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TEPAV Retail Confidence Index (TEPE)

NEWS BULLETIN
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IN APRIL, TEPE IS AT ITS LOWEST OF THE LAST 99 MONTHS

TEPE, negative since February 2016, with -20,2 points in April decreased to its lowest level of the last 99 months. TEPE has hit a similar level during the 2008-2009 global crisis period. The monthly and annual decrease in TEPE is attributed to the y-o-y and m-o-m decrease in the level of business activity in the last 3 months and sales expectations for the coming 3 months. "Furniture, lighting equipment and household articles" sector was the only sector to show an increase in retail confidence in April. This increase may be linked to the effect of the tax deduction on the sector that entered into force in February. However, this effect has not been found in "electrical appliances, radio and televisions" sector which is also considered within the same subsidy scheme. Furthermore, when compared to the EU-28 and Eurozone, Turkey saw a decline in performance from last year.

Retail confidence decreased in comparison to last month and last year

With TEPE at -20,2 points in April 2017 it is visible that it showed a decline of 4,3 points when compared to the previous month and 14,5 points when compared to the same month last year. The monthly and yearly decrease in TEPE is attributed to the y-o-y and m-o-m decrease in the level of business activity in the last 3 months and sales expectations for the coming 3 months.

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

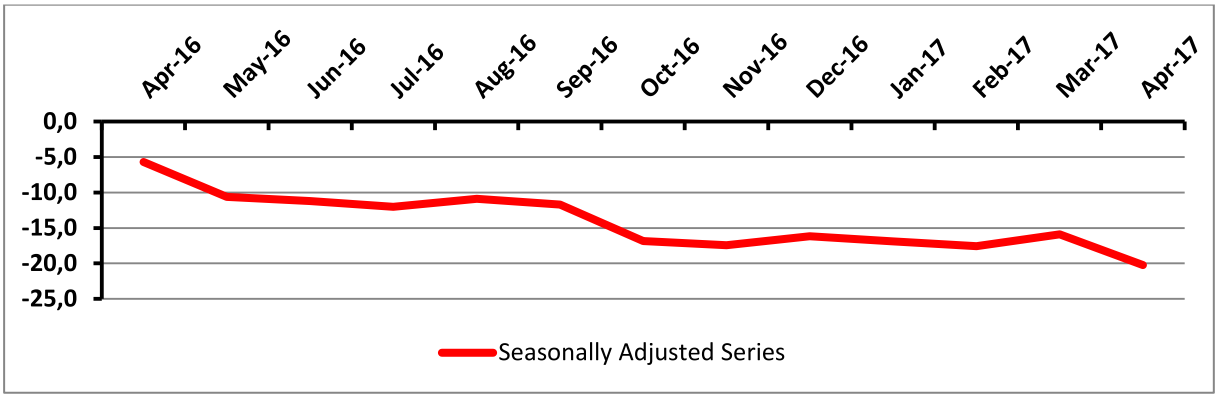


Table-1. TEPE, monthly

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	-11,5	0,2	-2,9	-7,9	-5,2	-4,9	-10,1	-15,2	-11,4	-3,3	4,0	2,6
2016	0,8	-2,4	-10,6	-5,7	-10,6	-11,2	-12,0	-10,9	-11,7	-16,9	-17,4	-16,2
2017	-16,9	-17,6	-15,9	-20,2								

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

Sales expectation has decreased with respect to last month

The balance value of sales expectations for the next 3 months hit -19,5 points in April 2017. Expectations decreased by 27,4 point in the m-o-m and by 6,9 points in the y-o-y.

In April 2017, 33 percent of TEPE survey participants declared that they expect an improvement in their business activities in the next 3 months while 33,8 percent stated that they expect deterioration. On the other hand, 33,2 percent of the participants expressed that they do not expect their business activities to change.

