

LARGE INCREASE IN UNEMPLOYMENT

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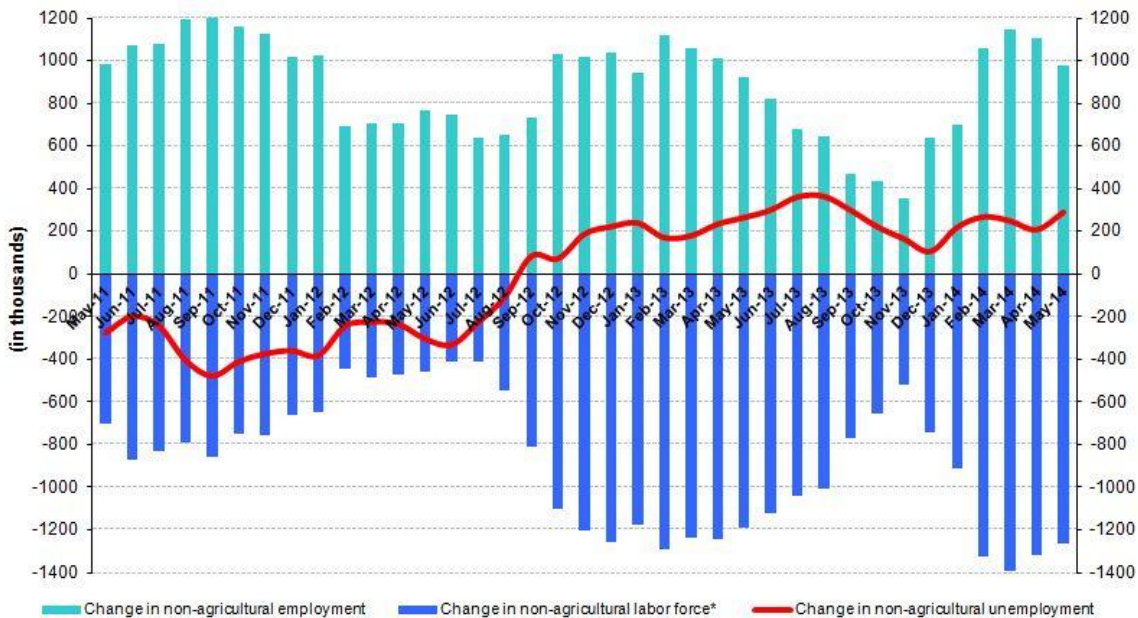
Abstract

Seasonally adjusted labor market data shows that non-agricultural unemployment rate has reached 11.5 percent, increasing by 0.4 percentage points in the period of May 2014 compared to the period of April 2014. During the same period, non-agricultural employment decreased by 11 thousand while non-agricultural labor force increased by 91 thousand. Employment in construction and industrial sectors decreased by 45 thousand and 9 thousand, respectively. However, employment in services expanded by 41 thousand. Data on the month of May, which covers April-May-June months, reveals that unemployment is increasing parallel to the slowdown in economic growth in second quarter of the year. According to our forecasting based on Kariyer.net data, unemployment rate will continue to increase in the period of June 2014.

The decrease in employment

According to data released by TurkStat, non-agricultural labor force increased by 1 million 267 thousand (5.8 percent) and non-agricultural employment increased by 978 thousand (5 percent) in the period of May 2014 compared to the same period in the previous year (Figure 1). Consequently, the number of persons unemployed in non-agricultural sectors increased by 289 thousand. Annual changes are affected by the revisions introduced in February 2014. Nevertheless, the decline in employment compared to the same period in the previous year is remarkable.

