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Foreign Trade Balance - September 2016

Economic Research Division

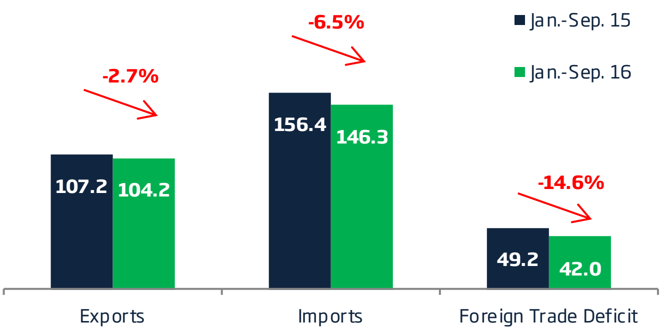
(USD billion)	September 2015	September 2016	Change (%)
Exports	11.6	10.9	-5.6
Imports	15.4	15.3	-0.7
Foreign Trade Balance	**-3.8**	**-4.4**	**14.1**
Import Coverage Ratio (%)	75.2	71.5	-

Foreign trade deficit widened in September.

In September, export and import volume recorded annual falls of 5.6% and 0.7%, respectively. As exports declined more than imports, foreign trade deficit expanded by 14.1% yoy. Seasonally and calendar adjusted figures showed that exports shrank by 3% mom while imports increased by 3.1% mom. This data confirmed the upward pressures that the foreign trade deficit has faced during this period.

In January-September period, export volume contracted by 2.7% on an annual basis. During this period, import volume declined by 6.5% due mostly to the falling energy costs. Hence, foreign trade deficit narrowed by 14.6% yoy and came in at 42 billion USD.

Foreign Trade
(USD billion)



Falls in 8 out of the 10 top export items...

All export items except motor vehicles and boilers and machinery experienced annual falls in September. Precious stones item, under which gold is classified, posted the sharpest drop and played a significant role in the weak performance of exports. Following the strong rise in August, motor vehicles exports recorded a limited increase by 1.2% yoy in September.

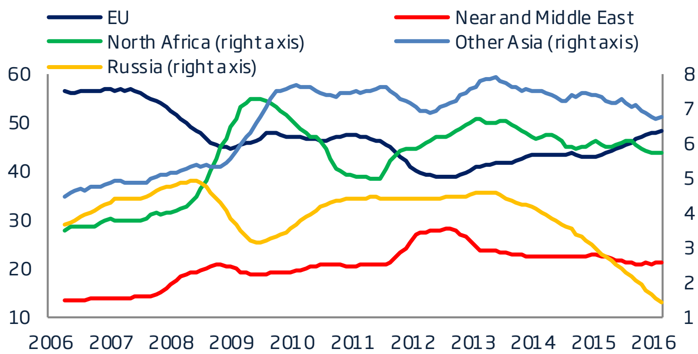
According to the figures for the first 9 months, exports of motor vehicles posted an annual rise of 11.6%, continuing to rank first in total exports. Precious metals and boilers and machineries followed motor vehicles in this period.

Rising share of the EU countries in our total exports...

Exports to the EU countries continued to increase in September albeit at a slower pace. On the other hand, analyzing on a country basis, it is seen that exports to UK, the second major export market of Turkey, declined. Exports to Iran, which ranked seventh in our total exports, rose by more than 100%. The figures revealed that exports to Russia did not show any recovery signs yet in September, contrary to the expectations fed by the ongoing normalization process in bilateral relations. Having a relatively small share in our total exports by 1.3%, exports to Russia contracted by 48.8% yoy.

In January-September period, EU continued to be the major export destination of Turkey. The share of EU exports in our total exports, which was 43.6% in the first nine months of 2015, became 48.5% in the same period this year.

Leading Export Markets
(12-month cumulative, % share)



Energy imports continued to decline.

Imports of boilers and machineries ranked first in total imports with an import volume of 2.1 billion USD in September. Mineral fuels and oils followed this item. Imports of the said item fell by 10 billion USD compared to the same period of the previous year indicating that the improvement in foreign trade deficit was driven by the fall in energy imports .

According to broad economic classification, only consumption goods imports increased on an annual basis. Having declined by 0.3% yoy in August, consumption goods imports surged by 9.4% yoy in September. It was noteworthy that this increase was the sharpest one since June 2015. Among the consumption goods, the largest rises were recorded in the sub-items of non-durable goods and automobiles. Consumption goods imports could sustain this performance in the forthcoming period due to the potential impact of the recent implementations aiming at buoying domestic demand.

Expectations...

Foreign trade outlook has somewhat deteriorated due to weak exports in September. While the positive impact of falling commodity prices has persisted albeit to a lesser extent, the upward pressure on imports has piled up on the back of the expectations that domestic demand will pick up and oil prices will rebound. Against this framework, risks of a larger foreign trade deficit are tilted to the upside for the period ahead.

Source: Datastream, Turkstat

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