

Macro: External deficit remains high

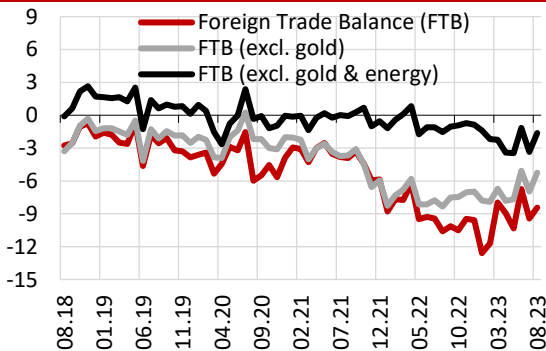
According to the provisional statistics of the Ministry of Trade for August, foreign trade deficit remained high at \$8.9 billion on a monthly basis, while the 12-month cumulative deficit narrowed to \$118.4 billion. According to seasonally adjusted data, foreign trade balance improved slightly on a monthly basis due to the slowdown in core imports. On the other hand, gold imports remained high by around \$3.4 billion, while the ongoing decline in energy imports stalled due to the rise in oil prices.

Based on sub-groups, data suggest that the slowdown in core imports in August may have been driven by the rapid depreciation of the Turkish lira and the recent tightening steps after the elections. However, despite the rapid nominal depreciation of the Turkish lira and the rise in interest rates, the real interest rate remains negative and the rapid recovery in the real value of the TL due to high inflation are factors that will limit the desired slowdown in imports. Moreover, leading indicators point out that domestic demand-driven growth is maintained. In a scenario without a slowdown in growth, we believe that the gains in the external balance through the exchange rate and credits will not be permanent.

In August, exports increased by 1.6% y-o-y to \$21.6 billion and imports decreased by 6.3% y-o-y to \$30.5 billion, which led to a trade deficit of \$8.9 billion. Thus, the 12-month cumulative foreign trade deficit narrowed to \$118.4 billion (Table 1).

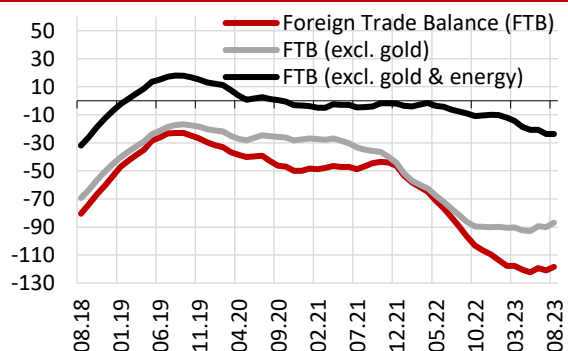
Seasonally adjusted data for August indicate that foreign trade balance improved slightly on a monthly basis, but remained elevated. This was driven by the stronger decline in the balance excluding gold and energy (core) despite the acceleration in energy and gold imports (Charts 1 and 2).

Chart 1. Foreign Trade Balance (seasonally adj. billion \$)



Source: TURKSTAT, MoT, Akbank

Chart 2. Foreign Trade Balance (12-month cumulative. billion \$)



In seasonally adjusted terms, exports rose by 1.6% mom in August (Table 3, Chart 3). Regional data suggest that the increase stemmed from countries excluding the EU-27 (Charts 8 and 9), while the rise was widespread across main subgroups (Charts 10 and 11).

TEA estimate that the contribution of the parity was \$715 million in August and \$2.2 billion in the last five months. Considering the last 1-1.5 years, nominal exports have followed a flat course. The decline in the unit value surely has a role in this outlook. However, the slowdown in growth in Europe, our main export partner, due to the weakening in the manufacturing industry and the loss of competitiveness caused by the real appreciation of the Turkish lira also limit our exports in real terms.

