

RETAILERS ARE NOT SATISFIED WITH THE FIRST SIX MONTHS OF 2017

TEPE, which reached to -6.9 points during the first half of 2016, decreased to the level of -16.8 points in the first half of 2017. Index that slightly increased by 1.0 point compared to the previous month, decreased by 2.9 points compared to the same month last year. The yearly decrease in TEPE is attributed to the y-o-y decrease in the level of business activity in the last 3 months and sales expectations for the coming 3 months. "Other (gas station, pharmacy, perfumery, hardware, glassware, stationary etc.)" sector scored the highest y-o-y increase in retail confidence in June. Furthermore, when compared to the EU-28 and Eurozone, Turkey saw a declining performance with respect to last year.

Retail confidence decreased in comparison to last year

TEPE, with its -14.4 points in June 2017, showed a slight increase by 1.0 point when compared to the previous month and a decline by 2.9 points when compared to the same month of last year. Where the yearly decrease in TEPE is attributed to the y-o-y decrease in the level of business activity in the last 3 months and sales expectations for the coming 3 months; its limited monthly increase is attributed to the m-o-m increase in the level of sales expectations for the coming 3 months and business activity in the last 3 months hold.

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

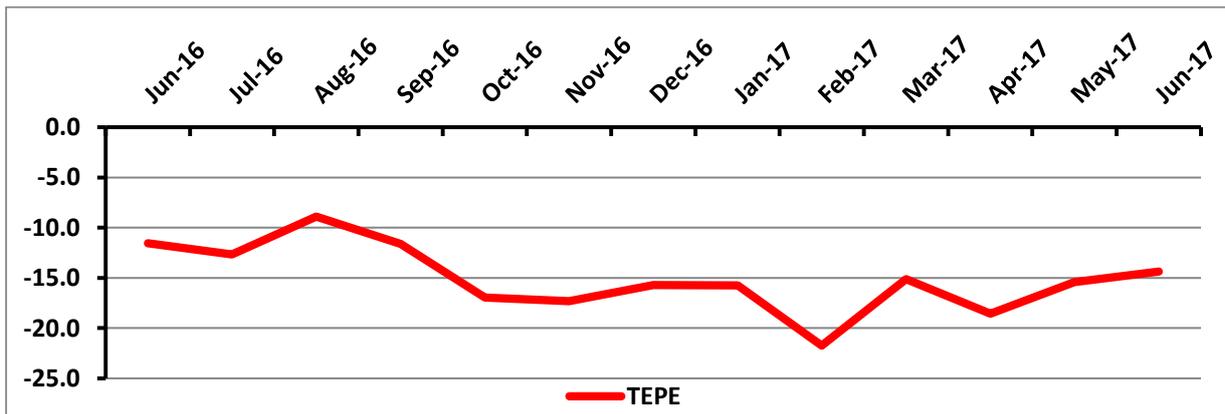


Table-1. TEPE, monthly

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	-10.7	-2.4	-3.1	-7.2	-5.0	-5.3	-10.2	-13.1	-11.5	-3.3	3.7	2.8
2016	1.7	-5.6	-10.6	-4.7	-10.5	-11.5	-12.7	-8.9	-11.6	-16.9	-17.3	-15.7
2017	-15.8	-21.7	-15.1	-18.6	-15.4	-14.4						

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

Retailers’ sales expectation has increased compared to last month

The balance value of sales expectations for the next 3 months hit -1.1 points in June 2017. Expectations increased by 6.6 point m-o-m and decreased by 4.6 points y-o-y.

In June 2017, 30.4 percent of TEPE survey participants said that they expect an improvement in their business activities in the next 3 months while 32.3 percent stated that they expect deterioration. On the other hand, 37.3 percent of the participants expressed that they do not expect their business activities to change.

