



Foreign Trade Balance - December 2013

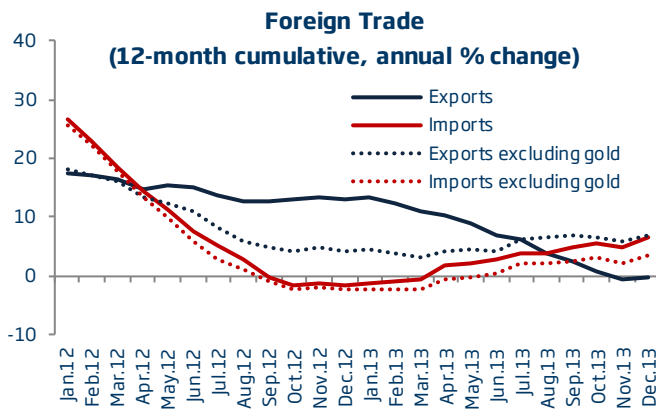
Economic Research Division

TÜRKİYE İŞ BANKASI

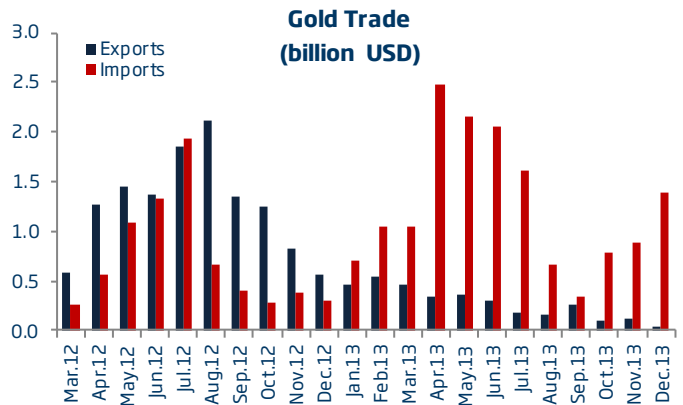
In 2013 the export volume was 152 billion USD.

Turkey's exports decreased by 0.4% in 2013 compared to the previous year and were realized as 151.9 billion USD while imports increased by 6.4% and reached 251.7 billion USD. Foreign trade deficit widened by 18.7% and reached 99.8 billion USD at the end of 2013. Compared to 2012, the import coverage ratio declined by 4.2 points to 60.3%.

The gold trade continued to be influential in the foreign trade statistics in 2013. After exporting a large amount of gold in 2012, Turkey became a net gold importer in 2013. Gold exports, which were 13.3 billion USD in 2012, declined to 3.3 billion USD in 2013. On the other hand, gold imports, which were 7.6 billion USD in 2012, increased to 15.1 billion USD in 2013. Excluding the gold trade, foreign trade figures displayed a more favorable outlook. In fact, non-gold exports expanded by 6.8% in 2013 compared to the previous year while the increase in non-gold imports was 3.3%. Thus, foreign trade deficit excluding the gold trade decreased by 2% in 2013 compared to the previous year.



In addition, after relatively losing momentum in August and September, there was a notable upward trend in gold imports since October. This trend became more evident in December. The amount of gold imports were 1.4 billion USD in December which was slightly above the average monthly gold imports of 2013.



Rapid increase in imports during December...

In December, imports increased by 16.7% compared to the same month of the previous year and recorded the highest increase since April when the gold imports reached their peak level. However, even after excluding gold, imports expanded by 11.4% in December. This situation indicates that the demand for imports might be front loaded due to the upward trend in exchange rates in the last months of 2013. Indeed, imports of intermediate goods and consumer goods increased by 17.7% and 18.1%, respectively in December compared to the same month of the previous year. On the other hand, exports increased by 4.9% in December compared to the same month of the previous year. When gold trade excluded, the rate of increase in exports was 9.5%.

Energy imports declined in 2013.

Although, energy imports declined by 7% in 2013 compared to the previous year, they have maintained their high level and were realized as 56 billion USD, constituting 22% of total imports and continued to rank first in total imports.

Analyzing the sub-items of exports, motor vehicles, which ranked first in total exports, increased by 12.3% compared to the previous year and reached 17 billion USD. Motor vehicles constituted 11% of total exports. This chapter was followed by boilers and machinery and electrical equipment.

Import of consumption goods increased in 2013.

In 2013, the share of intermediate goods in total imports decreased slightly but maintained its high level with 73%.

Foreign Trade Balance	(USD billion)					
	December		Change	January-December		Change
	2012	2013	(%)	2012	2013	(%)
Exports	12.6	13.2	4.9	152.5	151.9	-0.4
Imports	19.8	23.1	16.7	236.5	251.7	6.4
Foreign Trade Balance	-7.2	-9.9	37.3	-84.1	-99.8	18.7
Import Coverage Ratio (%)	63.6	57.1	-	64.5	60.3	-

Source: Turkstat

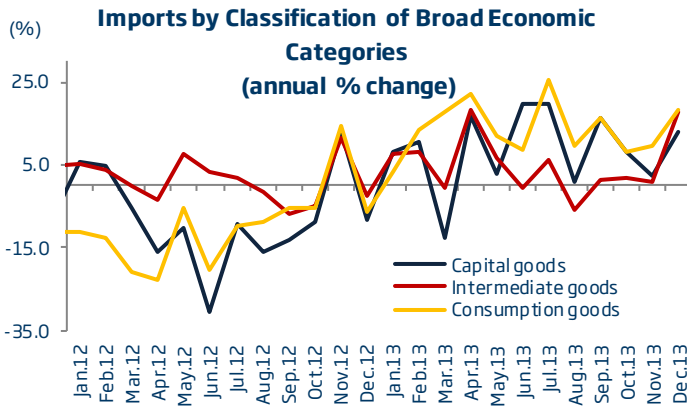


Foreign Trade Balance - December 2013

Economic Research Division

TÜRKİYE
BANKASI

On the other hand, in line with the improvement in domestic demand, consumption goods imports increased by 13.9% and their share in total imports rose to 12.1% in 2013 compared to the previous year. Capital goods imports increased by only 8.4%.



Share of European Union countries in exports increased.

In line with the downward trend in gold exports to Middle Eastern countries and the recent recovery in demand conditions in European countries, the share of European Union countries in Turkey's total exports increased to 41.5% in 2013 from 39% in 2012. The share of Near and Middle Eastern countries during this period decreased by 4.4 points to 23.4%.

Germany was the biggest export market of Turkey with 13.7 billion USD of export volume in 2013. The second and the third places belonged to Iraq and UK with 12 billion USD and 8.7 billion USD of export volume, respectively. Share of these three countries in total export volume was 22.7%. Regarding imports, Russia ranked first with 25 billion USD in 2013. Russia was followed by China and Germany with 24.7 billion USD and 24.2 billion USD of import volume, respectively. Share of these three countries in total import volume was 29.4%.

Expectations

The recent recovery in advanced economies is also anticipated to lift growth in emerging market economies with the help of the increase in foreign trade. Turkey's exports growth is expected to gain momentum thanks to this stronger demand from advanced economies together with a weaker Turkish Lira. In addition, CBRT's recent tightening in monetary policy will further curb domestic demand. Thus, we expect that the foreign trade deficit will start to narrow in the coming months.

Foreign Trade Balance - December 2013

Economic Research Division

**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

LEGAL NOTICE

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.