



Issue No. 15  
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# World Food Programme—Turkey Market Bulletin

SAVING  
 LIVES  
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## Highlights

- The Minimum Expenditure Basket (MEB)<sup>1</sup> costs 518 TRY per person per month as of September 2020.
- The inflation rate in September 2020 is 11.75% and it was stable throughout Q3 2020.
- As the businesses reopened in June 2020, the economic growth in Q3 2020 was actualized at 6.7%.
- The unemployment rate slightly went down from 12.4% to 12.2% between June and August 2020.
- Turkish Lira experienced devaluation; 1 USD reached 7.52 TRY in September 2020.
- Even though there are some positive developments in production sectors, purchasing power of consumers in Turkey deteriorates due to high inflation rates.

## Turkey Macro-economic Situation

After the closure for over 2-months as part of the measurements taken against the pandemic in Q2 2020, reopening of businesses and the tourist season starting from June 2020 brought life to the Turkish economy. The economy grew by 6.7% in Q3 2020. Thanks to the low interest rates having been implemented from May to August, the highest growth occurred in financial and insurance services (41.1%).<sup>2</sup> Borrowing loans for household consumption (consumer credit) increased by 9.2% compared to a year earlier, and the increase for industrial loans was 8%. The import

rates increased to 15.8% in Q3 2020 after decreasing by 7.7% in Q2 2020, which contributed to the growth in manufacturing sector. However, not all businesses became fully operational due to the ongoing Covid-19 restrictions. The people who became unemployed or given unpaid leave due to Covid-19 are still struggling financially, and the Government is assisting them with the unemployment pay.<sup>3</sup> As the pandemic continues, concerns over economic stability remain high. Turkey's economic recovery to pre-pandemic levels is not likely happen in near

## Currency Exchange

The measures taken against the Covid-19 resulted in decreased budget revenues and put pressure on Turkish lira.<sup>4</sup> The high appreciation of USD against emerging countries' currency was felt more harshly in Turkey compared to others triggered by the tension between Turkey

and Greece over natural gas exploration in Eastern Mediterranean in late Q3 2020.<sup>5</sup> While the USD exchange rate was 6.86 TRY for 1 USD in July 2020, it increased to 7.27 TRY in August and in September it hit the record of 7.52 TRY (Figure 1).

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



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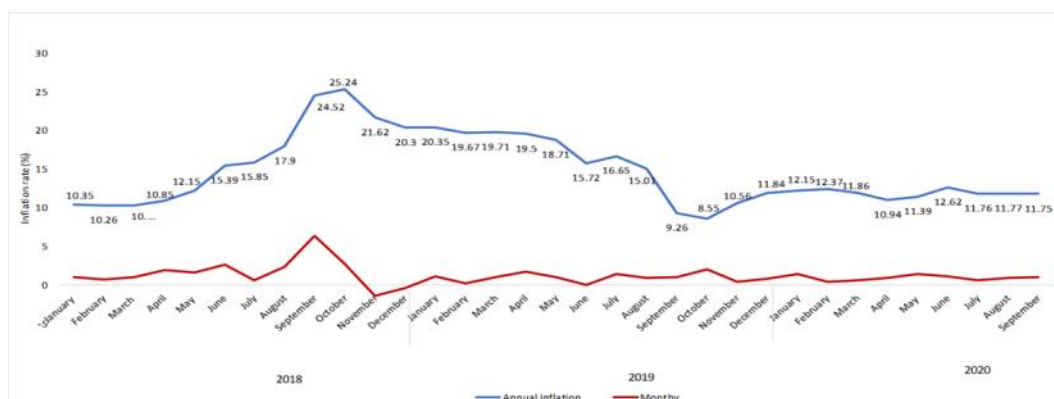


## Inflation

The annual inflation rate was around 12% throughout Q3 2020. In Q3 2019, it was above 15% on average. Food and non-alcoholic beverages, health and various services and products served as the driving force behind the inflation in all three months. The food inflation rate in September was 14.95% while

the annual inflation rate was 11.75%.<sup>6</sup> The food inflation rate was 12.93% at the end of Q2 2020. High inflation in food products is concerning especially for vulnerable people in the society and those who have lost their livelihoods during the pandemic.

