

VAKIFBANK WEEKLY ECONOMIC REPORT

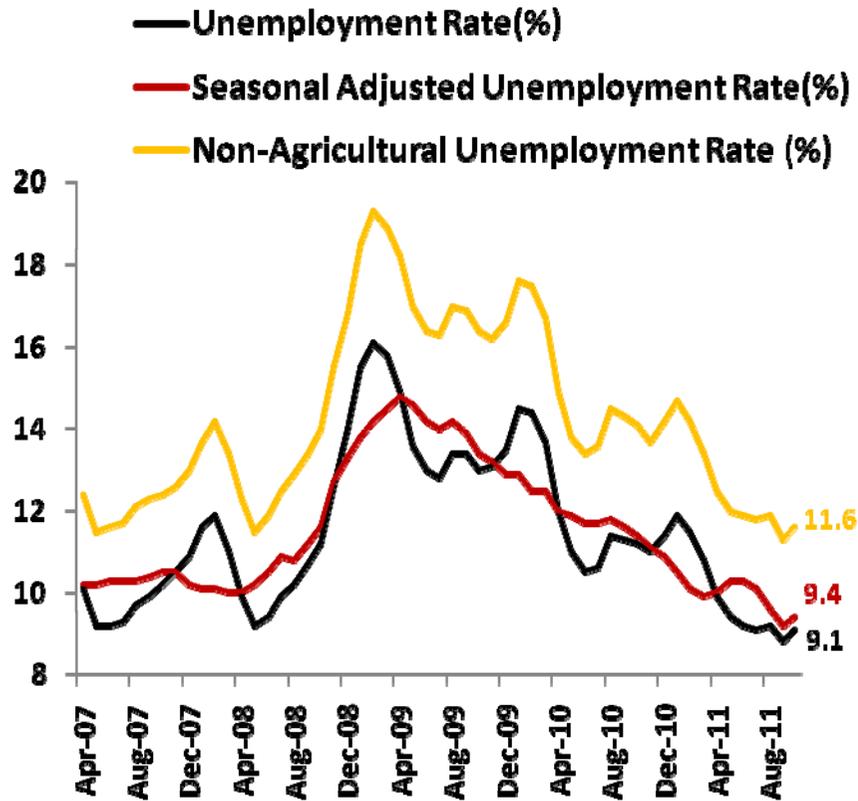
There are signs of the increase in
unemployment rate



T. Vakıflar Bankası T.A.O



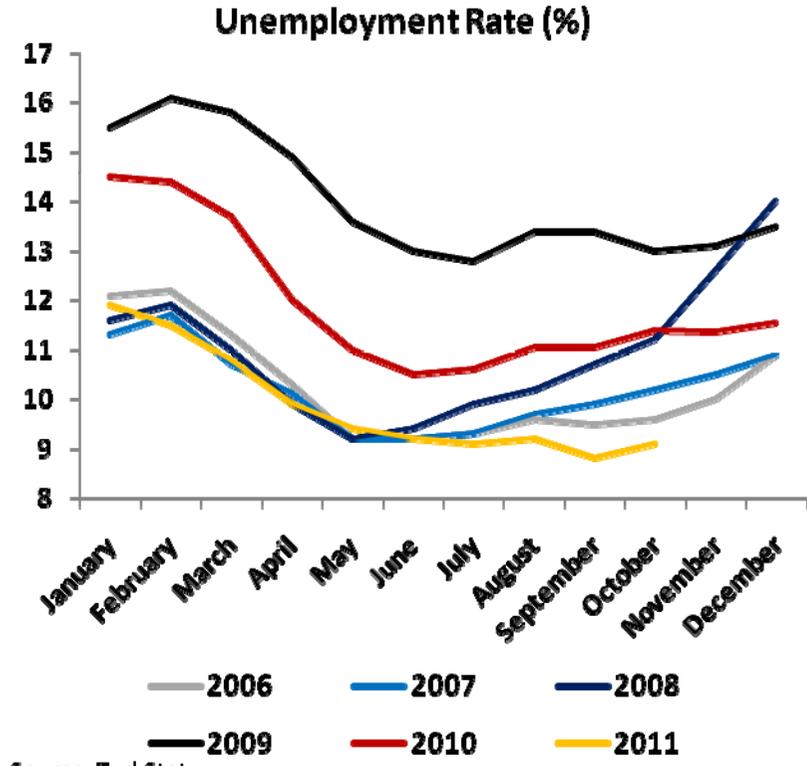
Unemployment rate increased to 9.1% in October...



