

RETAIL CONFIDENCE IS ON THE RISE ANNUALLY FOR THE FIRST TIME IN 13 MONTHS

TEPE was -16.6 points in October 2017. The Index saw an increase by 2.1 points compared to the previous month and by 0.3 points compared to the same month of last year. As a result, for the first time since September 2016, TEPE has reached October 2016 (-16.9) in October 2017 with regards to annual change. The limited yearly increase in TEPE is attributed to the y-o-y decrease in the level of business activity in the last 3 months. "Furniture, lighting equipment and household articles" sector scored the highest y-o-y increase in retail confidence in October. Furthermore, when compared to the EU-28 and Eurozone, Turkey witnessed a declining performance with respect to last year.

Retail confidence has increased compared to last month

TEPE, with -16.6 points in October 2017, showed an increase of 2.1 point when compared to the previous month and 0.3 points when compared to the same month of last year. While the limited yearly increase in TEPE is attributed to the decrease witnessed in business activities in the last 3 months even though there is m-o-m increase in the level of sales expectations for the coming 3 months; the monthly increase is attributed to the m-o-m increase in the level of sales expectations for the coming 3 months.

Figure-1. TEPE (October 2016 – October 2017)¹

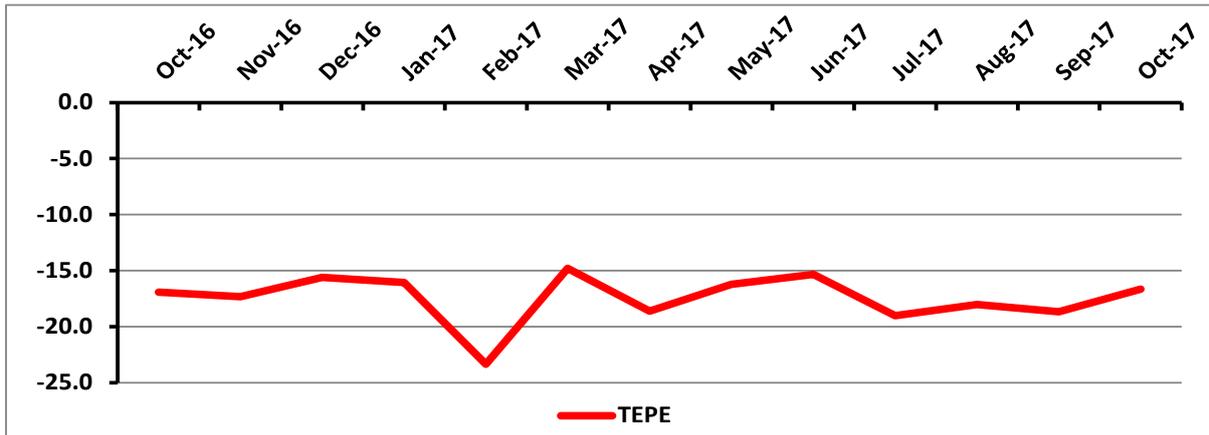


Table-1. TEPE, monthly

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	-11.4	-3.7	-2.6	-7.2	-5.3	-5.4	-9.7	-11.6	-11.3	-3.5	3.7	2.5
2016	1.2	-6.6	-9.9	-5.0	-11.0	-11.9	-11.4	-8.0	-11.8	-16.9	-17.3	-15.6
2017	-16.0	-23.4	-14.8	-18.6	-16.2	-15.3	-19.0	-18.0	-18.7	-16.6		

¹ Tables and graphs are prepared according to seasonally adjusted series in the bulletin.

Sales expectations of Retailers has increased

The balance value of sales expectations for the next 3 months hit -7.6 points in October 2017. Expectations increased by 1.8 points m-o-m and by 0.5 points on y-o-y basis.

In October 2017, 21.5 percent of TEPE survey participants asserted that they expect an improvement in their business activities in the next 3 months while 41.7 percent stated that they expect deterioration. On the other hand, 36.9 percent of the participants expressed that they do not expect any change in their business activities.

