CENTRAL BANK OF THE REPUBLIC OF TURKEY

Balance of Payments Report 2014-IV

CENTRAL BANK OF THE REPUBLIC OF TURKEY

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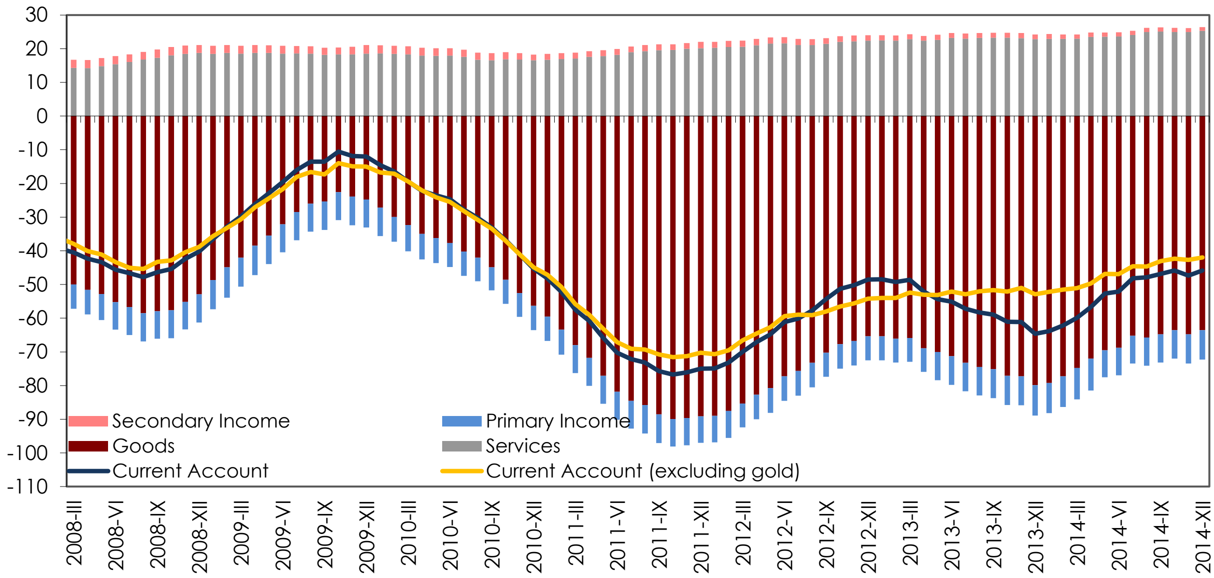
Overview

The contraction in the current account deficit continued in the last quarter of 2014, with improvement in the foreign trade balance as the main driver. Foreign trade of gold had a negative effect on the current account balance due to the increase in imports compared to previous quarters, as a reaction to falling prices. The contribution from net travel revenues to the services balance weakened year-on-year due to the decline in the average spending per visitor in the last quarter (Chart 1).

Chart 1. Current Account and Sub-Items

(annualized, billion USD)



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

Exports, excluding gold, decelerated compared to the same quarter last year. The downtrend in exports to Iraq observed in earlier periods due to the unrest in the region reversed and exports to European Union (EU) countries continued at the same pace despite a slight deceleration, which altogether made a positive contribution to overall exports in this quarter. Meanwhile, gold exports and shuttle trade revenues that dropped in tandem with the decreased travel revenues negatively affected exports.

The year-on-year decline in import expenditures, excluding gold, continued in the last quarter of the year as well. The decline in oil prices curbing energy imports coupled with still moderate domestic demand factors became the main drivers of the decrease in imports. Gold imports, however, assumed an uptrend with the increased buying motive triggered by the modest fall in gold prices in this period.

The services item, which is the second most important determinant of the current account balance after foreign trade, reduced its contribution to the improvement in the current account balance in the last quarter of the year. Although the number of tourists visiting Turkey continued to increase, the average spending per visitor decreased supposedly due to the rapid depreciation in the euro, thereby reducing the total tourism revenues in the last quarter compared to the same period last year. In this quarter, transportation revenues contributed positively to overall services revenues on the back of the decline in freight expenditures and the rise in the number of tourists visiting Turkey.

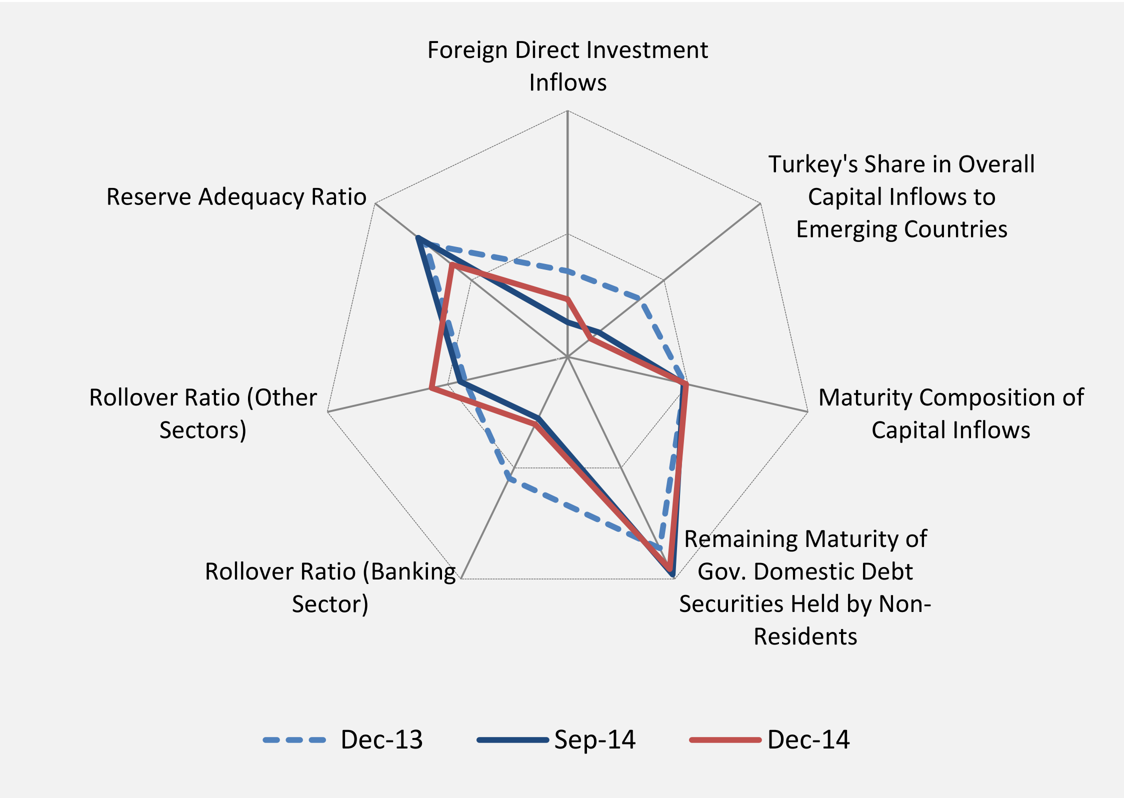
Financing of the Current Account Deficit

The global risk appetite followed a fluctuating course in the last quarter of 2014. The primary factors negatively affecting the global risk appetite in this period were the persistence of the weak trend as well as the divergence in global economic activity and the financial volatility originating from rapidly declining energy prices. On the other hand, the lingering intensified unrest 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 the slowdown in direct investments continued in the last quarter as well. Portfolio investments posted inflows despite the worsening global risk appetite. As for other investment inflows, both the banking sector's and other sectors' debt rollover ratios increased slightly quarter-on-quarter and remained above 100.

In terms of the quality of financing sources, the debt roll-over ratio and foreign direct investment inflows of other sectors modestly improved compared to the third quarter, whereas their reserve adequacy ratios dropped. All other sources remained the same as in the previous quarter (Chart 2).

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



Source: CBRT.

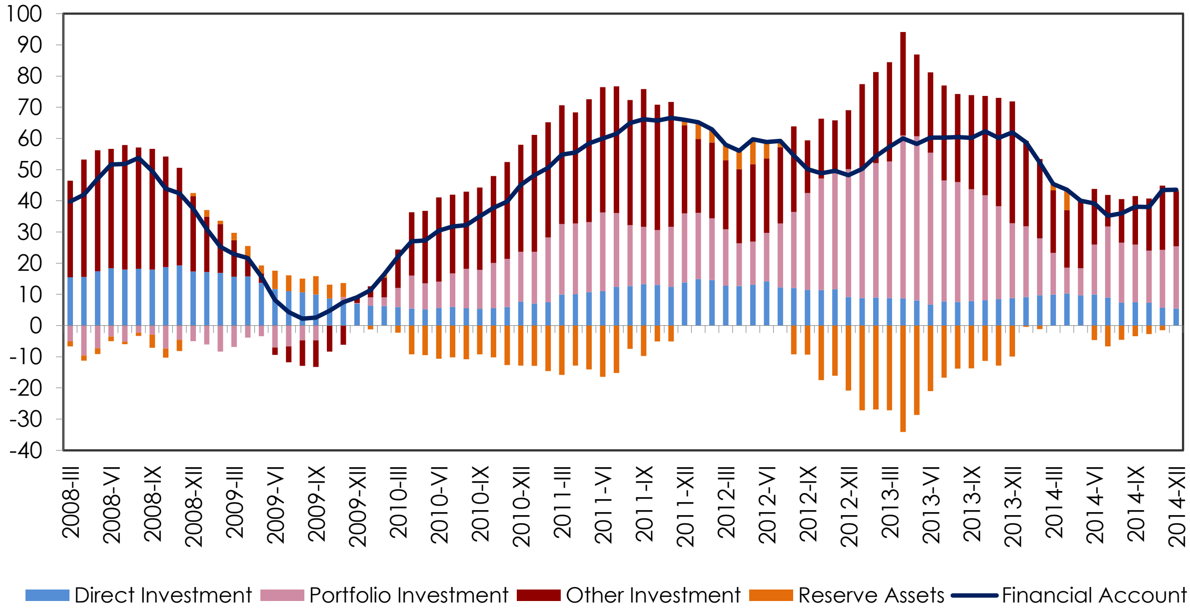
The slowdown in direct investment inflows, which started in the previous quarter, continued in this quarter. The increasing economic stagnation in EU countries is the primary factor slowing down direct investment inflows to Turkey. Meanwhile, the rapid increase in the real estate investments item under direct investments continued in this quarter as well. This increase is attributed to the legal arrangement in 2013 that has facilitated house sales to foreigners (Chart 3).

In this quarter, concerns over growth in energy-exporting countries as well as the EU became the primary factor affecting portfolio flows into emerging economies. Analyzed by type of instrument, non-residents were buyers of all types of instruments throughout the period. Yet, there was a deceleration in portfolio inflows in December.

In the fourth quarter of 2014, neither the banking sector nor other sectors had any supply-side constraints in external borrowing through loans. The banking sector and other sectors were net borrowers in short and long-term loans; debt rollover ratios of both sectors remained above 100 percent.

In the last quarter, official reserves decreased due to the volatility in exchange rates and the weakening in capital inflows in December.

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

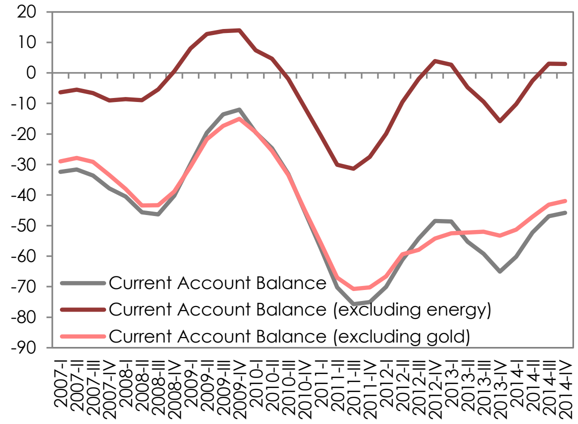


Source: CBRT.

I. Current Account

The current account balance improved on a year-on-year basis in the last quarter of 2014. The current account deficit contracted quarterly by USD 1.1 billion and stood at USD 45.8 billion in 2014. In annual terms, the improvement in the current account balance amounted to USD 19.2 billion. The ongoing improvement is expected to continue in the upcoming period as well, despite the upward and downward risks in the current account balance (Box 1).

