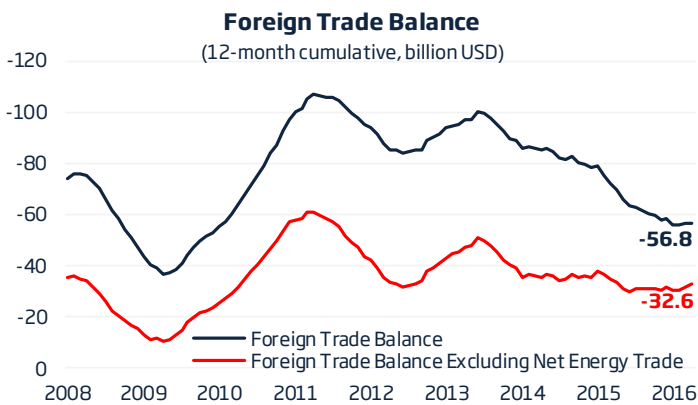


## Export volume declined.

In October, exports fell by 3% on an annual basis while imports rose by 0.5%. Thus, foreign trade deficit widened by 13.2% yoy and became 4.2 billion USD. The import coverage ratio decreased by 2.7 points compared to a year ago and was realized as 75.5%. According to seasonally and calendar adjusted figures, exports increased by 2.5% mom in October while imports dropped by 1.7%.

In the first 10 months of the year, while exports decreased by 2.8% compared to the same period of 2015, imports declined by 5.8% due to the low course of commodity prices. In light of these developments, foreign trade deficit remained below last year's level.



Regarding the realizations in the last 12 months, foreign trade deficit has remained flat at around 56.8 billion USD in the past few months. Excluding energy trade, the foreign trade deficit reached 32.6 billion USD, the highest level in a year.

## Automotive exports have sustained a strong performance.

In October, while exports of the motor vehicles industry ranked first, exports of precious metals came in second place thanks to gold exports. Apart from these two chapters, among the top 10 exporting sectors, the only sector that increased its exports on an annual basis was iron and steel.

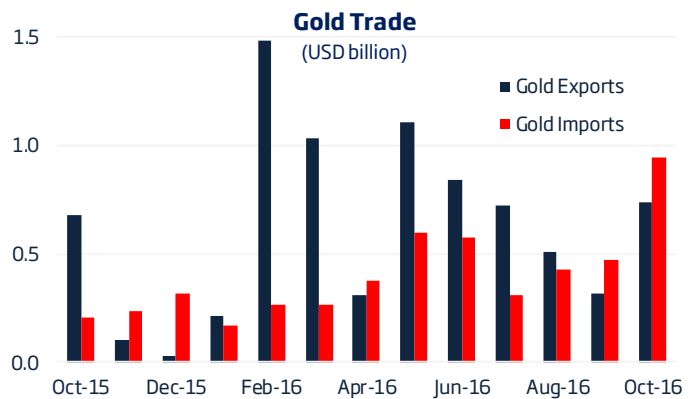
In the first 10 months, motor vehicles maintained their position as the biggest exporter. This sector was followed by precious metals and boilers and machineries.

In the January-October period, EU countries continued to be the largest export market of Turkey. The share of the EU countries in total exports, which was 44.0% in the first ten months of 2015, surged to 48.5% in the same period of this year.

## Strong rise in gold imports...

In October, the highest amount of imports was recorded by mineral fuels and oils. Imports of this item, on the other hand, declined by 16.9% yoy on the back of the fall in energy prices. After registering the highest import in the past few months, boilers and machineries dropped to the second place in October. However, they ranked first in January-October period.

It is observed that gold imports recorded a rapid increase in October compared to the same month of the previous year. Indeed, gold imports rose to 949 million USD from 203 million USD in this period, reaching the highest level in the last two years.



## Expectations...

Owing to the weak performance of exports, foreign trade deficit widened in October as was the case in September. On the import side, the positive impact of commodity prices continued to fade. Notwithstanding the fact that the recent easing of macroprudential measures might support domestic demand and, in turn, imports, rapid depreciation of TRY is likely to put downward pressure on imports.

	Foreign Trade Balance					
	October		Change (%)	Jan.-Oct.		Change (%)
	2015	2016		2015	2016	
Exports	13.2	12.8	-3.0	120.4	117.0	-2.8
Imports	16.9	17.0	0.5	173.3	163.3	-5.8
<b>Foreign Trade Balance</b>	<b>-3.7</b>	<b>-4.2</b>	<b>13.2</b>	<b>-52.9</b>	<b>-46.2</b>	<b>-12.5</b>
Import Coverage Ratio (%)	78.3	75.5	-	69.5	71.7	-

Source: Datastream, Turkstat

**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 - 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

Our reports are available on our website <https://research.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.