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

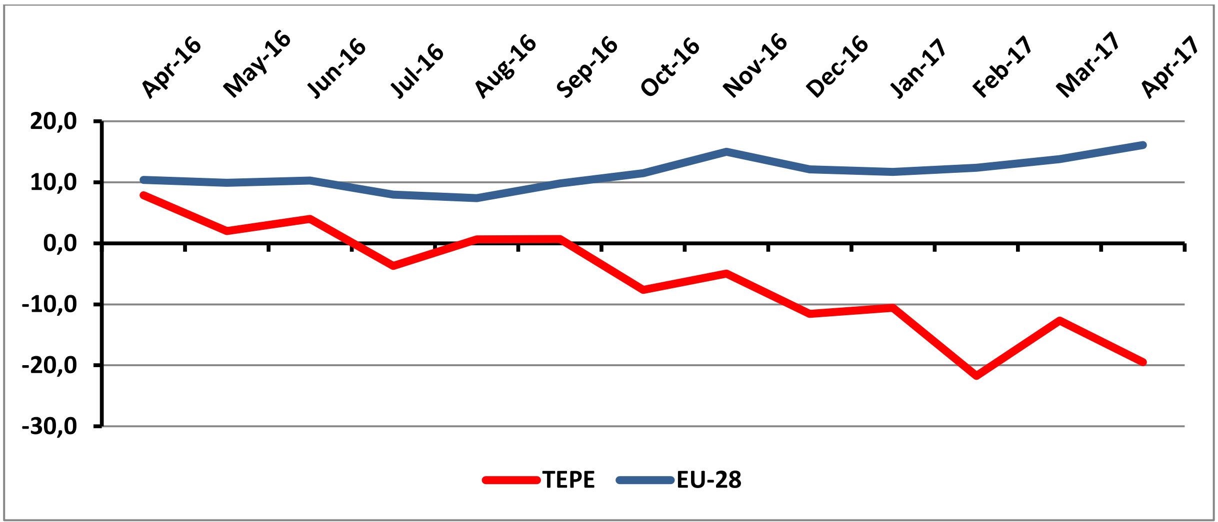


Table-2. Sales expectations for the next three months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	11,8	31,1	6,8	0,3	7,6	4,8	1,4	-24,5	-4,8	5,6	36,0	28,3
2016	14,4	15,2	-2,5	7,9	2,0	4,0	-3,7	0,7	0,7	-7,6	-5,0	-11,6
2017	-10,6	-21,7	-12,6	-19,5								

The state of business has deteriorated with respect to last year

The balance value of the volume of business activities was -38,6 points in April 2017. As the numbers suggest, the level of business activities decreased by 25 points when compared to April 2016 figures and it increased by 2,7 points when compared to March 2017.

In April 2017, while 18,8 percent of TEPE survey participants stated that their business activities improved compared to the year before, 57,4 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 (April 2016 – April 2017)

