

RETAIL CONFIDENCE HAS OUTPERFORMED 2017 IN Q1 OF 2018

TEPE, which had completed the first three months of 2017 with an average of -18.8 points, improved to the level of -11.1 points in the first three months (Q1) of 2018. The retail confidence which was following a negative course since February 2016 (the last 26 months), decreased by 1.0 percentage points compared to the previous month and rose by 6.5 points compared to the same month of the last year and scored -10.0 in March. The increase of y-o-y basis in TEPE is attributed to the increase witnessed in business activities in the last 3 months and the level of sales expectations for the coming 3 months. Expectations of orders, sales, sales price and employment in the coming 3 months have increased when compared to March 2017 and have decreased when compared to February 2018. “Furniture, lighting equipment and household articles” sector has scored the highest y-o-y increase in retail confidence in March. Furthermore, when compared to the EU-28 and Eurozone, Turkey has experienced a better performance with respect to that of last year.

Retail confidence has increased compared to last year

TEPE, with -10.0 points in March 2018, saw an increase of 6.5 points when compared to the same month of last year and a decrease of 1.0 points when compared to the same month of last year. The increase of y-o-y basis in TEPE is attributed to the increase witnessed in business activities in the last 3 months and the level of sales expectations for the coming 3 months.

Figure-1. TEPE (March 2017 – March 2018)¹

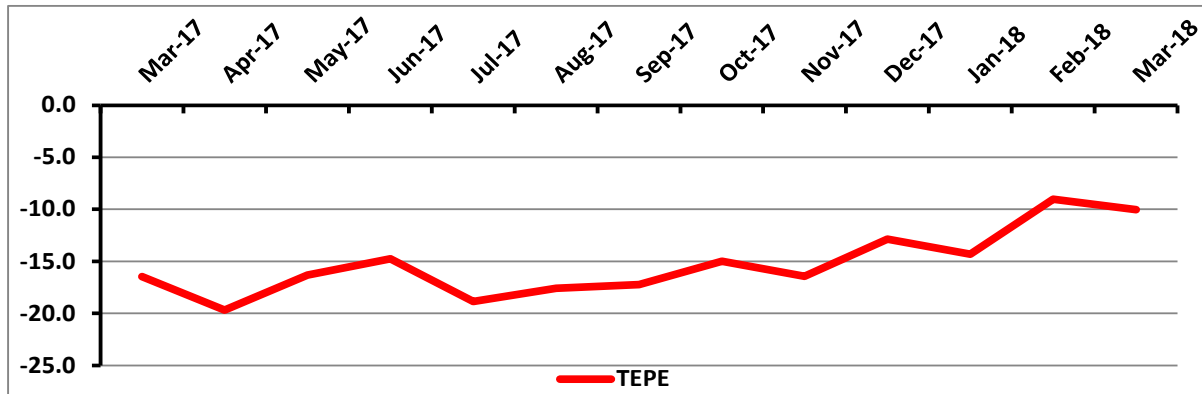


Table-1. TEPE, monthly

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2016	1.8	-7.3	-11.4	-5.4	-11.0	-11.8	-11.1	-7.7	-10.9	-16.1	-16.2	-16.5
2017	-15.4	-24.5	-16.5	-19.7	-16.3	-14.8	-18.8	-17.6	-17.2	-15.0	-16.4	-12.9
2018	-14.3	-9.0	-10.0									

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

Sales expectations of retailers have increased with respect to last year

The balance value of sales expectations for the next 3 months hit -0.3 points in March 2018. Expectations have decreased by 1.3 points m-o-m and have increased by 11.9 points on y-o-y basis.

In March 2018, 44.2 percent of TEPE survey participants asserted that they expect an improvement in their business activities in the next 3 months while 30.8 percent stated that they expect deterioration. On the other hand, 25 percent of the participants expressed that they do not expect to see any change in their business activities.

