CENTRAL BANK OF THE REPUBLIC OF TURKEY

Balance of Payments Report 2014-I

CENTRAL BANK OF THE REPUBLIC OF TURKEY

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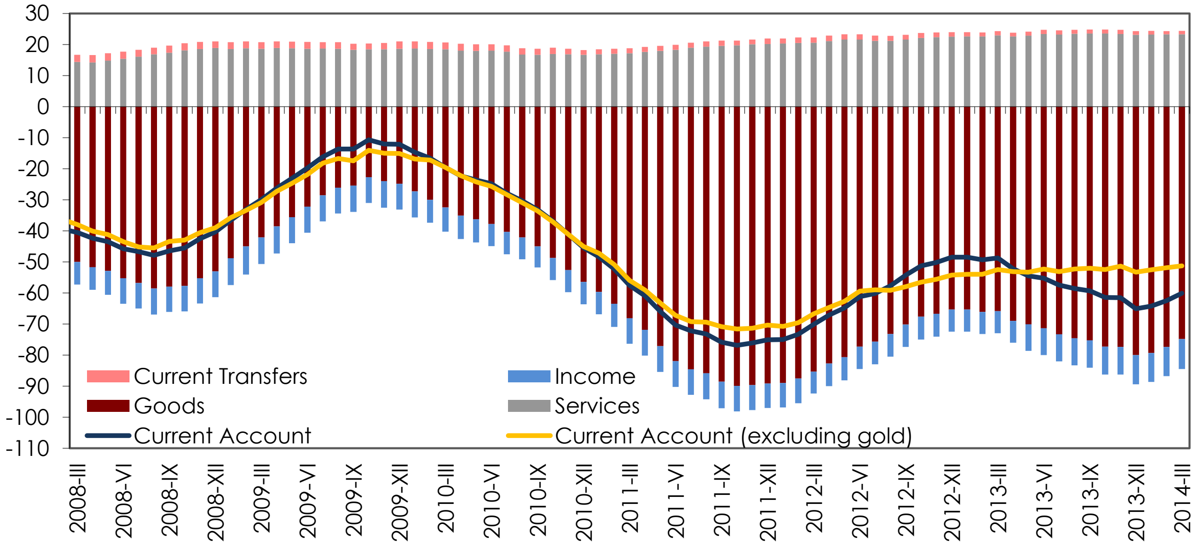
Overview

The current account deficit narrowed in the first quarter of 2014. The improvement in the foreign trade balance was the main driver of the contraction in the current account deficit. Foreign trade of gold also posted a surplus after a long time, thus contributing positively to the current account balance. Despite the flat course of net tourism 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 first quarter, exports excluding gold displayed an uptrend. The waning impacts of the crisis in the European Union (EU) coupled with signs of recovery in domestic demand and the competitive level of exchange rates continued to be the key factors contributing to the increase in exports in this period. Gold exports also inched up in the first quarter after an extended period and had a positive contribution to the growth of exports. In the meantime, shuttle trade revenues improved in this quarter, thereby contributing positively to the increase in the balance of payments-defined exports.

Excluding gold, the modest upward trend in import expenditures, which has been observed over the last year, continued in the first quarter as well. A moderate recovery in domestic demand factors and the decline in energy imports due to warmer-than-usual weather temperatures were the main factors curbing growth of imports in this period. Meanwhile, gold imports hovered below historic averages.

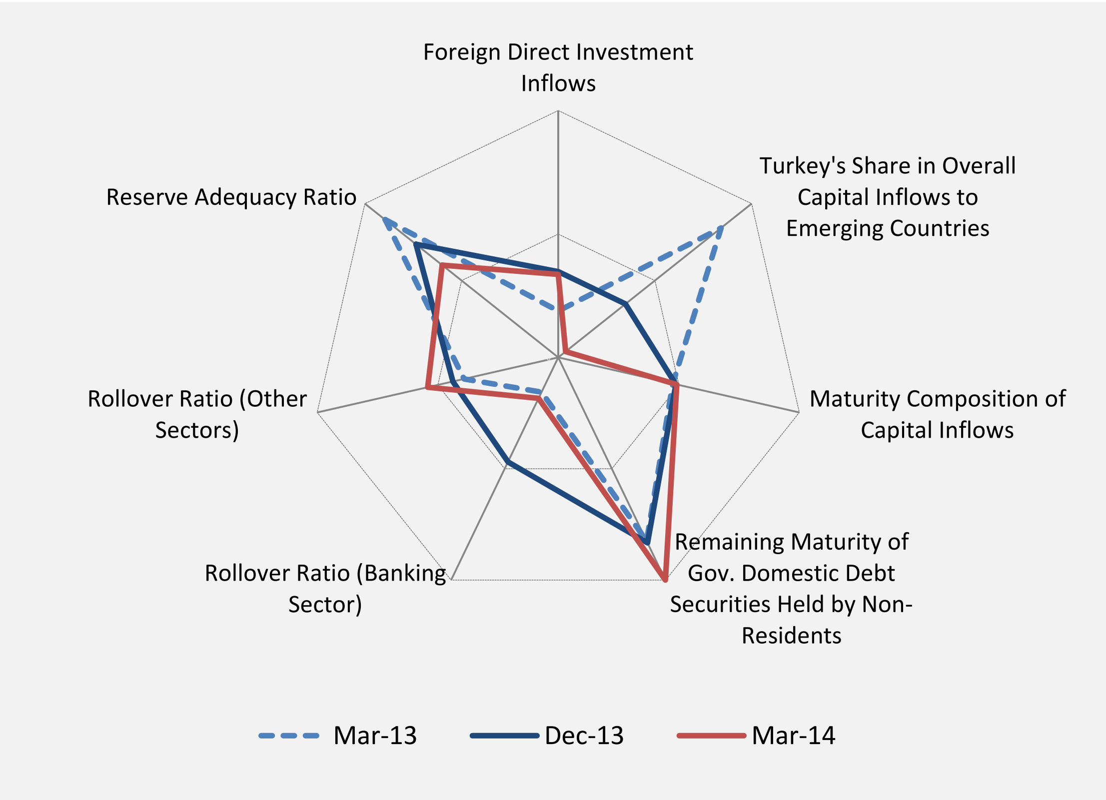
The services item, which is the second most important determinant of the current account balance after foreign trade, continued to contribute positively to the improvement in the current account balance in the first quarter of the year. Travel revenues escalated due to the surge in the number of tourists visiting Turkey. Yet, net travel revenues remained flat in the first quarter as there was also an increase in travel expenditures. On the other hand, the rise in other transportation revenues caused overall services revenues to grow in the first quarter as well.

Financing of the Current Account Deficit

In the first quarter of 2014, the global risk appetite followed a fluctuating course and capital inflows decelerated considerably due to domestic developments. A breakdown of financial accounts in the balance of payments by main headings reveals that direct investments, 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. Portfolio investments recorded outflows especially as a result of the decline in TL-denominated 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, also continued in the first quarter of 2014.

The quality of financing sources indicates that in the first quarter, while the debt rollover ratios of the other sector and maturity structure of the portfolio improved quarter-on-quarter and year-on-year, Turkey's share in capital flows towards emerging economies and reserve adequacy ratios declined compared to both time frames. Other indicators remained almost unchanged 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, continued in this quarter as well. Direct investments from European countries jumped especially in the first quarter, which is of particular importance as Europe has the largest share in direct investments in Turkey (Chart 3).

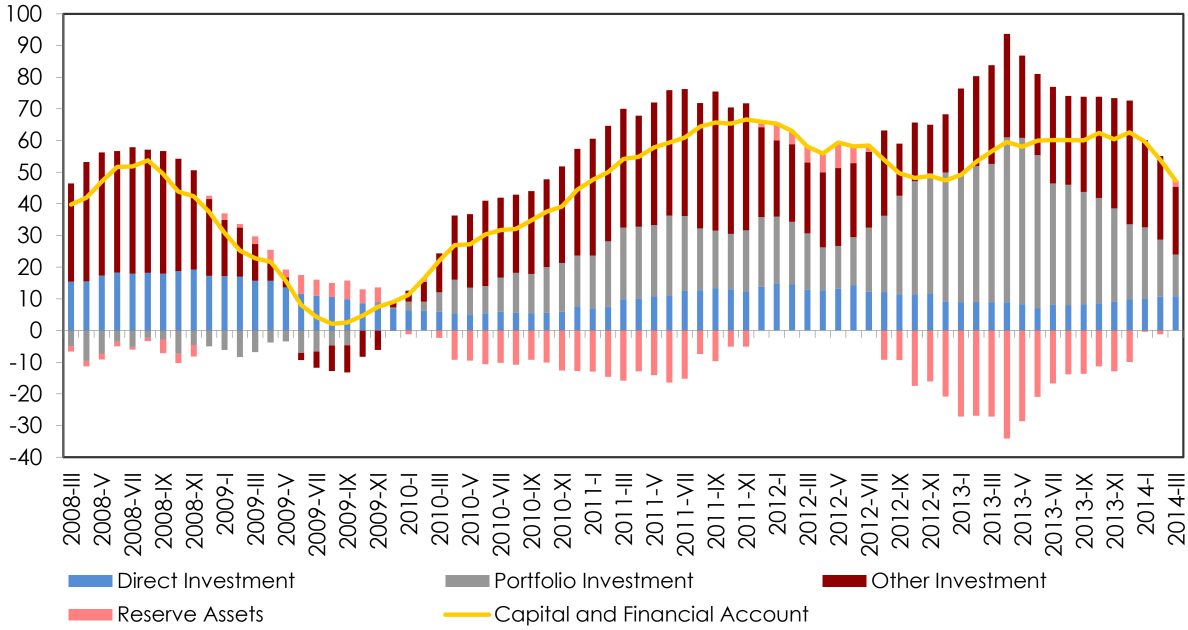
The global risk appetite was volatile in the first quarter. Turkey diverged negatively from other emerging markets. In terms of investment instruments, non-residents sold Government Domestic Debt Securities (GDDS) throughout the period while banks continued their bond issues abroad. Demand for the Treasury's Eurobonds was high parallel to the limited rise in interest rates. Other sectors did not issue bonds abroad in this quarter.

In the first quarter of 2014, neither the banking sector nor other sectors had any supply-side constraints in external borrowing through loans. Including banks' borrowing through bonds, 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 first quarter of 2014. Other sectors' total debt rollover ratio is quite above the 100 percent level.

Trade credits increased on the assets side in line with the uptrend in exports. However, the slowdown in imports led to a decline in the liabilities side of trade credits. The outflow from deposits -included in other investment item liabilities- which had started in the third quarter of 2013, continued in this quarter, too. The fact that residents' foreign exchange deposits in the country recorded an increase in the same period implies that resident banks are supportive of this trend as a preference.

Due to the decrease in capital inflows and the CBRT's direct foreign exchange selling intervention in markets in January, official reserves declined in the first quarter

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

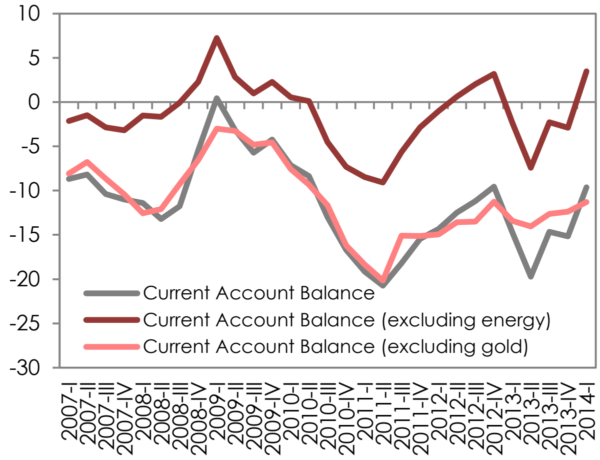


Source: CBRT.

