

Turkey



ING Country Trade View

Trends in global trade

3 June 2014

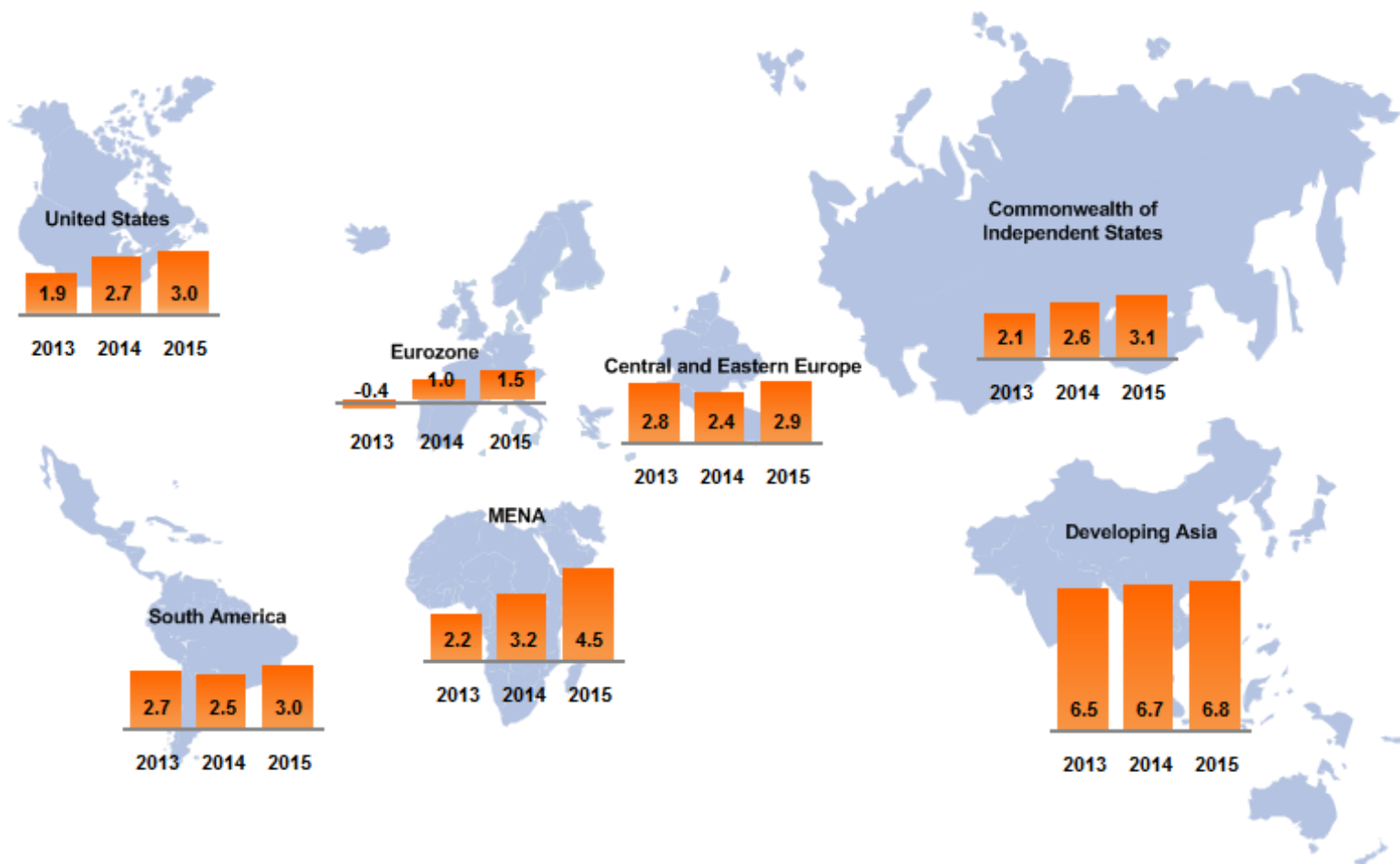
Summary

- 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.