Figure-2. Sales expectations for the next three months (March 2017 – March 2018)

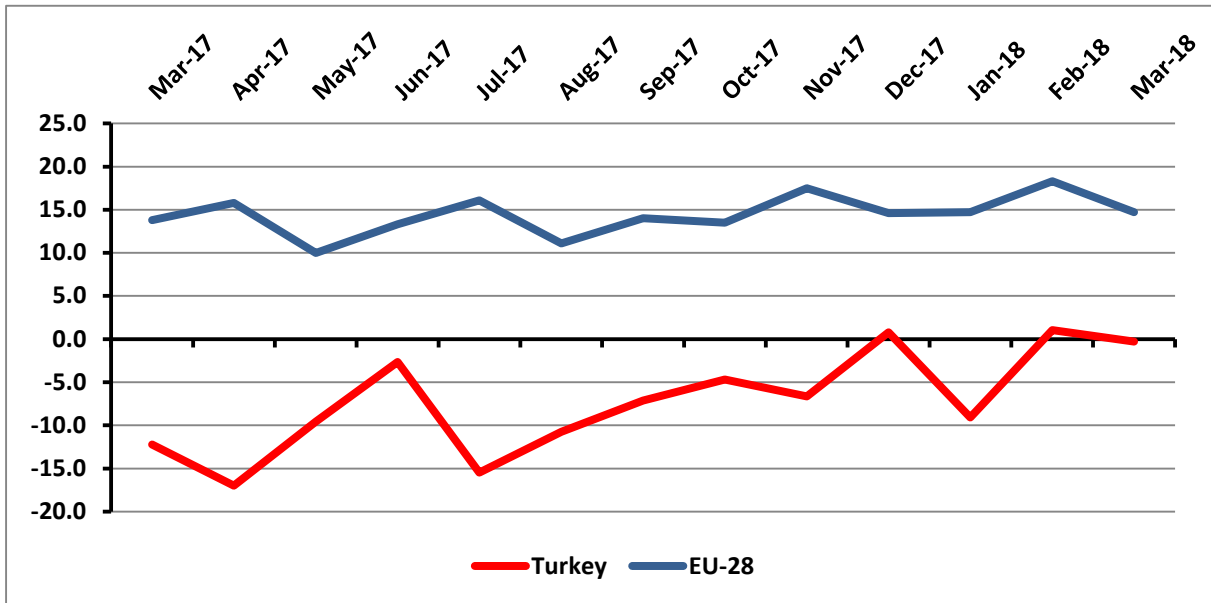


Table-2. Sales expectations for the next three months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2016	17.0	0.0	-2.4	9.6	2.6	2.5	-0.4	11.6	1.4	-7.2	-3.3	-13.5
2017	-6.2	-42.6	-12.2	-17.0	-9.6	-2.6	-15.5	-10.8	-7.1	-4.7	-6.7	0.8
2018	-9.1	1.0	-0.3									

The state of business has improved with respect to last year

The balance value of the volume of business activities was -31.1 points in March 2018. As the numbers suggest, the level of business activities witnessed a decrease by 11.6 points when compared to February 2018 and an increase by 10.2 points when compared to March 2017.

In March 2018, while 22.5 percent of TEPE survey participants stated that their business activities improved in comparison to the year before, 53.6 percent emphasized that they experienced deterioration. 23.9 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 2017 – March 2018)