I. Current Account

The seasonally adjusted data indicates that the current account deficit narrowed significantly in the first quarter of 2014 compared to the preceding quarter. Net gold imports, which ran a deficit of USD 11.8 billion throughout 2013, posted a positive balance in the first quarter of the year and continued to be an important factor affecting the current account dynamics**.** In fact, the contraction in the current account deficit remained limited in the first quarter of the year when adjusted for the gold trade effect.

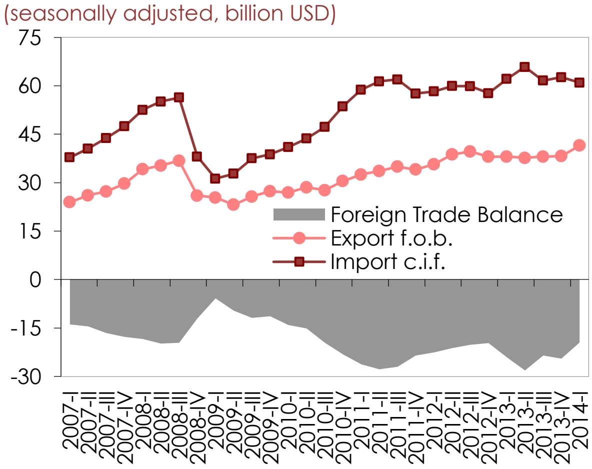
Chart 1. Current Account Balance
(seasonally adjusted, billion USD)



Source: CBRT.

The (seasonally adjusted) foreign trade deficit, which is the most important component of the current account balance, showed a notable improvement in the first quarter of the year, thanks to the effect of net gold imports. The foreign trade deficit, which had increased by USD 0.9 billion to USD 24.5 billion in the last quarter of 2013 compared to the previous quarter, decreased by USD 5.0 billion to USD 19.5 billion in the first quarter of 2014.

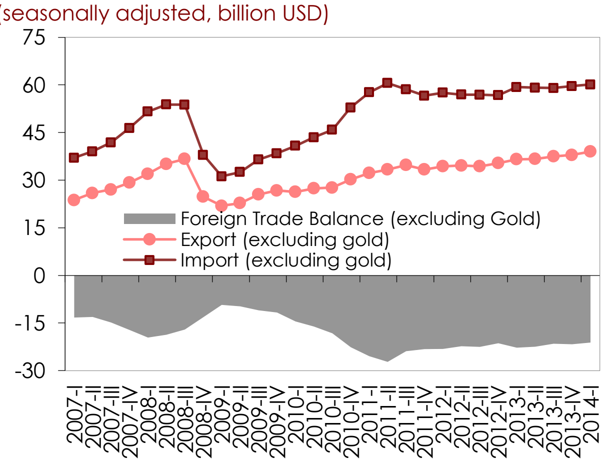
Chart 2. Foreign Trade Deficit
(seasonally adjusted, billion USD)



Source: CBRT.

Excluding gold, the foreign trade deficit displays an almost flat course. The seasonally adjusted foreign trade deficit, excluding gold, contracted to a small margin by USD 0.5 billion to USD 21.1 billion in the first quarter. This level is below the quarterly average of 2013 of USD 22.1 billion.

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

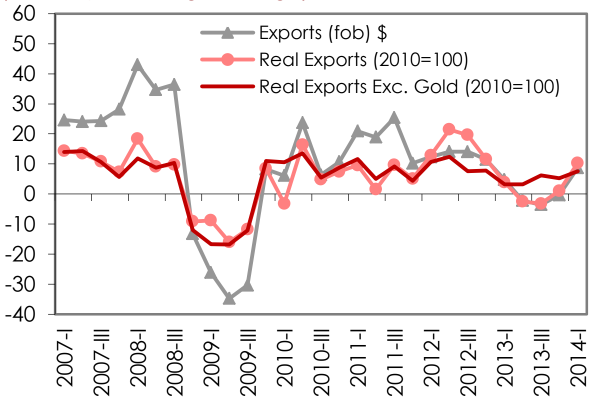


Source: CBRT.

1.1 Exports of Goods

The overall downtrend in total exports in annual terms throughout 2013 was replaced by an uptrend in the first quarter of 2014 due to the elimination of the base effect stemming from gold exports. Throughout 2013, while total exports dropped by 0.4 percent year-on-year, they increased by 8.8 percent in the first quarter. On the other hand, the acceleration in gold exports in 2013 is noteworthy. Exports excluding gold increased by 6.3 percent. The rate of annual change in the export quantity index excluding gold gained pace in the first quarter in line with global developments.

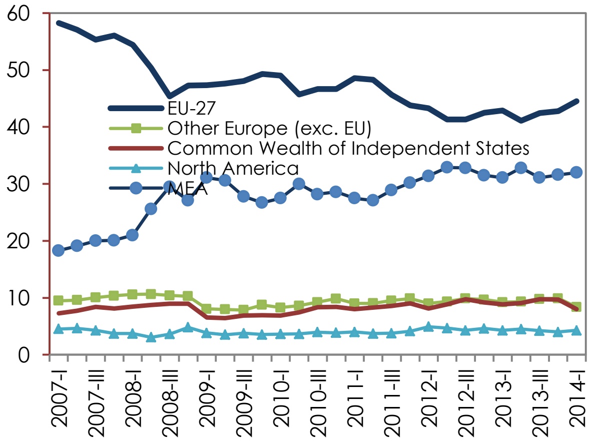
Chart 4. Exports- Nominal and Real
(annual percentage change)



Source: TURKSTAT.

The recovery in the EU countries' share in Turkey's exports continued in the first quarter of 2014. Non-gold exports to EU countries increased by 10.6 percent year-on-year posting a faster rise than that of total exports in the first quarter. As a result, the EU countries' share in Turkey's total exports reached 44.5 percent. Middle East and Africa (MEA) countries' share in Turkey's exports remained high and MEA countries became Turkey's second largest trade partner with a share of 32 percent. Alternatively, the decline in the share of exports to European countries excluding the EU in total exports is noteworthy.

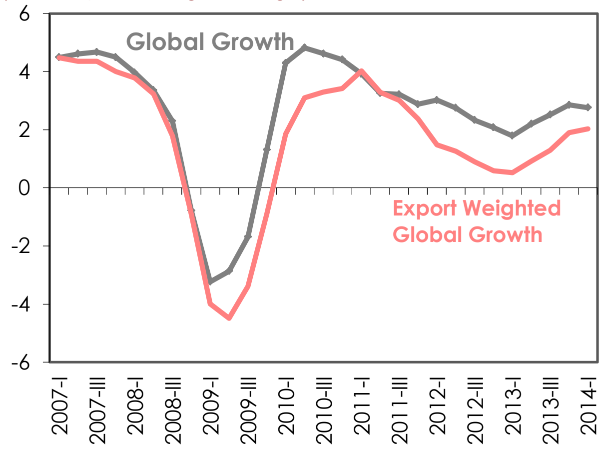
Chart 5. Selected Regions' Shares in Exports Excl. Gold
(percentage share in total exports)



Source: TURKSTAT.

Turkey's export markets are recovering in tandem with the global economic recovery that started in the second quarter of 2013. In the first quarter of 2014, while the global growth was at 2.8 percent in annual terms, the export-weighted global growth increased by 0.2 points quarter-on-quarter to 2 percent. It is noteworthy that the discrepancy between the global growth and Turkey's growth driven by its trade partners started to ease, albeit to a limited extent in the first quarter.

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

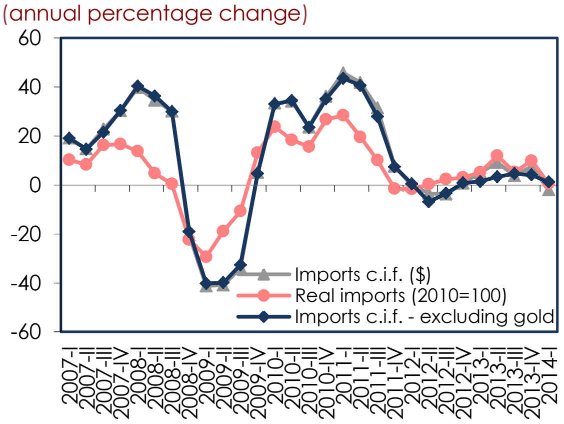


Source: Bloomberg, Consensus Forecasts, IMF, CBRT.

1.2 Imports of Goods

In the first quarter of 2014, total imports assumed a downward trend on the back of the slowdown in domestic demand and the notable decline in gold imports. The annual rate of increase in imports excluding gold, which was 4.0 percent in the last quarter of 2013, receded to 1.1 percent in the first quarter of 2014. On the other hand, total imports posted an annual decline by 2.2 percent in this period.

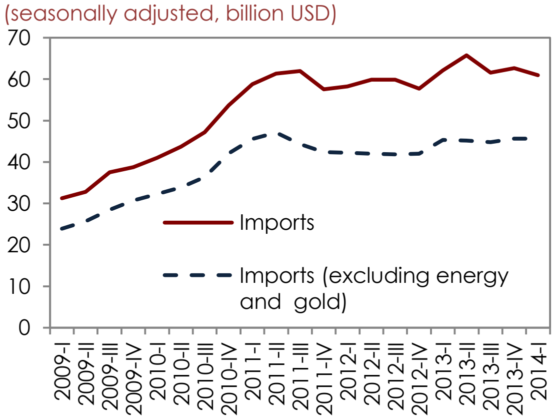
Chart 7. Imports-Nominal and Real
(annual percentage change)



Source: TURKSTAT.

Seasonally adjusted core imports, which are defined as imports excluding gold and energy, maintained the flat trend observed in 2013. Core imports decreased by 0.1 percent in the first quarter of 2014.

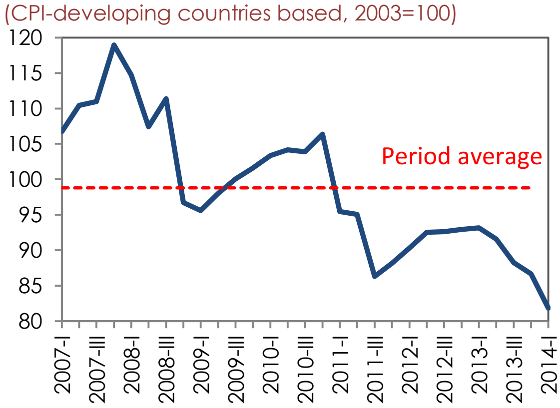
Chart 8. Imports Excluding Energy and Gold
(seasonally adjusted, billion USD)



Source: CBRT.

The real exchange rate based on the CPI and developing countries continued to decline and remained obviously below the quarterly average. With this decline in the first quarter, the real exchange rate stood at a level even below the lowest level in the third quarter of 2011.

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



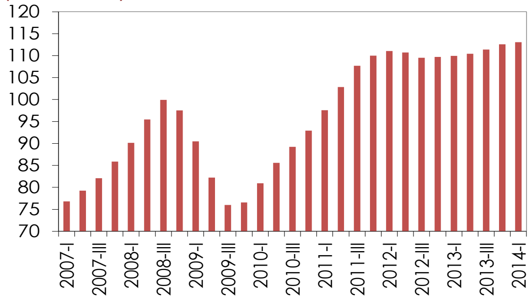
Source: CBRT.

1.3 Global Outlook

The World Trade Organization data point to a persisting uptrend in world trade in line with the moderate upbeats in global growth in the first quarter of 2014. Global exports posted an annual increase by 2.8 percent in the first quarter of 2014, following an overall annual growth of 2.6 percent in 2013.

