

Little Change in Unemployment Rates and Uneven GDP Growth in Developing Countries

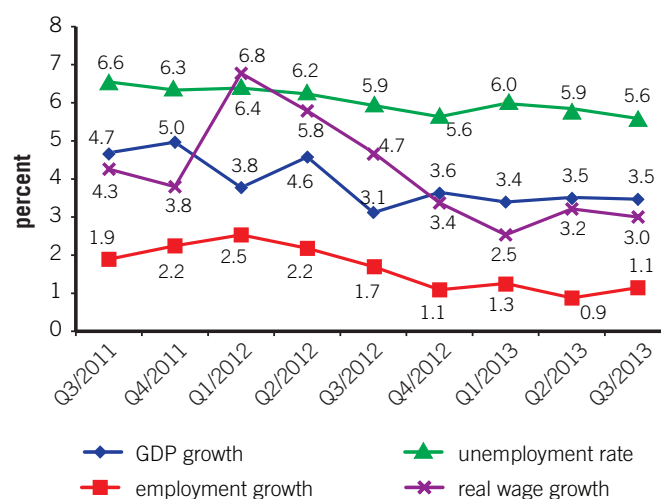
Unemployment continued its slow downward trend, while gross domestic product (GDP) growth rates continued to hover around 3.5 percent during the third quarter of 2013. Real wage growth took a small hit, declining to about 3 percent—a rate one-third lower than that recorded in the third quarter of 2012 (figure 1). Driven largely by the increase in Eastern Europe and Central Asia, employment growth showed improvement (table 1), but remained below the growth rates registered in 2011 and most of 2012. Overall, by the third quarter of 2013, GDP growth and employment outcomes showed few signs of returning to 2011 levels.

East Asia continued to be the most dynamic region in terms of GDP growth, with an average of 5.8 percent. This growth was fueled by China's increased GDP growth (7.8 percent); all other countries in the region had slower GDP growth compared to their third quarter 2012 performance. Employment growth declined in most East Asian countries and even became negative in Thailand. Throughout the region, the unemployment rate barely budged, but increased from 0.6 to 0.8 percent in Thailand from the third quarter of 2012 to the third quarter of 2013. Despite the increase in real wage growth in many countries, a substantial drop in Indonesia's real wage growth halved this indicator from 6.4 to 3.3 percent for the region. Indonesia's real wage growth plummeted from 15 percent in the third quarter of 2012 to -3.3 percent in the same quarter in 2013.

Europe and Central Asia presented a mixed picture regarding GDP growth. GDP growth increased in countries such as Kyrgyzstan, Moldova, Romania, and Turkey, while decreasing in Armenia, Belarus, Lithuania, the Russian Federation, Tajikistan, and Ukraine. In Armenia and Ukraine, GDP growth became negative in the third quarter of 2013 (at -2.7 and -1.3 percent, respectively). Considering the region as a whole, and comparing the third quarters of 2012 and 2013, GDP growth declined from an average of 3.5 to 3.1 percent. Employment growth declined throughout the region, with a few exceptions. Moldova managed to turn a contraction of 4 percent in the third quarter of 2012 to an ex-

pansion of 4.3 percent in the third quarter of 2013. However, employment in Armenia, Belarus, and Russia contracted by -1, -1.2, and -0.8 percent, respectively. The unemployment rate improved in many other countries, particularly in Belarus, Lithuania and Moldova, but the overall unemployment rate remained high, especially in Armenia (15.4 percent), Lithuania (10.9 percent), and Turkey (9.7 percent). Region-wide, the unemployment rate improved slightly, falling from 6.2 to 6 percent between the third quarters of 2012 and 2013. Finally, real wage growth dropped substantially in Europe and Central Asia, from 8.5 to 3.3 percent. The decline was pronounced in the majority of economies—with negative real wage growth in Armenia (-1), Kazakhstan (-0.4), Kyrgyzstan (-1.9), and Turkey (-1.3).

