

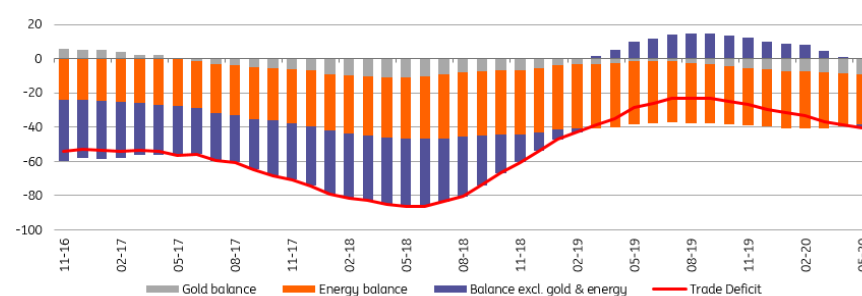
Turkey: Trade balance widens rapidly

The trade data confirms that the trade deficit is widening at a rapid pace, while credit stimulus at historic proportions should be supportive for imports in the near term



Source: shutterstock

12M Rolling Trade Balance (USD bn)



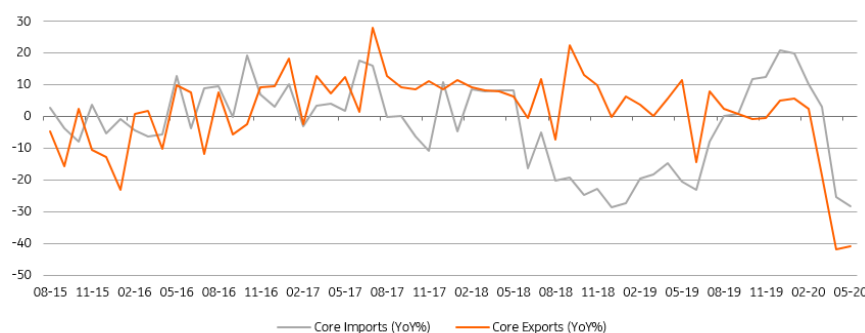
Source: TurkStat, ING

Following a gradual reversal in foreign trade in late 2019, with core import growth exceeding that of core exports, we have seen an acceleration in the last few months as the sharp contraction in Turkey's main trading partners has weighed on exports.

Accordingly, the total deficit stood at US\$40.2 billion in the 12 months to May, rapidly increasing from below US\$30 billion at the end of 2019, while the core trade balance (excluding gold and energy), which had been in surplus since early 2019 went into a deficit of US\$1.9 billion.

Looking at May alone, a significant reversal in the core balance continued while a sharp decline in core exports, at -40.8% YoY, warrants concern. Core import growth, on the other hand, fell 25% YoY, reflecting the impact of lockdown measures, though the drop is relatively shallow compared to the pace of exports. Also, still strong gold imports pushed the gold deficit markedly higher in May whereas energy imports fell, with lower oil prices limiting the extent of the widening in the overall trade balance. In May alone, we saw a 40.9% YoY decline in total exports (though bouncing from the bottom in April, by 23.9% on sequential basis), while imports went down by 27.8% YoY (translating into a +9.6% month-on-month turnaround on a seasonally-adjusted basis). As a result, the trade deficit more than doubled to US\$3.4 billion.

Evolution of Core Exports & Imports



Source: TurkStat, ING

All in all, the latest data confirms a rapid widening in the trade deficit, while large credit stimulus at historic proportions in recent months should be supportive for imports in the near term, adding to concerns about the trade outlook. On the flip side, a recovery in exports with the reopening of key export markets and benign energy prices will be key to limit the deterioration.

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