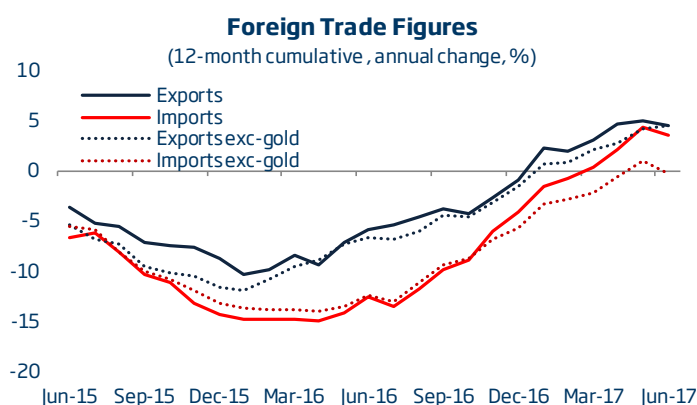


Foreign trade deficit contracted in June.

Exports increased by 2.3% yoy in June while imports fell by 1.5% yoy. Thus, foreign trade deficit shrank by 9.1% from a year earlier and became USD 6 billion. Import coverage ratio rose to 68.7%.

In the first half of 2017, exports and imports surged by 8.2% yoy and 8.7% yoy, respectively. Foreign trade deficit stood at USD 30.9 billion during this period, expanding by 10% yoy.



Surge in exports of motor vehicles and aircrafts...

Exports of motor vehicles, which had a strong performance throughout the year, reached USD 2.2 billion in June, increasing by USD 384 million. During this period, the export of aircrafts and parts thereof expanded more than 300 million USD and had a favorable impact on exports.

Exports to the EU countries remained flat in June while exports to the Near and Middle East countries contracted by 3% on annual basis. In this period, it was noteworthy that the exports to the UAE and the USA increased by 46.7% and 41.3%, respectively. Whereas gold exports played a big part in the increase of the exports to the UAE, exports of the aircrafts and parts thereof came to the forefront of the exports to the USA.

Increase in gold and energy imports...

The upsurge in gold and energy imports in June limited the contraction in total imports to a large extent. Energy import bill picked up by 8.9% yoy in volume terms mainly due to the 6.9% annual rise in crude oil imports in quantity basis. In the same period, gold imports went up by USD 1.4 billion to USD

2 billion. In terms of gold imports, Switzerland, the UAE, Australia and Canada were the largest sellers.

Trade ties with Germany...

As of the first half of the year, exports to Germany, the biggest export market of Turkey, reached 7 billion USD, increasing by 3.5% compared to the same period of the previous year. Despite this growth, the share of Germany in total exports decreased by 0.5 point to 9.3% in the first half of the year. Exports of motor vehicles and textile products were major export items to Germany.

Exports to Germany (January-June, USD million)

	2016	2017	(Δ %)	Share %
Road vehicles	1,254	1,476	17.7	20.4
Articles of apparel and clothing	1,367	1,339	-2.1	18.5
Power generating machineries	571	573	0.5	7.9
Fruits and vegetables	462	444	-3.9	6.1
Textile yarn, fabrics	467	441	-5.4	6.1
Iron and steel	317	370	16.4	5.1
Electrical machineries	364	349	-4.3	4.8
Industrial machineries	278	286	3.0	4.0
Rubber manufactures	213	240	12.7	3.3
Non-ferrous metals	173	191	10.7	2.6
Other	1,519	1,520	0.0	21.0
Total	6,985	7,229	3.5	100

Imports from Germany, on the other hand, fell by 12.9% yoy to USD 9.5 billion in the first half of the year. Germany ranked second in Turkey's imports with 8.8% market share following China.

Expectations

We think that the recent upturn in oil prices might lead to an upward pressure on energy imports. In addition, gold imports, which have constituted 7.4% of total imports in the first 6 months of the year, might have negative impact on foreign trade deficit if the rising trend persists. On the export side, the possible repercussions of ongoing problems with Germany will be significant. On the other hand, the upward trend in the EUR/USD parity is considered as a positive development that might affect positively the exports to the EU countries.

Foreign Trade Figures

	(billion USD)					
	June		Change	January-June		Change
	2016	2017	(%)	2016	2017	(%)
Exports	12.9	13.2	2.3	71.6	77.5	8.2
Imports	19.5	19.2	-1.5	99.7	108.3	8.7
Foreign Trade Deficit	-6.6	-6.0	-9.1	-28.1	-30.9	10.0
Import Coverage (%)	66.1	68.7	-	71.8	71.5	-

Source: Datastream, Turkstat

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