



World Food Programme

Issue No. 12  
Quarter 4, 2019  
(October— December)

# Emergency Social Safety Net (ESSN)

## 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 December 2019, the ESSN provided cash assistance to 1,750,008 vulnerable refugees.

### Highlights

- The economy registered positive growth both in Q3 2019 (0.9%) and in Q4 2019 (6.0%) after four quarters of contraction.<sup>1</sup>
- Most sectors in the economy are also in recovery, but unemployment remains high (13.7%) as firms cut back on production costs (including labour).<sup>2</sup>
- The inflation rate that had been going down since Q3 2019 started to increase; in November it went up to 10.56% and in December 2019 increased further to 11.84%. The increase in food and energy costs stand out.<sup>3</sup>
- The cost of the minimum expenditure basket has continued to increase, reaching 367 TRY per refugee per month this quarter compared to 338 TRY in Q4 2018.

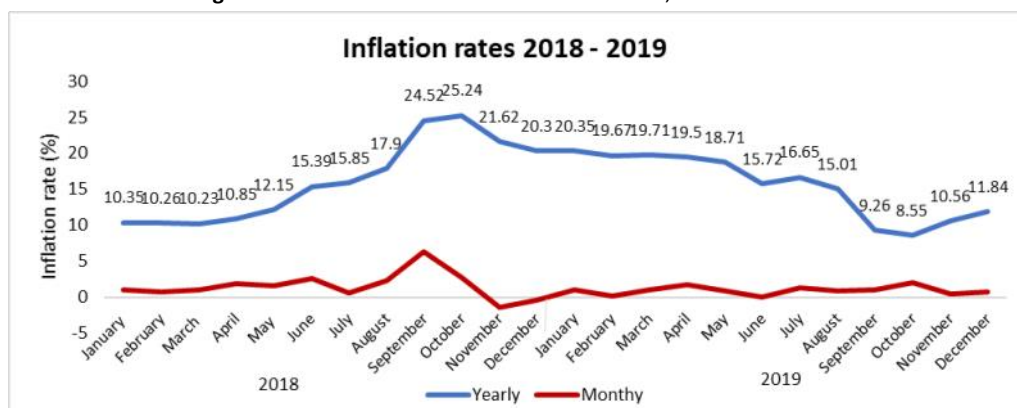
## Turkey Macroeconomic Situation

### Inflation

The yearly inflation rate maintained a steady decline<sup>4</sup> for most of 2019, reducing from 20% in January to 11.8% in December, a level slightly lower than the projected 12%<sup>5</sup>. As shown in Figure 1, the rate of decline was much higher during Q3 2019, but this was soon

reversed in early Q4. The decline in inflation rate is expected to continue in 2020 with projections of 8.5% and 8.2% by the Ministry of Treasury and Finance, and the Central Bank of the Republic of Turkey (CBRT) respectively.<sup>6</sup>

Figure 1: TurkStat's Consumer Price Index Trend, December 2019



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



IMPLEMENTING PARTNERS



SUPPORTED BY



In December 2019, the driving factor for the yearly inflation was alcoholic beverages and tobacco, given the inflation rate was below average for food and non-alcoholic beverages.<sup>7</sup> At provincial level, Ankara had the lowest yearly inflation rate at 10.3% while Istanbul, where 20% of the population lives, had the highest rate (12.2%).<sup>8</sup>

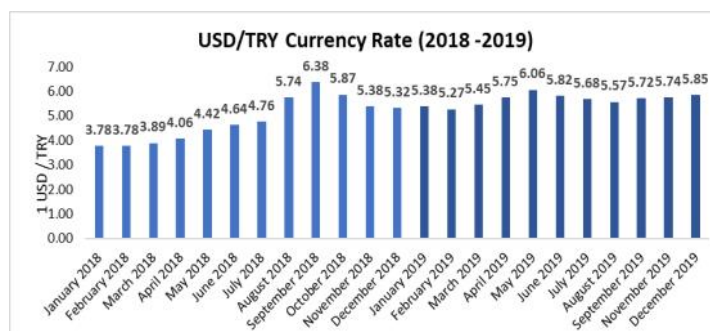
### Exchange rate

With the steady decline in inflation rate came a relatively stable USD-TRY exchange rate during 2019 in comparison to 2018 as shown in Figure 2. It is noteworthy that following the currency depreciation observed in Q3 2018, the exchange rate remained much higher in 2019 compared to Q1/Q2 2018 levels.

