

panorama



May 2014

Panorama Turkey What to expect



CONTENTS

- /03** Part I: Recent developments in Turkish economy
- /08** Part II: Industrial developments
- /08** Automotive sector
- /11** Textile and clothing sectors
- /13** Construction sector
- /16** Part III: Sector barometer
- /17** Part IV: Conclusion

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.



Turkey What to Expect in 2014?

Seltem İyigün

Economic research department, Coface

If the tensions rise again as it happened in December and January, this may harm investors' confidence and result in a fluctuation in forex markets. Such a situation would have a negative impact on the corporate sector's external debt stock which is already at record high level. Considering all these factors, Coface placed a negative watch on Turkey's country assessment which measures corporate risk, currently in A4.

In this panorama, we will focus on the automotive, textile and construction (mainly housing) industries as they are among the leading industries in Turkey and considered as good leading indicators of the economic outlook in the upcoming period. Negative factors such as tax hikes, higher interest rates, price increases due to the lira's depreciation and restrictive measures on consumer loans will weigh on the demand for cars in Turkey during 2014. Big global car producers are strong enough to manage the financial risks however the dealers and distributors may face some challenges. The domestic sales are expected to fall. But the exports would compensate partly the weakness in domestic market. The housing sales indicate the demand for housing was stronger than expected in the first quarter. However in the upcoming period, the rise in interest rates and restrictions on consumer loans may affect negatively the construction sector. The slowdown in construction would have an adverse effect for the supplier industries such as white goods, cement, glass etc. The textile and clothing industries have strong knowledge, machinery of good-quality and a considerable ability to serve fast fashion requirements. The depreciation in lira and the recovery in Europe would support Turkey's textile and clothing exports.

Turkish economy: Slowdown and rebalancing

Seltem İyigün

Economic research department, Coface

PART 1: Recent developments in Turkish economy

Moderate growth, narrower external deficit...

After the soft landing in 2012, the Turkish economic growth accelerated in 2013 on the back of domestic demand, especially strong household consumption expenditures and public spending. The economy posted a faster-than-expected growth of 4 percent in 2013, above the government expectation of 3.6 percent in the medium term plan despite the tapering of the global liquidity, political uncertainties and high interest rates.

The total local demand contributed 6.4 percentage points to the growth in 2013, up from -1.9 in 2012.

The contribution from public and private consumption expenditures stood at 3.7 percentage points. The contribution of total investment was weaker and stood at 1.1 percentage points. However, the contribution of the net exports was negative due to the strong domestic demand and high gold imports during the year. The net exports dragged down the growth rate by 2.3 percentage points in 2013 as a whole.

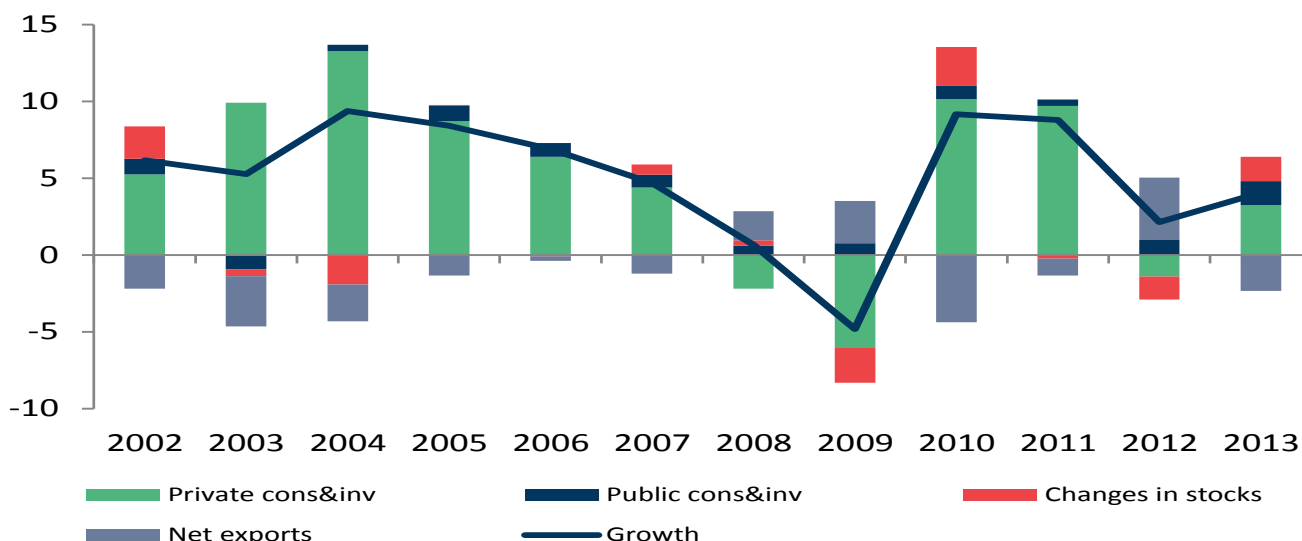
Despite the strong annual growth in 2013, the quarterly data indicate the growth is losing momentum. According to the data adjusted for seasonal and calendar effects, after rising to 2 percent in the second quarter, the quarterly growth rate decelerated to 0.8 percent in the third quarter and to 0.5 percent in the last quarter.

Some leading indicators suggest the consumption is slowing, especially due to the sharp rate hike from the central bank late in January to counter the heavy sell-off of the Turkish lira. Light commercial vehicles and car sales dropped 25.5 percent in the January-April of 2014 from a year ago, housing sales fell 6 percent in the January-March period compared with the same period of last year. The loan growth eased and imports fell in February and March in line with the higher interest rates and restrictive measures on consumer loans. The yearly pace of growth of consumer loans fell to around 22 percent in early April from around 28 percent in October.

On the production side, the recovery of the European Union and the weaker lira are supportive of Turkish exports. In March, the exports to the European Union rose 13.5 percent and the share of the Union in Turkish exports increased to 41.3 percent. Within the last 12 months until March, the country where Turkey exported the most was Germany (14 billion USD). The central bank's surveys also indicate the producers are optimistic about the export orders for the next three months.

Coface expects Turkey's growth to slowdown to 2 percent in 2014 due to high interest rates, weakness in the local demand, lower purchasing power resulting from the high inflation and tapering of the global liquidity.

CHART 1: Contribution of growth components (% points) and growth (%)



The main challenge for Turkey remains its huge current account deficit. The country struggles to balance the economic expansion with a low savings rate. During the last decade, the share of manufacturing sector in the national output fell to 15 percent from around 20 percent. The consumption-led growth over the past decade widened Turkey's current account deficit to alarming levels due to explosive imports. This makes the economy vulnerable to a possible sudden stop in capital inflows. The industries which export the most (automotive, machinery, steel, plastics etc.) also import heavily from abroad mainly due to the lack of raw material in Turkey. The dependence of Turkish industries on intermediate goods imports and the appreciation of the lira up until the Federal Reserve tapering announcement in May were among the key factors of the persistent trade deficit of the country.

CHART 2:
Dependence of Turkish exports on imports in 2013

<i>bln USD</i>	Exports	Imports	Difference
Motor vehicles	17	16.8	0.2
Boilers, machineries	13	30.2	-17.2
Knitted goods	9.2	0.9	8.3
Iron and steel	9.9	18.7	-8.8
Machinery and equipment	9.5	17.8	-8.3
Articles of iron and steel	6.1	2.8	3.3
Precious stones	7	16.2	-9.2
Not knitted goods	5.7	1.9	3.8
Mineral fuels	6.7	56	-49.3
Plastics	5.6	13.9	-8.3

Source: TSI

After reaching 10 percent of the national output in 2011, the deficit narrowed to around 6 percent in 2012. The deficit stood at 65 billion USD in 2013, widening by 16.5 billion USD from 2012. One of the main reason of the widening external deficit was jump in gold imports. Turkey's gold imports rose around 100 percent in 2013 compared with 2012 and reached 15 billion USD. The trade deficit related to gold rose to 11 billion USD in 2013 from a surplus of 5.7 billion USD in 2012. The normalization in gold trade has started to contribute positively to the current account deficit since end-2013. The proportion of imports covered by exports slightly improved. It rose to 70 percent in January-March 2014 from 63 percent in the same period of previous year.

