

# CONFIDENCE IN TOMORROW

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«CHINA'S BRI REPRESENTS A  
STRONG POTENTIAL OF  
GROWTH FOR TURKEY»

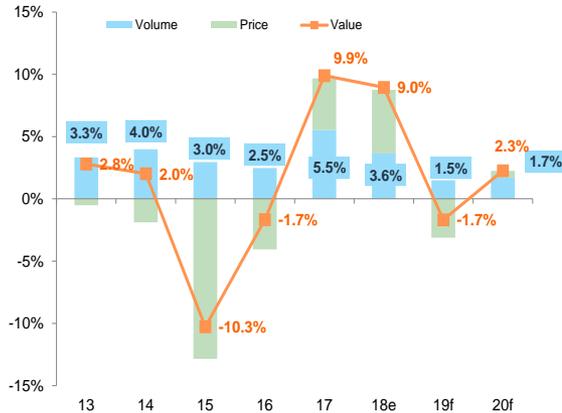
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# IN THE SHORT-TERM GLOBAL TRADE TO DECELERATE



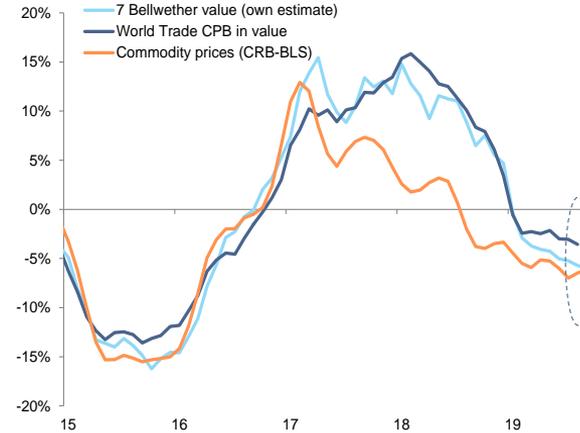
Growth in goods and service trade (% , y/y, volume value)



Sources: IHS Markit, Euler Hermes

In 2019, volume of trade at its lowest growth in ten years (+1,5 %). No significant improvement in 2020.

Growth in value trade and commodity prices



Sources: IHS Markit, Bloomberg, Euler Hermes

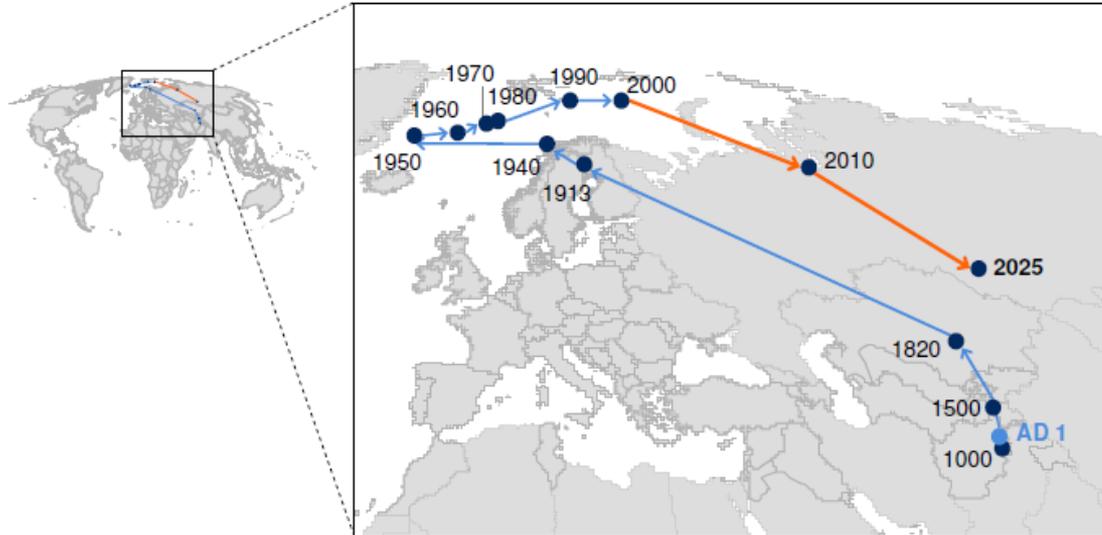
The stabilization of commodity prices also suggests some stabilization being at work.