Import purchases increased by 9.7% in November 2019, favoured by the relative currency stability. However, exports

have remained unchanged since July 2019, and the import coverage ratio<sup>10</sup> dropped to 87.4% in November 2019, compared to 95.8% in November 2018.<sup>11</sup>

Figure 2: Exchange rate between TRY and USD 2018 -2019



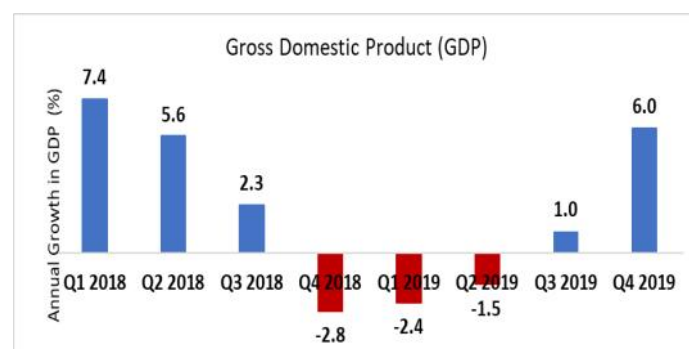
### ECONOMIC GROWTH

After three consecutive quarters of shrinkage, the economy started to experience positive growth, by 1% in Q3 2019<sup>12</sup> and 6% in Q4 2019<sup>13</sup> (Figure 3), partly favoured by the base effect of the 2.8% contraction in Q4 2018.<sup>14</sup> The yearly 0.9% growth in 2019 exceeded the expectation of 0.5% growth, yet this is the lowest rate since 2009.<sup>15</sup> The growth was mainly a result of consumption<sup>16</sup>: the residential households and non-profit organizations consumption index increased by 6.8% in Q4 following the 1.9% increase in Q3 2019; the government final consumption expenditure increased by 5.7% in Q3 and 2.7% in Q4; while investments decreased by 12.8% in Q3 2019 and 0.6% in Q4. Exports increased by 5.1% in Q3 and 4.4% in Q4 2019.

The Central Bank of Republic of Turkey (CBRT) continued to lower the interest rates in Q4 2019, from 16.5% in October to 12% in December, expecting to stimulate investment and ensure economic growth.<sup>17</sup> The lower interest rates positively contributed to the private consumption as well as imports which increased by 29.3% in Q4 2019 in a 12-month period.<sup>18</sup>

While IMF reduced its prediction for the global economy from 3.2% growth to 3% for 2019 due to international trade wars, it maintained a positive outlook for the Turkish economy. It predicts the economic growth in 2020 to be 3% for Turkey and 3.4% globally.<sup>19</sup>

Figure 3: Quarterly Economic Growth in 2018 and 2019



### Sectoral growth

The national macro-economic recovery was reflected in key sectors with the service sector leading at 7.8% (Table 1). The manufacturing sector experienced positive growth for the first time in Q3 2019 after a year of continuous contraction and grew by 6.3% in Q4 2019.<sup>20</sup> The increase in manufacturing was mainly due to i) reduced inflation in input costs (December 2019 rates were the lowest since January 2015); ii) lower interest rates and; iii) continued scale back in workforce by manufacturing firms.<sup>21</sup>

Construction was the only sector that continued to shrink in six consecutive quarters, although at a lower rate in Q4 2019. Given construction and manufacturing are the main sectors where refugees can be employed, the contraction in the construction sector continues to negatively affect employment prospects for both Turkish and refugee communities.

