

AS THE BUSINESS ACTIVITIES RECOVER, EXPECTATIONS INCREASE IN THE RETAIL SECTOR

TEPE, which reached to -17.6 points during the first half of 2017, increased to the level of -13.2 points in the first half of 2018. The Index experienced an increase by 2.4 points compared to the previous month and by 2.3 points compared to the same month of last year. The increase of y-o-y basis in TEPE is attributed to the increase witnessed in business activities in the last 3 months and the level of sales expectations for the coming 3 months. Expectations of orders, sales and employment in the coming 3 months have increased when compared to both June 2017 and May 2018. "Furniture, lighting equipment and household articles" sector has scored the highest y-o-y increase in retail confidence in June. Furthermore, when compared to the EU-28 and Eurozone, Turkey has performed better with respect to that of last year.

Retail confidence has increased compared to last month and last year

TEPE, with -13.3 points in June¹ 2018, saw an increase of 2.3 points when compared to the same month of last year and 2.4 points when compared to the last month. The increase of y-o-y basis in TEPE is attributed to the increase witnessed in business activities in the last 3 months and the level of sales expectations for the coming 3 months.

Figure-1. TEPE (June 2017 – June 2018)²

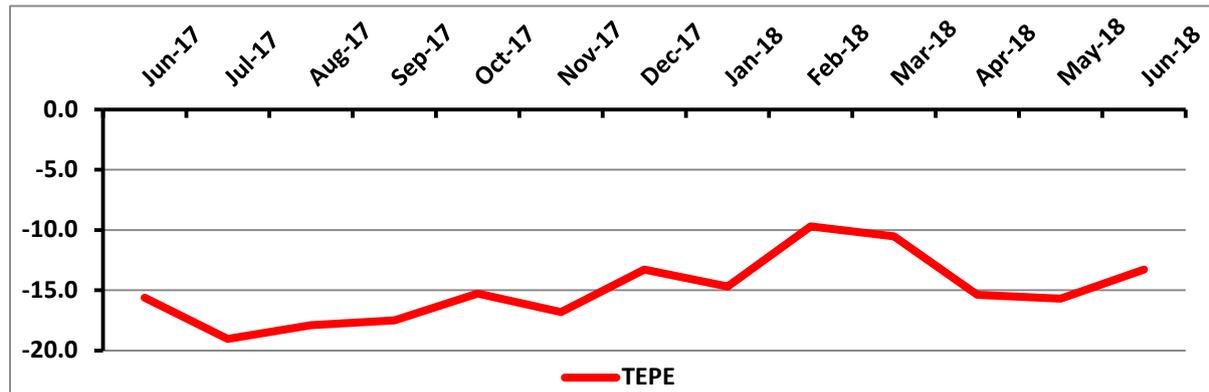


Table-1. TEPE, monthly

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2016	1.6	-7.5	-11.5	-4.7	-10.2	-12.2	-11.3	-8.0	-11.0	-16.2	-16.3	-16.7
2017	-15.6	-24.9	-16.7	-18.3	-14.5	-15.6	-19.0	-17.9	-17.5	-15.3	-16.8	-13.3
2018	-14.7	-9.7	-10.5	-15.4	-15.7	-13.3						

¹ TEPE June 2018 surveys were conducted between 12-22 June.

² Tables and graphs are prepared according to seasonally adjusted series in the bulletin.

Sales expectations of retailers have increased with respect to both the last month and the last year

The balance value of sales expectations for the next 3 months hit 0.3 points in June 2018. Expectations have increased by 11.1 points m-o-m and by 5.5 points on y-o-y basis.