Around 25 percent of the external deficit is financed by short-term portfolio inflows and 40 percent is financed by foreign loans to real sector and banks. The external gap is expected to narrow in 2014 in line with a slower economic growth.

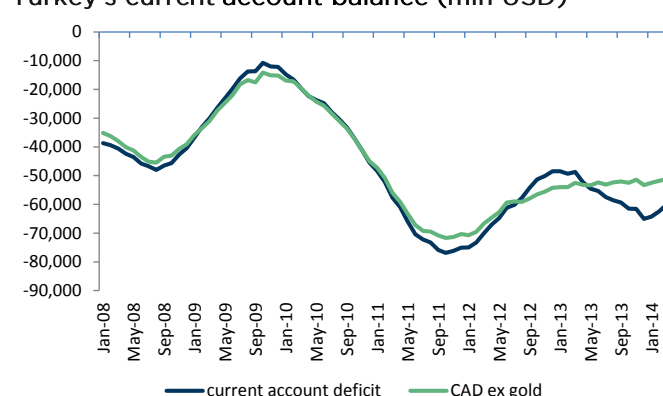
Due to low level of local savings, Turkish economy depends heavily on capital inflows to finance the investments and economic growth. According to the government's annual program, the national savings hit a record low of 12.6 percent of the GDP in 2013.

In order to promote national savings and reduce the economic dependence on foreign funds, Turkish authorities introduced in November a series of macro-prudential measures. The aim was to counter the rampant consumer loan growth.

The new measures included limited installment numbers for some goods and higher down payments for auto loans. The government also introduced measures to encourage private savings and renewable energy. The new regulations advancing the foundation of more R&D centers are also on the way. In line with these measures, the savings are seen to rise to 13.7 percent of the GDP in 2014.

For the period ahead, the recovery in European markets and the recent depreciation of the lira would support Turkish exports. Specifically, high value-added products (cars, durable consumer goods) and services related to tourism are expected to benefit from the recovery of European demand (45% of tourists).

CHART 3:
Turkey's current account balance (mln USD)



Source: CBRT

During the global crisis, Turkish exporters have successfully diversified their export markets and products. Although Europe is still Turkey's main trading partner, the share of Turkish exports to the EU-28 fell significantly to 41.5 percent in 2013 from around 57 percent in 2007. The share of Turkish exports to Near and Middle East jumped to 23 percent from 14 percent during that time, the share of Asia rose to 8 percent from 5 percent and the share of North Africa rose to 6.6 percent from 4 percent.

Turkey exports mainly durable goods to the European countries. As these goods have a high sensitivity to the economic growth, the recovery in Europe would raise Turkey's exports in the upcoming period. Recent indicators suggest the European countries recording strong recovery have increased their share in Turkish exports. As of March, Turkish exports on 12-month cumulative basis to Germany and to United Kingdom reached 14 billion USD and 9 billion USD respectively.

Turkey's external debt stock is considered as another vulnerability of its economy. In 2013 total external debt stock of the country rose to 388 billion USD, around 47 of the gross domestic product. The risk is mainly on the real sector with an amount of short term external debt stock of 36 billion USD. Although it may look like a high amount, one should remember that most of these are large-scale companies having forex denominated revenues..

Turkish public sector and private companies have always been able to roll their debts during the financial turmoil periods in the past. According to a study conducted by the central bank, only 12 percent of around 9500 companies have foreign debt without having any export earnings. 63 percent of the companies don't have external debt. However, given the high amount of the external debt stock any political turmoil ahead of the elections would increase the debt burden of the corporate sector through the depreciation of local currency.

Reforms to tackle structural problems...

Turkey has implemented reforms to reduce its import dependence and enhance its human and capital productivity. Annual bill of Turkey's energy imports is close to 60 billion USD, having an important impact on the external gap. Therefore, the reforms aiming at reducing the energy bill are very important.

The government supports the renewable energy resources and builds nuclear plants. On the other hand, high value added products would increase the country's export revenues. These are the goods which require a high innovation, technology and creativity during the production process. Turkey aims to increase the budget allocation to the R&D spending from 0.92 percent of the GDP in 2012 to 3 percent by 2023.

Another aspect of the structural reforms is to make the labor market more flexible. Turkey needs to increase the participation of working-age persons to the labor force, especially women. The labor participation rate stood at 50.8 percent in 2013. Although there is a gradual increase since 2004, the ratio is still low compared with the OECD average of around 70 percent. In terms of working hours, Turkey has longer working hours compared with the OECD-average however the labor productivity remain lower.

The country carried out wide reforms in the educational sphere too. According to the ministry of finance data, the number of students corresponds to 39 percent of the total population in Turkey compared with 22 percent in the EU. The government increased the share of the education in the budget from 9.4 percent in 2002 to 18 percent in 2014 and the gross schooling rates of higher education rose to 92.1 percent in 2012-2013 period from 35.8 percent in 2002-2003 period. Compulsory education lasts 12 years in the country. However, there are still some disconnections between the skills gained during the education and the qualifications required by the labor market. Total labor force having a level of education below high school degree makes around 60 percent of the total labor force. The employment level is relatively low at 48.9 percent, mainly due to low employment rate among women around 27 percent.

The introduction of the private pension system also contributed to a slight increase in the private savings. Total participants to the private pension system reached 4.4 million and a volume of 22.5 billion lira end-March.

The government also implemented an input supply strategy (Gites) aiming at reducing the dependence on imported inputs of the local production to reach a higher domestic value-added exports with higher competitiveness.

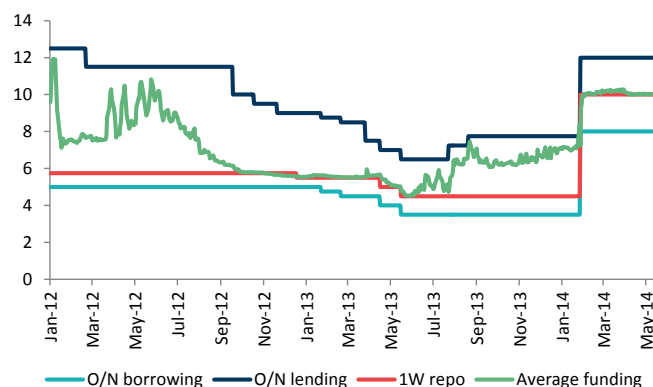
Turkey is also trying to attract foreign investments by implementing incentives and a simplified regulation. The government has introduced an incentive package in 2012 aiming to increase foreign direct investments, boost production and employment through high value added and export oriented investments. The incentive tools are VAT exemption, customs duty exemption, tax deduction, social security premium support, interest rate support, land allocations, VAT refund and income tax withholding support.

Inflation up on weak lira, monetary policy tightens...

The inflationary pressures in Turkish economy have started to ease in the second quarter of 2012 however the headline inflation was higher than the central bank medium-term target of 5 percent.

With the rising politic tensions and the heavy sell-off late in 2013, the lira weakened around 25 percent against the dollar between May-January and hit the record low of 2.39 versus the greenback. The central bank reacted by delivering a massive rate hike to defend the lira at an emergency midnight policy meeting on late in January. The bank increased the overnight lending rate to 12 percent from 7.75 percent, the one-week repo rate to 10 percent from 4.5 percent and the overnight borrowing rate to 8 percent from 3.5 percent. Although the bank cut again its policy rate by 50 basis points in May, the policy makers reiterated that the monetary policy would remain tight until a significant improvement in inflation outlook.

