



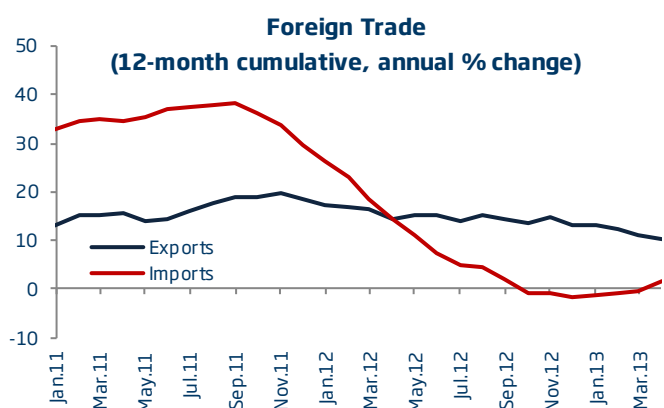
Foreign Trade Balance - April 2013

Economic Research Division



In April, foreign trade deficit was realized as 10.3 billion USD, well above the expectations.

According to data released by Turkstat, imports increased by 18.4% in April compared to the same month of the previous year and were realized as 22.8 billion USD while exports decreased by 0.9% to 12.5 billion USD. During the same period, foreign trade deficit widened by 55.1% to 10.3 billion USD, well above the expectations. The import coverage ratio fell sharply from 65.5% in April 2012 to 54.9% in April 2013 due to the decline in exports together with the rapid increase in imports.



Calendar adjusted data also indicated that imports increased by 14.3% annually in April while exports declined by 3.8% in the same period.

In the first four months of the year, foreign trade deficit widened by 17.5%.

During the first four months of 2013, exports and imports rose by 3.4% and 8.5%, respectively. During the same period, foreign trade deficit registered an increase of 17.5%. However, the rapid increase in gold imports had a significant impact on foreign trade deficit in 2013 and when gold trade was excluded, foreign trade deficit in the first four months was realized close to the last year's level in the same period. The deceleration in exports confirms the views that the contribution of domestic demand will be the main driver of growth in 2013 in contrast with the previous year when the net exports made the highest contribution to growth. In fact, the annual growth in exports was 11% in 2012 while imports contracted by 2.4%.

Motor vehicles ranked first in exports with 1.4 billion USD...

Analyzing the exports by sectors, it was seen that the motor vehicles exports ranked first in total exports by 1.4 billion USD in April rising by 2.1% compared to the same month of the previous year. Machinery and equipment sector followed this sector with an exports volume reaching 1.1 billion USD by rising 11.5% in the same period. On the other hand, precious stones and metals exports declined by 56.9% compared to the same month of the previous year, mainly due to the sharp fall in gold exports. This also further lowered the exports volume.



The share of European Union in total exports recorded a slight increase in April.

The share of European Union in total exports, having declined to 33.6% in August 2012, increased by 1.4 points compared to the same month of 2012 and reached 39.4% in April 2013. Exports directed to Germany, the biggest trading partner of Turkey, decreased by 4.2% in April. Another noteworthy development was the 14.4% increase in exports to Iraq.

Imports of consumption goods are accelerating.

