

STRONG INCREASES IN UNEMPLOYMENT CONTINUE

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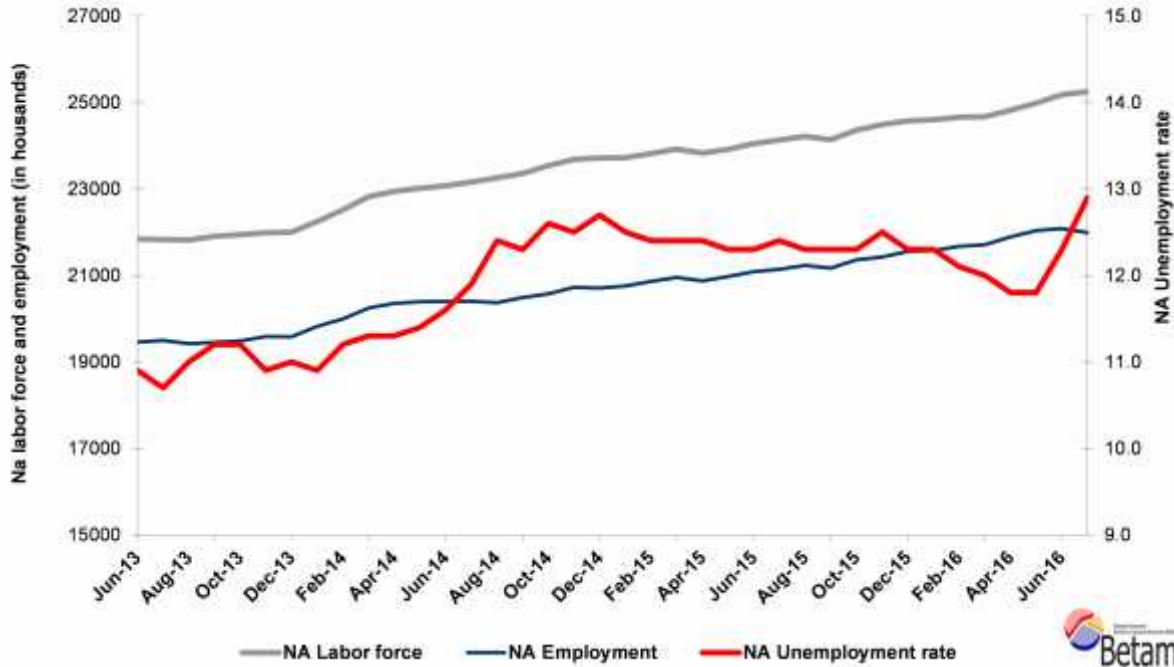
Executive Summary

Seasonally adjusted labor market data show that nonagricultural unemployment rate increased by 0.6 percentage points and reached 12.9 percent in the period of June 2016. During this period, the number of people employed in agriculture, manufacturing and construction sectors decreased respectively by 129 thousand, 56 thousand and 66 thousand. In the service sector, the increase in employment remained limited to 28 thousand. Thus, the number of non-agricultural unemployed grew by 160 thousand in one month and reached 3 million 257 thousand. The unemployment rate which was 11.8 percent in the period of April 2016 increased by more than 1 percentage point and was at 12,9 percent in June 2016. The weak performance of GDP growth is reflected on labor market. Betam's forecasting model predicts that the increase in non-agricultural unemployment will continue in the period of July 2016.

Non-agricultural unemployment continues to increase rapidly

According to seasonally adjusted labor market data, non-agricultural labor force increased by 67 thousand and reached 25 million 247 thousand whilst non-agricultural employment declined by 93 thousand and became 21 million 990 thousand in June 2016 compared to May 2016 (Figure 1, Table 1). Thus, the number of non-agricultural unemployed soared by 160 thousand compared to previous period. The cumulative (May and June) increase in the number of unemployed is more than 300 thousand and this rapid increase is worrisome for labor market.

