

# VAKIFBANK TURKISH ECONOMY WEEKLY

How will Turkish Economy Perform in  
2011?

No 4 : Unemployment Rate

  
**VakıfBank**

T. Vakıflar Bankası T.A.O



**Having analyzed economic growth, inflation and current account balance, this week we are examining unemployment rate trend in 2011.**



## **Previous Weeks**

**Real GDP Growth Rate**

**Inflation and Monetary Policy**

**Current Account Balance**

## **This Week**

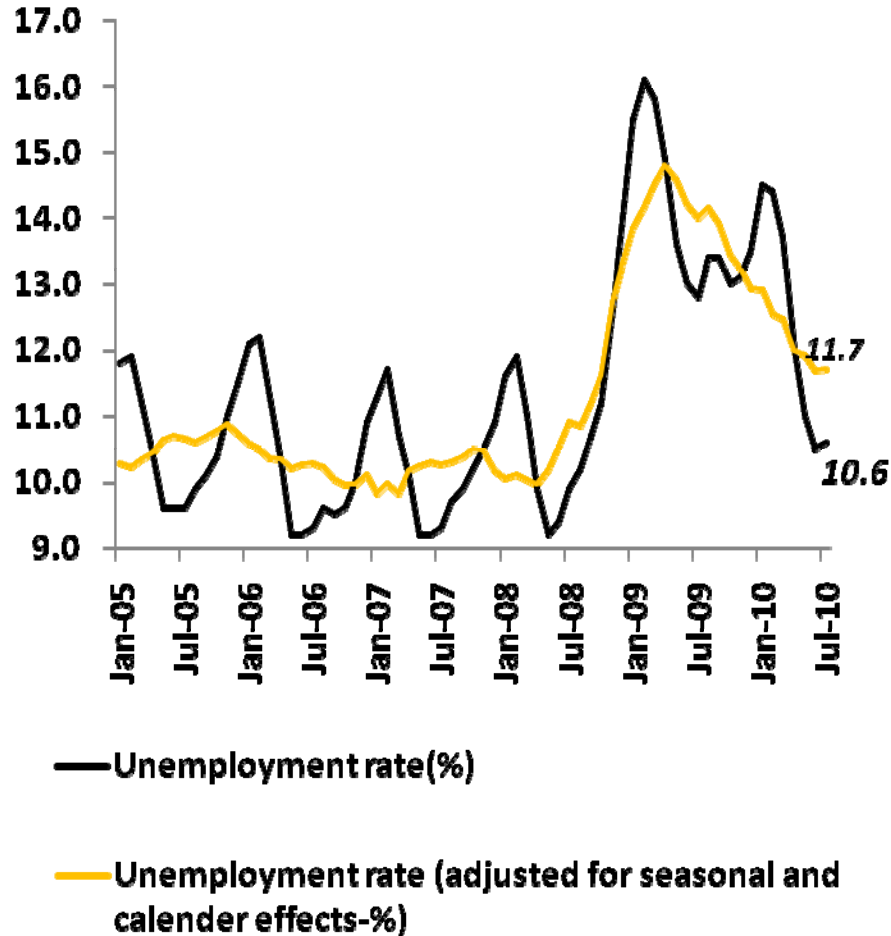


**Unemployment Rate**




## **Next Week**

**Financial Markets: Interest Rate and Currency**

## Unemployment rate reached to 10.6% in July...



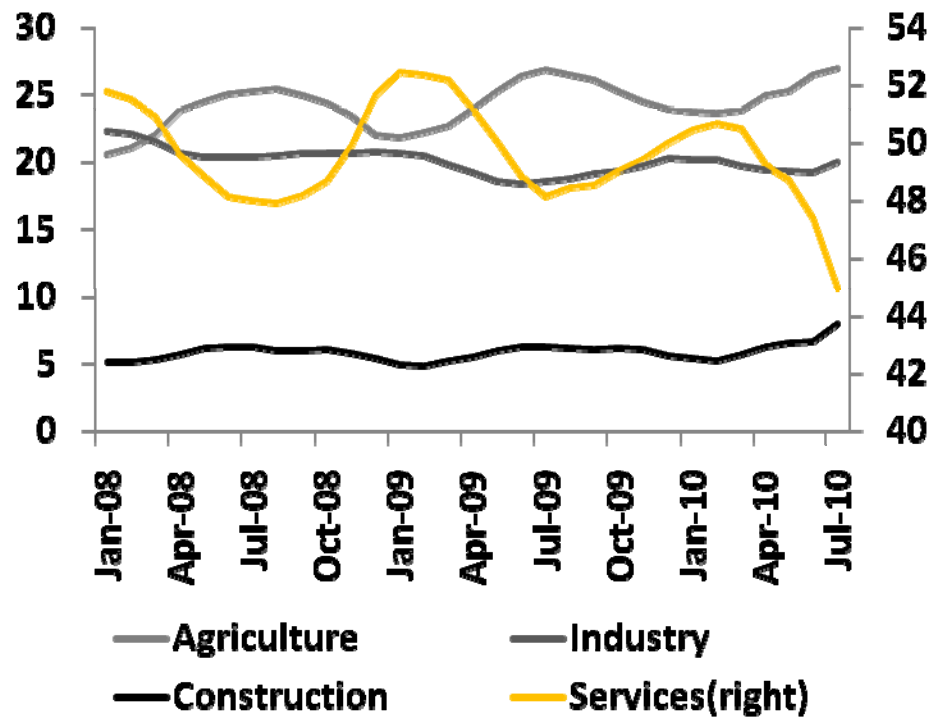
Source: TurkStat

-  Labour force participation rate (LFPR) was 50% with 0.7 points increase compared to the same period of the previous year for Turkey in July 2010 period.
-  Number of unemployed persons decreased by 485 thousand compared to the same period of the previous year and reached to 2.8 million in Turkey.
-  Seasonally adjusted labour force participation rate reached to 48.7% with 0.2 points decrease. Seasonally adjusted unemployment rate was 11.7% without any change compared to the previous period.

# Service sector which has the highest share in total labor force, decreased by 1.6 points in July 2010...



### Sectors Share of Total Labor Force



Share of agriculture, construction and industry in total labor force increased by 0.2 , 0.4, 1.2 points respectively in July 2010.

Share of construction sector in total labor force has reached its highest level with 8.0% since the beginning of 2005.

