

RETAIL CONFIDENCE DECREASES DUE TO NEGATIVE EXPECTATIONS

TEPE, which decreased to the level of -16.8 points in the first half of 2017, was -19.5 points in July 2017. Index that decreased by 3.8 point compared to the previous month and 7.9 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 July. 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 -19.5 points in July 2017, showed a decline by 3.8 point when compared to the previous month and 7.9 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 monthly decrease is attributed to the m-o-m decrease in the level of sales expectations for the coming 3 months.

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

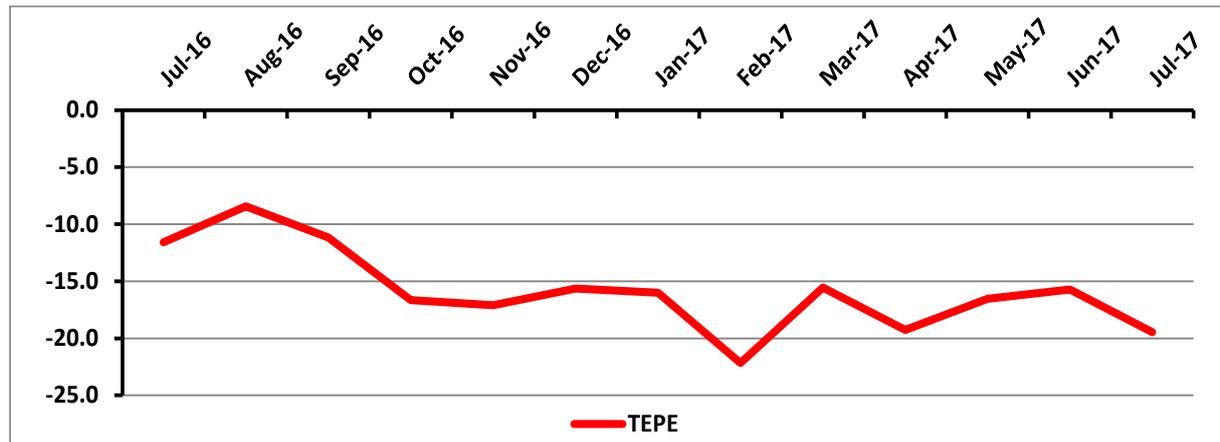


Table-1. TEPE, monthly

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	-11.0	-2.8	-3.4	-7.5	-5.4	-5.6	-9.7	-12.6	-11.1	-3.1	3.9	2.9
2016	1.5	-5.8	-10.8	-5.1	-11.2	-12.3	-11.6	-8.4	-11.2	-16.6	-17.1	-15.6
2017	-16.0	-22.2	-15.6	-19.3	-16.5	-15.7	-19.5					

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

Retailers’ sales expectation is in decline

The balance value of sales expectations for the next 3 months hit -17.5 points in July 2017. Expectations decreased by 12.0 points m-o-m and 15.7 points y-o-y.

In July 2017, 27.2 percent of TEPE survey participants said that they expect improvement in their business activities in the next 3 months while 42.8 percent stated that they expect deterioration. On the other hand, 30 percent of the participants expressed that they do not expect any change in their business activities.