Figure-2. Sales expectations for the next three months (October 2016 – October 2017)

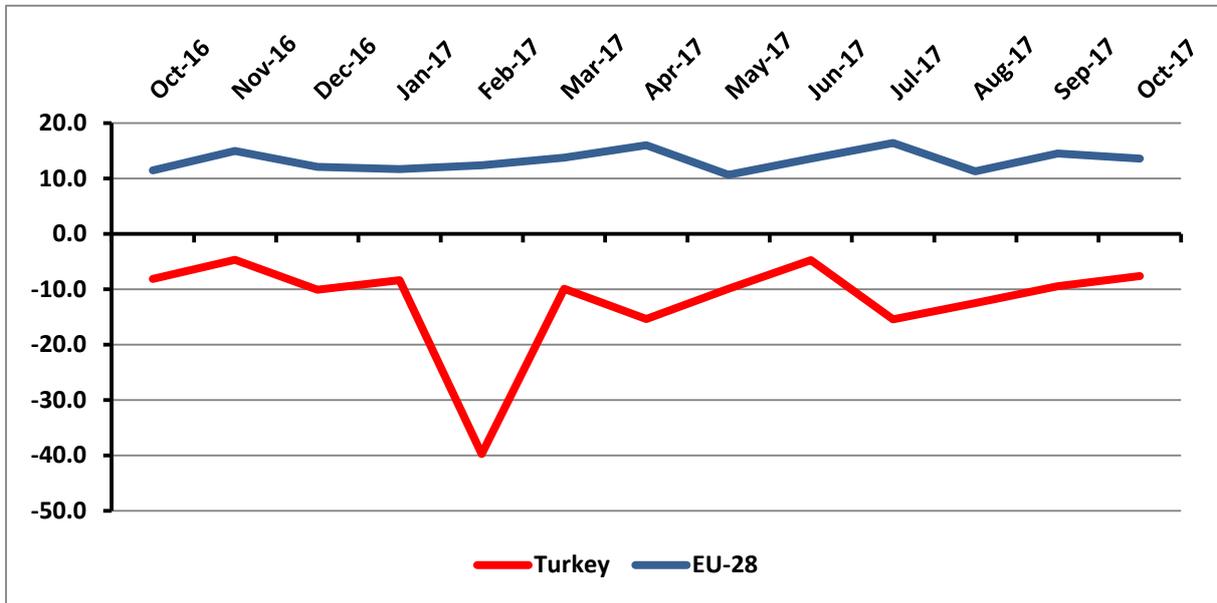


Table-2. Sales expectations for the next three months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	12.0	19.1	7.7	1.9	8.0	3.3	3.4	-13.4	-4.7	4.5	34.9	27.9
2016	15.4	2.1	-0.8	9.5	1.8	1.6	-0.9	9.8	0.4	-8.1	-4.7	-10.1
2017	-8.4	-39.8	-9.9	-15.4	-9.9	-4.7	-15.4	-12.5	-9.4	-7.6		

Retailer’s perception of recovery of business has increased

The balance value of the volume of business activities was -37.6 points in October 2017. As the numbers suggest the level of business activities increased by 4.3 points when compared to October 2016 and by 2.1 points when compared to September 2017.

In October 2017, while 20.2 percent of TEPE survey participants stated that their business activities improved when compared to the year before, 58.6 percent emphasized that they experienced deterioration. 21.1 percent of the participants on the other hand, declared that their business activities did not change in comparison to last year.

Figure-3. Year-on-year change in business activities (October 2016 – October 2017)