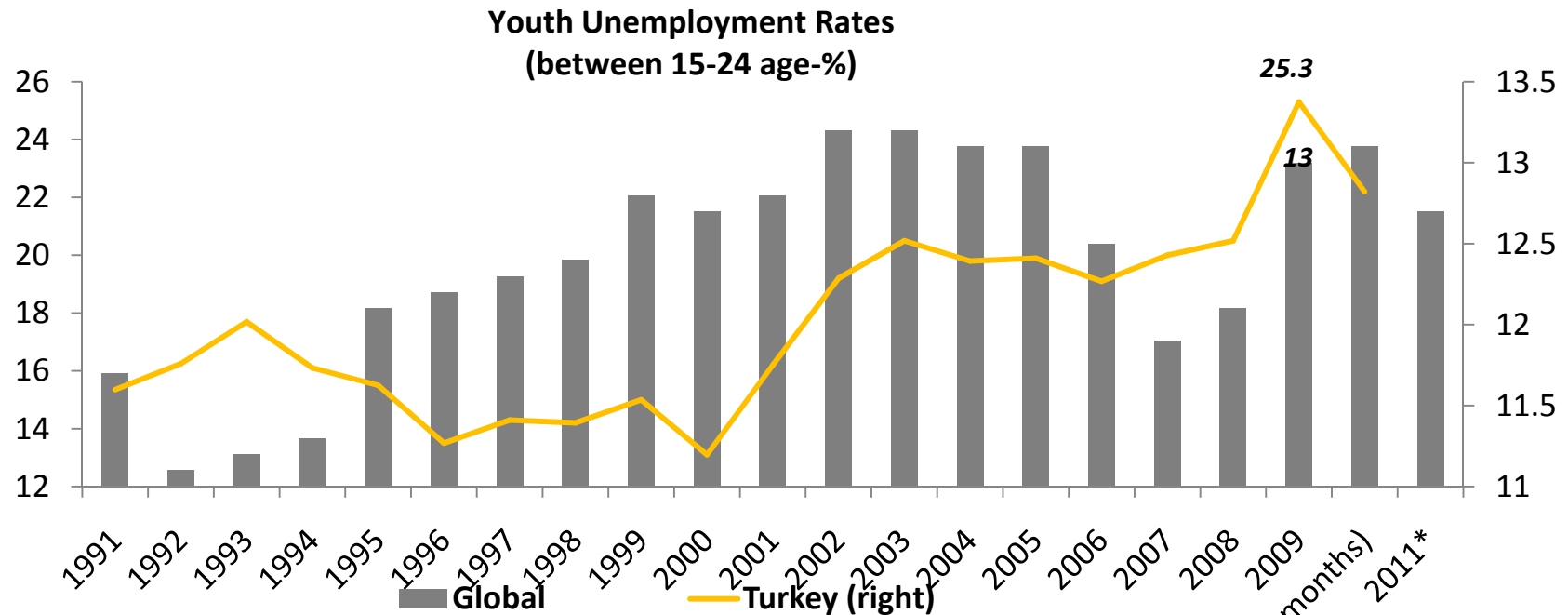
Source: TurkStat

# In 2009, the youth employment rate in Turkey was 25.3% compared to the rate of 13.1% worldwide...



*The youth unemployment rate decreased over the period 1998 and 2008 in all regions except for South-East Asia, the Pacific, South Asia and the Middle East. Especially in Turkey this increased by 6.3 points at the same period.*

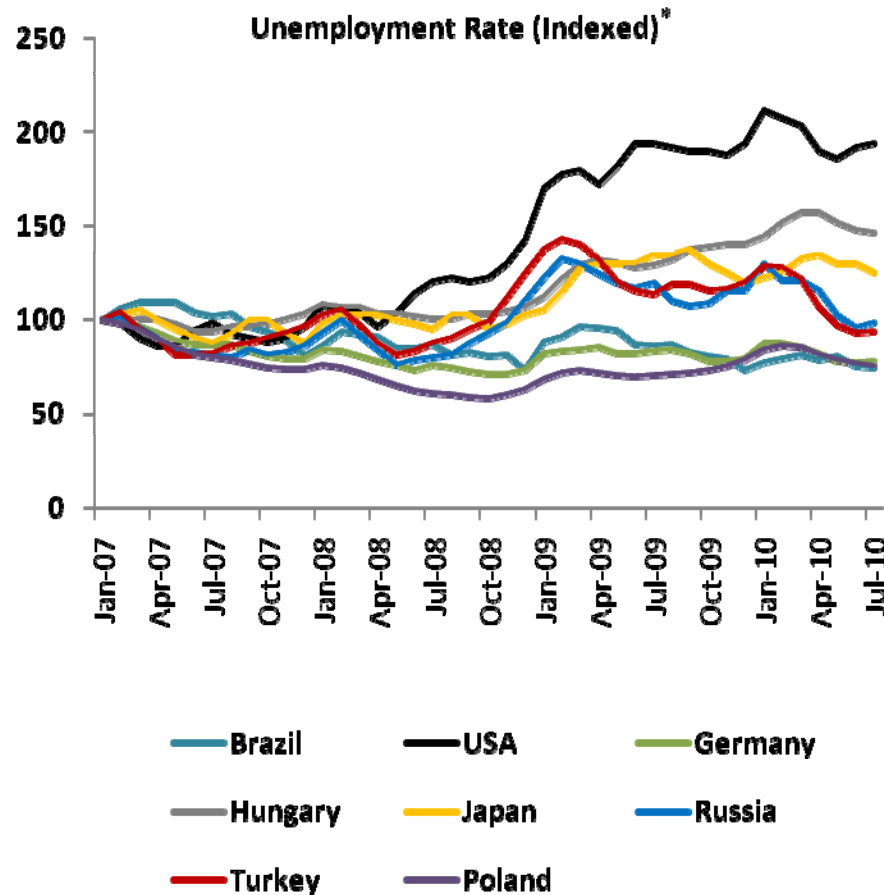
*Young people who compose approximately 90% of the population in developing countries trigger some worries about the risk of underemployment of young generation in the future.*