CHART 4: Central bank's main interest rates (%)



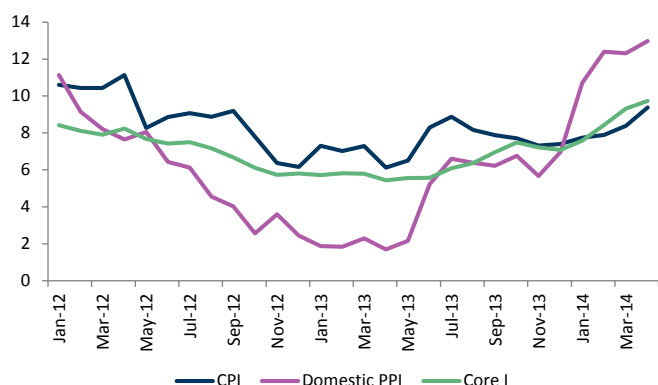
Source: CBRT

As the pass-through effects from weaker currency are still persistent, the yearly change in domestic producer prices rose to 12.98 percent in April. The headline consumer inflation jumped to 9.38 percent in April compared with the same month of previous year. The core inflation indicators climbed above the headline inflation and the core indicator I excluding energy, food, non-alcoholic and alcoholic beverages, tobacco products and gold hit 9.74 percent in April.

At its quarterly inflation report in April, the central bank raised its year-end inflation expectation to 7.6 percent from 6.6 percent previously, citing the lira depreciation and higher-than-expected food and oil prices.

However the consumer prices have already rose around 5 percent in April from last December. The inflation is seen to fall in the second half of the year due to base effects and easing pass-through effects from the weaker lira. Although the currency recovered partly from the record low levels against the dollar in January, more pressures could occur due the upcoming presidential elections in August. With the inflation running far above the central bank's year-end target, the monetary policy is expected to remain tight for some time.

CHART 5:
Inflation rates (yoy, %)



Source: TSI

Unemployment expected to rise due to slower growth

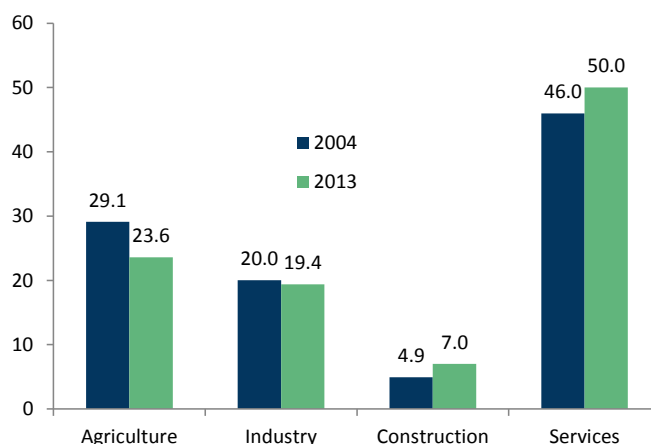
Since the recession in 2009, Turkey has created around 4 million jobs. The seasonally adjusted unemployment rate fell to its lowest ever level of 8.9 percent in June 2012 from 14 percent mid-2009. In January 2014 it stood at 9.1 percent. The unemployment is expected to rise in the upcoming period with the economic slowdown after the implementation of the macroprudential measures to curb domestic demand and the massive rate hike from the central bank.

In Turkey, the share of population between the ages 15 to 64 is around 67 percent. This boosts the pool of people looking for a job with few employers willing to absorb this supply. Despite the rising population, Turkey succeeded to reduce the unemployment among young people to 18.7 percent in 2013 from 25 percent in 2009.

However Turkey still has a relatively rigid labor market. According to the ministry of finance budget presentation, Turkey ranks lowest among 34 OECD countries in terms of labor market flexibility indicators. The female participation to the labor force is low. The weekly working hour stands at 48.9 hours in Turkey, far above 38.5 hours on average in OECD countries. According to OECD statistics, only 11.8 percent of the total employment is part-time in Turkey, while the ratio is above 16.9 percent in OECD countries.

The share of agriculture in the employment fell to 23.6 percent in 2013 from 35 percent in 2002, according to data from the undersecretariat of Treasury. Despite the improvement, the share of the agriculture is still higher than the industry which provided 19.4 percent of the total employment in 2013. The informal employment fell to 36.7 percent of the total employment in 2013 from around 52 percent in 2002, according to the data from ministry of finance.

CHART 6:
Sector shares in employment (%)



Source: TSI

Budget performance seems on track... for now

One of the strength of Turkish economy is its public accounts. The budget deficit fell to 1.2 percent of GDP in 2013 from 12 percent in 2001. The government target for end-2014 is to have a deficit of 1.9 percent of GDP.

Between 2003 and 2012, Turkey had a total revenue of 52 billion USD from privatizations. The government expects a total revenue of 6.9 billion lira from the privatizations in 2014, according to the statement of the economic authorities.

The EU-defined debt stock of Turkey has been falling during the last decade. After having reached 74 percent of GDP in 2002, the ratio fell as low as to 36.3 percent in 2013, far below Maastricht criteria of 60 percent.

In the first two months of 2014, tax revenues rose 11 percent compared with the same period of previous year, indicating the slowdown in domestic demand hasn't affected the budget performance yet. So far, the figures suggest the government would be able to reach its year-end target.

However in the period ahead, taxes revenues (taxes on imports, VAT, special consumption tax etc.) may fall due to the decrease in domestic demand and imports following the depreciation of lira. Such a situation would threaten fiscal discipline.

CHART 7:
Macroeconomic data and forecasts

	2012	2013	2014 (f)
GDP	2.2	4.0	2.0
Inflation⁽²⁾	8.9	7.5	7.0
Private consumption	-0.5	4.6	0.5
Budget balance⁽¹⁾	-2.1	-1.2	-2.0
Public debt⁽¹⁾	36.2	36.3	34.9
Exports of goods and services	16.3	0.1	5.5
Industrial production⁽²⁾	2.6	3.0	n.a.
Unemployment rate⁽³⁾	9.2	9.7	10.0
Current account balance⁽¹⁾	-6.2	-7.9	-6.1

Pct change in real terms, except (1) % of GDP, (2) annual average, (3) % of total labor force

Source: Coface, IMF, OECD, TurkStat

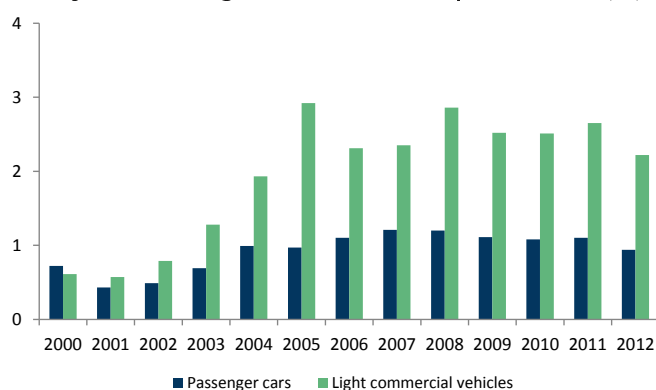
PART II: Industrial developments

Automotive sector: drop in domestic sales, focus on exports

The automotive industry is a sector of primary importance for the Turkish economy. The industry has prospered since 1960's and became export oriented and competitive after 1990's with the arrival of global car makers. Turkey has become a re-export hub for big automotive producers of the world as these companies have started to build factories in the country, usually alongside a local partner.

Total production increased considerably in recent years. According to OICA statistics, Turkey has become 16th biggest motor vehicle producer in 2012 with a total production of 1,072,339 units, which was 9.8 percent lower from a year ago. The country was ranked 17th producer in the world production in 2011.

