



SAVING  
 LIVES  
 CHANGING  
 LIVES

## Highlights

- The Minimum Expenditure Basket (MEB)<sup>1</sup> costs **576 TRY** per person per month as of March 2021, representing a **4 percent** increase as compared to previous quarter and **14 percent** increase from March 2020.
- In March, the inflation rate reached **16.2 percent**. Despite going down in Q1 2021 the food inflation rate was actualized at **17.4 percent**, leading to increased loss of purchasing power.
- Cost of living increased more in the South-eastern and eastern regions than the other locations and metropolitans as of March 2021 as compared to March 2020.
- The minimum wage increased from **2324 TRY** in 2020 to **2826 TRY** in 2021, yet, it is still **22 percent** less than the average MEB.
- Turkish lira has been appreciated since December 2020, yet, reversed in March 2021 and 1 USD reached **8.24 TRY**.
- Industrial production increased by **16.6 percent** in March compared to 2020.

## Turkey Macro-economic Situation

The pandemic continues to determine the economic conditions. On one hand there appears new variants of the virus spreading in some countries. On the other hand, the vaccination practices progress in different pace across the world. In Turkey, the UK, South Africa and Brazil variants of the Covid-19 virus has been confirmed in early 2021 and Turkey ranked the 4th most affected country in the world.<sup>2</sup> The vaccination of health personnel started on January 14, and as of February 11th, vaccination of the public started with the people over 65 years old.<sup>3</sup> As of March 31st, 11 percent of the population received at least the first dose of Covid-19 vaccines.<sup>4</sup>

Countries that have reached to a successful level of vaccination started to open

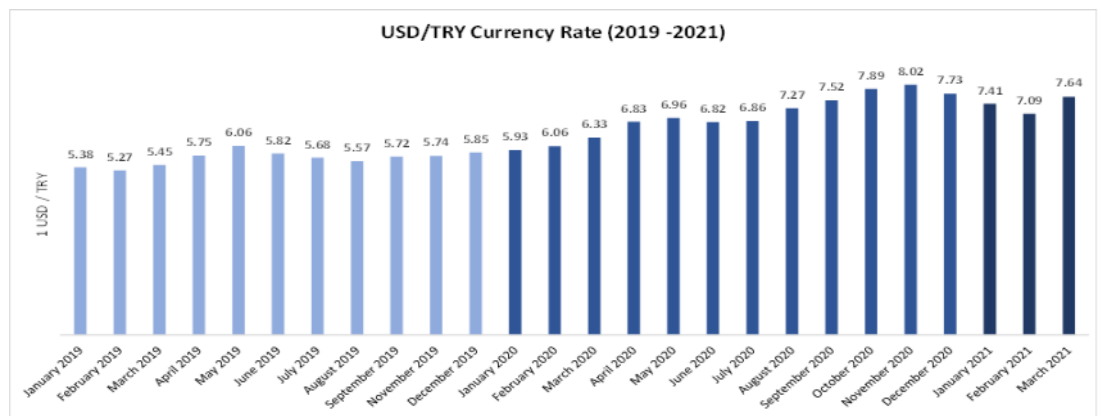
up their economies. As the world's largest economy, the US indicated strong economic activities in March 2021, President Biden announced a 2.25 trillion USD infrastructure investment plan. In Europe, the largest export market for Turkey, the manufacturing sector had a positive outlook compared to previous periods while the service sector remained limited due to the pandemic.<sup>5</sup> Turkey's foreign trade on manufactured goods was affected positively by these developments; compared to March 2020, exports increased by 25.6 percent in March 2021. The 42.2 percent increase in the imports in the same period reflects the positive direction of the manufacturing sector in Turkey; 74.9 percent of the imports were the intermediate goods for manufacturing production.<sup>6</sup>

## Currency Exchange

In January and February 2021, a tight monetary policy adopted by the Central Bank of the Republic of Turkey (CBRT) and interest rate increasing from 12% to 13.5% resulted in appreciation of Turkish Lira.<sup>7</sup> In January 1 USD was 7.41 TRY and in February it went down to 7.09 TRY (Figure 1). Following the reassignment of the CBRT Management on 20

March 2021, the Turkish lira started to devalue. The monthly average of TRY/USD currency rate was 7.64 TRY, yet 1 USD reached 8.24 TRY on 31 March. The new president of the CBRT, Şahap Kavcıoğlu, announced that their renewed focus will be to obtain a sustainable decrease in the inflation.<sup>8</sup>

