

RECOVERING FROM A STEEP DECLINE IN FEBRUARY THROUGH IMPROVED EXPECTATIONS, TEPE IS STILL AT NEGATIVE

TEPE, negative since February 2016, continued on negative course for the third month of this year. Recovering the decline in February, it reached its October-January average of -15,8 in March. Improvement in the expected sales for the upcoming 3 months with respect to February played a role in the recovery of retail confidence index. Retail confidence increased in the “other” (gas station, pharmacy, perfumery, hardware, glassware, stationary etc.), and “non-specialized stores” sectors. Furthermore, when compared to the EU-28 and Eurozone, Turkey saw a decline in performance from last year.

Retail confidence increased in comparison to last month

With TEPE having -15,8 points in February 2017 it is visible that there is an increase of 7,8 points compared to the previous month and a decline of 4,7 points when compared to the same period of last year. The yearly decrease in TEPE is attributed to the y-o-y decrease in the sales expectations for the coming 3 months. Furthermore, in m-o-m terms, increase in sales expectations for the coming 3 months is the main motive for the recorded monthly increase.

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

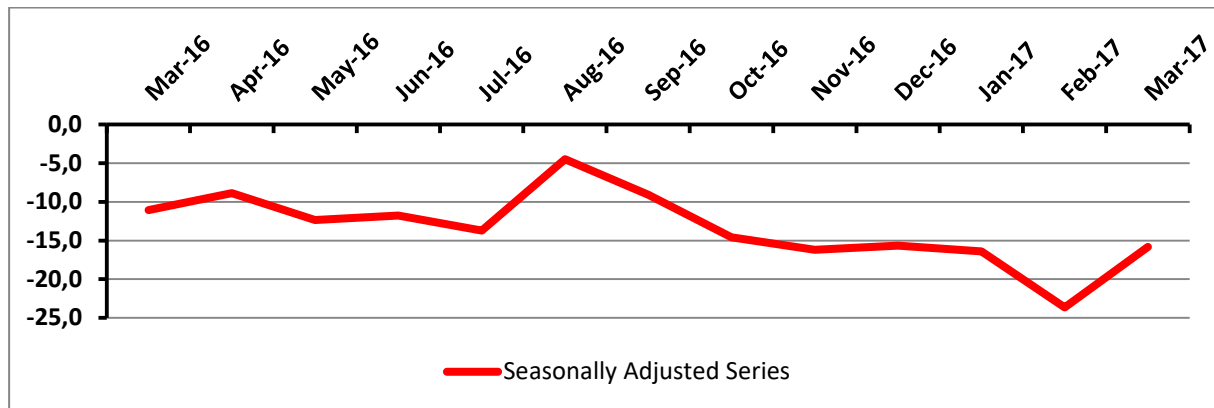


Table-1. TEPE, monthly

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	-11,2	-3,7	-4,2	-8,2	-6,3	-6,0	-9,8	-10,2	-9,5	-2,9	4,7	2,8
2016	0,8	-6,0	-11,1	-8,9	-12,3	-11,7	-13,7	-4,5	-9,1	-14,6	-16,2	-15,7
2017	-16,4	-23,6	-15,8									

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

Sales expectation is back to December-January level

The balance value of sales expectations for the next 3 months hit -14,0 points in March 2017. Expectations recovered 27,9 points of its 31,3 point plunge in the previous month; whereas the y-o-y decline is at -10,8 points.

In March 2017, 37,7 percent of TEPE survey participants said that they expect an improvement in their business activities in the next 3 months while 37,3 percent stated that they expect deterioration. On the other hand, 25 percent of the participants expressed that they do not expect their business activities to change.

