

Turkey: Foreign trade almost balanced in October

The weakness in domestic demand and increased price competitiveness have resulted in a sharp improvement in the trade balance



Source: iStock

-94% Contraction in trade deficit
(YoY change in October)

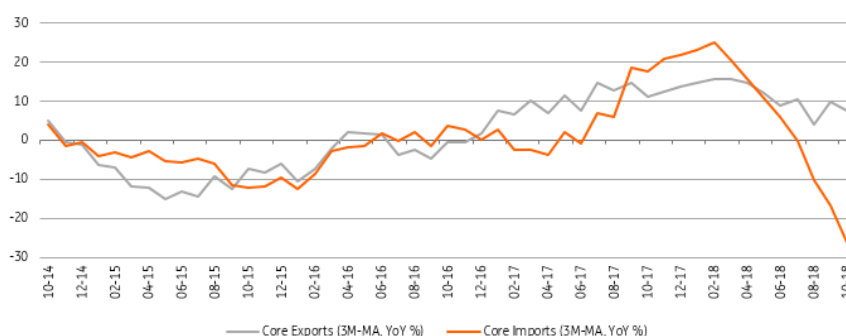
The foreign trade deficit has continued to contract rapidly and was roughly balanced in October at just \$-0.5 billion, down by 94% from a year earlier and the smallest deficit recorded since the 2001 financial crisis.

Exports maintained a healthy pace of growth, at 13%, thanks to continued penetration into the EU market and recovering price competitiveness. But the rapid pace of external rebalancing stemmed mainly from the ongoing weakening in domestic demand and higher import prices due to the

plunge in the Turkish lira over the summer months.

Data also confirmed that gold imports have started to normalise and are on a downtrend trend after peaking in April this year. Accordingly, monthly imports plunged by 24% (the third double-digit contraction in a row following volatility in August) to \$16.2 billion.

Evolution of Core Exports & Imports (%)



Source: TurkStat, ING Bank

Importantly, the 12-month trailing core balance (excluding gold and energy trade) stood at \$-21.8 billion (and was in surplus in October at \$2.6 billion). This was the best reading since 2010 and compares to \$-39.6 billion in June, showing external rebalancing momentum.

The foreign trade deficit, which peaked in the first half, has clearly started to improve and will likely continue to do so. But the pace of rebalancing will likely slow given recent strength in the Turkish lira. A further normalisation in gold imports and ongoing drop in energy prices should also contribute to the expected recovery in the deficit.

Author

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.