Table 1: Quarterly Sectoral Growth in 2018 and 2019<sup>18</sup>

Sector	Q1 2018 (%)	Q2 2018 (%)	Q3 2018 (%)	Q4 2018 (%)	Q1 2019 (%)	Q2 2019 (%)	Q3 2019 (%)	Q4 2019 (%)
Agriculture	8.1	-0.9	2.4	0.3	2.6	3.6	3.6	2.5
Manufacture	8.1	4.4	1.2	-7.7	-4.2	-3.4	1.4	6.3
Construction	6.8	1.5	-6.3	-7.8	-9.3	-12.7	-8.3	-3.8
Services	10.5	9	4.6	-1.0	-3.4	0.2	0.6	7.8
Gross National Product (GNP)	7.4	5.6	2.3	-2.8	-2.3	-1.6	1.0	6.0

## Unemployment

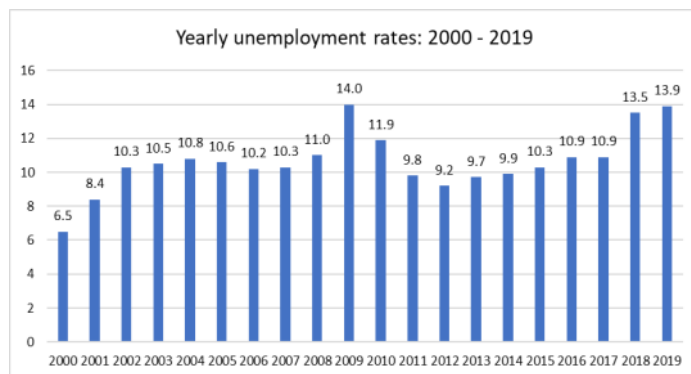
Even though key macroeconomic indicators suggest economic recovery in the later part of 2019, yearly unemployment remains high at 13.9%, the highest in the last decade (**Figure 4**).<sup>23</sup> Similarly, the informal unemployment rate remains high, though declining from 36% in July to 32.3% in December.<sup>24</sup> Furthermore, the youth unemployment rate remained high at 25% during this period.

Some analysts associate the improvement in the manufacturing sector with increased capitalization of production and the reduction in employment costs.<sup>25</sup> This is validated by the observation that, despite positive developments in the economy in Q3 & Q4, there was a marginal reduction in the unemployment rate, from 14.0% in August 2019 to 13.7% in December 2019 (**Figure 5**).

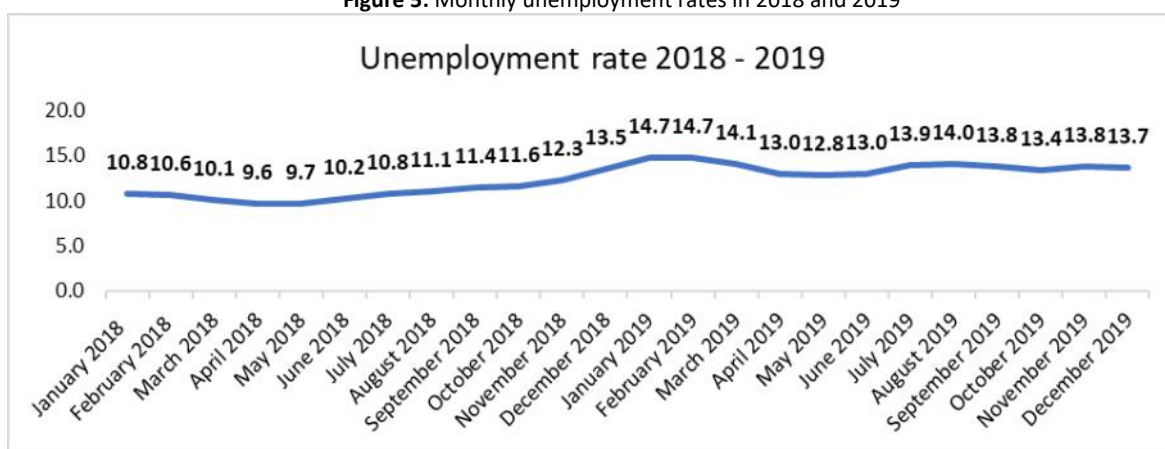
Besides possible competition for jobs between the locals and the refugees (especially in the informal sector), higher