Expected real GDP growth, % YoY, per region



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

	2013	2014F	2015F
GDP growth (real):	4.0%	3.0%	4.0%
GDP nominal (bn):	\$ 820	\$ 812	\$ 910
GDP per capita:	\$ 10,722	\$10,498	\$11,641
Exchange rate* USD/TRY	2.13	2.20	2.10
Inflation:	7.5%	8.8%	6.4%
GDP composition by sector	2012		
Agriculture:	9%		
Industry:	27%		
Services:	64%		

Population

	2013
Population (mln):	72.8
Unemployment rate (avg.):	9.7%

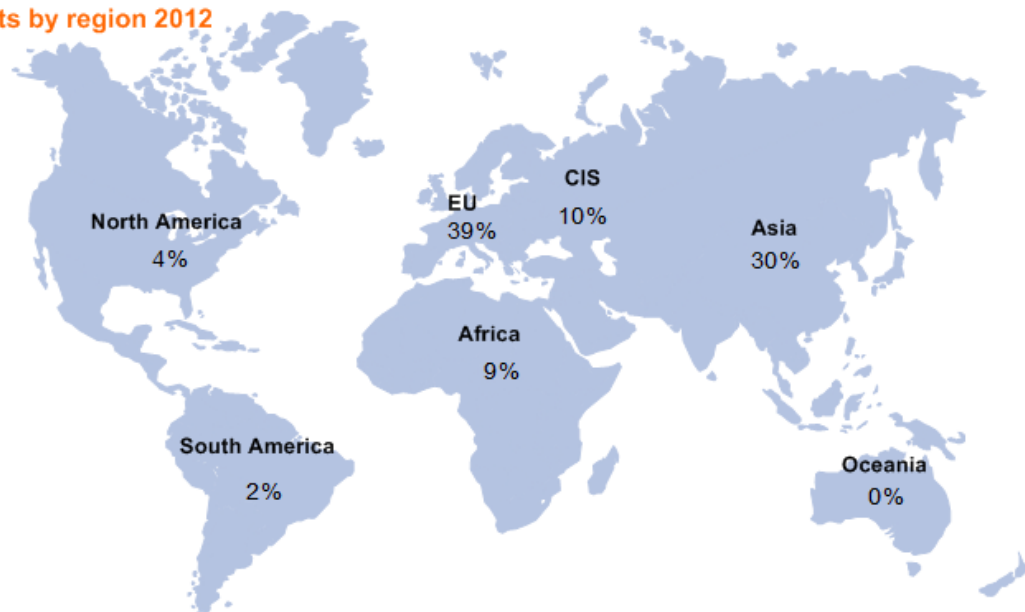
Other indicators

	2013	2014
Competitiveness rank WEF	43	44
Ease of doing business rank:	72	69
Credit rating :		
S&P		BB
Moody's		Ba1
Fitch:		BBB-

*end period

Turkey

Exports by region 2012



Exports (bn)	\$153	Imports (bn)	\$237	Trade balance (bn)	-\$84.01	Exports % of GDP	21%
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Trade by products (bn) 2012

