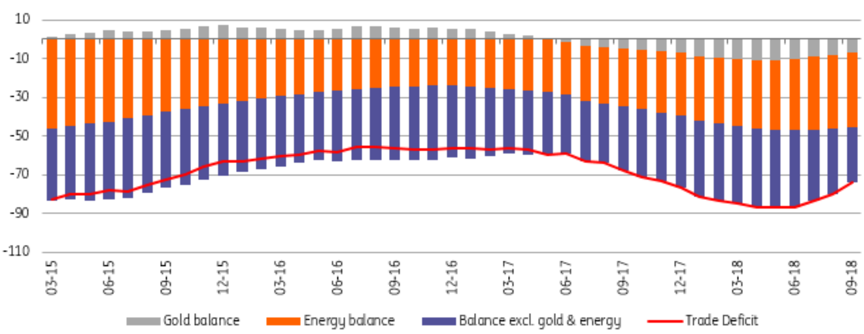
# Turkish trade balance continues to improve

Slower growth and a weaker currency lead to a contraction in Turkey's foreign trade deficit, a trend we've seen since June, and the latest September figures show a further acceleration

Source: Shutterstock

## 12M Rolling Trade Balance (USD bn)

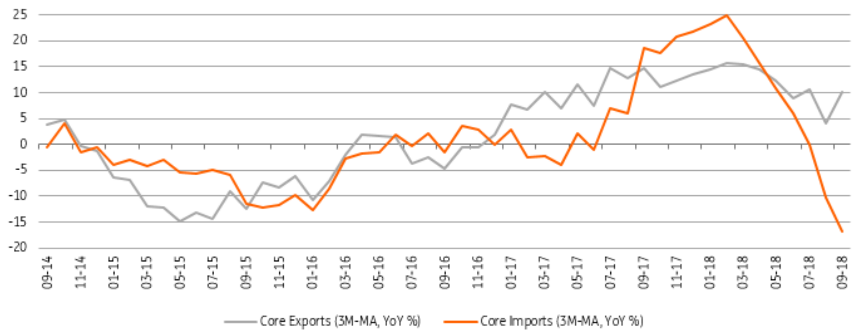



Source: TurkStat, ING Bank

External imbalances had already started to improve in the second half of this year and this trend turns more visible with a plunge in the September trade deficit to USD1.9bn, pulling the 12M rolling figure to USD74bn, the lowest since Nov-17. Accordingly, coverage of imports by exports stood at 69% on a 12M rolling basis, up from 66.9% a month ago. We expect the improvement to continue at a rapid pace with the slowdown in growth weighing on import demand and strong exports on the back of increased price competitiveness and the ability of Turkish companies to diversify export markets.

The major determinant of the monthly contraction in external balances is an ongoing momentum loss in imports, down by 18.3% YoY (-3.9% on a sequential basis), which recorded the fourth negative growth in a row). This can be attributed to the drop in gold imports and most importantly the continued fall in core imports with a softening in domestic demand conditions and a consequent rebalancing more evident from the second quarter onwards. Core exports, on the other hand, saw a sharp increase in September to 21.5% YoY and are expected to maintain that healthy increase in the period ahead.

## Evolution of Core Exports & Imports (%)




Source: TurkStat, ING Bank

Overall, the foreign trade deficit that peaked in May started improving thereafter with an accelerating pace and will likely maintain its course in the right direction. Further normalisation in gold imports should also contribute to the expected recovery in the deficit. Note that oil prices are vulnerable to geopolitical risks and these could limit the narrowing of the deficit to some extent.

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