

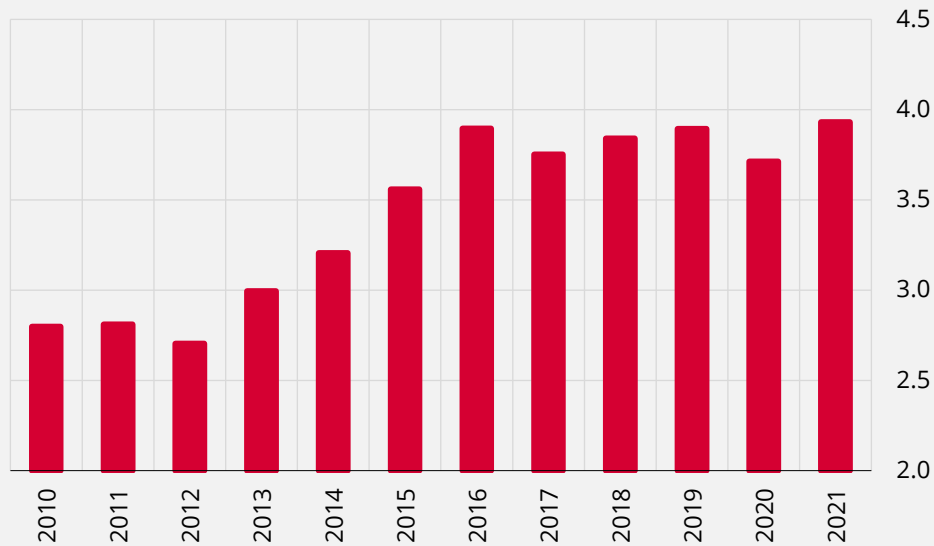
Box 2.3

Market Share Developments in Turkey's Exports to the European Union During the COVID-19 Pandemic

The COVID-19 pandemic has hit supply chains with uncertain demand, delays in raw material supply, disruption of production and increased logistics costs. In response, firms have turned to alternative supply channels to ensure supply security and remain competitive in the face of increasing costs. There is a widespread view that Turkey will be among the countries that can benefit most from the change in global supply structures by drawing orders away from developing Asian countries, especially China, in sectors where Turkey has infrastructure and competitive advantages in production and exports (TIM, Export 2021 Report).

In this box, the market share developments of Turkey's exports to the European Union (EU) during the pandemic period are analyzed on the basis of product groups by using United Nations (UN) Comtrade monthly foreign trade data. The sectors that increased their market share are identified and these developments will be compared to developing Asian countries that are likely to be more adversely affected by the supply developments in the EU market compared to Turkey.

Chart 1: Share of Turkey's Exports in the EU Market by Years (%)