Chart 3. Exports (seasonally adj., billion \$)

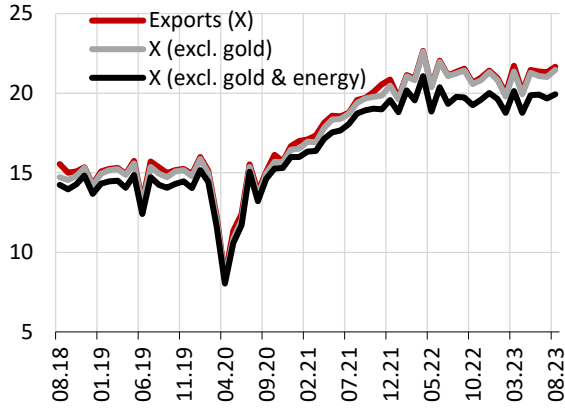
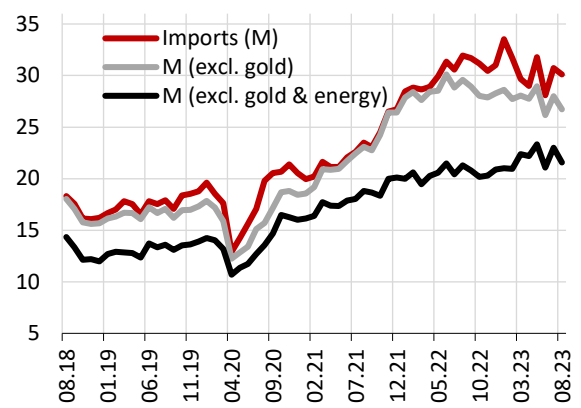


Chart 4. Imports (seasonally adj., billion \$)



Source: TURKSTAT, MoT, Akbank

Seasonally adjusted imports declined in August (Chart 4). Gold imports remain high. Based on the volume of Chapter 71 imports, we estimate that gold imports amounted to around \$3.4 billion (Chart 5) in August and \$22.7 billion year-to-date. In the same period of 2022, it was \$9.3 billion. The fact that gold imports did not decelerate in August implies that the quota application launched to limit gold imports has not yet been effective. **Energy imports**, on the other hand, increased by 3.5% mom in seasonally adjusted terms due to the rise in oil prices to \$85 (Chart 6). Energy imports amounted to \$46.4 billion year-to-date, significantly below the same period of the previous year (\$64.3 billion). Therefore, the annual decline in the energy bill have offset the negative impact of the rise in gold imports on the external balance so far this year. On the other hand, **core imports (excluding energy and gold)** have been quite volatile in the post-election period, falling by 6.3% mom in August (Chart 4). In the first eight months of the year, core imports increased by \$12.7 billion yoy to \$178.2 billion, leading the deterioration in the external balance in 2023. The strong course of loans and the appreciation in TL in real terms in the first half of the year supported import volume.

Chart 5. Gold Imports (billion \$)

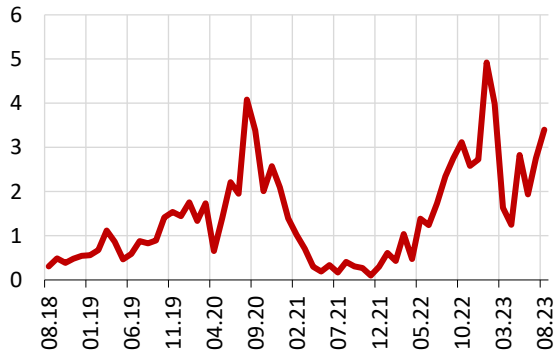
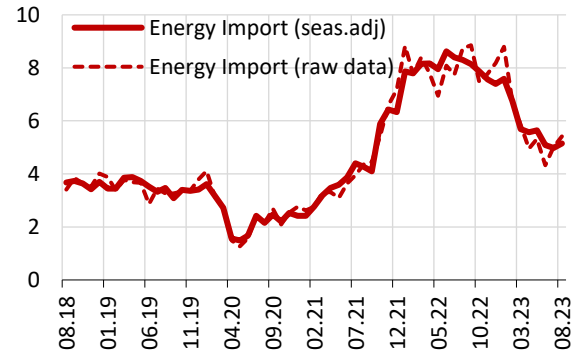


Chart 6. Energy Imports (billion \$)



Source: TURKSTAT, MoT, Akbank

Based on sub-groups, data suggest that the slowdown in core imports in August may have been driven by the rapid depreciation of the Turkish lira and the recent tightening steps after the elections (Charts 11 and 12). However, despite the rapid nominal depreciation of the Turkish lira and the rise in interest rates, the real interest rate remains negative and the rapid recovery in the real value of the TL due to high inflation are factors that will limit the desired slowdown in imports. Moreover, leading indicators point out that domestic demand-driven growth is maintained. In a scenario without a slowdown in growth, we believe that the gains in the external balance through the exchange rate and credits will not be permanent.