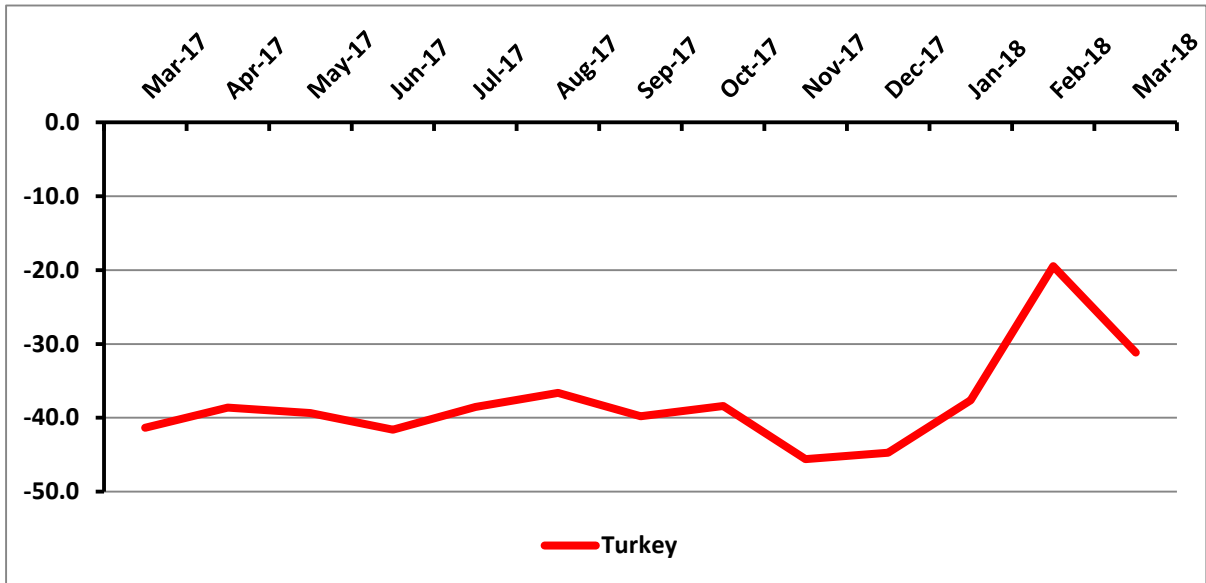


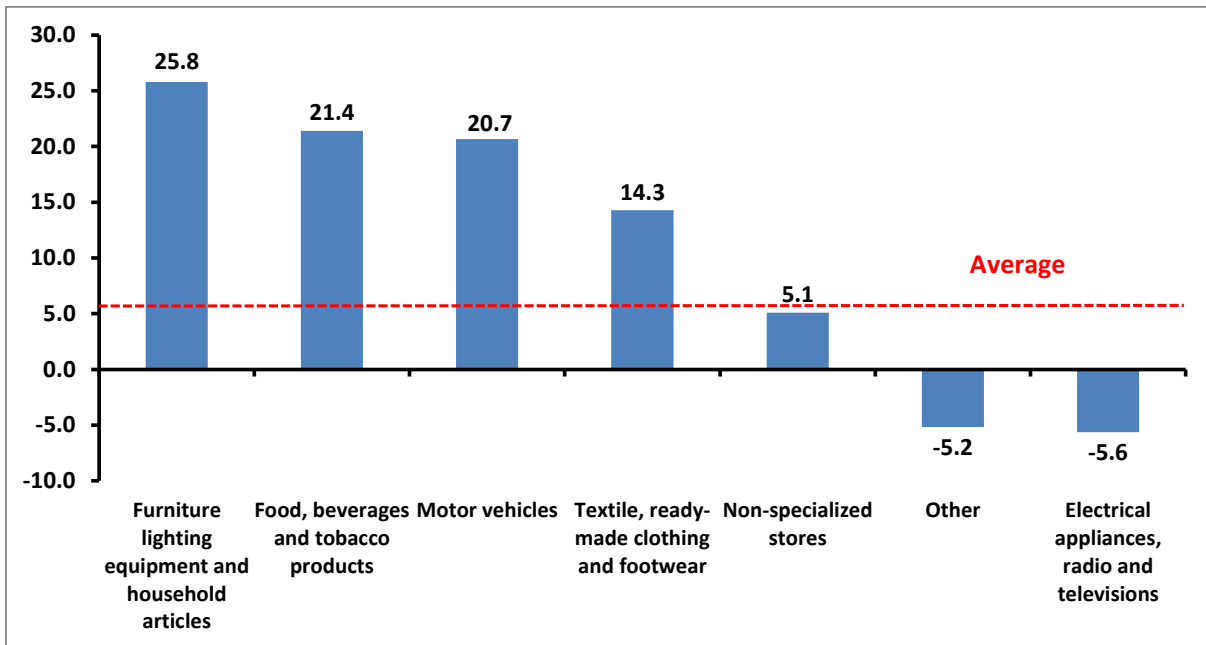
Table-3. Year-on-year change in business activities