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

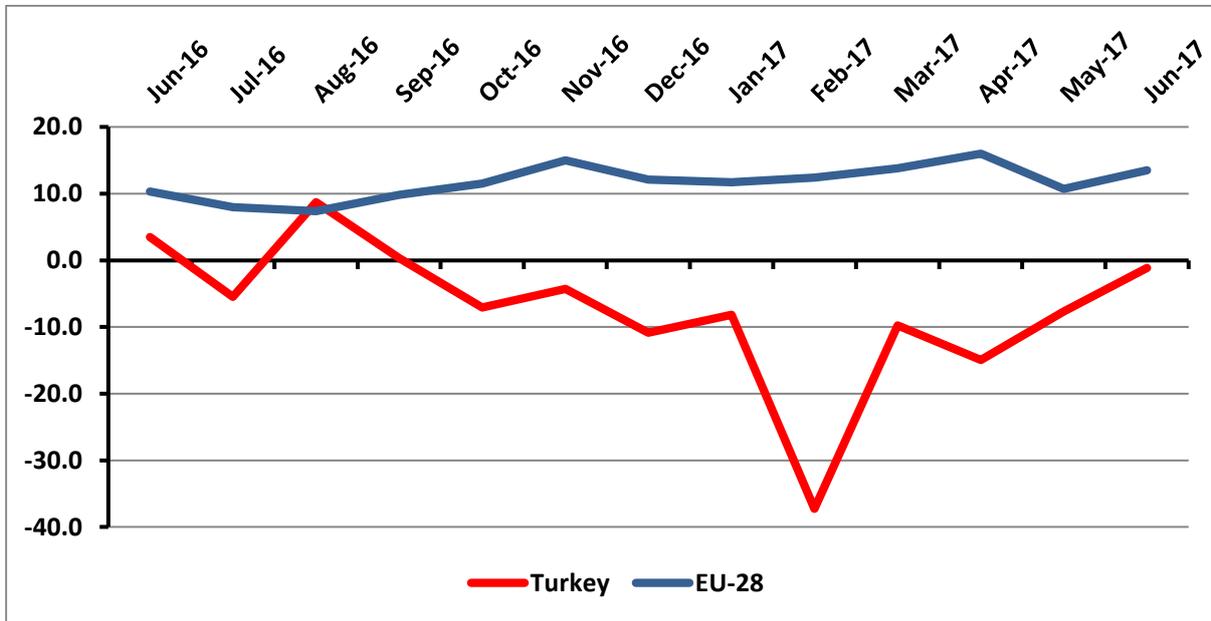


Table-2. Sales expectations for the next three months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	12.9	21.5	8.4	2.5	9.3	4.3	1.6	-15.5	-6.1	5.3	34.7	27.8
2016	15.9	3.0	-1.1	10.6	3.5	3.5	-5.5	8.7	0.4	-7.1	-4.3	-10.9
2017	-8.2	-37.3	-9.7	-15.0	-7.7	-1.1						

The state of business has deteriorated with respect to last year

The balance value of the volume of business activities was -41.6 points in June 2017. As the numbers suggest, the level of business activities decreased by 6.4 points when compared to June 2016 and by 2.2 points when compared to May 2017.

In June 2017, while 17.9 percent of TEPE survey participants stated that their business activities improved compared to the year before, 59.5 percent emphasized that they experienced deterioration. 22.6 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 2016 – June 2017)

