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G20

Statistical Update



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TURKEY: EMERGING AFTER A SEVERE RECESSION BUT CHALLENGES REMAIN

Turkey emerges from a severe contraction

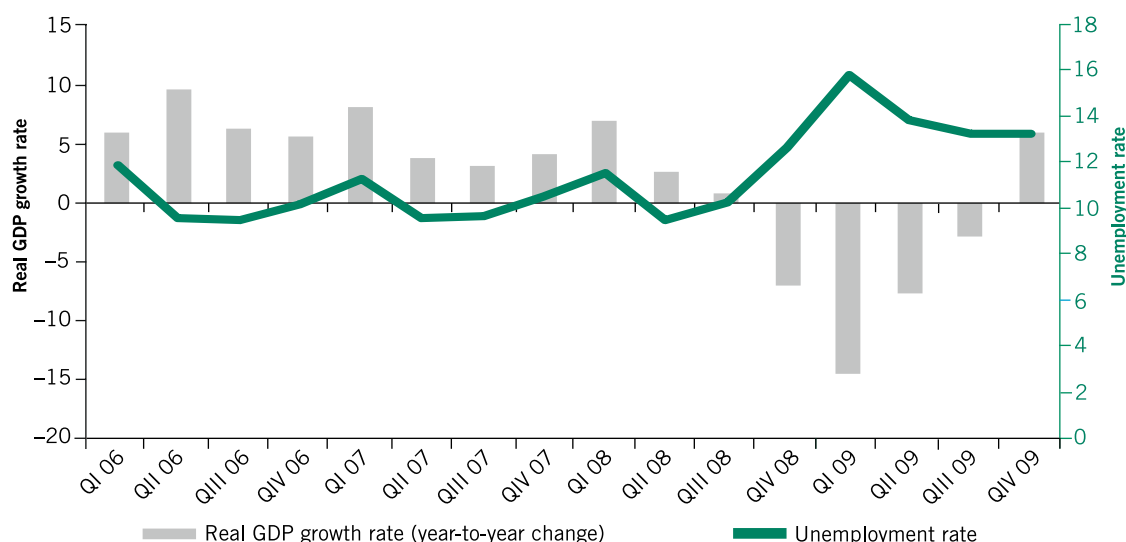
A remarkably strong and sustained period of economic expansion characterized the Turkish economy since the recession of 2001. Indeed, GDP growth rose at an average annual rate of 6.8 per cent between 2002 and 2007.

- However, the global economic crisis had an immediate impact on output, as GDP began declining in the second quarter of 2008 and slowed to 0.7 per cent during that year. Exports fell 14.2 per cent between the first and fourth quarters of 2008.
- Real GDP subsequently contracted sharply (-7 per cent on average) during the first three quarters of 2009, but the fourth quarter of 2009 indicates that the economy has started to emerge from the crisis. The impact of the crisis lasted four quarters to start recovering at an annual growth rate of 6 per cent.

Unemployment rises and affects youth

- As demand for workers fell, the unemployment rate which in the pre-crisis years of 2006-2007 had averaged 10.2 per cent rose to a high of 15.8 per cent in the first quarter of 2009. It shows a decline after stabilizing at 13.2 per cent during the last semester of 2009.
- The youth unemployment rate increased at a faster pace than that of the total population, reaching 28 per cent in the first quarter of 2009. Afterwards it declined towards 24.2 per cent at the end of the year.
- The number of total unemployed reached 3.3 million in December 2009, of which 1 million were young people (aged 15-24 years).

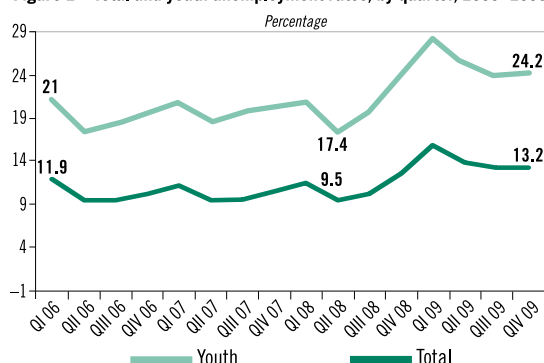
Figure 1. Unemployment rate and real GDP growth rate, by quarter, 2006–2009 (percentage)



Source: TURKSTAT. Data are not seasonally adjusted.

THIS IS PART OF THE STATISTICAL UPDATE SERIES PREPARED BY THE ILO FOR THE G20 LABOUR AND EMPLOYMENT MINISTERS. EACH BRIEF PROVIDES AN OVERVIEW OF THE COUNTRY'S ECONOMIC AND LABOUR MARKET SITUATION AND OUTLOOK. ALL FIGURES HAVE BEEN EXTRACTED IN FEBRUARY AND AT LATEST AS OF BEGINNING OF MARCH 2010. THEY MAY HAVE BEEN REVISED FOR SOME COUNTRIES SINCE THEN.