Source: TurkStat

- Unemployment rate which was 8.8% in September 2011, was 9.1% in October 2011.
- The non-farm unemployment rate rose to 11.6% from 11.3% in October and the seasonally adjusted unemployment rate increased to 9.4% in October from 9.2%.
- Thus, the downward trend of seasonally adjusted unemployment rate, which has started in May, impaired with the October data.
- Increase in unemployment rate from record low level indicates that it began to increase in the last quarter of 2011.
- Moreover, October releases have revived the possibility of end in downward movement of unemployment rate and displayed negative outlook for coming movements of unemployment rate.

Unemployment rate has differ from previous years in the second half of 2011...

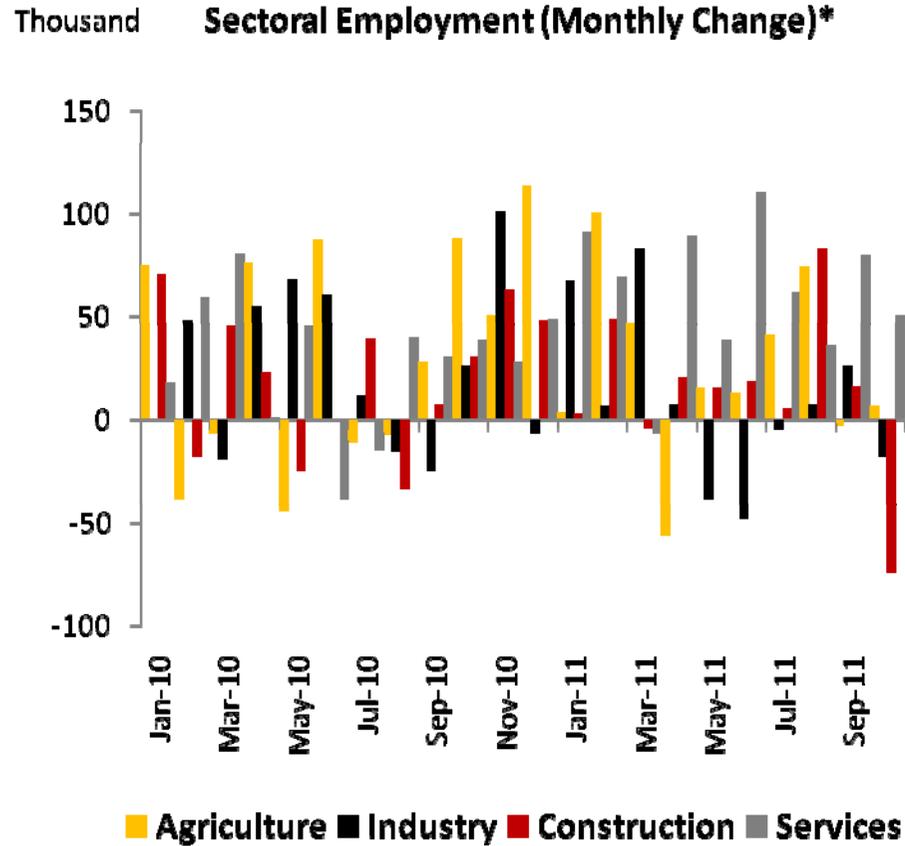


Source: TurkStat

- In October, the employment rate increased by 6.6% on an annual basis and reached to 24.7 million.
- According to CBRT reports, employment growth rate of Turkey between 2007-2010 was close to 4 % which was the highest growth rate of employment among lots of developed and developing countries. This rate indicates that strong growth performance create new employment occasion.
- In October 2010, participation of labor force rate was 49% and in 2011 it increased by 1 point and reached to 50%. However, labor force participation rate declined compared to September. Moreover, without seasonal effects labor force rate also decreased in October .
- Although performance of unemployment rate in the first half of 2011 is similar to the previous years' performance, in the second half of 2011, it decoupled from previous years by declining.

