



## Foreign Trade Balance - May 2016

Economic Research Division

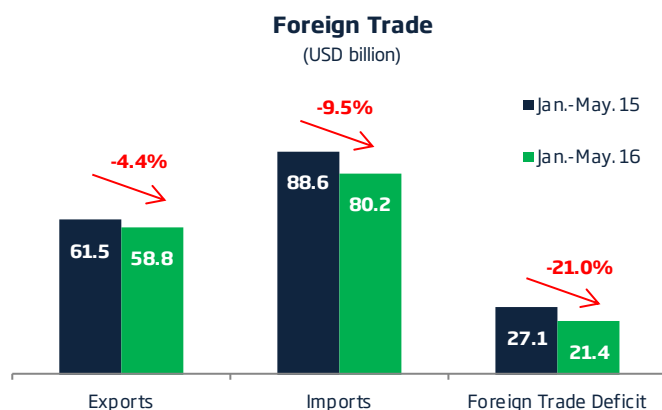


(USD billion)	May		Change
	2015	2016	(%)
Exports	11.1	12.1	9.6
Imports	17.9	17.2	-3.8
<b>Foreign Trade Balance</b>	<b>-6.8</b>	<b>-5.1</b>	<b>-25.5</b>
Import Coverage Ratio (%)	62.0	70.6	-

### The foreign trade deficit continued to narrow.

Exports posted an annual rise of 9.6% in May, the fastest since March 2014. Imports, on the other hand, fell by 3.8% yoy, at the slowest pace in 18 months. Thus, foreign trade deficit continued to narrow and was realized as 5.1 billion USD in line with the market expectations.

Regarding the first five months of the year, exports and imports declined by 4.4% yoy and 9.5% yoy respectively. As a result, foreign trade deficit contracted by 21% yoy to 21.4 billion USD.



### Export growth was led by automotive, machinery and textile sectors.

It was noteworthy that motor vehicle exports, which have the biggest share in total exports, went up by 41% yoy in May while machinery and textile sectors provided a considerable support to the export performance. Gold exports, amounting to 1.1 billion USD, also had a significant favorable impact on trade figures. On the other hand, having a share of over 7% and %2 in our total exports respectively, the falls in both iron/steel and fruit exports put pressure on total exports.

### UK replaced Germany as the top export market of Turkey in May.

The rise in exports to the EU countries accelerated in May mainly thanks to the strong growth in motor vehicle and gold exports. Thus, share of the EU countries in our total exports increased to 48.5% in May from 42.5% in the same month of the previous year. UK, which has voted to leave the EU recently, became the top export market of Turkey replacing Germany thanks to the 600 billion USD gold exports to this country recorded in May. On the other hand,

trade relations with Russia have continued to weaken. However, latest steps taken by Turkey and Russia aiming at resolving the conflicts have provided better prospects for the coming period.

### Machinery imports surpassed energy imports also in May.

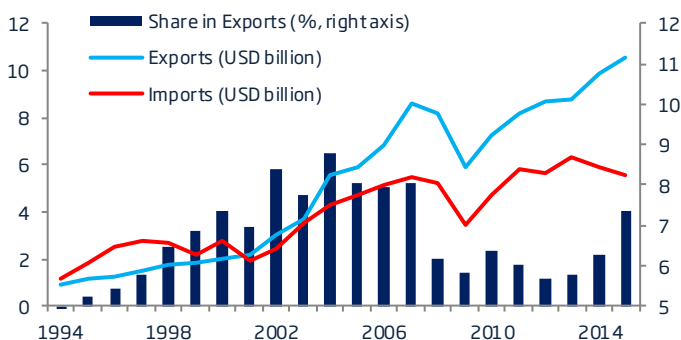
Imports of mineral oils and fuels declined rapidly by 37.1% yoy. Having climbed above the energy item in the previous month, imports of boilers and machineries have ranked first also in May.

After recording an annual contraction in April, consumption goods imports increased on an annual basis in May, sending positive signals on domestic demand. However, the falls in intermediate and capital goods imports continued albeit at a slower pace.

### Brexit's possible implications for the foreign trade performance of Turkey...

Brexit decision raised questions over the future of trade relations between Turkey and the UK. It is worth noting that the share of exports to the UK in total exports has been on an upward trend since 2013 in line with the upturn in the UK economy and the problems in our other export partners. Indeed, the UK had a share of 7.9% (11.2 USD billion) in our total exports in May and was the second most important export market after Germany as 12-month cumulative data suggested. The country held a quite low weight of 2.7% (5.5 USD billion) within total imports.

### Trade Relations with UK



As a net exporter in the trade relations of the two, Turkey experiences a high concentration in both its exports to and imports from the UK. Motor vehicles, wearing apparels and non-monetary gold exports constituted more than half of the total exports to the UK. Together with this, the sectors of computers, electronic and optical products and wearing apparel as well as automotive exhibit a high dependence on the UK market. The most imported items, on the other hand, were power-generating machinery, motor vehicles and metal ores.

Source: Datastream, Turkstat

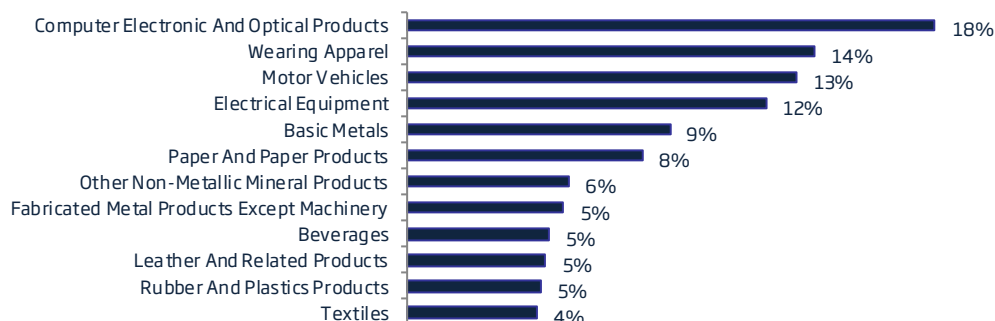


## Foreign Trade Balance - May 2016

Economic Research Division



### Exports to UK by Sectors As A Share of Sector's Total Exports to World (2015)



Considering the supposedly two-year long transition period, no major risk is anticipated for the relations between Turkey and the UK in the short-run. Nonetheless, there can be a downward pressure especially on our exports if Brexit weakens the UK and/or the EU economies in the medium and longer term. Potential political developments in our major trade partner EU that might be fueled by Brexit can also weigh on the Turkish economy in an indirect way.

In the near future, on the other hand, the improvement in Turkey-Russia relations might provide a boost to our trade performance. Against this backdrop, we expect exports to display a favorable outlook and imports to retain its downward trend despite losing some steam as the aid of the moderate course in oil and other commodity prices persist while domestic demand strengthens.

**Foreign Trade Balance - May 2016**

Economic Research Division

**Türkiye İş Bankası A.Ş. - Economic Research Division****İzlem Erdem - Division Head**

izlem.erdem@isbank.com.tr

**Alper Gürler - Unit Manager**

alper.gurler@isbank.com.tr

**Hatice Erkiletlioğlu - Asst. Manager**

hatice.erkiletlioglu@isbank.com.tr

**İlker Şahin - Economist**

ilker.sahin@isbank.com.tr

**Eren Demir - Asst.Economist**

eren.demir@isbank.com.tr

**M. Kemal Gündoğdu - Asst.Economist**

kemal.gundogdu@isbank.com.tr

**Gamze Can - Asst.Economist**

gamze.can@isbank.com.tr

**LEGAL NOTICE**

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.