In June 2018, 33.8 percent of TEPE survey participants asserted that they expect an improvement in their business activities in the next 3 months while 28.4 percent stated that they expect deterioration. On the other hand, 37.8 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 (June 2017 – June 2018)

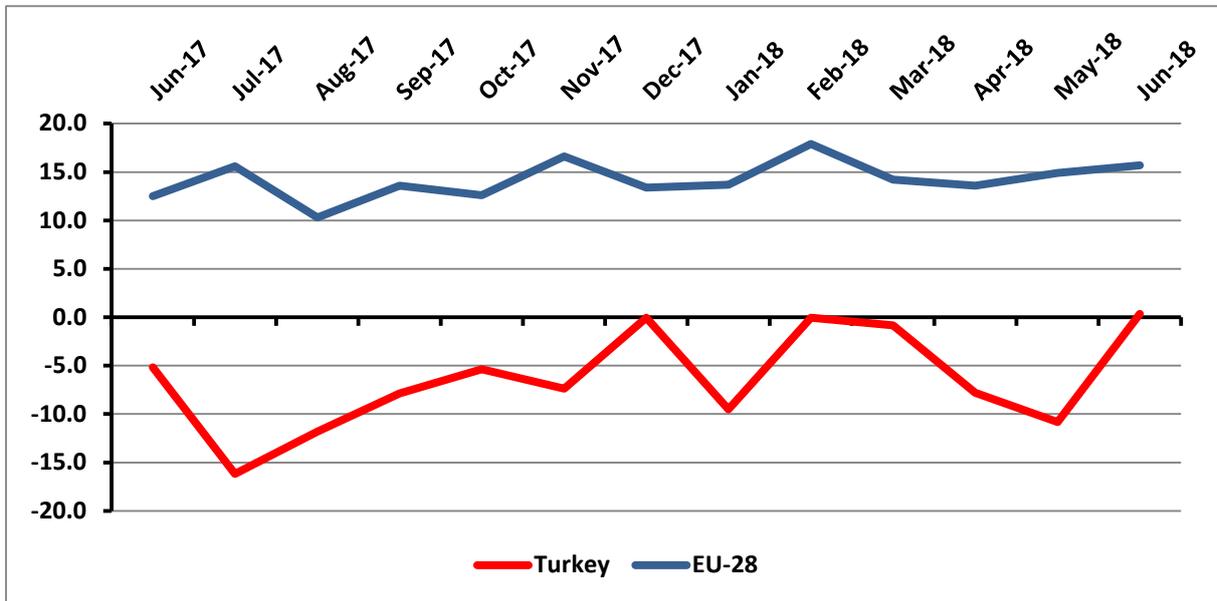


Table-2. Sales expectations for the next three months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2016	16.6	-0.1	-2.2	11.0	4.2	1.2	-1.0	10.8	1.1	-7.5	-3.6	-13.8
2017	-6.5	-43.0	-12.2	-13.9	-5.6	-5.2	-16.2	-11.8	-7.9	-5.4	-7.4	0.0
2018	-9.5	-0.1	-0.8	-7.8	-10.8	0.3						

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

The balance value of the volume of business activities was -25.8 points in June 2018. As the numbers suggest, the level of business activities witnessed an increase by 5.9 points when compared to May 2018 and by 15.8 points when compared to June 2017.

In June 2018, while 18.3 percent of TEPE survey participants stated that their business activities improved in comparison to the year before, 44.2 percent emphasized that they experienced deterioration. 37.5 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 (June 2017 – June 2018)

