



World Food Programme

WFP/Ozan Toptas

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World Food Programme—Turkey Market Bulletin

SAVING
LIVES
CHANGING
LIVES

Highlights

- The Minimum Expenditure Basket (MEB)¹ increased by 2% since Q1 2020 and costs **505 TRY** per person per month as of June 2020.
- The inflation rate at the end of Q2 2020 is **12.6%**. It was 11% in April and May 2020.
- The businesses were interrupted by Covid-19 pandemic; production index dropped to **-31.3%** in April. In May 2020, the tendency reversed, but it was still down by **-19.9%** when compared to May 2019.
- The unemployment rate actualized at **12.9%** in May 2020, as there was a ban on layoffs. Employees either worked for short-term or were on unpaid leave. It increased to **13.4%** in June 2020.
- Economy contracted by **-9.9%** in Q2 2020, following a positive growth of 4.5% in Q1 2020.
- After lockdown during the peak season of Covid-19 in early Q2, the situation started to stabilize in June 2020.

Turkey Macro-economic Situation

The Turkish economy's positive outlook after the recovery period from the 2018 turmoil was interrupted by the Covid-19 outbreak. Many businesses were closed in March, April and May, and gradually started to re-open in June 2020. Even though the measures taken to prevent from the effects of pandemic on consumers such as discounts on utility costs² seems to be effective for Q2 2020, the pause in

economic activities negatively affected labour market and therefore people's income as well as overall economic activities such as production and investments. The Government already delivered 1000 TRY one-off social assistance to a total of 4.410.000 affected households and will be assisting more households in. August 2020.³

Currency Exchange

The lockdown in businesses increased the need for cash. Even though Turkey was more resilient in April compared to other emerging markets, the concerns over Central Bank of Republic of Turkey (CBRT) reserves in May led to record high devaluation of TRY against USD,

peaked on May 7th when the exchange rate reached at 7,26 TRY for 1 USD. TRY appreciated in June (1 USD=6.82) after CBRT policy announcements which reduced liquidity while maintaining the headline interest rate unchanged (**Figure 1**).⁴

Figure 1: Exchange rate between TRY and USD 2018 -2020



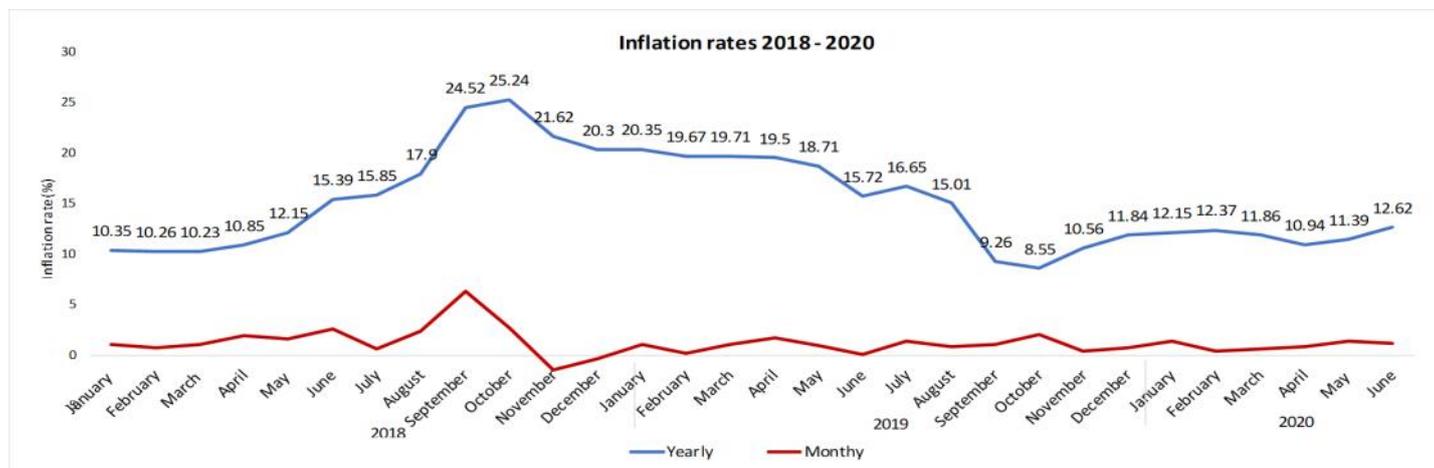
WFP Turkey VAM/M&E Unit:
co.tur.m&e@wfp.org

