

## Turkey: Unemployment rate flat but set to rise

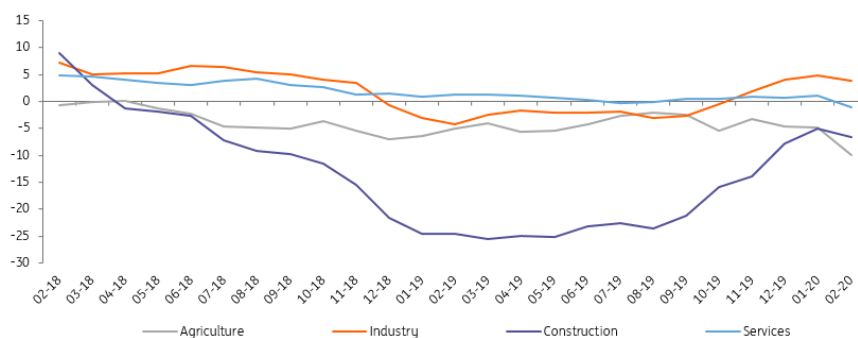
The unemployment rate remained flat in February despite a significant drop in the total number of employed people, as the participation rate fell. However, the jobless rate will likely increase from March onwards



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.

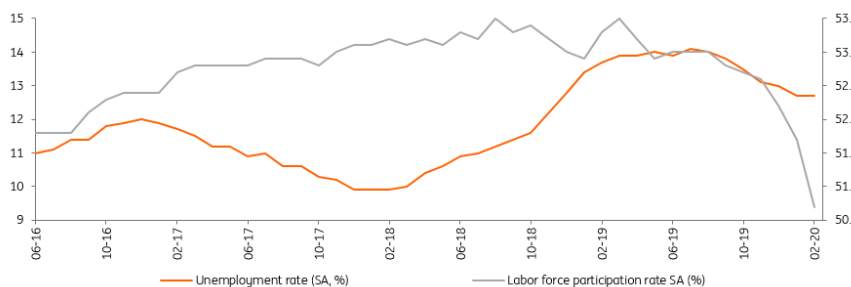
## Job creation by sectors (SA, % YoY)



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.

## Author

### Muhammet Mercan

Chief Economist, Turkey

[muhammet.mercan@ingbank.com.tr](mailto:muhammet.mercan@ingbank.com.tr)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.