

**Twenty-Seventh Meeting of the
IMF Committee on Balance of Payments Statistics
Washington, D.C.
October 27–29, 2014**

**Currency Composition of Turkey's International
Investment Position**

**Prepared by the
Central Bank of the Republic of Turkey**

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY



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**PREPARED BY YEŞİM ŞİŞİK
STATISTICS DEPARTMENT
BALANCE OF PAYMENTS DIVISION**

CURRENCY COMPOSITION OF TURKEY'S INTERNATIONAL INVESTMENT POSITION¹

Yeşim ŞİŞİK²

INTRODUCTION

1. The International Investment Position (IIP) of Turkey, which shows the value of financial claims of Turkish residents on non-residents as well as financial assets in the form of gold bullion held as reserve assets, and the value of financial liabilities of Turkish residents to non-residents at a particular point in time, has been compiled by the Central Bank of the Republic of Turkey (CBRT) since 1996.
2. Turkey, one of the G-20 countries, was compiling and publishing the international investment position (IIP) statistics annually, and monthly as an indicator until the first quarter of 2012. Since May 2012, quarterly time series data on IIP has been published on Bank's website beginning with the first quarter of 2006 along with the monthly IIP as an indicator.³
3. In addition to the periodical dissemination of IIP statistics, an annual IIP report is prepared and disseminated in the CBRT's web-site. In each of these reports, selected topics such as "Reconciliation Table of BOP and IIP", "Short Term External Debt on a Remaining Maturity Basis" and "Currency Composition of IIP" are elaborated in boxes for consideration of users.
4. As mentioned above, "Currency Composition of IIP" was prepared and disseminated for the years 2012 and 2013 in the annual IIP report. In this context, currency composition of IIP is not a periodical publication at the moment, rather it is kind of a pilot project. For this reason, the main goal of this paper is to explain how to prepare the currency composition of IIP based on available data sources and employed assumptions and to learn BOPCOM members' expert view on the issue. In the light of the users' views and BOPCOM meeting's discussions, the CBRT may consider the regular publication of the IIP's currency composition and submission to the IMF on an annual basis.

¹ I would like to thank to Dr. Osman Çağatay Mutlu and Hakan Hüsni Toprak for their valuable contribution.

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³ Please refer to Annex 1 for the annual IIP of Turkey.

A- THE NEED FOR COMPILATION OF FOREIGN CURRENCY EXPOSURES

5. Compilation of countries' cross-border foreign currency exposure data is considered by the G-20 Finance Ministers and Central Bank Governors as one of the most important data gaps that should be tackled to better assess cross-border risks. The issue was broadly addressed in the report on "*Advancing the Work on Foreign Currency Exposures*" prepared by the staff of the IMF in September 2014 as a response to the G-20 Finance Ministers and Central Bank Governors.

6. As prescribed by the *BPM6*, a currency composition and remaining maturity analysis of the IIP are encouraged as additional information by introducing memorandum and supplementary tables in Appendix 9 of the new manual. These supplementary tables include a presentation of currency composition of assets and liabilities by sector with a distribution by principal foreign currencies, including the U.S. dollar, euro, yen, and others, together with a breakdown by original maturity. Currently, none of the G-20 countries provide these data to the IMF as indicated in the above mentioned report of the IMF. On the other hand, the CBRT has prepared and disseminated "Currency Composition of Turkey's IIP" in the annual IIP Report since 2013. The disseminated table is not a regular statistical publication, instead it has been provided to users to increase their awareness in conducting their analysis regarding the currency risks of the country.

B- DATA SOURCES AND COMPILATION METHODS FOR CURRENCY COMPOSITION OF IIP

7. In preparing currency composition of the IIP for Turkey, all asset and liability items are taken into account regardless of their debt creating natures such as in the form of equity under direct investment and portfolio investment. Furthermore, asset and liability items are broken down into two groups. The first group represents IIP items for which an original currency breakdown is available whereas the second group represents items which are compiled either on a domestic currency or on an USD basis albeit with a geographical breakdown. Currency breakdown of the second group items was estimated on the basis of the corresponding geographical breakdowns.

