

Base effect in July caused a rapid increase in foreign trade indicators.

In July, exports and imports increased rapidly due to the base effect caused by the failed coup attempt that took place in the last year and the Ramadan holiday. Export volume increased by 28.3% yoy to 12.6 billion USD while import volume picked up by 46.2% to 21.5 billion USD. Thus, the foreign trade deficit widened by 82.5% to 8.8 billion USD. Analysis of the average of July over the 2011-2015 period showed that exports and imports were realized as 12.4 billion USD and 20.6 billion USD, respectively. Hence, exports in July were close to their historical average value while imports came in slightly above the average level.

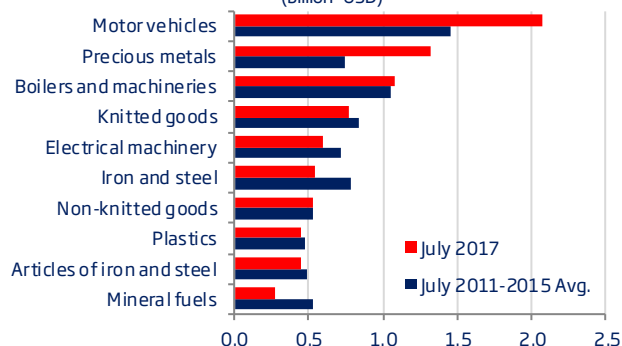
Considering the 7 seven months of 2017, exports expanded by 10.6% and imports rose by 13.5% compared to the same period of the previous year. In this period, foreign trade deficit reached 39.7 billion USD, surging by 20.7%.

Export performance...

Due to the base effect in July, sub-items of exports posted a high pace of growth. For this reason, it would be appropriate to compare the performance of export products in July with that of the historical averages. When top 10 list of exported products was examined, it was seen that exports of motor vehicles and precious metals showed a better performance in 2017 than the average of July over the 2011-2015 period. However, exports of iron-steel, electrical machinery and mineral fuels came in below the averages. The exports of other items were close to their historical averages.

Top 10 Export Items

(billion USD)



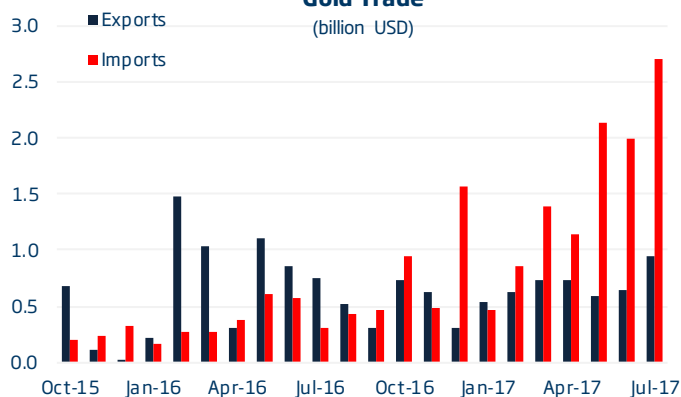
In the first 7 months of the year, it is seen that the increase in exports was broad based among the sub-items. On the country basis, the rapid export increase to United Arab Emirates was noteworthy due to the high growth rate of gold exports. In this period, exports to Russia also climbed by 59.7% in line with the normalization of the bilateral relations.

Gold and energy imports continue to increase.

Gold imports continued to rise at a fast pace in July. As Turkey imported about 9 times more gold in July than the same month of the previous year, gold imports recorded in the first 7 months played a significant role in the expansion of the import volume, posting an annual rise of 8.1 billion USD. In addition to this, energy prices that have remained at higher levels throughout the year compared to the past year average led energy imports to increase.

Gold Trade

(billion USD)



Expectations

Even though oil prices fell below 50 USD per barrel in July they again rose above this level. Unless there is a significant decline in prices, oil prices will remain above the last year's level until the end of this year. Moreover, the significant increase in gold imports has been the main driver behind the rise in imports recently. If this trend persists, given the course of oil prices, we anticipate that foreign trade deficit will continue to expand over the remainder of the year. On the other hand, the EUR/USD parity exceeded the 1.20 mark at the end of August, the highest level in 2 years. We foresee that the appreciation in euro might positively affect exports to the EU countries, the biggest export market of Turkey.

Foreign Trade Figures

(billion USD)

	July		Change	January-July		Change
	2016	2017	(%)	2016	2017	(%)
Exports	9.9	12.6	28.3	81.4	90.1	10.6
Imports	14.7	21.5	46.2	114.4	129.8	13.5
Foreign Trade Deficit	-4.8	-8.8	82.5	-32.9	-39.7	20.7
Import Coverage (%)	67.0	58.8	-	71.2	69.4	-

Source: Datastream, Turkstat

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