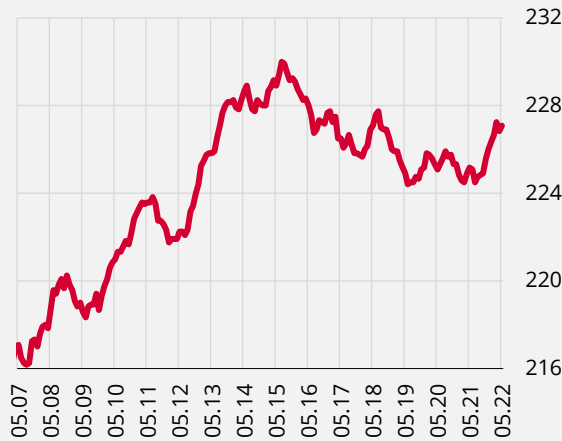


Box 2.4

Development of Türkiye's Export Diversity

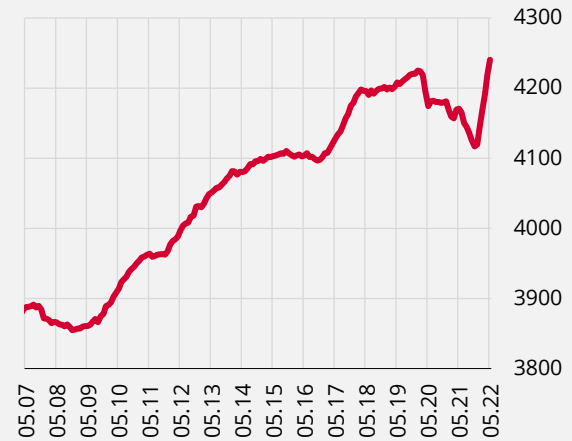
Before the pre-global financial crisis, Türkiye had 215 export destinations on average in 2006, which reached 230 in 2014 with increased destination diversification and 227 in 2022 (Chart 1).¹ Regarding product diversity, Türkiye exported an average of 3841 products (Harmonized System-6 classification) in 2006, which reached 4240 in 2022 (Chart 2). This increase in the total number of exported products is considered to be an increase in Türkiye's production and competition power.

Chart 1: Number of Turkish Export Destinations (12-Month Moving Average)



Source: CBRT, Ministry of Trade.

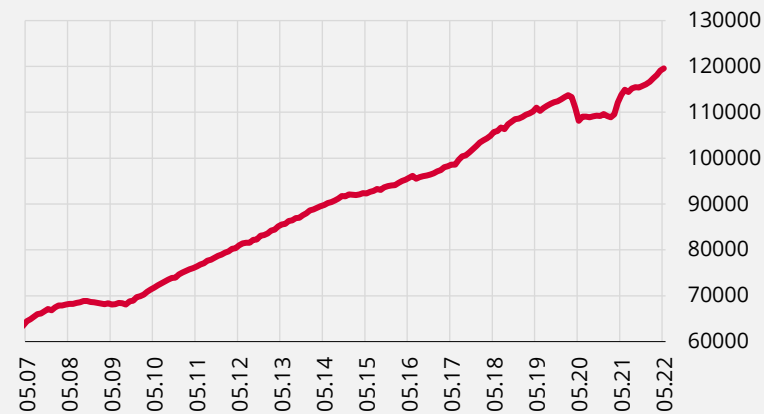
Chart 2: Number of Turkish Export Products (12-Month Moving Average)



Source: CBRT, Ministry of Trade.

Exports in terms of products sold to countries suggest that the "country x product" which was 60,183 on average in 2006, hit 119,574 in 2022 (Chart 3). Accordingly, Türkiye has made progress in product diversity exported to different countries as well as the product diversification of its exports. Market and product diversification reduce countries' dependence on specific products and markets, lowering the exposure of their foreign trade to various risks (pandemic, regional conflicts, demand shocks caused by commodity prices, etc.). In this way, since 2006, Türkiye has not only increased the markets it accesses, but also expanded the product diversity of Türkiye have increased it offers, and fostered the resilience of exports against foreign trade shocks.