Inflation

The annual inflation rate was around 11% for April and May 2020, however it increased to 12.6% in June 2020 (Figure 2). Triggered by the prevention measures such as limiting the number of customers and capacity due to social distancing

rules, the driving factors of the annual inflation happened to be consumer prices in restaurants and hotels, transportation, and entertainment sectors.⁵

Figure 2: TurkStat's Consumer Price Index Trend, June 2020

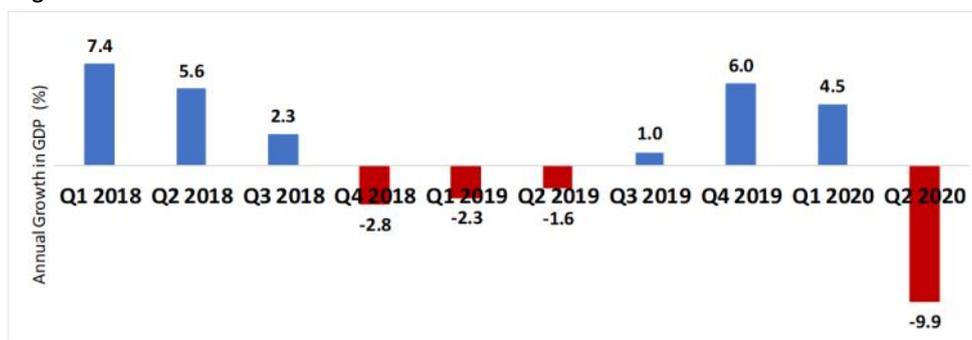


ECONOMIC GROWTH

The positive impetus in January and February 2020 following the economic recovery in late 2019, deteriorated with the interruption of Covid-19 outbreak in early March. The pandemic

affected the economy severely in Q2 2020. While annual growth rate in Q1 2020 was actualized at 4.5%, and the economy contracted by 9.9% in Q2 2020 (Figure 3).⁶

Figure 3: Annual Growth Rates – 2018 - 2020



In Q1 2020 all sectors grew positively, except for construction sector. However, in Q2 2020, all sectors suffered severely since many businesses experienced temporary shutdown in April and May 2020 as preventative measures. They slowly reopened in June 2020 as part of the normalization process, yet still with restrictions to maintain social distance.⁷ Manufacturing (-18.7%) and service (-25.0%) sectors were hit the most

by the pandemic (Table 1). Construction seemed overall least affected. It had been experiencing negative growth before the pandemic, but at a decreasing rate and this trend somewhat continued throughout the pandemic. Other factors seem in play. Only the agriculture sector experienced a positive growth of 4%, thanks to the seasonal effect of summer on agricultural production.

Table 1: Quarterly Sectoral Growth in 2018—2020*

Sector	Q1 2018 (%)	Q2 2018 (%)	Q3 2018 (%)	Q4 2018 (%)	Q1 2019 (%)	Q2 2019 (%)	Q3 2019 (%)	Q4 2019 (%)	Q1 2020 (%)	Q2 2020 (%)
Agriculture	7.5	-1.3	2.8	0.8	3.9	4.6	4.0	2.5	2.6	4.0
Manufacture	8.2	4.7	1.5	-8.0	-6.7	-5.7	-0.5	3.6	6.6	-18.4
Construction	6.9	1.8	-6.1	-7.7	-8.2	-11.7	-9	-5.2	-1.9	-2.7
Services	10.4	9.0	4.4	-1.0	-4.3	-0.3	1.1	8.3	3	-25.0
Gross National Product	7.4	5.6	2.3	-2.8	-2.3	-1.6	1.0	6.0	4.5	-9.9

* The figures might be slightly different from the previous reports due to recalculations.