8. The following tables present IIP items in terms of availability of currency breakdown and the respective shares of the first and second group data in total assets and liabilities as of December 2013.

Table 1: Availability of Currency Breakdown

	The first group (currency breakdown is available)	The second group (currency breakdown is calculated based on the geographical breakdown)
ASSETS		
Direct investment abroad		Data are compiled from the annual outward FDI survey. Currency breakdown is calculated based on the geographical breakdown of the survey
Portfolio investment	Quarterly CPIS	
Equity securities	Quarterly CPIS	
Debt securities	Quarterly CPIS	
Other investment		
Trade credits		Data source is the foreign trade statistics of TURKSTAT. Currency breakdown is calculated based on the geographical breakdown of exports.
Loans	ITRS of the Banks	
Currency and deposits	ITRS of the Banks	Data source for the other sector is BIS Quarterly International Banking Statistics (IBS). Geographical breakdown of IBS is used for the calculation of currency breakdown
Reserve assets	ITRS of the CBRT	
LIABILITIES		
Direct investment in reporting economy		
Equity capital and reinvested earnings		Data are compiled from the annual inward FDI survey. Currency breakdown is calculated based on the geographical breakdown of the survey
Other capital	Private Sector External Debt Monitoring System	
Portfolio investment		
Equity securities	Weekly securities statistics	
Debt securities		
In Turkey	Weekly securities statistics	
Abroad	Treasury Gross External Debt+Private Sector External Debt Monitoring System	
Other investment		
Trade credits	ITRS of the Banks for pre-financing credits	Data source is the foreign trade statistics of TURKSTAT for the rest of the trade credits. Currency breakdown is calculated based on the geographical breakdown of imports.
Loans	Treasury Gross External Debt+Private Sector External Debt Monitoring System	
Currency and deposits	ITRS of the Banks	

Table 2: The Shares of 1st and 2nd Group Data as of December, 2013

The share of 1st and 2nd group data in total assets and liabilities (%)	1st Group	2nd Group
ASSETS	71,89	28,11
Direct investment abroad		14,80
Portfolio investment	0,38	
Equity securities	0,10	
Debt securities	0,28	
Other investment	13,43	13,31
Trade credits		5,79
Loans	3,13	
Currency and deposits	10,29	7,52
Reserve assets	58,08	
LIABILITIES	72,79	27,22
Direct investment in reporting economy	1,01	22,64
Equity capital and reinvested earnings		22,64
Other capital	1,01	
Portfolio investment	27,25	
Equity securities	8,50	
Debt securities		
In Turkey	8,47	
Abroad	10,28	
Other investment	44,53	4,58
Trade credits	0,73	4,58
Loans	35,16	
Currency and deposits	8,64	

9. The currency composition table provides the currency composition of assets and liabilities by sectors, namely General Government, Central Bank, Banks and Other Sectors with a breakdown by sub-items of IIP.

10. On the asset side, an original currency breakdown is already available for portfolio investment, loans and currency and deposits under “Other Investment” and Reserve Assets is already available. As regards the liabilities side, other capital under “Direct Investment”; and the main items of “Portfolio Investment” and “Other Investment” have a breakdown by original currencies. Therefore, currency composition of the above-mentioned items can be directly calculated.

11. However, on the asset side of the IIP, an original currency breakdown for trade credits under “Other Investment” and “Direct Investment/Abroad” as the main item does not exist.

Similarly, on the liabilities side, an original currency breakdown for equity capital and reinvested earnings under “Direct Investment” is not available as these items are compiled on a domestic currency basis from the annual inward FDI survey. While evaluating the above-mentioned items, it is assumed that foreign currency exposure can be based on geographical breakdown of data, if liquidation occurs.

