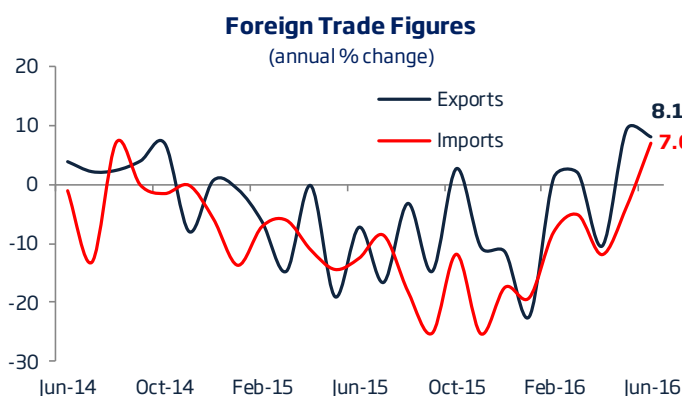


Foreign trade deficit widened.

While exports rose by 8.1% yoy in June, imports which have been on a downward trend since August 2014, recorded an increase. Import volume surged by 7% yoy in this period to 19.5 billion USD, the highest reading of one-and-a-half years. Due to the upward movement in imports, contraction in foreign trade deficit stalled. Thus, the deficit expanded by 5% yoy in June.



In the first half of the year, both export and import volume decreased compared to the same period of the previous year. Foreign trade deficit dropped by 16% yoy as imports declined faster than exports.

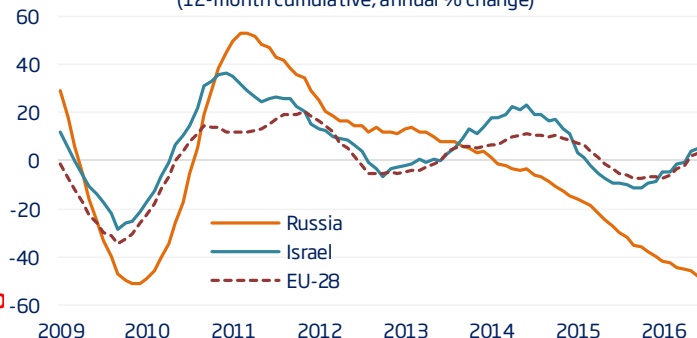
Gold exports increased.

7 out of the top 10 export industries posted annual increases in June. Automotive and machinery became leading export sectors in this period. Besides, gold exports, which have remained solid, made great contribution to the export performance.

In the first 6 months of the year, automotive industry recorded the highest export reading. Due to gold exports, precious metal sector overtook the major export industries such as machinery and wearing apparels.

Exports to the EU countries posted a better performance compared to exports to other country groups in June. Germany became the biggest export market in this period. After ranking first in May, England took second place despite the annual increase of 36.3% in June. The weight of the EU-28 countries in our total export volume continued to rise. On the other hand, the recent improvement in political

ties with Russia is likely to have positive repercussions on bilateral trade relations.

Export to Russia, Israel and EU-28
(12-month cumulative, annual % change)**Energy imports kept falling.**

Despite losing some momentum, imports of mineral fuels and oils continued to decline. Indeed, the annual drop in the first six month of the year reached 37.3% yoy while the fall in June was 29.9% yoy.

Imports of boilers and machineries remained at the top of the list of Turkey's imports. In the first half of the year, boiler and machinery imports expanded by 7.2% yoy and accounted for 13.8% of the total imports. On the other hand, imports from China increased by 27.5% yoy in June thanks to the acceleration in imports of electronics and metal goods. Also, imports from the US recorded a rapid rise in this period due to aircraft purchases.

In the first 6 months, imports of intermediate goods kept falling on the back of the low commodity prices while imports of consumption goods decreased slightly. Imports of capital goods, on the other hand, recovered with the aid of the strong pickup in June.

Expectations...

It was noteworthy that imports posted a rise in June while low commodity prices continued to put downward pressure on import volume. This development has raised the question marks over the sustainability of the downward trend in the foreign trade deficit. On the other hand, the recent steps taken to resolve the problems with Russia and Israel are considered to have a positive impact on export figures.

Foreign Trade Balance

(USD billion)

	June		Change (%)	Jan.-Jun.		Change (%)
	2015	2016		2015	2016	
Exports	11.9	12.9	8.1	73.4	71.7	-2.4
Imports	18.2	19.5	7.0	106.8	99.7	-6.7
Foreign Trade Balance	-6.2	-6.6	5.0	-33.3	-28.0	-16.0
Import Coverage Ratio (%)	65.7	66.3	-	68.8	71.9	-

Source: Datastream, Turkstat

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