CENTRAL BANK OF THE REPUBLIC OF TURKEY

Balance of Payments Report
2012- I

CENTRAL BANK OF THE REPUBLIC OF TURKEY

Head Office

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OVERVIEW

1. The steady and moderate rise in exports that started in the wake of the crisis continued in the first quarter of 2012. Uncertainties stemming from the problems across the euro area that have been aggravating since mid-2011 have led to a slowdown in Turkey's exports to the European Union countries, Turkey's greatest export market-; however, the adverse impact of weakened exports to the EU countries were offset thanks to proliferation in the diversity on a regional and sectoral basis. The steady rise in exports coupled with the slowdown in imports rendered an improvement in foreign trade balance that in turn became a determinant factor of the narrow-down of current account deficit.

2. According to the balance of payments definition, in the first quarter of 2012, the foreign trade deficit decreased by 19.4 percent year-on-year and annual foreign trade deficit became USD 85.5 billion. Meanwhile, the downward trend in foreign trade deficit, which started in the second half of 2011, continued.

3. In the January-March 2012 period, current account ran a deficit of USD 16.3 billion, and annual current account deficit reached USD 71.9 billion. Thus, seasonally adjusted data suggest that current account deficit and current account deficit excluding energy continued to decrease compared to the final quarter of 2011.

4. In 2012Q1, net services income increased by 35.2 percent compared to the same period last year. In this period, net tourism revenues increased due to the faster decline in tourism expenses compared to tourism revenues; and the decline in freight expenditures in tandem with the decline in imports fuelled net transportation revenues.

5. In the first quarter of 2012, capital inflows - excluding changes in reserves (CBT, banks and other sectors) and IMF loans - became USD 11.6 billion. Compared to the first quarter of 2011, banks became net payers in the first quarter of 2012. The main sources of capital inflows in this period were deposits of non-resident real persons and banks in banks in Turkey, portfolio investments through debt securities (bond issues abroad by the Treasury and banks) and foreign direct investments (FDI). In this period, the shares of portfolio investments and short-term capital inflows in financing sources increased while those of foreign direct investments and long-term capital inflows displayed a rise.

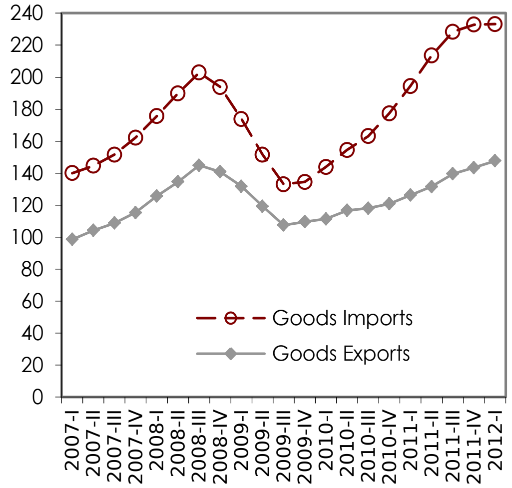
6. According to the International Investment Position (IIP), which shows the value of financial claims of Turkish residents from non-residents as well as their reserve assets, and that of financial liabilities of Turkish residents to non-residents at a particular point in time, external assets of Turkey became USD 182.2 billion while liabilities to non-residents became USD 561.7 billion at the end of the first quarter of 2012.

Balance of Payments
(billion USD)

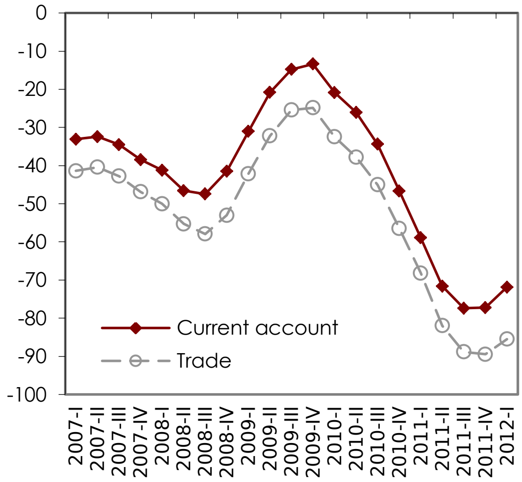
	January-March			March (Annualized)		
	2011	2012	% change	2011	2012	% change
Current Account	-21,6	-16.253,0	-24,8	-58,9	-71,9	22,0
Goods	-20,6	-16,6	-19,4	-68,2	-85,5	25,3
Exports	33,2	37,5	12,9	126,2	147,7	17,0
Exports (fob)	31,4	35,3		119,3	138,8	
Shuttle Trade	1,1	1,2		4,6	4,5	
Imports	-53,8	-54,1	0,5	-194,5	-233,2	19,9
Imports (cif)	-56,1	-55,7		-203,1	-240,5	
Adjustment: Classification	3,0	2,5		11,4	11,4	
Services	1,4	2,0	35,2	15,9	18,8	18,0
Travel (net)	1,9	2,0		16,5	18,2	
Credit	3,1	2,8		21,5	22,7	
Debit	-1,2	-0,8		-5,0	-4,5	
Other Services (net)	-0,5	-0,1		-0,5	0,6	
Income	-2,8	-2,0	-30,2	-8,2	-6,9	-15,6
Compensation of Employees	0,0	-0,1		-0,1	-0,2	
Direct Investment (net)	-1,4	-0,5		-3,4	-1,9	
Portfolio Investment (net)	-0,6	-0,6		-0,7	-0,9	
Other Investment (net)	-0,8	-0,9		-3,9	-4,0	
Interest Income	0,2	0,5		1,1	1,4	
Interest Expenditure	-1,1	-1,3		-5,0	-5,4	
Current Transfers	0,4	0,4	0,0	1,6	1,7	11,7
Workers Remittances	0,2	0,2		1,0	1,0	
Capital and Financial Account	18,8	12,4	-34,0	53,8	59,0	9,5
Financial Account (excl. reserve assets)	22,7	13,1	-42,4	69,7	53,9	-22,6
Direct Investment (net)	3,3	2,3	-30,0	9,8	12,4	27,0
Abroad	-0,9	-2,3		-2,0	-3,8	
In Turkey	4,2	4,6		11,7	16,2	
Portfolio Investment (net)	9,3	5,2	-44,1	22,6	17,9	-21,0
Assets	0,7	0,8		-2,0	2,7	
Liabilities	8,6	4,4		24,6	15,1	
Equity Securities	-1,3	0,9		1,6	1,2	
Debt Securities	9,9	3,5		23,0	13,9	
Non-residents' Purchases of GDDS	6,6	0,4		16,0	8,5	
Eurobond Issues of Treasury	2,3	2,6		4,7	2,8	
Borrowing	3,3	3,6		7,0	4,6	
Repayment	-1,0	-1,0		-2,3	-1,8	
Banks (net)	1,0	0,6		2,1	2,5	
Other Sectors (net)	0,0	0,0		0,2	0,0	
Other Investment (net)	10,1	5,6	-44,9	37,3	23,6	-36,6
Assets	9,1	1,6		12,7	3,7	
Trade Credits	-0,2	-0,5		-1,8	-1,2	
Credits	-0,2	0,0		-0,9	-0,4	
Currency and Deposits	9,6	2,1		15,4	5,3	
Banks	-1,2	1,5		9,7	2,8	
Foreign Exchange	-0,5	2,7		10,1	5,5	
Turkish Lira	-0,7	-1,2		-0,4	-2,7	
Other Sectors	10,8	0,6		5,7	2,5	
Liabilities	1,0	4,0		24,6	19,9	
Trade Credits	-0,5	-0,1		1,9	2,4	
Credits	7,2	0,4		19,2	11,9	
Central Bank	0,0	0,0		0,0	0,0	
General Government	-0,3	-0,4		0,6	-0,9	
IMF	-0,5	-0,6		-2,7	-2,9	
Long-term	0,2	0,2		3,3	2,0	
Banks	4,9	-1,0		18,0	6,6	
Long-term	1,2	-0,2		2,6	4,1	
Short-term	3,6	-0,7		15,5	2,5	
Other sectors	2,7	1,8		0,5	6,2	
Long-term	2,3	0,7		-1,1	2,6	
Short-term	0,4	1,1		1,6	3,7	
Deposits of Non-residents	-5,8	3,7		3,1	5,1	
Central Bank	-0,2	-0,3		-0,7	-2,0	
Banks	-5,6	4,0		3,8	7,2	
Change in Official Reserves (- increase)	-3,9	-0,7	-82,4	-15,8	5,0	-131,8
Net Errors and Omissions	2,8	3,9		5,1	12,9	

Source: CBT.

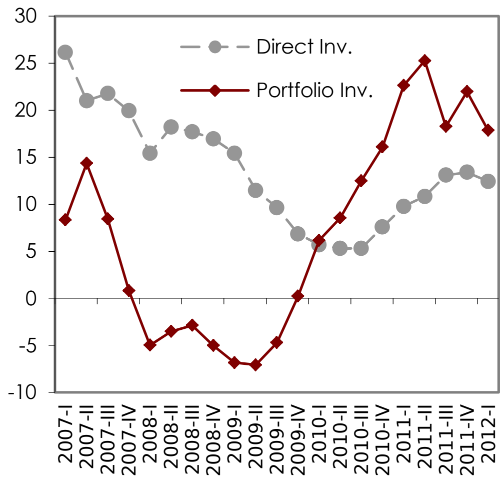
Exports and Imports of Goods
(annualized, billion USD)



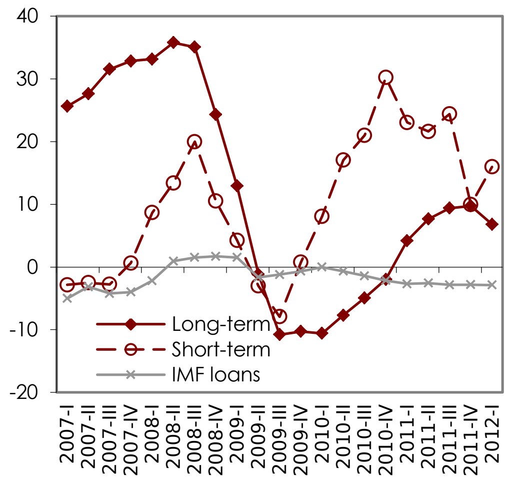
Foreign Trade and Current Account
(annualized, billion USD)



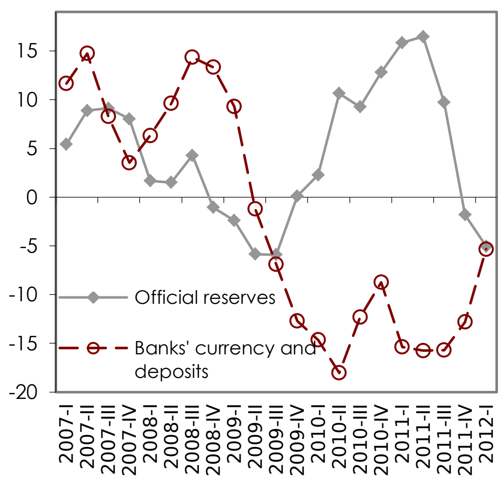
Direct and Portfolio Investment
(annualized, billion USD)



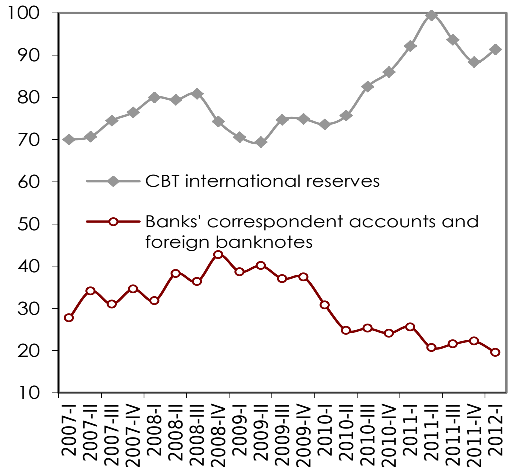
Other Capital Flows
(annualized, billion USD)



Changes in Reserves
(- decrease, + increase)
(annualized, billion USD)



International Reserves
(billion USD)

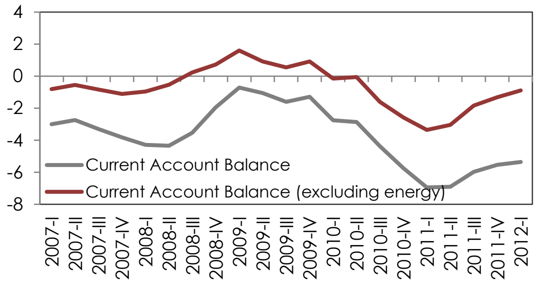


Source: CBT, TURSTAT.

I. Current Account

1. In the January-March 2012 period, current account ran a deficit of USD 16.3 billion, and annual current account deficit reached USD 71.9 billion. Thus, seasonally adjusted data suggest that current account deficit and current account deficit excluding energy continued to decrease compared to the final quarter of 2011.

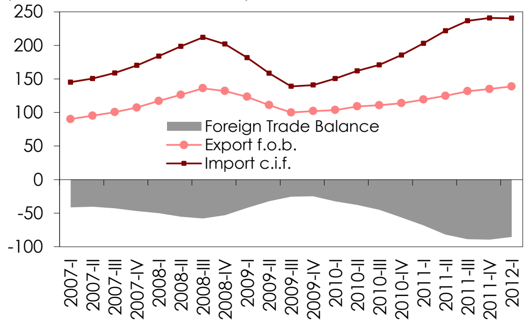
Current Account Balance
(Seasonally adjusted, quarterly average, billion USD)



Source: CBT.

2. The improvement in foreign trade balance mostly fuelled by the deceleration in imports together with the steady rise in exports became a determining factor in the narrowing down of current account deficit. According to the balance of payments definition, in the first quarter of 2012, the foreign trade deficit decreased by 19.4 percent year-on-year. In this period, annual foreign trade deficit became USD 85.5 billion and thus, the downward trend in foreign trade deficit, which started in the second half of 2011, continued.

Foreign Trade Deficit
(annualized, billion USD)



Source: CBT.

3. The moderate and steady upward trend in exports that started in the wake of the crisis continued in the first quarter of 2012 as well. The global financial crisis and especially the financial crisis that erupted at the end of 2011 led to a decline in exports to European Union member countries, Turkey's largest trade partner. Nevertheless, the weak exports trend to European countries was offset by Turkey's success in proliferating diversity on a regional and sectoral basis (Box 1).

