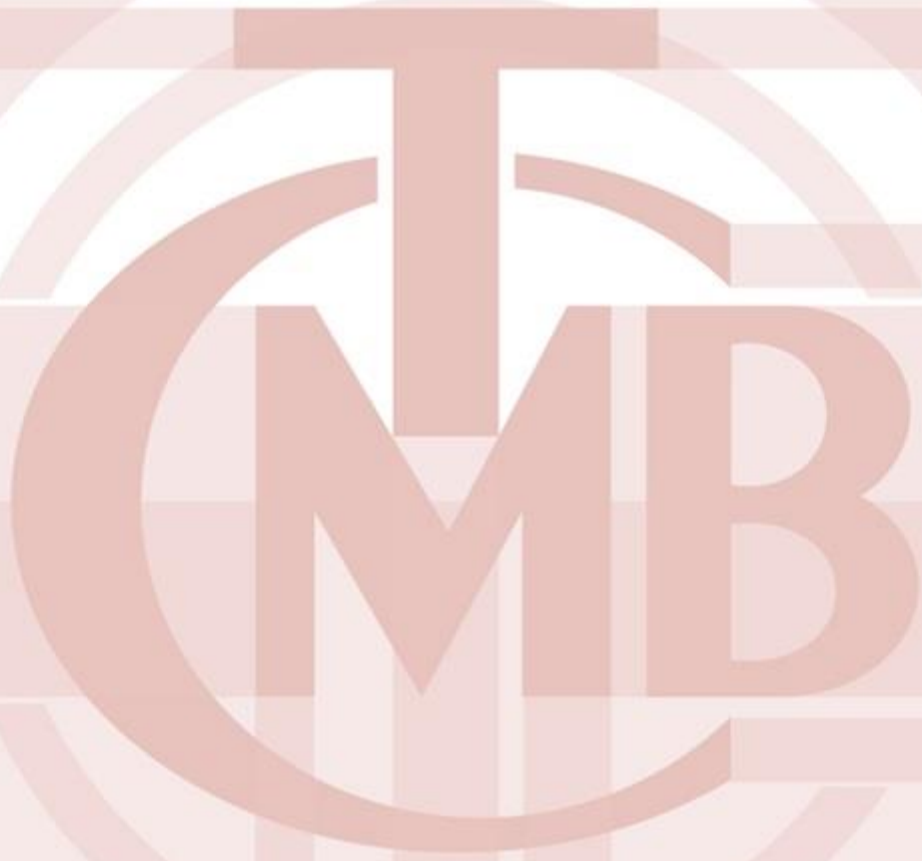


CENTRAL BANK OF THE REPUBLIC OF TURKEY



**Balance of Payments
Report
2015-III**

CENTRAL BANK OF THE REPUBLIC OF TURKEY

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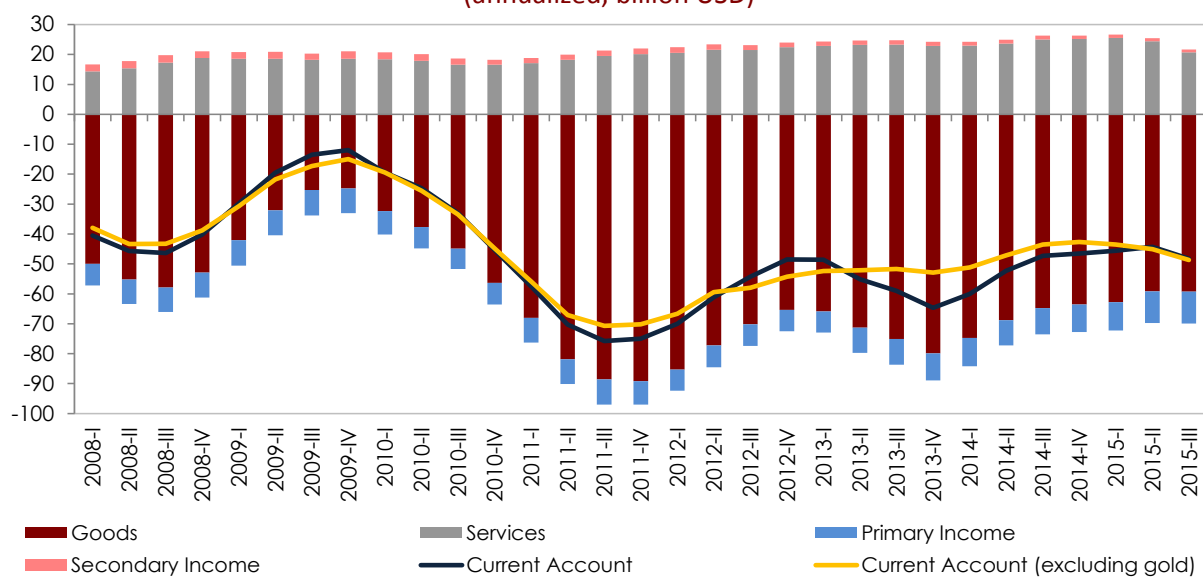
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Overview

In the third quarter of 2015, the current account deficit further contracted. The current account deficit and the current account deficit excluding gold moved in tandem in this quarter. The decrease in imports of energy products was the main driver of the improvement in the current account deficit. The contribution from the services balance to the downward trend of the current account deficit decreased due to the fall in the net travel revenues (Chart 1).

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



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

Exports excluding gold displayed a downtrend in the third quarter. The significant drop in exports to Russia and Iraq due to the geopolitical and economic developments in the region, and the euro/USD parity developments were the primary reasons of the downtrend in exports. Meanwhile, shuttle trade revenues continued to decrease in tandem with the depreciation of the Russian ruble. Exports of gold increased year-on-year.

Gold excluded, the decline in import expenditures that started in the third quarter of 2014, continued and further accelerated in 2015Q3. The decline in imports was mainly driven by the decrease in Turkey's imported energy bill owing to lower energy prices. In this quarter, imports of gold slightly increased year-on-year.

The services item, which is the second most important determinant of the current account after foreign trade, followed a downtrend in the third quarter. Despite the significant drop in the number of tourists from Russia, the decline in the total number of tourists visiting Turkey remained limited thanks to the rise in the number of tourists from Germany and Iran. Nevertheless, the net travel revenues dropped significantly due to both the decline in the average package tour expenditures and the unfavorable parity effect stemming from the depreciation of the euro and the Ruble. The decline in travel revenues became the primary reason for the downtrend in services revenues.

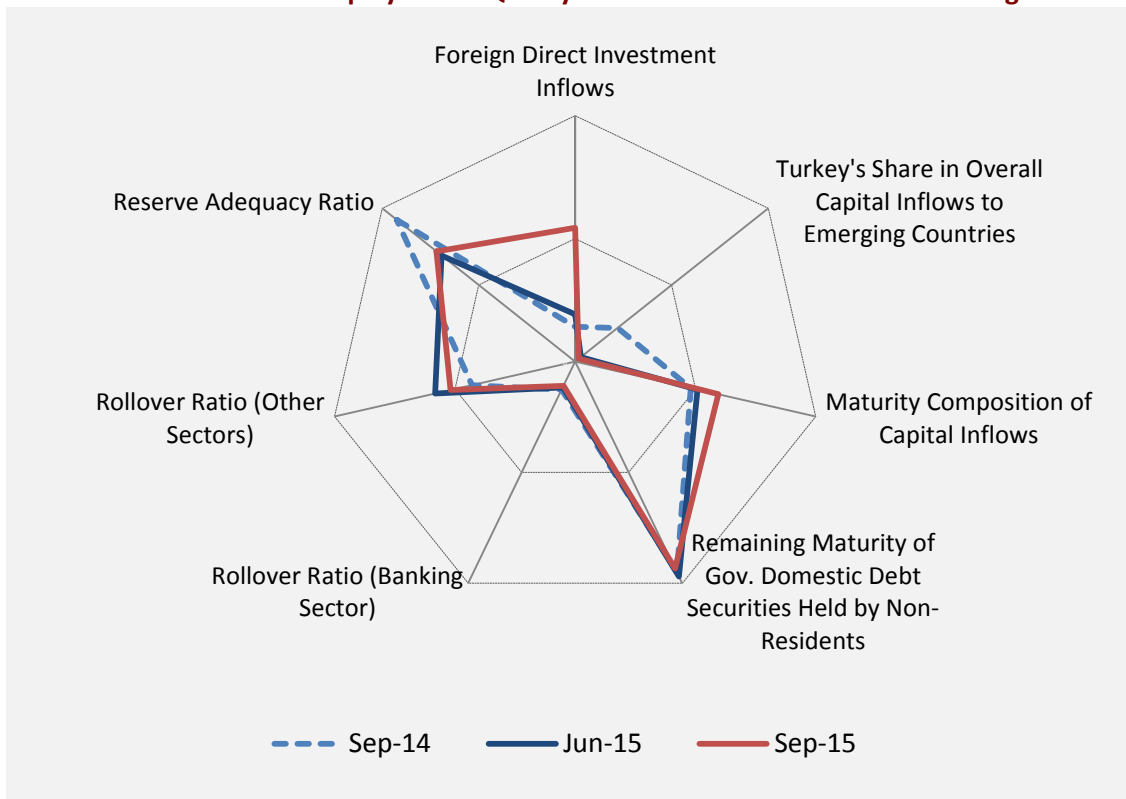
Financing of the Current Account Deficit

The global risk appetite followed a fluctuating trend in 2015Q3. The primary factors negatively affecting the global risk appetite in this period were the lingering weak trend as well as divergence in the global economic activity coupled with the financial volatility caused by uncertainties in monetary policies. Meanwhile, the intense adverse geopolitical and political developments in Syria stood out as a Turkey-specific factor affecting financial movements.

A breakdown of financial accounts in the balance of payments by main headings reveals that direct investments, which have been low and flat since the turn of 2014, assumed an uptrend in 2015Q3 with the impact of several high-volume inflows. Portfolio investments continued to post outflows due to the worsening global risk appetite. As for other investment inflows, although the banking sector's and other sectors' debt rollover ratios -including bonds- declined slightly quarter-on-quarter, they remained above the 100 level.

As for the quality of financing sources, while direct investments improved significantly quarter-on-quarter and year-on-year, all other items remained close to the values of the previous quarter (Chart 2).

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



Source: CBRT.

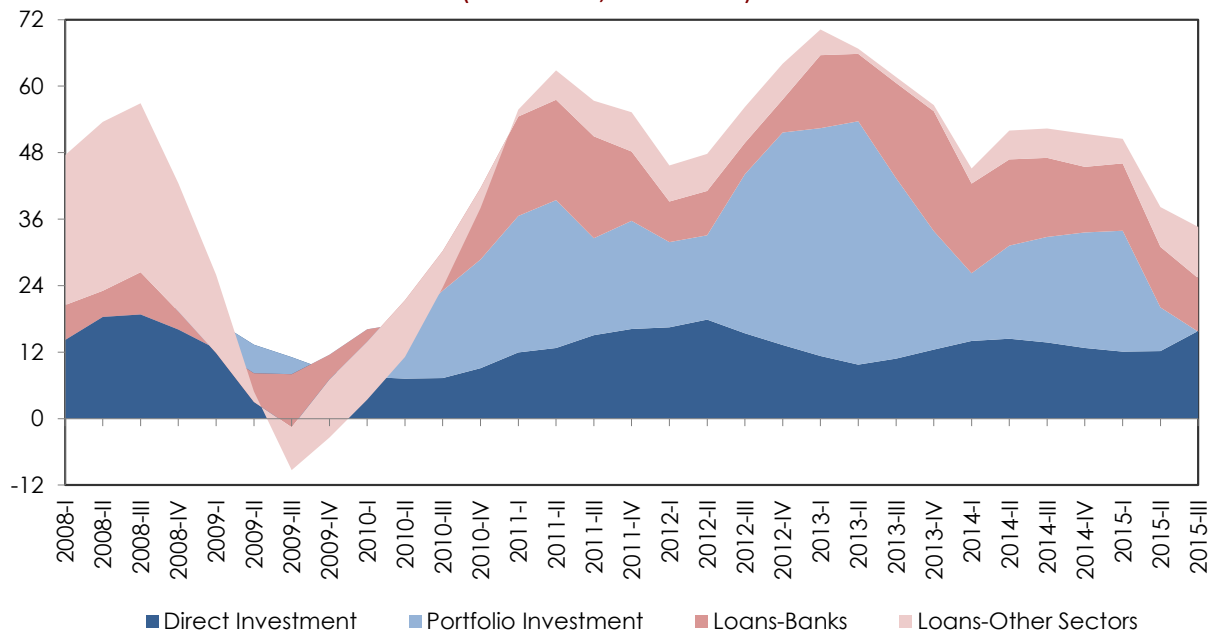
The slowdown in direct investment inflows, which was observed in the previous quarter, was replaced by an uptrend in 2015Q3. This is not an overall change in the direct investments trend but instead the result of a few transactions with large amounts (Chart 3).

In this quarter, concerns over growth in the EU as well as in the energy-exporting countries stood out as the primary factor affecting portfolio flows into emerging economies. In terms of investment instruments, almost all main items including equity securities and debt securities posted net outflows throughout the quarter.

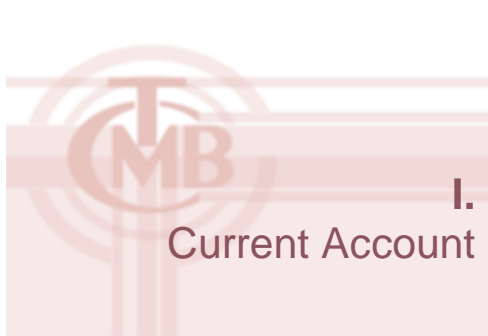
In 2015Q3, neither the banking sector nor other sectors had any supply-side constraints in external borrowing through loans. While the banking sector was in a net borrower position in this quarter, the shift from short-term borrowing to long-term borrowing, which had started in the first quarter, continued in the third quarter. This shift is attributed to the impact of the arrangements that the Central Bank introduced to extend the maturity of banks' external borrowing. Meanwhile, other sectors were net borrowers in both short-term and long-term loans, with long-term loans having a larger share. Debt roll-over ratios of both sectors continued to hover above 100 percent in 2015Q3.