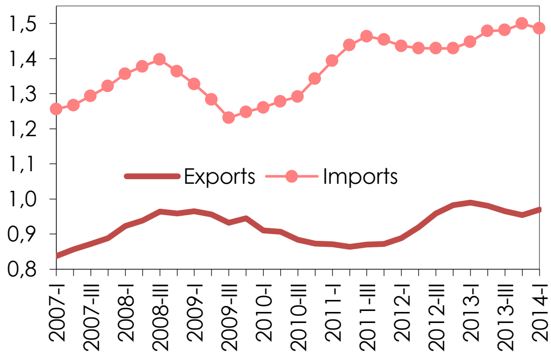
In this period, Turkey's share in global imports dropped, whereas its share in global exports assumed an uptrend. They now stand at 1.44 percent and 0.92 percent, respectively.

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



Source: WTO.

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



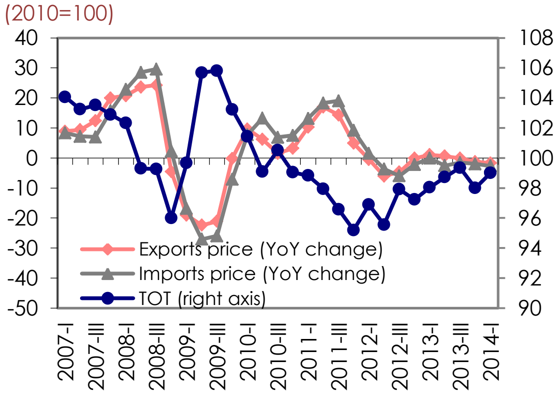
Source: WTO.

1.4 Terms of Trade

Terms of trade are improving. In the first 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 1.7 percent and 2.6 percent, respectively.

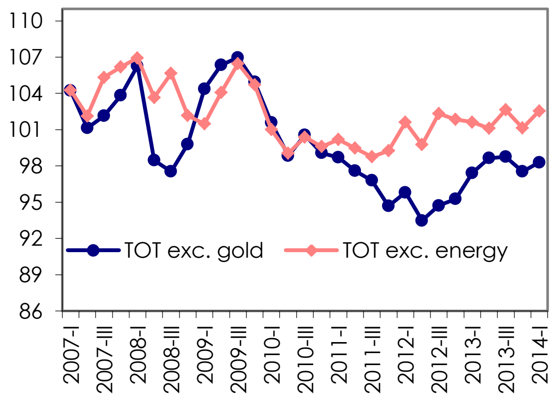
Terms of trade excluding gold hovered above both the previous quarter's level and the average of 2013. Terms of trade excluding energy prices also displayed the same trend.

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



Source: TURKSTAT.

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

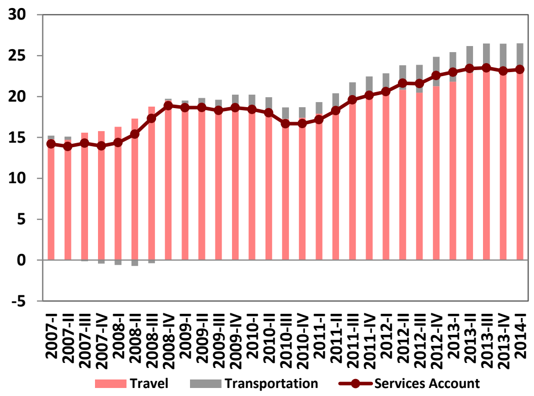


Source: TURKSTAT.

1.5 Services Account

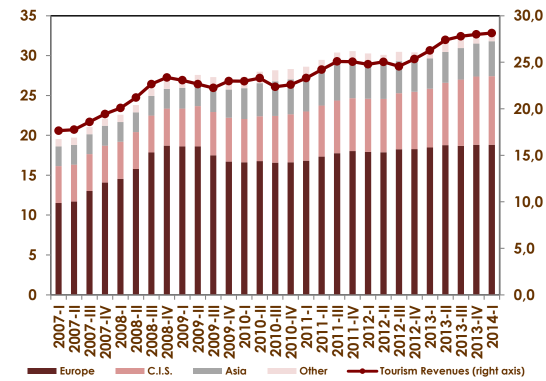
The services item, which is the second most important determinant of the current account balance after foreign trade, continued to contribute positively to the improvement in the current account balance in the first quarter of the year. Travel revenues escalated due to the surge in the number of tourists visiting Turkey. Yet, net travel revenues remained flat as there was an increase in travel expenditures. On the other hand, the rise in other transportation revenues caused overall services revenues to grow in the first quarter of 2014 as well. Political developments in Ukraine and Russia are being carefully monitored in terms of their impact on both foreign trade and travel items (Box 1).

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



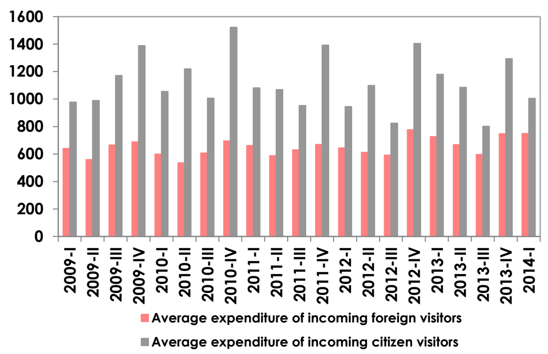
Source: CBRT.

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



Source: TURKSTAT.

Chart 16. Average Expenditure (USD/person)



Source: TURKSTAT.

The boost in transportation revenues, despite the parallel course of travel revenues, led to a 7.1-percent growth in services revenues compared to the same period in 2013. As a result, the contribution of services revenues to the current account balance increased. In the first quarter of 2014, travel revenues and expenditures climbed by 3.6 percent and 13.8 percent, respectively, over a year. Consequently, net travel revenues dropped by 0.5 percent year-on-year to USD 2.8 billion in the first quarter. Also, the number of tourists increased by 7.8 percent compared to the first quarter of 2013. An analysis by country groups indicates that in the first quarter, the highest proportional year-on-year rise with respect to the number of tourists was recorded for Asia and Africa.

In this period, the average expenditure per foreign visitor increased, whereas the average expenditure per non-resident Turkish citizen in Turkey decreased in year-on-year terms. The related data show that the average expenditure per foreign visitor in Turkey rose by 3.2 percent year-on-year to USD 750, while the average expenditure per non-resident Turkish citizen visiting Turkey plunged by 14.8 percent year-on-year to USD 1006.

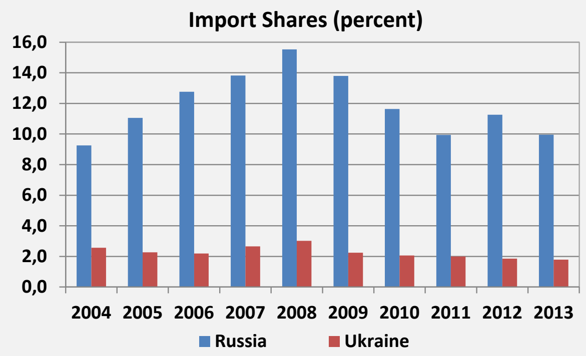
Box 1 Evaluation of the Developments in Russia and Ukraine with Respect to the Balance of Payments Statistics

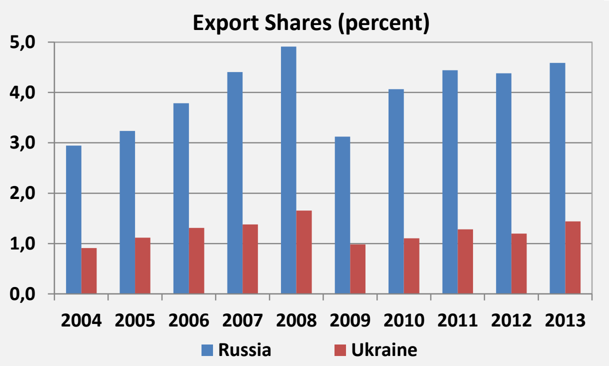
The political developments that took place in Russia and Ukraine in the first quarter of 2014 are being closely monitored worldwide and in Turkey. This box presents the current economic and commercial relations between Turkey and Ukraine, and between Turkey and Russia taking into account the prospective economic impact of these political developments.

Russia was Turkey's largest import partner in 2013 and Russia's share in Turkey's total imports, which climbed from 9.3 percent in 2004 to 15.5 percent in 2008, declined after the crisis and became 10.0 percent in 2013. As Turkey's fourteenth largest import partner, Ukraine's share in Turkey's total imports peaked in 2008 to reach 3 percent and decreased to 1.8 percent in 2013 (Chart 1). An analysis of the shares of Turkey's export partners suggests that Russia's share, Turkey's fourth largest export partner, which was incremental till 2008, declined during the crisis but picked up again and reached 4.6 percent in 2013. A similar trend was observed in Ukraine's share; Ukraine's share in Turkey's exports decreased during the 2008 financial crisis to be followed by an uptrend and reached 1.4 percent in 2013 (Chart 1).

In 2013, of the total exports to Russia, 17.3 percent came from textile products, 15.0 percent from motor vehicles and trailers and 14.4 percent from agriculture and animal husbandry while of the total exports to Ukraine, 19.9 percent came from textile products, 12.3 percent from agriculture and animal husbandry and 10.9 percent from clothing. Of the total imports from Ukraine, 49.6 percent came from basic metal products while 10.6 percent came from chemicals and chemical products; of total imports from Russia, natural gas and crude oil made up 48.5 percent and coking coal, refined petroleum products and nuclear fuels made up 19.8 percent.

Chart 1. Shares of Russia and Ukraine in Turkey's Annual Imports and Exports (percent)

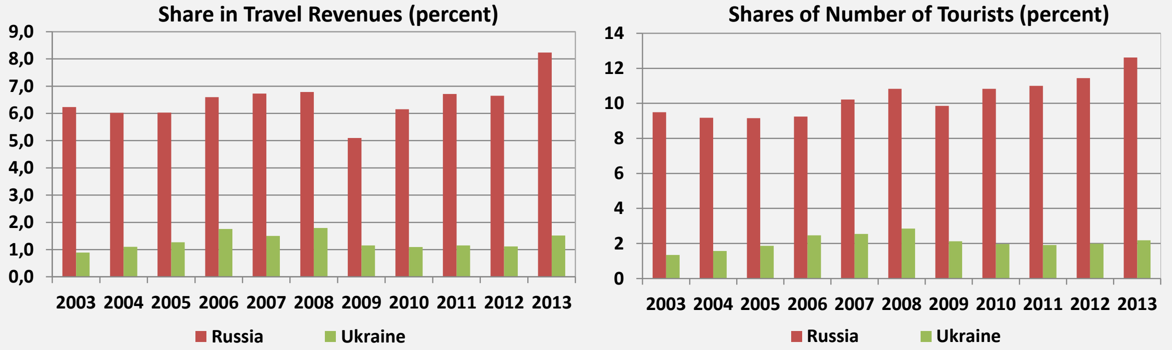




Source: TURKSTAT

Russia's share in Turkey's annual travel revenues, which followed a flat trend at around 6 percent between 2003 and 2012 -except for the temporary drop in 2008 due to the global financial crisis-, was 8.2 percent in 2013. Ukraine's share in Turkey's annual travel revenues, which reached the highest level at 1.8 percent before the 2008 financial crisis, dropped to 1.5 percent in 2013. Russia's share in the total number of tourists visiting Turkey, which was 9 percent on average between 2003 and 2008, gradually increased after 2009 and reached 13 percent in 2013. Meanwhile, Ukraine's share in the same item displayed a slight uptrend in 2007 and 2008, but remained flat at around 2 percent in 2009 and afterwards (Chart 2).

