

Growing demand for PET and glass containers

3.95

The sector's total turnover is thought to have reached TL 3.95 billion in value.

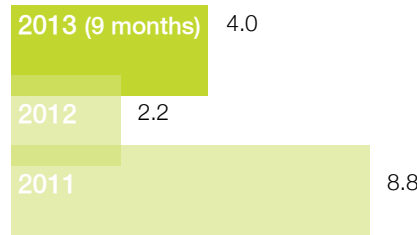
The Turkish economy and the sector in 2013

The packaged water sector in Turkey is estimated to have reached a total volume of 10.3 billion liters a year.

4%

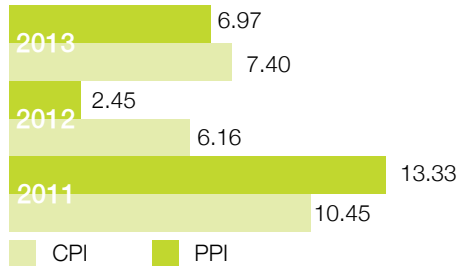
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GDP Growth Rate - Fixed Prices (%)



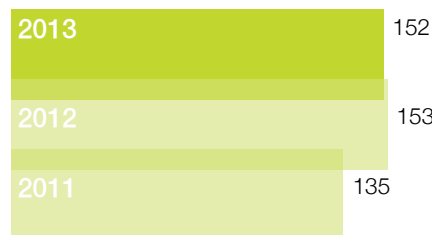
The Turkish economy grew by 4% as of the third quarter of 2013. Having grown by 2.2% in 2012, the Turkish economy achieved a 4% rate of growth in the first nine months of 2013.

Inflation (%)



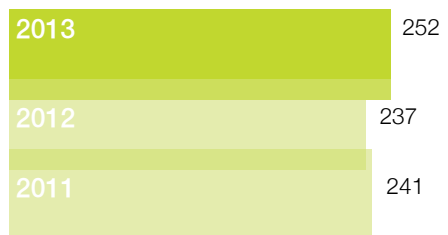
Inflation appears to be on a rising trend. At end-2013 Turkey's 2003 base-year consumer price index was 7.40% higher than what it had been twelve months earlier while the producer price index, which had declined by 2.4% in 2012, rose to 6.97% in the year to end-2013.

Exports (USD billion)



Exports make a net contribution to growth of zero. According to TurkStat-published provisional figures for 2013, Turkey's exports last year amounted to USD 151.9 billion in value while its imports weighed in at USD 251.7 billion.

Imports (USD billion)



The resulting USD 99.8 billion foreign trade deficit was 18.7% bigger than what it had been the year before while the ratio of the country's exports to imports fell from 64.5% in 2012 to 60.3% in 2013.

The Turkish packaged water industry

Inadequate infrastructure and insufficient water

One of the most serious problems that any country may have to face is that of not having enough water to meet the needs of a growing population. This was the situation that existed in the early 1990s when Turkey's urbanization gained ever-increasing momentum as a result of population inflows into all of the country's big cities.

Leaky water mains caused losses of up to 60% of the total flow through them while failure to undertake investments to properly exploit nearby water resources made it next to impossible for some municipalities to provide their citizenry with sufficient water.

The problem became so severe especially in İstanbul that the municipality began licensing "water stations" in an effort to alleviate it. An explosion in the number of these stations and the difficulties inherent in properly supervising them forced the health ministry to intervene: in 1998, the sale of unregulated water by the stations was prohibited.

A decade of growth in packaged water consumption

With the banning of such sales by authorities, there was a surge in demand for water supplied in 19-liter polycarbonate (PC) carboys, which were already being used in many localities on account of public water-supply hygiene issues. Turkey first became acquainted with this new form of packaging in the late 1990s and it provided a welcome alternative to both inadequate/undrinkable mains and questionable-source non-regulated water in homes as well as at business- and workplaces. Thanks especially to its economy, to its handy accompanying apparatus, and to the convenience of delivery-on-demand, the 19-liter format accounts for the biggest share of total consumption by volume and has contributed significantly to the market's overall growth.

The Turkish packaged water industry consists of two distinct segments: "One-Way" (non-returnable PET and glass containers) and "Returnable" (PC and glass carboys). The biggest issue with which the industry must contend is that of informal (unregistered) production and the hygiene-related issues associated with it. Owing to the greater likelihood of unregulated water entering the supply chain, this problem is more serious in the carboy market. Much more important than putting licensed producers at a competitive disadvantage however are the public health risks that this water creates.

Inspections of carboy-supplied water carried out by the health ministry in 2012 and 2013 and the media storm of bad publicity that ensued when the results were announced damaged consumer confidence in carboy-supplied water no matter what the source. The result was a surge in demand for water packaged in PET and glass containers.

Total sector turnover: TL 4.1 billion

According to SUDER, the Packaged Water Manufacturers Association, the packaged water sector in Turkey is estimated to have reached a total volume of 10.3 billion liters and a total turnover worth about TL 4.1 billion. The packaged water industry is currently operating at about 40% of its total capacity, which means that there is plenty of slack that could easily be put to work even if there were to be an unexpectedly strong surge in the domestic demand for its products.

Per capita consumption of packaged water on the rise

Packaged water consumption in Turkey is rapidly approaching EU levels. In 2013 per capita consumption is calculated to have been 135 liters, of which 54 liters was supplied in PET containers and 81 liters in carboys.

Some 60% of total consumption is supplied by means of home-delivered carboys while nearly all of the remainder consists of water sold in PET containers. There are about 300 firms licensed to harvest and sell water by the Turkish health ministry.

Total retail sales of PET-packaged water increased by 1.0% and by 10.3% as measured by tonnage and turnover respectively in 2013.

Depressed demand for carboys

The 4.5% year-on contraction in the 19-liter carboy market that was observed in 2013 can be attributed to the effects of adverse media publicity on the one hand and to the steady decline in the appeal that this format has among consumers on the other.

Glass containers

The unfavorable publicity associated with PC carboys in general contributed to consumer perceptions that glass containers are somehow "healthier". This in turn increased demand for such packaging and encouraged established firms to supply more glass-packaged products to the market.

With new brands also entering the arena with glass packaging in different sizes and formats of their own, the result has been considerable diversification in this category. Having previously been consumed almost exclusively at restaurants, hotels, cafes, and similar away-from-home venues, consumer demand for glass-bottled water in 2013 led to its being supplied to retailers and homes as well. Owing to their consumer appeal, the 5-, 8-, and 15-liter carboy formats are driving the glass-container market's growth.

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