CENTRAL BANK OF THE REPUBLIC OF TURKEY

Balance of Payments Report
2013- I

CENTRAL BANK OF THE REPUBLIC OF TURKEY

Head Office

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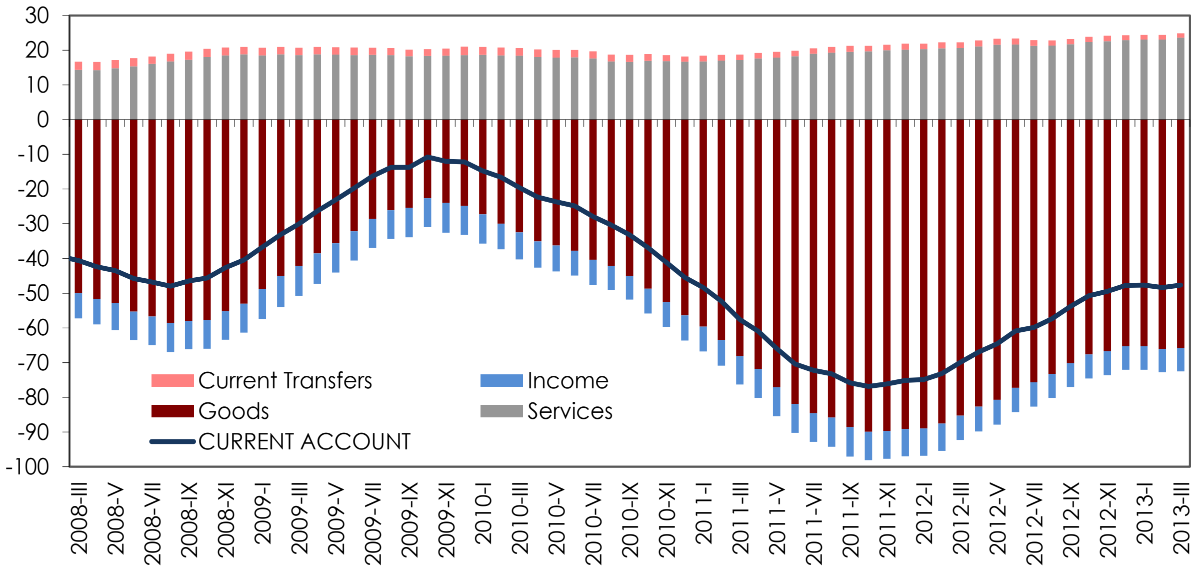
Overview

Current Account Balance

In the first quarter of 2013, the narrowing of the current account balance continued contrary to the expectations of a widening. Although the rebalancing of domestic and external demand supported by the monetary policy implementation that the Central Bank of the Republic of Turkey (CBRT) adopted at the end of 2010 has come to an end, the slower-than-expected recovery trend in domestic demand factors observed in the first quarter has limited the deterioration in the foreign trade balance. Meanwhile, especially tourism-based services revenues increased more than expected, which helped the contraction in the current account deficit to continue in the first quarter of the year (Chart 1).

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



Source: CBRT.

Although it decelerated slightly, the moderate and steady upward trend in exports that started in the wake of the crisis continued in the first quarter of 2013. Exports to the European Union (EU) countries assumed a gradual recovery trend due to the waning effects of the financial crisis in these countries. However, exports to the Middle East and North African (MENA) countries lost pace to some extent. Gold exports, which stood at remarkably high levels in 2012, fell to their historical average in the first quarter of 2013 and their positive contribution to the exports performance weakened. Shuttle trade revenues, which belong to the exports item in the balance of payments definition, declined compared to their historically high level of the previous quarter. Yet, they continued to post rapid increases.

The modest upward trend in import expenditures that started in the last quarter of 2012 continued in the first quarter of 2013. In this period, the moderate recovery in domestic demand factors as well as temperatures above seasonal averages in the winter and the weakened imports of energy due to the fall in energy prices stood as the main factors slowing the rate of growth in imports. Imports of gold increased remarkably compared to the previous period and had a boosting effect on total imports, due to the impact of increased demand parallel to the rapid decline in the gold price per ounce.

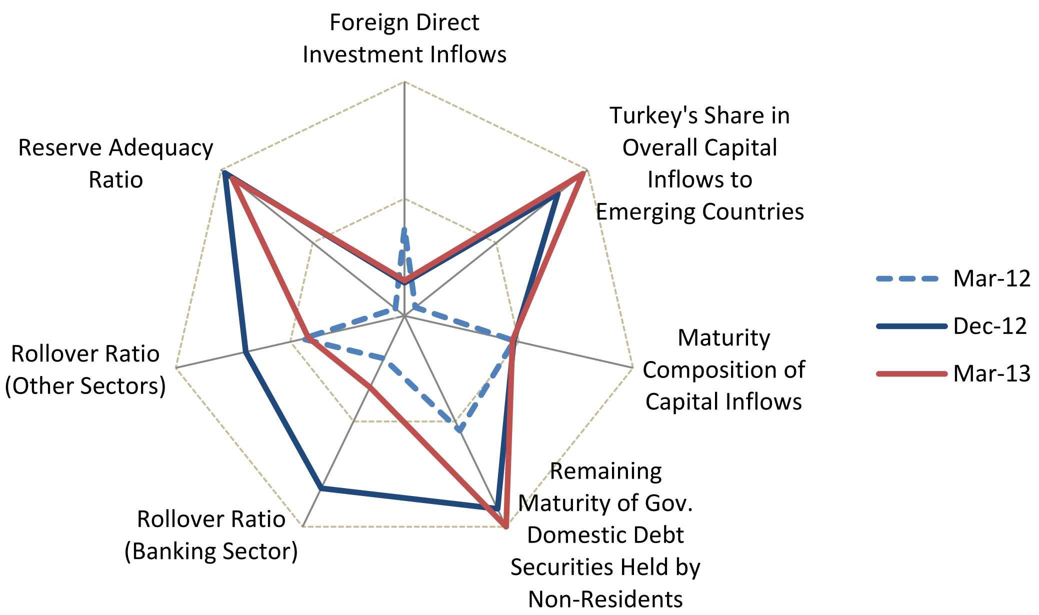
The Services item, which is the second most important determinant of the current account balance after foreign trade, continued to increase its positive contribution to the current account balance in the first quarter of the year**.** A more-than-expected increase in tourism revenues in the first quarter of 2013 and similarly, the ongoing rapid upward trend in other transportation revenues related to the tourism sector have been the significant factors narrowing the current account deficit. An analysis by country groups indicates that in the first quarter, the number of tourists from almost all regions recorded a double-digit increase.

Financing of the Current Account Deficit

A breakdown of capital inflows by main headings reveals that while the share of direct investments continued to decline, portfolio inflows remained strong in the first quarter of 2013. Other investment inflows, primarily trade credits on the liabilities side, displayed a significant rise compared to the previous quarter as a result of inflows from banks' short-term loans and deposits. Capital inflows that picked up on the back of a decreased current account deficit in the first quarter of 2013 also led to a significant increase in official reserves.

An analysis of the quality of financing factors indicates that in the first quarter of the year, the maturity structure of the portfolio, Turkey's share in capital flows towards emerging market economies as well as reserve adequacy ratios improved compared to the previous quarters; whereas the debt roll-over ratios of the banking sector and other sectors---despite a level above 100---declined compared to the previous quarter. Direct investment inflows, on the other hand, materialized below the recent averages (Chart 2).

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



Source: CBRT.

The lingering problems in the euro area, the area having the largest share in direct investment flows to Turkey, resulted in a decline in direct investments from this region. This decline became the main reason for the ongoing slowdown in direct investments in the first quarter of 2013, as well.

Conversely, the increase in real estate investments, a sub-item of the direct investment, that started in the final quarter of 2012 continued in the first quarter of 2013 The legal amendment that facilitated the purchase of real estate in Turkey by foreigners took effect in the previous year and is considered to be instrumental in the surge of direct investment inflows in this sector.

The ample liquidity that emerged globally in the post-crisis period oriented towards emerging market economies due to the increased risk appetite; however, this trend started to lose ground in the first quarter of 2013 amidst a more apparent recovery in the financial markets of advanced economies. As an implication of this development, in the first quarter of 2013, portfolio flows to Turkey materialized high, albeit lower than the 2012Q4 level. On the other hand, in terms of portfolio inflows, Turkey continued to diverge from emerging market economies in a positive direction in the first quarter, too. In fact, in the global portfolio flows towards emerging market economies, Turkey's share reached historic highs in the first quarter of 2013. This was mainly driven by expectations over the upgrade of the country's sovereign rating to "investment level" by another credit rating agency as well.

While portfolio inflows continued, the maturity structure of the instruments invested in improved. In the first quarter of 2013, banks continued to issue bonds abroad. As a trend in banks' long-term external borrowing strategies, it can be asserted that banks started to prefer borrowing through bonds instead of loans. These bonds, which had an average maturity of longer than 7 years, contributed to the improvement of maturity structure of portfolio inflows.

Compared to the previous quarter, there has been no significant change in the maturity structure of portfolio inflows; however, the decline in direct investments in Turkey against the rise in portfolio inflows led to an increase in the ratio of short-term capital inflows to total capital inflows compared to the ratios observed in the previous years.

In the first quarter of 2013, neither the banking sector nor other sectors had any supply-side constraints in external borrowing through loans. Long-term domestic and external loans used by banks and other sectors to finance mainly investments in the first quarter of 2013 were on an upward trend in net terms. As for debt roll-over ratio, even if the roll-over ratio of other sector was above 100 percent, it is lower compared to the previous quarter. Banking sector's long-term external loans posted outflows –in net terms- in the first quarter due to the fact that instead of using long-term external loans, banks chose to borrow bonds from abroad that are considered to be more favorable with respect to maturity and cost. Actually, when banks' borrowing through bonds are included, banking sector's debt roll-over ratio is well above 100 percent. The recent upward trend observed in banking sector' short-term external borrowing, continued in the first quarter of 2013 as well.

Underpinned by the ROM facility, official reserves posted a significant increase on the back of narrowing current account deficit coupled with the rise in capital inflows.

I. Current Account

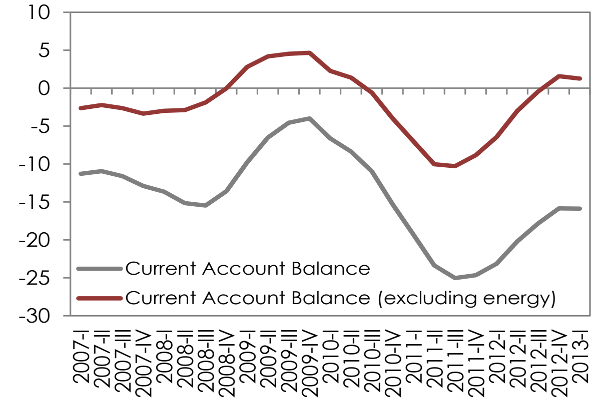
In the first quarter of 2013, the contraction in the current account balance continued. In this period, the 12-month cumulative current account deficit became USD 47.7 billion while the seasonally adjusted 3-month average registered a deficit of USD 15.9 billion.

The 12-month cumulative data suggest that the moderate uptrend in exports continues despite unfavorable global demand conditions, whereas the modest downtrend in imports have reversed. The balance-of-payments-defined 12-month cumulative foreign trade deficit increased slightly and stood at USD 65.8 billion by March.

The moderate uptrend in exports excluding gold observed throughout 2012 continued in the first half of 2013. Despite the weak course of economic activity in the Eurozone, the slight increase in exports to Eurozone countries helped exports excluding gold maintain their upward trend in the first quarter of the year.

