TEPAV Retail Confidence Index (TEPE)

NEWS BULLETIN

07.06.2017 # 89

BUSINESS ACTIVITY IS NOT RECOVERING, TEPE IS STILL AT ITS LOWEST

TEPE, which was at its lowest of the last 99 months in April, remained at that level in May. Index that slightly increased (by 0,5 points) compared to the previous month, decreased by 6,8 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. "Electrical appliances, radio and televisions" sector scored the highest y-o-y increase in retail confidence in May. Furthermore, when compared to the EU-28 and Eurozone, Turkey faced a decline in performance from last year and an increase in performance from the previous month.

Retail confidence decreased in comparison to last year

TEPE, with its -18,0 points in May 2017, revealed a slight increase of 0,5 points when compared to the previous month and a decline of 6,8 points compared to the same month last year. Where the yearly decrease in TEPE is attributed to the y-o-y and decrease in the level of business activity in the last 3 months and sales expectations for the coming 3 months; the monthly limited increase in TEPE is attributed to the m-o-m increase in the level of business activity in the last 3 months and volume of stocks currently hold.

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

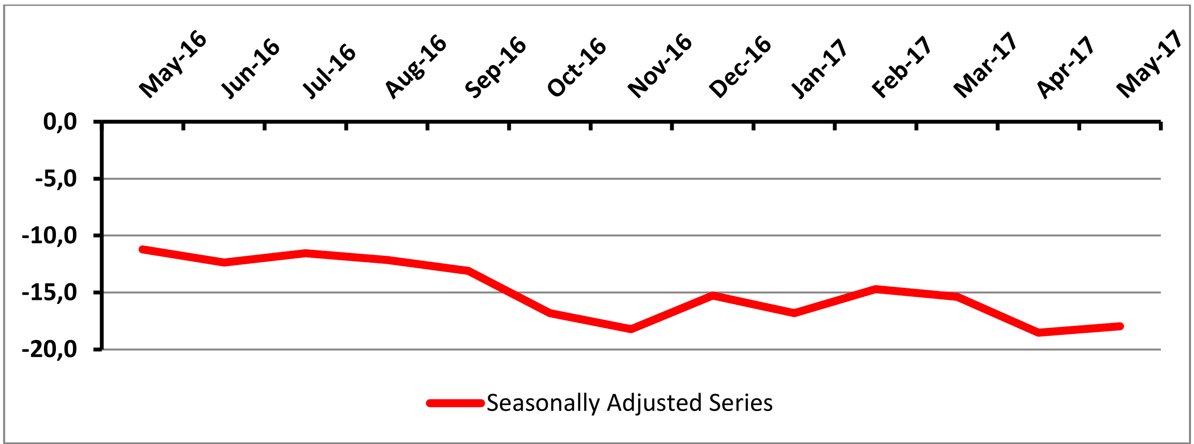


Table-1. TEPE, monthly

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	-13,2	-1,2	-3,3	-7,0	-6,4	-5,6	-10,0	-15,4	-10,1	-4,4	4,9	2,1
2016	1,9	-3,0	-8,1	-6,2	-11,2	-12,4	-11,6	-12,1	-13,1	-16,8	-18,2	-15,3
2017	-16,8	-14,7	-15,4	-18,5	-18,0							

[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 -15,5 points in May 2017. Expectations decreased by 0,1 point m-o-m and by 16,4 points y-o-y.

In May 2017, 34,6 percent of TEPE survey participants said that they expect an improvement in their business activities in the next 3 months while 36,9 percent stated that they expect deterioration. On the other hand, 28,5 percent of the participants expressed that they do not expect their business activities to change.

