



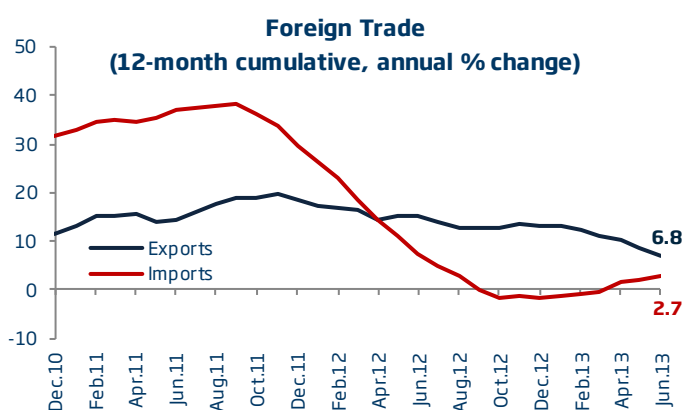
## Foreign Trade Balance - June 2013

Economic Research Division

TÜRKİYE BANKASI

### In June, foreign trade deficit came in 8.6 billion USD, lower than expected.

According to data released by Turkstat, imports increased by 2.8% in June compared to the same month of the previous year and were realized as 21 billion USD while exports decreased by 6% to 12.4 billion USD. During the same period, foreign trade deficit widened by 18.9% to 8.6 billion USD, well below the market expectations. The import coverage ratio decreased by 5.5 points in the same period and was realized as 59.2%. In June, seasonally and calendar adjusted data indicated that exports and imports decreased by 2.3% and 2%, respectively, compared to the previous month.



Monthly gold imports, which have been far above their historical average since April, have kept their high level also in June. Thus, when the gold imports are excluded, total imports decreases by 0.8% in June compared to the same month of the previous year.

On the other hand, the noteworthy decline in the imports of mineral fuels and oils also played role in the lower than expected foreign trade deficit in June. In fact, imports of mineral fuels and oils declined by 15.9% in June compared to the same month of the previous year.

### In the first half of the year, foreign trade deficit widened by 17.4%.

In the first half of the year, exports and imports increased by 1.3% and 7.2%, respectively, compared to the same period of the previous year. During the same period, foreign trade deficit widened by 17.4% and reached 50.6 billion USD. The

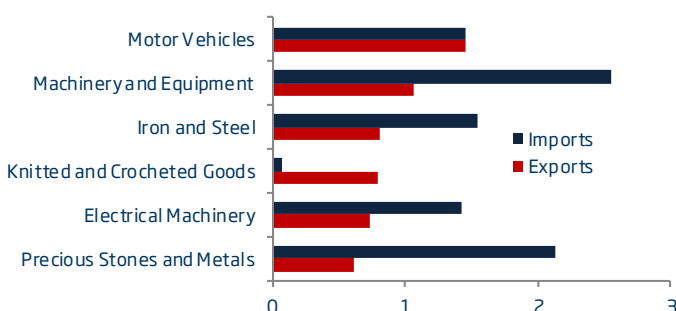


impact of the rapid increase in gold imports during the first half of the 2013 on foreign trade deficit became more evident. The deficit associated with gold trade in the first half of the year was realized as 7 billion USD. As a note, during 2012, when gold exports reached record high levels, gold trade gave a surplus of 5.7 billion USD. Thus, when the gold trade was excluded, foreign trade deficit in the first six months decreased by 2.6% compared to the same period of the previous year and 12-month cumulative foreign trade deficit as of June 2013 contracted by 4.8%.