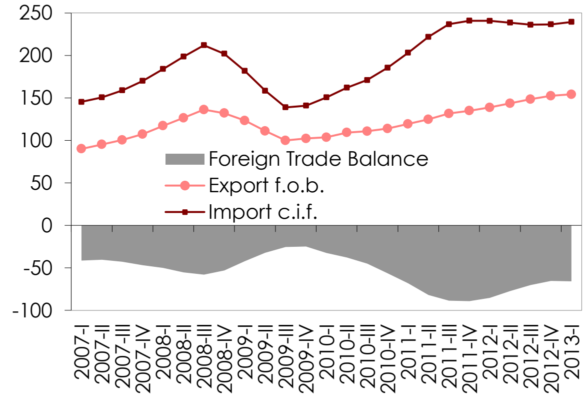
Imports, which remained flat in 2012, started to grow in the first half of 2013. The 8.5-percent rate of increase registered in the said period has been the highest quarterly change since the first quarter of 2011. A similar growth trend also prevails when imports of gold and energy are excluded.

Chart 1. Current Account Balance
(annualized, seasonally adjusted, 3-month average, billion USD)



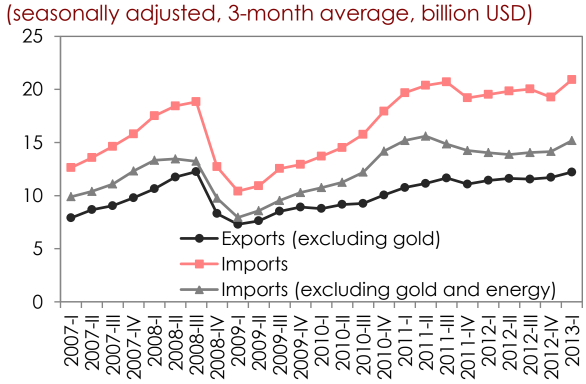
Source: CBRT.

Chart 2. Foreign Trade Deficit
(annualized, billion USD)



Source: CBRT.

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



Source: CBRT.

1.1 Exports of Goods

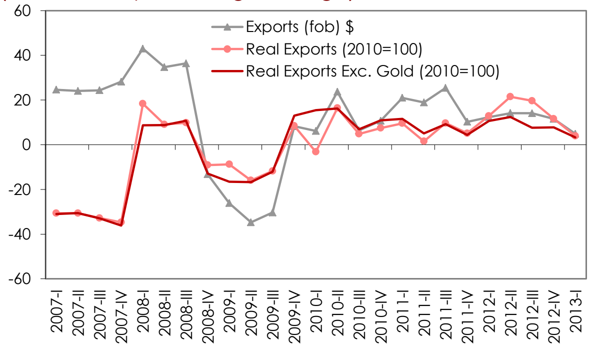
The moderate increase in exports observed in 2012 continued in the first quarter of 2013. According to the Turkish Statistical Institute (TURKSTAT) data, the year-on-year nominal increase in exports was 5 percent in the first quarter. In this period, real exports grew by 4.0 percent whereas the rise in real exports excluding gold was contained to 3.3 percent.

The role of gold exports, which made a large contribution to the exports growth in 2012, diminished remarkably in the first quarter of the year. Gold exports contributed to the 12.8-percent increase in total exports by 10.3 percent in the second half of 2012 while their share in the 5-percent overall exports growth was 0.5 percent in the first quarter of 2013. Sectors with a large share in exports made mostly a positive contribution to the exports growth in the first quarter. However, exports of coke and refined petroleum products and radio, television and communications devices together had a negative contribution of 1.7 points to the increase in total exports. Also, the composition of exports of manufacturing industry products has shifted from low-tech products to medium-tech products in recent years, which stands as a factor strengthening the competitiveness of Turkey's exports over time (Box 1).

The shift in the weight of exports from EU countries to MENA countries has been reversed in recent months. In the first quarter of 2013, exports (excluding gold) to EU countries increased slightly despite the weak economic activity in the Eurozone and the share of the Eurozone in Turkey's exports started to pick up. In this period, EU countries and MENA countries contributed to Turkey's annual export growth by 1.6 percent and 1.2 percent, respectively. Breaking down by countries, Germany, Iraq, the United Kingdom and Italy became Turkey's leading export partners in early 2013. While the shares of UAE, China and Libya increased the most compared to the previous year, the shares of Switzerland and Germany in Turkey's exports registered the highest decline.

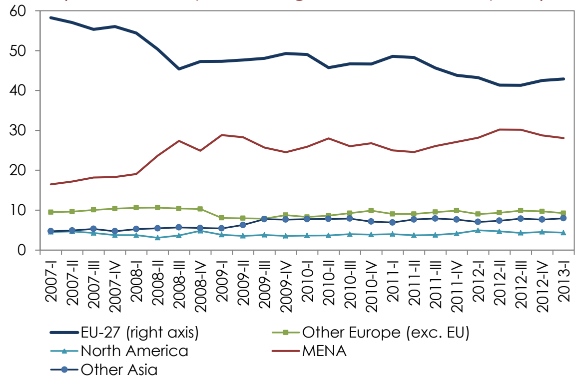
Despite the persisting uncertainties about the global economy, expectations for a recovery in the economy prevail. In this respect, of the

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



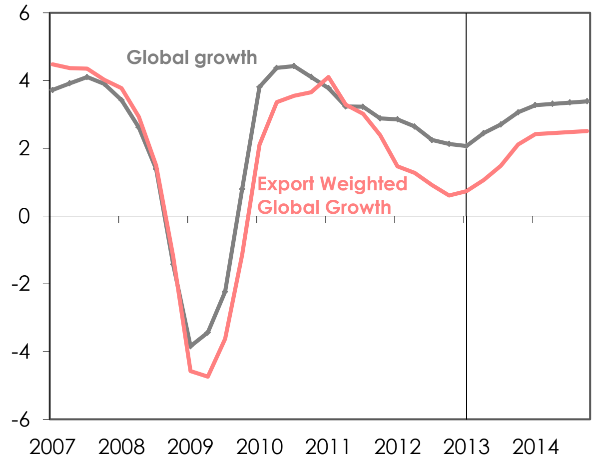
Source: TURKSTAT.

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



Source: TURKSTAT.

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



Source: Bloomberg, Consensus Forecasts, IMF, CBRT.

Box 1 Technological Structure of Foreign Trade in Turkey: 1990-2012

In the global economy where the competition is increasingly getting intense and technology is changing rapidly, technological deepening has become a necessity for countries to retain export growth and competitiveness. Technological deepening can be achieved either via improving the quality of the existing technology or shifting economic activity to a more technology-intensive level. This box offers an analysis of the change in the technological structure of imports and exports in Turkey from 1990 to 2012.

The analysis is based on the classification by the OECD; Lall (2000) also uses this classification in a form adjusted for developing countries (Table 1).[1] The classification is divided into three main categories: primary products, manufactured products and other transactions. The manufactured products are further divided into four sub-categories based on their technological content.

Table 1: Classification of Foreign Trade Based on Technology Intensity (percent)

Classification*	Product Groups
Primary Products	Fresh fruit-vegetable, live animals, meat, tobacco, tea, coffee, coal, crude petroleum, natural gas, etc.
Manufactured Products	**Resource-Based Manufactures** Processed fruits/vegetables, meats, edible fats and oils, petroleum and rubber products, glass, cement, etc. **Low-Technology Manufactures** Furniture, wood and cork manufactures, printing and publishing, food, beverages, tobacco, textile and clothing products, leather products, toys, etc. **Medium-Technology Manufactures** The manufacture and maintenance of vessels, manufacture of plastic and rubber products, manufacture of coke coal, refined petroleum products and nuclear fuels, manufacture of other non-metallic mineral products, basic metal industry, manufacture of fabricated metal products except machinery-equipment, etc. The manufacture of electrical machinery and appliances, motor vehicles, manufacture of trailers and semitrailers, manufacture of railway and tramway engine and wagons, manufacture of ships, manufacture of chemicals and chemical products, manufacture of machinery-equipment, watches, etc. **High-Technology Manufactures** The manufacture of aerospace, manufacture of medicinal and pharmaceutical products, manufacture of office-accounting and data processing machines, manufacture of radio, TV communications equipment, manufacture of medical equipment, precision and optical instruments, etc.
Other Transactions	Electricity, cinema film, gold, coins, works of art, etc.

*Classification: SITC, 3-digit Rev.2.

1 For the full list of products, see: Lall (2000).

The resource-based products under the manufactured products category refer to the country's having the related raw material and/or producing fruits-vegetables. They are irrelevant for competitiveness. Yet, what is relevant for competitiveness is the technological content of manufactured products. Low-tech products have a considerably common and simple technological content and generally compete on price rather than quality. Medium-tech products make up a large portion of manufactured products and have a more complex technological content. Also, these products require a higher level of research and development activities, more advanced skills in terms of labor force and longer learning periods. High-technology products have advanced and fast-changing technologies, require high levels of research and development activities and involve especially original product designs (Pavitt, 1984 and Lall, 2000).

Chart 1 and Chart 2 show the change in the technological structure of Turkey's exports and imports from 1990 to 2012.

Chart 1: Technological Structure of Exports

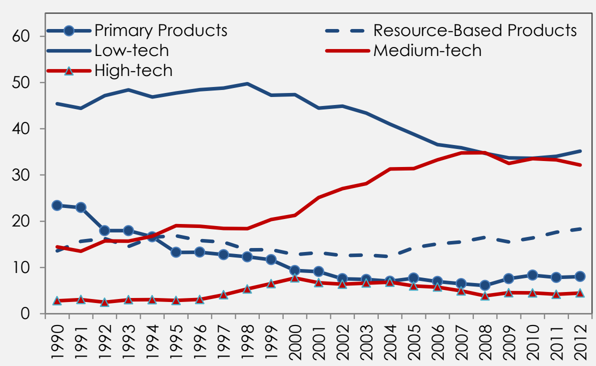
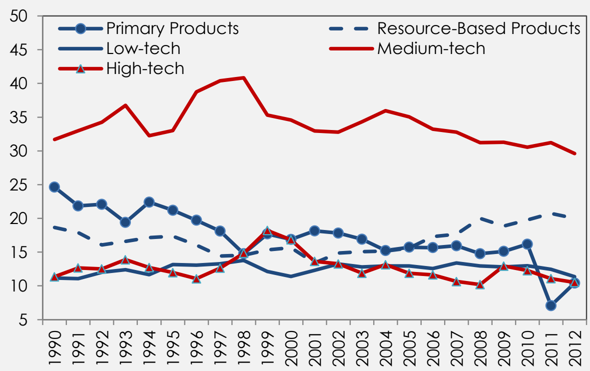


Chart 2: Technological Structure of Imports



Source: TURKSTAT.

According to these charts, the technological structure of imports did not change notably in the 1990-2012 period (Chart 2). As imports are mostly composed of intermediate goods and provide input to production; they do not lead to a change in the input composition of production. On the other hand, the change in the technological structure of exports became apparent especially in the 2000's. Actually, while the share of low-tech products in exports was remarkably high in the 1990-2000 period, it declined considerably after 2000. The share of medium-tech products was low between 1990 and 2000 but started to increase in 2000. Moreover, there was a downtrend in exports of primary products during the 1990-2012 period (Chart 1).

To sum up, in the global and competitive foreign trade market where technological deepening has become a must, the shift of Turkey's manufactured exports from low-tech products to medium-tech products stands as a factor boosting the competitiveness of Turkey's exports over time.

