

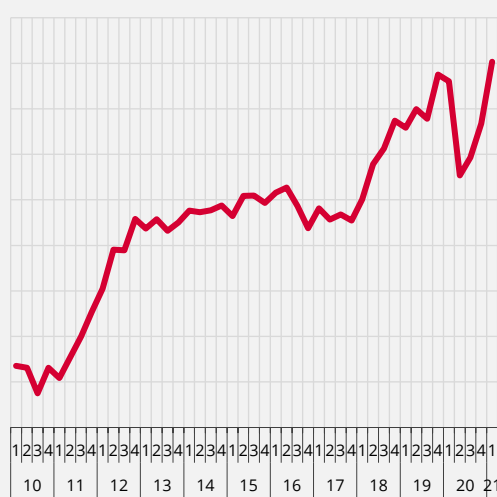
## Box 2.1

### The Effects of the Covid-19 Pandemic on Expenditures by Cards

The full lockdowns, partial precautionary measures and normalization steps (reopenings) introduced in different periods of 2020 and 2021 within the framework of pandemic measures had different effects on consumption expenditures. In the second quarter, consumption decreased because of the mobility restrictions imposed in the face of the pandemic. In this period, expenditures by cards also decreased. However, in the following normalization periods, such spending increased at a high rate with the effect of the change in consumption patterns. While the share of expenditures by cards in private consumption decreased sharply in the second quarter of 2020, it increased again in the following period (Chart 1). Cyclical spending increased while demand for services declined due to pandemic restrictions. Thus, while the share of the services sectors, which were most affected by the pandemic, in expenditures by cards dropped to the levels of 2008 in the second quarter of 2020, it has now picked up with the recent acceleration of vaccination and the normalization (Chart 2). This indicates that high-frequency monitoring of expenditures by cards will be useful in providing information about the pandemic period.

In this box, the effects of the reopening and lockdown periods in 2020 and 2021 on expenditures by cards are also examined on a sectoral basis. To this end, weekly bank and credit card expenditures by sectors are deflated by the CPI and the price indices of the relevant sub-item. The weekly card expenditures data for March, April, May and June of 2020 and 2021 are used to cover the full lockdown, partial precautionary measures and reopening periods.

**Chart 1: Ratio of Expenditures by Cards to Private Consumption** (Seasonally Adjusted)



Sources: CBRT, TURKSTAT.

**Chart 2: Share of Services in Expenditures by Cards** (Seasonally Adjusted)

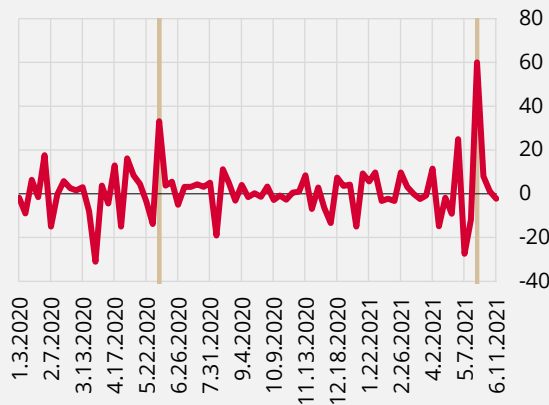


Sources: CBRT.

When the weekly percentage change in real expenditures by cards is analyzed, it is seen that the highest increase in 2020 occurred in the week of June 1-5, when the full reopening took place (Chart 3). The highest weekly increase in real expenditures by cards in 2021 occurred in the week of May 17-21, following the Ramadan Feast and the partial reopening. When expenditures by cards are analyzed for these two periods, the increase in 2021 is found to be higher, and the difference between the two periods is found to be statistically significant. In addition, expenditures by cards increased significantly in the weeks of reopening due to normalization and the effect of deferred demand, but return to their normal course in the following period.

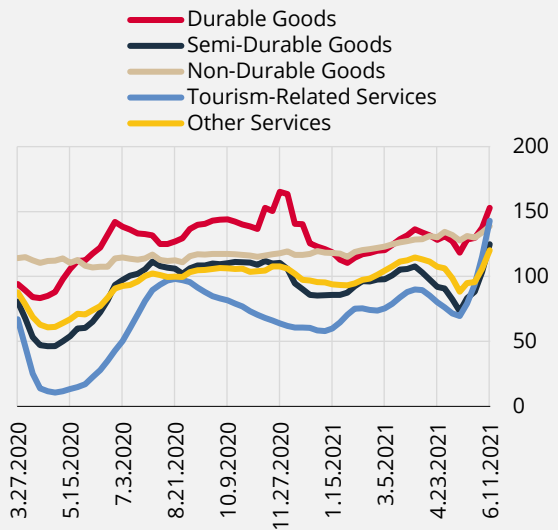
When the expenditures by cards are analyzed in a breakdown of goods and services sectors, it is seen that the expenditures have increased in both groups recently (Chart 4).<sup>1</sup> For the period since the beginning of the pandemic, durable goods expenditures displayed an increasing trend until July 2020, and then followed a relatively flat course. In the CBRT (2021) study, it is found that the increasing demand for durable goods is also supported by increases in savings and the wealth effect in the recent period. Expenditures on non-durable goods, on the other hand, are relatively flat, as they cover basic needs such as food and grocery shopping. Other services sector expenditures increased gradually until the end of July with the effect of full reopening in 2020, and remained flat afterwards. In the tourism-related services sectors, large increases are observed in the reopening periods of both 2020 and 2021. The acceleration of domestic vaccination rollout is thought to be effective in the high rate of increase registered in the expenditures of this group in the reopening period of 2021. Across all groups analyzed, a V-shaped decreasing-increasing movement is noted due to the Ramadan Feast in the week of 14 May 2021.