unemployment among the youth who are new to the labour market might lead to resentment against the refugees in this particular demographic group.

**Figure 4:** Unemployment rates trend between 2000 and 2019



**Figure 5:** Monthly unemployment rates in 2018 and 2019



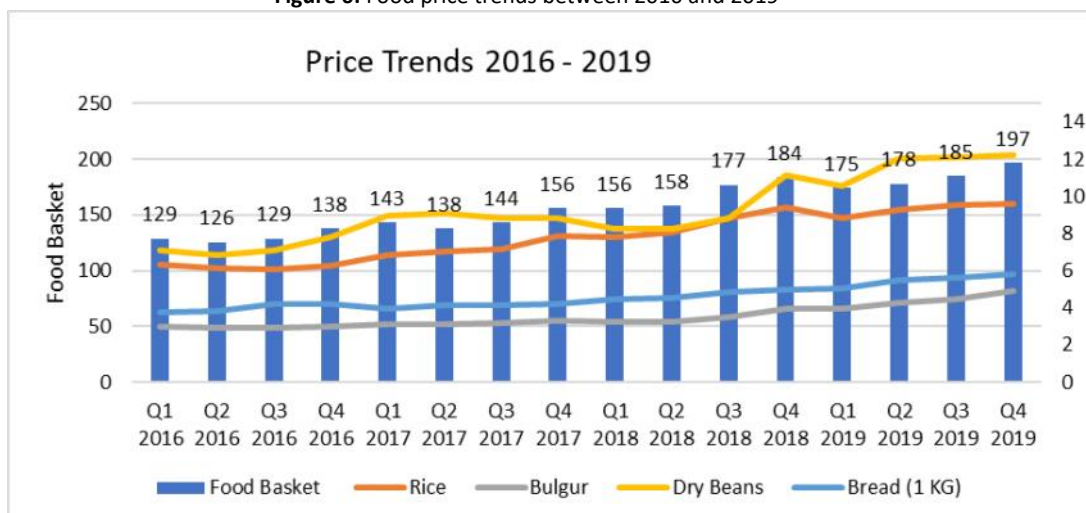
## Food Prices

Every month, WFP calculates the minimum cost of a nutritionally balanced food basket that meets the refugees' food preferences using retail prices of food items<sup>26</sup> from the Turkish Statistical Institute (TurkStat). The food basket cost 197 TRY per person per month in December 2019, by far the highest since the programme started (**Figure 6**).

Even though inflation for food and non-alcoholic beverages was lower than average throughout Q4 2019, higher inflation

rates were recorded for processed food. For instance, the yearly inflation for bread was 16.6% in December 2019 when the price per kilogram reached 5.8 TRY. Bread has the highest weight in the food basket with 7.5 Kg per month and was the driving factor for the food basket price rise.<sup>27</sup> Tomatoes, cucumber and eggs were also among the top ten items with the highest price increase in December and played a role in the food basket increase.