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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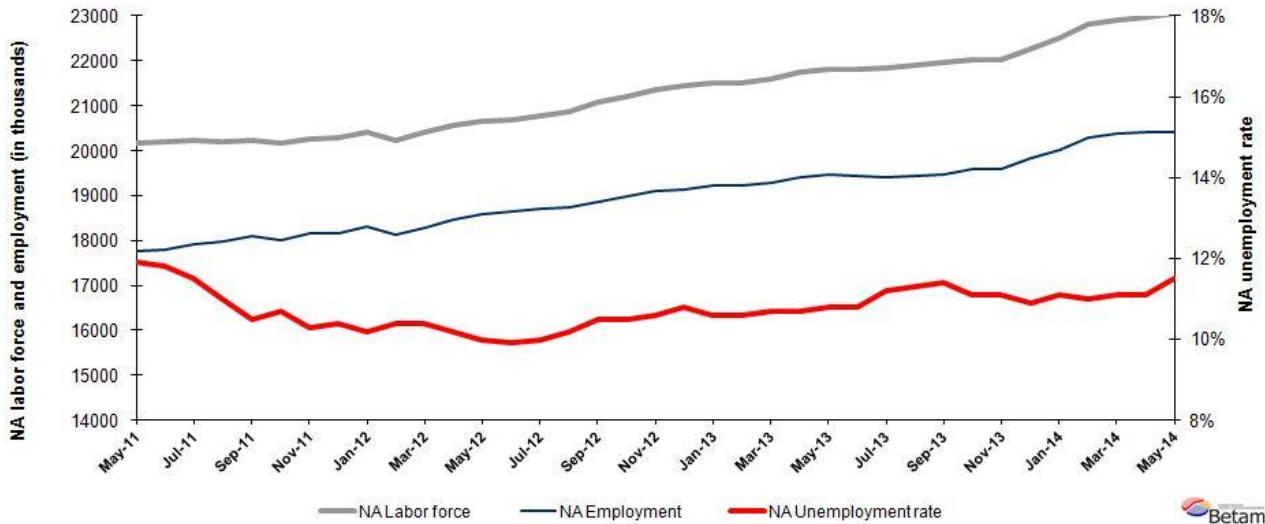
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Large increase in non-agricultural unemployment by 0.4 percent points

According to seasonally adjusted data, non-agricultural labor force increased by 91 thousand in the period of May 2014 compared to the period of April 2014, and reached 23 million 49 thousand (Figure 2, Table 1). Non-agricultural employment decreased by 11 thousand and reached 20 million 398 thousand. Hence, the number of persons unemployed in non-agricultural sectors increased by 102 thousand and non-agricultural unemployment rate increased by 0.4 percentage point compared to the period of April 2014 and reached 11.5 percent in the period of May 2014.

Figure 1 Seasonally adjusted non-agricultural labor force, employment, and unemployment



Source: TurkStat, **Betam**

Unemployment will keep increasing in the period of June 2014

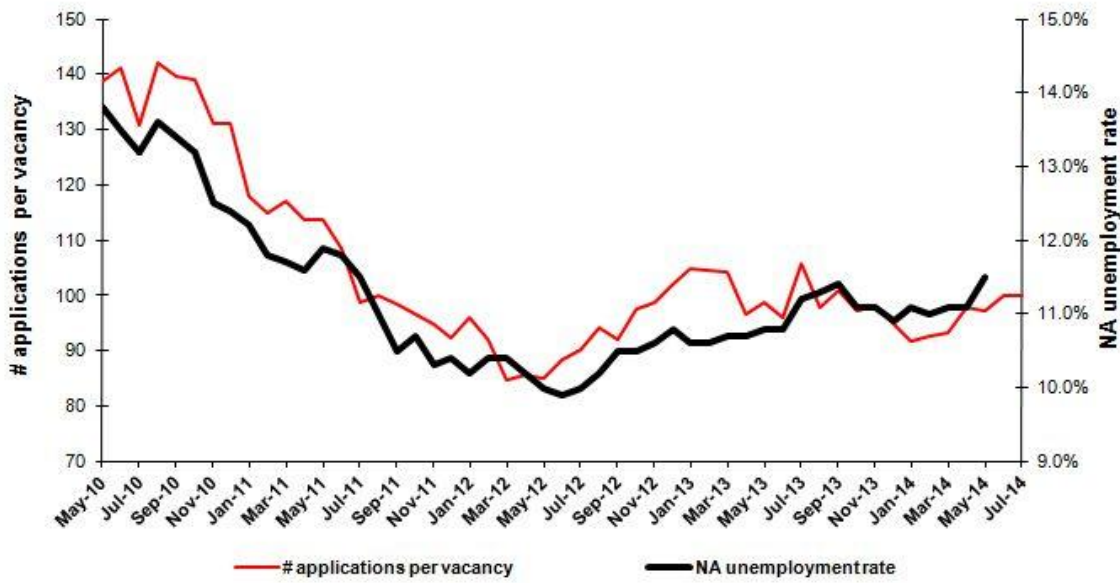
Our calculations based on the seasonally adjusted application per vacancy statistics calculated using Kariyer.net¹ series indicate that we accurately predicted the direction of unemployment for the last two periods. The Kariyer.net series also indicates that non-agricultural unemployment might slightly increase in the period of April 2014. Also, in parallel with our expectations large increase in unemployment is recorded in the month of May, 2014.

