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Analysis of today
Assessment of tomorrow

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# Recession and Inflation - Crisis is Not the Opportunity

During my conferences I give all around the world, I try to draw attention to certain risks. “Ordinary citizens cannot grab opportunities arising out of the crises that are caused by particular risks.” To clarify further, let me explain the medium and long-term risks from my own perspective.

## When inflation and recession occur simultaneously

Until recently, both organisations and individuals have been trying to protect themselves against inflation by stocking up on goods, which eventually created more inflation under to the deterioration of the pricing behaviour. Recession, however, is something else entirely. When recession hits, all stocked goods may be at risk, serious price fluctuations may happen and those who have been making good profit until recently may suddenly go bankrupt.

## The Need of Restructuring in Supply Chains

Analyses show that supply chains in the pharmaceutical industry, clothing, footwear and leather industry, communication and health equipment, furniture, textile, and transportation equipment sectors have to be restructured. Procuring from domestic suppliers, proximity to the market will be crucial in terms of reducing costs and maintaining profitability. This restructuring requirement, however, is not expected to have a positive impact on the citizens’ costs of living. This is a difficult process that solely concerns companies.

## Conflict and Risk of War

Including the Russia-Ukraine crisis, there are ongoing conflicts between the countries today and new ones are likely to start soon. These conflicts cause prices to go up in almost every industry from energy to food, metal to logistics. There also have been some developments that disturbed several parties, such as the NATO candidacy of Sweden and Finland, the controversial functioning of the UN Security Council and the possibility of a minor nuclear conflict. This political turmoil either does not offer an opportunity ready to be seized by ordinary citizens.

## Risk of Escalating Tensions between the Islamic World and the West

According to studies, the world population will increase by 35% towards 2050 while Muslim population will increase by 73%. Islamic Countries, which will have reached a population of 3 billion people with an average age of 25-30 and will still be underdeveloped compared the Western world in terms of education, social assistance, welfare and technology use. And the regime in most of these Islamic countries describe either autocracy or democracy merely by the concept of holding elections.

A Gallup study shows that people’s desire and willingness to live according to customs, traditions and beliefs in these countries is at least twice as high as in Western nations. Considering both the "Arabization" phenomenon and the West, which is incapable of understanding the demands of the Muslim population, the world should be alert against new tensions that might suddenly arise in Europe. Should this risk become a reality, ordinary citizens will once again have nothing to gain. On the contrary, they will have quite difficult times ahead.

## Ever-Increasing Population, Environmental Degradation and Natural Disasters

Looking back, we see that these risks are coming at an accelerating rate and might soon become very real. Today, the industries are trying to adapt to the changing climate, more

and more people are moving to new locations, especially lands near waters, whereas the rural population is rapidly declining. These changes benefit companies that sell “smart city” technologies, but people must undergo an expensive change to survive in this new environment.

The people will pay for the air-conditioning of houses, cars and other settings, they will have to pay astronomically high insurance premiums against disasters that are no longer a small risk. They will be seriously confused about what they will do with their savings as it will be increasingly difficult to protect one’s assets. Energy items such as heating, cooling, electricity and water will be hard to procure, not to mention the excessive prices.

Water treatment devices, units that generate and store energy, zero-energy buildings will no longer be a preference, but a must, and they will make their producers a lot of money. People will only consider themselves lucky to have them but not acquire any other advantage other than that feeling.

## Constantly Increasing Debt and Efforts to Substitute Strong Currencies

The reports by the IMF on indebtedness show that the G-7 countries in particular are in trouble. Japan takes the lead in top indebted countries list with a debt-to-GDP ratio of around 200%, followed by Greece with 185%, Italy with 151%, Singapore with 131%, the US with 126%, Portugal with 122%, Spain with 116%, France with 113%, Belgium with 107% and Canada with 102%. As interest rates will not stop increasing, it will be understood that this debt stock is not sustainable.

There is a highly likelihood of getting into a worse financial bottleneck than 2008. We might see sharp declines in the prices of dollar, Euro and pound sterling denominated assets. All these events will negatively affect the government securities of emerging markets. However, given the fact that the debtor's problem becomes the lender's problem after a while, this is a scenario where lenders, not governments, will face troubles.

A risk that will spread rapidly from private pension schemes to various institutions and instruments of the capital market and then to banking would definitely not benefit anyone. Only a handful of people or groups can benefit from such disruption. In order for us to see cryptocurrencies as a lifesaver, they must be widely used as medium of exchange in commercial transactions. Perhaps even when this happens, it may not be possible to avoid completely the negative effects of a debt crisis.

The financial difficulties and astronomical cost increases that we will occur in healthcare or pharmaceutical sector can also be included in this list of risks. I come across frequently certain posts in social media saying that "crisis" and "opportunity" have similar or same meaning in some languages and spellings. But many financial crises can lead to conditions that are so bad that they could not offer an opportunity for even the smartest of citizens. Let's bear this in mind.

Dr Emre Alkin is one of the most influential economists in the world. He is the President of Topkapi University in Istanbul, and well known author of the 4 best selling novels and 14 in total about socio-economics in Turkish and English. He held various positions in GSM and Telecommunication, International Financial İnstitutions, Payment Systems, Energy, Iron-Steel Industry and Insurance. Prof. Alkin participates in international projects about payment systems and financial management.