

Turkish unemployment: Back on the rise

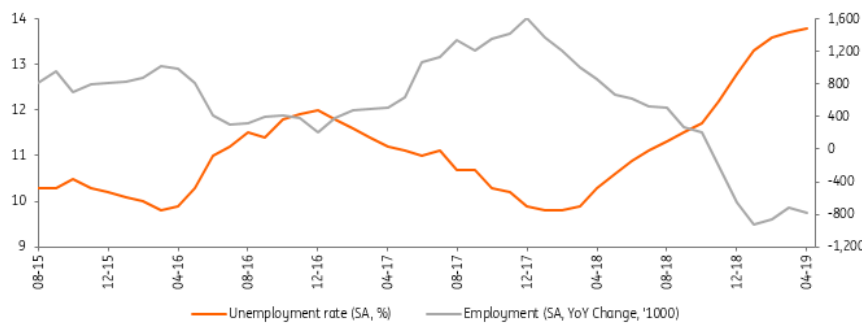
After a temporary break in June, Turkish unemployment has begun to climb back up showing that pressures in the labour market haven't really abated



Seasonally adjusted Turkish unemployment has been on a rising trend since the beginning of 2018 from single digits to 14.3% as of July 2019 - the highest in the current series starting in 2005.

The monthly increase from 14.0% is attributable to continuing expansion in the labour force with a further rise in the participation rate to 53.1%, and sluggish employment generation without any meaningful change in the total number of employed people in July. It should be noted that the number of unemployed people, over 4.68 million people remains on an uptrend vs 3.14 million in February 2018.

Unemployment trend (%)



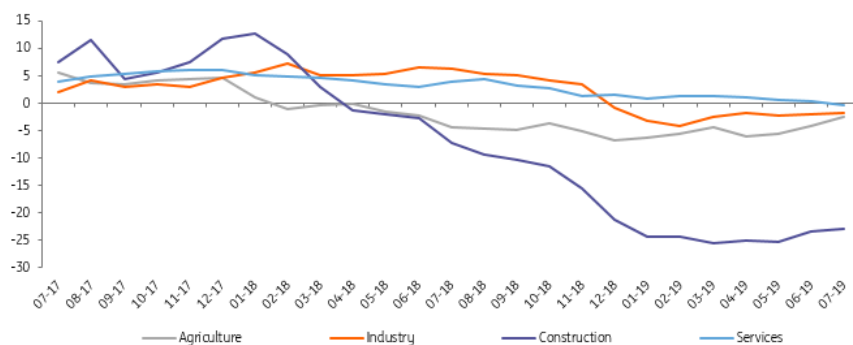
Source: TurkStat, ING Bank

The breakdown shows agriculture recording 67K job generation more than offset the contraction in non-agricultural sectors driven by construction (-34K), while industry posted -16K job losses.

Despite one of the better tourism seasons of the decade, employment in services also dropped by -15K, turning to negative on a 12M rolling basis. That was not the case even during the global crisis.

It is worth noting that the construction sector that showed employment gains in June for the first time since the strains in the labour market lost almost a third of the employment it provided in one and a half year. The unadjusted unemployment rate was realised at 13.9% vs 10.8% in the same month of 2018.

Job creation by sectors (SA, % YoY)



Source: TurkStat, ING

Overall, the positive signals in June proved to be temporary and unemployment started rising again in July showing that labour market pressures have not abated despite the sharp increase in public payrolls over the last 12 months.

Going forward, employment conditions should gradually improve given recovering economic activity although the process will take time and remain challenging in the near term.

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