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

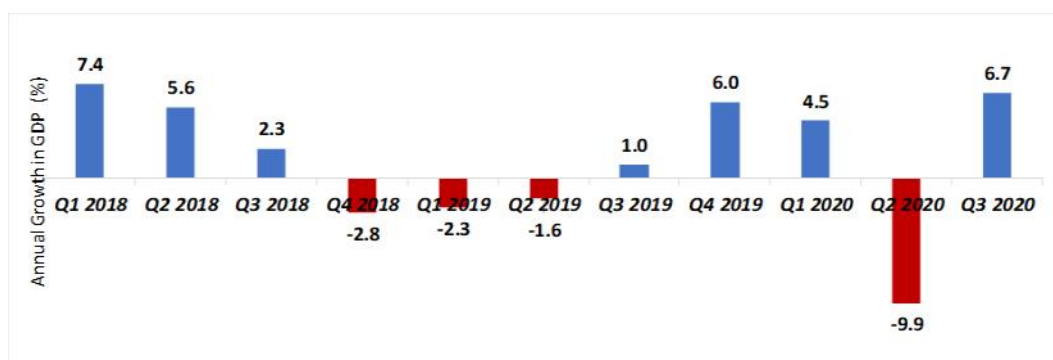


## Economic Growth

Following the severe contraction by 9.9% in Q2 2020 (Figure 2) as a result of business shutdown due to pandemic, Turkish economy grew by 6.7% in Q3 2020.<sup>7</sup> While all sectors except for agriculture had experienced negative growth in Q2 2020, they recovered in Q3 2020 (Figure 3). The growth in manufacturing sector was actualized at 9.3%. The yearly Man-

ufacturing Production Index (MPI) increased by 4.6% in July 2020, 10.6% in August 2020 and 8.1% in September 2020.<sup>8</sup> Construction and agriculture sectors grew by around 6%. Service sector significantly recovered from negative growth of 24.6% in Q2 to 0.8% growth in Q3 2020.

Figure 3: Annual Growth Rates – 2018 - 2020



However, the future remains uncertain mainly due to the concerns over second peak in fall 2020. In the light of uncertainty, Government of Turkey announced 'New Economic Programme' on 29th of September where it was projected that Turkish economy would probably grow by 0.5% and would contract by 1.5% in the worst case scenario. The Expectation Survey conducted by the Central Bank of Republic of Turkey

(CBRT) reflects that business owners and economy experts are on the conservative end. According to the survey, year-end growth was expected to be -1.32% in July. Expected growth rate dropped to -1.56% in August as the aftermath of the Covid-19 lockdown in Q2 2020, and slightly increased to -1.48% in September 2020.<sup>9</sup>

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 (%)	Q3 2020 (%)
Agriculture	7.5	-1.3	2.8	0.8	3.9	4.6	4.0	2.5	2.1	4.3	6.2
Manufacture	8.2	4.7	1.5	-8.0	-6.7	-5.7	-0.5	3.6	6.6	-18.2	9.3
Construction	6.9	1.8	-6.1	-7.7	-8.2	-11.7	-9	-5.2	-1.8	-2.3	6.4
Services	10.4	9.0	4.4	-1.0	-4.3	-0.3	1.1	8.3	3.1	-24.6	0.8
Gross Domestic Product (GDP)	7.4	5.6	2.3	-2.8	-2.3	-1.6	1.0	6.0	4.5	-9.9	6.7

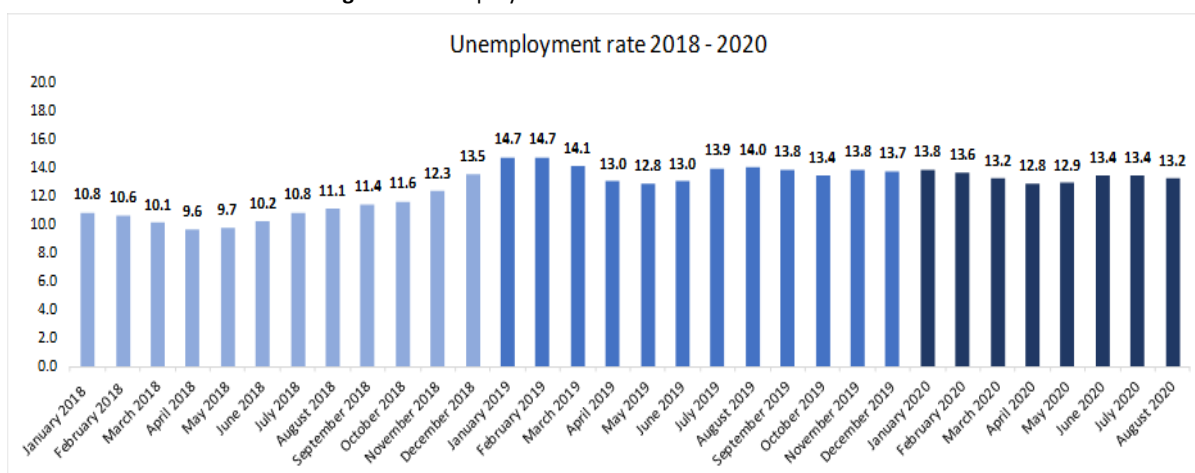
\* The figures might be slightly different from the previous reports due to recalculations.