Application per vacancy series, released by Kariyer.net, seen in the Figure 3 are used in the forecasting model. The series, which show an increasing trend since the month of January 2014, point out an increase in the unemployment rate in the period of June 2014 as well as in the period of May 2014. According to the results of our model, unemployment will increase in the period of June 2014 as it did in May 2014.² Betam's forecasts and current economic indicators show that economic growth significantly slowed down in the second quarter compared to first quarter of this year. Hence, our unemployment forecasting by using Kariyer.net series reveals that this slowdown will keep reflecting on the unemployment rate.

¹ Betam has been calculating application per vacancy using series released by Kariyer.net for a while. Seasonal and calendar adjustment procedure is applied to application per vacancy series. 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. Monthly labor market series released by TurkStat is the average of three months. Therefore, application per vacancy statistics calculated using Kariyer.net series is the average of three months as well.

² For detailed information on Soybilgen's forecasting model, please see Betam Research Brief 168 titled as "Kariyer.net Verisiyle Kısa Vadeli Tarım Dışı İşsizlik Tahmini" <http://betam.bahcesehir.edu.tr/tr/2014/06/kariyer-net-verisiyle-kisa-vadeli-tarim-disi-issizlik-tahmini/>

Figure 2 Seasonally adjusted non-agricultural unemployment rate and application per vacancy



