

Turkey: Rampant inflation putting pressure on people in poverty

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Rising inflation in late 2021 and early 2022 has started to put pressure on the segments of Turkish society whose income has not been fully adjusted to the inflation rate - especially those employed in the informal sector. If questions as to the possible downplaying of official inflation figures are to be taken seriously, then the deterioration of the living conditions of these segments could be even more severe.



Description

Turkey has had an inflation rate consistently around 10% since 2005. However, in late 2021, prices started to increase sharply. Turkstat, the Turkish Statistical Institute, announced the yearly inflation rate for consumer goods (CPI) in December 2021 (viz. December 2020 vs December 2021) as 36.08%, and the average yearly rate as 19.6%. The rate quickly climbed to 48.69% and 22.58% in January 2022, and 54.44% and 25.98% in February 2022. On the other hand, the yearly inflation rates for producer goods (PPI) were announced as 79.89% (December 2021), 93.53% (January 2022) and 105.01% (February 2022). The huge difference between CPI and PPI may point to continuing pressure on consumer prices in the future.

Furthermore, the prices of some items have increased more than officially reflected in the CPI. For example, in 2021 the prices for natural gas, electricity and fuel (for household consumption) increased by 48.75%, 72.50% and 69.58%, respectively.

While prices increased sharply, workers were expecting an increase in their wages. The government, implicitly acknowledging that the inflation rate is higher than reported by Turkstat, raised the net-of-tax minimum wage by 50.54% in January 2022. (Part of the raise was obtained by abolishing taxes on income up to the amount of the minimum wage.) Regular social assistance benefits, such as payments to elderly people with no social security coverage, are increased twice a year along with the wages of government employees. The cumulative increase has

been 41% from January 2021 to January 2022. Although there are no publicly available data on salaries above the minimum wage, news on salary negotiations between workers and employers in various businesses show that pay rises below the inflation rate are not uncommon. Trade unions have protested that most of their members' salaries had been increased by less than the "real" inflation. It is not known what adjustments, if any, have been made to salaries in the informal sector (roughly one third of the labour force in the country are unregistered).

It is likely that low-income households have started to feel a severe impact of rising prices. A simple yet shocking indicator of this is the new queues for bread subsidised by the municipalities, especially in metropolitan areas. In Istanbul, it was announced that the subsidised bread production by the municipality is functioning at full capacity of around 1.5 million units per day and is still well short of meeting the demand.



Outlook and commentary

Rising prices make life difficult for low-income households. According to Eurostat, the at-risk-of-poverty rate (people in households whose income is below 60% of the median household income) was 23.0% in 2020. The 2021 Annual Performance Report by the Ministry of Family and Social Services states that around 2.4 million households are receiving means-tested regular social assistance benefits, such as the old-age pension (1084 TRY per month, i.e. €69 at the 15.7 TRY/€ average conversion rate for the first quarter of

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2022), monthly payments to low-income individuals with disabilities (842 to 1264 TRY [€54-81] per month), or social assistance for widowed low-income women (500 TRY [€32] per month). Another 2.7 million households received ad-hoc means-tested social assistance in cash and in kind in 2021. The benefits are relatively low and the bulk of those receiving social assistance work in the informal sector or are not employed. With the unknown rise in wages in the informal sector and the increase in social assistance below the inflation rate, it is likely that these vulnerable households will face further difficulties meeting even basic needs.

It should also be noted that there have been accusations in the media that Turkstat, the official body responsible for calculating and announcing the inflation rates, may be playing down the inflation rates, especially the CPI (Erkoyun,

2020; Farooq, 2022). Tellingly, the former head of Turkstat, Mr. Birol Aydemir, who is now a member of an opposition party, has declared that he was indeed under pressure to manipulate prices when he was in office. Not surprisingly, the figures reported by Turkstat are much lower than the figures announced by unofficial accounts. For example, the CPI computed by the independent research institute made up of academics, the Inflation Research Group (ENAG), for December 2021 was found to be 82.81%, i.e. more than double the officially declared rate (36.08%).

Finally, with the additional pressure on prices following the Russian invasion of Ukraine, the situation may become even more alarming for those on a low income in Turkey.

Further reading

Central Bank of the Republic of Turkey, [Inflation Data](#)

Deutsche Welle Türkçe (2022). [TÜİK patatesi nereden alıyor, açıklasın! \(Turkstat should explain where they purchase potatoes! - Interview with Turkstat's former head Birol Aydemir\)](#)

Erkoyun, E. (22 October 2020). [Researchers say new model shows Turkish inflation well above official tally](#). Reuters.

Evrensel (3 January 2022). [KESK'ten TÜİK önünde enflasyon eylemi: Rakamlar yalan, yoksulluk gerçek \(Protest by KESK at Turkstat: Numbers are wrong, poverty is real\)](#)

Farooq, U. (7 January 2022). [Just how bad is inflation in Turkey? It depends on who you ask](#). Al Jazeera.

Inflation Research Group (2022). [ENAGrup Consumer Price Index \(E-CPI\) February 2022](#)

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