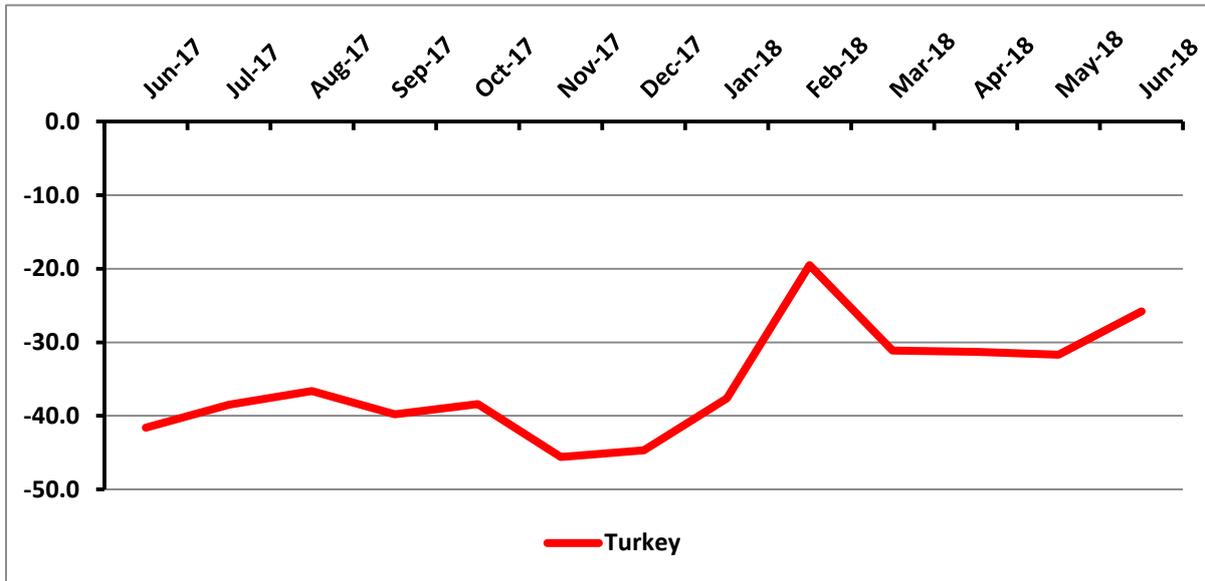


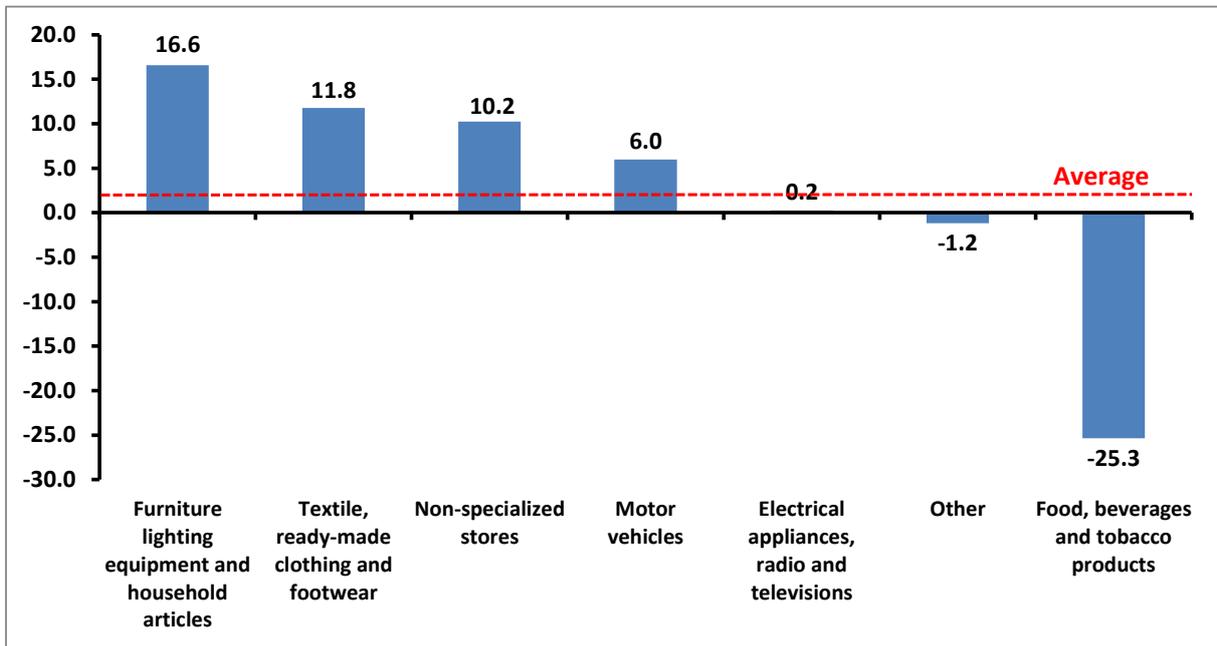
Table-3. Year-on-year change in business activities