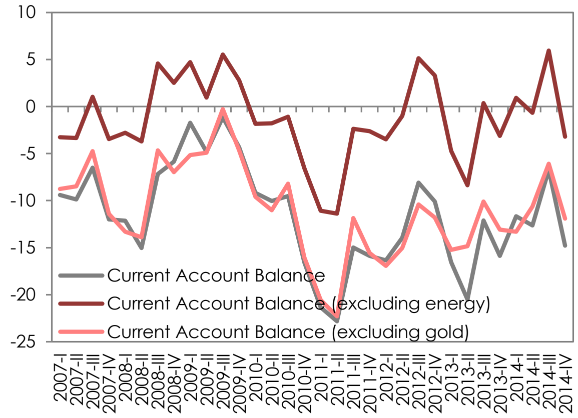
Chart 1. Current Account Balance
(annualized, billion USD)



Source: CBRT.

On a quarter-on-quarter basis, the current account deficit was USD 14.8 billion in the last quarter. In this period, gold imports that rose in line with the fall in gold prices played an important role in the expansion of the current account deficit. When gold is excluded, the current account deficit became USD 11.9 billion.

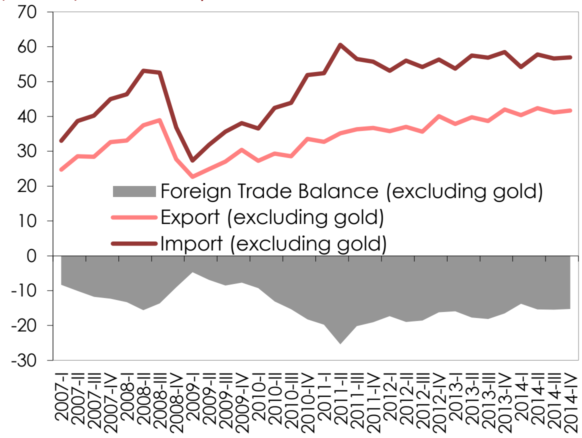
Chart 2. Current Account Balance
(quarterly, billion USD)



Source: CBRT.

The foreign trade deficit, which is the most important component of the current account deficit, maintained its flat course in the last quarter of the year when, again, gold is excluded. In annual terms though, the foreign trade deficit dropped by USD 8.5 billion to USD 59.9 billion in 2014.

Chart 3. Foreign Trade Deficit (Excluding Gold)
(quarterly, billion USD)



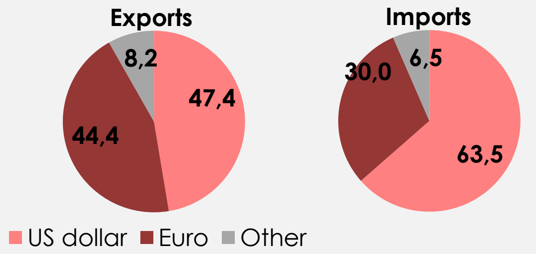
Source: CBRT.

Box 1 Potential Risk Factors for Current Account Balance in the Near Future

The downtrend observed in the euro-dollar parity since the second half of 2014 has dragged down both export revenues and import expenditures in nominal terms and also complicated the evaluation of the net impact of the sliding parity on the current account balance. On the other hand, the course that energy prices will follow in 2015, which took a downturn in the second half of the year, remains to be important in terms of its contribution to the continuation of the deceleration in the current account deficit. The political uncertainties and concerns over economic growth in Russia - one of Turkey's significant foreign trade partners - pose a downward risk to the current account balance, while the limited recovery in exports to Iraq in the last quarter has not helped change the fact that political uncertainties in the region continue to be a risk factor in terms of foreign trade. This box presents a discussion on these risk factors likely to affect the current account balance in the near future.

As the signals for a recovery in the US economy strengthened in 2014 while the recovery in the Euro area remained weak, monetary policies of these two regions diverged. On the one hand, the Federal Reserve (Fed) intensified its communication regarding the start of interest rate hikes; while on the other hand, the European Central Bank (ECB) reinforced its stance on the continuation of expansionary monetary policy implementations to support economic activity. Consequently, the euro-dollar parity assumed an apparent downtrend as of the second half of 2014. The sliding parity causes a nominal decline in exports and imports. Yet, the degree of this effect varies depending on the foreign currency composition of exports and imports. As shown in Chart 1, the fact that the share of euro-denominated exports in overall exports was higher than the share of euro-denominated imports in total imports in 2014 leads to a perception that the sliding parity will unfavorably affect the foreign trade deficit. Although this situation is believed to have a more adverse effect on export revenues, the close levels of euro-denominated nominal export revenues and import expenditures make it easier to offset the drop in revenues by the drop in expenditures (Table 1). In this respect, the parity-based downward risk on foreign trade deficit is thought to be

Chart 1. Foreign Currency Composition of Foreign Trade in 2014
(share, percent)



Source: TURKSTAT

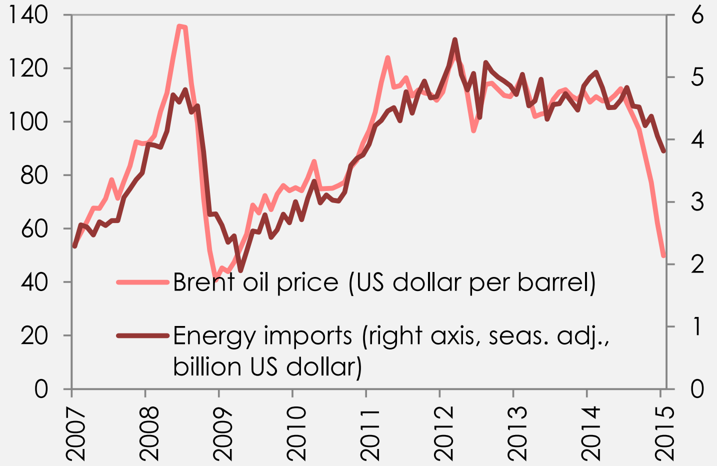
Table 1. Breakdown of Exports and Imports by Foreign Currency in 2014
(billion USD)

	USD	Euro	Other
Exports	74.7	70.0	12.9
Imports	153.8	72.6	15.8

Source: TURKSTAT

limited. In addition, Turkey has headed for new markets to compensate for the decrease in foreign demand triggered by economic stagnation in the Euro area in recent years, which has increased the geographical diversification of exports and also boosted the share of USD-denominated exports by changing the foreign currency composition of exports.[1] These dynamics are assumed to be another factor that will contain the parity effect in the upcoming period.

Chart 2. Crude Oil Price and Energy Imports



Source: Bloomberg, TURKSTAT.

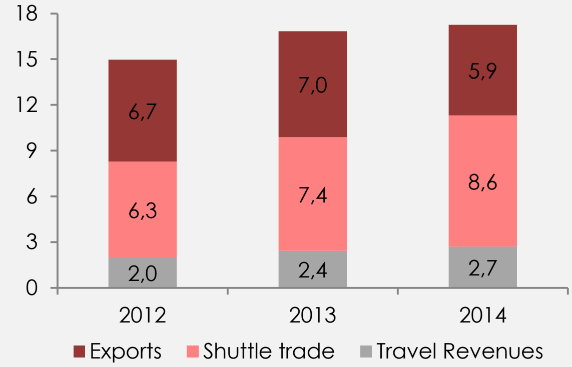
The deceleration in energy imports, which was catalyzed by the sharp decline in crude oil prices in the second half of the year, was the most positive development for the current account balance in 2014 (Chart 2). The moderate trend in crude oil prices that continued through the first quarter of 2015 will keep contributing positively to the current account balance in the upcoming period as well. Moreover, this contribution is likely to increase further with the lagged reflection of the fall in oil prices to other energy items.

On the other hand, economic growth in Russia, one of Turkey's important foreign trade partners, was interrupted after the geopolitical developments in 2014. This interruption is a factor that may have adverse repercussions on the current account balance through foreign trade, shuttle trade and tourism channels. In 2014, Russia-based revenues in the current account balance amounted to USD 12.9 billion; the greatest contribution in this sense came from exports (Chart 3).[2] They were followed by revenues from shuttle trade. However, the economic slowdown in Russia will probably have a negative impact on the shuttle trade with other countries of the Commonwealth of Independent States (CIS), which also have a dominant share in Turkey's shuttle trade. On the other hand, Russian tourists make up approximately 12 percent of all tourists visiting Turkey. In addition, the downtrend in exports to Russia observed since the start of 2014 has accelerated in line with the geopolitical tension in the region. These two channels may also trigger significant effects in 2015 (Chart 4).

[1] For example, since the second quarter of 2010 when debt roll-over problems emerged in the Euro area, the shares of USD-denominated exports to the North America region and the Middle East and Africa region have climbed from 3.6 percent to 5.1 percent (as of January 2015) and from 27.9 percent to 31.9 percent, respectively.

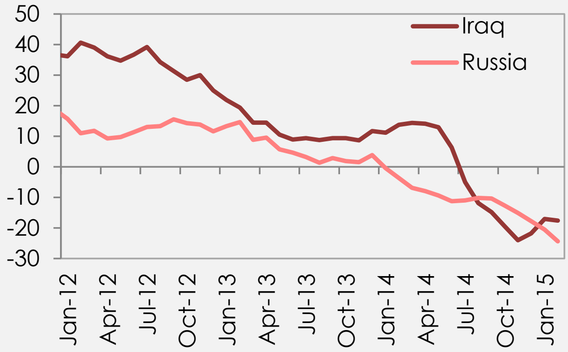
2 In light of data presented in Box 3, 49 percent of the shuttle trade is assumed to be Russia-driven.

Chart 3. Russia-Based Revenue Items in the Current Account Balance in Years
(billion USD)



Source: CBRT, TURKSTAT.

Chart 4. Change in Exports to Russia and Iraq in Recent Years
(6-month moving average, annual percentage change)



Source: TURKSTAT

Although exports to Iraq, another important foreign trade partner of Turkey, posted a modest recovery in the last quarter of 2014, downward risks on the current account balance persist due to lingering political uncertainties in the region. As a matter of fact, January and February data suggest that there may be a pause in the decline in the annual rate of contraction in exports to Iraq (Chart 4).

To conclude, these factors may pose downside and upside risks to the current account balance in the upcoming period. Yet, estimates indicate that current account deficit reducing factors will predominate in 2015. In other words, the reduction in the energy bill in line with the projected moderate course of energy prices in 2015 is expected to offset the adverse effects of the downside risks to the current account deficit. In this sense, the ongoing improvement in the current account deficit is also expected to continue in the upcoming period.

1.1 Exports of Goods

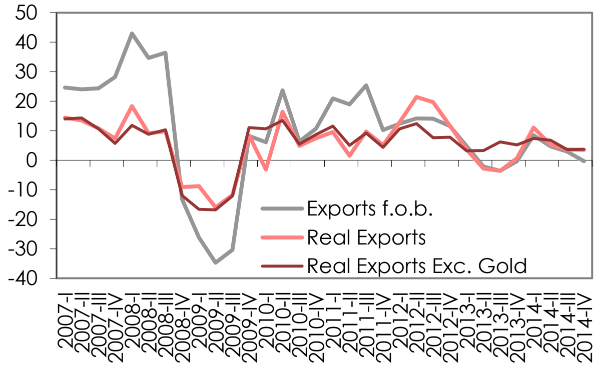
The deceleration in the annual growth rate in total exports recorded since the start of 2014 continued also in the last quarter of the year due to the ongoing sliding euro-dollar parity. Seasonally adjusted quarterly data suggest that both the gold-excluded and the gold-included exports weakened in the last quarter.

Exports declined by 0.3 percent year-on-year in this quarter, whereas they posted a 3.9-percent growth in annual terms in 2014. Meanwhile, exports remained close to the level of the previous quarter in real terms and the annual growth rate in both the overall export quantity and the gold-excluded export quantity followed a flat course.

The moderate uptrend in EU countries' share in Turkey's exports, which has been seen for about a year now, continued to be above the levels recorded in the first half of 2014, despite a pause in the last quarter. The share of EU countries in Turkey's total gold-excluded exports stood at 44.2 percent, while the share of other European countries slightly increased to 8.7 percent. Middle East and Africa (MEA) countries' share remained unchanged in the fourth quarter, whereas the shares of exports to North America and the Commonwealth of Independent States (CIS) in overall exports continued to increase moderately.

