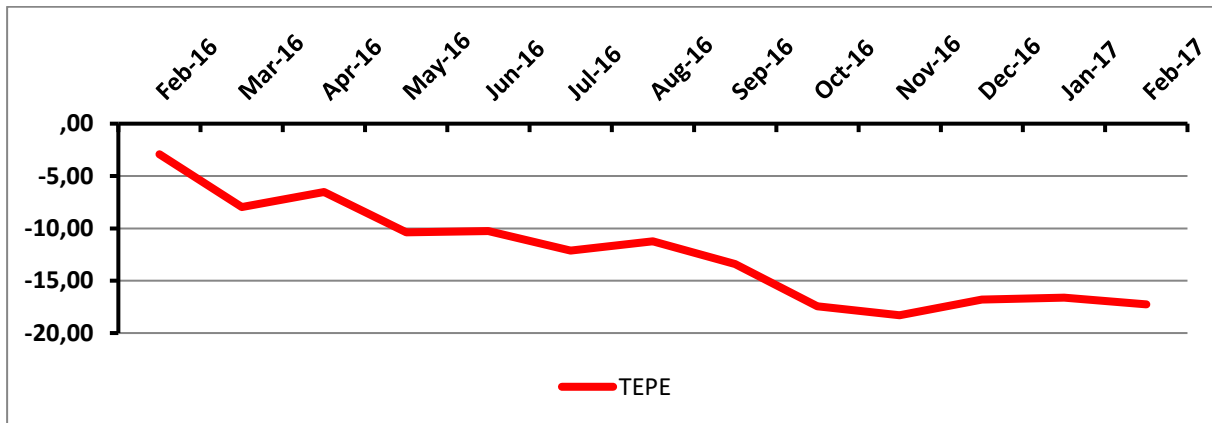


DECREASE IN THE EXPECTATIONS HAS NEGATIVELY AFFECTED RETAIL CONFIDENCE

TEPE which was following a negative course since February 2016, continued its decline through the last 13 months as well. TEPE declined both month-on-month and year-on-year basis in February 2017. With regards, the developments regarding the last 3 months' business activity as well as the decrease in expected sales for the coming 3 months played a role in the continuance of this negative course. All indicators on expectations have also declined both y-o-y and m-o-m basis. While retail confidence followed the same negative course in all sectors since November 2016, among them, 'Electrical appliances, radio and televisions' sector scored the highest year-on-year decline. Furthermore, when compared to the EU-28 and Eurozone in terms of both month-on-month and year-on-year change, Turkey saw a decline in performance from last year.

Yearly retail confidence has declined

With TEPE having -17,3 points in February 2017 it is visible that it showed a decline of 0.7 points when compared to the previous month and 14,4 points when compared to the same period last year. The decrease in TEPE is attributed to the y-o-y decrease in the level of business activity in the last 3 months and sales expectation for the coming 3 months. Furthermore, in m-o-m terms, decrease in sales expectation for the coming 3 months is the main cause for the recorded monthly decline.

Figure-1. TEPE (February 2016 – February 2017)¹**Table-1.** TEPE, monthly

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	-11,0	-2,3	-2,8	-7,0	-5,0	-4,6	-8,6	-15,3	-12,5	-4,6	3,1	2,5
2016	0,9	-2,9	-8,0	-6,5	-10,4	-10,3	-12,1	-11,2	-13,4	-17,4	-18,3	-16,8
2017	-16,6	-17,3										

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

Retailers' sales expectation is in decline

The balance value of the sales expectations for the next 3 months hit -22,9 points in February 2017. Accordingly, expected sales therefore decreased by 33,3 point y-o-y while the m-o-m decrease is by 11,5 points.

In February 2017, 13,2 percent of TEPE survey participants said that they expect an improvement in their business activities in the next 3 months while 42,7 percent stated they expect deterioration. On the other hand, 44,1 percent of the participants expressed that they do not expect their business activities to change.