References:

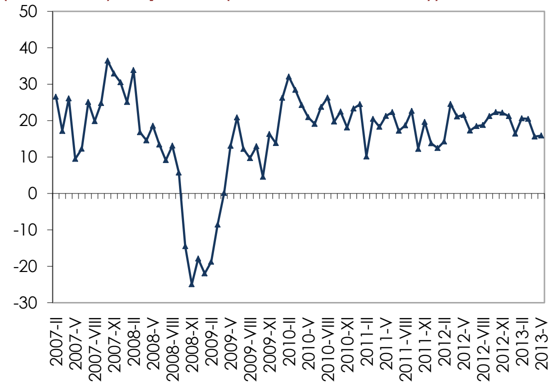
Pavitt, K. (1984) “Sectoral Patterns of Technical Change: Towards a Taxonomy and a theory”, Research Policy, 13, 343-73.

Lall, S. (2000) “The Technological Structure and Performance of Developing Country Manufactured Exports, 1895-1998”, Oxford Development Studies, 28(3), 337-69.

indices prepared within the CBRT, the gap between the foreign demand index weighted with the share of countries in Turkey's exports and the index weighted with the countries' GDPs is expected to contract in 2013.

Exports expectations in the Business Tendency Survey (BTS) have not changed significantly. In April and May 2013, manufacturing companies' expectations about the next three months did not differ from the first quarter average.

Chart 7. Export Expectations
(export orders-expectations of next 3 months) (seasonally adjusted, (increase-decrease))

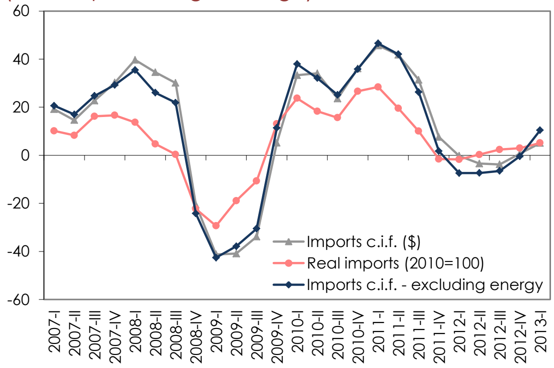


Source: CBRT.

1.2 Imports of Goods

The uptrend in imports that started in the last quarter of 2012 became more pronounced in the first quarter of 2013. With the rise in the last quarter of 2012, the year-on-year growth in imports and imports excluding energy reached 5.0 percent and 10.4 percent, respectively. In this period, the import volume index also increased by 5.1 percent.

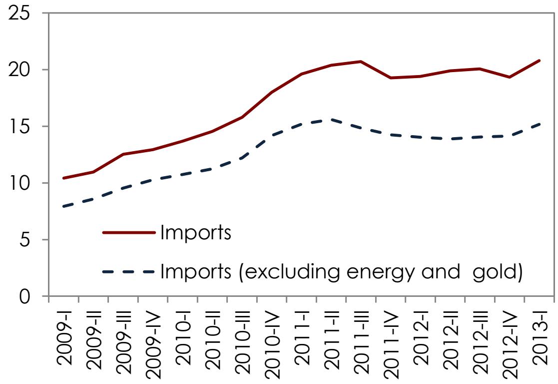
Chart 8. Imports - Nominal and Real
(annual percentage change)



Source: TURKSTAT.

The fall in international gold prices accelerated the imports of gold in the first quarter of 2013. The total imports of gold in 2012 amounted to USD 7.6 billion whereas gold imports in the first quarter of 2013 reached USD 2.8 billion. Seasonally adjusted data suggest that imports excluding gold have also recorded a recovery. In the first quarter of the year, imports excluding energy and gold, which reflect the main trend of imports, increased at a rate close to that of total imports.

Chart 9. Imports Excluding Gold and Energy
(seasonally adjusted, 3-month average, billion USD)

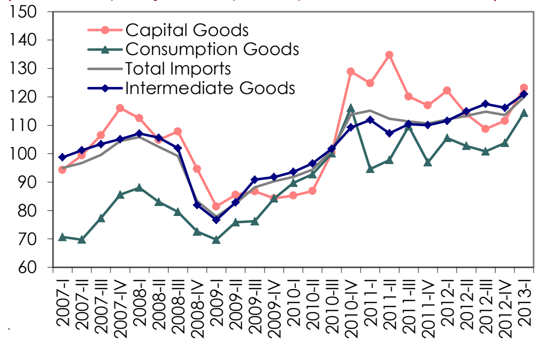


Source: CBRT.

Imports of all sub-items increased in the first quarter of 2013. An analysis of sub-items of imports by seasonally adjusted volume indices reveals that all items are in an uptrend but the most significant increases have been registered in imports of capital and consumption goods. In the first quarter of 2013, imports of capital and consumption goods rose by 10.4 percent and 10.3 percent, respectively.

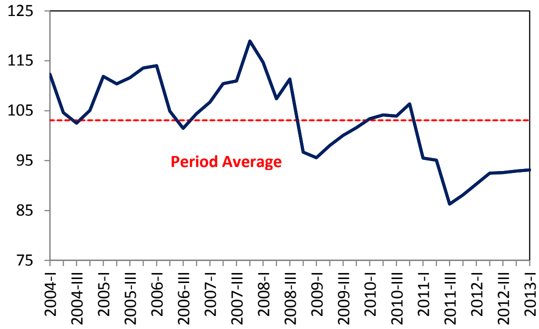
Turkey's real exchange rates based on developing countries continued to hover below the period average. Based on developing countries, real exchange rates, which did not display a notable change in the last quarter, appreciated by 3.1 percent on a year-on-year basis.

Chart 10. Imports and Selected Sub-Sectors
(seasonally adjusted quantity indices, 2010=100)



Source: TURKSTAT, CBRT.

Chart 11. Real Effective Exchange Rate
(CPI-developing countries based (2003=100)

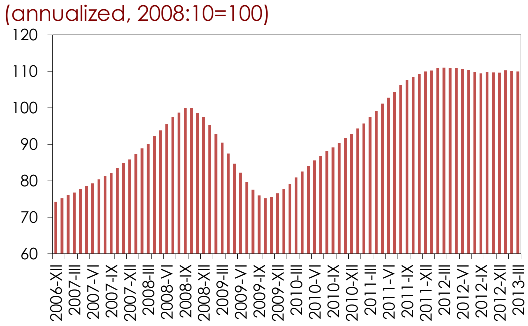


Source: CBRT.

1.3 Global Outlook

The World Trade Organization data suggest that the weak trend in global trade persists. The slowing of the downtrend in world exports observed at end-2012 continued in the first quarter of the year as well. Annualized data for the first quarter of 2013 show that world exports decreased by 1.0 percent year-on-year and by 0.2 percent quarter-on-quarter.

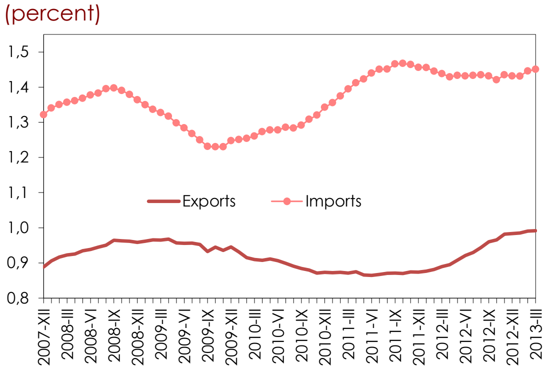
Chart 12. World Trade
(annualized, 2008:10=100)



Source: WTO.

Turkey's share in overall world exports posted a limited improvement compared to end-2012. The share of Turkey's exports in world exports, which was 0.92 percent at the end of 2012, increased to 0.94 percent by the first quarter of 2013.

Chart 13. Share of Turkey in World Trade
(percent)



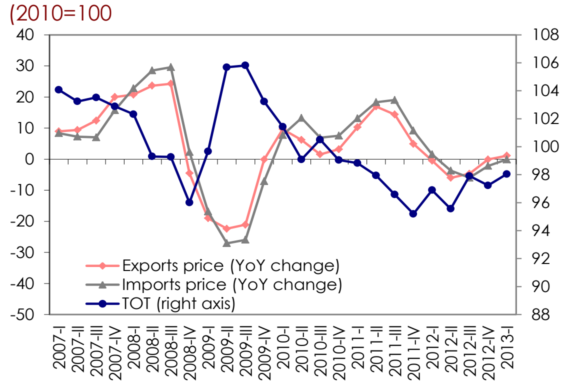
Source: WTO.

1.4 Terms of Trade

In the first quarter of 2013, both export and import prices were close to their levels of the last year. Export prices increased by 1.1 percent whereas import prices declined by 0.1 percent. Accordingly, terms of trade displayed a limited recovery (1.2 percent).

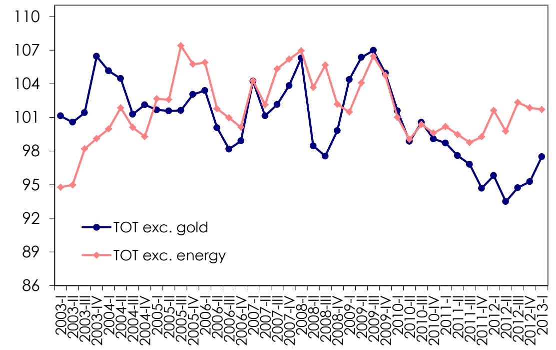
The recovery in terms of trade excluding gold was more apparent. In the first quarter of 2013, terms of trade excluding gold improved by 1.8 percent in annual terms while terms of trade excluding energy remained flat.

Chart 14. Terms of Trade (TOT)
(2010=100



Source: TURKSTAT.

Chart 15. TOT and TOT Excluding Energy
(2010=100)

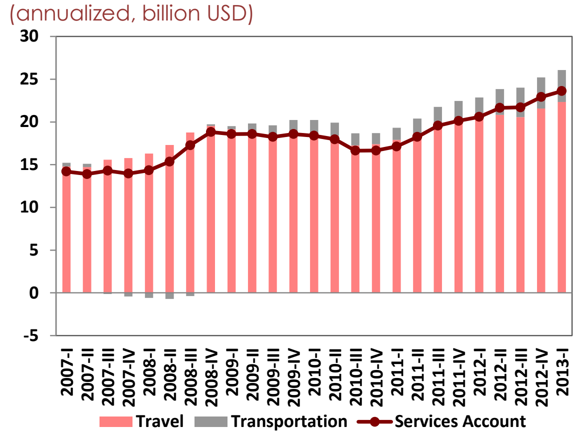


Source: TURKSTAT.

1.5 Services Account

The Services item, which is the second most important determinant of the current account balance after foreign trade, continued to increase its positive contribution to the current account balance in the first quarter of the year. A more-than-expected increase in tourism revenues in the first quarter of 2013 and similarly, the ongoing rapid upward trend in other transportation revenues related to the tourism sector have been the significant factors narrowing the current account deficit.

Chart 16. Services Account, Travel and Transportation Breakdown of Foreign Visitors and Turkish Citizens Visiting Turkey by Country, and Tourism Revenues
(annualized, billion USD)



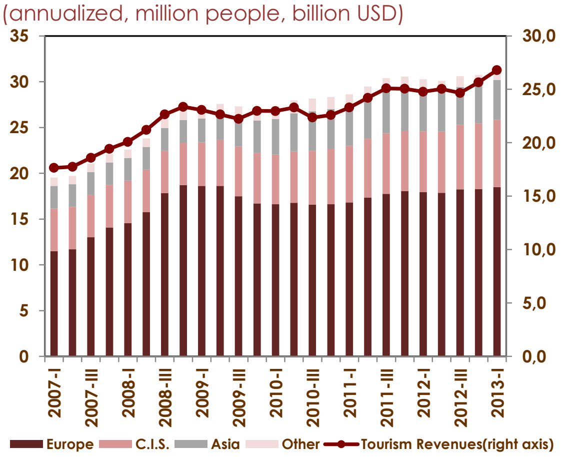
Source: CBRT.

