

## Turkey: Unemployment and participation rates fall

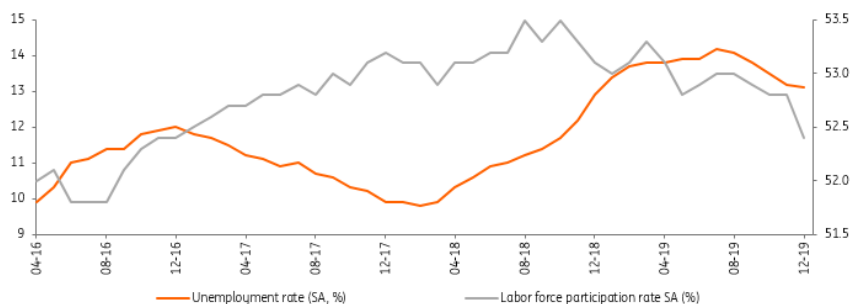
Unemployment continued to move lower in December but so too did the participation rate and the first monthly drop in employment is not an encouraging signal



People walking on the famous Istiklal Street, Istanbul

The unemployment rate stood at 13.1% in December down from 13.2% in November, continuing a downtrend that's remained in place since last summer, though the pace has slowed. Employment, however, declined by 136K month-on-month, after six consecutive months of increase. So the improvement in the unemployment rate was due to a fall in the labour market participation rate (people leaving the labour force, which is not a good sign) to 52.4% vs 52.8% a month ago (and the all-time high of 53.5% in late 2018). Youth unemployment stood at 24.0%, flat compared to the previous month.

## Unemployment vs Labour Force Participation



Source: TurkStat, ING

The unadjusted unemployment rate was 13.7% vs 13.5% in the same month of 2018, while the unadjusted labour force participation rate was 51.8% compared with 52.4% at the end of the previous year. The annual unemployment rate in 2019, on the other hand, was 13.7%, sharply above the 2018 rate at 11%, reflecting the impact of the August 2018 currency shock and consequent weakening in macro performance.

In the sector breakdown, all sectors (except construction) recorded employment losses on a monthly basis, with agriculture seeing the biggest declines at -96K, followed by industry at -59K. On the flip side, construction posted 25K new jobs.

Overall, we have seen a continuation of the downtrend in both unemployment and labour force participation rates, though the first monthly job losses in the second half of 2019 is not an encouraging signal. However, given that this was mainly driven by the volatile agriculture sector, we expect that the improvement will likely resume in the period ahead with an ongoing pass-through from the economic recovery.

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