Box 1 Turkey's Export Performance with respect to the Diversification of Product and Country Groups

In the third quarter of 2011, mounting concerns over public debt sustainability in Turkey's primary export partner -the Euro area-, adversely affected the global economic outlook despite all policy measures taken. This development made the downside risks to Turkey's exports in terms of external demand more apparent. Nevertheless, despite the adverse developments in external demand, Turkey's exports assumed a faster growth pace as of the second half of 2011, compared to the pre-crisis period, which calls for a scrutiny of the sustainability of Turkey's export performance in the upcoming period. In this box, Turkey's export performance will be analyzed with respect to product and country groups.

Concentration of exports in certain goods and/or countries poses a risk to the sustainability of long-run export growth. Especially unexpected changes in export prices or any stagnation in export markets may lead to excessive fluctuations in export revenues. Therefore, having diversified markets and a diversified basket for exports plays an important role in mitigating the susceptibility of an economy to exogenous shocks.

Two criteria have been employed to analyze Turkey's product and export partner[1] diversification. For the first criterion, the shares of the top 5, 10 and 20 products and export partner groups in Turkey's total exports have been used; and secondly, the Gini-Hirschman (GH) concentration index has been employed.[2] The GH concentration index assumes a value between 0-100. The more diversified a country's export products and export partners are– and the more balanced exports are distributed among these products –, the closer the index gets to zero. In other words, while zero denotes absolute diversification, hundred points denotes absolute concentration.

Chart 1 gives the shares of the top 5, 10 and 20 product groups in total exports, while Chart 2 depicts the GH concentration index. The charts suggest that between 2002-2011, Turkey succeeded in gradually and steadily diversifying its export products. While the share of the top 20 products in Turkey's exports was approximately 57 percent in 2002, this share gradually decreased to become 47 percent in 2011. Export product diversification further accelerated after the crisis. A similar trend is observed in the top 5 and top 10 export products as well. In this period, the GH concentration index also displayed a rapid decline. The fact that Turkey's GH index is close to zero suggests that its export products are evenly distributed. The acceleration in

[1] 3-digit groups of the Standard International Trade Classification (SITC. Rev.4) comprising 260 products are used for for product groups, while 200 export partners of Turkey are used for country groups,.
[2] The Gini-Hirschman concentration index is shown below. Accordingly,

$$G_i = \left[\sum_{i=1}^{n}\left[\frac{X_{ij}}{X_i}\right]^2\right]^{1/2} * 100$$

In this equation, X_{ij} shows country j's exports in sector i; and X_i denotes country j's total exports.

diversification in the post-crisis period can also be observed in the GH index.

Chart 1: Shares of Product Groups in Exports (percent)

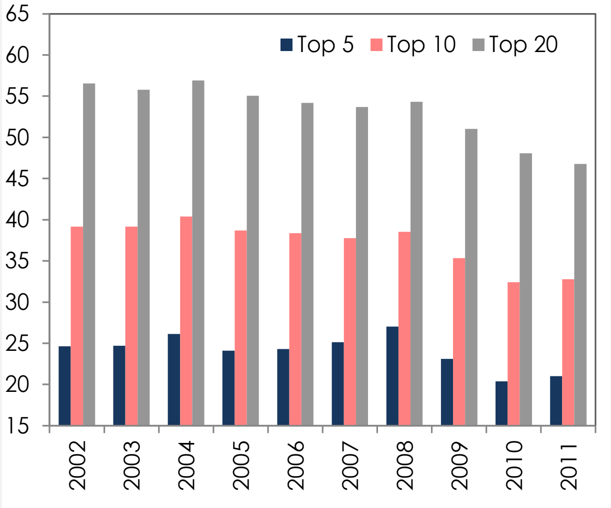
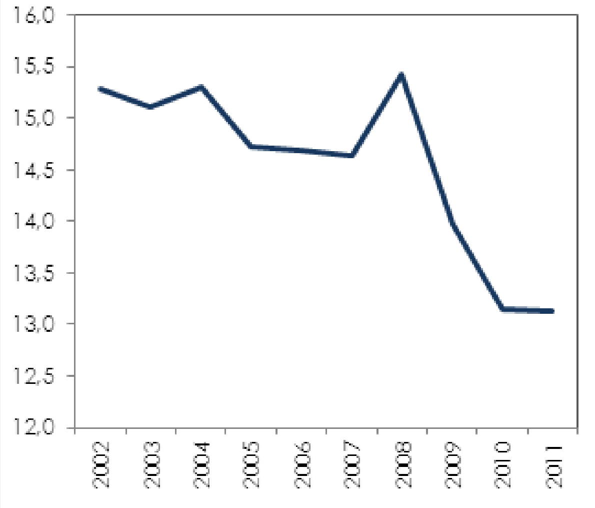


Chart 2: Gini-Hirschmann Index of Products



Source: Calculations by TURKSTAT and CBT.

Increased export market diversification is crucial not only for attaining sustainability in export revenues but also for getting a larger share from markets growing above global averages. In this framework, the acceleration in Turkey's export market diversification in the last 10 years is remarkable.

As an indicator of export diversification, it is observed that shares of Turkey's top 5, 10 and 20 export markets in overall exports have steadily been decreasing for the last 10 years (Chart 3). Between 2001-2005, the shares of Germany, the United Kingdom, Italy, the USA and France, which are referred to as "Turkey's conventional export markets", remained Turkey's top 5 export partners, while their share in total exports decreased from 47.6 in 2001 to 30 percent in 2011. Meanwhile, the shares of exports to Russia and Middle Eastern-North African countries (especially to Iraq, the UAE, Iran and Egypt) have increased over the last 10 years and these countries have become one of the Turkey's top 10 export markets.

The share of European Union countries in Turkey's overall exports decreased from 56 percent in 2001 to 46 percent in 2011, while the share of Middle Eastern-North African countries increased from 14 percent to 26 percent over the same period. Turkey's largest export partner, Germany's share, which was 17 percent in 2001, decreased to 10 percent in 2011; while Iraq, which had no share in Turkey's exports in 2001, made up 6.2 percent or Turkey's exports in 2011 and became Turkey's second largest export partner.

The GH concentration index has been calculated for countries as another indicator of export diversification. In this respect, it is observed that over the last 10 years, the GH index has steadily declined and, therefore, it can be asserted that export partner diversification significantly increased between 2001-2011(Chart 4).

Chart 3: Share of Country Groups in Turkey's Exports (percent)

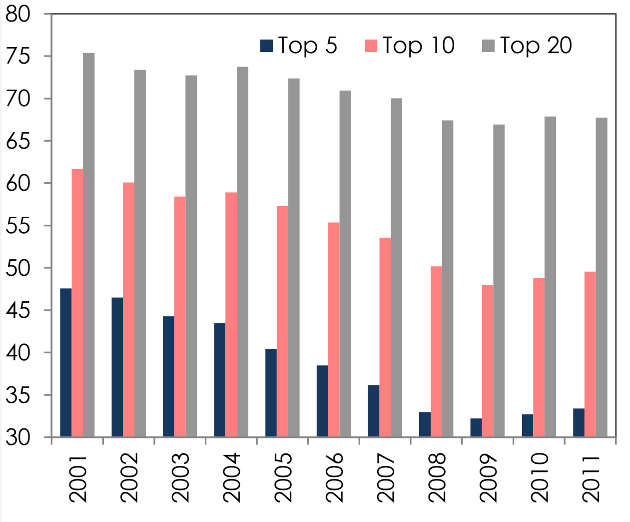
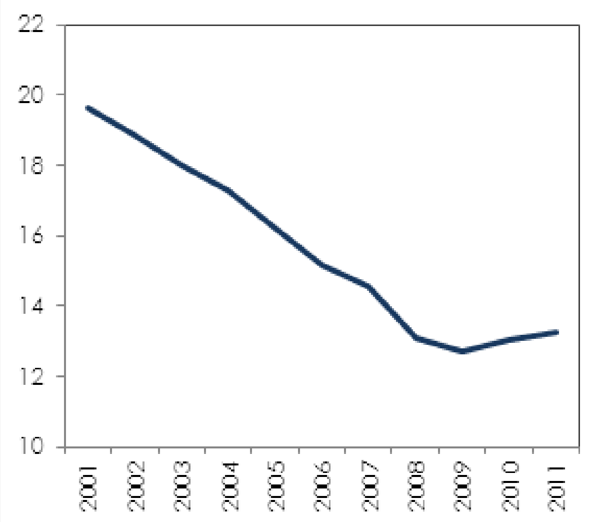


Chart 4: Gini-Hirschmann Index for Countries

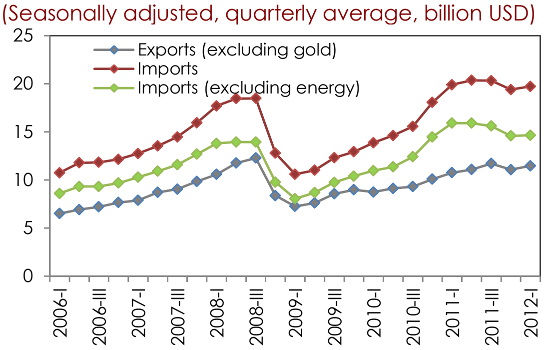


Source: Calculations by TURKSTAT and CBT.

Consequently, not only the product but also the export partner group diversification of Turkey has increased in the last 10 years. The adverse effects of the economic contraction in EU countries – Turkey's largest export partner – were broadly offset by product diversification. Accordingly, it can be assumed that export diversification can play an important role in reducing the susceptibility of an economy to unforeseen external shocks.

4. In this period, demand for imports were curbed by the decline in domestic demand coupled with depreciation in the Turkish lira. The decline in imports prices excluding oil despite the surge in oil prices contributed to deceleration in growth of imports.

Imports and Exports
(Seasonally adjusted, quarterly average, billion USD)

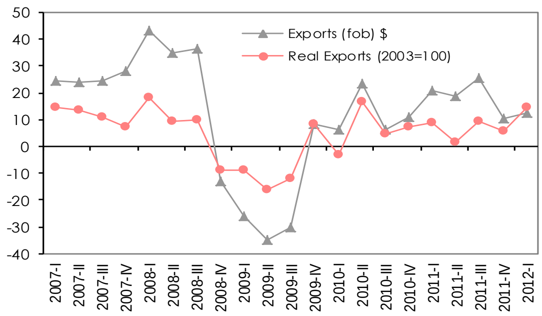


Source: CBT.

I.1 Exports of Goods

5. According to TURKSTAT data, moderate rise in exports continued in the first quarter of 2012. In this period, exports grew by 12.5 percent year-on-year and reached USD 138.8 billion. In the same period, export unit value index decreased by 1.6 percent while export quantity index was up 14.4 percent. Therefore, it can be asserted that the rise in exports was mainly driven by the increase in real exports.

Exports -Nominal and Real
(annual % change)

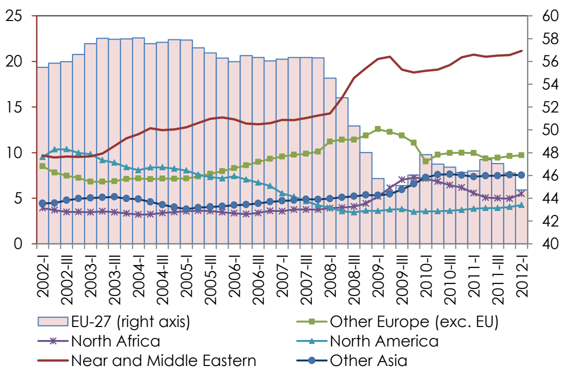


Source: TURKSTAT.

6. Exports of gold became the exports item that made the largest contribution to the exports growth in the first quarter of 2012. Exports of petroleum products and iron-steel followed gold. The largest contribution to annual exports growth came from iron-steel, petroleum products, motor vehicles, textile products and electrical machinery and equipment sectors.

7. The share of exports to European Union countries, which significantly dropped during the global financial crisis, has been moderately recovering since the second quarter of 2009. Nevertheless, on the back of further weakening in Euro area, the downward trend in the share of exports to European Union countries continued in the first quarter of 2012. While the share of exports to non-EU European countries remained intact, the share of exports to North African and Near and Middle Eastern countries displayed a rise. In this period, Germany, Iraq, United Kingdom, Italy, France and Russia became the leading export partners of Turkey. Meanwhile, the shares of Saudi Arabia, Egypt and Switzerland increased the most compared to the previous year, Germany, Italy, France and Syria were the ones that recorded the highest drop in the share of imports from Turkey.

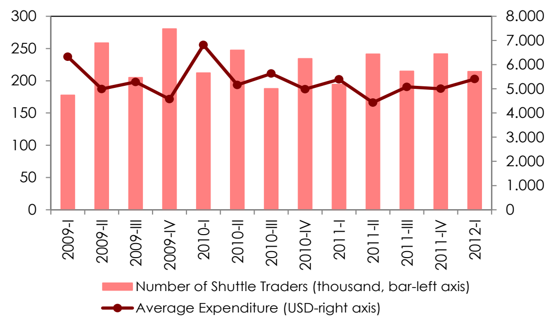
Selected Regions' Shares in Exports
(annualized, % share in total exports)



Source: TURKSTAT

8. According to TURKSTAT data, in the first quarter of 2012, the number of shuttle traders and the average amount of expenditures increased by 10.3 percent and 0.3 percent, respectively, year-on-year and thus, total revenues from shuttle trade increased by 10.5 percent and became USD 1.2 billion.

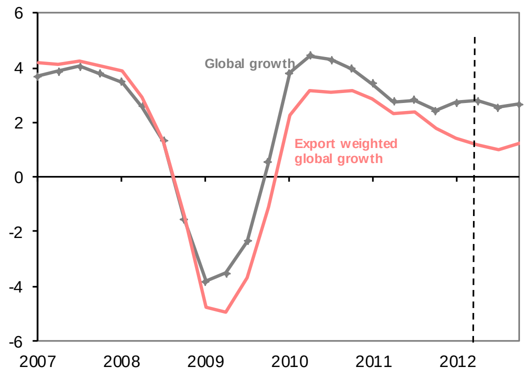
Shuttle Trade



Source: TURKSTAT.

9. Uncertainties stemming from the problems across the euro area that have been aggravating since mid-2011 persist, and the growth outlook of the US economy remains weak. The export-weighted global growth index compiled by the CBT suggests that growth expectations for Turkey's exports markets will remain significantly below the global growth expectations.