Food & live animals



Exports \$12.69
Imports \$6.34

Crude materials, inedible, except fuels



Exports \$4.16
Imports \$18.63

Machinery & Transport equipment



Exports \$37.44
Imports \$61.61

Beverage & Tobacco



Exports \$1.10
Imports \$0.64

Manufactured goods



Exports \$41.24
Imports \$36.04

Mineral fuels



Exports \$7.48
Imports \$20.64

Animal and vegetable oils



Exports \$1.06
Imports \$1.94

Miscellaneous manufactured articles



Exports \$24.02
Imports \$13.03

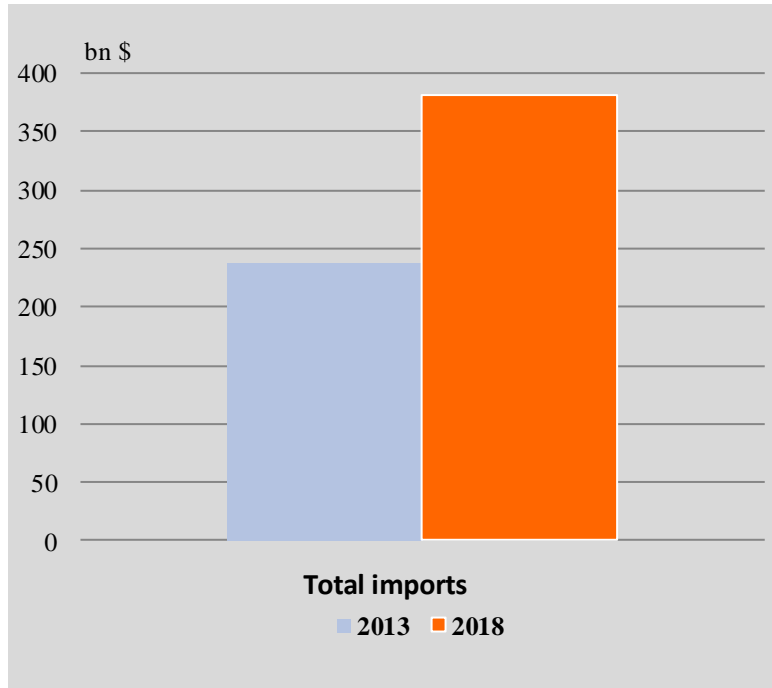
Chemicals



Exports \$7.99
Imports \$29.30

