



Foreign Trade Balance - November 2014

Economic Research Division

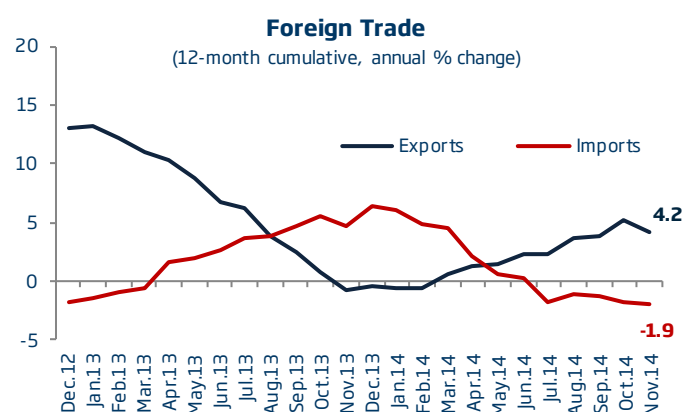
TÜRKİYE İŞ BANKASI

Higher than expected foreign trade deficit in November

In November, exports fell by 7.5% yoy, the first annual contraction in 2014. However, thanks to the strong performance in the first ten months of the year, exports rose by 4.2% yoy in January-November of 2014.

Imports, which have decreased throughout 2014, rose by 0.2% yoy in November. During January-November period, imports decreased by 3.5% yoy.

Foreign trade deficit widened to 8.3 billion USD in November, surpassing the market expectation of 7.8 billion USD. The foreign trade deficit contracted by 15.5% yoy to 76 billion USD in the first eleven months of the year.

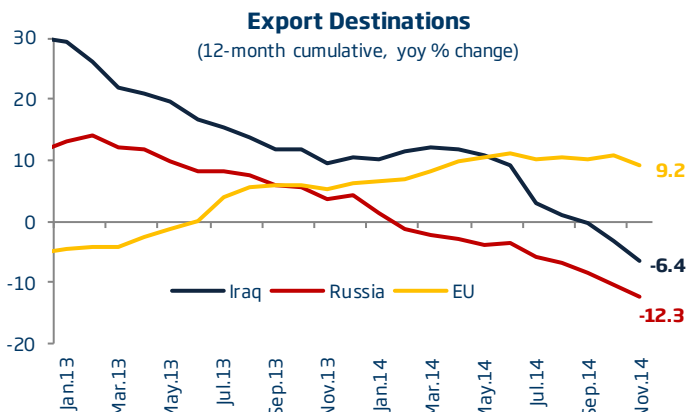


Fall in exports in November was broad based.

Among the top 20 export chapters, there were annual contractions in 16 of them. Especially, the fall in motor vehicles (-11.2%), machineries and mechanical appliances (-12.6%) and iron-steel (-21.8%) exports were noteworthy. On the other hand, exports of precious stones and metals (33.9%), fruits (11.7%), vegetables (8.5%) and mineral fuels-oils (4.5%) increased in November.

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

Exports to Iraq and Russia, which were the second and the fourth biggest export markets of Turkey as of 2013, continued to decline in November due to the ongoing problems in both countries. Exports to Iraq decreased by 22.3% yoy and exports to Russia fell by 23% yoy in November. In the first eleven months, exports to Iraq and Russia decreased by 8.8% yoy and 14% yoy, respectively. Considering that the problems in both countries are not likely to be solved in the short-term, it would take time to increase the exports to these destinations to their former levels.



Exports to EU also decreased in November.

Although the recovery in the European Union economies were disappointing, Turkey's exports to the region were increasing throughout 2014. However, the weak demand conditions in the region have started to affect Turkey's exports to the region recently. In fact, Turkey's exports to European Union decreased by 8.3% yoy in November. Analyzing by countries, especially the decrease in exports to Germany (-7.8%), France (-19.5%) and Netherlands (-22.3%) were notable. However, thanks to strong performance in the first ten months, exports to the European Union countries increased by 9.5% yoy during January-November and their share in Turkey's total exports increased from 41.7% to 43.8% during the same period. On the other hand, Turkey's exports to the US continued to increase in November.

The impacts of the fall in oil prices on imports have become visible.

Energy imports (classified as Chapter 27 - Mineral fuels, mineral oil) constitute around one fourth of Turkey's total imports. The impacts of the falling oil prices in international markets have become visible on the energy imports of Turkey in November. In fact, the quantity of crude oil imports rose by 1.6% yoy in November whereas the total energy bill decreased by 6.3% in the same period. Turkstat does not disclose the value of crude oil imports because of confidentiality since 2002. However, considering the high correlation between oil prices and the value of total energy imports, it is thought that the impacts of the falling oil prices on Turkey's energy bill would be more evident in the coming period.

Surge in gold imports in November

It is noteworthy that most of the import categories that have high shares in total imports declined in November on an annual

	Foreign Trade Balance (USD billion)					
	November		Change (%)	January-November		Change (%)
	2013	2014		2013	2014	
Exports	14.2	13.1	-7.5	138.6	144.5	4.2
Imports	21.4	21.4	0.2	228.5	220.5	-3.5
Foreign Trade Balance	-7.2	-8.3	15.3	-89.9	-76.0	-15.5
Import Coverage Ratio (%)	66.3	61.2	-	60.7	65.5	-

Source: Turkstat

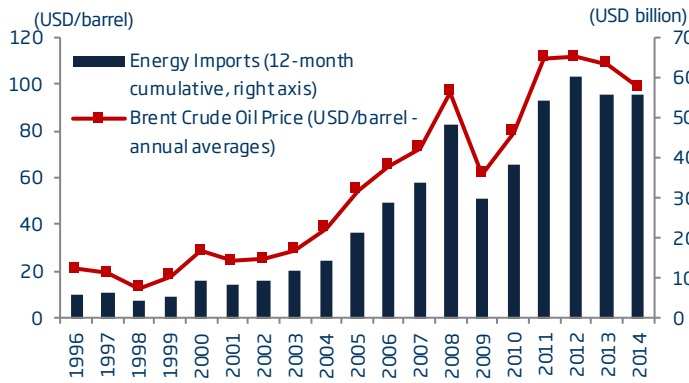


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Energy Imports and Oil Prices



Note: 2014 figure shows the annualized energy imports as of November 2014.

basis due to the fact that domestic demand has not yet revived as much as expected. On the other hand, gold imports, which had been following a downward trend during the first ten months of the year, increased from 0.9 billion USD a year earlier to 2 billion USD in November. As a matter of fact, it is seen that imports excluding gold imports declined by 5.3% yoy in this period.

Expectations

November foreign trade data revealed that ongoing problems in Russia and Iraq, which are among the major export destinations of Turkey, would adversely affect export performance in the coming period as well. The unfavorable impact of these two countries on Turkey's exports so far has been compensated partially by the increase in exports to European Union. However, the drops in exports to France and Germany in November raised some concern. Should this situation prevail in the coming months, it would be harder for Turkey to sustain its strong exports growth in 2015. On the imports front, when gold imports were excluded, there has yet been no pressure stemming from domestic demand. Also, the fact that the sharp drop in oil prices began to be reflected in the energy bill is regarded as a favorable development experienced recently.

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