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

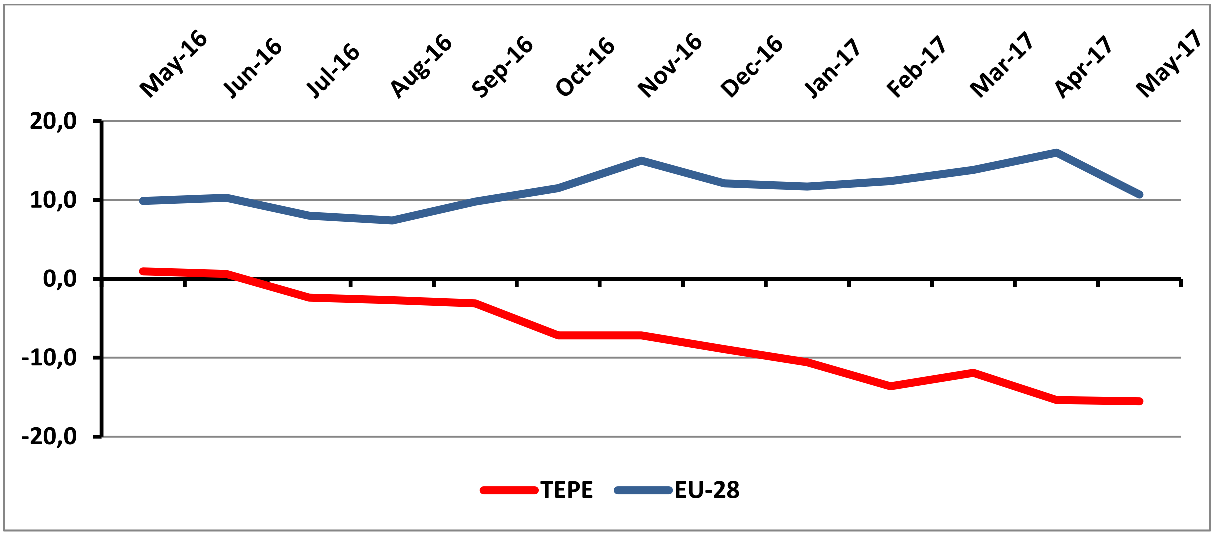


Table-2. Sales expectations for the next three months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	6,7	26,6	5,2	2,2	4,3	2,7	1,6	-24,6	-0,4	2,6	38,7	26,7
2016	17,7	13,1	4,5	5,7	0,9	0,6	-2,4	-2,7	-3,1	-7,2	-7,2	-8,9
2017	-10,6	-13,6	-11,9	-15,4	-15,5							

The state of business has deteriorated with respect to last year

The balance value of the volume of business activities was -39,4 points in May 2017. As the numbers suggest, the level of business activities decreased by 11,8 points when compared to May 2016 figures and by 0,8 points when compared to April 2017.

In May 2017, while 18,6 percent of TEPE survey participants indicated that their business activities improved compared to the year before, 58 percent emphasized that they experienced deterioration. 23,5 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 (May 2016 – May 2017)