## Unemployment

The unemployment rate decreased by 0.8% in August 2020 and actualized at 13.2%. The figure in August 2019 was 14%.<sup>10</sup> The government has extended the ban on layoffs which was imposed in April till September 17<sup>th</sup> and this seems to have prevented the Turkish economy from a steep increase in unemployment rates.<sup>11</sup> On the other hand, employment rates indicate gradual increase: while labour force participation rate had decreased to 41% during the lockdown in Q2 2020, it increased gradually throughout Q3

2020, reaching the level of pre-pandemic period in August 2020 (43.9%). The unregistered employment figures went down from 36.1% to 32.9% between August 2019 and August 2020. This might have been a result of the collaborative inspections over unregistered employment by the Ministry of Family, Labour and Social Services and the Turkish Revenue Administration, which was agreed on in 2019 when planning the 2020 Presidency Annual Programme.<sup>13</sup>

Figure 4: Unemployment rates between 2018 and 2020



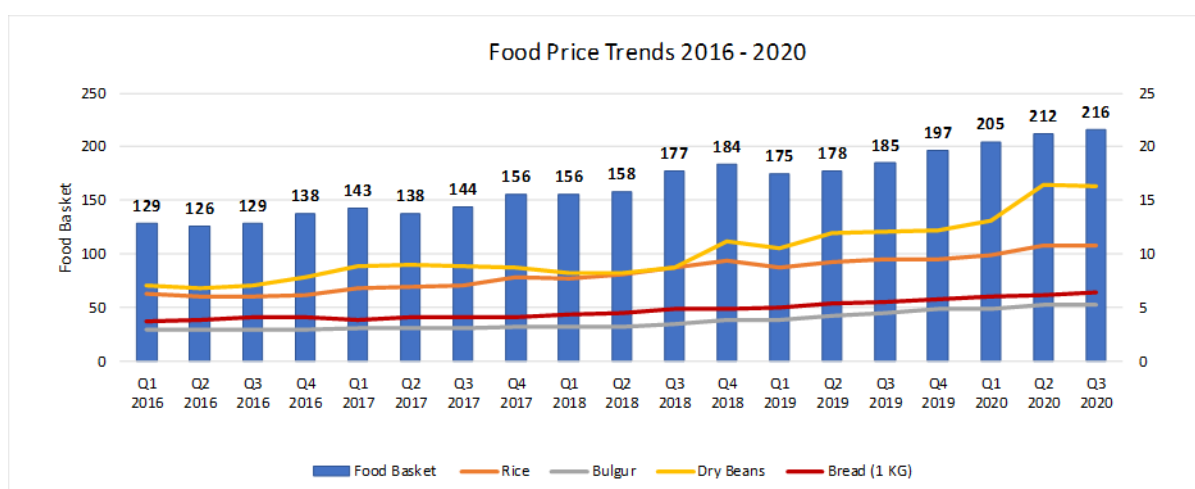
## Food Prices

WFP calculates the minimum cost of a nutritionally balanced food basket for Turkish people by using the prices of staple food items retrieved from TurkStat. The cost of food basket per person in September was 216 TRY, having increased from 212 TRY in June 2020.

Bread prices were the driving force behind the increase in the food basket cost. The kilogram price of bread increased from 6.2 TRY to 6.5 TRY between Q2 and Q3 2020. Even though 30 kuruş does not seem high, given that monthly bread consumption is 7.5 kg per person in the food basket, the impact of 2.25

TRY increase is quite significant. Furthermore, the litre price of sunflower oil increased from 12 TRY to 12.7 TRY and unit price for egg increased from 0.52 TRY to 0.61 TRY. While the dry bean prices reduced from 16.5 TRY/kg to 16.4 TRY/kg, the kilogramme prices of other items that were regularly reported (rice and bulgur) remained the same. Since September 2019, food inflation was lower than the annual inflation. In Q2 2020 both food and annual inflation rates were similar. In Q3 2020, however, the food prices might have not been able to resist the increasing production costs such as the increase in oil prices.

