

Exports recovered in the last two months of 2016.

The volume of exports rose by 9% yoy in December following 9.5% annual increase in November with the aid of the depreciation in TRY. Thus, the contraction in total exports in 2016 stood at 0.9%. The volume of imports has increased in the last quarter of the year due to the recovery in energy and commodity prices. On the other hand, imports decreased by 4.2% in overall 2016 on the back of the downward trend, especially in the first half of the year. As imports fell more than exports, foreign trade deficit narrowed to 56 billion USD in 2016, dropping by 11.7%.

Germany ranked first in total exports.

Germany continued to be the biggest export market of Turkey in 2016. In this period, the decline in exports to Iraq, which ranked third in total exports, persisted despite losing pace. It was noteworthy that exports to the EU countries gained momentum in 2016.

Top Export Destinations (billion USD)

| | 2015 | | 2016 | | Change (%) |
|--------------|------------|------------|------------|------------|-------------|
| | Value | Share % | Value | Share % | |
| Germany | 13.4 | 9.3 | 14.0 | 9.8 | 4.4 |
| UK | 10.6 | 7.3 | 11.7 | 8.2 | 10.7 |
| Iraq | 8.5 | 5.9 | 7.6 | 5.4 | -10.6 |
| Italy | 6.9 | 4.8 | 7.6 | 5.3 | 10.1 |
| USA | 6.4 | 4.4 | 6.6 | 4.6 | 3.6 |
| France | 5.8 | 4.1 | 6.0 | 4.2 | 3.1 |
| UAE | 4.7 | 3.3 | 5.4 | 3.8 | 15.5 |
| Spain | 4.7 | 3.3 | 5.0 | 3.5 | 5.3 |
| Iran | 3.7 | 2.5 | 5.0 | 3.5 | 35.6 |
| Netherlands | 3.2 | 2.2 | 3.6 | 2.5 | 13.8 |
| Other | 75.9 | 52.8 | 70.1 | 49.1 | -7.7 |
| Total | 144 | 100 | 143 | 100 | -0.9 |

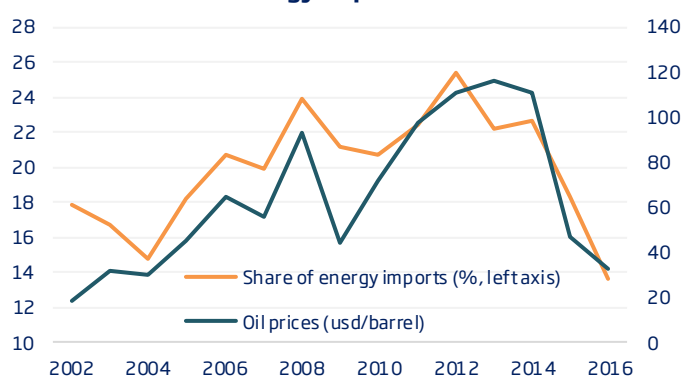
Automotive sector became the largest export sector in 2016. In this period, automotive exports rose to historic

levels with 1.1 million units. While this item was followed by machinery industry, precious and semi-precious stones ranked third in total exports thanks to the rise in gold exports as it was the case in the previous years.

Decline in imports mainly stemmed from energy and iron/steel.

Imports of mineral fuels and oils, which have been Turkey's biggest import item owing to high energy deficit, dropped to 27 billion USD in 2016, falling by 28.2%. Energy imports, which accounts for nearly one-fourth of total imports when oil prices were above 100 USD/barrel, consisted 13.7% of imports in 2016. The decline in imports of iron/steel and aluminum also contributed significantly to the decline in total imports. On the other hand, gold imports which have nearly doubled in this period has limited the fall in imports.

Share of Energy Imports and Oil Prices



Expectations...

In line with the recovery in oil prices since the last quarter of 2016, we expect the positive impact of low energy prices on imports to diminish in the coming period. In addition, we think that recent steps to boost domestic demand may also have an upward impact on imports. In this framework, we anticipate that the upward pressure on the foreign trade deficit may increase in 2017.

Foreign Trade Balance

| | (USD billion) | | | | | |
|------------------------------|---------------|-------------|--------------|--------------|--------------|--------------|
| | December | | Change (%) | Jan.-Dec. | | Change (%) |
| | 2015 | 2016 | | 2015 | 2016 | |
| Exports | 11.8 | 12.8 | 9.0 | 143.8 | 142.6 | -0.9 |
| Imports | 18.0 | 18.4 | 2.3 | 207.2 | 198.6 | -4.2 |
| Foreign Trade Balance | -6.2 | -5.6 | -10.3 | -63.4 | -56.0 | -11.7 |
| Import Coverage Ratio (%) | 65.3 | 69.6 | - | 69.4 | 71.8 | - |

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