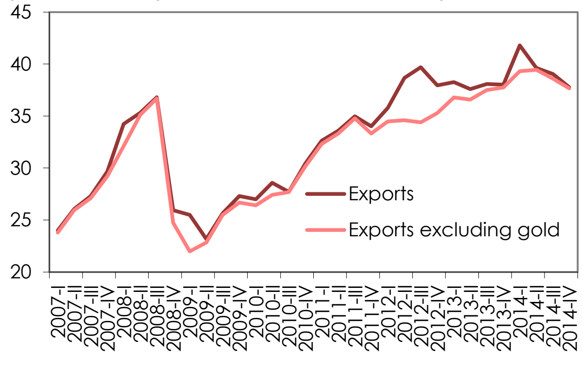
The rate of economic growth in Turkey's export partners decreased to 1.7 percent in the last quarter of 2014. Yet, the average annual growth rate in these countries was 1.9 percent for the whole of 2014, which was 0.9 percentage points above the 2013 average. Meanwhile, due to the ongoing deceleration in global growth since the start of 2014, the growth rate in Turkey's export partners converged to the global growth rate.

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



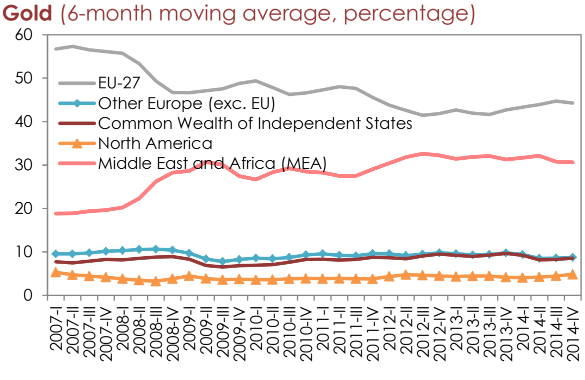
Source: TURKSTAT.

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



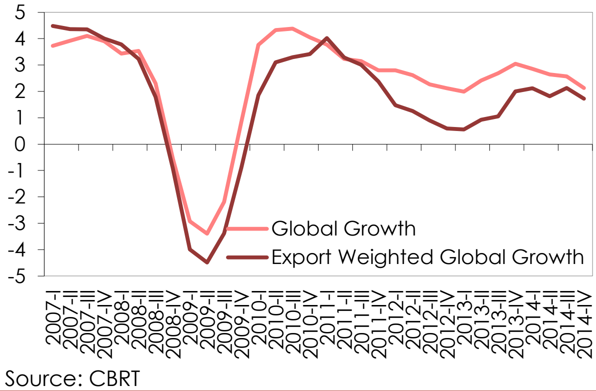
Source: TURKSTAT.

Chart 6. Selected Regions' Shares in Exports Excluding Gold (6-month moving average, percentage)



Source: Bloomberg, Consensus Forecasts, IMF, CBRT.

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



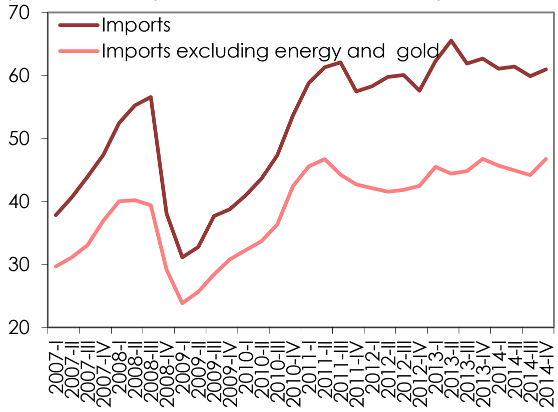
Source: CBRT

1.2 Imports of Goods

In the last quarter of 2014, total imports increased in seasonally adjusted terms. Gold imports posted a quarter-on-quarter growth, with the impact of the moderate fall in gold prices. The downtrend in imports, excluding gold, persisted in the last quarter as well, parallel to the decline in energy imports caused by the fall in oil prices. Core imports, defined as imports excluding gold and energy, posted an upswing in this period.

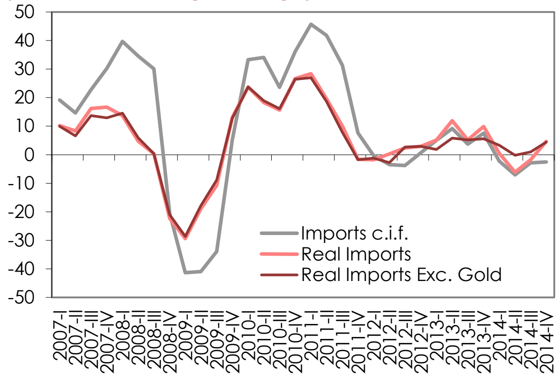
Real imports increased modestly compared to the previous quarter and the annual growth rate in both the overall imports and imports excluding gold hovered around 4.5 percent. On the other hand, the contraction trend observed in nominal imports on an annual basis lost pace in the second half of the year. In that period, the sliding parity exerted a downward pressure on imports and the deceleration in imports eased to 2.5 percent compared to the same period in 2013. In this framework, total imports of goods registered an annual decline by 3.8 percent in 2014; thereby increasing the coverage ratio of total exports of goods to total imports of goods to 72.7 percent (Box 2).

Chart 8. Import vs. Gold Excluded Imports
(seasonally adjusted, quarterly, billion USD)



Source: TURKSTAT.

Chart 9. Imports-Nominal and Real
(annual percentage change)



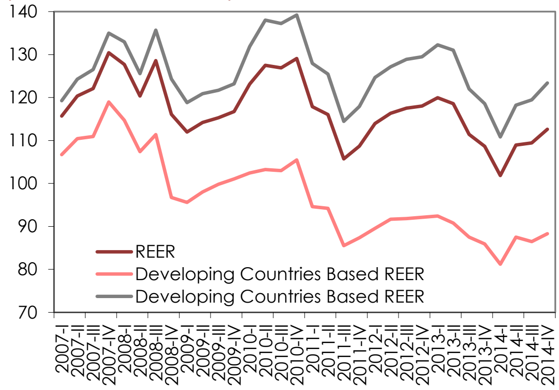
Source: CBRT.

1.3. Real Exchange Rate Developments

The real exchange rate indices, which had been in a downtrend since the second quarter of 2013 when the first signals for the termination of the asset purchase program came from the Federal Reserve, took an upturn in the first quarter 2014. This uptrend continued through the last quarter, although it was partially interrupted in the third quarter.

In the last quarter of the year, the appreciation of the Turkish lira was higher according to the advanced economies-based index than it was according to the emerging economies-based index. Low inflation rates in advanced economies were instrumental in this development. By the last quarter, indices had converged to the period averages since 2011.

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



Source: CBRT.

Box 2 Adjustments in the Goods Item in the Balance of Payments Statistics

All definitions and classifications regarding the "Goods" sub-item of the Current Account item in the Balance of Payments Statistics are presented in the Sixth Edition of the Balance of Payments and International Investment Position Manual (BPM6) released by the IMF in 2009. Accordingly, the goods item covers all exports and imports of goods whose economic ownership changes between a resident and a non-resident. Transactions, which are not subject to change of ownership of goods, are excluded from the "Goods" item according to the balance of payments methodology. Foreign trade statistics can be compiled from various data sources (customs data, banking system data, surveys, administrative data, etc.). The Turkish Statistical Institute (TURKSTAT) is the institution responsible for the compilation and release of foreign trade statistics in Turkey. The data source for foreign trade statistics compiled by TURKSTAT is the customs declarations submitted by exporters and importers to customs administrations. According to the balance of payments methodology, some adjustments are needed for these data to be used in balance of payments statistics. This box presents the adjustments in the "Goods" item and the impact of these adjustments on foreign trade statistics.

TURKSTAT releases exports data on a f.o.b. (free on board - cost of goods excluding insurance and freight) basis and imports data on a c.i.f. (cost, insurance and freight - cost of goods including insurance and freight) basis. The first adjustment in the “Goods” item is the deduction of insurance and freight costs that are the subjects of the “Services" item. For the imports data to reflect the cost of imported goods only, freight and insurance costs in the imports c.i.f. figure are deducted via the related adjustment item. Other adjustments in the “Goods” item are as follows:

a) Free Trade Zones:

Turkey's foreign trade statistics compiled by TURKSTAT are based on the “Special Trade” system. The special trade system covers the physical movement of goods across customs, excluding the movement of goods to or from the free trade zones located within country’s national borders. The “General Trade” system, on the other hand, covers all goods crossing the national borders. According to the balance of payments methodology, foreign trade data must be released conforming to the "General Trade" system. Therefore, foreign trade statistics disseminated by TURKSTAT according to the "Special Trade" system are converted to the "General Trade" system using free trade zone data provided separately by TURKSTAT.

b) Foreign Trade Transactions Not Registered in Customs Records:

When a customs system is used as a source of data on goods, there is a need to make adjustments to incorporate goods that are subject to change of ownership but not recorded in customs into the "Goods" account, such as “shuttle trade” and “net exports of goods under merchanting”. Goods purchased in Turkey to be sold abroad by foreign travelers coming predominantly from the Commonwealth of Independent States comprising former Soviet republics, Eastern Europe, Middle East and North Africa countries are categorized as “shuttle trade”.[3] The value of shuttle trade-based exports, which are an important source of foreign currency for Turkey, is calculated by TURKSTAT by means of a quarterly Shuttle Trade Survey conducted at road, air, and sea custom gates. On the other hand, merchanting, which is the purchase and subsequent resale of goods abroad without the goods entering or exiting country’s borders, is classified as a component of “Goods” under the new category “Net Exports of Goods Under Merchanting” in BPM6. Export revenues obtained from shuttle trade and merchanting are included in the export f.o.b. item published by TURKSTAT.

c) Other Adjustments:

Exports under the "Goods Procured in Ports by Carriers" item covering exports and imports of fuels and provisions procured in ports by carriers are already included in TURKSTAT's exports f.o.b. figures, whereas imports under the same item are included in the "General Merchandise" item through the “Adjustment: Coverage” item. Data on exports and imports published by TURKSTAT also cover goods for processing in Turkey and goods for processing abroad. However, as these transactions do not involve change in ownership according to BPM6, they are deducted from TURKSTAT's exports and imports figures through the “Adjustment: Coverage” item.

Thus, adjustments made during the formation of Credit (Exports) and Debit (Imports) sub-items of the "Goods" item in the Balance of Payments Table are summarized as follows:

“Goods / Credit (Exports)” Item =

Exports f.o.b (TURKSTAT)+Free Trade Zones+Shuttle Trade+Net Exports of Good Under Merchanting - Goods for Processing

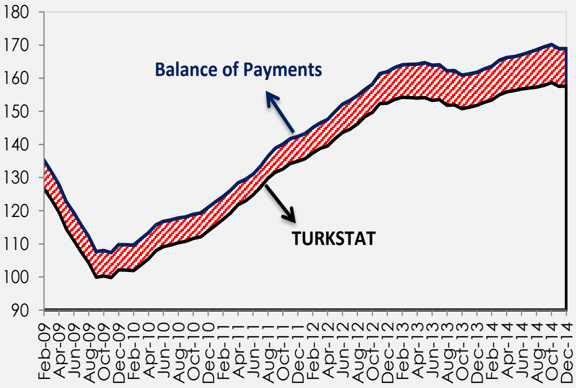
“Goods / Debit (Imports)” Item =

Imports c.i.f. (TURKSTAT) + Free Trade Zones + Fuels and Provisions Procured in Ports by Carriers - Freight and Insurance - Goods for Processing

[3] For detailed information on shuttle trade, please see: “Balance of Payments Statistics Methodology", pages 7-8, 13-15. http://www.tcmb.gov.tr/wps/wcm/connect/TCMB+EN/TCMB+EN/Main+Menu/STATISTICS/Balance+of+Payments+and+Related+Statistics/Balance+of+Payments+Statisticss/Methodology.

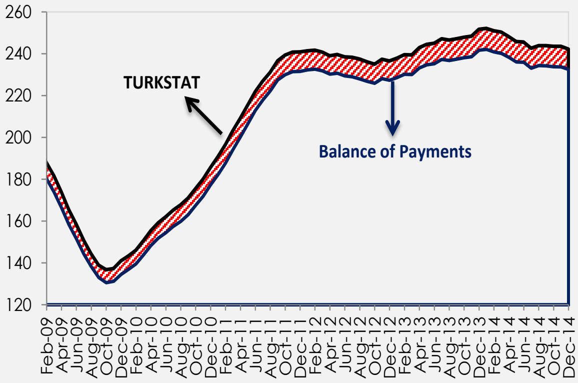
Chart 1 and Chart 2 depict a comparison of Credit (Exports) and Debit (Imports) sub-items of the "Goods" item, obtained through these methodological adjustments in the balance of payments statistics, with TURKSTAT figures. Accordingly, adjustments on exports have a boosting effect on export revenues, while adjustments on imports have a reducing effect on import expenditures in the balance of payment.