Figure 1. Median GDP Growth and Labor Market Indicators in Selected Developing Countries



Source: Author's calculation using CEIC, IMF and National Statistical Offices data. Note: Values represent the median value of growth rates estimated for 20 countries for which there were available data during the period Q3/2011 – Q3/2013: Armenia, Belarus, Brazil, Chile, China, Colombia, Ecuador, Kazakhstan, Kyrgyzstan, Lithuania, Mexico, Peru, the Philippines, Romania, the Russian Federation, South Africa, Thailand, Turkey, Ukraine, and the Bolivarian Republic of Venezuela.

Table 1. Labor Market Indicators for Selected Developing Countries

Region	Countries	GDP growth		Employment growth		Unemployment rate		Real wage growth	
		Q3/2012	Q3/2013	Q3/2012	Q3/2013	Q3/2012	Q3/2013	Q3/2012	Q3/2013
EAP	China	7.4	7.8	10.4	7.3	4.1	4.0	8.3	10.5
EAP	Indonesia	6.2	5.6	1.0	0.0	6.1	6.3	15.0	-3.3
EAP	Philippines	7.3	6.9	1.3	1.6	7.0	7.3	1.0	1.5
EAP	Thailand	3.1	2.7	0.6	-1.0	0.6	0.8	1.5	4.4
ECA	Armenia	3.6	-2.7	-2.3	-1.0	16.0	15.4	26.4	-1.0
ECA	Azerbaijan	1.7	na	0.8	2.5	5.3	5.0	9.3	3.8
ECA	Belarus	1.6	0.6	-1.8	-1.2	0.6	0.5	30.0	16.6
ECA	Kazakhstan	5.1	6.7	1.1	0.8	5.2	5.2	6.8	-0.4
ECA	Kyrgyzstan	1.2	5.8	1.6	0.6	2.5	2.4	9.2	-1.9
ECA	Lithuania	5.0	2.2	2.3	0.4	12.5	10.9	0.8	5.7
ECA	Moldova	4.0	10.4	-4.0	4.3	4.8	3.9	4.8	5.4
ECA	Romania	-0.6	4.2	2.9	1.4	5.0	4.7	1.4	2.5
ECA	Russian Federation	3.0	1.2	1.0	-0.8	5.1	5.3	5.5	6.4
ECA	Tajikistan	17.5	2.9	na	na	2.5	2.5	3.1	2.7
ECA	Turkey	1.5	4.4	2.3	2.0	8.8	9.7	-1.3	-1.3
ECA	Ukraine	-1.3	-1.3	0.4	0.0	6.6	6.2	5.5	1.1
LAC	Brazil	0.9	2.2	1.7	0.9	5.4	5.4	1.8	2.0
LAC	Chile	5.7	4.6	1.6	2.1	6.5	5.7	3.6	3.4
LAC	Colombia	2.8	5.1	3.0	2.5	9.9	9.0	0.9	2.6
LAC	Ecuador	4.3	4.9	2.4	5.1	4.6	4.6	5.3	6.6
LAC	Mexico	3.1	1.4	4.1	0.0	4.5	4.9	-0.6	0.6
LAC	Peru	8.4	4.3	1.7	2.6	6.5	5.8	4.1	4.1
LAC	Venezuela, RB	5.5	1.1	2.4	3.2	7.7	7.8	3.5	-7.3
SSA	South Africa	2.2	1.7	2.5	2.8	25.5	24.7	3.0	-0.6
EAP	Regional average	6.0	5.8	3.3	1.9	4.5	4.6	6.4	3.3
ECA	Regional average	3.5	3.1	0.4	0.8	6.2	6.0	8.5	3.3
LAC	Regional average	4.4	3.4	2.4	2.3	6.5	6.2	2.6	1.7