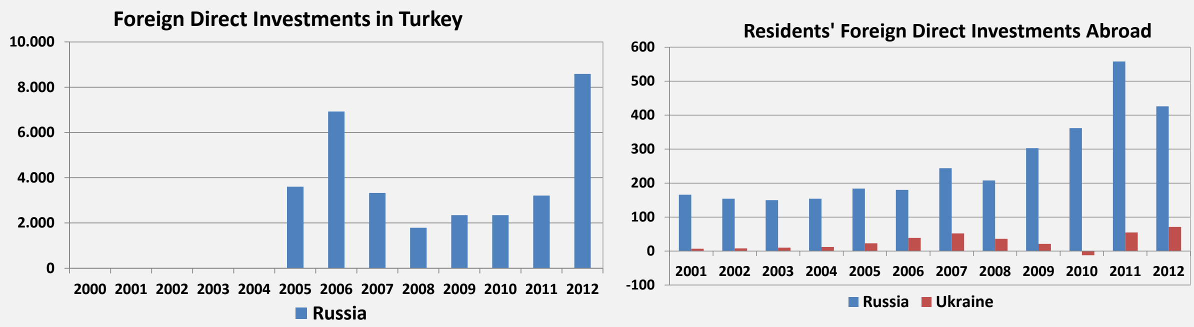
Chart 2: Shares of Russia and Ukraine in Turkey's Annual Travel Revenues and the Number of Tourists Visiting Turkey (percent)



Source: TURKSTAT

An analysis of Russia's direct investment stock in Turkey suggests that Russia's investments, which started in 2005, displayed an incremental trend and became USD 6.5 billion in 2006. The amount of Russia's direct investments decreased until 2008 to assume an uptrend in 2009 and showed a rapid rise in 2012 to reach USD 8.5 billion. Ukraine had no direct investments in Turkey until 2012. Meanwhile, Turkish residents' direct investment stock in Russia, which hovered around USD 180 million between 2001 and 2008, assumed an upward trend in 2009 and reached USD 558 million in 2011. In 2012, the amount of Turkish residents' direct investments in Russia decreased to USD 426 million. Even if Turkish residents' direct investments in Ukraine was incremental until 2007 and reached USD 52 million in 2007, they decreased between 2008 and 2010. The amount of Turkish direct investments in Ukraine followed an uptrend in the last few years and became USD 71 million in 2012 (Chart 3).

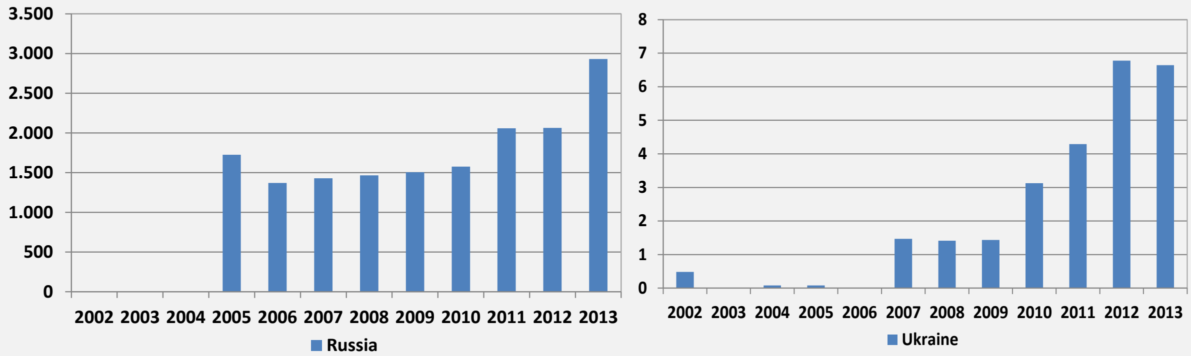
Chart 3: Russia and Ukraine: Direct Investments (million USD)



Source: CBRT.

The Turkish private sector began obtaining loans from Russia in 2005. After a long flat trend throughout 2005-2010, the loan stock became USD 2.9 billion with a rise in 2013. Turkish private sector's borrowing from Ukraine, which stood at USD 1.4 million between 2007 and 2009, climbed up to USD 6.6 million at the end of 2013. While no short-term loans were obtained from Ukraine, 0.01 percent of the loans obtained from Russia were composed of short-term loans (Chart 4).

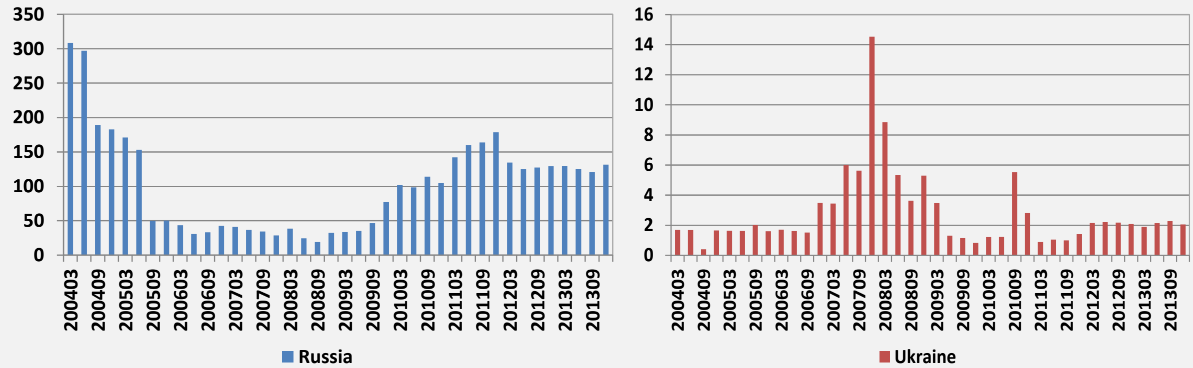
Chart 4: Loans Obtained by the Turkish Private Sector from Russia and Ukraine (million USD)



Source: CBRT.

The amount of loans extended to Russia by the Turkish banking sector decreased from USD 308 million in the first quarter of 2004 to USD 37 million on average between the 2006-2009 period. The loans, which picked up in 2010, were at USD 131 million by end-2013. The Turkish banking sector provided USD 15 million worth of loans to Ukraine in 2007, the highest level ever recorded. The loan stock, which has been decreasing since then, dropped to USD 2 million at the end of 2013 (Chart 5).

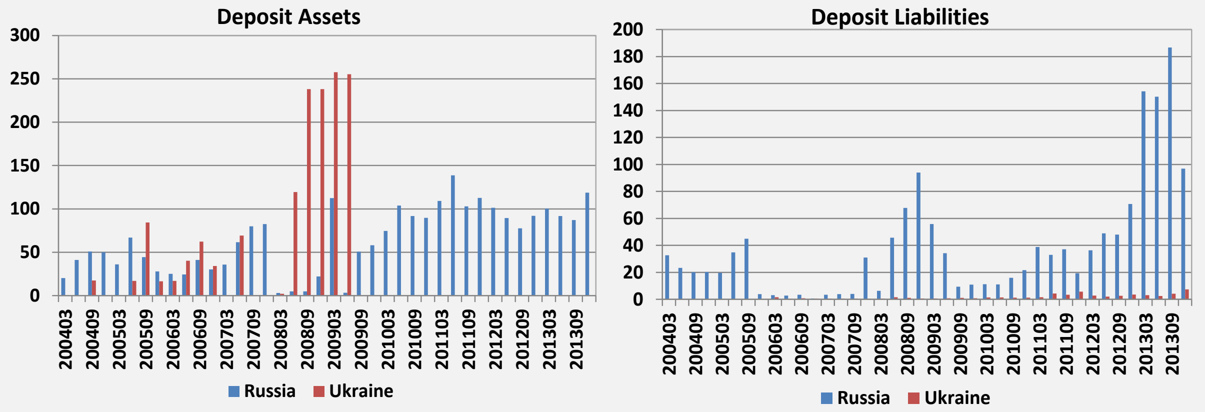
Chart 5: Loans Extended to Russia and Ukraine by the Turkish Banking Sector (million USD)



Source: CBRT

Deposits of Turkish residents in Russia's banking system, which were USD 45 million on average before the 2008 crisis, were drawn during the global financial crisis. These deposits displayed a fluctuating trend in the aftermath of the crisis and they were at USD 119 million level at the end of 2013. Meanwhile, Turkish residents' deposits in Ukraine's banking system reached the highest level during the 2008 financial crisis and hovered around USD 250 million on average; and there were no deposits until mid-2012. By the end of 2013, the amount of Turkish deposits in Ukrainian banking system was USD 42.000 (Chart 6).

Chart 6: Turkey's Deposit Assets and Liabilities against Russia and Ukraine (million USD)



Source: CBRT

Russia's deposits in Turkish banks increased after the 2008 financial crisis and became USD 187 million in the third quarter of 2013. However, due to outflows in the last quarter of 2013, Turkey's deposit liabilities to Russia decreased to USD 97 million. Although the Turkish banking system's deposit liabilities to Ukraine has been on an uptrend as of 2012, they were at a mere USD 7 million-level at the end of 2013 (Chart 6).

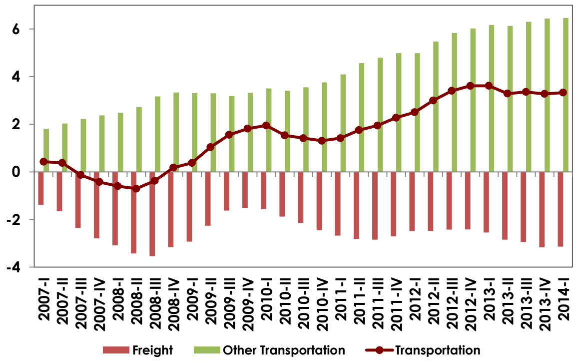
Portfolio investments of Russia and Ukraine in Turkey indicate that in May 2014, Russia had USD 251.000 worth of Turkish GDDS while Ukraine had no investment in Turkish GDDS. Meanwhile, Russia and Ukraine had USD 3.3 million and USD 2.8 million worth of Eurobonds by 13 June 2014, respectively.

To sum up, Russia is an important trade partner of Turkey as it is Turkey's largest import partner and fourth largest export partner. Despite the relatively low trade volume, Ukraine ranks among Turkey's largest 20 export and import partners. By 2013, Russia was Turkey's second largest tourism partner with respect to the number of tourists and tourism revenues while Ukraine ranked ninth in the number of tourists visiting Turkey and twelfth in the tourism revenues list. Still, an analysis of financing items of the Balance of Payments suggests that transactions carried out with these two countries have no determining impact. Therefore, the political and economic developments in Russia and Ukraine are closely monitored -especially those of Russia for its importance in foreign trade and tourism items-; however, the leading indicators pertaining to the second quarter indicate that there has been no significant change except for the 11 percent-decline in Turkey's exports to Ukraine1.

[1] Comparison of the first 4 months of 2013 and 2014.

Transportation revenues remained flat at the level they dropped to in the second quarter of 2013. In the first quarter of 2014, both transportation revenues and transportation expenditures surged by 11.9 percent and 12.1 percent year-on-year, respectively, thereby leading to an 11.5-percent rise in net transportation revenues. This rise was mainly triggered by the 4.5-percent decline in net freight expenditures and the boost in other transportation revenues. The net other transportation revenues item composed of tickets and food-beverage increased by 2.7 percent. In this period, the share of foreign carriers in imports declined by 1.4 points quarter-on-quarter to 52.4 percent.