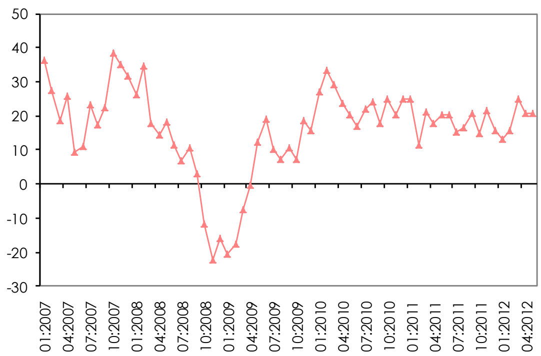
Foreign Demand Index for Turkey
(annual % change)



Source: Bloomberg, Consensus Forecasts, IMF, CBT.

10. While export expectations of manufacturing companies for the next three months were more optimistic in the first quarter, data of April and May suggest a more cautious stance.

Export Expectations
Exports orders - expectations of next 3 months
(Seasonally adjusted (increase-decrease))

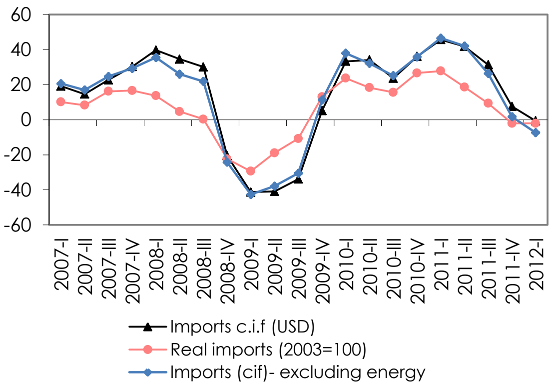


Source: CBRT.

1.2 Imports of Goods

11. According to TURKSTAT data, the deceleration, which has been observed as of the final quarter of 2011, continued in the first quarter of 2012. The 12-month imports, which increased by 18.4 percent year-on-year, became USD 240.5 billion. It is observed that the decline in imports is more remarkable when the energy item is excluded. In this period, the import quantity index declined by 2.1 percent while the unit value index was up 1.5 percent.

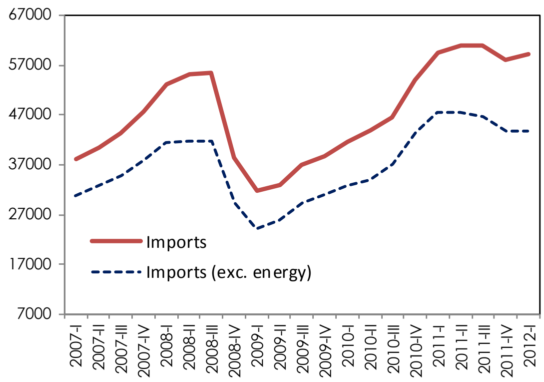
Imports - Nominal and Real
(annual % change)



Source: TURKSTAT.

12. Seasonally adjusted data suggest that growth in imports excluding energy was flat, while overall imports marginally increased due to the rise in energy prices.

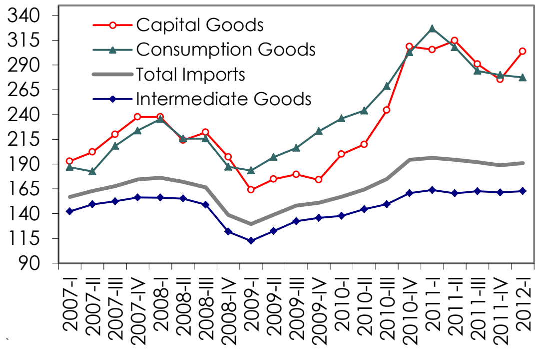
Imports Excluding Energy
(Seasonally adjusted, billion USD)



Source: TURKSTAT, CBT.

13. An analysis of sub-items of imports indicate that the decline in consumption goods continues, while imports of capital goods, which had been decreasing since the second quarter of 2011, displayed an upturn. Imports of intermediate goods remain flat due to slowdown in the economic activity.

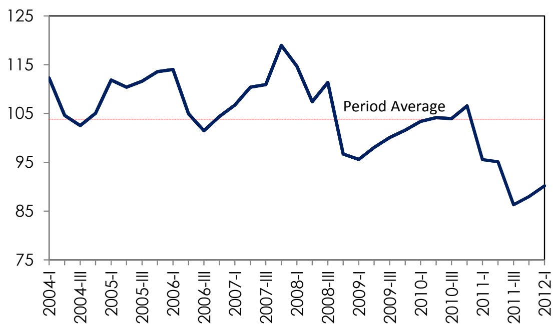
Imports and Selected Sub-Sectors
(Seasonally adjusted quantity indices, 2003=100)



Source: CBT.

14. Real exchange rates have been appreciating since the final quarter of 2011. Nevertheless, the real exchange rates in Turkey continue to remain below the period average of other developing countries.

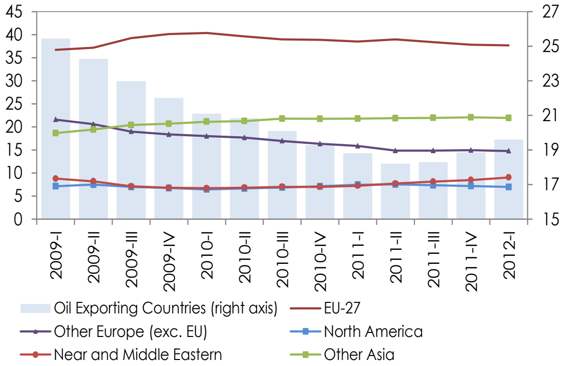
Real Effective Exchange Rate
(CPI-Developing Countries Based (2003=100)



Source: CBT.

15. There has not been a remarkable change in the regional breakdown of Turkey's imports. However the share of imports from Near and Middle Eastern countries in overall imports increased in the first quarter of 2012 due to oil price increase. Analyzed in terms of countries, it is observed that Russia, China, Germany, Iran and the USA became Turkey's largest import partners. In this period, Iran and Russia's shares posted the highest rise in Turkey's overall imports.

Selected Regions' Shares in Total Imports
(annualized, % share in total imports]

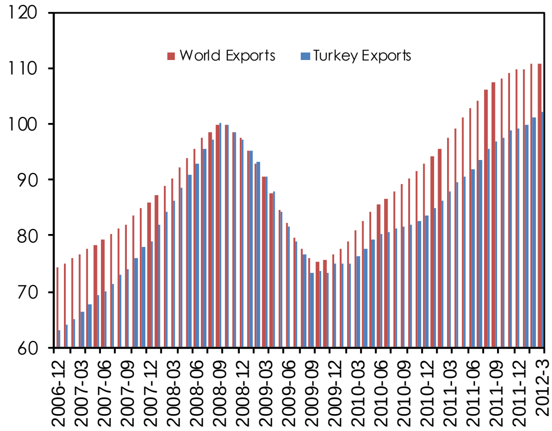


Source: TURKSTAT.

1.3 Global Outlook

16.According to World Trade Organization data, the deceleration in world trade, which started in end-2011, continued in the first quarter of 2012. In this period, world trade expanded by 4.1 percent year-on-year. Meanwhile, in the same period, Turkey's exports grew by 12.5 percent.

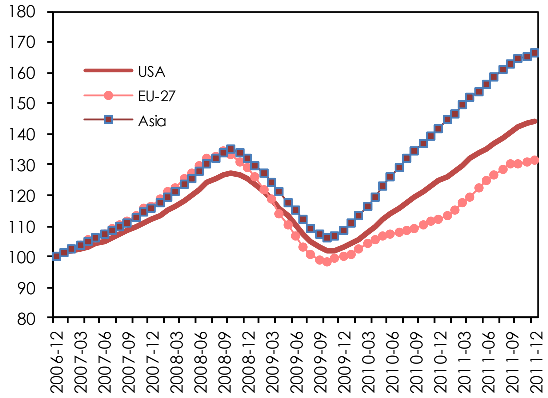
World Exports
(annualized, 2008:10=100)



Source: WTO.

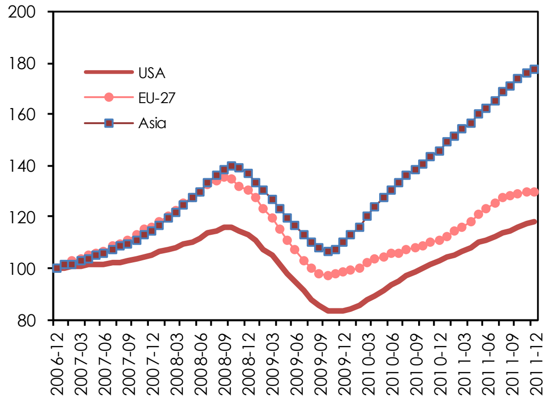
17.Foreign trade data by regions suggest that the export growth of Asian and EU member countries slightly slowed down. Meanwhile, EU countries imports are still below the pre-crisis levels.

Exports of Selected Regions
(annualized, 2006:12=100)



Source: TURKSTAT.

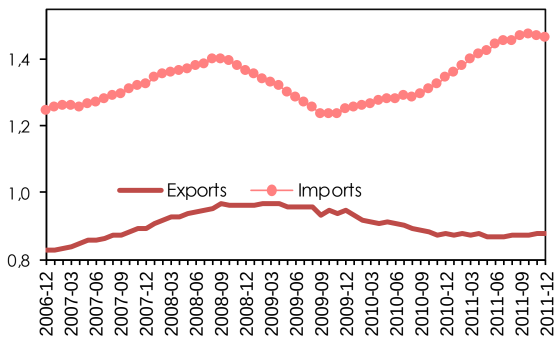
Imports of Selected Regions
(annualized, 2006:12=100)



Source: TURKSTAT.

18. Turkey's share in overall world exports, which had been dropping since 2010, slightly increased in the first quarter of 2012. Whereas, the decrease in the share of Turkey's imports in global imports continues since the second half of 2012.

Share of Turkey in World Trade (%)

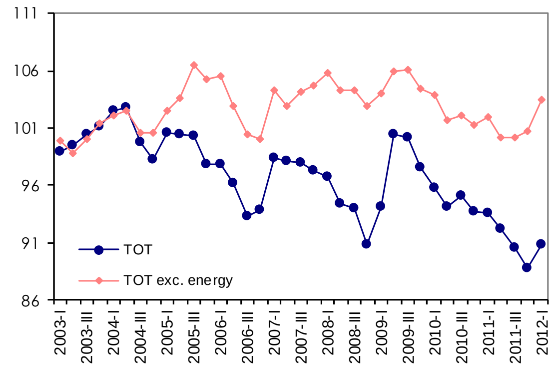


Source: WTO.

1.4 Terms of Trade

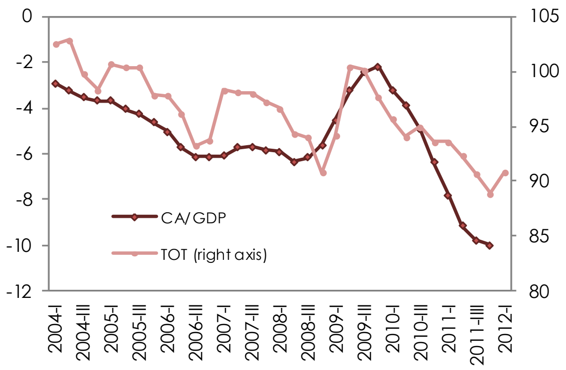
19. The deterioration in Turkey's terms of trade (TOT), which started in 2009, ceased in the first quarter of 2012. The improvement in Turkey's terms of trade becomes more recognizable when energy items are excluded. Meanwhile, it is noteworthy that the correlation between the terms of trade trend and current account deficit is positive.

TOT and TOT exc. Energy (2003=100)



Source: TURSTAT.

TOT and Current Account Balance



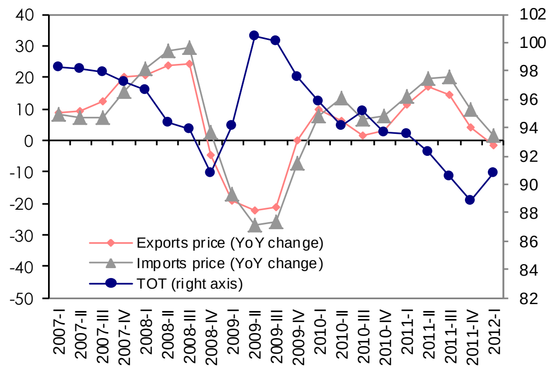
Source: TURKSTAT.

20. In the first quarter of 2012, import prices increased by 1.4 percent year-on-year. The slowdown in the rise in import prices despite the increments in energy prices was mainly driven by the decline in import prices excluding energy that has a large share in imports. The decline in the prices in basic metal, chemical products, motor vehicles and machinery-equipment sectors helped the rise in import prices remain limited.

21. In the same period, export prices dropped by 1.5 percent. Prices of textiles, apparels, machinery-equipment and motor vehicles sectors, which have considerable weight in exports, became the ones that displayed the highest decrease.

22. Overall, compared to the previous period, import prices decreased by 1.9 percent, while export prices increased by 0.3 percent. In this framework, it can be asserted that terms trade slightly improved in the first quarter of 2012.

Terms of Trade (2003=100)

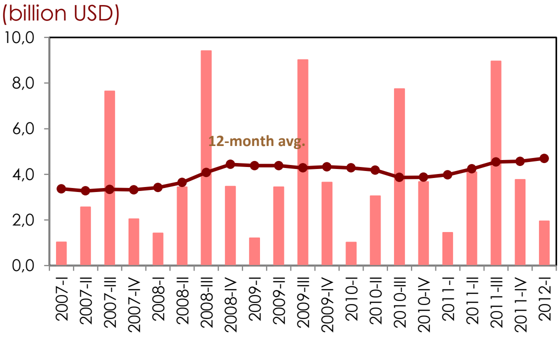


Source: TURKSTAT.

1.5 Services Account

23. In 2012Q1, net services income increased by 35.2 percent compared to the same period last year. In this period, net tourism revenues increased due to the faster decline in tourism expenses compared to tourism revenues; and decline in freight expenditures in tandem with the decline in imports fuelled net transportation revenues.

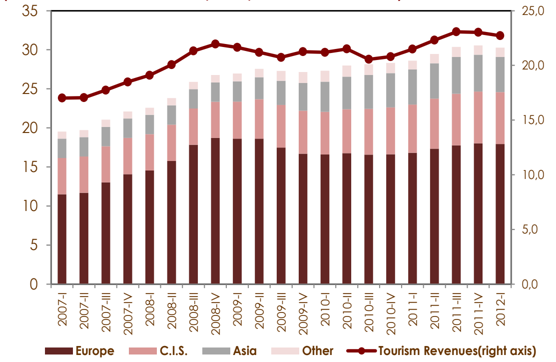
Services Account, net
(billion USD)



Source: CBT.