Figure 6: Food price trends between 2016 and 2020

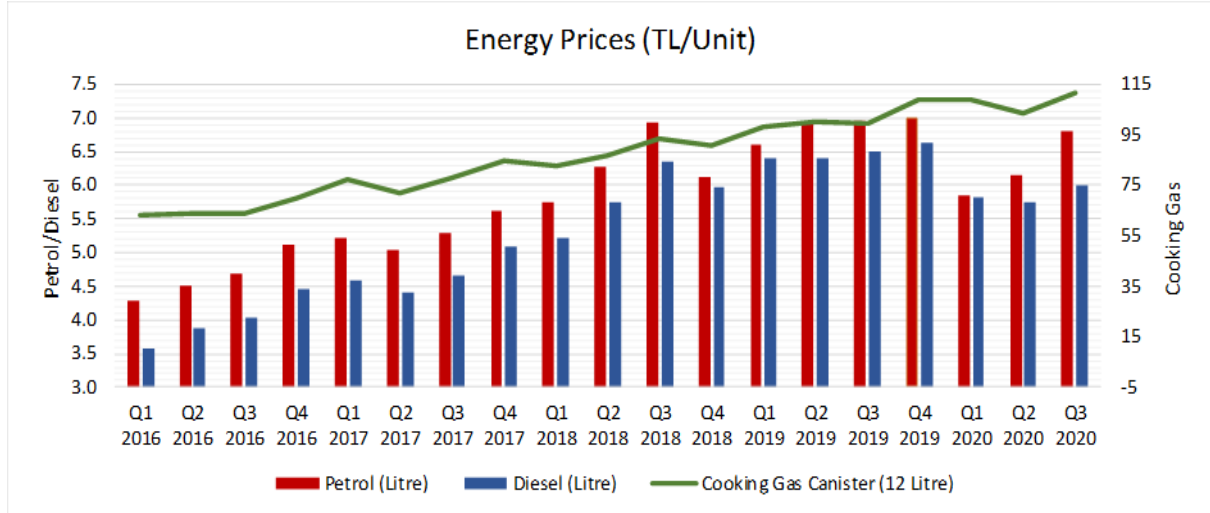


## Energy Prices

In pursuit of reopening businesses and loosening 'stay-at-home' regulations in June 2020, demand for energy increased mainly due to production and daily transportation needs. The petroleum litre price increased from 6.2 TRY in June 2020 to 6.8 TRY in September 2020.<sup>14</sup> The diesel litre prices rose by

3.5% (from 5.8 TRY to 6.0 TRY) in the same period. 12 LT gas canister price that had previously gone down from 109 TRY in Q1 2020 to 104 TRY in Q2 2020, experienced a sharp increase and reached to 112 TRY in September 2020.

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

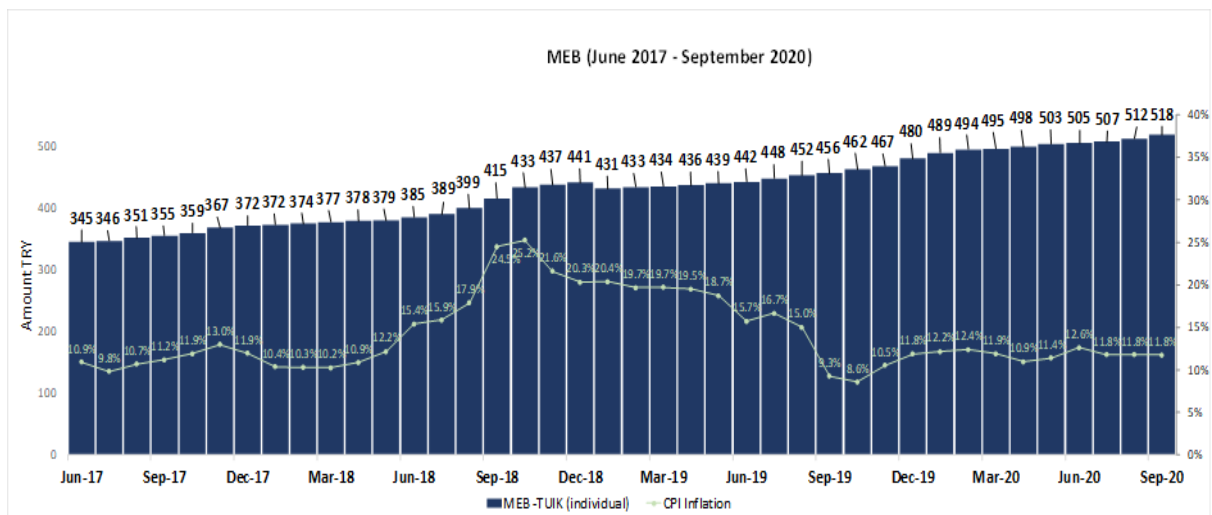


## MINIMUM EXPENDITURE BASKET

WFP calculates the MEB every month based on a six-person Turkish household, using commodity prices that are retrieved from TurkStat (Turkish Statistical Institute). The TurkStat commodity prices reflect the preferences and brands

of average Turkish consumers. Average cost of the basket was 518 TRY per person as of September 2020 (Figure 8). The monthly increase since January 2020 have been less than 1%.

