

Turkey: Unemployment rate flat but set to rise

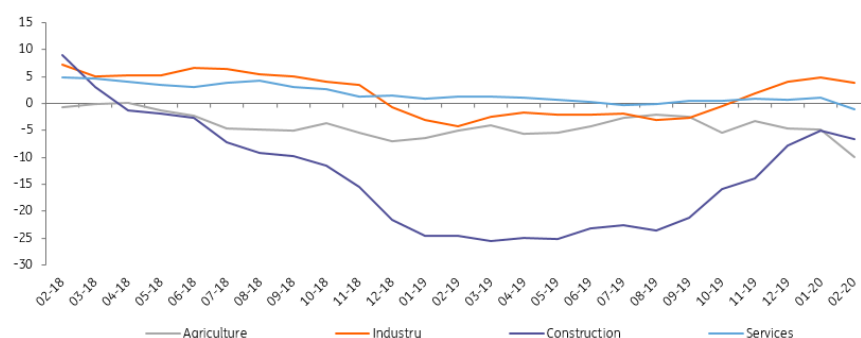
The unemployment rate remained flat in February despite a significant drop in the total number of employed people, as the participation rate fell. However, the jobless rate will likely increase from March onwards



Source: shutterstock

In the three months to February, we saw the total (seasonally-adjusted) number of employed people falling by 767K, with a decline of 495K in February alone. Agriculture stood out with the highest employment loss in this period, followed by services and industry while construction showed a relative strength with a negligible loss, as new jobs posted in December and January were almost offset by a decline in number of jobs for this sector in February.

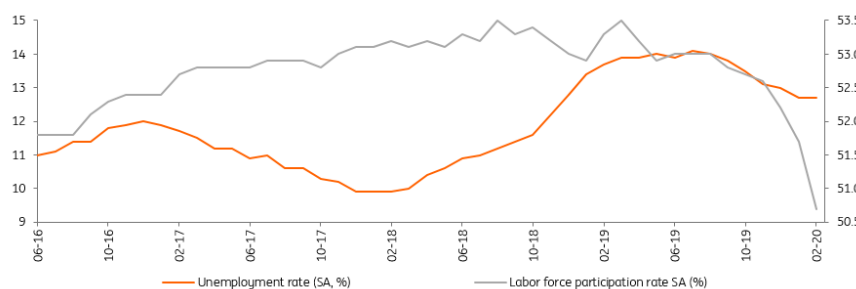
Job creation by sectors (SA, % YoY)



Source: TurkStat, ING

However, the unemployment rate has mostly followed a downward path in recent months, recording a drop from 13.1% in November to 12.7% in January, and remaining flat in February. This performance, despite relatively large job losses, is attributable to the downtrend in the labour force participation rate, from 52.6% to 50.7% in this period vs the all-time high of 53.5% recorded in early 2019. This signals that people continue to leave the labour force, not a good sign regarding the perception of households.

Unemployment vs Labour Force Participation



Source: TurkStat, ING

The unadjusted unemployment rate came in at 13.6% in February vs 14.7% in the same month of 2019, while the unadjusted labour force participation rate was 49.9% (the first number under the 50% threshold since Mar-14). This compares with 52.5% in the same month of last year. On an annual basis, the labour force contracted by 1.1 million vs a 0.6 million fall in the total number of employed.

According to official numbers, 3.19 million workers applied to the State Employment Agency for short-term employment allowance as of 27 April. Given that the number shows only applicants out of the employee pool covered by the Employment Insurance Fund, the total employees affected by the pandemic should be higher with the inclusion of those not eligible to apply for short-term employment allowance. The coronavirus economic freeze will further weigh on already challenging labour market conditions, while government actions and the gradual easing of lockdown measures should reverse the trend, especially in the second half.

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