Figure 2. Total and youth unemployment rates, by quarter, 2006–2009

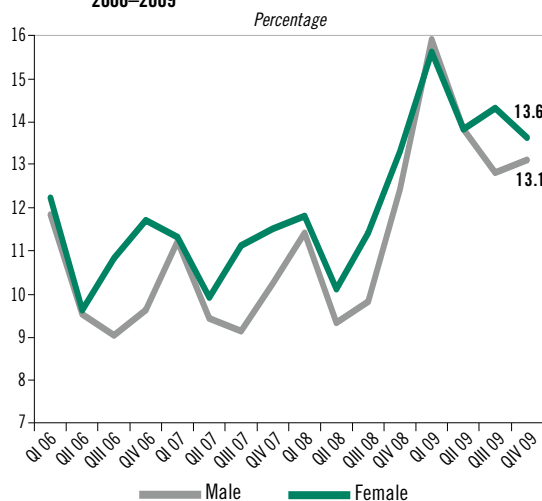


Source: TURKSTAT. Data are not seasonally adjusted.

Men and women have been affected similarly by the crisis

- Male and female unemployment rates behaved alike during the crisis, with an increase of around 3 percentage points in male workers and of less than 2 percentage points in female workers in the first quarter of 2009. Towards the end of 2009 the rates had fallen to 13.1 and 13.6 per cent for males and females respectively.
- Despite recent increases, the female labour force participation rate is far lower than the respective rate for males. Consequently, the number of unemployed is higher and rose more significantly than that for females.

Figure 3. Male and female unemployment rates, by quarter, 2006–2009

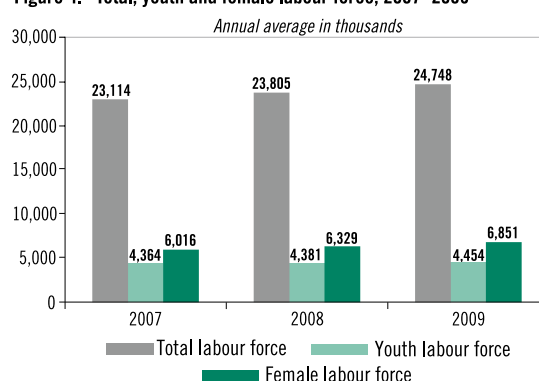


Source: TURKSTAT. Data are not seasonally adjusted.

Increasing labour supply poses additional challenges to job creation in times of crisis

The labour market faces a challenging increase of its labour supply. Indeed, the labour force has grown by over 4 per cent annually over the past two years due to a rapidly expanding youth population and a rising female labour force participation rate, which increased from 23.9 per cent to 25.9 per cent between December 2008 and December 2009.

Figure 4. Total, youth and female labour force, 2007–2009

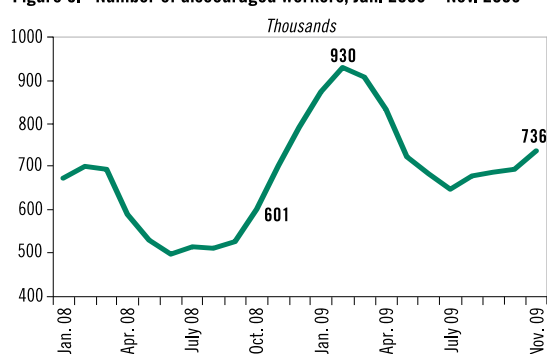


Source: TURKSTAT. Data are not seasonally adjusted.

The number of discouraged workers has risen early in 2009 to decrease towards the end

- The number of discouraged workers (that is, those persons not seeking a job, but available to start) increased significantly during the crisis, reaching a peak of 930,000 persons in February 2009.
- They since declined slightly to reach 736,000 in December 2009, but remain higher than pre-crisis levels.

Figure 5. Number of discouraged workers, Jan. 2008 – Nov. 2009



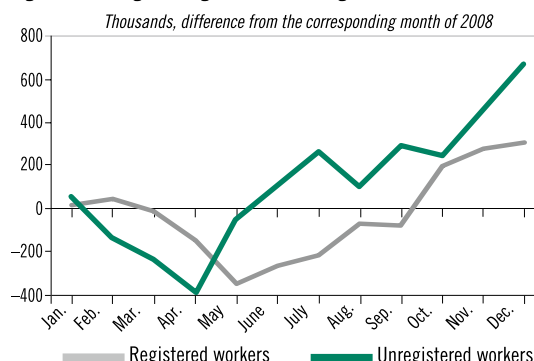
Source: TURKSTAT. Data are not seasonally adjusted.

