

The Impacts of Covid-19 on Production of Turkey: An Analysis of International Production Chains

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Abstract:

The Covid-19 pandemic has caused serious economic turmoil across the world through simultaneous shocks such as decreasing in both domestic and foreign demand, disrupting global value chains activities, and tightening of financial conditions. The effects of Covid-19 crisis on various sectors are observed in two-side of the economy: demand and supply. The main aim of the research is to analyze the impact of Covid-19 crisis on production of sectors in Turkey considering the international production chains. In order to investigate this, we employ a two-tier strategy. In the first step, we calculate the shock values of trade variables by subtracting the realized value from the estimated value. The realized values are taken from INTRACEN (International Trade Center) database. In the second step, the last available Eora26 Input-Output (IO) Table (Lenzen et al., 2012, 2013), the year 2015, is utilized to decide the change in production of each sector as a result of demand and supply shocks, separately. Investigating the effect in the framework of production chains with the inter-country input-output tables enables researchers and policy makers to understand the dynamics of potential shocks so that they can take the necessary precautions to ensure the stability of supply chains, availability of products, and the well-being of individuals. As far as we know, there is no study analyzing the effect of Covid-19 through demand and supply shocks in the framework of international production chains for the Turkey. Hence, our study will carry crucial understanding and provide solid policy recommendations to be well-prepared for possible external shocks.

Keywords: International production chains; Input-Output tables; Covid-19; Turkey

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