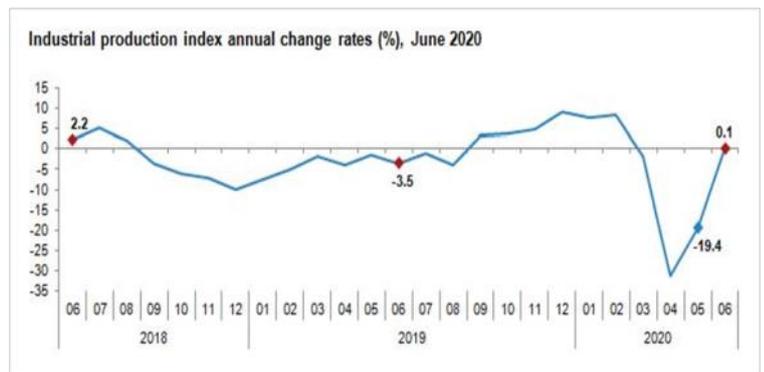
As depicted in **Figure 3**, the Industrial Production Index that had dropped to negatives in March 2020 as a result of lockdown due to pandemic, further reduced by 31% in April and 19.4% in May.⁸ Following the reopening of businesses, the production index increased to 0.1% in June 2020.

Turkey is a country which imports intermediate goods and exports finished products. Both were affected by the interruption the pandemic caused to the global economy. The foreign trade volume in Turkey contracted by 34% in April 2020 compared to April 2019⁹; that is, fewer intermediate goods were imported, and fewer products were exported. As businesses went back to work, the foreign trade volume increased by 11% in June 2020 compared to a year ago, driven by the exports of motor vehicles, fruits, furniture, and machines.¹⁰

Unemployment

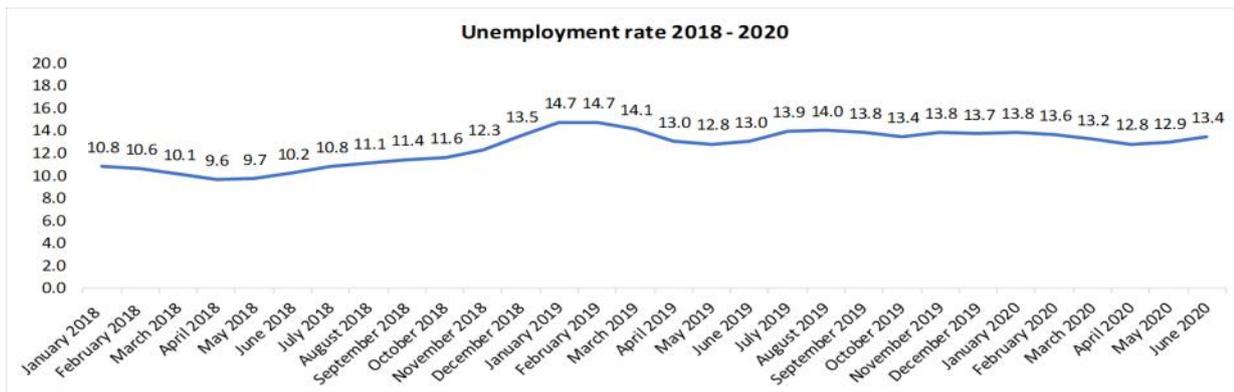
The annual unemployment rate in June 2020 was 13.4%, after a decreasing trend since the beginning of 2020. During the shut-down of businesses in April and May, the Government issued regulations on short-term (or unpaid) employment that prevented employees from dismissing their workers so they would not lose social security benefits. The Government expanded the ban on dismissal till September 17th, 2020.¹¹

Figure 3: Industrial Production Index Annual Change Rates - March 2020



On the other hand, in April 2020, the number of people in labour force decreased by 1 million as a result of the Covid-19 outbreak.¹² The annual employment rate decreased from 46.1% in April 2019 to 41.1% in April 2020, which is the record low since 2013, before it slightly increased to 41.4% in May and 42.4% in June 2020.¹³ The decline in the unemployment rate while the labour force participation rate is decreasing at the same time, might signal that people give up looking for jobs, possibly due to lost hope.