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

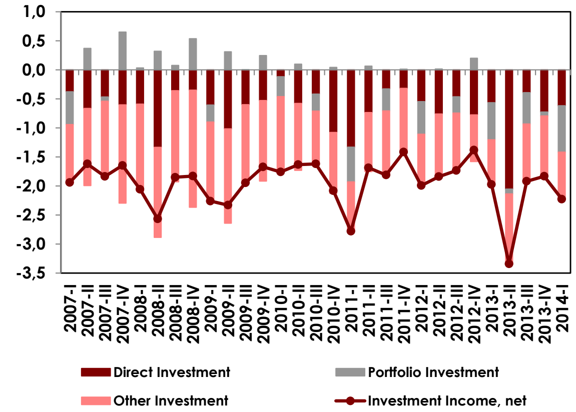


Source: TURKSTAT, CBRT.

1.6 Income Account

In the first quarter of 2014, the income account posted net outflows across all its sub-items. Net outflows from the income account surged by 13.8 percent year-on-year to USD 2.3 billion in this quarter. Outflows from direct investments under the investment income item and outflows from other investments both increased year-on-year to stand at USD 0.6 billion and USD 0.8 billion, respectively. Portfolio investments posted an outflow of USD 0.8 billion with a 25-percent increase compared to the same period last year.

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

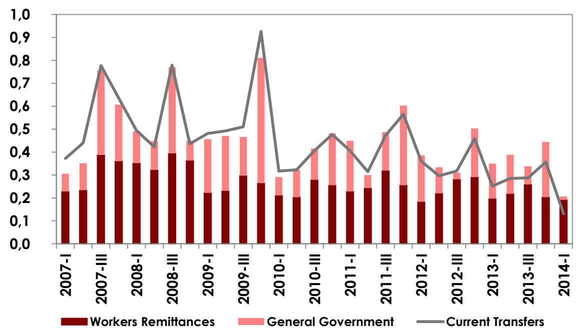


Source: CBRT.

1.7 Current Transfers

Net inflows from current transfers, which have been on a recovery trend since the second quarter of 2013, plunged rapidly in the first quarter of 2014. In this period, current transfers posted a net inflow of USD 131 million with a year-on-year decline by 48.0 percent. This decline was mainly attributed to the 90.2-percent fall in the general government item which includes grants between countries, despite the decrease in workers' remittances and the deceleration in net outflows from the other transfers item under the other sectors item.

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



Source: CBRT.

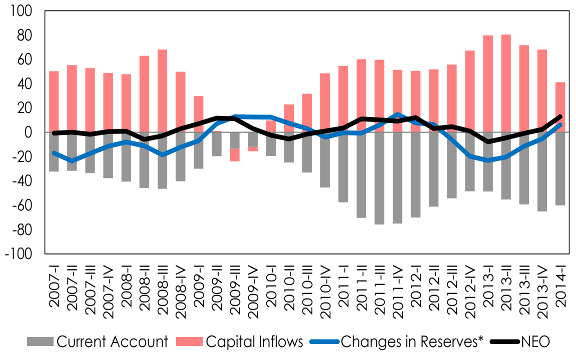
II. Capital and Financial Accounts

In the first quarter of 2014, the global risk appetite followed a fluctuating course and capital inflows decelerated considerably due to domestic developments. A breakdown of financial accounts in the balance of payments by main headings reveals that direct investments, which had been below the historical average for some time, continued on the uptrend that they assumed in the last quarter of 2013. Portfolio investments recorded outflows especially as a result of the decline in TL-denominated 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, continued in the first quarter of 2014.

The financing requirement decreased year-on-year. The financing requirement item, which is a compilation of the Current Account Balance, Debt Security and Credit Repayments and Other Assets items, weakened by USD 3.5 billion in this quarter and stood at USD 23.5 billion.[2]

In the first quarter of 2014, constituting the components of total liabilities, non-debt-creating flows accelerated year-on-year whereas debt-creating flows decelerated. Debt-creating flows posted an outflow of USD 4.1 billion and non-debt-creating flows increased by USD 4.6 billion.[3]

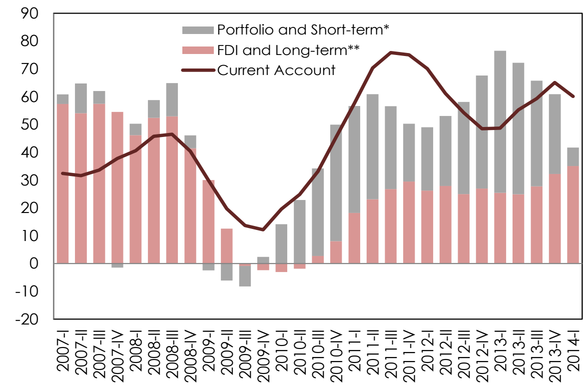
Chart 20. Current Account Balance and Net Capital Inflows (annualized, billion USD)



Source: CBRT.

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

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

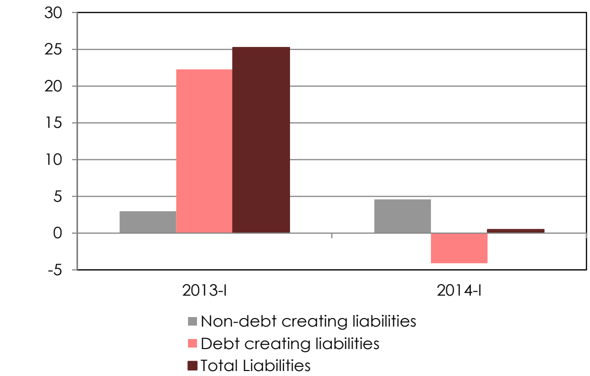


Source: CBRT.

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

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

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



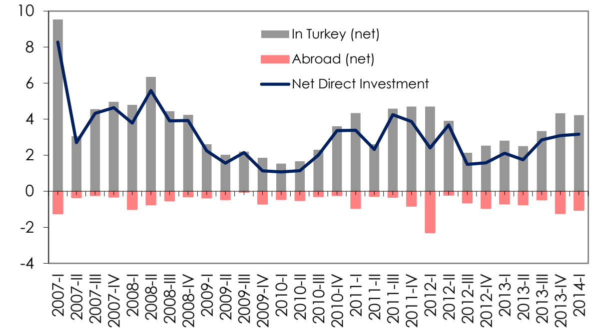
Source: CBRT.

[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 moderate revival in direct investment inflows, which emerged in the last quarter of 2013 after a long period of inactivity, persisted in the first quarter of 2014. Direct investments from European countries jumped especially in this quarter, which is of particular importance as Europe has the largest share in direct investments in Turkey.

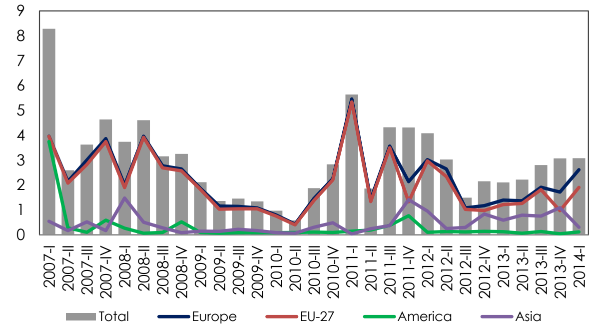
Chart 23. Direct Investment
(billion USD)



Source: CBRT.

In the first quarter of 2014, direct investments in Turkey were USD 4.2 billion, the majority of which was composed of investments in the fields of electricity, gas, steam and air conditioning generation and distribution as well as those in the finance and insurance sectors. In this quarter, while the share of investments from Asian countries in total investments slumped to 9.9 percent, that of European countries climbed to 84.9 percent.

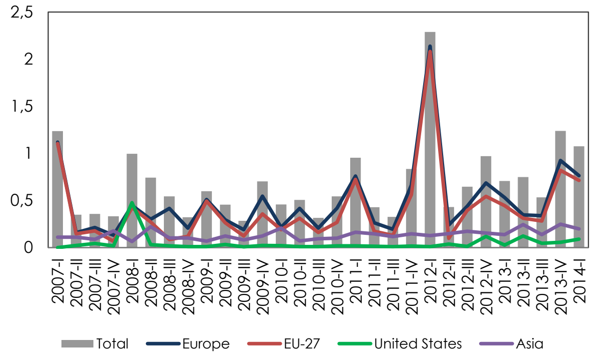
Chart 24. Direct Investment in Turkey - Geographical Distribution (billion USD)



Source: CBRT.

Turkey's direct investments abroad, which bounced in the last quarter of 2013, maintained their high level despite a slight fall in the first quarter of 2014. Direct investments abroad were approximately USD 1.0 billion in this quarter and the shares of European countries and Asian countries dropped to 70.9 percent and 18.3 percent, respectively.

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



Source: CBRT.

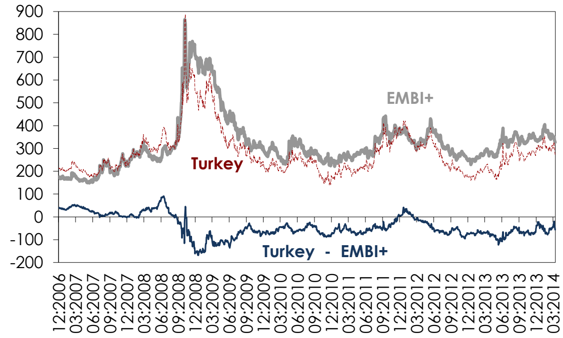
2.2. Portfolio Investment

In the first quarter of 2014, the global risk appetite followed a fluctuating course and capital inflows decelerated considerably due to domestic developments. In terms of investment instruments, non-residents sold Government Domestic Debt Securities (GDDS) throughout the period while banks continued their bond issues abroad. In this period, Turkey's risk premium remained below the average risk premium of the Emerging Markets Bond Index (EMBI+) and these two risk premiums followed a fluctuating course. Yet, both risk premiums displayed a downtrend compared to the end of the previous quarter.

In this quarter, portfolio investments posted net outflows and in terms of investment instruments, non-residents sold GDDS throughout the period. In the first quarter, USD 3.9 billion of net outflows was recorded in the GDDS market, and USD 0.4 billion of net inflows in the stock market. Demand for the Treasury's Eurobonds was high on the back of the limited rise in interest rates. The maturity structure of the portfolio improved both quarter-on-quarter and year-on-year.

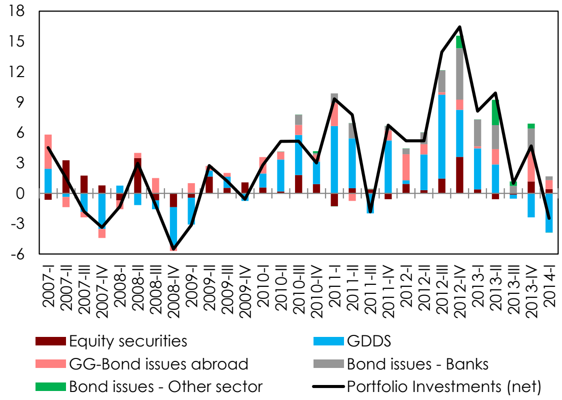
In the first quarter, banks continued to issue bonds abroad while other sectors did not issue bonds abroad. In the first quarter of 2014, banks issued USD 0.5 billion worth of bonds abroad. Meanwhile, regarding domestic debt securities of banks and other sectors, non-residents sold net USD 91 million and net USD 6 million worth of securities, respectively. Box 2 shows the progress of portfolio investments in Turkey since May 2013 that was marked by expectations that the Fed would terminate quantitative easing.

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



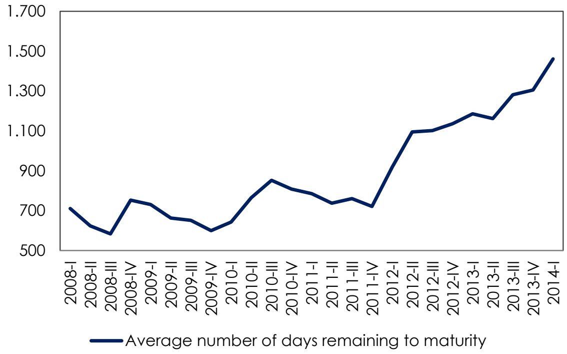
Source: JP Morgan.

