



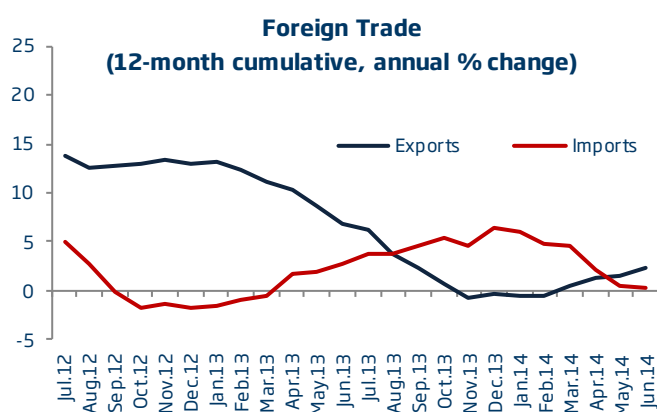
Foreign Trade Balance - June 2014

Economic Research Division

TÜRKİYE İŞ BANKASI

Exports continued to positively affect foreign trade balance.

In June, exports increased by 4.2% yoy while imports decreased by 1.1% yoy. Export and import volumes were recorded as 12.9 billion USD and 20.8 billion USD, respectively. Thus, trade deficit was realized as 7.9 billion USD. Foreign trade deficit came in above the market expectations of 7.1 billion USD owing to the tensions in Iraq which put a downturn pressure on exports. Nevertheless, foreign trade deficit narrowed by 8.8% yoy in June with the help of the continued favorable trend in total exports. In this period, the import coverage ratio increased by 3.2 points yoy and reached 62.2%.



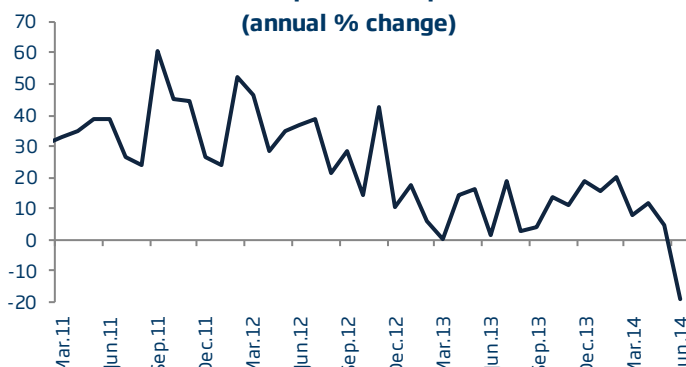
In the first six months of the year, the increase in exports due to the weak course of TRY compared to previous year and the decline in imports stemming from mild domestic demand conditions significantly led foreign trade deficit to narrow. Indeed, in this period foreign trade deficit contracted by 21.9% yoy.

Exports to Iraq decreased by 19.3% yoy.

Following the occupation of Mosul by Islamic State (IS) militants in June, the conflicts disrupted Turkey's exports to Iraq which had been the second biggest export market. Exports to Iraq fell by 19.3% yoy to 745 million USD in June 2014 from 924 million USD in June 2013. As a result, Iraq ranked third in exports following Germany and UK in June. Contrary to the ongoing problems in Iraq, Turkey's total exports kept its upward trend.

Exports to Iraq

(annual % change)



Regarding Turkey's provinces, almost all of Şırnak's exports destined to Iraq in 2013, exports of Şırnak nearly halved in June. With a similar export composition, Mardin's exports to Iraq decreased by 13% yoy. Almost half of their exports were destined for Iraq, exports of Bolu and Diyarbakır to Iraq dropped by 34% and 14%, respectively while exports of Şanlıurfa remained flat in June.

The share of EU countries in total exports increased...

The decline in exports to Iraq due to the turmoil in the country and the recovery in European Union (EU) economies led the composition of Turkey's exports by country groups to change in favor of the EU countries. In this context, the share of EU countries in Turkey's total exports increased to 46% in June 2014 from 41.8% in the same month of previous year. In this period, the share of Near and Middle Eastern countries in total exports decreased by 3.5 points to 20.7%.

Expectations...

Recent problems in Iraq raised questions about their impacts on Turkey's overall export performance. Despite a significant drop was recorded in exports to Iraq in June, Turkey's total exports continued to increase. Recently, tensions in Iraq eased to some extent and in turn supported the favorable expectations for the coming period. In addition, the anticipated further recovery in EU countries is expected to contribute positively to Turkey's foreign trade performance.

Foreign Trade Balance	(USD billion)					
	June		Change	January-June		Change
	2013	2014	(%)	2013	2014	(%)
Exports	12.4	12.9	4.2	75.1	80.2	6.7
Imports	21.0	20.8	-1.1	125.8	119.7	-4.8
Foreign Trade Balance	-8.6	-7.9	-8.8	-50.7	-39.6	-21.9
Import Coverage Ratio (%)	59.0	62.2	-	59.7	67.0	-

Source: Turkstat

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