12. It should be noted that currency composition of external debt data is one the most important items to assess Turkey’s foreign currency vulnerabilities. In Turkey, external debt statistics are compiled in two different institutions; the Undersecretariat of Treasury and the CBRT. The CBRT is responsible for total short-term debt and private sector’s short and long-term external debt. Private sector’s external debt and short-term external debt are disseminated by the CBRT on a monthly basis, while the quarterly gross external debt of Turkey is disseminated by the Undersecretariat of Treasury. Both the CBRT’s and Treasury’s external debt data include currency breakdown with original currencies. Regarding the private sector external debt data, details on long and short-term external loans (where intercompany loans can separately be identified) and bonds of the private sector, which comprise information on borrower and creditor, currency denomination, disbursements, principal/interest payments and repayment schedule, are compiled via the intermediary resident banks’ transaction basis reporting forms submitted to the CBRT⁴.

13. In this context, when net IIP currency composition is calculated on a USD equivalent basis excluding reserve assets as end of 2013, it is seen that Turkey has a short position of approximately USD 181.2 billion for USD, USD 187.4 billion for Euro and USD 126.9 billion for TL.

⁴ Please refer to Annex 2 and 3 for the currency composition of private sector’s long-term external debt and short-term external debt.

Table 3: Net IIP Currency Composition

(Million) (*)	General Government		Monetary Authority		Banks		Other Sector		Total
	Original FX	USD Equivalent	Original FX	USD Equivalent	Original FX	USD Equivalent	Original FX	USD Equivalent	USD Equivalent
		-121.324		-3.420		-143.320		-252.949	-521.013
USD	-36.665	-36.665	1.626	1.626	-76.456	-76.456	-69.688	-69.688	-181.183
EUR	-18.402	-25.319	-3.636	-5.000	-36.015	-49.554	-77.615	-107.564	-187.437
CHF	-124	-139	-38	-43	-855	-958	517	581	-559
GBP	-3	-5	-2	-3	-1.751	-2.886	-2.186	-3.604	-6.499
JPY	-603.213	-5.732	0	0	601	6	-273.833	-2.617	-8.343
TRY	-111.227	-52.114	0	0	-19.399	-9.090	-140.306	-65.738	-126.942
SDR	-552	-842	0	0	0	0	0	0	-842
OTHER		-507		0		-4.383		-4.320	-9.209
Reserve Assets				131.004					131.004
SDR				1.678					1.678
Other than SDR				129.326					129.326

Total Net IIP	-390.009
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(*) Negative (-) values in the table indicates that relevant sectors' liabilities are more than the assets (negative net IIP).

C- CONCLUSION

14. In considering the growing importance of assessing foreign currency exposures, reporting the currency composition of IIP to the IMF would be one of the most important agenda items of countries in coming years.

15. Appendix 9 of the *BPM6* gives the required tables to prepare currency composition of IIP. In these tables, currency composition of assets and liabilities are further broken down into “Debt Claims/Liabilities on Nonresident” and “Financial Derivative Positions with Nonresidents”. Time series data, sector and instrument breakdown are also requested. Although the footnotes to the tables indicate that original currency breakdowns of “Reserve assets” are excluded, a specific clarification regarding the exclusion of equities under direct and portfolio investment has not been given in Appendix 9 (Table A9-1, which is a memorandum item).