CBRT reserve assets, which displayed a downtrend in the second quarter, increased in the third quarter owing to the capital inflows particularly in July.

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



Source: CBRT.



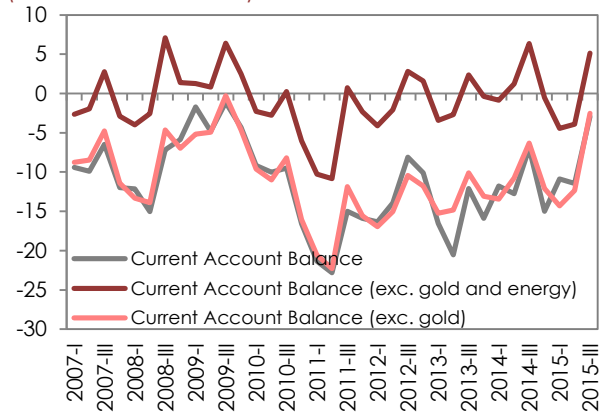
In 2015Q3, the current account deficit improved by USD 4.1 billion year-on-year and decreased to USD 2.9 billion. In this quarter, Turkey's energy import bill decreased by USD 5 billion owing to the slump in crude oil becoming the most important development supporting the improvement in the current account deficit. The improvement in the current account deficit was limited by the USD 1 billion drop in travel revenues. Net gold exports, which became more influential on the current account deficit over the last few years, displayed no significant change in this quarter.

On the back of these developments, the 12-month cumulative current account deficit displayed an improving trend. By 2015Q3, the current account deficit was USD 40.3 billion while the ratio of the current account deficit to GDP decreased to 5.4 percent. In line with the relatively vivid economic activity, the current account balance excluding gold and energy deteriorated slightly.

In 2015Q3, the foreign trade deficit (excluding gold), which is the key determinant of the current account deficit, decreased by USD 3.8 billion year-on-year to USD 11.6 billion. Imports decreased more rapidly than exports becoming the primary factor behind the improvement in the foreign trade balance. Compared to 2014Q3, exports excluding gold decreased by USD 6.1 billion and imports by USD 9.9 billion. Meanwhile, the impact of euro/USD parity developments on foreign trade continued, although weaker, compared to the second quarter.

Chart 1. Current Account Balance

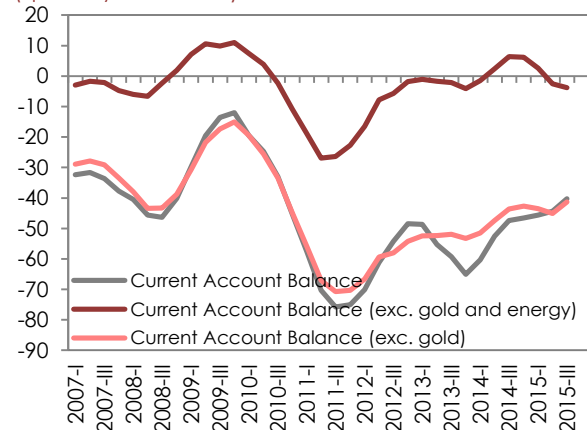
(annualized, billion USD)



Source: CBRT.

Chart 2. Current Account Balance

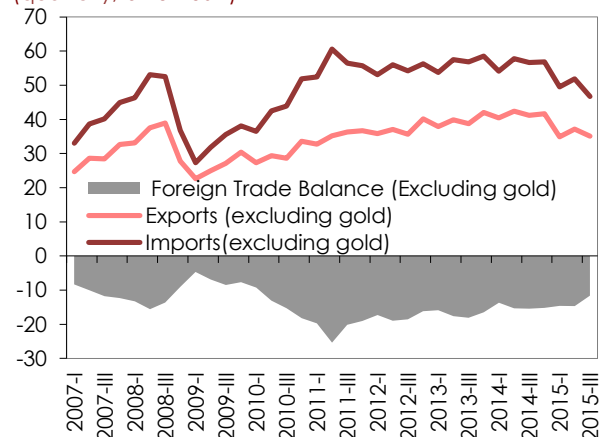
(quarterly, billion USD)



Source: CBRT.

Chart 3. Foreign Trade Balance (excluding gold)

(quarterly, billion USD)



Source: CBRT.

1.1 Exports of Goods

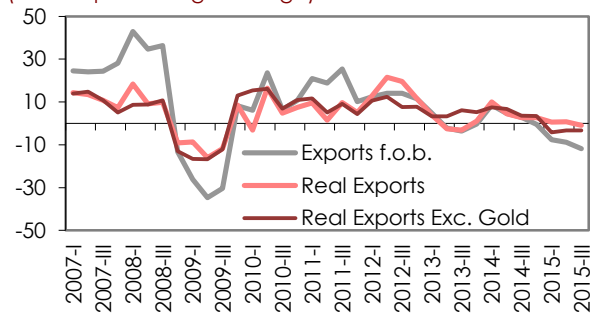
In 2015Q3, despite the positive impact of the recovery in the EU countries on Turkey's exports, exports decreased due to the decrease in the euro/USD parity and the adverse geopolitical developments regarding Russia and Iraq. Exports decreased by 11.9 percent nominally and by 0.9 percent in real terms, year-on-year. Exports excluding gold dropped by 3.2 percent.

In seasonally adjusted terms, the downtrend in exports continued in 2015Q3 while exports excluding gold followed a flatter trend. In 2015Q3, seasonally adjusted exports excluding gold decreased by 1.3 percent quarter-on-quarter and total exports decreased by 2.7 percent.

While the share of the EU countries in Turkey's exports excluding gold increased in the third quarter, that of the Middle East and African (MEA) countries decreased. In 2015Q3, the share of the EU countries in Turkey's exports excluding gold was 46.2 percent and that of the (MEA) countries was 30.1 percent. Meanwhile, the share of exports to the Commonwealth of Independent States (CIS) including Russia and the Ukraine in Turkey's annual exports decreased by 2.3 points to 6.6 percent.

Growth in Turkey's export markets remained slightly lower than global growth. While economic growth in Turkey's export markets was up 1.8 percent annually, the global growth rate was 2.15 percent in 2015Q3.

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



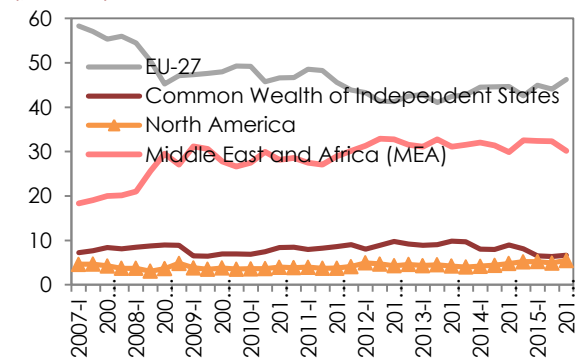
Source: TURKSTAT.

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



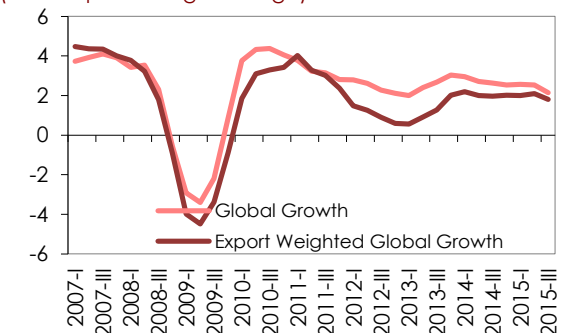
Source: TURKSTAT.

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



Source: TURKSTAT.

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



Source: CBRT.

1.2 Imports of Goods

In 2015Q3, imports posted a significant decline. Despite the relatively robust domestic demand conditions, imports decreased owing to the decline in the euro/USD parity and the fall in import prices, especially energy prices. Nominal imports contracted by 17.4 percent annually while the contraction in imports in real terms was 0.3 percent. Imports excluding gold and energy decreased by 2.7 percent in real terms.

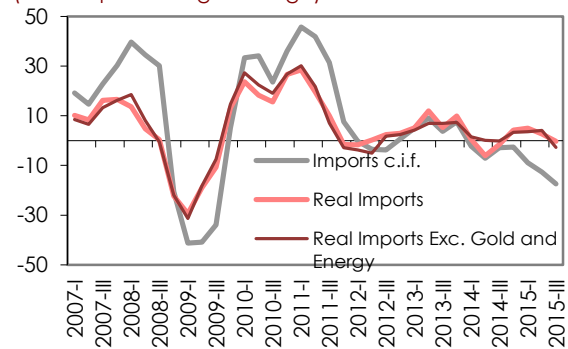
Seasonally adjusted data suggest that imports declined significantly in 2015Q3. Even though gold imports remained high, imports excluding gold and energy decreased by 4.9 percent quarter-on-quarter.

1.3. Real Exchange Rate Developments

The downtrend in real exchange rate indices observed since early 2015 continued in the third quarter as well. The decrease in real exchange rate indices was mainly driven by the nominal exchange rate movements.

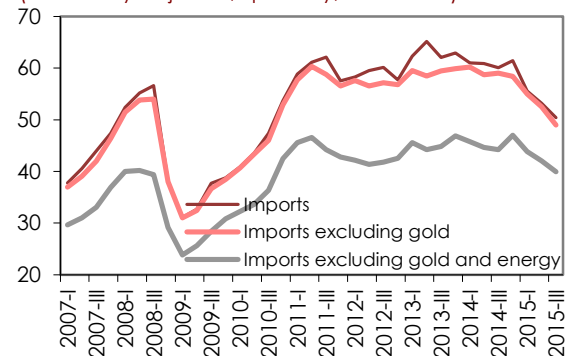
In 2015Q3, the Turkish lira depreciated against currencies of both advanced economies and developing economies. Despite this depreciation, the emerging countries sub-index is still above 100 points; thus, the Turkish lira is still valuable against this country group.

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



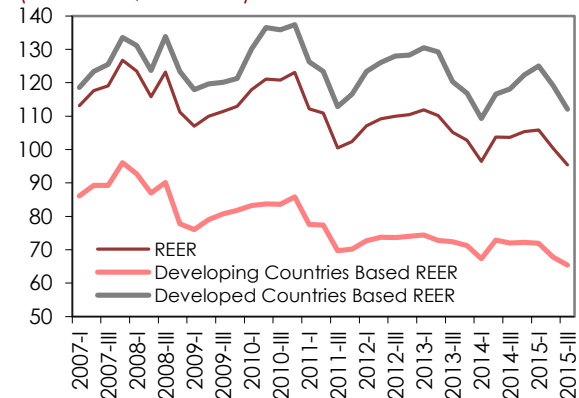
Source: TURKSTAT.

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



Source: CBRT.

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



Source: CBRT.

1.4 Global Outlook

Provisional data from the World Trade Organization reveal that world trade continued to decline in the third quarter. In this quarter, world exports contracted by 14.4 percent year-on-year. In real terms, exports grew by 0.5 percent. Because 30 percent of world trade is conducted in euros, the decline in nominal exports can be attributed to the decrease in prices as well as to the euro/dollar parity developments.

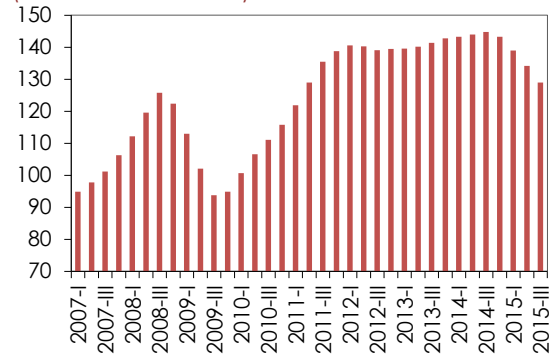
According to the World Trade Organization data, there has been no significant change in Turkey's shares in global imports and exports in this quarter. In 2015Q3, Turkey's share in global imports and global exports were 1.3 percent and 0.9 percent, respectively.

1.4 Terms of Trade

The downtrend in both export and import prices continued in this quarter. In 2015Q3, export and import prices decreased by 10.9 percent and 17.2 percent, respectively, year-on-year. The decline in energy prices, particularly in oil prices, made a downward impact on export and import prices; price decreases were observed across all sub-sectors.

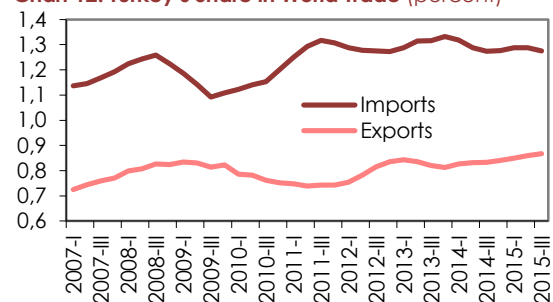
Terms of trade, which had been increasing since mid-2012 mainly due to the decline in imports prices, continued to increase in this quarter as well. When energy and gold are excluded, the rise in terms of trade is slower and more gradual. Terms of trade became 108.1 with a 7.6-point annual increase in the third quarter; and when energy and gold are excluded, the previous year's value is retained.

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



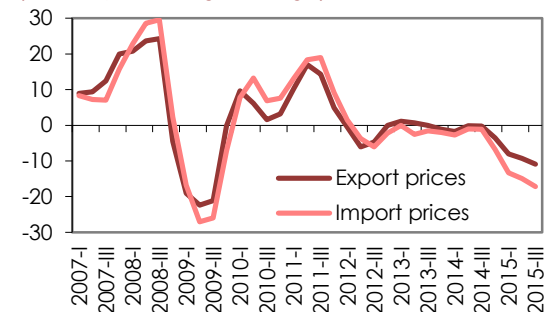
Source: WTO.

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



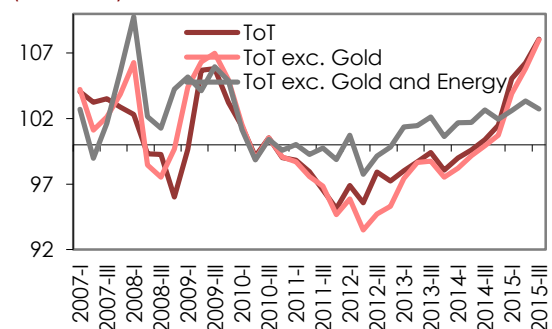
Source: WTO.

