

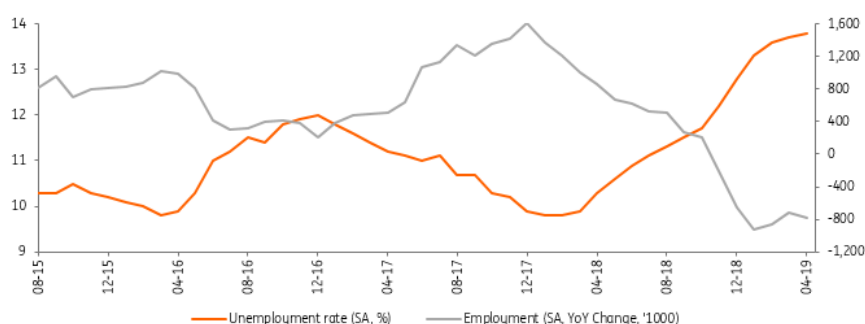
Turkey: Labour market deteriorates further

Recent labour market trends show a continuing deterioration with the seasonally adjusted unemployment rate up to 11.2% in August, the highest since May 2017



Source: Flickr

Unemployment vs Participation rate in SA terms

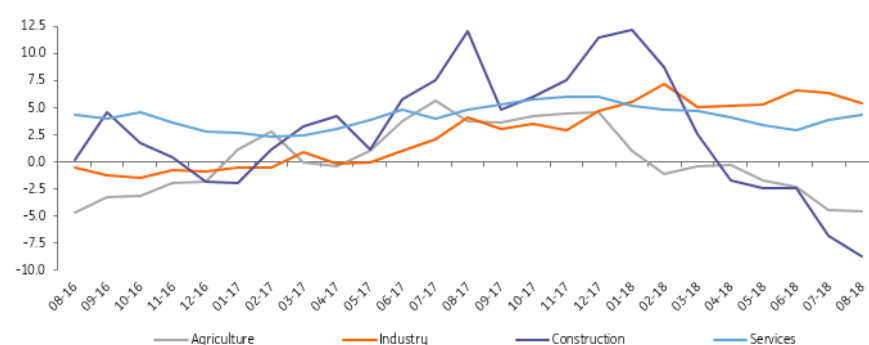


Source: TurkStat, ING Bank

Following a significant downtrend in 2017 due to high economic growth, unemployment has changed course this year with the seasonally adjusted (SA) rate standing at 11.2% as of August, the highest since May 2017, from 9.9% at the end of last year. This is also due to a recent acceleration in the participation rate (SA), which has climbed to an all-time high of 53.5%. The non-agricultural unemployment rate (SA), on the other hand, has climbed from 11.8% in February 2018 to 13.0% in May. The data shows that the tightening in labour market conditions makes matching the growing labour force more difficult.

The unadjusted unemployment rate, on the other hand, was 11.1%, marking the second YoY increase in a row, another sign of momentum loss in annual employment generation, with ongoing difficulties in the labour market.

Job creation by sectors (SA, % YoY)



Source: TurkStat, ING Bank

On a sequential basis, job creation in August was positive (151K), driven mainly by services (156K), while industry and construction provided modest contributions with 27K and 4K. Only agriculture was a drag at -36K.

On the other hand, employment generation on a year-to-date basis was barely positive at 39K. Services added 358K and industry gained 216K thanks to government incentives promoting employment, especially in SMEs and the manufacturing sector. Construction felt the impact of recent financial volatility, recording a 207K year-to-date decline in employment, along with a -328K decline in agriculture.

All in all, the summer volatility and consequent tightening in policies to restore confidence have resulted in a faster rebalancing of the economy. This outlook points to significant upside risks for current unemployment trends in the period ahead.

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