

During COVID, post COVID



Kutlu KARAVELIOGLU, Präsident von Turkish Machinery

We are leaving a turbulent year behind us and the new year is still very young. While we in Turkey, but also our friends in Europe and Germany, are in the lockdown and the first vaccination phase, there are many things to work through and the goals for 2021 to be set.

For us machine manufacturers, this means working out proper strategies, concepts and business models to smooth out the negative balance from 2020 and the waves. I would like to show you here how the strongly changing framework conditions are influencing the global economy, global trade and

the Turkish machinery industry.

The global economy grew by an average of 2.8% between 2017 and 2019, with forecasts of over 3.5% for 2019. But due to trade wars, rising protectionism and the associated localization effects, we ended up with a plus of just under 2.4%. The forecasts for 2020 were actually promising a further growth; who would have expected a virus to cripple the global economy? From now on, any forecasts must consider the factors of "pandemics" and "climate change."

In the first half of 2020, global trade experienced an economic downturn of over 15%. In all likelihood, we will probably end the year with a deficit of -4.6%. The situation was similar for world trade.

In the first half of the year, a deficit of -27% was recorded. The reasons for this were, on the one hand, unstable supply chains worldwide, difficulties and dependencies due to single-supplier strategies and short payment terms. All this led to this enormous deficit.

In addition, there is a phenomenon that should have no place in a liberal economic policy: protectionism. For the past five years, protectionist measures have been on the rise worldwide. While 3.5% of all goods and commodities worldwide were affected in 2016, this figure rose successively to 10.3% in 2019 and around 14.4% in 2020. The issue of protectionism will continue to accompany and occupy us in the coming years.

Overall, we probably managed to pull out of the crisis lightly in 2020 and survived the situation with manageable economic damage.

What awaits us in 2021?

The number of infections worldwide remains at a critical level, and the mutation of the Covid-19 virus is a major cause for concern. Nevertheless, the vaccinations that have been started, allow us to look more positively into the near future. According to economic expert opinions, a worldwide growth of about 4.5% can be expected, provided that the vaccination strategies of all countries run synchronously. If this does not work, growth of 2% is still forecast.

Again, depending on the success of vaccination, world trade will increase by 6-8 % in volume terms, but by 8-10 % in value terms. This means, among other things, that goods will become more expensive. If the vaccination success fails, an increase in volume of 2-3 % is expected, but the value will change by about +0.2 %, as a consequence: Goods become cheaper.

What is the state of the machinery industry in Turkey? Turkey's 2020 total exports have maintained close to 2019's level, while imports have increased. The trend in machinery industry is similar. In 2020, a minus of 2-3% is expected. This is in comparison worldwide, especially European values with -12% on a stable level. Machine exports to EU countries are declining, but new markets have been developed (East Asia, Australia and Oceania) and high sales have been achieved. Noteworthy, but at the same time worrying, are Turkey's increasing imports from China. Relative to 2019, imports have increased by 49.9% in 2020.

However, this is less due to quality and more due to the pricing policy of Chinese companies. It remains to be seen whether the import trend from China will continue in 2021. In general, it is assumed that China will continue its offensive export strategies. This situation is a major challenge for the Turkish machinery industry. It is no different for our European friends. We must face this challenge together, in partnership. We mechanical engineers see our future with and in Europe.

Kutlu Karavelioglu
Präsident, Turkish Machinery

ABOUT TURKISH MACHINERY INDUSTRY

- Over 30,000 companies with approx. 420,000 employees
- Companies produce goods worth approx. 30 billion USD annually
- Almost 60 % of production is exported
- 55 % of exports go to the EU
- Turkey is Europe's 6th largest producer of machinery and accessories
- Over 150 R&D centers have been opened in the past two years
- Machinery exports have increased tenfold in the past 19 years. Comparison: China has increased machinery exports by a factor of eleven in the same period.

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