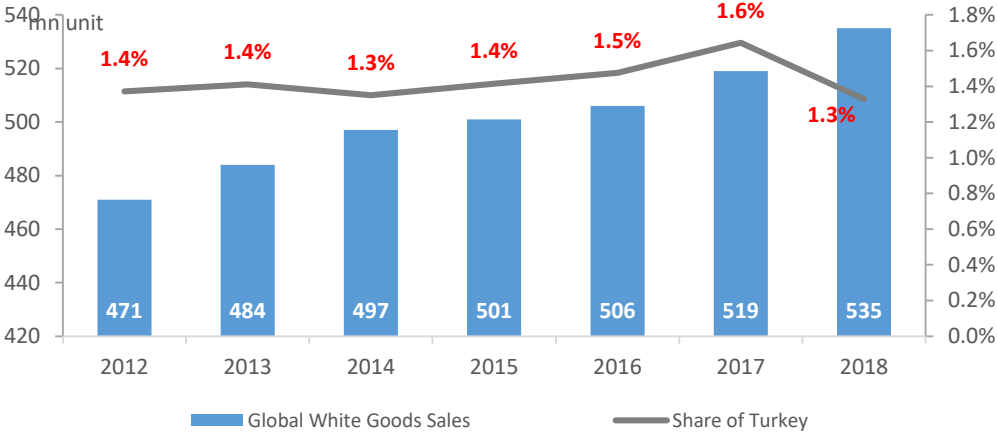


White Goods Sector

A&T Bank
Economic Research Department

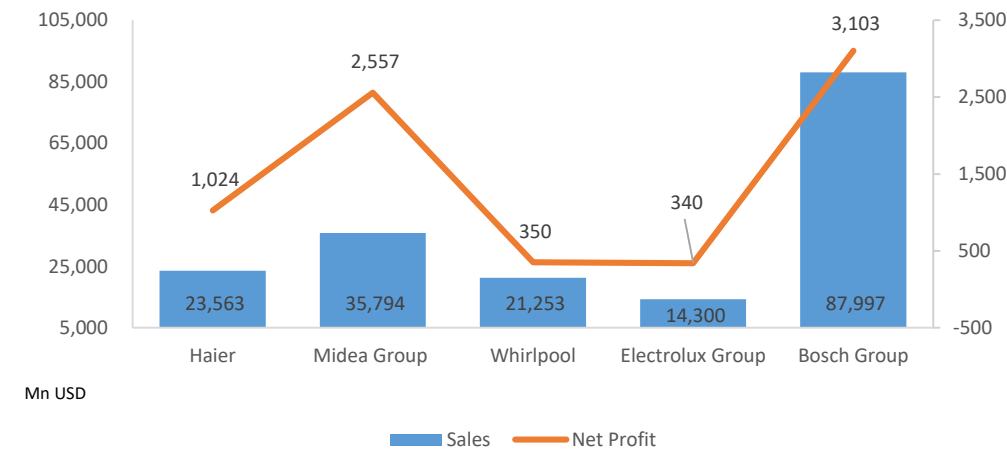
October, 2019

Global White Goods Sales



- It is estimated that, in 2018, the global white goods market grew by 1.5% in volume to 535 million units while increased by 8% in USD terms to USD213 billion.
- China is the world's biggest producer of white goods.
- Turkey has maintained its position as the second largest producer in the World and the largest manufacturing center in Europe.

Global White Goods Companies



- Samsung Electronics, Panasonic Corporation, Whirlpool, Bosch and LG are the biggest companies in the World.
- Bosch group is the biggest company in the world in terms of sales and profit.
- Whirlpool corporation stands as the world's biggest manufacturer in terms of capacity and production.

Global and Turkey, white goods exports

2018, billion dolar

Dishwasher		Refrigerator		Washing machine		Bakery		Total Exports	
Germany	947.0	China	4,877.0	China	2,637.7	China	2,862.6	China	10,997.4
Poland	801.8	Mexican	3,573.3	Poland	1,295.9	Mexican	545.7	Mexican	4,119.0
China	620.1	Thailand	1,506.0	Turkey	1,008.7	Italy	425.0	Turkey	3,057.2
Turkey	549.2	Korea	1,337.8	Thailand	919.2	USA	343.7	Poland	2,097.7
Italy	199.6	Turkey	1,192.6	Germany	632.2	Turkey	306.8	Germany	1,579.2
Global	4,253.6	Global	18,329.7	Global	9,330.7	Global	5,953.2	Global	37,867.2