ANNEX 1: International Investment Position of Turkey

	2008	2009	2010	2011	2012	2013
(million USD)						
International Investment Position, net	-200.020	-276.351	-361.577	-314.402	-420.235	-390.009
Assets	186.428	181.007	184.458	179.066	214.037	225.548
Direct investment abroad	17.846	22.250	22.509	27.681	30.968	33.373
Equity capital	17.846	19.923	20.761	23.897	27.513	29.528
Other capital	n.a.	2.327	1.748	3.784	3.455	3.845
Portfolio investment	1.938	1.907	2.230	1.752	1.320	859
Equity securities	58	219	372	279	324	227
Monetary authorities	0	0	0	0	0	0
General government	0	0	0	0	0	0
Banks	42	92	88	31	109	1
Other sectors	16	127	284	248	215	226
Debt securities	1.880	1.688	1.858	1.473	996	632
Bonds and notes	1.878	1.658	1.857	1.471	996	612
Banks	1.482	1.044	1.197	999	515	395
Other sectors	396	614	660	472	481	217
Money-market instruments	2	30	1	2	0	20
Banks	0	0	0	0	0	13
Other sectors	2	30	1	2	0	7
Other investment	92.409	82.014	73.735	61.287	62.586	60.312
Trade credits	8.566	9.310	10.526	10.945	11.693	13.056
Other sectors	8.566	9.310	10.526	10.945	11.693	13.056
Short-term	8.566	9.310	10.526	10.945	11.693	13.056
Loans	2.350	2.599	2.557	2.771	3.596	4.133
Monetary authorities	25	23	19	16	14	10
General government	0	0	0	184	510	1.071
Banks	2.325	2.576	2.538	2.571	3.072	3.052
Long-term	824	1.054	1.245	1.524	1.727	2.019
Short-term	1.501	1.522	1.293	1.046	1.345	1.033
Currency and deposits	79.193	67.678	58.143	45.030	44.699	40.186
Banks	46.013	40.139	26.556	26.034	24.089	23.219
Foreign exchange	42.661	37.395	24.047	22.168	18.326	16.831
Turkish Lira	3.353	2.744	2.509	3.866	5.763	6.388
Other sectors	33.180	27.539	31.587	18.996	20.610	16.967
Other assets	2.300	2.428	2.510	2.541	2.597	2.937
Monetary authorities	1.526	1.531	1.545	1.549	1.551	1.804
General government	774	897	965	992	1.046	1.133
Reserve assets	74.235	74.836	85.984	88.346	119.163	131.004
Monetary gold	3.229	4.121	5.264	9.888	19.240	20.077
Special drawing rights	23	1.515	1.494	1.494	1.489	1.504
Reserve position in the Fund	175	177	175	174	174	174
Foreign exchange	70.808	69.023	79.051	76.790	98.260	109.249
Currency and deposits	4.055	5.126	7.775	10.822	3.624	10.329
With banks	4.055	5.126	7.775	10.822	3.624	10.329
Securities	66.753	63.897	71.276	65.968	94.636	98.920
Liabilities	386.448	457.358	546.035	493.468	634.272	615.558
Direct investment in reporting economy	80.384	143.689	186.935	136.448	187.634	145.551
Equity capital	75.407	138.010	181.171	130.912	181.502	139.332
Other capital	4.977	5.679	5.764	5.536	6.132	6.219
Portfolio investment	68.802	91.186	118.381	109.417	178.995	167.746
Equity securities	23.196	47.248	61.497	39.146	70.616	52.334
Other sectors	23.196	47.248	61.497	39.146	70.616	52.334
Debt securities	45.606	43.938	56.884	70.271	108.379	115.412
Bonds and notes	45.606	43.938	56.884	70.271	108.379	115.412
General government	45.606	43.938	55.527	66.066	94.149	89.903
In Turkey	20.433	21.086	32.710	37.533	62.685	52.127
Abroad	25.173	22.852	22.817	28.533	31.464	37.776
Banks	0	0	1.138	3.973	12.766	20.583
In Turkey	0	0	141	235	482	376
Abroad	0	0	997	3.738	12.284	20.207
Other sectors	0	0	219	232	1.464	4.926
In Turkey	0	0	19	29	62	84
Abroad	0	0	200	203	1.402	4.842
Other investment	237.262	222.483	240.719	247.603	267.643	302.261
Trade credits	22.621	21.638	23.387	25.690	26.818	32.672
Other sectors	22.621	21.638	23.387	25.690	26.818	32.672
Long-term	589	537	622	317	428	347
Short-term	22.032	21.101	22.765	25.373	26.390	32.325
Loans	183.248	167.316	171.531	182.810	193.268	214.940
Monetary authorities	10	10	10	10	9	9
Use of Fund credit & loans from the Fund	0	0	0	0	0	0
Other long-term	9	9	9	9	9	9
Short-term	1	1	1	1	0	0
General government	33.455	34.741	36.058	34.946	32.756	32.148
Long-term	33.455	34.741	36.058	34.946	32.756	32.148
Short-term	0	0	0	0	0	0
Banks	40.632	35.869	47.824	58.286	65.133	86.683
Long-term	31.130	29.562	29.726	34.350	35.855	45.178
Short-term	9.502	6.307	18.098	23.936	29.278	41.505
Other sectors	109.151	96.696	87.639	89.568	95.370	96.100
Long-term	107.378	95.756	85.530	86.791	90.922	90.805
Short-term	1.773	940	2.109	2.777	4.448	5.295
Currency and deposits	31.393	32.030	44.323	37.627	46.083	53.172
Monetary authorities	14.056	13.152	11.555	9.324	7.079	5.225
Banks	17.337	18.878	32.768	28.303	39.004	47.947
Foreign Exchange	9.392	10.116	15.191	19.911	27.356	36.892
Turkish Lira	7.945	8.762	17.577	8.392	11.648	11.055
Other liabilities (*)	0	1.499	1.478	1.476	1.474	1.477