24. An analysis of net tourism revenues, which assumes the largest share in the services account, reveals that in the first quarter of 2012, tourism revenues and expenditures decreased by 9.6 percent and 36.5 percent, respectively, year-on-year. Consequently, compared to the same quarter of the previous year, in the first quarter of 2012, net tourism revenues increased by 7.2 percent to reach USD 2.0 billion. Meanwhile, the number of tourists visiting Turkey decreased by 6.2 percent year-on-year.

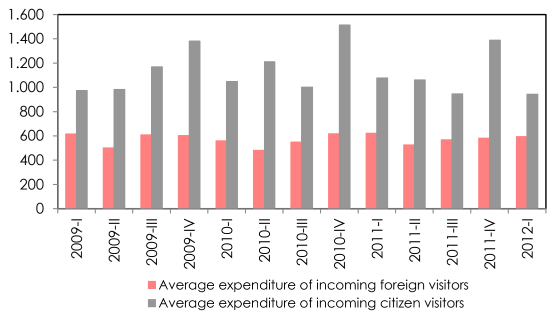
Breakdown of Foreign Visitors and Turkish Citizens Visiting Turkey by Country, and Tourism Revenues
(annualized, million people, billion USD)



Source: TURKSTAT.

25. In 2012Q1, average expenditure per foreign visitor decreased by 4.5 percent compared to the same quarter last year and came down to USD 594. Meanwhile, average expenditure per expatriate Turkish citizen visiting Turkey decreased by 12.4 percent and became USD 943.

Average Expenditure
(USD/person)

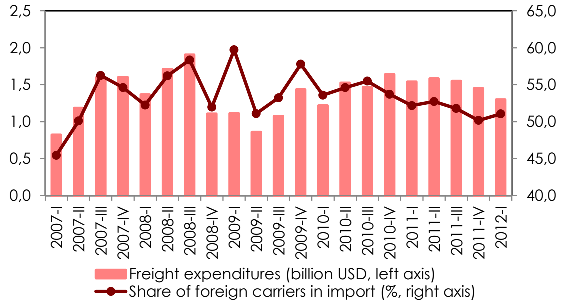


Source: TURKSTAT.

26. In 2012Q1, transportation revenues increased by 5.8 percent year-on-year and transportation expenditures were up 7.3 percent; thus, the rise in net transportation revenues became 123.2

percent. The rise was mainly driven by the 4.6 percent net rise in other transportation items composed of tickets and food-beverage and the 34.4 percent drop in freight expenditures. It is observed that in this period, the share of foreign carriers in imports increased.

Freight Expenditures in Imports and the Share of Foreign Carriers in Imports
(billion USD, percent)

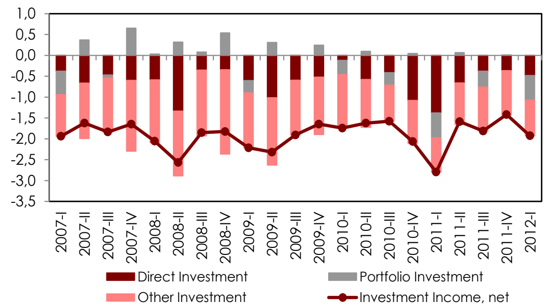


Source: CBT.

1.6 Income Account

27. In the first quarter of 2012, net outflows from the income account decreased by 30.2 percent year-on-year and became USD 2.0 billion. Direct investments, portfolio investments and other investments, all listed under the “investment income” item, which have the largest share in the said flows, posted net outflows of USD 0.5 billion, 0.6 billion and 0.9 billion, respectively.

Composition of Investment Income, net
(billion USD)

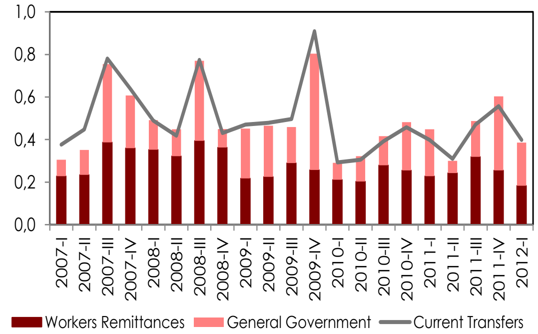


Source: CBT.

1.7 Current Transfers

28. In the first quarter of 2012, inflows through current transfers remained the same as the same period previous year. In this period, inflows through general government became the leading inflows.

Current Transfers and Workers’ Remittances
(billion USD)

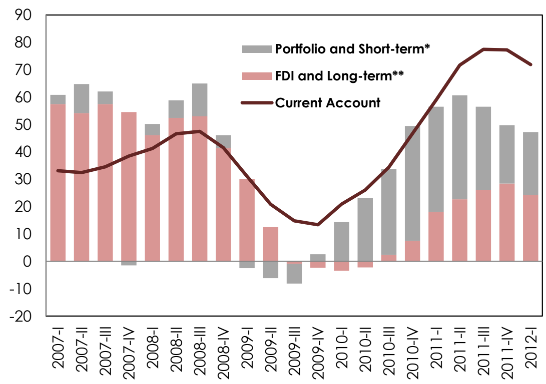


Source: CBT.

II. Capital and Financial Account

29. In the first quarter of 2012, capital inflows - excluding changes in reserves (CBT, banks and other sectors) and IMF loans - became USD 11.6 billion. Compared to the first quarter of 2011, banks became net payers in the first quarter of 2012. The main sources of capital inflows in this period were deposits of non-resident real persons and banks in Turkish banks; portfolio investments through debt securities (bond issues abroad by the Treasury and banks) and foreign direct investments (FDI). In this period, the shares of portfolio investments and short-term capital inflows in financing sources increased while those of foreign direct investments and long-term capital inflows displayed a rise.

Current Account and Its Financing
(annualized, billion USD))



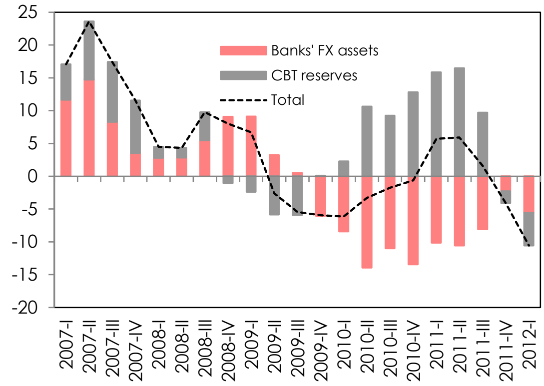
Source: CBT.

*Portfolio and short-term capital flows are composed of equities, Government Domestic Debt Securities, short-term loans of banks and other sectors and deposits at the banks.

**Long-term capital flows are composed of long-term net loans of banks and other sectors and bonds issued by banks and the Treasury abroad.

30. The USD 0.7 billion rise in CBT reserves in the first quarter of 2012 can mainly be attributed to the increase in Treasury's bond issues abroad and the deposits kept by banks at the Central Bank offsetting the FX selling auctions held by the CBT in January and direct FX selling interventions. In this period, banks' FX assets decreased by USD 2.7 billion, which in turn led to a USD 2.0 billion decline in total international reserves.

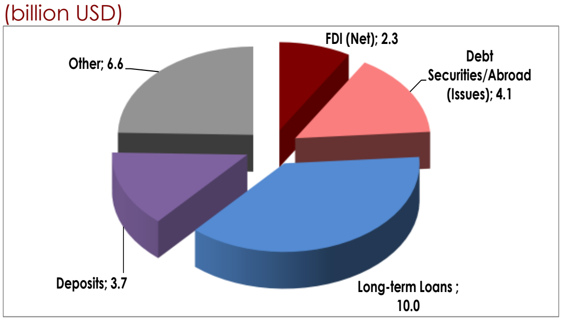
International Reserves
(annualized, billion USD)



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

31. In the first quarter of 2012, current account deficit excluding current transfers decreased by USD 5.4 billion compared to the same quarter of the previous year and thus, the financing requirement became USD 26.7 billion.[3] Analysis by financing sources suggests that long-term borrowings by other sectors and banks, debt instruments (bond issues abroad), deposits of non-resident real persons and banks at the banks in Turkey and foreign direct investments were the main drivers of this change.

Selected Items of Financing Sources*
(billion USD)

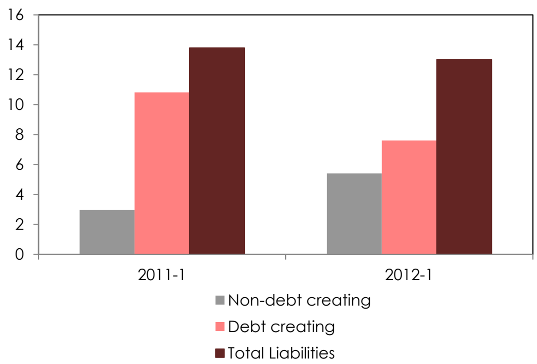


Source: CBT.
* Represents 2012Q1 realizations.

[3] Please refer to table "Foreign Financing Requirements and Financing Sources".

32. In line with the mentioned developments in financing sources, debt-creating financing sources increased by USD 7.6 billion and non-debt-creating financing sources increased by USD 5.4 billion in the first quarter of 2012. Whereas, in the same quarter of 2011, the said sources had increased by USD 10.9 billion and USD 3.0 billion, respectively.[4]

Debt Creating and Non-debt Creating Liabilities Under Financial Account
(billion USD)

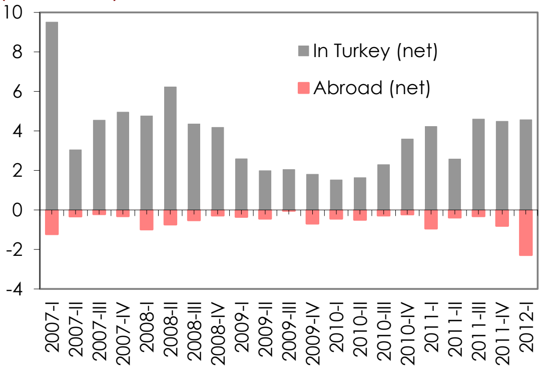


Source: CBT.

2.1 Direct Investment

33. In the first quarter of 2012, direct investments in Turkey and abroad materialized as USD 4.6 billion and USD 2.3 billion, respectively. As a result, net direct investments declined by 30.0 percent compared to the same quarter of 2011 and became USD 2.3 billion. In the said quarter, high amounts of direct investments in and out of the country mainly emanated from the mutual investments in March between inter-linked firms operating within the same sector.

Direct Investment
(billion USD)

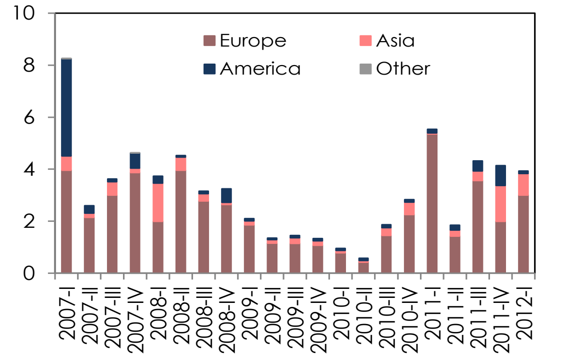


Source: CBT.

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

34. Regarding direct investments in Turkey, the leading investors have always been the European countries. This trend continued in the first quarter of 2012 and the total share of European countries became 76.4 percent. The respective figure for Asian countries was recorded as 21.0 percent.

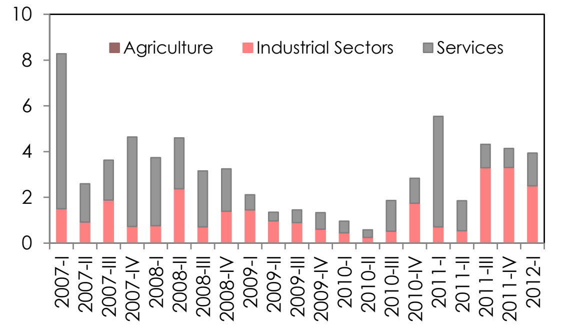
Direct Investment in Turkey- Geographical Distribution
(billion USD)



Source: CBT.

35. An analysis of non-residents' direct investments in Turkey by sectors suggests that USD 2.5 billion was invested in industrial sectors and USD 1.4 billion was invested in services sector in the first quarter of 2012. 91.7 percent of the investments in industrial sectors were made in manufacturing industry, while 41.8 percent of the investments in services sector were made in financial and insurance activities.

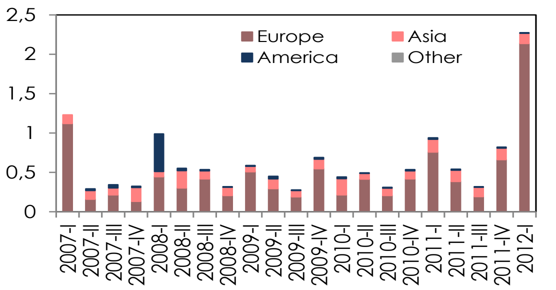
Direct Investment in Turkey-Sectoral Distribution
(billion USD)



Source: CBT.

36. A country-based analysis of the "Direct Investment/Abroad/Outflow" item suggests that the share of European countries, which receive the bulk of Turkey's direct investments abroad, increased to 93.4 percent in the first quarter of 2012 from its 75.2 percent level in 2011.

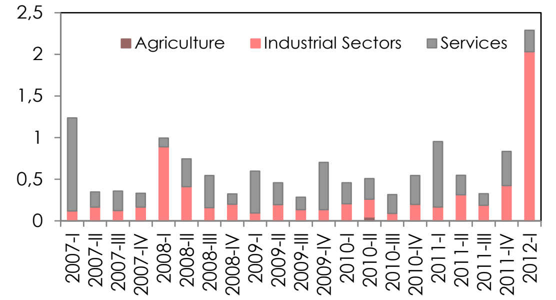
Direct Investments Abroad -Geographical Distribution
(billion USD)



Source: CBT.

37. In the first quarter of 2012, while 88.8 percent of residents' total direct investments abroad amounting to USD 2.3 billion were made in industrial sectors, 11.2 percent were made in services sector.

