



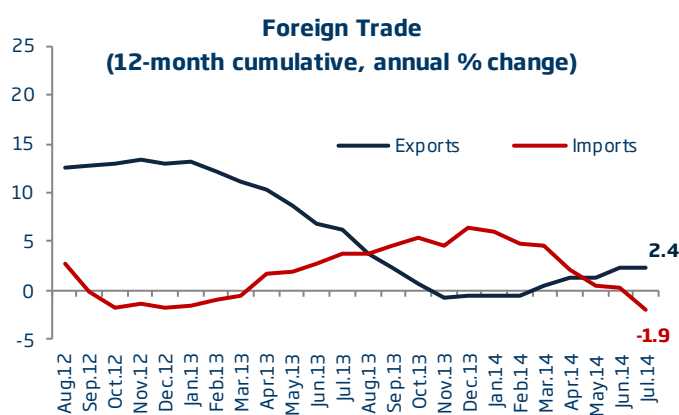
Foreign Trade Balance - July 2014

Economic Research Division

TÜRKİYE İŞ BANKASI

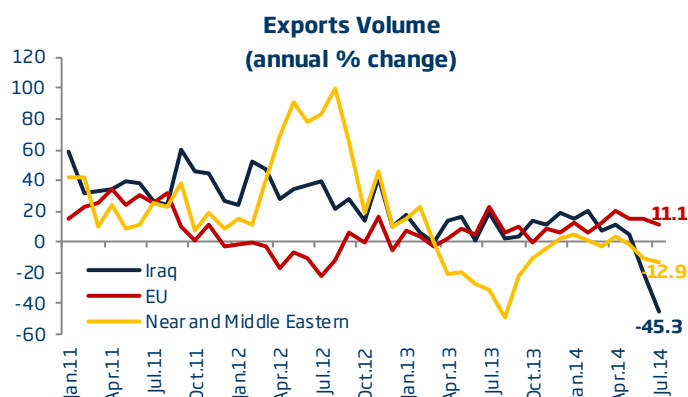
Foreign trade deficit came in below the market expectations.

Although exports exhibited the weakest performance of the last nine months with an increase of 2.6% yoy in July, foreign trade deficit narrowed to 6.5 billion USD, below the market expectations, thanks to the sharp decline in imports (13.5% yoy). In fact, imports dropped at the fastest rate since October 2009. Thus, the import coverage ratio increased by 10.6 points yoy and reached 67.5%, the highest level in four months. Seasonally and calendar adjusted figures also confirmed that exports performed much better than imports in July.



The decline in exports to Iraq played an important role in the deceleration in total exports. After having decreased in June, exports to Iraq continued to fall dramatically in July (by 45.3% yoy) due to the ongoing conflicts in this country. The fall in exports to Iraq was realized as 19.4% yoy in June. On the other hand, having dropped one place to third rank in total exports in June, Iraq maintained its rank in July despite the rapid decline. When Iraq is excluded, exports to Near and Middle Eastern countries registered a limited increase.

Exports to European Union countries also increased in the first seven months of this year compared to the previous year. In line with this development, the share of EU countries in total exports increased to 45% in July from 41.6% in the same month of last year. During the same



period, the share of Near and Middle Eastern countries in total exports, on the other hand, receded to 19.9% from 23.4%.

The rapid decline in imports, which helped the foreign trade deficit come in below the expectations, indicated that the slowdown in domestic demand continued. In fact, imports of consumption goods declined on an annual basis for the sixth month in a row. In particular, the annual fall of 23.8% in motor vehicles item was noteworthy in July. Gold imports, which had been watched closely during last year, also supported the contraction in foreign trade deficit. Gold imports amounted to 182 million in July from 1.6 billion USD in the same month of the last year.

Expectations...

In addition to the concerns regarding Iraq, relative slowdown in European countries recorded recently, especially in Germany, might put a downward pressure on export performance of Turkey in the coming period. Nevertheless, both moderate domestic demand conditions and the potential trade agreements between Turkey and Russia in near future are anticipated to enforce the narrowing trend of foreign trade deficit.

Foreign Trade Balance	(USD billion)					
	July		Change	January-July		Change
	2013	2014	(%)	2013	2014	(%)
Exports	13.1	13.4	2.6	88.2	93.5	6.1
Imports	23.0	19.9	-13.5	148.8	139.6	-6.2
Foreign Trade Balance	-9.9	-6.5	-34.8	-60.6	-46.1	-24.0
Import Coverage Ratio (%)	56.9	67.5	-	59.3	67.0	-

Source: Turkstat

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