**Figure 6:** Food price trends between 2016 and 2019

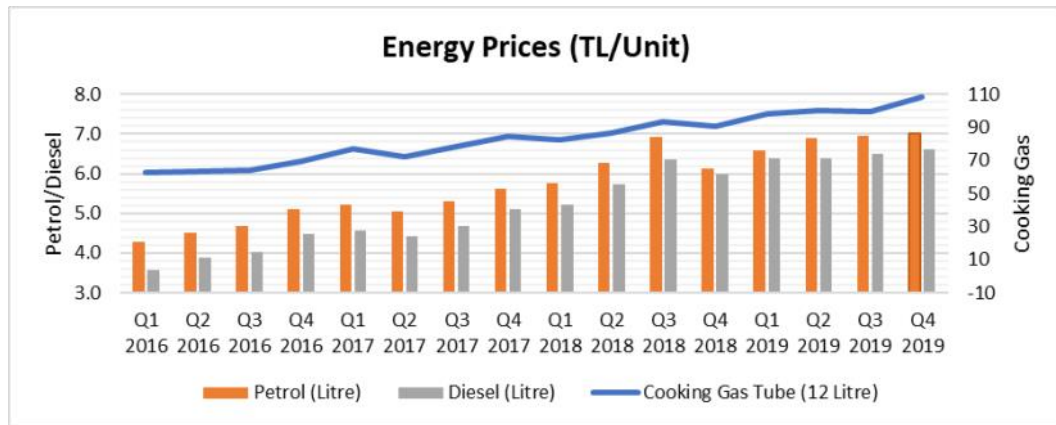


## Energy Prices

Energy prices gradually increased throughout 2019 (Figure 7). As of December, the price per litre for petrol was 7 TRY, 14.4% higher than the cost in January. The diesel prices also increased from 6.5 TRY to 6.6 TRY while a cooking gas canister

increased from 99.7 TRY to 108.6 TRY between Q3 and Q4 2019. This is also in line with the price increase of natural gas, from 1.50 TRY per cubic metre in December 2018 to 1.83 TRY per cubic metre in December 2019.<sup>28</sup>

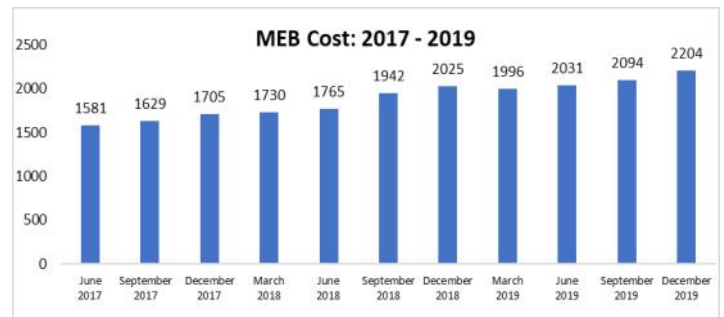
Figure 7: Energy Price Trends (TL/Unit) 2016-2019



