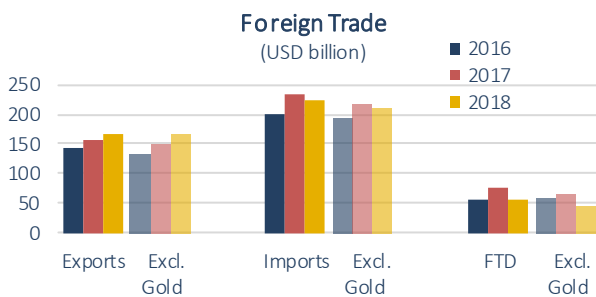




### Foreign trade deficit declined 28.4% in 2018.

Foreign trade deficit contracted for the seventh month in a row in December. In this period, export volume recorded a limited increase with 0.2% yoy and became 13.9 billion USD while import volume declined by 28.3% to 16.6 billion USD. Therefore, foreign trade deficit narrowed by 71.1% yoy to 2.7 billion USD. Import coverage ratio, which climbed to as high as 97% in October 2018, fell to 83.8% in the last month of the previous year.

In 2018 as a whole, trade deficit declined by 28.4% yoy and stood at 55 billion USD. In this period, export volume increased by 7% and reached 168 billion USD, the record high level. Import volume fell by 4.6% to 223 billion USD. On the other hand, imports excluding gold came in at a similar level to 2017. Having reached 16.6 billion USD in 2017, gold imports were 11.3 billion USD in 2018.



### Iron-steel and automotive exports stood out.

The items related with iron-steel and automotive sectors recorded the largest increases in exports. The rise in iron and steel prices in global markets and a weaker domestic demand for these products were behind this performance. Exports of flat iron and steel increased by 1 billion USD while automobile exports rose by 627 million USD compared to a year ago. The sharpest fall, on the other hand, was seen in non-monetary gold exports. This item registered a drop of 4 billion USD in 2018.

### Exports increased most to European countries.

Germany continued to be the largest export market of Turkey while exports increased most to the UK, Spain and Italy in 2018. As the trade with EU countries is largely made in euros, the increase in EUR/USD is also a factor in the rise of exports to these countries in USD terms. EUR/USD parity rose by 4.5% yoy last year, based on annual averages. The countries from which imports declined most became United Arab Emirates (UAE), Iran and Iraq. Exports to the US fell by 348 million USD due partly to the protectionist trade policies.

### A broad-based slump in imports...

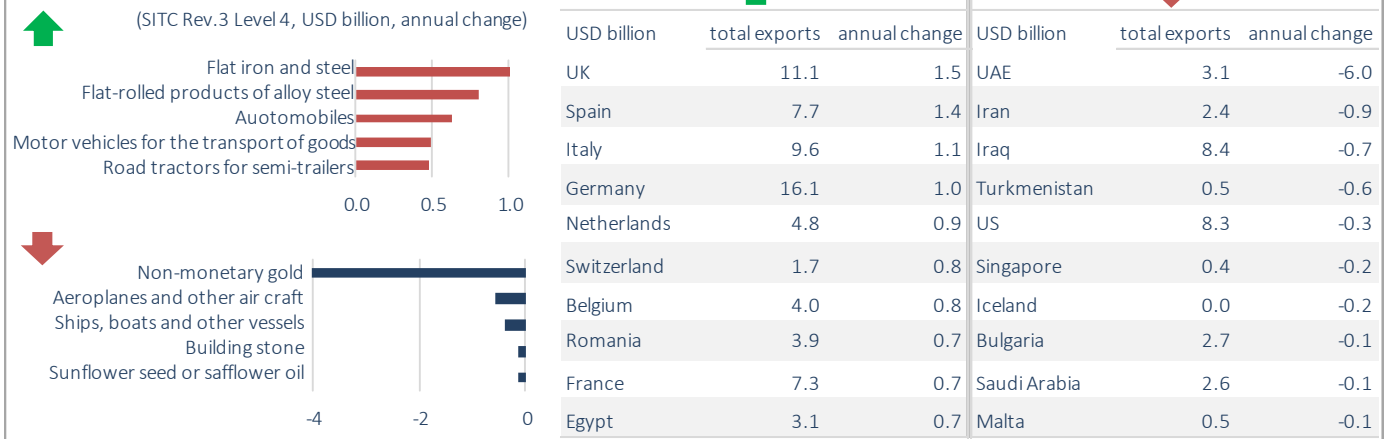
Excluding energy and metal products, imports exhibited a broad-based decline in 2018. Imports in 7 of the top 10 import chapters contracted on an annual basis. In this period, imports of mineral fuels, the largest import chapter, increased by 5.8 billion USD. The second largest import chapter, boilers and machineries imports decreased by 1.4 billion USD. Automobile imports came down by 2.7 billion USD during this period.

In 2018, imports increased most from the Russia and India due to energy imports. Imports declined most from the Switzerland and UAE on falling gold trade.

### Net exports will be in focus in 2019.

In the second half of 2018, a weakening Turkish lira and narrowing in domestic demand brought about an improvement in the foreign trade deficit. Parallel to this, net exports, having contributed strongly to the growth in the third quarter, are expected to have limited the weakness of the economic activity in the last quarter. Net exports will be of particular importance for 2019 growth, especially for the first half figures due to sluggish consumption and investments. We believe that the upside risks on foreign trade deficit will continue to be balanced in the upcoming period if oil prices remain at present levels.

### 2018 Exports on Product and Country Basis



Source: Datastream, Turkstat

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