

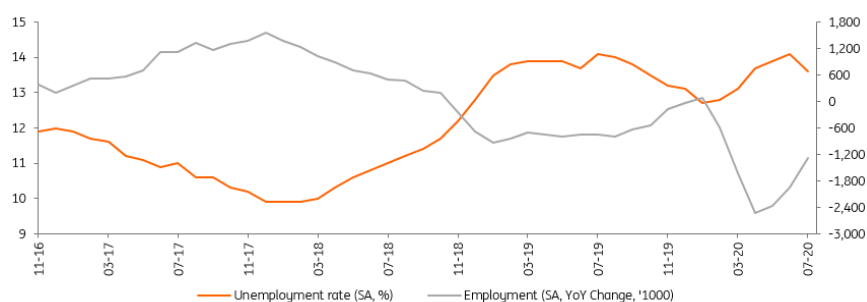
Turkey: Unemployment rate on a downtrend

With the economic freeze easing in Turkey, both manufacturing and services have been returning to a normal course of business, contributing to an improvement in the labour market outlook. In July, the seasonally-adjusted unemployment rate fell for the first time this year



People walking on the famous Istiklal Street, Istanbul

Unemployment Rate vs Total Employment



Source: TurkStat, ING

Total employment in seasonally-adjusted terms (which changed direction in May with the easing of lockdown measures and reopening of the economy) has continued to recover, rising by 540K thanks to the fading impact of the pandemic. In the sector breakdown, services were the biggest contributor as expected, with 399K new jobs created, though this was still below the March level. The second biggest contributor, construction, has shown a rapid recovery and returned to the early 2019 level, with more than 110K in July alone, thanks to surging housing demand, with lower rates and higher available financing. New employment in industry also accelerated, with 57K new jobs, though this was relatively modest in comparison to services and construction, while agriculture recorded a 28K decline, indicative of continuing strains in the aftermath of easing lockdowns.

Accordingly, we saw the employment rate rise to 42.6% from 41.1% at the peak of pandemic, though markedly below the all-time high of 47.9% seen in early 2018. The labour force participation rate, which started to recover in May, further improved in June and reached 49.3% in July. Among the employed, average actual hours of work is also going up, above the February level, another indicator that labour market conditions are getting better.

As such, the unemployment rate recorded its first drop this year, to 13.6% from 14.1% a month ago, the highest in the current series starting in 2005. On the flip side, despite easing strains and an accelerating pace of recovery in the labour data, a large number of people remain out of the labour force despite the increasing population of people aged 15 years and over. So the number of economically inactive people, including discouraged workers not seeking a job or working seasonally has remained high.

The unadjusted unemployment rate was 13.4% vs 13.9% in the same month of 2019, while the unadjusted labour force participation was at 50.3% compared with 53.8% a year ago.

In sum, the worst appears to be behind us with both manufacturing and services returning to a normal course of business, contributing to an improvement in the labour market outlook. The extension of the short-time work scheme until November and ongoing restrictions on dismissals until mid-November should also support the recovery process. However, the pandemic seems to be returning, as we have seen the number of new Covid-cases rise again, which could trigger another set of lockdown measures and could again weigh on economic activity. So the current outlook for the labour market is still uncertain and whether the downtrend continues towards the end of the year has yet to be seen.

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