The upward trend in tourism revenues that prevailed in the last quarter of 2012 continued in the first quarter of 2013 as well. In the first quarter of 2013, tourism revenues and expenditures increased by 38.5 percent and 47.4 percent compared to the same period last year. As a result, in the first quarter of 2013, net tourism revenues rose by 35.4 percent year-on-year to USD 3 billion. Meanwhile, the number of tourists displayed a year-on-year rise of 20.8 percent. An analysis by country groups indicates that in the first quarter, the number of tourists from all regions recorded a double-digit increase compared to the same period last year.

In the first quarter of 2013, the average expenditure per foreign visitor in Turkey surged. Relevant data suggests that the average expenditure per foreign visitor increased by 46.1 percent year-on-year to reach USD 868, and the average expenditure per non-resident Turkish citizen visiting Turkey rose by 52.9 percent year-on-year to reach USD 1,442.

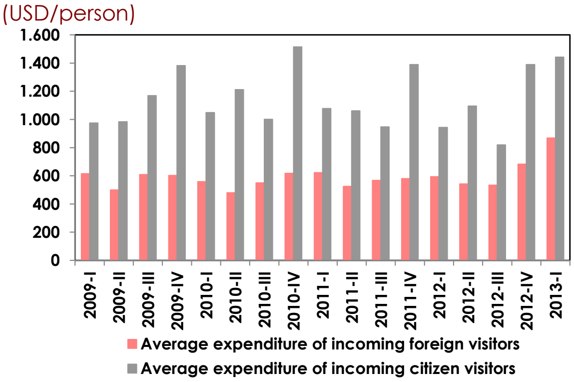
The recent rise in transportation revenues continues. In the first quarter of 2013, transportation revenues increased by 14.7 percent year-on-year and transportation expenditures increased by 14.9 percent year-on-year, thereby leading to a rise in net transportation revenues by 14 percent. The main driver of this rise was the 21.4 percent net increase in the other transportation revenues item composed of tickets and food-beverage. In this period, the share of foreign carriers in imports declined by 1.6 points quarter-on-quarter to 50.7 percent.

Chart 17. Breakdown of Foreign Visitors and Turkish Citizens Visiting Turkey by Country and Tourism Revenues
(annualized, million people, billion USD)



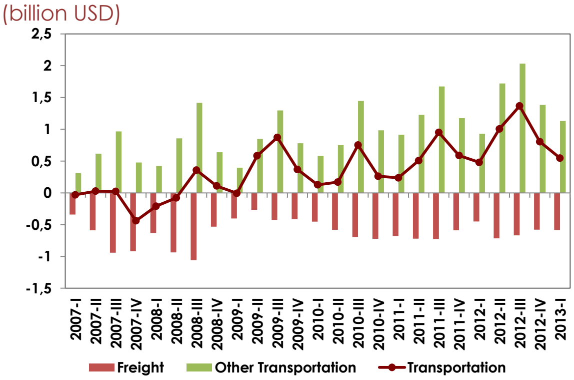
Source: TURKSTAT.

Chart 18. Average Expenditure
(USD/person)



Source: TURKSTAT.

Chart 19. Transportation and Sub-items
(billion USD)

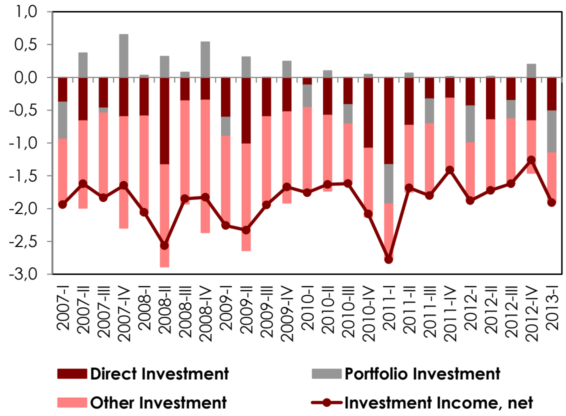


Source: TURKSTAT, CBRT.

1.6 Income Account

In the first quarter of 2013, income account posted net outflows across all its sub-items. Net outflows from the income account increased by 2.1 percent year-on-year to reach USD 2.0 billion in the first quarter of 2013. Constituting the largest part of the investment income item, the outflows from other investment income item increased compared to the same period last year to reach USD 511 million, whereas the outflows from other investments declined to USD 759 million. In this period, the net outflow of USD 639 million from portfolio investments caused an increase in outflows from the income account.

Chart 20. Composition of Investment Income, net
(billion USD)

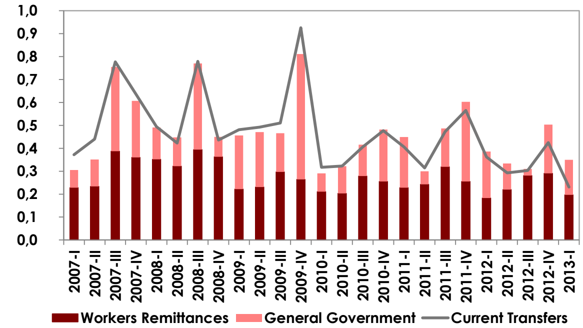


Source: CBRT.

1.7 Current Transfers

In the first quarter of 2013, net inflows driven by current transfers recorded a historic low after 2005 figures. In the first quarter of 2013, current transfers posted a net inflow of USD 0.2 billion on the back of a year-on-year decline by 36.2 percent. This decrease was mainly attributed to the 24.6 percent decline in the general government item, which includes grants between countries.

Chart 21. Current Transfers and Workers' Remittances
(billion USD)



Source: CBRT.

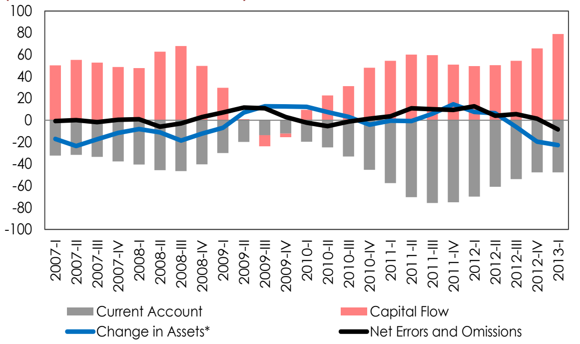
II. Capital and Financial Accounts

Capital inflows that picked up on the back of a decreased current account deficit in the first quarter of 2013 also led to a significant increase in official reserves. A breakdown of capital inflows by main headings reveals that while the share of direct investments continued to decline, portfolio inflows remained strong in the first quarter of 2013. Other investment inflows, primarily trade credits on the liabilities side, displayed a significant rise compared to the previous quarter as a result of increased inflows from banks' short-term loans and deposits.

In the first quarter of 2013, the financing need declined by USD 1.5 billion year-on-year to USD 27.7 billion. In this period, the current account deficit excluding current transfers did not display a significant change, while the financing need arising from repayment of debt securities and loans increased by USD 1.4 billion.[2]

Parallel to the developments in financing, debt creating flows jumped, while the share of non-debt creating flows in total liabilities declined. In the first quarter of 2013, debt creating flows increased by USD 22.0 billion and non-debt creating flows increased by USD 2.6 billion; whereas, in the same quarter of 2012, these flows had posted an increase of USD 8.3 billion and USD 5.4 billion, respectively.[3]

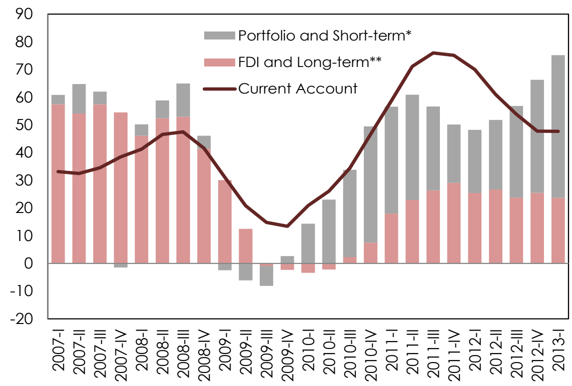
Chart 22. Current Account Balance and Net Capital Inflows
(annualized, billion USD)



Source: CBRT.

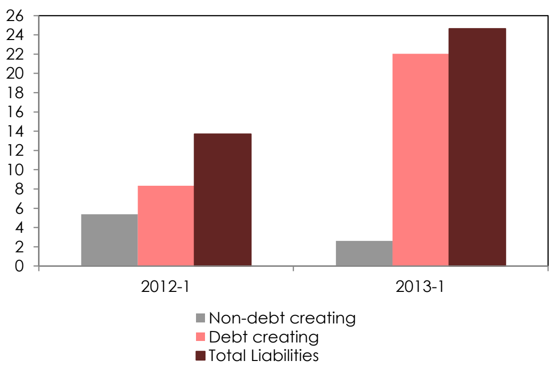
* Changes in reserves are composed of banks' and other sectors' total currency and deposits besides official reserves in the balance of payments table. A negative value denotes increase, while a positive value denotes decrease in reserves.

Chart 23. Current Account and Its Financing
(annualized, billion USD)



Source: CBRT.

Chart 24. Debt Creating and Non-debt Creating Liabilities under Financial Account
(annualized, billion USD)



Source: CBRT.

2 See Annex Tables, "Financing Requirements and Sources".
3 See Annex Tables, "Balance of Payments Debt Creating and Non-Debt Creating Flows".

2.1 Direct Investment

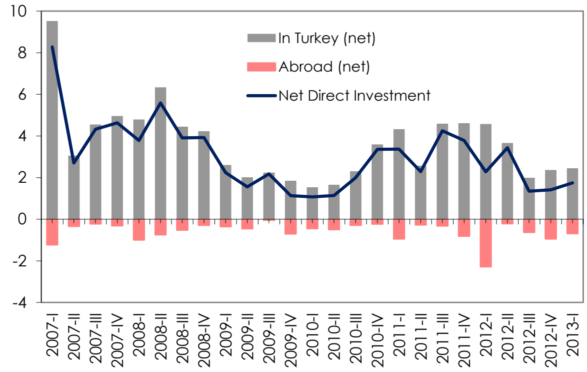
The lingering problems in the euro area, the area having the largest share in direct investment flows to Turkey, resulted in a decline in direct investments from this region. This decline became the main reason for the ongoing slowdown in direct investments in the first quarter of 2013, as well. Conversely, the increase in real estate investments, a sub-item of the direct investment, that started in the final quarter of 2012 continued in the first quarter of 2013. The legal amendment that facilitated purchase of real estate in Turkey by foreigners took effect in the previous year and is considered to be instrumental in the surge of direct investment inflows in this sector.

In the first quarter of 2013, direct investments in Turkey materialized as USD 2.4 billion, the majority of which was driven by those in the finance and insurance sectors. Due to the financial crisis that started in the euro area - the largest shareholder of direct investment flows to Turkey - in 2008 through 2012, the sluggish trend in direct investment inflows continued in the first quarter, too. In this quarter, while Europe's share in total investments elevated to 67.4 percent, that of Asian countries declined to 25.4 percent.

After recording historic highs in 2012, direct investments abroad fell in the first quarter of 2013. In this quarter, while direct investments abroad materialized as USD 0.7 billion, the share of European countries and EU members increased to 75.0 percent and 62.9 percent, respectively.