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

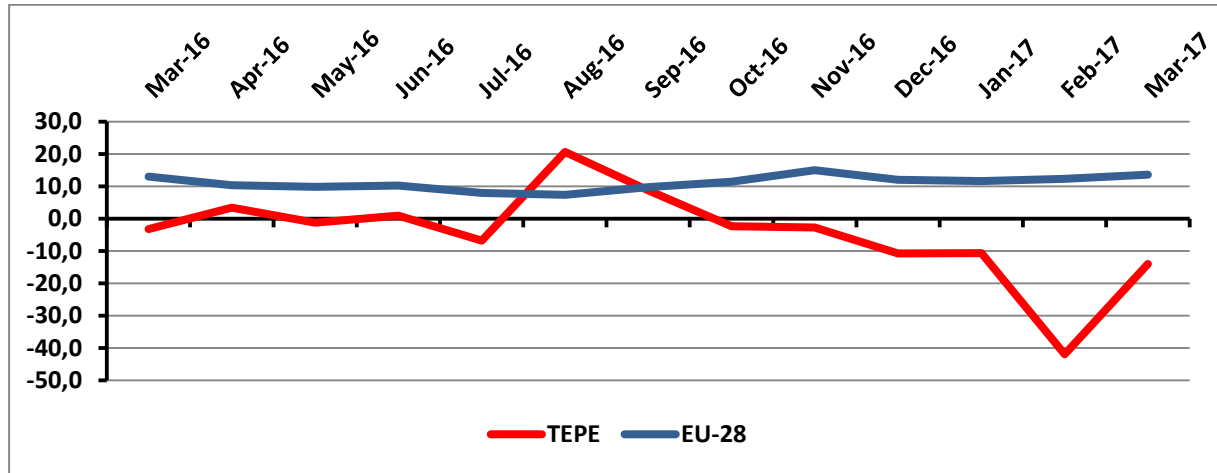


Table-2. Sales expectations for the next three months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	11,1	17,9	6,4	-0,6	6,6	3,3	0,7	-7,5	-0,6	7,1	35,6	27,2
2016	13,8	0,7	-3,2	3,5	-1,2	1,0	-6,7	20,7	8,8	-2,3	-2,7	-10,7
2017	-10,6	-41,9	-14,0									

The state of business has deteriorated with respect to last year

The balance value of the volume of business activities was -41,3 points in March 2017. As the numbers suggest, the level of business activities decreased by 10 points when compared to March 2016 figures and it decreased by 5 points comparing to February 2017.

In March 2017, while 17,4 percent of TEPE survey participants stated that their business activities improved compared to the year before, 58,8 percent emphasized that they experienced deterioration. 23,8 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 (March 2016 – March 2017)

