

VAKIFBANK TURKISH ECONOMY WEEKLY

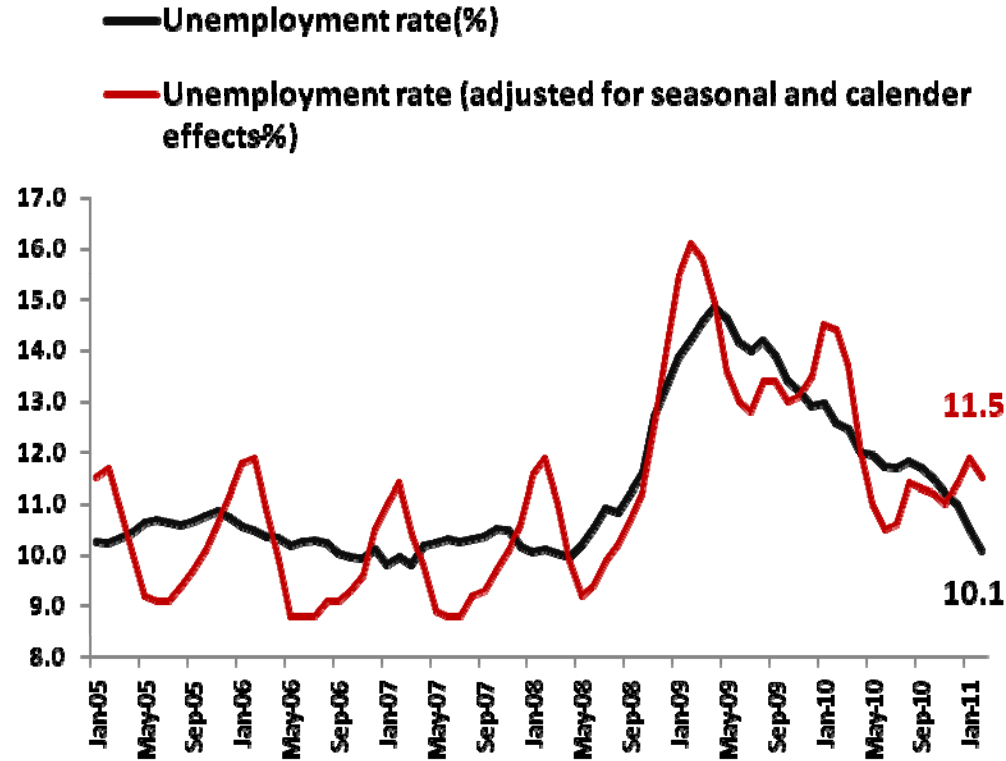
In the first quarter of 2011, the
employment conditions continue to
improve...



T. Vakıflar Bankası T.A.O



Unemployment rate fell to 11.5% in January-February-March period from 14.4% in the same period of the previous year...



Source: TurkStat



The non-farm unemployment rate, fell sharply to 14.2% from 14.7% in January, due to 1.2 million increase in the number of non-farm employed. The seasonally adjusted unemployment rate, on the other hand, fell to 10.1% in February from 10.5% in January.