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



Source: TURKSTAT.

Chart 14. Terms of Trade
(2010=100)



Source: TURKSTAT.

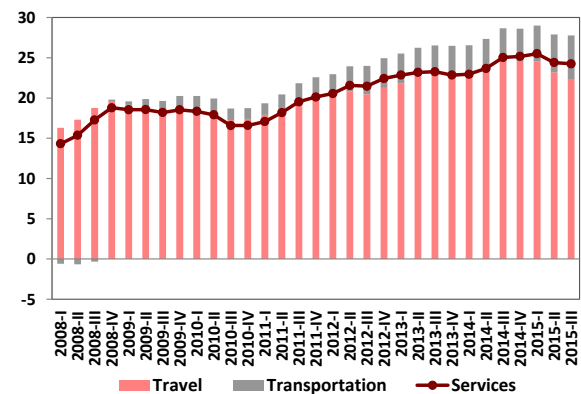
1.6 Services Account

The services item, which is the second most important determinant of the current account after foreign trade, followed a downtrend in the third quarter. Despite the significant drop in the number of tourists from Russia, the decline in the number of tourists visiting Turkey remained limited thanks to the rise in the number of tourists from Germany and Iran. Nevertheless, the net travel revenues dropped significantly due to both the decline in the average package tour expenditures and the unfavorable parity effect stemming from the depreciation of the euro and the ruble. The decline in travel revenues became the primary reason for the downtrend in services revenues (Box 1).

Despite the year-on-year rise in transportation under the services balance, the contribution from the services item to the current account decreased due to the drop in the travel item. In 2015Q3, travel revenues decreased by 6.2 percent year-on-year, while travel expenditures increased by 20.9 percent. In conclusion, in the third quarter, net travel revenues decreased by 9.1 percent year-on-year to USD 9.2 billion. Meanwhile, the number of tourists visiting Turkey increased by 0.7 percent compared to the same quarter last year. An analysis by country groups suggests that in the third quarter, the highest proportional year-on-year increase in the number of tourists was registered for Asian and African continents, while the highest decline was observed in the number of tourists from the CIS countries (particularly Russia) (Box 2).

In this quarter, the average spending per foreign visitor and per non-resident Turkish citizen in Turkey decreased compared to the previous year. The related data show that the average expenditure per foreign visitor in Turkey decreased by 7.6 percent year-on-year to USD 589, while the average expenditure per non-resident Turkish citizen visiting Turkey dropped by 11.0 percent year-on-year to USD 686.

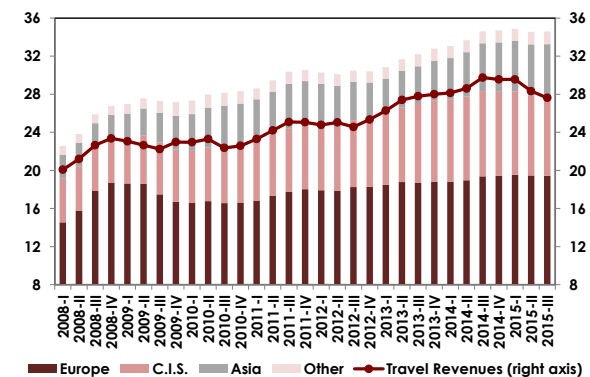
Chart 15. Services Account, Travel and Transportation
(annualized, billion USD)



Source: CBRT.

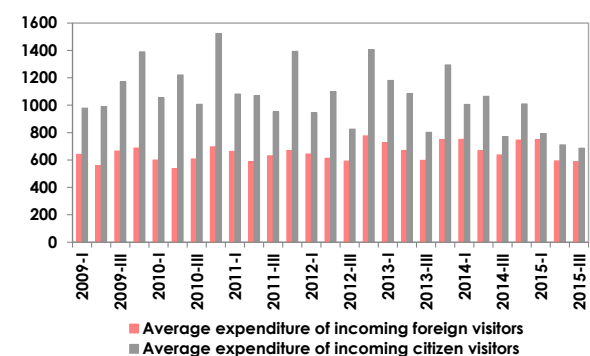
Chart 16. Breakdown of Tourists Visiting Turkey by Country and Travel Revenues

(left axis: annualized, million people; right axis: billion USD)



Source: TURKSTAT.

Chart 17. Average Expenditure
(USD/person)



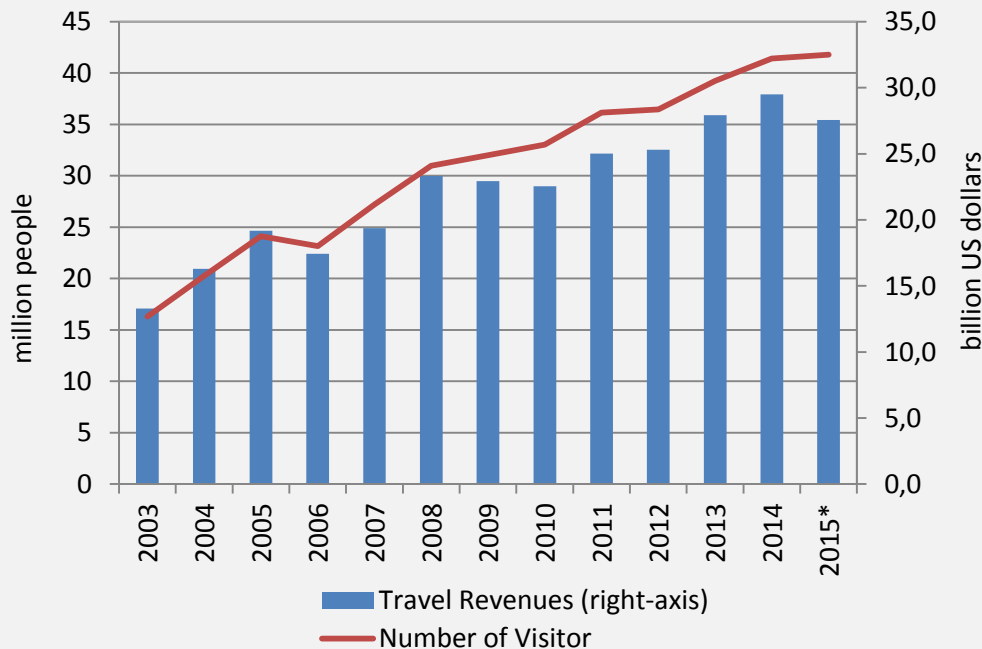
Source: TURKSTAT.

Box 1

Developments in Travel Revenues

The travel revenues item in the balance of payments statistics has displayed a steady rise since 2003. Although the item had a flat course in the 2008-2010 period due to the crisis in Europe, it later resumed its uptrend from 2011 onwards. Yet, in 2015, the trend reversed itself again and there began a downtrend. Though the number of visitors increased by 1.2 percent from 33.1 million in the first nine months of 2014 to 33.5 million in the same period of 2015, total travel revenues recorded a 8.4 percent decline (Chart 1).

Chart 1: Travel Revenues and Number of Visitors

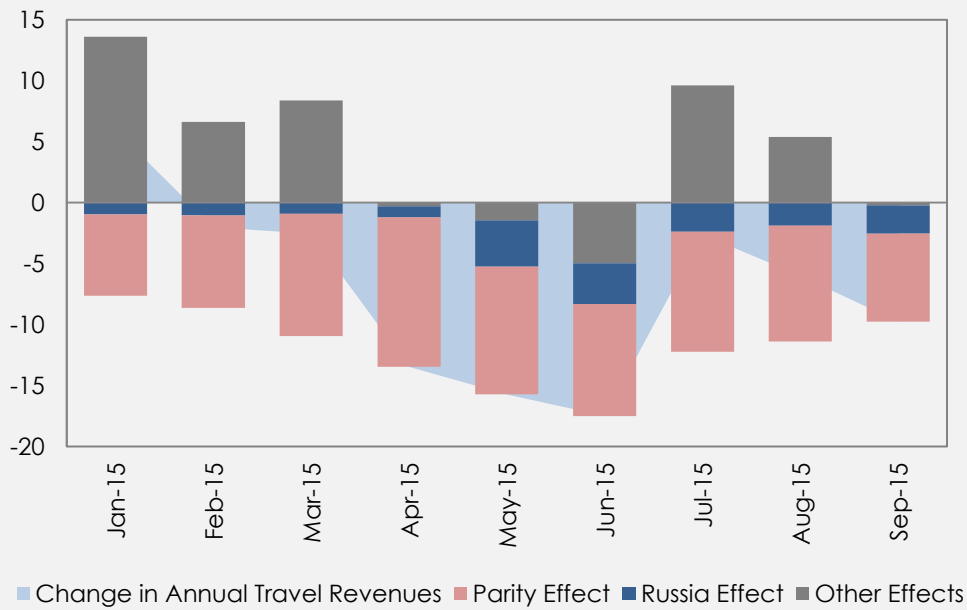


* Annualized data through October.

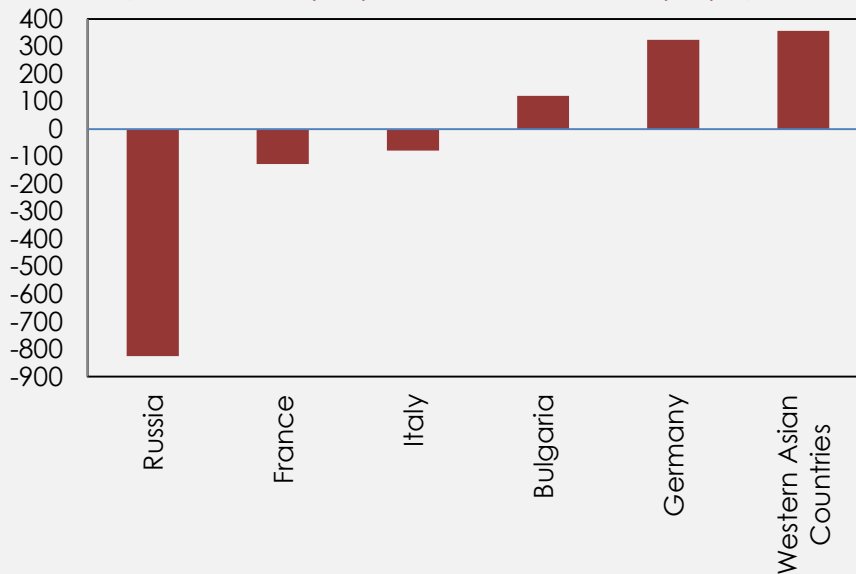
Source: TurkStat.

The main factors effective in the decline in travel revenues in the first three quarters of 2015 are given in Chart 2. Accordingly, the determinant factor is the exchange rate effect. The visitors from Europe account for approximately half of total visitors. Assuming that they pay in euros, the depreciation of the euro against the US dollar, and similarly that of the Russian ruble, decrease travel revenues expressed in terms of US dollars.

The decline in Russian visitors in the same period also had its share in the downtrending travel revenues. As a result of the unfavorable economic conditions in Russia, the number of tourists from the Russian Federation decreased by 800,000 in the first three quarters of 2015 (20.7 percent from the same period last year). Nevertheless, this decline was offset by the increase in the number of tourists from Germany and Western Asian countries (Chart 3).

Chart 2: Determinants of the Change in Travel Revenues (percent)

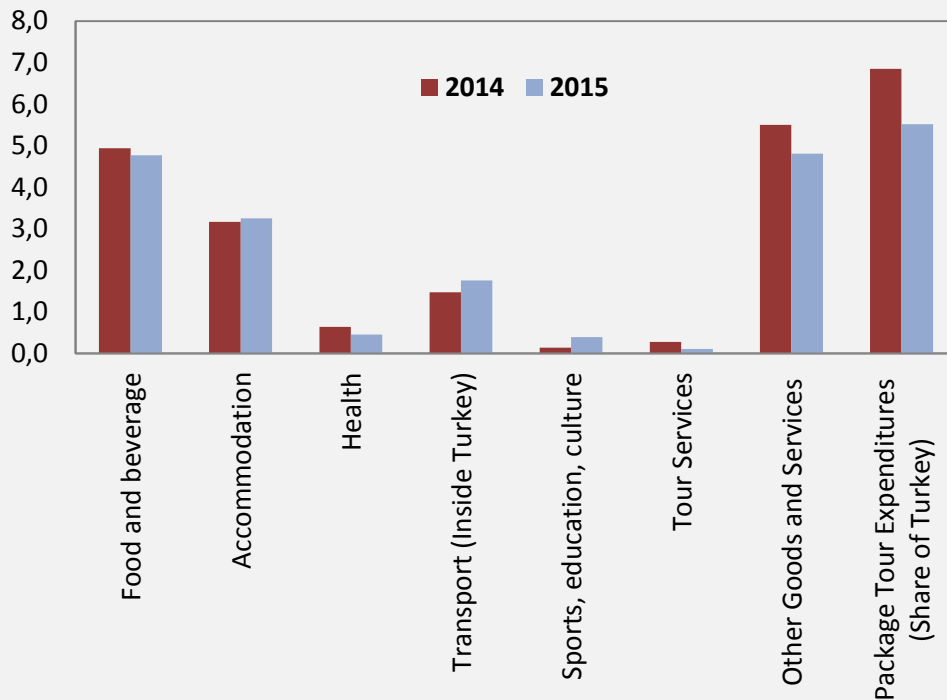
Source: TurkStat, CBRT.

Chart 3: Countries with the Largest Change in the Number of Visitors (Total of January-September 2015, thousand people)

Source: TurkStat.

Lastly, when the travel revenues are examined by the types of expenditures, the main item is that of package tour expenditures which registered the largest decline in the first nine months of 2015 (USD 1.3 billion and 19.1 percent decline) (Chart 4 and Table 2).

Chart 4: Travel Revenues by the Types of Expenditures
(January-September, billion USD)



Source: TurkStat.

Table 2: Travel Revenues by the Types of Expenditures (January-September, billion USD)

	2014	2015	percentage change
Personal Expenditures	16,1	15,5	-3,7
Food and beverage	4,9	4,8	-3,6
Accommodation	3,2	3,3	2,7
Health	0,6	0,5	-29,5
Transport (Inside Turkey)	1,5	1,8	19,7
Sports, education, culture	0,1	0,4	191,4
Tour Services	0,3	0,1	-60,9
Other Goods and Services	5,5	4,8	-12,6
Package Tour Expenditures (Share of Turkey)	6,9	5,6	-19,1
Total	23,0	21,1	-8,4

Source: TurkStat.

