

The Construction Sector in Turkey: A Structural Path Analysis of the Employment and Import Linkages

Topic: Impact analysis 2

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The construction sector in Turkey has been at a rise in the last decade, with annual growth rates between 10-20%. Interrupted by contraction in 2008 and 2009, high growth rates are observed in 2010 and 2011. Employment in construction has constantly risen. The GDP share increased from 5.5 % in 2002 to 6.5 % in 2007. Major moving forces behind are gentrification projects in most city centers, reconstruction in areas hit by earthquakes and floods, infrastructure (residential and commercial buildings as well as urban transport) upgrading for the Istanbul International Financial Center project, and capacity improvements in inter-city highways and railways. These works, including maintenance, are mainly undertaken by central and/or local public authorities or subsidised if the private sector is involved. Besides they also induce private construction activities in the rest of the economy. The linkages in the economy of this injection policy via construction final demand, a major component of investment, are worth studying especially in the ongoing crisis environment. The Structural Path Analysis, following the methodology in Defourny and Thorbecke (1984), Peters and Hertwich (2006), Lenzen (2007) and Wood and Lenzen (2009), of intermediate (domestic and imported) input and employment linkages of the construction sector will be modeled. Due to unavailability of regional input-output data, the calibration will be made for the whole economy. The latest available I-O data is for 2002, but an estimated I-O data set for 2008 will also be used. Identification of paths, hence principle areas of impact will form the basis for the assessment of implications for the macro economic problems of persistent unemployment and growing current account deficit.