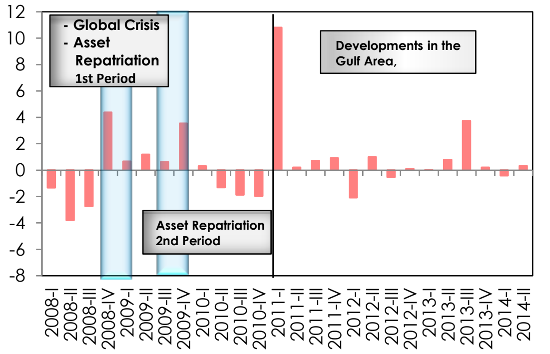
Chart 32. Domestic FX Loans Extended by Banks - Other Sectors' Long-Term Net Borrowing (billion USD) **and Long-Term Debt Rollover Ratio** (percent)



Source: CBRT.

Residents' deposits in banks abroad are recorded in the balance of payments table under "Financial Account / Other Investment /Currency and Deposits / Other Sectors". This is an important item to be monitored with respect to capital movements as rapid and short-term movements are observed in these accounts particularly at times of financial turbulence. At other times though, deposits tend to accumulate in these accounts. From this perspective, the indicative data for the second quarter of 2014 point to a USD 0.3 million-rise.

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



Source: CBRT.

(+): Decrease in deposits abroad, (-): Increase in deposits abroad

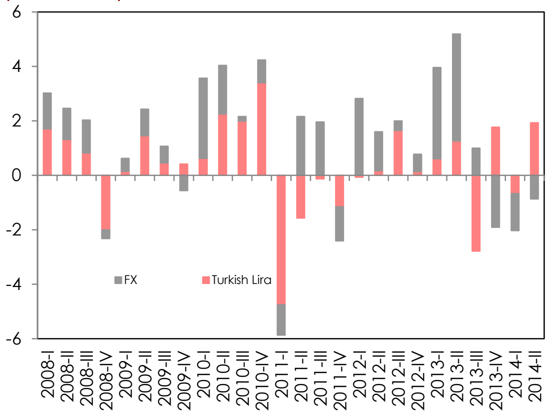
The decline in FX accounts of non-resident Turkish citizens at the CBRT continues due to the rate cuts applied to these accounts. The last cut in the interest rates applied to long-term FX deposit accounts with credit letters and to super FX accounts was made in April 2013. While the highest outflow from these accounts was observed in 2012, deposits in these accounts posted a net outflow of USD 0.5 billion in the second quarter of 2014.

Chart 34. Deposits within the CBRT
(million USD)

Source: CBRT.

The outflow from deposits included in other investment item liabilities, which had started in the third quarter of 2013, terminated in this quarter. In this period, there were deposit inflows from both non-residents and banks abroad. In the second quarter of 2014, the FX deposits of banks abroad in domestic banks decreased by USD 868 million while TL deposits of banks abroad in domestic banks increased by USD 1,927 million.

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



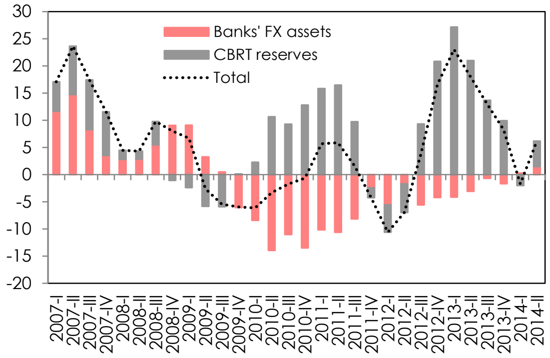
Source: CBRT.

Strong capital inflows helped boost official reserves significantly in the second quarter. In this quarter, the official reserves in the balance of payments table increased by USD 6.1 billion. This rise can be mainly attributed to the Treasury's bond issues in April, repayment of the rediscount loans that the CBRT extends to exporters and the increase in required reserves that the banks keep at the Central Bank. Meanwhile, outflows were composed mainly of the CBRT's FX sales and interest paid for bonds.

In response to the upward trend in reserves, CBRT reserves rose by USD 7.4 billion quarter-on-quarter to USD 133.5 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, reached USD 168.4 billion in June with a 1.9 percent rise compared to the end of the previous quarter. As a result, the ratio of international reserves to STED, which is considered to be one of the reserve adequacy indicators, was recorded as 90 percent. However, this ratio becomes 105 percent when branches and affiliates abroad are excluded.