Chart 1. Exports
(annualized, billion USD)



Source: CBRT

Chart 2. Imports
(annualized, billion USD)



Source: CBRT

When the related adjustment items are added to the exports f.o.b. figure, which was USD 157.6 billion in 2014 according to TURKSTAT's foreign trade statistics, the exports item in the balance of payments table increases to USD 169.0 billion. Of the USD 11.4-billion adjustment difference in exports, USD 8.6 billion belongs to revenues from shuttle trade, while the net revenue from other adjustments accounts for approximately USD 2.5 billion (Table 1). On the other hand, when the related adjustment items are added to the imports c.i.f. figure, which was USD 242.2 billion in 2014 according to TURKSTAT's foreign trade statistics, the imports item in the balance of payments table drops to USD 232.5 billion. This drop originates mainly from the USD 12.7-billion freight and insurance costs deducted during the conversion of imports c.i.f. data into imports f.o.b. data. Yet, other adjustment items have had a boosting effect on imports (Table 1).

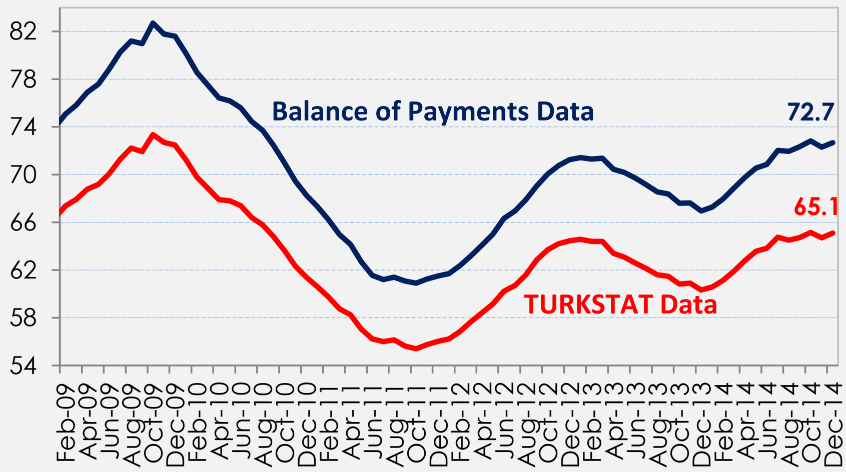
Table 1. Adjustments Made in the "Goods" Item in 2014
(million USD)

	Export	Import	Net
TURKSTAT	157643	242184	-84541
+Shuttle Trade	8618		
+Freight and Insurance		-12680	
+Net Exports of Goods Under Merchanting	193		
+Other Adjustment Items*	2505	2997	
Balance of Payments	168959	232501	-63542

* Other adjustment items consist of Free Trade Zones, Goods for Processing, and Fuels and Provisions Procured in Ports by Carriers data.
Source: CBRT

Based on Turkey's foreign trade data for the period between 2009 and 2014, the course of the "*export/import coverage ratio*" in recent years is given in Chart 3. According to this Chart, adjustments in the "Goods" item have increased the "export/import coverage ratio" in a positive sense. In fact, the export/import coverage ratio was 65.1 percent as of December 2014 according to TURKSTAT data, whereas it climbed to 72.7 percent after the relevant adjustments in the balance of payments table.

Chart 3. Export/Import Coverage Ratio
(annualized, percent)



Source: CBRT

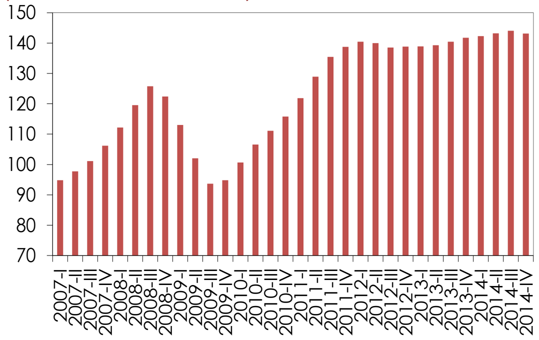
To conclude, exports f.o.b. and imports c.i.f. data compiled by TURKSTAT based on customs declarations require certain adjustments so that they can be used in balance of payments statistics according to BPM6 published by the IMF. These adjustments have a boosting effect on Turkey's export revenues and a reducing effect on import expenditures, thus leading to a higher "export/import coverage ratio". It would be useful to take this fact into account while evaluating foreign trade performance.

1.3 Global Outlook

Provisional data from the World Trade Organization suggest that world trade slightly decreased in the last quarter of 2014, in line with the deceleration in global economic activity. Global exports, which had posted a year-on-year increase of 2.6 percent in the third quarter of 2014, lost pace in the last quarter and grew by 1.0 percent.

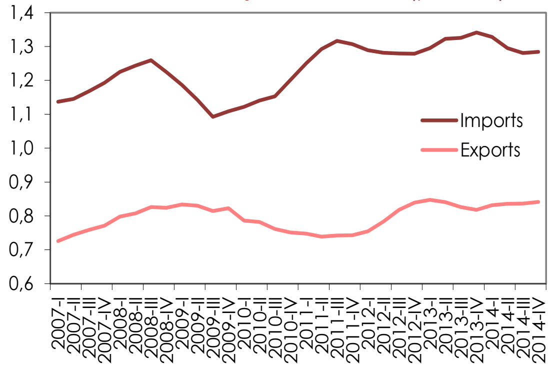
According to World Trade Organization data, Turkey's shares in global imports and global exports remained the same in this period, standing at 1.28 percent and 0.84 percent, respectively.

Chart 11. World Trade
(annualized, 2007-I=100)



Source: CBRT.

Chart 12. Share of Turkey in World Trade (percent)



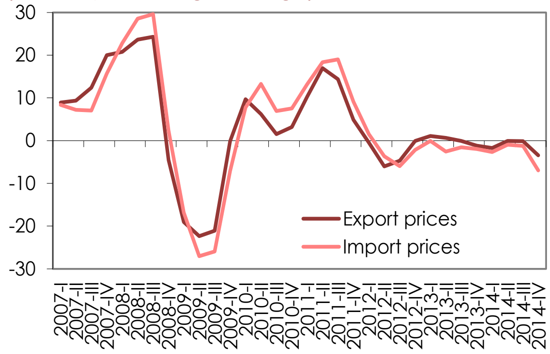
Source: WTO.

1.5 Terms of Trade

The downtrend in both export and import prices continued and further accelerated in the fourth quarter of 2014. In this quarter, export prices and import prices decreased by 3.5 percent and 7 percent, respectively, in annual terms.

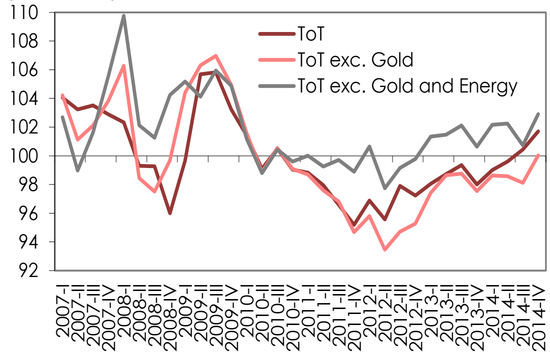
As the decline in export prices remained lower than the decline in import prices, the rise in terms of trade over the last quarter continued to increase in the final quarter. Accordingly, terms of trade significantly exceeded the 100 level both in cumulative form and when gold and energy is excluded.

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



Source: TURKSTAT.

Chart 14. Terms of Trade
(2010=100)



Source: TURKSTAT.

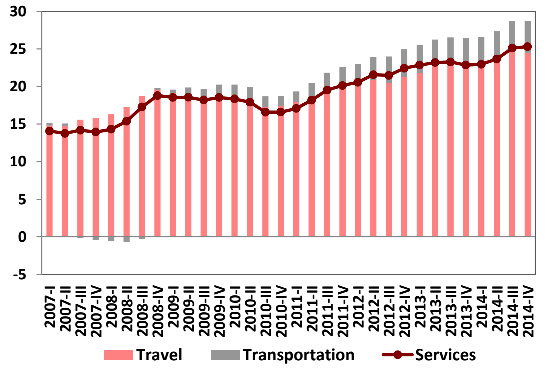
1.6 Services Account

The contribution from the services item, the second most important determinant of the current account balance after foreign trade, to the current account balance decreased in the fourth quarter. Despite the rising number of tourists, the total travel revenues in the final quarter decreased year-on-year mainly due to the decline in the average expenditure per tourist stemming from the rapid depreciation of the euro. In this quarter, on the back of the decline in freight expenditures and the rise in the number of tourists visiting Turkey, transportation revenues contributed positively to overall services revenues.

Despite the year-on-year rise in transportation, construction services and other services items under the services balance, the contribution of the services item to the current account remained limited due to the decline in travel revenues. In the final quarter of 2014, travel revenues decreased by 3.0 percent while travel expenditures increased by 1.0 percent year-on-year. Consequently, net travel revenues decreased by 4.0 percent year-on- year to USD 5.1 billion. Meanwhile, the number of tourists increased by 1.8 percent compared to the same quarter last year. An analysis by country groups indicates that in the final quarter, the highest proportional year-on-year rise in the number of tourists was registered for Asia and Africa while the lowest decline was recorded for the CIS countries. Accordingly, shuttle trade revenues decreased as well (Box 3).

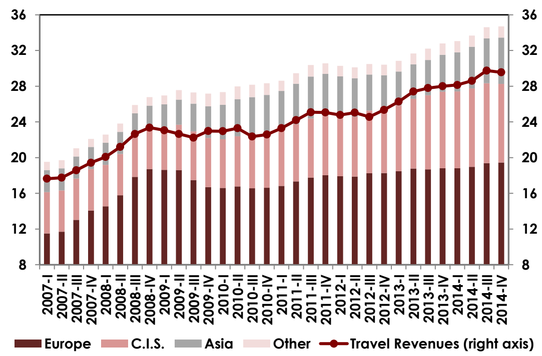
In the final quarter of 2014, the average expenditure per foreign visitor and per non-resident Turkish citizen in Turkey decreased in year-on-year terms. The related data show that the average expenditure per foreign visitor in Turkey rose by 0.3 percent year-on-year to USD 746, while the average expenditure per non-resident Turkish citizen visiting Turkey decreased by 21.9 percent year-on-year to USD 1010.

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



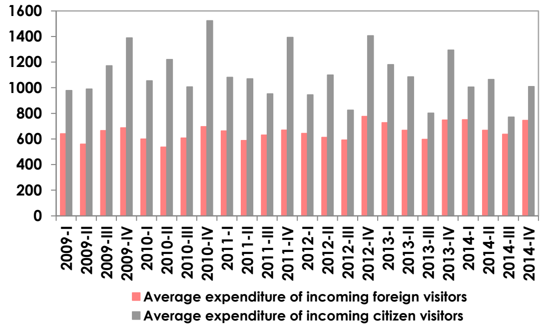
Source: CBRT.

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 3 Shuttle Trade

Definition and Scope

The Balance of Payments Statistics are compiled based on the international standards stipulated in the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) prepared by the IMF to provide guidance to member states. According to BPM6, shuttle trade covers transactions involving i) the purchase of goods in an economy by travelers (nonresidents) who then transport these goods back to their economy of residence where they are to be sold; ii) goods purchased by travelers in their home country for resale abroad; and iii) goods purchased by travelers abroad in one economy and sold abroad in a second economy. Shuttle trade is sometimes called informal cross-border trade (BPM6, paragraph 10.19, page 153). When a customs system is used as a source of data on goods, there is a need to make adjustments to include any goods where there is a change of ownership not recorded in customs data or travel.

Goods purchased in Turkey by travelers from CIS countries i.e., former Soviet Republics, Eastern Europe, Middle East and North Africa to be resold abroad, which are called accompanied baggage, are not covered by foreign trade statistics. The value of this export activity, which is also called shuttle trade and is an important source of foreign exchange for Turkey, started to be calculated by a private company in 1996 at the request of the CBRT. This practice continued until 2002.

Since 2003, shuttle trade data has been collected by TURKSTAT by means of a quarterly "Shuttle Trade Survey (STS)" conducted at the road, air, and sea custom gates.

