



## Foreign Trade Balance - December 2012

Economic Research Division

TÜRKİYE İŞ BANKASI

### In December, foreign trade deficit was below expectations...

According to data announced by Turkstat, in December, exports increased by 1.4% compared to the same month of the previous year and reached 12.6 billion USD while imports contracted by 3.7% and was realized as 19.8 billion USD. During this period, the foreign trade deficit came in below expectations by 7.2 billion USD while import coverage ratio reached 63.8%.

### Rebalancing between domestic and external demand conditions continued.

Throughout 2012, total exports rose to 152.6 billion USD and imports reached 236.6 billion USD. Thus, the foreign trade deficit declined by 20.7% to 83.9 billion USD in 2012 compared to 2011. In the same period, the import coverage ratio increased by 8.5 points and reached 64.5%.

### 2012 was the "golden" year of exports.

Analyzing the breakdown of exports, it was seen that the top categories followed a flat course throughout 2012. On the other hand, gold exports, which were 1.5 billion USD in 2011 and ranked 23<sup>rd</sup>, increased to 13.3 billion USD in 2012 and made a substantial contribution to the total export volume.

#### Top Export Items

	2011		2012	
	Exports	Rank	Exports	Rank
Motor vehicles	15.4	1	14.7	1
Clothing and apparel	13.9	2	14.3	2
Gold	1.5	23	13.3	3
Iron and steel	12.8	3	13.1	4
Textile yarn, fabrics	10.8	4	11.1	5

### The share Euro Area countries in total exports declined.

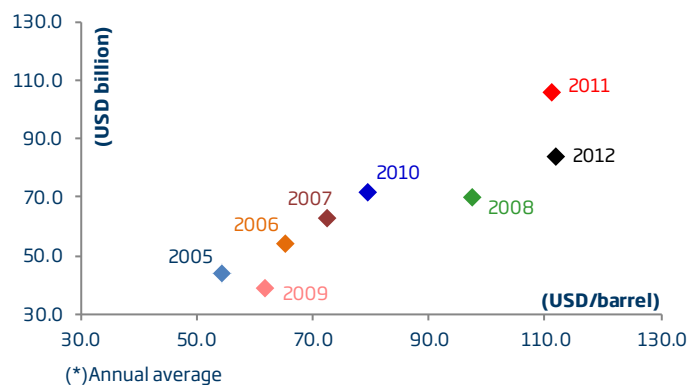
The slowdown in the Euro Area economy, which is the largest foreign trade market of Turkey, has created a downward pressure on Turkey's export performance in

2012. However, diversification in the export markets towards Near and Middle East countries limited the negative impacts of external demand related risks on domestic economic activity. In fact, the share of exports to Euro Area countries declined to 38.8% in 2012. This ratio was 56.3% in 2005. In the same period, the share of Near and Middle East countries doubled compared to 2005 and reached 27.8%. Excluding gold exports, on the other hand, share of exports to Euro Area countries was 42.1% while the share of the Near and Middle East countries was 22.5% in 2012.

### Relation between oil prices and the foreign trade deficit...

As Turkey is a net oil importer, there is a close relation between oil prices and foreign trade deficit. High oil prices negatively affect the foreign trade balance of Turkey. However, despite the high course of oil prices in 2012, foreign trade deficit declined compared to 2011, thanks to the weak course of domestic demand and strong gold exports.

Oil Prices\* and Foreign Trade Deficit



### Expectations...

Domestic demand conditions are expected to recover in 2013 and gold exports would return to the levels recorded before 2012. Thus, we expect foreign trade deficit to follow a rising trend again in 2013.

#### Foreign Trade Balance

	December		Change (%)	January-December		Change (%)
	2011	2012		2011	2012	
Exports	12.5	12.6	1.4	134.9	152.6	13.1
Imports	20.6	19.8	-3.7	240.8	236.5	-1.8
<b>Foreign Trade Balance</b>	<b>-8.1</b>	<b>-7.2</b>	<b>-11.6</b>	<b>-105.9</b>	<b>-84.0</b>	<b>-20.7</b>
Import Coverage Ratio (%)	60.6	63.8	-	56.0	64.5	-

Source: Turkstat, Reuters

## Türkiye İş Bankası A.Ş. - Economic Research Division

**İzlem Erdem - Manager**

izlem.erdem@isbank.com.tr

**Alper Gürler - Unit Manager**

alper.gurler@isbank.com.tr

**Kıvılcım Eraydın - Economist**

kivilcim.eraydin@isbank.com.tr

**Erhan Gül - Economist**

erhan.gul@isbank.com.tr

**Bora Çevik - Asst.Economist**

bora.cevik@isbank.com.tr

**Eren Demir - Asst.Economist**

eren.demir@isbank.com.tr

**M. Kemal Gündoğdu - Asst.Economist**

kemal.gundogdu@isbank.com.tr

**Gamze Can - Asst.Economist**

gamze.can@isbank.com.tr

**LEGAL NOTICE**

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.