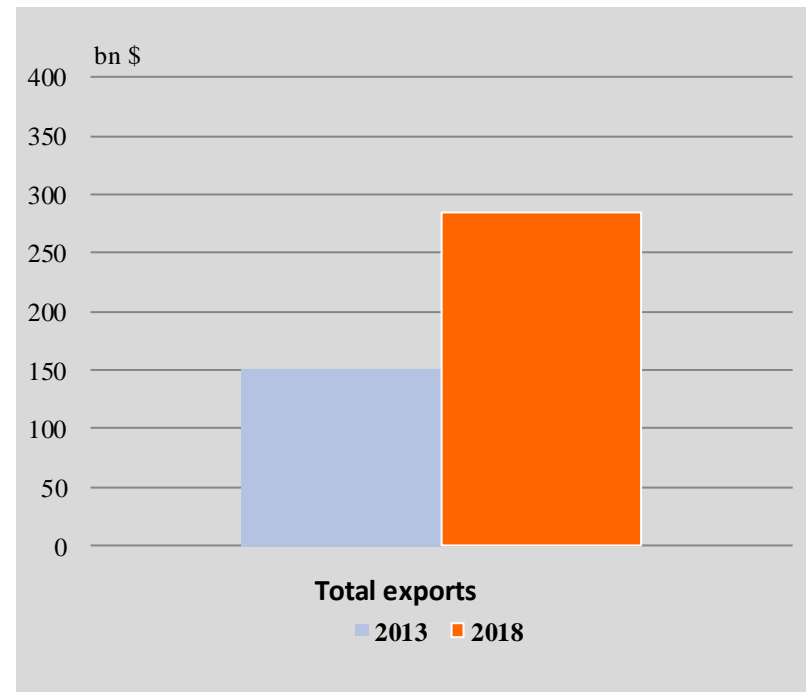
Trade forecast

Total imports



Turkey	1997	2013	2018
World ranking	24	22	18
CAGR 2014-2018		10.0%	

Total exports

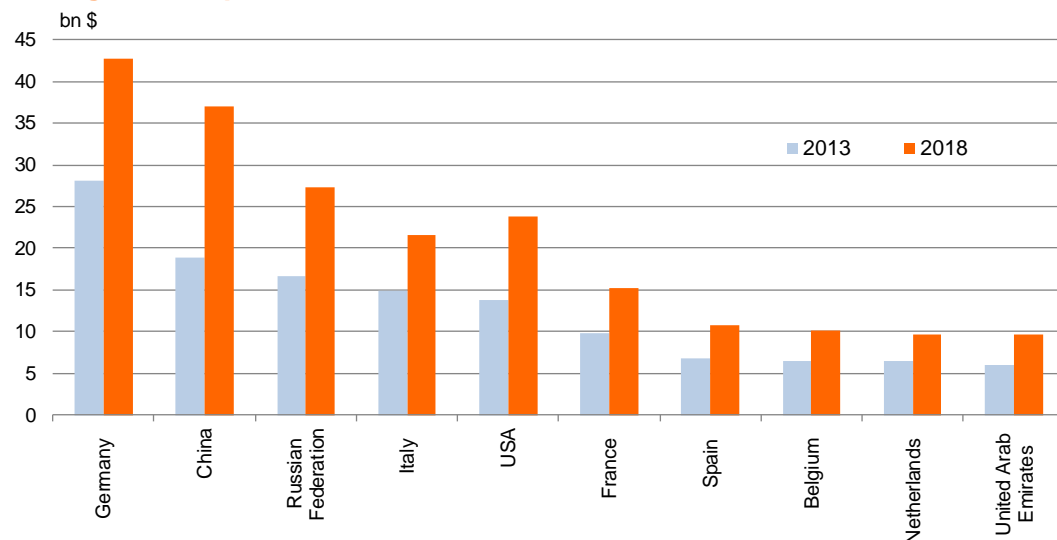


Turkey	1997	2013	2018
World ranking	34	30	25
CAGR 2014-2018		13.5%	

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.

Demand for products: origins of imports

Main origins of imports, 2013 and 2018*



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.

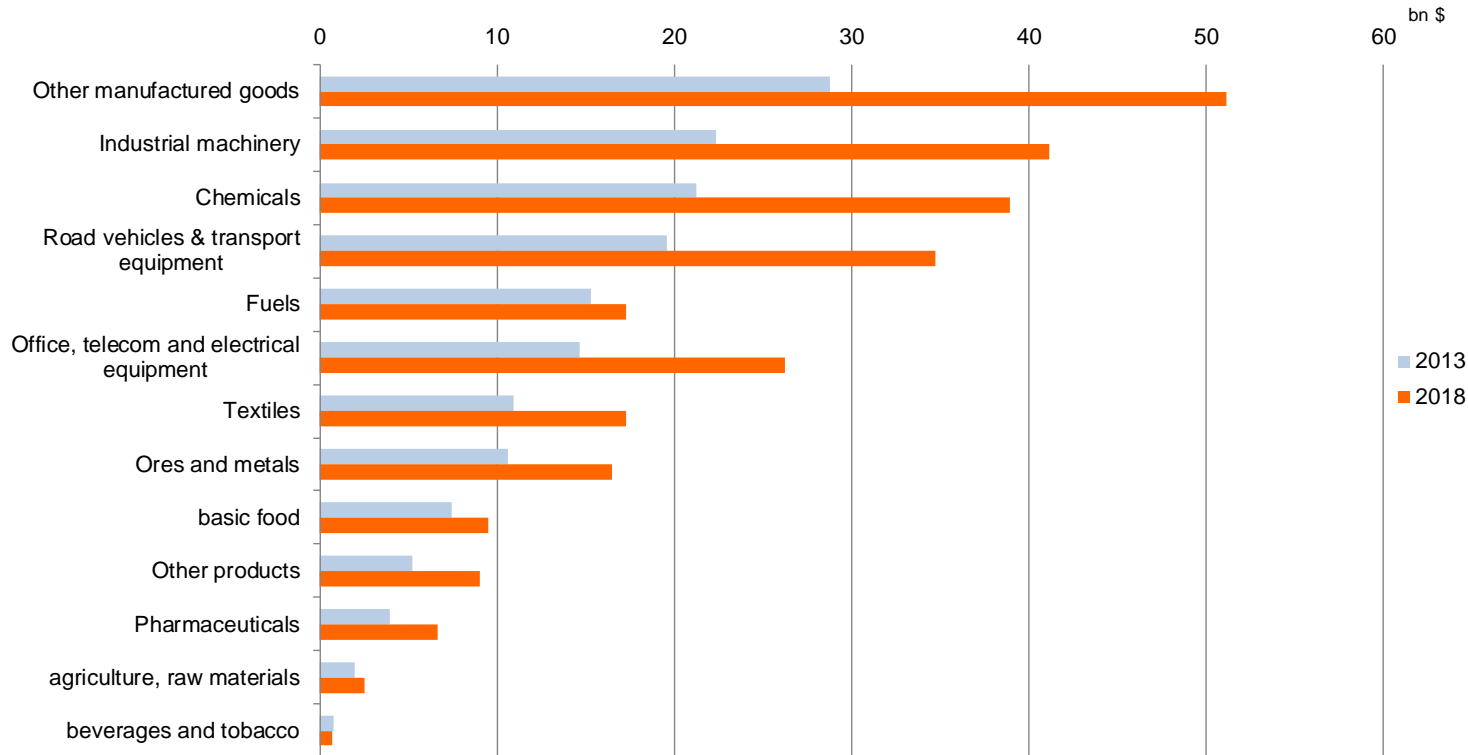
Top 10 largest import flows by product and country of origin*

