tepav

TEPAV Retail Confidence Index (TEPE)

NEWS BULLETIN

04.12.2017 # 95

BUSINESS ACTIVITY IS NOT RECOVERING, SALES EXPECTATION IS LOW

TEPE was -18.3 points in November 2017. The Index saw a decrease by 1.7 points compared to the previous month and by 0.9 points compared to the same month of last year. With this decline on an annual basis, 13 months of downward trend that paused in October has returned. Anticipation for business recovery compared to last year was -45.6 points, the lowest level witnessed in the year. “Electrical appliances, radio and televisions” sector scored the highest y-o-y increase in retail confidence in November. Furthermore, when compared to the EU-28 and Eurozone, Turkey experienced a declining performance with respect to last year.

Retail confidence has decreased both compared to last year and last month

TEPE, with -18.3 points in November 2017, saw a decrease of 1.7 points when compared to the previous month and 0.9 points when compared to the same month of last year. While 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; the monthly decrease is attributed to the m-o-m decrease in the level of sales expectations for the coming 3 months.

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

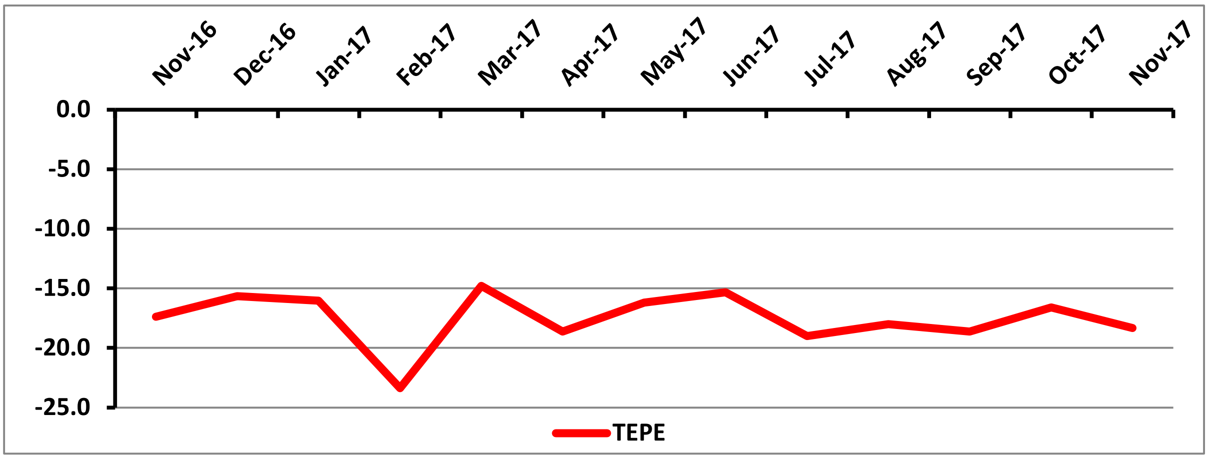


Table-1. TEPE, monthly

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	-11.4	-3.7	-2.6	-7.2	-5.3	-5.3	-9.6	-11.6	-11.3	-3.5	3.6	2.5
2016	1.2	-6.6	-9.9	-5.0	-11.0	-11.9	-11.4	-8.0	-11.8	-16.9	-17.4	-15.6
2017	-16.0	-23.4	-14.8	-18.6	-16.2	-15.3	-19.0	-18.0	-18.6	-16.6	-18.3	

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

Sales expectations of Retailers have decreased

The balance value of sales expectations for the next 3 months hit -9.6 points in November 2017. Expectations decreased by 2.1 points m-o-m and by 4.8 points on y-o-y basis.