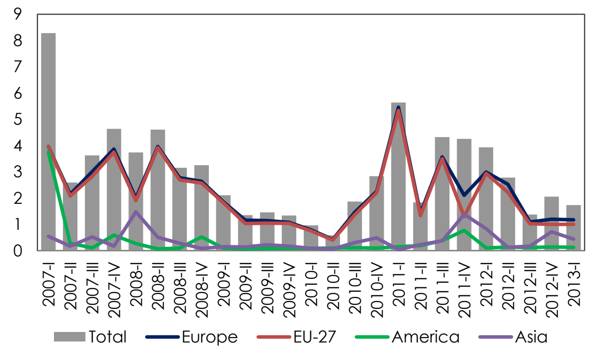
As a result, in the first quarter of 2013, net direct investments declined by 23.2 percent compared to the same quarter in 2012 and became USD 1.4 billion.

Chart 25. Direct Investment
(billion USD)



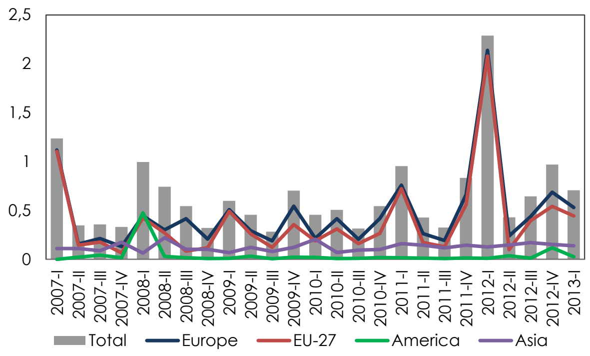
Source: CBRT.

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



Source: CBRT.

Chart 27. Direct Investment Abroad - Geographical Distribution
(billion USD)



Source: CBRT.

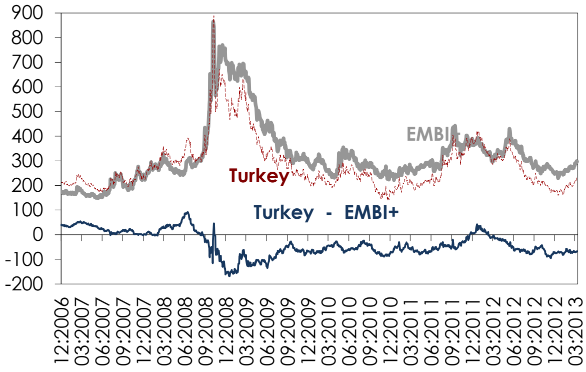
2.2 Portfolio Investment

The ample liquidity that emerged globally in the post-crisis period oriented towards emerging market economies due to the increased risk appetite; however, this trend started to lose ground in the first quarter of 2013 amidst a more apparent recovery in the financial markets of advanced economies. As an implication of this development, in the first quarter of 2013, portfolio flows to Turkey materialized high, albeit lower than the 2012Q4 level. On the other hand, in terms of portfolio inflows, Turkey continued to diverge from emerging market economies in a positive direction in the first quarter, too. In fact, in the global portfolio flows towards emerging market economies, Turkey's share reached historic highs in the first quarter of 2013. This was mainly driven by expectations over the upgrade of the country's sovereign rating to "investment level" by another credit rating agency as well. In this period, Turkey's risk premium remained below the average risk premium of Emerging Markets Bond Index (EMBI+) and the discrepancy between the two risk premiums remained unchanged.

While portfolio inflows (GDDS and equity security purchases) declined compared to the previous quarter, the maturity structure of the instruments that were invested in improved (Box 2). In the first quarter of 2013, banks' bond issues abroad decreased to USD 2.6 billion; this is the second highest figure recorded since 2010, the first being the last quarter of 2012.

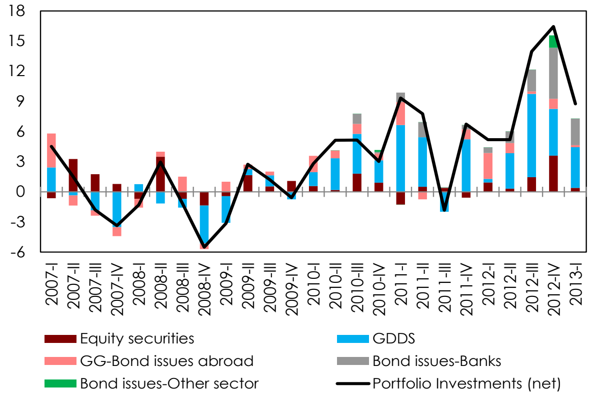
The value of bonds issued abroad by the General Government became USD 197 billion. As a result, GDDS-driven net inflows became USD 4.0 billion, while the net purchases of non-residents in the equity security market remained rather limited compared to the previous quarter and stayed at USD 0.4 billion. Moreover, in the first quarter of 2013, non-residents sold net USD 10 million worth of debt securities issued in the domestic market to the banks and purchased USD 21 million worth of the same from other sectors.

Chart 28. Secondary Market Spreads and Turkey's Relative Position
(basis point)



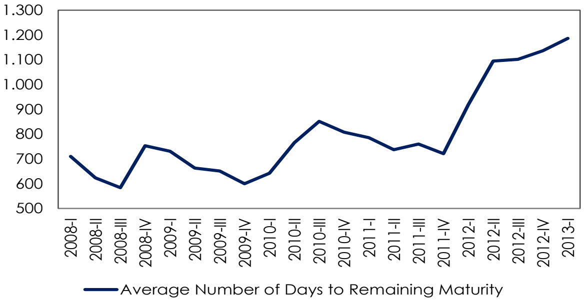
Source: JP Morgan.

Chart 29. Portfolio Investment - Liabilities
(billion USD)



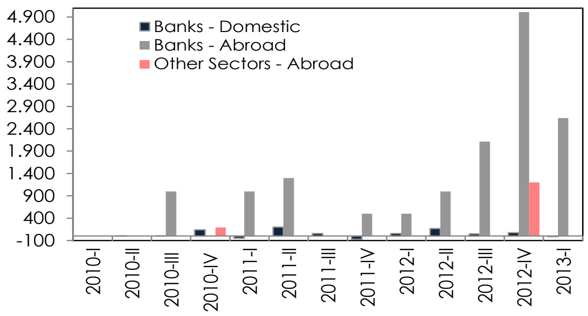
Source: CBRT.

Chart 30. The Maturity Structure of Non-residents' Holdings of GDDS
(weighted market value, billion USD)



Source: CBRT.

Chart 31. Debt Securities Issued by Banks and Other Sectors
(million USD)



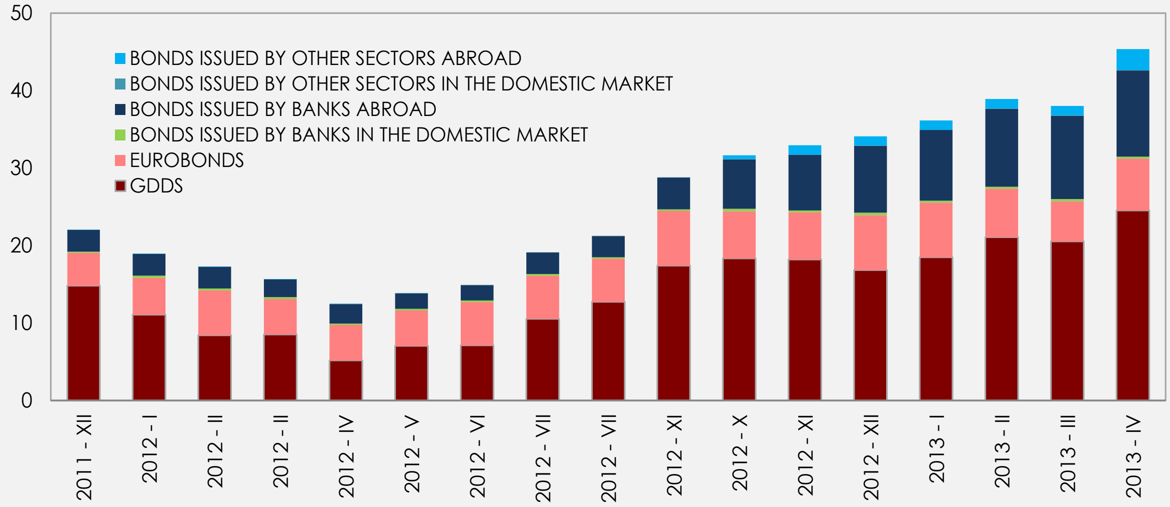
Source: CBRT.

Box 2 Maturity Structure of Non-residents' Holdings of Securities

The flow of ample liquidity that emerged after the global crisis towards emerging market economies has led to a surge in portfolio investments in these countries. Meanwhile, Turkey's share in global portfolio flows towards emerging market economies has progressively increased since the second half of 2012 due to the expectations over the upgrade of Turkey's sovereign rating to investment level as well as materialization of this expectation. Parallel to these developments, the share of portfolio investments in the financing of the current account deficit has surged, thereby making the quality of financing of the current account deficit a debatable issue. This box illustrates the average maturity of non-residents' portfolio investments as per instrument and analyzes them with respect to the quality of financing of the current account deficit.[4]

Portfolio investments of non-residents are mainly composed of six items. As listed in order under the "portfolio investments/liabilities" item on the balance of payments table, they are: Securities issued by the Treasury in the domestic market (Government Domestic Debt Securities-GDDS) and abroad (Eurobond), bonds issued by banks and non-bank private sector in the domestic market and abroad. Chart 1 displays an annualized breakdown of the amounts pertaining to these items. Recently, the portfolio inflows towards GDDS and banks' bond issues abroad have come into prominence, while inflows through Eurobond issues have remained steady.

Chart 1. Non-residents' Holdings of Debt Securities
(annualized, billion USD)



Source: CBRT.

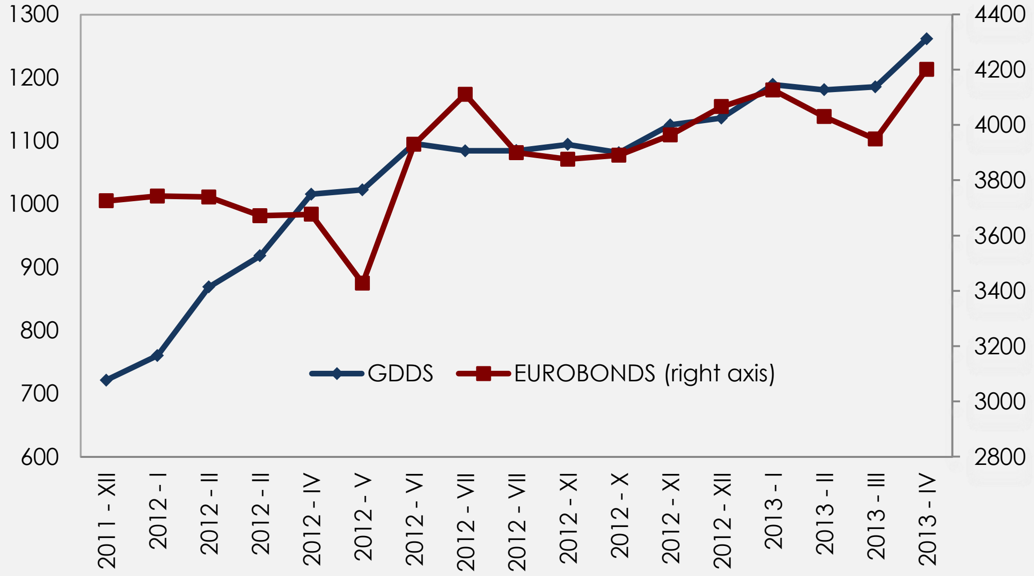
The average number of days to maturity for the GDDS and Eurobonds held by foreign investors and other sectors' bonds is presented in Charts 2 and 3. Those values are found by calculating the number of days to maturity of securities held by non-residents as of the end of each

4 Non-residents' portfolio investments in terms of equities are not covered by this study.

month and then by weighing them according to their market values in terms of US dollars.

