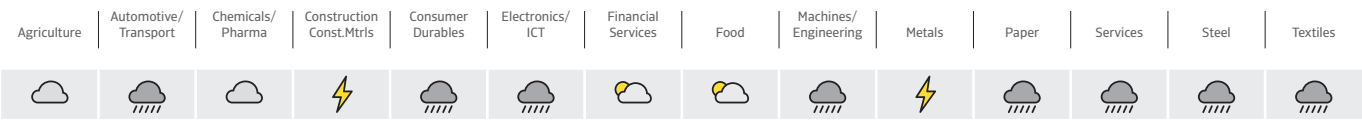
Turkey

September 2020



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues). While agriculture value added is forecast to contract by more than 9% in 2020 after two years of growth, the prospects for a quick rebound are good.

Automotive/Transport

Remains Poor

The highly export-oriented Turkish automotive sector suffers from globally deteriorating sales demand, which has led to a sharp decrease in production of cars and car parts. Businesses suffer from severe liquidity strains and cash shortfalls. The domestic market is impacted by low consumer demand, high inflation and increased taxes. Automotive value added is forecast to contract by almost 17% in 2020. As banks restructured loans of businesses with payment delays, and all bankruptcy and debt enforcement claims were suspended until June 15, 2020, there was no increase in payment delays and insolvencies in H1. However, it is expected that in the coming months, business failures will sharply increase, especially among smaller suppliers and car dealers.

Chemicals/Pharmaceuticals

Remains Fair

Pharmaceutical businesses will benefit from increasing health expenses, and sector value added is expected to increase 3% in 2020. The pharmaceuticals distribution segment shows generally robust business financials, good payment records and low insolvency rates compared to other industries.

Deteriorating domestic and global demand have a negative impact on chemicals performance, with segments dependent on commodity imports suffering from the lira depreciation. Plastics value added is forecast to decrease by more than 6% in 2020 after a 3.7% decrease in 2019.

Construction

Remains Bleak

Demand for construction has decreased since 2019, while prices for building materials have increased. Competition is fierce, with substantial pressure on business margins. Oversupply, along with the high indebtedness and weak liquidity of many construction businesses, poses a substantial downside risk. After a 8.7% contraction in 2019, construction value added is expected to decrease again in 2020 by 4.6%.

The coronavirus outbreak has caused additional strains to an industry which is linked to more than 200 subsectors along the value chain, including cement, ready-mixed concrete, bricks and machinery. The closure of construction sites and temporary halt in business activities due to the pandemic has led to millions of job losses in the sector. As bankruptcy and debt enforcement claims were suspended until June 15th 2020, there was no increase in payment delays and insolvencies in H1. However, it is expected that in the coming months business failures in both the construction and construction materials segments will sharply increase.

Consumer Durables

Remains Poor

Private consumption is negatively impacted by the economic downturn, low consumer sentiment, currency depreciation and rising unemployment. Retail value added is expected to shrink by 9% in 2020, and the financial strength of many smaller non-food retailers has seriously deteriorated during the lockdown period. That said, online retailers could increase sales of electronics, furniture and white goods. Delays in bank payments by smaller non-food retailers increased during the pandemic, and insolvencies and business closures are expected to increase in the coming months.

Electronics/ICT

Remains Poor

Electronics value added is expected to shrink 3.5% in 2020, negatively impacted by low consumer sentiment, rising unemployment and currency depreciation. While in June 2020 sales volumes for electronics and computers increased, the profitability of many businesses continues to shrink due to the sharp lira depreciation. Most electronics/ICT items have to be imported, but many businesses still hesitate to reflect the exchange rate in their prices, avoiding a decrease in turnover and a cut in their cash flow. As the financial strength of many businesses is further deteriorating, payment delays and insolvencies are expected to increase in the coming months.

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Financial Services

Remains Good

The banking sector is well regulated and adequately capitalized. Banks are not directly exposed to foreign exchange risks, as they are not allowed to carry significant foreign exchange open positions. However, increased financial troubles for businesses and consumers alike due to the economic downturn could lead to rising non-performing loans.

Food

Remains Good

Despite ongoing sales, the sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues). Market competition is fierce, and margins remain tight in most segments. After two years of growth, value added is forecast to increase again in 2020 by about 2%.

Machines/Engineering

Remains Poor

The sector is negatively impacted by deteriorating global and domestic demand from key domestic buyer industries like automotive, construction and metals. Value added already contracted 5.8% in 2019, and it is expected to deteriorate further in 2020, by 5%. Payment delays have sharply increased in H1 of 2020, and it is expected that this will continue in the coming months.

Metals

Remains bleak

Metal producers suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines), the domestic economic downturn and currency volatility. Metals manufacturing value added is forecast to contract by more than 8% in 2020 after a 4.5% decrease in 2019. Payment delays have increased in H1 of 2020, and it is expected that this will continue in the coming months.

Paper

Remains Poor

Paper producers and printing have been impacted by supply chain disruptions due to lockdown measures. The ongoing economic downturn and progressing digitalization are leading to less demand. Value added of the paper industry is forecast to decrease by 5% in 2020. Payment delays have increased, especially among producers of cardboard food packages for restaurants and cafes.

Services

Remains Poor

Due to comprehensive lockdown measures and travel bans/travel warnings in face of the coronavirus outbreak, many segments are expected to suffer heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Services value added is expected to contract by more than 7% in 2020 (hotel and catering down almost 14%). In July 2020 the hotel occupancy rate was at 31.4% (compared to 75.6% in July 2019) and 33% in January-July 2020.

Steel

Remains Poor

In 2019 the industry was already impacted by strong competition from abroad (China) and subdued demand, leading to increased payment delays. Crude steel manufacturing contracted 4.1% in H1 of 2020 after a 4.5% decrease in 2019. Production and turnover continued to decline due to deteriorating demand from key buyer sectors like construction and automotive. The easing of lockdown measures had a positive effect on domestic revenues. However, export revenues remain subdued due to a lack of demand and EU import limitations. Over the past couple of months, payment delays have increased, while the number of insolvencies remained relatively low.

Textiles

Remains Poor

The textile sector has already been particularly vulnerable over the past couple of years due to excess capacity, lack of branded production, strong competition from East Asia, low capitalisation of businesses and diminishing domestic and export demand. In early 2020 the forced closure of shops due to the lockdown was an additional blow to demand. While the level of payment delays and insolvencies was high in 2019, there was no increase in H1 of 2020, as banks restructured loans of businesses with payment delays, and all bankruptcy and debt enforcement claims were suspended until June 15th 2020.

After the lift of the lockdown, many stores experiencing losses were not reopened again. The outlook for the industry in the coming months is far from positive, and it's expected that insolvencies will increase, especially among smaller players. Textile value added is forecast to shrink 5% in 2020.