



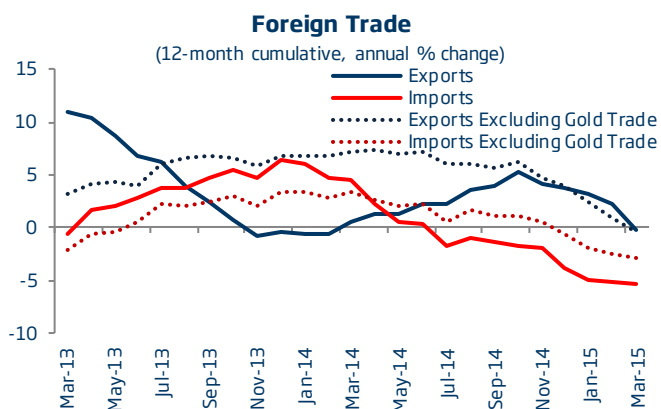
Foreign Trade Balance - March 2015

Economic Research Division

TÜRKİYE İŞ BANKASI

Foreign trade deficit widened in March.

In March, exports contracted by 14.4% yoy, the steepest decline since 2009. In this period, imports also decreased by 6.1% yoy. Thus, exports declined faster than imports for the first time since November 2014 and the foreign trade deficit expanded by 17.2% compared to the same month of the previous year and reached 6.2 billion USD. During this period, the import coverage ratio fell from 73.7% to 67.1%.



Analyses of first quarter figures revealed that decline in exports gained momentum while contraction in imports slowed down.

Widespread drop in exports...

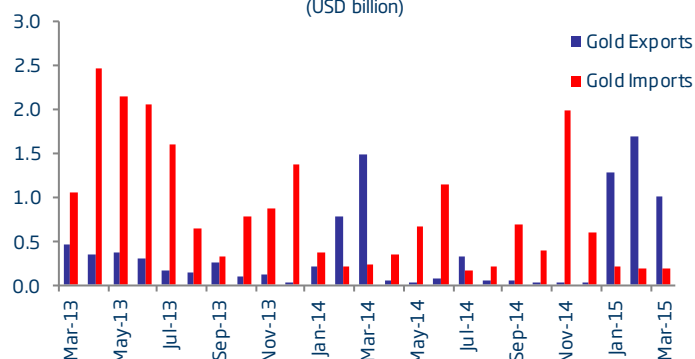
The broad based downward trend in exports observed in the first two months of the year has accelerated in March. Hence, 7 out of top 10 export items receded by more than 10% yoy in the first quarter. It was noteworthy that only gold exports posted an increase among the said items. Gold exports reached 4 billion USD in the first three months of the year. Excluding gold exports, total exports contracted by 12% yoy.

EUR/USD parity was influential on export performance.

Exports to the European Union (EU) countries being Turkey's main export market continued to drop in March.

Gold Trade

(USD billion)



Within the foremost EU countries, only exports to the UK rose in this period. However, putting aside gold exports, total exports to the UK declined by 9.5% yoy. Furthermore, analyses of top 20 countries revealed that when gold exports excluded only total exports to the United States, Saudi Arabia and Iran surged in March. Yet, it was seen that the decline in exports to the EU countries stemmed from the fall in EUR/USD parity. Indeed, exports to the region in euro terms climbed by 13.4% yoy.

Exports to EU Countries in Euro Terms (January-March)

	Exports to EU28 (USD million)	EUR/USD (average)	Exports in Euro Terms (EUR million)
2014	16,939	1.37	12,362
2015	15,790	1.13	14,016
% Change	-6.8	-17.8	13.4

Downward trend in import volume is losing momentum.

Despite the positive impact of lower oil prices on Turkey's energy imports, the upsurge in some import items limited the downward trend in total import volume. In this period, while quantity of oil imports rose by 42.7% yoy, value of energy imports dropped by 18.9% yoy. In contrast, Turkey's cereal imports more than doubled and imports of motor vehicles increased by 32.6% yoy.

Foreign Trade Balance

(USD billion)

	March		Change (%)	January-March		Change (%)
	2014	2015		2014	2015	
Exports	14.7	12.6	-14.4	40.1	37.1	-7.5
Imports	19.9	18.7	-6.1	57.5	52.3	-9.0
Foreign Trade Balance	-5.3	-6.2	17.2	-17.3	-15.2	-12.5
Import Coverage Ratio (%)	73.7	67.1	-	69.8	71.0	-

Source: Turkstat



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Expectations

Weak course in export volume since the beginning of the year has become more evident in March. When gold exports were excluded, the outlook has worsened. It was noteworthy that declining trend in exports to the EU countries mainly stemmed from the fall in EUR/USD parity. Despite losing some momentum, exports to the region in euro terms continued to increase. Although lower oil prices are considered as a positive development in terms of import

performance, it is expected that recovery in domestic demand will accelerate to some extent in the second half of the year following the general elections. This suggests that the decline in imports might continue to lose momentum in the coming period. In addition to that, under the assumption that EUR/USD parity will keep its low levels, narrowing trend in foreign trade deficit registered in 2014 seems unlikely to be achievable throughout 2015.

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**Türkiye İş Bankası A.Ş. - Economic Research Division****İzlem Erdem - Manager**

izlem.erdem@isbank.com.tr

Alper Gürler - Unit Manager

alper.gurler@isbank.com.tr

Hatice Erkiletliođlu - Asst. Manager

hatice.erkiletlioglu@isbank.com.tr

Bora Çevik - Economist

bora.cevik@isbank.com.tr

Eren Demir - Asst.Economist

eren.demir@isbank.com.tr

M. Kemal Gündođdu - Asst.Economist

kemal.gundogdu@isbank.com.tr

Gamze Can - Asst.Economist

gamze.can@isbank.com.tr

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