



Foreign Trade Balance - January 2016

Economic Research Division



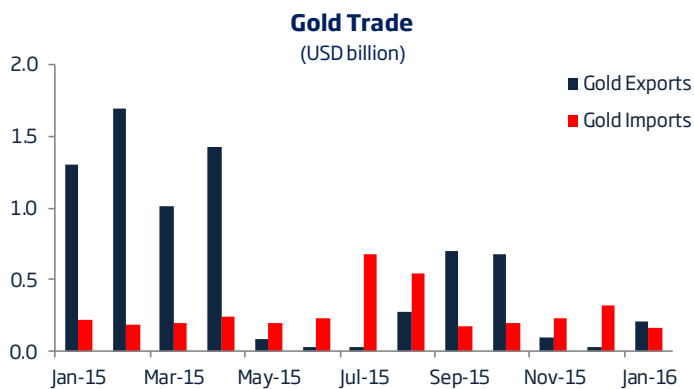
In January, foreign trade deficit narrowed by 13.4%.

Foreign trade deficit has kept its downward trend in the first month of 2016 as it had been throughout 2015. Despite of the low base-year effect, export volume decreased by 22% yoy, import volume also plunged by 19.7% yoy in January. Hence, trade deficit narrowed by 13.4% yoy in this period. It was noteworthy that monthly export volume fell below 10 billion USD in January for the first time in the last 5 years.

Foreign Trade Balance	(USD billion)		
	January		Change
	2015	2016	(%)
Exports	12.3	9.6	-22.0
Imports	16.6	13.4	-19.7
Foreign Trade Balance	-4.3	-3.8	-13.4
Import Coverage Ratio (%)	73.9	71.8	-

Exports displayed a weak performance.

The sharpest annual decline registered in exports since the global crisis was mainly led by the drop in gold exports in January. During this period, 40% of the contraction in total exports (2.7 billion USD) stemmed from the decline in gold trade. Accordingly, exports to Switzerland and England fell by 81.9% and 31% yoy, respectively.



Narrowing exports to Iraq, Russia, Iran and UAE due to the recent geopolitical developments also played a part in the weak performance of exports. Indeed, the fall in exports to these countries accounted for one-third of the annual decline recorded in total exports. Analyses of exports by sub-items revealed that the vegetables, fruits, motor vehicles and machinery exports to Russia contracted in January while raw leather and wearing apparel exports posted a slight increase. For Iraq, on the other hand, exports of the iron-steel, motor vehicles as well as food product exports such as vegetable oils and meat decreased. Fall in precious stones and metals exports was largely responsible for the contraction of exports to Iran and UAE.

Major Export Losses by Destination

(USD thousand)	2015-01	2016-01	(% change)
Switzerland	1,044,440	189,562	-81.9
Iraq	834,204	468,821	-43.8
England	941,629	650,193	-31.0
Russia	315,427	107,749	-65.8
UAE	455,894	287,505	-36.9
Iran	411,510	263,719	-35.9
Azerbaijan	187,513	45,017	-76.0
France	474,490	417,448	-12.0
Syria	135,575	86,954	-35.9
Turkmenistan	137,040	90,775	-33.8
Other	7,364,662	6,989,020	-5.1
Total	12,302,384	9,596,764	-22.0

In January, exports of Turkey recorded a decline for all country groups. Exports to the EU countries, Turkey's largest export market, fell by 9.7% yoy (509 million USD) in this period. Low level of EUR/USD parity continued to have impact on this development, albeit to a limited extent. Moreover, exports to the other European countries dropped by 65% yoy (1.1 billion USD) in January.

The impact of falling oil prices on imports has persisted.

The lower oil prices continued to be instrumental in the decline of energy imports. Indeed, quantity of Turkey's oil imports increased by 19.6% yoy while value of energy imports (classified as Chapter-27, mineral fuels and mineral oil) dropped by 39.2% yoy.

The fall in imports was broad-based in the first month of the year due to the mild course of domestic demand conditions. Boilers-machineries and iron-steel, two of the first five most imported items, contracted by 8.2% yoy and 30% yoy, respectively.

Expectations...

Exports exhibited a weak performance during the first month of the year whereas sliding imports on the back of the lower oil prices gave way to a smaller foreign trade deficit. However, we anticipate that the fall in imports might decelerate in the upcoming period along with the diminishing basis effect of low oil prices. On the exports front, the significance of the diversification of markets grows as geopolitical risks continue to pile up. Meanwhile, the lack of a sustainable growth performance in European Union countries constitutes another concern for Turkey's export outlook. Against this backdrop, we expect that the recovery in foreign trade deficit might be disrupted in the forthcoming months but the relatively low deficit figures will likely to be preserved.

Source: Datastream, Turkstat

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