

RAPID INCREASE IN NON-AGRICULTURAL UNEMPLOYMENT CONTINUES

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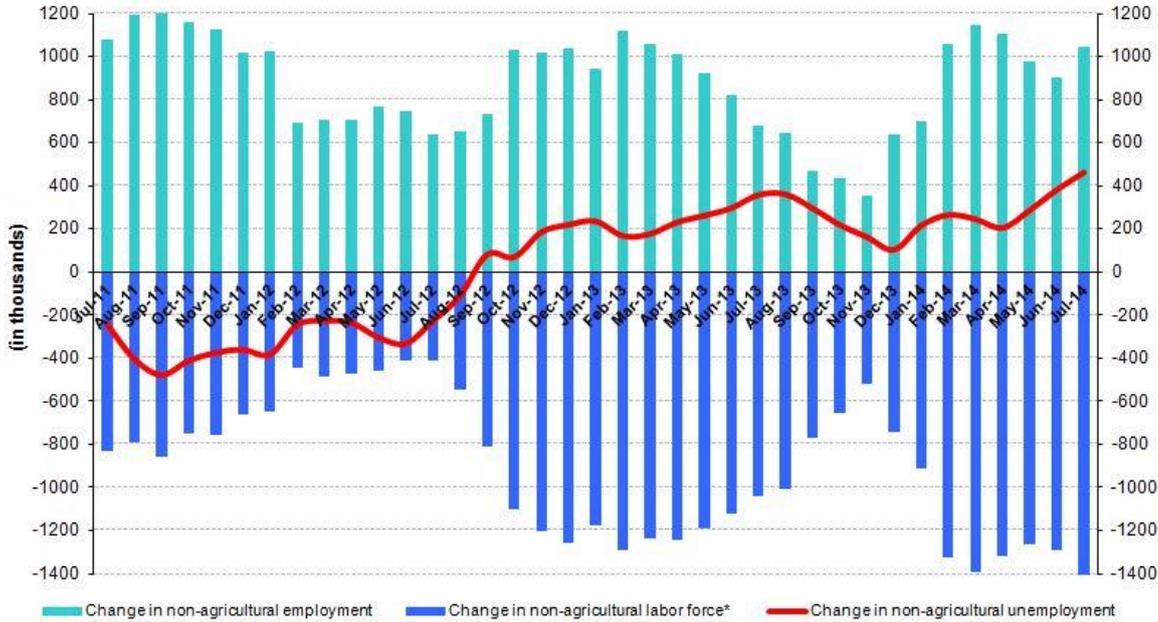
Abstract

Seasonally adjusted labor market data shows that non-agricultural unemployment rate increased by 0.5 percentage points in the period of July 2014 compared to the period of June 2014, and reached 12.5 percent. Slight increase in non-agricultural employment was not enough to offset the strong increase in non-agricultural labor force. We observe a stagnation in construction employment. Employment losses in manufacturing sector were counterbalanced with the employment increases in service sector. Our forecasting model based on Kariyer.net series indicate that non-agricultural unemployment will continue to increase in the next period.

Rapid increase in non-agricultural labor force and slowing-down in non-agricultural employment

According to the data released by TurkSTAT, non-agricultural labor force increased by 1 million 510 thousand (6.9 percent) and non-agricultural employment increased by 1 million 46 thousand (5.4 percent) in the period of July 2014 (Figure 1). Consequently, the number of persons unemployed in non-agricultural sectors increased by 464 thousand. Non-agricultural employment increased below 1 million in the periods of May and June 2014. The increase in non-agricultural labor force in the period of July 2014 is the highest observed since the beginning of the monthly labor market series.

