



By: *Emre Alkin*

Dealing with poverty while combatting inflation



Today, high inflation causes a comprehensive change in usual consumption behaviours. The "problem of supplying first-hand goods" that emerged with the pandemic continues to drive consumers to seek other choices.

A survey by Statista shows that people's tendency to buy second-hand products has radically and dramatically increased in many countries from 2019 to 2023.

The study revealed that consumer behaviour underwent a major change during this 4-year period. Let's take a quick look at the survey results, which were obtained from up to 10,000 respondents in different countries.

While 50% of survey participants in the United Kingdom said that they purchased second-hand products in 2019, this rate rose to 61% in the 2023 survey. In the United States, the tendency to buy second-hand goods increased from 49% to 60% in the same period.

In France and Germany, we notice a similarly significant increase from 40% to 57% and from 41% to 55% respectively.

The rate went from 36% to 46% in Spain, while South Korea showed an increase from 31% to 37% in this consumer behaviour change. And lastly, a slight upward trend from 44% to 48% was observed in Brazil, according to the survey.

Research indicates that in times of high inflation, people may choose to forego three important things in their lives:

- Hygiene
- Security
- Quality

These 3 elements are the basis of the "high pricing" tendency, and people with low income levels might often choose to do without them, if not in the early stages of high inflation, but in the middle of it.

Since second-hand products are generally

preferred because they have a certain quality and durability, they have not become something that people could easily abandon buying yet.

Last year, a global food brand contacted me to obtain some independent economic consulting. What they meant by "independent" was a politically independent and unbiased economist.

They asked me the following questions in our one-hour meeting.

- Will consumption continue to grow in developing economies?
- How will middle-income earners cope with high inflation?
- What might change after the elections in developing economies?
- Does the supply chain need to change?

I answered their questions as thoroughly as I could. I said that the consumption growth rate could continue to go up for another year due to constantly increasing salaries and wages, low interest rates, concerns about supply chain issues and the fear that the general level of prices will rise further.

However, should the government fail to find the necessary funds, it will not hesitate to turn to anti-inflationary fiscal policies.

"In short, consumption will eventually slow down, but prices will take a much longer time to stabilise", I added.

Middle-income earners do not tend to quit their habits easily, unlike low-income earners do

Honestly, I could not quite understand why they asked me about the situation of the middle class. Because, as the name implies, middle-income earners do not tend to quit their habits easily, unlike low-income earners do.

I replied that the only luxury that middle class could afford now and again is a new dress, a new pair of shoes, a new bag, or eating out. Therefore, this question does not apply to developing economies.

Realising that they were not quite satisfied with my answer, I reminded them of a survey conducted in the OECD member countries, according to which more than 70% of Turkish citizens see themselves as middle income earners even though 49% of the population actually remain at lower middle, middle and upper middle-income level.

A little motivation is enough to drive people to spend more money. The focus here is that the poor are more likely to spend money. So, if the poor stop spending, problems will begin.

Expressing that the current economic policies in countries like Turkey and Argentina will not entirely change after the elections, but monetary policy could become more rational, I also added that the main problem is that the world is rapidly moving away from liberal democracy, that Russia may try to invade Ukraine completely, and further conflict might be expected after the US elections.

As poverty increases, governments will have to deal with increasingly difficult problems, and many of them will even remain unsolved

All of these events could affect not only regional politics, but also consumption habits in different parts of the world. As poverty increases, governments will have to deal with increasingly difficult problems, and many of them will even remain unsolved, even unaddressed, such as:

According to the "Progress on the Sustainable Development Goals: The Gender Snapshot 2023" produced by UN Women and UN DESA, at the current rate, more than 340 million women and girls (8% of the world's population) will still live in abject poverty by 2030.

The report, which highlights the effects of climate change on women and girls for the first time this year, estimates that up to 158 million more women and girls might be pushed into poverty globally due to conditions worsening under global warming.

Placing a special focus on older women, the report also says that poverty and violence negatively affect older women than they do older men.

The Gender Snapshot suggests that governments must have strong legal frameworks to promote positive change and to achieve gender equality and women's empowerment by 2030, which will require an additional \$360 billion per year according to the report.

Other highlights include:

Food insecurity caused by climate change is projected to affect 236 million more women and girls and 131 million more men and boys. But only 27 countries have extensive systems to track and allocate large budgets for gender equality and women's empowerment.

According to the report, the number of women and girls living in conflict-affected areas reached 614 million in 2022, a higher number than in 2017. At the current rate, an estimated 110 million of girls will remain out of school by 2030.

As for economic measurements, for each dollar men earn in labour income globally, women earn only 51 cents. Compared to 90.6% of prime working age men, only 61.4% of prime working age women are in the workforce.

As poverty gradually increases, we could say that particularly companies operating in the food industry will offer their products in smaller sizes and packages while trying to maintain quality.

In fact, there are global brands that are already doing this. Large size chocolates or biscuits now come in smaller packages with fewer items in them that fit in your pocket. Product

samples that were once given to the consumer
free of cost are now being sold for money.