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# Turkey: Unemployment on the rise

The seasonally adjusted unemployment rate has gone up from 9.9% to 11.0% in July, highlighting a trend that is likely to continue for a while given the ongoing deterioration in the growth outlook



Source: Shutterstock

## Unemployment vs Participation rate

In seasonally adjusted terms



Source: TurkStat, ING Bank

The seasonally adjusted unemployment rate that recovered last year as a result of government

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measures to support the labour market and strong recovery in the Turkish economy, has increased again this year, coming at 11.0% in July - the highest in the last 12 months. Deterioration in the unemployment rate from 9.9% at the end of 2017 shows that the labour market is failing to match the growing labour force despite the rising participation rate (SA) at an all-time high at 53.2%.

The unadjusted unemployment rate, on the other hand, turned out to be 10.8%

The unadjusted unemployment rate, on the other hand, turned out to be 10.8%, higher than the 10.7% we saw in July last year, showing that annual employment has been losing momentum with tightening conditions in the labour market.

### Job creation by sectors (SA, % YoY)



Source: TurkStat, ING Bank

On a sequential basis, job creation in July turned marginally negative (-6K), driven by services (77K) and agriculture (3K) while industry (-34K) and construction (-52K) dragged. It is worth noting that construction employment declined for the sixth month in a row, indicative of the growing difficulties in the sector following the recent financial volatility.

Additionally, 12-month rolling employment shows clear momentum loss, not only in construction but also in agriculture, while relative strength of the industry is likely attributable to the government incentives this year for employment especially in SMEs and the manufacturing sector.

In the medium term plan released by the Treasury & Finance Ministry last month, the government seems to acknowledge the need for soft landing with a modest growth rate expectation in 2019, while it also accepts tightening in labour market conditions and an increase in the unemployment rate with forecasts of 11.3% on average this year and 12.1%, on average next year.

The latest data point uptrend has already started.

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