



By: Emre Alkin

Positive Expectations!?



A reader of mine recently said to me, "Professor, will anything good ever happen? You always talk about risks and troubles!" He was right. But I also thought that I was right too.

When I look at the state of things, I honestly can't see anything positive happening. Although there have not been any good developments lately, we can talk about favourable prospects and potential opportunities.

For instance, if the US and the EU win their fight against inflation, borrowing interest rates will go down. In this case, markets will take off once the risk appetite increases and investors convert the dollars they had put aside as a precaution into lira.

Eventually, the currencies of developing countries will hold their value against strong currencies and it will be easier to maintain the balance of trade.

This development might bring about positive consequences not only for countries such as Japan, the US and Italy with major government debts, but also for developing countries that are quickly catching up in the debt race.

Although this huge debt stock seems less likely to cause a crisis as interest rates decrease, the truth of the matter is that borrowing will continue at full pace as interest rates go down.

Nonetheless, at least such a decline in interest rates would help Japan (263% debt-to-GDP ratio), Italy (140% debt-to-GDP ratio), the US (133% debt-to-GDP ratio) and Spain, France, Belgium, Canada, China and India with around 100% debt-to-GDP ratio breathe a sigh of relief.

The elections

As you can see, I'm trying to be as positive as I possibly can. Despite the fact that the 2024 economic growth rate of the US, German and Chinese economy is expected to be worse than

last year, the consumption rate will remain the same.

We see that especially Americans have maximized their spending potential when compared to previous years. According to an October 2023 survey by Statista, the monthly household consumption surpassed the pre-pandemic record by around 10% in the United States, with a monthly spending of \$100 billion.

Speaking of the United States, US citizens have **declared** 2024 as the year of 'healthy living, staying active, spending time with family and friends', which means sports, gastronomy, health and entertainment sectors might gain further momentum in the US.

The results of this survey give hope for the next year. But, there is also a significant number of respondents who said "I will save money and spend less".

Tensions will not be defused in the Middle East and Ukraine until the US elections are concluded

The most important of this year's 70 **elections** will not take place before November 2024. Tensions will not be defused in the Middle East and Ukraine until the US elections are concluded.

It is also known that the French are trying to prevent rapprochement among Azerbaijan, Iran and Armenia for the establishment of a new logistics route.

However, countries near the region, including Turkey, are likely to pursue a rather moderate diplomacy once the elections are completed, and one way or another, the United States and the European Union will understand that they will have to compromise with candidates or parties who won the elections.

After the elections, futile efforts such as sabotaging China's Belt and Road Initiative and trying to remove Turkey and Egypt from logistics routes might diminish, not to mention

the possibility that the human tragedy caused by Israel in Gaza may come to an end, and Netanyahu might be dismissed from office and tried in his own country before he succeeds in spreading the conflict further into the region.

Energy

Similar events have occurred in the recent past. So anything is possible. If even one or all of these possibilities come alive, the rising risk of energy in the Red Sea region will decrease as well as the pressure on oil prices.

In countries like Turkey, when the oil price per barrel increases by \$10, the current account deficit tends to grow by \$12 billion. This alone tells us how imperative it is to have stability in oil prices.

In terms of natural disasters, the first thing that comes to mind is climate change. COP28 marked the beginning of a strong alliance among developing countries who have agreed to take action to curb carbon emissions, which is a truly hopeful initiative for a greener future.

It is important that countries, particularly the EU and China, have significantly reduced their investment in oil and gas

It is important that countries, particularly the EU and China, have significantly reduced their investment in oil and gas, instead transitioning to energies that emit fewer greenhouse gases, and that the funds spent on energy efficiency have exceeded investments in oil and gas.

According to 2022 data, \$660 billion were spent on sources of low-carbon energy, \$493 billion were spent on oil, \$329 billion on gas, and \$391 billion were spent on energy efficiency investments. These figures are important in terms of the fact that they clearly indicate the changing trend in the world.

Another **survey** conducted by Statista from

April 2002 to March 2023 with a group of approximately 10,000 people in every country shows that digital applications have become quite prominent in the banking sector. The survey was directed at random samples of the adult population between the ages of 18-64 years.

Turkey and Nigeria ranked first as the countries with the highest share of mobile bankers (83%). Thanks to these less time-consuming mobile apps, banking transactions are completed at lightning speed in these countries.



Emre Alkin: We have to keep ourselves ready for good times, even though they seem unlikely to happen, just as we need to keep ourselves ready for risks

Korea, Indonesia, Singapore, Vietnam, Brazil and the Philippines also stand out amongst others with a mobile banking usage rate of more than 70%.

These countries will be the ones to transition to digital money the fastest, thus gradually reducing informality, which is the biggest problem in these countries.

With a usage rate of 69%, the UK is followed by the US with 63%. 47% of German bank customers, on the other hand, still continue to visit physical locations to access financial services.

The fast pace of digitalisation in developing countries is likely to eliminate cash and even replace strong currencies with cryptos.

As a consequence, economies that have difficulty growing stronger due to arbitrage,

which often causes prices in different markets to converge, or due to hegemonic currencies will have a chance to reduce injustice.

The scenarios mentioned above can become a reality if different powers, cultures and interests come together and look in the same direction with each other.

In fact, if they come to pass simultaneously thanks to a series of fortunate events, the whole world might enjoy a short-term period of prosperity.

I think we have to keep ourselves ready for good times, even though they seem unlikely to happen, just as we need to keep ourselves ready for risks.