

Macro: Further widening in external deficit

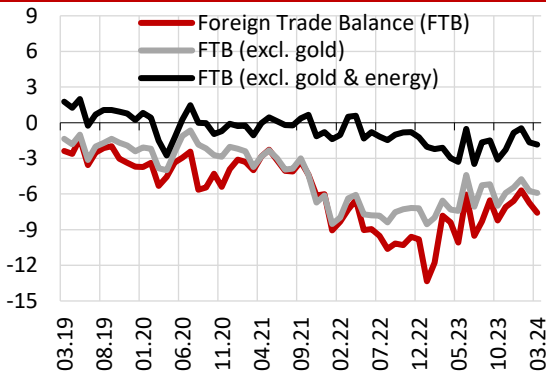
According to the provisional statistics of the Ministry of Trade for March, foreign trade balance posted a deficit of \$7.5 billion in March, while 12-month cumulative deficit narrowed slightly to \$92.0 billion. Having recorded a significant improvement in the November-January period, foreign trade balance has been widening again for the last two months. In addition to the deterioration in energy and gold balance, imports excluding gold and energy, which remained strong due to domestic demand conditions, played a role in this development.

The first-quarter outlook in the external balance confirms our forecast that activity grew on the back of domestic demand in the first quarter as well. The improvement in purchasing power driven by the wage increase, the strong course of retail loans and depreciation expectations for the TL after March were the factors that had a negative impact on the external balance in this period. We expect a slowdown in domestic demand in the upcoming period due to the additional increase in the policy rate and quantitative tightening steps in March, which will have a positive impact on the external balance. On the other hand, the weak course of external demand and the real appreciation process in TRY stand out as factors that will affect the external balance negatively.

According to provisional data, exports decreased by 4.1% yoy to \$22.6 billion in March, while imports fell by 5.7% yoy to \$30.1 billion. Thus, foreign trade balance posted a deficit of \$7.5 billion, while the **12-month cumulative foreign trade deficit narrowed from \$92.9 billion to \$92.0 billion** (Table 1 and Chart 2).

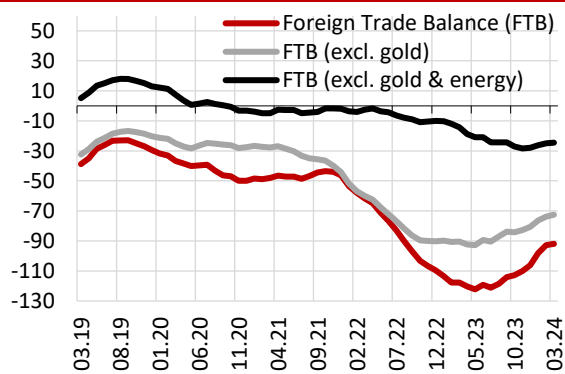
According to seasonally adjusted figures, having improved in November-January period, foreign trade balance has been widening for the last two months. The slowdown in exports and the acceleration in gold imports played a role in the monthly widening in the external balance. Therefore, core external balance indicators displayed a relatively more favourable outlook (Chart 1).

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



Source: TURKSTAT, MoT, Akbank

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



According to seasonally adjusted figures, exports increased by 0.7% mom in March (Table 3, Chart 3). Although not explicitly shared in the data release, we estimate that unprocessed gold exports exceeded \$300 million in March, following an average of \$100 million in January-February. Energy exports also increased sharply in March. Therefore, excluding these two increases, core export indicators recorded a decline in March (Chart 3).

According to regional data, exports to EU-27 countries increased in March, while exports to other regions decreased (Chart 5, Table 3). Among exports excluding the EU-27, exports to the Other Europe region increased, while exports to North America and the Near and Middle East decreased (Chart 6).

Across goods groups, exports of investment and intermediate goods increased, while exports of consumption goods decreased (Charts 7 and 8). The rise in exports of intermediate goods stemmed from gold and energy.