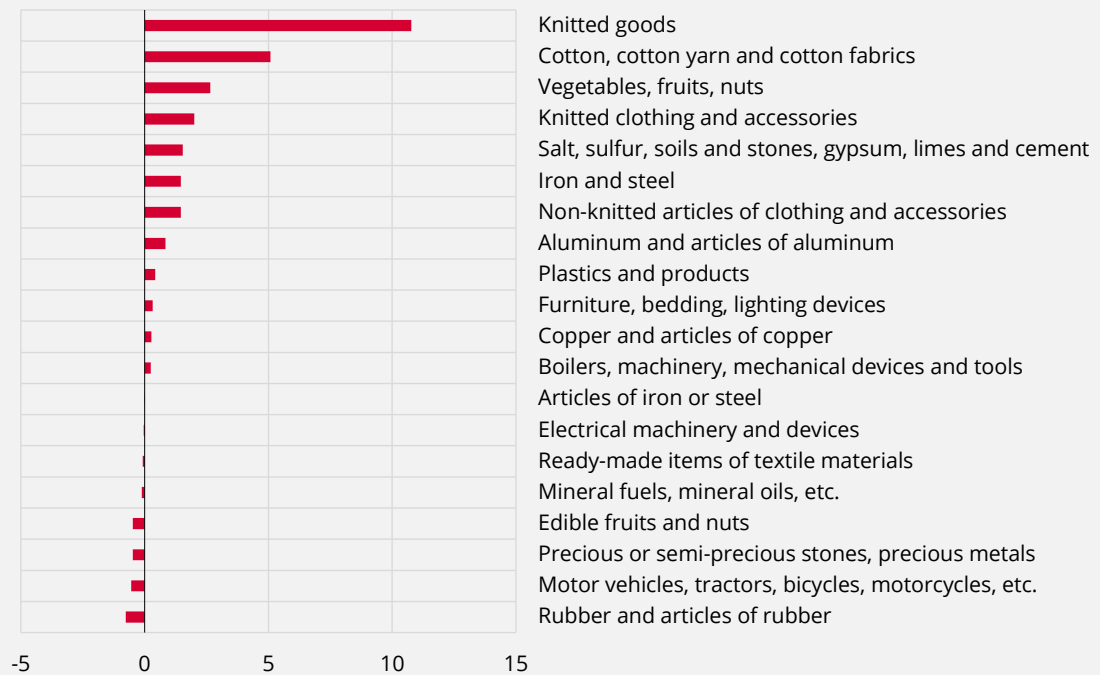


Sources: UN Comtrade, authors' calculations.

Chart 1 shows the market share of Turkey's exports in the EU since 2010. After 2012, Turkey's export market share to the EU accelerated as the impact of the global crisis on EU economies began to ease. The share increased gradually until 2016 after which it followed a horizontal course. In 2020, marked by the pandemic, total global exports to the EU decreased by 15% compared to the previous 12-month period and amounted to USD 1.9 trillion. In the same period, Turkey's exports to the EU decreased by 18% compared to the previous year. In light of these developments, Turkey's market share in the EU as a whole decreased by 0.18 points to 3.71% in 2020. On the other hand, the increase in freight prices due to maritime transport and the bottleneck in container supply in the last months of 2020 provided a competitive advantage to Turkey, which is geographically close to and has a road connection with the EU, as opposed to Far East countries.¹ With the effect of these developments, Turkey's EU market share started to increase again in 2021. The level of 3.93% reached as of the first quarter of 2021 is a historic high for Turkey's export market share in the EU.

When the 20 product groups with the largest share in exports to the EU are examined, the top three product groups are automotive, boilers and machinery, and knitted clothing. Chart 2 shows the market share changes as of the first quarter of 2021 for the 20 product groups with the largest share in exports to the EU. Accordingly, market share gains are seen in 13 of the 20 product groups that export the most compared to a year ago. Knitted goods, cotton, cotton yarn and cotton fabrics, and vegetables and fruits were the product groups with the highest increase in market share.

Chart 2: Changes in Export Shares of Main Product Groups in 2021Q1 (% Point Difference, Compared to 2020Q1)



Sources: UN Comtrade, authors' calculations.

Table 1 shows the 20 product groups in which Turkey increased market share to the EU the most during the pandemic period, and the market share of the developing Asian countries which are expected to be more negatively affected by the recent supply developments in these product groups, and the changes during the pandemic period. If Turkey's market share in a sector is increasing while the share of developing Asian countries is decreasing, it can be said that the gain is due to a better Turkish export performance compared to these countries. According to this definition, in 13 of the 20 product groups where Turkey's market share increased the most during the pandemic, the gains were accompanied by losses for the developing Asian countries. In this context, knitted goods, edible vegetables and specially woven fabrics stand out as the main product groups that gained market share from developing Asian countries in the EU market during the pandemic period. When we look at the developments in the first quarter of 2021, in the last four columns of Table 2, it is seen that the market share gains continued in this period as well.

¹ According to the Global Container Index data prepared by Drewry, the spot freight pricing of a 40-ft container increased to an average of USD 5,340.30 on 21 January 2021. This pricing corresponds to an increase of 198% compared to a year earlier (UTIKAD Logistics Sector Report 2020). As of 15 July 2021, the annual percentage increase of the said index was 339.

