

NON-AGRICULTURAL UNEMPLOYMENT RATE HAS NOT BEEN DECREASING

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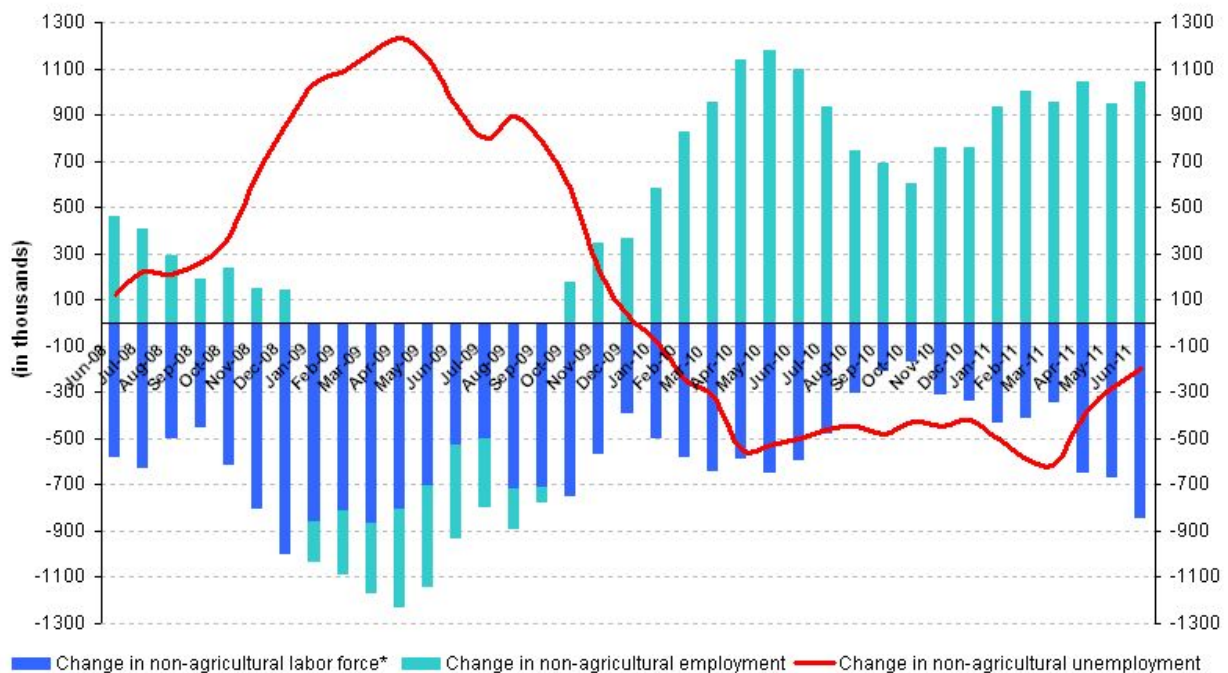
Executive Summary

According to the labor market statistics released by TurkStat, non-agricultural unemployment rate came down to 11.9 percent in the period of June 2011. However, seasonally adjusted labor market data shows that non-agricultural unemployment rate remained the same in the period of June 2011 (13.2 percent). According to seasonally adjusted labor market data, increase in service employment (148 thousand) counterbalanced the decline in manufacturing employment. However, strong increase in non-agricultural labor force neutralized the increase in service and construction sector employment, which would have decreased the non-agricultural unemployment rate.

Strong Increase in non-agricultural labor force

According to the labor market statistics released by TurkStat on the 15th of September, employment has reached 24 million 901 thousand in the period of June 2011 (May – June - July), while non-agricultural employment reached 18 million 301 thousand. Raw labor market statistics reveal that on year-on-year basis, non-agricultural labor force increased by 848 thousand (4.3 percent) and non-agricultural employment increased by 1 million 46 thousand (6.1 percent) in June 2011. On the other hand, non-agricultural unemployment rate decreased from 13.4 percent to 11.9 percent (Figure 1). The salient point is that the increase in non-agricultural labor force has risen to 800 thousand in June 2011. It had reverted back to its trend of 600 thousand in the last three periods.

Figure 1 Year-on-year changes in non-agricultural labor force, employment and unemployment



* The change in labor force represented with a negative sign.