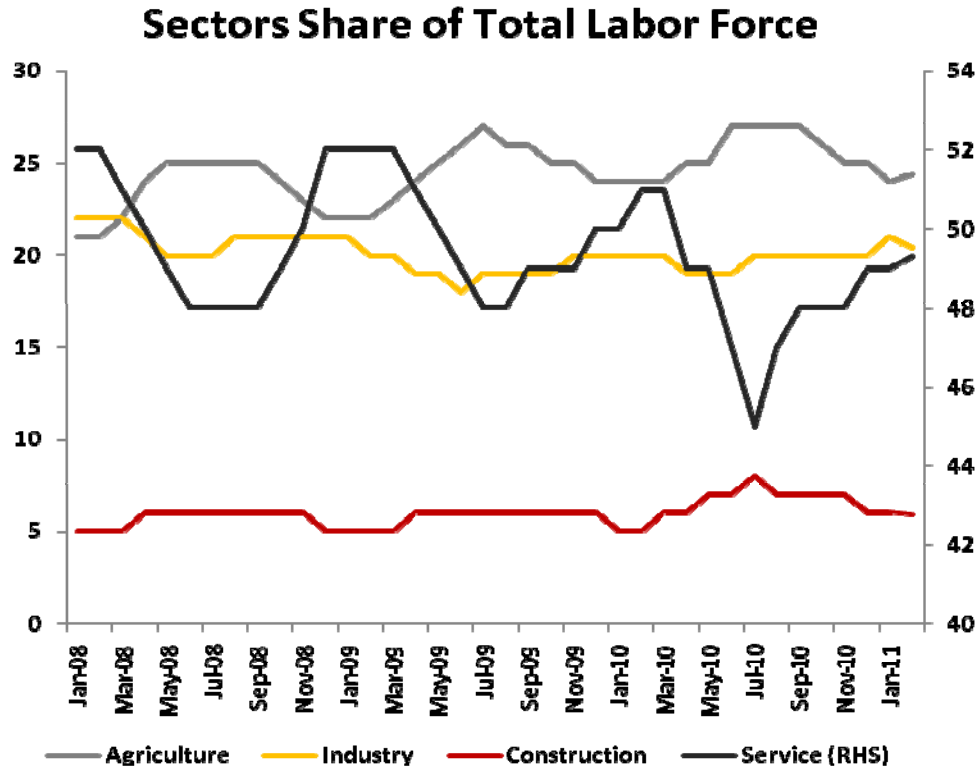


Number of unemployed persons decreased by 600 thousand compared to the same period of the previous year and reached to 2.9 million in February 2011.



The large fall in headline and non-farm unemployment rates indicate the recovery in labor markets condition.

Agricultural labor share as a percent of total labor force has continued to increase in 2011...



Source: TurkStat



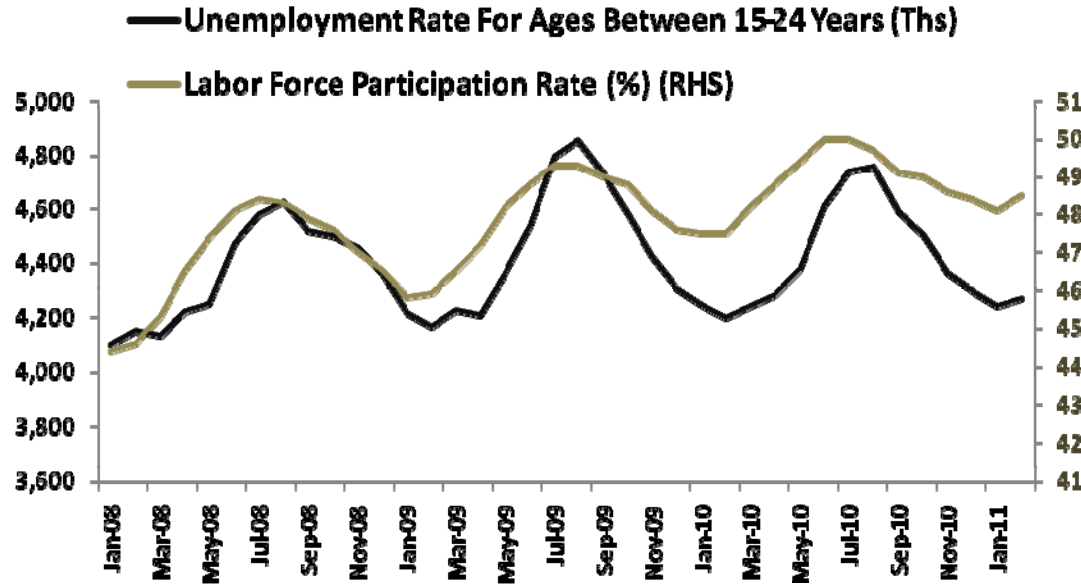
Agricultural labor was %24.4 of total labor, industry labor was 20.4%, construction labor was 5.9% and service labor was %49.3 of the total labor force in February 2011.



Agriculture labor share in total labor force increased by 0.7 points compared to the same period of the previous year, whereas industry labor share increased by 0.1 points and construction labor share by 0.6 points in February 2011. On the contrary service labor share in total labor force fell by 1.4 in the same period.

Although the fall in unemployment rate indicates the recovery in labor markets, rising agricultural labor share as a percent of total labor force is a key concern in terms of growth. The employment share of agriculture in Turkey has continued to rise in spite of economic recovery. In the recent year the number of non-farm employed has increased by 1.2 million yet the farm employed number has increased by 533 thousand .

Youth unemployment stood at 20.6% in February, down from 25.5 % in the same period of 2010.