Chart 7. Coverage Ratio (%)

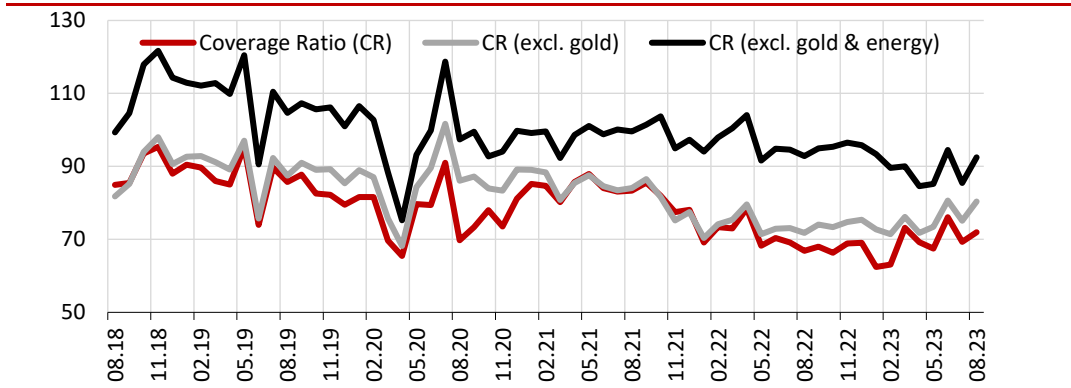


Chart 8. Exports by Region (seasonally adjusted. billion \$)

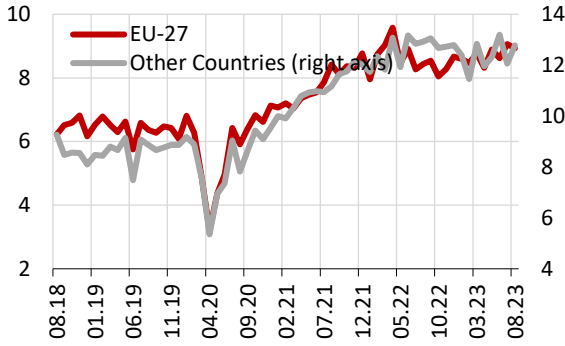


Chart 9. Exports by Region (seasonally adjusted. billion \$)

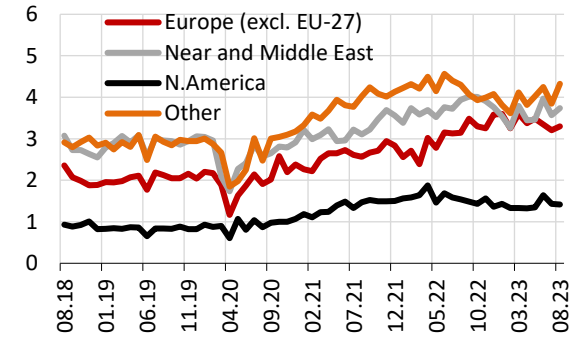


Chart 10. Intermediate Goods Exports (seasonally adjusted. billion \$)

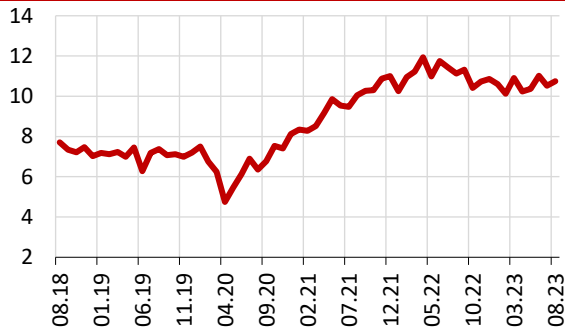


Chart 11. Capital and Consumption Goods Exports (seasonally adjusted. billion \$)

