TOBB President M. Rifat Hisarcıklıoğlu:

5% growth, 867 B USD GPD, 25% inflation rate and 265 B USD export is expected in 2023

Thanks to the new mid-term programme, high-added-value production and export-oriented growth and employment are expected tor ise; as well as to curb inflation and the real value loss in TL, foreign trade to be stabilised and the current deficit to be recovered.

The government's mid-term [economic] plan that covers 2023-2025 period has been listed in the official gazette. The growth forecast in it is noted as 5% and inflation forecast 65%. The growth rate is forecast as 5% in 2023 and 5.5 in 2024/2025. The inflation rate is expected as 65% this year, 25% in 2023, 14% in 2024 and 10% in 2025. Unemployment is rated as 10.8% for the end of year, 10.4% next year, 9.9% in 2024 and 9.6% in 2025.

Energy import expected to reach 104 B USD

In the programme, end-of-year rate of export is expected to reach the region of 255 B USD, in 2023 265 B USD, in 2024 285 B USD and 305 B USD at the end of the programme in 2025. On the other hand, import rate is expected as 360 B USD at the end of 2022, 345 B USD in 2023, 363 B USD in 2024 and 384 B USD in 2025. Net energy import in the first 7 months has reached the region of 47 B USD and by the end of the year is expected to reach a total 104 B USD. While the current operations balance in 2022 is expected to read a 47 B USD discrepancy, in 2023, as it is expected that barrel of crude oil shall decline from 102 USD to 88 USD, the energy bill is also expected to decline from 104 B USD to 85 B USD; and the tourism income to rise from 34 B USD to 45 B USD; the current balance shall only read a deficit of 22 B USD.

Shall the inflation goal be reached?

The average currency forecast [for USD] is expected as 16.6 TL. The average currency rate for the first 8 months was at the region of 15.6 TL. Therefore, in order to reach that goal, the currency rate average for the remaining 4 months must be in the region of 18.7 TL, which simply shows the rate shall only rise 3% against the current state. The central government budget has generated a 30 B TL surplus in the first 7 months, and the programme shows the budget deficit forecast as 461 B TL. Based on that, the budget is understood to read a 491 B TL in the remaining 5 months.

While growth and budget deficit is expected to default, considerable decline in inflation is expected. In the general public balance table, the deficit is expected to decline from 862 B TL to 748 B TL and deficit in state-owned enterprise is expected to decline from 430 B TL to 97 B TL. If this considerable decline is reached through the rincrease in state-owned enterprise prices, this shall endanger the inflation rate expectations. A considerable decline is needed in the next 4 months in consumer inflation, which is at 80% to TUIK in September, to reach for it the end-of-year 65%. It is understood that this shall be reached through impact of base effect as well as stability in currency rate reached through considerable amount of currency to enter in to the market and the public assets prices to be kept at minimum in the same period.

It shall not be just wishful thinking

What is expected from such programmes is that it should clearly set goals reflecting the real situation and explain how these goals shall be achieved. For instance, how the price stability shall be reached is a big question mark. Where answers to these questions are unclear and clear steps towards these goals are missing, this shall just risk being wishful thinking far from lighting the path for the actors of the programme.

In the mid-term programme, application of certain policies and measures in the fight against taxation, unregistered economy as well as incentives and support schemes are forecast. Based on that, income policies shall be determined in line with fiscal and monetary policies tightenend with price stability and income distribution. In industries sector, a framework that shall encourage direct foreign investement through tech-focused fixed capital investments and that of digital transformation-oriented and quickened common impact-infusing incentives in tech transformation in the industry is needed.

Policies that shall rapidly take advantage of the much needed transformation in sectors necessitating low-cost emission reduction that shall be in line with EU's Border Carbon Emission Adjustment System shall be realised. Vocational education programmes shall be updated in line with digital and green transformation guidelines in order to raise quality work force through regional and sectoral educational needs assessment.

In summary, by the mid-term programme, it is expected to gain economical output that enhances growth and employment, prioritising high-added-value production and focusing on a sustainable export-focused growth that shall read a 5.3% figure, increase in employment rate by a 2.7 M people, unemployment rate to decline to 9.6% and ratio of current operations deficit to GDP to decline to only 1%.

Problems in Global Economy Deepens
Is it economic stagnation or crisis that lurks round the corner?

The shocks such as Covid-19, Ukrainian- Russian war and the ensuing sanctions against Russia that affected the developed countries badly hit the developing and poorer countries far worse. In the midst of worsening food insecurity, soaring energy prices and empty financial reseves, social integration is melting away as well as a deepening political turmoil in many countries. What really has in store in the future for global economy in particular developing countries in the wake of energy import, double-digit inflation and devalued currencies? Are we talking about a deepening recession or a global economic crisis of a large scale?

The problems Covid-19 pandemic, supply chain crisis and disintegrated markets caused are deepening with soaring oil, food and fertiliser prices and developed countries tightening monetary policies against inflation, which in return in rising markets causes high interest rates and mounting pressure on GDP across debt axis. In other words, developing countries are further pushed into a debt spiral. Is it possible to get out of this with min. damage?

Remembering the new pathogens

First and foremost, the developing and rising countries must consider the new pathogens that trigger today's inseparable and overlapping global crises, which are soaring food and energy prices, cyber wars and climate change are the obstacles developing countries must all tackle. As the global capital shifts, it is ever more diffcult to do it now. While the developed economies do "all it takes" to combat these issues, rest of the world does just "all they can" as their power is increasingly lowered. According to JP Morgan, the net exits from fixed income funds of developing markets near 50 B USD, just comparable for these markets to net input in 2021. However, with capital exits currencies dramatically lose value and inflationist pressures mount, which in return triggers most central banks to raise interest rates and weaken their growth forecasts. This approach takes a negative outlook in developing countries that are still trying to recover from the effects of pandemic.

Poverty Deepens

According to FGV Social, compared to pre-Covid-19 period in 2019, 97 M more pople live under 2 USD a day today. Global poverty rate rose to 9.1% from 7.8. 163 M people live under 5.5 USD a day. Further, the pandemic pushed 10 M more people to poverty line. Extreme poverty rose by a third to 14% in 2021. Globally, it is estimated that 3 to 4 year progress against ending extreme poverty is completely wiped out. Unfortunately, this is further getting worse. The most recent estimates by UN Development Programme show that soaring food and energy prices may push 71 M more people into poverty and that this shall be felt worse in the Caspian Basin, Balkans and Sub-Saharra.

Best to Avoid Traditional Debt Crisis

On the other hand, the recent develoments show why populism is on the rise in Latin America as proven by the elections. Leaders that promise better life standards against tightening monetary policies must think and foster ideas with their feet on the ground since if these leaders continue to ignore that the global markets are different than before and much more tight and that investors are looking for much more secure ways of investment, they shall be leading it all on to new debt crises. This way, new age global crises might overlap at some point with old ones. Unsure whether, the policies generated in the borrowing countries by the leaders that sustainable fiscal policies on country level are adopted and the recent 600 B USD special withdrawal right are transformed rapidly on a pluralist level (by IMF reserves assests) shall help poorer and developing countries survive this way the crises in question.

In fact, it is time developed countries put an end to the politics war for the benefit of the rest of the world which shall help all to remember the problems experiencd in the rest of the world.