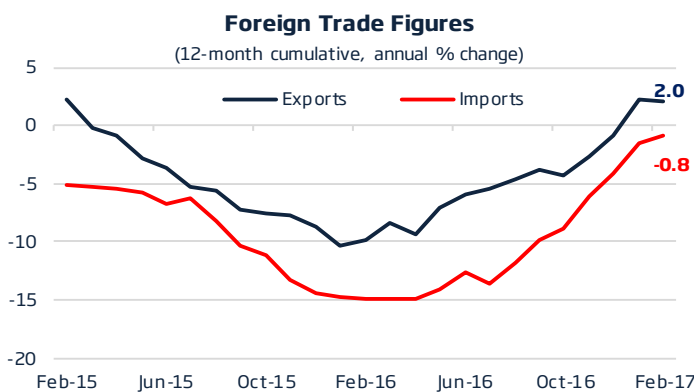


**Foreign trade deficit kept widening.**

In February, exports decreased by 1.9% compared to the same month of the previous year. Imports, on the other hand, increased by 1.6% in the same period. Thus, foreign trade deficit widened by 15% in February compared to the same month of 2016.

Analysis of 12-month cumulative figures indicated that export volume lost momentum in February after posting a rise in January. The contraction in import volume also continued to lose pace.

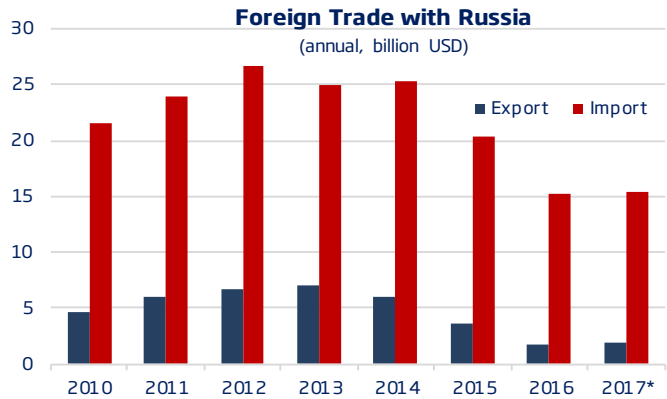


**Widespread export declines across sectors...**

Upward trend in export volume across the sectors seen in January has reversed in February. Only 3 of the top 10 sectors were able to increase their exports on an annual basis. Manufacture of motor vehicles kept its first place among sectors as its exports surged by 13% in February from a year earlier. Due to the rise in commodity prices, iron-steel and mineral fuels were the two sectors that recorded increases in their export volumes. Exports of precious metals and stones, being 1.7 billion USD in February 2016, posted an annual decline of 44.5% in the same period of 2017. Therefore, the sector has fallen to third rank.

Analyzing the country groups, it is seen that exports to the Middle Eastern countries kept increasing in February. It is noteworthy that exports to the United Arab Emirates (UAE) in February have almost tripled compared to the same month of the previous year. Thus, UAE became the second largest export market after Germany in February. However, exports to the EU countries contracted by 3.2%. The 33.4% drop in exports to the UK has stood out.

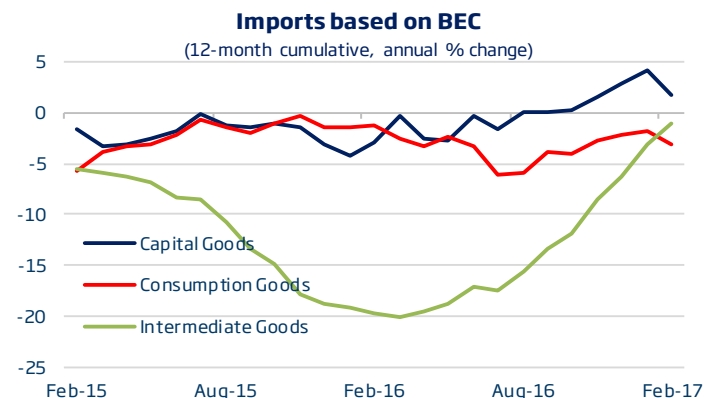
As Russia has been high on agenda with the trade restrictions on Turkish goods, exports to Russia continued to perform



weakly in February compared to the previous years. We anticipate that the current level of exports is likely to be sustained if no improvement is seen in the upcoming period.

**Rise in energy imports...**

Energy imports rose in February after jumping in January. Import volume of mineral fuels and oils became the biggest import item, picking up by 42.8% yoy. The upsurge in imports of precious metals and stones was also a remarkable development. While imports of intermediate goods increased due to the upward movement in energy prices, imports of capital and consumption goods decreased.



**Expectations**

Depreciation in TRY has limited impact on export performance of Turkey as the problems in our major export markets have prevailed. Taking the fading positive effect of commodity prices on imports into consideration, we expect that foreign trade deficit will continue to widen in the coming period. This development with the weak tourism revenues signal that current account deficit might follow an upward trend.

	Foreign Trade Balance (USD billion)					
	February		Change	Jan.-Feb.		Change
	2016	2017	(%)	2016	2017	(%)
Exports	12.4	12.1	-1.9	21.9	23.4	6.7
Imports	15.6	15.8	1.6	29.0	31.4	8.2
<b>Foreign Trade Balance</b>	<b>-3.2</b>	<b>-3.7</b>	<b>15.0</b>	<b>-7.1</b>	<b>-8.0</b>	<b>12.7</b>
Import Coverage Ratio (%)	79.4	76.7	-	75.5	74.5	-

(\* ) As of February 2017, 12-month cumulative.

**Türkiye İş Bankası A.Ş. - Economic Research Division**

**İzlem Erdem** - Division Head  
izlem.erdem@isbank.com.tr

**Hatice Erkiletlioğlu** - Asst. Manager  
hatice.erkiletlioglu@isbank.com.tr

**Eren Demir** - Economist  
eren.demir@isbank.com.tr

**Gamze Can** - Asst.Economist  
gamze.can@isbank.com.tr

**Alper Gürler** - Unit Manager  
alper.gurler@isbank.com.tr

**İlker Şahin** - Economist  
ilker.sahin@isbank.com.tr

**Dr. Mustafa Kemal Gündoğdu** - Economist  
kemal.gundogdu@isbank.com.tr

Our reports are available on our website <https://research.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.