



Foreign Trade Balance - June 2015

Economic Research Division

TÜRKİYE İŞ BANKASI

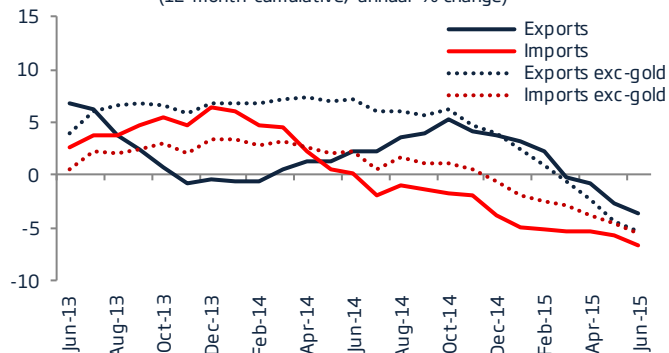
Foreign trade deficit was 33 billion USD in the first half the year.

Export volume declined by 6.9% yoy to 12 billion USD in June while import volume shrank by 12.5% yoy to 18.2 billion USD. Thus, foreign trade deficit, which was realized as 7.9 billion USD in May 2014, fell to 6.2 billion USD in the same month of 2015. This result was broadly in line with the market expectation. In this period, the import coverage ratio increased to 65.9% from 61.9%.

In the first half of the year, export volume fell by 8.2% yoy while import volume contracted by 10.9% yoy. Parallel to this, foreign trade deficit narrowed by 16.3% yoy.

Foreign Trade Figures

(12-month cumulative, annual % change)

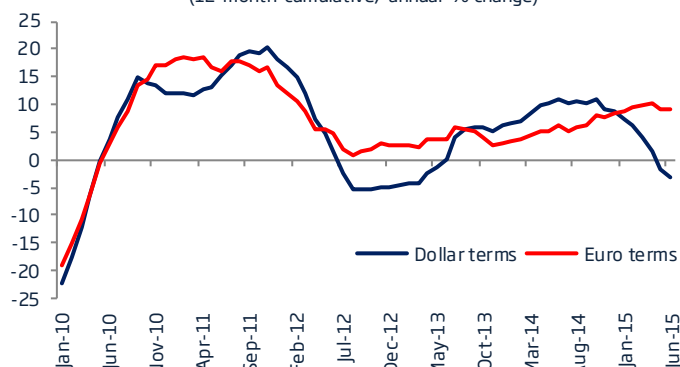


Diminishing support of gold exports on foreign trade figures...

Broad-based decline in export items observed so far this year also prevailed in June. In fact, nine out of the first ten biggest exporting items registered falls on an annual basis during this period. Having realized at high levels in the first four months of the year, gold exports came in at low levels in both May and June. Yet, the positive impact of gold exports on foreign trade performance is evident in the first six months of the year. Indeed, when gold exports were

Exports to EU Countries

(12-month cumulative, annual % change)



excluded, the annual rate of contraction in foreign trade deficit receded to 4.7% from 16.3% in this period.

EUR/USD parity continued to be influential on exports.

Developments registered in EUR/USD played a prominent role in export performance also in June. While total export volume dropped by 8.2% yoy in dollar terms in the first half of the year, it registered an annual rise of 0.5% when the exports in euro terms were adjusted for parity changes. This development affected foreign trade balance of Turkey via the EU exports channel. Indeed, exports to these countries in dollar terms declined by 10% yoy while that in euro terms surged by 10.6% yoy in the first half of the year. Together with this, it was noteworthy that exports to the region in euro terms, recovered fast in June after falling in May.

The decrease in energy bill continues.

Low level of oil prices played a significant role in foreign trade balance improvement over one year period. Having the highest share in total import volume with 18%, imports of mineral fuels and oils declined in the tenth consecutive month in June. In this period, while quantity of oil imports rose by 73% yoy, value of mineral fuels and oils imports

	Foreign Trade Balance						(USD billion)		
	June		Change (%)	Jan.-Jun.		Change (%)			
	2014	2015		2014	2015		2014	2015	
Exports	12.9	12.0	-6.9	80.1	73.5	-8.2			
Imports	20.8	18.2	-12.5	119.8	106.7	-10.9			
Foreign Trade Balance	-7.9	-6.2	-21.6	-39.7	-33.2	-16.3			
Import Coverage Ratio (%)	61.9	65.9	-	66.8	68.9	-			

Source: Turkstat, Datastream

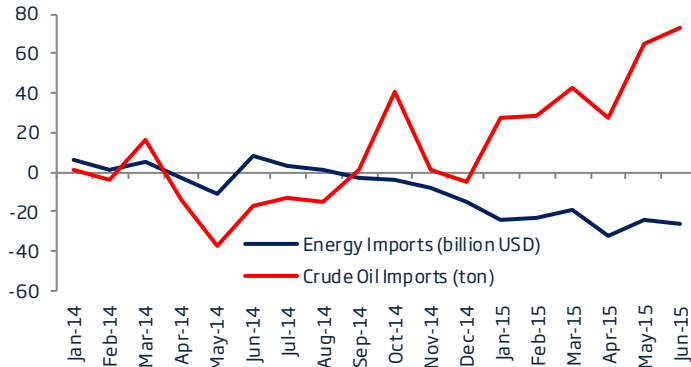


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Energy Imports
(annual % change)



dropped by 26% yoy. 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 rise in import of investment goods for three months in a row in June was regarded as a

positive development.

Expectations

The recent rise in geopolitical concerns constitutes one of the biggest sources of uncertainty surrounding the foreign trade performance of Turkey. The developments in the EU economies, the major export destination of Turkey, also continued to be significant on the said performance. In fact, the gradual recovery observed in the region economies during the last couple of months eased the downward pressures on exports. Along with these developments, favorable impact of the drop in energy imports on foreign trade balance is anticipated to prevail albeit diminishing to some extent. Against this backdrop, the risks to foreign trade performance are expected to be more balanced in the forthcoming period.

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