



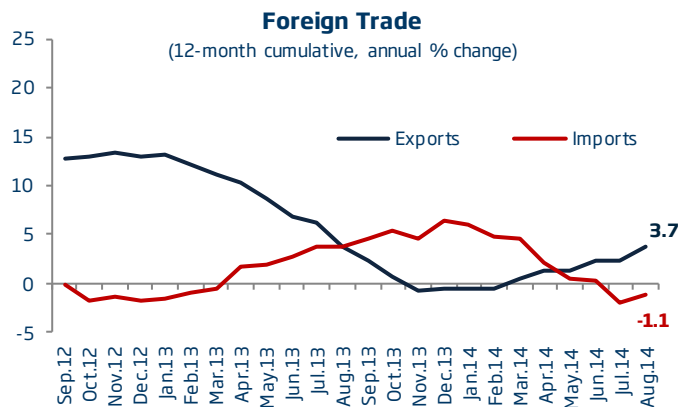
Foreign Trade Balance - August 2014

Economic Research Division

TÜRKİYE İŞ BANKASI

Foreign trade deficit came in above the expectations in August.

In August exports increased by 2.9% yoy. In this period, imports also rose by 7% yoy after contracting in the last six consecutive months and thus the foreign trade deficit came in above the market expectations and was realized as 8 billion USD. As a result, the import coverage ratio, which was 61.1% in August 2013, decreased to 58.7% in August 2014, the lowest level of this year.

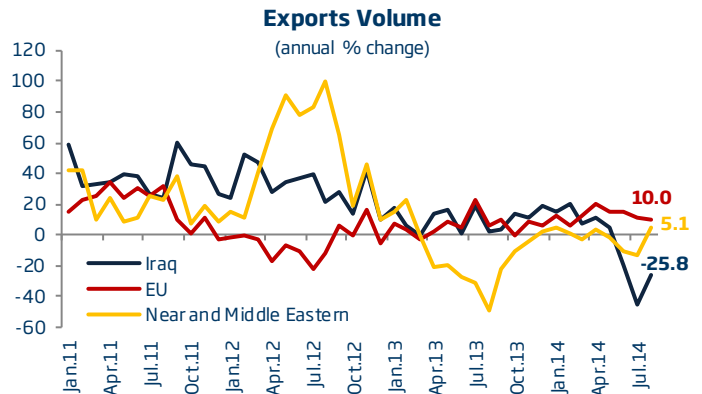


The rise in imports was widespread.

It was noteworthy that the increase in imports was widespread across the product groups. This development pointed out a slight recovery in domestic demand conditions which have followed a weak course throughout this year. Indeed, imports of motor vehicles, which declined since the beginning of the year, increased in August for the first time in 2014. In August, the annual increase in imports was also underpinned by higher number of working days compared to the previous year.

Exports to Iraq continued to decline albeit at a slower pace.

Exports to Iraq, which dropped by 19.5% yoy in June and 45.5% yoy in July, also contracted by 25.8% in August due to the ongoing conflicts in the country. This development indicated that the downward trend in exports to Iraq continued albeit at a slower pace. In August, Iraq kept its ranking as the third country in total exports with 647 billion USD. On the other hand, Russia banned imports of certain products from the US and European Union countries in



August due to the crisis in Ukraine. This raised expectations that these products would be supplied by other countries including Turkey. However, there was not a noticeable change in the course of exports to Russia in August. On the contrary, the ongoing contraction in exports to Russia since the beginning of this year was maintained.

Despite losing some of its momentum, exports to the European Union (EU) countries continued to rise on annual basis. In this context, the share of the European Union countries in total exports increased to 44.3% in August from 41.4% in the same month of the previous year. Exports to Near and Middle Eastern countries, which have followed a downward trend in recent months due to the conflicts in Iraq, recovered slightly in August thanks to notable rise in exports to Saudi Arabia and Iran. Hence, the share of Near and Middle Eastern countries in total exports, which was 21.7% in August 2013, was realized as 22.1% in the same period of this year.

Expectations

The economic activity in the EU countries, Turkey's main export destination, is expected to remain weak for a while which in turn might put downward pressure on Turkey's export performance. However, the recovery in exports to Near and Middle Eastern countries excluding Iraq was seen as a favorable outcome. On the other hand, the revival in domestic demand conditions in the coming period might widen foreign trade deficit to some extent.

Foreign Trade Balance	(USD billion)					
	August		Change	January-August		Change
	2013	2014	(%)	2013	2014	(%)
Exports	11.1	11.4	2.9	99.3	104.9	5.7
Imports	18.2	19.5	7.0	167.0	159.1	-4.7
Foreign Trade Balance	-7.1	-8.0	13.5	-67.7	-54.2	-20.0
Import Coverage Ratio (%)	61.1	58.7	-	59.5	66.0	-

Source: Turkstat

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