An analysis of the developments regarding the maturity structure since December 2011 indicates that the average days to maturity of the GDDS issued in Turkish lira have jumped. The maturity structure that had displayed a rapid improvement until June followed a horizontal trend in the July-October 2012 period and later picked up again. The average maturity, which was 700 days (approximately 1.9 years) in December 2011, increased to 1,186 days (approximately 3.3 years) by March 2013. The maturity structure of Eurobonds possessed by foreign investors, which have the longest maturity among the portfolio investment instruments, has followed a relatively volatile trend compared to other types of bonds depending on the issue policy of the Treasury; however, the overall trend in Eurobonds has been upwards. By March 2013, the average maturity of Eurobonds held by foreign investors was 3,950 days (Chart 2).

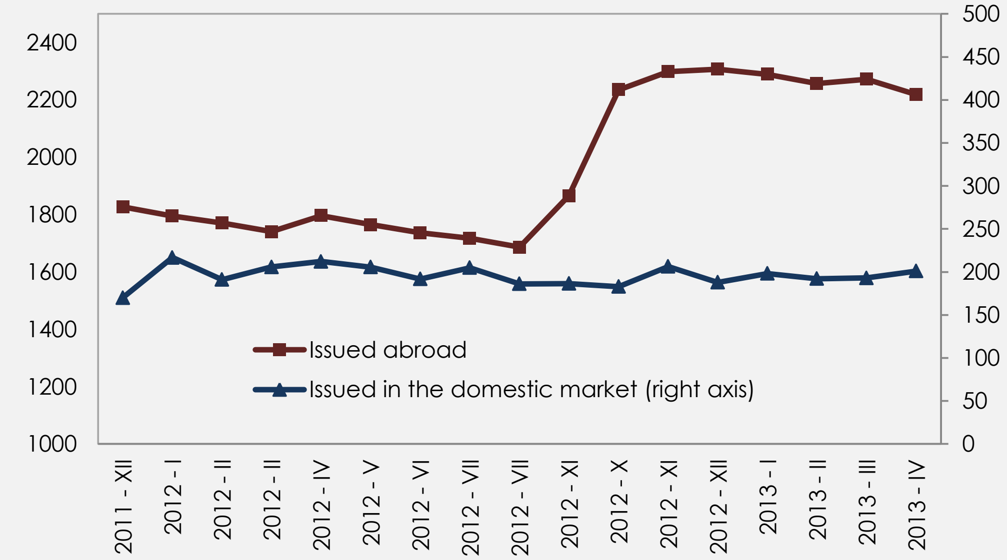
Chart 2. Maturity Structure of Non-residents' Holdings of GDDS and Eurobonds (day)



Source: CBRT.

The average maturity of bonds issued abroad by banks and other sectors has increased in line with the issue of longer term debt securities by institutions since September 2012. In fact, the average number of days to maturity that was hovering around 1,800 exceeded 2,200 after this period and materialized as 2,273 days in March 2013. This rise is considered to be driven by the increasing confidence of these newly-emerged sectors in bond issues abroad. On the other hand, maturity preferences regarding bonds issued by banks and other sectors in the domestic market, which have the smallest share in non-residents' holdings of debt securities, has generally displayed a steady trend around 200 days on average (Chart 3).

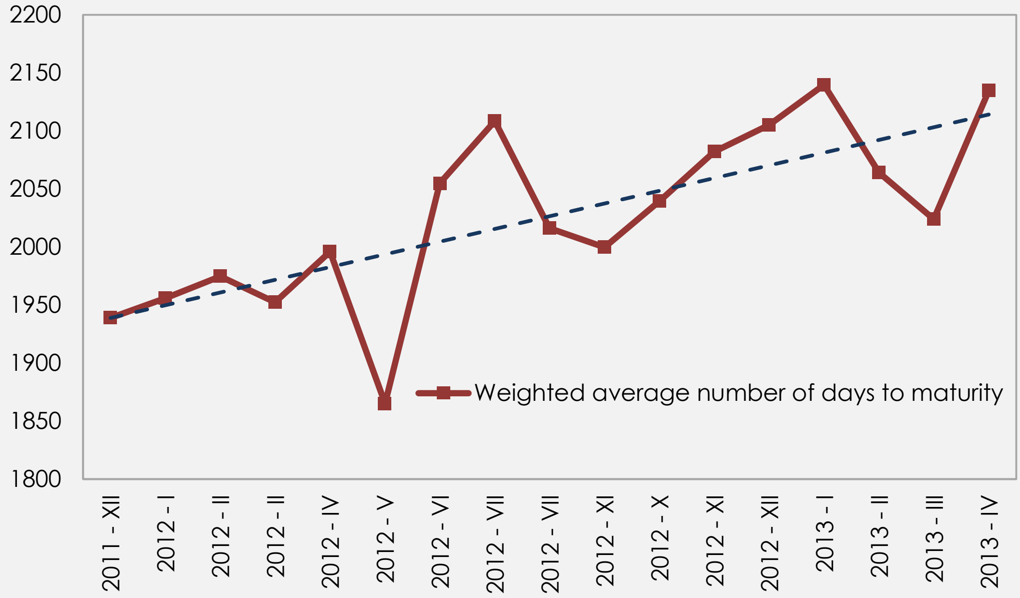
Chart 3. Maturity Structure of Non-residents' Holdings of Bonds Issued by Banks and Other Sectors (day)



Source: CBRT.

In sum, the maturity structure of securities held by non-residents has displayed an improvement across all instruments; particularly, the maturity of GDDS has increased significantly. The weighted average maturity data, calculated by weighing the relevant instruments according to stock market values in US dollars, also shows that foreign investors have opted for longer maturities since 2011. In other words, the average maturity of portfolios, which was 1,939 days by the end of December 2011, reached 2,024 days (approximately 5.5 years) by the end of March 2013 (Chart 4). This is considered to be a positive development also in terms of the financing quality of the current account deficit.

Chart 4. Maturity Structure of Non-residents' Holdings of Securities
(weighted average, day)



Source: CBRT.

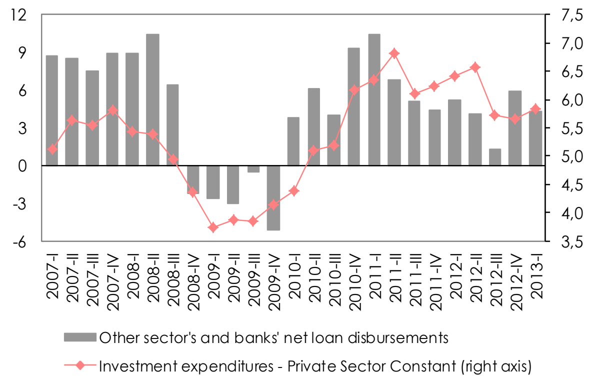
2.3 Loans and Deposits

In the first quarter of 2013, neither the banking sector nor other sectors had any supply-side constraints in external borrowing through loans. Although long-term domestic and external loans used by banks and other sectors to finance mainly investments in the first quarter of 2013 declined compared to the previous quarter, they are still on an upward trend in net terms.

Banks predominantly opted for short-term borrowing through loans in the first quarter of 2013, but were net payers for long-term loans. In the framework of the ROM facility allowing banks to hold FX in place of Turkish lira reserve requirements, banks are believed to have opted to use short-term external loans and deposits for the sake of cost benefits. In this period, banks used net USD 7.2 billion of short-term loans. In the first quarter, banks' long-term external debt roll-over ratio decreased to 90.5 percent. This stemmed from the fact that in this period, instead of using long-term external loans, banks chose to borrow bonds from abroad that are considered to be more favorable with respect to maturity and cost. However, when banks' borrowing through bonds are included, the banking sector's debt roll-over ratio becomes 160.3 percent.

As for the other sectors' borrowing through loans, the long-term loans posted net inflows in the first quarter of the year. The relevant sectors used USD 0.3 billion of long-term loans. In this first quarter of the year, the other sectors' external debt roll-over ratio decreased from 124.5 to 104.9 percent.

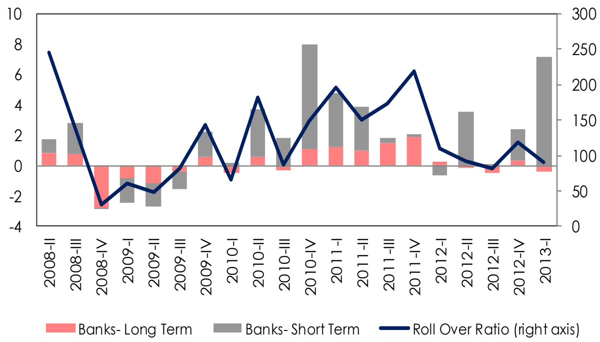
Chart 32. Net Long-term Loan Utilization* and Investment Expenditures of Other Sectors
(billion TL, 1998=100, covering the effect of Decree No:32)



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

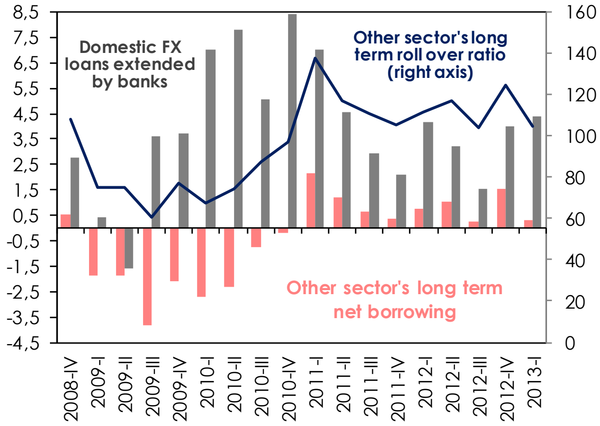
Source: CBRT.

Chart 33. Banks' Long and Short Term Net Borrowing (billion USD) **and Long Term Roll-over Ratio** (percent)



Source: CBRT.

Chart 34. Domestic FX Loans Extended By Banks – Other Sectors' Long- Term Net Borrowing (billion USD) **and Other Sectors' Long- Term Debt Rollover Ratio** (percent)



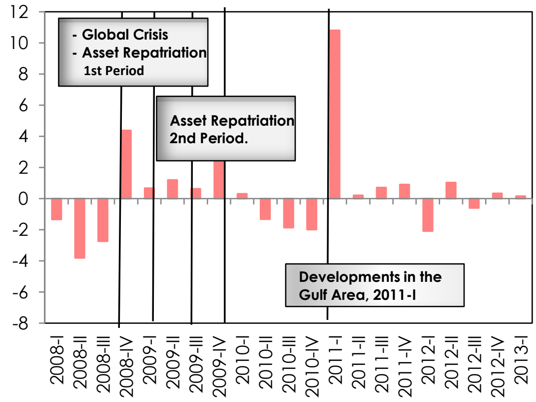
Source: CBRT.

Residents' deposits in banks abroad are recorded in the balance of payments table under "Financial Account / Other Investment / Currency and Deposits / Other Sectors". While activities in these accounts -particularly at times of crisis- are considered to be an important determinant of capital movements in the balance of payments statistics, deposits tend to accumulate in these accounts at other times. According to the Bank for International Settlements (BIS), the final data for the first four quarters suggest that while other sectors' deposits abroad increased by USD 1.3 billion, the indicative data for the first quarter of 2013 points to a USD 0.2 billion decline.

The significant decline in FX accounts of non-resident Turkish citizens at the Central Bank of Turkey continues due to the cuts in interest rates applied to these accounts. The last cut on the interest rates applied to long-term FX deposit accounts with letters of credit and to super FX accounts was affected in October 2012. While the highest outflow from these accounts was observed in 2012, deposits in these accounts decreased by USD 0.2 billion in the first quarter of 2013.