Sources: TurkStat, ILO\*2011 forecasts.

2010 (first 7 months)

# US unemployment rate has started to increase again while Turkey's labor market enjoys strong recovery....



Source: Bloomberg

\* January 2007=100

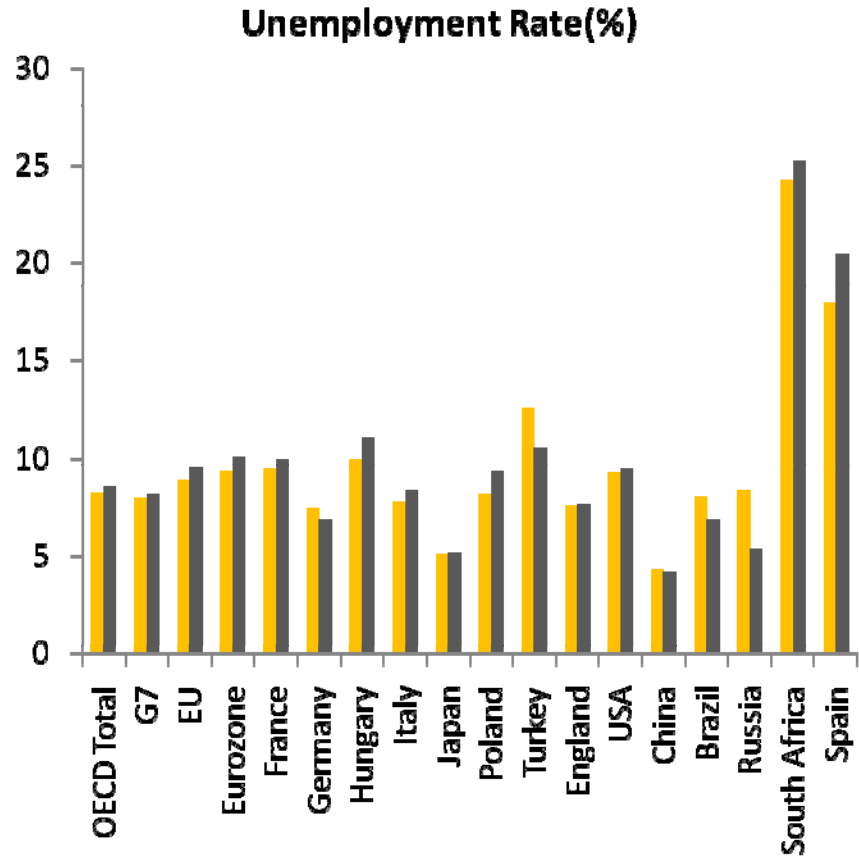


Based on 2007=100, unemployment rate of US increased more rapidly than other countries during the crisis. After a limited recovery, unemployment rate of US has started to increase again. This movement signals US recovery may be slower than expected.



Unemployment rate of Turkey has been performing better than USA, Hungary and Japan after the crisis period. There is a similar trend with Russia.

