



World Food Programme

WFP / Deniz Akkus

Issue No. 5

Quarter 1 2018  
(January—March)

# Emergency Social Safety Net Market Bulletin

## ESSN

The Emergency Social Safety Net (ESSN) is a programme aiming to support the most vulnerable refugees in Turkey through unrestricted cash transfers to meet basic needs.

The ESSN was rolled out nationwide starting in November 2016, building on existing Turkish social assistance infrastructure.

In March 2018, the ESSN provided cash assistance to 1.258 million vulnerable refugees.

## Highlights

- The Turkish economy grew by **7.4** percent in 2017 and the unemployment rate decreased to **10.8** percent in January 2018.<sup>1</sup>
- CPI inflation declined marginally from **10.35** percent in January to **10.23** percent in March. The fall in inflation in March was mainly due to base effects, while the headline inflation level remained at alarming double digit levels.
- In March 2018, the revised refugee MEB, relying on Turkish Statistical Institute (TUIK) consumer prices, cost an average of over **2,261** TL for a household of six.
- The food basket price remained the same in Q1 2018 with respect to the previous quarter, while annual food prices rose by **10.4** percent.
- The March 2018 MEB cost registered a year-on-year increase of **8.5** percent, which is lower than the **10.2** percent annual Consumer Price Index (CPI) inflation rate seen for the same period.

## Turkey Macroeconomic Context

According to figures released by the Central Bank of Turkey (CBRT) on 29th of March, the Turkish economy grew by **7.4** percent in 2017. At the time of the release, CBRT also made a minor upward revision to growth rates for Q1 and Q3 2018. The biggest contributor to annual GDP growth was private consumption with **3.7** percent, followed by public consumption with **0.7** percent, which added a combined **4.4** percentage points towards the headline growth rate. Changes in investment and stocks contributed **2.2** and **0.7** percentage points towards the annual growth respectively. The contribution of net exports was limited with **0.1** percent, due to a surge in import volume over the past two quarters. Sectoral breakdown of GDP growth showed that the services sector made the biggest contribution to growth, followed by the industrial sector, which registered its highest growth rate of the past six years.

In March 2018, Annual CPI inflation decreased to **10.23** percent compared to the same month of the previous year. The fall in annual CPI inflation was mainly due to base effects, while headline inflation level remained at alarming double digit levels. Analysts continue to stress the decrease in the value of the Turkish lira and increasing oil prices as potential sources of inflation hikes in the upcoming months.

CBRT kept all interest rates on hold in March, with one-week repo rate remaining at **8** percent and the late liquidity window lending rate at **12.75** percent. In its March Monetary Policy Committee meeting notes, the Bank stated that elevated levels of inflation and inflation expectations continue to pose risks on the pricing behavior. The Bank underlined that its tight monetary policy stance would be maintained until the inflation outlook displayed a significant improvement.

1. TURKSTAT releases its labor force statistics with a lag of 3 months and January 2018 data is the most current release at the time of this report's publishing date.

## Minimum Expenditure Basket Components

 **Food: 39%**

 **Rent: 31%**

 **Utilities : 11%**

 **NFIs: 9%**

 **Healthcare: 3%**

 **Education: 2%**

 **Transportation: 3%**

 **Communication: 2%**

The unemployment rate reached **10.8** percent in January 2018, compared to **13** percent registered in the same month of previous year. Youth unemployment also fell from **24.5** percent to **19.9** percent over the past 12 months. Broken into economic activities, growth in the number of people employed in the construction sector (**13** percent) was the greatest, followed by industry (**6** percent) and services (**5** percent). **780,000** have people joined the labor force since January 2018, resulting in a **2.5** percent increase in the total labor force. The labor force participation rate rose to **52.1** percent in January 2018, from **51.5** percent a year ago. Labor force participation declined by **0.2** percentage points for males, registering at **71.3** percent and rose by **0.2** percentage points for females, reaching **33.2** percent.