	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	-25.8						

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

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



Business activities have recovered

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

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

Questions	Index 06/2017	Index 05/2017	Index 06/2018	MoM Change 06/2018	YoY Change 06/2018
How has your business activity developed over the past three months?	-52.6	-49.7	-45.2	4.5	7.4
Do you consider the volume of inventories you currently hold be...? ³	10.9	13.4	5.0	-8.4	-5.9
How do you expect your orders placed with suppliers to change over the next 3 months?	-16.6	-20.3	-14.3	6.0	2.3
How do you expect your business activity (sales) to change over the next 3 months?	-5.2	-10.8	0.3	11.1	5.5
How do you expect your firm’s total employment to change over the next 3 months?	-0.7	0.5	0.8	0.3	1.5
How do you expect the prices you charge to change over the next 3 months?	22.5	49.6	47.9	-1.7	25.4
How has your business activity developed this year compared to the same period in the last year?	-41.6	-31.7	-25.8	5.9	15.8
Do you expect an increase in the number of your stores next year?	0.3	2.2	1.2	-1.0	0.9

³ 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 both the last year and the last month

The EU-28 Retail Confidence Index had a value of 3.3 in June 2018, with a recorded m-o-m increase of 1.4 points. Index has increased by 0.9 points when compared to the same month of last year. During this period, Turkey performed better than the EU-28 and Eurozone in y-o-y terms.

Figure-5. TEPE and the EU-28 Retail Confidence Index (June 2017 – June 2018)

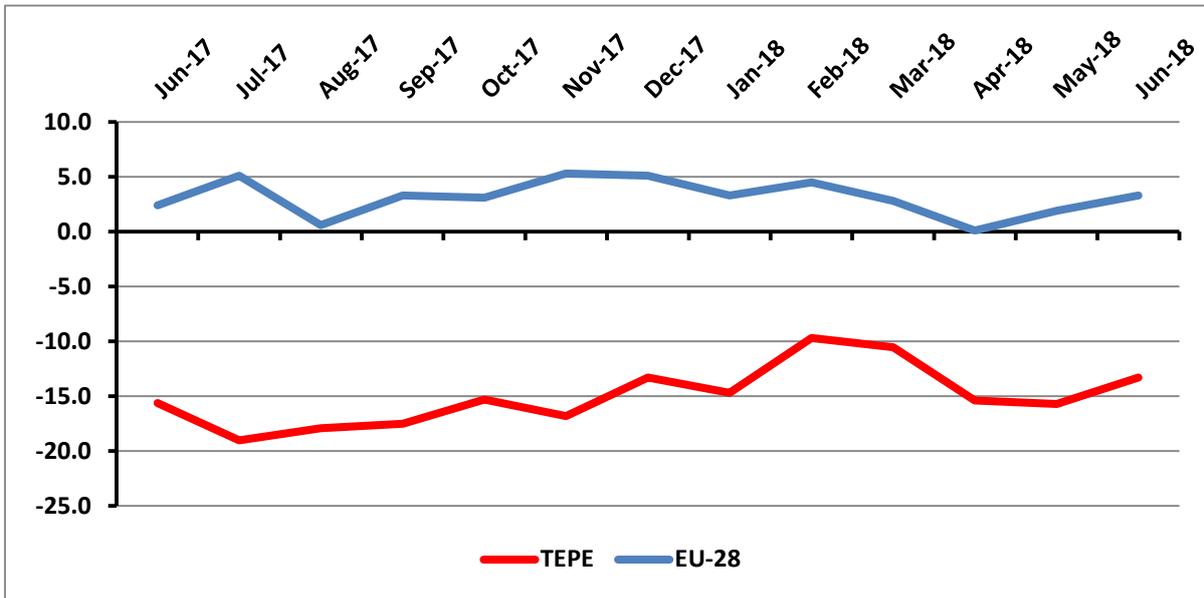


Table-5. EU-28

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

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

When the Retail Confidence Indexes of the EU-28 countries and Turkey is analyzed, it is seen that UK witnessed the highest increase in y-o-y retail confidence. UK was followed by Finland and Denmark. On the other hand, Slovenia, Belgium and Netherlands, respectively, had the highest y-o-y decline in retail confidence. Furthermore, the highest m-o-m improvement in retail confidence is witnessed in Slovenia. In comparison to June 2017 figures, the EU-28 recorded an increase of 0.9 points while the Eurozone recorded a decrease of 2.1 points in the Retail Confidence Index. It appears that Turkey performed better than the Eurozone and the EU-28 in m-o-m terms when compared to May 2018.