Source: Trademap

Global and Turkey, white goods imports

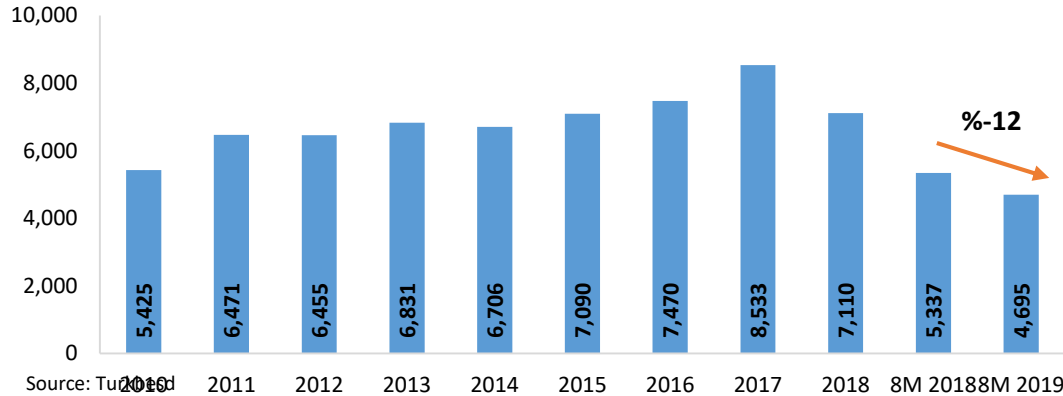
2018, billion dolar

Dishwasher		Refrigerator		Washing machine		Bakery		Total Imports	
USA	435.9	USA	5,906.6	Japan	748.1	USA	2,731.4	USA	9,073.9
Germany	414.1	England	815.1	England	728.2	Germany	363.0	Germany	2,254.5
France	390.1	France	806.7	Germany	638.5	Canada	328.8	England	2,107.8
England	319.4	Germany	838.9	France	592.1	England	245.1	France	2,017.9
Canada	239.8	Japan	675.4	Italy	383.5	France	229.0	Japan	1,423.5
Global	4,429.4	Global	18,745.9	Global	8,979.3	Global	6,760.2	Global	38,914.8

Source: Trademap

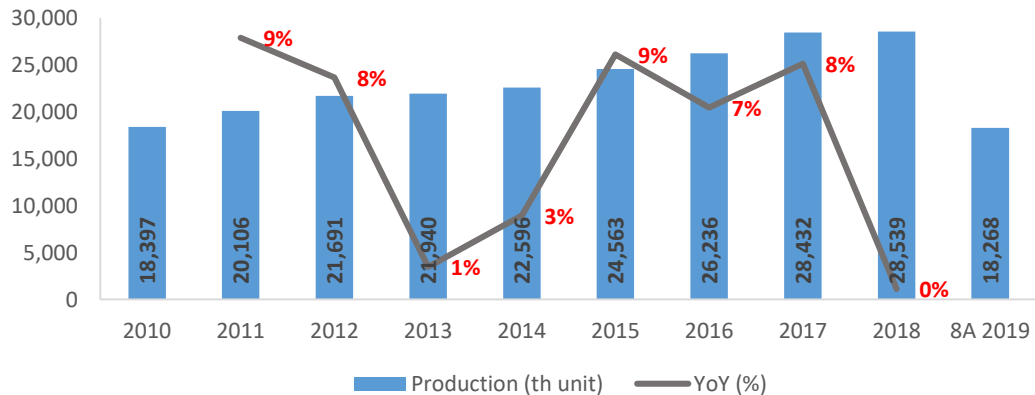
- China is the largest exporter in the world in 2018 followed by Mexico and Turkey.
- China's white goods export reached to USD11 billion in 2018, whereas the export of white good in Mexico and Turkey registered USD4.1 billion and USD3.1 billion, respectively.
- The total export of top five countries constitute more than half (58%) of global white goods exports, slightly higher than the same ratio of 49% in 2014 driven by China.
- USA is the largest importer in the world in 2018 followed by Germany and England.
- USA's white goods imports reached to USD9.1 billion in 2018. The export of white goods in Germany and England stood at USD2.3 billion and USD2.1 billion.