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

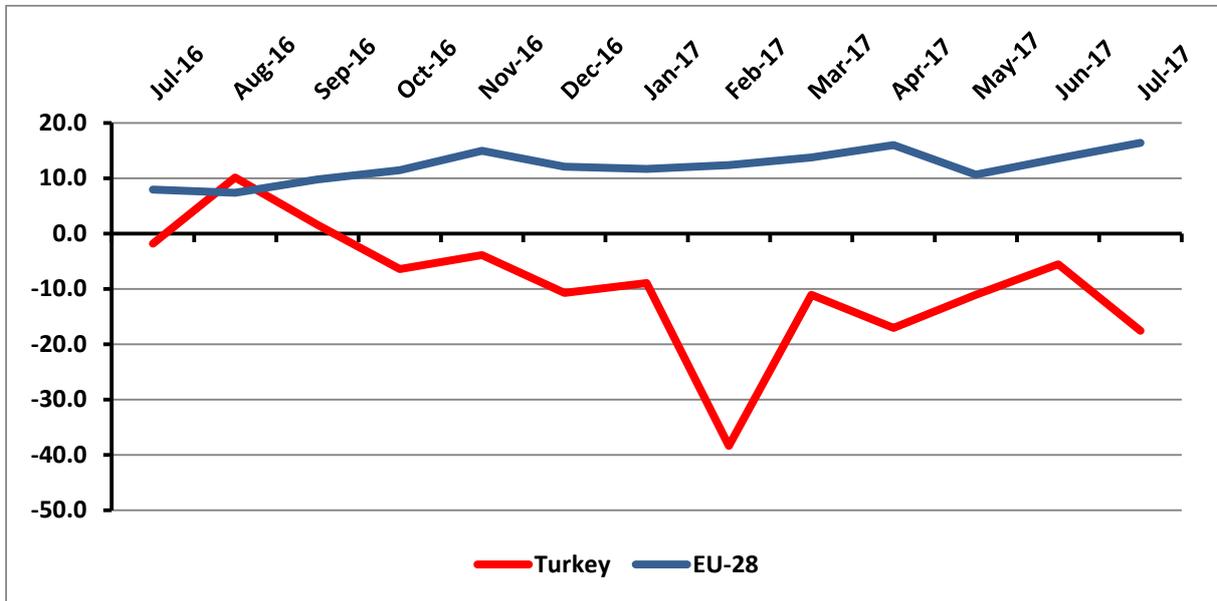


Table-2. Sales expectations for the next three months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	12.3	20.4	7.6	1.6	8.1	3.2	3.3	-14.2	-4.7	5.7	35.2	27.9
2016	15.4	2.4	-1.6	9.3	1.5	1.0	-1.8	10.2	1.6	-6.4	-3.8	-10.7
2017	-8.9	-38.4	-11.0	-17.0	-11.0	-5.5	-17.5					

The state of business has deteriorated with respect to last year

The balance value of the volume of business activities was -41.4 points in July 2017. As the numbers suggest, the level of business activities decreased by 15.8 points when compared to July 2016 and by 1.8 points when compared to June 2017.

In July 2017, while 18.4 percent of TEPE survey participants stated that their business activities improved compared to the year before, 56.9 percent emphasized that they experienced deterioration. 24.7 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 (July 2016 – July 2017)