Chart 8:
Turkey's share in global automotive production (%)



Source: ODD, LMC automotive

Within the last decade, the automotive production capacity has skyrocketed in Turkey. The production volume has tripled between 2002 and 2013 and the capacity usage reached 77 percent. Total production peaked at 1,13 million units in 2013, 5 percent up from a year ago. The share of gross value added of the automotive industry among the 500 biggest companies in Turkey stood at 6.9 percent in 2011.

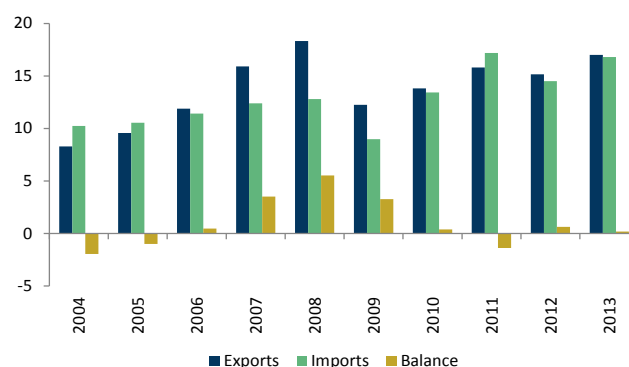
According to data from Automotive Manufacturers Association (OSD), The market size of motor vehicles rose to 893 thousands in 2013, 9 percent up from the previous year. In that time the passenger car market expanded by 19 percent to a record high level of 665 thousands units, mainly supported by low interest rates until the last quarter of 2013 and higher per capita income. However the market of light commercial vehicles shrank by approximately 15 percent during this period suffering from mainly the slowdown in the economic activity and strict control of the official documents required from owners of these vehicles.

The motor vehicle exports accounted for 10 percent of

the country's total exports in 2012, an equivalent of 15.1 billion USD. In 2013, Turkey's motor vehicle exports reached 17 billion USD, up 12 percent compared the previous year. However, the imports also rose in that time by 16 percent and reached 16.8 billion USD in 2013. This is mainly due to the import dependent character of the sector. In fact Turkey's car industry is largely based on assembling activity. The depreciation of the lira and rising interest rates on auto loans in the last quarter of 2013 also played a role in strong demand for imported cars as consumers wanted to finalize their purchases before the producers rise the prices due to the currency weakness and auto loans become more expensive.

Around 68 percent of the total production was exported in 2012. The ratio rose to 73 percent in 2013. Europe is the main destination of Turkey's vehicle exports. In 2013, 14 percent of Turkish motor vehicle exports were addressed to Germany, 11 percent to France and 10 percent to UK, indicating that a sustainable growth in Europe is a key for the Turkish automotive sector.

Chart 9:
Turkish automotive industry exports, imports, trade balance (bIn USD)



Source: TSI

According to the ministry of industry's figures, the automotive industry provides employment to 400,000 people in Turkey, out of which 50,000 are estimated to work in the main industry and 250,000 in supply industries. The rest is estimated working in the distribution, marketing and sale channels.

Global car makers have a preeminent place in the Turkish automotive industry. The market is dominated by Oyak-Renault. Main three producers, Ford Otosan, Oyak Renault and Tofas-Fiat are partnerships between foreign manufacturers and Turkish companies. The fourth producer, Toyota is wholly owned by the main company in Japan. In 2013, these four manufacturers held 82 percent of the total production.

Still Turkey needs to continue to attract new investments from global car makers to support the automotive industry's expansion. However since recent years, the global car industry has been favoring Eastern Europe and Far East countries to shift its production units. Turkey aims to increase its automotive exports to 75 billion USD by 2023 according to the government's strategic plan for 2023. To reach these targets, the government introduced new incentives in 2012 and cited the automotive sector within the "prioritized investments".

These incentives play a key role for the expansion of automotive industry. The plan has cut the minimum investment amount required to get an incentive certificate for the original equipment and manufacturers to 200 million lira from 250 million lira. It has also cut the minimum investment amount for the automotive supply industries to 50 million lira from 100 million lira.

The government also announced that investments for the test facilities, wind tunnel and similar investments made for automotive, space or defense industries would be considered as "specific priority investments" and would be subject to get higher incentive support. The incentives include exemption from tax and duties, land allocation, payment of the social security premium support by the State and interest support etc.

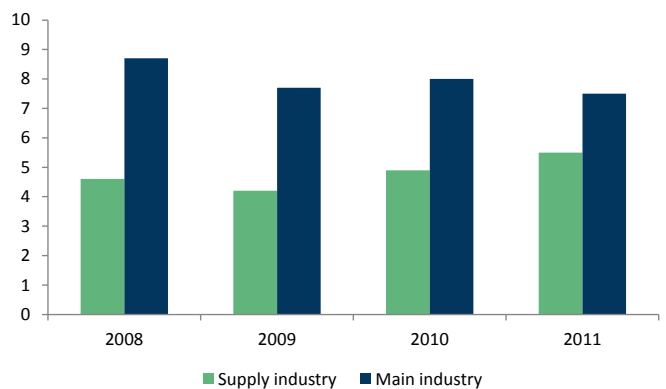
There is also an active support for R&D in Turkey resulting from the agreements signed within the EU accessing process. Turkey now aims to devote 3 percent of its GDP to R&D activities until 2023. These developments encouraged global players like Ford, Hyundai and Toyota to increase their investments in Turkey. The sector is expected to increase its production capacity through these new investments.

Another factor making Turkey attractive for car makers is the low labor costs. The hourly labor cost is in 4.5 USD in Turkey versus 40 USD in France and 25.9 USD in Spain, according to EIU figures. However, the labor productivity remains relatively low in the country with a level of GDP per hour worked of 28.10 USD in 2011 compared with 44.10 USD according to OECD figures.

The automotive supply industry represents an important part within the total automotive exports. The supply industry is highly specialized and competitive in manufacturing of tire, auto glass, motor, battery and other components and pieces.

According to the data from OSD, the supply industry exports totaled 8.2 billion USD in 2013. During the first quarter of 2014, the exports of the supply industry jumped around 13 percent to 2.5 billion USD. In the post crisis period, the wide range of products and the ability of the suppliers to meet the standards requested by the main manufacturers allowed the supply industry to increase the exports faster than the main automotive industry itself.

Chart 10:
Share of supply and main automotive industries in Turkey's total exports (%)



Source: ODD, TEPAV, BACI

2014 outlook and risks

Turkish domestic market benefited from sustainable growth in recent years. Turkey's growing GDP per capita combined with the young population having a desire to spend and low interest rates boosted domestic sales of the automotive industry.

The low level of interest rates in the aftermath of global financial crisis also supported the demand for passenger cars. Due to extremely expansionist monetary policy of the major central banks around the globe, Turkish banks had the possibility to find cheap and abundant funds and they required lower interest rates on loans. Between 2009 and mid-2013, the weighted average interest rates on auto loans fell from around 20 percent to approximately 9.5 percent. At that time the commercial and consumer auto loan stock of the Turkish banking sector rose from 12 billion lira to 20 billion lira.

In the upcoming period, the main challenge for the Turkish automotive industry would be the uncertainty related to the political turmoil and the weakening of local demand. The political turmoil has somewhat eased after the local elections in March. However Turkey still has the presidential elections in August and parliamentary elections in 2015. If the political turmoil increases ahead of these elections, this may weigh on new investment decisions.

The pace of growth of domestic demand for cars will slow down significantly because of many reasons in 2014. The sharp depreciation of the lira at the end of 2013 will increase the prices of imported vehicles. In fact, 75 percent of the passenger cars sold in Turkey was imported as of April 2014. Besides, the weighted average interest rates on auto loans rose significantly following the central bank drastic rate hike late in January. The tightening measures on consumer loans and the increase in special consumption taxes on passenger cars will also affect negatively the domestic demand

CHART 11:
Weighted average interest rates on auto loans (%)



Source: CBRT

The aim of these measures is to curb quick loan growth and narrow the current account deficit. In 2013, passenger car trade contributed 2.2 billion USD to the widening of Turkey's trade deficit. Therefore, the Turkish government has risen early in January the special consumption tax on a range of products including new passenger cars. The tax on new passenger cars that used to vary from 40 percent to 130 percent will now range from 45 percent to 145 percent.

