RETAIL CONFIDENCE INDEX CONTINUED ITS HORIZONTAL COURSE FOR THE LAST 11 MONTHS

TEPE was -18.7 points in August 2017. The Index saw an increase by 0.5 point compared to the previous month and a decrease by 10.1 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 activities in the last 3 months as well as the sales expectations for the coming 3 months. "Electrical appliances, radio and televisions" sector, which recorded the highest y-o-y decline in July, was the only sector that saw an increase in retail confidence in August. Furthermore, when compared to the EU-28 and Eurozone, Turkey witnessed declining performance with respect to last year.

Retail confidence decreased in comparison to last year

TEPE, with its -18.7 points in August 2017, showed a slight increase of 0.5 point when compared to the previous month and a decline of 10.1 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 activities in the last 3 months and sales expectations for the coming 3 months; its limited monthly increase is attributed to the decrease witnessed in business activities in the last 3 months even though there is m-o-m increase in the level of sales expectations for the coming 3 months. It is seen that the current stock level is not determinant in the annual or monthly movement of the TEPE value.

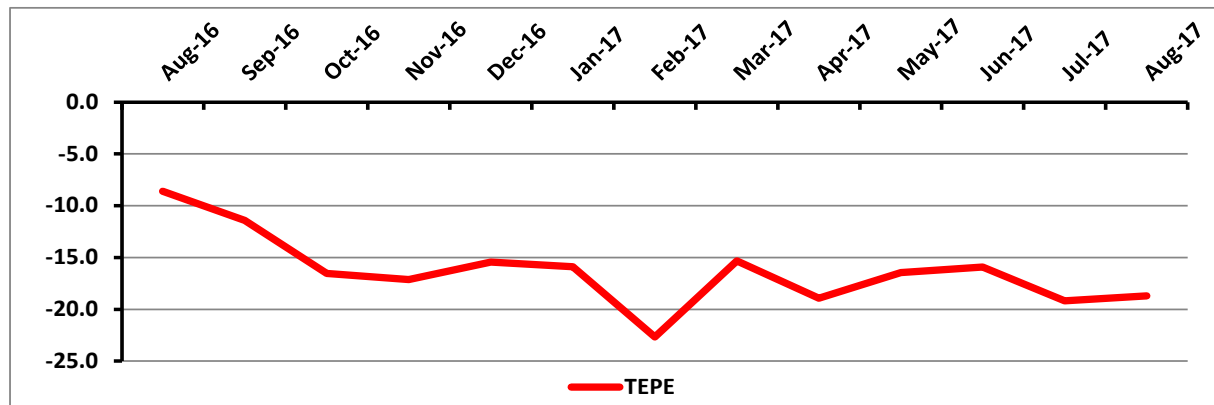**Figure-1.** TEPE (August 2016 – August 2017)[1]

Table-1. TEPE, monthly

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	-11.1	-3.2	-3.4	-7.5	-5.5	-5.6	-9.8	-12.3	-10.9	-3.2	3.9	2.9
2016	1.5	-5.9	-10.5	-5.2	-11.2	-12.3	-11.5	-8.6	-11.4	-16.5	-17.1	-15.4
2017	-15.9	-22.7	-15.3	-18.9	-16.5	-15.9	-19.2	-18.7				

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

Sales expectations has declined with respect to last year

The balance value of sales expectations for the next 3 months hit -13.8 points in August 2017. Expectations increased by 2.6 points m-o-m and decreased by 22.9 points y-o-y.

