Turkish unemployment inches lower to 13.9%

Turkey's seasonally adjusted unemployment rate has been increasing since early 2018 but dipped marginally in June to 13.9% despite the slightly higher labour force participation

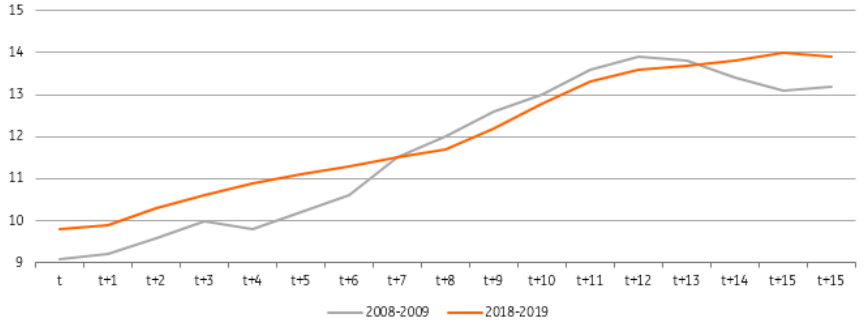
Source: Shutterstock

Turkey's labour market data shows the unemployment rate remains close to the peak realised after the global financial crisis at 14.0%, though it did slightly improve to 13.9% in June.

This is attributable to 100K job generation (the highest monthly reading since end-2017), most likely assisted by one of the better tourism seasons of the decade. June employment gains absorbed a large portion of labour force growth (driven by an increase in the participation rate to 52.9%), though still below the all-time high level of 53.5% realized in late 2018.

It should be noted that the number of unemployed people - over 4.5 million continues to increase.

Unemployment trend (%)

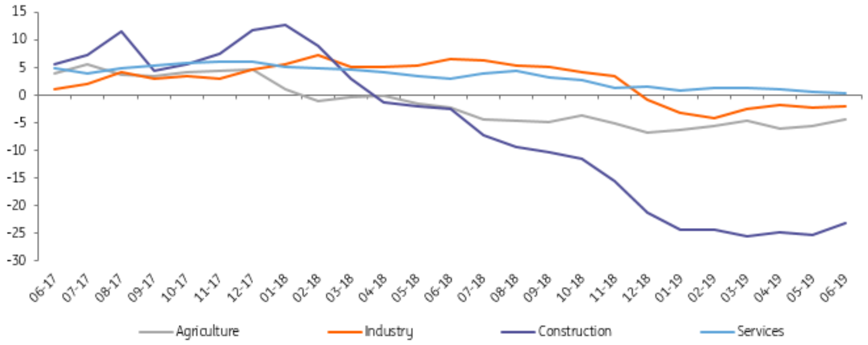


Source: TurkStat, ING

The detailed breakdown shows all sectors, except services, contributed to the monthly employment gains. On one hand, construction that lost almost a third of the employment it provided since the beginning of 2018, recorded a growth in June at 12K. This is also the case for agriculture that recorded almost 10% contraction in employment in the same period turned to positive with 25K new jobs. Industry was among the good performers with 70K employment addition. On the other hand, services having more than 56% share in the total employment that maintained positive YoY growth rate since the start of the labour market pressures witnessed a 7K monthly decline in employment albeit at a slower pace.

The unadjusted unemployment rate was 13.0% vs 10.2% in the same month of 2018.

Job creation by sectors (SA, % YoY)



Source: TurkStat, ING

Unemployment data hints at continuing strains in the labour market, though things are much better after the significant deterioration in 2018, given the government has added 10.6% more to public payrolls over the last 12 months, which now reach 4.57 million or almost 14% of the active workforce. Government subsidy to social security contributions of large firms and recovering activity has also helped absorb the ongoing pressure.

Going forward, employment conditions should gradually improve given the recovery momentum, but the process is likely to be slow and remains challenging in the near term.

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