Sources: Growth rates are based on the change with respect to the same quarter in the previous year. For GDP growth, the main sources of data are: CEIC using countries' national statistical offices, central bank data, and the International Monetary Fund (IMF) for Moldova. Peru's estimations use demand-based GDP. For employment, the main sources of data are: CEIC using IMF data; for China, Colombia, Indonesia, Moldova and Tajikistan, data come from national statistical offices. Indonesia only estimates semiannual data, and the rate shown is the average of the rate registered in the previous and later quarters. For unemployment, the main sources of data are: CEIC using IMF data; for Armenia, Colombia, Indonesia, Kazakhstan, Kyrgyzstan, Mexico, Moldova, Romania and Tajikistan, data come from national statistical offices. Indonesia only has semiannual data, and the rate shown is the average of the rate registered in the previous and later quarters. For real wage growth, main sources of data are: CEIC using countries' national statistical offices, central banks, and IMF data. Data for Colombia and Indonesia reflect wages for the manufacturing sector only. Peru's data refer to metropolitan Lima only. Philippines data refer to the minimum wage and refer to all non-agricultural sectors. South Africa real wage growth estimated using February, May, August, and November data. Growth estimated from three-month average real wages, except for China, Indonesia, Kyrgyzstan, Lithuania, Russian Federation, South Africa, Turkey, and the Bolivarian Republic of Venezuela.

The Latin America and Caribbean region also revealed a mixed picture. Average GDP growth across the region declined from 4.4 to 3.4 percent when comparing the third quarters of 2012 and 2013. This can largely be attributed to a slowdown of GDP growth in Mexico (from 3.1 to 1.4 percent), Peru (from 8.4 to 4.3 percent), and the Bolivarian Republic of Venezuela (from 5.5 to 1.1 percent). These declines, however, are contrasted by strong GDP growth in Brazil (from 0.9 to 2.2 percent) and Colombia (2.8 to 5.1 percent). Ecuador and Chile also fared relatively well, with GDP growth at 4.9 and 4.6 percent, respectively. The regional average employment growth barely changed between the third quarter of 2012 and

the third quarter of 2013. The employment growth rate declined slightly from 2.4 to 2.3 percent, while unemployment overall improved from 6.5 to 6.2 percent. Chile (6.5 to 5.7 percent), Colombia (9.9 to 9 percent), and Peru (6.5 to 5.8 percent) showed improvements in their unemployment rates between the third quarter of 2012 and the third quarter of 2013. Meanwhile, Chile (2.1), Ecuador (5.1), Peru (2.6), and the Bolivarian Republic of Venezuela (3.2) experienced increases in their employment growth rates. Mexico was the lowest regional performer in employment growth, registering no employment growth in the third quarter of 2013 and an increase in its unemployment rate with respect to the third quarter in

2012. Real wage growth increased in almost all countries in the region. Nevertheless, the regional average decreased from 2.6 in the third quarter of 2012 to 1.7 percent in the same quarter of 2013 due to the substantial drop in wages in the Bolivarian Republic of Venezuela (from 3.5 to -7.3 percent over this time period).

The South African economy continued to deteriorate: GDP growth decreased from 2.2 in the third quarter of 2012 to 1.7 in

the same quarter of 2013. Small improvements were observed in employment. Employment grew from 2.5 to 2.8 percent, while unemployment slightly declined from 25.5 to 24.7 percent. Still, South Africa had the highest unemployment rate of all countries in the data set and recently experienced an important contraction of real wages. Real wage growth plummeted from 3 percent in the third quarter of 2012 to -0.6 percent in the third quarter of 2013.

JobTrends is a regular series monitoring labor markets in developing countries. It is a collaborative effort between the Human Development Network (HDN) and the Poverty Reduction and Economic Management (PREM) Network of the World Bank. This note was prepared by Gabriel Lara Ibarra, Ghazala Mansuri, David A. Robalino, and Michael Weber. For more information on this series, contact Ghazala Mansuri, Lead Economist in the Poverty Reduction and Equity Group in the PREM Network, or David A. Robalino, Lead Economist in the Social Protection Unit of HDN. The team gratefully acknowledges financial support from the governments of Austria, Germany, the Republic of Korea, Norway, and Switzerland through the Multi-Donor Trust Fund on Labor Markets, Job Creation, and Economic Growth.