Both informal and formal employment adjusted during the crisis

- There has been a lag between changes in registered (formal) and unregistered (informal) employment. The number of unregistered workers fell more rapidly in the first half of 2009 when compared with the number of registered workers but also rebounded sooner, showing positive growth beginning in June 2009.
- Registered employment has been affected in Turkey, where the ratio of unregistered to total employment is structurally very high, approximately 43 per cent.
- Following job losses that began in March 2009 and continued through September 2009, registered employment began to increase in October 2009 from its

level a year earlier. Registered employment stood at 12.2 million in December 2009. However, the number of unregistered workers seemed to keep its upward trend.

Figure 6. Changes in registered and unregistered workers in 2009



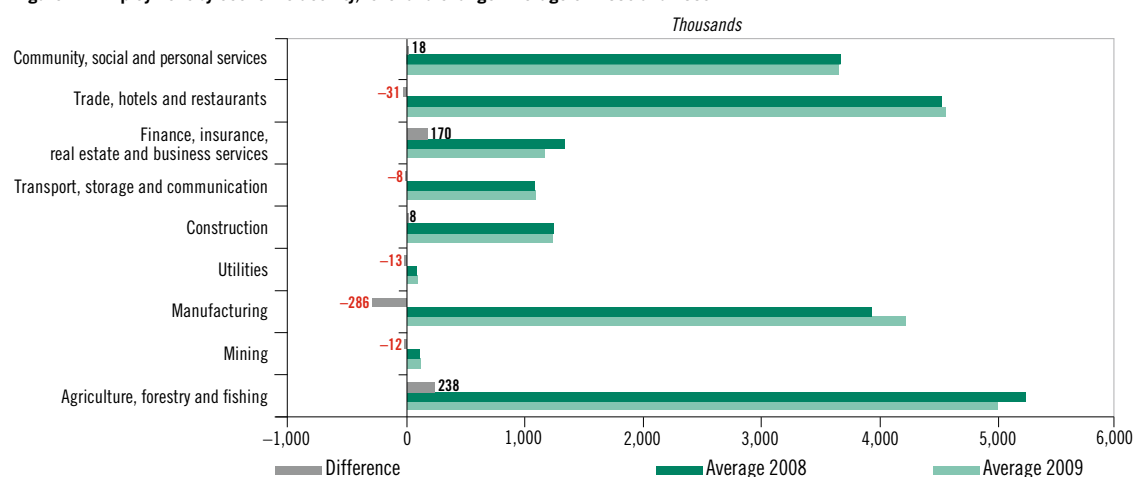
The crisis has affected employment mostly in manufacturing

- Nearly all sectors recorded job losses during 2009 compared with 2008. Job losses were most pronounced in manufacturing, as 286,000 jobs were lost on average during this period.
- After the 2001 financial crisis in Turkey, reforms strengthened its banking system. Therefore, the

country has not had to adopt support measures for the financial sector during the global crisis.

- Agriculture and finance were the only sectors to register job gains over the period. Employment in agriculture increased by 238,000 and in financial services, 170,000 jobs in 2009.
- Manufacturing activity started to improve in mid-2009. The downward trend in industrial production continued to reverse in the third quarter 2009 with positive effects on employment.

Figure 7. Employment by economic activity, level and change. Average of 2009 and 2008





The outlook indicates that labour markets will show a partial recovery in 2010

- The global financial crisis severely affected Turkey's economy and labour market. Experiencing a sharp increase in unemployment, Turkish workers were made to bear a major brunt of adjustments to the crisis conditions.
 - Economic conditions seem to be improving, with public consumption supported by the fiscal stimulus packages driving some of the recovery. Tax relief measures for vehicles, appliances, furniture and IT equipment have temporarily lifted production. Two stimulus packages for employment were adopted. However, external demand continues to
- constrain the production capacity of firms and the effective recovery of labour markets. On the other hand, economic growth in the last quarter of 2009 helped the unemployment rate not rise as expected originally.
- Officially real economic growth is forecast around 3.5 per cent in 2010. The unemployment rate is estimated to slightly decrease in 2010. The recent upgrade in Turkey's credit note rate by Fitch has led to more optimism in the government's outlook for 2010. The last survey on expectations carried out by the Turkish Central Bank indicates that the estimated annual growth rate would be 4.3 per cent in 2010. Accordingly, unemployment forecast could be lower than the estimated rate.