

## Turkey: Unemployment downtrend remains intact

The downtrend in the Turkish unemployment rate continues with a further drop in the seasonally adjusted figure to 10.3% in Oct-17, the lowest since early 2016



Source: Shutterstock

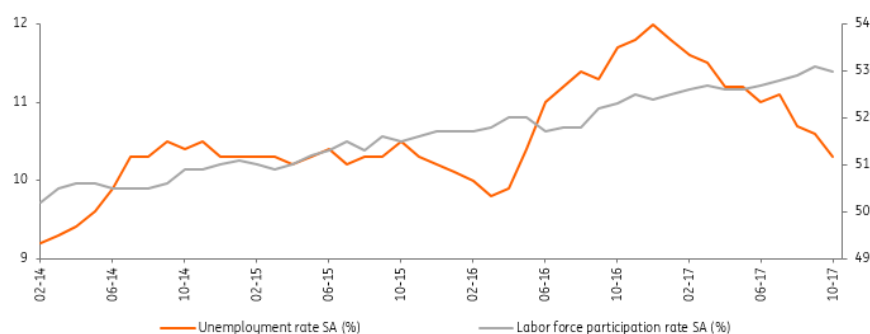
# 10.3%

## Turkish unemployment rate

Seasonally adjusted

The seasonally adjusted (SA) unemployment rate that started moving down last year, from the highest rate of 12.0% in close to seven years at the end of 2016 remained intact in October with a further decline to 10.3%. That's the lowest since April 2016 from 10.6% a month ago. This is due not only to large employment gains in October with 135K (SA) but also a small retreat in the labour force participation rate (SA) from an all-time high at 53.1% to 53%. The unadjusted unemployment rate stood at 10.3% showing a sharp decline from 11.8% in the same month of the previous year.

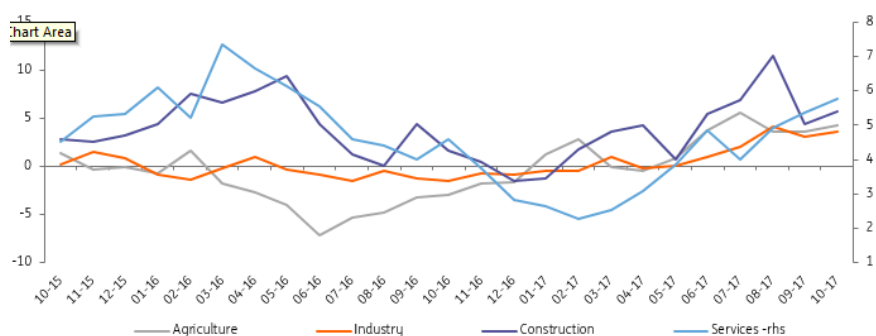
## Unemployment vs Participation rate in SA terms



Source: TurkStat, ING Bank

On a sequential basis, job creation in October was driven by services (107K) followed by industry (49K), while construction (-8K) and agriculture (-13K) saw sequential contractions in employment generation. So, the acceleration in seasonally adjusted employment is attributable to services, recording strong increases last year with the exception of an unexpected contraction in July. The breakdown of the labour data reveals that the youth unemployment rate (SA) and non-agricultural employment (SA) have remained elevated, though they dropped sharply in October.

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



Source: TurkStat, ING Bank

According to the Social Security Institution data for October, the number of compulsory insured recorded a significant 7.2% YoY increase, showing a significant bounce last year after a relatively weak performance in 2016, while the change turned out to be 0.67% over the previous month. On an annual basis, education stood out with the highest loss, while employment in the construction and related sectors, trade and tourism have improved significantly.

Overall, given robust activity on the back of fiscal and credit stimuli, employment has increased rapidly in 2017, notwithstanding the rapidly expanding labour force (SA) by 5% annually. However, given the pace of improvement, this will likely lose momentum in the period to come with an expected softening in growth performance this year.

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