Field Application

STS is a face-to-face survey produced at the same period and time with the Departing Visitors Survey at the border gates subject to shuttle trade for a period of 10 days. The questionnaire form has been prepared in Turkish, English, French, Russian, Arabic and Persian and is conducted on a quarterly basis. The reference periods and application months of the survey are as follows:

Reference Period / Application Month

- 1st Quarter: January-February-March / February
- 2nd Quarter: April/May/June / May
- 3rd Quarter: July-August-September / August
- 4th Quarter: October- November-December / November

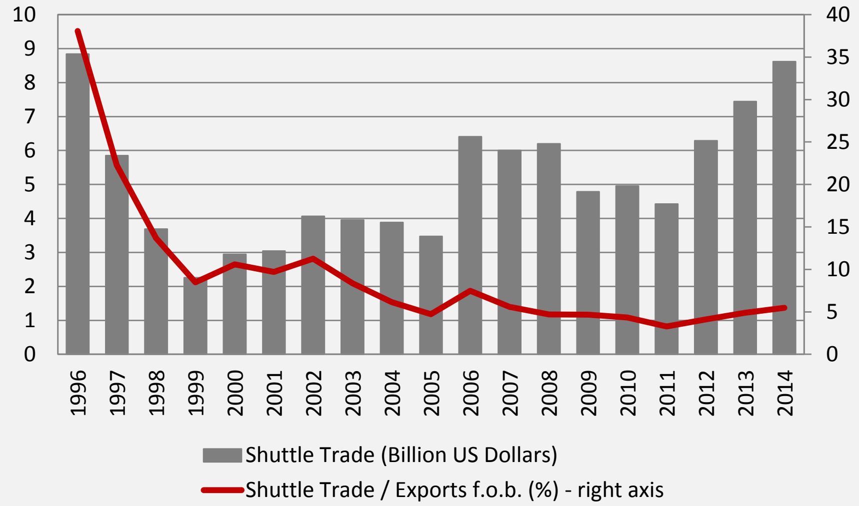
Countries covered

CIS, Balkan countries, Middle East countries, North African countries, Turkic Republics, neighboring countries.

Shuttle Trade Revenues

The value of shuttle trade displayed a fluctuating trend between 1996 and 2014 when pre- and post-crisis periods (i.e. 1998, 2001 and 2009) are taken into account. An analysis of the ratio of shuttle trade to exports (fob), which is described as an indicator of the size of export revenues, suggests that the volume of shuttle trade was relatively higher in the years when the volume of these transactions first started to be calculated, however the volume showed a lower and flat trend in the following years (Chart 1).

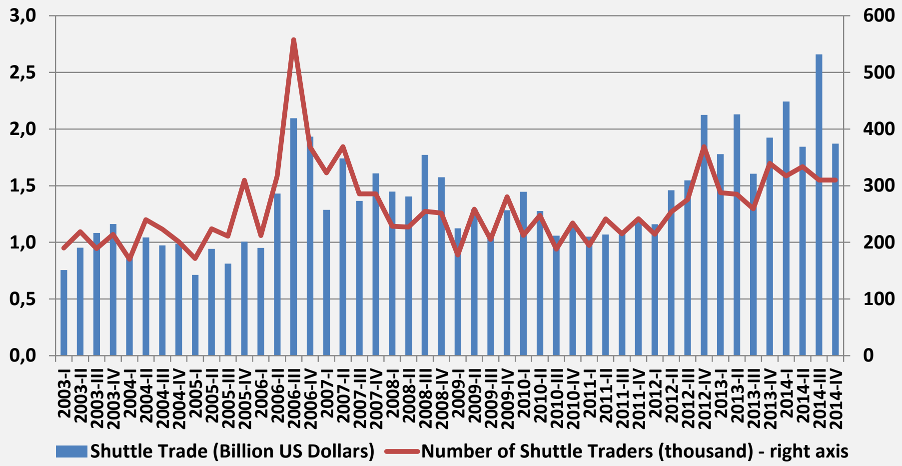
Chart 1. Development of Shuttle Trade



Source: CBRT, TURKSTAT.

The shuttle trade revenues and shuttle traders data show seasonality similar to tourism revenues data as they are based on the Departing Visitors Survey. As of 2012, the number of shuttle traders increased again (Chart 2).

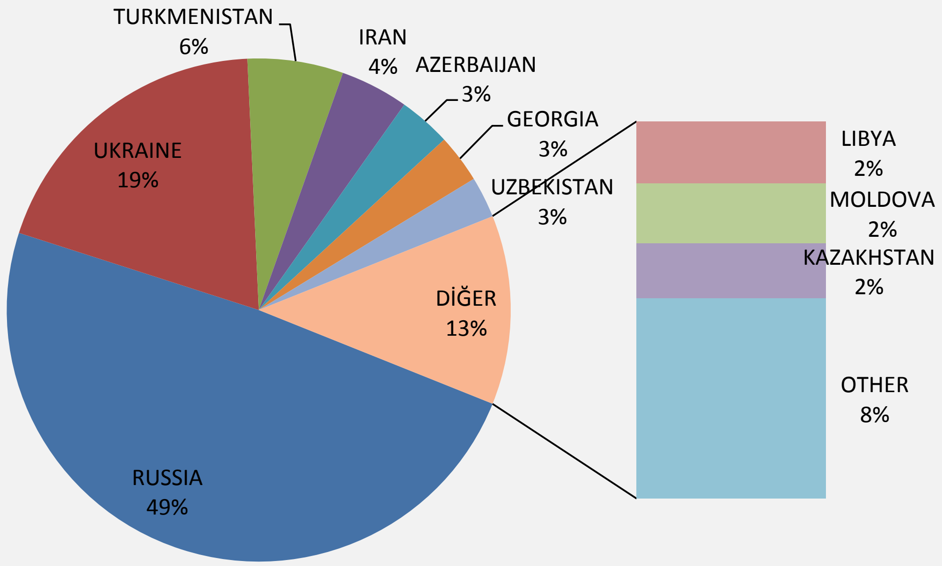
Chart 2. Shuttle Trade Revenues and the Number of Shuttle Traders



Source: CBRT, TURKSTAT.

An analysis of the number of shuttle traders by countries shows that Russia, Ukraine and Turkmenistan have the largest shares. Among neighboring countries, Iran, Azerbaijan and Georgia have the largest shares with respect to the number of shuttle traders. Recently, North African countries (Libya, Tunisia and Algeria) have started to engage in shuttle trade with Turkey (Chart 3).

Chart 3. Number of Shuttle Traders (*)(percent)



(*) According to the average number of shuttle traders between 2010-2014.

Source: CBRT, TURKSTAT.

To sum up, the shuttle trade revenues data in the balance of payments table is not an administrative data but is compiled by means of the Shuttle Trade Survey. While the volume of shuttle trade accounted for approximately one third of Turkey's overall export revenues in 1996, as of the second half of the 2000s this ratio decreased to 5-10 percent and the number of shuttle traders were overwhelmingly from Russia and CIS countries. The number of shuttle traders bounced recently and North African countries have started to engage in shuttle trade activities with Turkey.

The uptrend in net transportation revenues observed since Q1-2014, continued in this quarter. In the final quarter of 2014, transportation revenues increased by 2.6 percent and transportation expenditures decreased by 4.3 percent year-on-year, thereby leading to a 26.9 percent-rise in net transportation revenues. This rise can be mainly attributed to the 7.2 percent net rise in other transportation revenues composed of international passenger and baggage transport and postal and courier services. Meanwhile, the 10.5 percent net decline in net freight expenditures was an additional factor boosting transportation revenues. In this period, the share of foreign carriers in imports increased by 4.1 points quarter-on-quarter to 51.9 percent.

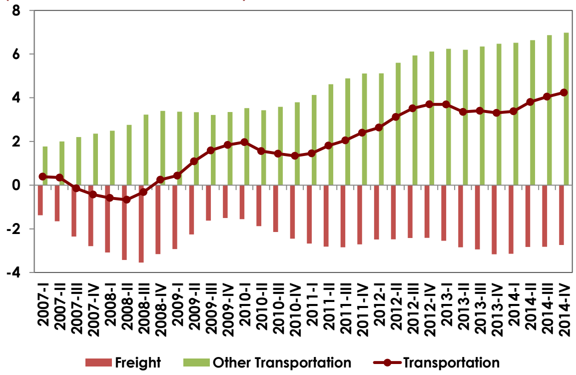
1.7 Primary Income

In the final quarter of 2014, the primary income balance posted net outflows in sub-items compensation of employees and the investment income balance. Net outflows from the primary income balance increased by 16.6 percent year-on-year to USD 2.1 billion in the fourth quarter of 2014. Outflows from direct investments under the investment income item decreased year-on-year to stand at USD 0.6 billion while outflows from other investments increased and reached USD 1.3 billion. Outflows from the portfolio investments increased compared to the same period last year and stood at USD 0.3 billion.

1.8 Secondary Income

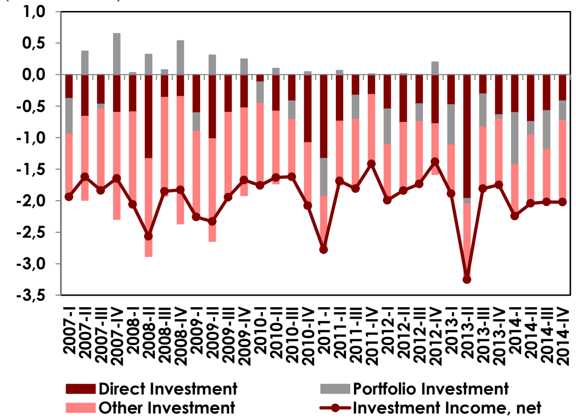
Net inflows in the secondary income balance, which consists of current transfers of the General Government and Other Sectors, decreased compared to the previous quarter. In this quarter, the secondary income balance decreased by 27.0 percent year-on-year and a net inflow of USD 306 million was registered. This decrease was mainly attributed to the 62.2 percent fall in net inflows in the general government item, which includes grants between countries, despite the rise in net inflows in the other sectors item.

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



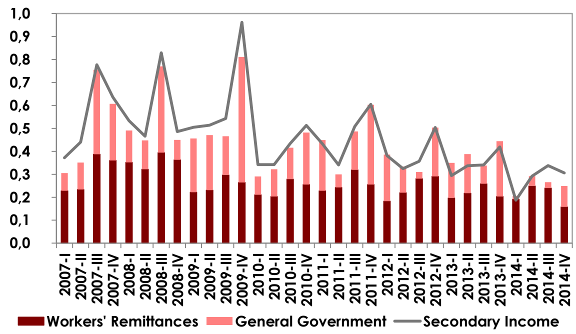
Source: TURKSTAT, CBRT.

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



Source: CBRT.

Chart 20. Current Transfers and Workers' Remittances
(billion USD)



Source: CBRT.

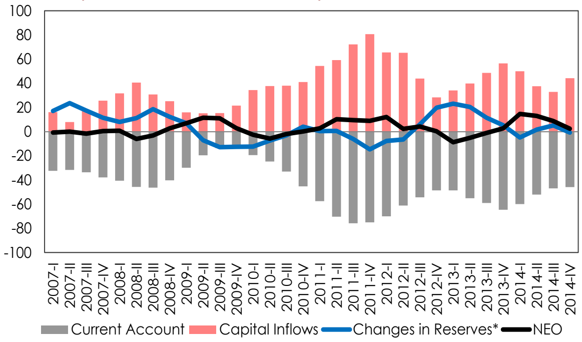
II. Financial Account

The global risk appetite was negative in the final quarter of 2014. The primary factors that adversely affected the global risk appetite in this quarter were the lingering weakness in global economic activity and divergence coupled with the financial volatility in energy exporting countries stemming from the rapid decline in energy prices. Meanwhile, the intensified unrest in Syria has stood out as a Turkey-specific factor affecting financial movements. A breakdown of the financial account in the balance of payments by main headings reveals that the deceleration in direct investments in the previous quarter continued in the final quarter as well. Portfolio investments posted inflows despite the deterioration in the global risk appetite. As for other investment inflows, both the banking sector's and other sectors' debt rollover ratios remained above 100, with a slight increase quarter-on-quarter.