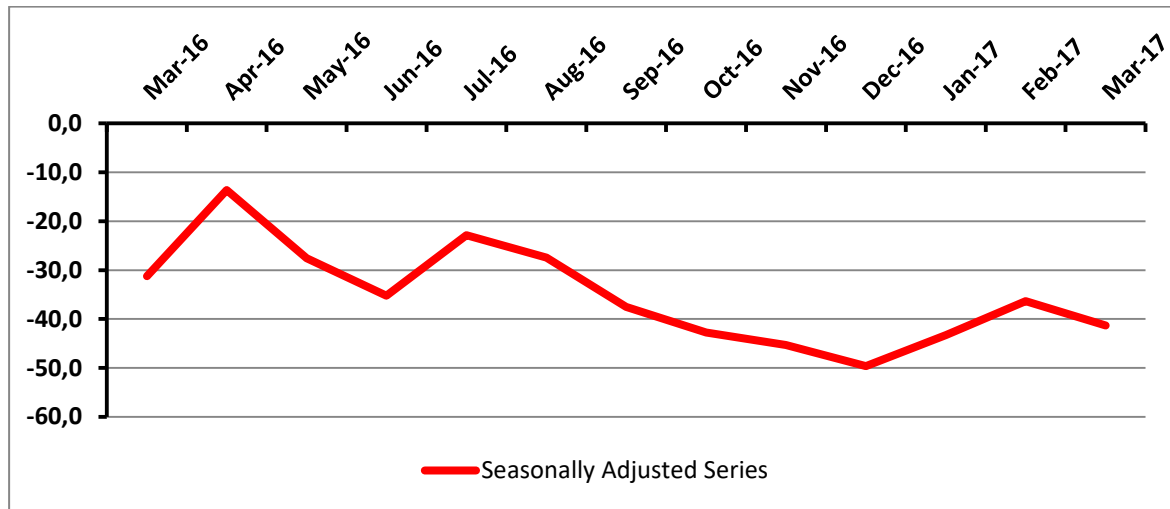


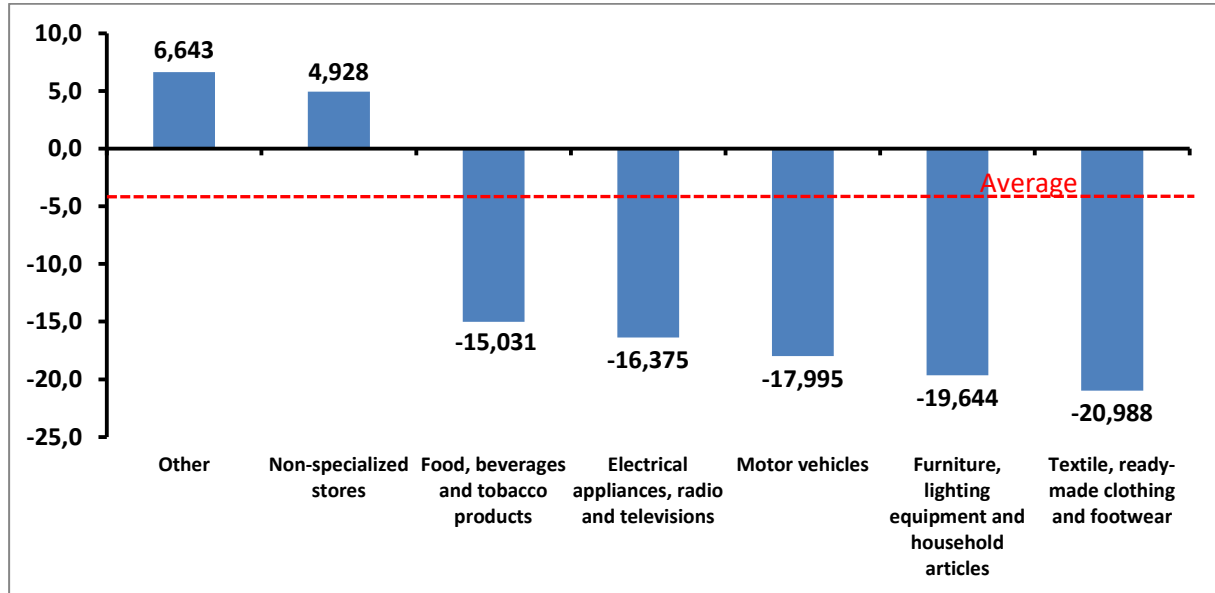
Table-3. Year-on-year change in business activities

	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	-41,3									

Retail confidence declined the most in the “textile, ready-made clothing and footwear” sector

When looking at retail confidence in terms of sub-sectors, retail confidence increased most in the “other” (gas station, pharmacy, perfumery, hardware, glassware, stationary etc.) sector y-o-y basis in March 2017. The increase was experienced solely by “other”, and “non-specialized stores” sectors. However, “food, beverages and tobacco products”, “electrical appliances, radio and televisions”, “motor vehicles”, and “furniture, lighting equipment and household articles” sectors recorded an above average decline. Among all sectors “textile, ready-made clothing and footwear” sector demonstrated the highest y-o-y decline.

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



Sales and employment expectations has increased in retail sector

Question-based assessment of TEPE survey results suggests that the indicators on expectations (orders, sales, and employment) increased when compared to February 2017 and decreased compared to March 2016. Furthermore, the anticipation for business recovery decreased in comparison to both March 2016 and February 2017. On the contrary, expectation price for the upcoming 3 months and business activities regarding the last 3 months increased when compared to both March 2016 and February 2017.