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

ANNEX 2: A- Currency Composition of Outstanding Long-Term Loans Received from Abroad by Private Sector (July 2014)

(Million USD)	USD	EURO	USD EQUIVALENT	TURKISH LIRA	USD EQUIVALENT	DENOMINATED IN CURRENCIES OTHER THAN USD AND EURO (USD Equivalent)	TOTAL USD EQUIVALENT
By Creditor	96.877	42.167	56.715	21.539	10.296	2.211	166.099
I- Financial	53.241	14.216	19.120	12.511	5.981	434	78.776
i- Banks	45.822	10.065	13.537	8.066	3.856	364	63.579
ii- Nonbank Financial Corporations	7.419	4.151	5.583	4.445	2.125	70	15.197
II- Nonfinancial	43.636	27.951	37.594	9.028	4.316	1.777	87.323
By Creditor	96.877	42.167	56.715	21.539	10.296	2.211	166.099
I- Official Creditors	8.109	5.443	7.320	1.485	710	3	16.142
i- Governmental Organizations	1.093	377	507	985	471	3	2.073
ii- Multilateral Organizations	7.016	5.066	6.813	500	239	0	14.069
- European Investment Bank	2.232	1.795	2.414	127	61	0	4.707
- Council of Europe Development Bank	103	166	223	0	0	0	326
- Islamic Development Bank	417	18	24	0	0	0	442
- International Fund for Agricultural Development	0	0	0	0	0	0	0
- International Finance Corporation	1.372	1.193	1.604	10	5	0	2.982
- International Development Association	0	0	0	0	0	0	0
- International Bank of Reconstruction and Development	1.366	426	573	0	0	0	1.939
- European Bank for Reconstruction and Development	1.525	1.468	1.975	363	173	0	3.673
II- Private Creditors	64.482	35.625	47.916	17.896	8.555	1.972	122.925
i- Nonresident Commercial Banks	40.196	21.989	29.576	11.785	5.634	838	76.243
ii- Foreign Branches and Affiliates of Resident Banks	14.651	6.543	8.801	1.142	546	37	24.034
iii- Nonbank Financial Corporations	4.411	2.945	3.962	1.656	792	764	9.929
iv- Nonfinancial	5.223	4.147	5.578	3.313	1.584	333	12.719
III-Holders of Bond Issues Abroad	24.286	1.099	1.478	2.157	1.031	237	27.033