Direct Investment Abroad - Sectoral Distribution
(billion USD)

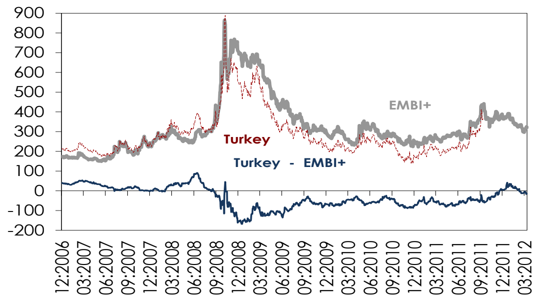


Source: CBT.

2.2 Portfolio Investment

38. In the first quarter of 2012, the global risk appetite displayed a significant improvement on the back of fading concerns over the Euro area debt problem and of the quite successful restructuring of Greece's debts. In the said quarter, the discrepancy between Emerging Markets Bonds Index (EMBI+) and Turkey's risk premium disappeared from the last quarter of 2011.

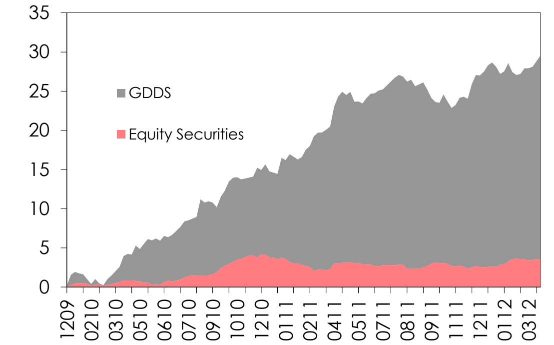
Secondary Market Spreads and Turkey's Relative Position
(basis point)



Source: JP Morgan.

39. Despite net sales in January and February, net inflows from GDDS (Government Domestic Debt Securities) became USD 0.4 billion in the first quarter of 2012. Meanwhile, the equities market posted a net inflow of USD 0.9 billion in this quarter.

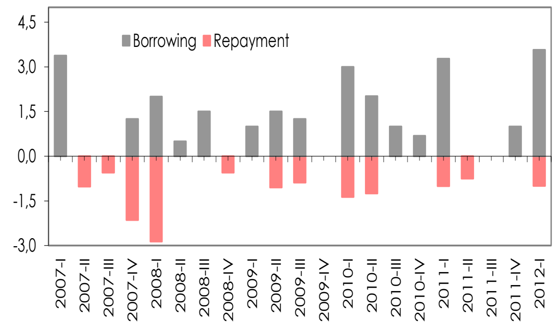
Non-residents' Security Purchases
(billion USD, annualized)



Source: CBT.

40. In the first quarter, the Treasury borrowed USD 3.6 billion via bond issues abroad. Of these issues, 1.5 billion and 1 billion were denominated in US dollars and carried out in January and February, respectively, while the remaining USD 1.1 billion were in March and in Japanese yen. In the same period, the Treasury repaid USD 1 billion bond issues.

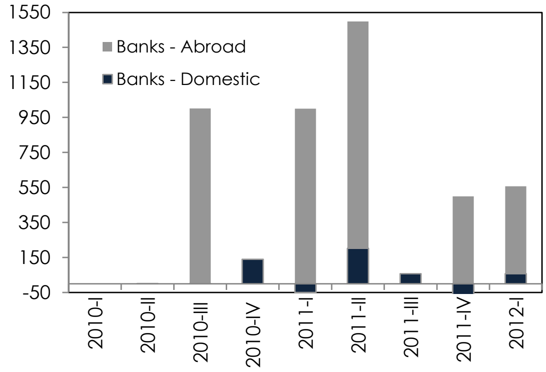
Bonds Issued by General Government Abroad
(billion USD)



Source: CBT.

41. Banks borrowed USD 0.5 billion in the first quarter, through bond issues abroad, while other sectors did not issue any bonds abroad in this period. As for debt securities, issued in the domestic market by the banks and other sectors, non-residents recorded net purchases of USD 57 million and USD 2 million, respectively in the first quarter of 2012.

Debt Securities Issued by Banks
(million USD)

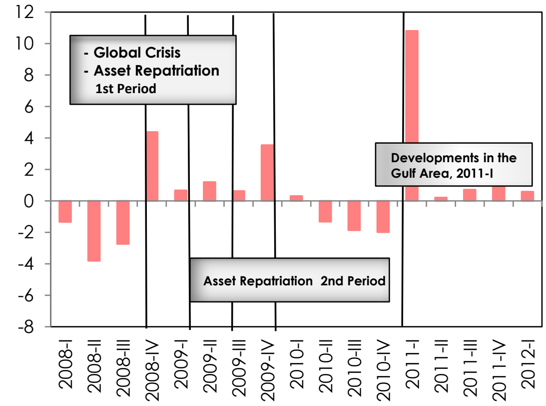


Source: CBT.

2.3 Loans and Deposits

42. The data source of "Financial Account / Other Investment / Assets / Currency and Deposits / Other Sectors" item, which shows changes in deposits of other sectors at foreign banks (including domestic banks' branches abroad), is the local banking statistics published by the Bank for International Settlements (BIS). The BIS issues these data on a quarterly basis with a time lag of about 4 months. Starting with the 2011 data, data pertaining to banks' branches abroad have started to be used as an indicator until the BIS announces the data. In this context, the indicator data for the first quarter of 2012 suggests a decline of USD 0.6 billion (Box 2).

Other Sectors' Deposit Assets Abroad
(billion USD)



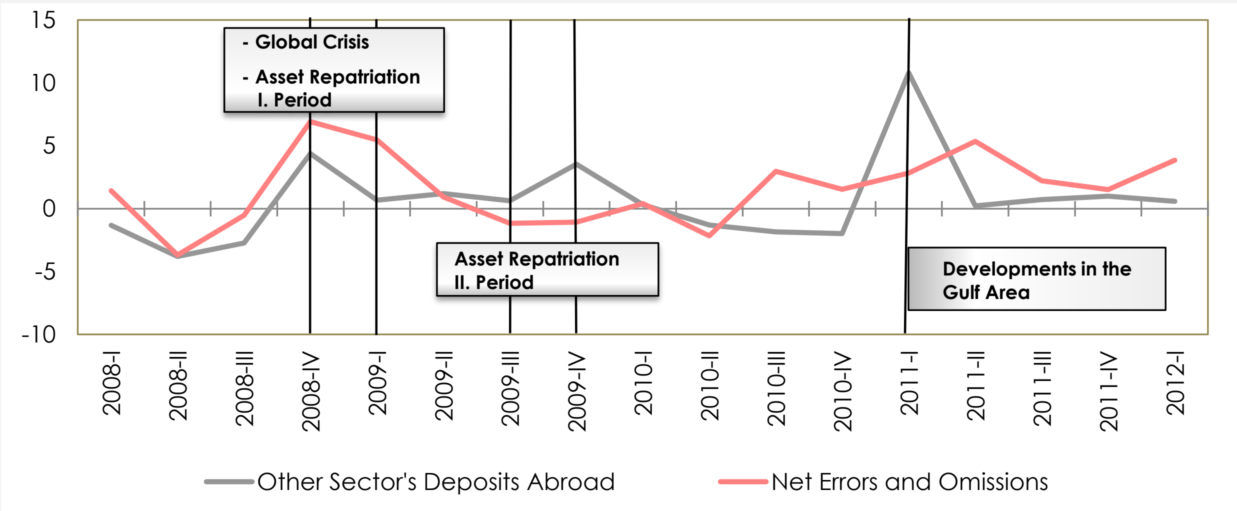
Source: CBT.

Box 2 **Residents' Deposits Abroad and Net Errors and Omissions**

Turkish residents can freely transfer Turkish lira or foreign currencies abroad via banks. Another development that falls in the same category is that the obligation to transfer export revenues to Turkey was lifted in 2008. This development led to a rise in the amount of Turkish residents' deposits abroad, and changes in these accounts especially during crisis periods became an important determinant of capital movements in the balance of payments statistics. Actually, the global financial crisis, which erupted in 2008, revealed that Turkish residents' deposit movements abroad were missing in the balance of payments statistics issued by the Central Bank. Therefore, following a study in collaboration with the Bank for International Settlements (BIS), it was decided that s from 2008, the Locational Banking Statistics compiled by the BIS should be used to measure the mentioned item in Turkey's balance of payments statistics.

According to Balance of Payments Compilation Methodology, Turkish residents' deposits at banks abroad are recorded under the "Financial Account/ Other Investments/ Currency and Deposits/Other Sectors" item. In balance of payments statistics, a rise in assets is shown by a minus (-) and a decrease in assets is shown by a plus (+) and, therefore a decline in the said item indicates a rise in Turkish residents' deposits abroad; and an increase in the said item denotes a decline in Turkish residents' deposits abroad. The Chart below shows the development of Turkish residents' deposits abroad and net errors and omissions.

Chart: Residents' Deposits Abroad and Net Errors and Omissions (million USD)



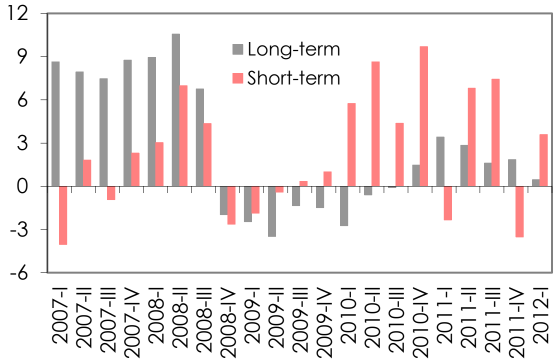
Source: CBT.

As seen in the Chart, during the 2008 crisis during the repatriation amnesty covering 2009-2010, and in the first quarter of 2011 marred by political unrest in Gulf countries, high amounts of inflows were observed from Turkish residents' deposits abroad to Turkey. Between early 2008 and the end of March in 2012, an inflow amounting to net USD 11 billion stemming from transfers from deposit accounts abroad was detected in the finance account. In other words, since 2008 the net errors and omissions item decreased by this mentioned amount due this new account.

The Chart also shows that the change in deposits abroad goes in tandem with the net errors and omissions item. When Turkish residents' deposits abroad decrease, in other words, when transfers to Turkey from abroad increase, the net errors and omissions items also increases. While this shows that data pertaining to Turkish residents' deposits abroad (BIS), which has been recorded in the balance of payments since 2008, is an important means of explaining the net errors and omissions item; it also includes signals that an important part of the net errors and omissions in a given period might stem from Turkish residents' deposits in countries not covered by BIS data. In this framework, should the number of countries reporting to the BIS increase in the upcoming period, this data, which is used as an input for compiling Turkey's balance of payments statistics, will grow more important in explaining the net errors and omissions.

43. An analysis of other investment account excluding IMF loans and banks' and other sectors' FX curreny and deposits suggests that long-term net inflows that started to decelerate from the second quarter of 2011 materialized as USD 0.5 billion in the first quarter of 2012. Meanwhile, short-term flows recorded a net inflow of USD 3.6 billion in the same period on the back of an increase of USD 4.0 billion in the deposits of non-resident banks and persons as well as a rise of USD 1.0 billion in short-term net loans of other sectors.

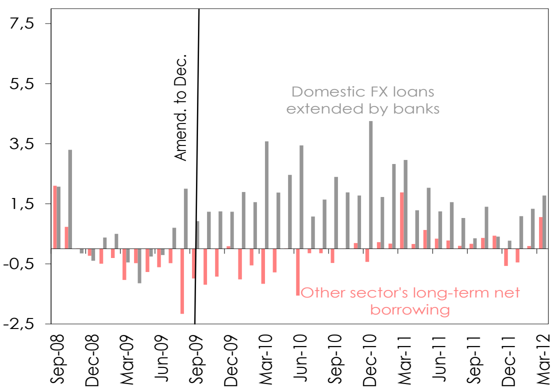
Other Investment
(billion USD, net)



Source: CBT.

44. Due to the contraction in international loan markets, other sectors, which were net re-payers of debt in 2009 and 2010, became net borrowers throughout 2011 – except for December, and throughout 2012– except for January, mainly due to the significant rise in long-term external loans.

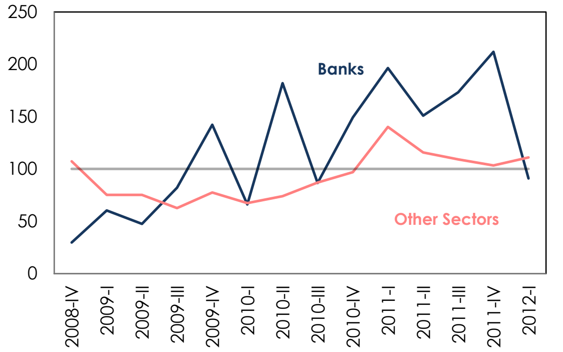
Other Sector's Long-term Net Borrowing and Banks' Domestic FX Loans
(billion USD)



Source: CBT.

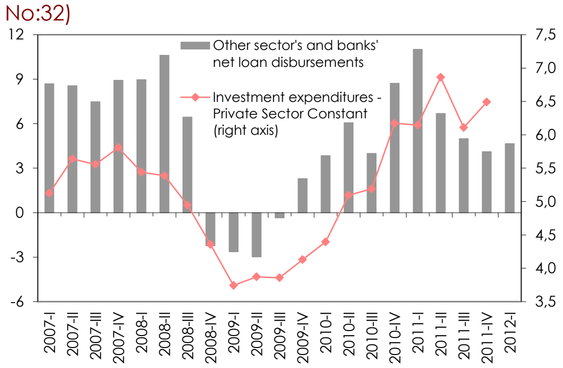
45. In the first quarter of 2012, banks were net repayers of long-term loans. Thus, banks' long-term debt roll-over ratio became 90.9 percent in this period. The decline in the said ratio is not attributed to the difficulty in providing external financial resource but to the slowdown in the domestic credit growth.

Banks' and Other Sectors' Long-term Rollover Ratios (%)



Source: CBT.

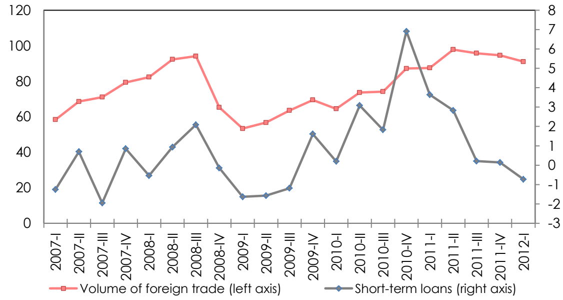
Net Long-term Loan Utilization and Investment Expenditures of Other Sectors
(billion TL, 1998=100, covering the effect of Decree No:32)



Source: CBT.