Average increase in unemployment rate in the last quarters is 1.28%. With entering the winter months, the unemployment rate is expected to continue upward movement. Thus, the movement of seasonally adjusted unemployment rate will be more important in the coming months.

Sectoral employment releases signal for the coming months...

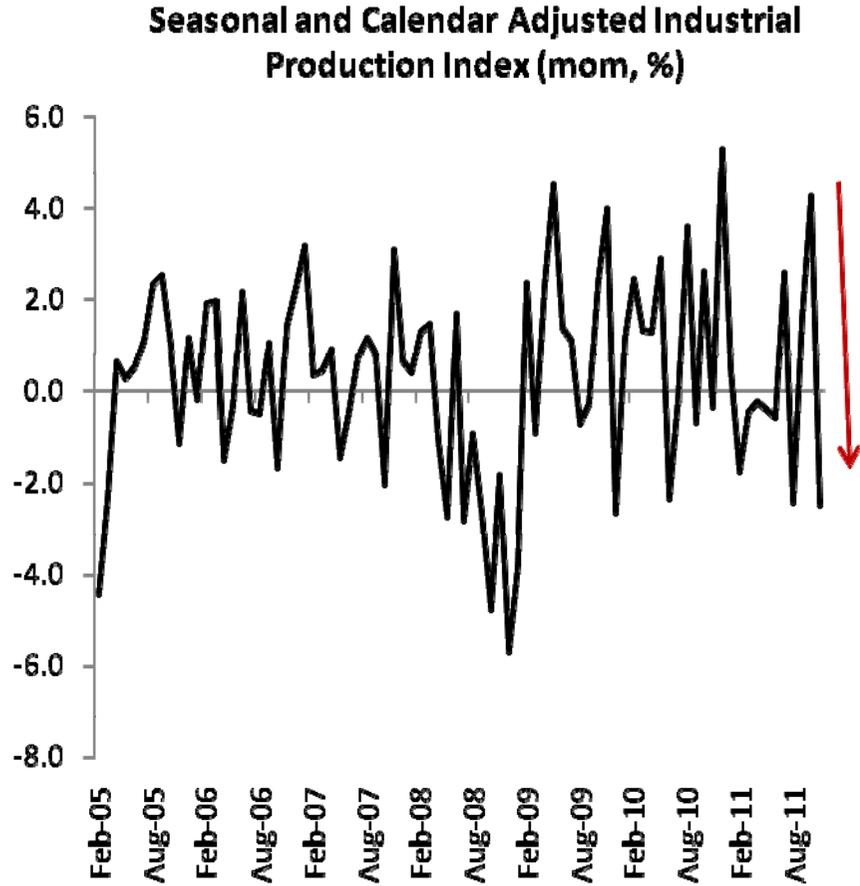


Sources: Turkstat, VakifBank

*:Seasonally Adjusted

- ✓ Unemployment rate has decreased by 2.3 points since the end of 2010. This downward movement in unemployment rate mainly resulted from the strong economic activity in the recovery period.
- ✓ Service sector, which continually increased during 2011 except for March, has achieved in generating employment. Moreover, especially after the crisis, agricultural employment has increased by nearly 1 million which constitutes 30% of increase in total employment.
- ✓ Surprise performance of the construction sector which grow at double digits in the first three quarter of 2011, has been the main driver of decrease in unemployment rate until October. However, reverse movement of construction sector employment in October increases the question marks for the coming performance of unemployment rate.

The risks on industrial sector's employment have increased...