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



Source: Turkstat, Betam

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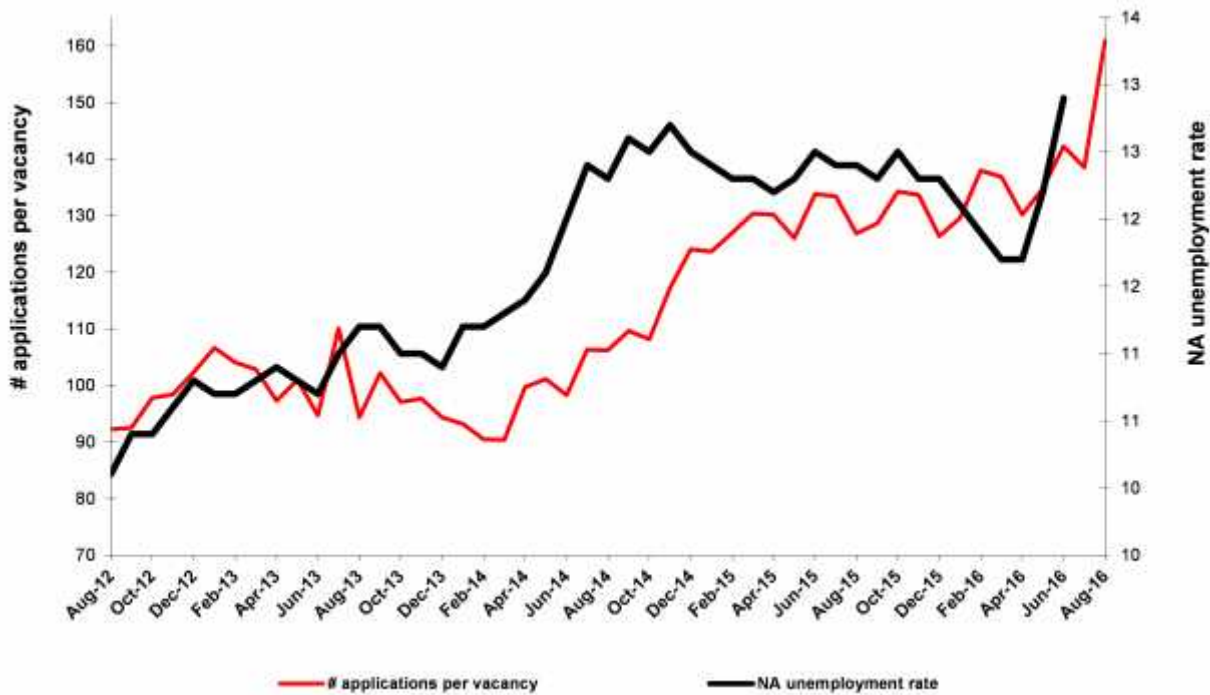
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Nonagricultural unemployment rate is expected to increase in the period of July

Betam's forecasting model had predicted that the seasonally adjusted nonagricultural unemployment rate would remain constant at 12.2 percent in June 2016. The nonagricultural unemployment rate in May 2016 is revised to 12.3 percent by Turkstat. In June 2016, non-agricultural unemployment rate increased by 0.6 percent and reached 12,9 percent compared to May 2016. Betam's forecasting model predicts the seasonally adjusted July 2016 nonagricultural unemployment rate will rise to 13.1 percent. The details of the forecasting model are available on Betam's website.¹ Kariyer.net² application per vacancy series used in the Betam forecasting model is depicted in Figure 1. Kariyer.net series is only one of the inputs of Betam forecast model. Indeed, several variables such as employment agency (İŞKUR) data, reel sector confidence index, capacity utilization rate are used in forecasting. Taken into account all these factors, Betam's forecasting model predicts that seasonally adjusted nonagricultural unemployment rate will increase in July 2016.