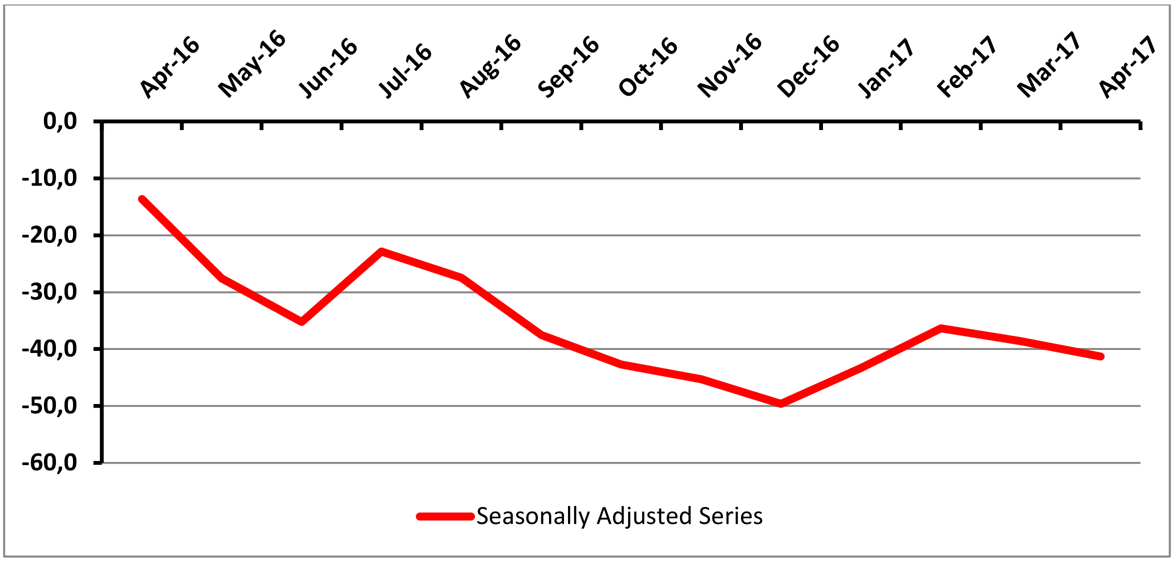


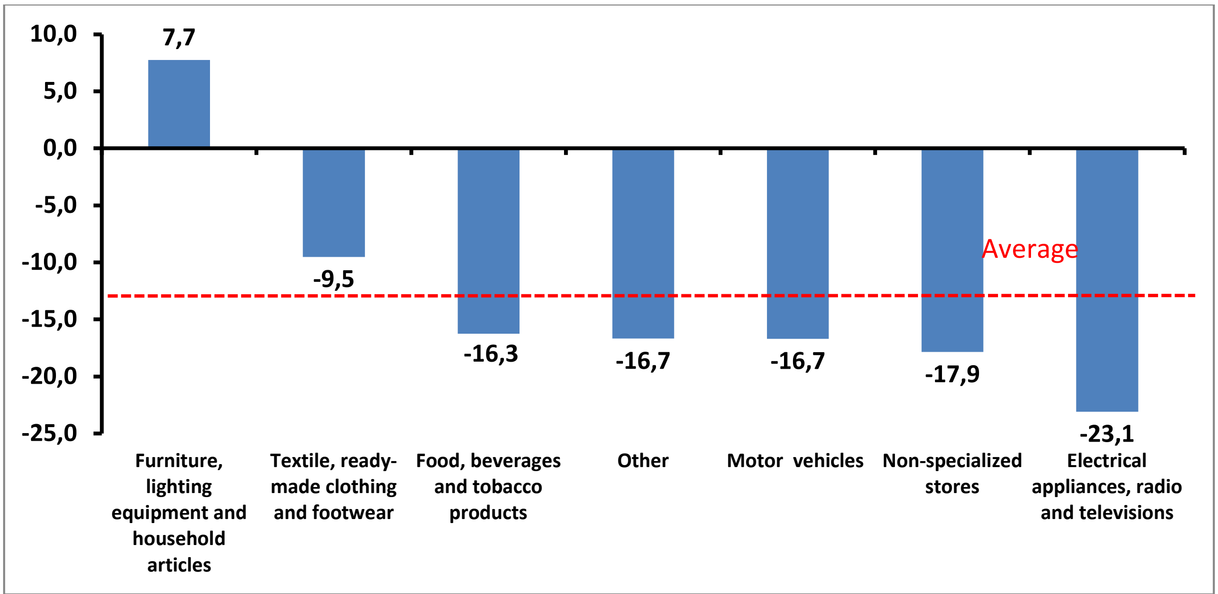
Table-3. Year-on-year change in business activities

	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								

Retail confidence increased only 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 "furniture, lighting equipment and household articles" sector y-o-y basis in April 2017. When looking at subcomponent of the index, the increase of in furniture sector is attributed to the business activity regarding the last 3 months. This situation may indicate that VAT discount that came into force in February has affected the sales of the sector. Yet, the same effect is not reflected in electrical appliances sector although it is also included in the same incentive scheme. Although the continuation of the incentive scheme until the end of September was announced on April 10th, the expectations of both sectors for the coming 3 months have not yet improved. "Textile, ready-made clothing and footwear", "food, beverages and tobacco products", "other (gas station, pharmacy, perfumery, hardware, glassware, stationary etc.)", "motor vehicles", "non-specialized stores" and "electrical appliances, radio and televisions" sectors decreased in March 2017. "Furniture, lighting equipment and household articles" and "textile, ready-made clothing and footwear" sector recorded an above average. Among all sectors "electrical appliances, radio and televisions" sector demonstrated the highest y-o-y decline.