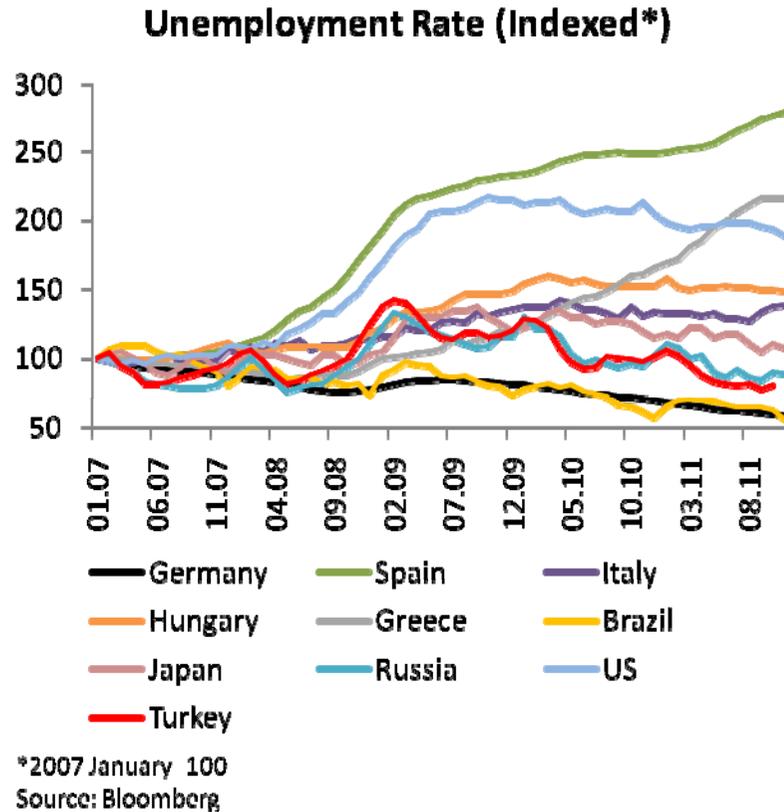


Source: TurkStat

- Although industrial sector, which has the third highest share in total employment after services and agriculture sector, has grown by an average of 10.4% in the first three quarters of 2011, it has displayed weak performance in creating employment.
- In October, industrial employment decreased after 2 months. In addition to the slowdown in seasonal and calendar adjusted industrial production in November, it is possible that a decline in industrial production will continue in the coming months.
- Although agriculture and service sectors have offset the employment loss in industrial and construction sectors in October, under consideration of weak growth expectations, there are risks in the performance of these sectors to create employment.

In the light of leading indicators, it is possible that the unemployment rate may remain under pressure in the coming months. Hence, we see an upward movement in the unemployment rate with the slowdown in economic activity.

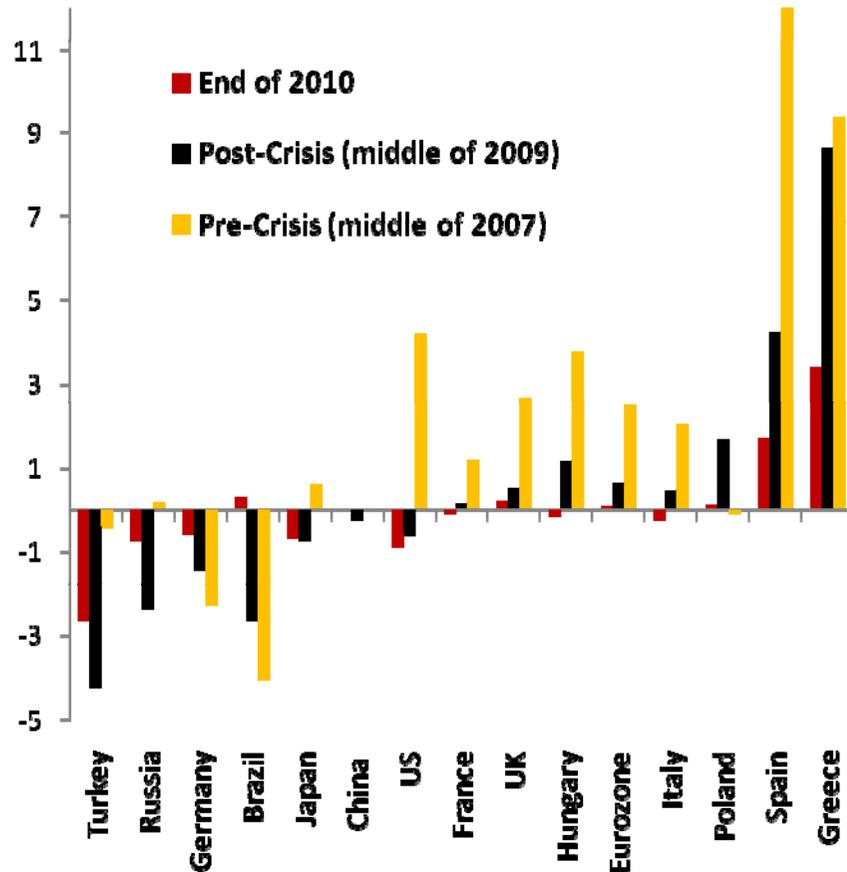
Unemployment rate in many countries are higher than the pre-crisis levels, Turkey's unemployment rate is under the pre-crisis level...