These levels are far above the OECD average. The maximum tax rate applied on passenger cars upon sale and registration stood at 47 percent in 2012 on average among OECD countries, according to the OECD data.

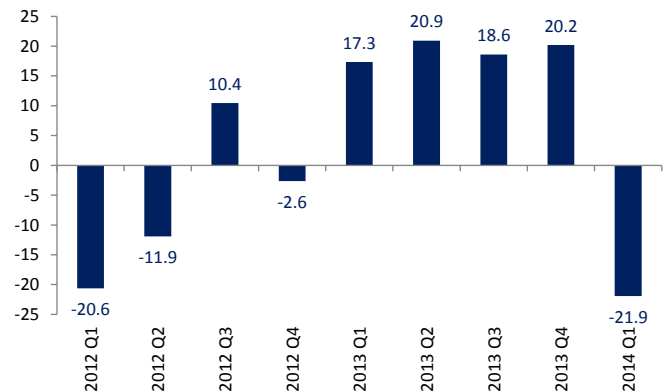
Turkish banking sector watchdog (BDDK) also introduced new measures on consumer loans to be effective from February. According to the legislation, the auto loans will not exceed 70 percent of the total value for cars that cost less than 50,000 Turkish lira. BDDK has also limited the installments for auto loans at 48 months.

Turkish Central Bank policies and the US Federal Reserve tapering would be also key developments that will affect the industry outlook in 2014. The demand for motor vehicles would fall further if Turkish Central Bank decides to tighten more its monetary policy stance.

Many car makers expect the domestic sales in 2014 to drop by 20 to 30 percent following these measures. The profits of distributors and dealers will also fall significantly. First data provided by Automotive Distributors Association (ODD) indicate clearly the negative effect of these measures on domestic sales. In January-April period, the total sales of passenger cars and light commercial vehicles in Turkey dropped by 25.5 percent compared with the same period of previous year.

If the domestic demand falls more than expected and the lira depreciates more in the upcoming period, then some dealers or distributors may face the risk of bankruptcy and the unemployment may rise.

CHART 12:
Quarterly change in car sales (yoy, %)



Source: ODD

Under such circumstances, focusing on exports in 2014 would be an opportunity for Turkish car makers to compensate the weakening in domestic demand. The recovery in European countries, the diversification of export markets and the depreciation of lira would support Turkish automotive exports, especially in the passenger cars segment. In the first quarter, the exports of motor vehicles rose 8.4 percent compared with the same period of previous year. According to the data provided by OSD, the exports of passenger cars rose 27 percent in the January-April period year on year while the exports of commercial vehicles dropped by 25 percent.

The adaptation to the new technologies and increasing the R&D efforts would be important, particularly for the supply industry, in order to create a differentiation from the competitors. This would bring new opportunities to work with the main manufacturers. Alternative markets such as United States, Russia, Africa etc. should also be considered to increase exports further.

But in the medium to long term, a strong local market stands crucial for the local producers to have a sustainable growth as high dependence on exports would increase the volatility through the developments in the global economy. The strength in the local market would help the industry to reduce the production costs as the production size would be higher. This would affect the profitability positively. However the high level of taxes constitutes a limit against the local market development.

The Turkish local market is still promising for the producers. Per capita income is rising in the country, the share of the young people is high and they tend to consume. Half of the vehicles in Turkey are older than 12 years according to Automotive Distributors Association, indicating the need for the fleet to be renewed. The motor vehicle ownership is still very low. Per 1000 people, it was at 155 in Turkey in 2010, according to the World Bank data. It was 624 in Greece, 485 in Czech Republic and 58 in China. Any policy to lighten the tax burden would help the Turkish automotive industry to benefit from this strong domestic potential, an advantage indispensable to reach foreign markets.

Textile and clothing sectors: Advantage of the local currency weakness and the European recovery

The textile, clothing and leather industries are considered among the strategic sectors by the Turkish government to reach the country's target of 500 billion USD by 2023. Three industries account for approximately 16 percent of the total value-added in the manufacturing sector and 10 percent of the national output, according to the Ministry of Industry. The annual value of production of the three industries reached 48.6 billion USD in 2012, providing nearly 12 percent of the total employment including informal labor.

The competition in the textile industry around the world intensified after the elimination of quotas on China's textile and clothing exports in 2005. Turkey still ranks among the biggest global players in these industries as it offers low production costs, fast delivery times due to geographical proximity to the European markets, strong knowledge and a massive production expertise. Turkey's share in the world textile exports stood at 3.9 percent in 2012, according to the World Trade Organization data while its share in the world clothing exports was 3.4 percent.

CHART 13:
Turkish trade of textile, clothing and leather products (bln USD)

	Exports	Imports	Trade balance
2011	25.3	11.2	14.1
2012	26.1	9.2	16.9
2013	28.6	10.3	18.3

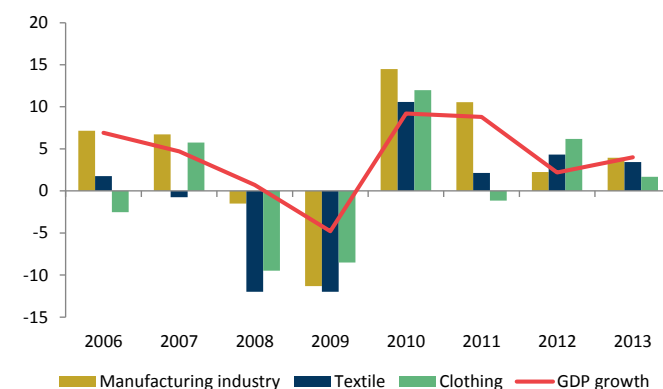
Source: TSI

Turkish textile and clothing industries have the advantage of the low cost production yet the said industries are dependent on imports of intermediate goods. The dependence on imports of the textile industry stood at 43 percent in 2011, according to a research conducted by the Ministry of Economy. The ratio was 19 percent for clothing industry and 38 percent for leather products. The study indicated that for an import of one dollar, clothing industry exported 4.1 dollars while textile industry exported 2.1 dollars.

Due to the sharp acceleration of textile and clothing imports, Turkey introduced additional temporary custom tariffs on certain fabric and apparel imports in 2011. Additional custom tariffs varied from 17 percent to 30 percent for clothing and from 11 percent and 20 percent for fabrics. Following the increase in tariffs, imports have slowed down, allowing the trade balance of the textile and clothing industries to record higher trade surpluses. Despite the economic difficulties in Europe, Turkey's main trading partner, the trade surplus of Turkey between 2011 and 2013 rose yearly on average 22 percent on textiles and around 6.5 percent on clothing. By 2023, Turkey aims to raise annual domestic exports of textile to 20 billion USD and increase clothing exports to 52 billion USD.

Geographically these industries are mainly situated in cities such as Istanbul, Denizli, Bursa, Gaziantep, Adana and İzmir dispersed in Marmara, Aegean and South-East regions of the country. There are 57,715 active firms in these industries and majority of them are small and medium-sized businesses. 30 percent of the businesses are in the textile industry, 59 percent are in the clothing industry and 11 percent are in the leather industry. According to the social security institution statistics of 2012, small businesses having a number of employees between 1-49 people provide 70 percent of the total employment in the leather industry and 52 percent in the clothing industry. In the textile industry, nearly 36 percent of the total employment is provided by companies employing at least 250 to more than 1000 staff and 34 percent is provided by companies employing between 50-250 people.

