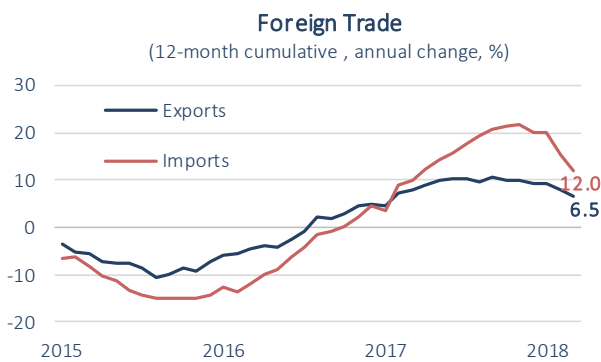




In August, foreign trade deficit narrowed by 59% yoy.

In August, export volume contracted by 6.5% yoy to 12.4 billion USD while import volume declined by 22.7% to 14.8 billion USD. Thus, foreign trade deficit narrowed by 59% compared to the same period of the previous year, continuing its downward trend since June. Import coverage ratio, which was 69.1% in August 2017, increased to 83.6% in this period.

According to 12-month cumulative figures, foreign trade deficit continued to widen albeit losing some momentum. Exports rose by 6.5% yoy in August to 162.4 billion USD, while import volume increased by 12.0% yoy to 242.7 billion USD, according to 12-month cumulative data. In this period, 12-month foreign trade deficit became 80.3 billion USD.



Iron and steel exports continued to rise.

In August, the largest export chapter continued to be motor vehicles, exports of which posted 10.6% decline on annual basis. Having posted sharp declines recently, precious metals exports, having the second highest share in total exports, increased by 13.6% yoy. Boilers and machineries came after precious metals. Iron and steel exports, which have followed an upward trend since May, continued this tendency in August and posted an annual rise of 52.7%.

In August, Germany ranked first in total exports.

Although export volume declined on annual basis in August, Germany remained as the biggest export market of Turkey. In this period, UK and Iraq were the second and third biggest export markets of Turkey. Declining

trend seen throughout the year in the exports to the US, which started to implement protectionist trade policies, continued in this period albeit lost momentum. Analyzing the figures on country groups, exports to EU and Near and Middle Eastern countries declined by 6.4% and 28%, respectively.

Gold imports posted a rapid decline.

Energy imports continued to put upward pressure on foreign trade deficit due largely to the high course of oil prices. Having posted an annual increase of 6.8%, mineral oils became the largest import chapter in August. On the other hand, non-monetary gold imports continued this downward trend in August, recorded as a positive development for foreign trade balance. Gold imports fell by 72.7% yoy to the lowest level since March 2016.

The decline in imports of consumption goods accelerated.

Having decreased by five consecutive months, imports of consumption goods declined by 42.4%, the fastest level since November 2001. In this period, capital goods and intermediate goods imports declined by 36.3% and 16.5%, respectively. Decline in automobiles demand led the decrease in consumption goods.

Expectations...

In August, fall in imports accelerated parallel to the decline in net gold imports. It was noteworthy that foreign trade deficit declined to the lowest level of the last 9.5 years. The accelerated annual decline in foreign trade deficit, which was observed since June, points out that slowdown in economic activity became evident. In the period ahead, foreign trade deficit is expected to narrow in line with the economic slowdown; however, high course of energy prices may put upward pressure on foreign trade deficit.

Foreign Trade Figures

	(billion USD)					
	August		Change	January-August		Change
	2017	2018	(%)	2017	2018	(%)
Exports	13.2	12.4	-6.5	103.2	108.6	5.2
Imports	19.2	14.8	-22.7	149.0	157.8	5.9
Foreign Trade Deficit	-5.9	-2.4	-59.0	-45.7	-49.2	7.6
Import Coverage (%)	69.1	83.6	-	69.3	68.8	-

Source: Datastream, Turkstat

Economic Research Division

izlem Erdem
Chief Economist
izlem.erdem@isbank.com.tr

ilker Şahin
Economist
ilker.sahin@isbank.com.tr

Alper Gürler
Unit Manager
alper.gurler@isbank.com.tr

Gamze Can
Economist
gamze.can@isbank.com.tr

H. Erhan Gül
Asst.Manager
erhan.gul@isbank.com.tr

Ayşim Kalkan
Asst. Economist
aysim.kalkan@isbank.com.tr

Our reports are available on our website <https://research.isbank.com.tr>

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