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

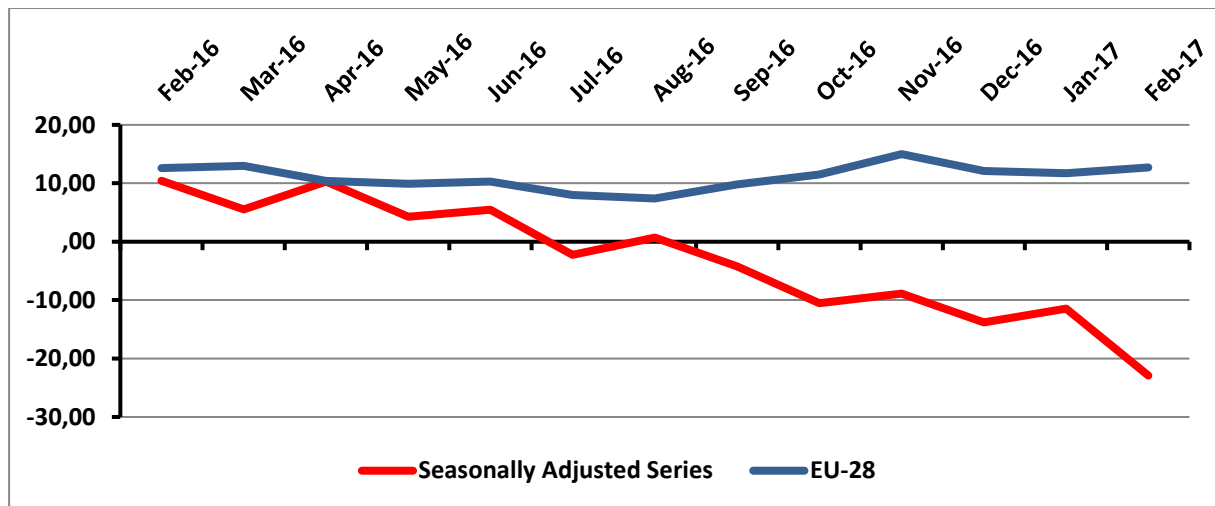


Table-2. Sales expectations for the next three months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	11,5	22,0	10,0	3,1	10,4	7,6	4,5	-22,6	-9,6	2,1	31,6	26,1
2016	14,0	10,4	5,5	10,3	4,3	5,5	-2,2	0,7	-4,2	-10,5	-8,9	-13,8
2017	-11,4	-22,9										

The state of business has deteriorated with respect to last year

The balance value of the volume of business activities was -36,3 points in February 2017. As the numbers suggest, the level of business activities therefore decreased by 3,7 points when compared to February 2016 figures and it increased by 7 points when compared to January 2017.

In February 2017, while 21,6 percent of TEPE survey participants stated that there is an improvement in their business activities compared to the year before, 57,9 percent emphasized that they experienced deterioration. 20,4 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 (February 2016 – February 2017)

