



## Foreign Trade Balance - July 2015

Economic Research Division

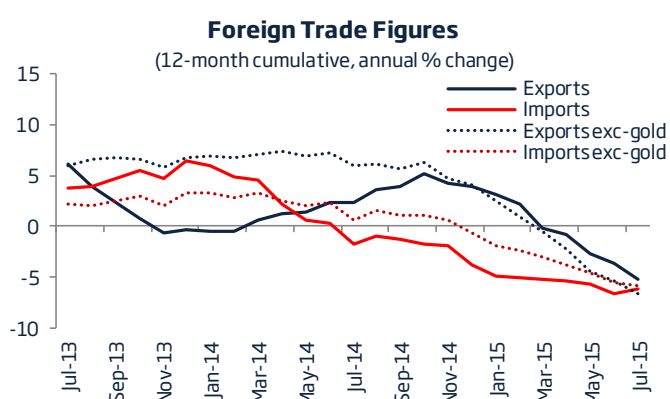
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### Foreign trade deficit widened in July.

Export volume declined by 16.2% yoy to 11.2 billion USD in July while import volume dropped by 8.7% yoy to 18.2 billion USD. Thus, foreign trade deficit expanded for the first time since March 2015.

In the first 7 months of the year, on the other hand, as the fall in imports was greater than exports, foreign trade deficit narrowed by 13% yoy.

Having realized as 66.9% in July 2014, import coverage ratio fell to 66.9% in the same period of 2015. On the other hand, the said ratio improved slightly during the first 7 months of the year.



### Weak outlook in main export markets...

Stagnant performance in traditional export markets continued in July. While exports to the EU countries in USD terms maintained their downward momentum, the fall in exports to Russia reached a remarkable level. In fact, while exports to Russia decreased by nearly 15% yoy throughout 2014, it dropped by almost 40% yoy in January-July 2015 period. On the other hand, it was worth mentioning that exports to Iraq posted an annual rise in July for the first time in the last 13 months.

The euro's weakness against the USD continued to affect Turkey's export performance adversely. Indeed, the decline in Turkey's export to the EU countries was 10.6% yoy in USD terms. Yet, in euro terms, exports to the region kept increasing. Owing to the relatively stronger economic

performances seen in both UK and US among developed countries, exports to these countries surged in this period. Moreover, an increasing trend observed in exports to Iran is worth mentioning.

### Top Export Destinations

	Jan.-Jul. 2014		Jan. - Jul.2015		Change (%)
	Value	Share %	Value	share %	
Germany	9,007	9.6	7,599	9.0	-15.6
UK	5,760	6.2	6,181	7.3	7.3
Iraq	6,433	6.9	5,094	6.0	-20.8
Italy	4,356	4.7	3,926	4.6	-9.9
US	3,445	3.7	3,712	4.4	7.7
France	3,934	4.2	3,308	3.9	-15.9
UAE	2,849	3.0	3,114	3.7	9.3
Spain	2,794	3.0	2,704	3.2	-3.2
Iran	1,782	1.9	2,176	2.6	22.1
S. Arabia	1,794	1.9	2,150	2.5	19.9
Russia	3,503	3.7	2,118	2.5	-39.5
Other	47,756	51.1	42,572	50.3	-10.9
<b>Total</b>	<b>93,412</b>	<b>100</b>	<b>84,653</b>	<b>100</b>	<b>-9.4</b>

### Drop in exports spread across most sectors.

Analyzing the exports by sectors, it is seen that export volume contracted in almost all key sectors except basic metals sector during January-July period. Indeed, basic metal sector recorded the highest export volume thanks to the rise in gold exports. However, when gold exports were excluded, basic metal exports displayed a weak outlook. On the other hand, exports of fruits and vegetables exhibited a favorable performance as drought conditions eased in this year.

### The monthly decline in imports was 8.7% in July.

Energy imports sustained its positive impact on foreign trade balance. It was noteworthy that automotive imports posted a significant rise in 2015 in line with the strong demand. Analysis of imports by sub-sectors revealed that while production remained weak, domestic demand and investments rose, albeit slowly.

### Foreign Trade Balance

(USD billion)

	July			Jan.-Jul.		
	2014	2015	Change (%)	2014	2015	Change (%)
Exports	13.3	11.2	-16.2	93.4	84.7	-9.4
Imports	19.9	18.2	-8.7	139.7	125.0	-10.6
<b>Foreign Trade Balance</b>	<b>-6.6</b>	<b>-7.0</b>	<b>6.5</b>	<b>-46.3</b>	<b>-40.3</b>	<b>-13.0</b>
Import Coverage Ratio (%)	66.9	61.4	-	66.9	67.7	-

Source: Turkstat, Datastream



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### Expectations

While downward pressure on exports has increased, exports exhibited an unfavorable performance in July. Given the challenges in this conjuncture, the latest developments in China are considered as putting additional downward pressures on global trade. The China's devaluation of the yuan is likely to support Chinese firms' competitive advantage which in turn might pose risks on our export performance. On the other hand, the mild upturn in the EU economies is expected to support export performance to some degree in the coming period. However, the volatility in the EUR/USD parity might limit this impact on overall export performance. Also, it is seen that the positive impact of low energy prices on foreign trade balance has continued despite losing some momentum. In this context, in terms of economic growth foreign demand is anticipated to remain weak in the coming period.

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