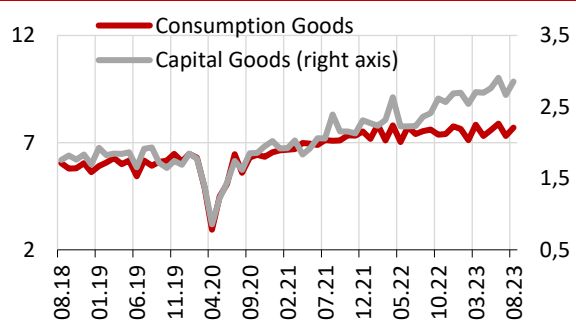


Chart 12. Intermediate Goods Imports (seasonally adjusted. billion \$)

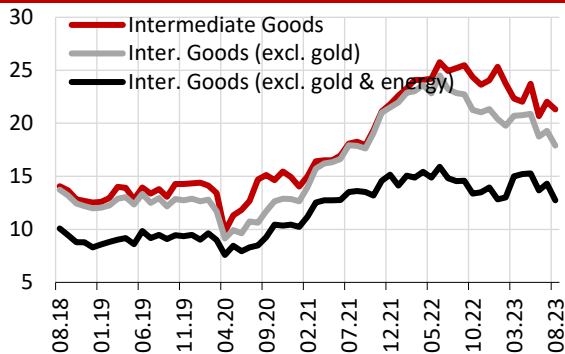
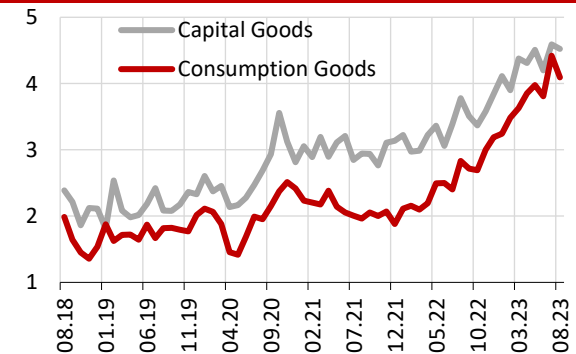


Chart 13. Capital and Consumption Goods Imports (seasonally adjusted. billion \$)



Source: TURKSTAT, MoT, Akbank

Source: TURKSTAT, MoT, Akbank

Table 1. Foreign Trade (raw data, billion USD)