# OVER THE LONG-TERM, WORLD CENTER OF GRAVITY, TO SHIFT EAST



By far the most rapid shift in the world's economic center of gravity happened in 2000–10, reversing previous decades of development

Evolution of the earth's economic center of gravity<sup>1</sup>  
AD 1 to 2025



The center of gravity of the world economy is shifting East; the BRI therefore represents a unique occasion for Turkey to better be integrated and connected with the most dynamic regions in the world.

<sup>1</sup> Economic center of gravity is calculated by weighting locations by GDP in three dimensions and projected to the nearest point on the earth's surface. The surface projection of the center of gravity shifts north over the course of the century, reflecting the fact that in three-dimensional space America and Asia are not only "next" to each other, but also "across" from each other.

SOURCE: McKinsey Global Institute analysis using data from Angus Maddison; University of Groningen

# BRI: ONE OF THE LARGEST ECONOMIC AREA



The Belt and Road Initiative includes includes 1/3 of world trade and GDP and over 60% of the world's population.

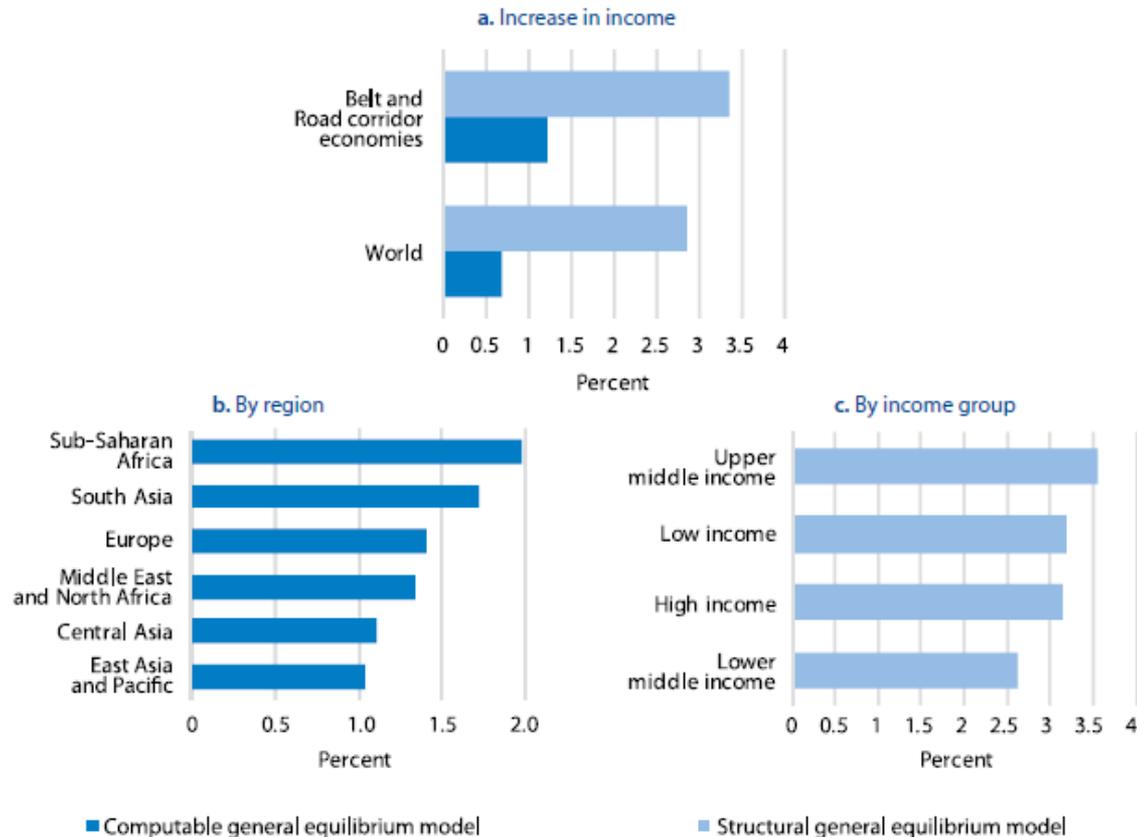
# BENEFITS OF BEING BRI MEMBER: OVERALL GAINS (AND RISKS)