Table 1: 20 Product Groups in which Turkey Increased Export Share to the EU the Most During the Pandemic Period

Product Group	Pandemic Period (2020 April- 2021 March)				2021 First Quarter			
	Emerging Asia Export Share (%)	Emerging Asia Market Share Change (% Points Difference)	Turkey Export Share (%)	Turkey Market Share Change (% Point Difference)	Emerging Asia Export Share (%)	Emerging Asia Market Share Change (% Points Difference)	Turkey Export Share (%)	Turkey Market Share Change (% Point Difference)
Knitted Goods	37.35	-6.05	42.78	7.16	34.59	-6.38	46.18	7.04
Railway etc. Line Vehicles and Materials	24.25	2.56	6.62	3.32	27.12	4.30	7.76	4.60
Edible Vegetables and Some Roots and Tubers	12.44	-2.19	10.47	2.33	9.95	-2.27	12.30	4.06
Special Woven Fabrics etc.	51.69	-8.11	19.14	1.62	51.40	-3.67	18.84	0.87
Vegetables, Fruits, Nuts	17.28	-2.21	21.48	1.62	17.78	-0.24	22.85	3.60
Articles of Stone, Plaster, Cement, Asbestos, Mica or Similar Materials	39.27	-1.93	7.23	1.26	40.06	2.80	7.04	2.08
Salt, Sulfur, Soils and Stones, Gypsum, Limes and Cement	10.79	-3.11	15.62	1.23	12.45	0.59	16.87	4.17
Furs and Faux Furs and Their Products	36.91	2.66	11.63	0.94	29.19	13.63	8.07	3.64
Ceramic Products	50.42	-4.04	14.71	0.92	51.72	-0.67	14.43	1.04
Knitted Clothing and Accessories	59.09	-3.72	13.98	0.89	60.83	-0.55	15.11	1.25
Non-Knitted Articles of Clothing and Accessories	58.98	-2.27	10.80	0.85	58.93	0.23	11.64	1.81
Metal Ores, Slag and Ash	2.03	1.15	2.27	0.84	2.15	1.66	2.08	0.94
Cotton, Cotton Yarn and Cotton Fabrics	30.85	-1.24	27.71	0.82	29.88	-1.92	30.91	4.51
Vegetable Materials Suitable for Knitting	56.73	7.66	2.01	0.67	64.48	18.61	2.45	0.68
Furniture, Bedding, Lighting Devices	72.05	-1.90	5.07	0.60	74.44	1.84	4.88	0.82
Headgear and Accessories (Hats, Caps, Protective Caps, etc.)	76.28	-3.78	1.54	0.59	81.40	3.09	1.10	0.56
Personal Belongings, Provisions and Materials Given to Marine and Aircraft (Excluding Fuels)	7.57	2.37	1.63	0.58	5.04	-0.89	1.78	0.44
Tobacco and Tobacco Substitutes	18.29	-0.95	5.23	0.55	17.07	-1.47	5.20	-2.54
Lead and Articles of Lead	1.14	0.13	2.55	0.53	1.84	0.55	1.83	-0.10
Mushrooms and Articles of Cork	25.95	0.45	0.77	0.48	25.34	1.73	0.64	0.40

Sources: UN Comtrade, authors' calculations.

Note: Related data is based on the HS 2-digit product classification. The April 2020-March 2021 period was considered as the pandemic period and compared with the April 2019-March 2020 period. In addition, exports in the first quarter of 2021 and exports in the first quarter of 2020 were compared. Developing Asian countries include China, the Philippines, Indonesia, Malaysia, Vietnam, Thailand, Bangladesh and India.

References

Turkish Exporters Assembly (TIM), Export 2021 Report, https://tim.org.tr/files/downloads/Strateji_Raporlari/TIM_Ihracat_2021_Raporu.pdf (in Turkish).

UTIKAD Logistics Sector Report 2020, <https://www.utikad.org.tr/images/HizmetRapor/utikadlojistiksektoruraporu2020-53923.pdf> (in Turkish).