Chart 27. Portfolio Investment - Liabilities
(billion USD)



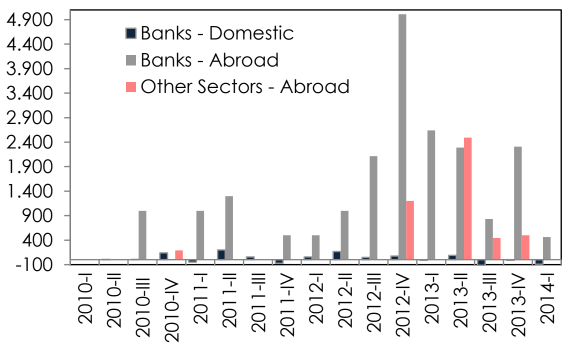
Source: CBRT.

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)



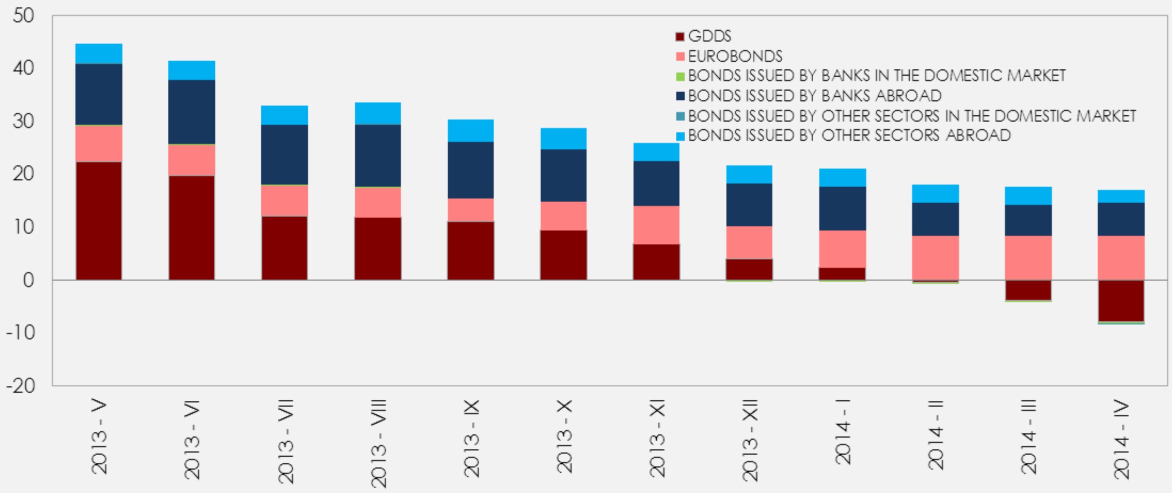
Source: CBRT.

Box 2 The Impact of Expectations Regarding the Quantitative Easing Program on Portfolio Investments in Turkey

In May 2013, the Federal Reserve Bank (Fed) announced that it was prepared to reduce the pace of its monthly purchases of securities in the framework of the quantitative easing (QE) program, which has been conducted since August 2012, to maintain appropriate policy accommodation. The Fed's announcement was interpreted by the markets as the accommodative monetary policy might be abandoned soon considering the developments in the inflation and labor market data. This development has marked the end of the long-lasting abundance of liquidity in global markets as well as the beginning of capital outflows from emerging markets. Today, almost one year later, it is possible to see how portfolio investments in Turkey changed throughout this whole process in light of actual data. This box examines non-residents' portfolio investments in Turkey's securities by quantity and maturity structure for each category.[4]

Non-residents' portfolio investments are primarily composed of six items. These items are listed in the order they appear under the "portfolio investments/liabilities" item in the balance of payments table as: securities issued by the Turkish Treasury domestically (government domestic debt securities - GDDS) and abroad (Eurobonds), bonds issued by banks in Turkey and abroad, and bonds issued by the non-bank corporate sector domestically and abroad. Illustrating the annualized distribution of those items, in Chart 1 it is observed that inflows from GDDS had decelerated since May 2013 and changed into outflows in March 2014, whereas portfolio inflows from Eurobonds registered a modest uptrend. In addition, portfolio inflows from investments in banks' bond issues abroad lost pace and portfolio inflows from other sectors' bond issues abroad followed a relatively stable course.

Chart 1: Debt Securities Held by Non-Residents
(Annualized, billion USD)



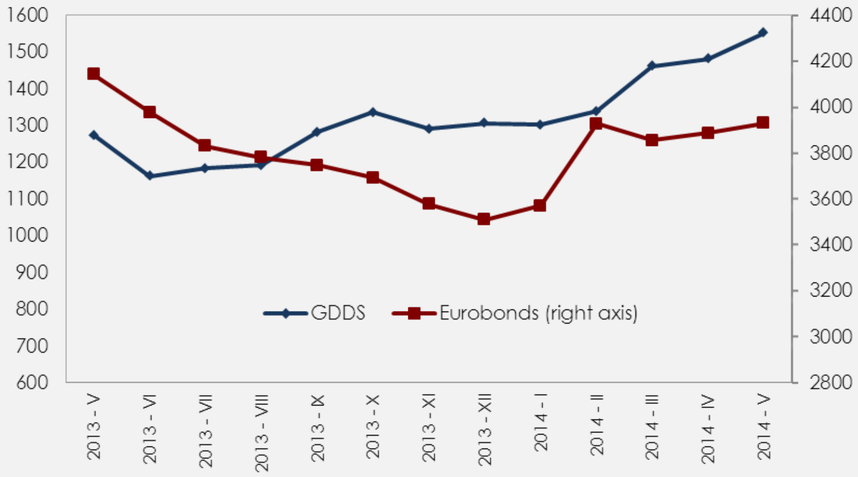
Source: CBRT.

[4] The study excludes non-residents' portfolio investments in equities.

The average number of days to maturity for GDDS and Eurobonds as well as banks' and other sectors' bonds held by non-resident investors are shown in Chart 2 and Chart 3. The numbers are obtained by calculating the remaining days to the maturity of each security held by non-residents as of month-end and weighting those securities according to the market values in terms of US dollars. An analysis of maturity structure developments since May 2013 reveals that the average number of days to maturity of GDDS in non-residents' portfolios is on an uptrend. In fact, the average maturity rose to 1551 days as of May 2014 from approximately 1274 days in May 2013.

Meanwhile, an analysis of the non-resident investors' share of Eurobonds, which have the longest maturity among portfolio investment instruments, shows that the maturity structure was on a downtrend until December 2013. However, it increased rapidly due to issues at end-January 2014 and mid-February, and assumed a moderate uptrend thereafter. The average maturity of non-residents' holdings of bonds in the form of Eurobonds fell from 4140 days in May 2013 to 3929 days in May 2014 (Chart 2).

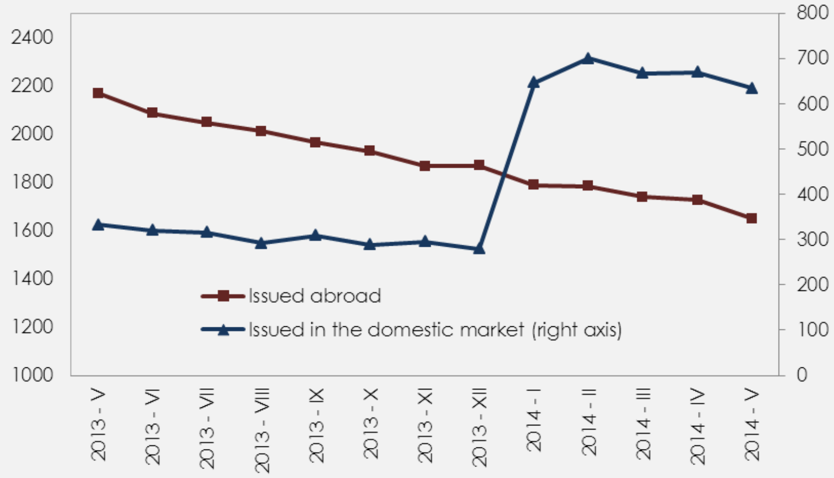
Chart 2: Maturity Structure of GDDS and Eurobonds Held by Non-Residents (days)



Source: CBRT.

The average maturity of bonds issued abroad by banks and other sectors has been declining since May 2013 as corporations have opted for short-term borrowing in their new issues. The average number of days to maturity, which was 2169 days in May 2013, stood at 1650 days as of May 2014. On the other hand, maturity preferences for domestic bond issues of banks and other sectors, which have the smallest share in non-residents' debt securities, posted a significant rise due to long-term (3-4 years) bond issues in January and February 2014. The average number of days to maturity increased to 634 days in May 2014 from 332 days in May 2013 (Chart 3). All in all, the maturity structure of non-residents' securities has extended in terms of GDDS and domestic issues of corporate sector bonds, whereas it has shortened slightly in terms of Eurobonds and corporate sector debt instruments issued abroad.

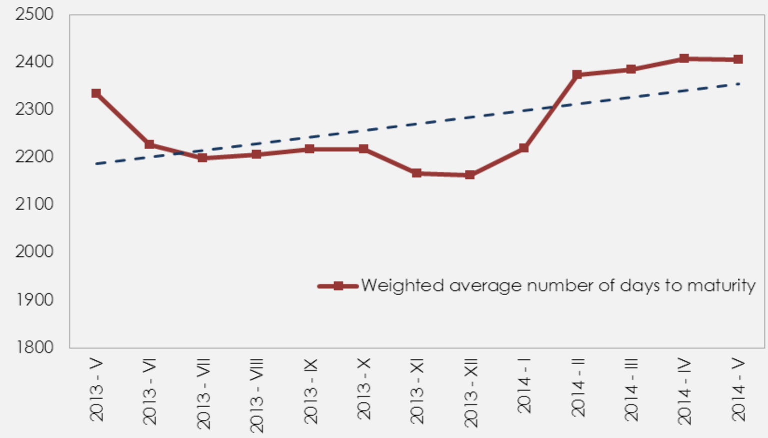
Chart 3: Maturity Structure of Non-Residents' Holdings of Bonds Issued by Banks and Other Sectors (days)



Source: CBRT.

To get an overall picture of portfolio investments, the relevant instruments have been weighted according to market values in terms of US dollars to obtain an average number of days to maturity of all instruments. Accordingly, the data on the calculated average maturity suggests that the maturity preference of non-resident investors shortened after the change in expectations in May 2013 but has surged since December 2013 and reached its previous level. In other words, the average maturity of non-residents' portfolios increased from 2334 days (approximately 6.40 years) at end-May 2013 to 2406 (approximately 6.59 years) at end-May 2014 (Chart 4).

Chart 4. Maturity Structure of Securities Held by Non-Residents (days)



Source: CBRT.

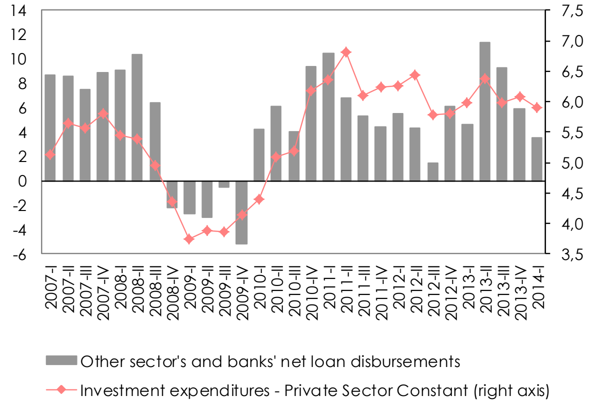
In conclusion, there has been a decline in the demand for TL-denominated GDDS and a surge in the demand for Eurobonds since the emergence of expectations for the termination of the Fed's quantitative easing program. The demand for corporate sector bonds has not registered a significant change. As, fluctuations in the maturity structure of the overall portfolio have moved in line with the expectations about the Fed's monetary policy, there has been a noteworthy improvement since December 2013.