Domestic White Goods Sales (th unit)

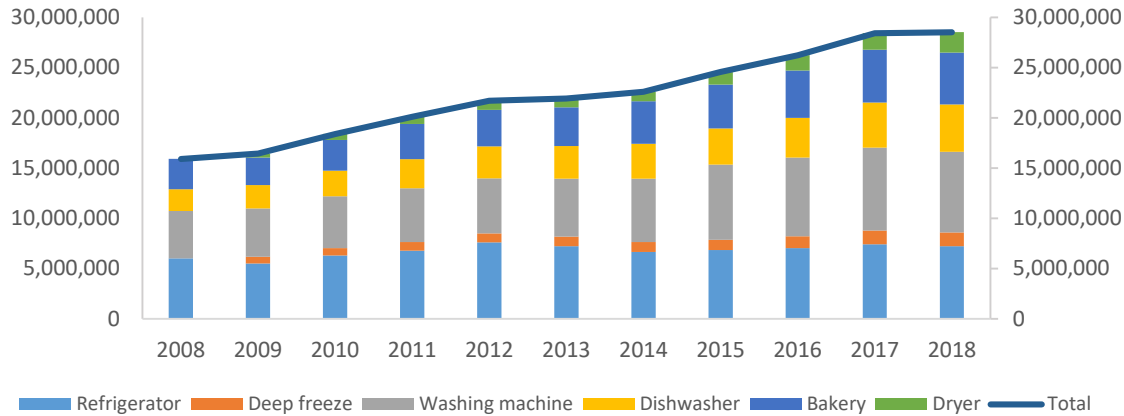


- According to White Goods Manufacturers' Association of Turkey (TÜRKBEŞD) data domestic sales fell by 17% yoy in 2018. Monthly average sales decreased from 620k to 515k in 2018.
- Data showed that, in the first eight months of this year, white goods sales decreased by 12% yoy.
- Noting that 95% of white domestic goods were produced in Turkey, with referring almost 75% of sector exports.
- The contraction of white goods sales continued because of higher raw material cost and depreciation of Turkish Lira, despite tax incentives. For this reasons, the production of the sector has increased below 1% compared to the previous year.
- Because of the depreciation of TRY along with rising prices, production decreased by 2% in the first eight months of 2019.

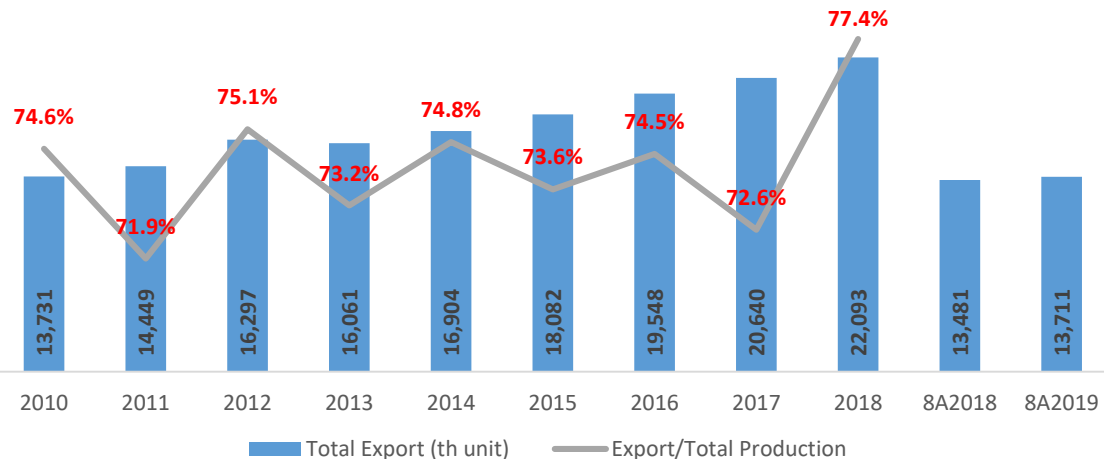
Domestic White Goods Production (th unit)



Domestic White Goods Production (th unit)

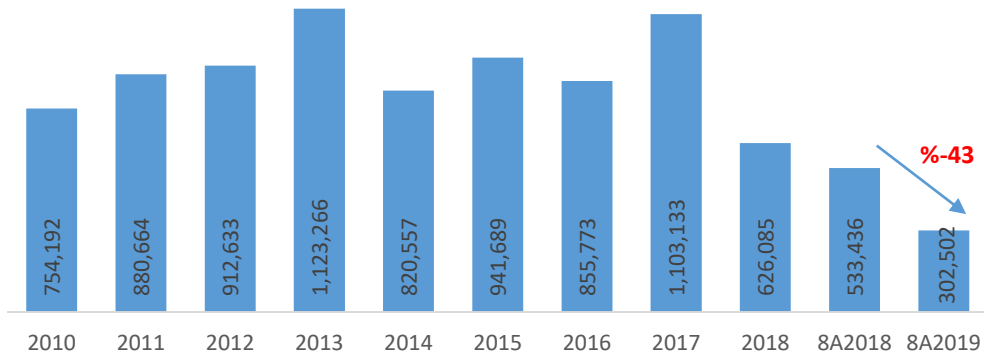


Turkey, white goods exports (th unit)