TUIK released its industrial production figures for February 2018, which point to a **9.9** percent growth in the overall industrial production levels. According to Istanbul Chamber of Commerce's Purchasing Manufacturers Index (PMI), the Turkish manufacturing sector continued to grow for the fourteenth month in a row. The pace of the growth was slower, with

PMI falling from **55.6** in February to **51.8** in March 2018, still PMI levels above 50 indicate an overall strengthening of the sector. This strengthening was mainly driven by increases in new orders and production with the decline in unemployment. According to surveys conducted by TUIK and CBRT, the Consumer Confidence Index (CCI) remained steady at **72.3** in the first two months of 2018, before falling to **71.3** in March. The same decreasing trend was also observed in sectoral confidence indexes of services, retail and construction sectors, which declined by **1.6** percent, **1.9** percent and **5.9** percent respectively.

Analysts from Turkey's banking sector forecast annual GDP growth rates to be above **4** percent for 2018. A major factor for the lower expectation of growth rate is the unfavorable base effect from 2017's high growth rate. In addition, analysts also stress the risks of further monetary tightening by FED and the European Central Bank, depreciation in Turkish Lira, as well as persisting high inflation levels and increasing trajectory of the current account deficit as major challenges to economic and financial stability of Turkey in 2018.

## Minimum Expenditure Basket

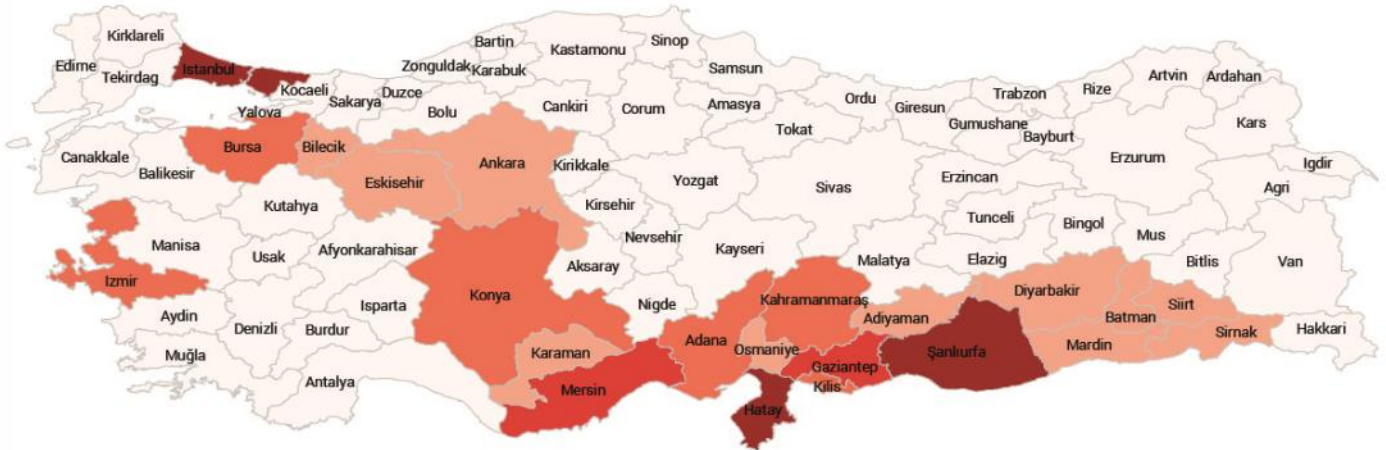
### Methodology Update:

As in the 2017 ESSN Market Bulletins, the Minimum Expenditure Basket (MEB) includes a variety of goods and services required for refugees to live a dignified life off-camp in Turkey. The MEB assumptions are based on an average household size of 6 members, and costs rely on data from the Turkish Statistical Institute.