In August 2017, 32.9 percent of TEPE survey participants asserted that they expect an improvement in their business activities in the next 3 months while 30.3 percent stated that they expect deterioration. On the other hand, 36.8 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 (August 2016 – August 2017)
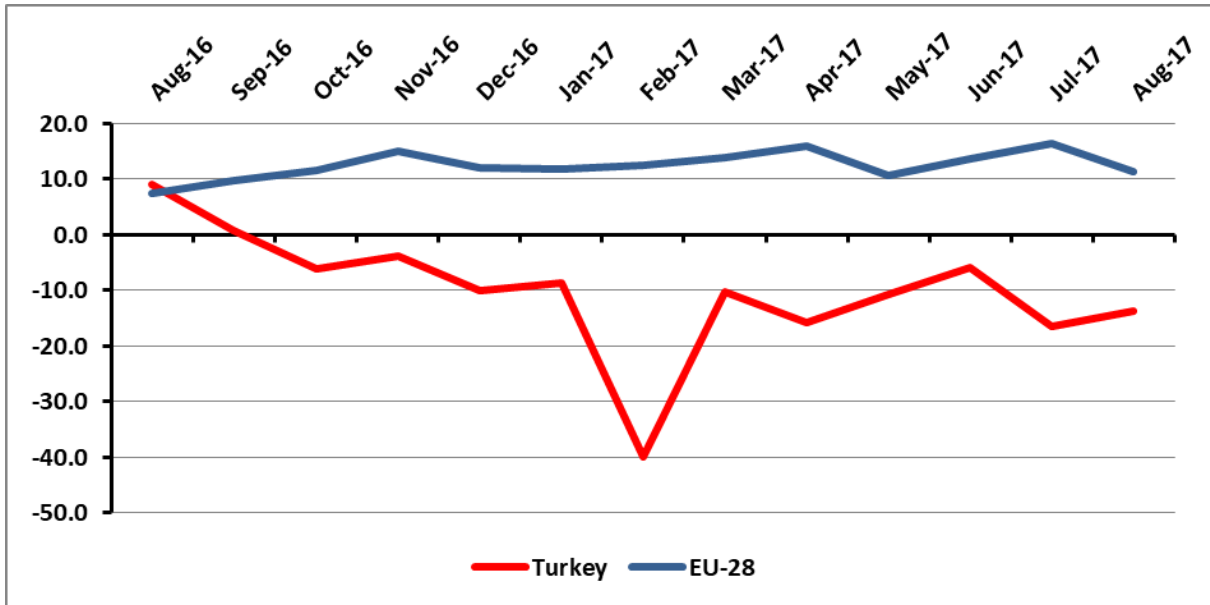

Table-2. Sales expectations for the next three months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	11.8	18.9	7.6	1.7	7.8	3.2	3.2	-13.5	-4.3	5.4	35.2	27.8
2016	15.3	2.1	-0.9	9.3	1.5	1.2	-1.3	9.1	0.7	-6.1	-3.9	-10.1
2017	-8.6	-39.9	-10.3	-15.9	-10.7	-5.8	-16.4	-13.8				

Retailer's sense of recovery of business has been on the same level for the last 6 months

The balance value of the volume of business activities was -41.8 points in August 2017. As the numbers suggest the level of business activities decreased by 9.1 points when compared to August 2016 and by 0.4 points when compared to July 2017.

In August 2017, while 20.3 percent of TEPE survey participants stated that their business activities improved compared to the year before, 56.9 percent emphasized that they experienced deterioration. 22.8 percent of the participants on the other hand, declared that their business activities did not change in comparison to last year.