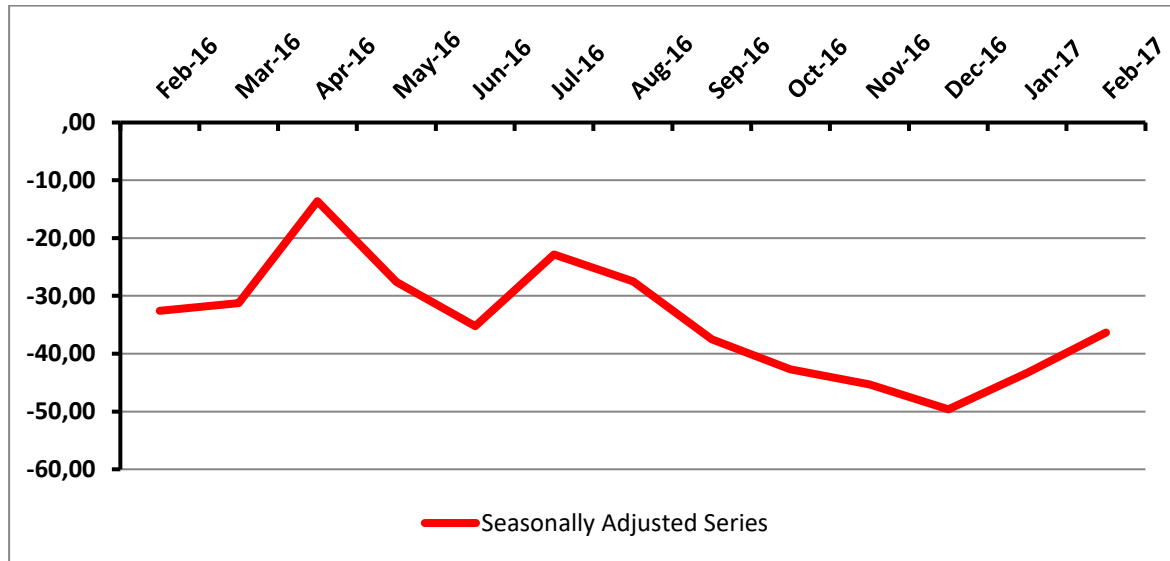


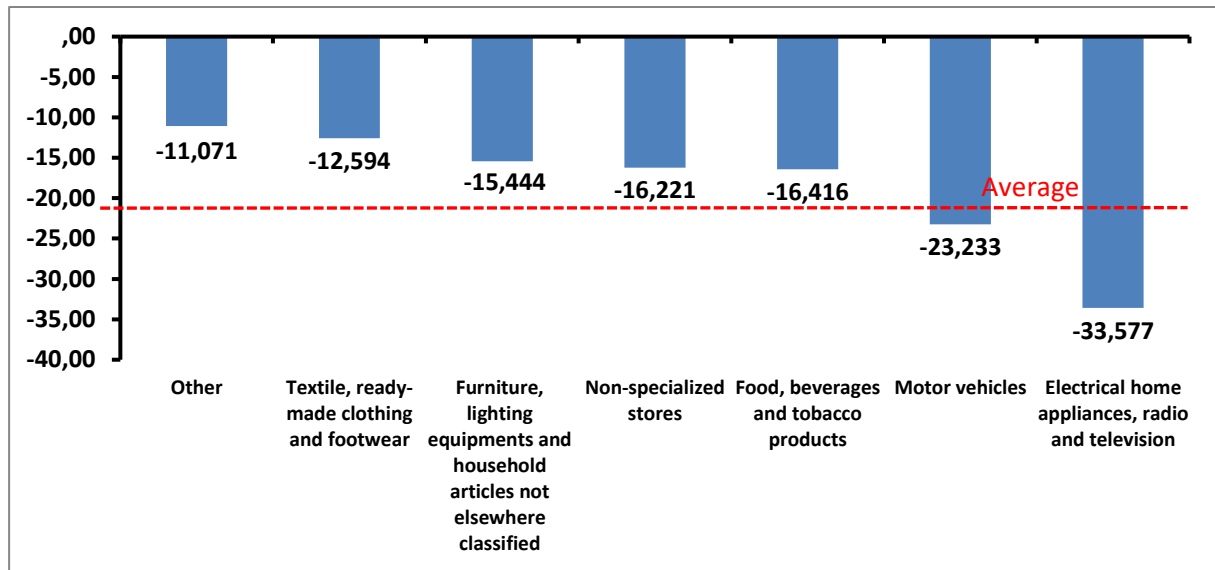
Table-3. Year-on-year change in business activities

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	-36,6	-27,2	-22,0	-27,9	-23,7	-24,7	-30,4	-27,5	-30,4	-35,6	-25,0	-22,8
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										

Retail confidence declined most in the ‘Electrical appliances, radio and televisions’ sector

When looking at retail confidence in terms of sub-sectors, all sectors recorded a decrease y-o-y basis since November 2016. The decline was above average for “other (gas station, pharmacy, perfumery, hardware, glassware, stationary etc.)”, “textile, ready-made clothing and footwear”, “furniture, lighting equipment and household articles”, “non-specialized stores”, and “food, beverages and tobacco products” sectors. Furthermore, “Motor vehicles”, and “electrical home appliances, radio and television” sectors recorded an above average decline. Among these two sectors “Electrical appliances, radio and televisions” sector demonstrated the highest y-o-y decline.

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



Expectations in retail sector deteriorated

Question-based assessment of TEPE survey results indicate, when compared to both February 2016 and January 2017, that all the indicators on expectations (orders, sales, employment, prices and number of stores) recorded a decline. On the contrary, the anticipation for business recovery increased when compared to January 2017 and decreased when compared to February 2016.

