

## EXPECTATIONS OF SALES AND EMPLOYMENT DECREASED IN THE RETAIL SECTOR

The retail confidence, which was following a negative course since February 2016 (the last 28 months), scored -16.4 in May. This level was lower than the previous month by 0.3 points and lower than the same period of the last year by 1.5 points. The decrease of y-o-y basis in TEPE is attributed to the decrease witnessed in business activities in the last 3 months and the level of sales expectations for the coming 3 months. Expectations of sales and employment in the coming 3 months have decreased when compared to both May 2017 and April 2018. "Furniture, lighting equipment and household articles" sector has scored the highest y-o-y increase in retail confidence in May. Furthermore, when compared to the EU-28 and Eurozone, Turkey has performed worse with respect to that of last year.

### Retail confidence has decreased compared to last month and last year

TEPE, with -16.4 points in May 2018, saw a decrease of 1.5 points when compared to the same month of last year and 0.3 points when compared to the last month. The decrease of y-o-y basis in TEPE is attributed to the decrease witnessed in business activities in the last 3 months and the level of sales expectations for the coming 3 months.

Figure-1. TEPE (May 2017 – May 2018)<sup>1</sup>

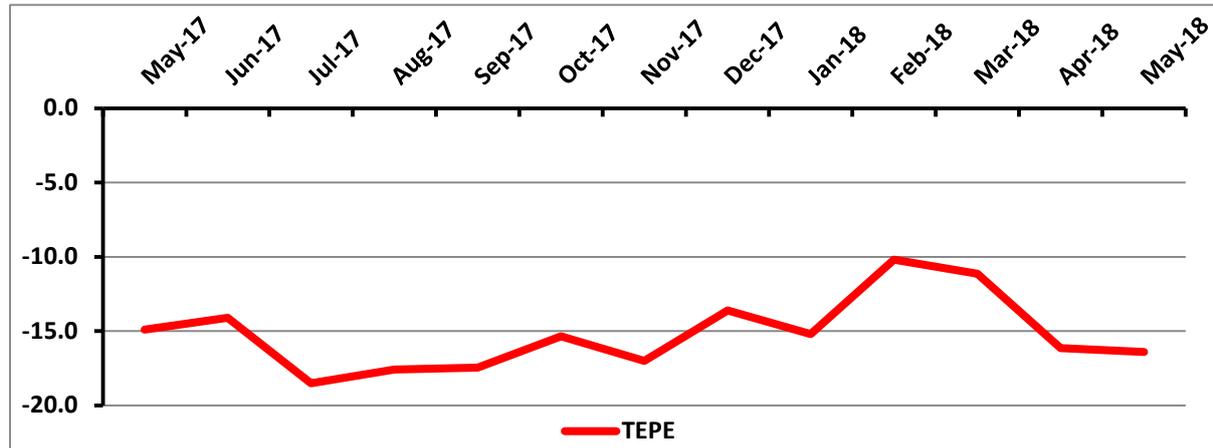


Table-1. TEPE, monthly

|      | Jan   | Feb   | Mar   | Apr   | May   | Jun   | Jul   | Aug   | Sept  | Oct   | Nov   | Dec   |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2016 | 1.5   | -7.7  | -11.8 | -4.9  | -10.3 | -11.4 | -11.0 | -7.8  | -11.0 | -16.2 | -16.4 | -16.9 |
| 2017 | -15.9 | -25.2 | -17.1 | -18.7 | -14.9 | -14.1 | -18.5 | -17.6 | -17.5 | -15.3 | -17.0 | -13.6 |
| 2018 | -15.2 | -10.2 | -11.1 | -16.1 | -16.4 |       |       |       |       |       |       |       |

