

Turkey: Unemployment rate keeps falling

The jobless rate in Turkey has continued to move lower with a further drop in the seasonally adjusted figure to 9.9% at the end of 2017. With one temporary exception in 2016, this is the lowest reading since mid-2014



Source: Shutterstock

9.9%

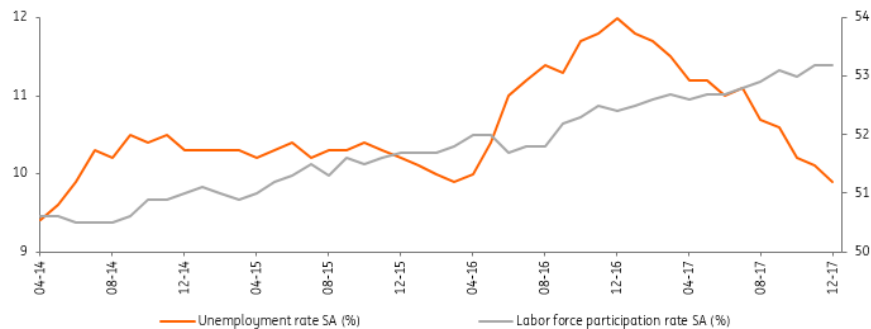
December unemployment rate

(Seasonally adjusted)

The seasonally adjusted (SA) unemployment rate, which has been in a downtrend since the end of 2016, declined further in December and dipped into single-digit territory at 9.9%. That compares to 10.1% in the previous month and 12% (the highest rate since early 2010) a year before. The latest reading is the lowest since mid-2014 with the exception of a temporary single-digit figure in March 2016. The monthly improvement in December is, once again, attributable to continuing employment gains, with 137K (SA), while the labour force participation rate (SA) remained flat at an all-time high of 53.2%. The breakdown of the labour data reveals that the youth unemployment rate (SA) and non-agricultural employment (SA) have also dropped sharply.

The unadjusted unemployment rate stood at 10.4% showing a sharp decline from 12.7% in the same month of the previous year, thanks to 1.6mn new jobs generated in a year.

Unemployment vs Participation rate in SA terms

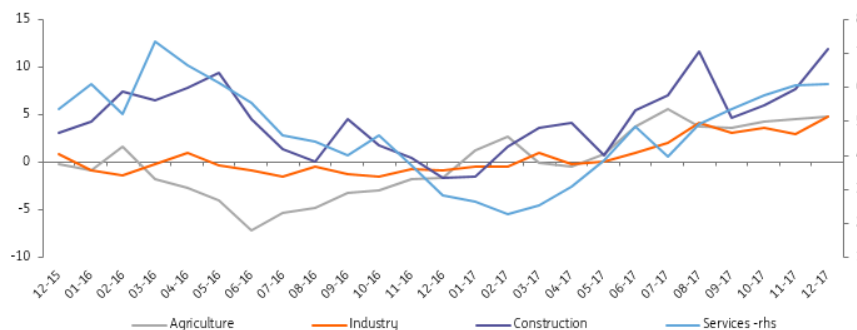


Source: TurkStat, ING Bank

On a sequential basis, job creation in December was driven by industry (44K) and construction (44K) followed by agriculture (36K) and services (13K). In 2017, the acceleration in employment was attributable to services, recording a strong increase of 900K (with the exception of an unexpected contraction in July) while other sectors posted job gains in the range of 235K-250K.

Job creation by sectors

(SA, % YoY)



Source: TurkStat, ING Bank

According to the Social Security Institution data for December, the number of compulsory-insured recorded a significant 7.9% YoY increase, showing a significant bounce after a relatively weak performance in 2016, while the change turned out to be slightly negative at -0.54% sequentially. Having strong seasonality, the construction and tourism sectors witnessed a decline in the number of insured, compared with modest gains in education and food sectors. On an annual basis, education stood out with the highest loss, while construction, tourism and trade-related activities have improved significantly.

Despite the uptrend in labour force (SA) participation throughout 2017 (by 80bp), employment has continued to improve thanks to hiring mobilisation efforts by the government, including significant employment incentives via cuts in social premiums in new

hirings and other forms of tax incentives. This year, the government will keep supporting the labour market, especially in SMEs and the manufacturing sector focusing on female and youth employment, with the aim of generating another 1.5mn new jobs. New incentives to boost investments should further improve labour market conditions, in our view.

Author

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.