In November 2017, 21.8 percent of TEPE survey participants asserted that they expect an improvement in their business activities in the next 3 months while 47.8 percent stated that they expect deterioration. On the other hand, 30.4 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 (November 2016 – November 2017)

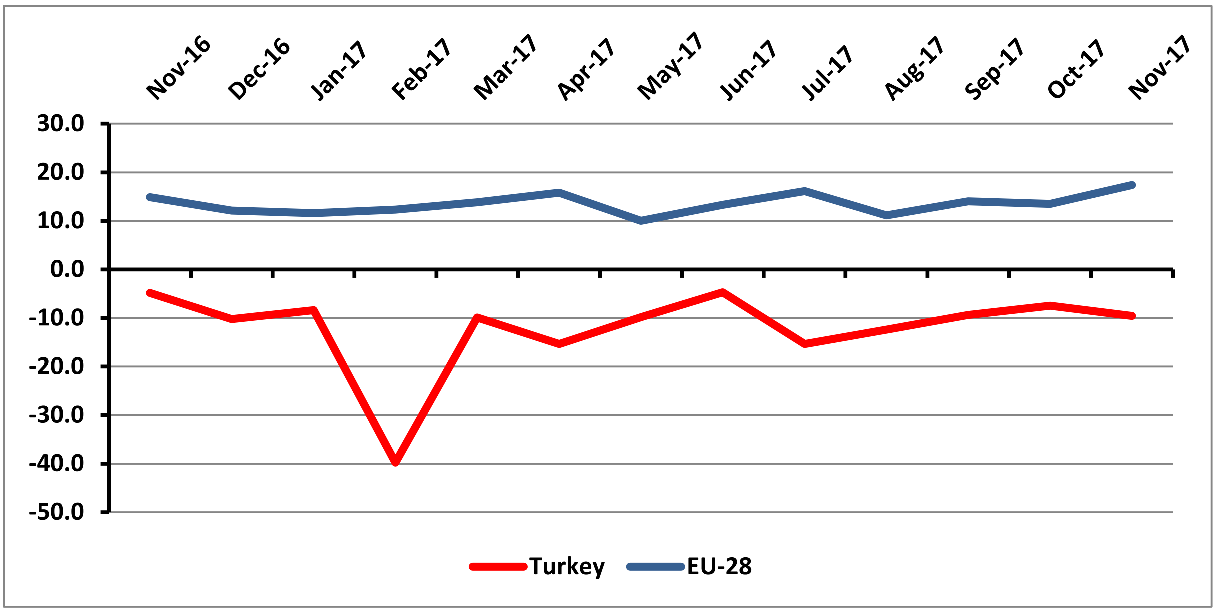


Table-2. Sales expectations for the next three months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	12.0	19.1	7.7	1.9	8.0	3.3	3.5	-13.4	-4.7	4.5	34.8	27.9
2016	15.4	2.1	-0.7	9.6	1.8	1.7	-0.9	9.8	0.4	-8.1	-4.8	-10.2
2017	-8.4	-39.8	-9.9	-15.4	-9.8	-4.7	-15.3	-12.4	-9.4	-7.5	-9.6	

Retailer's perception on recovery of business has decreased

The balance value of the volume of business activities was -45.6 points in November 2017. As the numbers suggest, the level of business activities witnessed a decrease by 0.3 points when compared to November 2016 and by 7.2 points when compared to October 2017.

In November 2017, while 14.4 percent of TEPE survey participants stated that their business activities improved in comparison to the year before, 60 percent emphasized that they experienced deterioration. 25.6 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 (November 2016 – November 2017)