Chart 14:
Growth rates (yoy, %)



Source: TSI

The textile and clothing industries have always contributed strongly to the economic growth in Turkey. Since slower local demand and cloudy growth are expected for 2014, the main driving force of the economic expansion will be the exports. Turkey was the second biggest textiles supplier of Europe in 2012 and had a share of 16.3 percent in European market. In clothing, the country had a market share of 13.1 percent in 2012 and had been classified among the three biggest suppliers of Europe. This suggests that there are still market shares to conquer in Europe for Turkish textile and clothing producers.

In that sense, the recovery in Europe is very positive for Turkish textile and clothing exports. Data from ITKIB (General Secretariat of Istanbul Textile and Apparel Exporters' Associations) indicate that the share of clothing exports addressed to the EU-28 rose to 75.5 percent in the first quarter of 2014 from 75.1 percent in the first quarter of last year. Total clothing exports to the EU-28 rose around 10 percent at that time and reached 3.5 billion USD. Data also indicate that the share of EU-28 in Turkey's textile exports rose to 48 percent in the January-March period of 2014 from around 46 percent in the same period of last year. The textile exports to the EU-28 jumped 15 percent at that time and reached 1.1 billion USD.

The share of the textile industry in total exports was 8.7 percent in 2012 and 9.7 percent in 2013. The share of clothing industry rose from 7.8 percent to 8.4 percent at that time. Producers are highly experienced about the corporate management during periods of economic crisis and volatility. Weaker local currency makes Turkish products cheaper and supports the increase in exports.

Russia, Italy and Germany have been principal buyers of Turkish textile products in 2013. Data from ITKIB show that these countries bought around 27 percent of the total Turkish textile exports in 2013. In the same period, the biggest clients for Turkish clothing exports have been Germany, UK and Spain, having a total share of approximately 43 percent of Turkish clothing exports.

The lower volatility in exchange rates compared with the start of the year, depreciation of the local currency and the recovery in main European markets would support Turkish exports in the period ahead. Low labor costs and wages compared with Europe make Turkey still attractive for European customers.

A higher competitiveness through cost-efficient strategies may help Turkish producers to increase their market shares abroad. Turkey is dependent on energy imports to run its economy. This makes the country vulnerable to the rise in global energy prices or weakening in local currency as it pushes the energy prices higher. The commodity (cotton, wool, bamboo, polyester, acrylic etc.) is the main cost for the textile industry, according to the data of Turkish Textile Employers' Association published by the ministry of industry.

Data from 2005 indicate that commodity costs represent 33 percent of the total costs while human resources account for 25 percent of the total costs. Energy represents 9 percent of the total costs. The clothing industry is more labor-intensive compared with the textile. Labor costs account for 27 percent of the total costs and are the second highest costly item after commodities, representing 47 percent of the total costs.

Turkey's geographic location can be considered as another advantage for producers to increase their exports. The country is very close to its major buyers in Europe and Russia, which constitutes an important advantage in terms of reducing the transportation costs and making the delivery times shorter. In fact, Turkish producers have advantage in logistics and just-in-time production compared with their peers. They are able to produce and deliver the products as fast as 21 days. This allows customers to work with a low level of inventory.

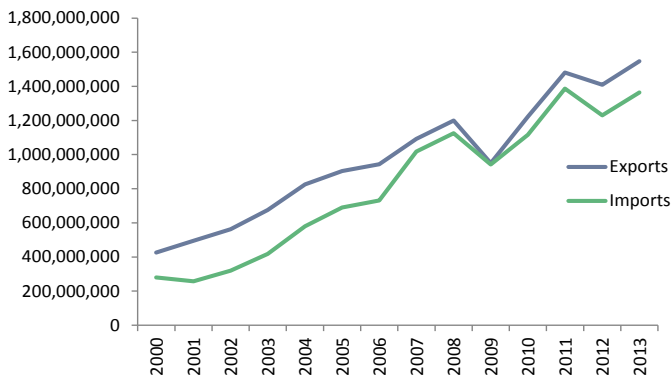
Investing in Eastern Europe could also help the producers to increase their sales to the United States as the latter plans to sign up a trade and investment partnership with the European Union. This would allow the producers to export to the United States while being exempt from custom duties. However, this may also cause a part of the textile investments to shift to European countries instead of staying in Turkey. Turkish clothing exports to the United States stood at 443.3 million USD in 2013, down 1 percent from a year ago according to data provided by the General Secretariat of Istanbul Textile and Apparel Exporters' Associations. The data showed the textile exports rose to 309.1 million USD in 2013, rising 9 percent from 2012. If Turkey doesn't participate to this partnership, it may lose its market shares.

Turkey has one of the largest capacities of yarn and weaving production in the world, giving the country an important advantage. According to studies from ITKIB, Turkey was the 12th largest supplier of yarn in the world with 1.6 billion USD of exports in 2012 and 9th largest weaving with 2.6 billion USD of exports in 2011.

High value added and designer products would also help Turkish producers to increase their profit margins. Although this is a very expensive and long process and requires governmental support and long-term strategies, it can be one of the key factors allowing Turkey to gain more market shares abroad. In terms of creating brands, Turkish clothing producers accomplished important progress in some markets like Russia. But there is still progress to be made as only a few clothing producers succeeded to make their brands known globally despite the efforts like Istanbul fashion week aiming to encourage and promote Turkish designers.

The increase in technical textiles production (marine, aircraft, automotive fabrics, protective and sportive clothing etc.) is a promising development for the future. These products contain higher innovation and added value. During the last decade Turkey's technical textiles has been increasing. Construction and automotive industries are among the principal customers of the technical textiles. This gives Turkish producers an important advantage as both the construction and automotive industries have an incontestable place in the economy, providing an already available market for these technical products

Chart 15:
Turkey technical textiles trade (USD)



Source: ITKIB

Turkish government also supports the branding process and production of high value-added products through incentives and the Turquality program. The government aims to create global brands and encouraging companies to produce more innovative products by providing organizational, strategic, financial and informative coaching through accredited consultants. The program started in 2005 and currently provides assistance to around 130 firms from diverse industries.

2014 outlook and risks

For now, subcontracting seems to be preponderant strategy among Turkish producers. However this causes some inconveniences for the sector. In fact, Turkey's clothing and textile customers are highly consolidated. These big companies dominate the market as they place the biggest part of their orders. They have the "bargaining power" over the producers as the latter are dispersed and usually are small or medium size companies. This creates a concentration of risk for the producers. Customers ask for the best terms. This situation prevents the producers to benefit fully from situations such as the lira's depreciation as clients have the power to ask for price reductions. As a result, the profit margins in the textile and clothing industries remain tight.

On the other hand, globally textile investments are mostly concentrated in countries like China, South Korea, and India due to lower production costs. These countries are also principal exporters of textiles and clothing in the world. Labor taxes and input costs in Turkey remain higher compared with some of its competitors like China.

This is a major disadvantage for Turkish producers. Besides, the low level of wages in these industries and severe working conditions discourage new graduates who prefer looking for a job in other sectors. Therefore the qualified labor force of the country becomes less accessible for textile and clothing industries.

Lack of research and development efforts is also a weakness. According to figures from the Turkish Statistics Institute, the share of R&D expenditure by the textile industry within a total R&D expenditure by the manufacturing sector fell to 2.9 percent in 2012 from 3.1 percent in 2011. The share of the clothing and leather products industries remained almost unchanged at around 0.5 percent and 0.1 percent, respectively. This reduces the competitiveness compared with the countries like South Korea, a global leader of technologic fabrics.

Turkey also needs an improved agriculture policy. Especially cotton has a strategic importance as it is the major ingredient in various industries. Representing 60 percent of the total raw material used in the textile and clothing sectors, production and price of cotton play a significant role in Turkey's competitiveness. Data from National Cotton Council show the fiber cotton production of Turkey stood at 858 thousand tons in 2012-2013 while the consumption was 1,350 thousand tons. Turkey imported 804 thousand tons of cotton at that time. The import dependence on cotton creates instability in pricing for textile and clothing industries and increases the use of imported fiber and tissue.