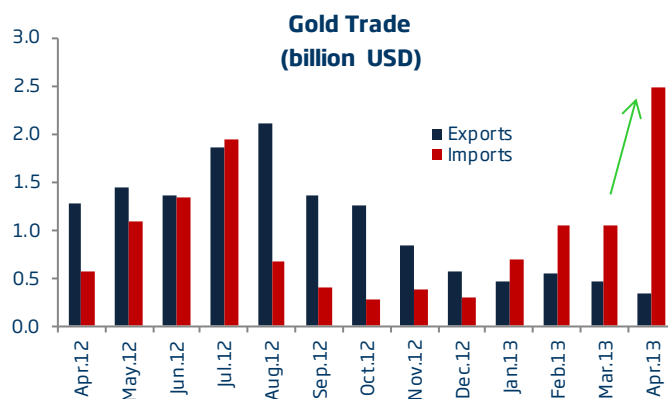
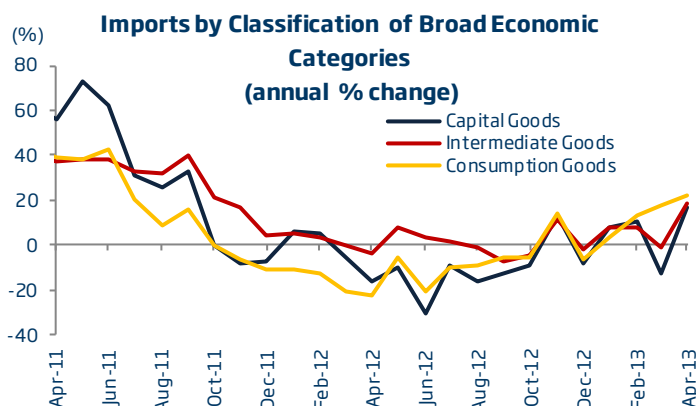
After having increased in March by 17.8%, the consumption goods imports registered an annual increase of 22.2% in April. This rapid increase in the consumption goods imports stemmed from the rise in domestic demand as a result of the CBRT's policies implemented since the second half of 2012. In the same period, the intermediate goods imports rose by 18.2%, the highest increase observed since October 2011.

Foreign Trade Balance	(USD billion)					
	April		Change (%)	January-April		Change (%)
	2012	2013		2012	2013	
Exports	12.6	12.5	-0.9	47.9	49.6	3.4
Imports	19.3	22.8	18.4	75.2	81.6	8.5
Foreign Trade Balance	-6.6	-10.3	55.1	-27.3	-32.0	17.5
Import Coverage Ratio (%)	65.5	54.9	-	63.7	60.7	-

Source: Turkstat

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In the first four months of 2013, on the other hand, the consumption goods imports rose by 14.7% compared to the same period of the previous year. In the same period, intermediate goods and capital goods imports increased by 8.3% and 4.6%, respectively.

In the first four months of the year, gold imports amounted to 5.3 billion USD.

Gold trade continued to be effective in foreign trade balance in April. Gold exports declined to their lowest level since January 2012 by 346 million USD. During the first four months, gold exports were realized as 1.8 billion USD, well below their level of 2.6 billion USD recorded during the same period of the previous year. On the other hand, gold imports were realized as 5.3 billion USD, almost three times of its level in previous year. Unlike last year, Turkey became a net importer of gold by 3.4 billion USD in the first four months of 2013. The strong pace of gold imports indicates that the course of the gold trade will continue to be watched by the markets also in the coming periods, as there is a lagged relationship between imports and exports.

Expectations...

Foreign trade deficit in April came in well above the expectations mostly driven by the sharp increase in the volume of gold imports. Moreover, CBRT's supportive monetary policies implemented since the second half of 2012 are also thought to be influential on the widening in the foreign trade deficit. A higher than expected foreign trade deficit intensified the pressure on USD/TL which already began moving upwards by the concerns related with the recent rumors of Fed's early exit plan and the outflow of foreign capital just after Turkey received the second investment grade. When the pass-through between the exchange rate and inflation is taken into account, CBRT is expected to adopt a cautious approach and lower TL liquidity in the markets should the depreciation in TL continue.

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**Türkiye İş Bankası A.Ş. - Economic Research Division****İzlem Erdem - Manager**

izlem.erdem@isbank.com.tr

Alper Gürler - Unit Manager

alper.gurler@isbank.com.tr

Kıvılcım Eraydın - Economist

kivilcim.eraydin@isbank.com.tr

Erhan Gül - Economist

erhan.gul@isbank.com.tr

Bora Çevik - Economist

bora.cevik@isbank.com.tr

Eren Demir - Asst.Economist

eren.demir@isbank.com.tr

M. Kemal Gündoğdu - Asst.Economist

kemal.gundogdu@isbank.com.tr

Gamze Can - Asst.Economist

gamze.can@isbank.com.tr

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