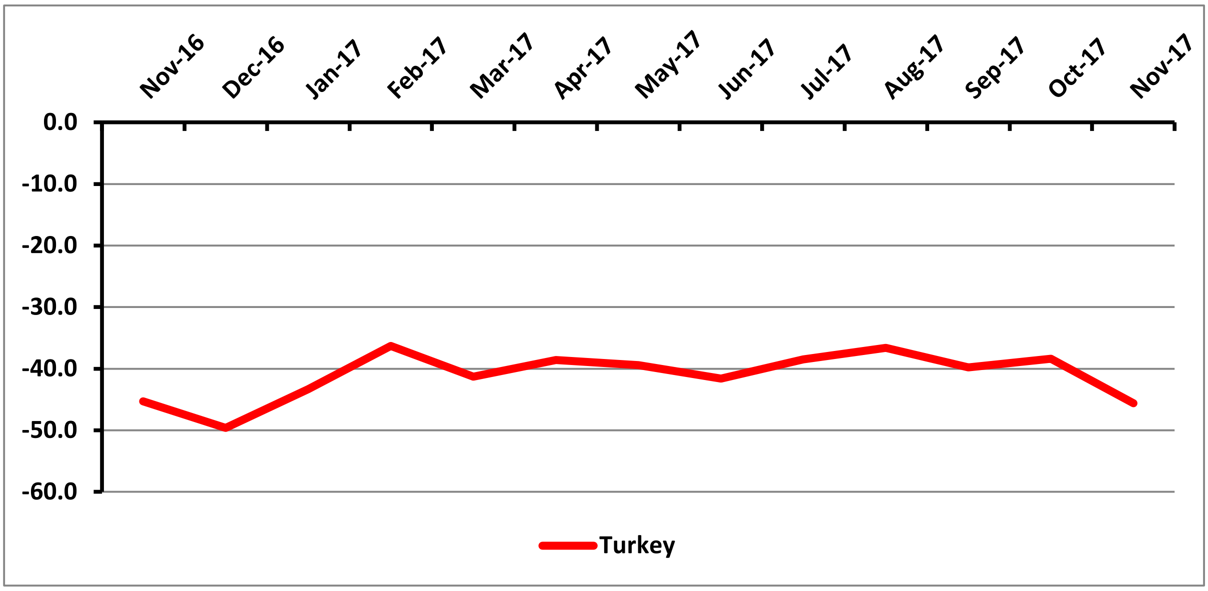


Table-3. Year-on-year change in business activities

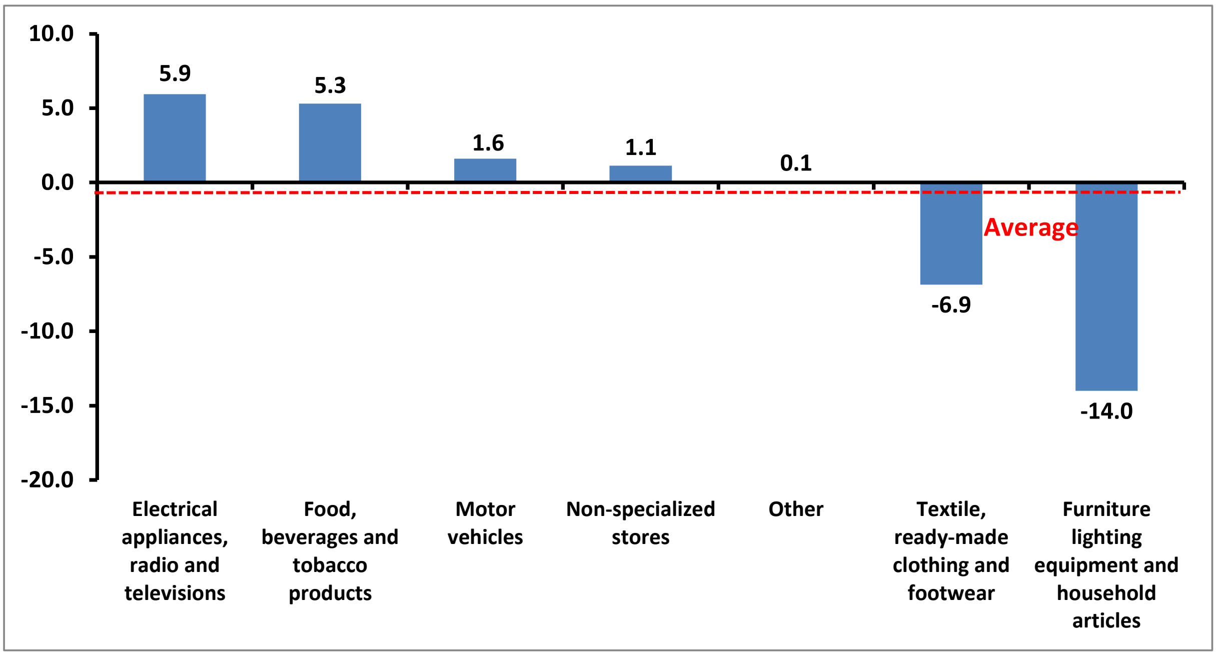
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	-36.6	-27.2	-22.0	-27.9	-23.7	-24.7	-30.4	-27.5	-30.4	-35.6	-25.0	-22.8
2016	-21.2	-32.6	-31.3	-13.6	-27.6	-35.2	-22.8	-27.5	-37.5	-42.7	-45.3	-49.6
2017	-43.3	-36.3	-41.3	-38.6	-39.4	-41.6	-38.5	-36.6	-39.8	-38.4	-45.6	

