

Foreign Trade Balance (USD billion)

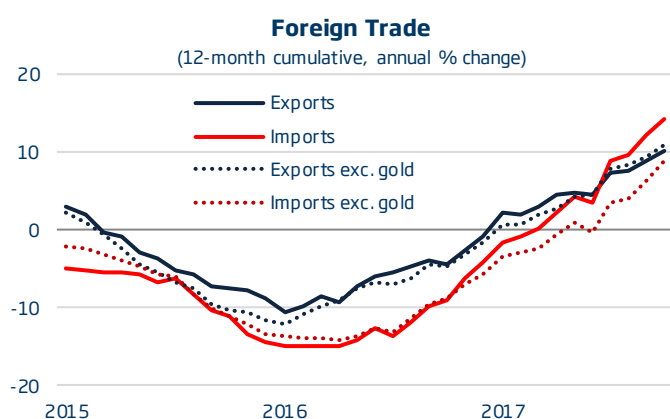
	October			Jan.-Oct.		
	2016	2017	Δ (%)	2016	2017	Δ (%)
Exports	12.8	13.9	9.0	117.0	129.0	10.3
Imports	17.0	21.3	25.0	163.3	190.2	16.5
Foreign Trade Deficit	-4.2	-7.3	73.9	-46.3	-61.2	32.1
Import Coverage (%)	75.2	65.6	-	71.6	67.8	-

Foreign trade deficit continued to widen.

In October, foreign trade deficit continued to exhibit a rapid expansion as in September. Export volume increased by 9% yoy to 13.9 billion USD in this period while import volume rose sharply by 25% yoy to 21.3 billion USD. Therefore, foreign trade deficit expanded by 74% yoy.

In the first 10 months of the year, exports went up by 10.3% yoy while imports surged by 16.5%. The annual expansion in foreign trade deficit exceeded 30% in this period. Having stood at 71.6% in the first ten months of the previous year, import coverage ratio declined to 67.8% in the same period this year.

Gold trade continued to push foreign trade deficit up also in October. According to 12-month cumulative data, the annual expansion in foreign trade deficit, which was 24.8%, decreases to 4.5% when the gold trade was excluded. In this period, net gold trade added 9 billion USD to the expansion of the foreign trade deficit totaling 71 billion USD.



Strong performance in automotive and machinery exports...

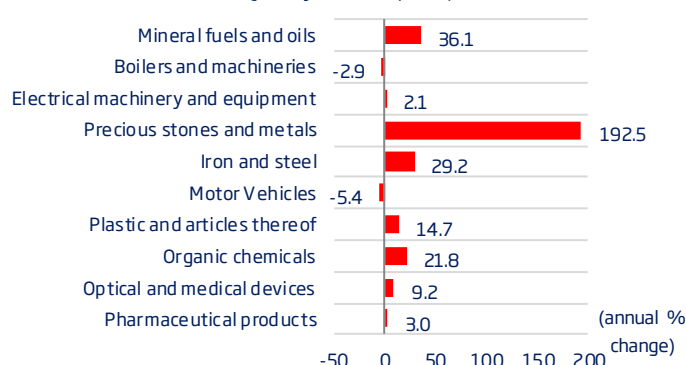
Exports of motor vehicles and boilers-machineries sustained their solid performance in October. Among the top 15 sectors with largest exports volume, only precious stones and metals sector registered an annual fall in this period. Having lost some steam in the third quarter of the year, iron and steel exports regained momentum in October. Strengthening euro, the currency through which Turkey conducts 50% of its total exports, provided a boost to the export figures during this period. The annual rise in EUR/USD parity reached almost 7% in October.

Ongoing upward pressure from higher energy imports on the foreign trade deficit...

In addition to the strong gold imports, energy imports have been weighing on the foreign trade deficit. Upbeat economic activity and higher oil prices resulted in a 36.1% annual increase in energy imports in January-October period. During this period, due to a growing construction sector, expansion in iron and steel imports also stood out. Other than these, it was noteworthy that imports of organic chemical products, which provide inputs for many different sectors, remained elevated.

Top 10 Import Items

(January-October period)



An improving economic activity continues to mirror in the import of intermediate goods. Intermediate goods imports increased by 35.2% year-on-year in October and by 27.5% in January-October period despite the rapid depreciation in TRY.

Having followed a weak course in the first months of the year, consumer goods imports continued to recover in October after September. Capital goods imports, which are an indication of investment outlook, have also displayed a mild growth performance for the last four months.

Main export destinations...

Exports to Germany, our top export market, showed a positive trend. Exports to the UK, our second largest export market, declined on an annual basis in almost all months of the year. The US, having had an increasing share in Turkey's total exports in recent years, ranked third among the list of major export destinations. Exports to the US increased roughly by 33% yoy in the January-October period.

Expectations...

As has been the case throughout the year, a possible rise in oil prices, as well as a strong domestic demand, may exert an upward pressure on foreign trade deficit in both November and December. On the other hand, we believe that the sustained recovery in EU economies, offering a better outlook for Turkey's exports, will somewhat limit the deterioration in foreign trade balance in the period ahead.

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