



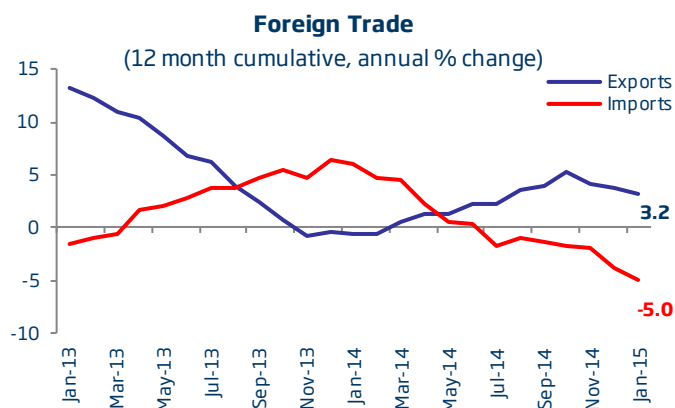
Foreign Trade Balance - January 2015

Economic Research Division

TÜRKİYE İŞ BANKASI

Foreign trade deficit narrowed in January.

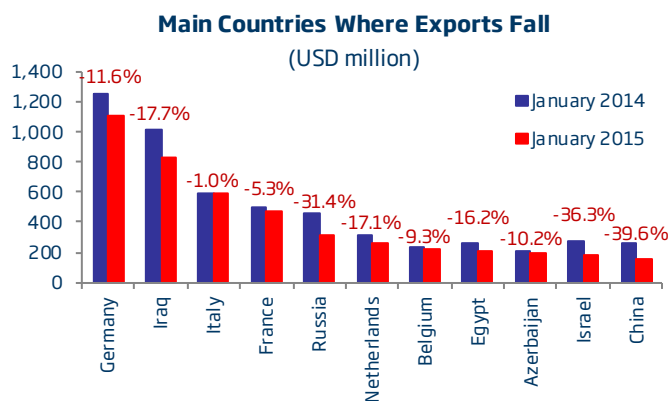
In the first month of 2015 export and import volume declined by 0.6% and 13.7% yoy, respectively. Thus, foreign trade deficit contracted by 37.5% yoy. Import coverage ratio rose to 74.1% from 64.3%.



Decline in export volume

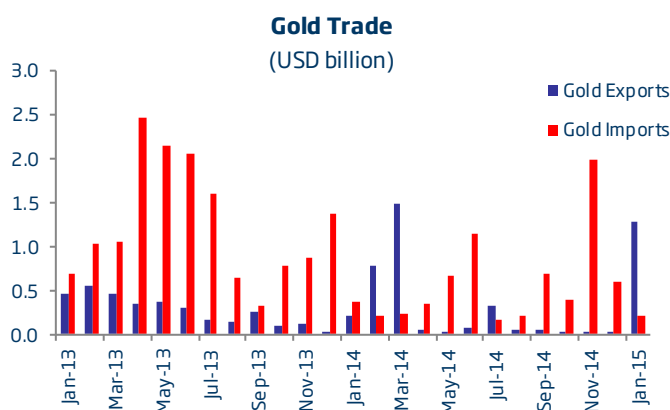
Fall in export volume in January was broad-based. In this period, exports of machineries and knitted goods declined more than 10% yoy while exports of iron and steel and electrical machinery decreased more than 20% yoy.

In line with our expectation, the weak pace of economic activity in Eurozone started to put downward pressure on total exports of Turkey. In fact, exports to the European Union countries dropped by 3.4% yoy in January. Besides,



Note: % changes indicate annual decline as of January 2015

the deceleration in exports to Russia and Iraq had continued in the first month of 2015. On the other hand, the economic recovery in the US and the UK were reflected positively on Turkey's exports. In January, exports to the US and the UK surged by 3.5% yoy and 22.3% yoy, respectively. Having amounted to 1.3 billion USD, gold exports also limited the fall in total export volume,.



The favorable impact of lower oil prices on import volume has continued.

The fall in oil prices has lowered significantly energy bill of Turkey in January. While the quantity of oil imports rose by 27.8% yoy, the value of energy imports (classified as Chapter 27-mineral fuels and mineral oil) decreased by 24.5% in the same period. Furthermore, moderate course of domestic demand conditions allowed total import volume to decline further. Indeed, a substantial fall was registered in the main import items other than energy. Regarding the top 5 import items, imports of machineries declined by 13.2% yoy, imports of iron and steel and plastic products receded more than 20% yoy.

Analyzing by countries, imports from Russia, having been ranked second after China in total imports, decreased by 22.2% yoy in January and fell below 2 billion USD for the first time since October 2014.

	Foreign Trade Balance (USD billion)		
	January 2014	January 2015	Change (%)
Exports	12.4	12.3	-0.6
Imports	19.3	16.6	-13.7
Foreign Trade Balance	-6.9	-4.3	-37.5
Import Coverage Ratio (%)	64.3	74.1	-

Source: Turkstat



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Expectations

The weak course of economic activity in the European countries seems to start to adversely affect Turkey's export performance in January. However, foreign trade deficit continued to narrow thanks to the declining imports on the back of the moderate trend in domestic demand and lower oil prices. The measures taken by the European Central Bank is expected to support the economic recovery in the Eurozone. Nevertheless, assuming that the recovery will take some time, exports to the region is likely to remain subdued in the first half of 2015. On the other hand, exports

to the US and the UK are expected to have a positive impact on foreign trade performance in the short term. Also, the low level of oil prices is expected to continue to reduce Turkey's energy bill. As a result, the contraction in foreign trade deficit is anticipated to continue in the forthcoming period.

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