For the 70 BRI “corridor economies” (excluding China), projects in all sectors that are already executed, in implementation, or planned are estimated to amount to US\$575 billion

If completed, BRI transport projects could reduce travel times along economic corridors by 12%, increase trade between 2.7% and 9.7%, increase income by up to 3.4% and lift 7.6 million people from extreme poverty

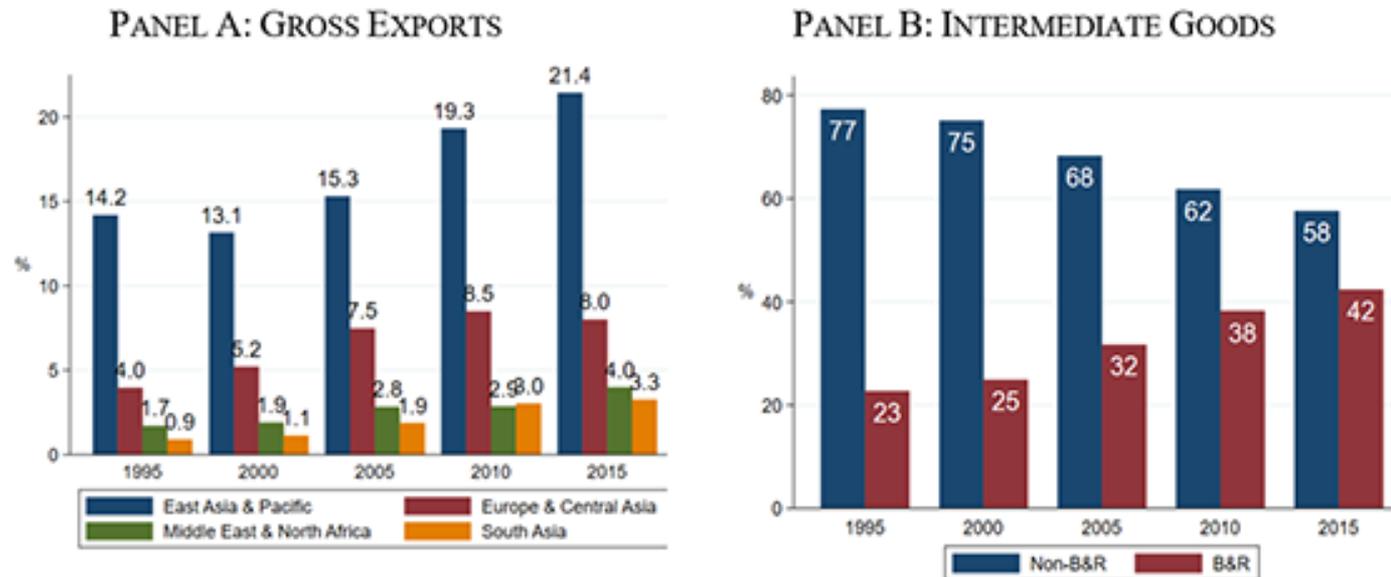