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

Strong increase in non-agricultural unemployment

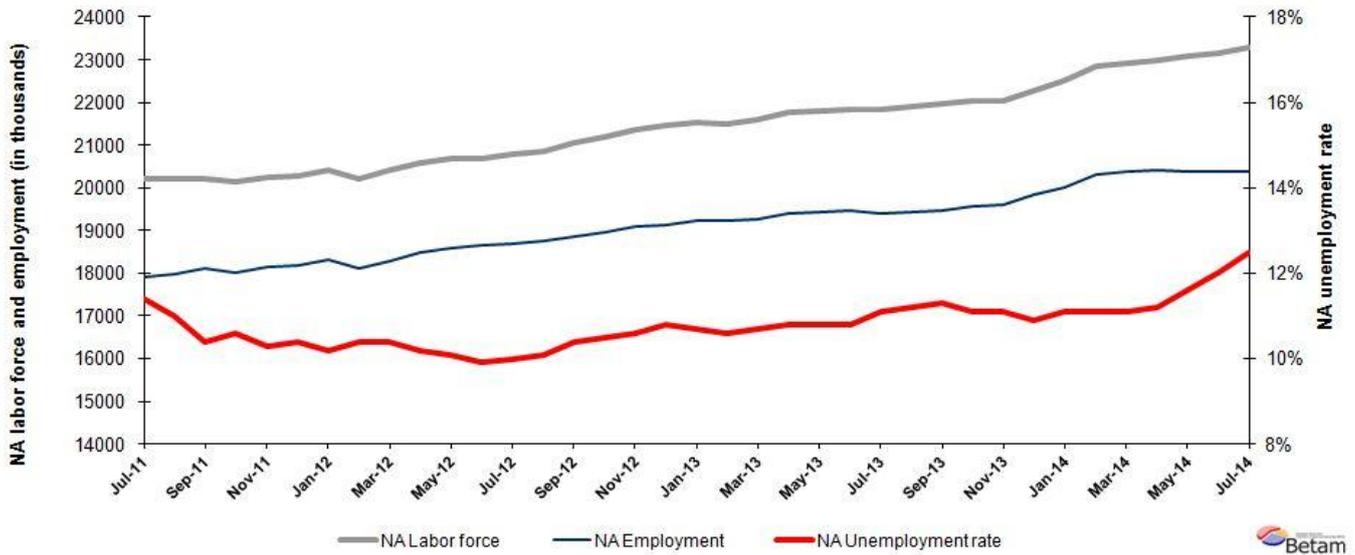
According to seasonally adjusted data, non-agricultural labor force increased by 133 thousand in the period of July 2014 compared to the period of June 2014, and reached 23 million 279 thousand (Figure 2, Table 1). Non-

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agricultural employment decreased by one thousand and reached 20 million 369 thousand. Hence, the number of persons unemployed in non-agricultural sectors increased by 132 thousand and non-agricultural unemployment rate increased by 0.5 percentage point and reached 12.5 percent. Non-agricultural unemployment that has been moving in the range of 10-11 percent January 2011 and reached its peak rate (12 percent) in the period of June 2014. In the period of July 2014, non-agricultural unemployment strongly increased by 0.5 percentage point and reached 12.5 percent. Low economic growth begins to sharply increase the unemployment rate.