To sum up, travel revenues, after having recorded an uptrend in the last three years, displayed a fall in 2015 from the previous year, both in the first nine months of the year and also in terms of annualized data. The determinants of these developments were the exchange rate effect, the decrease in visitors from Russia and the decline in package tour expenditures.

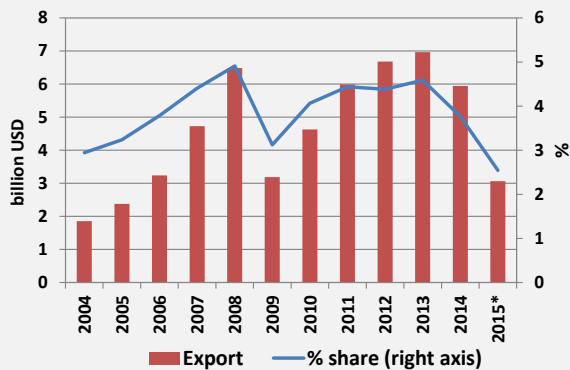
Box 2

Assessment of the Economic Relations Between Turkey and Russia from the Perspective of Balance of Payments

Russia announced a series of political and economic measures in the last quarter of 2015 following the developments in political relations between Turkey and Russia. This box examines the likely economic impacts of these measures with a perspective on the current state of Russia in the economic and trade relations with Turkey.

Russia is the fourth largest market for Turkey's exports. The share of exports to Russia, fourth largest market for Turkey's exports, in total exports rose until 2008, then decelerated due to the crisis and later picked up again to reach 4.6 percent of all exports with an amount of USD 7 billion in 2013. In 2014, exports to Russia slipped slightly; in 2015, they dropped significantly (Chart 1). Comparison of the first ten months of 2014 and 2015 shows that while the share of the exports to Russia was 3.8 percent of all exports with an amount of USD 5 billion in the former period, it declined to 2.5 percent of all exports by decreasing to USD 3.1 billion in the latter. In this period, Turkey's total exports fell by 8.2 percent while exports to Russia fell by 38.9 percent (Table 1).

Chart 1: Exports to Russia and Its Share in Total Exports



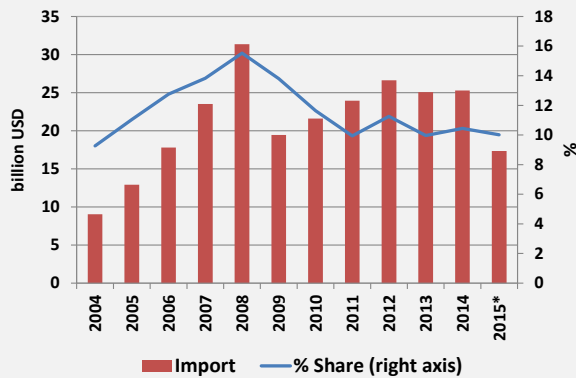
* January-October
Source: TurkStat

Table 1: Exports to Russia (January-October, billion USD)

	2014	2015	% change
Exports to Russia	5,0	3,1	-%38,9
Total Exports	131,3	120,5	-%8,2
Share of Russia	%3,8	%2,5	

Source: TurkStat

Russia was Turkey's leading import partner in 2014. The share of Russia in Turkey's total imports followed a continuous upward trend in the 2004-2008 period and reached to 15.5 percent. This share dropped during the crisis period and was around 10.0 percent with a flat course in 2011 and afterwards (Chart 2). The comparison of the first ten months of 2014 and 2015 shows that while the share of imports from Russia was 10.6 percent of total imports with an amount of USD 21.1 billion in the former period, it declined to 10.0 percent of total imports by decreasing to USD 17.3 billion in the latter. In this period, Turkey's total imports fell by 13.0 percent while imports from Russia fell by 17.8 percent (Table 2).

Chart 2: Imports from Russia and Its Share in Total Imports

* January-October
Source: TurkStat

Table 2: Imports from Russia (January-October, billion USD)

	2014	2015	% change
Imports from Russia	21,1	17,3	-%17,8
Total Imports	199,0	173,2	-%13,0
Share of Russia	%10,6	%10,0	

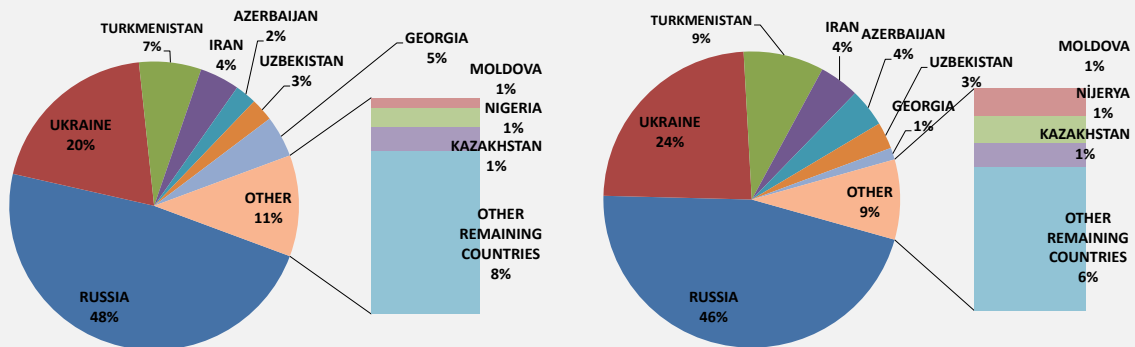
Source: TurkStat

Shuttle trade is quite significant in terms of the balance-of-payments defined external trade item. In the first nine months of 2015 shows that the number of shuttle traders decreased by some 10 percent and shuttle trade revenues by almost 34 percent compared to the same period of previous year. Russia is Turkey's leading partner in shuttle trade and in terms of the number of shuttle traders and shuttle trade revenues. The number of shuttle traders accounting for Russia's share in shuttle trade displayed a slight decline of 2 percent in the said period (Chart 3). Meanwhile, the drop in average expenditures was the main determinant of the decline in shuttle trade revenues.

Chart 3: Number of Shuttle Traders (percent share)

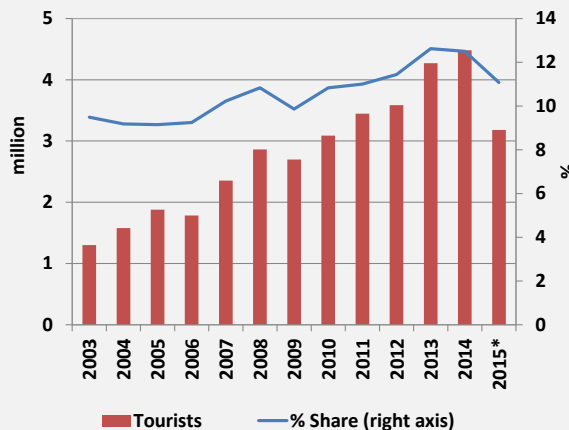
2014 (January-September)

2015 (January-September)



Source: TurkStat

Russia's share in the total number of tourists visiting Turkey rose steadily from 2009 and reached 12.5 percent in 2014. However, this ratio fell back to 11.0 percent in the first ten months of 2015 (Chart 4). The number of tourists from Russia, which had 13.9 percent share of total with 4 million people in the first nine months of 2014, declined to 11.1 percent share with 3.2 million people in the same period of 2015. While the total number of tourists visiting Turkey (excluding the Turkish citizens) decreased by a mere 0.1 percent in this period, the decline in the case of the Russian tourists was as high as 20.7 percent (Table 3).

Chart 4: Tourists from Russia and Percent Share in Total

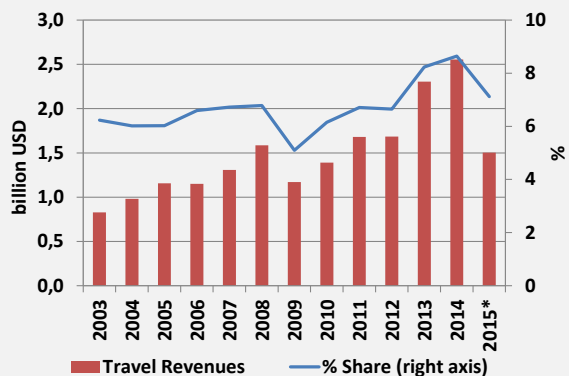
* January-September.
Source: TurkStat

Table 3: Number of Tourists from Russia (January-September, million people)

	2014	2015	% change
Number of Tourists from Russia	4,0	3,2	-%20,7
Total Number of Tourists (Excluding Turkish citizens residing abroad)	28,7	28,7	-%0,1
Share of Russia	%13,9	%11,1	

Source: TurkStat

Russia's share in Turkey's annual travel revenues remained flat around 6 percent in the 2003-2008 period, then assumed an upward trend after the 2008 crisis to reach 8.6 percent in 2014 (Chart 5). A comparison of the first nine months of 2014 and 2015 shows that the share of travel revenues from Russia in total travel revenues, which was 9.7 percent with an amount of USD 2.2 billion in the former period, decreased to 7.1 percent with an amount of USD 1.5 billion in the latter. While Turkey's total travel revenues dropped by 8.4 percent in these periods, travel revenues originating from Russia plummeted by 33.0 percent (Table 4).

Chart 5: Travel Revenues from Russia and Share in Total Revenues

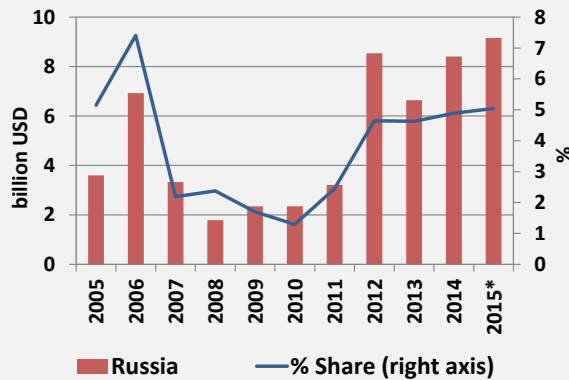
* January-September.
Source: TurkStat

Table 4: Travel Revenues from Russia (January-September, bio USD)

	2014	2015	% change
Travel Revenues from Russia	2,2	1,5	-%33,0
Total Travel Revenues	23,0	21,1	-%8,4
Share of Russia	%9,7	%7,1	

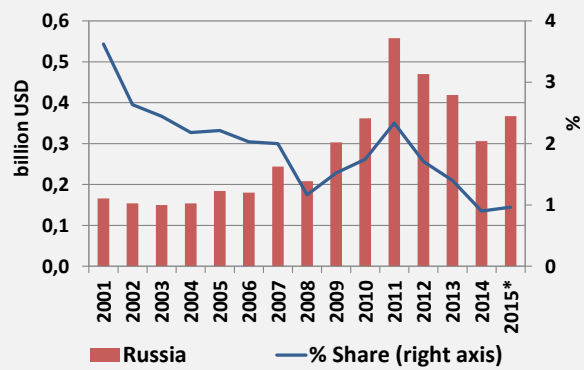
Source: TurkStat

Russia's direct investments to Turkey in stock value were USD 6.9 billion in 2006, making up 7.4 percent of total direct investments. The following years witnessed a downtrend in direct investments, yet they picked up again as of 2012 to record USD 9.2 billion and reached to 5 percent of total by October 2015 (Chart 6). Meanwhile, the direct investments of Turkish residents to Russia, which were below USD 200 million in stock value until 2008, rose steadily from 2009 onwards and reached USD 558 million in 2011. This uptrend was reversed in the following years and the direct investments of Turkish residents to Russia declined to USD 367 million by October 2015 (Chart 7).

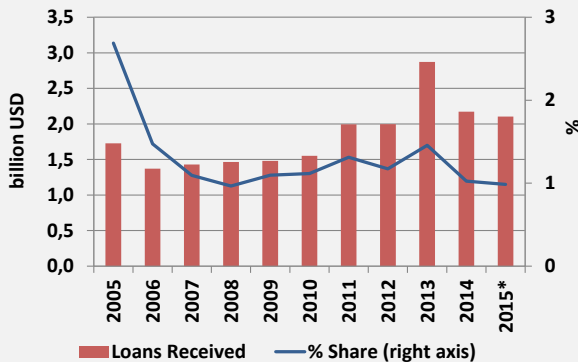
Chart 6: Russia's Direct Investments in Turkey

* January-September.

Source: CBRT

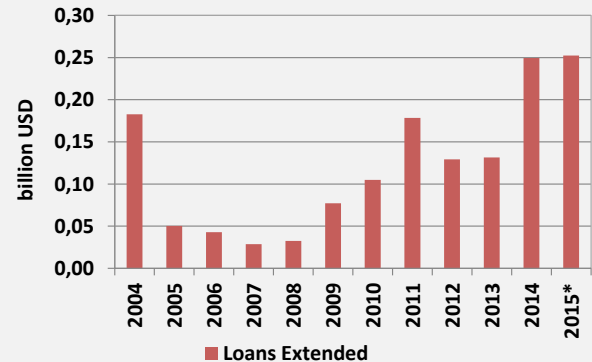
Chart 7: Residents' Direct Investments in Russia

The amount of credits (in stock value) received by the private sector from Russia, after having displayed a flat course in the 2005-2010 period, recorded its highest value in 2013, with USD 2.9 billion. By October 2015, the credit stock received by the private sector from Russia amounted to USD 2.1 billion and 1 percent of total credit stock (Chart 8). Meanwhile, the credit stock extended by the Turkish banking sector to Russia was USD 37 million in the 2006-2009 period and later rose to USD 252 million by October 2015 (Chart 9).

