

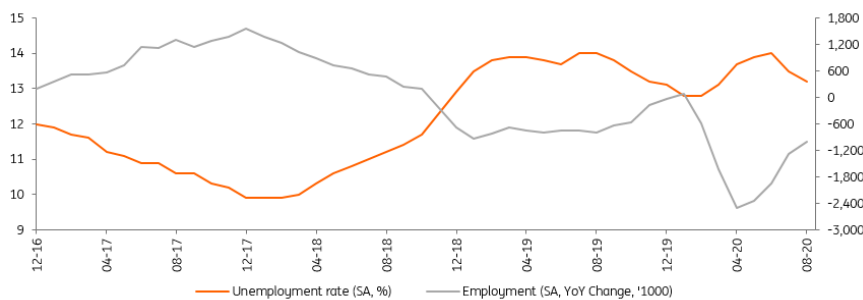
Turkey's unemployment rate remains on a downward path

Given that both manufacturing and services have been returning to a normal, we see a downward trend in Turkey's unemployment rate, though employment still remains markedly below the pre-pandemic level



Shoppers in Istanbul

Unemployment Rate vs Total Employment



Source: TurkStat, ING

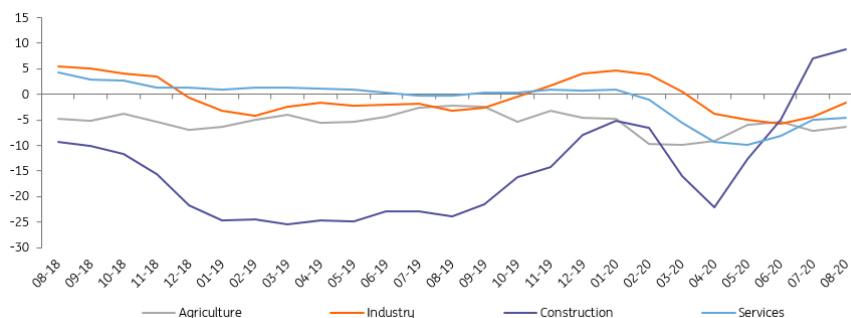
Since the easing of lockdown measures in May, Turkey's employment rate in seasonally adjusted terms has adopted an upward trend with a total of 1.3mn in the last three months to August thanks to the fading of pandemic related measures. Unsurprisingly, services recorded the highest figure with 0.7m jobs, followed by construction at 0.4K which recorded a rapid recovery on the back of surging housing demand with lower rates and higher available financing. New employment in agriculture and industry remained at around 0.1m each.

However, we saw a large employment decline in comparison to the end of 2019 standing at 1.2m as of August. This indicates the strain in the labour market and the still continuing impact of the pandemic in the aftermath of the economic lockdown. With the exception of construction, which has reported net gains in 2020 so far, other sectors have recovered roughly half of the losses or even less.

Accordingly, we saw an uptrend in the employment rate, standing at 43% from 41.1% at the peak of the pandemic, though markedly below of the all-time high at 47.9% we saw in early 2018. The labour force participation rate, which also changed direction in May, reached 49.5% in August. As a result, the unemployment rate has maintained a downward trend, starting at 14.0% two months ago, the highest in the current series which began in in 2005, and it's now fallen to 13.2%.

The unadjusted unemployment rate came in at 13.2% vs 14.0% in the same month of 2019, while unadjusted labour force participation was at 50.6% compared with 53.9% a year ago.

Job creation by sectors (SA, % YoY)



Source: TurkStat, ING

Overall, given that both manufacturing and services have been returning to normal, the average number of hours worked is also going up; it's currently at the level we saw at the end of 2019. That's another indicator that labour market conditions are improving. The extension of the short-term work scheme and of restrictions regarding dismissals until early 2021 should also support the recovery process.

However, the current pace of activity will likely stabilise in the period ahead given the recent normalisation steps by the BRSA and the CBT and uncertainties attached to financial stability. Also, the pandemic seems to be worsening as we have seen the number of new Covid cases rising again. This could lead to further problems in employment. So, the current outlook for the labour market is still uncertain and it's unclear whether the downward trend we've seen in the current period will continue.

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