



### Foreign trade deficit surged by 36.8% in 2017.

In December, export volume increased by 8.6% yoy to 13.9 billion USD, while import volume picked up by 25.4% to 23.1 billion USD. Thus, foreign trade deficit widened by 63.5% to 9.2 billion USD. Import coverage ratio, which was 69.4% in December 2016, decreased to 60.1% in this period.

In 2017 as a whole, exports went up by 10.2% yoy to 157.1 billion USD, while imports surged by 17.7% to 233.8 billion USD. Annual expansion in foreign trade deficit was 36.8% in this period. Import coverage ratio, which stood at 71.8% in 2016, declined to 67.2% last year.

Foreign Trade Balance	(USD billion)					
	December		Δ	Jan.- Dec.		Δ
	2016	2017	(%)	2016	2017	(%)
Exports	12.8	13.9	8.6	142.5	157.1	10.2
Imports	18.4	23.1	25.4	198.6	233.8	17.7
<b>Foreign Trade Deficit</b>	<b>-5.6</b>	<b>-9.2</b>	<b>63.5</b>	<b>-56.1</b>	<b>-76.7</b>	<b>36.8</b>
Import Coverage (%)	69.4	60.1	-	71.8	67.2	-

### Motor vehicles exports came to forefront in 2017.

Motor vehicles, iron- steel and boilers-machineries were the main drivers behind the expansion in exports in 2017. In addition, aircraft and parts thereof, which increased by 113.9%, became fifth sector that contributed most to the rise in export volume. Rapid decline in precious stones, on the other hand, weighed on the export volume in 2017.

#### Chapters that Contributed Most to Exports in 2017

Chapter	Share (%)	Change (%)	Impact on Exports
Motor vehicles	15.2	20.9	2.9
Iron and steel	5.2	33.3	1.4
Boilers, machineries	8.8	12.1	1.0
Mineral fuels, oils	2.8	34.7	0.8
Aircrafts, parts thereof	1.0	113.9	0.6
Precious stones and metals	6.9	-10.7	-0.9
Other	60.0	7.0	4.3
<b>Total</b>	<b>100</b>	<b>10.2</b>	<b>10.2</b>

### Germany ranked first in total exports.

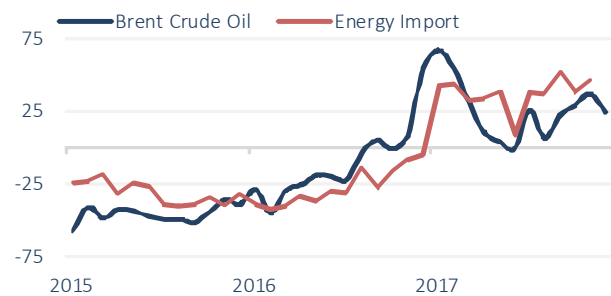
In 2017, Germany remained as the biggest export market of Turkey. Although the volume of exports declined by 17.8% yoy owing to the decrease in gold imports, UK maintained its position as the second largest export market. Considering the contributions to the increase in export volume, apart from Middle Eastern countries like UAE and Iraq, the increases in exports to the USA, Spain

and Germany were noteworthy.

### Import volume continued to expand in 2017.

Throughout last year, import of precious stones and mineral fuels and oil had a negative impact on foreign trade balance. Precious stones and metals imports rose rapidly by 142.1% in 2017 while mineral fuels and oils imports surged by 36.9% to 37.2 billion USD as oil prices displayed an increase during this period. Iron and steel imports also exhibited a remarkable rise, whereas the decline in boilers and machineries imports during 2017 limited the rise in import volume.

Oil Prices and Energy Import  
(annual change, %)



### Intermediate goods imports exhibited a solid performance in 2017.

Considering broad economic categories, capital goods imports expanded rapidly by 20.2% in December, which declined in 2017 as a whole due to the weak performance in the first half of the year. In 2017, imports of intermediate goods soared by 27.6% while consumer goods imports recorded a sluggish trend due to TRY depreciation.

#### Expectations...

Strong global demand, largely attributable to the recovery in economic activity in European countries, had supported our export performance in 2017. On the import side, the sharp increase in oil prices, the course of gold trade and increasing domestic economic activity led to a steep surge in imports.

We anticipate that favorable economic outlook in European economies will continue to boost our export performance in 2018 as well. Besides, we believe that expansion in foreign trade deficit will slow somewhat due to a milder domestic economic activity when compared to 2017. On the other hand, the possibility that oil prices will remain elevated over the period ahead poses the biggest upside risk to foreign trade deficit.

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