Source: TurkStat, **Betam**



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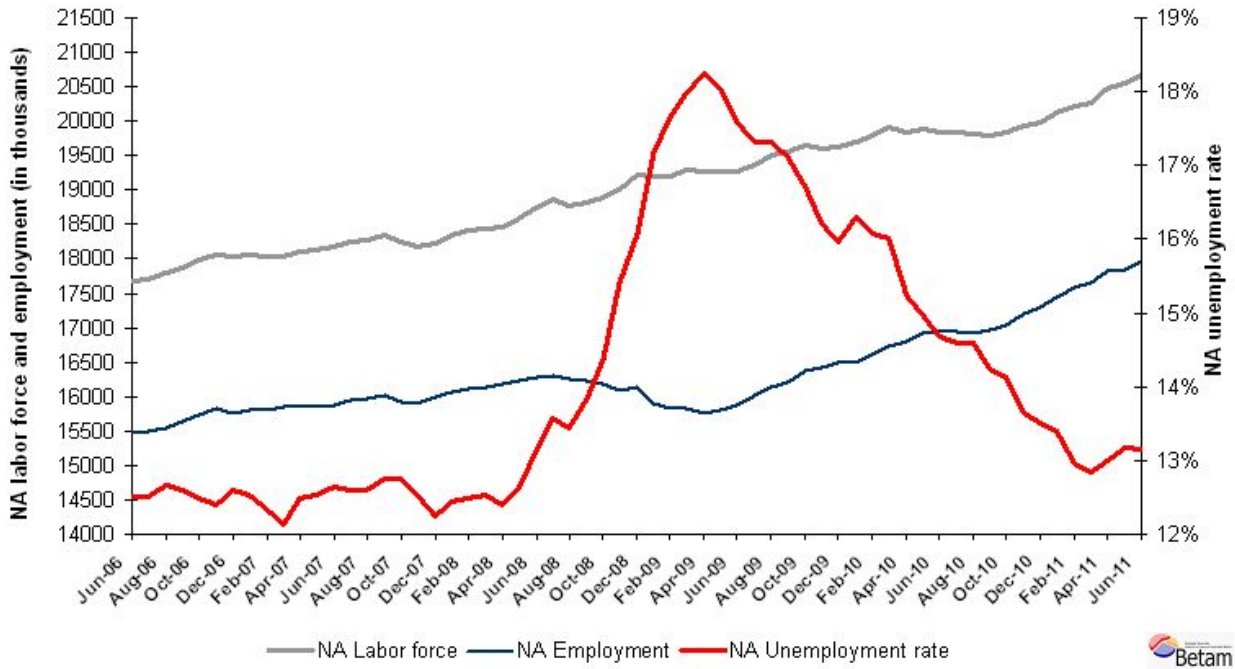
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Seasonally adjusted non-agricultural unemployment remained stagnant

According to seasonally adjusted series, non-agricultural labor force increased by 125 thousand in May compared to its level in May and reached 20 million 677 thousand. The increase in non-agricultural labor force corresponds to 832 thousand people on year-on-year basis. However, non-agricultural employment increased 111 thousand and reached 17 million 957 thousand. Consequently, non-agricultural unemployment increased only by 42 thousand and non-agricultural unemployment rate remained at 13.2 percent (Figure 2). Non-agricultural unemployment remained stagnant since increase in non-agricultural labor force was counterbalanced by a strong increase in non-agricultural employment.

Figure 2 Seasonally adjusted non-agricultural labor force, employment and unemployment