**Chart 3: Expenditures by Cards (Real, % Change)**



Sources: CBRT.

**Chart 4: Expenditures by Cards for Goods and Services (Real, 6 March 2020=100, 4-Weeks Moving Average)**

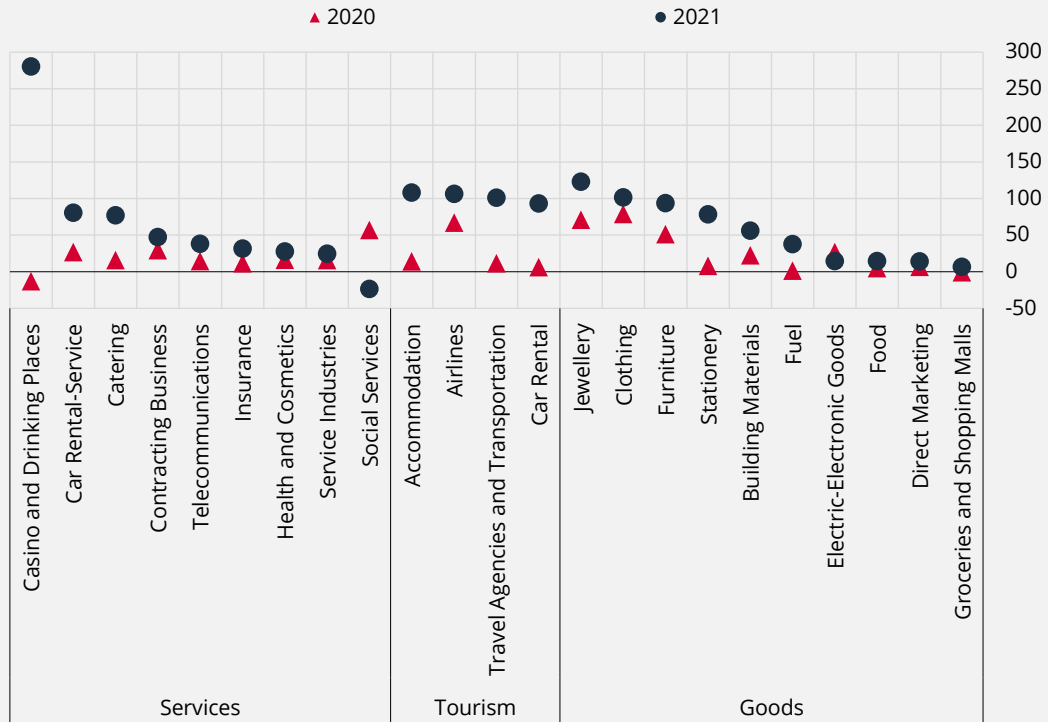


Sources: CBRT.

When the sub-items in expenditures by cards are examined, it is seen that there are increases in 2020 and 2021 that spread across sectors in the weeks when the reopenings took place following the periods of precautionary measures (Chart 5). These increases were at higher rates in 2021 compared to 2020. It is considered that the easing of pandemic measures on a global scale and the revival of tourism were behind the stronger increases in tourism-related groups in 2021.

<sup>1</sup> Durable goods classification includes electrical-electronic goods, jewellery, and furniture sectors. The semi-durable goods classification includes fuel, direct marketing, stationery, clothing, and building materials sectors. The non-durable goods classification includes the food, grocery, and shopping mall sectors. The tourism-related services classification includes car rental, airlines, accommodation, travel agencies, and transportation sectors. Other services classification includes car rental-sales-service-spare parts, service industries, social services, casino and drinking places, contracting business, health and cosmetics, insurance, telecommunications, and catering industries.

**Chart 5: Expenditures by Cards in Sub-Items\* (Real, % Change)**



Sources: CBRT.

\* Shows percentage changes of expenditures in the first four weeks after reopening compared to the previous four weeks for 2020 and 2021.

In summary, the full lockdowns, partial precautionary measures and normalization steps (reopenings) introduced in different periods of 2020 and 2021 affected consumption expenditures differently by sectors. While expenditures by cards increased strongly in the normalization (reopening) periods after the precautionary measures, the rates of increase slowed down in the following periods and returned to their normal course. It is expected that the recent acceleration of nationwide vaccination will increase the demand for the services and tourism sectors that have been negatively affected by the pandemic, and support a more balanced growth composition in economic activity.

**References**

CBRT (2021). Private Savings and Their Effects on Consumption Demand during the Pandemic. Inflation Report 2021-II, Box 2.4.