Turkey

ING Country Trade View
Trends in global trade

3 June 2014
Summary

- The Turkish economy is expected to grow by 3% this year from 4% last year, around the same rate as the global economy and much better than the 1% expected for the eurozone.
- Both exports and imports of Turkey are expected to grow faster than the global average. Fast import growth is expected to take place in manufactured goods and office, telecom and electrical equipment from China and industrial machinery from Germany and Italy. Other import flows expected to grow fast are chemicals and agriculture and raw materials.
- On the exports side, Turkey's export destinations are quite diversified and illustrate the country's strategic position between Europe and Middle East.
- Exports to the Middle East are clearly growing in importance: where in 2013 Germany is by far the largest export destination, in 2018 exports to United Arab Emirates (UAE) are expected to be worth almost as much. In this flow to UAE, manufactured goods are expected to grow fastest. Other rapidly growing export flows are textiles to Russia, and manufactured goods to Saudi Arabia. High growth is also expected to take place in the coming years in the product groups industrial machinery and office, telecom and electrical equipment, as Turkey moves forward on upgrading the technology content of its exports.

About International Trade Research at ING

ING International Trade Research aims to help ING’s (inter)national clients develop their knowledge and capabilities for doing business across borders, and contribute to the public debate on internationalization. We do this by providing insights on the current and future economic trends and international trade developments worldwide.
The global economy is expected to expand by 2.9% in 2014, up from 2.4% last year. Recovery in the eurozone and acceleration of US growth are important factors behind the pickup in global growth. Asia remains the fastest growing region in the world by far, while the eurozone shows the slowest growth at 1%. Turkey is expected to grow 3% this year.

Source: IMF World Economic Outlook, ING forecasts
International Trade

**Economy**

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP growth (real)</th>
<th>GDP nominal (bn)</th>
<th>GDP per capita (bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>4.0%</td>
<td>$820</td>
<td>$10,722</td>
</tr>
<tr>
<td>2014F</td>
<td>3.0%</td>
<td>$812</td>
<td>$10,498</td>
</tr>
<tr>
<td>2015F</td>
<td>4.0%</td>
<td>$910</td>
<td>$11,541</td>
</tr>
</tbody>
</table>

**Exchange rate** USD/TRY: 2.13, 2.20, 2.10

**Inflation**: 7.5%, 8.8%, 6.4%

**GDP composition by sector**
- Agriculture: 9%
- Industry: 27%
- Services: 64%

**Population**
- 2013: 72.8

**Unemployment rate (avg.):** 9.7%

**Other indicators**
- Ease of doing business rank: 2013 - 72, 2014 - 69
- Credit rating:
  - S&P: BB
  - Moody's: Ba1
  - Fitch: BBB-

**Trade by products (bn) 2012**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Exports (bn)</th>
<th>Imports (bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; live animals</td>
<td>$12.69</td>
<td>$6.34</td>
</tr>
<tr>
<td>Beverage &amp; Tobacco</td>
<td>$1.10</td>
<td>$0.64</td>
</tr>
<tr>
<td>Crude materials, inedible, except fuels</td>
<td>$4.16</td>
<td>$18.63</td>
</tr>
<tr>
<td>Manufactured goods</td>
<td>$41.24</td>
<td>$36.04</td>
</tr>
<tr>
<td>Machinery &amp; Transport equipment</td>
<td>$37.44</td>
<td>$61.61</td>
</tr>
<tr>
<td>Mineral fuels</td>
<td>$7.48</td>
<td>$20.64</td>
</tr>
<tr>
<td>Miscellaneous manufactured articles</td>
<td>$21.02</td>
<td>$13.03</td>
</tr>
<tr>
<td>Animal and vegetable oils</td>
<td>$1.06</td>
<td>$1.94</td>
</tr>
<tr>
<td>Chemicals</td>
<td>$7.99</td>
<td>$29.30</td>
</tr>
</tbody>
</table>

**Trade balance (bn)**: $-34.01

**Exports % of GDP**: 21%
In the coming years (2014-2018), Turkey's imports are expected to increase by 10%, which implies that Turkey increases in the ranking of the world's largest importers from nr. 22 to nr. 18. Exports are expected to increase with 13.5% annually. This growth rate, which is also above-average, causes Turkey to rise in the ranking of largest exporters to nr. 25 by 2018 from nr. 30 currently.
Germany is currently the nr. 1 origin of Turkish imports, with $28bn originating from our neighbours. With China at nr. 2 and Russia at nr. 3, the order is expected to remain unchanged in the coming years.

When looking at product groups within these bilateral flows, the largest import flows are fuels from Russia, and industrial machinery and road vehicles from Germany. Fast growth in 2014-2018 is expected to come from import flows from China (manufactured goods and office, telecom and electrical equipment) and industrial machinery from Germany and Italy.
The largest import flows are currently of manufactured goods, and these will still be the largest in 2018, followed by industrial machinery and chemicals. Chemicals is indeed one of the fastest growing flows in relative terms, together with agriculture and raw materials and industrial machinery. In absolute value terms, the inflow of manufactured goods is expected to grow the most, adding almost $23bn between 2013 and 2018. Turks are expected to spend almost $20bn more on industrial machinery imports, and almost $18bn more on chemicals imports, by 2018.
Turkey's export destinations are quite diversified and illustrate the country's strategic position between Europe and the Middle East. Exports to the Middle East are clearly growing in importance: where in 2013 Germany is by far the largest export destination, in 2018 exports to UAE are expected to be worth almost as much.

When looking at product groups, the largest product flow is also the fastest growing: where Turkey currently exports manufactured goods worth more than $5bn to UAE, this flow is expected to be worth $13bn by 2018. It should be noted, however, that a large part of this export flow is precious metals ($2.5bn in 2013), which is a volatile and probably not sustainable flow. Other fast growing export flows are textiles to Russia, and manufactured goods to Saudi Arabia.

*within the 33 countries and product flows distinguished
Turkey's main export products are manufactured goods, textiles, and road vehicles, and this is expected to be unchanged in 2018. High growth is expected to take place in the coming years in the product groups industrial machinery as well as office, telecom and electrical equipment, as Turkey moves forward on upgrading the technology content of its exports.

* the sum of flows to 33 countries distinguished
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