Chart 3: Number of Countries-Products for Turkish Exports (12-Month Moving Average)

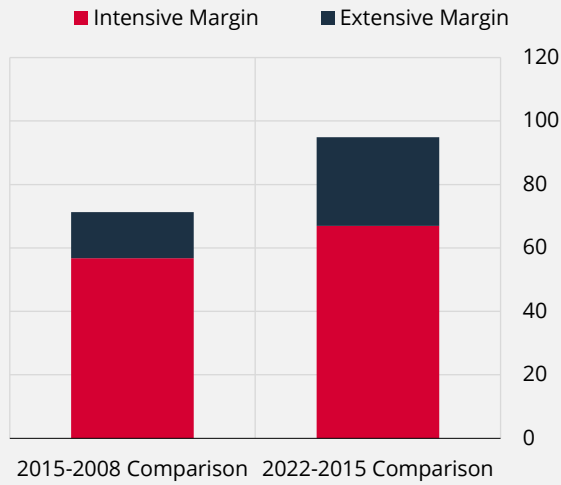


Sources: CBRT, Ministry of Trade.

¹ Includes UN member countries and zones with autonomous/private status.

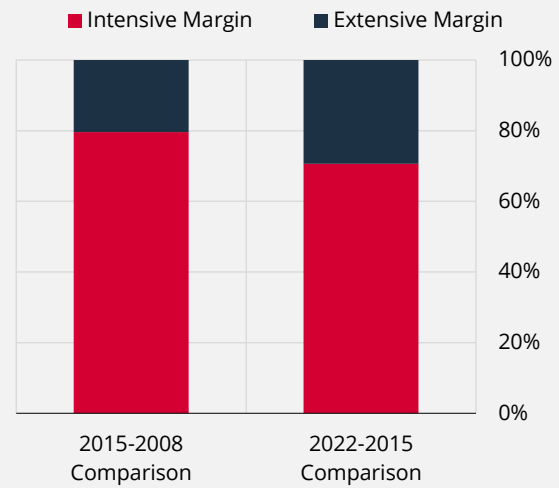
Sources of the rise in Türkiye's exports can be classified as changes in existing markets (intensive margin) and entry to new markets (extensive margin). The comparison was made by the aggregation of two-year periods defined as the end, middle and beginning of the time interval (2006-2022); period III (2020 June – 2022 May) period II (June 2013-May 2015) and period I (June 2006- May 2008). The second period was compared with the first period, and the third period was compared with the second period. As a result, Türkiye's exports increased by USD 71.3 billion compared to the first period, USD 56.8 billion of which is due to the intensive margin, while USD 14.5 billion stems from the extensive margin. In the third period, exports increased by USD 94.9 billion dollars compared to the 2013-2015 period, USD 67 billion of which comes from the intensive margin and USD 27.9 billion is due to extensive margin (Chart 4). In this study, the sources of the change in Türkiye's exports in the last 15 years are analyzed through biennial aggregations. It is observed that most of the rise in exports stems from the intensive margin, while the weight of the extensive margin in total has increased (Chart 5).

Chart 4: The Sources of Change in Türkiye's Exports (Product-Country, Comparison between Periods, Billion Dollar)^{2,3}



Source: CBRT, Ministry of Trade.

Chart 5: The Sources of Change in Türkiye's Exports (Product-Country, Comparison between Periods, %)



Source: CBRT, Ministry of Trade.

In summary, it is seen that Türkiye's exports have gained a more competitive structure in the process mentioned above and diversity of products and countries have also increased. It is considered that these gains will enhance a steady improvement in exports' resilience against external shock, and that the contribution of exports to sustainable growth will increase in the upcoming period.

² Export can be increased by raising the value and quantity of existing products (HS-6 level) in the export destinations, called intensive margin, and by exporting new products (HS-6 level) in the export destination, called extensive margin.

³ In this study, confidential data and energy data were excluded.