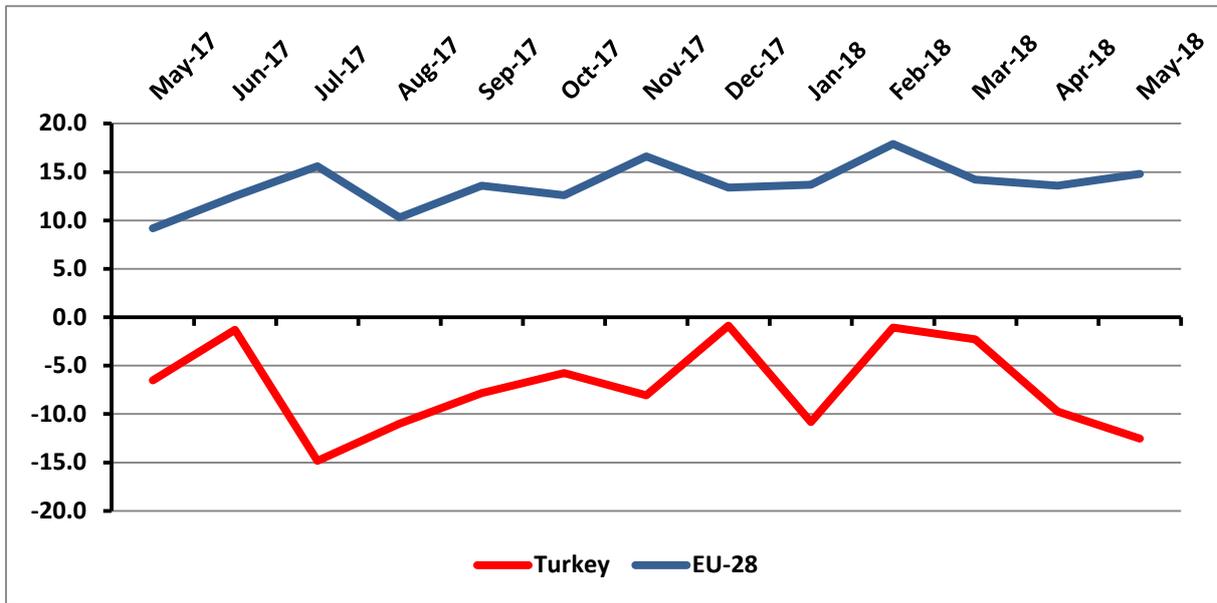
<sup>1</sup> Tables and graphs are prepared according to seasonally adjusted series in the bulletin.

**Sales expectations of retailers have decreased with respect to the last month and the last year**

The balance value of sales expectations for the next 3 months hit -12.5 points in May 2018. Expectations have decreased by 2.8 points m-o-m and by 6.0 points on y-o-y basis.

In May 2018, 31.2 percent of TEPE survey participants asserted that they expect an improvement in their business activities in the next 3 months while 41.4 percent stated that they expect deterioration. On the other hand, 27.4 percent of the participants expressed that they do not expect to see any change in their business activities.

**Figure-2.** Sales expectations for the next three months (May 2017 – May 2018)



**Table-2.** Sales expectations for the next three months

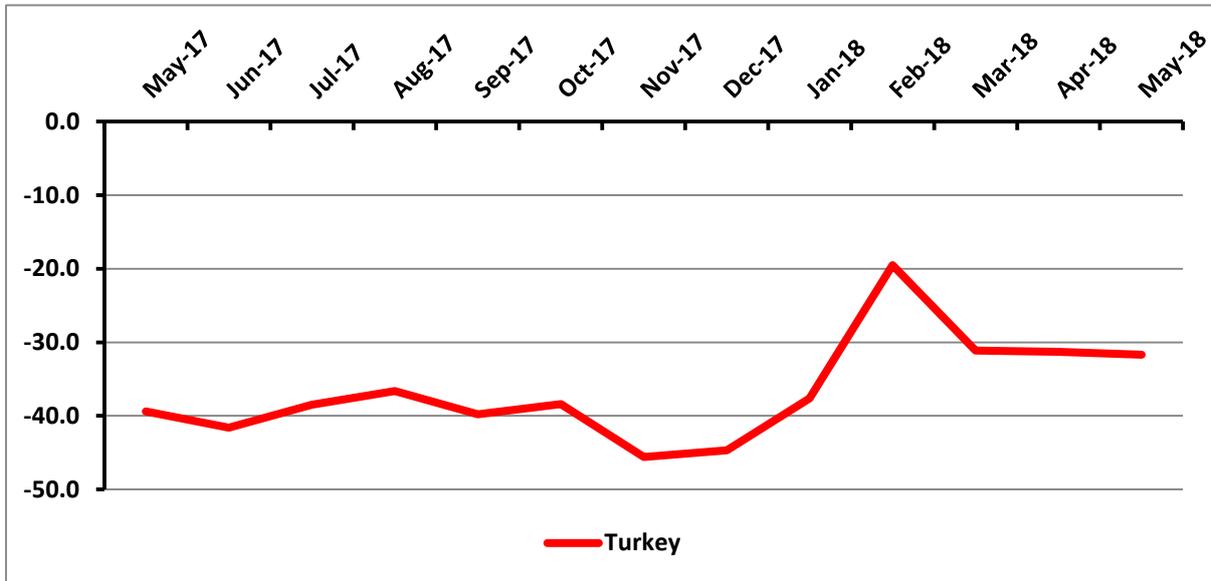
|             | Jan   | Feb   | Mar   | Apr   | May   | Jun  | Jul   | Aug   | Sept | Oct  | Nov  | Dec   |
|-------------|-------|-------|-------|-------|-------|------|-------|-------|------|------|------|-------|
| <b>2016</b> | 16.4  | -0.5  | -2.8  | 10.7  | 4.0   | 3.1  | -0.2  | 11.4  | 1.1  | -7.7 | -4.0 | -14.4 |
| <b>2017</b> | -7.1  | -43.6 | -13.2 | -14.9 | -6.5  | -1.3 | -14.8 | -11.0 | -7.8 | -5.8 | -8.1 | -0.9  |
| <b>2018</b> | -10.8 | -1.1  | -2.3  | -9.7  | -12.5 |      |       |       |      |      |      |       |