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



Expectations in retail sector deteriorated

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

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

Questions	Index 04/2016	Index 03/2017	Index 04/2017	MoM Change 04/2017	YoY Change 04/2017
How has your business activity developed over the past three months?	-30,0	-44,7	**-55,2**	-10,5	-25,2
Do you consider the volume of inventories you currently hold be…? [2]	5,0	9,6	**14,1**	4,5	9,1
How do you expect your orders placed with suppliers to change over the next 3 months?	1,2	-24,2	**-26,9**	-2,7	-28,1
How do you expect your business activity (sales) to change over the next 3 months?	7,9	-12,6	**-19,5**	-6,9	-27,4
How do you expect your firm's total employment to change over the next 3 months?	10,5	-0,8	**-5,7**	-4,9	-16,2
How do you expect the prices you charge to change over the next 3 months?	18,4	21,6	**25,4**	3,8	7,0
How has your business activity developed this year compared to the same period in the last year?	-13,6	-41,3	**-38,6**	2,7	-25,0
Do you expect an increase in the number of your stores next year?	18,3	9,3	**2,5**	-6,8	-15,8

[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 5,1 in April 2017, with a m-o-m decrease of 1,0 points and a y-o-y decrease of 3,1 points. During this period, Turkey performed worse than the EU-28 and Eurozone in m-o-m terms and in y-o-y terms.

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

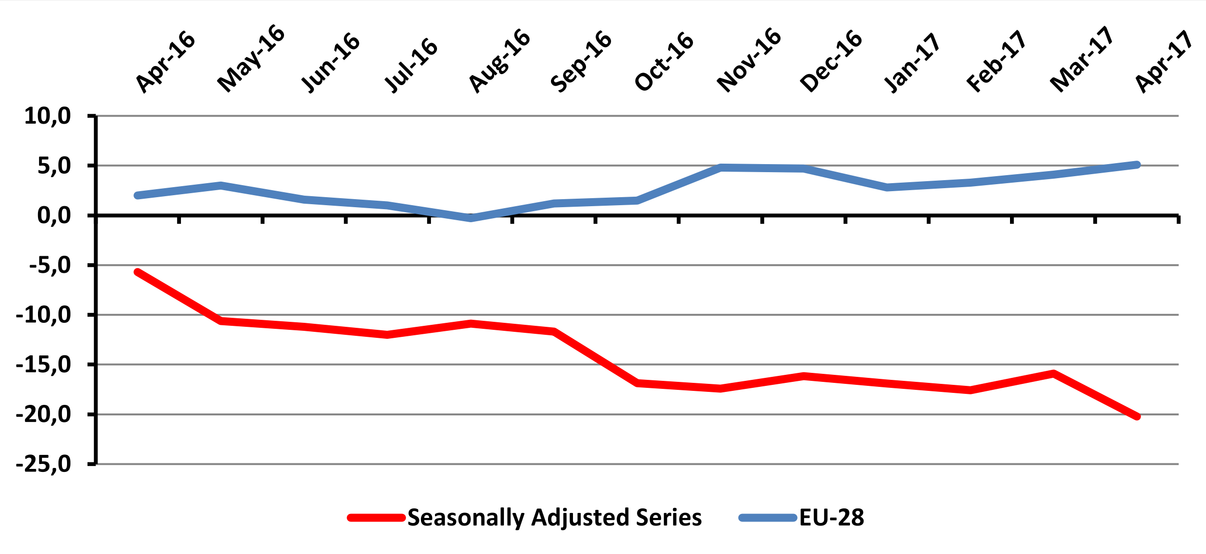


Table-5. EU-28

	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	5,1								

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 United Kingdom, Romania, Italy, and Southern Cyprus. Malta, Turkey, and Sweden, respectively, had the highest y-o-y decline in retail confidence. Furthermore, the highest m-o-m improvement in retail confidence was in Romania. In comparison to April 2016 figures, the Eurozone recorded an increase of 1,9 points while the EU-28 recorded an increase of 3,1 in the Retail Confidence Index. 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 April 2016 and March 2017)

