



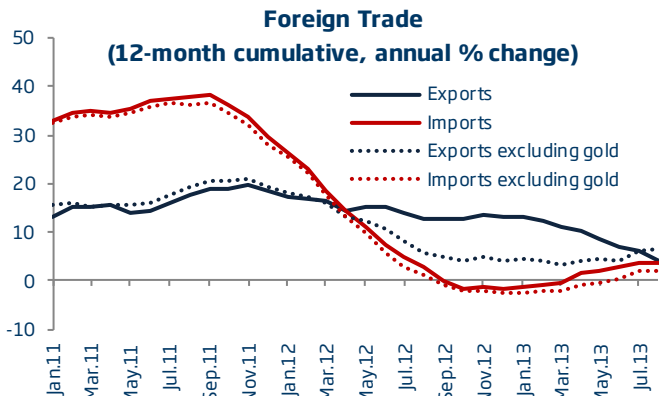
Foreign Trade Balance - August 2013

Economic Research Division

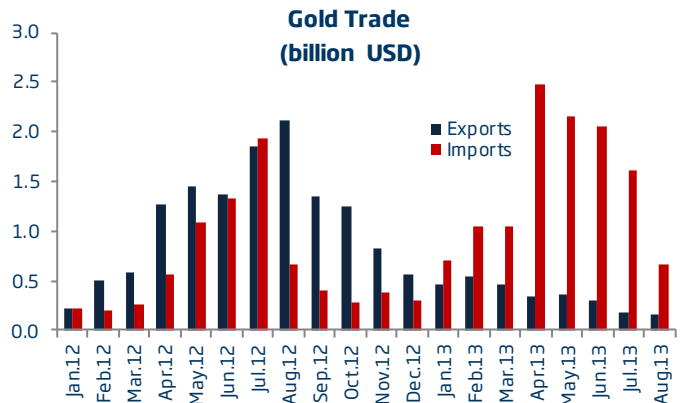


In August, foreign trade deficit was realized as 7 billion USD, below the expectations.

According to data released by Turkstat, exports decreased by 12.9% to 11.2 billion USD in August compared to the same month of the previous year, recording the fastest decline of almost the last four years. Imports also dropped by 3.4% to 18.2 billion USD during the same period. The widening in foreign trade deficit decelerated compared to the last two months. The import coverage ratio also declined by 6.7 points in the same period and was realized as 61.4%. Analyzing seasonally and calendar adjusted data, while imports decreased by 5.5% in August compared to the previous month, exports increased by 0.1% in the same period, following a relatively flat path.



The lower-than-expected foreign trade deficit in August mainly stemmed from the 14.4% annual decline in the imports of mineral fuels and oils. Gold imports, which were at high levels during the last months, remained flat in August compared to the same month of the previous year. Yet they were well below their average level of the first eight months of this year. On the other hand, gold exports also diminished during the same period and were realized as 159 million USD, the lowest level of the last 22 months. Although this situation had some adverse impacts on the foreign trade balance in August, data excluding gold trade



indicated that exports improved moderately in the said period. In fact, when gold exports are excluded, exports recorded a rise of 2.7% in August compared to the same month of the previous year.

Foreign trade deficit increased by 18.3% in the first eight months of the year.

In the first eight months of the year, exports declined by 0.5% compared to the same period of the previous year and imports, on the other hand, rose by 6.3%. Hence foreign trade deficit widened by 18.3% and reached 67.6 billion USD in the same period. Excluding gold trade, however, the increase in exports and imports were realized as 6.6% and 3.0%, respectively. Thus, foreign trade deficit excluding gold trade narrowed by 2.5% during this period.

In August, exports of motor vehicles registered a 19.5% increase on an annual basis.

Analyzing by sectors, it is seen that exports of motor vehicles, which ranked first in total exports also in August, registered a rapid increase of 19.5% on an annual basis. Machinery and equipment sector, which ranked second in total exports after motor vehicles, recorded a 2% drop in the said period. Iron and steel exports, which have been declining persistently in recent months, decreased by 33.5% compared to the same month of the previous year.