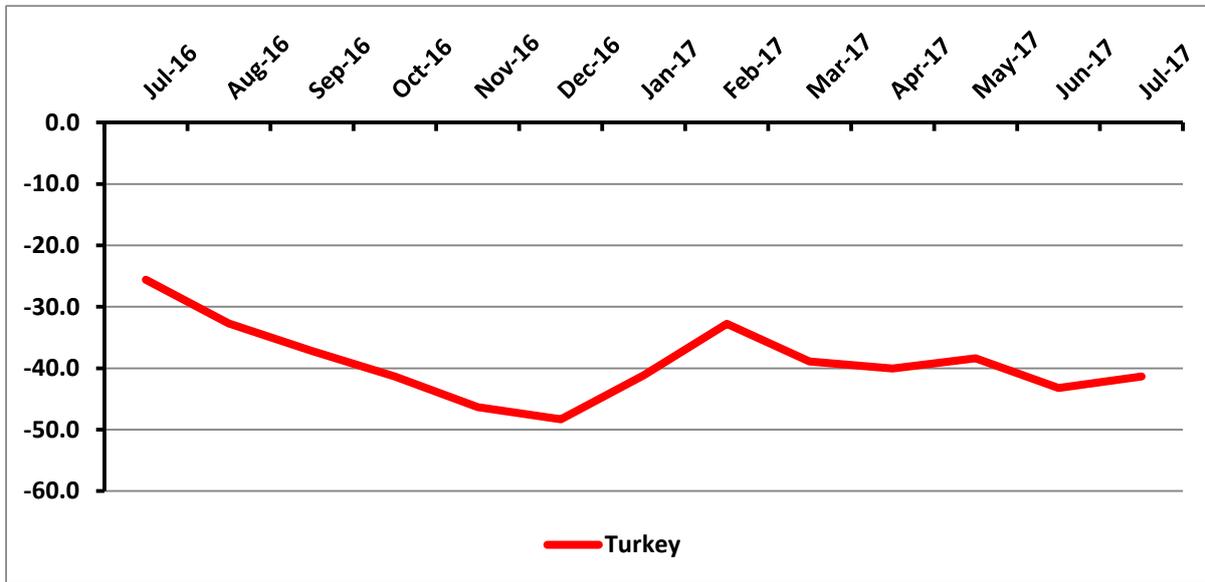


Table-3. Year-on-year change in business activities

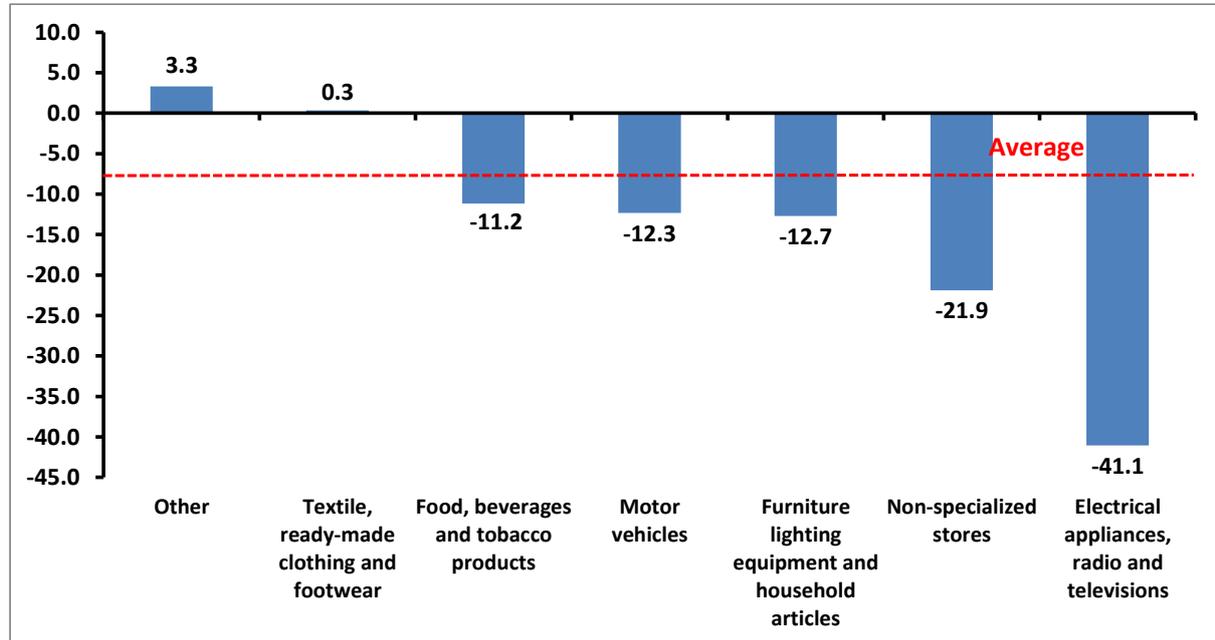
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	-34.3	-23.1	-19.5	-28.7	-22.3	-26.7	-33.0	-32.8	-30.2	-34.4	-26.3	-21.7
2016	-19.0	-28.8	-28.8	-14.9	-26.5	-37.0	-25.6	-32.7	-37.2	-41.4	-46.4	-48.3
2017	-41.1	-32.8	-38.9	-40.0	-38.4	-43.2	-41.4					

Retail confidence has decreased the most in the “electrical appliances, radio and televisions” sector

When looking at the retail confidence in terms of sub-sectors, it has increased in the “other (gas station, pharmacy, perfumery, hardware, glassware, stationary etc.)” and “textile, ready-made clothing and footwear” sectors y-o-y basis in July 2017. When looking at the subcomponents of the index, increase in the sectoral confidence is attributed to the business activity in the last 3 months.

“Food, beverages and tobacco products”, “motor vehicles”, “furniture, lighting equipment and household articles”, “non-specialized stores” and “electrical appliances, radio and televisions” sectors decreased in July 2017. “Other (gas station, pharmacy, perfumery, hardware, glassware, stationary etc.)” and “textile, ready-made clothing and footwear” sectors recorded an above average score. Among all sectors “electrical appliances, radio and televisions” sector demonstrated the highest y-o-y decline. Although this decrease is a result of deterioration in all subcomponents of the sectoral index, the decrease in the level of sales expectations for the coming 3 months is the one with the highest impact.