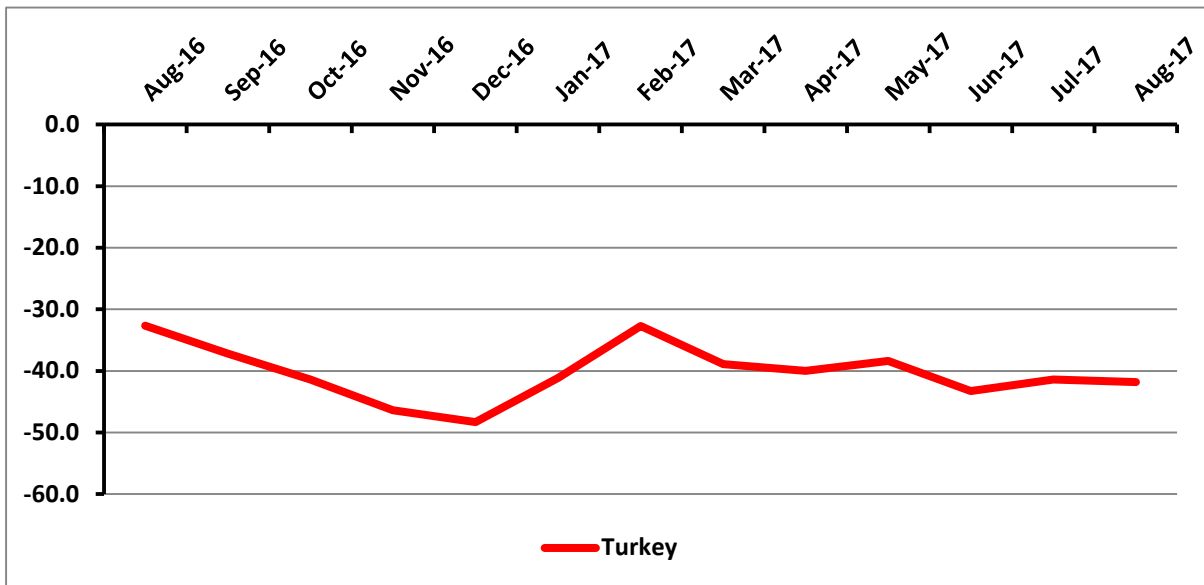**Figure-3.** Year-on-year change in business activities (August 2016 – August 2017)

**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	-33.1	-32.7	-30.2	-34.4	-26.3	-21.7
2016	-19.0	-28.8	-28.8	-14.9	-26.5	-37.0	-25.7	-32.7	-37.2	-41.4	-46.4	-48.3
2017	-41.1	-32.7	-38.9	-40.0	-38.4	-43.3	-41.4	-41.8				

The only sector where retail confidence has increased is the "electrical appliances, radio and televisions" sector

When looking at retail confidence in terms of sub-sectors in August 2017, an increase was witnessed only in the "electrical appliances, radio and televisions" sector on a y-o-y basis. The same sector had experienced the highest decline in retail confidence in July.

"Textile, ready-made clothing and footwear", "furniture, lighting equipment and household articles", "food, beverages and tobacco products", "other (gas station, pharmacy, perfumery, hardware, glassware, stationary etc.)", "non-specialized stores" and "motor vehicles" sectors witnessed a decrease in August 2017. However, "Electrical appliances, radio and televisions", "textile, ready-made clothing and footwear", "furniture, lighting equipment and household articles" and "food, beverages and tobacco products" sectors recorded an above average score. Among all sectors "motor vehicles" sector demonstrated the highest y-o-y decline. While there is deterioration observed in all subcomponents of the sectoral index, the worsening of the level of business activity in the last 3 months has especially been influential in this decrease.

