



COVID-19 TURKEY:

Implications For Business Executive Briefing Note



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The coronavirus outbreak is first and foremost a human tragedy, affecting hundreds of thousands of people. It is also having a growing impact on the global economy. Turkey is located close to major epicentres of coronavirus outbreaks. This together with its geo-strategic position as a hub and transit point for international passengers, places Turkey at a high risk. However, to Turkey's advantage, the country has well established and functional systems of governance, translating into world class service delivery in as far as social services, health services, municipal services and general public infrastructure is concerned. In addition, Turkey established a dynamic and responsive Presidential system of government, that demonstrably can react and adapt to various shocks to its socioeconomic structure.

At the time of writing, there have been more than 350,000 confirmed cases of COVID-19 and more than 15,000 deaths from the disease in the world. Older people, especially, are at risk. More than 140 countries and territories have reported cases; more than 80 have confirmed local transmission. Even as the number of new cases in China is falling (to less than 10, on some days), it is increasing exponentially in Italy (doubling approximately every three days). China's share of new cases has dropped from more than 90 percent a month ago to less than 1 percent today.

In Turkey, the number of confirmed cases are 1.236, number of deaths are 30 as of today.

Outbreak Of Coronavirus in Turkey

As the Coronavirus broke out in Turkey, the Turkish government took a gradual and systematic approach to containing the virus and ‘flattening the curve’. Health Minister, Dr. Fahrettin Koca, founder of a private Medical University and former Chairman of a Private Hospital Group, has effectively become the government lead in guiding the country through the crisis, with President Erdogan focused on the performance of the economy and rallying the nation around government efforts to contain the outbreak. Turkey has maintained an effective and transparent communications strategy, with Dr Koca giving televised and comprehensive updates on the status of the outbreak, daily.

Government Measures And Public Healthcare Capacity

As recently as April 2019, the Turkish Ministry of Health published an updated anti-pandemic plan. Some countries have opted for total lockdowns, others have favoured going the route of developing herd immunity whilst others have focused on a strategy of widespread screening/testing and containment. The Turkish government appears to have adopted a strategy of a moderate mix of each, as required.

Turkey initially banned large gatherings. This was followed by a ban on leaving the home for the most vulnerable- those that may not develop immunity to the virus, such as the aged (over 65 years of age) and those with chronic illnesses. However, whilst imposing these bans, government took the unprecedented and proactive measure of ensuring delivery of food, groceries and other necessities to those affected by the restrictions.

In addition, government has rolled out a plan to distribute masks to vulnerable groups, whilst technical vocational training centres would be utilised to produce masks, in order to meet national demand. Currently, Turkey has a production capacity of over 1 000 000 masks per day (prior to these measures).



Government has suspended the mandatory requirement for refiners to blend automotive fuels with bioethanol, in order to make ethanol available for production of items such as hand sanitisers and anti-bacterial formulations.

As of April 2017, 16 new City Hospitals have either been completed or are nearing completion. The majority of these have a capacity of over 1000 beds, whilst two of these exceed 3500 beds, making these two hospitals amongst the largest hospitals in the world. Turkey has an ICU bed capacity of 46 beds per 100 000 people, whilst Germany and the USA have 29,2 and 34,7 beds per 100 000 people respectively. The Health Ministry announced that it has 99 797 rooms available for isolation and intensive care.

Other measures that have been gradually and systematically implemented include shutdown of restaurants, universities, seamless transition to structured home based and online schooling by The Ministry of Education through dedicated channels and daily disinfection of transport infrastructure.

These measures were implemented within two weeks. Most land borders have been shut whilst all passenger flights are suspended, with 5 countries exempted.

Economic Measures

Turkey has one of the youngest populations in the world. The President announced a \$15 Billion stimulus package. This package seeks to inject cash directly into the economy and specifically to the most vulnerable segments of society through Turkey's social security system. The policy rate was cut 100 basis points by the Central Bank, which also increased limits for banks to utilise FX funds to issue TL loans, with access to a discounted fund if these are directed to the real sector.

The stimulus package afforded tax breaks to the most affected sectors, whilst a directive has been issued to banks to accept loan, restructuring and refinancing requests from firms. Loan payments on trade finance are postponed 3 months with no interest, whilst The Credit Guarantee Fund for SME's will be doubled to TL 50 Billion and export credit would be increased.



As global supply chains are disrupted, most global brands would naturally look away from China and Europe, towards other manufacturing hubs such as Turkey to meet consumer demand. The primary contributor to production costs for Turkey, is natural gas which is imported. As oil prices drop so does Turkey's current account deficit. For each \$6 decline in oil prices, Turkey's current account deficit reduces by \$1 Billion.

Turkey's devalued currency offers value for money and opportunity for potential investors in Turkish stocks and real estate. The devalued Lira would also boost tourism and drive export demand, which would increase production output. Whilst Turkey's tourism sector would suffer in the short term, if the pandemic is contained systematically, Turkey stands to capture a larger segment of global market share in the long term.

A current report by one of the leading management consulting firms projects two outlooks;

The first scenario, the epidemic peaks in the northern hemisphere, testing catches up with need and restrictions pay off. The epidemic proves seasonal and the epidemic upticks in the Southern Hemisphere, where governments are better prepared to deal with epidemic. Central Banks provide the required support to banks and there is a delayed recovery. If this scenario plays out, the above measures and Turkey's overall industrial capacity, places it in an advantageous position to increase its market share across all sectors as Europe, China & North America struggle and markets are reconfigured. There is general optimism that the global market share for Turkish producers would increase in contrast to market share prior to the pandemic, as other major producers struggle to recover, and oil prices decline.

The second scenario projects that the global response to the epidemic is not effective with prolonged contraction in the global economy. In this scenario, countries with younger populations are less affected. Should this scenario play out, Turkey would likewise be placed in an advantageous position, given that it has one of the youngest populations in the world. 24% percent of its population is under the age of 14, whilst 16% of the population is between 14 and 25 and 43% between 25 and 54. Only 7,79% of its population is over 65.



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