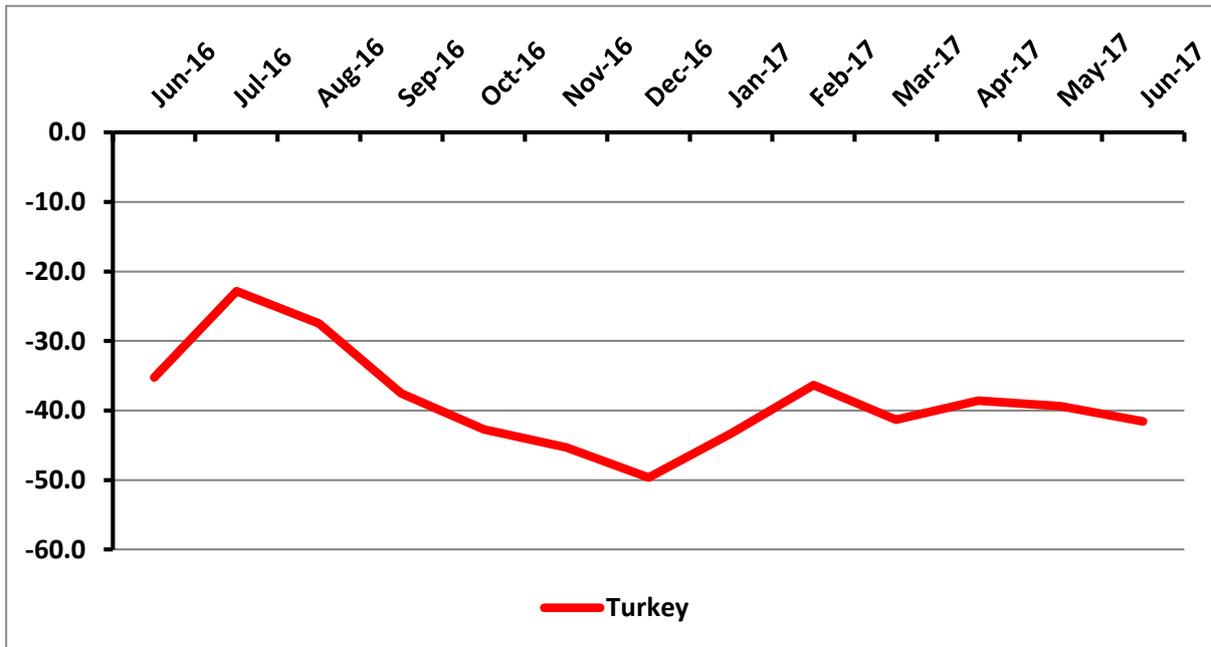


Table-3. Year-on-year change in business activities

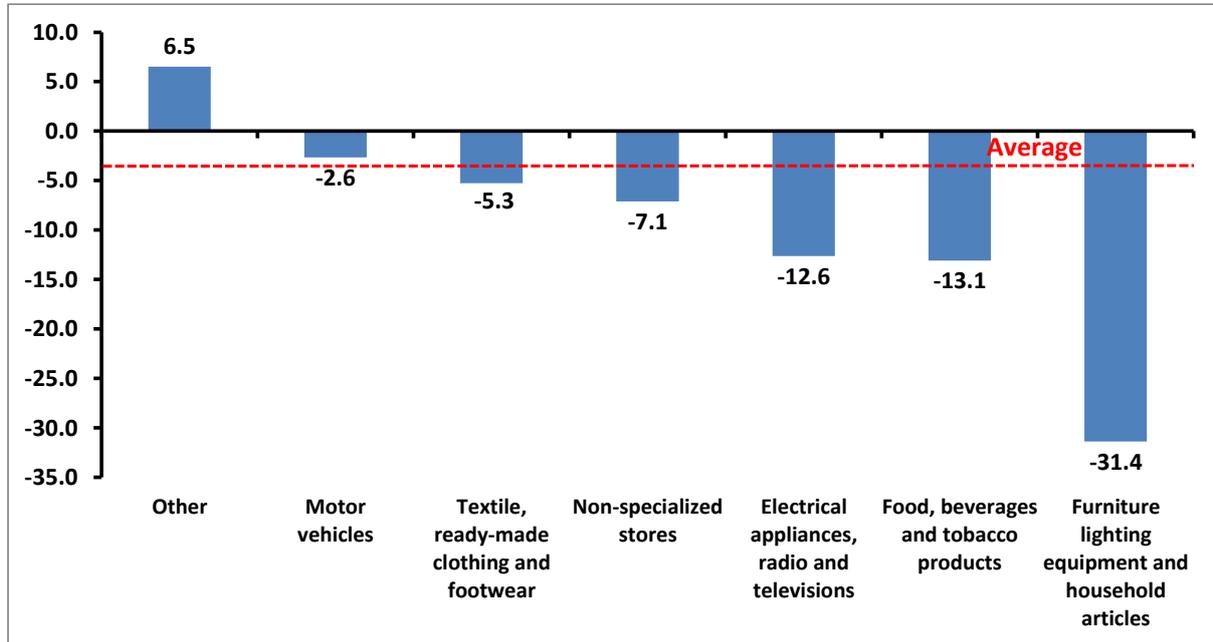
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	-36.6	-27.2	-22.0	-27.9	-23.7	-24.7	-30.4	-27.5	-30.4	-35.6	-25.0	-22.8
2016	-21.2	-32.6	-31.3	-13.6	-27.6	-35.2	-22.8	-27.5	-37.5	-42.7	-45.3	-49.6
2017	-43.3	-36.3	-41.3	-38.6	-39.4	-41.6						

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

When looking at the retail confidence in terms of sub-sectors, it has increased only in the “other (gas station, pharmacy, perfumery, hardware, glassware, stationary etc.)” sector y-o-y basis in June 2017. When looking at subcomponent of the index, increase in the sectoral confidence index is attributed to the business activity in the last 3 months.

“Motor vehicles”, “textile, ready-made clothing and footwear”, “non-specialized stores”, “electrical appliances, radio and televisions”, “food, beverages and tobacco products”, and “furniture, lighting equipment and household articles” sector indices decreased in June 2017. “Other (gas station, pharmacy, perfumery, hardware, glassware, stationary etc.)” and “motor vehicles” sectors recorded an above average score. Similar to its May performance, “furniture, lighting equipment and household articles” sector demonstrated the highest y-o-y decline among all sectors. Although this decrease is a result of deterioration in all subcomponent of the sectoral index, the decrease in the business activity in the last 3 months is the one with the highest impact.