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
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	-38.5	-36.6	-39.8	-38.4	-45.6	-44.7
2018	-37.6	-19.5	-31.1									

Retail confidence have increased the most in the “furniture, lighting equipment and household articles” sector

When looking at retail confidence in terms of sub-sectors in March 2018, an increase was witnessed in the “furniture, lighting equipment and household articles”, “food, beverages and tobacco products”, “motor vehicles”, “textile, ready-made clothing and footwear”, and “non-specialized stores” sectors and a decrease was witnessed in the “other (gas station, pharmacy, perfumery, hardware, glassware, stationary etc.)”, and “electrical appliances, radio and televisions” sectors on a y-o-y basis. These increases in “furniture, lighting equipment and household articles”, “food, beverages and tobacco products”, “textile, ready-made clothing and footwear” sectors are above the average increase witnessed in other sectors. Among all sectors “electrical appliances, radio and television” sector demonstrated the highest y-o-y decline.

Figure-4. Year-on-year change in sectoral TEPE, March 2018 (point)



Expectations in the retail sector has decreased with respect to the previous month

In March 2018, question-based assessments of TEPE survey results suggest that the indicators of “business activity regarding the last 3 months”, “orders, sales, sales price and employment expectations in the coming 3 months”, “anticipation for business recovery compared to last year” showed an increase when compared to March 2017 and a decrease when compared to February 2018. “Expected number of stores in the coming year” showed an increase when compared to March 2017 and February 2018.

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

Questions	Index 03/2017	Index 02/2017	Index 03/2018	MoM Change 03/2018	YoY Change 03/2018
How has your business activity developed over the past three months?	-46.8	-39.8	-41.4	-1.6	5.4
Do you consider the volume of inventories you currently hold be...? ²	9.6	11.7	11.6	-0.1	2.0
How do you expect your orders placed with suppliers to change over the next 3 months?	-23.2	5.2	-4.5	-9.7	18.7
How do you expect your business activity (sales) to change over the next 3 months?	-12.2	1.0	-0.3	-1.3	11.9
How do you expect your firm’s total employment to change over the next 3 months?	-0.4	19.0	10.5	-8.5	10.9
How do you expect the prices you charge to change over the next 3 months?	22.2	38.7	35.8	-2.9	13.6
How has your business activity developed this year compared to the same period in the last year?	-41.3	-19.5	-31.1	-11.6	10.2
Do you expect an increase in the number of your stores next year?	9.3	15.4	5.8	-9.6	-3.5

² The positive inventory level indicates that current level of inventory is 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 the previous month and last year

The EU-28 Retail Confidence Index had a value of 3.4 in March 2018, with a recorded m-o-m decrease of 1.8 points. Index has decreased by 0.9 points when compared to the same month of last year. During this period, Turkey performed better than the EU-28 and Eurozone in y-o-y terms.