	2018	2019	2020	2021	2022	12-Month Cum.	First 8 Months	
						August 2023	2022	2023
Foreign Trade Balance	-54.0	-29.5	-49.9	-46.2	-109.5	-118.4	-73.5	-82.4
Exports	177.2	180.8	169.6	225.2	254.2	253.6	165.5	164.9
Imports	231.2	210.3	219.5	271.4	363.7	372.0	239.0	247.3
Foreign Trade Balance (excl. gold and energy)	-7.5	13.0	-3.3	-2.0	-10.0	-23.8	-11.1	-24.9
Exports (excl. gold and energy)	168.8	170.4	162.1	213.2	236.7	235.7	154.4	153.3
Imports (excl. gold and energy)	176.2	157.3	165.4	215.2	246.7	259.4	165.5	178.2
Foreign Trade Balance (gold)	-8.7	-9.3	-22.4	-2.0	-19.4	-31.6	-8.7	-20.9
Exports (gold)	2.6	2.0	2.8	3.5	1.1	2.3	0.6	1.8
Imports (gold)	11.3	11.3	25.2	5.5	20.4	33.9	9.3	22.7
Foreign Trade Balance (energy)	-37.8	-33.3	-24.2	-42.2	-80.1	-63.0	-53.8	-36.6
Exports (energy)	5.8	8.4	4.7	8.5	16.4	15.7	10.5	9.8
Imports (energy)	43.6	41.7	28.9	50.7	96.5	78.7	64.3	46.4
Exports	177.2	180.8	169.6	225.2	254.2	253.6	165.5	164.9
Exports (EU-27)	77.4	76.7	70.0	93.1	103.0	103.4	68.7	69.0
Exports (excl. EU-27)	99.7	104.1	99.6	132.2	151.1	150.2	96.8	95.9
Exports (Other Europe)	23.9	24.4	24.4	31.5	36.6	40.8	21.8	26.0
Exports (Near and Middle East)	32.4	35.0	31.3	38.4	45.0	44.4	28.4	27.8
Exports (North America)	10.4	10.0	11.2	16.4	18.8	17.1	12.7	11.0
Exports (Other)	33.0	34.7	32.7	45.9	50.7	47.9	33.9	31.1
Exports (Capital Goods)	21.0	21.6	19.8	24.8	29.0	32.2	17.9	21.0
Exports (Intermediate Goods)	84.3	85.4	80.3	115.2	133.4	128.3	88.9	83.8
Exports (Consumption Goods)	71.0	72.7	68.3	83.8	89.8	90.7	57.5	58.4
Imports	231.2	210.3	219.5	271.4	363.7	372.0	239.0	247.3
Imports (Capital Goods)	30.1	26.1	31.8	35.9	40.5	49.3	25.4	34.1
Imports (Intermediate Goods)	174.8	162.5	163.0	210.1	292.4	280.0	195.0	182.6
Inter. Goods Imports (excl. gold)	163.5	151.3	137.8	204.6	272.0	246.2	185.7	159.9
Inter. Goods Imports (excl. gold and energy)	119.9	109.5	108.9	154.0	175.4	167.5	121.4	113.5
Imports (Consumption Goods)	25.4	21.2	24.1	24.9	30.5	42.4	18.5	30.4
Coverage Ratio	78.2	86.0	77.0	83.1	69.8	68.5	69.2	67.1
Coverage Ratio (excl. gold)	80.5	89.8	85.4	83.7	73.7	74.5	71.6	72.9
Coverage Ratio (excl. gold and energy)	97.9	108.3	97.5	99.2	95.9	91.6	93.2	86.6

Source: TURKSTAT. MoT

Table 2. Foreign Trade (raw data. billion USD)

	May.23	June.23	July.23	Aug.23	2022-4Q	2023-Q1	2023-Q2	2023-Q3*
Foreign Trade Balance	-12.6	-5,2	-12,2	-8,9	-26,4	-34,8	-26,6	-21,1
Exports	21.6	20,8	20,1	21,6	66,1	61,5	61,7	41,7
Imports	34.2	26,1	32,3	30,5	92,5	96,2	88,3	62,8
Foreign Trade Balance (excl. gold and energy)	-5.9	-0,3	-6,0	-1,9	0,9	-6,9	-10,1	-7,9
Exports (excl. gold and energy)	20.1	19,5	18,5	19,8	61,6	57,4	57,6	38,3
Imports (excl. gold and energy)	26.0	19,8	24,5	21,7	60,6	64,3	67,7	46,2
Foreign Trade Balance (gold)	-2.7	-1,7	-2,5	-3,2	-8,1	-9,9	-5,4	-5,7
Exports (gold)	0.2	0,3	0,3	0,2	0,3	0,7	0,6	0,5
Imports (gold)	2.8	1,9	2,8	3,4	8,4	10,5	6,0	6,2
Foreign Trade Balance (energy)	-4.0	-3,2	-3,7	-3,8	-19,3	-18,0	-11,1	-7,5
Exports (energy)	1.3	1,1	1,3	1,6	4,1	3,3	3,5	2,9
Imports (energy)	5.3	4,3	5,0	5,4	23,4	21,4	14,6	10,4
Exports	21.6	20,8	20,1	21,6	66,1	61,5	61,7	41,7
Exports (EU-27)	9.1	8,7	8,6	8,5	25,4	26,0	25,9	17,1
Exports (excl. EU-27)	12.6	12,1	11,5	13,1	40,7	35,5	35,8	24,6
Exports (Other Europe)	3.3	3,3	3,0	3,5	11,0	9,9	9,6	6,5
Exports (Near and Middle East)	3.5	3,5	3,4	3,8	12,5	10,4	10,2	7,2
Exports (North America)	1.5	1,5	1,4	1,5	4,5	3,9	4,2	2,9
Exports (Other)	4.3	3,8	3,7	4,4	12,6	11,3	11,8	8,0
Exports (Capital Goods)	2.8	2,7	2,6	2,6	8,7	7,7	8,0	5,2
Exports (Intermediate Goods)	11.1	10,5	10,3	11,2	32,4	31,1	31,2	21,5
Exports (Consumption Goods)	7.5	7,5	6,8	7,5	24,4	22,3	21,8	14,3
Imports	34.2	26,1	32,3	30,5	92,5	96,2	88,3	62,8
Imports (Capital Goods)	4.8	3,8	5,1	4,5	11,6	12,0	12,5	9,7
Imports (Intermediate Goods)	25.3	18,6	22,4	21,8	71,6	73,9	64,4	44,3
Inter. Goods Imports (excl. gold)	22.5	16,6	19,7	18,4	63,2	63,4	58,4	38,1
Inter. Goods Imports (excl. gold and energy)	17.2	12,3	14,7	13,0	39,8	42,0	43,8	27,7
Imports (Consumption Goods)	4.1	3,6	4,7	4,1	9,2	10,2	11,4	8,8
Coverage Ratio	63.3	80,0	62,2	70,9	71,5	63,9	69,9	66,5
Coverage Ratio (excl. gold)	68.4	85,2	67,0	79,1	78,2	70,9	74,3	73,0
Coverage Ratio (excl. gold and energy)	77.3	98,4	75,4	91,3	101,5	89,3	85,1	83,3