- Based on 2007 January=100, US unemployment rate increased more than other countries.
- Moreover, unemployment rates both of Spain having the highest unemployment rate in Euro Zone and Greece are so high compared with the pre-crisis period.
- Although Turkey's unemployment rate is higher than Germany and Brazil, severe decline of unemployment rate compared to January 2009 when the unemployment rate reached the highest level in the crisis period is seen in Turkey.
- As a result, Turkey has a positive performance in unemployment among the developed and emerging economies .

Turkey's labor market positively performs...

Change in unemployment rates of selected countries (point)



Source: Bloomberg

In order to show the comparative recovery in the global employment market, changes in unemployment rates of selected developed and developing countries from the pre-crisis, post-crisis and end of 2010 are calculated.

As shown in graph, unemployment rates of developing countries are under the pre-crisis levels while unemployment rates of developed countries such as Eurozone and US are above the pre-crisis levels.

In the post crisis period, Turkey has experienced the fastest recovery among the selected countries while unemployment rates of Spain and Greece, which are in a deep debt crisis, have increased by 4.23 and 8.64 points, respectively.

As a consequence, looking at the overall appearance of changes for end of 2010, post-crisis and pre-crisis periods, the recovery in unemployment rates of developing countries is stronger than the developed countries.

Conclusions...

- ✔ The downward trend of seasonally adjusted unemployment rate, which has started in May, impaired with the October data.
- ✔ In the light of leading indicators, it is possible that unemployment rate may remain under pressure in the coming months. Hence, we see upward movement in unemployment rate with the slow down in economic activity.
- ✔ Employment growth rate of Turkey between 2007-2010 was close to 4% which was the highest growth rate of employment among lots of developed and developing countries.
- ✔ It shows that strong economic activity generate new employment occasion.
- ✔ Recovery in the labor markets of developing countries has been faster than developed countries.
- ✔ Turkish economy, thanks to its strong growth performance in the post-crisis period, experienced a significant improvement in labor market.

Serkan Özcan

Chief Economist

+ 90 312 455 7087

serkan.ozcan@vakifbank.com.tr

Cem Erođlu

Senior Economist

+ 90 212 398 1898

cem.eroglu@vakifbank.com.tr

Ümit Ünsal

Economist

+ 90 212 398 1899

umit.unsal@vakifbank.com.tr

Emine Özgü Özen

Researcher

+ 90 212 398 1890

emineozgu.ozen@vakifbank.com.tr

Naime Dođan

Researcher

+ 90 212 398 1892

naime.dogan@vakifbank.com.tr

Fatma Özlem Kanbur

Researcher

+ 90 212 398 1891

fatmaozlem.kanbur@vakifbank.com.tr

İbrahim Taha Durmaz

Researcher

+ 90 212 398 1905

ibrahimtaha.durmaz@vakifbank.com.tr

T. Vakıflar Bankası T.A.O

www.vakifbank.com.tr

Vakıfbank Economic Research

ekonomik.arastirmalar@vakifbank.com.tr

The information in this report has been obtained by Türkiye Vakıflar Bankası T.A.O. from sources believed to be reliable. However, Türkiye Vakıflar Bankası T.A.O. cannot guarantee the accuracy, adequacy, or completeness of such information, and cannot be responsible for the results of investment decisions made on account of this report. This document is not a solicitation to buy or sell any of the securities mentioned. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice. This report is to be distributed to professional emerging markets investors only.