Chart 8: Loans Received from Russia by the Turkish Private Sector (Stock figure)

* By October

Source: CBRT

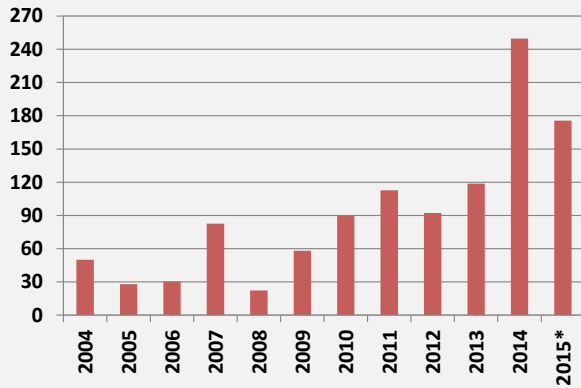
Chart 9: Loans Extended to Russia by the Turkish Banking Sector (Stock figure)

* By October

Source: CBRT

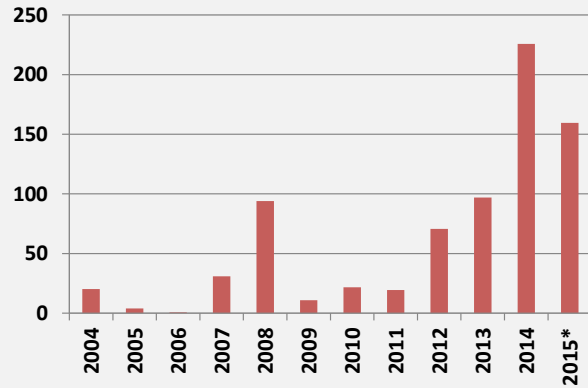
The deposits of Turkey's banking sector in Russia, being at a level of USD 45 million on average in the pre-2009 period, assumed an upward trend and increased to USD 250 million at end-2014. However, the deposits of Turkey's banking sector fell by the end of third quarter of 2015 to USD 176 million (Chart 10). While the deposit liabilities of the Turkish banking sector to Russia remained below USD 20 million until 2012 (except for the year 2008), by the third quarter of 2015 they rose to USD 156 million (Chart 11).

Chart 10: Turkish Banking Sector's Deposit Assets in Russia
(stock figure, million USD)



* By September
Source: CBRT

Chart 11: Turkish Banking Sector's Deposit Liabilities to Russia
(stock figure, million USD)



* By September
Source:CBRT

Finally, the assessment of the portfolio investments shows that Russian residents had USD 5.5 million worth of government debt securities by November 2015. Meanwhile, analysis of the eurobond investments of non-residents reveals that Russia was in possession of USD 5.0 million worth of eurobonds by 11 June 2015. As for the Russian securities possessed by Turkish residents, they amounted to USD 16 million by the end of September 2015.

To sum up, when compared the present data for 2015 with data of the previous year within the framework of economic relations with Russia and recent economic developments, downward influences are observed in exports, imports, shuttle trade and travel revenues that are main items of the current account. However, the analysis of the Balance of Payments financial account reveals that the transactions carried out with Russia are not definitive.

The uptrend in net transportation revenues observed since 2014Q1 continued in this quarter as well. In 2015Q3, transportation revenues rose by 1.2 percent while transportation expenditures decreased by 27.1 percent, thus, net transportation revenues increased by 50.2 percent. This rise can be mainly attributed to a 15.8 percent rise in other transportation revenues composed of international passenger and baggage transport and postal and courier services coupled with the 56.5 percent decline in net freight expenditures. In this period, the share of foreign carriers in imports declined by 1.0 point quarter-on-quarter to 48.4 percent.

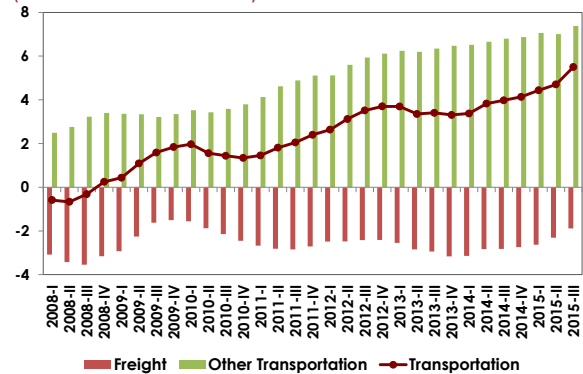
1.7 Primary Income Balance

In 2015Q3, the primary income balance posted net outflows in its compensation of employees and investment income balance sub-items. Net outflows from the primary income balance decreased by 7.8 percent year-on-year to USD 2.1 billion. Outflows from direct investments and other investments items under the investment income item decreased year-on-year to stand at USD 0.4 billion and 0.6 billion, respectively. Outflows from portfolio investments increased year-on-year and stood at USD 0.8 billion.

1.8 Secondary Income Balance

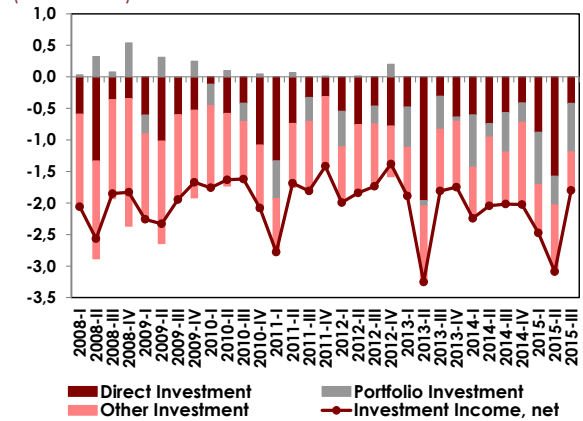
Net inflows in the secondary income balance, which consists of current transfers of the general government and other sectors, increased compared to the previous quarter. In this quarter, the secondary income balance contracted by 13.3 percent year-on-year, registering a net inflow of USD 293 million. This decline can be attributed to the 23.1 percent rise in net inflows in general government that includes grants between countries against the 8.3 percent decline in workers' remittances item under other sectors.

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



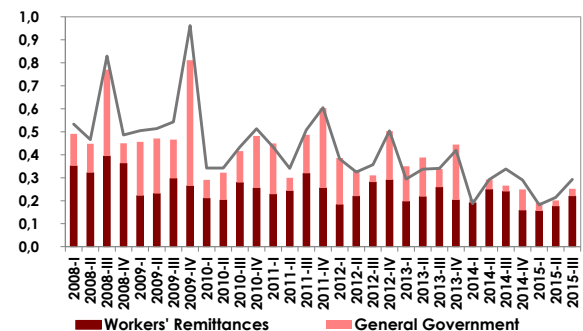
Source: TURKSTAT, CBRT.

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



Source: CBRT.

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



Source: CBRT.

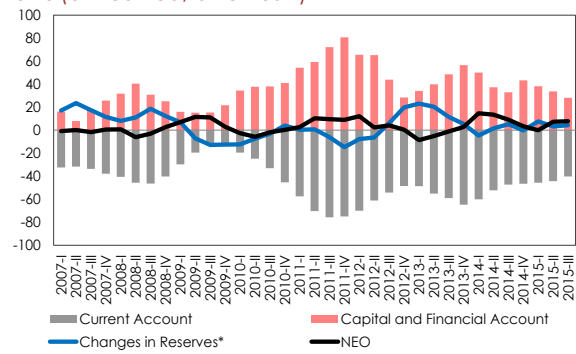


The global risk appetite followed a fluctuating trend in the third quarter of 2015. The primary factors negatively affecting the global risk appetite in this period were the lingering weak trend as well as divergence in the global economic activity coupled with the financial volatility caused by uncertainties in monetary policies. Meanwhile, the intensification of lingering adverse geopolitical and political developments in Syria stood out as a Turkey-specific factor affecting financial movements. A breakdown of financial accounts in the balance of payments by main headings reveals that direct investments, which have been low and flat since the turn of 2014, assumed an uptrend in the third quarter of 2015 with the impact of several high-volume inflows. Portfolio investments continued to post outflows due to the worsening global risk appetite. As for other investment inflows, although the banking sector's and other sectors' debt rollover ratios -including bonds- declined slightly quarter-on-quarter, they remained above the 100 level.

In the third quarter of the year, the financing requirement decreased compared to the same quarter of the previous year. The financing requirement item decreased by USD 7.9 billion quarter-on-quarter to USD 17.0 billion.¹

In this quarter, the share of debt-creating flows in total liabilities dropped while that of non-debt-creating flows grew year-on-year. Debt-creating flows and non-debt-creating flows increased by USD 3.5 billion and USD 5.1 billion, respectively.

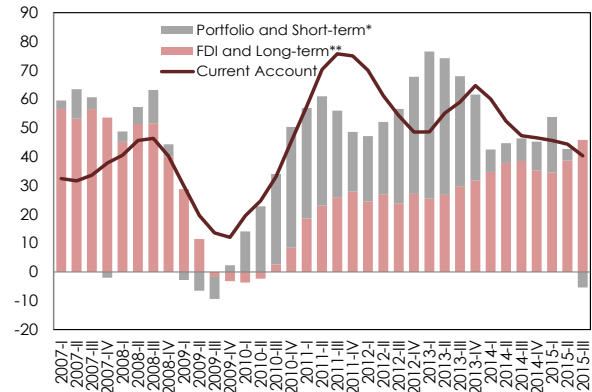
Chart 21. Current Account Balance and Net Financial flows (annualized, billion USD)



Source: CBRT.

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

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

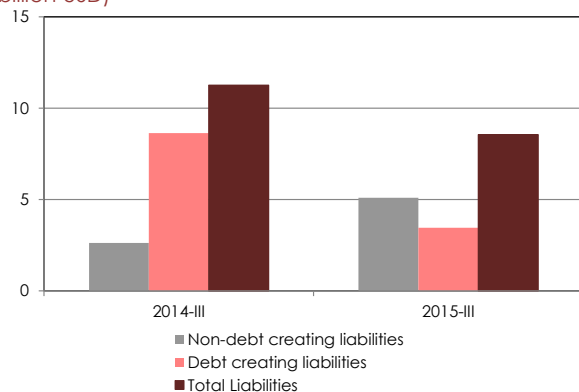


Source: CBRT.

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

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

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



Source: CBRT.

¹ See Annex Tables, "Financing Requirements and Sources".

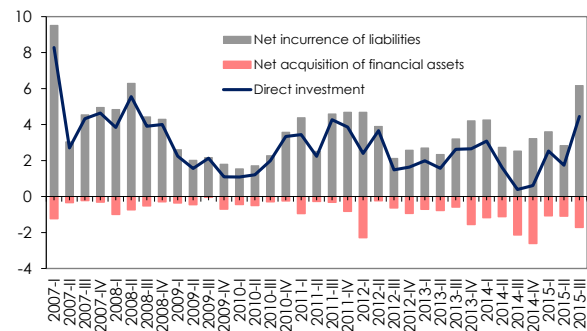
2.1 Direct Investment

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

In the third quarter of 2015, the amount of direct investments in Turkey was USD 6.2 billion. The majority of these investments were composed of investments in the manufacturing sectors as well as in financial and insurance activities. In this quarter, while the share of investments from Asian countries in the equity capital item under the direct investments in Turkey dropped to 3.5 percent, those from European and American countries increased to 68.8 percent and 27.2 percent, respectively.

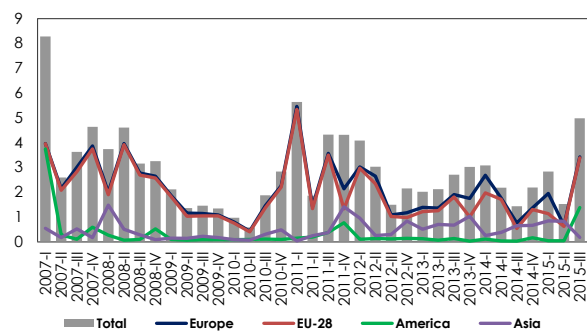
In the third quarter of the year, Turkey's direct investments abroad slightly increased quarter-on-quarter and became USD 1.7 billion. The share of European countries in the equity capital item of the direct investments abroad rose to 64.0 percent and that of American countries decreased to 27.5 percent.

Chart 24. Direct Investment
(billion USD)



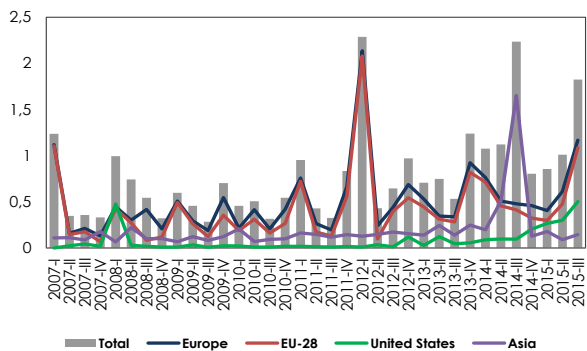
Source: CBRT.

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



Source: CBRT.

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



Source: CBRT.

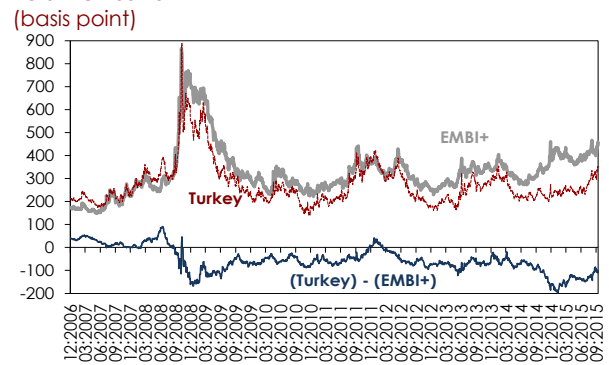
2.2. Portfolio Investment

In the third quarter of 2015, concerns over growth in the EU as well as in the energy-exporting countries stood as the primary factor affecting portfolio flows into emerging economies. In this quarter, Turkey's risk premium remained below the average risk premium of the Emerging Markets Bond Index (EMBI+) and the gap between the two risk premia decreased slightly compared to the previous quarter.

In the third quarter of the year, outflows from the portfolio investments accelerated. In terms of investment instruments, all main items including equity securities and debt securities posted net outflows throughout the quarter. In this period, the stock market and the GDDS market recorded net outflows of USD 1.1 billion and USD 2.2 billion. The maturity structure of the portfolio investment item slightly worsened quarter-on-quarter.

