

**The Economic Impact of the 2021-2023 Inflation Crisis in Turkey on the Bodrum Hotel
Sector**

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Abstract

This study examines the economic effects of the inflationary crisis experienced in Turkey between 2021 and 2023 on the Bodrum hotel sector. The research was conducted through BODER (Bodrum Hoteliers Association), targeting tourism businesses in Bodrum, with 20 participants. The findings cover expense increases, the rates of these increases, room price update frequencies, changes in customer numbers, the use of government support by businesses, and participant opinions. Open-ended responses indicate that the effects of inflation were felt most acutely during the 2023-2025 tourism seasons. This study highlights the importance of government support in mitigating rising cost pressures and offers policy recommendations for sustainable tourism in the future.

Key words: Bodrum, hotel sector, inflation, tourism economy, Turkey, cost management, government subsidies

Introduction

Between 2021 and 2023, Turkey faced a severe economic crisis driven by high inflation, exchange rate fluctuations, and volatile interest rate policies (Central Bank of the Republic of Turkey, 2023). These macroeconomic factors directly affected businesses, particularly in the service and tourism sectors. Inflationary pressures forced businesses to adjust their cost management, employment, and pricing strategies (World Tourism Organization, 2022).

Bodrum, one of Turkey's most important tourism destinations, contributes significantly to the country's tourism industry with its resorts, boutique hotels, and private accommodation facilities (Republic of Turkey Ministry of Culture and Tourism, 2023). However, during this period, hotels in Bodrum struggled with economic challenges such as rising food and energy costs, increased employee wages, reduced numbers of hotel guests, and limited access to government support.

This study examines the economic impacts of Turkey's 2021-2023 inflation crisis on Bodrum's hotel industry. The research analyzes cost increases, pricing strategies, customer trends, and resilience measures taken by hotels, thereby evaluating the sector's adaptation during and after the crisis.

Method

The study employed both quantitative and qualitative research methods. A survey was conducted during the 2025 summer season through BODER (Bodrum Hoteliers Association). The questionnaire, administered to hotel operators of different sizes and types, included both multiple-choice and open-ended questions designed to capture participant experiences and expectations.

Participants

A total of 20 businesses participated in the study. The size distribution was:

- 0-10 rooms: %5
- 11-30 rooms: %25
- 31-60 rooms: %10
- 61+ rooms: %60

In terms of hotel type, resort hotels comprised 50% of the sample. Other categories included boutique hotels (15%), holiday villages (15%), apartment hotels (5%), private accommodations (5%), bed and breakfasts (5%), and guesthouses (5%). This distribution ensured representation across different business models in Bodrum.

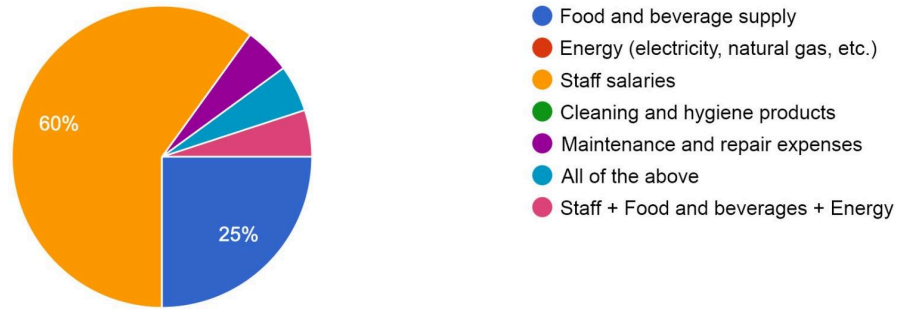
Data Analysis

The data were analyzed using descriptive statistics. Results are presented through percentages, tables, and graphs. In addition to quantitative measures such as expense increases, price updates, and customer changes, qualitative data from open-ended responses were analyzed to interpret the sector's overall economic situation.

Findings

1. Types of Expense Increases

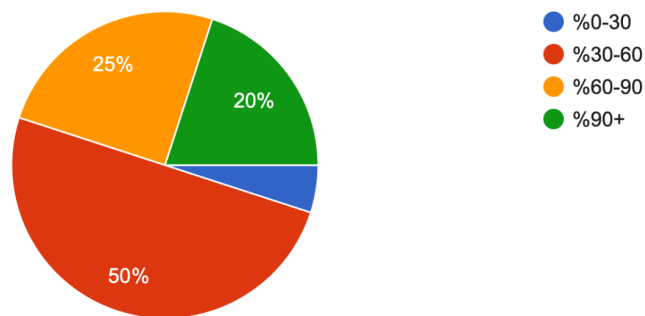
The items that experienced the highest increases in total expenses are shown in the graph below:



The highest increases in total expenses between 2021 and 2023 occurred in employee salaries, followed by food and beverage costs.