* Sum of July and August

Source: TURKSTAT. MoT

Table 3. Foreign Trade (Seasonally and calendar adjusted)

	Monthly % Change (seas. adj.)				Quarterly % Change (seas. adj.)			
	May.23	June.23	July.23	Aug.23	2022-4Q	2023-Q1	2023-Q2	2023-Q3*
Exports	6.9	-0.4	-0.2	1.6	-1.5	-0.6	0.4	2.5
Exports (excl. gold)	6.8	-0.9	-0.3	2.1	-1.6	-1.2	0.5	2.3
Energy Exports	22.0	-16.8	15.3	12.9	-21.5	-11.0	8.9	15.5
Exports (excl. gold and energy)	5.9	0.2	-1.2	1.4	0.0	-0.5	0.1	1.5
Exports (gold)	12.3	60.7	7.5	-33.2	30.9	96.5	-11.7	23.5
Exports (EU-27)	7.0	-3.1	5.2	-1.4	-1.1	3.4	0.0	4.5
Exports (excl. EU-27)	3.0	7.1	-8.6	5.9	-1.6	-3.9	2.2	-0.6
Exports (Other Europe)	3.3	-4.1	-3.9	2.7	3.9	3.1	-2.4	-4.3
Exports (Near and Middle East)	0.5	14.7	-10.1	4.8	0.0	-9.3	2.7	0.8
Exports (North America)	2.0	21.2	-12.6	-1.1	-5.3	-6.1	5.3	-1.0
Exports (Other)	5.4	5.5	-9.3	12.3	-6.0	-3.9	4.7	1.4
Exports (Capital Goods)	2.3	5.3	-8.3	7.2	12.4	0.9	5.3	-1.0
Exports (Intermediate Goods)	1.2	6.3	-4.4	2.1	-5.5	-1.2	-0.1	1.0
Exports (Consumption Goods)	3.6	4.0	-7.2	5.2	0.1	0.2	0.9	-1.2
Imports	9.6	-11.6	9.4	-2.1	-1.7	2.5	-6.3	2.7
Imports (excl. gold)	4.4	-9.7	7.0	-4.6	-3.6	0.2	-1.8	-1.0
Energy Imports	5.2	-9.7	9.2	-6.3	-1.8	4.9	3.5	0.4
Imports (excl. gold and energy)	1.1	-9.8	-2.1	3.5	-8.1	-12.3	-18.6	-6.8
Imports (gold)	126.8	-31.4	42.3	23.3	23.4	25.1	-43.0	53.7

* July-August average

Source: TURKSTAT. MoT. Akbank

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