



## Foreign Trade Balance - May 2015

Economic Research Division

TÜRKİYE İŞ BANKASI

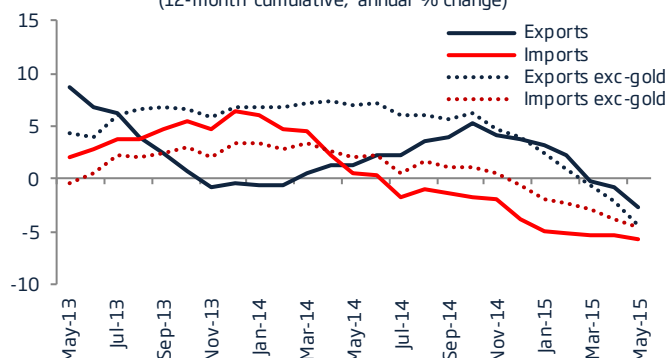
### Foreign trade deficit came in at 6.8 billion USD in May.

In May, export volume fell by 2.6 billion USD yoy to 11.1 billion USD while import volume dropped by 3 billion USD yoy to 17.9 billion USD. Thus, foreign trade deficit, which was realized as 7.2 billion USD in May 2014, fell to 6.8 billion USD in the same month of 2015. In this period, the import coverage ratio decreased to 62.2% from 65.5%.

During the first five months of the year, despite the fall in export volume, the foreign trade deficit contracted by 15.2% yoy with the help of the imports falling faster than exports.

### Foreign Trade Figures

(12-month cumulative, annual % change)



### Gold exports halted in May.

Broad-based decline in export also continued in May. On the other hand, gold exports, which made a significant contribution to the overall export performance in the first four months of the year, came in at low level in May. Having amounted to 5.4 billion USD in January-April period, gold exports were only 90 million USD in May. However, for the first five months of the year, the impact of gold exports on foreign trade performance was apparent. Indeed, when gold exports were excluded, the annual rate of contraction in foreign trade deficit fell to 3.3% from 15.2% in this period.

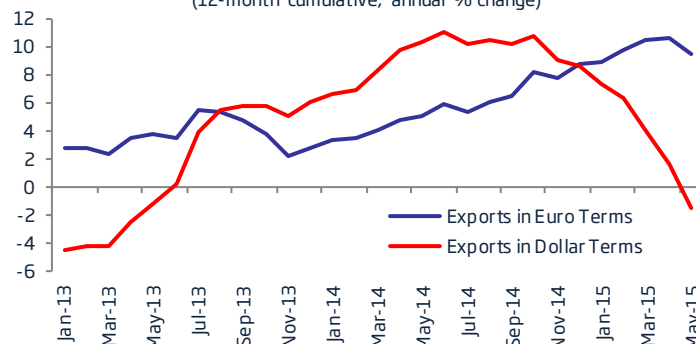
In May, the strikes in the automotive industry adversely affected the exports of motor vehicles. In this context, the export of motor vehicles decreased by 30% yoy in this period.

### The impact of EUR/USD parity on exports

Exports to the European Union (EU) countries continued to decline in dollar terms. Against this backdrop, the share of the

### Exports to EU Countries

(12-month cumulative, annual % change)



EU countries in total exports decreased from 43.8% to 42.5% in May, comparing with the same period of the previous year. The decline in exports to the region stemmed mainly from the developments in the EUR/USD parity. Indeed, exports to these countries in euro terms surged by 10% yoy while in dollar terms they dropped by 10.6% yoy in the first five months of the year. However, it was noteworthy that exports to the region in euro terms decreased in May as well.

### Import volume continued to decline.

Low level of oil prices has reduced the energy bill of Turkey significantly during the last 12 months. Imports of mineral fuels and oils, the largest import item, continued to decline on an annual basis in May. However, this downward trend is expected to lose some momentum in second half of the year due to the fading base effect stemming from the fall in oil prices. On the other hand, the upturn in imports of investment goods in both April and May is considered as a positive development.

### Expectations

Concerns over Greece remained as the main agenda of the global economy. The increased possibility of Greece's exit from the Euro Area raised uncertainty about the future of the region's economy. The unfavorable developments arising from Greece in the European economy, Turkey's most important export market, might adversely affect foreign trade performance. However, despite losing some momentum, the favorable impact of the energy imports on foreign trade balance is expected to continue. In this context, the improvement in the foreign trade balance is likely to remain relatively limited in the coming period.

### Foreign Trade Balance

(USD billion)

	May		Change (%)	Jan-May		Change (%)
	2014	2015		2014	2015	
Exports	13.7	11.1	-18.8	67.2	61.6	-8.4
Imports	20.9	17.9	-14.4	99.0	88.5	-10.6
<b>Foreign Trade Balance</b>	<b>-7.2</b>	<b>-6.8</b>	<b>-6.1</b>	<b>-31.8</b>	<b>-27.0</b>	<b>-15.2</b>
Import Coverage Ratio (%)	65.5	62.2	-	67.9	69.5	-

Source: Turkstat, Datastream

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