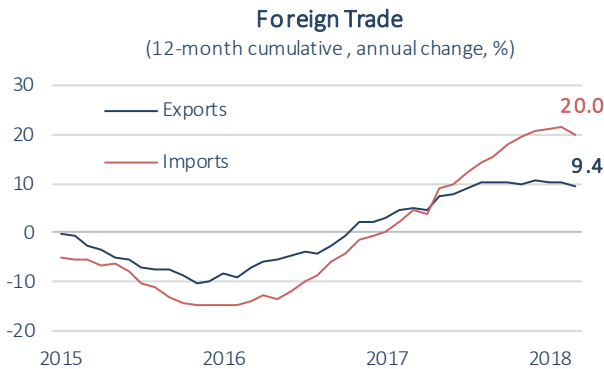




In May, foreign trade deficit became 7.8 billion USD.

In May, foreign trade figures showed a more balanced outlook compared to the previous months. Exports in this month were up by 5.3% yoy and imports increased by 5.5% yoy to 14.3 billion USD and 22.1 billion USD, respectively. In May, annual expansion of foreign trade deficit declined to 5.7%, while the foreign trade deficit stood at 7.8 billion USD. Import coverage ratio remained almost the same compared to the same month of the previous year and was realized as 64.8%.

According to the 12-month cumulative figures, export volume increased by 9.4% yoy to 162.1 billion USD, import volume jumped 20% to 249.2 billion USD albeit losing some momentum. 12-month cumulative foreign trade deficit was 87.1 billion USD in this period.



Gold exports kept contracting.

In May, motor vehicles continued to be the largest exporting item. Exports of this chapter increased by 5.4% yoy to 2.3 billion USD. Exports of boilers and machines, iron-steel and electrical machineries and equipments, which are among the most important export items for Turkey, rose about 20% yoy and made contribution of 4.0 points to the increase of 5.3% of total exports. On the other hand, as in April, export of precious stones and metals was the only falling item in the top ten in May. Non-monetary gold exports, which has been declining for the last 8 months on a yearly basis, declined by 87.4% in May to 74.4 million USD.

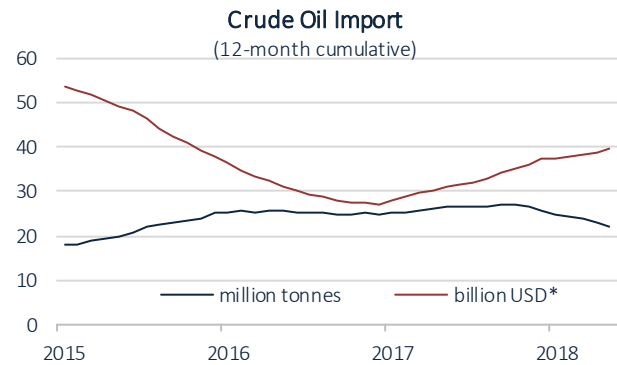
Share of EU countries in total exports increased.

In May, Germany remained the top export market. Among the country groups, the share of the EU countries kept rising and reached 49.4% according to the 12-month cumulative figures. On the other hand, the share of Near and Middle

Eastern countries has continued to decline and has fallen below 20% for the first time since 2010.

Iron-steel imports rose sharply.

In May, mineral fuels and oils item was the largest import item, followed by boilers-machinery, iron-steel and precious stones and metals. Import volumes of mineral fuels and oils and iron-steel posted annual increases by 26% and 39.1%, respectively mainly due to the rise in commodity prices. Indeed, although import of crude oil continued to decline on quantity basis, import bill continued to rise. 12-month cumulative amount of 27th chapter, in which crude oil imports were being monitored, was close to 40 billion USD.



In May, gold imports contracted by 23.2% compared to the same month of previous year and were realized as 1.6 billion USD. This decline has limited the increase in total import volume by 2.4 points.

Import of consumption goods kept declining.

In May, imports of capital goods and intermediate goods expanded moderately by 6.6% and 8.0% yoy, respectively. Import of consumer goods continued to contract in May following April, indicating that the contribution of private consumption expenditures to growth in the second quarter might be limited.

Expectations...

Despite high level of commodity prices, loss of momentum in the pace of import volume increase raises question marks over economic activity. We believe that contribution of consumption expenditures, which played an important role in the GDP growth in Q1, might be limited in the second quarter, as the decrease in the imports of consumption goods indicates.

Foreign Trade Figures	(billion USD)					
	May		Change (%)	January-May		Change (%)
	2017	2018		2017	2018	
Exports	13.6	14.3	5.3	64.3	69.3	7.9
Imports	20.9	22.1	5.5	89.1	104.5	17.2
Foreign Trade Deficit	-7.3	-7.8	5.7	-24.9	-35.2	41.4
Import Coverage (%)	64.9	64.8	-	72.1	66.3	-

(*) Mineral fuels and oils item.

Source: Datastream, Turkstat

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