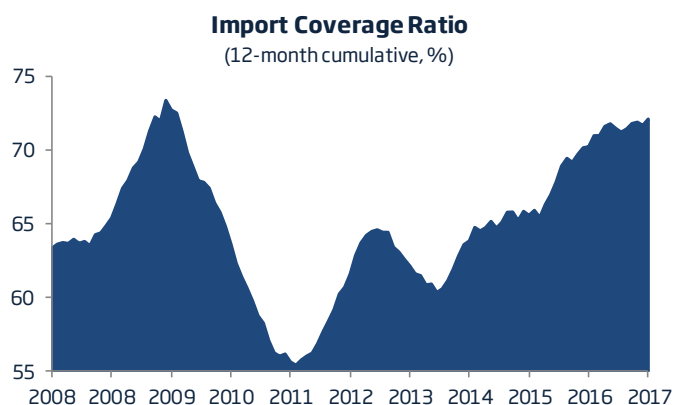


Contraction in foreign trade deficit...

Exports increased by 13.6% in March compared to the same month of the previous year while the annual rise in imports was 6.9%. Hence, foreign trade deficit dropped by 10.3% in March from a year earlier.

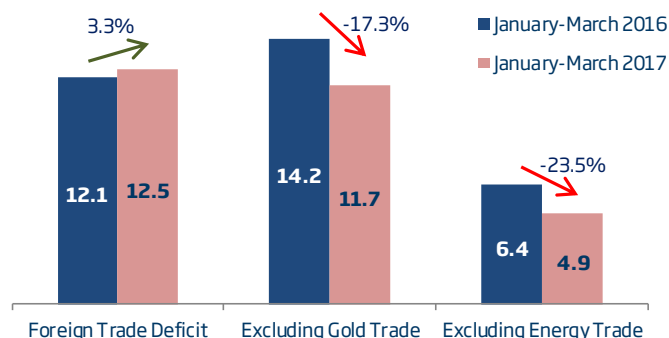
During the first quarter of 2017, exports and imports picked up by 9.2% yoy and 7.7% yoy respectively. Despite the increase in exports, foreign trade deficit widened by 3.3% compared to the first quarter of the previous year owing to the acceleration in imports.

Analysis of 12-month cumulative figures revealed that the imports recorded a slight increase in March after falling in nearly 3 years. Reversal of the downward trend in commodity prices and fading of the base effect played a big part in this development. It is also noteworthy that the rate of growth in exports jumped to the highest level in more than two years. Thus, recovery in import coverage ratio continued in this period.

**Manufacture of motor vehicles was the locomotive for export growth.**

Exports of motor vehicles have been ranked first by a wide margin as their exports surged by 35.6% in March from a year earlier. The annual increase of 602 million USD in this group constituted one-third of the rise in total exports. 78.7% annual growth in exports of iron and steel was also remarkable in March. On the other hand, the decline in gold exports restrained export performance.

As of first quarter, the upsurge in exports of motor vehicles and iron-steel accounted for more than half of the total increase in exports. On the other hand, fall in gold exports amounting to 838 million USD dragged down the export growth by 2.4 points.

Foreign Trade Deficit
(USD billion)**Exports to the Middle East rose more than 30%.**

Exports by country groups showed that the share of the exports to the Middle East countries in total exports surged in both March and January-March period. This development was driven by the gold exports to these countries. As exports to the Middle East countries rose by 2.2 billion USD in the first quarter from a year earlier, almost 80% of this amount stemmed from the gold exports.

The exports to EU countries rose at a slow pace of 5.3% in the first quarter compared to the same period of the previous year. 26.9% drop in exports to the UK in this period came to the forefront. Almost 15% fall in GBP/USD parity seemed to play an important role in this development.

Upsurge in energy imports...

In March, imports of energy and gold had significant impact on rising imports. Gold imports went up by more than 1 billion USD in this period. In line with the rise in oil prices, energy bill climbed by more than 30% yoy. Import figures for the first quarter also painted a similar picture. Imports from Russia, Iran and BAE, which have a large share in imports of energy and gold, recorded sharp increases in the first quarter.

Expectations

In the current conjuncture, as the effect of commodity prices on imports has reversed, foreign trade deficit has been on a rising trend. Although the recovery in exports restrains the widening tendency in the foreign trade deficit thanks to the rapid depreciation of TL, high imported input usage in main export sectors may cause a further expansionary pressure on the deficit in the upcoming period.

Foreign Trade Balance

(USD billion)

	March		Change (%)	Jan.-Mar.		Change (%)
	2016	2017		2016	2017	
Exports	12.8	14.5	13.6	34.7	37.9	9.2
Imports	17.8	19.0	6.9	46.8	50.4	7.7
Foreign Trade Balance	-5.0	-4.5	-10.3	-12.1	-12.5	3.3
Import Coverage Ratio (%)	71.8	76.3	-	74.1	75.1	-

Source: Datastream, Turkstat

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