**The state of business has improved with respect to the last year**

The balance value of the volume of business activities was -31.7 points in May 2018. As the numbers suggest, the level of business activities witnessed a decrease by 0.4 points when compared to April 2018 and an increase by 7.7 points when compared to May 2017.

In May 2018, while 19.3 percent of TEPE survey participants stated that their business activities improved in comparison to the year before, 51 percent emphasized that they experienced deterioration. 29.7 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 (May 2017 – May 2018)



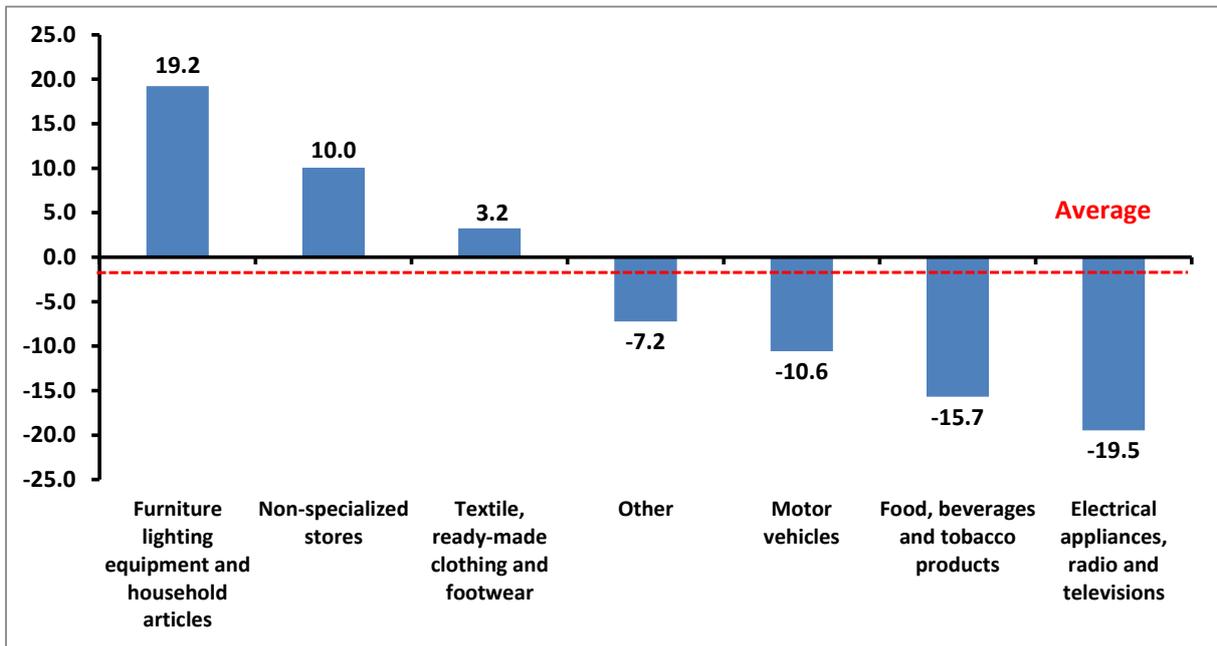
**Table-3.** Year-on-year change in business activities

|      | Jan   | Feb   | Mar   | Apr   | May   | Jun   | Jul   | Aug   | Sept  | Oct   | Nov   | Dec   |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2016 | -21.2 | -32.6 | -31.3 | -13.6 | -27.6 | -35.2 | -22.8 | -27.5 | -37.5 | -42.7 | -45.3 | -49.6 |
| 2017 | -43.3 | -36.3 | -41.3 | -38.6 | -39.4 | -41.6 | -38.5 | -36.6 | -39.8 | -38.4 | -45.6 | -44.7 |
| 2018 | -37.6 | -19.5 | -31.1 | -31.3 | -31.7 |       |       |       |       |       |       |       |