Figure-5. TEPE and the EU-28 Retail Confidence Index (March 2017 – March 2018)

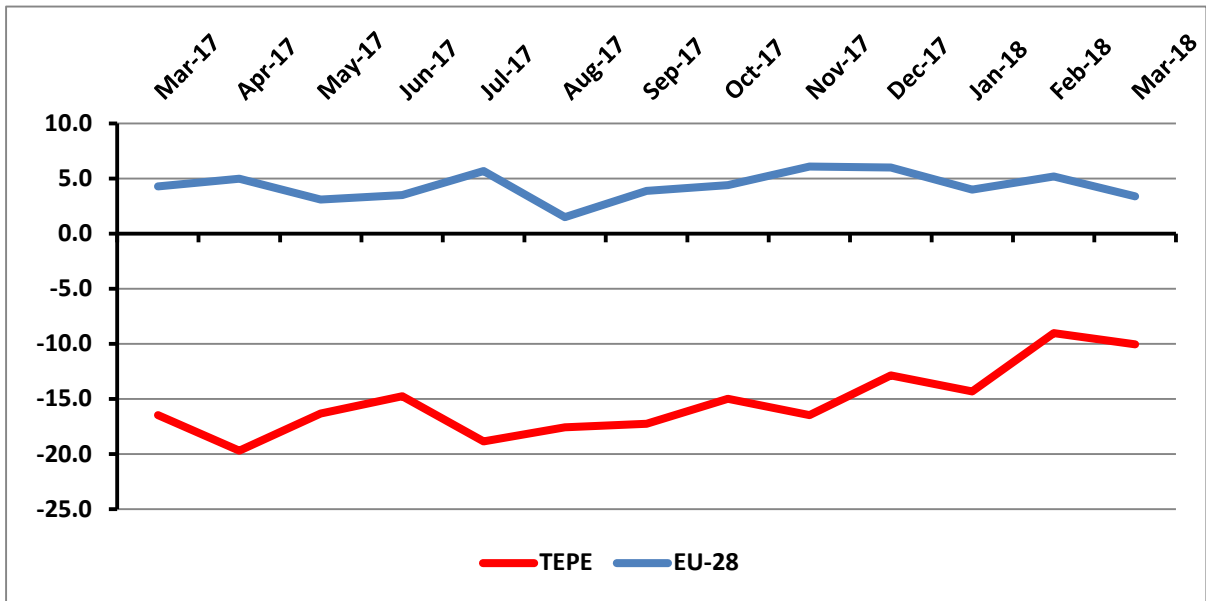


Table-5. EU-28

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2016	4.8	4.8	4.7	2.2	3.3	1.8	1.5	-0.2	1.5	1.6	4.8	4.8
2017	2.9	3.1	4.3	5.0	3.1	3.5	5.7	1.5	3.9	4.4	6.1	6.0
2018	4.0	5.2	3.4									

When compared to last year, Turkey has performed better than the EU-28 and the Eurozone with regards to change in retail confidence

When the Retail Confidence Indexes of the EU-28 countries and Turkey is analyzed, it is seen that Slovakia witnessed the highest increase in y-o-y retail confidence. Slovakia was followed by Macedonia and Belgium. On the other hand, Slovenia, United Kingdom, and Estonia, respectively, had the highest y-o-y decline in retail confidence. Furthermore, the highest m-o-m improvement in retail confidence is witnessed in Belgium. In comparison to March 2017 figures, the EU-28 recorded a decrease of 0.3 points while the Eurozone recorded a decrease of 0.9 points in the Retail Confidence Index. It appears that Turkey performed better than the Eurozone and the EU-28 in m-o-m terms when compared to March 2018.

Table-6. Retail Confidence Index for EU-28 Countries and Turkey (Compared to March 2017 and February 2018)

Countries/ (Points)	Change in Retail Confidence Index Compared to March 2017 **	Change in Retail Confidence Index Compared to February 2018
Slovakia	14.3	-2.0
Macedonia	12.3	0.5
Belgium	12.1	5.2
Finland	8.9	-13.4
Cyprus	7.7	4.0
Romania	6.5	-4.2
Turkey	6.5	-1.0
Denmark	5.3	3.8
Bulgaria	4.6	-2.5
Sweden	4.5	-2.6
Poland	2.9	-2.3
Lithuania	2.7	-1.0
Portugal	2.7	-0,3
Netherlands	1.5	-0,8
Hungary	0.7	-2.9
Spain	0.1	-2.2
Czech Republic	-0.1	-1.3
Croatia	-0.2	-4.0
Eurozone-19	-0.3	-2.9
Greece	-0.5	-0.6
Latvia	-0.9	-3.3
EU-28	-0.9	-1.8
France	-1.1	-4.1
Germany	-1.2	-5.9
Serbia	-1.3	-2.3
Italy	-1.8	0.2
Malta	-2.1	-17.6
Montenegro	-2.7	-1.8
Austria	-4.9	3.9
Estonia	-5.4	-8.0
United Kingdom	-6.6	2.1
Slovenia	-20.5	-10.8