2.3 Loans and Deposits

In the first quarter of 2014, neither the banking sector nor other sectors had any supply-side constraints in external borrowing through loans. In the first quarter of 2014, banks predominantly opted for long-term borrowings through loans and became net payers of short-term loans unlike the previous quarter. In this period, banks used net USD 1.6 billion worth of long-term loans and paid back USD 0.2 billion worth of short-term loans. Banks' total external debt rollover ratios decreased to 108 percent in the first quarter of the year. Still, when banks' borrowing through bonds are included, the banking sector's total debt rollover ratio is 112 percent, a figure well above the 100 percent level.

Long-term external loans used by other sectors mainly to finance investments posted net inflows in the first quarter of 2014. The related sectors used net USD 1.3 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 the other sectors increased to 140.1 percent from 112.5 percent in the first quarter of 2014.

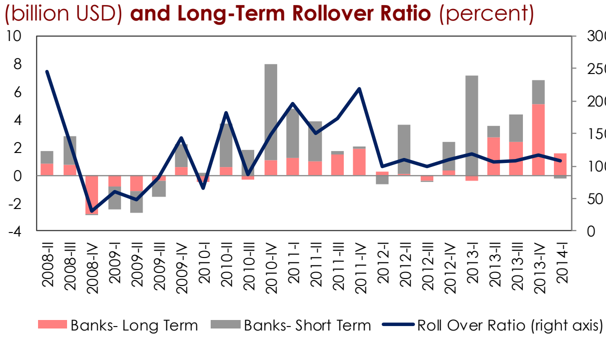
Chart 30. Net Long-Term Loan Utilization* and Other Sectors' Investment Expenditures
(billion TL, 1998=100, covering the effect of Decree No: 32)



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

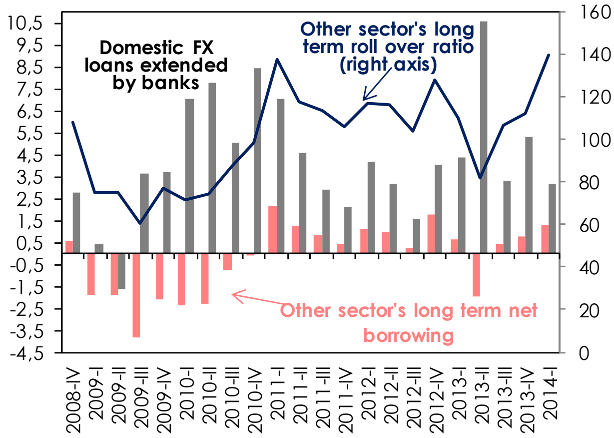
Source: CBRT.

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



Source: CBRT.

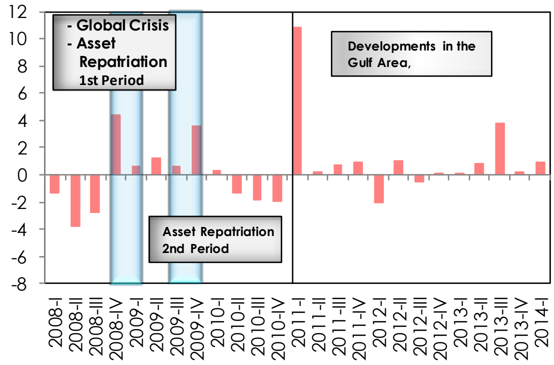
Chart 32. Domestic FX Loans Extended by Banks - Other Sectors' Long-Term Net Borrowing (billion USD) **and Long-Term Debt Rollover Ratio** (percent)



Source: CBRT.

Residents' deposits in banks abroad are recorded in the balance of payments table under "Financial Account / Other Investments /Currency and Deposits / Other Sectors". While activities in these accounts -particularly at times of crisis- have become an important determinant of capital movements in the balance of payments statistics, deposits tend to accumulate in these accounts at other times. The indicative data for the first quarter of 2014 point to a USD 0.9 million-increase.

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

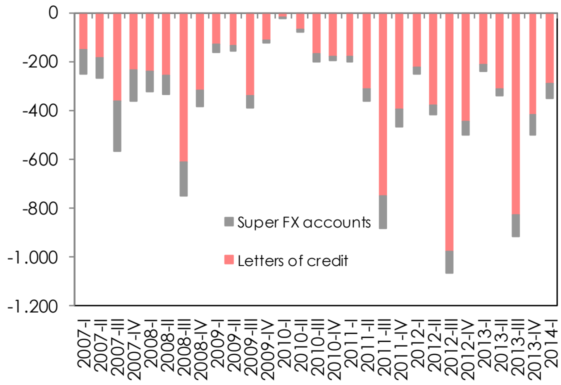


Source: CBRT.

(+): 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 0.4 billion in the first quarter of 2014.

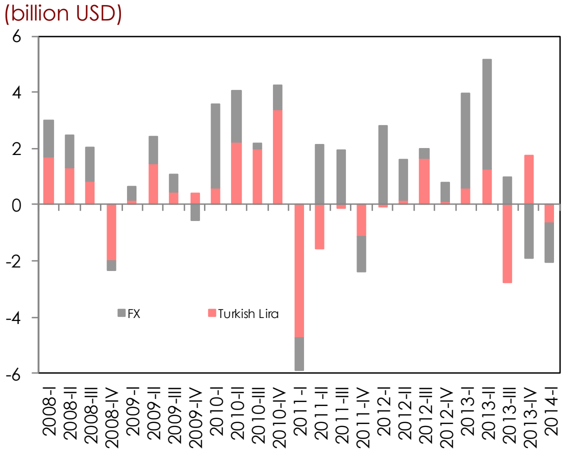
Chart 34. Deposits within the CBRT
(million USD)



Source: CBRT.

The outflow from deposits, included in other investment item liabilities, which had started in the third quarter of 2013, continued in this quarter, as well. The TL and FX deposits of banks abroad in domestic banks decreased by USD 1,371 million and USD 665 million respectively, in the first quarter of 2014.

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



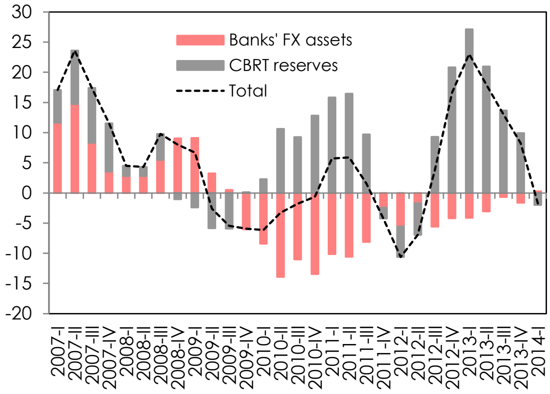
Source: CBRT.

Due to the decrease in capital inflows and the CBRT's direct foreign exchange selling intervention in markets in January, official reserves declined in the first quarter of 2014. In this quarter, the official reserves in the balance of payments table decreased by USD 4.9 billion. This decline was driven by the CBRT's FX sales and principal payments made for bonds. Meanwhile, inflows were mainly comprised of the Treasury's bond issues in January and February, payment of the rediscount loans that the CBRT extends to exporters and the surge in required reserves that the banks keep at the CBRT.

In response to the downward trend in reserves, CBRT reserves decreased by USD 4.9 billion compared to end-2013 to USD 126.1 billion. The decline was driven by the CBRT's direct foreign exchange intervention of USD 3.2 billion coupled with the USD 2.6 billion of FX sold to the banks. Meanwhile, the "short-term external debt stock on a remaining maturity basis (STED)", which is calculated based on the external debt maturing within 1 year or less regardless of the original maturity, dropped by 1.5 percent in March to USD 165.2 billion, 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 86 percent. However, this ratio becomes 101 percent when branches and affiliates abroad are excluded.

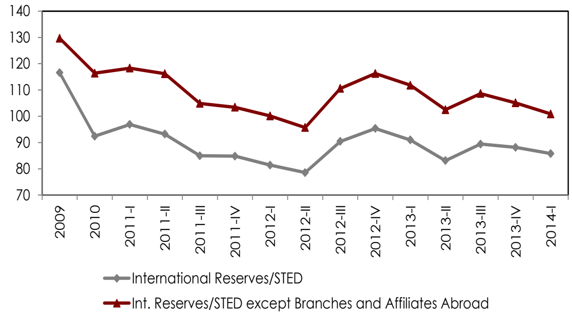
The Net Errors and Omissions (NEO) item posted a net inflow of approximately USD 6.7 billion in the first quarter of 2014. In annual terms, the cumulative NEO materialized as USD 12.8 billion and its ratio to total FX inflows was 5.8 percent in this period (Box 3).

Chart 36. International Reserves
(annualized, billion USD)



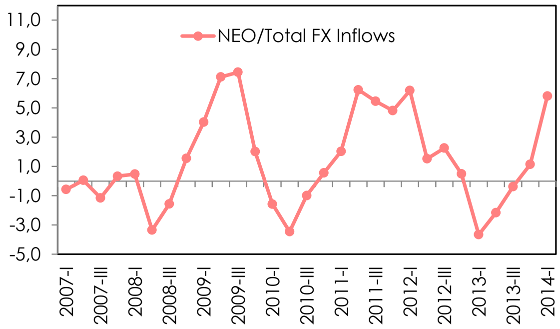
Source: CBRT.
Note: (+) increase; (-) decrease

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.

Box 3 Revisions in the Net Errors and Omissions Item

The Turkish balance of payments statistics are in full compliance with international standards and published within six weeks following the respective month. Having such a system in place, Turkey is one of the pioneers in terms of timeliness. Alternatively, as allowed by the revision policy implemented, data pertaining to previous periods can be updated. To be more specific; when disseminating the current month’s data except for December; short-term external debt data and long-term private external debt data till the year 2002 can be revised retrospectively, while, for other items, current year’s data as well as previous year’s monthly data can be subject to a retrospective revision. On the other hand, when disseminating the data of December, previous five years’ data of all the items can be revised retrospectively. Apart from these; whenever a large-scale revision is needed in any data that compose the Balance of Payments Statistics, previous years’ data will be subject to revision by informing the public at large. Announcements related to the above-mentioned revisions are available at the Balance of Payments Statistics link of the CBRT's web page under the headings "Announcements About Methodological Changes" and "Announcements About Future Changes".

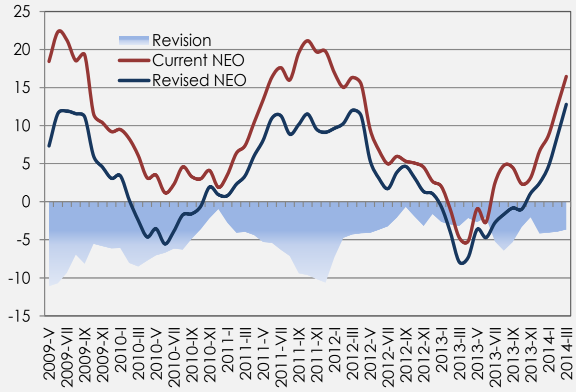
In balance of payments statistics, as data are collected from different sources, differences emerge in valuation, measurement and time of recording; as a result, these differences are reflected in the balance of payments table as “Net Errors and Omissions-NEO” item. The course of the NEO item in time indicates that since 2008 the item has posted positive balance, however it has always been revised downwards due to the updates made to the data that constitute the balance of payments statistics. This box explores the scale of revisions in the NEO as well as the main items that determine these revisions by comparing the values of monthly NEO data on the date they were first published and the values published in the balance of payments statistics of April 2014.