In the final quarter, the financing requirement decreased year-on-year. The financing requirement item increased by USD 5.6 billion quarter-on-quarter to USD 25.4 billion.[4]

In this quarter, the share of debt-creating flows in total liabilities increased while that of non-debt-creating flows in total liabilities fell year-on-year. Debt-creating flows and non-debt-creating flows increased by USD 13.3 billion and USD 4.2 billion, respectively.[5]

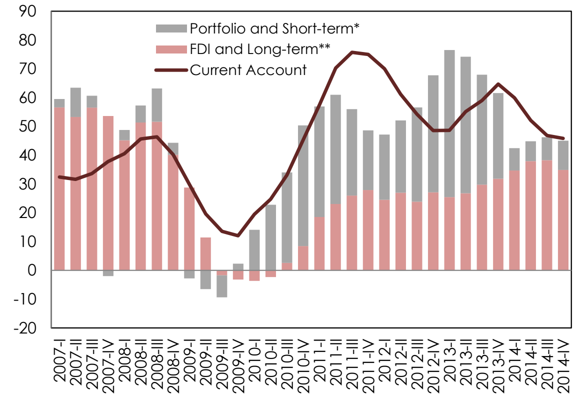
Chart 21. Current Account Balance and Net Capital Inflows (annualized, billion USD)



Source: CBRT.

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

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

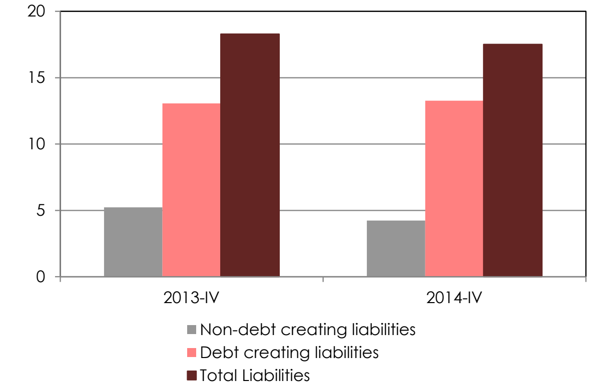


Source: CBRT.

* 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)



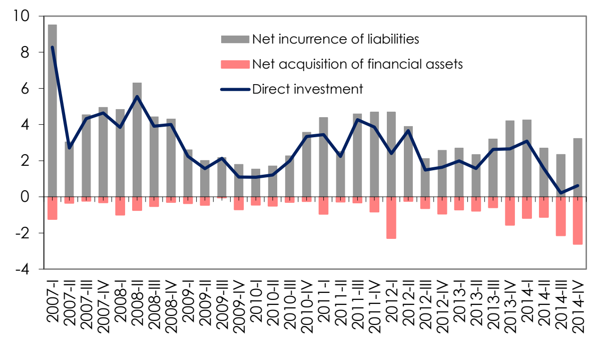
Source: CBRT.

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

2.1 Direct Investment

The slowdown in direct investments, which was observed in the third quarter, continued in the final quarter of 2014 as well. The surging economic stagnation in EU countries has been the main factor slowing down direct investment inflows. Meanwhile, the rapid rise in real estate investments under the direct investment item continued in this quarter. This increase is attributed to the legal arrangement[6] facilitating foreigners' real estate acquisitions introduced in 2013.

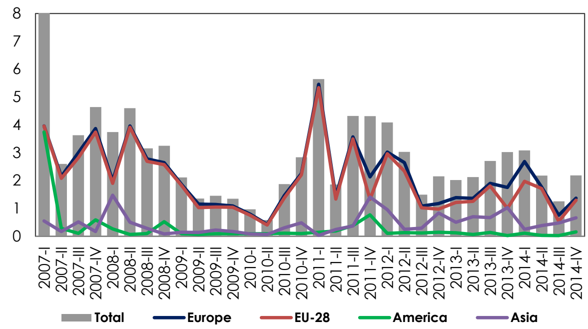
Chart 24. Direct Investment
(billion USD)



Source: CBRT.

In the final quarter of 2014, the amount of direct investment in Turkey was USD 3.2 billion. The majority of these investments were composed of investments in the electricity, gas, steam and air conditioning and the 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 30.2 percent, that of European countries climbed to 62.5 percent.

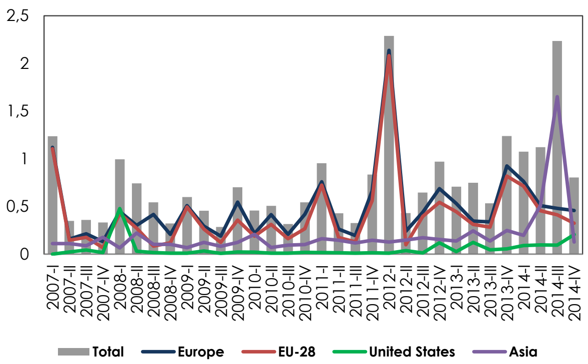
Chart 25. Direct Investment in Turkey - Geographical Distribution (billion USD)



Source: CBRT.

Turkey's direct investments abroad increased in the final quarter. The mentioned investments recorded USD 2.6 billion in this quarter. The share of European countries in the equity capital item under Turkey's direct investments abroad increased to 57.0 percent and that of Asian countries dropped to 15.7 percent.

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



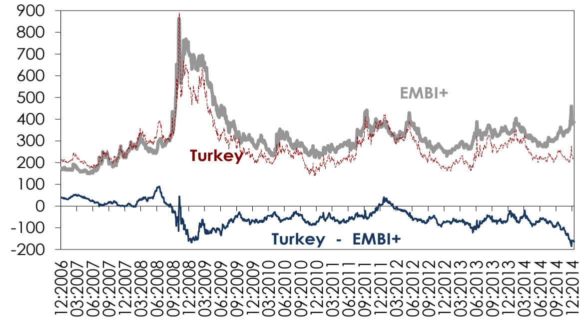
Source: CBRT.

6 Article 35 of the Land Registry Law No: 2644 amended by Law No: 6302, which took effect on May 18, 2012, abolishes the reciprocity requirement pertaining to acquisition of real property in Turkey by foreign real persons. Accordingly, nationals of the countries specified by the Council of Ministers are allowed to acquire real property in Turkey in line with the specified terms and conditions.

2.2. Portfolio Investment

In this quarter, concerns over growth in the EU countries as well as energy exporting countries were the main factor affecting portfolio inflows to emerging markets. In this period, Turkey's risk premium remained below the average risk premium of the Emerging Markets Bond Index (EMBI+) and particularly in December, the spread between two risk premia expanded in favor of Turkey.

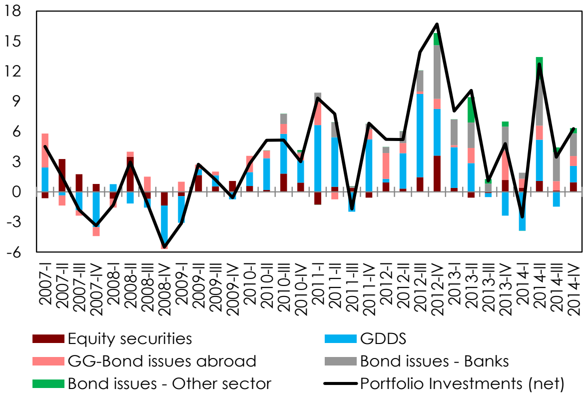
Chart 27. Secondary Market Spreads and Turkey's Relative Position
(basis point)



Source: JP Morgan.

In the last quarter of the year, although portfolio investments increased quarter-on-quarter and posted inflows, portfolio inflows slowed in December. In terms of investment instruments, non-residents were buyers of all types of instruments throughout the period. In this quarter, USD 1.6 billion and USD 1.0 billion worth of inflows were recorded in the GDDS market and in the stock market, respectively. The maturity structure of the portfolio investments item slightly improved quarter-on-quarter.

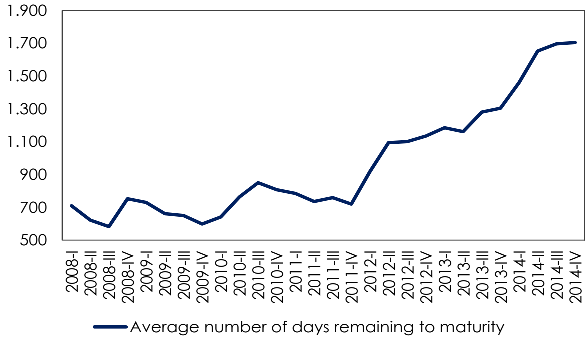
Chart 28. Portfolio Investment - Liabilities
(billion USD)



Source: CBRT.

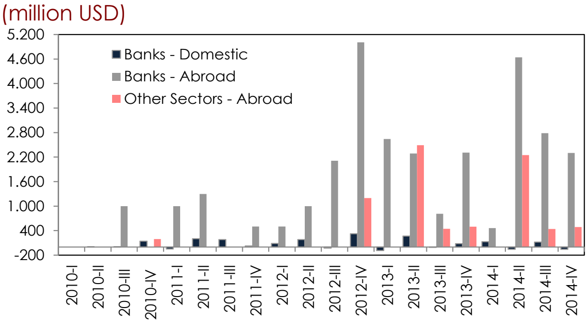
While bond issues abroad by banks rose quarter-on-quarter, those of other sectors increased slightly in the fourth quarter. Through these bond issues abroad, banks and other sectors borrowed net USD 2.3 billion and USD 0.5 billion, respectively. Consequently, as of end-December, stocks of debt securities issued abroad by banks and other sectors climbed to USD 30.7 billion and USD 8.0 billion, respectively. Meanwhile, non-residents sold net USD 55 million worth of domestic debt securities to banks and purchased net USD 34 million worth of domestic debt securities from other sectors.

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
(million USD)



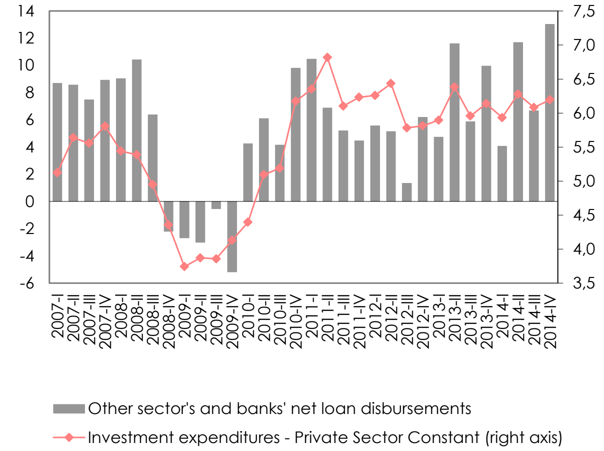
Source: CBRT.

2.3 Loans and Deposits

In the final quarter of 2014, neither the banking sector nor other sectors had any supply-side constraints in external borrowing through loans. The total loan utilization recorded a net quarter-on-quarter rise in line with the net decrease in banks' short-term external loans and the net increase in their long-term loan utilization. In this period, banks used net USD 3.3 billion of long-term loans and USD 1.0 billion of short-term loans. In this quarter, the total debt rollover ratio of banks increased quarter-on-quarter and was recorded as 108 percent. The banking sector's total debt rollover ratio, including banks' borrowings through bonds, stands at 119 percent.

Long-term external loans used by other sectors mainly to finance investments displayed a slight rise compared to the previous quarter and posted net inflows in the final quarter of 2014. Net USD 1.8 billion worth of long-term loans were used and the debt rollover ratio rose quarter-on-quarter and stood at 117 percent in this quarter. Including short-term loans and borrowings through bonds, the total debt rollover ratio of other sectors was up quarter-on-quarter and stood at 122 percent.

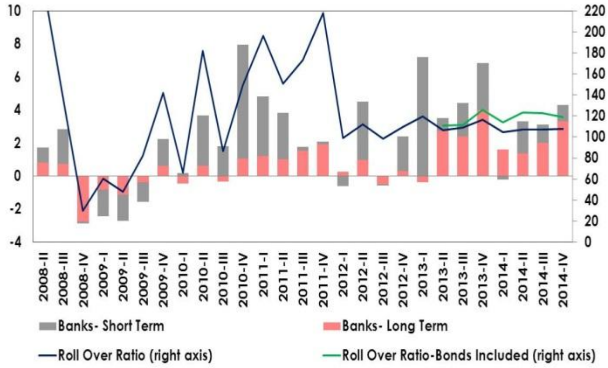
Chart 31. Net Long-Term Loan Utilization*(billion USD, covering the effect of Decree No: 32) **and Other Sectors' Investment Expenditures** (billion TL, 1998=100,)



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

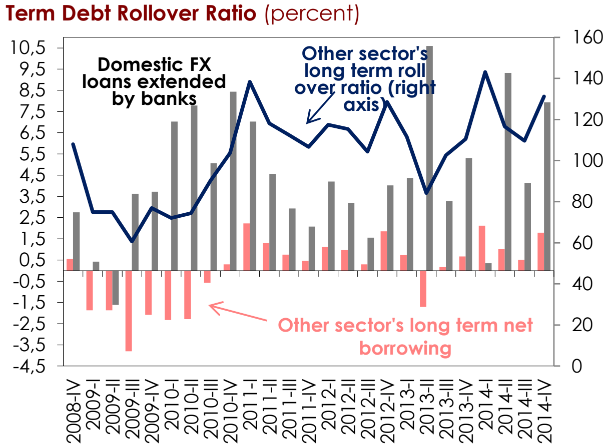
Source: CBRT.

