

panorama



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Panorama Turkey What to expect



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The Turkish economy experienced remarkable growth within the last decade. The country's gross domestic product nearly tripled during this period and reached 820 billion USD at the end of 2013. The country has a population of 76.7 million people and a per capita income of around 10,700 USD. According to the IMF, on a purchasing power parity basis Turkey is now the 16th largest economy in the world and the 6th largest in Europe. The government's GDP per capita target for 2023 is 25,000 USD.

After recording high growth rates in the post-crisis period, Turkish economy managed to negotiate a soft landing in 2012 which helped reduce the imbalances in the economy. The authorities were able to reduce the current account deficit from alarming levels, soften inflationary pressures while total employment continued to increase.

However the import dependence of the manufacturing industries still represents a structural weakness. Lower growth rate will affect negatively corporate profits in 2014. Our sector barometer which reveals financial performance of companies in different industries coupled with Coface payment experience, indicates risks are rising for the corporate sector. Especially companies which don't have export earnings or have a fragile capital structure would suffer from slower growth, weaker currency and higher production costs. This would reduce the profit margins which in return would increase the risk of bankruptcies.

Turkey Sector Barometer			
Sectors	Risk level	Sectors	Risk level
Metals*	●	Pharmaceuticals	●
Food	●	Electric, electronics, IT	●
Chemicals	●	Paper	●
Construction	●	Automotive	●
Textile and clothing	●	Retail	●

Source: Datastream, Coface

*Except iron and steel

● Moderate risk ● Medium risk ● High risk ● Very high risk

Besides, political developments will also play a vital role in the economic trends in the period ahead. Turkey had local elections on March 30th. The ruling Justice and Development party received around 45 percent of the votes. However the country still has two elections within a year and there is a risk that this may increase domestic political tensions.