



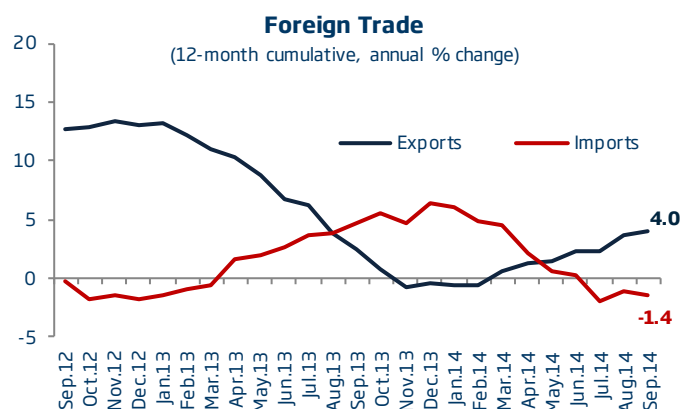
Foreign Trade Balance - September 2014

Economic Research Division

TÜRKİYE İŞ BANKASI

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In September, exports increased by 4.6% yoy while imports declined by 0.2% yoy. For the first nine months of 2014, exports increased by 5.5% and imports decreased by 4.2% compared to the same period of 2013. Thus, the foreign trade deficit narrowed by 18.8% in the first nine months and the import coverage ratio increased from 59.9% to 66%.



Automotive sector ranked first in exports.

The automotive sector ranked first in exports in the first nine months of the year with an export volume of 13.6 billion USD. This sector was followed by machineries while knitted goods ranked third.

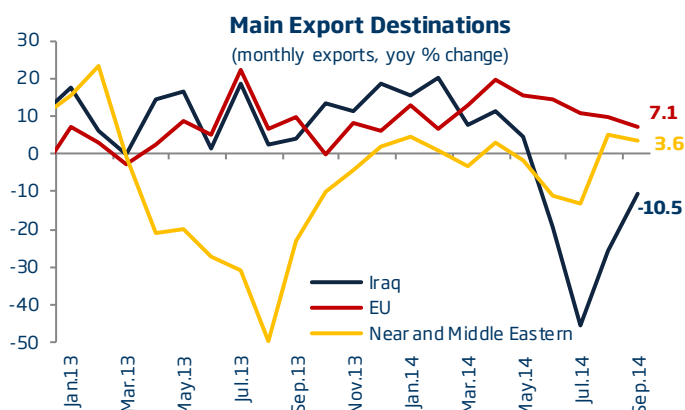
Imports of precious metals decreased from 12.9 billion USD to 4.9 billion USD.

Imports of mineral fuels and oils reached 41.7 billion USD in the first nine months of 2014. Although they continued to rank first in total imports as in previous years, imports of mineral fuels and oils remained almost unchanged in the first nine months compared to the same period of previous year due to the slowdown in domestic demand throughout 2014 and the recent decline in oil prices. Machinery imports ranked second in total import. Imports of precious metals, which ranked fourth in total imports in the first nine months of the previous year with 12.9 billion USD import volume due to the high amount of gold imports, were only 4.9 billion USD in the same period of 2014. In fact, 8 billion USD of the total 14.2 billion USD decline in the foreign trade deficit in the first nine months of 2014 stemmed from these developments in the said chapter.

Exports to European Union increased by 7.1% in September.

Although the recovery in the European Union economies is weaker than expected and the demand conditions in the region is

poor, Turkey's exports to the European Union increased by 7.1% yoy in September. The increase in the first nine months was 12.1% yoy. Thus, the share of European Union in Turkey's total exports increased from 41.1% in the first nine months of 2013 to 43.7% in the same period of 2014. On the other hand, exports to Iraq decreased by 10.5% yoy in September due to the ongoing problems in that country. However, it was noteworthy that the rate of decline in exports to Iraq slowed down considering that exports were down by 45.5% yoy in July and 25.9% yoy in August.



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, Turkey's exports to Russia declined by 11.5% yoy and 14.3% yoy in August and September, respectively and showed that the expected positive impact on exports have not materialized yet.

Expectations

The foreign trade figures point out that the export momentum was broadly kept despite the ongoing problems in Turkey's main export destinations. Imports might start to accelerate in the coming months in parallel with the expected enlivening in domestic demand as a result of the CBRT's interest rate cuts in previous months. On the other hand, there was a notable decline in oil prices recently. The annual average price of Brent crude, which was 109 USD/barrel in 2013, decreased to 107 USD/barrel on average in the first nine months of 2014 and it decreased to as low as 85 USD/barrel as of October 30, 2014 as a result of the rising concerns over global economic growth. Should the oil prices kept their current levels in the coming period, foreign trade deficit might stay around its current level despite the expected increase in domestic demand.

Foreign Trade Balance	(USD billion)					
	September			January-September		
	2013	2014	Change (%)	2013	2014	Change (%)
Exports	13.1	13.7	4.6	112.4	118.5	5.5
Imports	20.6	20.6	-0.2	187.6	179.7	-4.2
Foreign Trade Balance	-7.6	-6.9	-8.4	-75.3	-61.1	-18.8
Import Coverage Ratio (%)	63.3	66.4	-	59.9	66.0	-

Source: Turkstat

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**Türkiye İş Bankası A.Ş. - Economic Research Division****İzlem Erdem - Manager**

izlem.erdem@isbank.com.tr

Hatice Erkiletliođlu - Asst. Manager

hatice.erkiletlioglu@isbank.com.tr

Bora Çevik - Economist

bora.cevik@isbank.com.tr

M. Kemal Gündođdu - Asst.Economist

kemal.gundogdu@isbank.com.tr

Alper Gürler - Unit Manager

alper.gurler@isbank.com.tr

Kıvılcım Eraydın - Economist

kivilcim.eraydin@isbank.com.tr

Eren Demir - Asst.Economist

eren.demir@isbank.com.tr

Gamze Can - Asst.Economist

gamze.can@isbank.com.tr

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