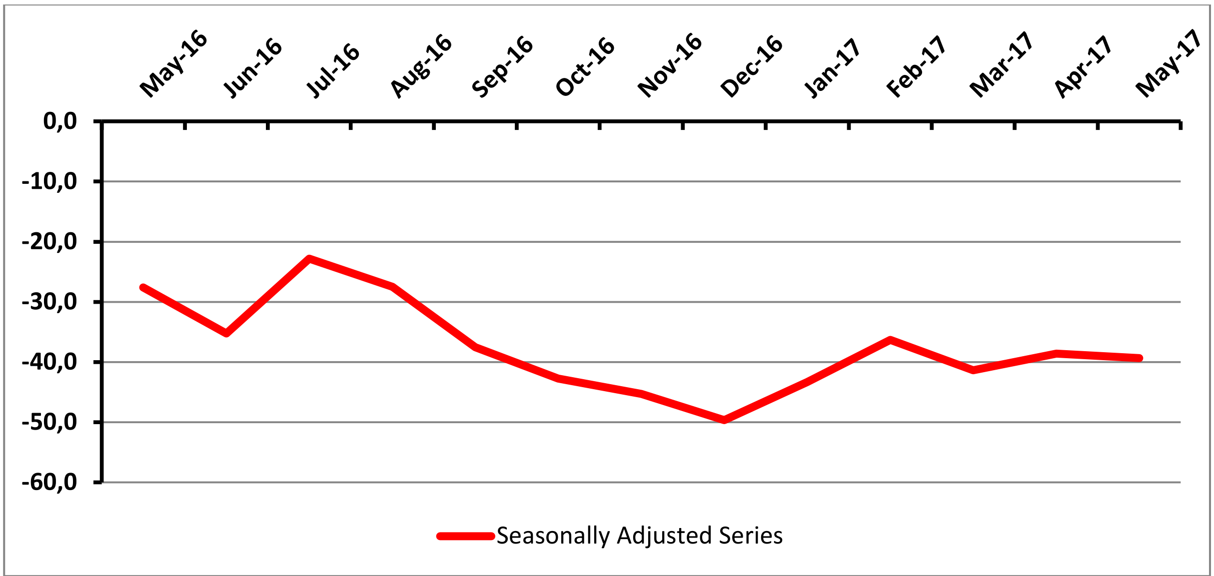


Table-3. Year-on-year change in business activities

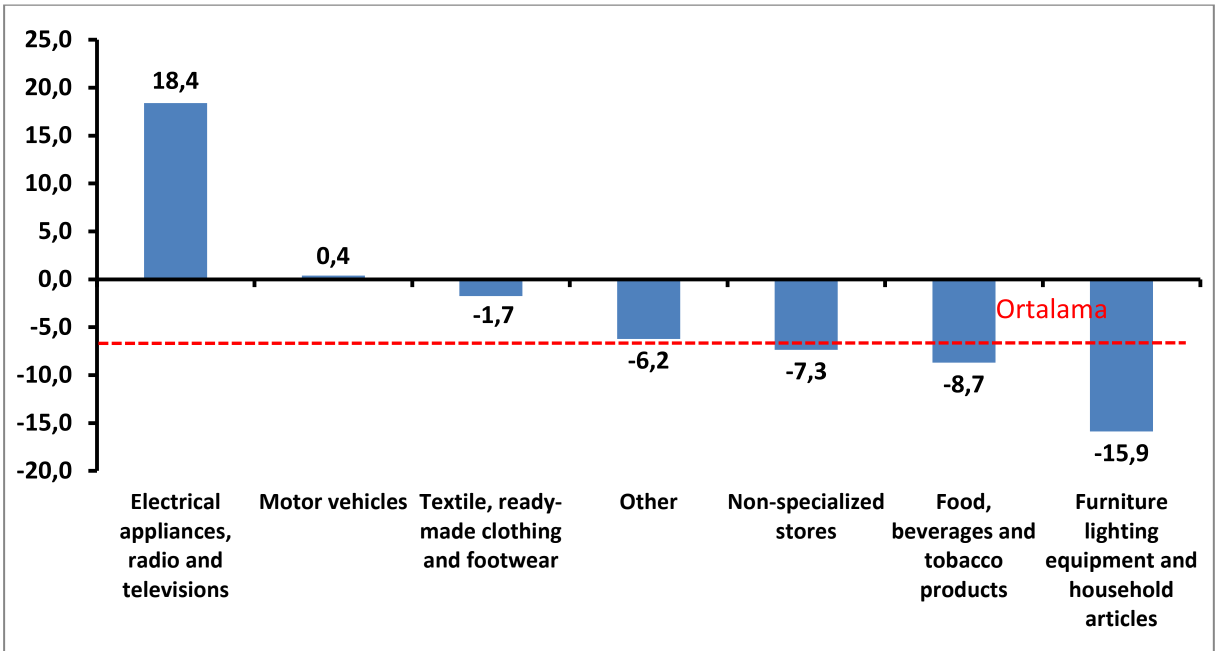
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	-36,6	-27,2	-22,0	-27,9	-23,7	-24,7	-30,4	-27,5	-30,4	-35,6	-25,0	-22,8
2016	-21,2	-32,6	-31,3	-13,6	-27,6	-35,2	-22,8	-27,5	-37,5	-42,7	-45,3	-49,6
2017	-43,3	-36,3	-41,3	-38,6	-39,4							