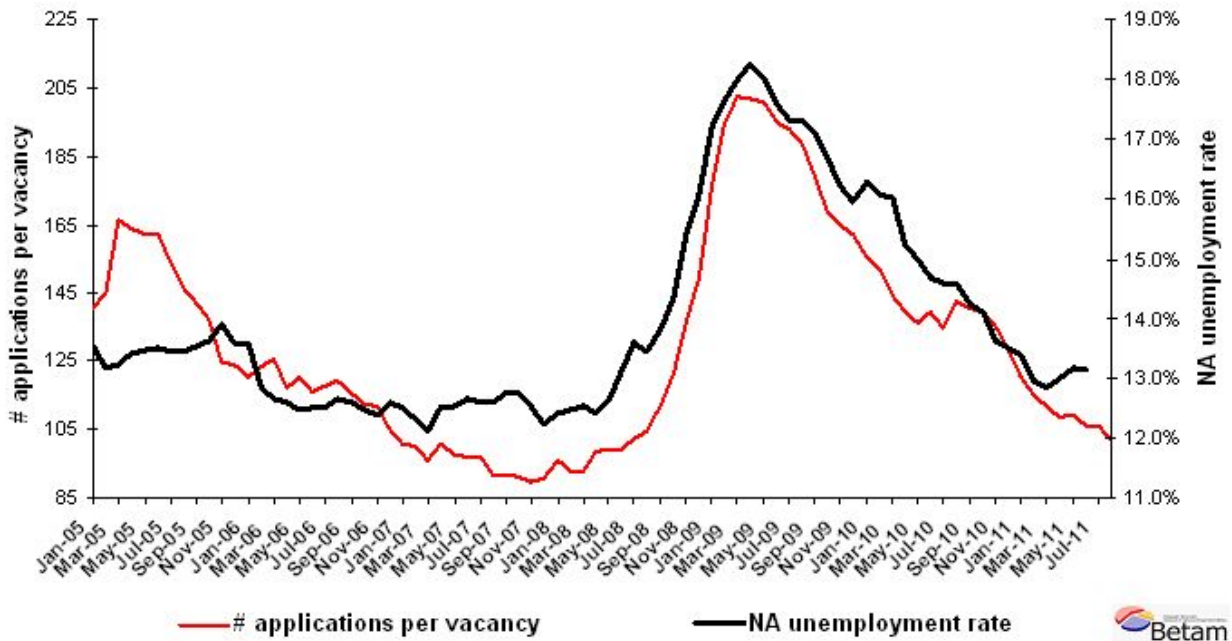
Source: TurkStat, Betam

According to Kariyer.net data, non-agricultural unemployment may decrease in the period of June 2011¹

The application per vacancy series released by Kariyer.net, which had been remained stagnant in June and July, had a slight decline in August 2011. Given the fact that labor force data will be the average of June – July - August, we expect that seasonally adjusted non-agricultural employment rate may decrease slightly in July 2011.

¹ Starting from April, Betam will be using a new series released by Kariyer.net on application per vacancy. Kariyer.net collects this data via their website which is one of the largest job search engines in Turkey. Given the lack of data on vacancies in Turkey, we believe that this new series will provide useful insight to the labor market in Turkey. It provides information on the number of unemployed who are actively seeking work as well as the number of jobs that are available in the labor market. A decrease in applications per vacancy may be caused by an increase in vacancies or by a decrease in the number of applications. An increase in vacancies signals economic growth while decreasing number of applications indicates a decrease in number of people looking for a job. Figure 3 illustrates the seasonally adjusted non-agricultural unemployment rate and deseasonalized calendar day adjusted application per vacancy (Kariyer.net) series. It is clear that these series are highly correlated (almost 90 percent).

Figure 3 Non-agricultural unemployment rate and application per vacancy (SA)



Data source: Kariyer.net, TurkStat, **Betam**

Increase in service employment in the period of June 2011

According to the seasonally adjusted figures, manufacturing employment decreased by 68 thousand in June 2011 (App. 1 Table 2, App. 2 Figure 4).² Employment losses in the manufacturing sector during last three periods (April, May, June) are in line with the declines in the industrial production index. Parallel to the increase in the industrial production index in July 2011, we expect an increase in employment in the manufacturing sector in July 2011 as well. Employment in the service sector increased by 148 thousand compared to the previous period and is the main factor behind the increase in non-agricultural employment.

Seasonally adjusted labor force data shows that agricultural employment, which decreased in the period of April and May 2011, increased 31 thousand in the period of June 2011. The future direction of agricultural employment still remains uncertain.

² Seasonal adjustment procedure is applied to each sector of employment series separately. Hence the sum of these series may differ from the seasonally adjusted series of total employment. The difference stems from the non-linearity of the seasonal adjustment process.

Appendix 1: Table 1 Seasonally adjusted non-agricultural labor force indicators (in thousands)