46. Banks' short-term net loan utilization from abroad has been decreasing since the first quarter of 2011. In the first quarter of 2012, banks repaid USD 0.7 billion of net short-term external loans.

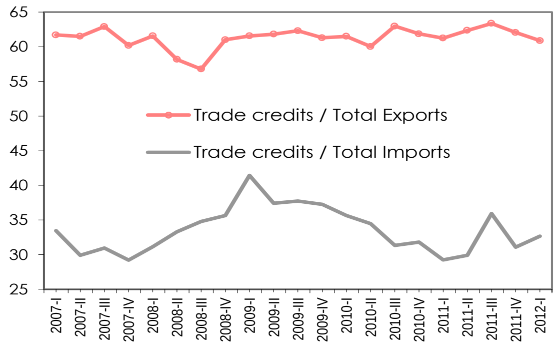
Short-term Bank Loans
(net, billion USD)



Source: CBT.

47. In the first quarter of 2012, while the share of trade loans in exports declined year-over-year and quarter-on-quarter, the respective figures for imports recorded a rise.

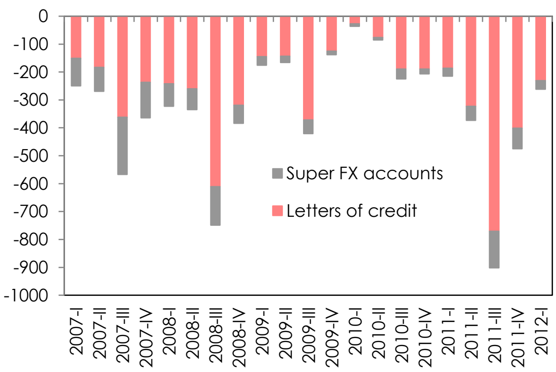
Ratio of Trade Loans to Exports and Imports (%)



Source: CBT, TURKSTAT.

48. Outflows – due to the interest rate cuts, the latest of which was made in October 2010 – from non-resident Turkish workers' long-term FX deposit accounts with letters of credit and super FX accounts at the Central Bank continued also in the first quarter of 2012.

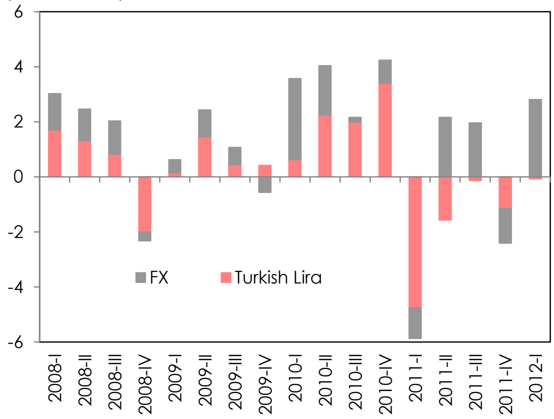
Deposits within the Central Bank
(million USD)



Source: CBT.

49. Non-residents' deposits in domestic banks displayed a significant increase of USD 4.0 billion in the first quarter of 2012. The said increase was driven by the surge in non-resident banks' FX deposits and non-residents' deposits, amounting to USD 2.8 billion and USD 1.3 billion, respectively.

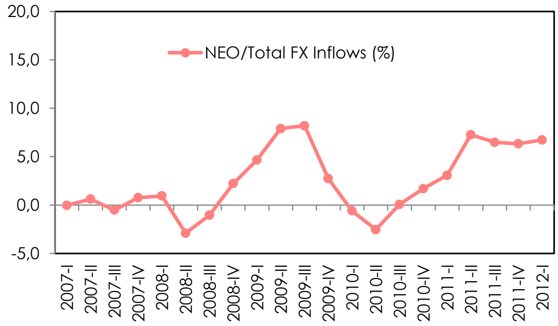
Deposits of Non-resident Banks within the Domestic Banks - Composition of FX and TL
(billion USD)



Source: CBT.

50. The ratio of the net errors and omissions item to total FX inflows – which is the sum of total exports of goods, services balance/credit, income balance/credit and current transfers items became 6.7 percent in the first quarter of 2012.

Net Errors and Omissions (NEO) and Total Foreign Exchange Inflows (annualized)



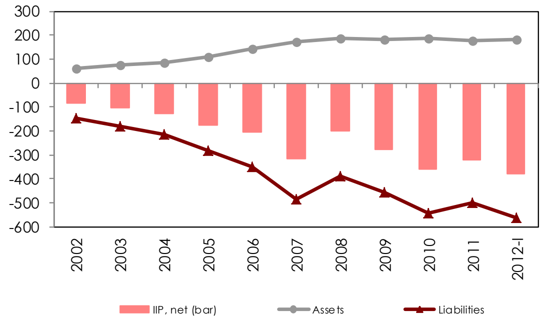
Source: CBT.

III. International Investment Position

51. According to the International Investment Position (IIP), which shows the value of financial claims of Turkish residents from non-residents as well as their reserve assets, and that of financial liabilities of Turkish residents to non-residents at a particular point in time, external assets of Turkey became USD 182.2 billion while liabilities to non-residents became USD 561.7 billion by the end of the first quarter of 2012.

52. Capital inflows towards emerging market economies including Turkey have continued to affect the IIP – primarily its liability items. In this context, the difference between Turkey's external assets and liabilities, i.e. the net IIP, which was USD –321.2 billion at the end of 2011, became USD –379.4 billion in the first quarter of 2012. The USD 58.3 billion-rise in the net IIP was driven by a surge by USD 62.6 billion in liabilities somewhat offset by USD 4.3 billion increase in assets.

International Investment Position-IIP (billion USD)



Source: CBT.

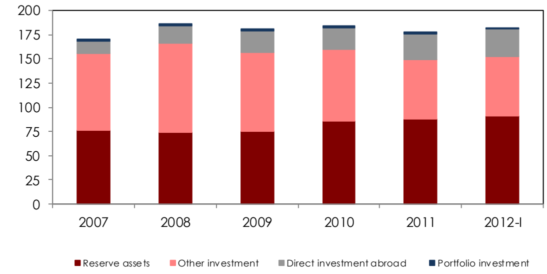
53. Equities stock increased to USD 51.0 billion by the end of the first quarter of 2012. This increase from end-2011 is attributable to the developments in the said quarter, when Turkish lira appreciated by 7.1% in nominal terms vis-à-vis the dollar, the Istanbul Stock Exchange National 100 index increased by 6.0 percent and equities worth of net USD 0.9 billion were purchased.

54. Inward direct investment stock increased to USD 175.6 billion due to changes in value and exchange rate effect, as well as to the USD 4.6 billion worth of the balance of payments-generated inflow.

3.1 Assets

55. In the first quarter of 2012, as a result of the increase in reserve assets and outward direct investments, asset stock rose by USD 4.3 billion compared to end-2011. The composition of the USD 182.2 billion-asset stock remained similar to the one at end-2011, with 50 percent reserve assets, 33 percent other investments, 16 percent outward direct investments and 1 percent portfolio investments.

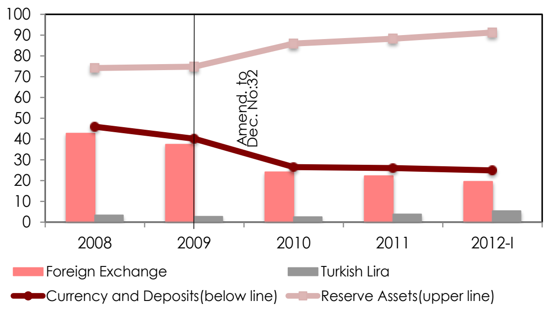
Composition of Assets (billion USD)



Source: CBT.

56. Deposits and foreign currency held by banks, which are among the sub-items of other investments, fell to USD 25.0 billion on the back of a USD 2.7 billion-decline compared to end-2011. Meanwhile, other sectors' assets abroad did not display a significant change and was recorded as USD 19 billion in the first quarter of 2012.

FX and TL Composition of the Currency and Deposits abroad of Banks resident in Turkey (billion USD)

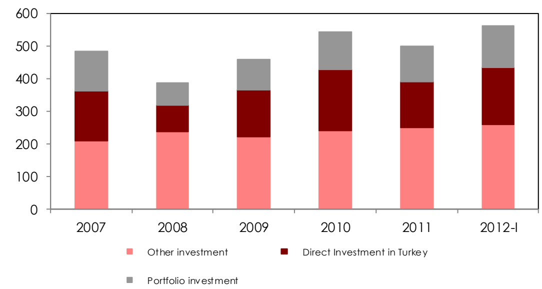


Source: CBT.

3.2 Liabilities

57. In the first quarter of 2012, liabilities items increased by USD 62.6 billion compared to end-2011. Direct investments, portfolio investments and other investments increased by USD 36.9 billion, USD 18.1 billion and USD 7.6 billion, respectively. By the end of the first quarter, liabilities stock totaled USD 561.7 billion, 38 percent of which came from trade loans and other loans (sub-items of other investment), 31 percent from inward direct investments, 23 percent from portfolio investments and 8 percent from deposits (sub-item of other investment).

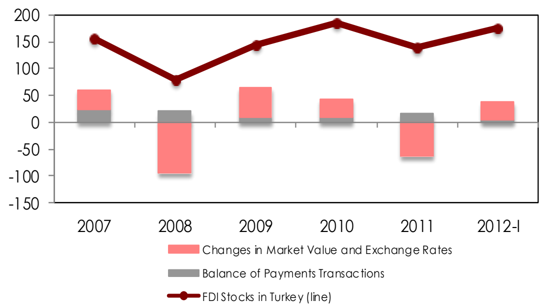
Composition of Liabilities (billion USD)



Source: CBT

58. By the end of the first quarter of 2012, inward direct investment stock increased by 26.6 percent (by USD 36.9 billion) compared to end-2011 and reached USD 175.6 billion. Given that net inward direct investments posted a balance of payments-generated inflow of USD 4.6 billion in the said period, the appreciation of the Turkish lira against US dollar by 7.1% in nominal terms and the increase of the ISE National 100 Index by 6.0 percent come to prominence as being influential in the said increase.

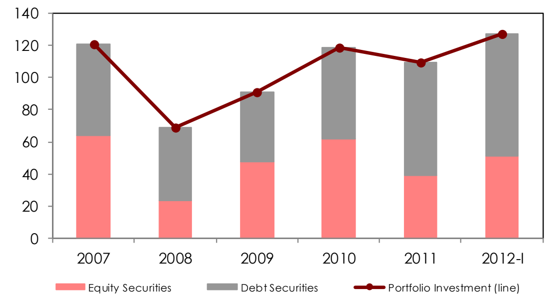
Composition of the Changes in FDI Stocks in Turkey (billion USD)



Source: CBT.

59. At the end of the first quarter of 2012, non-residents' equity holdings, which account for 40 percent of the portfolio investments stock became USD 51.0 billion with an increase of 30.2 percent compared to end-2011, while the stock of bonds issued abroad by the Treasury and held by non-residents was up 4.4 percent to reach USD 29.8 billion (after deducting residents' bond purchases). In the same period, non-residents' holdings of GDDS rose by 12.1 percent to reach USD 42.1 billion. USD 7.8 billion of this amount came from repo transactions (Box 3).

Composition of Portfolio Investment (billion USD)



Source: CBT.

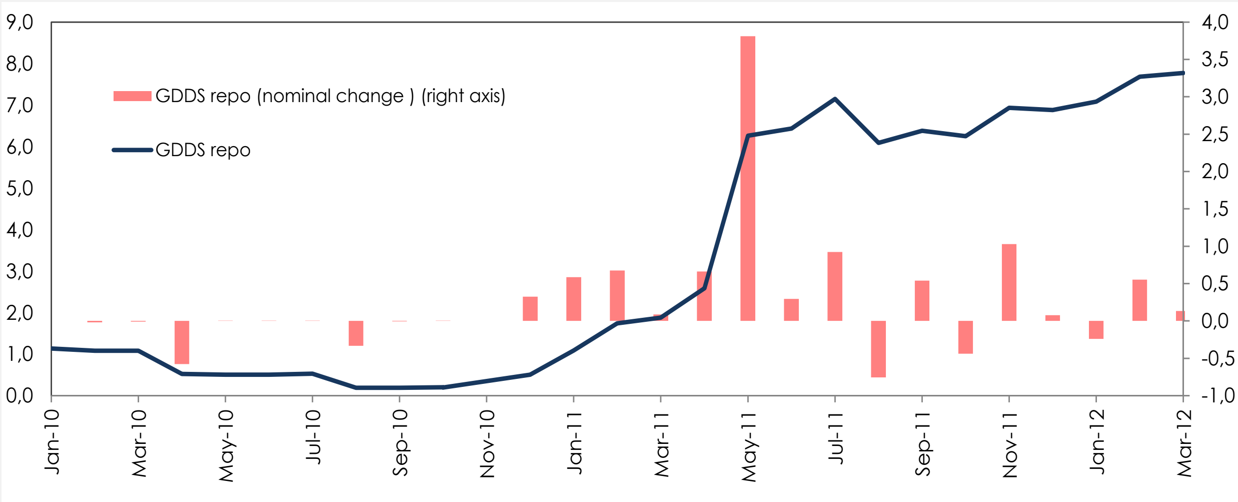
Box 3 **Repo Transactions with Non-Residents**

In its weekly report of "Non-Residents' Holdings of Securities" dated 10 May 2012, the Central Bank of the Republic of Turkey (the Central Bank) started to publish the amount of non-residents' holdings of Government Domestic Debt Securities (GDDS) against repos as a sub-item of the data on non-residents' holdings of government domestic debt securities. This box analyzes the changes in the value of GDDS held by non-residents against repos along with the possible reasons thereof.

The amount and changes of stock of repo transactions carried out by non-residents against GDDS since early 2010 are illustrated in Chart 1. The Central Bank started to implement a new monetary policy in the final quarter of 2010. In this context, Turkish lira reserve requirement ratios were gradually raised from November 2010 to the end of April 2011. Developments in repos during the same periods indicate that the number of repo transactions conducted with foreign parties started to increase from November 2010. An increase by USD 3.8 billion recorded in the amount of repo in May 2011 is noteworthy. This can be interpreted that tightening measures taken by the Central Bank increased TL liquidity needs of Turkish banks, hence their repo transactions with foreign parties.