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

When looking at retail confidence in terms of sub-sectors in May 2018, an increase was witnessed in the “furniture, lighting equipment and household articles”, “non-specialized stores” and “textile, ready-made clothing and footwear” sectors and a decrease was witnessed in the, “other (gas station, pharmacy, perfumery, hardware, glassware, stationary etc.)”, “motor vehicles”, “food, beverages and tobacco products” and “electrical appliances, radio and televisions” sectors on a y-o-y basis. These increases in “furniture, lighting equipment and household articles”, “non-specialized stores” and “textile, ready-made clothing and footwear” sectors are above the average increase witnessed in other sectors. Among all sectors “electrical appliances, radio and television” sector demonstrated the highest y-o-y decline.

**Figure-4.** Year-on-year change in sectoral TEPE, May 2018 (point)



## Sales and employment expectations in the retail sector have decreased

In May 2018, question-based assessments of TEPE survey results suggest that the indicators of “business activity regarding the last 3 months”, “sales and employment expectations in the coming 3 months” showed a decrease when compared to both May 2017 and April 2018; “orders and sales price expectations in the coming 3 months” have all witnessed an increase when compared to both May 2017 and April 2018. “Anticipation for business recovery compared to last year” and “expected number of stores in the coming year” showed an increase when compared to May 2017 and a decrease when compared to March 2018.

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

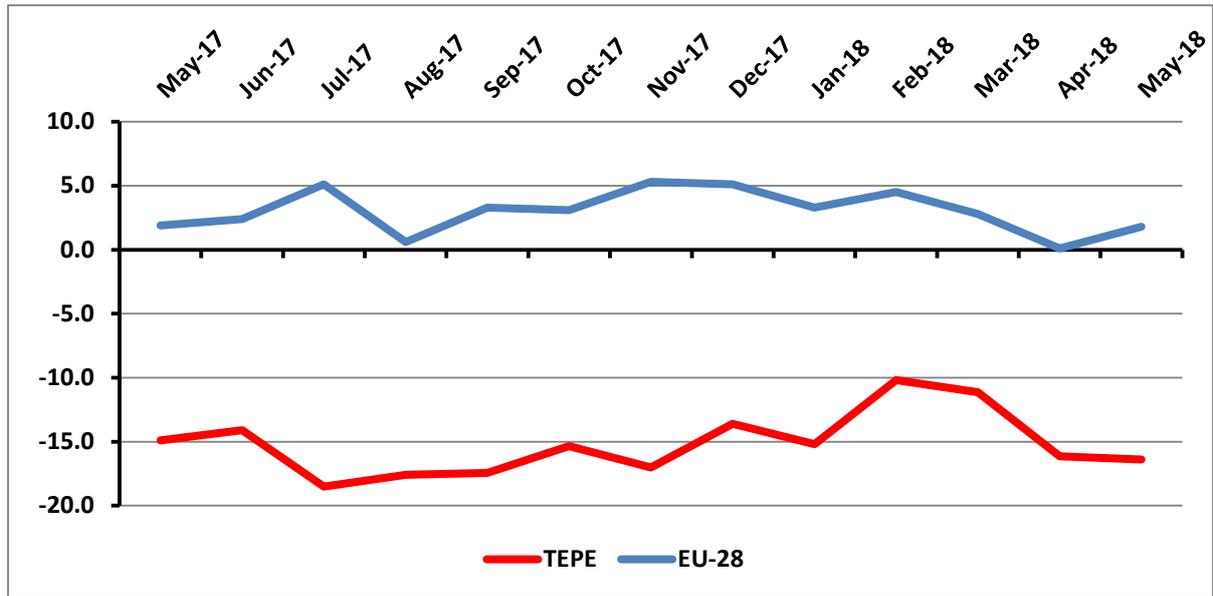
| Questions  | Index<br>05/2017 | Index<br>04/2017 | Index<br>05/2018 | MoM<br>Change<br>05/2018 | YoY<br>Change<br>05/2018 |
|--|------------------|------------------|------------------|--------------------------|--------------------------|
| How has your business activity developed over the past three months?                             | -47.4            | -48.5            | <b>-50.1</b>     | -1.6                     | -2.7                     |
| Do you consider the volume of inventories you currently hold be...? <sup>2</sup>                 | 9.2              | 9.8              | <b>13.4</b>      | 3.6                      | 4.2                      |
| How do you expect your orders placed with suppliers to change over the next 3 months?            | -22.1            | -22.0            | <b>-21.3</b>     | 0.7                      | 0.8                      |
| How do you expect your business activity (sales) to change over the next 3 months?               | -6.5             | -9.7             | <b>-12.5</b>     | -2.8                     | -6.0                     |
| How do you expect your firm’s total employment to change over the next 3 months?                 | 1.9              | 1.9              | <b>0.6</b>       | -1.3                     | -1.3                     |
| How do you expect the prices you charge to change over the next 3 months?                        | 24.8             | 40.4             | <b>49.2</b>      | 8.8                      | 24.4                     |
| How has your business activity developed this year compared to the same period in the last year? | -39.4            | -31.3            | <b>-31.7</b>     | -0.4                     | 7.7                      |
| Do you expect an increase in the number of your stores next year?                                | -0.7             | 9.7              | <b>2.2</b>       | -7.5                     | 2.9                      |