Figure 4: Unemployment rates between 2018 and 2020

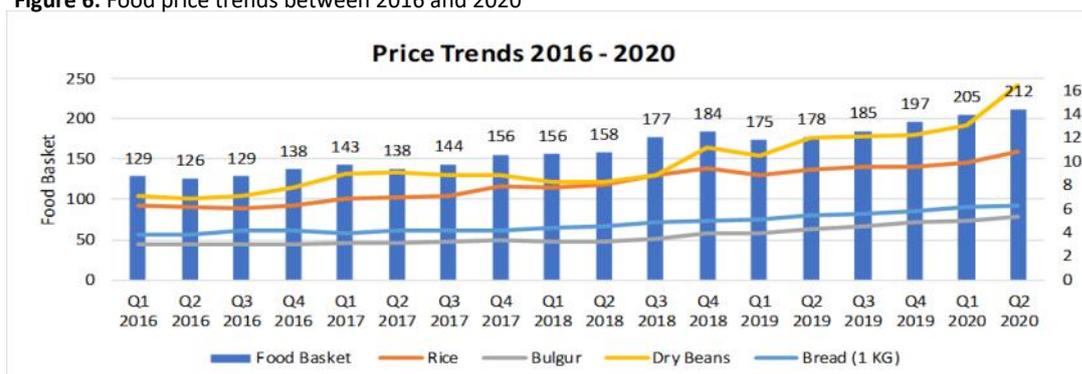


Food Prices

WFP VAM and M&E unit calculates the minimum cost of a nutritionally balanced food basket for Turkish people by using the prices of stable food items retrieved from TurkStat. The cost of food basket per person increased from 205 TRY in March 2020 to 212 TRY in June 2020. The increase was driven by the monthly food inflation in April 2020 (2.5%), which was higher than the average monthly inflation rate (0.85%).

Among the food items, the kilogram price of dry beans increased from 13 TRY to 16.5 TRY between the two quarters. The rice cost was 13 TRY/kg with 1 TRY increase. In Q2 2020, bulgur cost increased from 5.0 TRY to 5.4 TRY per kilogram. Bread prices increased from 6.1 TRY/kg to 6.2 TRY/kg. Such slight increase in bread has significant effect on the basket as monthly consumption of bread is 7.5 kg per person.

Figure 6: Food price trends between 2016 and 2020

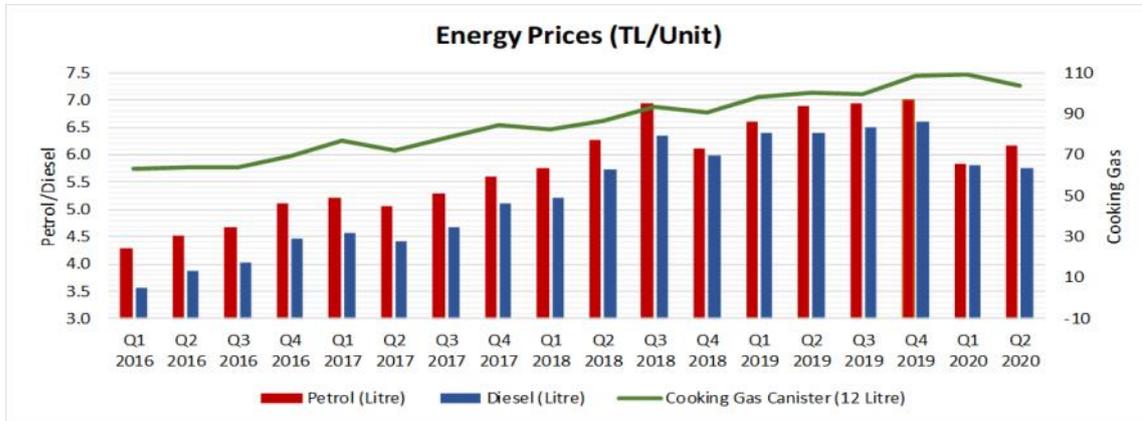


Energy Prices

The energy prices decreased with the reduced demand in Q1 2020 globally. It dropped further in Q2 2020 with the closure of businesses as well as curfews that prevented people from going outside and using transportation. Since the situation was more stable in June 2020, the petroleum litre prices

increased from 5.8 TRY to 6.2 TRY, in other words they remained low compared to Q2 2019 (6.4 TRY).¹⁴ Litre price for diesel was unchanged at 5.8 TRY, and 12 LT gas canister prices went down from 109 TRY to 103.4 TRY between Q1 and Q2 2020.

