

## 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)

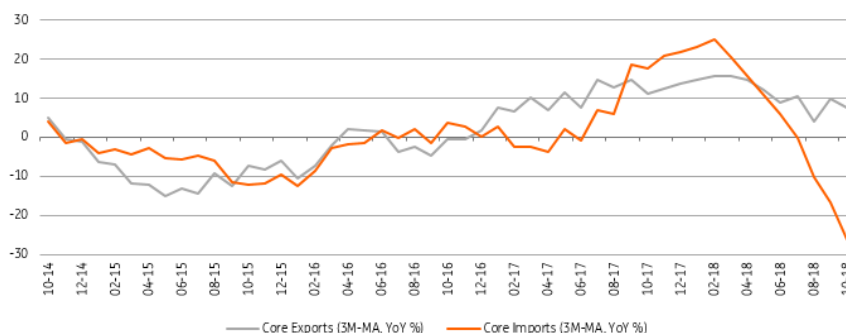
The foreign trade deficit has continued to contract rapidly and was roughly balanced in October at just \$-0.5 billion, down by 94% from a year earlier and the smallest deficit recorded since the 2001 financial crisis.

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.

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