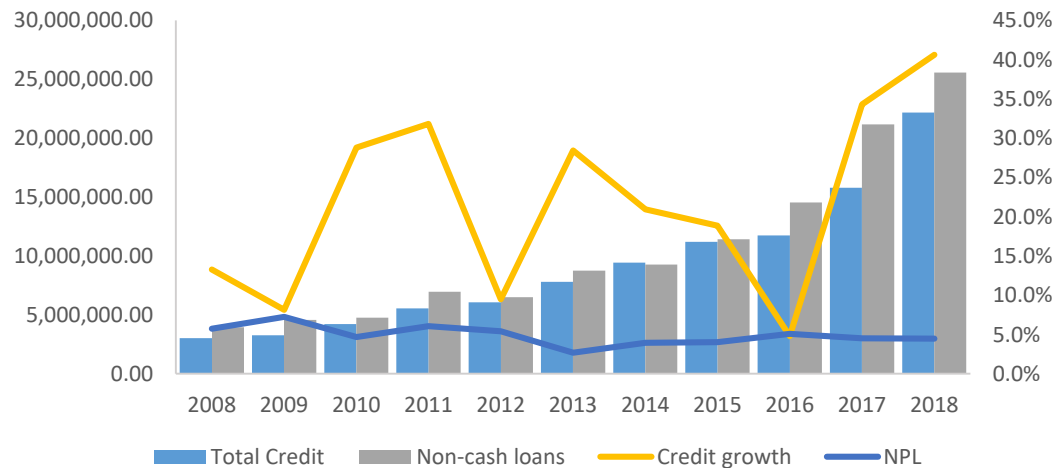


- The market share of refrigerator, washing machine and bakery which have high penetration rate are almost stable where as the market share of freezer and dryer which have low penetration rate are increased.
- Turkey's white goods exports has been continuing to grow in terms of unit since 2014. The sector exports increased by %7 and reached to 22.1 million units in 2018.
- In the first eight months of this year the export of the sector increased by 2%.
- Washing machine has the largest share in white goods exports with 28% and followed by refrigerator with 24% in 2018. The dryer exports continued to increase its share reached to 9% mainly driven by Europe demand.
- Turkey's main export market is Europe (77%), registering USD2 billion. England (17%), France (10%), Germany (9%), Poland (7%) and Spain (6%) are the countries with the highest share, accounting for 50% of sectors total exports in European region.

Turkey, white goods imports (th unit)



Turkey, white goods credits



- White goods imports in Turkey have continued to decrease by 43% in terms of unit in 2018.
- The banking sector loans have continued to expand for white goods sectors and the fastest growth has been observed in 2018 with 40.6% whereas lowest credit growth was seen in 2016 with 4.8%.
- It is observed that firms in the white goods sector have funded long term loans in order to hedge the volatility of TRY, high interest rate and cash flow risks. As Europe is Turkey's main export market, firms in the white goods sector issue Eurobonds and use loan from the EIB for R&D expenses.
- Arçelik keeps its market leadership in the sector. BSH company maintained its second position in the White goods sector. The main risk factors for companies are as follows:
 - ❖ Geographical concentration in exports to Europe,
 - ❖ High debtor shareholders,
 - ❖ Loans for group companies,
 - ❖ Sustainability of long-term growth,
 - ❖ Decreasing momentum net profit in 2019.

Conclusion

- Despite the global white goods market is estimated to grow by 2%, domestic market is estimated to contract between %10-15 in 2019. Although special consumption tax incentive and strong export support, domestic white goods market, implying an annual decline of 17% in 2018.
- The white goods sector is an export-oriented sector with only 30% of its sales to the domestic market. Due to increase exchange rate, cost of goods have risen considerably and domestic market couldn't recover desirably. Sector representatives defend that special consumption tax incentive should permanent in white goods sector.
- The main cost items in white goods production are R&D, raw materials, energy, labor, warranty and transportation expenses.
- On the back of high global commodity prices, raw material costs of the sector are expected to increase in 2019.
- Decrease in sales and productivity while increase in financing costs affects the competitiveness of the white goods sector. Uncertainty in the Brexit process and increased concerns about growth in Europe might effect sector's export performance.
- Beside that depreciation Euro against the Dollar may affect sector exports in terms of dollar and profitability.
- According to figures of TÜRKBESD, the white goods market contracted by 9% in the first half of 2019. While production remain at similar levels with the previous year, exports continued to increase. But while exports increased %5-7 range in the past, it is decreased to %1 recently.
- If the special consumption tax incentive, which will be effective until the end of 2019, the white goods sector is estimated to close 2019 with 6 million units.

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