## Refugee Minimum Expenditure Basket<sup>29</sup>

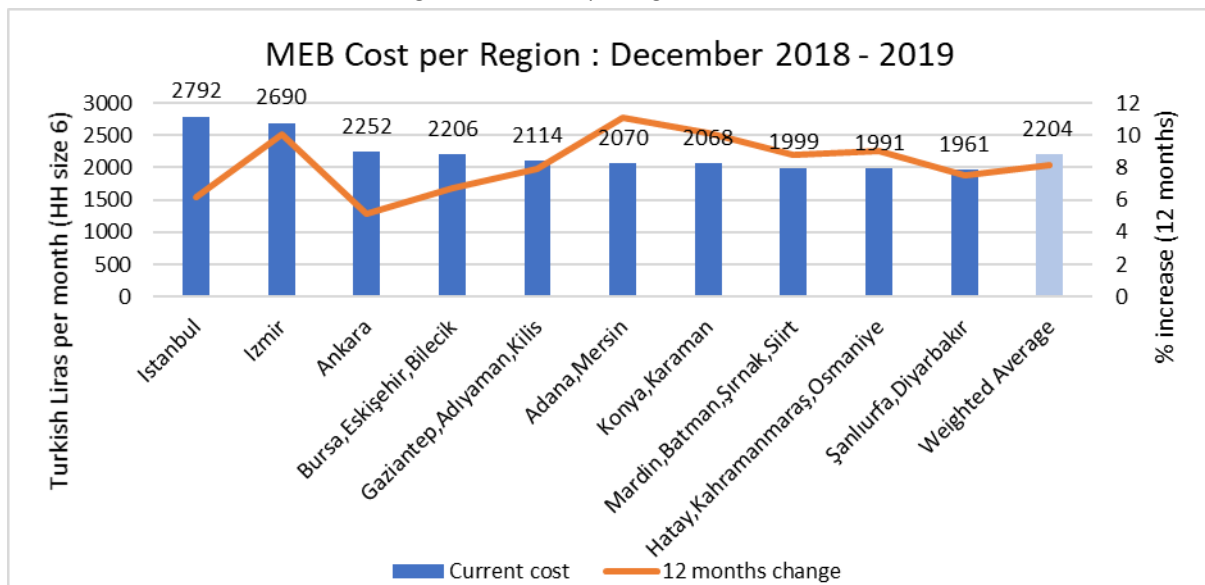
WFP monitors the Minimum Expenditure Basket (MEB)<sup>30</sup> in order to assess the minimum cost of basic-need commodities for the refugees in Turkey. The basket is calculated for a six-person household based on the average size of refugee families. The MEB cost 2204 TRY at the end of Q4 2019 (Figure 8). The trend of increasing inflation rates in September and December 2019 is reflected in the 110 TRY increase in the MEB between the two quarters.

Figure 8: MEB costs for a 6-People Refugee Household, between 2017-2019



The MEB cost is much higher in Istanbul (2792 TRY) and Izmir (2690 TRY) compared to all other regions (Figure 9). Overall, the Southeast - except Gaziantep – remains the least expensive region in Q4 2019 with a MEB cost below the minimum wage of 2020 TRY. The minimum wage for 2020 has been determined by the Government as 2324 TRY.<sup>31</sup>

Figure 9: MEB Cost per Region in Q4 2019



## Implications for the Emergency Social Safety Net Programme

In December 2019, the Emergency Social Safety Net programme reached 1,750,008 refugees in Turkey. The programme assists the refugees monthly with 120 TRY per person to meet their basic needs, with additional quarterly top-up payments based on the household sizes. Taking these top-ups into account, a six-person household receives 145 TRY per month on average across the year.

In December 2019, the MEB cost reached 367 TRY per person per month, of which the ESSN covers 39.5%. Based on WFP's beneficiary expenditure analysis using Post Distribution Monitoring data, the refugees are able to generate 134 TRY per person through their own means, which covers 36.5% of the MEB.<sup>32</sup>

However, the remained gap continues to increase, rising from 70 TRY in Q3 to 88 TRY in Q4 2019 (Figure 10). The main reasons for this are:

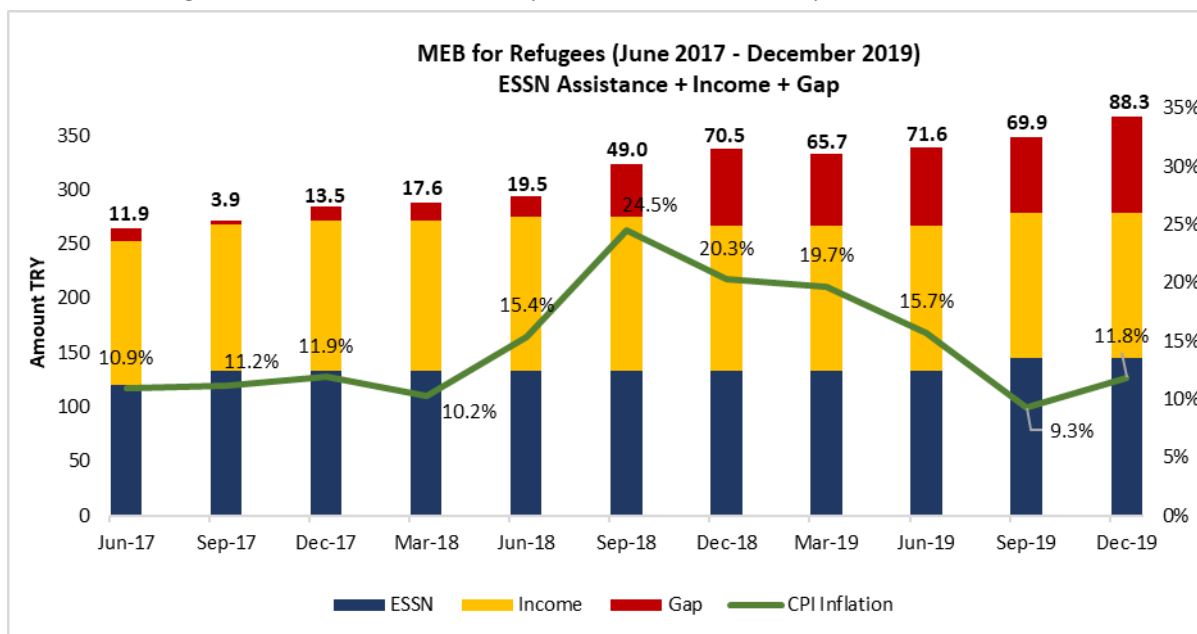
Price levels for most commodities remain high and continue to increase, even though at a lower rate than before in line with the reducing inflation rate. Increasing energy costs are particularly straining given higher energy consumption (for heating) during the winter season.

Whereas the economy is in recovery, unemployment (formal and informal) remains high, affecting the ability of most households to generate an income. This looks unlikely to change given that firms have adjusted by way of reducing production costs, including labour costs.









The combined effect of the above is a reduction in purchasing power among beneficiaries and non-beneficiaries. Post Distribution Monitoring findings show that while most outcome indicators among ESSN beneficiaries have either improved or stabilized, debt levels have again continued to increase, suggesting stress in ability to meet their basic needs.<sup>33</sup>

Given the positive outlook for the Turkish economy, it is expected that the macro-economic indicators (including employment) will improve in the medium term bringing a positive effect to beneficiaries, most likely later than for the host communities. In the meantime, it is essential that market conditions and beneficiary welfare are monitored continuously to ensure that the assistance provided is commensurate with the needs of the refugees.

Figure 10: Assistance, Income and Gap Breakdown of Minimum Expenditure Basket in 2018 - 2019



## Refugee Minimum Expenditure Basket Breakdown

Minimum Expenditure Basket Components	Share of MEB
 Food	39%
 Rent	30%
 Utilities	12%
 Non-food Items	9%
 Healthcare	4%
 Education	2%
 Transportation	2%
 Communication	2%

\*The total may not be 100% as the percentages are rounded up.