<sup>2</sup> 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 has increased with respect to the last year**

The EU-28 Retail Confidence Index had a value of 1.8 in May 2018, with a recorded m-o-m decrease of 0.1 points. Index has increased by 1.7 points when 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 (May 2017 – May 2018)**



**Table-5. EU-28**

|             | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug  | Sept | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|------|------|-----|-----|-----|
| <b>2016</b> | 4.1 | 4.1 | 3.9 | 1.5 | 2.2 | 1.1 | 0.7 | -0.6 | 0.8  | 0.7 | 4.0 | 3.8 |
| <b>2017</b> | 2.0 | 2.2 | 3.6 | 4.4 | 1.9 | 2.4 | 5.1 | 0.6  | 3.3  | 3.1 | 5.3 | 5.1 |
| <b>2018</b> | 3.3 | 4.5 | 2.8 | 0.1 | 1.8 |     |     |      |      |     |     |     |

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

When the Retail Confidence Indexes of the EU-28 countries and Turkey is analyzed, it is seen that Finland witnessed the highest increase in y-o-y retail confidence. Finland was followed by Macedonia and Slovakia. On the other hand, Italy, Estonia and Slovenia, respectively, had the highest y-o-y decline in retail confidence. Furthermore, the highest m-o-m improvement in retail confidence is witnessed in Finland. In comparison to May 2017 figures, the EU-28 recorded a decrease of 0.1 points while the Eurozone recorded an increase of 0.4 points in the Retail Confidence Index. It appears that Turkey performed worse than the Eurozone and the EU-28 in m-o-m terms when compared to April 2018.

**Table-6.** Retail Confidence Index for EU-28 Countries and Turkey (Compared to May 2017 and April 2018)

| Countries/ (Points) | Change in Retail Confidence Index Compared to May 2017 ** | Change in Retail Confidence Index Compared to April 2018 |
|---------------------|---|--|
| Finland             | 24.8  | 13.1   |
| Macedonia           | 15.1  | 6.9  |
| Slovakia            | 12.0  | 1.7  |
| Malta               | 11.6  | 8.2  |
| Croatia             | 8.4   | -1.6   |
| Austria             | 7.1   | 0.4  |
| Czech Republic      | 6.4   | -1.5   |
| Sweden              | 6.0   | 3.2  |
| Germany             | 5.3   | 4.1  |
| Lithuania           | 5.2   | -0.7   |
| Greece              | 4.9   | -4.0   |
| Cyprus              | 2.9   | 1.3  |
| Hungary             | 2.9   | -0.6   |
| Denmark             | 2.8   | -2.1   |
| Latvia              | 2.7   | 1.3  |
| Serbia              | 2.5   | 4.3  |
| Montenegro          | 2.4   | -2.0   |
| Portugal            | 1.4   | 0.4  |
| Bulgaria            | 1.2   | 1.1  |
| Poland              | 0.7   | -0.4   |
| France              | 0.5   | -0.8   |
| <b>Eurozone-19</b>  | <b>0.4</b>  | <b>1.4</b>   |
| <b>EU-28</b>        | <b>-0.1</b>   | <b>1.7</b>   |
| Spain               | -1.3  | -2.1   |
| <b>Turkey</b>       | <b>-1.5</b>   | <b>-0.3</b>  |
| Romania             | -2.1  | 3.1  |
| Belgium             | -2.5  | -1.9   |
| Netherlands         | -2.9  | 1.1  |
| United Kingdom      | -3.7  | 4.2  |
| Slovenia            | -5.8  | -10.1  |
| Estonia             | -6.4  | -0.8   |
| Italy               | -10.1   | 2.2  |