	Foreign Trade Balance					
	(USD billion)					
	August		Change	January-August		Change
	2012	2013	(%)	2012	2013	(%)
Exports	12.8	11.2	-12.9	100.0	99.4	-0.5
Imports	18.8	18.2	-3.4	157.1	167.0	6.3
Foreign Trade Balance	-6.0	-7.0	17.0	-57.1	-67.6	18.3
Import Coverage Ratio (%)	68.1	61.4	-	63.6	59.5	-

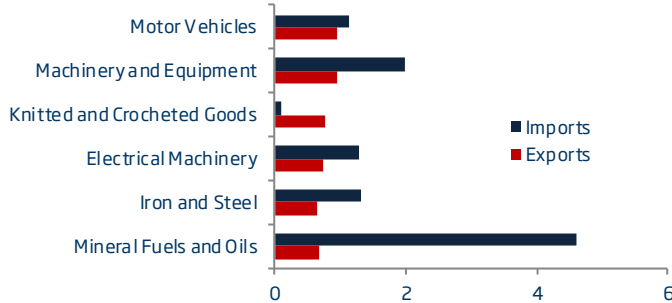
Source: Turkstat

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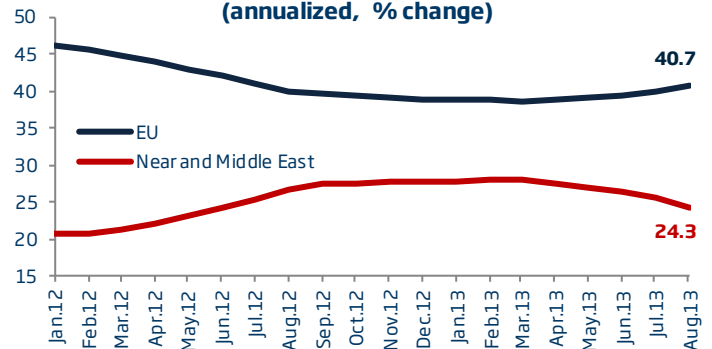
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**Foreign Trade in Leading Sectors
(August 2013, billion USD)**

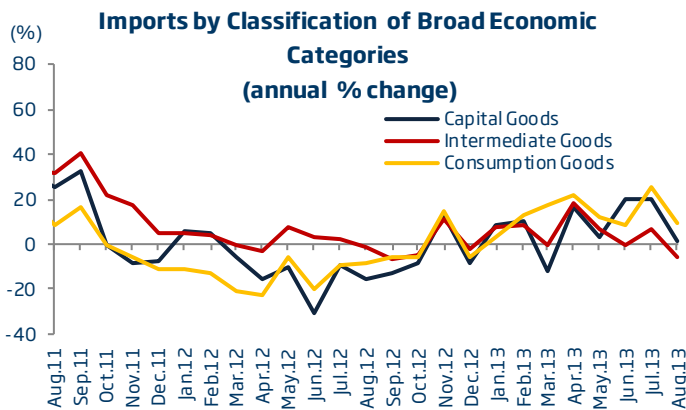


**Share of Exports by Country Groups
(annualized, % change)**



After having increased rapidly in July, imports of consumption goods lost momentum in August.

Analysis of import data by classification of broad economic categories revealed that imports of consumption goods, having increased by 25.5% annually in July, lost momentum in August with registering a modest rise of 9.6%. In addition, the sharp deceleration in imports of capital goods was also noteworthy. In fact, imports of capital goods, which surged by 19.8% on annual basis in July, increased by only 0.9% in August and was realized as 2.6 billion USD. This loss of momentum in consumption and capital goods imports and the decline in energy imports recorded in August implied that the recovery in domestic demand started to slow down during this period.



The share of European Union in total exports increased to 41.4% in August.

The share of European Union in total exports continued to increase. The said share, which was 33.7% in August 2012, reached 41.4% in the same period of this year. On the other hand, the share of Near and Middle Eastern countries, which was 37.4% in August 2012, declined to 21.6% in August 2013 mostly due to the slowdown in gold exports directed to this region.

Analyzing the data at country level, it is seen that Germany remained as the biggest export market of Turkey while Russia was the leading import partner. While exports to Germany in August increased by 4.1% compared to the same period of the last year, imports from Russia recorded a rise of 3.2%.

Expectations...

The drop in energy imports played an important role in the lower-than-expected foreign trade deficit level registered in August. In addition to that, the deceleration in consumption goods imports was also noteworthy. On the other hand, the possible positive impact of the economic recovery in European Union countries on Turkey's exports would be watched closely in the coming period. Moreover, subsiding concerns regarding Syria crisis in September is considered as an improvement in the future outlook of Turkey's foreign trade performance.

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