Figure 2: Seasonally adjusted nonagricultural unemployment rate and application per vacancy



Source: Kariyer.net, Turkstat, Betam

Employment loss in agriculture, manufacturing and construction sectors

According to seasonally adjusted sectoral labor market data, the number of people employed in agriculture, manufacturing and construction sectors declined in June 2016. Moreover, the increase in service sector employment slowed down compared to previous periods (Figure 3, Table 2).³ The employment loss in agriculture, manufacturing and construction sectors were recorded at 129 thousand, 56 thousand and 66 thousand, respectively. In service sector, the increase in employment is limited to 28 thousand.

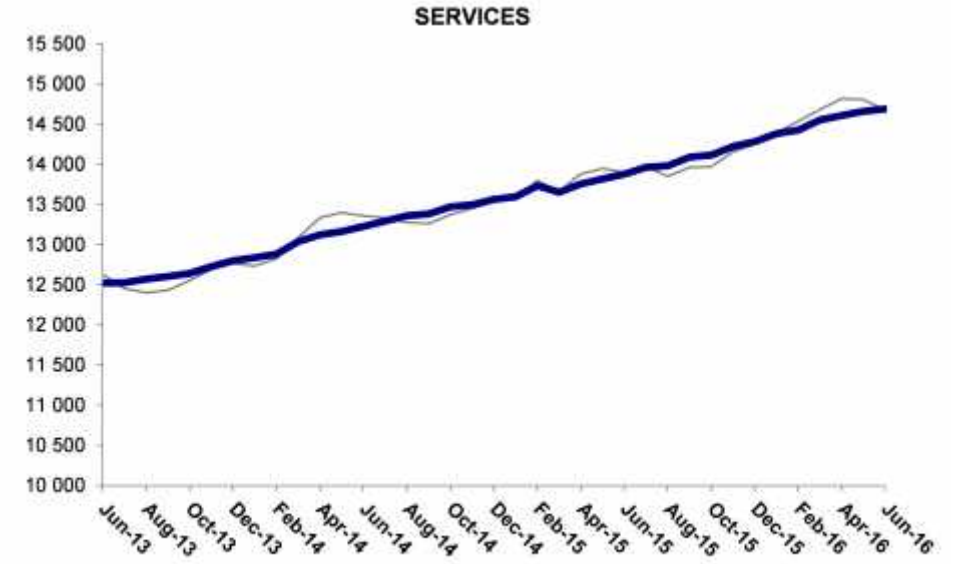
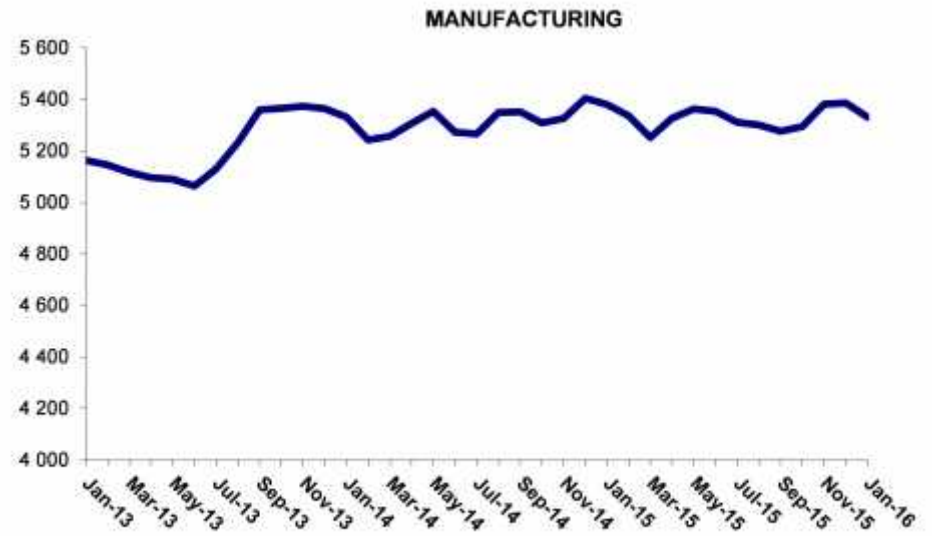
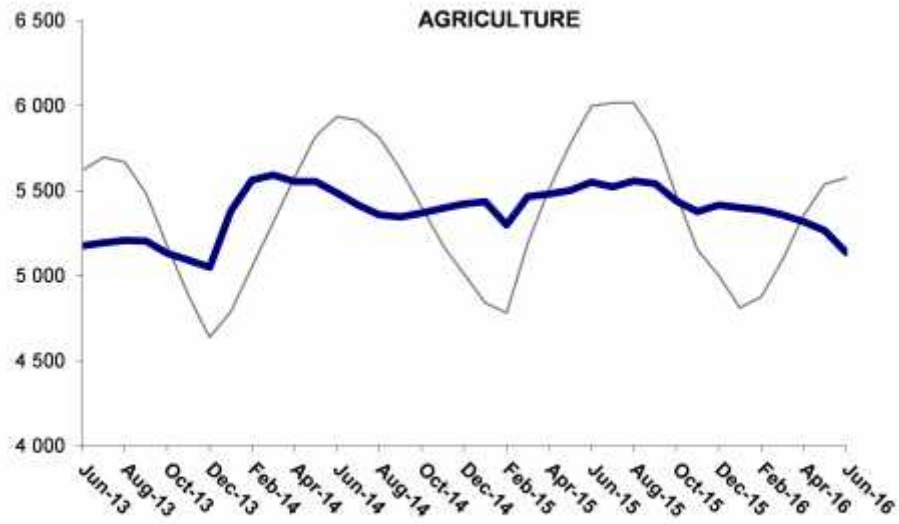
¹ For detailed information on Betam's forecasting model, please see Betam Research Brief 168 titled as "Kariyer.net Verisiyle Kısa Vadeli Tarım Dışı İşsizlik Tahmini"