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

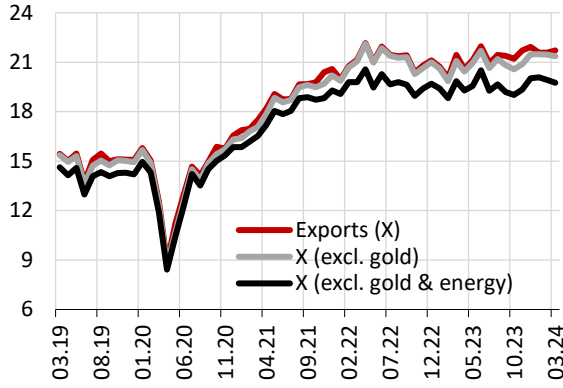


Chart 4. Imports (seasonally adj., billion \$)

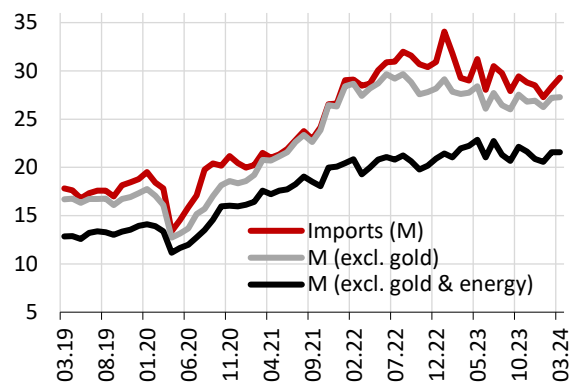


Chart 5. Exports by Region (seasonally adjusted. billion \$)

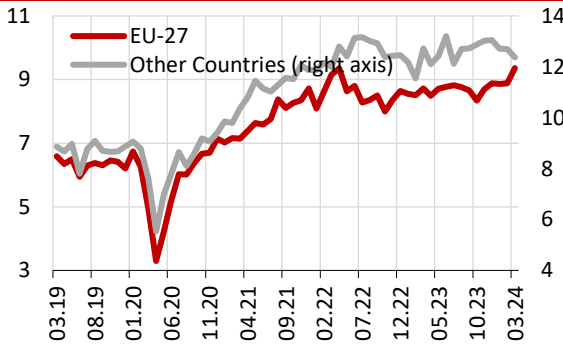


Chart 6. Exports by Region (seasonally adjusted. billion \$)

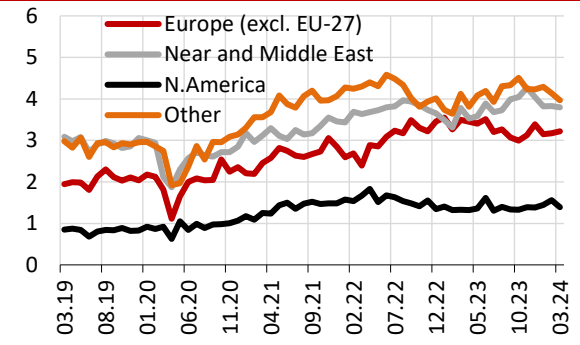


Chart 7. Intermediate Goods Exports (seasonally adjusted. billion \$)

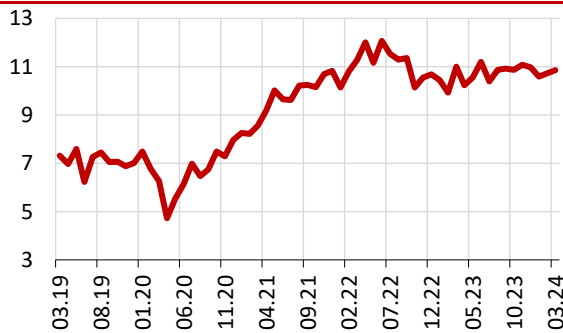
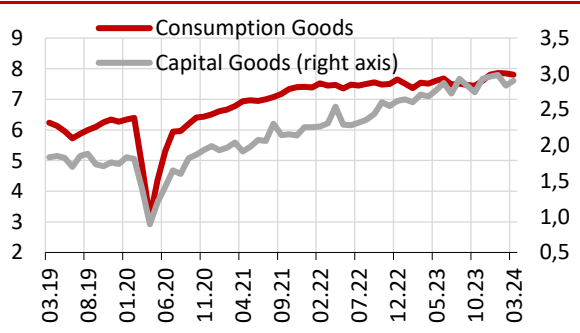