Turkey

Import product	Origin import	Value, \$m, Exp. Ann. Growth	
		2013	2014-2018
Fuels	Russian Federation	7673	1.0%
Industrial machinery	Germany	6649	10.8%
Road vehicles & transport equipment	Germany	6502	8.7%
Other manufactured goods	China	4771	14.5%
Other manufactured goods	Germany	4763	8.1%
Industrial machinery	Italy	4291	10.6%
Office, telecom and electrical equipment	China	4206	16.1%
Textiles	China	3392	10.1%
Other manufactured goods	Italy	3237	7.7%
Chemicals	Germany	3142	8.5%

*within the 33 countries and product flows distinguished

Demand for products: imports by product group

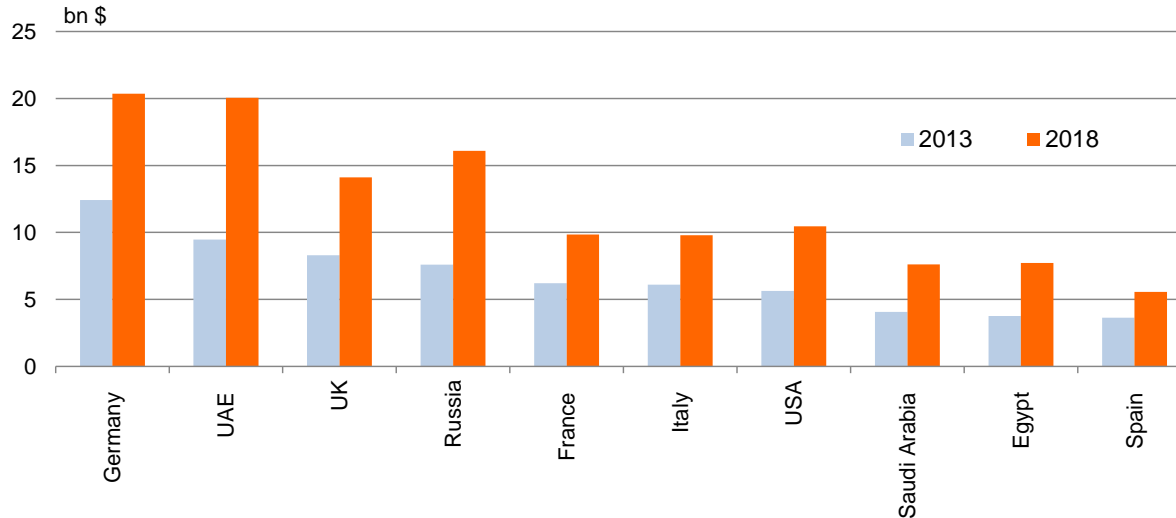


The largest import flows are currently of manufactured goods, and these will still be the largest in 2018, followed by industrial machinery and chemicals. Chemicals is indeed one of the fastest growing flows in relative terms, together with agriculture and raw materials and industrial machinery. In absolute 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.

Note: the sum of flows from 33 countries distinguished

Exports: key destination markets

Key destination markets of exports, 2013 and 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.