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



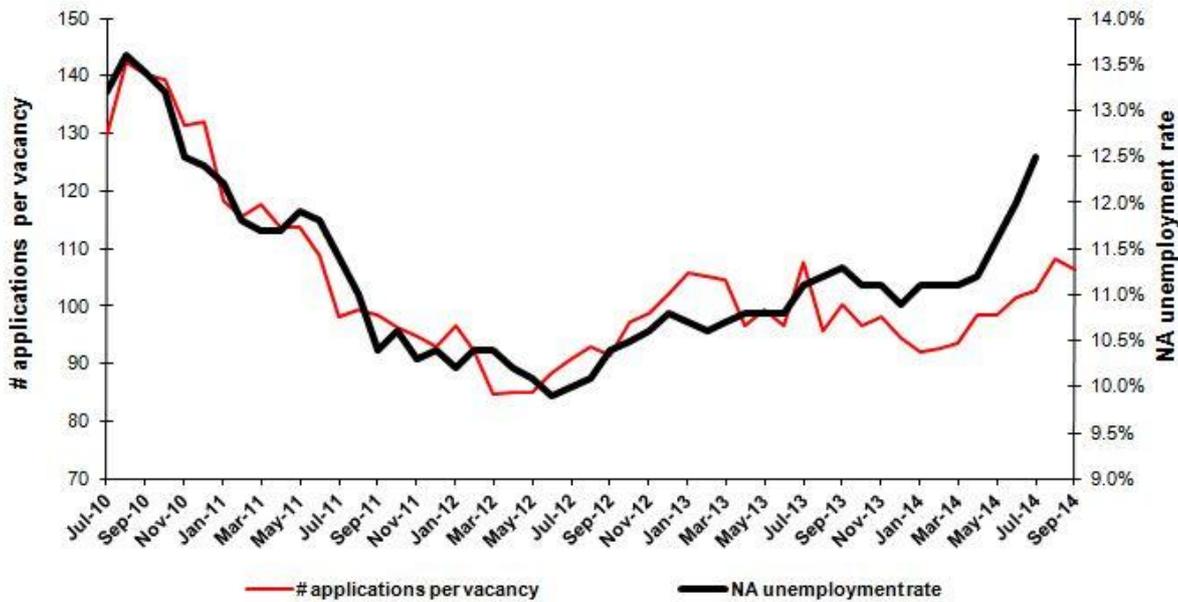
Source: TurkStat, **Betam**

Non-agricultural unemployment will continue to increase in the next period

Our calculations based on the seasonally adjusted application per vacancy statistics calculated using Kariyer.net¹ series accurately predicted the direction of unemployment for the periods of June and July 2014. Parallel to our expectations, unemployment strongly increased in these two periods. The seasonally adjusted application per vacancy statistics calculated using Kariyer.net are presented in Figure 3. The application per vacancy has been