Figure 1: Exchange rate between TRY and USD, 2018 -2021

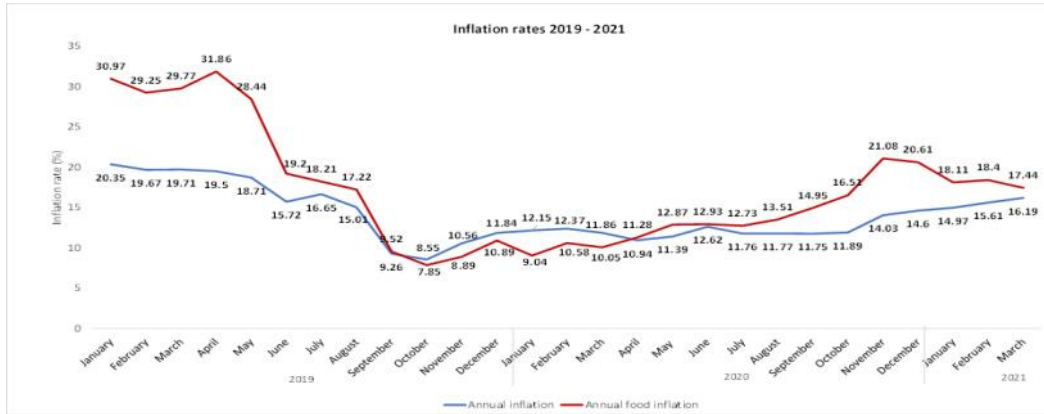


## Inflation

The inflation rate has been gradually rising since November 2020 and Quarter 1 2021 was not an exception from recent trends. The inflation rate was reported as 15 percent in January, as 15.6 percent in February and lastly as 16.2 percent in March 2021, representing 8 percent increase only in two months. The food inflation rate that peaked in November and December 2020 at 21 percent started to decrease, however, it is still high at 17 percent. Furthermore, while the downward trend in the food and non-

alcoholic beverages inflation rate might be expected to have a positive impact on people's purchasing power, the increase in the annual inflation rates has undermined such expectations.<sup>9</sup> In Q1 2021, transportation costs had the highest inflation rate (24.9%) whereas the lowest price increase was recorded in alcoholic beverages and tobacco (2.9%).

Figure 2: TurkStat's Consumer Price Index Trend, March 2021



## Economic Growth

Despite the shocks created by the pandemic, the Turkish economy grew by 1.8 percent in 2020 (Figure 3). While an overall positive growth is expected due to the tightened monetary policies in Q1 2021, it is projected to be below 6 percent, substantially lower than the previous projection of 8.5 percent.<sup>10</sup>

Industrial production has been the driving force for the growth in Q4 2020; it grew by 10.3 percent in Q4 2020 and accounted for almost 2 percent of the overall 5.6 percent growth in the given period.<sup>11</sup> The impetus in industrial production continued in Q1 2021. As seen in Figure 4, the industrial production index increased by 17 percent in March – which has been the highest since January 2018.<sup>12</sup> The manufacturing sector had the highest annual production increase by 17.2 percent, followed by the mining sector (14.8%). Among the products, durable consump-

tion goods production increased by 29.8 percent yearly in March 2021. The share of the use of mid-high technology for production was highest (26.7%) among different types of technologies used in production. The sectors that use mid-high technology primarily includes the production of chemicals such as paints, disinfectants, fertilizers as well as production of electrical components and engines.<sup>13</sup>

Even though the devaluation of TRY and the global freight cargo interruption at Suez Canal increased the raw material prices particularly in petrochemistry, the Manufacturing Purchasing Manager Index (PMI)<sup>a</sup> continued to increase, reflecting the increase in the production. The PMI was 51.7 in February and rose to 52.6 in March 2021.