In February 2011 period, the labour force participation rate (LFPR) realized as 48.5% with 1 point increase compared to the same period of the previous year. The main factor behind this rise was the increasing youth labor force participation rate.

Source: CBRT, TurkStat

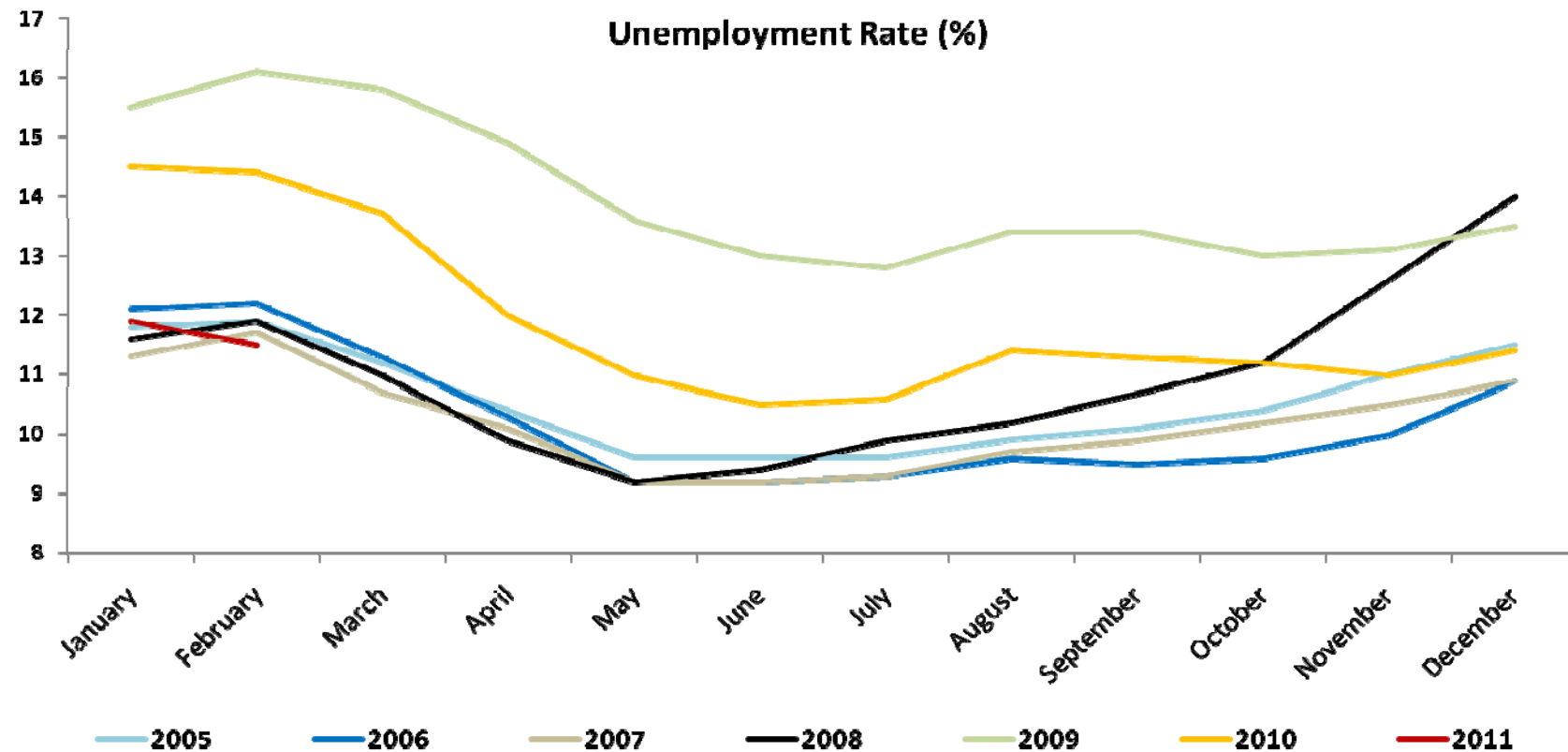


When total labor force distribution in terms of education and age is analyzed, it is seen that youth employment is 16.6% of the total employment. This indicates an important youth potential in Turkey. Turkey's youth unemployment fell to 22.5% in February 2011 from 26.9% in 2010, but it is still above the global youth unemployment rate of 13%. In this respect employment policies intended to use this high potential should be implemented in the coming years.

The unemployment rate has returned to the pre-crisis levels...