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

\*\* Countries were ranked by the change in their performance compared to May 2017.

### 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 been conducted continuously with 300 retailers from Konya on monthly basis since February 2012.

While KOPE received a value of 0.7 points, TEPE received an average value of -16.4 points in May. Furthermore, while, on average, KOPE saw a decrease of 0.2 points on y-o-y basis, TEPE witnessed a decrease of 1.5 points. On the other hand, KOPE saw an increase of 5.5 points on m-o-m basis. On average, Konya's retail sector performed worse than the EU-28 and better than Turkey.

Figure-6. Comparison of KOPE, TEPE and EU-28 Retail Confidence Index (May 2017 – May 2018)

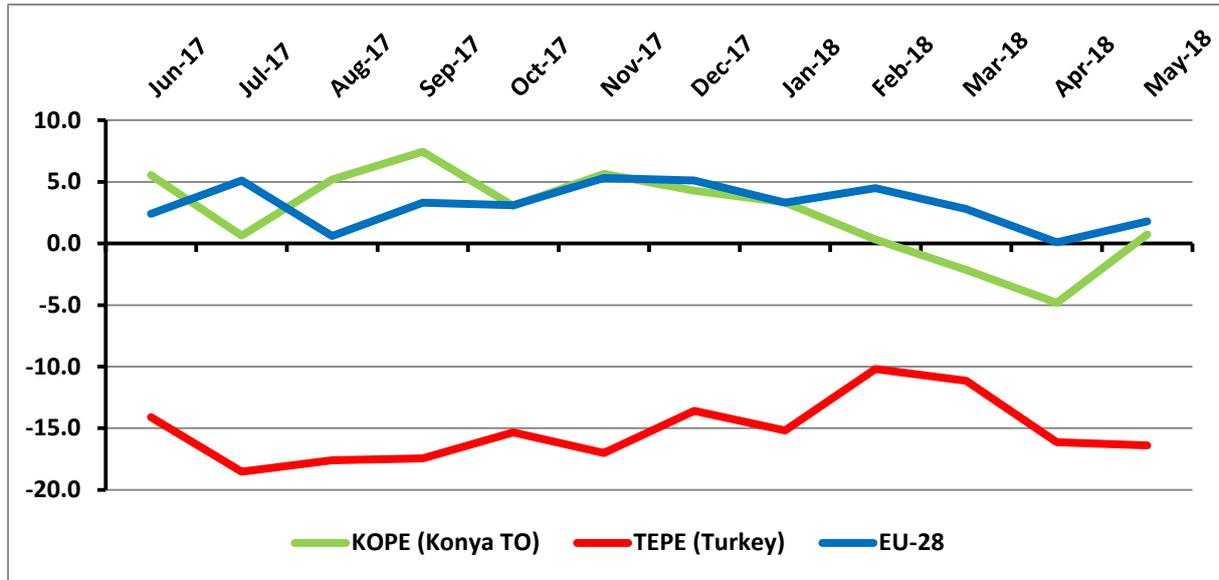


Table-7. Konya Retail Confidence Index

|      | Jan  | Feb  | Mar  | Apr  | May  | Jun  | Jul  | Aug | Sept | Oct | Nov  | Dec  |
|------|------|------|------|------|------|------|------|-----|------|-----|------|------|
| 2016 | 0.5  | -1.6 | -3.7 | -1.7 | -2.4 | -1.9 | -1.1 | 2.6 | -1.0 | 0.0 | -4.4 | -6.8 |
| 2017 | -9.0 | -4.0 | -0.4 | -1.7 | 0.9  | 5.5  | 0.6  | 5.2 | 7.5  | 3.1 | 5.6  | 4.3  |
| 2018 | 3.3  | 0.3  | -2.1 | -4.8 | 0.7  |      |      |     |      |     |      |      |