Figure-4. Year-on-year change in sectoral TEPE, August 2017 (point)
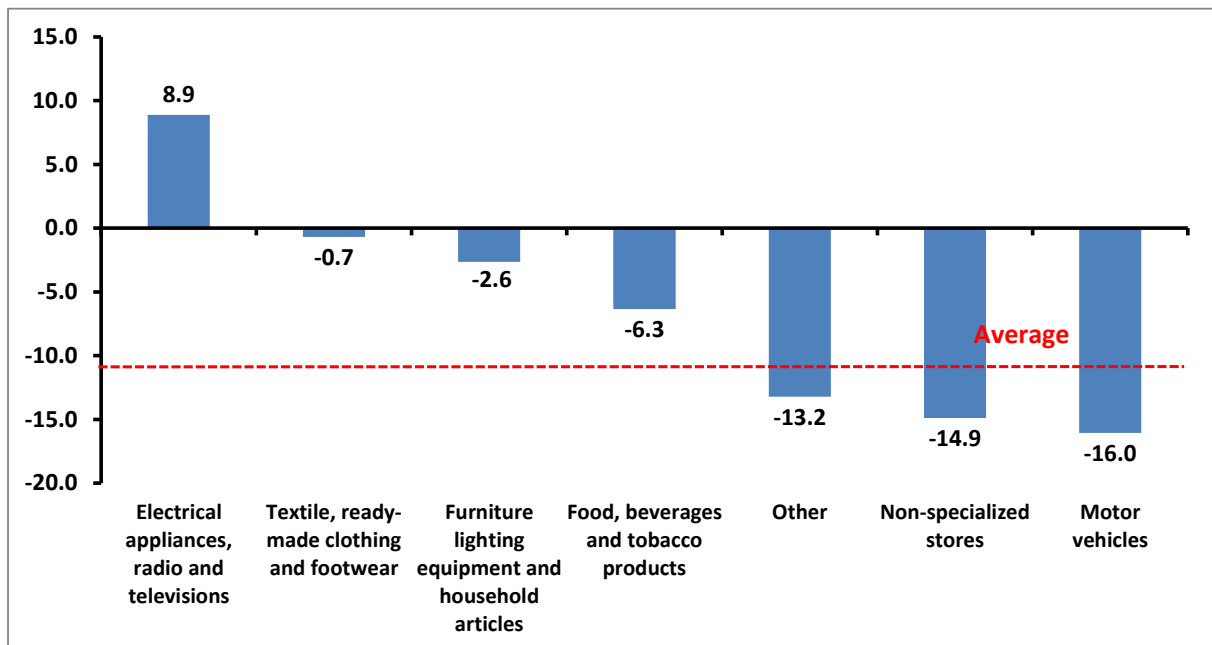
Business activity in retail sector deteriorated

Question-based assessments of TEPE survey results suggest that while the indicators on "business activity regarding the last 3 months", "employment expectation in the coming 3 months" and the "anticipation for business recovery compared to last year" have all witnessed a decrease when compared to both August 2016 and July 2017; "expected price in the coming 3 months" increased when compared to August 2016 and July 2017. Furthermore, while the "expected orders and sales in the coming 3 months" and the "expected number of stores in the coming year" decreased when compared to August 2016 and it showed an increase when compared to July 2017.

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

Questions	Index 08/2016	Index 07/2017	Index 08/2017	MoM Change 08/2017	YoY Change 08/2017
How has your business activity developed over the past three months?	-43.6	-49.1	**-52.1**	-3.0	-8.5
Do you consider the volume of inventories you currently hold be…? ²	8.6	7.9	**9.8**	1.9	1.2
How do you expect your orders placed with suppliers to change over the next 3 months?	-5.6	-27.4	**-26.8**	0.6	-21.2
How do you expect your business activity (sales) to change over the next 3 months?	9.1	-16.4	**-13.8**	2.6	-22.9
How do you expect your firm's total employment to change over the next 3 months?	5.1	-1.4	**-3.7**	-2.3	-8.8
How do you expect the prices you charge to change over the next 3 months?	10.0	22.7	**33.1**	10.4	23.1
How has your business activity developed this year compared to the same period in the last year?	-32.7	-41.4	**-41.8**	-0.4	-9.1
Do you expect an increase in the number of your stores next year?	12.3	2.5	**8.7**	6.2	-3.6

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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 decreased with respect to previous month

The EU-28 Retail Confidence Index had a value of 1.6 in August 2017, with a m-o-m decrease of 4.4 points, therefore recording its highest decline in the last 45 months. Index increased by 1.9 points compared to the same month of last year. During this period, Turkey performed worse than the EU-28 and Eurozone in y-o-y terms.