	Labor force	Employment	Unemployment	Unemployment rate	Monthly changes		
					Labor force	Employment	Unemployment
May-08	18588	16243	2346	12.6%			
June-08	18744	16285	2459	13.1%	156	42	114
July-08	18856	16295	2561	13.6%	112	10	102
August-08	18780	16257	2523	13.4%	-77	-38	-38
September-08	18826	16221	2604	13.8%	46	-36	82
October-08	18891	16177	2714	14.4%	65	-44	110
November-08	19011	16083	2928	15.4%	120	-94	214
December-08	19221	16133	3088	16.1%	211	50	160
January-09	19187	15891	3296	17.2%	-34	-242	208
February-09	19208	15819	3389	17.6%	21	-72	92
March-09	19286	15817	3469	18.0%	78	-2	80
April-09	19259	15746	3513	18.2%	-27	-71	44
May-09	19274	15802	3472	18.0%	15	55	-40
June-09	19271	15883	3388	17.6%	-3	82	-85
July-09	19359	16007	3352	17.3%	88	123	-35
August-09	19504	16126	3378	17.3%	145	119	26
September-09	19556	16211	3346	17.1%	52	85	-32
October-09	19655	16376	3280	16.7%	99	165	-66
November-09	19600	16422	3179	16.2%	-55	46	-101
December-09	19633	16500	3133	16.0%	33	78	-45
January-10	19692	16485	3207	16.3%	59	-15	74
February-10	19788	16608	3180	16.1%	96	124	-28
March-10	19911	16724	3187	16.0%	123	116	7
April-10	19830	16808	3022	15.2%	-81	84	-165
May-10	19896	16916	2980	15.0%	66	108	-42
June-10	19845	16933	2913	14.7%	-51	16	-67
July-10	19828	16937	2891	14.6%	-18	4	-22
August-10	19808	16918	2890	14.6%	-19	-18	-1
September-10	19787	16971	2816	14.2%	-21	52	-74
October-10	19844	17042	2802	14.1%	57	71	-14
November-10	19931	17214	2717	13.6%	87	172	-85
December-10	19989	17291	2698	13.5%	58	77	-19
January-11	20134	17437	2697	13.4%	146	146	-1
February-11	20208	17590	2617	13.0%	73	153	-80
March-11	20265	17663	2602	12.8%	58	73	-15
April-11	20470	17811	2659	13.0%	205	148	57
May-11	20552	17845	2707	13.2%	82	34	48
June-11	20677	17957	2720	13.2%	125	111	13

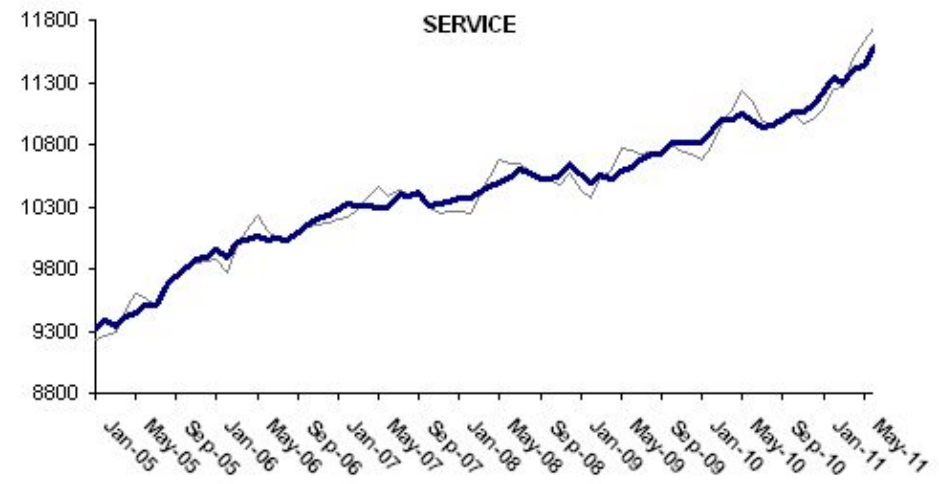
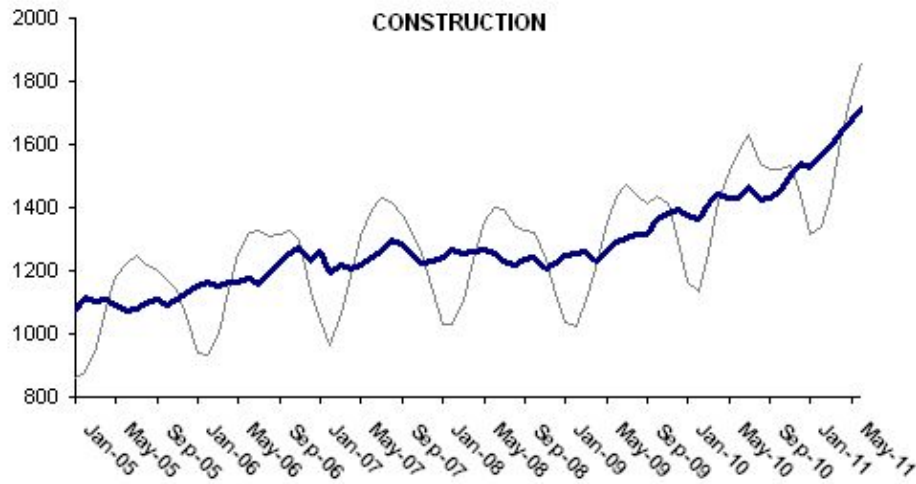
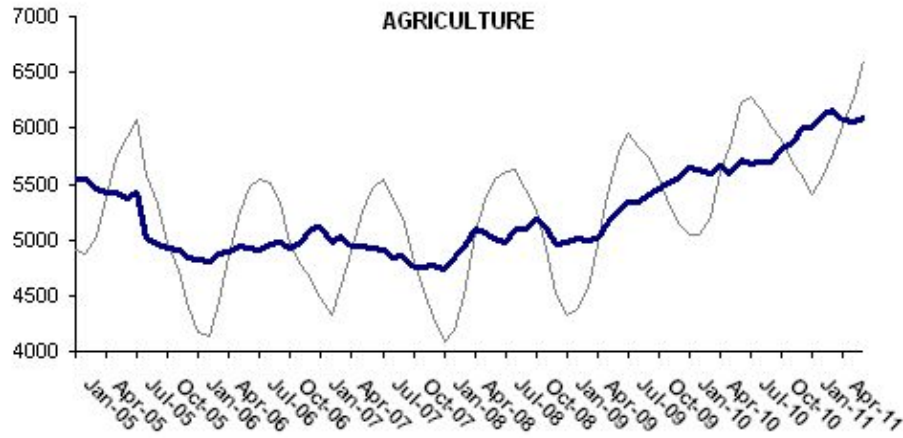
Source: TurkStat, **Betam**