# IMPACT OF BRI ON GDP : BY REGIONS



# BENEFITS OF BEING BRI MEMBER: TRADE INTEGRATION



FIGURE 1, SHARE OF BRI ECONOMIES IN GROSS EXPORTS AND INTERMEDIATE EXPORTS

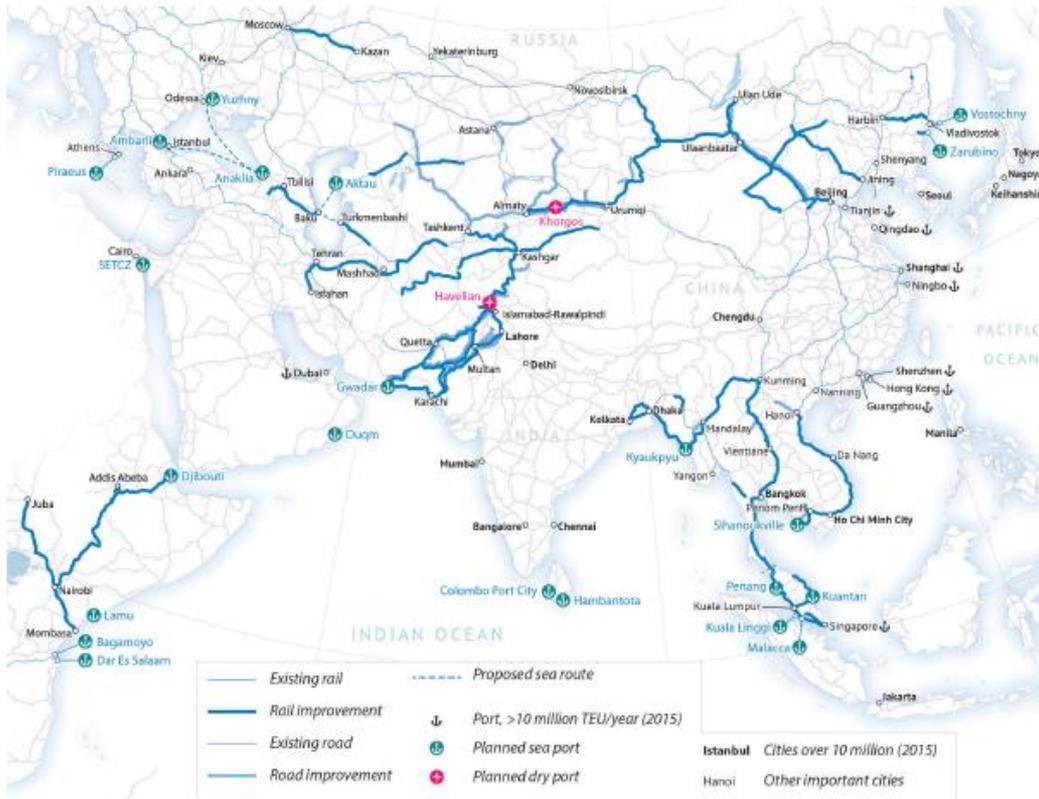


Source: Boffa (2018).

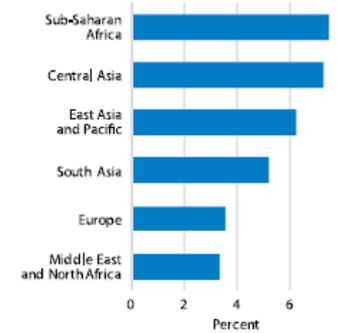
# TURKEY: A GATE BETWEEN EUROPE AND BRI



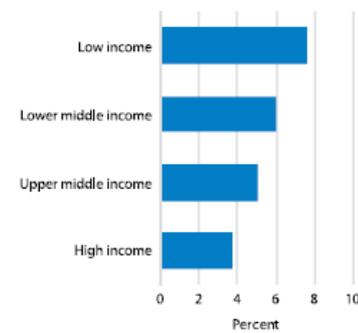
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a. Gains by region



b. Gains by income group



Source: Chen and Lin 2018.