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



Expectations in retail sector deteriorated

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

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

Questions	Index 07/2016	Index 06/2017	Index 07/2017	MoM Change 07/2017	YoY Change 07/2017
How has your business activity developed over the past three months?	-39.9	-52.6	-48.8	3.8	-8.9
Do you consider the volume of inventories you currently hold be...? ²	6.9	10.9	7.9	-3.0	1.0
How do you expect your orders placed with suppliers to change over the next 3 months?	-15.0	-16.0	-27.2	-11.2	-12.2
How do you expect your business activity (sales) to change over the next 3 months?	-1.8	-5.5	-17.5	-12.0	-15.7
How do you expect your firm's total employment to change over the next 3 months?	-1.3	-0.7	-1.4	-0.7	-0.1
How do you expect the prices you charge to change over the next 3 months?	15.0	23.3	22.3	-1.0	7.3
How has your business activity developed this year compared to the same period in the last year?	-25.6	-43.2	-41.4	1.8	-15.8
Do you expect an increase in the number of your stores next year?	6.8	0.3	2.5	2.2	-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 6.0 in July 2017, with a m-o-m increase of 2.3 points and a y-o-y increase of 5.0 points. During this period, Turkey performed worse than the EU-28 and Eurozone both in m-o-m terms and in y-o-y terms.

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

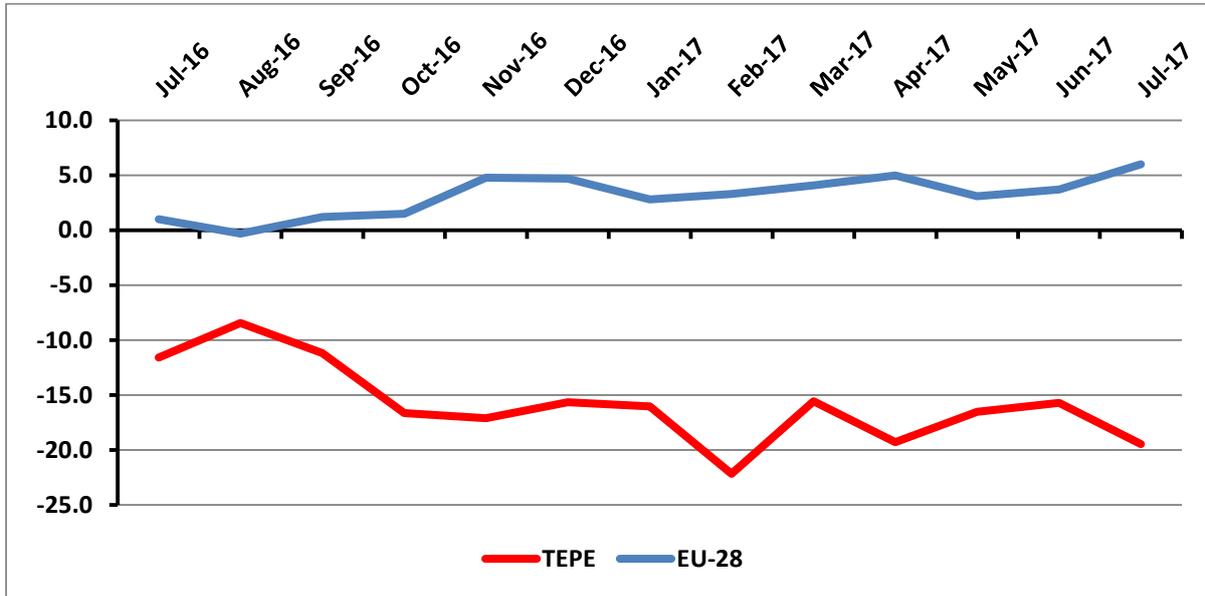


Table-5. EU-28

	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	6.0					

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

United Kingdom had the largest y-o-y improvement in retail confidence among all the EU-28 countries and Turkey. UK was followed by Finland, Serbia and Italy. Greece, Austria and Turkey, respectively, had the highest y-o-y decline in retail confidence. Furthermore, the highest m-o-m improvement in retail confidence was in the UK. In comparison to July 2016 figures, the Eurozone recorded an increase of 2.3 points while the EU-28 recorded an increase of 5.0 in the Retail Confidence Index. It appears that Turkey performed worse than the EU-28 and Eurozone in m-o-m terms and in y-o-y terms.