Chart 8. Capital and Consumption Goods Exports (seasonally adjusted. billion \$)



Source: TURKSTAT, MoT, Akbank

Imports, on the other hand, have been on the rise in seasonally adjusted terms for the last two months; the monthly increase was 3.4% in March (Table 3, Chart 4). The increase in March was mainly driven by gold imports. We estimate that gold imports totaled around \$2.0 billion in March (Chart 9). Energy imports, on the other hand, increased by 1.1% in March due to the rise in oil prices (average \$81.7/bbl→84.8\$/bbl). Imports excluding gold and energy (core), which contain more information on demand conditions and are expected to be the most affected by the tightening steps, did not slow down and remained strong. Across goods groups, imports of investment goods partially corrected the sharp increase in February (Charts 11 and 12, Table 3). Imports of consumption goods remained almost flat, while imports of intermediate goods excluding gold and energy increased. The coverage ratio (s.a.) fell from 76.2% to 74.2% on a monthly basis and from 92.4% to 91.5% excluding gold and energy.

Chart 9. Gold Imports (billion \$)

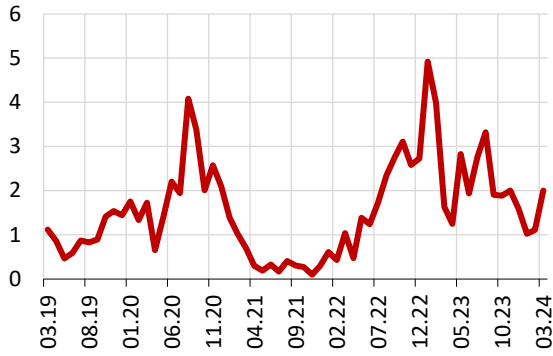


Chart 10. Energy Imports (billion \$)

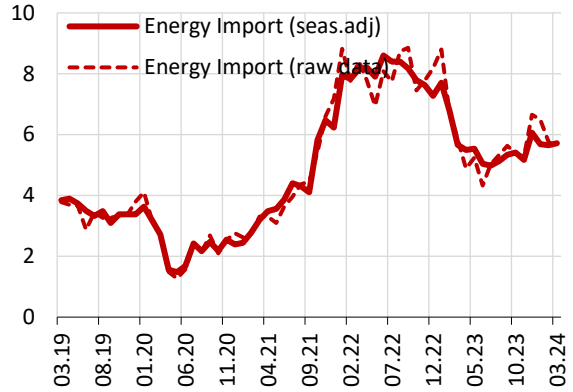


Chart 11. Intermediate Goods Imports (seasonally adjusted. billion \$)

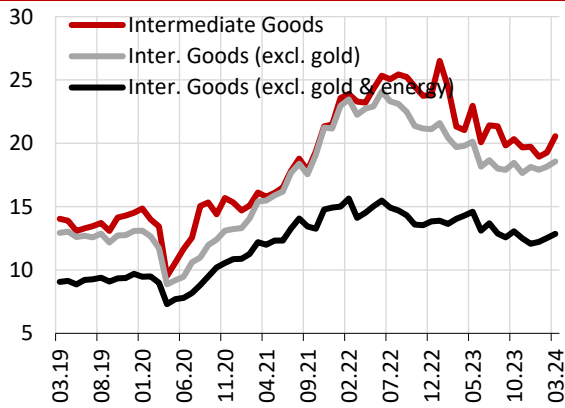


Chart 12. Capital and Consumption Goods Imports (seasonally adjusted. billion \$)