Retail confidence increased 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 "electrical appliances, radio and televisions" and "motor vehicles" sectors y-o-y basis in May 2017. When looking at subcomponent of the index, the increase of in electrical appliances sector is attributed to the sales expectations for the coming 3 months.

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

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



Sales expectations in retail sector deteriorated

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

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

Questions	Index 05/2016	Index 04/2017	Index 05/2017	MoM Change 05/2017	YoY Change 05/2017
How has your business activity developed over the past three months?	-39,6	-54,3	**-47,6**	6,7	-8,0
Do you consider the volume of inventories you currently hold be…? [2]	5,0	14,1	**9,2**	-4,9	4,2
How do you expect your orders placed with suppliers to change over the next 3 months?	-8,0	-26,5	**-24,2**	2,3	-16,2
How do you expect your business activity (sales) to change over the next 3 months?	0,9	-15,4	**-15,5**	-0,1	-16,4
How do you expect your firm's total employment to change over the next 3 months?	7,2	-5,6	**1,4**	7,0	-5,8
How do you expect the prices you charge to change over the next 3 months?	22,6	30,8	**28,5**	-2,3	5,9
How has your business activity developed this year compared to the same period in the last year?	-27,6	-38,6	**-39,4**	-0,8	-11,8
Do you expect an increase in the number of your stores next year?	11,5	2,5	**-0,7**	-3,2	-12,2

[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 last year

The EU-28 Retail Confidence Index had a value of 3,2 in May 2017, with a m-o-m decrease of 1,8 points and a y-o-y increase of 0,2 points. During this period, Turkey performed worse than the EU-28 and Eurozone in m-o-m terms and better in y-o-y terms.

