



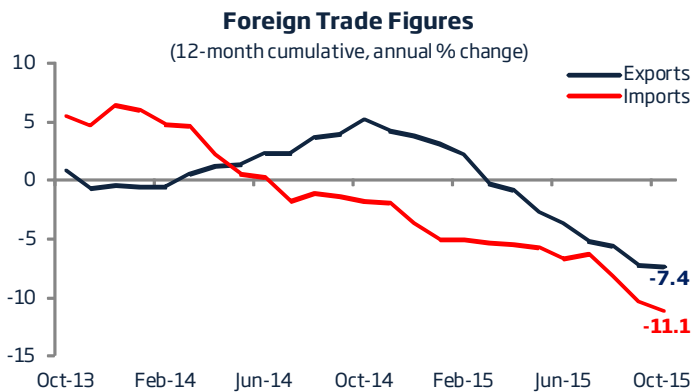
Foreign Trade Balance - October 2015

Economic Research Division



Foreign trade deficit continued to narrow.

In October, exports increased by 3.1% yoy and came in at 13.3 billion USD while imports dropped by 11.9% yoy to 16.9 billion USD. Thus, having kept its declining trend in October, foreign trade deficit fell by 42.5% yoy and realized as 3.6 billion USD. In the first 10 months of the year, foreign trade contracted by 22.2% yoy as the imports declined faster than exports.



Import coverage ratio continued to increase in October. The ratio, which was 67.2% in October 2014, became 78.6% in the same month of 2015.

Gold export...

In October, gold export posted an annual rise of 637 million USD and made a significant contribution to the export performance. Also, exports of automotive, wearing apparel and fruit-vegetables exhibited a favorable outlook in this period. However, exports of iron and steel sector dropped by 34.7% yoy in October due to the intensifying competition on global level and the plunge in prices.

Positive outlook in exports to Eurozone...

In October, exports to Eurozone in USD terms increased by 10.7% compared to the same month of the previous year, rising for the first time this year. It was noteworthy that exports to region in euro terms grew at a faster pace, increasing by 24.8% yoy. However, exports to other major markets, especially those in North Africa and Middle East, diminished in this period. Analyzing exports by countries

revealed that in the first ten months of the year Germany remained the biggest export market of Turkey by 9.2% share, followed by England, Iraq and Italy, respectively.

Being the most prominent item on the agenda along with the escalated tension between the two countries, exports to Russia fell by 38.9% yoy in the first ten months of the year. The statements regarding the economic sanctions against Turkey point out that trade relation will come under further pressure in the coming period. Exports of fruit and vegetables, having the biggest share among the exports from Turkey to Russia, are estimated to decrease. Taken into consideration that Russia is a key export market for agriculture, fishing as well as leather and textile products, the developments are likely to have notable impacts on these sectors' export performance.

Export to Russia (12 month cumulative)

million USD	Export to Russia	Turkey's Export	Share (%)
Fruit and vegetables	1,030	7,837	13.1
Textile	570	11,405	5.0
Automotive	262	16,711	1.6
Wearing apparel	206	15,212	1.4
Metal products	172	5,881	2.9
Other	1,752	89,797	2.0
Total	3,992	146,842	2.7

Sharp drop in imports...

Downward trend in imports continued in October due to the low levels of commodity prices and the exchange rate developments. Even though the annual contraction in imports of intermediate goods marked a deceleration in this period compared to the previous months, it remained high at 18%. The annual decline in the imports of intermediate goods in the first ten months of the year also became 17.5%. The imports of mineral fuels and oils shrank by 30.1% yoy during this period. Although imports of oil and natural gas have a significant share in total imports from Russia, low demand elasticity for these products and the difficulties in finding alternative sources in the short-run imply that the current levels of imports will prevail in the

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(USD billion)

	October		Change (%)	Jan.-Oct.		Change (%)
	2014	2015		2014	2015	
Exports	12.9	13.3	3.1	131.3	120.5	-8.2
Imports	19.2	16.9	-11.9	199.0	173.2	-13.0
Foreign Trade Balance	-6.3	-3.6	-42.5	-67.7	-52.7	-22.2
Import Coverage Ratio (%)	67.2	78.6	-	66.0	69.6	-

Source: Datastream, Turkstat

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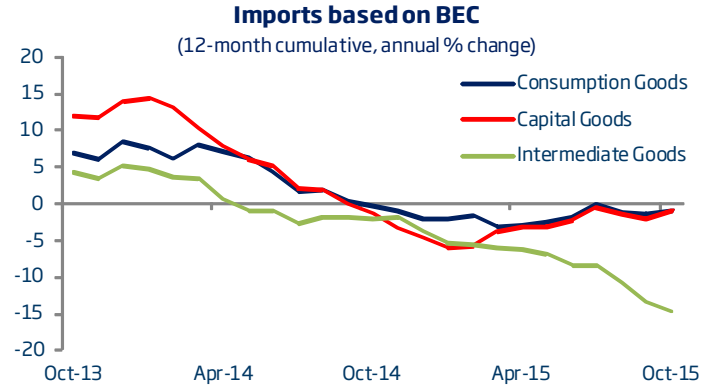


coming period. Nevertheless, the possibility of a lower bill of natural gas along with the price discount negotiations with Russia seems to have been dropped for the moment.

Import from Russia (12 month cumulative)

million USD	Import from Russia	Share (%)
Petroleum and Natural Gas	12,681	58.9
Iron-Steel	2,138	9.9
Other minings	1,174	5.5
Cereals	1,118	5.2
Coal	898	4.2
Other	3,512	16.3
Total	21,521	100

On the other hand, imports of motor vehicles rose by 17% yoy in the first ten months of the year thanks to the strong domestic demand for automotive products.



Expectations

The improvement in foreign trade balance continued in October. The ongoing contraction in imports led by the persistently low level of oil prices, the upturn in exports to Eurozone countries as well as the strong gold exports played a significant role in this improvement. However, the recent developments regarding the relationship between Turkey and Russia might adversely affect the foreign trade figures in the forthcoming period, in particular, starting with 2016. We think that these developments can weigh on foreign trade performance.

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