2. Expense Increase Rates

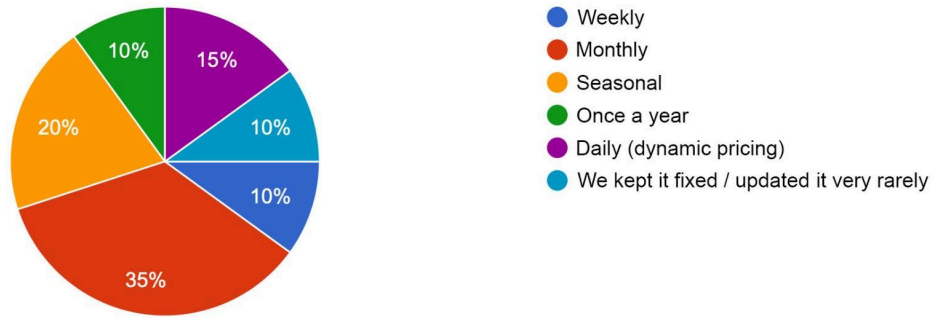
The rate of increase for the items that experienced the highest growth in total expenses is shown in the graph below:



The most common rate of increase was between 30% and 60%, while the lowest was between 0% and 30%.

3. Frequency of Room Price Updates

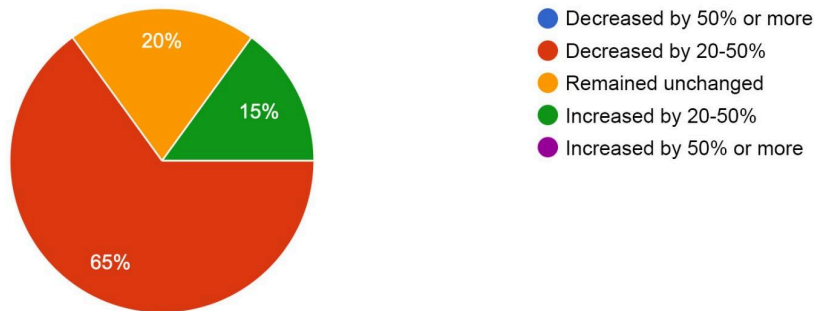
The frequency of room price updates between 2021 and 2023 is shown in the graph below:



The most frequent update method was monthly (35%), while annual, weekly, and irregular updates were least common.

4. Changes in Customer Numbers

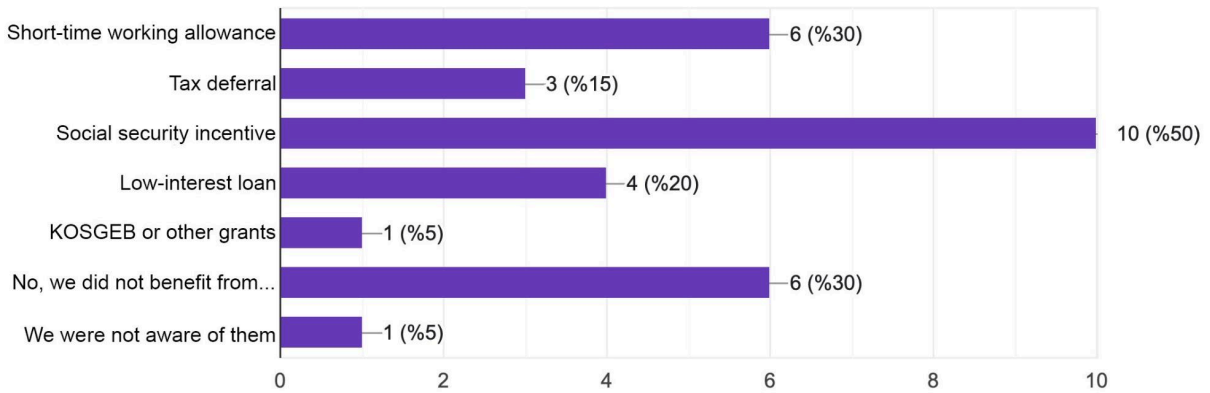
The changes in customer numbers between 2021 and 2023 are shown in the graph below:



Most hotels experienced a 20–50% decline in customer numbers.

5. Government Support

The distribution of government supports utilized between 2021 and 2023 is shown in the graph below:



The most commonly used support mechanism was the Social Security (SGK) incentive, followed by the short-time working allowance. However, a significant number of businesses reported receiving no government support.

6. Qualitative Findings (Participant Opinions)

- Some participants stated that the effects of inflation were felt most strongly during 2023–2025.
- Some businesses reported that they “experienced staff losses due to minimum wage increases” and that “cost pressures from energy and foreign exchange increased.”
- Several participants emphasized the inadequacy of government support and demanded tax reductions, social security contribution relief, and energy subsidies.

Analysis

General Analysis

The findings reveal that the 2021-2023 inflation crisis in Turkey had a significant financial impact on the Bodrum hotel sector. The crisis led to sharp increases in personnel salaries and food/beverage costs. Hotels attempted to cope with rising costs by updating prices monthly or seasonally, but this was insufficient to prevent customer losses. About 65% of participants reported a 20–50% decline in customer numbers, indicating that inflation affected both supply and demand.