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

Countries/ (Points)	Change in Retail Confidence Index Compared to June 2017 **	Change in Retail Confidence Index Compared to May 2018
United Kingdom	12.5	7.4
Finland	10.8	-3.7
Denmark	8.9	5.0
Slovakia	8.6	0.7
Montenegro	6.9	1.9
Lithuania	6.6	-0.6
Greece	6.0	-3.8
Croatia	5.5	1.6
Malta	4.7	-9.9
Latvia	3.7	0.4
Czech Republic	3.6	-0.8
Hungary	2.6	2.8
Turkey	2.3	2.4
Bulgaria	1.8	0.3
EU-28	0.9	1.4
France	0.9	2.2
Sweden	0.8	2.5
Portugal	0.3	-0.8
Poland	0.0	0.7
Cyprus	-0.7	-3.8
Serbia	-1.9	-2.4
Eurozone-19	-2.1	0.1
Romania	-2.2	-6.2
Spain	-2.4	2.6
Macedonia	-2.6	-10.9
Italy	-3.0	2.9
Estonia	-3.7	-0.1
Austria	-3.8	1.4
Germany	-4.2	-3.6
Netherlands	-4.5	0.1
Belgium	-8.9	-0.6
Slovenia	-9.4	15.9

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

** Countries were ranked by the change in their performance compared to June 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 2.0 points, TEPE received an average value of -13.3 points in June. Furthermore, while, on average, KOPE saw a decrease of 2.7 points on y-o-y basis, TEPE witnessed an increase of 2.3 points. On the other hand, KOPE saw an increase of 1.0 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 (June 2017 – June 2018)

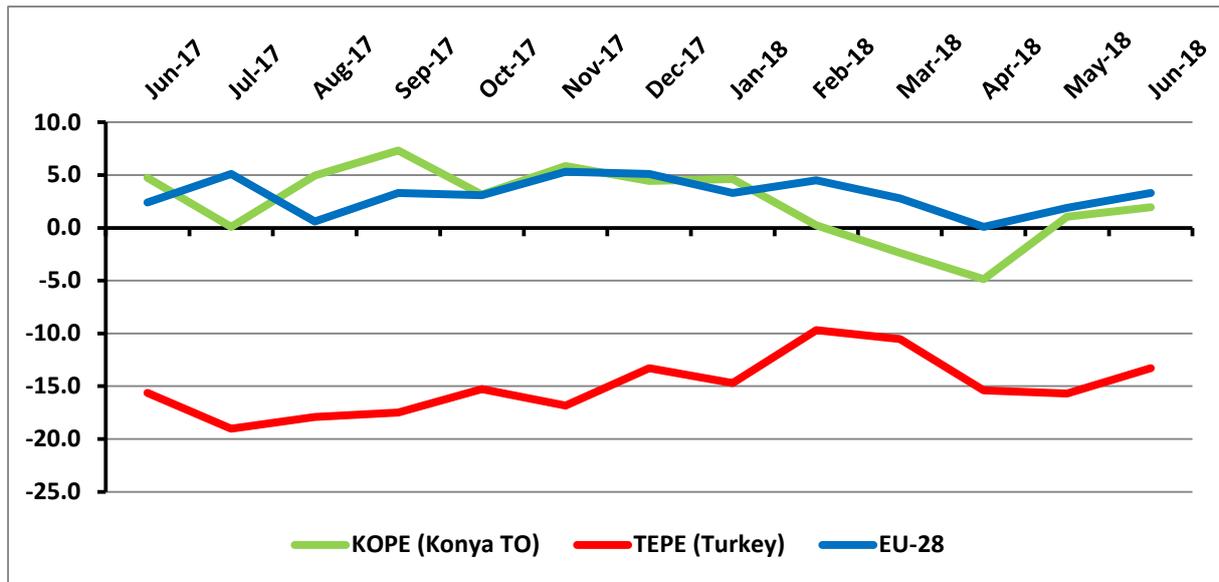


Table-7. Konya Retail Confidence Index

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2016	1.8	-1.8	-3.9	-1.5	-2.1	-2.7	-1.7	2.4	-1.1	0.1	-4.4	-6.7
2017	-7.7	-4.1	-0.6	-1.7	1.3	4.7	0.1	4.9	7.3	3.2	5.9	4.4
2018	4.6	0.2	-2.4	-4.9	1.0	2.0						