increasing since January 2011, continued to increase in July and August 2014, but it decreases in September 2014. According to the our forecasting model, unemployment figure of August 2014 that is average of three months, we expect that unemployment will increase in the period of August 2014.

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.

Figure 3 Seasonally adjusted non-agricultural unemployment rate and application per vacancy



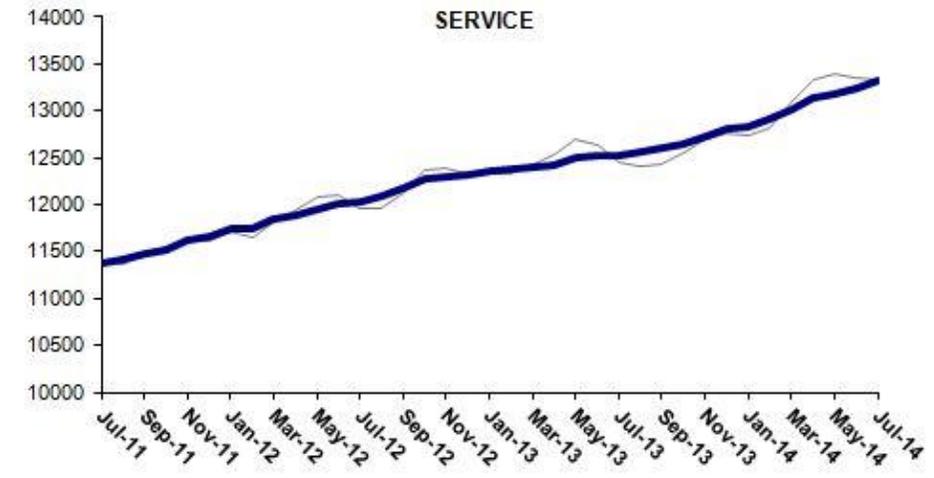
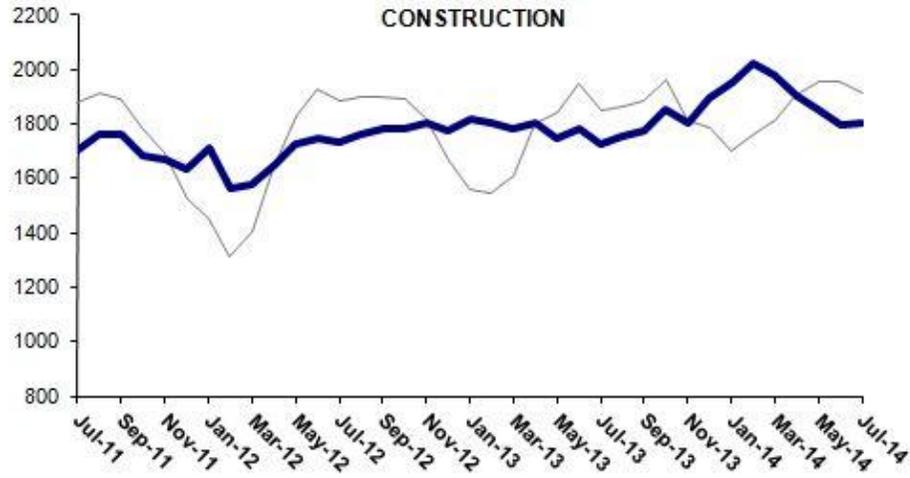
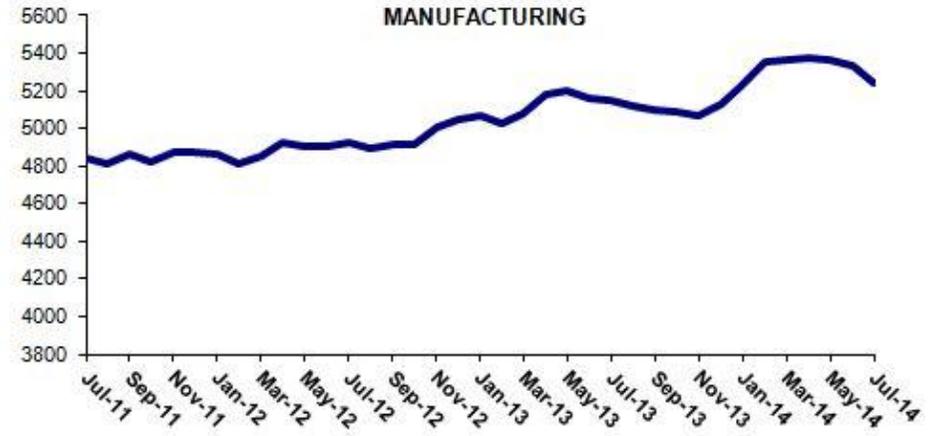
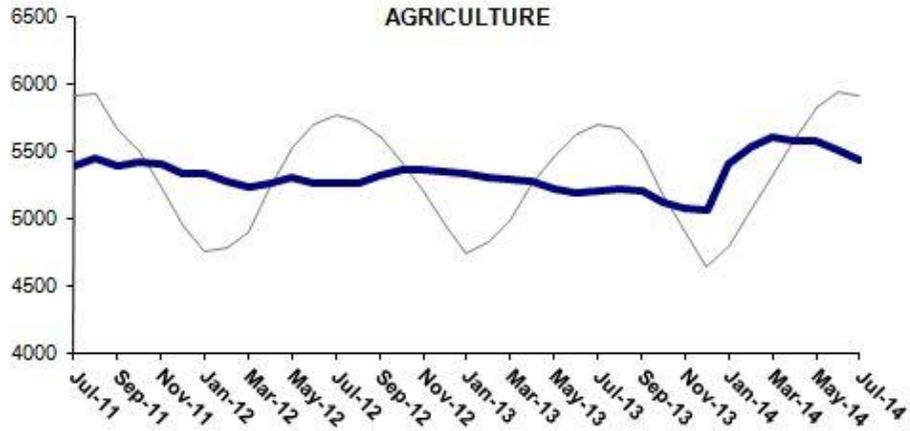
Source: Kariyer.net, TurkStat, **Betam**