Figure 3: Annual Growth Rates, 2018—2021

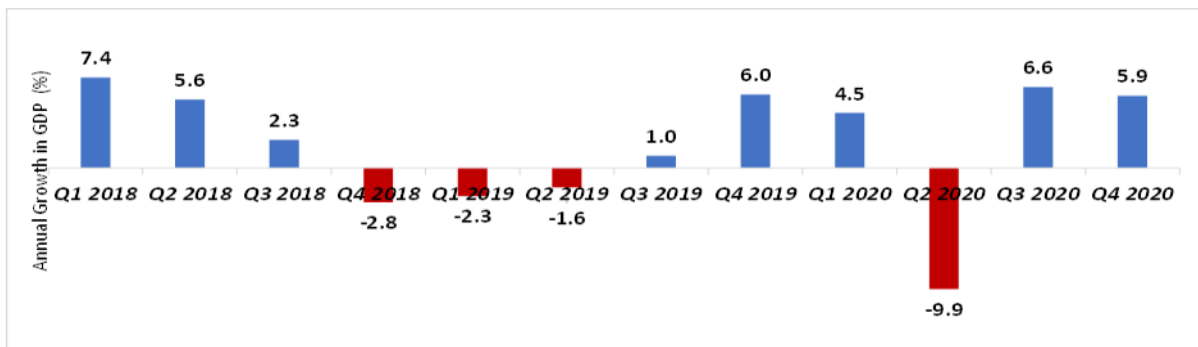
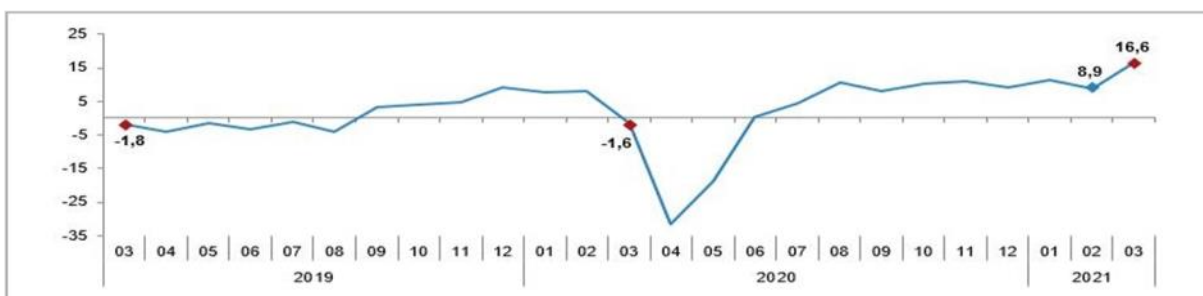


Figure 4: Industrial Production Index trends, March 2021<sup>b</sup>



## Unemployment

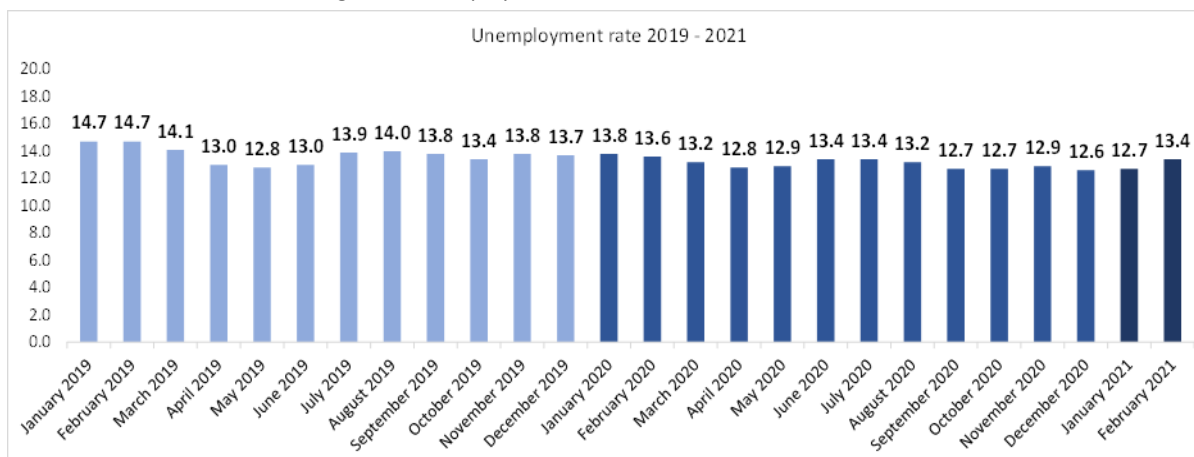
In line with the updated code of labour statistics by EUROSTAT, the statistical department of the European Union, Turkey has revised the methodology to calculate the unemployment rates.<sup>14</sup> As per the new regulations, unemployment rates will be announced on a monthly basis instead of quarterly figures.

The unemployment rate in January 2021 was 12.7 percent and in February it raised to 13.4 percent (Figure 5). On the other hand, employment rate was 43.5 percent and 43.4 percent in the given

period. As of February 2021, employment share by sector was as follows: Service (55.8%), manufacturing (20.8%), agriculture (17.4%) and construction (6%).