Figure 7: Energy Price Trends (TL/Unit) 2016-2020

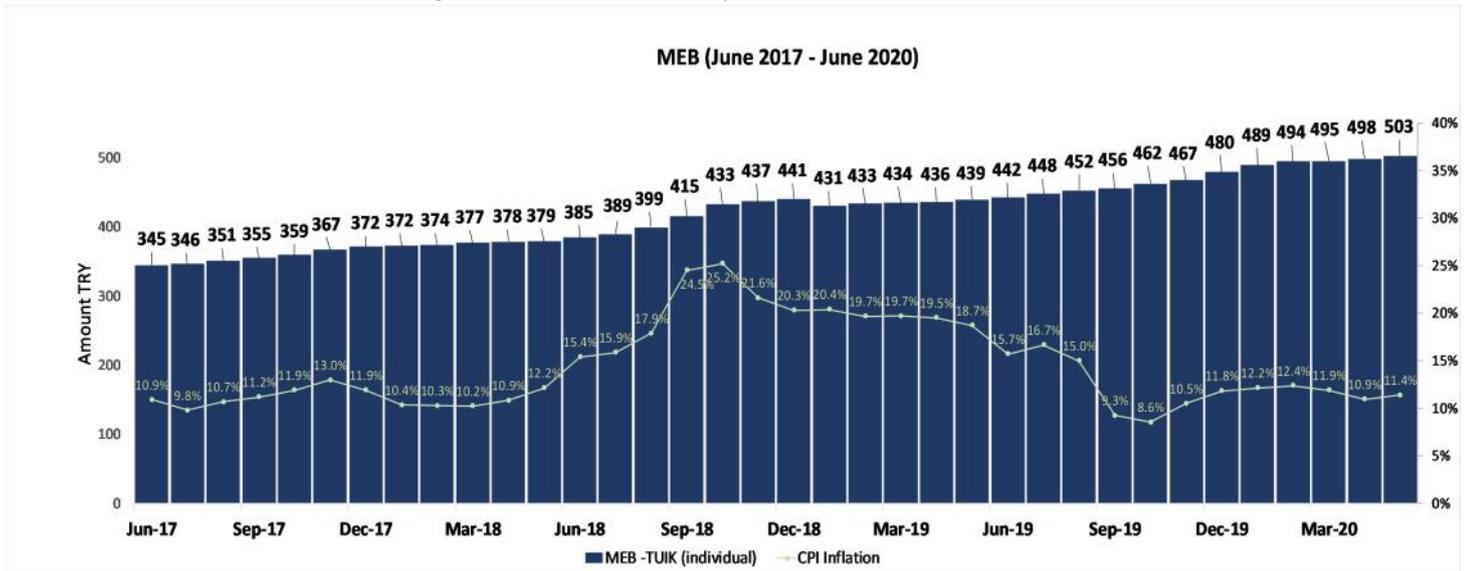


MINIMUM EXPENDITURE BASKET

The MEB calculation is based on a six-person Turkish household, and the item prices for commodities are retrieved from TurkStat (Turkish Statistical Institute). The TurkStat collects the commodity prices of the brands preferred by the average Turkish consumers in the most common markets.¹⁵

The average cost of a MEB was 505 TRY per person as of June 2020 (Figure 8), increased by less than 1% monthly through the Q2 2020. The increase rate has been stable at below 1% since December 2019. The increase in the food and non-food item costs by 4% and 3% respectively were the driving factors whereas the utility costs dropped by 2% compared to Q1 2020.