In early 2018, WFP Turkey reviewed the contents of the food basket, which represents a major share of the MEB. To do this, itemised receipts from WFP's electronic voucher programme in Lebanon were used to understand the purchasing decisions of Syrian refugees. This was cross-checked against WFP Turkey expenditure datasets, resulting in changes to both food items and quantities within the basket. The revised food basket was inserted in the MEB; the MEB shares (i.e. proportions spent on each MEB component) and absolute values were validated with actual expenditure data. The revised average food share is 39 percent, which aligns with the average proportion of refugee expenditure on food.

In addition, the geographic areas of focus have been updated. While the 2017 Market Bulletins included 8 NUTS2 (Nomenclature of Territorial Units for Statistics) level regions, two additional regions have been added to the Q1 2018 analysis. This improves the coverage and representative nature of the findings. The additional regions are Konya-Karaman and Mardin-Batman-Sirnak-Siirt. This is in addition to: Hatay-Kahramanmaras-Osmaniye, GaziantepAdiyaman-Kilis, Sanliurfa-Diyarbakir, Adana-Mersin, Bursa-Eskisehir-Bilecik, plus three larger cities: Istanbul, Ankara and Izmir. The total off-camp refugee population living in these areas represents **90 percent** of the total number of off-camp refugees in Turkey, according to the March 2018 DGMM figures.

The results included in the Q1 2018 Market Bulletin reflect the revised MEB, population weighted across the 10 regions. All trend analysis has been recalculated; the 2017 figures are also calculated using the revised MEB across 10 regions to ensure comparison of like with like.



Off-camp refugee population, DGMM (as of March 2018)



**According to TUIK, the weighted average cost of the MEB has increased by 1.5 percent in Q1, and 8.5 percent on an annual basis.**

Actual MEB costs across the eight regions for March 2018 are displayed in Figure 1. Istanbul, and Ankara were the most expensive regions, with an average cost above **2,500 TL** per month for a household size of six. Istanbul is notably the highest, reaching over **2,900 TL** in Q1<sup>2</sup>.

The least expensive regions were: Mardin, Batman, Sirt with **2,010 TL**, and Hatay, Kahramanmaraş, Osmaniye with **2,011 TL**. The weighted average MEB cost across the eight regions was **2,261 TL**<sup>3</sup>. This represents a **1.5 percent** increase from Q4 2017. This is considerably lower than the change from Q3 to Q4 MEB prices, which came in at **4.6 percent**, but unsurprising given that the food basket price remained constant in Q1 2018, as reported in the food prices section in page 4. The orange line in Figure 1 demonstrates the percentage change in the cost of the MEB year-on-year. Annual price changes within the regions varied between **6.7 percent** [Gaziantep, Adiyaman, Kilis] and **11.2 percent** [İzmir].

Figure 2 demonstrates the weighted average cost of the MEB over the past 12 months. The March 2018 MEB price registered a year-on-year increase of **8.5 percent**, which is lower than the **10.2 percent** annual Consumer Price Index (CPI) inflation rate seen for the same period. This was primarily due to the fact that the CPI is much more comprehensive than MEB in terms of the items it includes, such as household equipment, restaurants, recreation and culture, most of which have registered price increases well above that of the MEB.

Figure 1: MEB Cost per Region: 2018

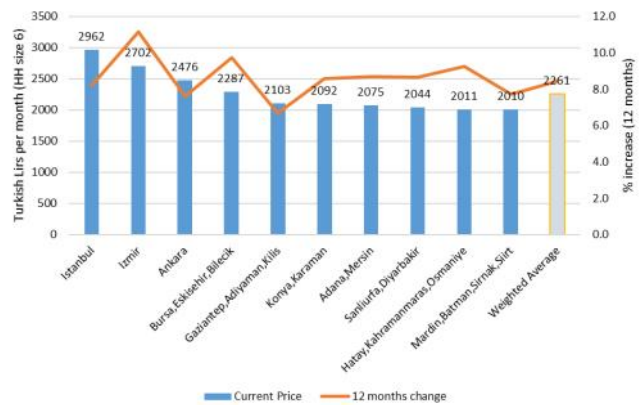


Figure 2: MEB Cost: 2017 - 2018 (12 Months)



2. The MEB values presented here are based on the updated food basket and methodology. Therefore figures do not correspond with the MEB figures published in the 2017 ESSN Market Bulletins.