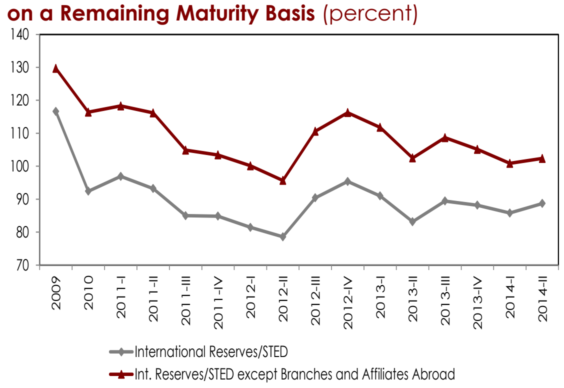
Net Errors and Omissions (NEO) item posted a net outflow of approximately USD 1.8 billion in the second quarter of 2014. In annual terms, the cumulative NEO materialized as USD 13.4 billion and the ratio of cumulative NEO to total FX inflows was 6.0 percent in the second quarter of the year.

Chart 36. International Reserves
(annualized, billion USD)



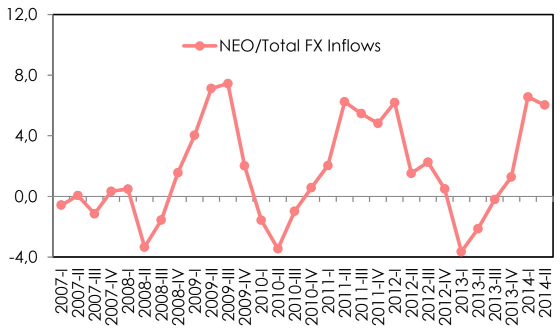
Source: CBRT.
Note: (+) increase; (-) decrease

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



Source: CBRT.

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



Source: CBRT.

III. Annex Tables

Balance of Payments (billion USD)

