

## SIGNALS OF STAGNATION IN UNEMPLOYMENT

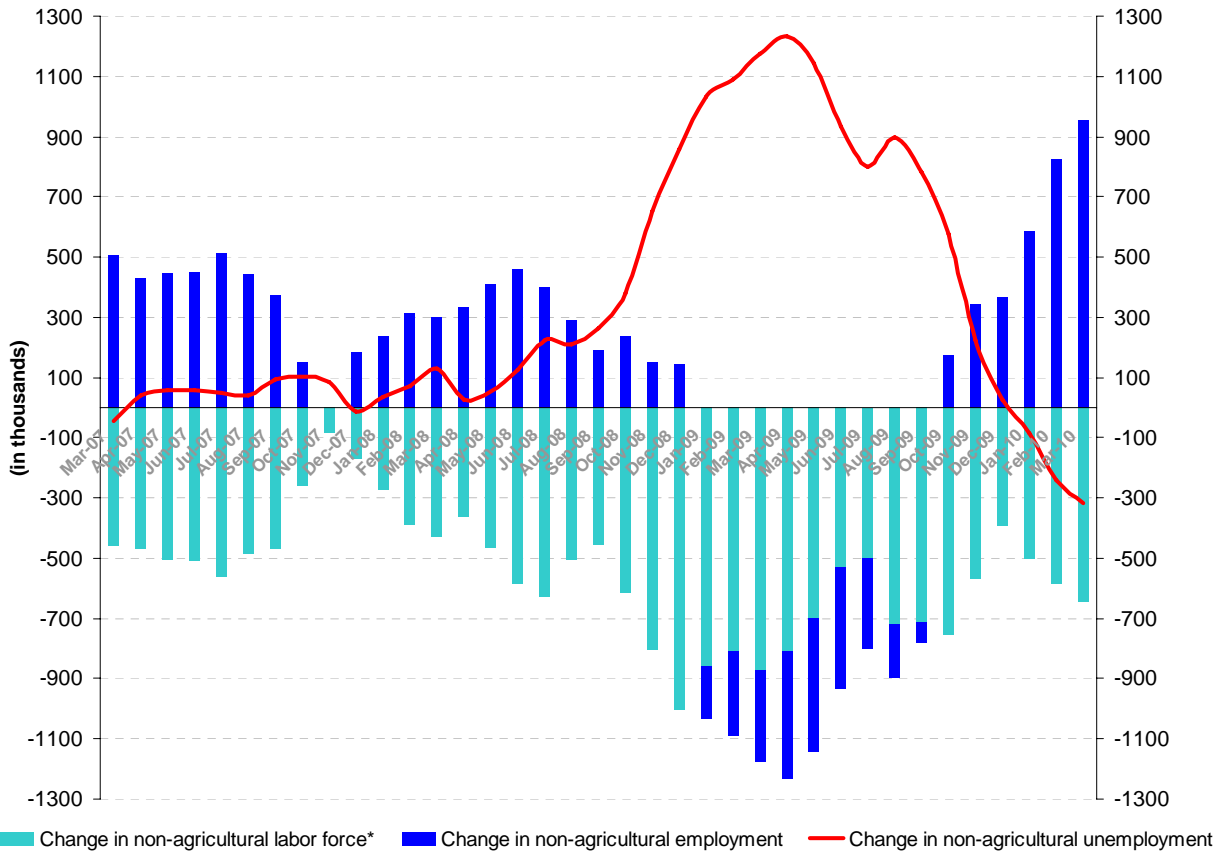
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### Unemployment continues to decline on a year-on-year basis

According to the labor market statistics released by TURKSTAT on 15<sup>th</sup> of June, non-agricultural employment has increased by 957 thousand, non-agricultural labor force by 641 thousand in the period of March 2010 (February-March-April). Following the expansion in non-agricultural employment, a larger decrease occurred in non-agricultural unemployment compared the one observed in the period of February 2010 (January-February-March). Non-agricultural unemployment decreased by 316 thousand, and settled at the 3 million 317 thousand level. As a consequence, the non-agricultural unemployment rate decreased to 16.7 percent in the period of March 2010 from 18.9 percent during the same period in 2009.

Figure 1 depicts the year-on-year differences of non-agricultural labor force, employment and unemployment. Non-agricultural labor force figures implies that non-agricultural labor force expansion reverted to its mean, which we estimate to be around 600 thousand. We think that non-agricultural employment will stay high in the upcoming periods parallel to the high growth expectations. As a result, unemployment will continue to decrease compared to its level in crisis year 2009.

**Figure 1 Differences in non-agricultural labor force, non-agricultural employment and non-agricultural unemployment (year-on-year change, March 2007-March 2010)**



\*Rise in labor force increases the number of unemployed hence has a negative sign on the graph.

Source: TURKSTAT, Betam

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## The increase in agricultural employment comes to a standstill

Table 1 reports the magnitude of agricultural employment and its year on year changes. Recall that agricultural employment increased substantially following the crisis in 2008 despite its decreasing trend prior to the crisis. Increase in agricultural employment reached its peak in January 2010 with an increase of 706 thousand and in February 2010 this massive expansion in agricultural employment came to a standstill. Similarly, March 2010 figures reveal a decrease in agricultural employment expansion, which strengthens the possibility that the reversion has started.