<http://betam.bahcesehir.edu.tr/tr/2014/06/kariyer-net-verisiyle-kisa-vadeli-tarim-disi-issizlik-tahmini/>

² 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.

³ 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 3: Employment by sectors (in thousands)

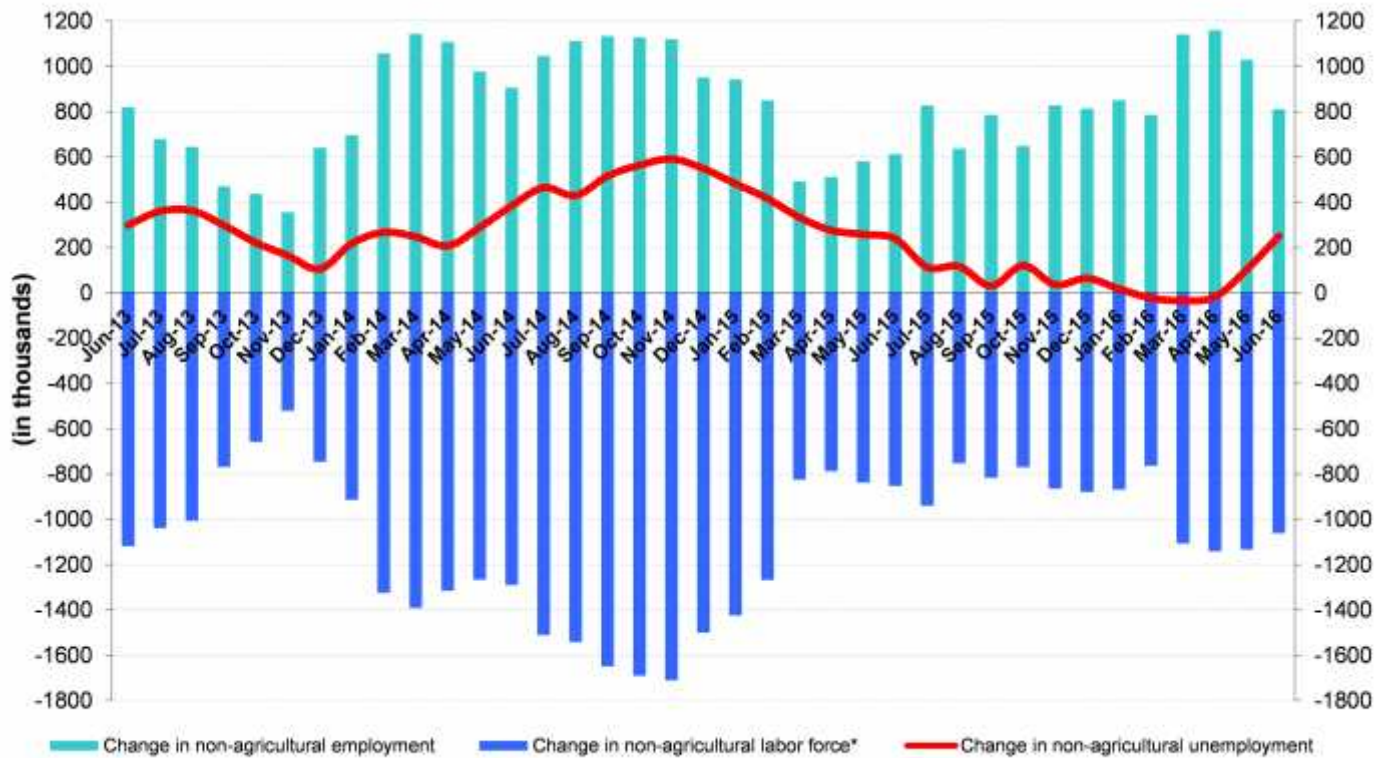


Source: Turkstat, Betam

Year-on-year unemployment keeps on increasing

From June 2015 to June 2016, the nonagricultural labor force increased by 1 million 61 thousand (4.4 percent) and the nonagricultural employment increased by 811 thousand (3.8 percent). Moreover, the number of non-agricultural unemployed increased by 250 thousand in the period of June 2016.

Figure 4: Year-on-year changes in non-agricultural labor force, employment, and unemployment