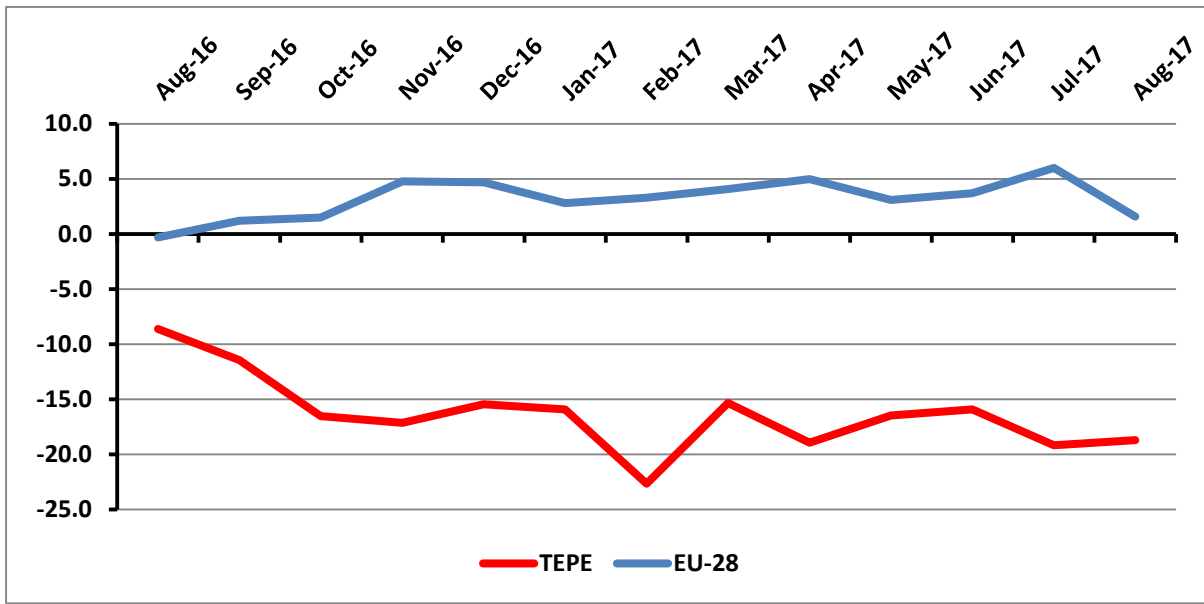**Figure-5.** TEPE and the EU-28 Retail Confidence Index (August 2016 – August 2017)

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	1.6				

TEPAV Retail Confidence Index (TEPE)

When compared to last year, Turkey' retail confidence performed worse than that of the EU-28

When the Retail Confidence Indexes of the EU-28 countries and Turkey is analyzed, it is seen that Finland witnessed the highest increase in y-o-y retail confidence. Finland was followed by Hungary and Malta. On the other hand, Greece, Romania 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 Malta. In comparison to August 2016 figures, the EU-28 recorded an increase of 1.9 points while the Eurozone recorded an increase of 2.7 in the Retail Confidence Index. It appears that Turkey performed better than the EU-28 and Eurozone in m-o-m terms when compared to July 2017.

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

Countries/ (Points)	Change in Retail Confidence Index Compared to August 2016 **	Change in Retail Confidence Index Compared to July 2017
Finland	23.7	6.1
Hungary	11.4	4.0
Malta	9.8	16.6
Croatia	8.9	4.5
Italy	8.4	-1.6
Belgium	8.3	-4.8
Poland	5.2	-0.1
Czech Republic	5.1	2.7
Slovakia	2.9	1.5
Macedonia	2.8	-0.3
France	2.8	-3.4
Eurozone-19	**2.7**	**-2.3**
Cyprus	2.5	-0.5
Netherlands	2.3	-1.2
EU-28	**1.9**	**-4.4**
Montenegro	1.8	4.1
Germany	1.0	-2.2
Serbia	0.7	-6.7
Latvia	0.4	0.2
Lithuanian	-0.4	-2.4
Sweden	-0.6	-2.9
Portugal	-0.6	-1.9
Austria	-0.8	1.1
United Kingdom	-1.0	-14.9
Bulgaria	-1.6	-0.1
Estonia	-1.9	-0.1
Spain	-2.0	-3.9
Slovenia	-4.6	-5.2
Denmark	-7.1	-3.1
Turkey	**-10.1**	**0.5**
Romania	-11.7	-1.0
Greece	-12.9	-2.3

* As of July 2017, Eurostat includes Macedonia, Montenegro and Serbia as country data.
** Countries were ranked by the change in their performance compared to August 2016.