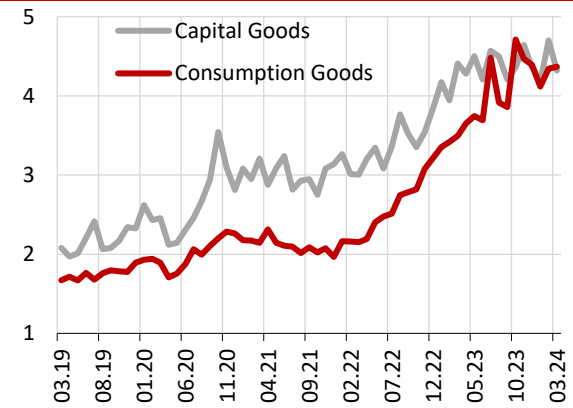
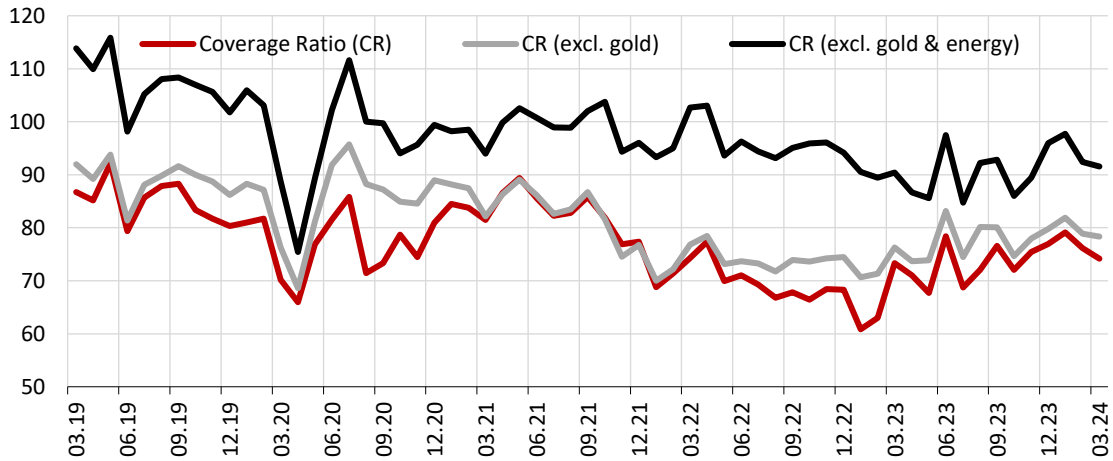


Chart 13. Coverage Ratio (%)



Source: TURKSTAT, MoT, Akbank

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

	2019	2020	2021	2022	2023	12-Month Cum.	Q1	
						March 2024	2023	2024
Foreign Trade Balance	-29.5	-49.9	-46.2	-109.5	-106.3	-92.0	-34.8	-20.5
Exports	180.8	169.6	225.2	254.2	255.4	257.7	61.4	63.7
Imports	210.3	219.5	271.4	363.7	361.8	349.7	96.2	84.1
Foreign Trade Balance (excl. gold and energy)	13.0	-3.3	-2.0	-10.0	-27.9	-24.5	-6.9	-3.4
Exports (excl. gold and energy)	170.4	162.1	213.2	236.7	234.7	236.0	57.4	58.7
Imports (excl. gold and energy)	157.3	165.4	215.2	246.7	262.6	260.5	64.3	62.1
Foreign Trade Balance (gold)	-9.3	-22.4	-2.0	-19.4	-25.7	-19.4	-9.9	-3.6
Exports (gold)	2.0	2.8	3.5	1.1	4.3	4.2	0.7	0.5
Imports (gold)	11.3	25.2	5.5	20.4	30.0	23.6	10.5	4.1
Foreign Trade Balance (energy)	-33.3	-24.2	-42.2	-80.1	-52.7	-48.1	-18.0	-13.5
Exports (energy)	8.4	4.7	8.5	16.4	16.4	17.5	3.3	4.4
Imports (energy)	41.7	28.9	50.7	96.5	69.1	65.6	21.4	17.9
Exports	180.8	169.6	225.2	254.2	255.4	257.7	61.4	63.7
Exports (EU-27)	76.7	70.0	93.1	103.0	104.3	105.4	26.0	27.1
Exports (excl. EU-27)	104.1	99.6	132.2	151.1	151.2	152.3	35.5	36.6
Exports (Other Europe)	24.4	24.4	31.5	36.6	39.7	38.9	9.9	9.1
Exports (Near and Middle East)	35.0	31.3	38.4	45.0	45.5	46.3	10.4	11.2
Exports (North America)	10.0	11.2	16.4	18.8	16.5	16.8	3.9	4.2
Exports (Other)	34.7	32.7	45.9	50.7	49.5	50.2	11.3	12.0
Exports (Capital Goods)	21.6	19.8	24.8	29.0	33.6	34.2	7.7	8.4
Exports (Intermediate Goods)	85.4	80.3	115.2	133.4	128.9	129.5	31.0	31.7
Exports (Consumption Goods)	72.7	68.3	83.8	89.8	90.7	91.6	22.3	23.2
Imports	210.3	219.5	271.4	363.7	361.8	349.7	96.2	84.1
Imports (Capital Goods)	26.1	31.8	35.9	40.5	52.7	53.1	12.0	12.4
Imports (Intermediate Goods)	162.5	163.0	210.1	292.4	261.2	246.7	73.9	59.4
Inter. Goods Imports (excl. gold)	151.3	137.8	204.6	272.0	231.2	223.1	63.4	55.3
Inter. Goods Imports (excl. gold and energy)	109.5	108.9	154.0	175.4	162.1	157.5	42.0	37.4
Imports (Consumption Goods)	21.2	24.1	24.9	30.5	47.6	49.7	10.2	12.2
Coverage Ratio	86.0	77.0	83.1	69.8	71.1	74.1	63.9	75.7
Coverage Ratio (excl. gold)	89.8	85.4	83.7	73.7	76.0	78.0	70.7	78.9
Coverage Ratio (excl. gold and energy)	108.3	97.5	99.2	95.9	89.9	91.3	89.2	94.7