The informal employment rates decreased from 30.2 percent in February 2020 to 27.4 percent in February 2021, suggesting that more frequent inspections conducted by the Labour and Social Services and the Turkish Revenue Administration were effective.<sup>15</sup>

Figure 5: Unemployment rates, 2019—2021

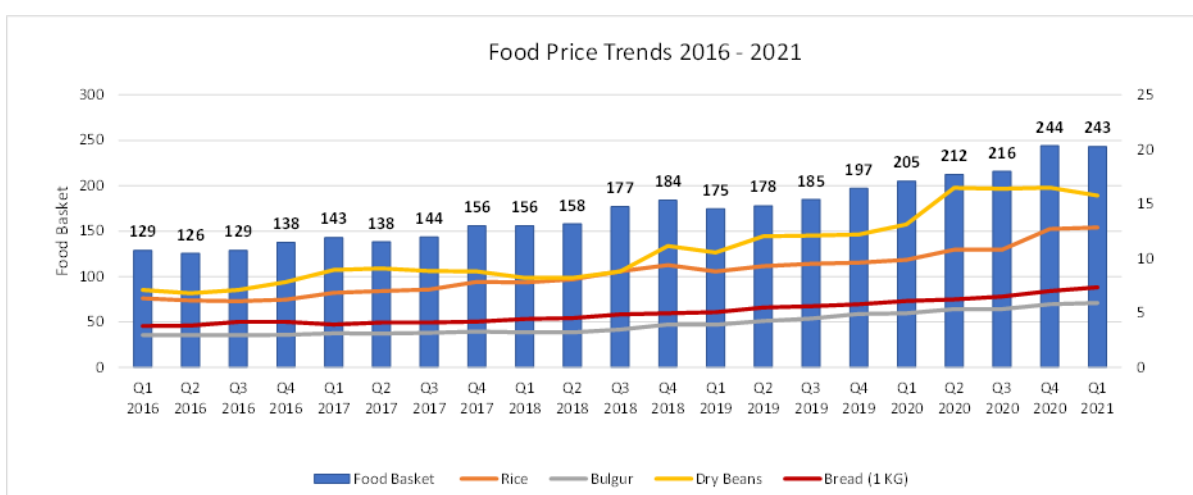


## Food Prices

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. Following the sharp increase (28 TRY) in food basket cost between Q3 and Q4 2020 due to the high inflation rate (21%), the staple food items' prices remained stable in Q1 2021. Although not reflected in the food basket, monthly price increases (over 25%) of cauliflower and green peppers were notable.

Among the food items, between December 2020 and March 2021, bread prices increased by 5 percent (35 kuras) and became 7.4 TRY per kilogram. The litre price of sunflower oil continued to rise by 9 percent (1.4 TRY) from 16 TRY to 17.5 TRY in the same period. However, prices of cheese, eggs, and dry beans as well as fresh products decreased by around 2 to 5 percent.