TEPAV Retail Confidence Index (TEPE)

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 continuously been conducted with 300 retailers from Konya on a monthly basis since February 2012.

While KOPE received a value of 4.7 points, TEPE' received an average value of -18.7 points in August. Furthermore, while KOPE saw an increase by 2.5 points y-o-y, TEPE witnessed a decline of 10.1 points on average. On the other hand, KOPE saw an increase of 4.8 points on m-o-m basis. On average, Konya's retail sector performed better than the EU-28 as well as Turkey's average.

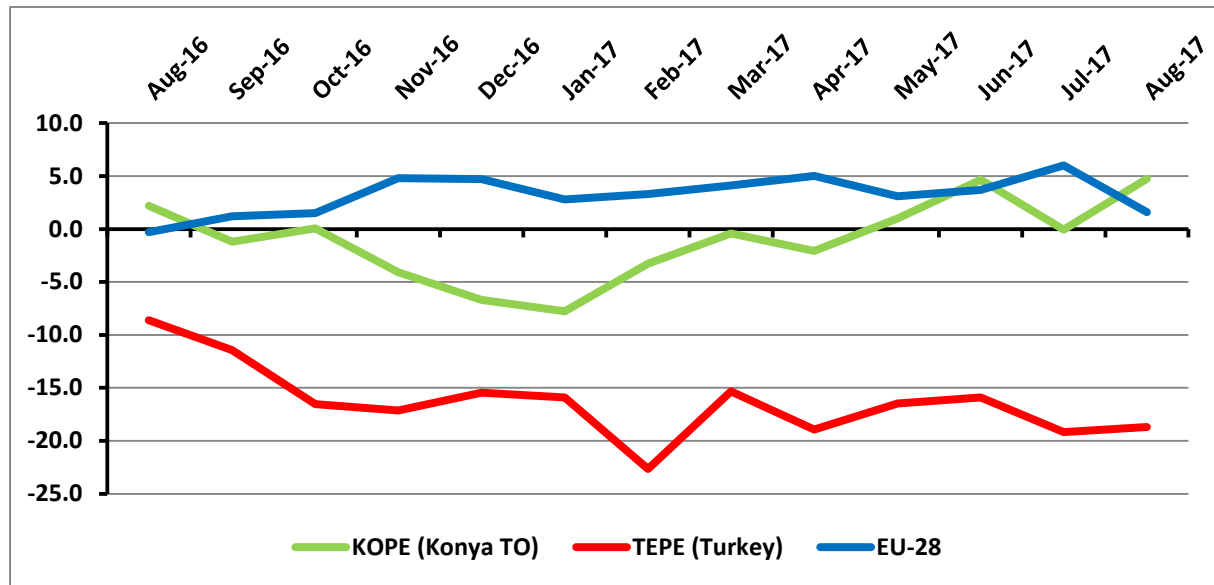**Figure-6.** Comparison of KOPE, TEPE and EU-28 Retail Confidence Index (August 2016 – August 2017)

Table-7. Konya Retail Confidence Index

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	-0.9	2.6	-1.4	-0.6	3.9	1.4	0.6	1.3	-2.7	1.7	9.9	5.7
2016	1.8	-0.9	-3.7	-2.0	-2.4	-2.8	-1.9	2.2	-1.2	0.1	-4.1	-6.7
2017	-7.8	-3.3	-0.4	-2.1	1.0	4.7	-0.1	4.7				