Source: TURKSTAT, MoT

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

	Dec.23	Jan.24	Feb.24	Mar.24	2023-Q2	2023-Q3	2023-Q4	2024-Q1
Foreign Trade Balance	-6.1	-6.2	-6.8	-7.5	-26.5	-26.3	-18.7	-20.5
Exports	23.0	20.0	21.1	22.6	61.6	63.7	68.7	63.7
Imports	29.0	26.2	27.9	30.1	88.2	90.0	87.3	84.1
Foreign Trade Balance (excl. gold and energy)	0.2	-0.1	-1.4	-2.0	-10.2	-8.1	-2.7	-3.4
Exports (excl. gold and energy)	21.0	18.6	19.6	20.5	57.5	57.9	61.9	58.7
Imports (excl. gold and energy)	20.8	18.7	21.0	22.5	67.7	66.1	64.6	62.1
Foreign Trade Balance (gold)	-1.1	-0.9	-1.0	-1.7	-5.4	-6.9	-3.6	-3.6
Exports (gold)	0.4	0.1	0.1	0.4	0.6	1.1	1.9	0.5
Imports (gold)	1.6	1.0	1.1	2.0	6.0	8.0	5.5	4.1
Foreign Trade Balance (energy)	-5.1	-5.2	-4.4	-3.9	-10.9	-11.3	-12.4	-13.5
Exports (energy)	1.5	1.3	1.4	1.7	3.5	4.7	4.9	4.4
Imports (energy)	6.7	6.5	5.8	5.6	14.5	16.0	17.3	17.9
Exports	23.0	20.0	21.1	22.6	61.6	63.7	68.7	63.7
Exports (EU-27)	8.7	8.4	8.8	10.0	25.9	26.1	26.3	27.1
Exports (excl. EU-27)	14.2	11.6	12.3	12.6	35.7	37.7	42.3	36.6
Exports (Other Europe)	3.6	2.9	3.1	3.2	9.6	9.7	10.5	9.1
Exports (Near and Middle East)	4.4	3.6	3.7	3.9	10.1	11.3	13.7	11.2
Exports (North America)	1.5	1.3	1.5	1.4	4.2	4.1	4.3	4.2
Exports (Other)	4.7	3.9	4.0	4.0	11.7	12.5	13.9	12.0
Exports (Capital Goods)	3.4	2.6	2.7	3.1	8.0	8.3	9.5	8.4
Exports (Intermediate Goods)	11.0	9.9	10.5	11.3	31.2	32.7	34.0	31.7
Exports (Consumption Goods)	8.3	7.3	7.8	8.1	21.8	22.0	24.6	23.2
Imports	29.0	26.2	27.9	30.1	88.2	90.0	87.3	84.1
Imports (Capital Goods)	4.9	3.7	4.4	4.3	12.5	13.8	14.4	12.4
Imports (Intermediate Goods)	19.8	19.2	19.2	21.1	64.2	63.6	59.4	59.4
Inter. Goods Imports (excl. gold)	18.2	18.1	18.1	19.1	58.2	55.6	53.9	55.3
Inter. Goods Imports (excl. gold and energy)	11.6	11.6	12.3	13.5	43.8	39.7	36.6	37.4
Imports (Consumption Goods)	4.3	3.3	4.3	4.6	11.4	12.6	13.5	12.2
Coverage Ratio	79.1	76.4	75.7	75.0	69.9	70.8	78.6	75.7
Coverage Ratio (excl. gold)	82.0	79.1	78.4	79.1	74.3	76.3	81.5	78.9
Coverage Ratio (excl. gold and energy)	100.8	99.5	93.3	91.3	84.9	87.7	95.9	94.7