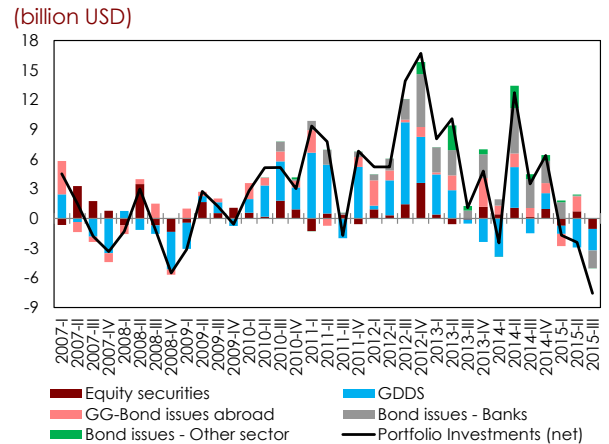
The decline in bonds issued by banks and other sectors abroad further accelerated. Through these bond issues abroad, banks realized a net repayment of USD 1.8 billion in the third quarter of the year. Consequently, by September 2015, the stock of debt securities issued by banks and other sectors abroad decreased to USD 30.9 billion. Meanwhile, non-residents sold net USD 9 million worth of domestic debt securities to banks.

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



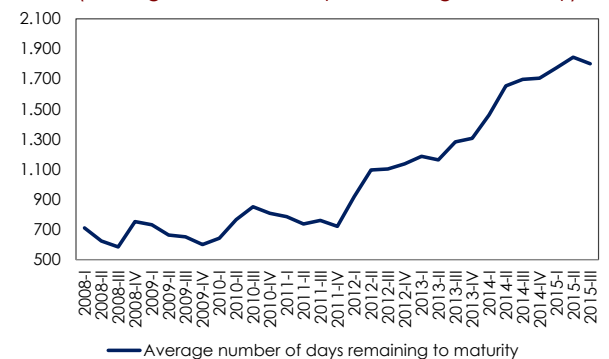
Source: JP Morgan.

Chart 28. Portfolio Investment - Liabilities



Source: CBRT.

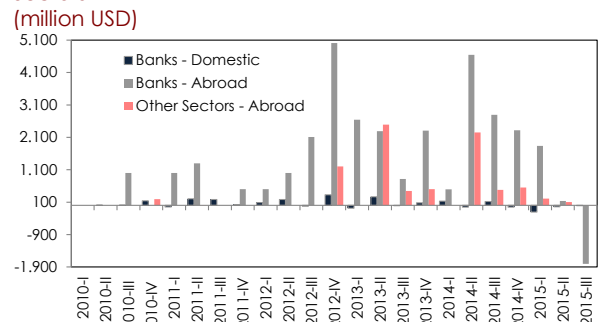
Chart 29. Maturity Structure of Non-Residents' Holdings of GDDS (average number of days remaining to maturity)*



Source: CBRT.

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

Chart 30. Debt Securities Issued by Banks and Other Sectors



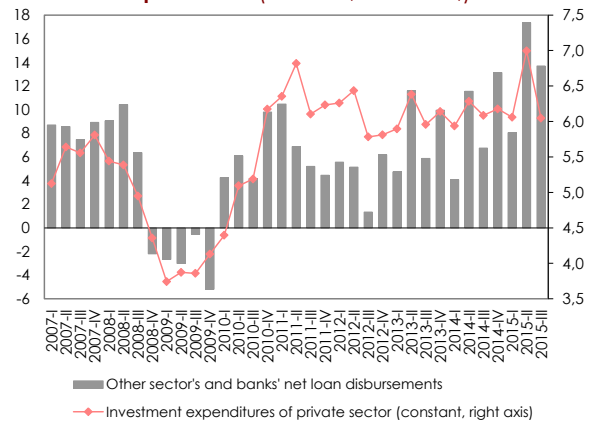
Source: CBRT.

2.3 Loans and Deposits

In 2015Q3, neither the banking sector nor other sectors had any supply-side constraints in external borrowing through loans. In this period, the banking sector became a net borrower due to the rise in total loans used by this sector. The shift from short-term borrowing to long-term borrowing, which started in the second quarter, continued in the third quarter. This shift is attributed to the impact of the arrangements that the Central Bank introduced to extend the maturity of banks' external borrowing. In 2015Q3, banks used net USD 8.6 billion of long-term loans and repaid USD 6.8 billion of short-term loans. Banks' total debt rollover ratio (in short and long-term loans) increased quarter-on-quarter to 107 percent; when borrowing through loans is included, the ratio drops to 100 percent.

Meanwhile, other sectors were net borrowers in both short-term and long-term loans, with long-term loans having a larger share. In 2015Q3, net USD 2.5 billion worth of long-term loans were used and the debt rollover ratio was 147 percent. When short-term loans and borrowings through bonds are included, the total debt rollover ratio of other sectors decreased quarter-on-quarter to 131 percent.

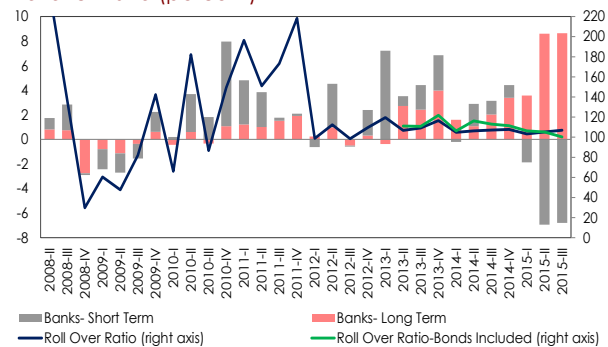
Chart 31. Net Long-Term Loan Utilization* (billion USD, covering the effect of Decree No: 32) and Other Sectors' Investment Expenditures (billion TL, 1998=100,)



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

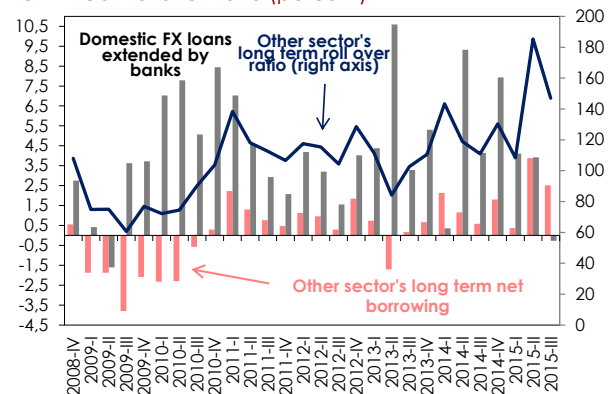
Source: CBRT.

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



Source: CBRT.

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



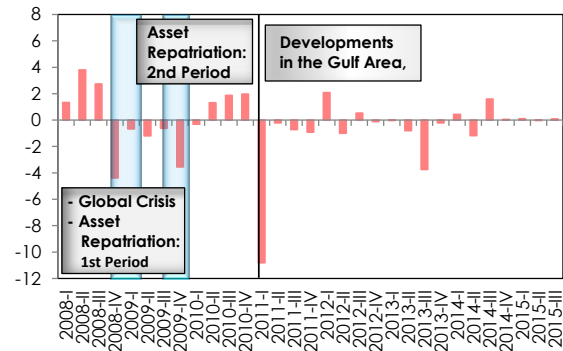
Source: CBRT.

The indicative data on residents' deposits in banks abroad point to a USD 85 billion-rise in the third quarter. These data are recorded in the balance of payments table under the “Financial Account / Other Investment / Currency and Deposits / Net Acquisition of Financial Assets / Other Sectors”. This item stands as an important source of information that allows monitoring of capital movements as rapid and short-term movements are observed in these accounts particularly in times of financial turbulence.

The implementation allowing non-resident Turkish citizens to open long-term FX deposit accounts with letters of credit and super FX accounts at the Central Bank was terminated on 1 January 2014. As the accounts that matured were closed, a net outflow of USD 440 billion was registered in these accounts in 2015Q3.

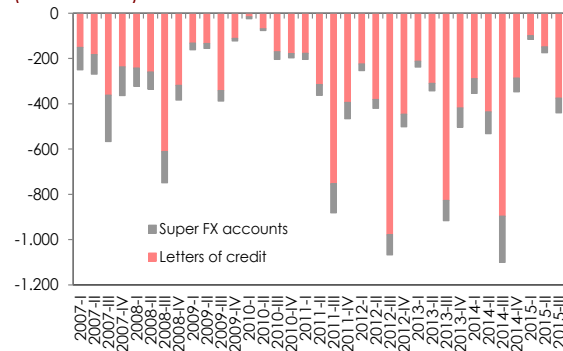
In this period, there were deposit flows to Turkey both from banks abroad and non-resident persons. In 2015Q3, the amount of FX deposits kept by banks abroad in domestic banks decreased by net USD 1.2 billion while TL deposits increased by USD 2.1 billion; thus deposits in domestic banks kept by banks abroad posted a net increase of TL 0.9 billion. Meanwhile, non-residents' deposits increased by net USD 1.5 billion. Consequently, deposits kept in domestic banks by non-resident sources posted a net inflow of USD 2.4 billion.

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



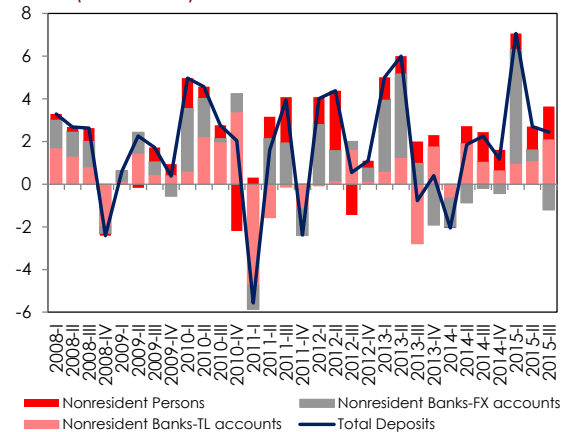
Source: CBRT.

Chart 35. Deposits within the CBRT (million USD)



Source: CBRT.

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



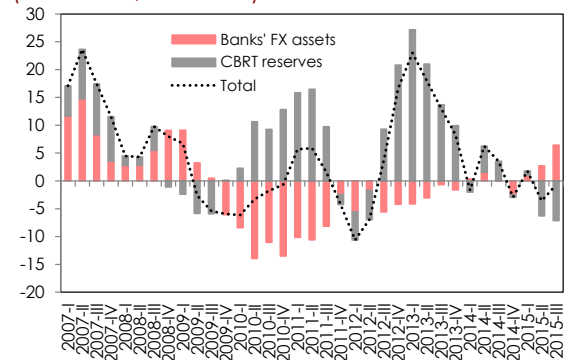
Source: CBRT.

The reserve assets item in the balance of payments statistics, which posted outflows in the first two quarters of the year, increased in the third quarter mainly owing to the capital inflows in July. This rise can mainly be attributed to the FX inflows originating from the repayment of rediscount loans extended to exporters by the Central Bank and the increase in accounts that banks hold at the CBRT. FX sales to energy-exporting SEEs and banks and interest payments for Treasury bonds issued abroad were the main outflow items from the reserves.

In 2015Q3, the CBRT's gross international reserves decreased by USD 1.1 billion quarter-on-quarter to USD 119.6 billion. For the January-November period, the gross international reserves stock decreased by USD 10.8 billion compared to December 2014 to USD 116.7 billion at the end of November 2015. 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, expanded by 1.5 percent compared to the end of the previous quarter and stood at USD 170.7 billion. As a result, the ratio of total international reserves to STED, which is considered as one of the reserve adequacy indicators, was recorded as 83.3 percent. However, this ratio becomes 102.7 percent when branches and affiliates abroad are excluded.

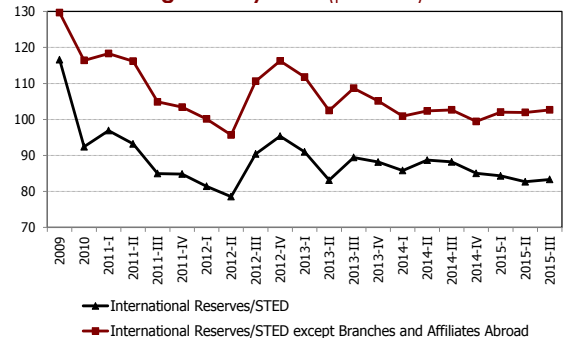
The Net Errors and Omissions (NEO) item posted a net inflow of approximately USD 3.5 billion in 2015Q3. In annual terms, the 12-month cumulative NEO stood at USD 7.8 billion in the third quarter and the ratio of 12-month cumulative NEO to total FX inflows rose to 3.8 percent (Box 4).

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



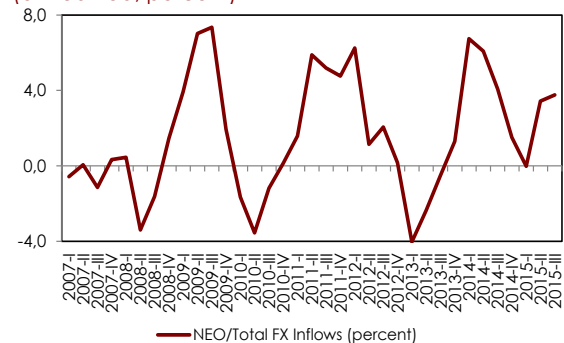
Source: CBRT.
Note: (+) increase; (-) decrease

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



Source: CBRT.

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



Source: CBRT.