The increase rates in expense items were mostly observed to be between 30-60%. The remaining item increases varied between 0-30% and 60-90%. This distribution shows that hotels were exposed to different levels of cost increases. In particular, large-scale resort hotels may have been affected to a greater extent by the high increases in personnel and energy costs.

Findings regarding the frequency of room price updates indicate that hotels prefer monthly or seasonal price updates rather than keeping prices fixed in response to cost increases. This situation can be interpreted as a sign that hotels are trying to maintain a balance between income and expenditure in the face of rising costs due to inflation.

When examining changes in customer numbers, 65% of participants reported a 20-50% decrease in customer numbers. This data shows that inflation has negatively affected both costs and demand. Rising prices and economic uncertainty may have affected tourists' spending behaviour and hotel preferences.

Data on the use of government support shows that it plays an important role in increasing the economic resilience of the sector. While many businesses benefited from SGK incentives, 30% received no support, suggesting shortcomings in policy communication or distribution.

Quantitative findings indicate that costs increased significantly between 2021 and 2023, while participants' responses to open-ended questions show that these effects were felt more acutely between 2023 and 2025.

Finally, measures such as cost control, energy saving and staff optimisation by businesses demonstrate the sector's ability to adapt to crises. The findings support the view that the effects of the financial pressures that began in the 2021-2023 period were felt more acutely in the 2023-2025 seasons. This situation shows that inflationary crises have cumulative and time-lagged effects on the sector.

This analysis shows that the Bodrum hotel sector faces problems such as high cost increases, limited price flexibility, and changing customer demands. In addition, hotels are trying to achieve economic stability through state aid and their own efforts.

Macroeconomic Analysis

Most of the hotels that participated in the survey stated that the largest increases in total expenses were in employee salaries and food and beverage costs. The findings confirm a cost-push inflation effect, where rising wages and imported input costs forced hotels to raise prices (Aktaş & Şen, 2022; Central Bank of the Republic of Turkey, 2023).

Normally, within the framework of the Phillips curve, high inflation is expected to reduce unemployment rates. However, rather than reducing unemployment as suggested by the Phillips curve, the crisis resulted in staff layoffs—a case of stagflation, with both high inflation and rising unemployment. In the open-ended responses of the surveyed businesses, it was noted that layoffs were carried out to balance costs, and that the loss of employees negatively affected operational efficiency.

In addition, exchange rate fluctuations further increased import costs, particularly for food, while declining foreign demand worsened the financial strain.

Microeconomic Analysis

Due to supply and demand elasticity, hotels have been forced to pass on the increase in their costs to their prices. However, as tourism demand is elastic, price increases have resulted in reduced customer numbers. This demonstrates that price increases do not directly increase revenue. In particular, boutique and apartment hotels adopted flexible pricing to avoid losing guests.

Profit margins fell as marginal costs rose above marginal revenues. Many hotels cut expenses by reducing staff, but this negatively impacted service quality and guest satisfaction, creating a cycle of reduced revenue.

In a competitive environment, hotels have observed each other's price changes and shaped their pricing strategies based on game theory. When one hotel lowers its prices, other hotels are compelled to do the same to prevent losing customers. This has created disorderly competition within the sector.

Furthermore, consumer behaviour is also quite important from a microeconomic perspective. Household budgets have shrunk due to inflation, and luxury consumption such as holidays has been abandoned. This situation directly explains the decline in customer numbers and the loss of revenue for hotels. Furthermore, some hotels have reduced their staff numbers. This has negatively impacted guest satisfaction and led to customer complaints. Consequently, consumer behaviour and businesses' cost management strategies have influenced each other. This interaction has further deepened the loss of revenue in the sector.

Conclusion

The 2021–2023 inflation crisis severely impacted the Bodrum hotel sector. Rising costs, especially in wages and food, disrupted financial stability. Hotels responded by updating prices more frequently, but this strategy did not prevent a sharp 20–50% fall in customer numbers.

Government support, while helpful, was insufficiently comprehensive or accessible. Hotels relied instead on internal measures such as cost control, energy saving, and staff optimization.

Importantly, participants stressed that the most severe effects were felt in the 2023–2025 period, showing that inflationary crises have long-term, cumulative impacts on the sector. Therefore, the short-term measures taken by the sector to build resilience against such crises are insufficient in the long run.

Policy Recommendations

To strengthen resilience against future crises, the following measures are suggested:

- Broader and more accessible tax and social security incentives during crises,
- Subsidies for renewable energy to reduce operating costs,
- Long-term investments in skilled labour,
- Financial and technological support for dynamic pricing strategies,
- Flexible regulation of tourism-related taxes.

In conclusion, although the Bodrum hotel sector showed resilience, its fragility during prolonged crises is evident. Long-term policy frameworks and stronger government mechanisms are essential for sustainable tourism development.

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