**Table 1 Agricultural employment (in thousands)**

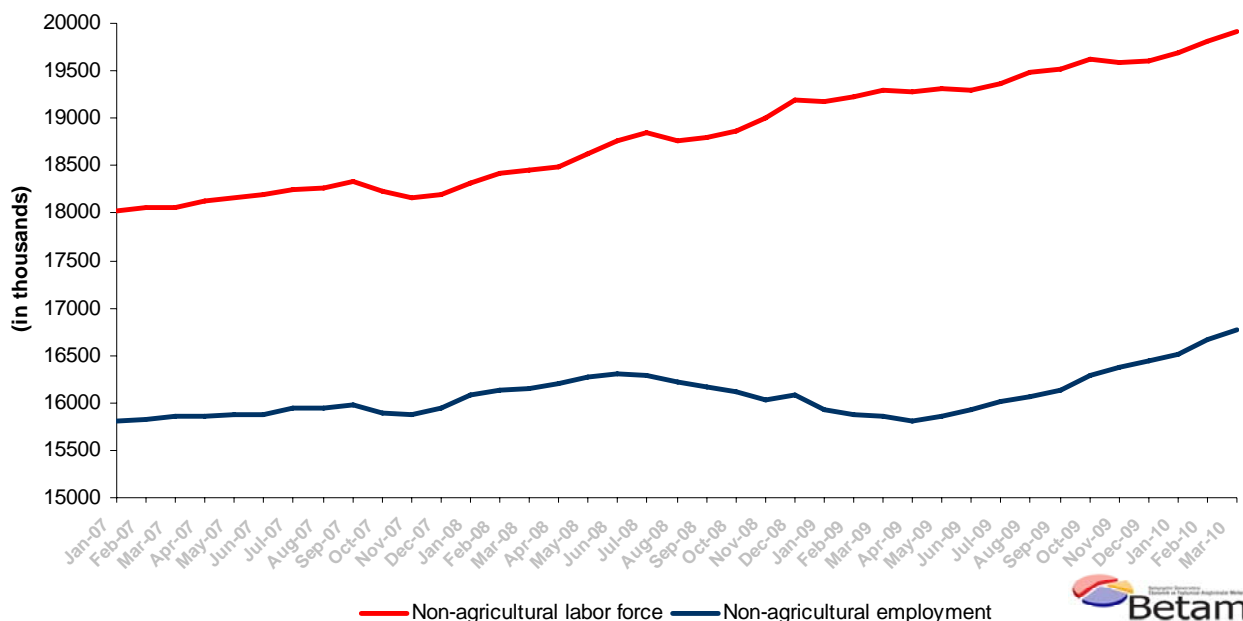
	2004	2005	2006	2007	2008	2009	February 2009	February 2010	March 2009	March 2010
<b>Agricultural emp.</b>	5713	5154	4907	4867	5016	5254	4378	5040	4561	5197
<b>Year on year changes</b>		-559	-247	-40	149	238		662		636

Source: TURKSTAT, Betam

## Seasonally adjusted unemployment stagnates

Seasonally adjusted non-agricultural labor force increased by 111 thousand and reached 19 million 920 thousand (Figure 2). A similar increase is also observed in non-agricultural employment figures. The increase in non-agricultural employment which began in May 2009 reached 100 thousand in February 2010 and non-agricultural employment reached 16 million 774 thousand. On the other hand, given that employment and labor force increased by similar amounts during this period, the increase in non-agricultural unemployment was limited to 8 thousand.