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

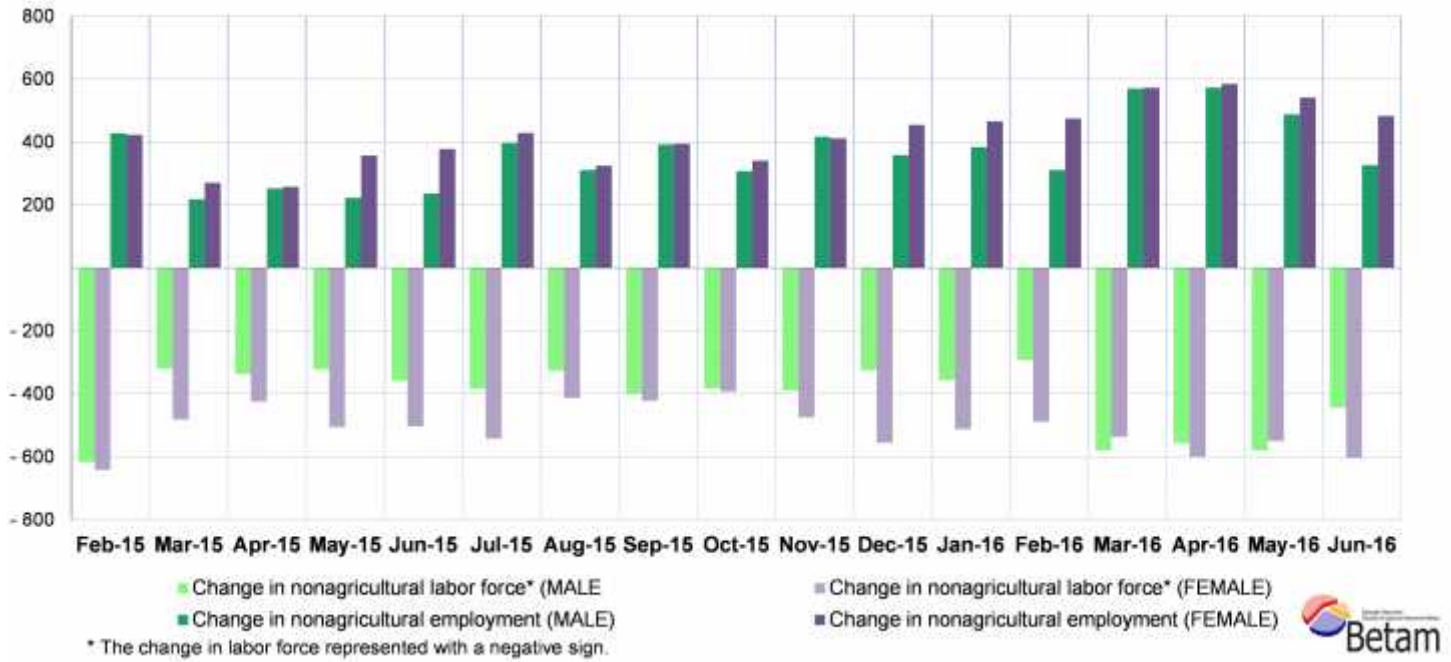


Source: Turkstat, Betam

Both male and female unemployment increased

Turkstat revised the labor market statistics drastically in February 2014. Within this framework, they back casted various labor market indicators and they also continued to announce seasonally adjusted series. However, Turkstat is not providing back-casted series by gender. Therefore, female and male labor market statistics are not sufficiently long for the seasonal adjustment procedures. Under these circumstances, we use the year-on-year changes in male and female labor market statistics to study the latest developments in the labor market. Figure 5 shows yearly non-agricultural employment (dark colors), non-agricultural labor force (light colors) for males (green) and for females (purple).

Figure 5: Year-on-year changes in nonagricultural labor force and employment by gender



Source: Turkstat, Betam

In June 2016, the nonagricultural female labor force and the nonagricultural male labor force increased by 604 thousand and 443 thousand respectively compared to May 2015. On the other hand, nonagricultural female employment increased by 483 thousand whereas the increase in nonagricultural male employment was limited to 327 thousand. The number of unemployed women and men in non-agricultural sectors increased by 121 thousand and 116 thousand respectively. Compared to June 2015, the non-agricultural male unemployment rate grew from 10 percent to 10.4 percent and the non-agricultural female unemployment rate from 16.4 percent to 16.7 percent.

