

Turkey: Pandemic shock eases in the labour market

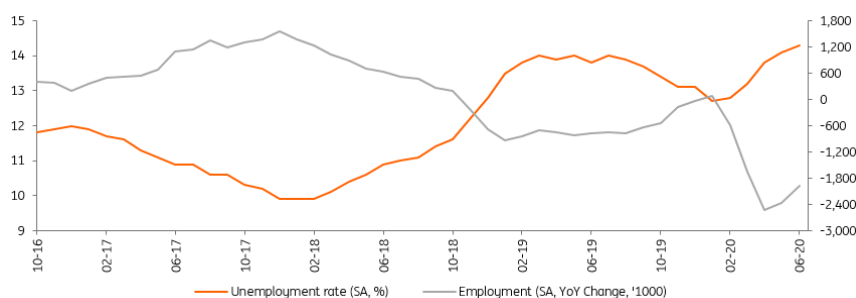
The labour market, which has been under stress since late 2018, has shown some early signs of recovery from the pandemic as lockdowns ease



Shoppers in Istanbul

Total June employment in seasonally-adjusted terms (including May, June and July) rose by more than 430K, showing that the initial labour market shock at the start of pandemic is fading thanks to the reopening of the economy. In the sectoral breakdown, the impact of reopening is more reflected in services with 230K job gains, followed by construction with 141K while new employment in industry remained modest with a mere 25K, indicative of continuing strains in the aftermath of easing lockdowns.

Unemployment Rate vs Total Employment



Source: TurkStat, ING

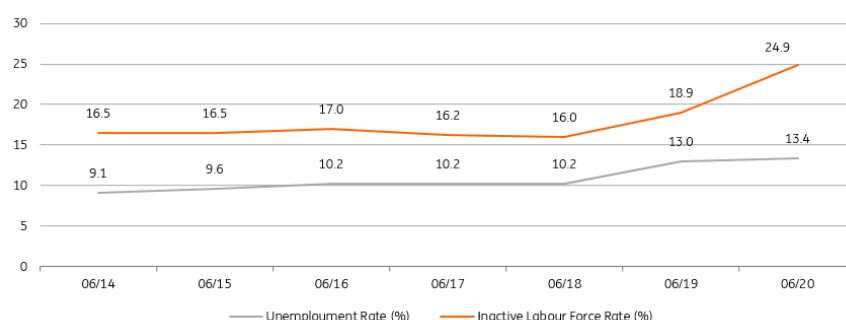
Accordingly, we saw the first increase in the employment rate since November 2019, to 41.6% from 41% a month ago, though markedly below the all-time high of 47.9% in early 2018 before the financial shock in August that year. The labour force participation rate, which started to recover in May, further improved in June, to 48.6%. Among employed people, the average number of actual hours worked is also going up, another indicator that the labour market data is getting better.

However, we should be cautious given that the number of economically inactive people, including discouraged workers, those not seeking a job and working seasonally, has remained close to the peak with no meaningful drop. The unemployment rate, meanwhile, has continued to trend higher, rising to 14.3%, the highest in the current series starting in 2005, from 14.1% in May.

The unadjusted unemployment rate came in at 13.4% vs 13.0% in the same month of 2019, while the unadjusted labour force participation rate was 49.0% compared with 53.3% a year ago.

Inactive Labour Force Rate

Inactive Labour Force: [Labour Force + Discouraged from Finding Work (No hope for finding a job) + Not Seeking a Job (but available to work) + Working Seasonally] - # of Employed



Source: TurkStat, ING

The labour market has been under stress since late 2018 but is showing some early signs of recovery from the pandemic, as the economy reopens. The extension of restrictions on dismissals until mid-November should also come as a relief. However, we have seen the number of new Covid cases rising again, which could trigger another set of lockdown

measures with the potential to weigh on economic activity. So the current outlook for the labour market is quite uncertain and upside pressures on the unemployment rate will likely linger in the near term.

Author

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

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