Box 3

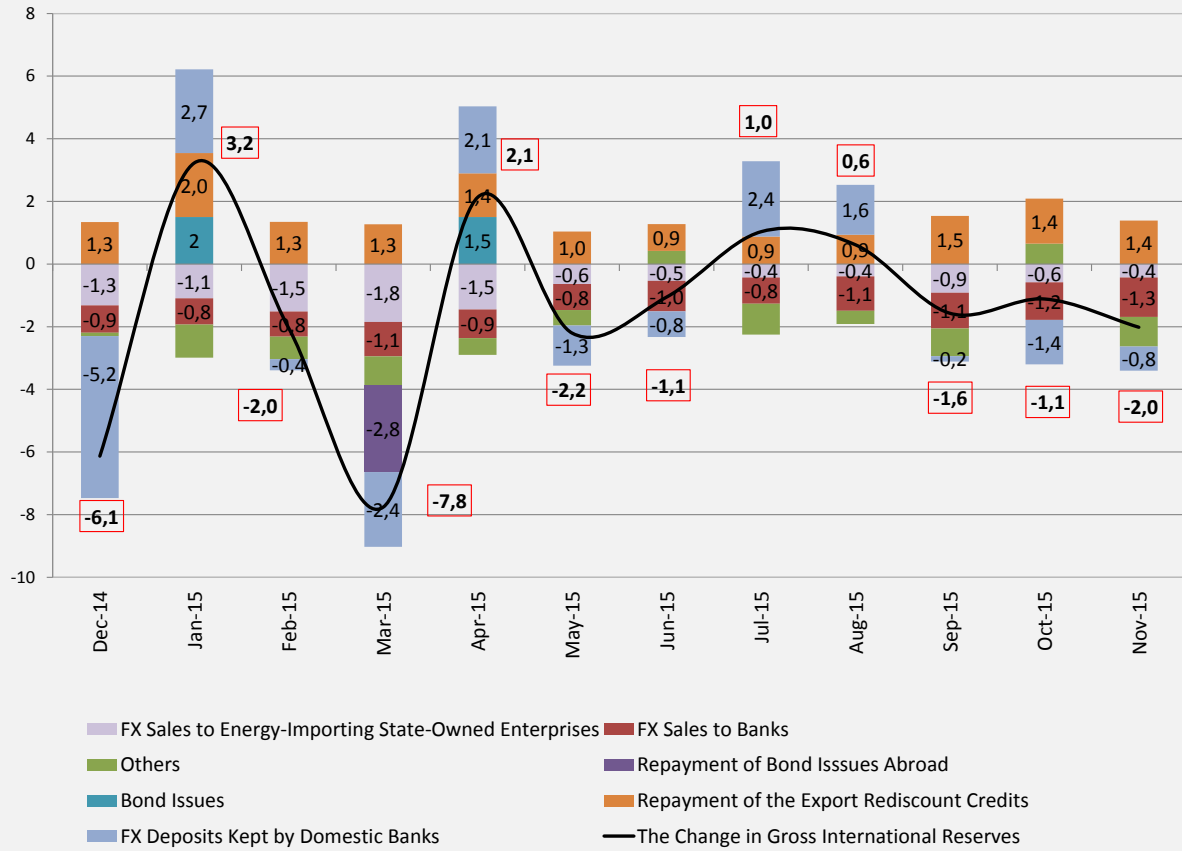
Key Factors of the Change in International Reserves

The Central Bank of Turkey (CBRT) started to implement new macroprudential measures towards containing macrofinancial risks and supporting prudent borrowing by taking into account the latest developments in the global markets. The changes made in the reserve requirement ratios and export rediscount credits are two of these policies. This box analyzes the key factors of the changes in international reserve stock for January-November 2015 period, which occurred after the mentioned policies and other implementations were introduced.

The reserve requirement ratios for FX non-core short-term liabilities of banks and financing companies were revised in January 2015. The objective of this change was to encourage the extension of maturities of non-core liabilities and to contribute to the Central Bank's FX reserves. Moreover, on 23 January 2015, the scope of the export rediscount credits was widened and the credit limit was raised from USD 15 billion to USD 17 billion. As these credits are repaid in foreign exchange, the export rediscount credits are considered as an instrument that reinforces international reserves. Meanwhile, it was decided that a certain portion of the FX needs of the energy-importing state-owned enterprises would be directly met by the CBRT and the Undersecretariat of Treasury. The implementation took effect on 17 December 2014. FX sales to energy-importing state-owned enterprises have a downward impact on international reserves.

The change in international reserves reflects all FX transactions with residents and non-residents. In the January-November 2015 period, gross international reserves decreased by USD 10.8 billion and stood at USD 116.7 billion at the end of November (Chart). In this period, even if the reserves increased as a result of the measures introduced to support financial, the factors decreasing reserves were more dominant. In January-November 2015, major outflows in the reserves were composed of FX sales to banks (USD 11.0 billion), FX sales to energy-importing state-owned enterprises (USD 9.8 billion) and other outflows (USD 5.9 billion). Meanwhile, FX deposits kept by domestic banks at the CBRT (reserve requirement accounts, 2-day notice FX accounts and others) increased by USD 1.6 billion between January and November. This rise may be attributed to the arrangements introduced for the reserve requirement ratios. In the same period, export rediscount credit repayments stood out as the item providing the highest contribution to the reserves with USD 15.5 billion. In the 11-month period, the Treasury issued bonds abroad at the amount of USD 3.0 billion and repaid USD 2.8 billion. Therefore, a net rise of USD 250 million was rendered in reserves via bond issues.

Chart. Key Factors of the Change in Gross International Reserves
(billion USD)



Source: CBRT

To conclude, an analysis of the change in gross international reserves between January and November 2015 reveals that the exports rediscount credit repayments was the most important factor that contributes to the reserves. Moreover, it can be asserted that the changes made in reserve requirements made an upward impact on the FX deposits of banks kept at the Central Bank and thus in gross international reserves. Meanwhile, the FX sales to energy-importing state-owned enterprises and FX sales to banks through auctions were the two main factors decreasing FX reserves. In the upcoming period, the FX sales to energy-exporting state-owned enterprises are expected to decline significantly and the downward impact of these transactions on reserves will be eased.

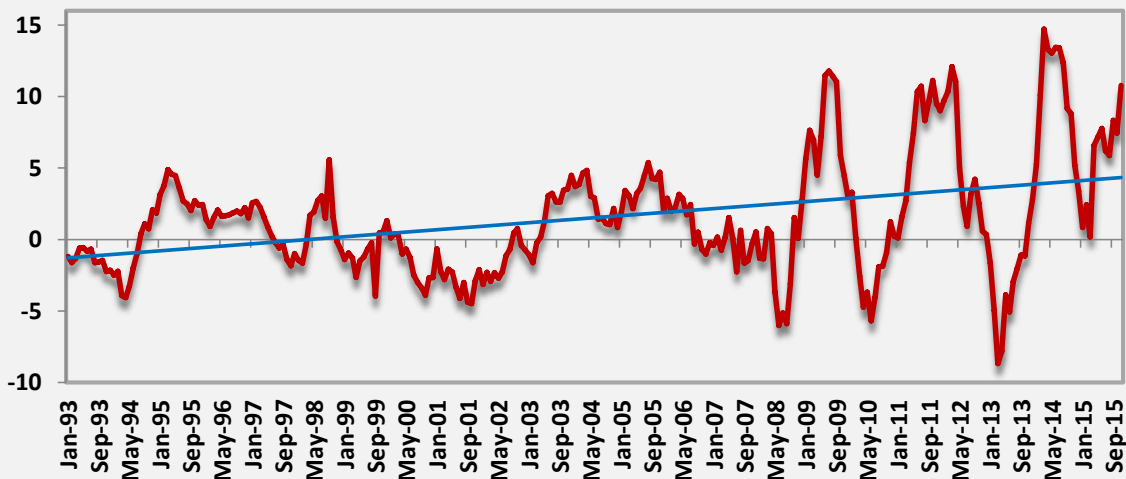
Box 4

Net Errors and Omissions: 2008 and After

As Balance of Payments Statistics are compiled from different sources, differences occur in valuation, measurement and time of recording. As a result, the sum of the “Current Account” and the “Capital Account” is not always equal to the “Financial Account” and the discrepancy is reflected in the “Net Errors and Omissions (NEO)” item as a residual. The NEO in Turkey’s balance of payments statistics, is believed to be influenced by economic policies and foreign exchange legislation that are subject to change over time, the course of the global economy, the expectations of economic actors and the reflection of their expectations in their behaviours.

The annualized NEO item displayed a cyclical movement in the 1993-2015Q3 and this cyclical movement realized in a symmetrical range around the trend slope. Also observed related to the course of the NEO is that the band of volatility widened from 2008 onwards (Chart 1).

Chart 1: Annualized NEO (billion USD)



Source: CBRT

The fact that the NEO displayed a quite high degree of volatility from 2008 onwards, as seen by how far it deviates from the close-to-zero slope (blue line), may be examined with respect to the following factors:

i. The Amendment to the “Decree No. 32 on the Protection of the Value of Turkish Currency” dated February 8, 2008

The fact that the NEO recorded high levels in absolute terms after 2008 may be assessed within the context of the change in the disposal of export proceeds by the amendment of February 8, 2008, No. 2008/13186 to the “Decree No. 32 on the Protection of the Value of Turkish Currency”. With this amendment, export proceeds were allowed to be freely disposed. In addition, there is

also no obligation to repatriate the income from services exports, which in turn is believed to have increased the deposits abroad of residents. That is; the repatriation of export proceeds in full amount in the period when the exportation was made would not result in NEO (whether the export proceeds are converted into Turkish lira or not). However, if the export proceeds were not repatriated, and deposited abroad and later transferred to foreign exchange (FX) deposit accounts held with domestic banks, they may be regarded to be a determinant of NEO. Such transactions are believed to intensify in periods when capital inflows weaken, the Turkish lira depreciates and/or exchange rate volatility increases (Chart 2).

Chart 2. NEO and Change in Exchange Rate*
(monthly, billion USD)

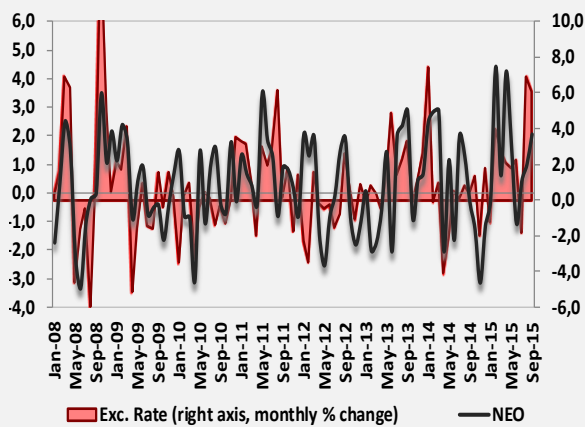
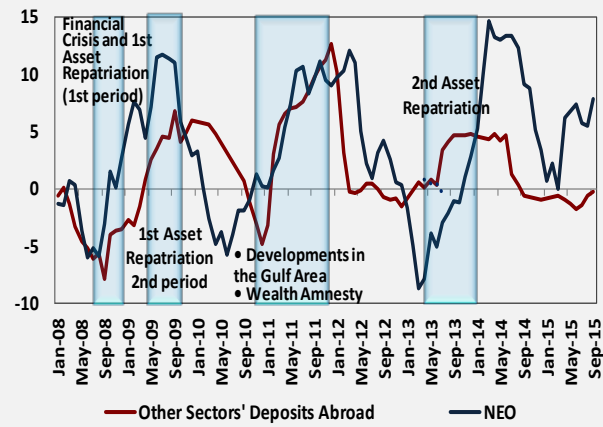


Chart 3. NEO and Residents' Deposits Abroad
(annualized, billion USD)



* The change in the exchange rate is the monthly percent change in the FX basket made up of 0.5 USD and 0.5 euro. Positive values denote depreciation in the TL while negative values mean appreciation.

** Data is annualized and is expressed in terms of USD bio. Positive values in the graph show a decrease in the deposits abroad and negative values show an increase in the deposits abroad.

Source: CBRT

ii. The Fact that It Is Not Possible to Fully Cover Transactions Regarding the Residents' Deposits Abroad:

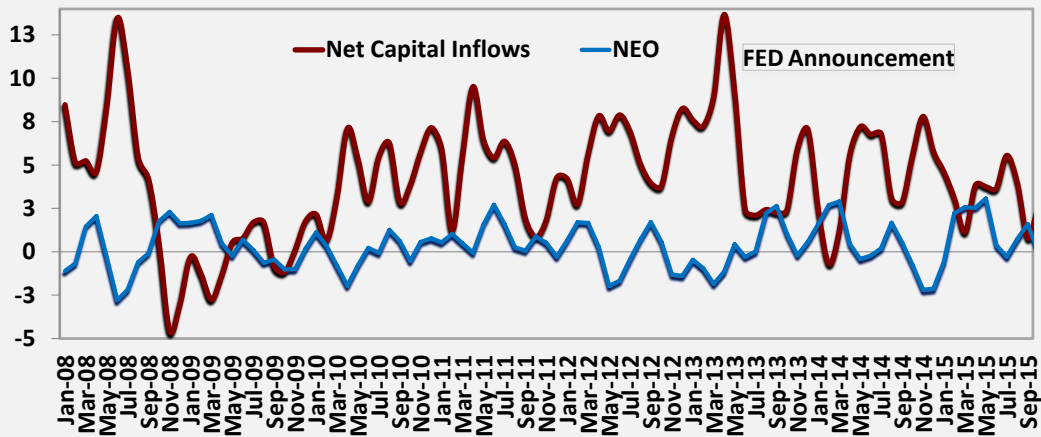
The NEO displays an increase in periods of unfavorable geopolitical developments and in times of implementations such as a tax amnesty /asset repatriation (Chart 3). The financing of a current account deficit is possible by an increase in external financial liabilities and/or a decline in external financial assets. In times when the net capital inflows by non-residents are on a decline, the current account deficit begins to be financed more by residents. In other words, a decrease is recorded in the external assets of the non-bank residents, which also includes their deposits abroad.

Chart 4 depicts the relationship between the NEO item and the net capital inflows by non-residents, calculated by the sum of the liabilities items of the "Financial Account" (Direct Investment, Portfolio Investment and Other Investment liabilities). The inverse movement of the

related series implies that the “residents’ deposits abroad” is considerably significant in explaining the NEO.

In compliance with the Balance of Payments Statistics methodology, the deposits abroad (including the deposits held within the foreign branches of resident banks) of non-bank residents are recorded under the “Financial Account / Other Investment / Currency and Deposits / Net Acquisition of Financial Assets / Other Sectors”. The data source for these deposits is the “Local Banking Statistics” published by the Bank for International Settlements (BIS). Within this context, any decrease in deposits abroad that is not reflected in the BIS Statistics is considered to lead to an increase in the NEO.

