

Turkish employment in decline

Unemployment data show that coronavirus economic freeze has started weighing on already challenging labour market conditions



Source: Shutterstock

The Turkish unemployment rate in March in seasonally adjusted terms (including February, March and April) rose to 13% from 12.7% a month ago.

Legislation banning layoffs for 3 months introduced in mid-April, and the presence of February data in the series without the Covid-19 impact and arrival of the pandemic at a relatively later date limited the pace of increase in the March unemployment rate.

Unemployment vs Total Employment



Source: TurkStat, ING

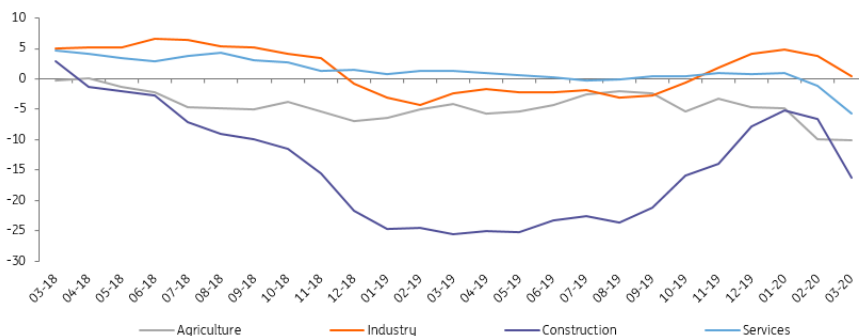
The labour data shows some signals of strain in recent months, indicated by a significant decline in the total number of employed by 1.6 mn since the end of 2019, translating into a plunge in the employment rate to 42.6% from 45.4% in the same period.

Given also a marked contraction in the labour force by 1.9mn (marking a drop in the participation rate to 49% with a return to levels realised in 2013 from 52.2% in December), 1Q unemployment rate at 12.8% on average turned out to be below of the 4Q average. This trend signals that people continue to leave the labour force.

Regarding sectoral breakdown, Covid-19 reflected its toll on services as expected with 694K job losses in March alone followed by construction (202K) and industry (85K), while the impact on agriculture was relatively limited at -21K.

The unadjusted unemployment rate was realised at 13.2% in March vs 14.1% in the same month of 2019, while unadjusted labour force participation was realised at 48.4% comparing with 52.9% a year ago.

Job creation by sectors (SA, % YoY)



Source: TurkStat, ING

Overall, coronavirus economic freeze has started weighing on already challenging labour market conditions, while the legislation introducing restrictions regarding dismissals until mid-July (likely to be extended by another three months until October) and reparations by the government for an economic package to boost employment should help relieve some of

the pains in the labour market.

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