3. Actual costs paid by refugees are estimated to be 22% lower than TUIK prices; for details refer to Programme Implications on page 5.



## Food Prices

The food basket price remained the same in Q1 2018 with respect to the previous quarter, while the annual food prices rose by 10.4 percent. Overall Consumer Price Index (CPI) rose by 10.2 percent year-on-year in Q1, compared to an annualized 11.9 percent for Q4 2017.

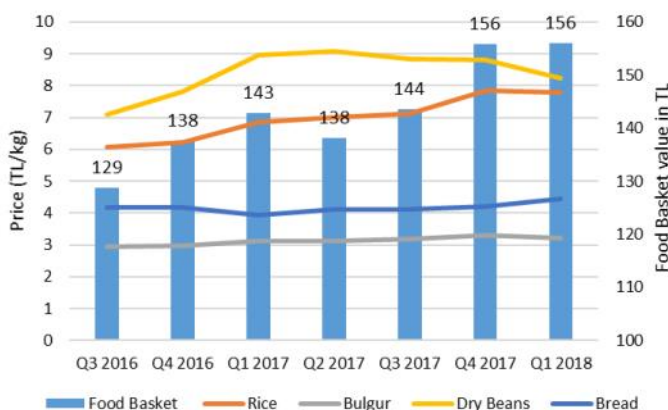
In March 2018, food and non-alcoholic beverage inflation increased by 2 percentage points, reaching an annual increase of 10.4 percent. As food represents 39 percent of the MEB, this has a significant impact on household budgets.

According to the CBRT March price developments report, annual unprocessed food inflation (comparing March 2017 with December 2017) decelerated to 6.31 percent, down from 15.5 percent registered in Q4 2017. This was attributed to a moderation in the prices of fresh fruits and vegetables.

Processed food inflation edged higher at 14.41, due to a significant increase in red meat prices, which rose by 8 percent in the first three months of 2018.

On a yearly basis, prices of rice, bulgur (wheat) and bread increased by 14 percent, 3 percent and 13 percent respectively in Q1 2018. The price of dry beans, on the other hand, fell by 8 percent. On a quarterly basis, prices of rice, bulgur and dry beans decreased, by 1 percent, 2 percent and 7 percent respectively. The price of bread however, rose by 5.7 percent in Q1 with respect to the previous quarter.

Figure 3: Price Trends 2016 - 2018



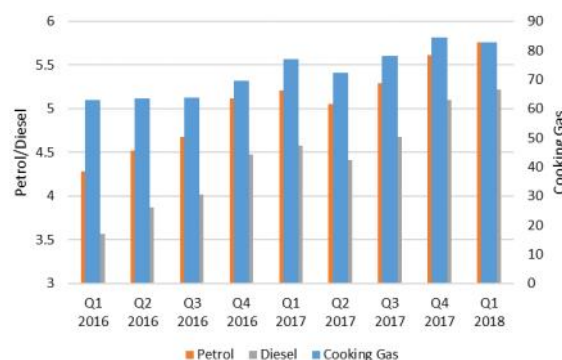
## Energy Prices

Overall energy prices continued to increase throughout Q1, albeit at a slower pace compared to Q4 2017. Cooking gas price registered a 2.1 percent decline with respect to the previous quarter.

Energy prices increased by 0.32 percent in March, mainly due to rising international oil prices and weakening of the Turkish Lira. This contributes to an annual energy inflation rate of 8.29 percent, compared to 10.44 percent seen in Q4 2017, and 12.19 percent in the same period of last year.