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



Source: CBRT.

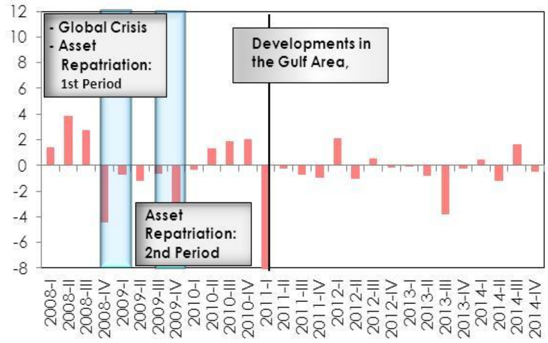
Chart 33. Domestic FX Loans Extended by Banks - Other Sectors' Long-Term Net Borrowing (billion USD) **and Long-Term Debt Rollover Ratio** (percent)



Source: CBRT.

Residents' deposits in banks abroad 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 is an important item to monitor with respect to capital movements as rapid and short-term movements are observed in these accounts particularly in times of financial turbulence. From this perspective, the indicative data for the final quarter of 2014 point to a USD 0.5 billion decline.

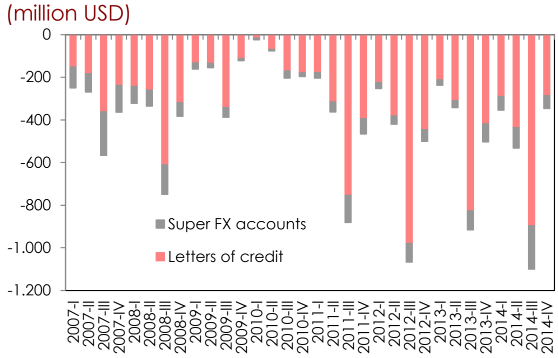
Chart 34. Other Sectors' Deposit Assets Abroad
(billion USD)



Source: CBRT.

As the practice allowing non-resident Turkish citizens to have long-term FX Deposit Accounts with Letters of Credit and Super FX Accounts was terminated. The accounts that have matured have been closed, a net outflow of USD 0.3 billion was recorded in these accounts in the final quarter of 2014.

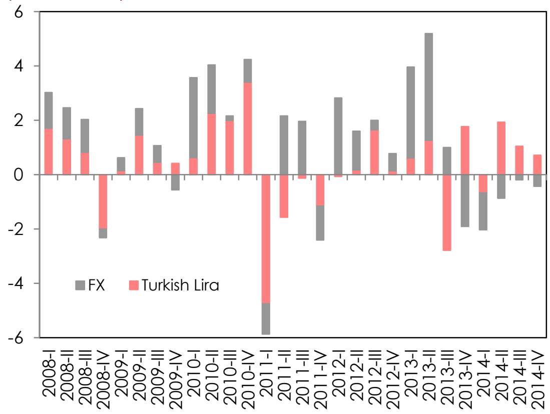
Chart 35. Deposits within the CBRT
(million USD)



Source: CBRT.

The inflow in bank deposits on the liabilities side of the other investment item, which had started in the previous quarter, continued in this quarter. In this period, there were deposit inflows from both banks abroad and nonresidents. In the final quarter of 2014, the FX deposits of banks abroad in domestic banks decreased by net USD 429 million, whereas TL deposits of banks abroad in domestic banks increased by USD 713 million.

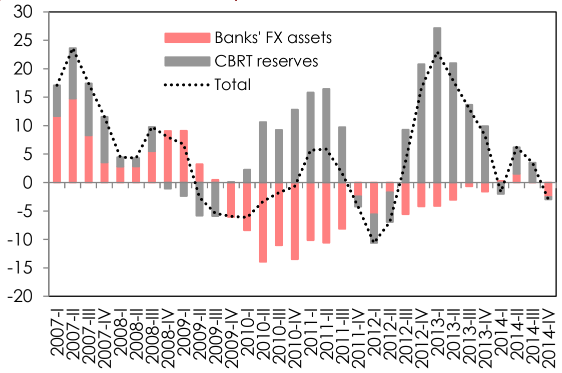
Chart 36. Deposits of Non-resident Banks within the Domestic Banks - Composition of FX and TL
(billion USD)



Source: CBRT.

The official reserves decreased in the final quarter of the year due to the volatility observed in exchange rates and the decline in capital inflows in December. In this quarter, the official reserves in the balance of payments table decreased by USD 3.4 billion. This decline was mainly driven by the net USD 4.8 billion-decrease in the deposits at the CBRT and FX sales to SEEs exporting energy and banks. Meanwhile, inflows to the official reserves were mainly driven by the repayment of rediscount loans that the CBRT extends to exporters and inflows to FX deposits of non-residents.

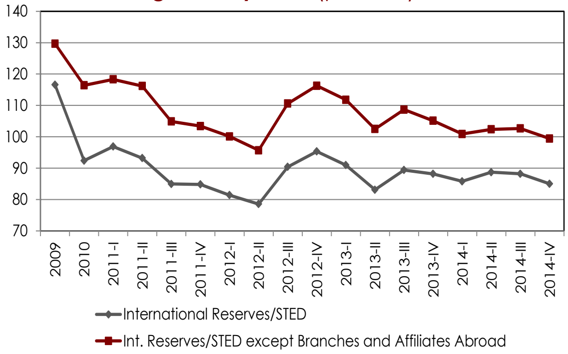
Chart 37. International Reserves (annualized, billion USD)



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

The CBRT's international reserves decreased by USD 4.5 billion quarter-on-quarter to USD 127.3 billion. In December, 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, increased by 0.3 percent quarter-on-quarter and stood at USD 166.8 billion. As a result, the ratio of total international reserves to STED, which is considered to be one of the reserve adequacy indicators, was recorded as 85 percent. However, this ratio becomes 99 percent when branches and affiliates abroad are excluded (Box 4).

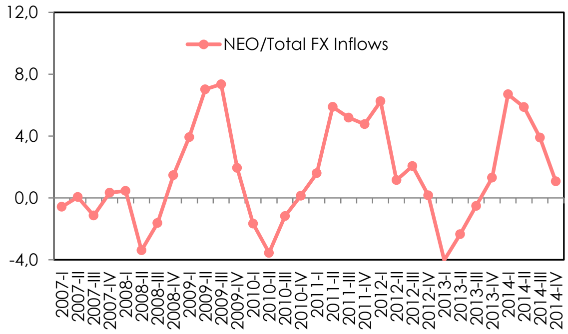
Chart 38. The Ratio of International Reserves to STED on a Remaining Maturity Basis (percent)



Source: CBRT.

The Net Errors and Omissions (NEO) item posted a net outflow of approximately USD 6.1 billion in the fourth quarter of 2014. In annual terms, the 12-month cumulative NEO stood at USD 2.4 billion in this period and the ratio of 12-month cumulative NEO to total FX inflows fell to 1.1 percent.

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



Source: CBRT.

Box 4 Reserve Adequacy with Respect to the Gross External Financing Requirement

International reserves are the total of external assets controlled by the monetary authority of a country and are held in gold and foreign currency .Foreign exchange reserves are important for meeting the financing requirement of balance of payments, effectively intervening in the markets and provision of resources for external borrowing. Particularly at times of financial crises, reserves are used to regulate liquidity on the market and further deepening of the financial crisis can thus be prevented. Therefore, keeping reserves is crucial for countries. However, there is no universal criterion for reserve adequacy.

This study aims to establish a new criterion to measure reserve adequacy. In this regard, it is believed that the ratio of financial sources to the country's external financing requirement can be used as an indicator of reserve adequacy. Here, the gross external financing requirement is the sum of the short-term external debt stock (STED) on a remaining maturity basis of the current year and the expected current account deficit for the next period. Financing sources are the sum of CBRT Reserves (including gold) and the total of persistent capital inflows calculated by employing the lowest debt roll-over ratios. The index established accordingly is called the "Financing Requirement Index" and calculated as follows:

$$\frac{\text{CBRT reserves (including gold) + Persistent Capital Inflow}}{\text{STED on a remaining maturity basis + Expected current account deficit for the upcoming year}}$$

According to the financing scenarios prepared by using the lowest debt roll-over ratios of the four sectors having the largest shares in the short-term external debt stock, the weighted debt roll-over ratios even for the worst case is calculated as 53.8 percent.[7] Therefore, the persistent capital inflow mentioned above is calculated by multiplying this ratio by short-term external debt stock (STED) on a remaining maturity basis and thus, the contribution of new capital inflows in the current period to financing sources is determined. Data starting from 2009 is presented in Table 1 below:

[7] Please see CBRT Balance of Payments Report 2013 – IV, Box 3, page 23.

Table 1. Financing Requirement Index (billion USD)

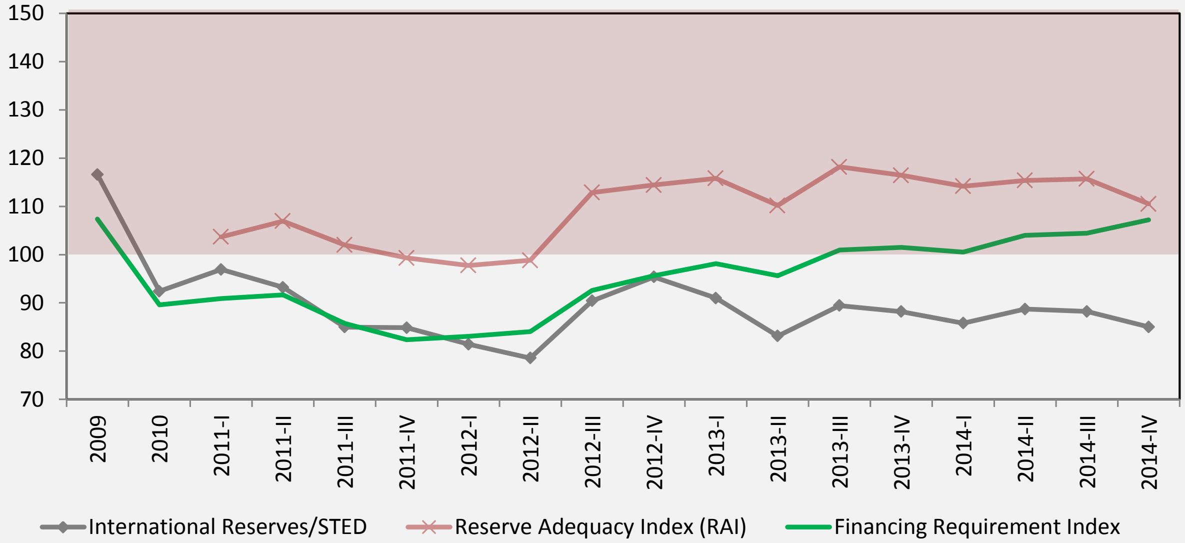
	2009	2010	2011				2012				2013				2014			
			I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
CBRT Reserves (Gold Included)	74.8	86.0	92.2	99.4	93.6	88.3	91.3	95.5	112.1	119.2	126.7	122.6	130.8	131.0	126.1	133.5	131.8	127.3
STED	96.2	119.6	121.5	128.7	135.4	130.3	136.1	144.1	141.8	144.2	155.9	165.2	163.7	167.7	165.2	168.4	166.3	166.8
CAD Expectations for the Next Period (*)	21.7	48.4	51.8	55.3	58.7	62.1	62.0	61.8	61.7	61.5	58.7	55.9	53.1	50.3	48.7	47,.1	45.6	35.7
(I) Financing Sources	126.6	150.4	157.5	168.6	166.5	158.4	164.6	173.0	188.4	196.7	210.6	211.4	218.8	221.2	215.0	224.1	221.3	217.0
(II) Gross External Financing Requirement	117.9	167.5	173.3	184.0	194.1	192.4	198.1	205.9	203.4	205.7	214.6	221.1	216.7	217.9	213.9	215.5	211.9	202.5
Financing Requirement Index (I/II)	107.4	89.6	90.9	91.6	85.8	82.4	83.1	84.0	92,.6	95.6	98.1	95.6	100.1	101.5	100.5	104.0	104.4	107.2

(*) For the expected current account deficit, the CBRT Survey of Expectations has been used for 2009 and 2010, and Reuter's monthly current account deficit survey has been used for other periods.

