

## Turkey's trade balance deteriorates

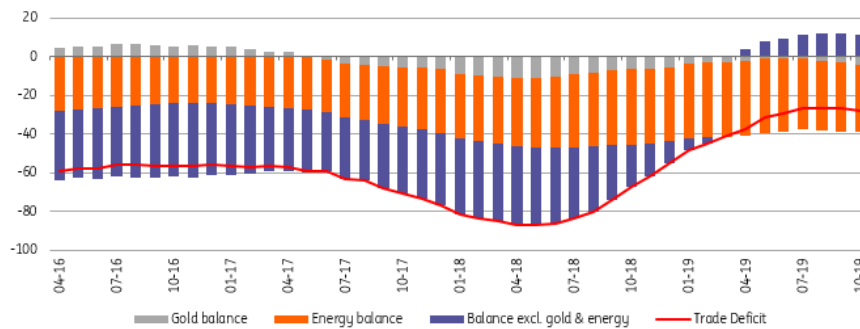
Turkey's trade balance, the main driver of the rapid recovery in the current account balance since the middle of 2018, has changed direction and is now deteriorating



Source: shutterstock

Turkey's rapid external rebalancing, which has been in place since the currency shock in August 2018, has lately been gradually reversing, with the 12M rolling deficit expanding slightly in recent months at US\$-28.0 as of October. Accordingly, we saw a decline in the core trade surplus, though it remains close to the all-time high at US\$+11.2 billion.

## 12M Rolling Trade Balance (USD bn)



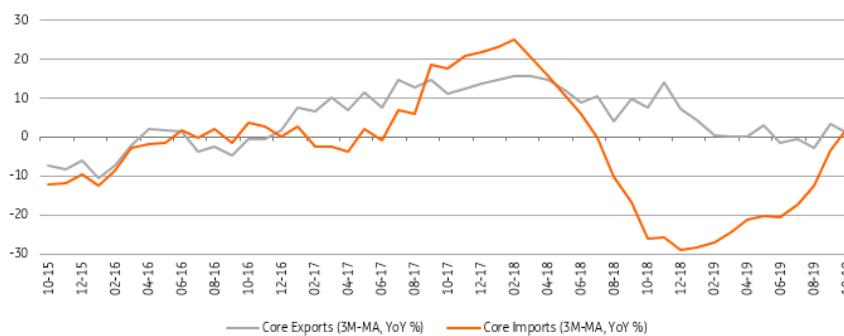
Source: TurkStat, ING

On a monthly basis, the deficit came in at US\$-1.8 billion in October, more than three times the size of the near-balanced reading of US\$-0.5 billion in the same month last year, just after August's volatility. We can put this down to two main things:

- Reviving gold imports, which pushed the gold deficit higher in the second half of this year
- A deterioration in the core trade balance given an improving domestic demand outlook, although net energy trade has continued to recover with lower oil prices limiting the widening in the overall trade balance.

Thus, we saw broadly flat export growth (-0.5% month-on-month on a seasonally adjusted basis), while imports went up by 8.0% year-on-year, translating into strong +3.6% month-on-month growth on a seasonally adjusted basis.

## Evolution of core exports & imports



Source: TurkStat, ING

By geographic destination, the exports share to the MENA region rose to 24.1% from 23.2% a year ago, while the share of exports to the EU recorded a marked drop to 48.2% from 49.8%. Spain, UK, and Germany were the EU countries with the largest contribution to that share decline.

Turkey's core trade balance saw a significant turnaround, driven mainly by import compression, following the financial volatility last year. But we expect a gradual widening in the period ahead given weak growth in the EU, which will likely weigh on export performance while a recovery in domestic demand supports imports. The policy stimulus to

boost consumption risks accelerating this widening trend.

## Author

### Muhammet Mercan

Chief Economist, Turkey

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