Countries/ (Points)	Change in Retail Confidence Index Compared to April 2016 **	Change in Retail Confidence Index Compared to March 2017
Finland	13,6	-1,7
United Kingdom	9,1	-1,2
Romania	8,2	11,6
Italy	7,7	2,7
Southern Cyprus	6,1	1,4
Poland	5,7	2,2
Netherland	4,9	0,2
Slovenia	4,6	-15,6
Germany	3,4	5,1
EU-28	**3,1**	**1,0**
Denmark	2,4	6,3
Eurozone-19	**1,9**	**1,4**
Czech Republic	1,7	-4,1
Portugal	0,8	1,6
Slovakia	0,7	6,9
Croatia	0,5	0,2
Latvia	0,5	2,9
Spain	-0,2	-0,1
Hungry	-0,8	-4,1
Bulgaria	-1,5	1,3
Austria	-2,2	-1,0
Estonya	-2,3	1,1
Greece	-2,6	0,3
France	-2,9	-3,2
Belgium	-4,6	4,7
Lithuanian	-7,1	-1,8
Sweden	-8,3	-1,5
Turkey	**-14,5**	**-4,3**
Malta	-18,1	-9,5

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

Retail confidence in Konya has decreased 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 -3,7 compared to TEPE's value of -20,2 in April. Furthermore, KOPE decreased by 2 points y-o-y compared to TEPE's decline of 14,5 points. On the other hand, KOPE decreased by 3,6 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 (April 2016 – April 2017)

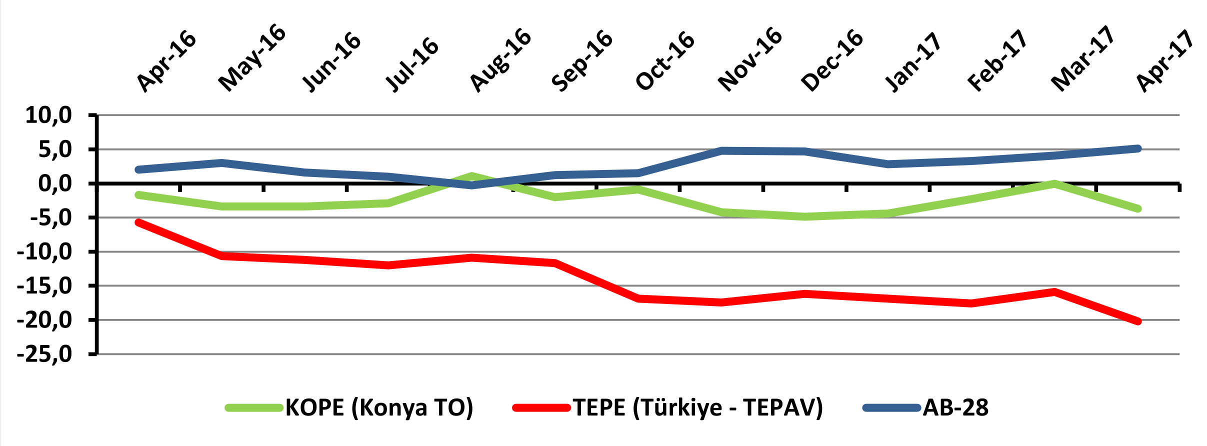


Table-7. Konya Retail Confidence Index

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	2,3	3,1	-0,3	-0,1	2,5	0,9	1,2	-0,7	-3,4	0,4	9,9	6,1
2016	3,7	1,2	-3,2	-1,7	-3,4	-3,4	-2,9	1,1	-2,0	-0,9	-4,2	-4,9
2017	-4,4	-2,3	-0,1	-3,7								