### Motor vehicles ranked first in exports with 1.5 billion USD.

Exports of the motor vehicles continued to rank first in total exports in June. The export volume of this sector rose by 10.4% compared to the same month of the previous year and was realized as 1.5 billion USD. On the other hand, it was noteworthy that iron and steel exports declined by 23.9% compared to the same month of the previous year. Exports

### Foreign Trade in Leading Sectors (June 2013, billion USD)



Foreign Trade Balance	(USD billion)					
	June		Change (%)	January-June		Change (%)
2012	2013	2012		2013		
Exports	13.2	12.4	-6.0	74.3	75.2	1.3
Imports	20.4	21.0	2.8	117.4	125.8	7.2
<b>Foreign Trade Balance</b>	<b>-7.2</b>	<b>-8.6</b>	<b>18.9</b>	<b>-43.1</b>	<b>-50.6</b>	<b>17.4</b>
Import Coverage Ratio (%)	64.7	59.2	-	63.3	59.8	-

Source: Turkstat

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of precious stones and metals also declined in June mainly due to the sharp fall in gold exports. In addition, contraction in exports of mineral fuels and oil was also responsible for the weak course of total exports.

## Deceleration in imports of consumption goods continued.

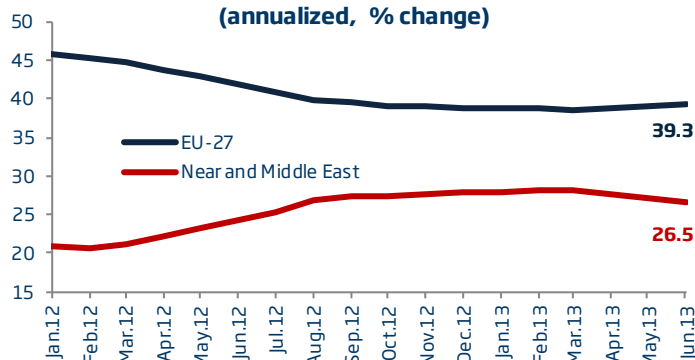
In June, intermediate goods imports decreased by 0.6% compared to the same month of the previous year due to the fall in energy imports. In addition to that, the deceleration in consumption goods imports was also effective in the lower than expected increase in imports during this month. On the other hand, imports of capital goods in June rose by 20% on annual basis.

As of the first half, imports of intermediate goods which had 73.8% share in total imports, increased by 6.4% compared to the same period of the previous year while imports of consumption goods and capital goods rose by 13.2% and 6.6%, respectively, during the same period.

first six months of 2013 compared to the same period of the previous year evaluated as an example of this trend change.

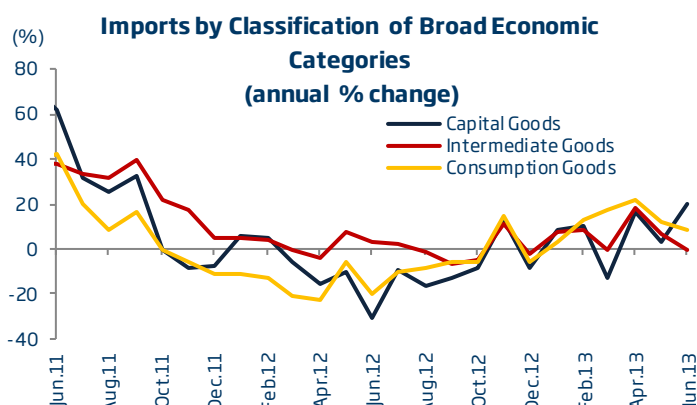
In June, Germany continued to remain as the largest export market of Turkey with a share of 9.3% in the total exports while Iraq ranked second with a share of 7.4% in total exports.

Share of Exports by Country Groups  
(annualized, % change)



## Expectations...

In June, the foreign trade deficit was realized below the expectations due to the deceleration in imports of consumption goods as well as the decrease in intermediate goods. On the other hand, unlike last year, gold trade gave a large deficit and made a negative impact on the foreign trade deficit. Recent announcements from Fed about the future of their asset purchase program increased the uncertainties about the capital inflows to emerging markets. CBRT's monetary tightening in order to reduce the impacts of this development on financial stability and price stability might put pressure on economic activity during the second half of the year. The slowdown in activity points out a lower increase in imports.



## The share of European Union in total exports increased...

The share of European Union in total exports, which was 37.1% in June 2012, reached 41.6% in the same period of this year. This increase mostly stemmed from the 5.3% increase in exports to European Union countries during this period as well as the significant decrease in gold exports to Near and Middle Eastern countries in 2013 compared to 2012. The 68.8% decrease in the gold exports to Iran in the

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