



Foreign Trade Balance - February 2015

Economic Research Division

TÜRKİYE İŞ BANKASI

Foreign trade deficit narrowed by 10.2% yoy in February.

In February, export and import volumes declined by 6% and 7.2% yoy, respectively. Hence, foreign trade deficit contracted by 10.2% yoy and came in at 4.7 billion USD. In this period, import coverage ratio increased to 72.5% from 71.6%.

two of them registered an annual increase, namely "precious metals" and "vegetables and fruits". In particular, the strong export performance of precious metals comprising gold exports limited the drop in export volume, to a considerable extent. In this period, the three largest destinations of gold exports were Switzerland, UK and UAE, respectively.

The drop in oil prices has been playing a significant role in the declining imports.

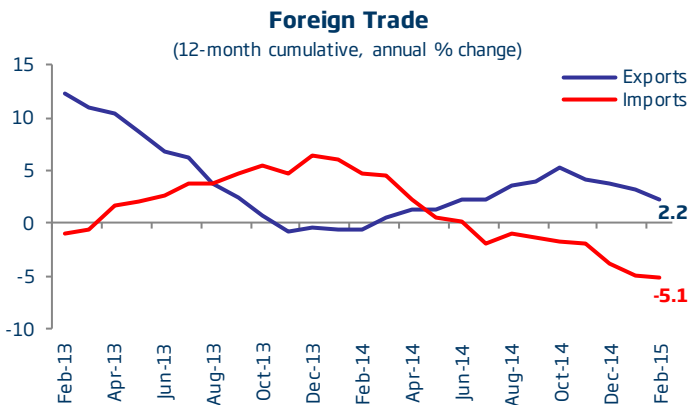
The weak pace of oil prices has continued to have a positive impact on Turkey's energy import. While the quantity of oil imports rose by 29% yoy in February, the value of energy imports decreased by 23% yoy to 3.5 billion USD. Besides, the recent moderate course of domestic demand supported the downward trend in total imports. The second largest import item following energy imports, boilers and machineries, posted an annual fall of 7.4% in February.

Exports to EU countries lost momentum.

Rise in exports to European Union (EU) countries was one of the most important factors that enhanced Turkey's export growth performance during the previous year. Nonetheless, it was noteworthy that exports to the region shrank in the first two months of this year. Having dropped by 3.5% yoy in January, exports to the region declined by 4.3% yoy in February, because of the sluggish economic activity in the region. The share of the EU countries in total export volume, on the other hand, followed a relatively flat course, realizing at 42%. Exports to US and UK, which are the two leading engine of global economic growth lately, sustained their upward trends in February. Yet, exports to Iraq and Russia, the fourth and the tenth biggest export destinations of Turkey, fell by 26% yoy and 40% yoy, respectively.

Expectations

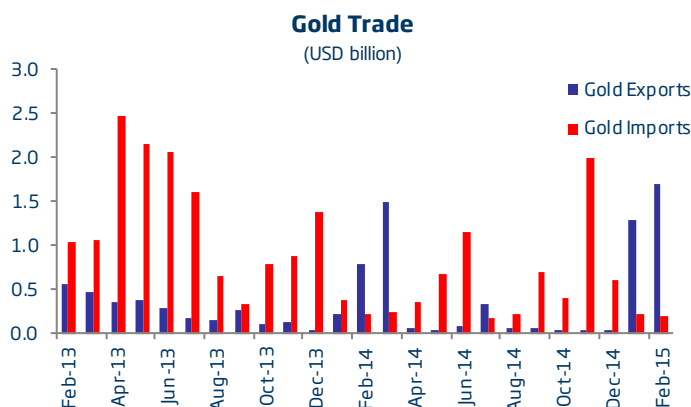
Sluggish economic activity in the main trading partner of Turkey, namely the EU countries, adversely affected export performance in February. However, foreign trade deficit, despite losing some momentum, continued to narrow thanks to the moderate course of domestic demand along with the drop in oil prices that has put downward pressure on imports. Rise in gold exports in the first two months of the year was also influential in this development. In an environment such that foreign demand would not exhibit a sharp upturn while domestic demand would be able to revive slightly, foreign trade deficit is anticipated to continue to recover to a lesser extent, on the back of sustained decline in oil prices.



12-month cumulative foreign trade figures revealed that exports exhibited the weakest performance in the last nine months with an annual rise of 2.2%. On the other hand, imports fell for an eighth consecutive month in February, which in turn had a favorable impact on the foreign trade balance.

Gold exports continued their strong performance.

As was in January, fall in export volume was broad based in February. In fact, among the first 20 leading export items only



Foreign Trade Balance

(USD billion)

	February		Change (%)	January-February		Change (%)
	2014	2015		2014	2015	
Exports	13.1	12.3	-6.0	25.5	24.6	-3.4
Imports	18.2	16.9	-7.2	37.5	33.6	-10.6
Foreign Trade Balance	-5.2	-4.7	-10.2	-12.1	-9.0	-25.7
Import Coverage Ratio (%)	71.6	72.5	-	67.8	73.3	-

Source: Turkstat

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