Employment losses in manufacturing sector

Seasonally adjusted labor market series show that construction employment that has been decreasing since the last four periods, slightly increased by 2 thousand in the period July 2014 (Table 2, Figure 4).² Employment in services increased by 89 thousand. However, employment in manufacturing sector that has been either decreasing or slightly increasing, decreased by 89 thousand. Employment increase in services was counterbalanced with the employment decline in manufacturing sector, and therefore, non-agricultural employment slightly increased in the period of July 2014. Even though slowdown in economic growth in the second quarter affects construction and manufacturing employment, one should be cautious in reading the labor market statistics as recent revisions caused a break in the series and the base effects continue (Figure 4). Increases in unemployment will probably slow down in the next period.

² Employment 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 4 Employment by sectors (in thousands)³



Source: TurkStat, Betam

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

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

	Labor force	Employment	Unemployment	Unemployment rate	Monthly changes		
					Labor force	Employment	Unemployment
June-11	20192	17809	2383	11.8%			
July-11	20225	17919	2306	11.4%	33	110	-77
August-11	20208	17985	2223	11.0%	-17	66	-83
September-11	20211	18109	2102	10.4%	3	124	-121
October-11	20150	18014	2136	10.6%	-61	-95	34
November-11	20249	18163	2086	10.3%	99	149	-50
December-11	20277	18168	2109	10.4%	28	5	23
January-12	20398	18317	2081	10.2%	121	149	-28
February-12	20220	18117	2103	10.4%	-178	-200	22
March-12	20402	18280	2122	10.4%	182	163	19
April-12	20569	18471	2098	10.2%	167	191	-24
May-12	20673	18585	2088	10.1%	104	114	-10
June-12	20696	18647	2049	9.9%	23	62	-39
July-12	20782	18704	2078	10.0%	86	57	29
August-12	20860	18753	2107	10.1%	78	49	29
September-12	21060	18870	2190	10.4%	200	117	83
October-12	21202	18976	2226	10.5%	142	106	36
November-12	21360	19096	2264	10.6%	158	120	38
December-12	21456	19139	2317	10.8%	96	43	53
January-13	21542	19237	2305	10.7%	86	98	-12
February-13	21493	19215	2278	10.6%	-49	-22	-27
March-13	21583	19274	2309	10.7%	90	59	31
April-13	21756	19406	2350	10.8%	172	132	40
May-13	21802	19447	2355	10.8%	46	41	5
June-13	21823	19466	2357	10.8%	21	19	2
July-13	21826	19403	2423	11.1%	3	-63	66
August-13	21893	19441	2452	11.2%	67	38	29
September-13	21954	19473	2481	11.3%	61	32	29
October-13	22029	19584	2445	11.1%	75	111	-36
November-13	22036	19590	2446	11.1%	7	6	1
December-13	22259	19833	2426	10.9%	223	243	-20
January-14	22524	20024	2500	11.1%	265	191	74
February-14	22832	20298	2534	11.1%	308	274	34
March-14	22911	20368	2543	11.1%	79	70	9
April-14	22980	20406	2574	11.2%	69	38	31
May-14	23069	20393	2676	11.6%	89	-13	102
June-14	23145	20368	2777	12.0%	76	-25	101
July-14	23279	20369	2910	12.5%	133	1	132

Source: TurkStat, **Betam**

Table 2 Seasonally adjusted employment by sector (in thousands)

	Agriculture	Manufacturing	Construction	Service	Monthly changes			
					Agriculture	Manufacturing	Construction	Service
June-11	5364	4826	1681	11302				
July-11	5391	4846	1706	11367	27	20	25	65
August-11	5450	4816	1761	11408	59	-30	55	41
September-11	5381	4866	1763	11481	-69	50	2	73
October-11	5412	4823	1681	11510	31	-43	-82	29
November-11	5404	4870	1671	11622	-8	47	-10	112
December-11	5328	4873	1636	11659	-76	3	-35	37
January-12	5333	4864	1709	11745	5	-9	73	86
February-12	5275	4808	1563	11746	-58	-56	-146	1
March-12	5223	4850	1577	11853	-52	42	14	107
April-12	5251	4930	1651	11890	28	80	74	37
May-12	5295	4908	1725	11951	44	-22	74	61
June-12	5253	4900	1746	12002	-42	-8	21	51
July-12	5264	4926	1736	12041	11	26	-10	39
August-12	5253	4892	1764	12097	-11	-34	28	56
September-12	5316	4911	1780	12179	63	19	16	82
October-12	5355	4917	1784	12275	39	6	4	96
November-12	5363	5003	1804	12289	8	86	20	14
December-12	5345	5051	1778	12309	-18	48	-26	20
January-13	5331	5073	1815	12350	-14	22	37	41
February-13	5297	5023	1802	12389	-34	-50	-13	39
March-13	5282	5083	1785	12406	-15	60	-17	17
April-13	5272	5176	1805	12426	-10	93	20	20
May-13	5211	5200	1749	12499	-61	24	-56	73
June-13	5184	5163	1781	12521	-27	-37	32	22
July-13	5201	5146	1727	12530	17	-17	-54	9
August-13	5212	5117	1753	12571	11	-29	26	41
September-13	5203	5096	1779	12598	-9	-21	26	27
October-13	5115	5090	1853	12641	-88	-6	74	43
November-13	5074	5064	1806	12720	-41	-26	-47	79
December-13	5059	5131	1899	12803	-15	67	93	83
January-14	5402	5232	1953	12839	343	101	54	36
February-14	5530	5359	2020	12919	128	127	67	80
March-14	5601	5365	1982	13022	71	6	-38	103
April-14	5566	5373	1904	13129	-35	8	-78	107
May-14	5568	5364	1854	13175	2	-9	-50	46
June-14	5495	5332	1800	13236	-73	-32	-54	61
July-14	5422	5243	1802	13325	-73	-89	2	89

Source: TurkStat, **Betam**