	January-June			June (Annualized)		
	2013	2014	% change	2013	2014	% change
Current Account	-37,1	-24,1	-34,9	-55,3	-52,1	-5,7
Goods	-40,6	-29,4	-27,7	-71,3	-68,8	-3,6
Exports	81,0	86,6	6,9	165,3	169,0	2,2
Exports (fob)	75,1	80,1		153,3	156,8	
Shuttle Trade	3,9	4,1		7,6	7,6	
Imports	-121,6	-115,9	-4,6	-236,6	-237,8	0,5
Imports (cif)	-125,8	-119,7		-245,0	-245,6	
Adjustment: Classification	6,4	6,4		12,6	12,8	
Services	8,4	9,3	10,7	23,4	24,0	2,6
Travel (net)	8,9	9,2		22,9	23,5	
Credit	11,2	11,8		27,4	28,6	
Debit	-2,3	-2,6		-4,5	-5,1	
Other Services (net)	-0,4	0,1		0,5	0,5	
Income	-5,4	-4,5	-17,4	-8,7	-8,4	-3,1
Compensation of Employees	-0,1	-0,2		-0,2	-0,3	
Direct Investment (net)	-2,6	-1,4		-3,9	-2,5	
Portfolio Investment (net)	-0,7	-1,0		-0,8	-1,6	
Other Investment (net)	-2,0	-1,9		-3,8	-3,9	
Interest Income	0,9	0,8		2,0	1,7	
Interest Expenditure	-2,9	-2,7		-5,7	-5,6	
Current Transfers	0,5	0,4	-28,9	1,3	1,0	-21,9
Workers Remittances	0,4	0,4		1,0	0,9	
Capital and Financial Account	47,2	20,5	-56,5	84,1	39,1	-53,5
Financial Account (excl. reserve assets)	48,0	19,2	-60,1	81,0	43,4	-46,5
Direct Investment (net)	3,9	4,8	23,4	6,9	10,7	54,5
Abroad	-1,4	-2,1		-3,0	-3,8	
In Turkey	5,3	6,9		9,9	14,5	
Portfolio Investment (net)	18,0	10,1	-43,8	48,4	15,8	-67,4
Assets	2,1	-1,1		4,8	-0,6	
Liabilities	15,9	11,2		43,6	16,4	
Equity Securities	-0,2	1,5		4,8	2,5	
Debt Securities	16,1	9,8		38,8	13,9	
Non-residents' Purchases of GDDS	6,9	0,2		19,9	-2,5	
Eurobond Issues of Treasury	1,7	2,3		2,9	5,2	
Borrowing	3,2	5,4		5,7	8,3	
Repayment	-1,5	-3,1		-2,8	-3,1	
Banks (net)	5,0	5,0		12,3	8,0	
Other Sectors (net)	2,5	2,3		3,7	3,2	
Other Investment (net)	26,1	4,3	-83,6	25,6	17,0	-33,8
Assets	0,9	-0,6		-1,5	0,9	
Trade Credits	-0,3	-0,2		-0,8	-1,2	
Credits	-0,7	-0,1		-1,1	-0,1	
Currency and Deposits	1,2	-0,2		0,2	0,9	
Banks	3,0	-0,1		3,1	-1,5	
Foreign Exchange	-1,9	-0,1		-2,8	-0,1	
Turkish Lira	0,8	-0,1		0,4	3,9	
Other Sectors	-0,2	0,0		-0,2	0,0	
Liabilities	6,9	-0,9		5,3	-2,2	
Trade Credits	0,0	0,0		0,0	-0,1	
Credits	0,0	0,0		0,0	0,0	
Central Bank	0,0	0,0		0,0	0,0	
General Government	1,2	0,6		2,5	2,4	
IMF	0,0	0,0		0,0	0,0	
Long-term	1,2	0,6		2,5	2,4	
Banks	6,1	10,1		12,6	23,8	
Long-term	7,5	7,4		12,0	18,8	
Short-term	-1,5	2,7		0,6	5,0	
Other sectors	26,4	12,5		41,7	24,4	
Long-term	16,0	13,6		31,2	27,2	
Short-term	10,4	-1,1		10,5	-2,9	
Deposits of Non-residents	-0,6	-0,9		-2,2	-2,3	
Central Bank	-0,5	-0,7		-1,9	-2,0	
Banks	9,2	-1,0		11,9	-2,9	
Change in Official Reserves (- increase)	-0,8	1,4		3,1	-4,3	
Net Errors and Omissions	-4,4	6,2		-4,7	13,4	

Source: CBRT.

Financing Requirements and Sources (billion USD)