Figure 6: Food price trends, 2016—2021

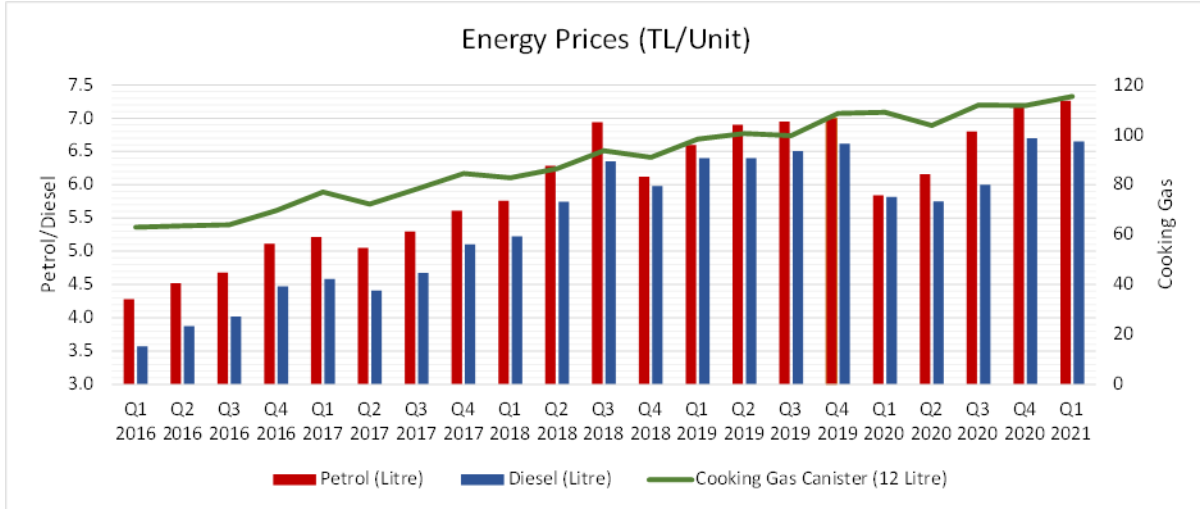


## Energy Prices

The energy prices were in volatility globally in Q1 2021 as the OPEC countries extended the production cut and the stranded cargo ship in Suez Canal interrupted oil shipment.<sup>16</sup> However, this did not have a significant effect on energy prices in Turkey. The litre price of petrol increased from 7.2 TRY in Q4 2020 to

7.3 TRY in Q1 2021 (**Figure 7**). The diesel litre prices remained stable at 6.7 TRY in the same period. The price for a 12-litre gas canister increased from 112 TRY in December 2020 to 115 TRY in March 2021.

**Figure 7: Energy Price Trends (TL/Unit) 2016-2021**

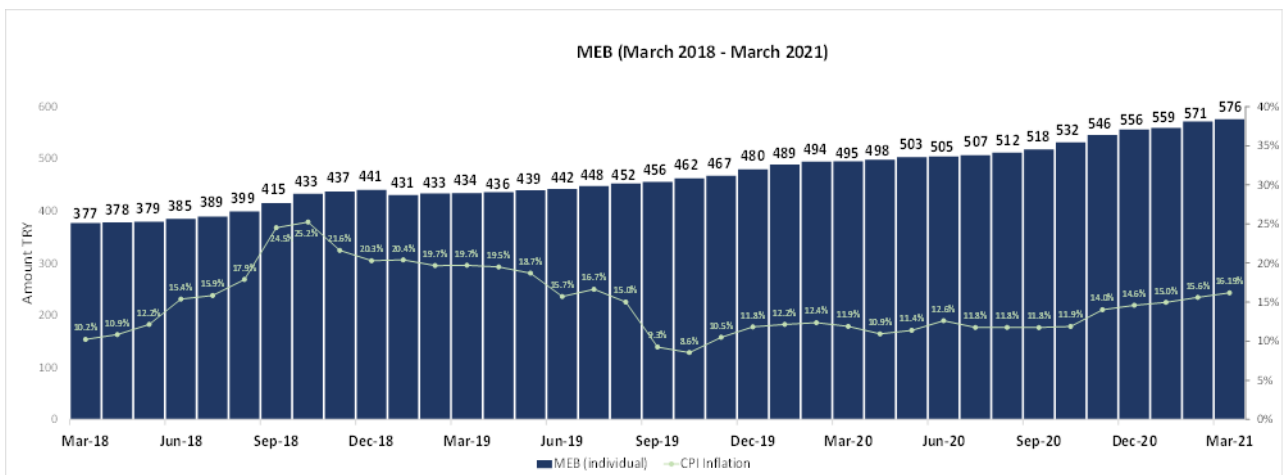


## MINIMUM EXPENDITURE BASKET

WFP calculates the MEB based on a six-person Turkish household, using the item prices for commodities that are retrieved from TurkStat (Turkish Statistical Institute). The TurkStat commodity prices reflect the preferences and brands of average Turkish consumers.

Between Q4 2020 and Q1 2021, the MEB increased by 20 TRY (4%) per person, and reached 576 TRY at the end of March 2021 (**Figure 8**). Since the inflation rate is on the rise, the MEB cost would more likely increase higher than the usual trends.

