

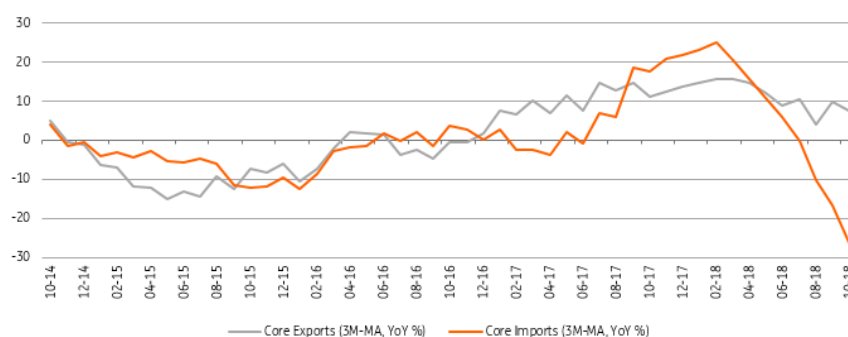
## Turkey: 12M rolling trade deficit keeps widening

The trade balance was USD-6.3bn in November. The 12M rolling deficit widened further, to USD73.1bn, the highest since Aug-15.



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### Evolution of Core Exports & Imports (%)



Source: TurkStat, ING Bank

The November foreign trade deficit came to USD6.3bn. The 12M rolling deficit, on a gradual uptrend since early 2017, widened further to USD73.1bn, the highest since Aug-15.

Imports saw 21.3% YoY growth on the back of a rising energy bill, with higher oil prices and accelerating gold imports. Core imports excluding gold and energy recorded solid growth at 16% YoY thanks to the impact of robust domestic demand. On the flip side, exports saw continuation of their healthy increase, by 11.2% YoY with a 14.7% rise in core exports - due to strength in EU demand, recovering trade with Russia and Iraq and improving TRY competitiveness.

We saw a sharp 72% widening in the merchandise trade deficit vs the same month of the previous year, translating into 68.1% coverage of imports by exports on a 12M rolling basis, following a downtrend in the first eight months.

Overall, cyclical developments have continued to determine external balances, impacted by robust domestic demand, a deteriorating net gold trade with replenishment of gold stocks and a growing energy deficit. In 2018, we expect some improvement in foreign balances with likely continuation of export strength on the back of resilient EU demand and contribution of currency weakness on price competitiveness as well as expected softening in domestic demand, with fading credit stimulus and reversal of some fiscal measures. Energy prices will remain a key variable determining the level of external deficit.

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