



## Foreign Trade Balance - December 2014

Economic Research Division

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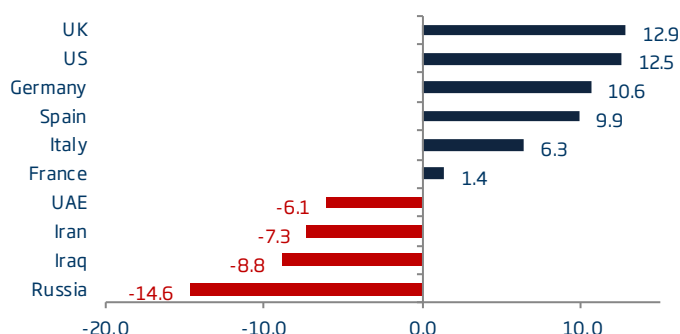
### Foreign trade deficit contracted in December.

Export volume, which decreased on an annual basis in November, rose in the last month of 2014. Import volume, on the other hand, fell by 5.6% yoy, thus, the foreign trade deficit contracted by 14.6% compared to the same month of previous year.

In January-December period, despite the ongoing problems in both Iraq and Russia, exports to the United States as well as European Union (EU) countries (especially Germany and United Kingdom) have surged significantly. In this period, imports volume decreased owing to the weak domestic demand conditions and the sharp decline in oil prices recorded in the second half of the year. Hence, foreign trade deficit of Turkey shrank by 15.4% yoy and was realized as 84.5 billion USD.

### Exports to Main Export Destinations

(annual % change)



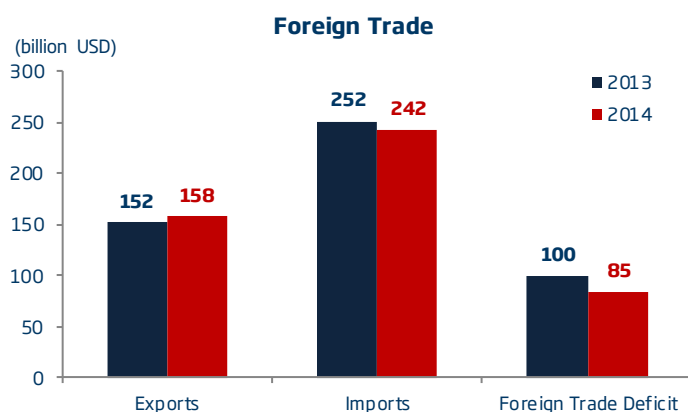
followed a downward trend and annual decline rate reached 14.6%. Thus, Russia's ranking dropped from fourth to seventh.

### Exports to European countries rose in 2014.

Although economic activity in the European Union countries weakened substantially, exports destined to the region increased by 8.8% yoy. In addition, exports to other European countries rose by 6.9% yoy. Exports to North American countries also increased by 10.9% yoy in line with the rise in exports to the US by 12.5% yoy. However, there was no significant change in exports to Middle Eastern countries.

### Turkey's energy bill has reduced.

The impact of falling oil prices on imports became evident in December. Indeed, energy imports (classified as Chapter 27-mineral fuels and oils), which constitute around one fourth



### A broad based acceleration in exports in 2014...

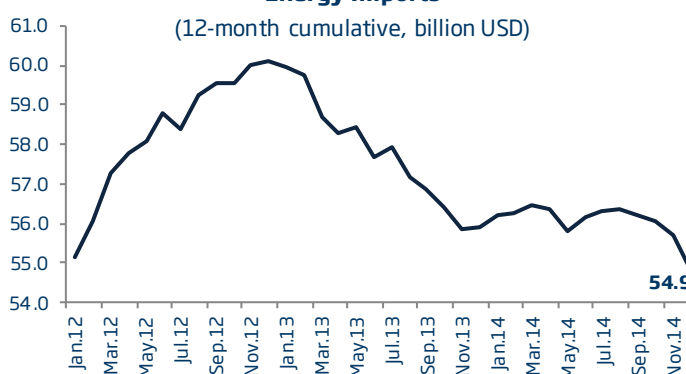
All export sub-items except iron and steel and mineral fuels and oils have increased in 2014. In this period, exports of motor vehicles continued to rank first in total exports with 18.1 billion USD.

### Germany ranked first in total exports during 2014.

Germany kept its place among top export destinations in 2014 by ranking first. Exports to Iraq, which decelerated in the second half of the year due to the conflicts in the country, recovered slightly in the last month. Accordingly, Iraq, which declined to third place in the second half of the year, ranked second again at the year-end. United Kingdom maintained its third rank. In 2014, exports to Russia

### Energy Imports

(12-month cumulative, billion USD)



### Foreign Trade Balance

(USD billion)

	December		Change (%)	January-December		Change (%)
	2013	2014		2013	2014	
Exports	13.2	13.3	1.2	151.8	157.7	3.9
Imports	23.1	21.8	-5.6	251.7	242.2	-3.7
<b>Foreign Trade Balance</b>	<b>-10.0</b>	<b>-8.5</b>	<b>-14.6</b>	<b>-99.9</b>	<b>-84.5</b>	<b>-15.4</b>
Import Coverage Ratio (%)	56.9	61.0	-	60.3	65.1	-

Source: Turkstat



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of Turkey's total imports, decreased by 15.2% yoy. In 2014, annual decline in this item was realized as 1.8%.

### Normalization in gold trade...

The gold trade, which had been largely effective on foreign trade balance in 2012 and 2013, showed signs of normalization in 2014. Having a total amount of 15.1 billion USD in 2013, gold imports decreased to 7.1 billion USD in 2014, contributing to the improvement in imports. On the other hand, gold exports stayed flat in 2014 with 3.2 billion USD.

### Expectations

In 2014 the favorable impact of the fall in oil prices on foreign trade balance became evident. This development is also expected to support foreign trade performance positively in the forthcoming period. However, the

anticipated recovery in domestic demand conditions in 2015 may limit the effect of a lower energy bill on foreign trade balance. On the other hand, the measures taken by European Central Bank to loose monetary policy were considered as a favorable development. Nevertheless, the impact of these policy decisions is expected to be limited in the short-term. In this context, weak outlook in the main export destinations of Turkey may cause exports to underperform compared to the previous year.

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