Meanwhile, reserve requirements have been gradually reduced since August 2011 in order to supply the needed liquidity to the market. It is seen that the repo amount has generally continued to increase, albeit at lower margins since this period (See Chart 1).

Chart 1 – Developments on Repo with Non-Residents (current value billion USD)

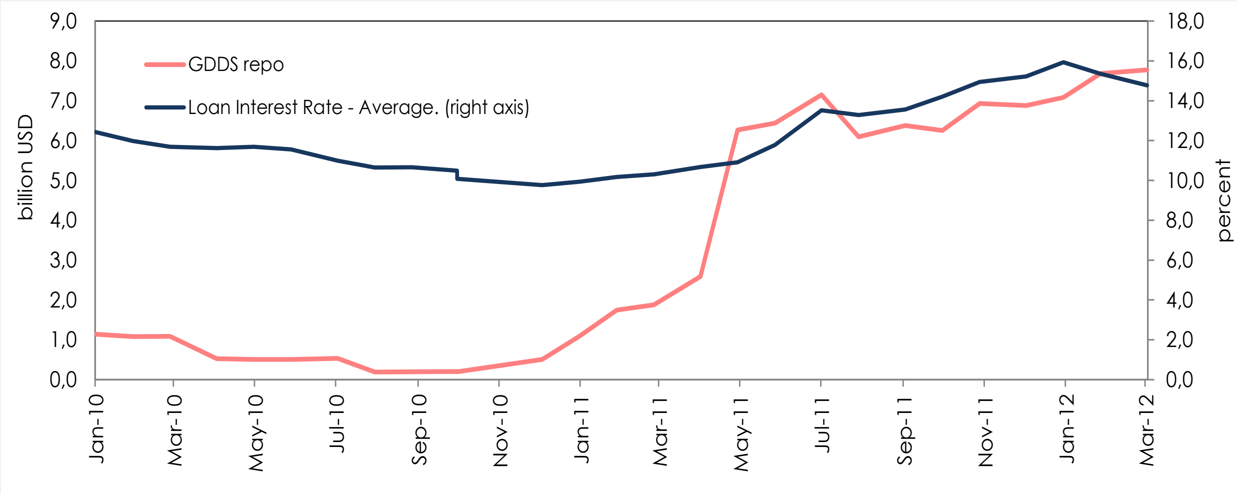


Source: CBT.

On the banks' side, this change can be attributed to their TL liquidity needs, whereas, on the supply side, it can be attributed to the effect of CBT policies on alternative costs (interest rate and exchange rate) of investments. Chart 2 illustrates repo transactions and loan rates, whereas Chart 3 illustrates repo and exchange rate developments together.

In response to the measures taken, the upward trend in the general interest rate moved in tandem with the amount of repo transactions conducted by non-residents against GDDS (See Chart 2).

Chart 2: A Comparison: Developments on Repo with Non-Residents – Loan Rates*

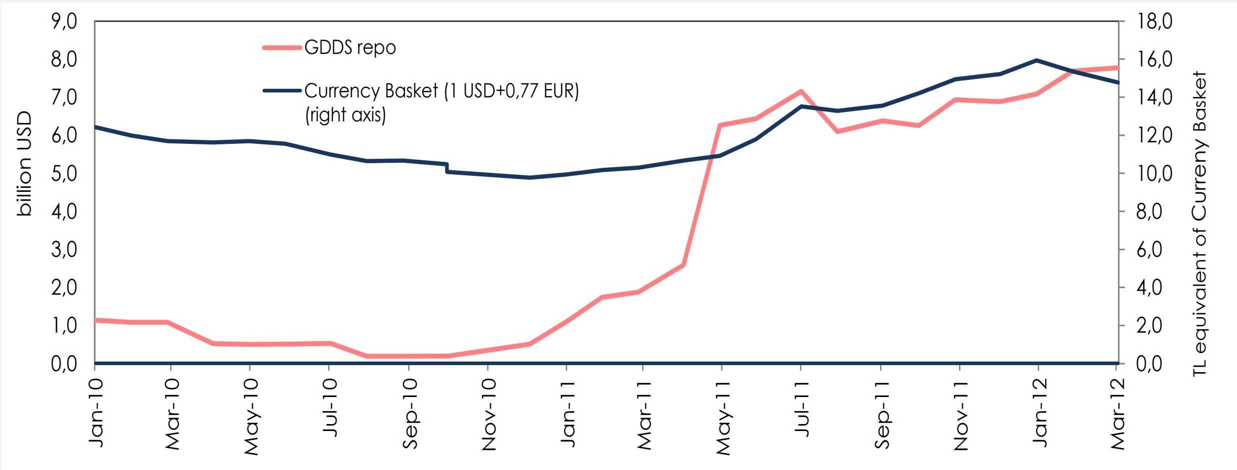


Source: CBT.

*Loan rates are the average of weighted interest rates applied by the banking sector on commercial loans as well as on housing, vehicle and consumer loans.

The upward trend in exchange rates during the same periods has also contributed to the increase in REPO stock. Non-residents' repo transactions against GDDS also increased at times of an increase in the exchange rate basket (See Chart 3).

Chart 3: A Comparison: Developments on Repo with Non-Residents – Exchange Rate Basket (USD million)

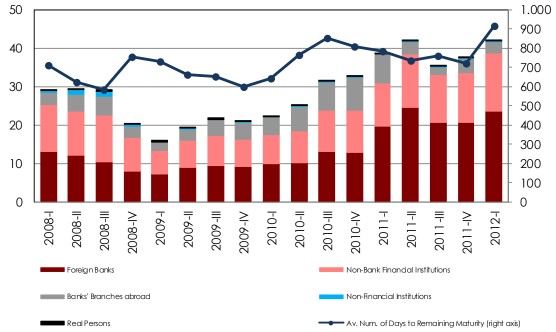


Source: CBT.

In sum, as an implication of the adjustment made in the monetary policy implementation in the last quarter of 2010 on both liquidity and levels of exchange and interest rates, non-residents' transactions against GDDS increased. Meanwhile, non-residents' direct purchases of government domestic debt securities hovered at high levels throughout 2011. This situation implies that the surge in REPO stock was the result of new inflows to the economy via this channel, rather than a change in portfolio preferences of foreign investors,.

60. In the first quarter of 2012, an analysis of the breakdown of non-residents' GDDS stock by holder compared to end-2011 suggests that while GDDS held by foreign banks and non-bank financial corporations increased by USD 2.9 billion and USD 2.3 billion respectively, those held by foreign branches of domestic banks decreased by USD 0.7 billion. In the same period, the average number of days to maturity of GDDS held by non-residents, increased from end-2011 to become 918 days.

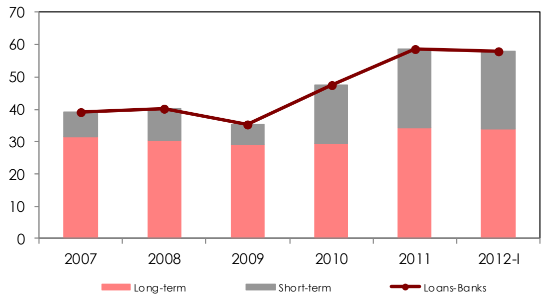
Composition of Non-residents' Holdings of Government Domestic Debt Securities(GDDS) by Loanors and Average Number of Days to Remaining Maturity of GDDS
(market value, billion USD, weighted)



Source: CBT.

61. Total external loan stock of banks became USD 57.9 billion by the end of the first quarter of 2012. Compared to end-2011, this development implies a decline of USD 598 million, of which USD 385 million and USD 213 million were due to the decrease in long-term and short-term loan stocks, respectively.

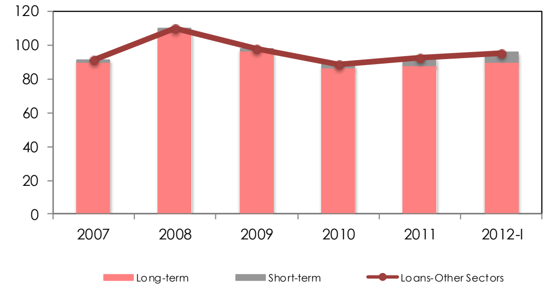
Long-term and Short-term Composition of Banks' Loan Stocks
(billion USD)



Source: CBT.

62. Total external loan stock of the other sectors, which had been on an upward track for the last two years, was up USD 3.2 billion to reach USD 95.5 billion by the end of the first quarter of 2012. 57 percent of the increase in this period is attributable to the rise in long-term loans.

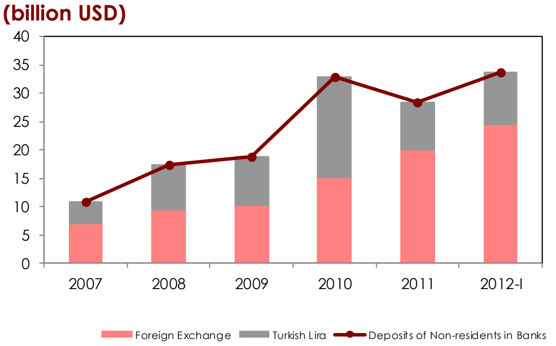
Long-term and Short-term Composition of Other Sectors' Loan Stocks
(billion USD)



Source: CBT.

63. Compared to the end of 2011, non-residents' deposits in Turkey increased by USD 5.3 billion in the first quarter of 2012. The USD 4.5 billion-rise in non-residents' foreign currency deposits at domestic banks was the main factor behind this increase. Meanwhile, non-resident Turkish citizens' deposits at the Central Bank stood at USD 9.7 billion in the same period.

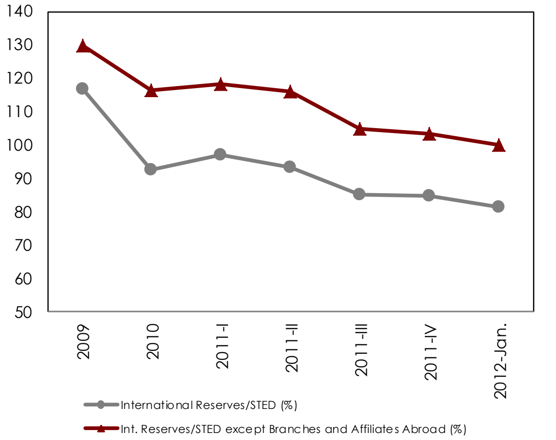
FX and TL Composition of the Deposits of Non-residents within Turkish Banks
(billion USD)



Source: CBT.

64. Compared to end-2011, short-term external debt stock on a remaining maturity basis (STED), calculated, regardless of the original maturity but instead, based on the external debt maturing within 1 year or less, increased by 4.3 percent and reached USD 136.1 billion by March 2012. In the same period, while the ratio of CBT's net international reserves to STED was calculated as 81 percent, the said ratio went up to 100 percent when branches and affiliates abroad are excluded.

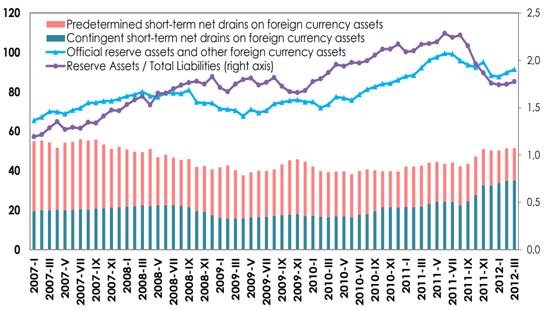
The Ratio of International Reserves to STED on A Remaining Maturity Basis (%)



Source: CBT.

65. Reserve assets, composed of CBT's Official Reserve Assets and other FX assets, increased by 3.4 percent by the end of March compared to end-2011 and reached USD 91.3 billion. In the same period, while the "predetermined liabilities in foreign currency" with a residual maturity of 1 year or less regardless of the original maturity became USD 16.4 billion on the back of a decline by 8.1 percent compared to end-2011, contingent liabilities in foreign currency, composed mostly of banks' reserve requirements in foreign currency and gold held with the CBT increased by 8.2 percent and became USD 35.1 billion. Consequently, the ratio of reserve assets to total liabilities (predetermined and contingent liabilities in foreign currency) materialized at the level of 1.77 in March (Box 4).

Reserve Assets and Short-Term Net Drains On Foreign Currency Assets
(billion USD)



Source: CBT.

Box 4 Net International Reserves

International reserves can be defined as foreign assets that can be used and controlled by the monetary authority of a given country. The level of foreign assets assumes importance as they can be used to finance the current account deficit or to ensure smooth functioning of foreign exchange markets when necessary. In this context, the concept of "net international reserves" built up by excluding certain liability items from international reserves and which denotes the amount that might be used by the monetary authority for such interventions, comes to prominence. The Balance of Payments Report 2011-I elaborated a more extensive definition of a net reserve concept (Reserve/Days to Maturity Composition of Short Term External Debt Stock STED/), where all debts to mature within 1 year (as liability items) were excluded from international reserves.[5] Whereas, the Balance of Payments Report 2011-III explored the concept of net reserves (Reserve/International Reserves and Foreign Currency Liquidity (IRFCL)), calculated by deducting only the related liability items of the Central Bank and Central Government from International Reserves.[6] This box explores the definition of net international reserves (IMF-NIR), designed by the IMF for countries that are on a stand-by arrangement with the IMF.

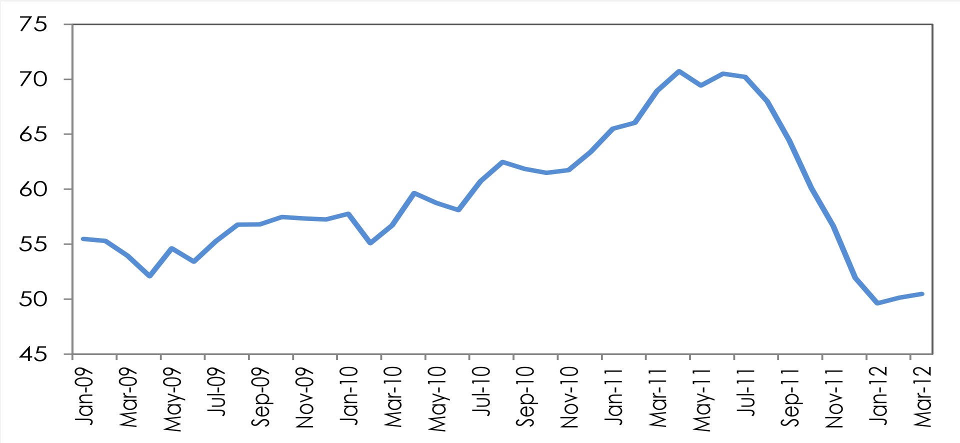
IMF-NIR has been defined by the IMF as the difference between gross foreign exchange reserves and gross international liabilities of a monetary authority. Gross Reserve Assets consist of the CBT's gold reserves, Special Drawing Rights (SDR) allocated by the IMF to provide the CBT with reserves in proportion to Turkey's quota, the sum of purchases from Turkey's credit tranches at the IMF, along with deposits and securities held with foreign banks, which are readily available to the CBT. IMF-defined Gross International Liabilities are the Central Bank's short-term foreign exchange liabilities to non-residents plus banks' required reserves and custody accounts held with the Central Bank. The said short-term foreign exchange liabilities are composed of foreign exchange liabilities on the Analytical Balance Sheet, letter of credit values, short-term external loans and short-term foreign exchange deposit accounts. Briefly, the liability items mentioned in this definition, which are deducted to find the net international reserves, denote only foreign exchange liabilities on the Central Bank's balance sheet.