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



Business activity in retail sector deteriorated

Question-based assessments of TEPE survey results indicate, the indicators on business activity regarding the last 3 months, employment expectation and the anticipation for business recovery decreased when compared to both June 2016 and May 2017. On the contrary, expectations (orders, sales and number of stores) decreased when compared to June 2016 and increased compared to May 2017. Furthermore, expected price in the coming 3 months increased when compared to June 2016 and decreased when compared to May 2017.

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

Questions	Index 06/2016	Index 05/2017	Index 06/2017	MoM Change 06/2017	YoY Change 06/2017
How has your business activity developed over the past three months?	-46.1	-47.8	-52.9	-5.1	-6.8
Do you consider the volume of inventories you currently hold be...? ²	8.0	9.2	10.9	1.7	2.9
How do you expect your orders placed with suppliers to change over the next 3 months?	-13.4	-22.7	-14.6	8.1	-1.2
How do you expect your business activity (sales) to change over the next 3 months?	3.5	-7.7	-1.1	6.6	-4.6
How do you expect your firm's total employment to change over the next 3 months?	0.3	1.6	-0.7	-2.3	-1.0
How do you expect the prices you charge to change over the next 3 months?	13.2	26.3	23.6	-2.7	10.4
How has your business activity developed this year compared to the same period in the last year?	-35.2	-39.4	-41.6	-2.2	-6.4
Do you expect an increase in the number of your stores next year?	4.6	-0.7	0.3	1.0	-4.3

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 increased with respect to both last year and previous month

The EU-28 Retail Confidence Index had a value of 3.7 in June 2017, with a m-o-m increase of 0.6 points and a y-o-y increase of 2.1 points. During this period, Turkey performed worse than the EU-28 and Eurozone in y-o-y terms; performed better than EU-28 and worse than Eurozone in m-o-m terms.

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

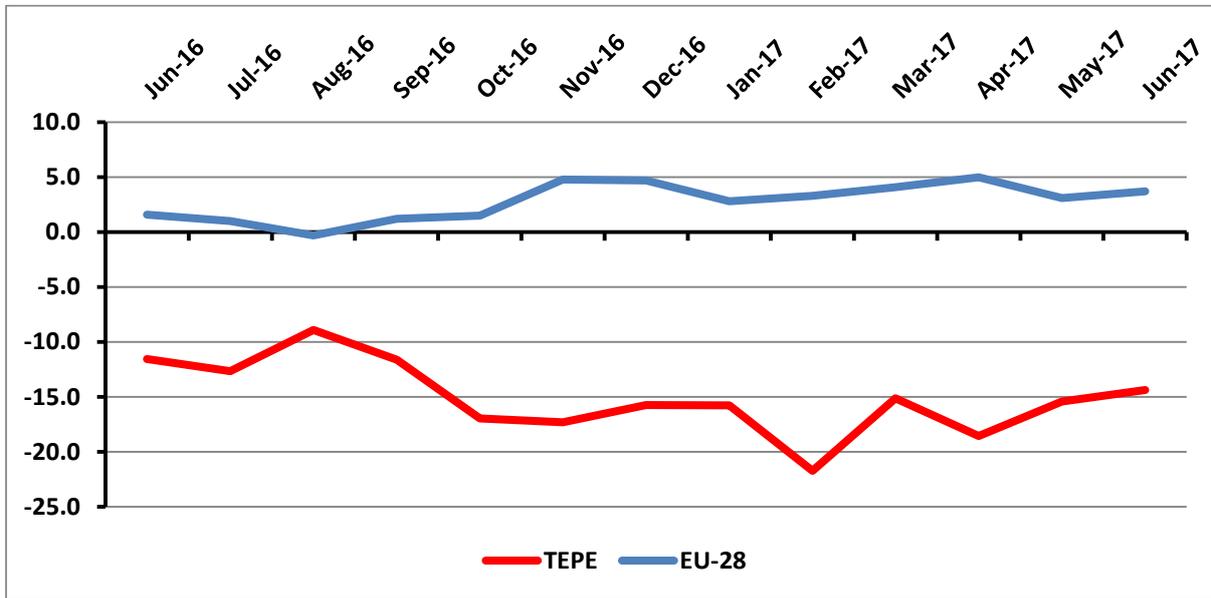


Table-5. EU-28

	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						

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

Slovenia had the largest y-o-y improvement in retail confidence among all the EU-28 countries and Turkey. Italy was followed by Southern Cyprus, Italy and Belgium. Malta, Denmark, and Greece, respectively, had the highest y-o-y decline in retail confidence. Furthermore, the highest m-o-m improvement in retail confidence was in Slovenia. In comparison to June 2016 figures, the Eurozone recorded an increase of 3.6 points while the EU-28 recorded an increase of 2.1 in the Retail Confidence Index. It appears that Turkey performed worse than the EU-28 and Eurozone in y-o-y terms and better than EU-28 in m-o-m terms.