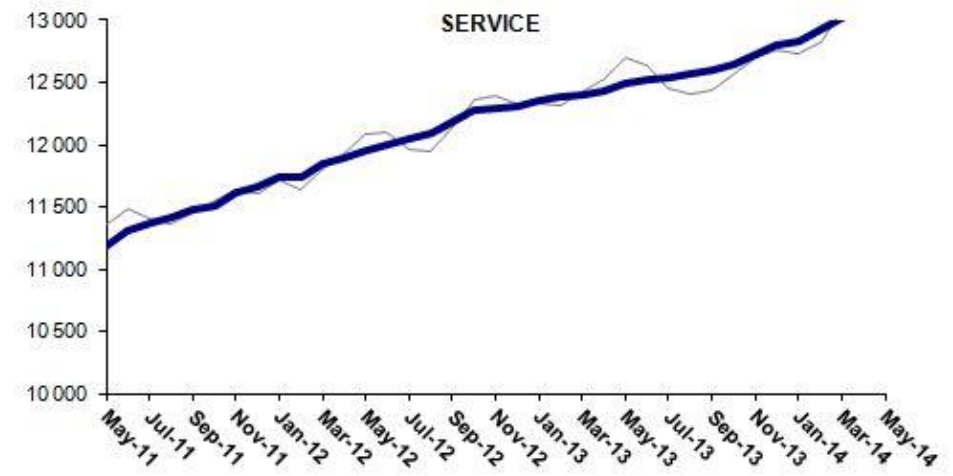
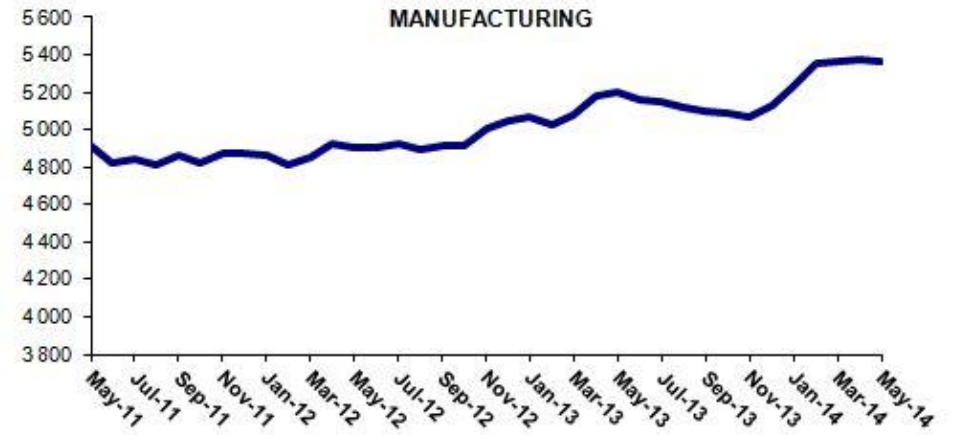
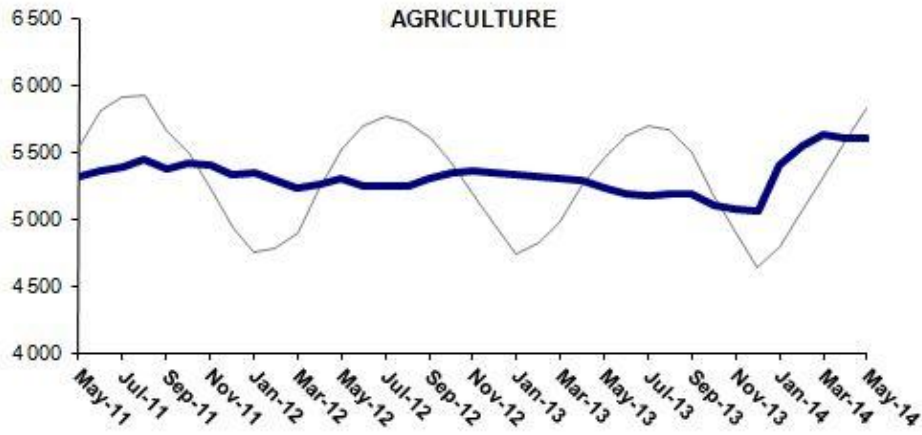
Source: Kariyer.net, TurkStat, Betam

Employment in manufacturing and construction sectors decreased

According to seasonally adjusted labor market series, in the period of May 2014 deceleration in the employment rise for service sector was observed and employment in this sector increased by 41 thousand (Figure 4, Table 2).³ The decline in construction sector employment remained unchanged since March 2014. Furthermore, employment in this sector decreased by 45 thousand in the period of May 2014. Also, in this period employment in manufacturing sector, where slight employment expansion has been recorded in previous two periods, started to fall and employment decreased by 9 thousand. Employment in services moves parallel to the manufacturing production index, which stagnated in the second quarter. Geopolitical risks related to third quarter of the year and decreasing export to Iraq signals that movements in manufacturing employment will be weak.

³Employment in each sector is seasonally adjusted 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.

Figure 3 Employment by sectors (in thousands)