Better infrastructure are expected to generate gains in terms of attracted FDI

# INFRASTRUCTURES : ANOTHER COMPARATIVE ADVANTAGE

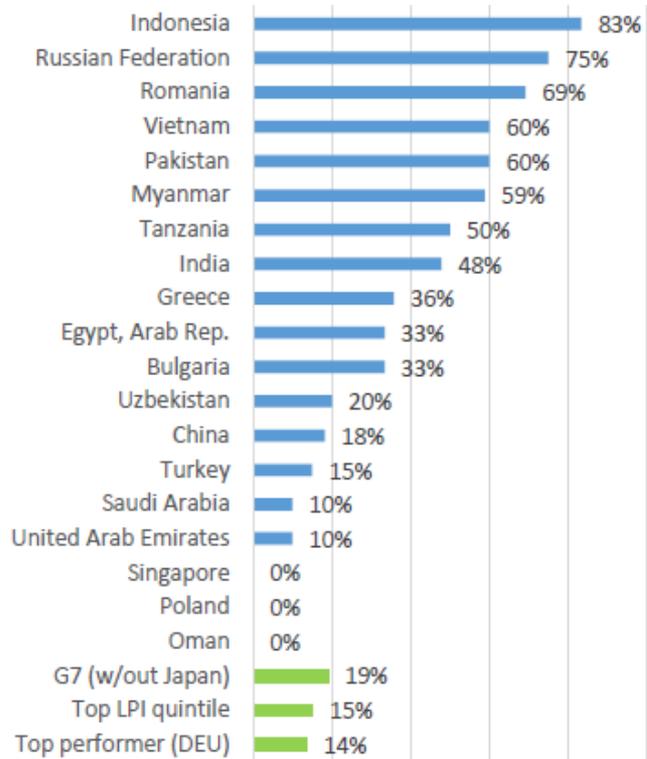


Figure 4: Quality of road infrastructure perceived as “low” or “very low”; Source: Domestic LPI 2018

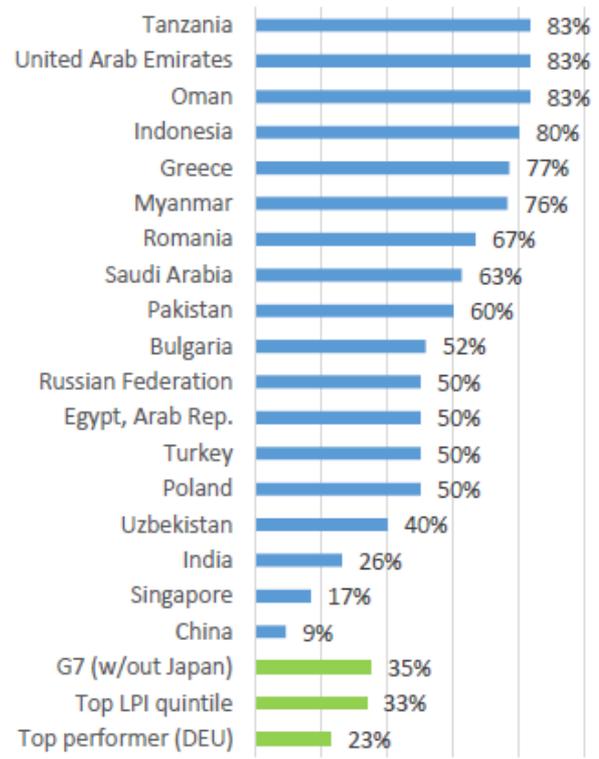
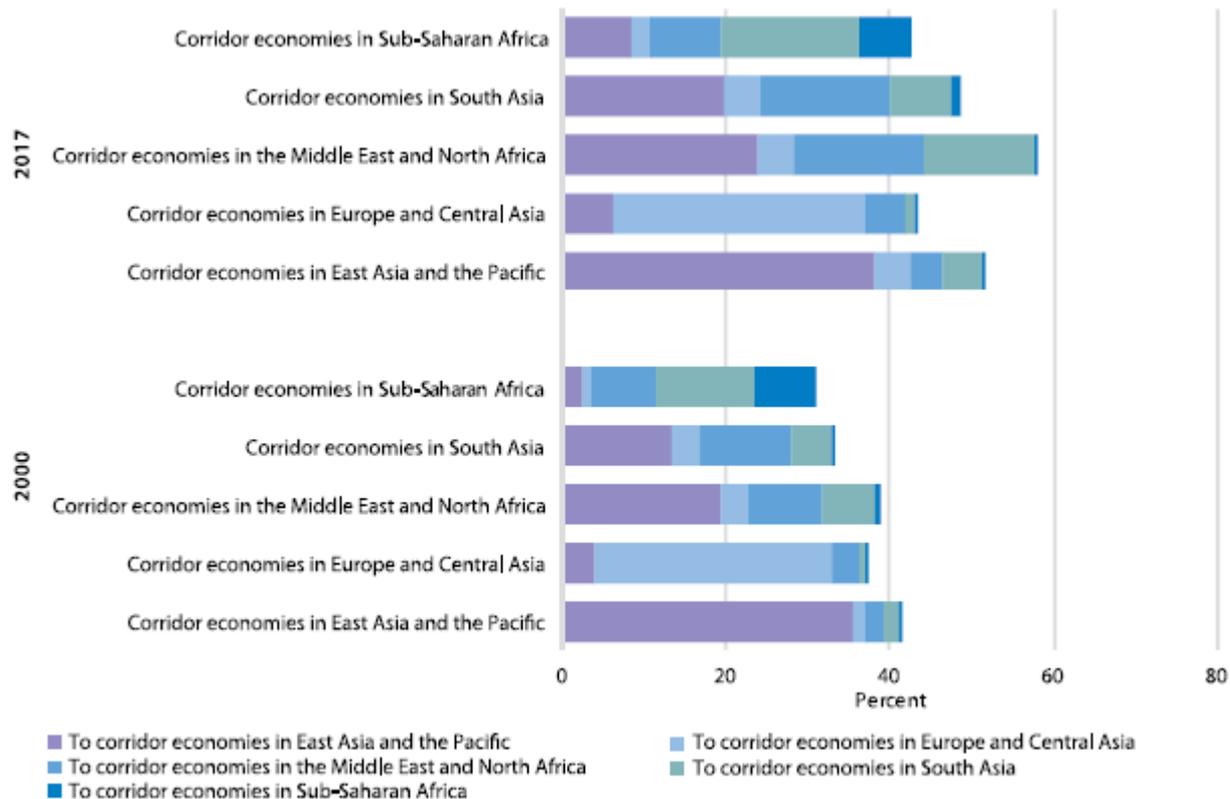