Source: CBRT.

The reserve adequacy chart drawn using the data from Table 1 are presented in Chart 1 below:

Chart 1. Various Reserve Adequacy Indicators (percent)



Although both the financing sources and the gross external financing requirement shown in Table 1 displayed an uptrend between 2009-2014, the rise in the gross external financing requirement was slower and was mainly driven by the decline in expected current account deficit data for the upcoming periods. As illustrated in the Chart, the reserve requirement adequacy indicator calculated in this study decreased in the post-crisis period but experienced an uptrend as of the second quarter of 2012. Throughout this period, the reserve adequacy indicator, which ignores capital inflows, calculated by dividing international reserves by STED (short-term external debt stock), hovered below 100 and recently decreased. The IMF adequacy ratio[8], which is another

[8] Please see CBRT Balance of Payments Report 2012 – IV, Box 5, page 27.

indicator, mostly hovered above 100, although has also recently declined. Meanwhile, the financing requirement index calculated according to the new approach as a reserve adequacy indicator, has been rising.

To conclude, the adequacy level of reserve assets, which is an indicator of resilience against external shocks, is an important indicator for countries and deserves close monitoring. In economic literature, there is no generally accepted reserve adequacy indicator, and therefore several alternative indicators are calculated based on different approaches. The "Financing Requirement Index" in this study takes into account the current account deficit expectations for upcoming periods, and based on this index, Turkey's reserve level as of the fourth quarter of 2014 is considered to be adequate.

III. Annex Tables

Balance of Payments (billion USD)

	January-December		
	2013	2014	% change
Current Account	-64,7	-45,8	-29,1
Goods	-79,9	-63,5	-20,5
Exports	161,8	169,0	4,4
Exports (fob)	151,8	157,6	
Shuttle Trade	7,4	8,6	
Imports	241,7	232,5	-3,8
Imports (cif)	251,7	242,2	
Adjustment: Classification	-12,9	-12,7	
Services	22,8	25,3	10,7
Travel (net)	23,2	24,5	
Credit	28,0	29,6	
Debit	4,8	5,1	
Other Services (net)	-0,3	0,8	
Primary Income	-9,0	-8,7	-2,9
Compensation of Employees	-0,3	-0,4	
Direct Investment (net)	-3,4	-2,3	
Portfolio Investment (net)	-1,3	-2,0	
Other Investment (net)	-4,0	-4,0	
Interest Income	1,8	1,7	
Interest Expenditure	5,8	5,7	
Secondary Income	1,4	1,1	-19,3
Workers Remittances	0,9	0,8	
Capital Account	-0,1	-0,1	
Financial Account	-62,0	-43,5	-29,8
Direct Investment (net)	-8,8	-5,5	-37,9
Net Acquisition of Financial Assets	3,6	7,0	
Net Incurrence of Liabilities	12,5	12,5	
Portfolio Investment (net)	-24,0	-19,9	-16,9
Net Acquisition of Financial Assets	-2,6	0,8	
Net Incurrence of Liabilities	21,4	20,7	
Equity Securities	0,8	2,6	
Debt Securities	20,5	18,1	
GDDS	4,1	0,4	
Eurobond Issues of Treasury	4,6	4,2	
Borrowing	6,1	7,3	
Repayment	1,5	3,1	
Banks (net)	8,3	10,3	
Other Sectors (net)	3,5	3,2	
Other Investment (net)	-39,1	-17,6	-54,9
Currency and Deposits	-13,2	-1,2	
Net Acquisition of Financial Assets	-4,5	-0,3	
Banks	0,2	-0,7	
Foreign Exchange	-1,6	-2,5	
Turkish Lira	1,8	1,9	
Other Sectors	-4,8	0,4	
Net Incurrence of Liabilities	8,6	1,0	
Central Bank	-2,0	-2,3	
Banks	10,6	3,3	
Loans	-21,2	-15,1	
Net Acquisition of Financial Assets	0,6	1,9	
Net Incurrence of Liabilities	21,9	17,0	
Banks	21,6	12,1	
Short-term	12,9	3,8	
Long-term	8,7	8,3	
General Government	-0,9	-0,9	
Long-term	0,0	-0,9	
Other sectors	1,1	5,7	
Short-term	1,2	0,3	
Long-term	-0,1	5,4	
Trade Credit and Advances	-4,3	-0,8	
Net Acquisition of Financial Assets	1,4	-0,5	
Net Incurrence of Liabilities	5,6	0,3	
Other Assets and Liabilities	-0,4	-0,5	
Change in Official Reserves	9,9	-0,5	
Net Errors and Omissions	2,8	2,4	

Source: CBRT.

Financing Requirements and Sources (billion USD)

	2013 I	2013 II	2013 III	2013 IV	2013	2014 I	2014 II	2014 III	2014 IV	2014
Financing Requirements	-28,9	-33,2	-17,2	-27,1	-106,4	-25,3	-22,5	-19,8	-25,4	-93,0
Current Account Balance (Excluding Current Transfers)	-16,7	-20,8	-12,3	-16,2	-66,0	-11,9	-12,9	-7,1	-15,1	-47,0
Debt Security and Credit Repayments	-12,6	-13,8	-8,9	-10,3	-45,5	-11,5	-10,8	-9,9	-11,3	-43,5
Debt Securities (Abroad)	-1,5	0,0	-0,2	-0,7	-2,3	-4,2	-1,2	-1,8	-2,0	-9,1
Long Term Credits	-11,1	-13,8	-8,7	-9,6	-43,2	-7,3	-9,6	-8,1	-9,3	-34,4
Trade Credits	0,0	-0,1	-0,1	-0,1	-0,3	-0,1	0,0	0,0	-0,1	-0,2
Monetary Authority	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
(IMF)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
General Government	-0,9	-1,5	-0,5	-1,0	-3,8	-0,5	-1,0	-0,6	-1,0	-3,1
(IMF)	-0,4	-0,4	0,0	0,0	-0,9	0,0	0,0	0,0	0,0	0,0
Banks	-3,8	-1,4	-1,7	-2,2	-9,1	-1,9	-2,5	-2,2	-2,6	-9,2
Other Sectors	-6,3	-10,8	-6,5	-6,4	-30,0	-4,9	-6,1	-5,3	-5,7	-22,0
Other Assets (- indicates to an increase) 1/	0,4	1,4	4,0	-0,6	5,2	-2,0	1,2	-2,8	1,0	-2,5
Financing Sources	28,9	33,2	17,2	27,1	106,4	25,3	22,5	19,8	25,4	93,0
Current Transfers	0,3	0,3	0,3	0,4	1,4	0,2	0,3	0,3	0,3	1,1
Capital Account	0,0	0,0	0,0	0,0	-0,1	0,0	0,0	0,0	0,0	-0,1
Direct Investment (Net)	2,0	1,6	2,6	2,7	8,8	3,1	1,6	0,2	0,6	5,5
Equity Securities (Net)	0,4	-0,6	-0,1	1,2	0,8	0,4	1,1	0,1	1,0	2,6
Debt Securities and Credits	29,8	27,7	12,7	23,3	93,5	9,9	28,2	17,1	23,7	79,0
Debt Securities	8,3	9,4	1,1	4,1	22,9	1,8	13,5	4,6	7,4	27,3
In Turkey (Net)	4,0	3,1	-0,4	-2,3	4,4	-3,8	4,1	-1,3	1,6	0,6
Abroad	4,3	6,3	1,4	6,4	18,5	5,5	9,4	6,0	5,8	26,7
Long Term Credits	11,1	13,9	11,9	13,9	50,8	10,8	11,5	10,5	14,5	47,3
Trade Credits	0,1	0,1	0,0	0,0	0,2	0,0	0,0	0,0	0,0	0,2
Monetary Authority	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
(IMF)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
General Government	0,5	0,6	1,2	0,6	3,0	0,2	0,5	0,5	1,0	2,2
(IMF)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Banks	3,4	4,1	4,1	6,2	17,8	3,5	3,9	4,2	5,9	17,5
Other Sectors	7,1	9,1	6,6	7,0	29,9	7,0	7,1	5,8	7,5	27,4
Short Term Credits (Net)	10,4	4,4	-0,3	5,3	19,8	-2,6	3,2	2,0	1,9	4,5
Trade Credits	3,5	3,4	-3,0	1,8	5,7	-2,3	1,4	0,5	0,7	0,3
Monetary Authority	0,0	0,0	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	0,0	0,0
Banks	7,2	0,8	2,0	2,9	12,9	-0,2	2,0	1,1	1,0	3,8
Other Sectors	-0,3	0,3	0,7	0,6	1,2	-0,1	-0,1	0,4	0,2	0,3
Deposits (Net)	4,8	5,7	-1,7	-0,1	8,6	-2,4	1,3	1,1	0,9	1,0
Other Liabilities	0,0	0,2	0,3	0,0	0,6	0,1	0,2	0,1	0,0	0,5
Net Errors and Omissions	-3,6	-1,2	7,3	0,3	2,8	8,2	-2,8	3,1	-6,1	2,4
Banks' Currency and Deposits 2/	2,3	-1,1	-1,3	-0,1	-0,2	1,0	-1,2	-0,7	1,6	0,7
Reserve Assets 2/	-7,0	0,5	-2,9	-0,5	-9,9	4,9	-6,1	-1,6	3,4	0,5

Source: CBRT.

1/ Excluding Banks' Currency and Deposits

2/- denotes an increase.

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

	2013				2013	2014				2014
	I	II	III	IV		I	II	III	IV	
A) Current Account Balance	-16,4	-20,4	-12,0	-15,8	-64,7	-11,7	-12,6	-6,7	-14,8	-45,8
B) Capital and Financial Account	20,1	21,6	4,7	15,5	61,9	3,5	15,5	3,6	20,9	43,5
Capital Account	0,0	0,0	0,0	0,0	-0,1	0,0	0,0	0,0	0,0	-0,1
Financial Account	20,1	21,7	4,7	15,5	62,0	3,5	15,5	3,6	20,9	43,5
Assets	2,0	-0,5	2,1	-2,3	1,3	-2,2	-1,1	-5,7	0,0	-8,9
Direct Investment	-0,7	-0,8	-0,6	-1,6	-3,6	-1,2	-1,1	-2,1	-2,6	-7,0
Portfolio Investment	0,8	1,3	0,3	0,2	2,6	-0,5	-0,7	0,5	-0,1	-0,8
Other Investment	1,9	-1,0	2,3	-0,9	2,4	-0,5	0,7	-4,0	2,7	-1,1
Liabilities	25,1	21,6	5,5	18,3	70,5	0,8	22,7	11,0	17,5	52,0
Non-Debt Creating Flows	2,9	2,4	3,3	5,2	13,8	4,6	4,5	2,5	4,2	15,8
Direct Investment 1/	2,5	2,7	3,1	4,0	12,3	4,1	3,2	2,2	3,3	12,8
Portfolio Investment/Equity Securities	0,4	-0,6	-0,1	1,2	0,8	0,4	1,1	0,1	1,0	2,6
Other Investment/Other Liabilities 2/	0,0	0,2	0,3	0,0	0,6	0,1	0,2	0,1	0,0	0,5
Debt Creating Flows	22,2	19,3	2,2	13,1	56,8	-3,8	18,2	8,5	13,3	36,2
Portfolio Investment/Debt Securities	6,8	9,4	0,9	3,4	20,5	-2,4	12,3	2,8	5,4	18,1
Trade Credits	3,5	3,3	-3,0	1,8	5,6	-2,3	1,4	0,5	0,7	0,3
Loans	7,1	0,9	6,1	8,0	22,0	3,3	3,1	4,0	6,3	16,7
Deposits	4,8	5,7	-1,7	-0,1	8,6	-2,4	1,3	1,1	0,9	1,0
Other Investment/Other Liabilities 2/	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Reserve Assets	-7,0	0,5	-2,9	-0,5	-9,9	4,9	-6,1	-1,6	3,4	0,5
C) Net Errors and Omissions	-3,6	-1,2	7,3	0,3	2,8	8,2	-2,8	3,1	-6,1	2,4

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 Reserves / Currency and Deposits".

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