**Figure 2 Seasonally adjusted non-agricultural labor force and employment (March 2007-March 2010)**

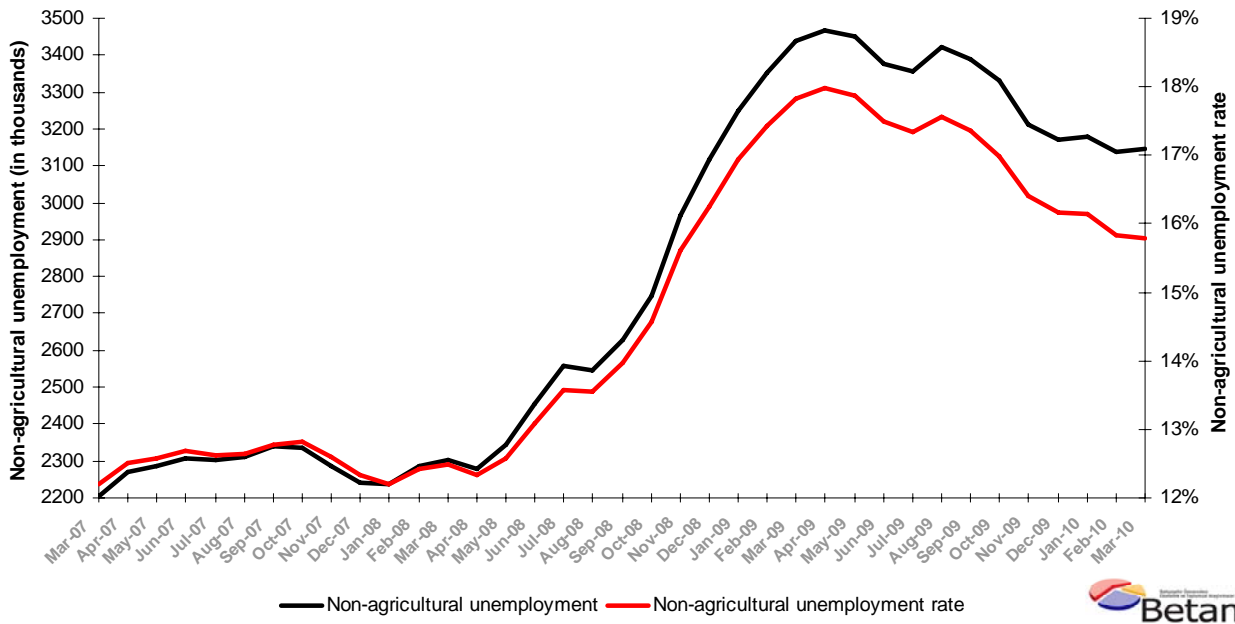


Source: TURKSTAT, Betam

Consequently, seasonally adjusted series show that non-agricultural unemployment rate may settle on a horizontal path; the non-agricultural unemployment rate remained at its February 2010 level which is 15.8 percent (Figure 3).<sup>1</sup> Given the economic recovery, we were expecting the decreases to continue for a few more months. However, the stagnation in the unemployment rates has already started, implying that the decreases may have stopped, and that the unemployment rates may continue at the current level.

<sup>1</sup> Last month Betam estimated the seasonally adjusted February 2010 unemployment rate as 15.9% (Research Brief no: 72). As we stated in earlier research briefs, in seasonal adjustment a new observation which recently enters into the analysis usually causes marginal changes like this.

**Figure 3 Seasonally adjusted non-agricultural unemployment (March 2007-March 2010)**



Source: TURKSTAT, Betam



**Table 2 Seasonally Adjusted Labor Market Statistics**

	<b>Non-Agricultural Labor Force (in thousands)</b>	<b>Non-Agricultural Employment (in thousands)</b>	<b>Non-Agricultural Unemployment (in thousands)</b>	<b>Non-Agricultural Unemployment Rate (in percent)</b>	<b>Difference in Non-Agricultural Labor Force (M-o-M) (in thousands)</b>	<b>Difference in Non-Agricultural Employment (M-o-M) (in thousands)</b>	<b>Difference in Non-Agricultural Unemployment (M-o-M) (in thousands)</b>
<b>January-08</b>	18,320	16,083	2,237	12.2%			
<b>February-08</b>	18,427	16,140	2,287	12.4%	107	57	50
<b>March-08</b>	18,459	16,155	2,305	12.5%	32	15	17
<b>April-08</b>	18,489	16,211	2,278	12.3%	30	56	-26
<b>May-08</b>	18,619	16,276	2,343	12.6%	130	65	65
<b>June-08</b>	18,764	16,308	2,456	13.1%	145	32	113
<b>July-08</b>	18,856	16,297	2,559	13.6%	92	-11	103
<b>August-08</b>	18,769	16,224	2,545	13.6%	-87	-72	-15
<b>September-08</b>	18,799	16,173	2,626	14.0%	30	-52	82
<b>October-08</b>	18,865	16,117	2,748	14.6%	66	-56	122
<b>November-08</b>	18,995	16,032	2,963	15.6%	131	-84	215
<b>December-08</b>	19,196	16,078	3,118	16.2%	201	46	155
<b>January-09</b>	19,180	15,932	3,248	16.9%	-16	-146	130
<b>February-09</b>	19,224	15,872	3,352	17.4%	44	-60	104
<b>March-09</b>	19,295	15,855	3,440	17.8%	72	-16	88
<b>April-09</b>	19,284	15,816	3,468	18.0%	-12	-39	28
<b>May-09</b>	19,315	15,863	3,452	17.9%	31	47	-16
<b>June-09</b>	19,304	15,927	3,377	17.5%	-11	64	-75
<b>July-09</b>	19,365	16,010	3,356	17.3%	62	83	-21
<b>August-09</b>	19,488	16,067	3,421	17.6%	122	57	65
<b>September-09</b>	19,517	16,128	3,389	17.4%	29	61	-32
<b>October-09</b>	19,615	16,284	3,331	17.0%	98	156	-58
<b>November-09</b>	19,582	16,370	3,212	16.4%	-33	85	-118
<b>December-09</b>	19,608	16,436	3,172	16.2%	26	67	-41
<b>January-10</b>	19,696	16,517	3,178	16.1%	88	81	6
<b>February-10</b>	19,809	16,671	3,138	15.8%	113	153	-40
<b>March-10</b>	19,920	16,774	3,146	15.8%	111	103	8

Source: TURKSTAT, Betam