Figure 5: Quality of rail infrastructure perceived as “low” or “very low”; Source: Domestic LPI 2018

# BENEFITS OF BEING BRI MEMBER: PROGRESS LESS SPECTACULAR FOR REGION CONTAINING TURKEY



Share of goods exports toward BRI for different BRI corridors (%)



# DSO : LAX APPROACH OF CHINA AND TURKEY FOR TERMS OF PAYMENT

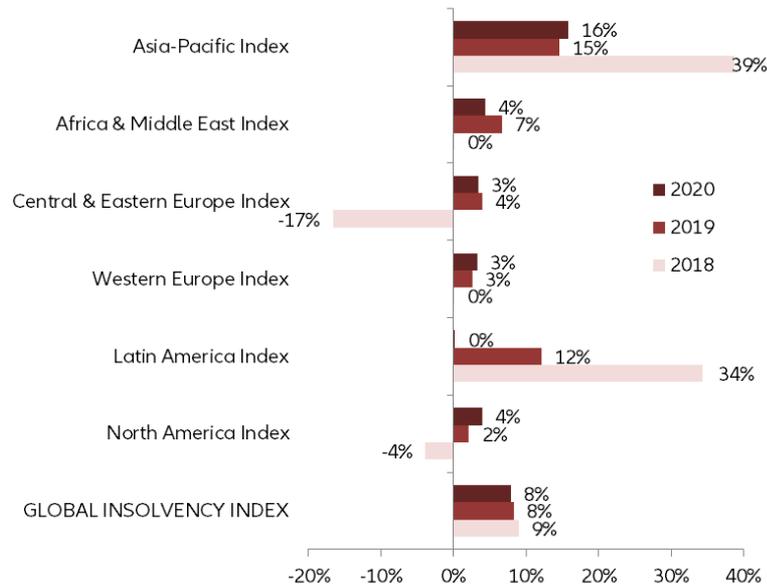


DSO remain pretty elevated in Turkey despite a decline in 2018; Please mind the fact that term payments are even longer in China

