

Turkey: Unemployment rate signals stabilisation

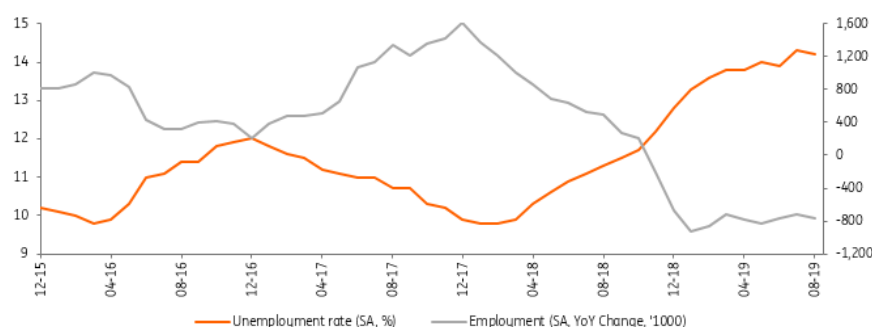
The unemployment rate showed some signs of stabilisation in August as the economic recovery supported the labour market



Source: iStock

The unemployment rate (on a seasonally-adjusted basis) has been on an uptrend since the beginning of 2018, rising from single digits to 14.3% in July. That was the highest in the current series starting in 2005. In August, the rate dipped slightly to 14.2%. It should be noted that the number of unemployed people fell on the month for the first time since February 2018, after hitting an all-time high, although it remains elevated at 4.64 million. The monthly decline in the unemployment rate is attributable not only to improving employment generation, but also a flat labour force participation rate, at 53.1%.

Employment Generation & Unemployment Rate



Source: TurkStat, ING

Sector breakdown

After three months of declines, employment in services jumped by a significant 141K, the biggest monthly gain since November 2015, offsetting declines in industry (-49K), construction (-24K) and agriculture (-3K). Services account for the largest share of total unemployment, at 56.7%. This has been on a continuous uptrend in recent years and whether this trend continues will be crucial for the labour market outlook in the period ahead. Also, despite improving sector confidence and housing demand, unemployment in construction went up in August, amounting to a third of the total since early 2018.

The unadjusted unemployment rate came in at 14.0% vs 11.1% in the same month of 2018, while youth unemployment stood at 27.4%, another all-time high.

Overall, the unemployment rate showed some stabilisation in August with the economic recovery passing through to the labour market while a continuing expansion in public sector hirings is helping too. Going forward, employment conditions will likely improve gradually given the recovering economic activity, though the process will take time and remain challenging in the near term.

Author

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

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