Appendix 1: Table 2 Seasonally adjusted sector of employment (in thousands)

	Agriculture	Manufacturing	Construction	Service	Monthly changes			
					Agriculture	Manufacturing	Construction	Service
May-08	5066	4492	1266	10491				
June-08	5006	4505	1252	10533	-60	13	-14	42
July-08	4981	4489	1229	10592	-24	-16	-24	59
August-08	5091	4478	1219	10562	110	-12	-9	-31
September-08	5100	4457	1233	10519	8	-21	14	-42
October-08	5188	4395	1244	10516	88	-62	11	-3
November-08	5117	4304	1207	10556	-71	-91	-37	40
December-08	4961	4257	1223	10644	-156	-47	16	88
January-09	4977	4110	1249	10549	16	-147	26	-95
February-09	5008	4079	1257	10492	30	-32	7	-57
March-09	4987	4028	1263	10554	-21	-51	6	62
April-09	5006	3986	1231	10529	20	-42	-32	-25
May-09	5155	3965	1261	10577	148	-21	30	48
June-09	5253	3976	1288	10618	98	11	27	40
July-09	5342	4035	1305	10675	89	59	16	58
August-09	5330	4058	1317	10729	-12	23	13	54
September-09	5408	4126	1317	10725	78	68	0	-4
October-09	5460	4165	1362	10818	52	39	45	94
November-09	5509	4229	1383	10821	49	64	21	3
December-09	5556	4299	1395	10813	47	70	12	-9
January-10	5653	4307	1375	10814	97	9	-20	1
February-10	5629	4357	1367	10900	-24	50	-9	87
March-10	5597	4369	1414	11000	-31	11	47	99
April-10	5668	4410	1444	10993	71	42	30	-6
May-10	5602	4474	1428	11039	-67	64	-16	46
June-10	5711	4523	1429	10991	109	50	1	-48
July-10	5688	4536	1466	10936	-22	13	36	-55
August-10	5694	4493	1424	10947	6	-43	-41	11
September-10	5696	4463	1427	10997	2	-30	3	51
October-10	5823	4458	1448	11059	126	-5	21	62
November-10	5867	4649	1506	11064	45	191	58	5
December-10	5998	4652	1540	11101	131	3	34	37
January-11	6002	4686	1527	11225	3	34	-13	124
February-11	6133	4697	1572	11344	131	12	44	119
March-11	6161	4848	1591	11293	28	151	19	-52
April-11	6074	4836	1637	11396	-87	-12	46	103
May-11	6054	4768	1680	11430	-20	-68	43	34
June-11	6085	4687	1712	11578	31	-81	32	148

Source: TurkStat, **Betam**

Appendix 2: Figure 4 Employment changes in sectors (in thousand)³



Source: TurkStat, Betam

³ Grey lines indicate seasonally adjusted series, where dark blue lines represent raw data.