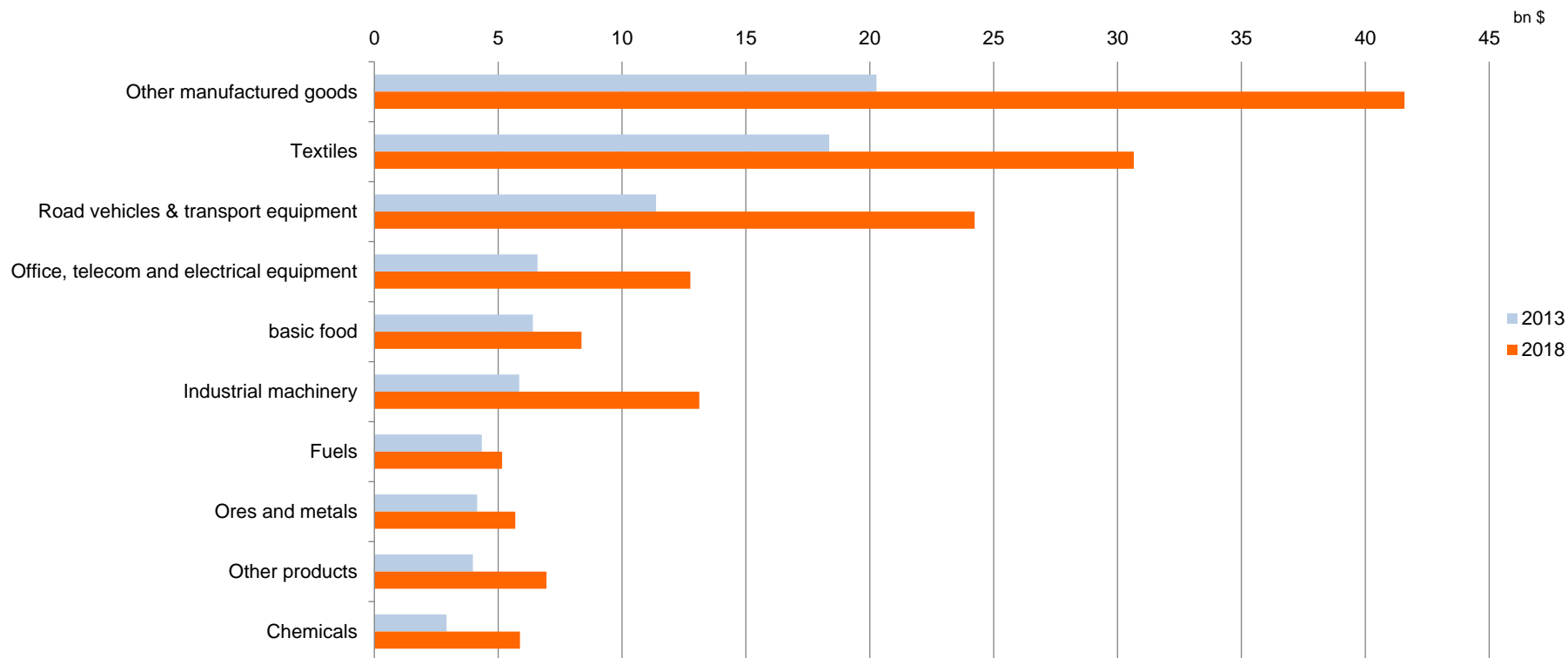
*within the 33 countries and product flows distinguished

Top 10 largest export flows by product and destination country*

Turkey

Export product	Export partner	Value, \$m, Exp. Ann. Growth	
		2013	2014-2018
Other manufactured goods	United Arab Emirates	5204	20.0%
Textiles	Germany	3915	8.5%
Textiles	United Kingdom	2483	9.1%
Other manufactured goods	Saudi Arabia	2126	13.9%
Road vehicles & transport equipment	France	2085	13.1%
Textiles	Russian Federation	1958	15.6%
Other manufactured goods	USA	1885	12.9%
Other products	United Arab Emirates	1854	3.0%
Ores and metals	China	1844	5.4%
Industrial machinery	Germany	1676	12.8%

Exports: key product groups



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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