Overall, the latest depreciation in lira and recovery in European markets will support the export of textile, clothing and leather products industries in 2014. Although current level of R&D investments seem insufficient, government supports and companies' individual efforts should improve the production of innovative and high value added products. The stock of machinery, know how, the level of orders are sufficient to assure a sustainable expansion for these sectors. Improvement of working conditions and of tax burden on employment would help attract qualified workers. Turkish textile and clothing sectors have the ability to succeed in branding. But this requires a long strategy and government implication, which is provided by the Turkish government. Once achieved, this would help the companies to strengthen their equity capital and invest more in R&D, creating a virtuous circle for the sectors and also for the country.

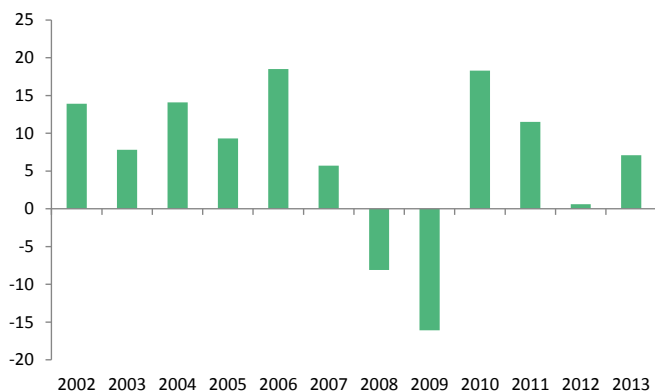
Construction sector: Slower demand for housing

The construction sector has been one of the driving forces of Turkey's economy. Many other sub-sectors are in close relation with the construction sector like cement, concrete, ready-mixed concrete, iron and steel industry, ceramic, glass and brick industries.

After having a rapid growth in 1980's, the construction sector collapsed in 1999 and 2001 crisis. Within the last decade, the sector posted an average growth of 7 percent mainly on economic sustainability, growing per capita income, lower interest rates and possibilities of long-term borrowing, although it was hit by the global financial crisis in 2008 and 2009.

The urban transformation process also explains the construction sector's expansion in Turkey. The country experienced an unplanned and disorganized urbanization, specifically after 1950's due to the process of immigration towards urban areas from rural zones. This resulted in construction of slum houses around big cities on public lands belonging to the Treasury, without any legal authorization. Common characteristics of these constructions are usually poor infrastructures, lack of sanitary conditions and deteriorated buildings. The authorities' commitment for upgrading these constructions and the launch of a program for a planned urbanization and social housing in early 2000's contributed significantly to the sector's growth.

Chart 16:
Construction sector growth (yoy, %)



Source: TSI

The fast urbanization, growing population, tax advantages and the Parliament approval for the reciprocity law in June 2012 allowing foreigners to buy property in Turkey also helped the sector's expansion. Real estate purchase of foreigners rose to 2.6 billion USD in 2012. In January-October period of 2013 foreigners total purchase stood at 2.2 billion USD.

In 2013, the contribution of the construction sector to the growth was 0.4 percentage point. At that time, it provided 7 percent of the total employment in Turkey.

Public investments in construction were the driving force since the start of 2012. In 2013 construction investments of the public sector rose 29.1 percent compared with previous year while private investments declined 0.7 percent. Construction investments of the private sector increased for the first time in five consecutive quarters in the second quarter of 2013. However after accelerating in the third quarter, private construction investments decreased again by 2 percent in the last quarter compared with the same period of 2012.

The real estate sector, main pillar of the construction sector expanded 6.6 percent in 2013 compared with previous year. Despite the slowdown in economy and high inflation which weighs on purchasing power, the housing price indexes hit the record high levels in December and January.

This suggests the demand for housing remained quite strong at the beginning of 2014. In February, new housing prices rose 5.7 percent and housing prices rose 4.7 percent on real basis, compared with the same month of previous year. The rise in home prices can still be considered at a reasonable level as the cost of building construction rose 11.3 percent in the first quarter of 2014 year on year.

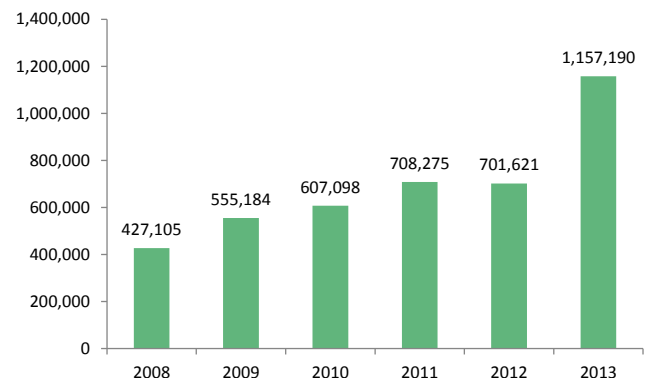
Chart 17:
Turkey housing prices index (3-month MA, yoy, %)



Source: CBRT

Currently, the total housing stock in Turkey is estimated at around 20 million units. According to a research conducted by Turkish Statistics Institute (TSI) in 2011, 67.3 percent of the total households in Turkey are owner of their dwellings. In 2013, a record of 1.16 million houses were sold, 65 percent up from 2012 mainly due to low interest rates. Housing demand is expected to continue on the back of increasing population, growth in per capita income, rising labor force participation rate and increasing urbanization. Turkey will need 814,000 houses in 2014, according to the Housing Development Administration of Turkey.

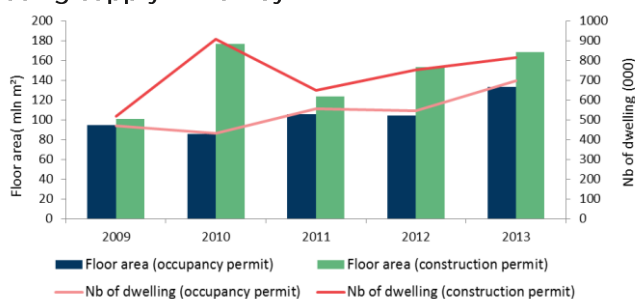
Chart 18:
House sales (units)



Source: TSI

The abundant global liquidity since 2009 allowed Turkish banks to find cheap liquidity abroad and provide loans at low interest rates. The mortgage loans rose 28 percent in December 2013 since the end of previous year, reaching 110 billion Turkish lira. This was mainly due to the low level of interest rates in the first half of the year and it supported the demand for housing sector. The average weighted interest rate on mortgage loans denominated in lira fell as low as to 8.3 percent in June 2013 from approximately 10 percent at the end of 2012. According to data from the banking watchdog (BDDK), maturity on mortgage loans rose from 7 years in 2009 to 7.9 years in 2013. Turkish law limits the loan to value ratio of mortgage loans to 75 percent. Despite the strong increase in mortgage loans, the loan to value ratio stood between 62 to 64 percent in 2013 as majority of Turkish people use personal or family savings as down payment.

Chart 19:
Housing supply in Turkey

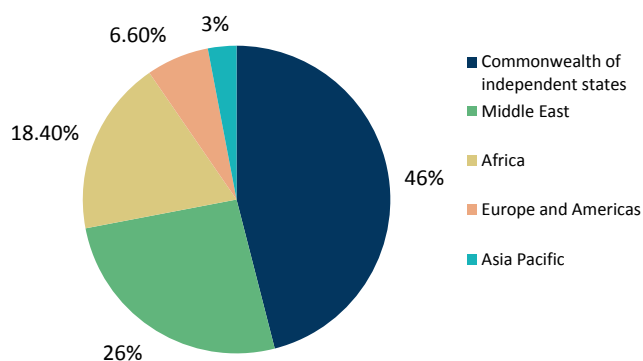


Source: TSI

Turkish constructors were able to acquire an extensive level of knowledge through international collaboration as they built up any sort of constructions such as houses, industrial plants, roads, bridges, urban infrastructures, commercial centers, airports, tourism facilities etc. This knowledge and experience would be other strengths for the construction sector in the upcoming period.