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

Countries/ (Points)	Change in Retail Confidence Index Compared to July 2016 **	Change in Retail Confidence Index Compared to June 2017
United Kingdom	18.2	15.3
Finland	12.9	10.6
Serbia	12.3	2.3
Italy	7.6	-0.6
Cyprus	7.5	-0.2
France	6.6	3.1
Netherlands	5.8	1.2
EU-28	5.0	2.3
Croatia	4.1	0.2
Hungary	4.0	-1.2
Poland	3.5	-0.7
Czech Republic	3.2	0.5
Slovenia	3.0	-8.3
Eurozone-19	2.3	-0.4
Belgium	1.9	-3.2
Macedonia	1.7	1.3
Portugal	1.7	0.8
Malta	0.5	4.9
Bulgaria	0.1	0.2
Sweden	-0.8	-0.7
Spain	-1.1	-0.8
Denmark	-1.4	0.7
Romania	-1.8	-0.4
Germany	-2.2	-3.9
Slovakia	-2.3	-0.4
Latvia	-2.5	0.3
Montenegro	-2.8	-0.1
Lithuanian	-3.5	2.5
Estonia	-4.2	-1.7
Turkey	-7.9	-3.8
Austria	-9.0	-3.3
Greece	-9.5	2.1

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

** Countries were ranked by the change in their performance compared to July 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 0 points compared to TEPE’s average value of -19.5 points in July. Furthermore, KOPE increased by 1.7 points y-o-y compared to 7.9 points decline in average TEPE. On the other hand, KOPE decreased by 4.7 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 (July 2016 – July 2017)

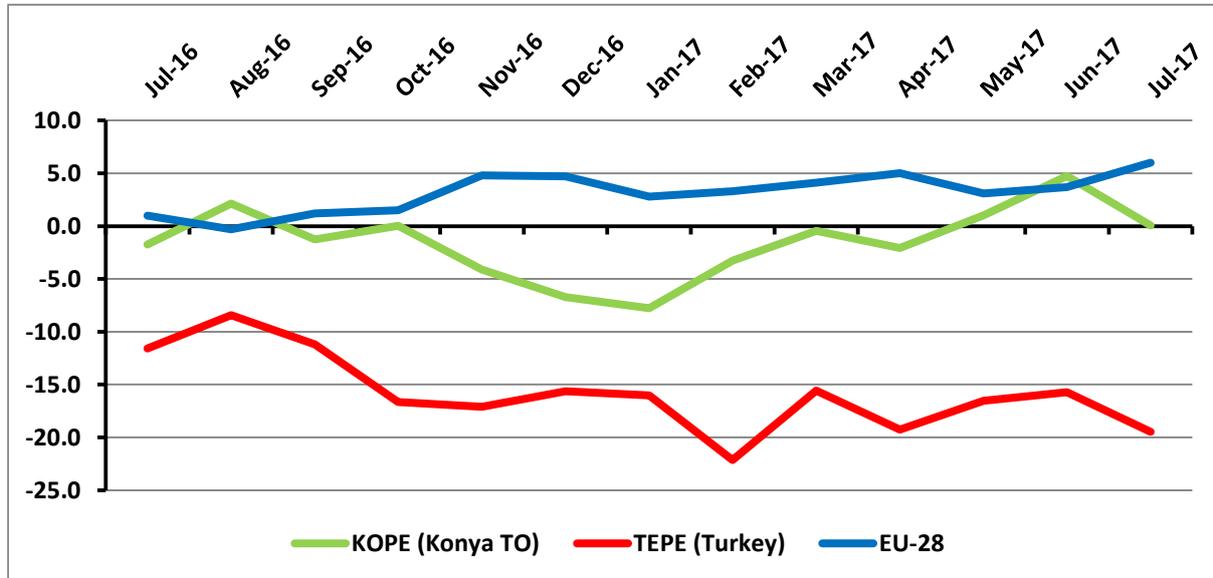


Table-7. Konya Retail Confidence Index

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	-0.9	2.5	-1.4	-0.6	3.9	1.5	0.7	1.2	-2.7	1.7	9.9	5.7
2016	1.8	-0.9	-3.7	-1.9	-2.3	-2.7	-1.7	2.1	-1.3	0.0	-4.1	-6.7
2017	-7.8	-3.3	-0.4	-2.1	1.0	4.7	0.0					