

## Business Money – November 2009

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Despite the turbulence prevailing in the markets, Turkish economy has been resilient with a strongly capitalized and well regulated banking sector which is relatively less affected from the credit crunch unlike its peers in Europe and the U.S. Notwithstanding this, Turkey's economy has not been immune from global financial turmoil. The economy is expected to contract by 5-6% in 2009 and the forecast for 2010 is a positive growth rate of approximately 3%. The anticipated inflation rate will be around 6% at yearend which remains below expectations. Central Bank of Turkey has steadily cut down overnight interest rates from the levels of 15% to 6.75% throughout 2009 and the rate is expected to remain at these levels for the medium term. The export volume of Turkey has contracted by roughly 30% in the first ten months of 2009 as compared to the same period of 2008. However we have seen an upward trend in October with 5 % growth in exports as compared to October 2008.

In times of a challenging environment in 2009 with global financial crises kicking in, the factoring industry contracted by 25 % in the first half of 2009 however the declining trend has slowed down as we recently started to see a bouncing in the market. We expect the industry to shrink by 5-10% by year end.

In 2008, factoring industry grew by 15 % compared to 2007 and turnover reached USD 27.2 billion. The ratio of the factoring volume to GDP has been consistently increasing in Turkey for years. Factoring industry accounts for 3 % of GDP as of end 2008. The biggest growth continues to be driven from domestic factoring with a transaction volume of USD 23.8 billion representing 87% of total industry volume. International factoring reached a volume of USD 3.4 billion which is mainly generated from export business. Turkey has been playing a significant role in international export factoring arena and ranks second in two-factor export business after China in the first place.

Factoring companies are going to retrieve a healthier legal infrastructure after completion of current efforts of Banking Regulation and Supervision Agency (BRSA) to pass a legislation through the Parliament. The new legal framework will contribute to the development of industry in terms of more institutional and stabilized structure with regards to both legal and operational matters as well as preparing for international compliance and standards to operate competitively.

**Garanti Factoring** enjoys a strong shareholder structure and a powerful brand name in Turkey being a subsidiary of Garanti Bank. Through a close cooperation and synergy with the parent bank, **Garanti Factoring** is able to utilize an extensive distribution channel to penetrate into an increasing customer base nationwide and capitalize on a commercial banking expertise. The in-house credit approval process is undertaken on both seller and debtor basis in line with a strong credit policy approach. **Garanti Factoring** is a major player in the sector by offering international factoring services including two factor export business. In addition to export business, **Garanti Factoring** is also active in import business offering collection as well as full service for the buyers in Turkish market capitalizing on Garanti Group's strengths in distribution capability, client history, commercial banking expertise and quick internal credit appraisal process. **Garanti Factoring** offers these international factoring products via both chains in the industry. **Garanti Factoring** is the first and only Turkish factoring company that enjoys being a member of both International Factors Group (IFG) and Factors Chain International (FCI). As the CEO of Garanti Factoring, I have recently been elected as the Chairman of IFG.

**Garanti Factoring** increased earnings by 41%, with net profit reaching 7.6 million TL as of third quarter 2009. The positive trend of profitability and market share is the result of increasing market penetration and client satisfaction by meeting their various needs through a wide range innovative product set and a speedy service level. Despite the recent financial turmoil around the world **Garanti Factoring** has successfully achieved a leading position with USD 3.67 billion turnover in the sector through its stability, flexibility, responsiveness to client needs and commitment to its outstanding service quality.

Our customer base mainly consists of SMEs. In spite of falling turnover during the turmoil, the number of customers has boosted because the sector has been trying to spread geographically for years. In the

current economic climate, demand for factoring increased with tightening of bank credit. Factoring is a financial and credit service which provides the most convenient solution to solve exporters and importers needs particularly for SMEs to boost and facilitate their commercial growth thus resulting in domestic and international sales.