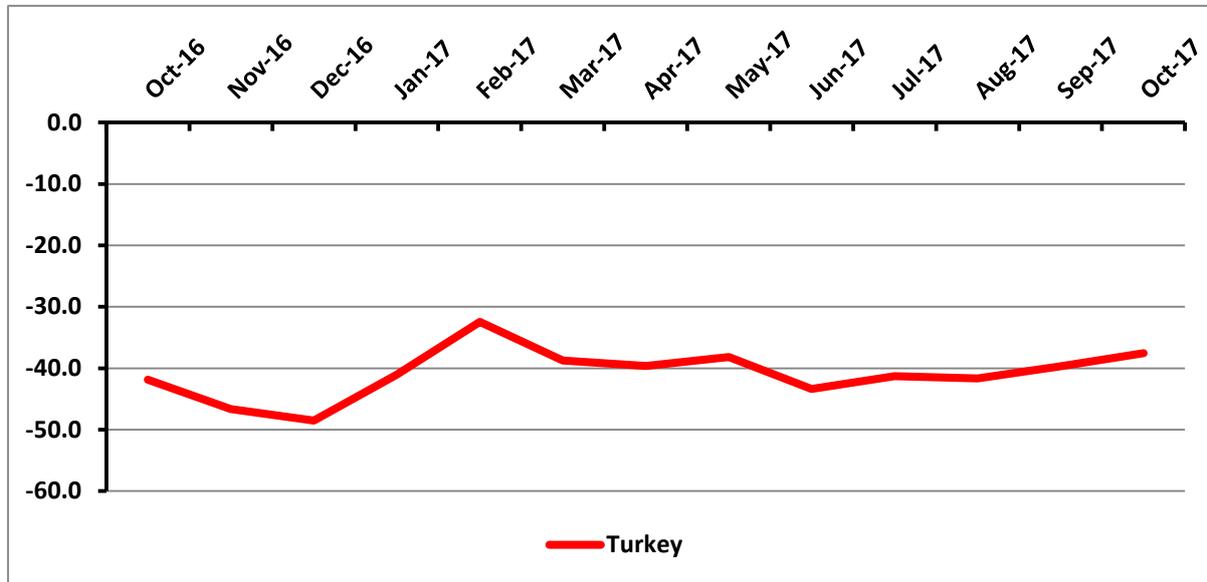


Table-3. Year-on-year change in business activities

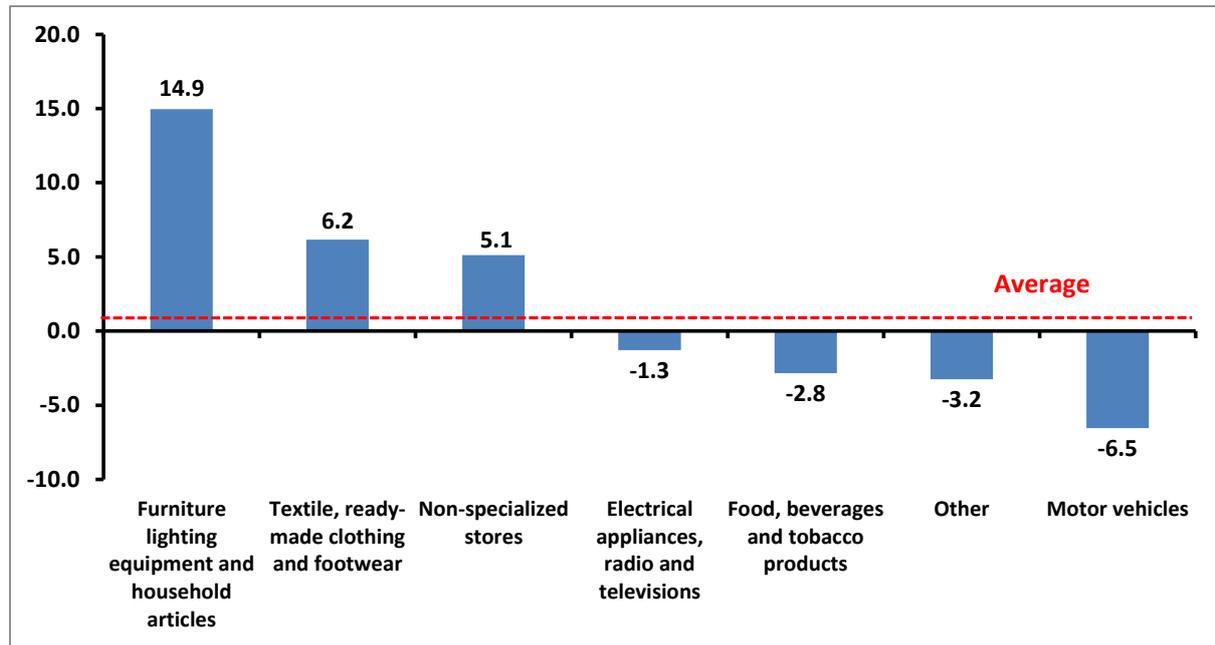
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	-34.2	-22.9	-19.3	-28.5	-22.2	-26.8	-33.0	-32.7	-30.4	-34.8	-26.5	-21.9
2016	-18.9	-28.6	-28.7	-14.5	-26.3	-37.1	-25.6	-32.6	-37.4	-41.9	-46.7	-48.5
2017	-41.0	-32.5	-38.8	-39.6	-38.2	-43.4	-41.3	-41.7	-39.7	-37.6		