# EM's unemployment rate performs better than DM's.... **VakifBank**



Source:OECD

■ 2009 ■ 2010 (End July)

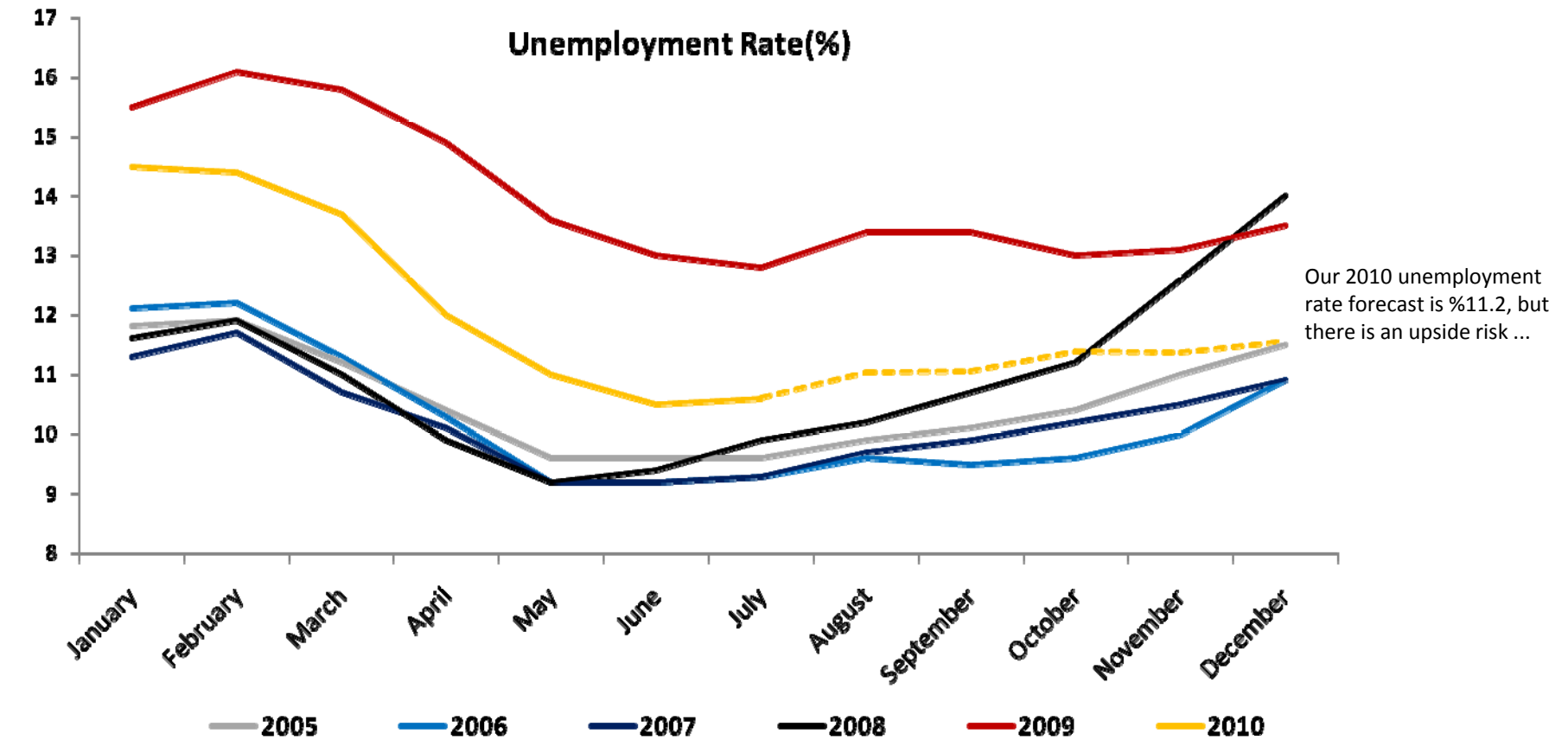
Except for South Africa, unemployment rate declined in Emerging Markets (especially in China and Turkey) between 2009 and 2010.