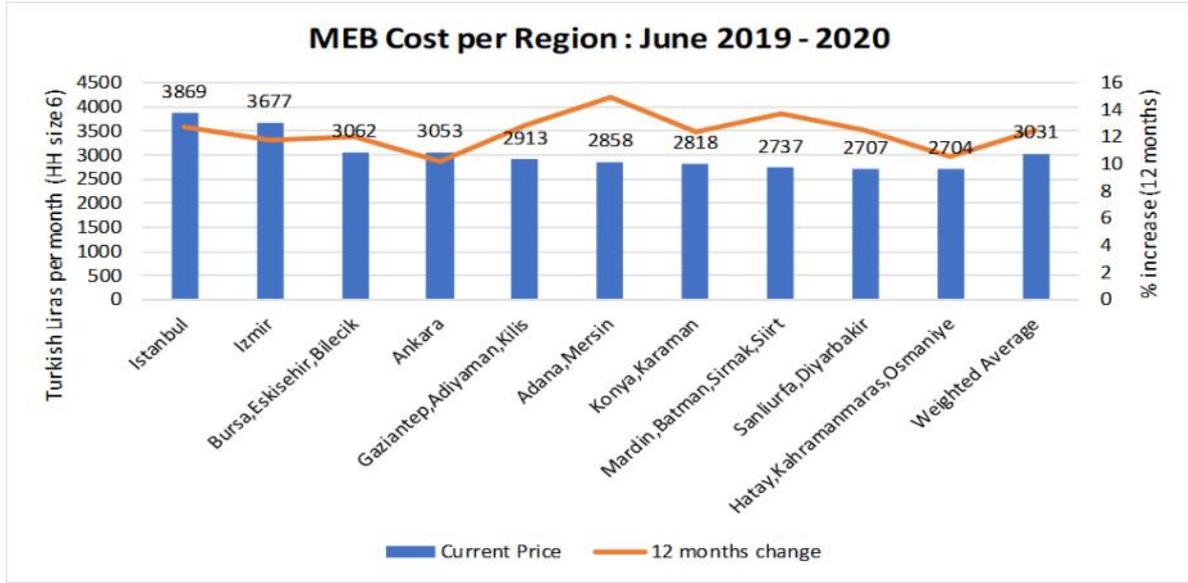
Figure 8: MEB costs for a 6-People Household, between 2017-2020



The MEB costs have been consistently higher in the metropolitan areas; MEB for a 6-people household in Turkey costs 3,869 TRY in Istanbul. For the first time MEB cost in Bursa-Eskişehir-Bilecik region (3,062 TRY) became higher

than Ankara (3,053 TRY). Hatay-Kahramanmaraş-Osmaniye region had the lowest MEB cost with 2,704 TRY. In general, the southeast regions have lower MEB costs, however, the yearly increase of costs continues to be higher than average.

Figure 9: MEB Cost per Region in Q1 2020



Notes & Citations

1. The Minimum Expenditure Basket is constructed based upon the monthly basic needs of a person living in a 6-people household, and by using TurkStat data.
2. For details on measures taken, please refer to WFP Market Bulletin, Q1 2020.
3. <https://www.ailevecalisma.gov.tr/erzincan/haberler/bakan-selcuk-2-faz-sosyal-yardim-ihtiyac-sahibi-farkli-2-milyon-300-bin-haneyeye-verilecek/>
4. https://ekonomi.isbank.com.tr/contentmanagement/Documents/eng03_monthly/2020/MER_202005.pdf
5. <http://www.tuik.gov.tr/PreHaberBultenleri.do?id=33867>
6. Quarterly Gross Domestic Product, Quarter 2: April- June 2020, TurkStat: <http://www.tuik.gov.tr/HbGetirHTML.do?id=33605>
7. For details on business regulations please refer to WFP Market Bulletin, Q1 2020.
8. Industrial Production Index, June 2020, Turkstat: <http://www.tuik.gov.tr/HbGetirHTML.do?id=33801>
9. <https://www.aa.com.tr/tr/ekonomi/dis-ticaret-rakamlarina-kovid-19-etkisi/1828097>
10. <https://ticaret.gov.tr/haberler/2020-yili-haziran-ayi-dis-ticaret-ticaret-esnaf-ve-kooperatif-verileri>
11. <https://www.dailysabah.com/business/economy/turkey-extends-ban-on-layoffs-for-3-more-months>
12. https://ekonomi.isbank.com.tr/contentmanagement/Documents/eng03_monthly/2020/MER_202008.pdf
13. <http://www.tuik.gov.tr/HbGetirHTML.do?id=33790>
14. Turkish Statistical Institute, July 2020.
15. Please visit the *Metadata* section for the details of the TurkStat data collection methodology: <http://www.tuik.gov.tr/HbGetirHTML.do?id=33869>