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

Countries/ (Points)	Change in Retail Confidence Index Compared to June 2016 **	Change in Retail Confidence Index Compared to May 2017
Slovenia	13.6	19.5
Southern Cyprus	12.5	-0.2
Italy	10.0	-4.2
Belgium	5.3	5.8
Poland	5.1	1.4
Netherlands	5.1	1.7
Finland	4.5	10.3
Spain	3.9	3.7
Eurozone-19	3.6	2.4
Germany	2.9	5.5
Romania	2.2	-6.1
EU-28	2.1	0.6
Portugal	1.7	0.3
Czech Republic	1.6	2.0
Slovakia	1.5	4.1
France	1.2	2.0
Hungary	-1.2	3.1
Bulgaria	-1.6	-0.3
Sweden	-1.9	7.7
United Kingdom	-2.6	-8.1
Estonia	-2.8	-2.8
Latvia	-2.8	-0.6
Turkey	-2.8	1.1
Austria	-2.9	12.3
Croatia	-2.9	4.5
Lithuanian	-6.8	-2.0
Greece	-8.1	-4.9
Denmark	-12.0	-1.1
Malta	-15.8	-3.0

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

Retail confidence in Konya performed better than Turkey's average

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 4.9 points compared to TEPE's value of -14.4 points in June. Furthermore, KOPE increased by 7.5 points y-o-y compared to 2.9 points decline in average TEPE. On the other hand, KOPE increased by 3.8 points m-o-m. On average, Konya's retail sector performed better than EU-28 and Turkey's average.

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

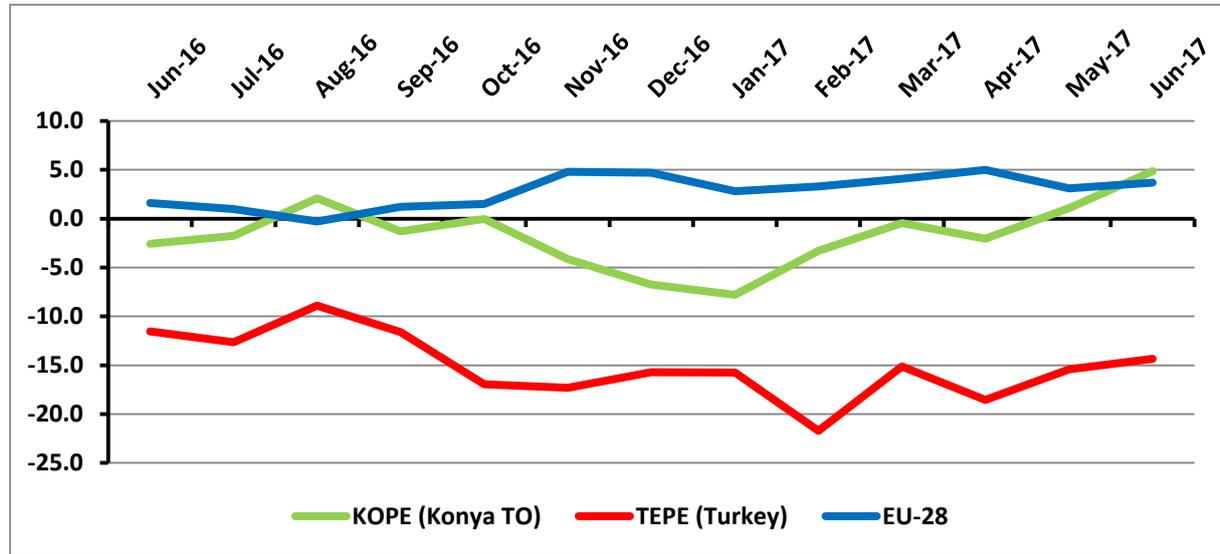


Table-7. Konya Retail Confidence Index

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	-0.9	2.5	-1.4	-0.6	4.0	1.6	0.7	1.2	-2.7	1.7	9.9	5.7
2016	1.8	-1.0	-3.7	-1.9	-2.3	-2.6	-1.7	2.1	-1.3	0.0	-4.1	-6.8
2017	-7.8	-3.3	-0.4	-2.0	1.1	4.9						