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

Questions	Index 03/2016	Index 02/2017	Index 03/2017	MoM Change 03/2017	YoY Change 03/2017
How has your business activity developed over the past three months?	-43,4	-40,1	-43,1	-3,0	0,3
Do you consider the volume of inventories you currently hold be...? ²	13,4	11,0	9,6	-1,4	-3,8
How do you expect your orders placed with suppliers to change over the next 3 months?	-8,3	-29,2	-24,3	4,9	-16,0
How do you expect your business activity (sales) to change over the next 3 months?	-3,2	-41,9	-14,0	27,8	-10,8
How do you expect your firm's total employment to change over the next 3 months?	4,0	-9,0	-0,7	8,3	-4,6
How do you expect the prices you charge to change over the next 3 months?	19,0	17,2	21,1	4,0	2,1
How has your business activity developed this year compared to the same period in the last year?	-31,3	-36,3	-41,3	-5,0	-10,0
Do you expect an increase in the number of your stores next year?	7,5	2,9	9,3	6,4	1,8

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 4,0 in March 2017, with a m-o-m increase of 0,7 points and a y-o-y decrease of 0,5 points. During this time period, Turkey performed worse than the EU-28 and Eurozone in m-o-m terms and better than the EU-28 and Eurozone in y-o-y terms.

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

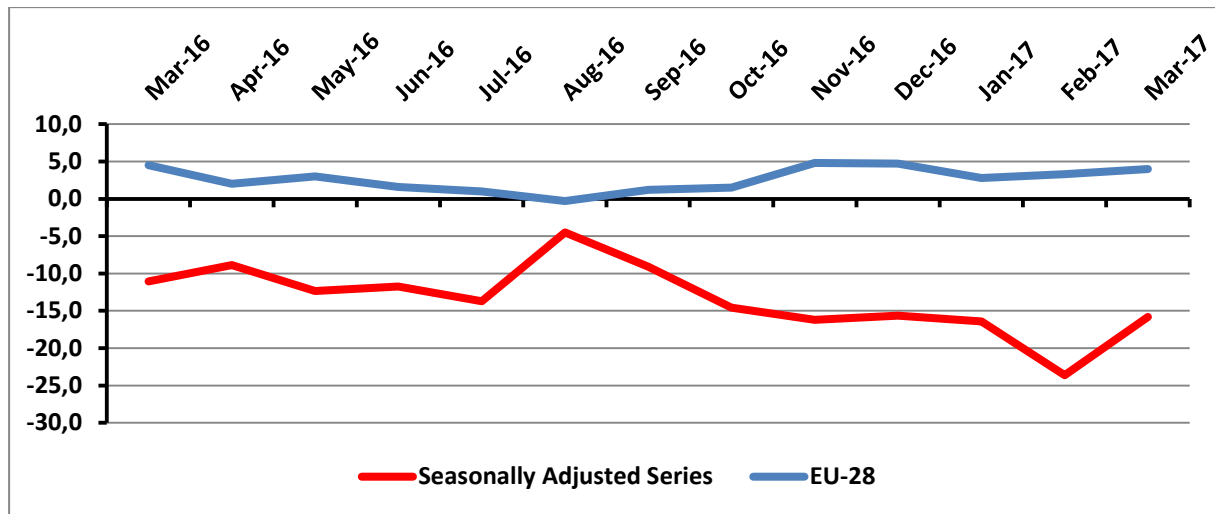


Table-5. EU-28

	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	4,0									

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, Austria, Czech Republic, and Croatia. Belgium, Lithuania, 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 Slovenia. In comparison to March 2016 figures, the Eurozone recorded a decline of 0,5 points while the EU-28 is unchanged in the Retail Confidence Index. When the change from February 2017 is analyzed, it appears that Turkey performed worse than the EU-28 and Eurozone both in m-o-m and y-o-y terms.