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

Questions	Index 02/2016	Index 01/2017	Index 02/2017	MoM Change 02/2017	YoY Change 02/2017
How has your business activity developed over the past three months?	-36,1	-50,7	-39,9	10,8	-3,8
Do you consider the volume of inventories you currently hold be...? ² ????	16,9	12,3	11,0	-1,3	-5,9
How do you expect your orders placed with suppliers to change over the next 3 months?	-3,5	-20,4	-29,3	-8,9	-25,8
How do you expect your business activity (sales) to change over the next 3 months?	10,4	-11,4	-22,9	-11,5	-33,3
How do you expect your firm's total employment to change over the next 3 months?	11,3	0,0	-8,8	-8,8	-20,1
How do you expect the prices you charge to change over the next 3 months?	19,5	33,8	18,1	-15,7	-1,4
How has your business activity developed this year compared to the same period in the last year?	-32,6	-43,3	-36,3	7,0	-3,7
Do you expect an increase in the number of your stores next year?	9,6	6,1	2,9	-3,2	-6,7

² Positive inventory level indicates that current level of inventory stands below the normal.

The (-) values in Table-4 implies that negative expectations were dominant to positive expectations.

Retail confidence in the EU has decreased with respect to last year

The EU-28 Retail Confidence Index had a value of 3,3 in February 2017, with a m-o-m increase of 0,5 points and a y-o-y decreased of 1,1 points. During this time period, Turkey performed worse than the EU-28 and Eurozone in terms of both m-o-m and y-o-y change.

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

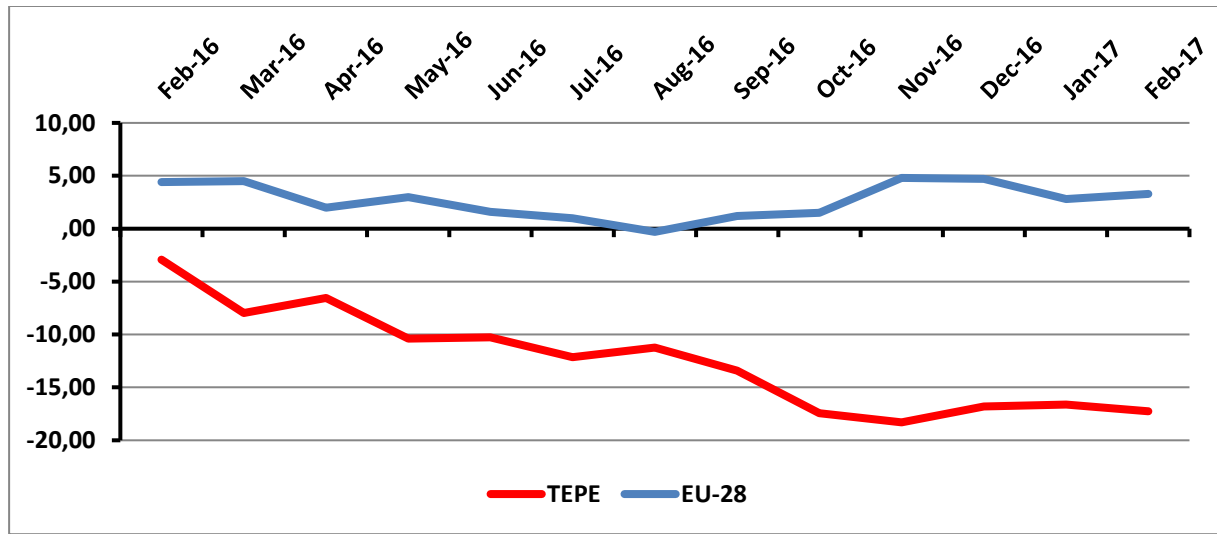


Table-5. EU-28

	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										

Turkey performed worse than the EU-28 and the Eurozone with regards to retail confidence

Finland had the largest y-o-y improvement in retail confidence among the EU-28 countries and Turkey. Finland was followed by Southern Cyprus, France, Poland, Netherlands, and Bulgaria. Turkey, Romania, and Denmark, respectively, had the highest y-o-y decline in retail confidence. Furthermore, the highest y-o-y improvement in retail confidence was in Malta. In comparison to January 2016 figures, the EU-28 recorded a decline of -1,7 points while the Eurozone recorded a decline of 0,3 points in the Retail Confidence Index. When the change from January 2016 is analyzed, it appears that Turkey performed worse than the EU-28 and Eurozone in terms of both m-o-m and y-o-y change.