[5] Liabilities cited here are calculated by adding the long-term external debt with days-to-maturity less than 1 year to the short-term external debt stock (STED). It includes the Central Bank, Public Sector, banks and short-term debts of other sectors. For further details, see CBT Balance of Payments Report 2011-I, Box 4, page 26).

[6] Liabilities cited here are composed of Central Government's and Central Bank's predetermined liabilities in foreign currency with a residual maturity of 1 year and other contingent drains on foreign currency assets, included in International Reserves and Foreign Currency Liquidity Table published monthly on the CBT's website. For further details, see CBT Balance of Payments Report 2011-III, Box 2, page 16).

The chart below illustrates developments in the IMF-defined net international reserves. The IMF-NIR, which trended upwards during the period where the Central Bank purchased foreign exchange via auctions, exhibited a downward trend due to foreign exchange interventions by the CBT in the form of sales end-2011 and in January 2012. As of the end of March 2012, the level of IMF-defined net international reserves was USD 50.5 billion.[7]

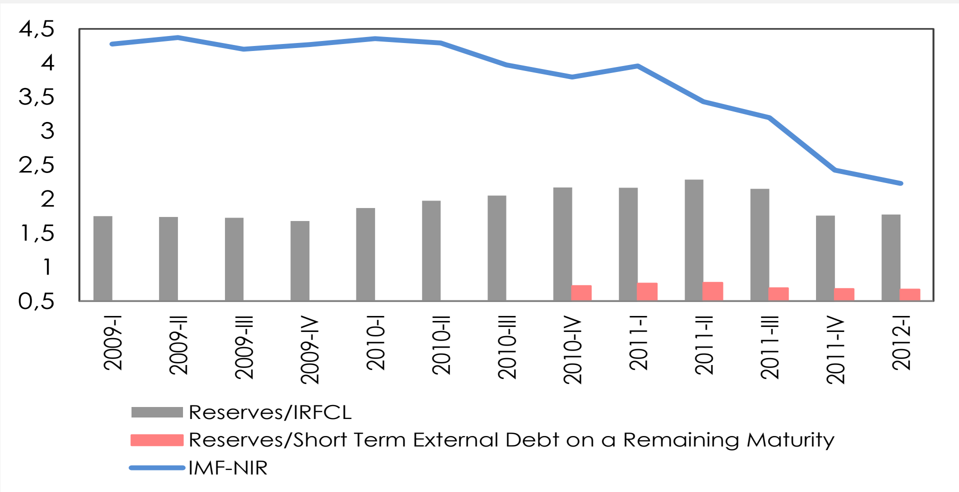
Chart 1: IMF-NIR (billion USD)



Source: CBT.

Chart 2 illustrates the IMF-NIR as a reserve adequacy ratio calculated by dividing reserve assets by liabilities and the two reserve adequacy ratios produced in former reports. Accordingly, although the IMF-NIR trended downwards as the rate of increase in liabilities exceeded that of gross reserves from the second half of 2010, it materialized above the other two indicators throughout the quarter. By the end of March, the ratio of Central Bank's reserves to liabilities was 223 percent.

Chart 2: IMF-NIR and Other Reserve Adequacy Indicators



Source: CBT.

[7] Net international reserves data is published on a weekly basis in the Central Bank's Weekly Press Bulletin in Table 1.5.

IV.
Annex Tables

Financing Requirements and Sources
(billion USD)

	2011				2011	2012
	I	II	III	IV		I
Financing Requirements	-19,9	-33,7	-25,7	-26,3	-105,5	-26,7
Current Account Balance (Excluding Current Transfers)	-22,0	-23,4	-16,4	-17,1	-79,0	-16,7
Debt Security and Credit Repayments	-9,0	-11,5	-9,7	-10,2	-40,5	-10,9
Debt Securities (Abroad)	-1,0	-0,8	0,0	0,0	-1,8	-1,0
Long Term Credits	-8,0	-10,7	-9,7	-10,2	-38,7	-9,9
Trade Credits	-0,1	-0,1	-0,2	0,0	-0,4	0,0
Monetary Authority	0,0	0,0	0,0	0,0	0,0	0,0
(IMF)	0,0	0,0	0,0	0,0	0,0	0,0
General Government	-1,0	-1,6	-1,4	-1,7	-5,7	-1,0
(IMF)	-0,5	-0,6	-1,0	-0,7	-2,8	-0,6
Banks	-1,3	-2,0	-2,1	-1,6	-6,9	-2,6
Other Sectors	-5,7	-7,1	-6,0	-6,9	-25,6	-6,3
Other Assets (- indicates to an increase) 1/	11,1	1,3	0,4	1,1	13,9	0,9
Financing Sources	19,9	33,7	25,7	26,3	105,5	26,7
Current Transfers	0,4	0,3	0,5	0,6	1,7	0,4
Capital Account	0,0	0,0	0,0	0,0	0,0	0,0
Direct Investment (Net)	3,3	2,2	4,3	3,7	13,4	2,3
Equity Securities (Net)	-1,3	0,5	0,4	-0,6	-1,0	0,9
Debt Securities and Credits	25,7	25,4	12,5	17,9	81,5	14,7
Debt Securities	10,9	6,4	-1,9	6,7	22,0	4,5
In Turkey (Net)	6,6	5,1	-1,9	5,2	15,0	0,4
Abroad	4,3	1,3	0,0	1,5	7,1	4,1
Long Term Credits	11,1	13,4	11,1	11,8	47,3	10,0
Trade Credits	0,0	0,0	0,0	0,0	0,1	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	0,7	2,1	0,9	1,2	4,9	0,6
(IMF)	0,0	0,0	0,0	0,0	0,0	0,0
Banks	2,5	3,0	3,6	3,4	12,5	2,3
Other Sectors	7,9	8,2	6,5	7,1	29,8	7,0
Short Term Credits (Net)	3,7	5,6	3,4	-0,5	12,1	0,1
Trade Credits	-0,4	1,8	2,6	-1,7	2,3	-0,2
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	3,6	2,8	0,2	0,1	6,8	-0,7
Other Sectors	0,4	1,0	0,5	1,1	3,0	1,1
Deposits (Net)	-5,8	1,2	3,1	-2,9	-4,4	3,7
Other Liabilities	0,0	0,2	0,3	0,0	0,5	0,0
Net Errors and Omissions	2,8	5,4	2,2	1,5	11,9	3,9
Banks' Currency and Deposits 2/	-1,2	4,3	-1,9	-1,1	0,1	1,5
Reserve Assets 2/	-3,9	-5,8	4,4	7,2	1,8	-0,7

Source: CBT.

1/ Excluding Banks' Currency and Deposits

2/- denotes an increase.

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

	2011				2011	2012
	I	II	III	IV		I
A) Current Account Balance	-21,6	-23,1	-15,9	-16,6	-77,2	-16,3
B) Capital and Financial Acount	18,8	17,8	13,7	15,1	65,3	12,4
Capital Account	0,0	0,0	0,0	0,0	0,0	0,0
Financial Account	18,8	17,8	13,7	15,1	65,4	12,4
Assets	8,9	5,2	-1,8	-0,8	11,5	0,1
	0,0	0,0	0,0	0,0	0,0	0,0
Direct Investment	-0,9	-0,4	-0,3	-0,8	-2,5	-2,3
Portfolio Investment	0,7	1,6	-0,3	0,6	2,7	0,8
Other Investment	9,1	4,0	-1,2	-0,7	11,3	1,6
Liabilities	13,8	18,4	11,1	8,7	52,0	13,0
Non-Debt Creating Flows	3,0	3,2	5,2	4,0	15,4	5,4
Direct Investment 1/	4,2	2,5	4,6	4,6	15,9	4,5
Portfolio Investment/Equity Securities	-1,3	0,5	0,4	-0,6	-1,0	0,9
Other Investment/Other Liabilities 2/	0,0	0,2	0,3	0,0	0,5	0,0
Debt Creating Flows	10,8	15,2	5,9	4,7	36,6	7,6
Portfolio Investment/Debt Securities	9,9	5,7	-1,9	6,7	20,3	3,5
Trade Credits	-0,5	1,8	2,4	-1,7	2,0	-0,1
Loans	7,2	6,5	2,4	2,6	18,7	0,5
Deposits	-5,8	1,2	3,1	-2,9	-4,4	3,7
Other Investment/Other Liabilities 2/	0,0	0,0	0,0	0,0	0,0	0,0
Reserve Assets	-3,9	-5,8	4,4	7,2	1,8	-0,7
C) Net Errors and Omissions	2,8	5,4	2,2	1,5	11,9	3,9

Source: CBT.

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".

International Investment Position
(billion USD)

	2007	2008	2009	2010	2011	2012 I
International Investment Position, net	-314,1	-200,3	-276,9	-360,7	-321,2	-379,4
Assets	170,1	186,4	181,0	184,5	177,9	182,2
Direct investment abroad	12,2	17,8	22,3	22,5	26,4	28,7
Portfolio investment	2,0	2,0	1,9	2,3	1,8	1,4
Equity securities	0,1	0,1	0,2	0,4	0,3	0,2
Debt securities	1,9	1,9	1,7	1,9	1,5	1,2
Other investment	79,5	92,4	82,0	73,7	61,3	60,8
Trade credits	10,3	8,6	9,3	10,5	11,1	11,7
Loans	1,9	2,4	2,6	2,6	2,6	2,6
Currency and deposits	65,1	79,2	67,7	58,2	45,1	44,0
Banks	34,6	46,0	40,1	26,6	26,1	25,0
Foreign exchange	34,6	42,7	37,4	24,1	22,2	19,5
Turkish Lira	n.a.	3,4	2,7	2,5	3,9	5,4
Other sectors	30,5	33,2	27,5	31,6	19,0	19,0
Other assets	2,3	2,3	2,4	2,5	2,5	2,5
Monetary authorities	1,5	1,5	1,5	1,5	1,5	1,5
General government	0,8	0,8	0,9	1,0	1,0	1,0
Reserve assets	76,4	74,2	74,8	86,0	88,3	91,3
Monetary gold	3,1	3,2	4,1	5,3	9,9	11,2
Special drawing rights	0,1	0,0	1,5	1,5	1,5	1,5
Reserve position in the Fund	0,2	0,2	0,2	0,2	0,2	0,2
Foreign exchange	73,1	70,8	69,0	79,1	76,8	78,5
Currency and deposits	5,4	4,1	5,1	7,8	10,8	5,9
Securities	67,7	66,8	63,9	71,3	66,0	72,5
Liabilities	484,2	386,7	457,9	545,2	499,0	561,7
Direct investment in reporting economy	155,1	80,4	143,7	185,8	138,8	175,6
Portfolio investment	120,6	68,8	91,2	118,4	109,4	127,5
Equity securities	64,2	23,2	47,2	61,5	39,1	51,0
Debt securities	56,4	45,6	43,9	56,9	70,3	76,6
Bonds and notes	56,4	45,6	43,9	56,9	70,3	76,6
General government	56,4	45,6	43,9	55,5	66,1	71,9
In Turkey	32,2	20,4	21,1	32,7	37,5	42,1
Abroad	24,3	25,2	22,9	22,8	28,5	29,8
Banks	0,0	0,0	0,0	1,1	4,0	4,5
Other sectors	0,0	0,0	0,0	0,2	0,2	0,2
Other investment	208,5	237,5	223,0	241,0	250,8	258,5
Trade credits	21,5	22,6	21,6	23,4	25,7	25,7
Other sectors	21,5	22,6	21,6	23,4	25,7	25,7
Long-term	0,4	0,6	0,5	0,6	0,3	0,4
Short-term	21,1	22,0	21,1	22,8	25,4	25,3
Loans	160,3	183,5	167,7	171,6	185,7	188,0
Monetary authorities	0,0	0,0	0,0	0,0	0,0	0,0
Use of Fund credit & loans from the Fund	0,0	0,0	0,0	0,0	0,0	0,0
Other long-term	0,0	0,0	0,0	0,0	0,0	0,0
Short-term	0,0	0,0	0,0	0,0	0,0	0,0
General government	30,1	33,5	34,7	36,0	34,9	34,6
Long-term	30,1	33,5	34,7	36,0	34,9	34,6
Short-term	0,0	0,0	0,0	0,0	0,0	0,0
Banks	39,1	40,1	35,4	47,4	58,5	57,9
Long-term	31,5	30,6	29,1	29,3	34,3	34,0
Short-term	7,5	9,5	6,3	18,1	24,2	24,0
Other sectors	91,2	109,9	97,5	88,2	92,3	95,5
Long-term	89,8	108,1	96,6	86,0	87,6	89,4
Short-term	1,4	1,8	1,0	2,3	4,7	6,1
Currency and deposits	26,6	31,4	32,2	44,6	38,0	43,3
Monetary authorities	15,8	14,1	13,3	11,8	9,7	9,7
Banks	10,8	17,3	18,9	32,8	28,3	33,6
Foreign Exchange	7,0	9,4	10,1	15,2	19,9	24,4
Turkish Lira	3,8	7,9	8,8	17,6	8,4	9,2
Other liabilites (**)	0,0	0,0	1,5	1,5	1,5	1,5

Source: CBT.

(*) Monthly inward FDI stocks disseminated as an indicator are calculated by adding inward FDI flow figures to the preceeding year-end stocks and by rev aluating the preceeding year-end FDI stocks based on FX rate and market v alue changes of foreign direct inv estment enterprises.

(**) Special Drawing Rights (SDR) allocation made by International Monetary Fund (IMF) to Turkey is recorded under this item.