



Foreign Trade Balance - October 2014

Economic Research Division

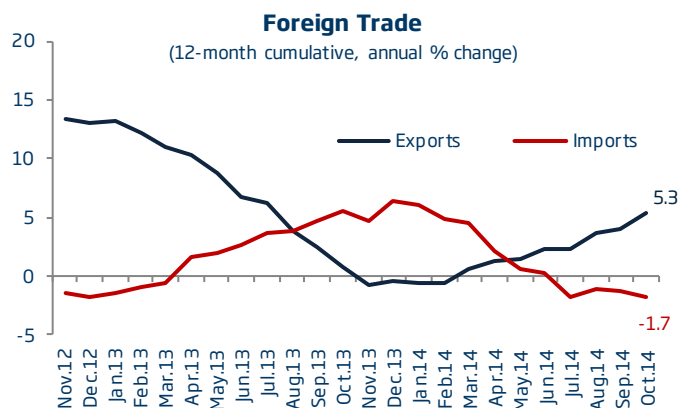
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In October, exports increased by 7.3% while imports declined by 1.5%.

The foreign trade figures of October showed that the re-balancing in Turkish economy continued. Despite the ongoing problems in Turkey's main export markets, the total exports increased by 7.3% yoy in October. For the first ten months, exports increased by 5.6% yoy.

In contrast to the rise in exports, imports decreased by 1.5% yoy in October as a result of the fact that the expected revival in domestic demand have not materialized yet and the oil prices fell rapidly. In the first ten months, imports decreased by 3.9% yoy.

Thus, the foreign trade deficit narrowed by 18.2% in the first ten months and the import coverage ratio increased from 60.1% to 66%.



Automotive sector continued to rank first in exports.

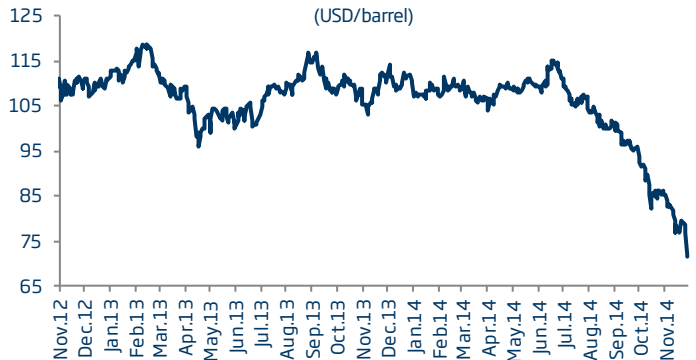
The automotive sector ranked first in exports in the first ten months of the year with an export volume of 15.1 billion USD. This sector was followed by machineries while knitted goods ranked third. The iron and steel exports, on the other hand, declined during this period.

The fall in oil prices is expected to lower the import bill.

Imports of mineral fuels and oils, which constitute around one fourth of Turkey's total imports, decreased by 3.8% yoy in October. In the first ten months, imports of this chapter remained almost unchanged compared to the same month of the previous year. As the fall in oil prices accelerated recently in global markets, the mineral fuels and oils import bill is expected to decline further.

Brent Crude Oil

(USD/barrel)



The gold imports continued to decline in October and made significant contribution to the narrowing in foreign trade deficit during 2014. The precious metals imports, which include mainly gold imports, decreased from 13.8 billion USD in the first ten months of 2013 to 5.3 billion USD in the same period of 2014. Thus, 8.4 billion USD of the total 15.1 billion USD decline in the foreign trade deficit in the first ten months of 2014 stemmed from the developments in the said chapter.

Turkey's exports to Iraq and Russia continued to decline.

Turkey's exports to Iraq and Russia, which were the second and the fourth biggest export markets of Turkey as of 2013, continued to decline in October due to the ongoing problems in both countries. Exports to Iraq decreased by 18.2% yoy and exports to Russia fell by 20.3% yoy in October. In the first ten months, exports to Iraq and Russia decreased by 7% yoy and 12.9% yoy, respectively. Iraq continued to keep its place in Turkey's top 10 export markets by ranking second. However, Russia fell from the fourth place to the seventh. Considering that the problems in both countries are not likely to be solved in the short-term, it will take time to increase the exports to these destinations to their former levels.

Exports to European Union increased by 11.7% in the first ten months.

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 8.1% yoy in October. The increase in the first ten months was 11.7% yoy. Thus, the share of European Union in Turkey's total exports increased from 41.4% in the first ten months of 2013 to 43.8% in the same period of 2014. Analyzing by countries, the exports

Foreign Trade Balance	(USD billion)					
	October		Change	January-October		Change
	2013	2014	(%)	2013	2014	(%)
Exports	12.1	12.9	7.3	124.4	131.4	5.6
Imports	19.5	19.2	-1.5	207.1	199.0	-3.9
Foreign Trade Balance	-7.4	-6.3	-15.8	-82.7	-67.6	-18.2
Import Coverage Ratio (%)	61.9	67.4	-	60.1	66.0	-

Source: Turkstat



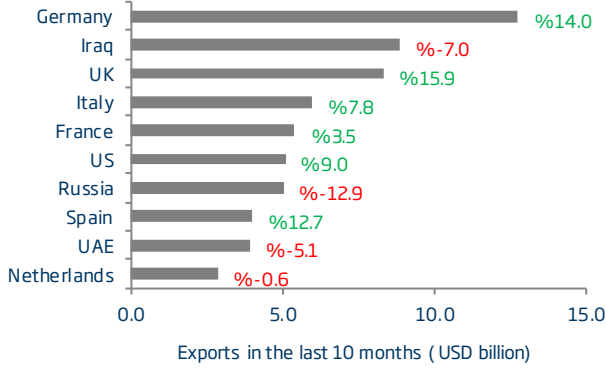
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to Germany increased by 14% yoy and exports to UK increased by 15.9% yoy in the first ten months. It was also noteworthy that the exports to US increased by 9% yoy in this period.

Top 10 Export Destinations of Turkey



Note: Figures on the right side of bars show the yoy change in the first ten months of 2014.

Expectations

The foreign trade figures pointed out that the export momentum of Turkey was broadly kept thanks to the rising exports to European Union and US despite the ongoing problems in Turkey's other main export destinations, namely Iraq and Russia.

Imports might start to accelerate in the coming months in parallel with the expected enlivening in domestic demand as a result of the lagged impacts of the CBRT's interest rate cuts in previous months. On the other hand, recent fall in oil prices is estimated to balance the upward pressure on imports that might stem from the enlivening in domestic demand. In fact, oil prices declined by around 35% since June due to the mounting concerns over global economic growth. Lately, OPEC's decision to keep the oil supply unchanged also accelerated the fall in oil prices.

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