## Notes & Citations

- <http://www.tuik.gov.tr/HbGetirHTML.do?id=30893>
- <https://tr.tradingeconomics.com/turkey/manufacturing-pmi>
- 3&4. Consumer Price Index, November 2019, Turkish Statistical Institute. & Consumer Price Index, December 2019, Turkish Statistical Institute.
5. The Ministry of Treasury and Finance projected a year-end inflation rate for 2019 as 12% in the New Economy Programme announced in September.
6. Inflation Report, 2019-IV., Central Bank of the Republic of Turkey. [https://www.tcmb.gov.tr/wps/wcm/connect/4e3bfb78-e60c-400b-956a-f0c34b21e18a/enfekim2019\\_iv\\_tam.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-4e3bfb78-e60c-400b-956a-f0c34b21e18a-mWibKVR](https://www.tcmb.gov.tr/wps/wcm/connect/4e3bfb78-e60c-400b-956a-f0c34b21e18a/enfekim2019_iv_tam.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-4e3bfb78-e60c-400b-956a-f0c34b21e18a-mWibKVR)
- 7 & 8. <http://www.tuik.gov.tr/HbGetirHTML.do?id=33861>
9. The image has been retrieved from Consumer Price Index News Bulletin, December 2019.
10. Import coverage ratio refers to balancing the payments for imports with the income through export.
11. [https://ekonomi.isbank.com.tr/contentmanagement/Documents/eng03\\_monthly/2020/MER\\_202001.pdf](https://ekonomi.isbank.com.tr/contentmanagement/Documents/eng03_monthly/2020/MER_202001.pdf)
12. <http://www.tuik.gov.tr/HbGetirHTML.do?id=30893>
13. <https://www.cnnturk.com/ekonomi/ekonomistler-son-ceyrek-te-yuzde-5-civari-buyume-bekliyor>
14. <https://www.findiktv.com/4-ceyrek-2019-turkiye-ekonomisi-2019da-09-buyudu.html>
15. <http://www.tuik.gov.tr/HbGetirHTML.do?id=30893> & [https://ekonomi.isbank.com.tr/contentmanagement/Documents/eng03\\_monthly/2020/MER\\_202003.pdf](https://ekonomi.isbank.com.tr/contentmanagement/Documents/eng03_monthly/2020/MER_202003.pdf)
16. Financial Stability Report, November 2019. <https://www.tcmb.gov.tr/wps/wcm/connect/ef7c0960-1e2d-4c94-bc43-36b959dea47c/Tam+Metin.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-ef7c0960-1e2d-4c94-bc43-36b959dea47c-mWS4mm1>
17. <https://www.tcmb.gov.tr/wps/wcm/connect/tr/tcmb+tr/main+menu/duyurular/basin/2019/duy2019-49>
18. <https://www.dw.com/tr/t%C3%BCrkiye-ekonomisi-kritik-d%C3%B6neme%C3%A7te/a-52578927>
19. <https://www.bloomberght.com/imf-kuresel-buyume-beklentisini-34-e-dusurdu-2235463>
20. [https://ekonomi.isbank.com.tr/contentmanagement/Documents/eng03\\_monthly/2020/MER\\_202001.pdf](https://ekonomi.isbank.com.tr/contentmanagement/Documents/eng03_monthly/2020/MER_202001.pdf)
21. <https://tr.tradingeconomics.com/turkey/manufacturing-pmi> & <https://www.dw.com/tr/t%C3%BCrkiye-ekonomisi-kritik-d%C3%B6neme%C3%A7te/a-52578927>
22. The figures might be slightly different from the previous reports due to recalculations.
23. <http://www.tuik.gov.tr/HbGetirHTML.do?id=33777>
24. <http://www.tuik.gov.tr/HbGetirHTML.do?id=33783>
25. <https://tradingeconomics.com/turkey/manufacturing-pmi?user=LisaOrwell>
26. These food items include rice, bulgur, sunflower oil, dry beans, salt, sugar, eggs, cheese, tomatoes, cucumbers, yoghurt, bread and tea.
27. <http://www.tuik.gov.tr/HbGetirHTML.do?id=33861>
28. Natural gas prices retrieved from: <https://biruni.tuik.gov.tr/medas/?kn=84&locale=en>
29. The Minimum Expenditure Basket is constructed using TurkStat data. The TurkStat commodities reflect the preferences and brands of an average Turkish consumer. To align with the refugee purchasing patterns, the prices are deflated by 22%. For more details on the deflation, please refer to [this document](#).
30. Please refer to Market Bulletin Q1 2018 for the methodology and commodities of the MEB in details.
31. <https://www.ailevecalisma.gov.tr/tr-tr/asgari-ucret/>
32. See Market Bulletin Q2 2019 for details of the calculation.
33. ESSN PDM8 Summary Report (4<sup>th</sup> Cross-Sectional Report).