**Figure 8: MEB costs for a 6-People Household, between 2018-2021**



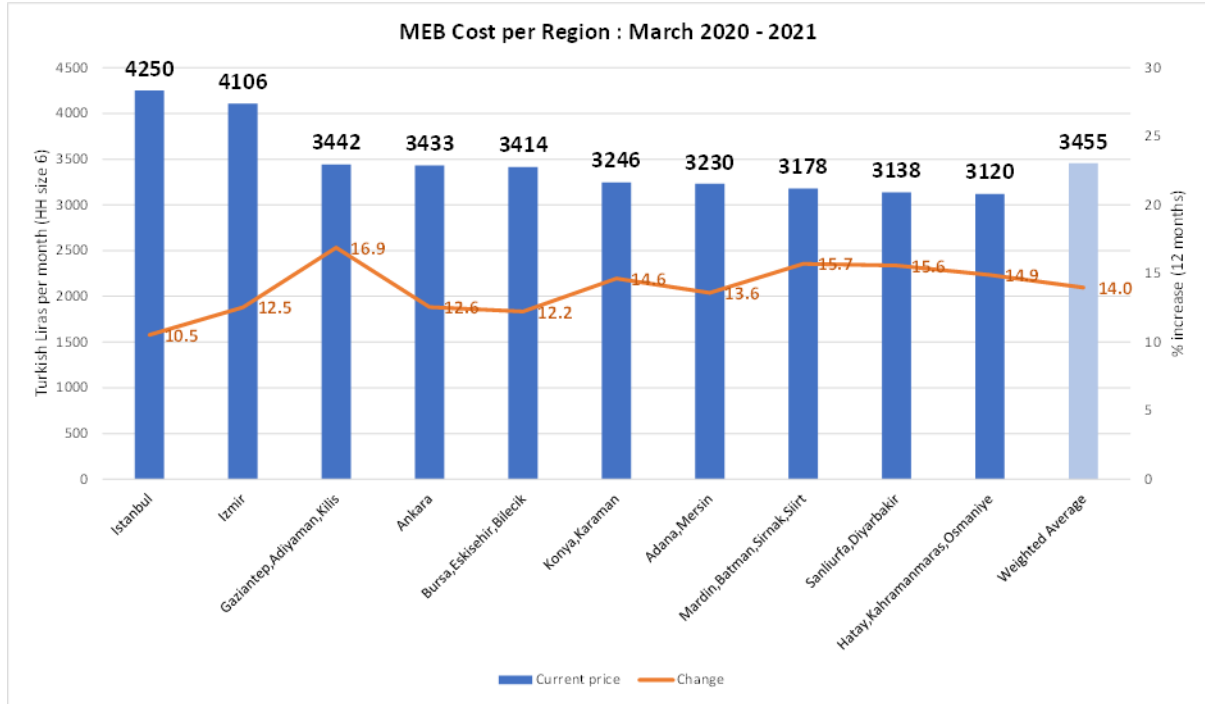
Cost of living was the highest in Istanbul (on average 4250 TRY) followed by Izmir (on average 4106 TRY) whereas Hatay-Kahramanmaraş-Osmaniye region was the most affordable among all the regions with the minimum expenditure basket cost of 3120 TRY. However, having looked at the average annual price changes across the country, we see that the living costs have increased in the South-eastern and eastern regions the most. It is remarkable that living cost in Gaziantep-

Adiyaman-Kilis region outpaced the two metropolitan areas (Ankara and Bursa-Bilecik-Eskisehir region) in Q1 2021, increasing by 16.9 percent as compared to previous year. Gaziantep-Adiyaman-Kilis region was followed by Mardin-Batman-Şırnak-Siirt with 15.7 percent annual increase and by Sanliurfa-Diyarbakir region with 15.6 percent annual increase in living costs. It is important to highlight that the minimum expenditure basket cost increased more than the weighted

average in Hatay-Kahramanmaraş-Osmaniye region despite being the most affordable place in terms of living costs. Even though the minimum wage increased by 22 percent from 2324 TRY in 2020 to 2826 TRY in 2021, it is still 22 percent less than the average MEB, indicating 630 TRY

gap for an average six-person household. Given that the yearly inflation rate is already at 16.2 percent, the pressure on the purchasing power of consumers seems to continue in 2021.

Figure 9: MEB Cost per Region in March 2021



## 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://www.trthaber.com/haber/dunya/koronavirus-varyantlari-hakkinda-bilmeniz-gerekenler-555283.html>
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4. <https://ourworldindata.org/covid-vaccinations?country=TUR>
5. Monthly Economic Review, April 2021. Isbank Research Division.
6. Foreign Trade Statistics, March 2021. Turkish Statistical Institute.
7. Monthly Economic Review, March 2021. Isbank Research Division.
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9. Consumption Price Index, March 2021. Turkish Statistical Institute.
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11. Industrial Production Index, Turkish Statistical Institute, February 2021 & <https://www.dunya.com/ekonomi/turkiye-ekonomisi-2020de-yuzde-18-buyudu-haberi-612659>
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15. For details: WFP Market Bulletin Q3 2020.
16. Monthly Economic Review, April 2021. Isbank Research Division.
17. <https://www.hurriyet.com.tr/ekonomi/asgari-ucet-ne-kadar-2021-iste-agi-hesaplama-tablosu-ve-asgari-ucet-tutari-41733858>