Source: TURKSTAT, MoT

Table 3. Foreign Trade (Seasonally and calendar adjusted)

	Monthly % Change				Quarterly % Change			
	Dec.23	Jan.24	Feb.24	Mar.24	2023-Q2	2023-Q3	2023-Q4	2024-Q1
Exports	1.0	-1.6	0.0	0.7	2.4	0.1	1.7	0.0
Exports (excl. gold)	2.8	0.0	-0.1	-0.4	2.5	-0.7	0.4	2.2
Energy Exports	-5.8	-4.0	10.0	5.6	8.6	21.6	-0.4	0.5
Exports (excl. gold and energy)	3.5	0.3	-0.8	-0.9	2.2	-2.1	0.5	2.4
Exports (gold)	-45.6	-80.3	24.9	216.6	-11.7	83.8	72.2	-71.4
Exports (EU-27)	2.2	-0.2	0.2	5.4	0.7	1.1	-1.3	4.6
Exports (excl. EU-27)	0.2	-2.6	-0.1	-2.6	3.6	-0.5	3.7	-3.0
Exports (Other Europe)	8.5	-7.1	0.6	1.5	0.6	-8.0	-0.3	0.3
Exports (Near and Middle East)	-5.3	-5.6	0.3	-0.9	3.9	3.7	8.4	-7.4
Exports (North America)	-0.5	4.7	7.7	-10.9	5.8	-5.9	1.4	7.2
Exports (Other)	-0.3	1.6	-3.6	-4.2	5.1	4.0	3.3	-4.5
Exports (Capital Goods)	1.1	0.8	-5.0	2.4	4.6	2.0	1.7	1.0
Exports (Intermediate Goods)	-1.0	-3.5	1.3	1.1	1.9	0.6	2.3	-2.3
Exports (Consumption Goods)	2.6	0.8	-0.1	-0.6	1.7	-1.5	1.7	2.9
Imports	-1.0	-4.3	3.9	3.4	-7.3	-0.1	-1.6	-2.1
Imports (excl. gold)	0.5	-2.5	3.7	0.3	-2.8	-2.5	1.4	-0.6
Energy Imports	-3.5	-1.5	4.9	0.0	2.7	-2.2	-0.2	-1.4
Imports (excl. gold and energy)	17.1	-6.1	-0.6	1.1	-20.3	-3.9	7.8	2.4
Imports (gold)	-20.7	-35.4	8.2	80.4	-43.0	32.9	-31.5	-24.5

Source: TURKSTAT, MoT, Akbank

This report is prepared by Akbank Economic Research

Economic.research@akbank.com

Çağrı Sarıkaya– Chief Economist

Cagri.Sarikaya@akbank.com

Çağlar Yüncüler

Caglar.Yunculer@akbank.com

M. Sibel Yapıcı

Sibel.Yapici@akbank.com

Alp Nasır

Alp.Nasir@akbank.com

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