The comparison of the current monthly NEO values since May 2009 and revised values as of April 2014, based on annualized data, is illustrated at Chart 1. At the chart, the NEO values on the date they were first published are indicated as "current NEO", whereas the values in April 2014 balance of payments statistics are indicated as "Revised NEO" . Accordingly;

- During periods when balance of payments transactions displayed a high and fluctuating course due to the economic developments in and outside the country, the NEO item posted a high level, too. The years 2009 and 2011 can be given as examples to such periods (Chart 1). On the other hand, a comparison with the sum of total foreign exchange revenues and expenditures in the balance of payments statistics in absolute values suggests that during the period reviewed, the share of the NEO in this sum is hovering at relatively low levels (between the range of - 1.6 percent and 3.6 percent) (Chart 2).

- An analysis of the revisions made in time indicates that transactions that led to the revisions had a downward effect on the NEO and that revisions pertaining to the respective period could reach large amounts parallel to the NEO level. For instance, calculations based on annualized data reveals that the NEO hit historic highs during the August 2008 - July 2009 period dominated by the global crisis-driven economic fluctuations, however revisions related to this period have been likewise in high amounts. A similar assessment is also applicable to 2011 (Chart 1).

Chart 1: NEO Revisions (annualized, billion USD)



Source: CBRT.

Chart 2: NEO/Total Foreign Exchange Revenues and Expenditures* (percent)

Source: CBRT.
*Denotes the sum in absolute value of the items of Foreign Trade Balance, Balance of Services, Balance of Income and Current Transfers.

The effects of the studies conducted from 2009 to 2013 based on annual and December balance of payments statistics on the NEO item are illustrated and differentiated as per main categories that caused revisions to be made at Chart 3 . In this framework, the NEO levels implied by the current month data have been revised downwards to 50-60 percent in time. Main transactions that determined the revisions can be summarized under three main headings:

1) Turkish Residents' (Excluding Banks) Deposits Abroad

The requirement of repatriation of export proceeds was abolished in 2008, which led to an increase in deposits held abroad by Turkish residents excluding banks. This development has also been instrumental in the surge in the NEO item since October 2008. The movements seen in these accounts particularly in times of crisis and during the implementation of certain practices such as Repatriation Amnesty have become an important determinant of capital movements in the balance of payments statistics. Therefore, starting with the 2008 data, the Locational Banking Statistics compiled by the Bank for International Settlement (BIS) have been used in the Turkish balance of payments statistics for "Financial Account / Other Investments / Assets / Currency and Deposits / Other Sectors" item. The BIS data are announced on a quarterly basis and with a time lag of about four months. Until the announcement of the BIS data, provisional data that are based on bank reports are used as an indicator for this item (Chart 3). This item was revised upwards by USD 8.2 billion between 2009-2012.

2) Methodological Revision in Tourism Statistics

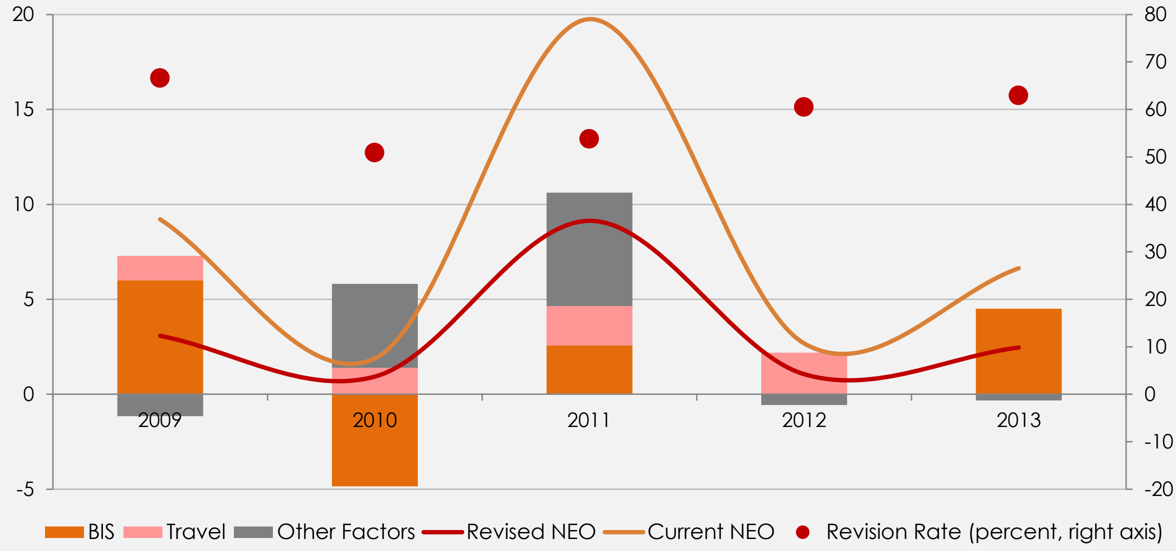
The TURKSTAT revised its methodology of tourism statistics on 14 February 2013. Then these revisions were reflected on travel revenues and expenditures in the balance of payments statistics of 2003-2012, which became one of the most influential factors in the decline of the NEO item.[5] Within this context, the travel revenues and travel expenditures in the balance of payments statistics between 2009-2012 were revised upwards by a total of USD 7.8 billion and USD 0.9 billion, respectively. As a result, while the net travel revenues were revised upwards by USD 6.9 billion in the mentioned period, the NEO item posted a decline in the same amount (Chart 3).

3) Other Factors

Apart from the above-mentioned BIS and Travel revisions, other factors that affect the NEO are classified at Chart 3, under the heading "Other Factors". For instance, the TURKSTAT may make retrospective revisions in foreign trade statistics on monthly and annual bases. The TURKSTAT also conducts quarterly surveys regarding shuttle trade and travel revenues and expenditures and until the results of these surveys are finalized, the related data are reflected on the balance of payments statistics of the respective month as estimates. Moreover, revisions related to loans, portfolio investments and direct investments compiled from various sources as well as revisions related to certain service items provided by direct reporting from companies can also be listed among the other factors that affect the NEO (Chart 3).

[5] For the revision in the statistics of travel revenues and expenditures, see: “Methodological Revision in Tourism Statistics and Its Impact on Balance of Payments Statistics", CBRT Balance of Payments Report, 2012-IV, Box 3.

Chart 3: Primary Revisions in Balance of Payments Items and Their Effect on the Revision of the NEO* (billion USD)



Source: CBRT.
* Positive (negative) values denote the increase (decrease) in the respective item as well as the downward (upward) effect of the same amount on the NEO.

In conclusion, in the balance of payments statistics that are published to international standards; differences that occur in valuation, measurement and time of recording due to the use of numerous and diverse sources of data constitute the NEO item. However, revisions can be made in the source data in time and they can be reflected on the statistics of the preceding five-year-period, as allowed by the revision policy in place. A comparison of the current and revised series of the NEO in time indicates that the revisions made to the balance of payments items reduce fluctuations in the NEO item compared to the values when they were first published.

III. Annex Tables

Balance of Payments (billion USD)

	January-March			March (Annualized)		
	2013	2014	% change	2013	2014	% change
Current Account	-16,5	-11,6	-30,0	-48,7	-60,0	23,2
Goods	-17,2	-12,0	-30,1	-65,8	-74,7	13,4
Exports	39,7	43,5	9,6	165,5	167,2	1,0
Exports (fob)	37,0	40,2		154,1	155,1	
Shuttle Trade	1,8	2,2		6,9	7,9	
Imports	-56,9	-55,6	-2,4	-231,3	-241,9	4,6
Imports (cif)	-58,8	-57,5		-239,4	-250,4	
Adjustment: Classification	2,9	3,1		12,2	13,1	
Services	2,4	2,6	8,0	23,0	23,3	1,3
Travel (net)	2,8	2,8		21,8	23,2	
Credit	3,9	4,0		26,3	28,1	
Debit	-1,1	-1,3		-4,5	-5,0	
Other Services (net)	-0,3	-0,1		1,1	0,1	
Income	-2,0	-2,3	13,9	-7,2	-9,6	34,6
Compensation of Employees	-0,1	-0,1		-0,2	-0,3	
Direct Investment (net)	-0,6	-0,6		-2,6	-3,8	
Portfolio Investment (net)	-0,6	-0,8		-0,7	-1,5	
Other Investment (net)	-0,8	-0,8		-3,7	-4,0	
Interest Income	0,5	0,4		2,1	1,7	
Interest Expenditure	-1,2	-1,2		-5,7	-5,7	
Current Transfers	0,3	0,1	-48,0	1,3	1,1	-18,9
Workers Remittances	0,2	0,2		1,0	0,9	
Capital and Financial Account	20,4	4,9	-75,8	56,8	46,1	-18,9
Financial Account (excl. reserve assets)	27,4	0,1	-99,8	84,0	44,1	-47,5
Direct Investment (net)	2,1	3,2	49,6	8,9	10,8	21,9
Abroad	-0,7	-1,0		-2,5	-3,5	
In Turkey	2,8	4,2		11,3	14,3	
Portfolio Investment (net)	8,1	-2,5	-130,5	43,7	13,1	-70,0
Assets	0,8	-0,3		2,7	1,5	
Liabilities	7,3	-2,2		41,0	11,6	
Equity Securities	0,4	0,4		5,7	0,9	
Debt Securities	6,9	-2,6		35,3	10,7	
Non-residents' Purchases of GDDS	4,1	-3,9		20,5	-3,8	
Eurobond Issues of Treasury	0,2	0,9		2,4	5,3	
Borrowing	1,7	4,0		5,2	8,4	
Repayment	-1,5	-3,1		-2,8	-3,1	
Banks (net)	2,6	0,4		11,0	5,8	
Other Sectors (net)	0,0	0,0		1,2	3,4	
Other Investment (net)	17,2	-0,6	-103,7	31,4	20,3	-35,3
Assets	1,9	0,9		2,2	0,9	
Trade Credits	0,2	-0,9		-0,1	-2,5	
Credits	-0,6	-0,1		-1,6	-0,1	
Currency and Deposits	2,3	1,9		4,0	0,9	
Banks	2,3	1,0		3,4	-1,5	
Foreign Exchange	2,6	0,7		4,1	-0,3	
Turkish Lira	-0,3	0,3		-0,7	-1,2	
Other Sectors	0,0	0,9		0,6	5,1	
Liabilities	15,3	-1,5		29,2	19,4	
Trade Credits	3,5	-2,3		4,7	-0,2	
Credits	7,0	3,1		15,2	18,6	
Central Bank	0,0	0,0		0,0	0,0	
General Government	-0,3	-0,3		-2,0	-0,8	
IMF	-0,4	0,0		-1,9	-0,4	
Long-term	0,1	-0,3		-0,2	-0,4	
Banks	6,8	1,4		12,4	15,9	
Long-term	-0,2	1,6		-0,2	11,6	
Short-term	7,0	-0,2		12,5	4,3	
Other sectors	0,5	2,0		4,9	3,5	
Long-term	0,6	1,9		3,6	1,3	
Short-term	-0,1	0,1		1,2	2,2	
Deposits of Non-residents	4,8	-2,4		8,8	0,4	
Central Bank	-0,2	-0,4		-2,2	-2,1	
Banks	5,0	-2,1		11,0	2,5	
Change in Official Reserves (- increase)	-7,0	4,9		-27,1	2,0	
Net Errors and Omissions	-3,8	6,7		-8,1	13,9	

Source: CBRT.

Financing Requirements and Sources (billion USD)

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

Source: CBRT.

1/ Excluding Banks' Currency and Deposits

2/- denotes an increase.

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

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

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".

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