Retail confidence has increased the most in the “furniture, lighting equipment and household articles” sector

When looking at retail confidence in terms of sub-sectors in October 2017, the increase was witnessed in the “furniture, lighting equipment and household articles”, “textile, ready-made clothing and footwear” and "non-specialized stores" sectors on a y-o-y basis. The increase in these sectors is above the average.

“Electrical appliances, radio and televisions”, “food, beverages and tobacco products”, “other (gas station, pharmacy, perfumery, hardware, glassware, stationary etc.)” and “motor vehicles” sectors witnessed a decrease in October 2017. Among all sectors “motor vehicles” sector demonstrated the highest y-o-y decline. While there is deterioration observed in all of the subcomponents of the sectoral index, the worsening of the level of business activities in the last 3 months has especially been influential in this decrease.

Figure-4. Year-on-year change in sectoral TEPE, October 2017 (point)



Business activity in the retail sector has deteriorated, and sales expectation has decreased

Question-based assessments of TEPE survey results suggest that while the indicators on “business activity regarding the last 3 months”, “expected orders in the coming 3 months” and “expected number of stores in the coming year” have all witnessed a decrease when compared to both October 2016 and September 2017; “expected sales and price in the coming 3 months” and “anticipation for business recovery compared to last year” showed an increase when compared to October 2016 and September 2017. The “employment expectation in the coming 3 months” increased on a monthly basis but decreased on an annual basis.

Table-4. Detailed results by TEPE questions (points)

Questions	Index 10/2016	Index 09/2017	Index 10/2017	MoM Change 10/2017	YoY Change 10/2017
How has your business activity developed over the past three months?	-52.1	-54.0	-55.8	-1.8	-3.7
Do you consider the volume of inventories you currently hold be...? ²	9.5	7.4	13.4	6.0	3.9
How do you expect your orders placed with suppliers to change over the next 3 months?	-19.0	-17.8	-24.4	-6.6	-5.4
How do you expect your business activity (sales) to change over the next 3 months?	-8.1	-9.4	-7.6	1.8	0.5
How do you expect your firm’s total employment to change over the next 3 months?	1.4	-5.8	-0.6	5.2	-2.0
How do you expect the prices you charge to change over the next 3 months?	14.1	26.1	36.3	10.2	22.2
How has your business activity developed this year compared to the same period in the last year?	-41.9	-39.7	-37.6	2.1	4.3
Do you expect an increase in the number of your stores next year?	6.8	2.8	1.6	-1.2	-5.2

² The positive inventory level indicates that current level of inventory is below the normal. The (-) values in Table 4 implies that negative expectations were dominant to positive expectations.

Retail confidence in the EU increased with respect to the previous month and last year

The EU-28 Retail Confidence Index had a value of 4.4 in October 2017, with a recorded m-o-m increase of 0.2 points. Index increased by 2.9 points compared to the same month of last year. During this period, Turkey performed worse than the EU-28 and Eurozone in y-o-y terms.