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

Countries/ (Points)	Change in Retail Confidence Index Compared to February 2016 **	Change in Retail Confidence Index Compared to January 2017
Finland	14,0	5,9
Southern Cyprus	7,5	-4,1
France	5,4	0,4
Poland	4,1	-1,0
Netherlands	2,5	0,5
Bulgaria	2,4	-1,6
Latvia	2,2	3,6
Portugal	2,0	-0,5
Czech Republic	1,4	-0,3
Austria	1,0	1,4
Eurozone-19	0,6	-0,4
Italy	-0,1	3,4
Germany	-0,5	-1,1
EU-28	-1,1	0,5
Greece	-1,3	-11,0
Hungary	-1,6	2,5
Malta	-1,7	14,9
Spain	-3,8	-2,1
Sweden	-3,9	3,3
Croatia	-4,4	-2,5
Lithuanian	-4,8	1,4
United Kingdom	-6,7	4,8
Slovenia	-6,9	9,0
Belgium	-8,0	-8,9
Estonia	-10,2	-4,0
Slovakia	-10,3	-9,3
Denmark	-10,6	-6,5
Romania	-14,2	0,4
Turkey	-14,3	-0,6

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

Retail confidence in Konya has increased in comparison to last month

Within the scope of the Konya Province Retail Confidence Index (KOPE) , carried out in cooperation with 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 a monthly basis since February 2012.

KOPE had a value of -2,9 compared to TEPE's value of -17,5 in February Furthermore, KOPE declined by 4,1 points y-o-y compared to TEPE's declined by 14,3 points. On the other hand, KOPE increased by 2,6 points m-o-m. On the average , Konya's retail sector performed better than the Turkey's average and worse than the EU-28.

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

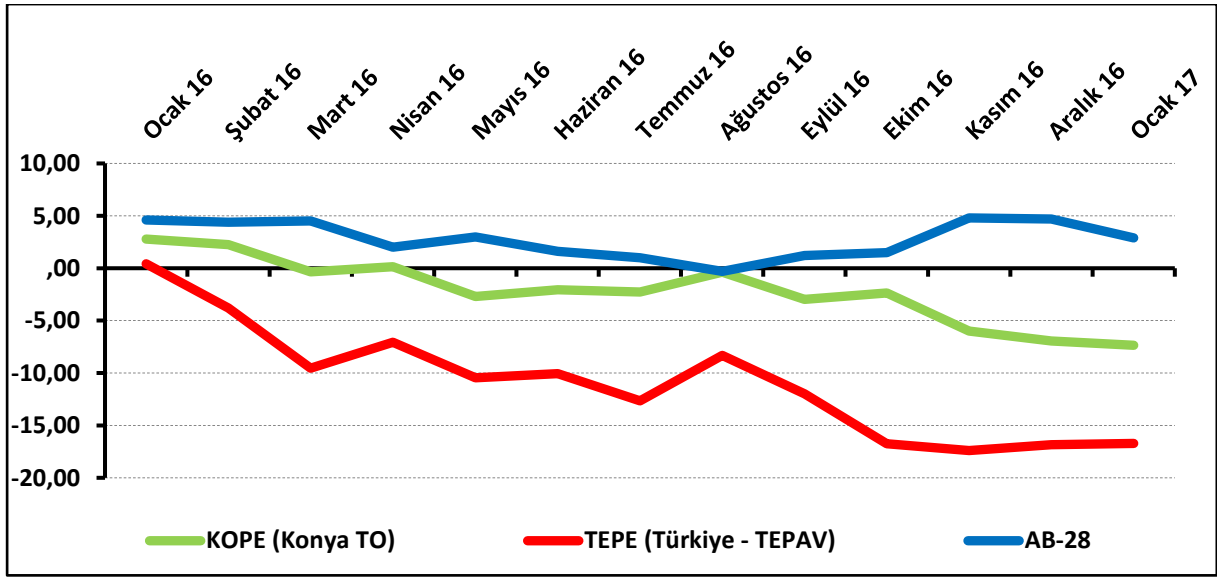


Table-7. Konya Retail Confidence Index

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	2,5	2,9	-0,3	-0,8	2,3	1,2	1,9	-1,0	-3,7	0,0	10,2	6,2
2016	3,8	1,1	-2,3	-1,9	-3,9	-3,4	-2,3	0,8	-2,1	-1,5	-4,2	-5,1
2017	-5,5	-2,9										