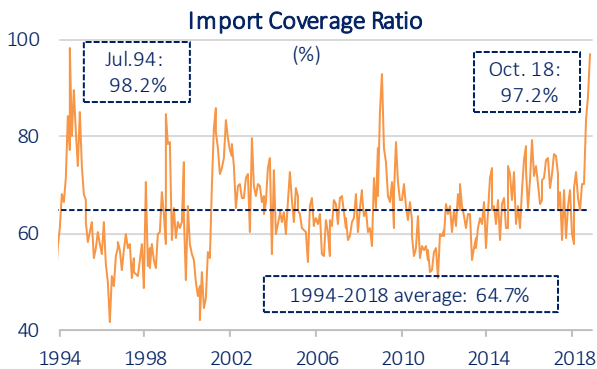




Contraction in foreign trade deficit accelerated.

In October, exports increased by 13% yoy to 15.7 billion USD, while imports decreased by 23.8% to 16.2 billion USD during the same period. Foreign trade deficit, which came in at 456 million USD, contracted by 93.8% yoy in October. Import coverage ratio reached 97.2% the highest level since July 1994.

12-month cumulative export volume rose to historical high at 166.7 billion USD in October. In this period, import volume became 234 billion USD in line with the deterioration in economic activity. Thus, 12-month foreign trade deficit decreased by 6.8 billion USD compared to September and declined to 67.2 billion USD. 12-month cumulative import coverage ratio continued to rise and reached 71.3%.



Iron and steel exports remained strong.

Export volume expanded in all major sectors in October. Exports of motor vehicles increased by 17.1% yoy to 2.5 billion USD, the highest figure among the sectors. Motor vehicles sector was followed by boilers-machinery and iron-steel, export of which expanded by 70.4% yoy in October.

Looking at the figures for January-October period, in parallel to decline in non-monetary gold export, decline in precious metal exports stood out. Despite the US sanctions, iron-steel exports increased by 40.4% in January-October period yoy and made the highest contribution to the rise in export volume.

Exports to Iraq is recovering.

While Germany continued to be the largest export

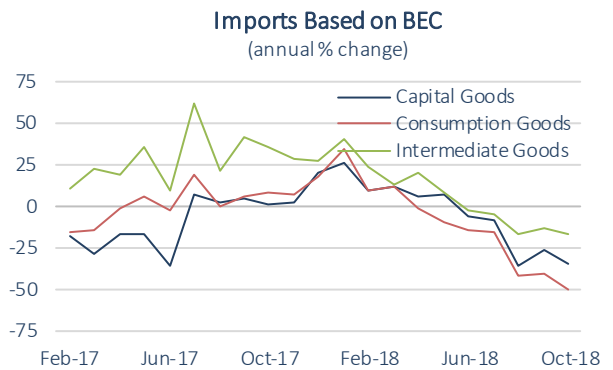
market, UK and Italy followed this country. Export to Iraq, which has been under pressure due to geopolitical developments last year, showed signs of recovery by increasing 31.1% yoy in October.

According to 12-month cumulative data, the share of EU countries, which continues to be our most important trade partner, has reached the highest level since 2008 with 49.9% share.

Sharp decline in consumption goods imports...

Despite of a decrease in the amount of crude oil imports by 11.2% yoy, import of mineral fuels increased in October due to higher energy prices compared to October 2017. On the other hand, imports declined in almost all other chapters on an annual basis. In particular, imports of motor vehicles and electrical machinery decreased by more than 50%.

Parallel to the weak domestic demand, the annual contraction in consumption goods imports accelerated and became 50.2% in October. In this period, capital goods imports declined rapidly with 34.9%, confirming the deceleration in the economic activity.



Expectations...

The decline in domestic demand continues to put pressure on the imports. The said contraction is expected to continue during the rest of the year. On the export side, outlook remained strong. In this context, we see that the foreign trade deficit will keep contracting and continue to support the improvement in the current account balance. Besides, recent decline in energy prices will affect the foreign trade deficit and the current account balance positively.

Foreign Trade Figures	(billion USD)					
	October		Change (%)	Jan-Oct		Change (%)
	2017	2018		2017	2018	
Exports	13.9	15.7	13.0	129.0	138.7	7.6
Imports	21.2	16.2	-23.8	190.2	190.3	0.1
Foreign Trade Deficit	-7.3	-0.5	-93.8	-61.2	-51.6	-15.7
Import Coverage (%)	65.6	97.2	-	67.8	72.9	-

Source: Datastream, Turkstat

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