Figure-5. TEPE and the EU-28 Retail Confidence Index (October 2016 – October 2017)

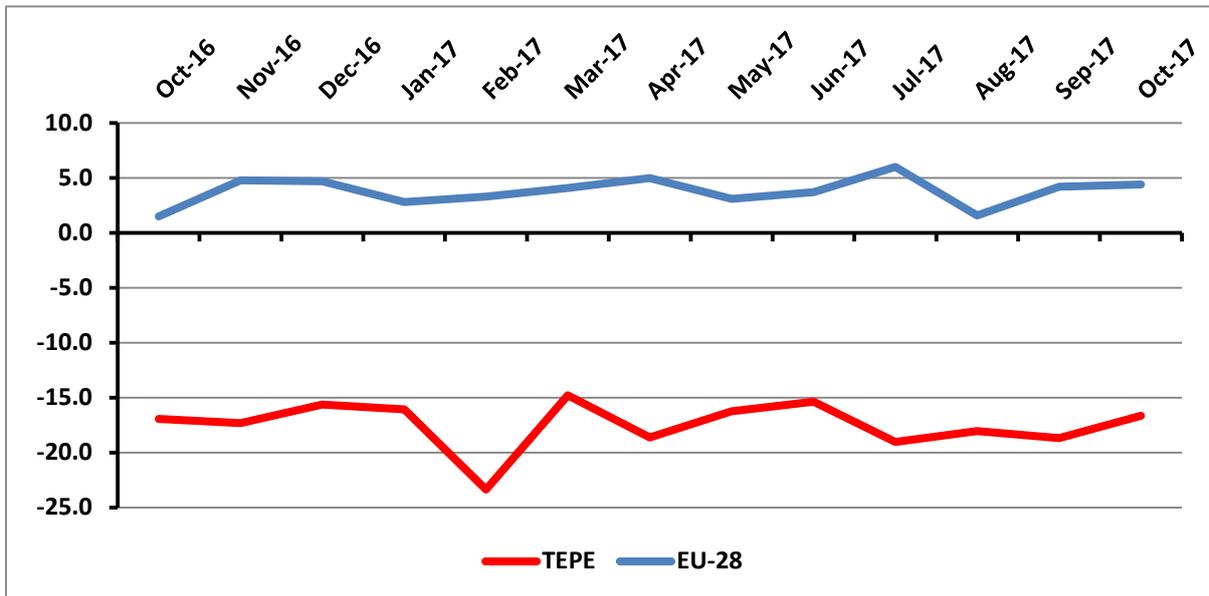


Table-5. EU-28

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	1.6	-0.3	2.0	1.8	5.3	2.0	4.0	7.3	9.1	9.6	8.3	6.0
2016	4.6	4.4	4.5	2.0	3.0	1.6	1.0	-0.3	1.2	1.5	4.8	4.7
2017	2.8	3.3	4.1	5.0	3.1	3.7	6.0	1.6	4.2	4.4		

When compared to last year, Turkey performed worse than the EU-28 with regards to change in retail confidence

When the Retail Confidence Indexes of the EU-28 countries and Turkey is analyzed, it is seen that Slovenia witnessed the highest increase in y-o-y retail confidence. Slovenia was followed by Italy and Malta. On the other hand, Greece, UK and Austria, respectively, had the highest y-o-y decline in retail confidence. Furthermore, the highest m-o-m improvement in retail confidence was in the Denmark. In comparison to October 2016 figures, the EU-28 recorded an increase of 2.9 points while the Eurozone recorded an increase of 5.1 points in the Retail Confidence Index. It appears that Turkey performed worse than the Eurozone and better than the EU-28 in m-o-m terms when compared to September 2017.

Table-6. Retail Confidence Index for EU-28 Countries and Turkey (Compared to October 2016 and September 2017)

Countries/ (Points)	Change in Retail Confidence Index Compared to October 2016 **	Change in Retail Confidence Index Compared to September 2017
Slovenia	17.8	8.3
Italy	13.2	2.8
Malta	11.5	8.1
France	8.9	1.6
Finland	7.7	-16.1
Romania	7.6	-4.4
Denmark	7.4	11.2
Netherlands	6.5	3.6
Croatia	6.4	-2.1
Eurozone-19	5.1	2.5
Poland	4.7	0.6
Cyprus	3.7	1.2
Hungary	3.4	-0.9
EU-28	2.9	0.2
Serbia	2.9	2.4
Germany	2.7	5.9
Macedonia	2.6	2.0
Czech Republic	1.6	1.3
Turkey	0.3	2.1
Latvia	-0.3	-0.6
Portugal	-0.3	0.9
Sweden	-0.7	3.9
Bulgaria	-1.0	3.1
Spain	-1.1	-0.1
Estonia	-1.2	-0.6
Belgium	-1.5	0.7
Montenegro	-1.6	-0.8
Lithuania	-1.8	2.9
Slovakia	-3.1	-2.3
Austria	-5.0	-4.0
United Kingdom	-6.1	-10.1
Greece	-8.7	2.0

* As of July 2017, Eurostat includes Macedonia, Montenegro and Serbia as country data.