# GLOBAL INSOLVENCIES: ON THE UPSIDE, AS EXPECTED



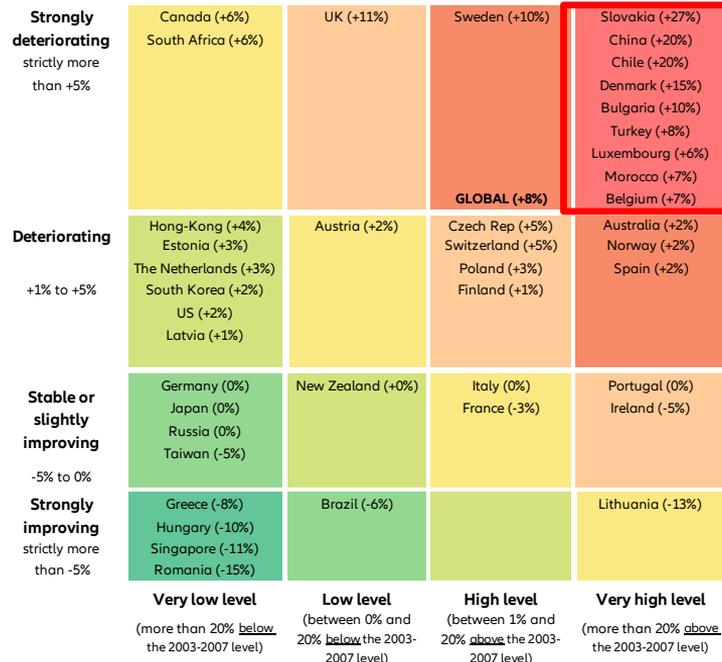
EH Global and Regional Insolvency Indices (yearly changes in %)



Sources: National statistics, Euler Hermes, Allianz Research

We expect 2 out of 3 countries to register an increase in corporate insolvencies in 2019 and almost 3 out of 5 countries to end 2019 with more insolvencies than posted annually before the 2008-2009 global crisis. The upside trend would remain broad-based in 2020. Our Global Insolvency Index is forecasted to increase by +8%, both in 2019 and 2020, with a still noticeable increase in Asia (+15% in 2019 and +16% in 2020), a rebound in Western Europe (+3%) and a trend reversal in North America (respectively +2% and +4%). China needs a close monitoring.

Insolvency Heat Map 2019



Sources: National statistics, Euler Hermes, Allianz Research

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Multinationals



Domestic & Export

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- Allows **better negotiation** with banks regarding financing conditions.

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\*With 35% market share globally as at Dec 2017; all others figures as of 2018

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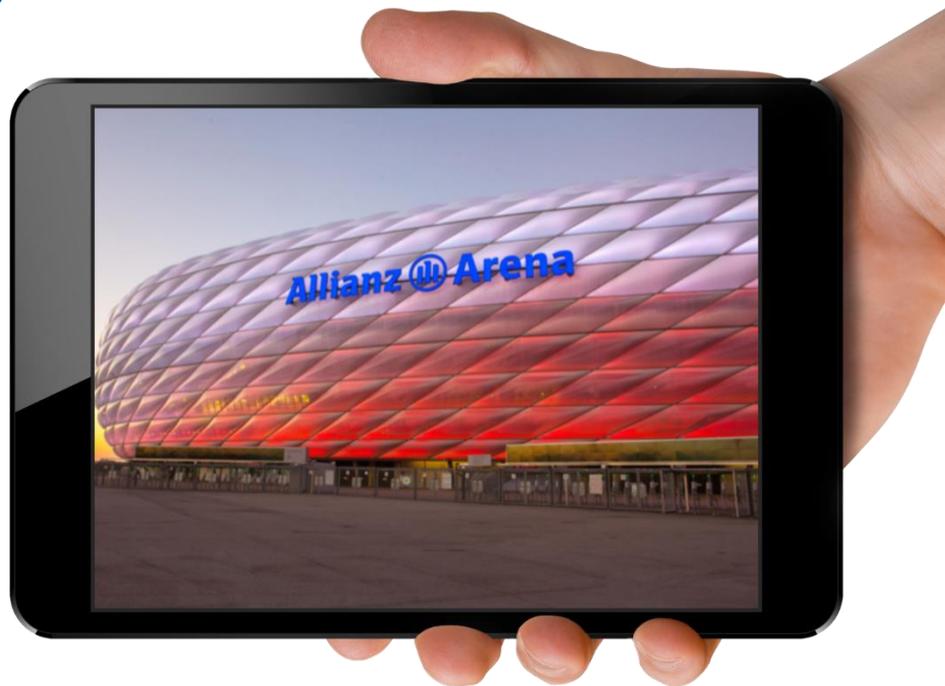
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THANK YOU !

28.11.2019