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

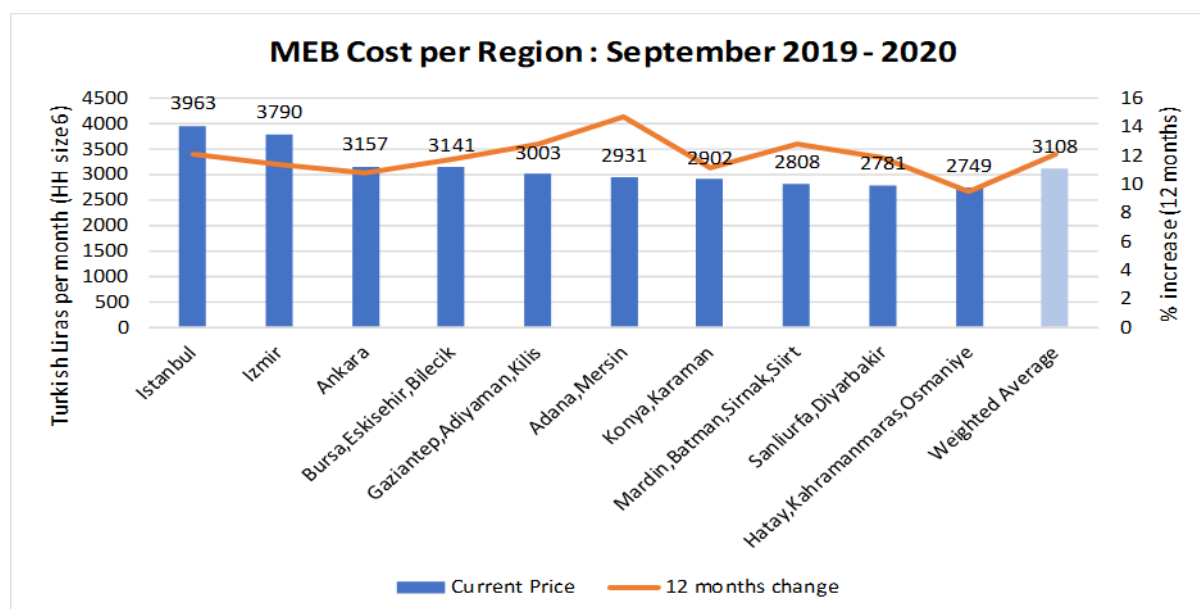


The metropolitan areas in Turkey retain higher MEB costs than average: the MEB for a 6-people household in Istanbul costs 3963 TRY, followed by Izmir with a basket cost of 3790 TRY. As Ankara is one of the provinces with low increment

rates, the basket costs of Ankara (3157 TRY) and Bursa-Eskişehir-Bilecik region (3141) are quite similar. As in the previous quarter, Hatay-Kahramanmaraş-Osmaniye region has the lowest MEB cost of 2749 TRY in Q3 2020, followed by Şanlıurfa-Diyarbakır.



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. <https://tradingeconomics.com/turkey/gdp-growth-annual>
3. <https://www.ailevecalisma.gov.tr/tr-tr/haberler/bakan-selcuk-nakdi-ucret-destegi-odemeleri-8-eylul-de-basliyor/>
4. Monthly Economic Review, Isbank, September 2020.
5. Monthly Economic Review, Isbank, September 2020. & <https://www.focus-economics.com/countries/turkey/news/special/lira-hits-new-low-in-september-on-geopolitical-tensions-and-high>
6. Consumer Price Index, Turkish Statistical Institute, July, August, September 2020.
7. Quarterly Gross Domestic Product, QIII, Turkish Statistical Institute, July-September, 2020.
8. Manufacturing Production Index, Turkish Statistical Institute, September 2020.
9. Central Bank of Republic of Turkey, Expectation Survey, September 2020.
10. Labour Force Statistics, Turkish Statistical Institute, August 2020.
11. <https://www.dailysabah.com/business/economy/turkey-extends-ban-on-layoffs-for-3-more-months>
12. Labour Force Statistics, Turkish Statistical Institute, August 2020.
13. <https://www.aa.com.tr/tr/turkiye/kayit-disiliga-gelir-idaresi-baskanligi-ile-ortak-denetim/1635826>
14. Turkish Statistical Institute, October 2020.