** Countries were ranked by the change in their performance compared to October 2016.

Retail confidence in Konya performed better than Turkey’s average

Within the scope of the Konya Province Retail Confidence Index (KOPE) carried out with the cooperation of Konya Chamber of Commerce (KTO) and the Economic Policy Research Foundation of Turkey (TEPAV), face-to-face interviews have continuously been conducted with 300 retailers from Konya on monthly basis since February 2012.

While KOPE received a value of 3.4 points, TEPE received an average value of -16.6 points in October. Furthermore, while KOPE saw an increase of 3.1 points on y-o-y basis, TEPE witnessed an increase of 0.3 points on average. On the other hand, KOPE saw a decline of 4.0 points on m-o-m basis. On average, Konya’s retail sector performed worse than the EU-28 but better than Turkey’s average.

Figure-6. Comparison of KOPE, TEPE and EU-28 Retail Confidence Index (October 2016 – October 2017)

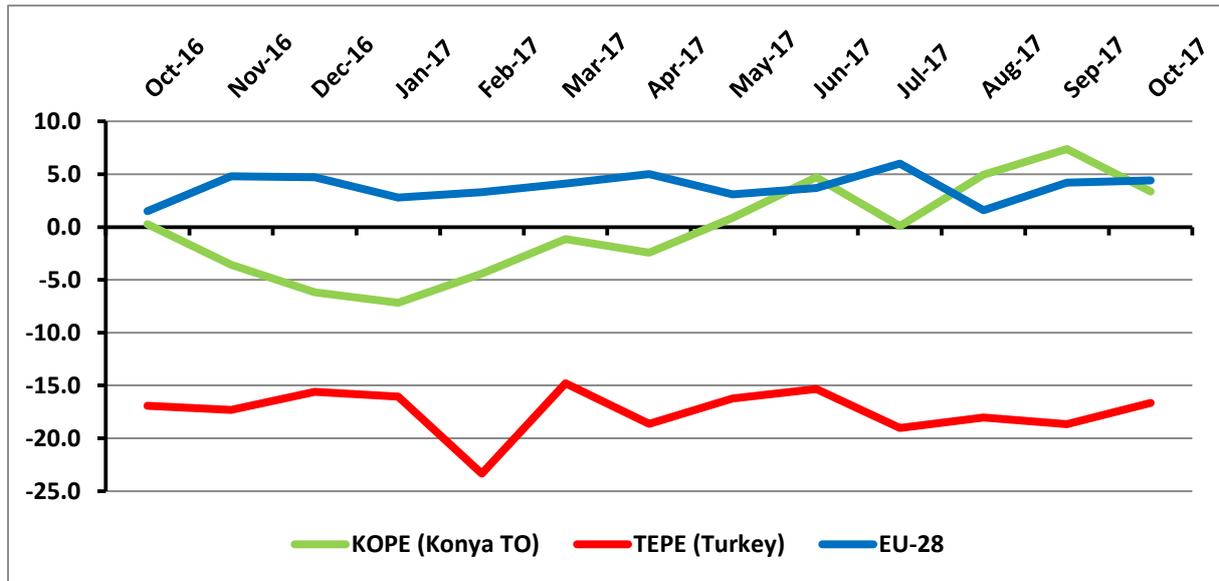


Table-7. Konya Retail Confidence Index

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	-0.3	1.4	-2.1	-1.0	3.7	1.5	0.7	1.5	-2.5	1.9	10.4	6.3
2016	2.4	-2.1	-4.4	-2.3	-2.5	-2.7	-1.7	2.4	-1.1	0.3	-3.6	-6.2
2017	-7.2	-4.4	-1.1	-2.4	0.9	4.7	0.1	5.0	7.4	3.4		