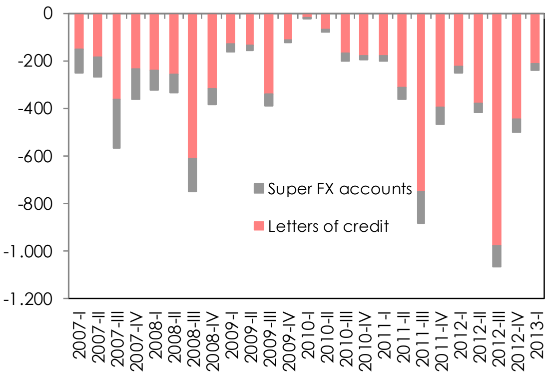
The cost advantage provided by the facility, which allows banks to keep a certain fraction of their Turkish lira reserve requirements as FX and gold, has led to a surge in non-resident citizens' and banks' deposits in domestic banks. While deposits in domestic banks increased by USD 5 billion in the first quarter of 2013, USD 3.3 billion of this total amount was composed of FX deposits.

Chart 35. Other Sectors' Deposit Assets Abroad
(billion USD)



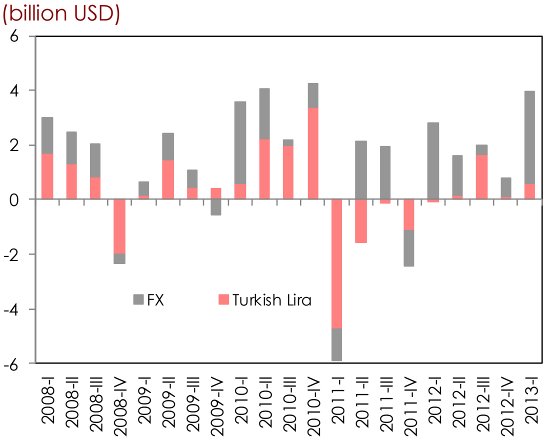
Source: CBRT.
(+): Decrease in deposits abroad, (-): Increase in deposits abroad

Chart 36. Deposits within the Central Bank
(billion USD)



Source: CBRT.

Chart 37. Deposits of Non-resident Banks within the Domestic Banks - Composition of FX and TL
(billion USD)



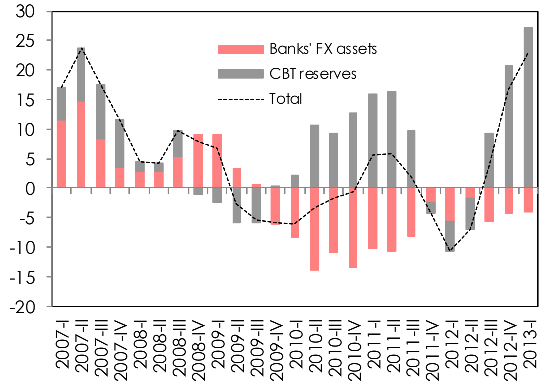
Source: CBRT.

In the first quarter of 2013, official reserves posted a significant increase on the back of the rise in capital inflows coupled with the decreasing current account deficit underpinned by the ROM facility. In this quarter, the official reserves on balance of payments tables increased by USD 7 billion. The rise in this item mainly stemmed from the deposits that banks keep at the Central Bank and the repayment of rediscount loans that the Central Bank extends to exporters. In this period, banks' FX assets decreased by USD 2.6 billion; thus, total international reserves (CBRT and the banks) increased by USD 4.4 billion.

In the first quarter of 2013, owing to the upward trend in reserves, CBRT reserves went up by 6.3 percent year-on-year and reached USD 126.7 billion. Compared to the end of the previous quarter, in December 2012, "the short -term external debt stock on a remaining maturity basis (STED)", which is calculated regardless of the original maturity but based on the external debt maturing within 1 year or less, increased by 8.1 percent to reach USD 155.9 billion. As a result, the ratio of international reserves to STED, which is considered to be one of the reserve adequacy indicators, became 91 percent. However, this ratio becomes 112 percent when branches and affiliates abroad are excluded.

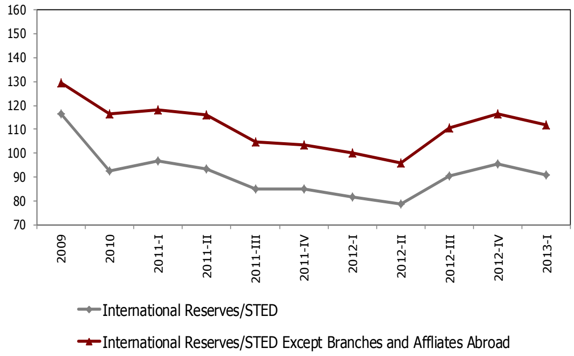
The Net Errors and Omissions (NEO) item, which posted a significant surplus in the first quarter of 2012, posted outflows of USD 4.2 billion in the first quarter of 2013. In annual terms, in the first quarter, cumulative NEO was USD -8.5 billion and the ratio of NEO to total FX inflows decreased to -3.9 percent (Box 3).

Chart 38. International Reserves
(billion USD, annualized)



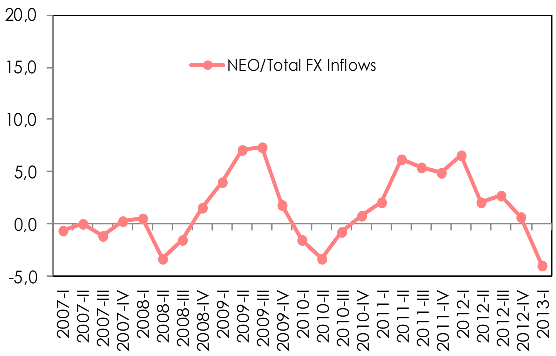
Source: CBRT.
Note: + increase; - decrease

Chart 39. The Ratio of International Reserves to STED on a Remaining Maturity Basis (percent)



Source: CBRT.

Chart 40. Net Errors and Omissions (NEO) and Total Foreign Exchange Inflows
(annualized, percent)

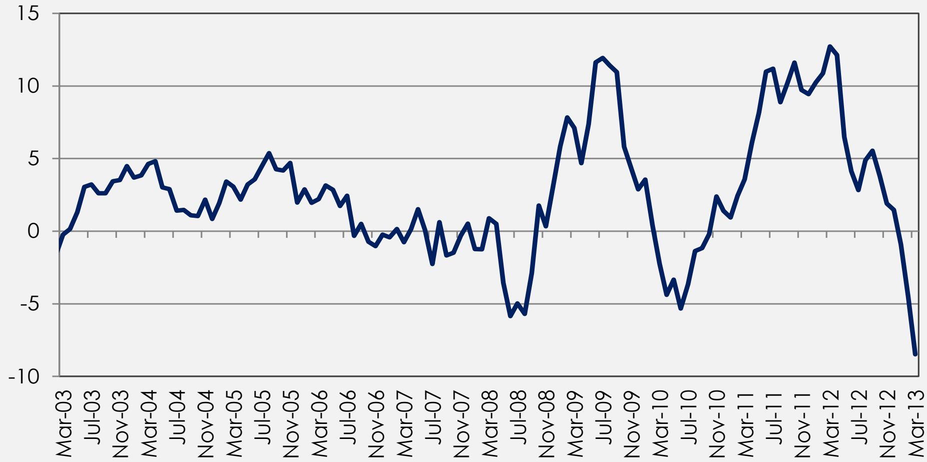


Source: CBRT.

Box 3 Outflows from the Net Errors and Omissions Item

As per the balance of payments methodology, every transaction has to be recorded either as "debit" or "credit" and theoretically, the "Current Account" should be equal to the "Capital and Financial Account" in absolute values. Despite the theoretical requirement, as collection of data from different sources leads to differences in valuation, measurement and time of recording, the difference between the respective debit and credit records are reflected in the balance of payments statistics under the residual item "Net Errors and Omissions –NEO". However, the NEO item, which is recorded as an outflow or an inflow, is expected to come to a balance in time. An analysis of the recent development of the NEO item reveals that in the first quarter of 2013, the 12-month cumulative NEO was USD -8.5 billion. This is the highest outflow (minus) from the NEO since 2003. Historically, Turkey's balance of payments has generally displayed a plus (inflow) NEO (Chart 1). Therefore, the recently observed rapid and continuous outflow from the NEO item has become a hot topic in society. In order to shed light on the abovementioned discussions, in this Box, the recent trend of the NEO is analyzed by looking into "Residents' Deposits Abroad" item, which is believed to have an impact on the periodical developments.

Chart 1: Net Errors and Omissions (2003-2013)
(annualized, billion USD)



Source: CBRT

With an amendment made to Decree No. 32 on the Protection of the Value of Turkish Currency, disposal of export proceeds were liberated as of 2008 and thus the requirement of repatriation of export proceeds was abolished. This development led to a rise in the amount of deposits that Turkish residents kept at banks abroad, and monitoring data pertaining to such accounts became necessary.[5] Accordingly, with a study conducted jointly with the Bank for

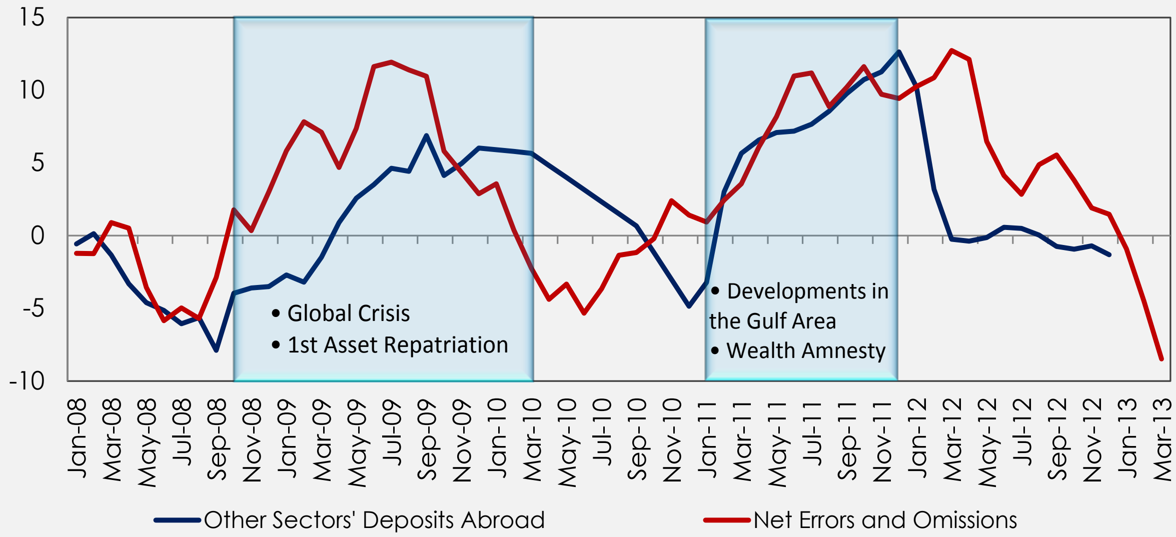
[5] According to the Balance of Payments Methodology, deposits of residents excluding banks at banks abroad are recorded under "Financial Account/ Other Investment/ Currency and Deposit" item. As an increase in assets in balance of payments statistics is represented with a minus sign (-) and a decrease in assets is represented with a plus sign (+), an increase or decrease in the said items points to a rise or decline in deposits abroad, respectively.

International Settlements, the Locational Banking Statistics compiled by the BIS has been used since 2008, to measure and monitor these banking transactions in Turkey's balance of payments statistics.