The unemployment rate of Spain increased sharply after 2010 debt crisis.

The unemployment rate of South Africa has kept rising during 2010. It increased by 1 point compared to previous year.

## Rapid decline in unemployment, but still at high levels...

Unemployment rate has been on a recovery path since the third quarter of 2009 and the decline is more rapid than previous years. Although there is a significant improvement in employment conditions, unemployment rate is still above pre-crisis level. Based on seasonal factors, the downward trend in unemployment rate is expected to be reversed in the coming months of 2010.



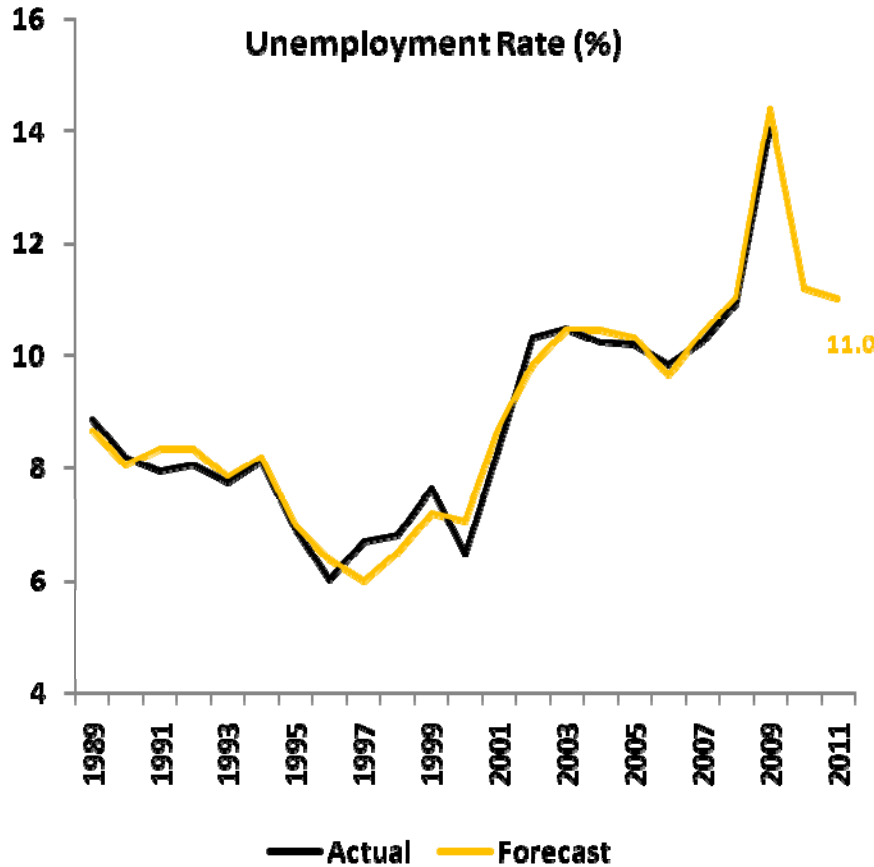
Source: TurkStat



## Our unemployment rate forecast for 2011 is 11.0%...



The pace of deceleration in unemployment rate may slow down in 2011 under our base scenario. Regarding the scenario-1 that includes our strong GDP and high CPI forecasts, unemployment is estimated to decrease to 10.0%. On the other hand, under the scenario-2 that has weak GDP and low CPI forecasts, our unemployment forecast is 12.3%.



Source: Turkstat, VakifBank

Forecasts for 2011	Real GDP Growth (y/y,%)	CPI (y/y,%)	Unemployment Rate
Base Scenario	3.5	7.15	11.0
Scenario-1	4.7	9.4	10.0
Scenario-2	2.1	5.5	12.3
Source: VakifBank			

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