Figure 4 illustrates changes in the petrol, diesel oil and cooking gas prices since 2016. In the past quarter, petrol and diesel oil have increased by 2.7 percent and 2.4 percent respectively. Cooking gas prices declined by 2.1 percent. The annual rise in the cooking gas prices declined to 7.4 percent, partially owing to a higher base effect.

Figure 4: Energy Prices (TL/Unit)



Payment to 1.186 million beneficiaries in January.

The data collection for the third round of Online Social Cohesion survey concluded in January.

The Communication Channels Survey was finalized in January, interviewing 853 ESSN eligible and ineligible refugees.

Payment to 1.199 million beneficiaries in February.

Minimum Expenditure Basket Calculation was revised in February.

CVME round 3 data collection started in March with a total sample size of 1,250 surveys across 52 locations in Turkey.

Applicant Contact Monitoring (ACM) was deployed by WFP in March. ACM aims to collect ESSN applicant feedback about their experience with ESSN processes.

Payment to 1.258 million beneficiaries in March.

# Emergency Social Safety Net Programme Implications

The ESSN cash transfers are intended for beneficiary households to meet their basic needs. The MEB calculations and market trends are used to understand if the assistance is sufficient. The population weighted MEB cost for March 2018 is **2,261 TL** for a household of six people. The first step of a gap analysis requires removing costs covered by other assistance, and then accounting for what households can provide for themselves.

## 1. Subtracting other Assistance:

The small component of the MEB including education costs is subtracted, as it is assumed the UNICEF CTE covers this. This results in a revised MEB value of **2,219 TL**.

## 2. Deflating the MEB:

TUIK prices are used for the MEB cost, however TUIK collects prices of commodities and services which reflect the preferences and purchasing patterns of average Turkish households. As refugee budgets are more constrained than the average Turkish household, they often purchase lower quality brands and cheaper items. This methodological difference means that the TUIK MEB is higher than a true refugee MEB would be. In Q1 2018, WFP used expenditure data from the ESSN baseline survey to quantify the difference between the TUIK MEB and refugee prices.

Baseline expenditure of "non-poor" six person households was analyzed. Non-poor was operationally defined as those households in higher wealth quintiles, and those with no use of livelihoods coping, acceptable food consumption, and low reduced coping strategies index score (rCSI). rCSI is a standard indicator used to compare food security across contexts. It includes five specific consumption coping strategies, each given a standard severity weight, and aggregated into an index.

This sample of households was used as a proxy for an MEB in reality; the assumption is that if these households all have positive outcomes, their expenditure is likely sufficient to meet

their basic needs. The results demonstrated that there is a **22** percent difference between the baseline 'non-poor' per capita expenditure, and the comparable (June 2017) MEB figure. Therefore, the figure of **22** percent is used to deflate the MEB when assessing the transfer value.

## 3. Accounting for Own Income:

As such, the MEB figure is **1,731 TL** (**78** percent of the MEB figure with education costs subtracted) for a household of six. The per person cost is **288 TL** per month. Again, using the baseline data, WFP estimates that even the poorest households are able to provide **132 TL** per person for themselves – this analysis removes all households who have used negative coping strategies which could contribute to income.

## 4. Gap Analysis:

The remaining gap is **288 TL - 132 TL = 156 TL**. The ESSN transfers are **120 TL** plus quarterly top ups by household size, providing a monthly average of **133 TL** per person. This **133 TL** therefore represents 85 percent of the 156 TL gap. As noted in previous issues of the Market Bulletin, this gap analysis is accurate for the average household with six members. As assistance is per capita and does not account for economies of scale, the remaining gap is larger for smaller households.

As inflation continues to increase, the purchasing power provided by the ESSN transfers decreases. Q1 MEB inflation was only **1.5** percent, however this may increase in Q2 – particularly if the Turkish Lira continues to weaken against the dollar.

If 2018 presents similar economic trends to 2017, the value of assistance will need to be revised to protect beneficiaries against inflation.



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