

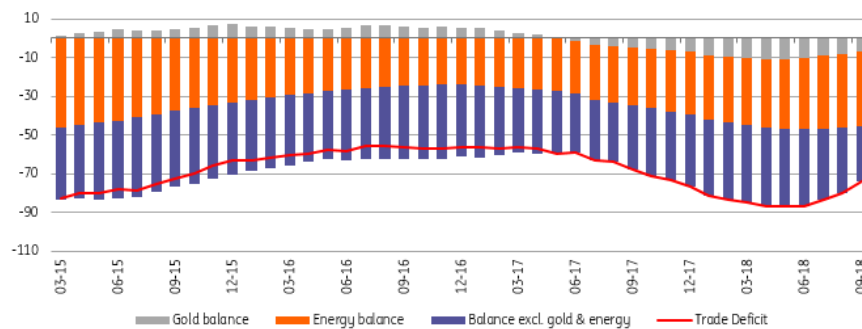
Turkey: Trade deficit still on expansionary path

The trade balance came in at US\$6.7bn in April while the 12-month rolling deficit stood at US\$86.7bn- the highest since mid-2014. Rising gold imports and energy bills, as well as higher core imports, are to blame



Source: Flickr

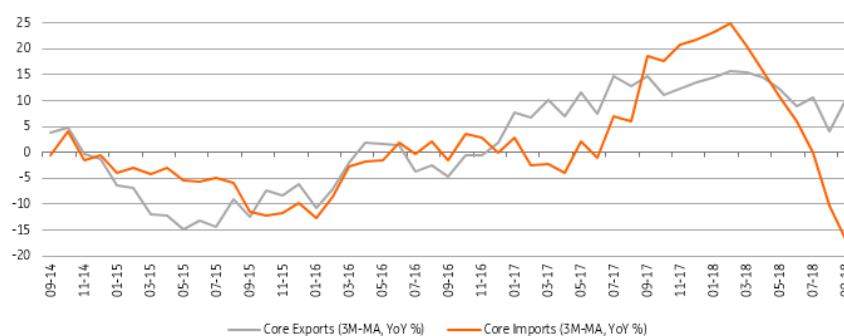
12M Rolling Trade Balance (USD bn)



Source: TurkStat, ING Bank

The foreign trade deficit stood at US\$6.7bn in April, continuing on an expansionary track, while the 12M rolling figure moved up to US\$86.7bn, the highest since mid-2014. Imports were again a major factor in the deterioration of external balances, while the pace of growth has lost some momentum of late in comparison to the pace seen in the second half of last year. A spike in oil prices has taken a toll with double-digit growth rates since early 2017, while net gold trade continued to go south on the back of a strong rise in imports and further decline in exports. Core imports, on the other hand, remained on an uptrend, though with a less steep increase given some softening in domestic demand conditions since the beginning of this year. Finally, core exports continued their healthy increase, by 14.4% year on year, due to strength in external demand and improving competitiveness from a weak currency.

Evolution of Core Exports & Imports (%)



Source: TurkStat, ING Bank

Cyclical developments, i.e. deteriorating gold and energy trade as well as strong activity weighing on the core balance, have been the major drivers for external balances. However, we will see an improvement in the coming period due to a likely ease in import demand with moderating growth, though with a delay given the uptrend in oil prices. A normalisation in gold imports as implied by Deputy Prime Minister Mehmet Simsek will also contribute to the expected recovery in the deficit.

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