An analysis of the developments in these accounts reveals that the accounts decreased (capital inflows increased) at times of global fluctuations and/or at times of country-specific periods such as Asset Repatriation while they increased (capital outflows increased) at times of positive economic outlook. For instance, between October 2008 - the onset of the global financial crisis - and December 2009 when the first Asset Repatriation was terminated, deposits of Turkish residents excluding banks in banks abroad decreased by USD 10.4 billion. Meanwhile, in the April-December 2010 period that was marked by economic recovery and increased capital inflows, residents' deposits abroad increased by USD 5.2 billion.

The change in residents' deposits abroad and the NEO display a parallel trend (Chart 2). In other words, when deposits abroad decrease (increase) and capital inflows increase (decrease), the NEO item also posts inflows (outflows). When this parallel trend is taken into account, the data on residents' deposits abroad, which has been compiled by the BIS and recorded on the balance sheet statistics since 2008, can be used as an important data set to explain the main trend of the NEO item. Moreover, the occasional rapid decreases or increases in the NEO item is believed to stem from residents' deposit movements in countries that are not covered by the BIS data and therefore not recorded in the balance of payments statistics.[6]

Chart 2: Residents' Deposits Abroad and Net Errors and Omissions Item
(annualized, billion USD)



Source: CBRT.

[6] For the relationship between Turkish residents' deposits abroad and the Net Errors and Omissions Item, please see: "CBRT Balance of Payments Report", 2012-I, Box 2: Turkish Residents' Deposits Abroad and Net Errors and Omissions, Page 19.

Consequently, significant NEO changes (positive or negative) observed in the balance of payments occasionally, can mainly be attributed to the fact that residents use their assets abroad in times of crisis and tend to reinforce their assets abroad in times of good economic outlook. Accordingly, the negative and rapid upward trend of the NEO in the first quarter of 2013 is believed to have originated from residents' tendency to strengthen their assets abroad in the post-crisis period. Meanwhile, with the effect of the new law encouraging the repatriation of funds held abroad passed in May 2013, there might be inflows from residents' deposits abroad while outflows from the NEO might be reversed in the upcoming period.

III. Annex Tables

Balance of Payments (billion USD)

	January-March			March (Annualized)		
	2012	2013	% change	2012	2013	% change
Current Account	-16,2	-16,2	-0,5	-70,0	-46,9	-33,0
Goods	-16,8	-17,2	2,4	-85,4	-66,0	-22,6
Exports	37,5	39,7	6,1	147,6	165,6	12,1
Exports (fob)	35,3	37,0		138,8	154,3	
Shuttle Trade	1,2	1,8		4,5	6,9	
Imports	-54,2	-56,9	4,9	-233,0	-231,6	-0,6
Imports (cif)	-55,9	-58,8		-240,7	-239,4	
Adjustment: Classification	2,6	2,9		11,4	12,2	
Services	2,1	2,8	31,4	20,6	24,7	19,5
Travel (net)	2,2	3,0		20,3	22,3	
Credit	3,0	4,1		24,8	26,8	
Debit	-0,8	-1,1		-4,4	-4,5	
Other Services (net)	-0,1	-0,2		0,3	2,3	
Income	-1,9	-2,0	2,2	-7,0	-6,7	-3,4
Compensation of Employees	-0,1	-0,1		-0,2	-0,2	
Direct Investment (net)	-0,4	-0,5		-1,8	-2,2	
Portfolio Investment (net)	-0,6	-0,6		-0,9	-0,7	
Other Investment (net)	-0,9	-0,8		-4,1	-3,6	
Interest Income	0,5	0,5		1,4	2,1	
Interest Expenditure	-1,3	-1,2		-5,5	-5,7	
Current Transfers	0,4	0,2	-36,2	1,7	1,2	-27,5
Workers Remittances	0,2	0,2		1,0	1,0	
Capital and Financial Account	10,3	20,4	98,6	57,0	66,2	16,1
Financial Account (excl. reserve assets)	10,9	27,4	150,3	52,0	93,3	79,6
Direct Investment (net)	2,2	1,7	-21,9	12,6	7,8	-37,6
Abroad	-2,3	-0,7		-3,7	-2,5	
In Turkey	4,5	2,4		16,3	10,3	
Portfolio Investment (net)	5,2	8,8	69,1	17,8	55,4	210,7
Assets	0,8	1,5		2,7	3,3	
Liabilities	4,4	7,3		15,1	52,1	
Equity Securities	0,9	0,4		1,2	5,7	
Debt Securities	3,5	6,9		13,9	46,3	
Non-residents' Purchases of GDI	0,4	4,1		8,5	20,5	
Eurobond Issues of Treasury	2,6	0,2		2,8	2,4	
Borrowing	3,6	1,7		4,6	5,2	
Repayment	-1,0	-1,5		-1,8	-2,8	
Banks (net)	0,6	2,6		2,5	11,0	
Other Sectors (net)	0,0	0,0		0,0	12,3	
Other Investment (net)	3,5	16,9	378,6	21,6	30,1	39,4
Assets	-0,9	2,0		1,1	1,7	
Trade Credits	-0,5	0,2		-1,1	-0,2	
Credits	0,2	-0,6		-0,4	-1,7	
Currency and Deposits	-0,6	2,4		2,7	1,7	
Banks	1,5	2,3		3,0	3,4	
Foreign Exchange	2,8	2,6		5,7	4,1	
Turkish Lira	-1,2	-0,3		-2,7	-0,7	
Other Sectors	-2,1	0,2		-0,2	0,3	
Liabilities	4,4	14,9		20,5	28,4	
Trade Credits	-0,1	3,5		2,3	4,7	
Credits	0,8	6,6		12,4	14,4	
Central Bank	0,0	0,0		0,0	0,0	
General Government	-0,4	-0,4		-0,9	-2,1	
IMF	-0,6	-0,4		-2,9	-1,9	
Long-term	0,2	0,0		2,0	-0,2	
Banks	-0,8	6,8		6,9	12,0	
Long-term	-0,2	-0,4		4,3	-0,7	
Short-term	-0,7	7,2		2,6	12,7	
Other sectors	2,1	0,2		6,4	4,5	
Long-term	0,9	0,3		3,1	3,0	
Short-term	1,2	-0,1		3,3	1,5	
Deposits of Non-residents	3,7	4,8		5,2	8,8	
Central Bank	-0,3	-0,2		-2,0	-2,2	
Banks	4,0	5,0		7,2	11,0	
Change in Official Reserves (- increase)	-0,7	-7,0		5,0	-27,1	
Net Errors and Omissions	6,0	-4,2		13,0	-8,2	

Source: CBRT.

Financing Requirements and Sources (billion USD)

	2012				2012	2013
	I	II	III	IV		I
Financing Requirements	-29,3	-24,3	-18,6	-19,5	-91,7	-27,7
Current Account Balance (Excluding Current Transfers)	-16,6	-14,1	-8,2	-10,2	-49,1	-16,4
Debt Security and Credit Repayments	-11,0	-10,0	-11,6	-9,5	-42,2	-12,5
Debt Securities (Abroad)	-1,0	0,0	-1,3	0,0	-2,3	-1,5
Long Term Credits	-10,0	-10,0	-10,4	-9,5	-39,9	-11,0
Trade Credits	0,0	-0,1	0,0	0,0	-0,1	0,0
Monetary Authority	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
General Government	-1,0	-1,6	-0,8	-1,5	-4,9	-0,9
(IMF)	-0,6	-0,6	-0,4	-0,4	-2,0	-0,4
Banks	-2,6	-2,3	-2,8	-1,7	-9,4	-3,8
Other Sectors	-6,4	-6,1	-6,7	-6,3	-25,5	-6,3
Other Assets (- indicates to an increase) 1/	-1,6	-0,2	1,2	0,2	-0,4	1,2
Financing Sources	29,3	24,3	18,6	19,5	91,7	27,7
Current Transfers	0,4	0,3	0,3	0,4	1,4	0,2
Capital Account	0,0	0,0	0,0	0,0	0,0	0,0
Direct Investment (Net)	2,3	3,4	1,4	1,4	8,5	1,7
Equity Securities (Net)	0,9	0,3	1,4	3,6	6,3	0,4
Debt Securities and Credits	15,5	23,4	21,6	23,7	84,2	29,5
Debt Securities	4,5	5,7	12,0	12,0	34,1	8,4
In Turkey (Net)	0,4	3,7	8,3	4,7	17,2	4,1
Abroad	4,1	2,0	3,6	7,2	16,9	4,3
Long Term Credits	10,7	10,2	9,9	10,7	41,5	10,5
Trade Credits	0,1	0,1	0,1	0,0	0,3	0,1
Monetary Authority	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
General Government	0,6	0,9	0,6	0,8	2,8	0,5
(IMF)	0,0	0,0	0,0	0,0	0,0	0,0
Banks	2,8	2,1	2,3	2,1	9,3	3,4
Other Sectors	7,2	7,1	7,0	7,9	29,2	6,6
Short Term Credits (Net)	0,3	7,5	-0,2	1,0	8,5	10,6
Trade Credits	-0,2	2,6	-0,9	-0,7	0,9	3,5
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	-0,7	3,5	0,0	2,1	5,0	7,2
Other Sectors	1,2	1,3	0,6	-0,4	2,7	-0,1
Deposits (Net)	3,8	4,0	-0,5	0,6	7,8	4,8
Other Liabilities	0,0	0,2	0,3	0,0	0,5	0,0
Net Errors and Omissions	5,7	-3,7	3,0	-3,5	1,5	-4,2
Banks' Currency and Deposits 2/	1,4	2,1	1,4	-2,4	2,5	2,3
Reserve Assets 2/	-0,7	-5,6	-10,2	-4,3	-20,8	-7,0

Source: CBRT.

1/ Excluding Banks' Currency and Deposits

2/- denotes an increase.

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

	2012				2012	2013
	I	II	III	IV		I
A) Current Account Balance	-16,2	-13,8	-7,9	-9,8	-47,7	-16,2
B) Capital and Financial Acount	10,5	17,5	4,9	13,3	46,3	20,4
Capital Account	0,0	0,0	0,0	0,0	0,0	0,0
Financial Account	10,5	17,5	5,0	13,3	46,3	20,4
Assets	-2,5	1,7	2,0	-3,1	-2,0	2,7
Direct Investment	-2,3	-0,2	-0,6	-0,9	-4,1	-0,7
Portfolio Investment	0,8	-0,8	1,8	0,9	2,7	1,5
Other Investment	-1,0	2,7	0,8	-3,0	-0,6	2,0
Liabilities	13,7	21,5	13,2	20,7	69,1	24,7
Non-Debt Creating Flows	5,4	3,9	3,7	6,0	18,9	2,6
Direct Investment 1/	4,5	3,4	2,0	2,4	12,1	2,2
Portfolio Investment/Equity Securities	0,9	0,3	1,4	3,6	6,3	0,4
Other Investment/Other Liabilities 2/	0,0	0,2	0,3	0,0	0,5	0,0
Debt Creating Flows	8,3	17,6	9,5	14,7	50,2	22,0
Portfolio Investment/Debt Securities	3,5	5,7	10,7	12,0	31,9	6,9
Trade Credits	-0,1	2,6	-0,8	-0,7	1,0	3,5
Loans	1,2	5,3	0,2	2,8	9,5	6,8
Deposits	3,8	4,0	-0,5	0,6	7,8	4,8
Other Investment/Other Liabilities 2/	0,0	0,0	0,0	0,0	0,0	0,0
Reserve Assets	-0,7	-5,6	-10,2	-4,3	-20,8	-7,0
C) Net Errors and Omissions	5,7	-3,7	3,0	-3,5	1,5	-4,2

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”.