Unemployment rate has been on a recovery path since the third quarter of 2009 and it has returned to pre-crisis levels in the first quarter of 2011. Based on seasonal factors, downward trend in unemployment rate is expected to continue in the coming months of 2011. Moreover, in the first half of the year, it is expected to decrease to one digit number. However, in the second half of 2011 seasonal factors will be reversed and the unemployment rate will increase to two digit numbers.







Source: TurkStat

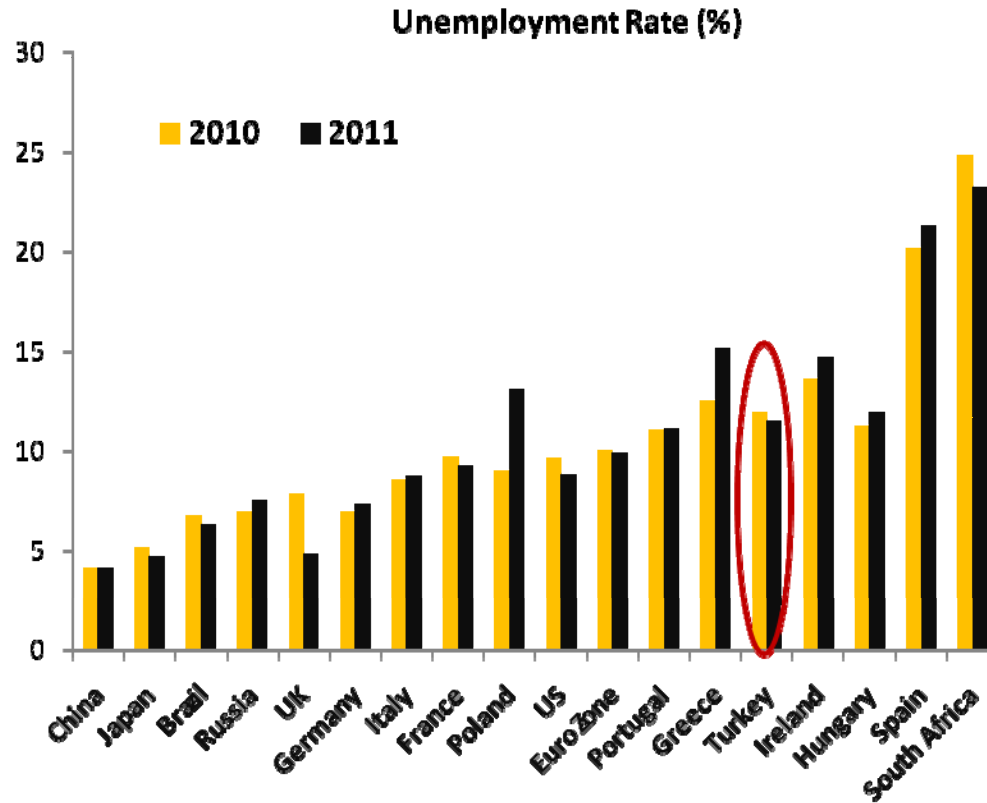
Unemployment Rate and GDP Relationship

Pairwise Granger Causality Tests		F-Stat	Probability	Conclusion	
Unemployment Rate	→	GDP	30.8323	1.6E-08	Reject
GDP	→	Unemployment Rate	0.44071	0.64701	Do not Reject

Source: Vakifbank

-  The recovery in employment markets in the first quarter of 2011 has brought up the question about the direction of the growth-employment relationship.
-  In order to analyze the relationship between unemployment and growth rate in Turkey, we have tested the causality between variables through Granger Causality Test. It is found that unemployment rate Granger causes GDP but GDP does not Granger cause unemployment.
-  In other words, the unemployment rate is effective on the growth developments. However, the fluctuations in the GDP have not a statistically significant effect on unemployment movements.
-  This result reflects high structural unemployment in Turkey.

Turkey's unemployment rate is still higher than many developing countries...



Source: IMF, Bloomberg

In the first quarter of 2011, although the employment conditions in Turkey continue to improve, Turkey's unemployment rate is still higher than many developing countries.

Euro Area unemployment rate is 9.9% and Europe's biggest economy, Germany's unemployment rate is 7.1% in March.

Unfavorable labor market performance of South Africa has continued during the beginning of 2011.

Spain's unemployment rate has continued to experience high levels after 2010 debt crisis. Moreover, since the beginning of 2011, unemployment rate increased by 2.6 points in Greece .

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