

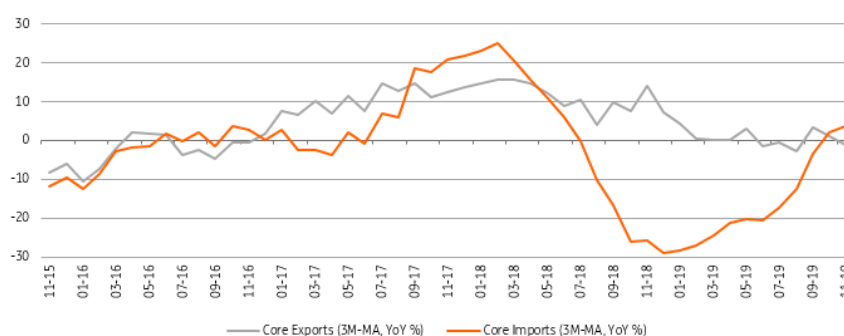
## Turkey: Gradual widening in trade balance

Trade data confirm that the core trade balance - the main driver behind the rapid recovery in the current account in 2019 - is seeing a reversal and is now gradually increasing.



Source: Shutterstock

### Evolution of Core Exports & Imports



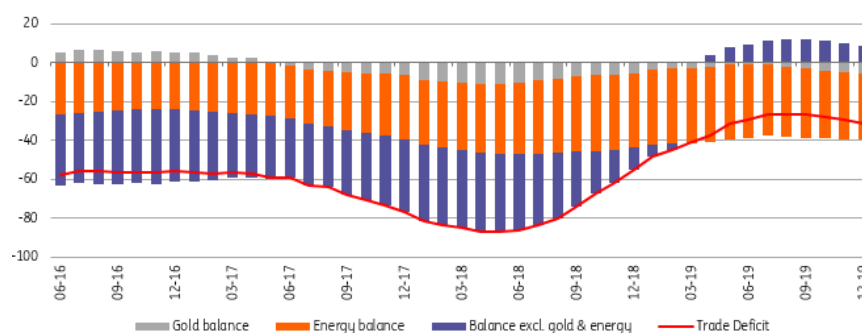
Source: TurkStat, ING

External balances, having improved rapidly after the August 2018 currency shock and reflecting weaker domestic demand and increased price competitiveness, have shown signs of reversal in recent months. Core import growth has exceeded the rise in core exports since October 2019.

Growth in core imports hit 15.5% YoY in December last year, the highest level since early 2018. This is attributable to an improving domestic demand outlook and to a supportive base. The expansion in core exports stood at 3.7% YoY, after two months of contraction. Reviving gold imports pushed the gold deficit markedly higher in the second half of 2019. The trend in energy imports continued, with lower oil prices limiting the widening in the overall trade balance. We also saw a decline in total exports (-0.9% MoM seasonally adjusted). Imports were up by 14.9% YoY, translating into strong +1.1% MoM growth on a seasonally adjusted basis.

The 12M rolling deficit stood at US\$31.2 billion, gradually increasing from its cyclical low of US\$26.4 billion in May 2019. The core trade surplus declined to US\$+8.7 billion.

## 12M Rolling Trade Balance (USD bn)



Source: TurkStat, ING

The share of exports to the MENA region rose to 27.8% of the total in December, up from 25.8% a year ago and helped by exports to Iraq, Egypt, and Morocco. The share of exports to the EU recorded a marked drop - to 44.0% from 47.1%. UK, Italy, and Poland were the EU countries with the largest contributions to the decline in share.

All in all, the latest data confirm the reversal in core trade balance. We expect continuation of the gradual widening in the period ahead - weak growth in the EU will likely weigh on export performance and the recovery in domestic demand should support imports.

## Author

**Muhammet Mercan**

Chief Economist, Turkey

[muhammet.mercan@ingbank.com.tr](mailto:muhammet.mercan@ingbank.com.tr)

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