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

** Countries were ranked by the change in their performance compared to March 2017.

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

While KOPE received a value of -2.4 points, TEPE received an average value of -10.0 points in March. Furthermore, while, on average, KOPE saw a decrease of 1.7 points on y-o-y basis, TEPE witnessed an increase of 6.5 points. On the other hand, KOPE saw a decrease of 2.6 points on m-o-m basis. On average, Konya’s retail sector performed worse than the EU-28 and better than Turkey.

Figure-6. Comparison of KOPE, TEPE and EU-28 Retail Confidence Index (March 2017 – March 2018)

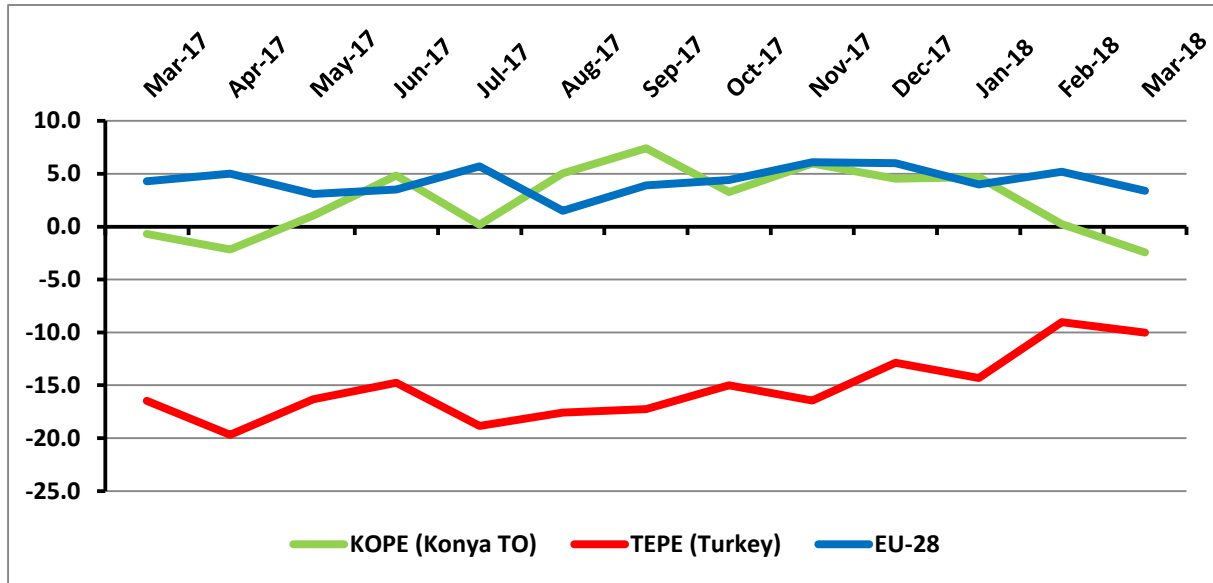


Table-7. Konya Retail Confidence Index

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2016	1.9	-1.8	-3.9	-2.0	-2.3	-2.6	-1.6	2.5	-1.0	0.2	-4.2	-6.6
2017	-7.6	-4.1	-0.7	-2.2	1.0	4.8	0.2	5.0	7.4	3.3	6.0	4.5
2018	4.7	0.2	-2.4									