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

Countries/ (Points)	Change in Retail Confidence Index Compared to March 2016 **	Change in Retail Confidence Index Compared to February 2017
Finland	17,1	6,3
Southern Cyprus	9,7	0,0
Austria	5,1	2,3
Czech Republic	3,8	-0,5
Croatia	3,8	3,8
Poland	3,4	-0,7
Hungary	3,1	0,6
Bulgaria	2,9	-1,3
Slovenia	2,3	12,3
France	1,7	-1,4
Italy	1,5	0,9
Netherlands	1,4	-2,1
Eurozone-19	0,0	0,0
Portugal	-0,1	-2,3
Greece	-0,3	0,8
EU-28	-0,5	0,7
Spain	-0,7	0,2
United Kingdom	-1,8	4,7
Germany	-2,6	-0,4
Latvia	-3,0	-1,9
Sweden	-4,7	-1,5
Turkey	-4,8	7,8
Slovakia	-5,5	3,3
Estonia	-6,5	2,7
Malta	-6,9	-7,8
Romania	-7,2	2,7
Denmark	-8,3	1,3
Lithuania	-8,8	-5,3
Belgium	-10,5	1,2

** Countries were ranked by the change in their performance compared to March 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 0,5 compared to TEPE's value of -15,8 in March. Furthermore, KOPE increased by 3,7 points y-o-y compared to TEPE's decline of 4,7 points. On the other hand, KOPE increased by 1,9 points m-o-m. On average, Konya's retail sector performed better than Turkey's average and worse than the EU-28.

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

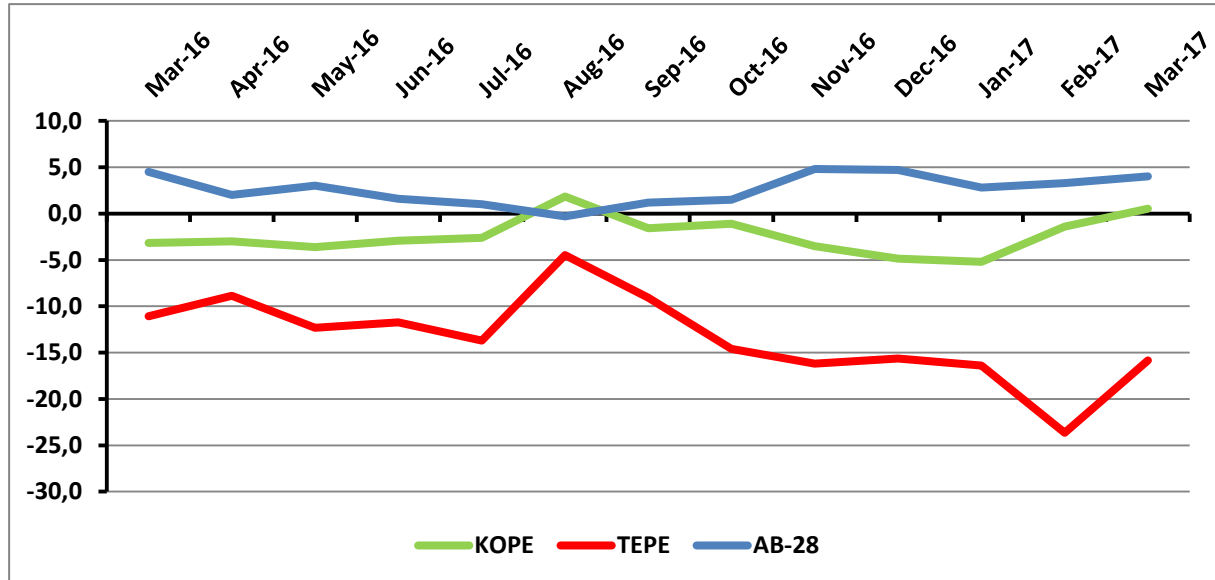


Table-7. Konya Retail Confidence Index

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