As of December 2013, 38 Turkish construction companies ranked among the world's top 250 constructors according to the ministry of economy. Turkish constructors have undertaken 235 projects in 2013 from 37 countries with a total value of 23.7 billion USD. The total value of the projects undertaken by Turkish constructors since 1971 has reached some 263.8 billion USD.

Chart 20:
Shares of country groups in Turkish construction services abroad (as of April 2014)



2014 outlook and risks

The major risks for constructors in 2014 would be the slowdown in demand and fall in profit margins due to higher production costs.

In the first quarter of 2014, the housing demand stood stronger-than-expected as the housing sales fell only 6 percent compared with the same period of last year. This indicated the strength of the demand as the interest rates on mortgage loans at that time rose around 4 percentage points. However in the upcoming period, the demand for housing may fall further due to the negative impact of higher interest rates and inflation on households' payment capacity. Even if the inflation starts to fall slightly in the second half of the year, the demand wouldn't be as strong as last year again.

The low level of savings would also have a negative impact on the demand as there will be less resources to make the down payments on mortgage loans. This would reduce the demand for mortgage loans. Data show that the share of houses financed by a mortgage fell 31 percent during the first quarter of 2014, from 42 percent in the same period of 2013. Constructors will have less chances to sell more than one dwelling to the same person in the period ahead.

The weakness of the lira is another negative factor for the constructors as it increases the production costs. Constructors say the cost of cement and steel rose around 20 percent recently. Higher costs from inputs and energy will put pressure on profits margins. This may be detrimental for small constructors which don't have a strong capital structure. The loan volume used by the construction sector stood at 69.3 billion lira (approximately 33 billion USD) in May. It was 49 billion lira at the end of 2011 and 59 billion lira at the end of 2012. The possibility of a rise in non performing loans of the construction sector creates a risk for banks.

On the other hand, many other sectors such as steel, cement, ready-mixed concrete, ceramic, glass etc. are working closely with the construction. A contraction in the construction sector may drag down significantly the profits in these sectors, causing a rise in bankruptcies. However, for the time being the sale figures suggest that despite the loss of momentum, the demand stands strong enough to absorb the supply. Usually spring is the season when the launches of new projects and promotions start in the construction sector. This spring data will be important to see the trend in sales. Regarding the sales and prices, one can say there is not yet a bubble in the housing sector. Yet the prices may stagnate or increase in a slower pace in the upcoming period due to the weaker demand.

Although the approval of the reciprocity law by the parliament made easier for foreigners to acquire a real estate, a possible rise in political tensions may discourage foreign investors to buy a property in Turkey.

PART III: Sector barometer

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

Metals

The metal sector (except iron and steel) in Turkey presents very high risks.

The fall in raw material prices and the currency risk deteriorate the cash flow for some companies. Specifically, the profitability falls for the companies having debt denominated in foreign currency and a weak capital structure, which creates financial pressures for these companies.

On the other hand, Turkey is dependent on coal, iron ore and energy imports necessary to produce steel. Therefore, the lira's depreciation is seen as a major risk. Some industries which are among principal steel buyers (housing, automotive, white goods etc.) would record a lower growth rate in 2014 due to the weaker domestic demand. On the other hand, there are mixed signals from China's economy. China is the world's biggest steel producer and a slowdown in this country would weigh negatively on steel prices. The global surplus of capacity in steel industry around the world and the implementation of protectionist measures in some countries put also pressures on profit margins.

Food

The food sector in Turkey presents medium risks.

The food industry is one of the most important sectors in Turkey. Foreign direct investments totaled 343 million USD in 2013. Turkey had a trade surplus of 5 billion USD from food and beverage exports and imports in 2013. Main challenge for food producers will be the rise of production costs due to the drought. Another risk would be the difficulties in cash management due to the longer maturity of payments from hypermarkets. However there is no major risk that would threaten the activities of companies in this sector.

Chemicals

The chemicals sector in Turkey presents high risks.

Turkey aims to reach 50 billion USD in chemical exports by 2023. In 2013 Turkish exports of chemicals reached 7.6 billion USD, compared with 7.3 billion USD in 2012. The exports of rubber and plastic products rose from 6.4 billion USD to 7 billion USD at that time. Turkey's plastic sector is the third largest in Europe with an annual production of 7.2 million tons of plastics. The major risk comes from the heavy dependence on imports. The rising borrowing costs due to the rise in interest rates and the slowdown in domestic housing sector, home appliances and car markets also create risks on the demand side.

PART IV: Conclusion

Turkish economy grew faster-than-expected in 2013 at an annual rate of 4 percent led by strong domestic demand. However, as the economy is dependent on imports of energy and intermediate goods, the growth resulted in a current account deficit of around 8 percent of the country's GDP. Late in January 2014, Turkey's central bank delivered a massive interest rates hike late to stem sharp depreciation of the lira. Higher interest rates coupled with the macroprudential measures implemented by the economic authorities to reduce the external deficit and the political uncertainties will weigh on the economic growth this year. Therefore Coface expects the growth to slowdown to 2 percent in 2014.

On the corporate side, risk pressures are on the upside due to the higher production costs and lower domestic demand. Companies are expected to run their businesses with lower profit margins this year. Especially companies which don't have export earnings or have a fragile capital structure may suffer from slower growth and weaker currency. The lira's weakness increases the production costs of companies through imported intermediate goods and higher energy prices. This situation increases the risk of bankruptcies in the corporate sector.

Furthermore, the country has two elections within a year. If the political tensions rise ahead of the elections, this may cause a fluctuation in financial markets and weigh on investors' confidence as it was the case in December and January. Considering all these factors, Coface placed a negative watch on Turkey's country assessment which measures corporate risk, currently in A4.

The construction, especially the housing sector will be the first to be affected by the increase in interest rates and slowdown in domestic demand. Although the data suggest the housing demand stood more resilient than expected in the first quarter, the rise in inflation and interest rates may weigh on sales in the period ahead. The slowdown in the construction sector represents a risk for the industries working closely with the construction such as steel, metals etc.

The textile and clothing sectors would benefit from the recovery in Europe and the lira's weakness as their products will become more competitive compared with peers. These companies already have some advantages such as proximity to the European countries, the ability to respond to fast fashion demands etc. Although domestic demand will slowdown, the fall in sales is not expected to be sharp. The major risk is the volatility of raw material prices such as cotton.

Risks are diverse for the automotive industry. Passenger car sales contributed to the trade deficit in 2013 of around 2 billion USD. The sector will suffer from higher taxes and tightening measures on auto loans. The increase in prices due to the lira's depreciation and high level of interest rates will dampen domestic demand for the products. However the recovery in European markets and the lira's depreciation would support the export performance of the industry.

DISCLAIMER

The present document reflects the opinion of Coface Country Risk and Economic Studies Department, as of the date hereof and according to the information available at this date; it may be modified at any moment without notice. Information, analysis, and opinions contained herein have been elaborated from numerous sources believed to be reliable and serious; however, Coface does not guarantee in any manner whatsoever that the data contained herein are true, accurate and complete.

Information, analysis, and opinions are provided for information purpose only and as a complement to material or information which shall be collected otherwise by the user.

Coface does not have any procurement obligation but only obligation of means and shall incur no liability whatsoever for losses arising from the use of or reliance on the information, analysis and opinion herein provided.

This document together with analysis and opinions furnished are the valuable intellectual property of Coface; you may download some of the data for internal use only, provided that you mention Coface as author and you do not modify or alter such data. You may not use, extract or reproduce the data in whole or in part, for making any public statement or for any other commercial purpose without our prior written consent.

You are invited to refer to the legal notice provided on Coface web site.