	2013				2013	2014	
	I	II	III	IV		I	II
Financing Requirements	-28,9	-33,4	-17,2	-27,0	-106,6	-24,9	-23,1
Current Account Balance (Excluding Current Transfers)	-16,8	-20,8	-12,4	-16,3	-66,3	-11,8	-12,7
Debt Security and Credit Repayments	-12,5	-14,0	-8,8	-10,2	-45,5	-11,4	-10,6
Debt Securities (Abroad)	-1,5	0,0	-0,2	-0,7	-2,3	-4,2	-1,2
Long Term Credits	-11,0	-14,0	-8,6	-9,5	-43,2	-7,3	-9,4
Trade Credits	0,0	-0,1	-0,1	-0,1	-0,3	-0,1	0,0
Monetary Authority	0,0	0,0	0,0	0,0	0,0	0,0	0,0
(IMF)	0,0	0,0	0,0	0,0	0,0	0,0	0,0
General Government	-0,9	-1,5	-0,5	-1,0	-3,8	-0,5	-0,9
(IMF)	-0,4	-0,4	0,0	0,0	-0,9	0,0	0,0
Banks	-3,8	-1,4	-1,7	-2,2	-9,1	-1,9	-2,5
Other Sectors	-6,3	-11,1	-6,4	-6,2	-30,0	-4,9	-5,9
Other Assets (- indicates to an increase) 1/	0,4	1,4	4,0	-0,6	5,2	-1,7	0,2
Financing Sources	28,9	33,4	17,2	27,0	106,6	24,9	23,1
Current Transfers	0,3	0,3	0,3	0,4	1,2	0,1	0,2
Capital Account	0,0	0,0	0,0	0,0	-0,1	0,0	0,0
Direct Investment (Net)	2,1	1,8	2,9	3,1	9,8	3,2	1,5
Equity Securities (Net)	0,4	-0,6	-0,1	1,2	0,8	0,4	1,1
Debt Securities and Credits	29,8	27,5	12,8	23,2	93,2	9,7	27,8
Debt Securities	8,4	9,2	0,9	4,0	22,6	1,6	13,5
In Turkey (Net)	4,1	3,0	-0,5	-2,4	4,1	-4,0	4,1
Abroad	4,3	6,3	1,4	6,4	18,5	5,5	9,4
Long Term Credits	11,0	13,9	12,1	15,0	51,9	10,6	11,0
Trade Credits	0,1	0,1	0,0	0,0	0,2	0,0	0,0
Monetary Authority	0,0	0,0	0,0	0,0	0,0	0,0	0,0
(IMF)	0,0	0,0	0,0	0,0	0,0	0,0	0,0
General Government	0,5	0,6	1,2	0,6	3,0	0,2	0,4
(IMF)	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Banks	3,4	4,1	4,1	7,3	19,0	3,5	3,9
Other Sectors	6,9	9,1	6,8	7,0	29,8	6,8	6,7
Short Term Credits (Net)	10,4	4,4	-0,2	4,2	18,8	-2,4	3,2
Trade Credits	3,5	3,4	-3,0	1,8	5,7	-2,3	1,4
Monetary Authority	0,0	0,0	0,0	0,0	0,0	0,0	0,0
General Government	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Banks	7,2	0,8	2,0	1,7	11,7	-0,2	2,0
Other Sectors	-0,3	0,2	0,7	0,7	1,3	0,1	-0,1
Deposits (Net)	4,8	5,7	-1,7	-0,1	8,6	-2,4	1,3
Other Liabilities	0,0	0,2	0,3	0,0	0,6	0,1	0,2
Net Errors and Omissions	-3,6	-0,8	7,0	-0,1	2,5	8,0	-1,7
Banks' Currency and Deposits 2/	2,3	-1,1	-1,3	-0,1	-0,2	1,0	-1,2
Reserve Assets 2/	-7,0	0,5	-2,9	-0,5	-9,9	4,9	-6,1

Source: CBRT.

1/ Excluding Banks' Currency and Deposits

2/- denotes an increase.

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

	2013				2013	2014	
	I	II	III	IV		I	II
A) Current Account Balance	-16,5	-20,5	-12,1	-15,9	-65,1	-11,6	-12,5
B) Capital and Financial Account	20,2	21,3	4,8	16,0	62,3	3,6	14,3
Capital Account	0,0	0,0	0,0	0,0	-0,1	0,0	0,0
Financial Account	20,2	21,3	4,9	16,0	62,4	3,6	14,3
Assets	2,0	-0,4	2,2	-1,9	1,9	-1,7	-2,1
Direct Investment	-0,7	-0,7	-0,5	-1,2	-3,1	-1,0	-1,1
Portfolio Investment	0,8	1,3	0,3	0,2	2,6	-0,3	-0,8
Other Investment	1,9	-1,0	2,4	-0,9	2,4	-0,4	-0,2
Liabilities	25,2	21,2	5,5	18,5	70,4	0,5	22,5
Non-Debt Creating Flows	3,0	2,4	3,4	5,3	14,1	4,6	4,5
Direct Investment 1/	2,6	2,8	3,2	4,1	12,7	4,1	3,2
Portfolio Investment/Equity Securities	0,4	-0,6	-0,1	1,2	0,8	0,4	1,1
Other Investment/Other Liabilities 2/	0,0	0,2	0,3	0,0	0,6	0,1	0,2
Debt Creating Flows	22,2	18,8	2,1	13,1	56,3	-4,1	18,0
Portfolio Investment/Debt Securities	6,9	9,2	0,8	3,3	20,2	-2,6	12,4
Trade Credits	3,5	3,3	-3,0	1,8	5,6	-2,3	1,4
Loans	7,0	0,6	6,1	8,1	21,8	3,2	2,9
Deposits	4,8	5,7	-1,7	-0,1	8,6	-2,4	1,3
Other Investment/Other Liabilities 2/	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Reserve Assets	-7,0	0,5	-2,9	-0,5	-9,9	4,9	-6,1
C) Net Errors and Omissions	-3,6	-0,8	7,3	-0,1	2,8	8,0	-1,8

Source: CBRT.

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

Boxes in Balance of Payments Reports

2011-IV

2011-III

2011-II

2011-I

2010-IV