B- Currency Composition of Outstanding Short-Term Loans Received from Abroad by Private Sector (July 2014)

(Million USD)	USD	EURO	USD EQUIVALENT	TURKISH LIRA	USD EQUIVALENT	DENOMINATED IN CURRENCIES OTHER THAN USD AND EURO (USD Equivalent)	TOTAL USD EQUIVALENT
By Creditor	21.141	12.591	16.934	9.966	4.764	160	43.000
I- Financial	19.472	12.010	16.154	6.920	3.308	158	39.092
i- Banks	19.369	11.788	15.855	3.697	1.767	154	37.145
ii- Nonbank Financial Corporations	104	222	299	3.223	1.541	4	1.948
II- Nonfinancial	1.669	580	780	3.046	1.456	2	3.908
By Creditor	21.141	12.591	16.934	9.966	4.764	160	43.000
I- Official Creditors	69	62	83	417	199	0	351
i- Governmental Organizations	0	0	0	0	0	0	0
ii- Multilateral Organizations	69	62	83	417	199	0	351
- OPEC	0	0	0	0	0	0	0
- European Investment Bank	0	0	0	0	0	0	0
- Islamic Development Bank	0	0	0	0	0	0	0
- International Monetary Fund	0	0	0	0	0	0	0
- International Finance Corporation	63	16	21	34	16	0	100
- International Development Association	0	0	0	0	0	0	0
- Council of Europe Development Bank	0	0	0	0	0	0	0
- International Fund for Agricultural Development	0	0	0	0	0	0	0
- International Bank of Reconstruction and Development	6	46	62	383	183	0	250
- European Bank for Reconstruction and Development	0	0	0	0	0	0	0
II- Private Creditors	18.205	12.432	16.721	9.549	4.565	135	39.625
i- Nonresident Commercial Banks	17.902	12.215	16.429	6.859	3.279	132	37.743
ii- Foreign Branches and Affiliates of Resident Banks	92	54	73	2.043	977	2	1.144
iii- Nonbank Financial Corporations	66	115	155	224	107	0	328
iv- Nonfinancial	144	47	63	423	202	0	410
III-Holders of Bond Issues Abroad	2.868	97	131	0	0	26	3.024

ANNEX 3: Currency Composition of Short-Term External Debt Stock (July 2014)

	2013 Q1		2013 Q2		2013 Q3		2013 Q4	
	Original Cur.	USD Equiv.	Original Cur.	USD Equiv.	Original Cur.	USD Equiv.	Original Cur.	USD Equiv.
USD	59.500	59.500	64.773	64.773	63.139	63.139	65.274	65.274
EUR	26.970	34.501	30.071	39.169	32.139	43.422	32.192	44.293
CHF	402	422	588	622	1.034	1.139	1.170	1.313
GBP	796	1.205	747	1.141	803	1.293	771	1.271
JPY	23.140	245	24.727	252	25.998	264	29.481	280
TRY	32.543	17.943	34.911	18.115	30.505	14.996	35.233	16.508
Other(USD)		272		312		307	0	371
TOTAL		114.088		124.384		124.560		129.310

	2014 Q1		2014 Q2		2014 July	
	Original Cur.	USD Equiv.	Original Cur.	USD Equiv.	Original Cur.	USD Equiv.
USD	63.240	63.240	65.090	65.090	65.631	65.631
EUR	32.072	44.044	32.754	44.608	32.538	43.762
CHF	1.291	1.454	1.145	1.282	1.232	1.364
GBP	800	1.329	844	1.437	860	1.459
JPY	24.600	241	31.358	309	26.650	262
TRY	30.523	13.939	37.138	17.490	36.056	17.236
Other(USD)		440		437	0	462
TOTAL		124.687		130.653		130.176