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

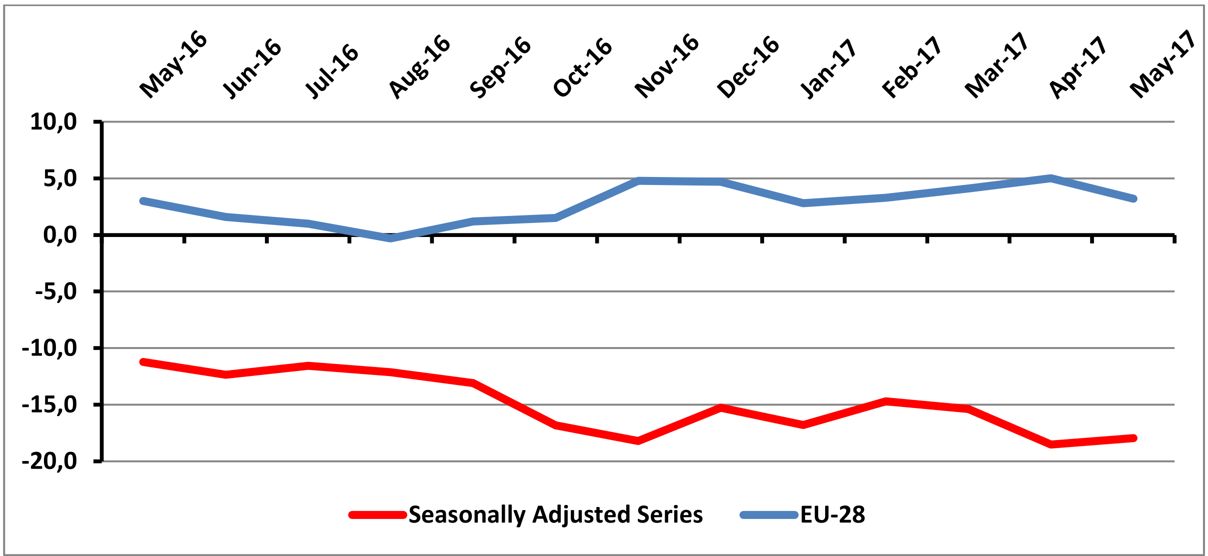


Table-5. EU-28

	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	3,2							

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

Italy had the largest y-o-y improvement in retail confidence among all the EU-28 countries and Turkey. Italy was followed by United Kingdom, Southern Cyprus, Netherlands, and Poland. Austria, Denmark, 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 Belgium. In comparison to May 2016 figures, the Eurozone recorded a decrease of 1,3 points while the EU-28 recorded an increase of 0,2 in the Retail Confidence Index. It appears that Turkey performed worse than the EU-28 and Eurozone in y-o-y terms and better in m-o-m terms.

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

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

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

Retail confidence in Konya has increased

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 1,2 points compared to TEPE's value of -18,0 points in May. Furthermore, KOPE increased by 3,4 points y-o-y compared to 6,8 points decline in TEPE. On the other hand, KOPE increased by 3,4 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 (May 2016 – May 2017)

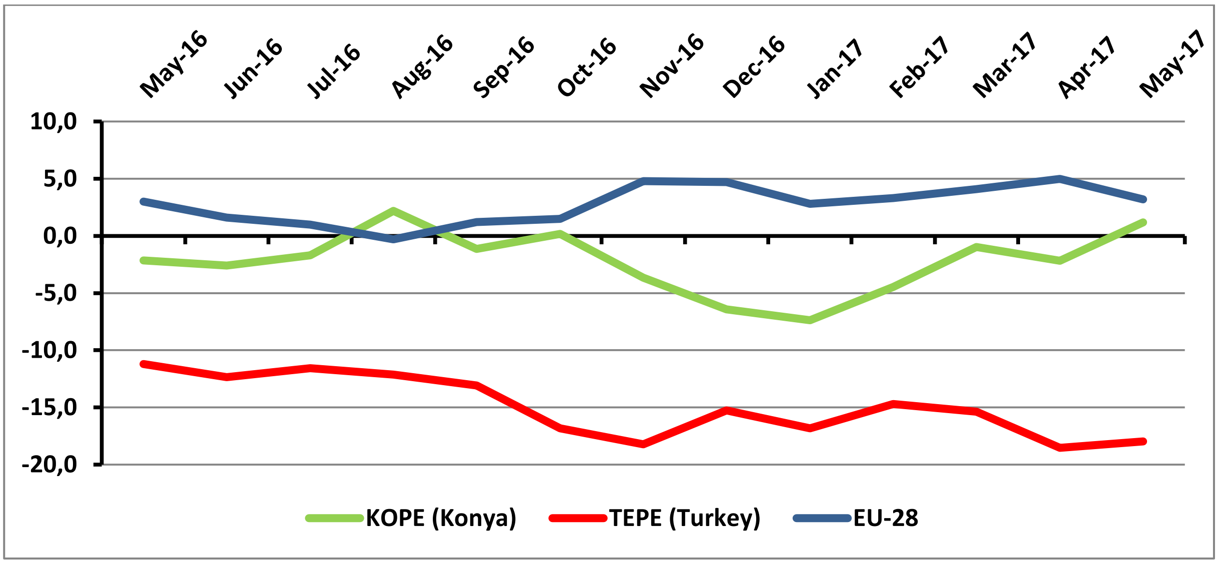


Table-7. Konya Retail Confidence Index

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	-0,5	1,4	-2,0	-0,7	4,1	1,6	0,7	1,3	-2,6	1,9	10,4	6,0
2016	2,2	-2,1	-4,2	-2,1	-2,2	-2,6	-1,7	2,2	-1,1	0,2	-3,6	-6,4
2017	-7,4	-4,5	-1,0	-2,2	1,2							