Chart 4: Net Capital Inflows By Nonresidents and NEO
(2 month moving average, billion USD)



Source: CBRT

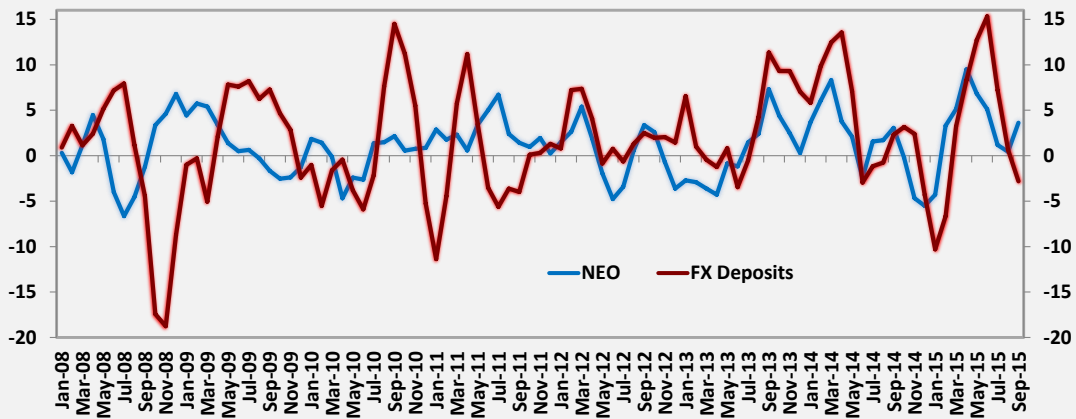
It is possible to make the following inferences as regards to the scope of the BIS data, for which currently there is no alternative:

- Currently, 44 countries report to the BIS. Countries such as Malta and Russia, which may have considerable amount of transactions in relation to Turkey, are not among these countries. Besides, it is also considered that the coverage related to Turkey may not be full for every reporting country.
- The scope of the BIS data, compiled on the principle of residency, is known to be limited to “real and legal persons opening deposit accounts as residents of Turkey” in the member countries who report to the BIS. However, as the deposits of the companies established abroad (in off-shore centers such as Holland and Luxembourg) by real and legal persons resident in Turkey are treated as domestic deposits of those countries with respect to the residency principle, they are not recorded under the BIS data for Turkey.

iii. The Depreciation of the Turkish Lira and the Residents' Foreign Exchange (FX) Deposit Accounts:

Residents' FX deposit accounts held with domestic banks increased by USD 15.8 billion in the January-September 2015 period, as compared to end-2014. The depreciation of the Turkish lira in the said period by 31.3 percent and 19.6 percent (in nominal terms based on average FX buying rates), against the US dollar and the euro, respectively is believed to have led residents to transfer their deposits abroad to domestic banks (Chart 5).

Chart 5: The Residents' FX Deposit Accounts* and the NEO
(3 month rolling sum, billion USD)



Source: CBRT

(*) Data for FX deposit accounts available at: EDDS/General Statistics/Monthly Money and Banking Statistics/Deposits/Deposit Money Banks (Sectoral Breakdown) and Participation Banks' Funds Raised (Sectoral Breakdown): Foreign Currency (excluding Precious Stones Deposit Accounts).

To sum up, it is well known that the share of capital inflows stemming from non-bank residents' deposits abroad increases in the financing of the current account deficit in times of financial volatility, weak capital inflows and/or depreciation of the Turkish lira. The fact that the coverage of the BIS statistics, which is the main data source for non-bank residents' deposits abroad, is not full to leads to an increase in the NEO item. The January-September 2015 period is likewise, and a significant part of the NEO in the amount of USD 13.3 billion in this period is considered to stem from residents' deposits abroad that are not covered by the BIS statistics.

III. Annex Tables

Balance of Payments (billion USD)

	January-September			September (Annualized)		
	2014	2015	% change	2014	2015	% change
Current Account	-31,5	-25,3	-19,8	-47,3	-40,3	-14,8
Goods	-45,5	-37,0	-18,6	-64,8	-55,1	-14,9
Exports	127,2	113,7	-10,6	169,4	155,5	-8,2
Exports (fob)	118,4	107,2		157,8	146,4	
Shuttle Trade	6,7	4,5		8,7	6,3	
Imports	172,7	150,8	-12,7	234,2	210,6	-10,1
Imports (cif)	179,8	156,3		243,9	218,7	
Adjustment: Classification	-9,5	-7,5		-12,9	-10,6	
Services	20,1	19,2	-4,6	25,0	24,2	-3,2
Travel (net)	19,4	17,2		24,7	22,3	
Credit	23,0	21,1		29,8	27,6	
Debit	3,6	3,9		5,1	5,4	
Other Services (net)	0,7	2,0		0,3	2,0	
Primary Income	-7,0	-8,1	16,9	-8,8	-10,4	18,1
Compensation of Employees	-0,7	-0,8		-0,7	-1,0	
Direct Investment (net)	-1,9	-2,9		-2,6	-3,3	
Portfolio Investment (net)	-1,7	-2,1		-1,7	-2,4	
Other Investment (net)	-2,7	-2,4		-3,8	-3,7	
Interest Income	1,2	1,3		1,7	1,7	
Interest Expenditure	3,9	3,7		5,5	5,5	
Secondary Income	0,8	0,7	-15,7	1,2	1,0	-20,8
Workers Remittances	0,7	0,6		0,9	0,7	
Capital Account	-0,1	0,0		-0,1	0,0	
Financial Account	-22,7	-11,9	-47,4	-38,2	-32,5	-15,0
Direct Investment (net)	-5,1	-8,7	71,1	-7,8	-9,3	20,3
Net Acquisition of Financial Assets	4,4	3,9		6,0	6,5	
Net Incurrence of Liabilities	9,5	12,6		13,7	15,8	
Portfolio Investment (net)	-13,7	11,7	-185,2	-18,5	5,3	-128,8
Net Acquisition of Financial Assets	0,7	5,2		0,5	5,2	
Net Incurrence of Liabilities	14,4	-6,5		19,0	-0,1	
Equity Securities	1,6	-1,1		2,8	-0,1	
Debt Securities	12,8	-5,5		16,3	0,0	
GDDS	-1,2	-5,9		-3,6	-4,3	
Eurobond Issues of Treasury	3,2	0,3		6,1	1,3	
Borrowing	6,3	3,0		9,2	4,0	
Repayment	3,1	2,8		3,1	2,8	
Banks (net)	8,1	-0,1		10,5	2,2	
Other Sectors (net)	2,7	0,3		3,2	0,9	
Other Investment (net)	-6,8	-11,1	64,6	-15,4	-21,3	38,6
Currency and Deposits	1,8	1,6		1,7	-0,8	
Net Acquisition of Financial Assets	1,8	13,0		1,7	11,5	
Banks	1,0	12,9		1,1	11,3	
Foreign Exchange	-1,1	7,8		0,1	6,4	
Turkish Lira	2,1	5,1		1,0	4,8	
Other Sectors	0,8	0,1		0,6	0,2	
Net Incurrence of Liabilities	0,1	11,5		0,0	12,3	
Central Bank	-2,0	-0,7		-2,5	-1,1	
Banks	2,0	12,2		2,4	13,4	
Loans	-8,5	-11,3		-16,1	-17,9	
Net Acquisition of Financial Assets	2,0	0,5		2,1	0,3	
Net Incurrence of Liabilities	10,5	11,8		18,3	18,2	
Banks	7,4	5,2		14,3	9,7	
Short-term	2,7	-15,6		5,6	-14,6	
Long-term	4,7	20,8		8,7	24,2	
General Government	-0,9	-0,8		-1,3	-0,8	
Long-term	-0,9	-0,8		-1,3	-0,8	
Other sectors	4,0	7,3		5,3	9,2	
Short-term	0,1	0,5		0,8	0,7	
Long-term	3,9	6,8		4,5	8,6	
Trade Credit and Advances	0,4	-1,1		-0,5	-2,3	
Net Acquisition of Financial Assets	0,0	-0,9		0,8	-1,3	
Net Incurrence of Liabilities	-0,4	0,3		1,4	1,0	
Other Assets and Liabilities	-0,4	-0,3		-0,5	-0,3	
Change in Official Reserves	2,9	-3,8		3,5	-7,1	
Net Errors and Omissions	8,9	13,3		9,2	7,8	

Source: CBRT.

Financing Requirements and Sources (billion USD)

	2014				2014	2015		
	I	II	III	IV		I	II	III
Financing Requirements	-25,4	-22,6	-20,1	-26,4	-94,6	-24,3	-24,9	-17,0
Current Account Balance (Excluding Current Transfers)	-12,0	-13,0	-7,3	-15,3	-47,6	-11,1	-11,7	-3,2
Debt Security and Credit Repayments	-11,5	-10,8	-10,0	-11,6	-43,9	-13,1	-11,1	-11,2
Debt Securities (Abroad)	-4,2	-1,2	-1,8	-2,1	-9,2	-5,2	-2,4	-3,1
Long Term Credits	-7,3	-9,7	-8,2	-9,6	-34,7	-7,9	-8,6	-8,2
Trade Credits	-0,1	0,0	0,0	-0,1	-0,2	-0,1	0,0	0,0
Monetary Authority (IMF)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
General Government (IMF)	-0,5	-1,0	-0,6	-1,0	-3,1	-0,7	-0,7	-0,4
Banks	-1,9	-2,5	-2,2	-2,6	-9,2	-2,8	-3,3	-2,4
Other Sectors	-4,9	-6,1	-5,3	-5,9	-22,3	-4,3	-4,5	-5,3
Other Assets (- indicates to an increase) 1/	-2,0	1,2	-2,8	0,5	-3,0	-0,2	-2,1	-2,6
Financing Sources	25,4	22,6	20,1	26,4	94,6	24,3	24,9	17,0
Current Transfers	0,2	0,3	0,3	0,3	1,1	0,2	0,2	0,3
Capital Account	0,0	0,0	0,0	0,0	-0,1	0,0	0,0	0,0
Direct Investment (Net)	3,1	1,6	0,4	0,6	5,7	2,5	1,7	4,4
Equity Securities (Net)	0,4	1,1	0,1	1,0	2,6	-0,7	0,7	-1,1
Debt Securities and Credits	10,0	27,9	17,3	24,2	79,5	12,8	16,6	12,6
Debt Securities	1,8	13,5	4,7	7,5	27,5	5,0	1,2	-0,9
In Turkey (Net)	-3,8	4,1	-1,3	1,6	0,6	-1,0	-3,0	-2,2
Abroad	5,6	9,4	6,0	5,9	26,9	6,0	4,2	1,3
Long Term Credits	10,8	11,4	10,6	14,8	47,6	11,4	21,0	19,1
Trade Credits	0,0	0,0	0,0	0,0	0,2	0,0	0,1	0,1
Monetary Authority (IMF)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
General Government (IMF)	0,2	0,5	0,5	1,0	2,2	0,3	0,6	0,2
Banks	3,5	3,6	4,2	6,0	17,3	6,4	11,9	11,0
Other Sectors	7,0	7,3	5,9	7,7	28,0	4,7	8,4	7,9
Short Term Credits (Net)	-2,6	3,1	2,0	1,9	4,4	-3,6	-5,6	-5,6
Trade Credits	-2,3	1,4	0,5	0,7	0,3	-1,9	1,4	0,6
Monetary Authority	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
General Government	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Banks	-0,2	1,8	1,1	1,0	3,8	-1,9	-6,9	-6,8
Other Sectors	-0,1	-0,1	0,4	0,1	0,3	0,1	-0,1	0,5
Deposits (Net)	-2,4	1,3	1,1	0,8	0,9	6,9	2,5	2,0
Other Liabilities	0,1	0,2	0,1	0,0	0,5	0,0	0,1	0,1
Net Errors and Omissions	8,3	-2,5	3,1	-5,5	3,4	4,9	5,0	3,5
Banks' Currency and Deposits 2/	0,9	-1,2	-0,7	1,6	0,6	-5,9	-2,9	-4,1
Reserve Assets 2/	4,9	-6,1	-1,6	3,4	0,5	3,6	0,9	-0,8

Source: CBRT.

1/ Excluding Banks' Currency and Deposits

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

	2014				2014	2015		
	I	II	III	IV		I	II	III
A) Current Account Balance	-11,8	-12,8	-7,0	-15,0	-46,5	-10,9	-11,5	-2,9
B) Capital and Financial Account	3,5	15,2	3,9	20,5	43,1	6,0	6,5	-0,6
Capital Account	0,0	0,0	0,0	0,0	-0,1	0,0	0,0	0,0
Financial Account	3,5	15,2	4,0	20,5	43,2	6,0	6,5	-0,6
Assets	-2,2	-1,1	-5,6	-0,5	-9,5	-7,1	-6,2	-8,4
Direct Investment	-1,2	-1,1	-2,1	-2,6	-7,0	-1,1	-1,1	-1,7
Portfolio Investment	-0,5	-0,7	0,5	0,0	-0,7	-0,7	-1,9	-2,5
Other Investment	-0,5	0,7	-4,0	2,2	-1,7	-5,3	-3,2	-4,1
Liabilities	0,8	22,5	11,3	17,6	52,2	9,5	11,7	8,5
Non-Debt Creating Flows	4,6	4,5	2,6	4,2	16,0	2,8	3,2	5,1
Direct Investment 1/	4,1	3,2	2,4	3,3	12,9	3,5	2,4	6,1
Portfolio Investment /Equity Securities	0,4	1,1	0,1	1,0	2,6	-0,7	0,7	-1,1
Other Investment /Other Liabilities 2/	0,1	0,2	0,1	0,0	0,5	0,0	0,1	0,1
Debt Creating Flows	-3,7	18,0	8,6	13,4	36,2	6,8	8,5	3,5
Portfolio Investment /Debt Securities	-2,4	12,3	2,8	5,5	18,3	-0,2	-1,2	-4,0
Trade Credits	-2,3	1,4	0,5	0,7	0,3	-1,9	1,5	0,7
Loans	3,3	2,9	4,1	6,3	16,7	1,9	5,8	4,8
Deposits	-2,4	1,3	1,1	0,8	0,9	6,9	2,5	2,0
Other Investment /Other Liabilities 2/	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Reserve Assets	4,9	-6,1	-1,6	3,4	0,5	3,6	0,9	-0,8
C) Net Errors and Omissions	8,3	-2,5	3,1	-5,5	3,4	4,9	5,0	3,5

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:

"Special Drawing Rights (Net Incurrence of Liabilities)" and "Reserve Assets / Official

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