



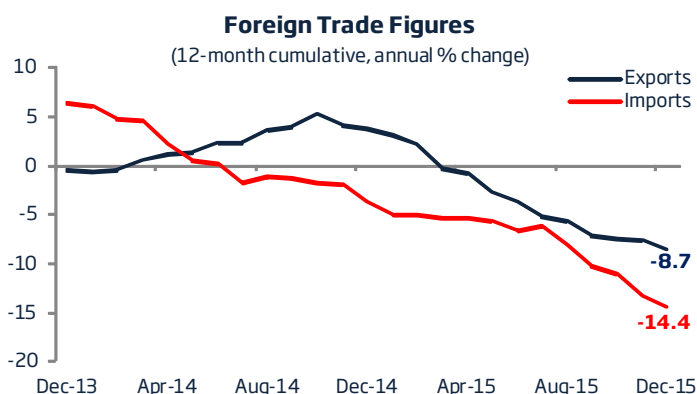
## Foreign Trade Balance - December 2015

Economic Research Division



### In December, foreign trade deficit narrowed by 27.4%.

The downward trend in foreign trade deficit continued in the last month of 2015. Export volume decreased by 11.1% yoy in December while import volume diminished by 17.5%. As a result, trade deficit narrowed by 27.4% yoy in this period.



In 2015 as a whole, export volume declined by 8.7% yoy compared to the previous year and realized as 143.9 billion USD. Fall in the exports to the Near and Middle Eastern countries and weak performance of EUR/USD parity played a significant role in this development. Imports contracted by 14.4% yoy and came in at 207.2 billion USD in this period due to the decline in energy prices and moderate pace of domestic demand. In 2015, foreign trade deficit decreased by 21.3 billion USD compared to 2014 and stood at 63.3 billion USD.

### Germany ranked first in total exports during 2015.

In 2015, Germany remained as the biggest export market of Turkey. UK, Iraq and Italy have become the other major markets. In 2015, export figures especially the ones toward the Euro Area countries were under pressure due to weakening EUR/USD parity. According to the foreign exchange adjusted figures for all types of currencies, it was observed that total export volume decreased by only 1.3% compared to the previous year.

Eurozone countries had a share of 29.8% in total export volume of Turkey in 2015 and this share remained flat. Last year as exports to Near and Middle Eastern countries decreased by 12.1% yoy, their share came in at 21.6%. It

### Top Export Destinations (billion USD)

	2014		2015		Change (%)
	Value	Share %	Value	Share %	
Germany	15.1	9.6	13.4	9.3	-11.4
UK	9.9	6.3	10.6	7.3	6.7
Iraq	10.9	6.9	8.6	5.9	-21.4
Italy	7.1	4.5	6.9	4.8	-3.5
USA	6.3	4.0	6.4	4.4	0.9
France	6.5	4.1	5.8	4.1	-9.5
Spain	4.7	3.0	4.7	3.3	-0.1
UAE	4.7	3.0	4.7	3.3	0.6
Iran	3.9	2.5	3.7	2.5	-5.7
Russia	5.9	3.8	3.6	2.5	-39.5
S. Arabia	3.0	1.9	3.5	2.4	14.1
Other	79.4	50.4	72.1	50.1	-9.3
<b>Total</b>	<b>158</b>	<b>100</b>	<b>144</b>	<b>100</b>	<b>-8.7</b>

was noteworthy that share of Iraq and Russia in our total export volume shrank significantly.

In 2015, the biggest exporter industry was automotive, which was followed by machinery industry and precious stones and metals thanks to the increase in gold export. Reaching the record high levels on volume basis in 2015, automotive exports decreased by 3.6% in USD terms compared to 2014 due to the fall in EUR/USD parity as the major markets for this industry are European Union countries which generally trade with EUR.

### The drop in energy import continued.

In December, all of the top 10 importing industries shrank annually. Mineral fuels and oils imports declined by 1.4 billion USD in this period and continued to have a favorable impact on foreign trade deficit.

In 2015, foreign trade volume posted the highest contraction rate since the crisis year of 2009 due to the moderate outlook in domestic demand and low energy prices.

### Iranian Market

Iranian market came into prominence following the liftoff of the sanctions. The exports to neighboring Iran amounted to

### Foreign Trade Balance

	(USD billion)					
	December		Change (%)	Jan.-Dec.		Change (%)
	2014	2015		2014	2015	
Exports	13.3	11.8	-11.1	157.6	143.9	-8.7
Imports	21.8	18.0	-17.5	242.2	207.2	-14.4
<b>Foreign Trade Balance</b>	<b>-8.5</b>	<b>-6.2</b>	<b>-27.4</b>	<b>-84.6</b>	<b>-63.3</b>	<b>-25.2</b>
Import Coverage Ratio (%)	60.9	65.6	-	65.1	69.5	-

Source: Datastream, Turkstat



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3.7 billion USD in 2015. This figure made Iran the ninth largest export market of Turkey. Precious metals ranked first among exports directed to this country. Imports from Iran, on the other hand, stood at 6.1 billion USD in 2015. Mineral fuels and oil accounted for a significant share in this number as Iran being a country which has one of the largest reserves of oil and gas in the world.

As the sanctions on Iran are lifted, its trade volume is

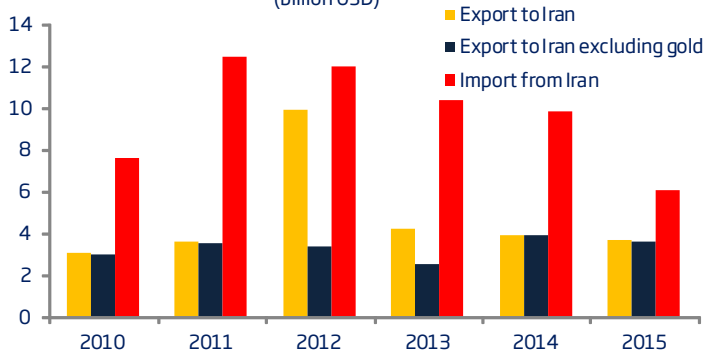
expected to grow at a substantial rate in the forthcoming period. In this context, being a neighbor to Iran can be advantageous for Turkey, yet only to some extent. Having refused to obey the sanctions, countries like Russia and China already achieved a better position in Iranian market. The trade relations and investment ties between Iran and the EU countries, which were the once important trading partners for Iran, are also expected to strengthen at a rapid pace.

### Expectations...

Rising geopolitical risks weighed on export performance in 2015 while the upturn in the EU countries moderated this unfavorable impact. Downward trend in energy prices yielded a significant drop in imports and, in turn, made a noteworthy contribution to the improvement in the foreign trade deficit. In 2016, on the other hand, the expected support to Turkey's exports by the anticipated recovery in the EU countries may balance the negative effect of the geopolitical risks on exports performance. Should the low energy prices persist and should domestic demand continue to present a moderate course, foreign trade balance will maintain its favorable outlook in the upcoming period.

### Trade Between Turkey and Iran

(billion USD)



**Foreign Trade Balance - December 2015**

Economic Research Division

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