Source: TurkStat, Betam



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

	Labor force	Employment	Unemployment	Unemployment rate	Monthly changes		
					Labor force	Employment	Unemployment
April-11	20070	17742	2328	11,6%			
May-11	20169	17769	2400	11,9%	99	27	72
June-11	20187	17805	2382	11,8%	18	36	-18
July-11	20244	17916	2328	11,5%	57	111	-54
August-11	20204	17982	2222	11,0%	-40	66	-106
September-11	20230	18106	2124	10,5%	26	124	-98
October-11	20171	18013	2158	10,7%	-59	-93	34
November-11	20249	18163	2086	10,3%	77	150	-73
December-11	20278	18169	2109	10,4%	29	6	23
January-12	20401	18320	2081	10,2%	123	151	-28
February-12	20224	18121	2103	10,4%	-177	-199	22
March-12	20406	18284	2122	10,4%	182	163	19
April-12	20575	18476	2099	10,2%	168	192	-24
May-12	20656	18590	2066	10,0%	81	114	-33
June-12	20690	18642	2048	9,9%	35	52	-17
July-12	20778	18700	2078	10,0%	87	58	29
August-12	20879	18749	2130	10,2%	101	49	52
September-12	21080	18867	2213	10,5%	202	118	84
October-12	21199	18973	2226	10,5%	118	106	12
November-12	21360	19096	2264	10,6%	161	123	38
December-12	21455	19138	2317	10,8%	95	42	53
January-13	21519	19238	2281	10,6%	64	100	-36
February-13	21496	19217	2279	10,6%	-23	-21	-2
March-13	21589	19279	2310	10,7%	94	62	32
April-13	21740	19414	2326	10,7%	151	135	16
May-13	21814	19458	2356	10,8%	74	44	30
June-13	21808	19453	2355	10,8%	-6	-5	-1
July-13	21850	19403	2447	11,2%	42	-50	92
August-13	21918	19441	2477	11,3%	67	38	29
September-13	21977	19472	2505	11,4%	60	31	29
October-13	22027	19582	2445	11,1%	50	110	-60
November-13	22038	19592	2446	11,1%	11	10	1
December-13	22259	19833	2426	10,9%	221	241	-20
January-14	22523	20023	2500	11,1%	264	190	74
February-14	22807	20298	2509	11,0%	284	275	9
March-14	22915	20371	2544	11,1%	108	73	35
April-14	22957	20409	2548	11,1%	43	38	5
May-14	23049	20398	2651	11,5%	91	-11	102

Source: TurkStat, Betam

Table 2 Seasonally adjusted employment by sectors (in thousands) *

	Agriculture	Manufacturing	Construction	Service	Monthly changes			
					Agriculture	Manufacturing	Construction	Service
April-11	5359	4958	1633	11150				
May-11	5313	4915	1663	11192	-46	-43	30	42
June-11	5362	4826	1677	11301	49	-89	14	109
July-11	5379	4846	1703	11367	17	20	26	66
August-11	5441	4816	1758	11408	62	-30	55	41
September-11	5374	4866	1760	11480	-67	50	2	72
October-11	5409	4823	1680	11510	35	-43	-80	30
November-11	5403	4870	1671	11622	-6	47	-9	112
December-11	5329	4873	1637	11659	-74	3	-34	37
January-12	5336	4864	1710	11745	7	-9	73	86
February-12	5283	4808	1566	11746	-53	-56	-144	1
March-12	5232	4850	1581	11853	-51	42	15	107
April-12	5260	4930	1656	11890	28	80	75	37
May-12	5306	4908	1731	11951	46	-22	75	61
June-12	5249	4900	1740	12001	-57	-8	9	50
July-12	5247	4926	1732	12041	-2	26	-8	40
August-12	5240	4892	1760	12097	-7	-34	28	56
September-12	5306	4911	1777	12179	66	19	17	82
October-12	5350	4917	1782	12274	44	6	5	95
November-12	5360	5003	1803	12289	10	86	21	15
December-12	5346	5051	1779	12309	-14	48	-24	20
January-13	5335	5073	1815	12350	-11	22	36	41
February-13	5308	5023	1805	12389	-27	-50	-10	39
March-13	5296	5083	1790	12406	-12	60	-15	17
April-13	5288	5176	1812	12425	-8	93	22	19
May-13	5230	5200	1759	12499	-58	24	-53	74
June-13	5180	5163	1773	12516	-50	-37	14	17
July-13	5176	5146	1722	12536	-4	-17	-51	20
August-13	5192	5117	1749	12574	16	-29	27	38
September-13	5189	5096	1775	12600	-3	-21	26	26
October-13	5106	5090	1850	12643	-83	-6	75	43
November-13	5068	5064	1806	12721	-38	-26	-44	78
December-13	5058	5131	1899	12803	-10	67	93	82
January-14	5407	5232	1954	12838	349	101	55	35
February-14	5545	5359	2022	12917	138	127	68	79
March-14	5623	5365	1989	13017	78	6	-33	100
April-14	5593	5373	1915	13122	-30	8	-74	105
May-14	5598	5364	1870	13163	5	-9	-45	41

Source: TurkStat, Betam