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

	Labor force	Employment	Unemployment	Unemployment rate	Monthly changes		
					Labor force	Employment	Unemployment
May-13	21838	19458	2380	10.9%			
June-13	21829	19493	2336	10.7%	-10	35	-45
July-13	21820	19420	2400	11.0%	-8	-73	65
August-13	21907	19453	2454	11.2%	86	33	53
September-13	21943	19485	2458	11.2%	36	32	4
October-13	21984	19588	2396	10.9%	42	103	-61
November-13	22002	19582	2420	11.0%	18	-6	24
December-13	22248	19823	2425	10.9%	246	241	5
January-14	22518	19996	2522	11.2%	270	173	97
February-14	22823	20244	2579	11.3%	305	248	57
March-14	22946	20353	2593	11.3%	123	109	14
April-14	23011	20388	2623	11.4%	65	35	30
May-14	23075	20398	2677	11.6%	63	10	53
June-14	23158	20402	2756	11.9%	83	4	79
July-14	23253	20370	2883	12.4%	96	-32	128
August-14	23358	20485	2873	12.3%	105	115	-10
September-14	23537	20571	2966	12.6%	179	86	93
October-14	23686	20725	2961	12.5%	149	154	-5
November-14	23717	20705	3012	12.7%	31	-20	51
December-14	23722	20757	2965	12.5%	5	52	-47
January-15	23816	20863	2953	12.4%	94	106	-12
February-15	23919	20953	2966	12.4%	103	90	13
March-15	23826	20872	2954	12.4%	-92	-81	-11
April-15	23917	20975	2942	12.3%	90	103	-13
May-15	24047	21089	2958	12.3%	130	114	16
June-15	24131	21139	2992	12.4%	85	50	35
July-15	24212	21234	2978	12.3%	81	95	-14
August-15	24139	21170	2969	12.3%	-73	-64	-9
September-15	24359	21363	2996	12.3%	220	193	27
October-15	24487	21426	3061	12.5%	128	63	65
November-15	24576	21553	3023	12.3%	89	127	-38
December-15	24600	21574	3026	12.3%	24	21	3
January-16	24658	21674	2984	12.1%	58	100	-42
February-16	24670	21710	2960	12.0%	13	36	-23
March-16	24819	21890	2929	11.8%	148	180	-32
April-16	24985	22037	2948	11.8%	167	147	20
May-16	25180	22083	3097	12.3%	195	46	149
June-16	25247	21990	3257	12.9%	67	-93	160

Source: Turkstat, Betam

Table 2 Seasonally adjusted employment by sectors (in thousands)

	Agriculture	Manufacturing	Construction	Service	Monthly changes			
					Agriculture	Manufacturing	Construction	Service
May-13	5197	5200	1757	12501				
June-13	5177	5163	1808	12523	-20	-37	51	22
July-13	5195	5146	1747	12527	18	-17	-61	4
August-13	5209	5117	1763	12573	14	-29	16	46
September-13	5205	5096	1785	12605	-4	-21	22	32
October-13	5133	5090	1855	12643	-72	-6	70	38
November-13	5093	5064	1791	12727	-40	-26	-64	84
December-13	5051	5131	1888	12804	-42	67	97	77
January-14	5381	5232	1924	12839	330	101	36	35
February-14	5564	5359	2002	12884	183	127	78	45
March-14	5594	5365	1949	13038	30	6	-53	154
April-14	5555	5373	1891	13124	-39	8	-58	86
May-14	5555	5364	1870	13164	0	-9	-21	40
June-14	5489	5332	1843	13227	-66	-32	-27	63
July-14	5416	5243	1832	13296	-73	-89	-11	69
August-14	5359	5257	1868	13361	-57	14	36	65
September-14	5346	5306	1880	13385	-13	49	12	24
October-14	5370	5353	1899	13473	24	47	19	88
November-14	5398	5273	1932	13500	28	-80	33	27
December-14	5424	5266	1926	13566	26	-7	-6	66
January-15	5436	5349	1915	13600	12	83	-11	34
February-15	5299	5351	1866	13736	-137	2	-49	136
March-15	5465	5308	1909	13655	166	-43	43	-81
April-15	5481	5326	1891	13757	16	18	-18	102
May-15	5502	5404	1864	13821	21	78	-27	64
June-15	5552	5380	1880	13880	50	-24	16	59
July-15	5523	5336	1933	13965	-29	-44	53	85
August-15	5558	5252	1935	13983	35	-84	2	18
September-15	5542	5327	1947	14090	-16	75	12	107
October-15	5442	5363	1946	14117	-100	36	-1	27
November-15	5378	5353	1976	14224	-64	-10	30	107
December-15	5416	5311	1977	14286	38	-42	1	62
January-16	5401	5300	1989	14384	-15	-11	12	98
February-16	5389	5276	2004	14429	-12	-24	15	45
March-16	5359	5295	2039	14556	-30	19	35	127
April-16	5318	5381	2046	14610	-41	86	7	54
May-16	5267	5386	2035	14663	-51	5	-11	53
June-16	5138	5330	1969	14691	-129	-56	-66	28

Source: Turkstat, Betam