Retail confidence have increased the most in the “electrical appliances, radio and televisions” sector

When looking at retail confidence in terms of sub-sectors in November 2017, an increase was witnessed in the “electrical appliances, radio and televisions”, “food, beverages and tobacco products”, “motor vehicles”, "non-specialized stores" and “other (gas station, pharmacy, perfumery, hardware, glassware, stationary etc.)” sectors on a y-o-y basis. The increase in these sectors is above the average increase witnessed in other sectors.

“Textile, ready-made clothing and footwear” and “furniture, lighting equipment and household articles” sectors witnessed a decrease in November 2017. Among all sectors “furniture, lighting equipment and household articles” sector demonstrated the highest y-o-y decline. While there is deterioration observed in all of the subcomponents of the sectoral index, the worsening in the level of business activities in the last 3 months has especially been influential in this decrease.

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



Sales expectation in the retail sector has decreased

Question-based assessments of TEPE survey results suggest that while the indicators on “expected sales in the coming 3 months”, “anticipation for business recovery compared to last year” and “expected number of stores in the coming year” have all witnessed a decrease when compared to both November 2016 and October 2017; “expected sales price in the coming 3 months” showed an increase when compared to November 2016 and October 2017. The “business activity regarding the last 3 months” and “expected orders in the coming 3 months” increased on monthly basis but decreased on annual basis; “employment expectation in the coming 3 months” decreased on monthly basis but increased on annual basis.

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

Questions	Index 11/2016	Index 10/2017	Index 11/2017	MoM Change 11/2017	YoY Change 11/2017
How has your business activity developed over the past three months?	-51.7	-55.7	**-55.1**	0.6	-3.4
Do you consider the volume of inventories you currently hold be…? [2]	4.4	13.4	**9.7**	-3.7	5.3
How do you expect your orders placed with suppliers to change over the next 3 months?	-19.3	-24.5	**-24.1**	0.4	-4.8
How do you expect your business activity (sales) to change over the next 3 months?	-4.8	-7.5	**-9.6**	-2.1	-4.8
How do you expect your firm’s total employment to change over the next 3 months?	-4.6	0.1	**-2.3**	-2.4	2.3
How do you expect the prices you charge to change over the next 3 months?	14.5	36.3	**39.2**	2.9	24.7
How has your business activity developed this year compared to the same period in the last year?	-45.3	-38.4	**-45.6**	-7.2	-0.3
Do you expect an increase in the number of your stores next year?	3.5	1.6	**0.9**	-0.7	-2.6

[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 increased with respect to the previous month and year

The EU-28 Retail Confidence Index had a value of 6.0 in November 2017, with a recorded m-o-m increase of 1.7 points. Index increased by 1.2 points when 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 (November 2016 – November 2017)

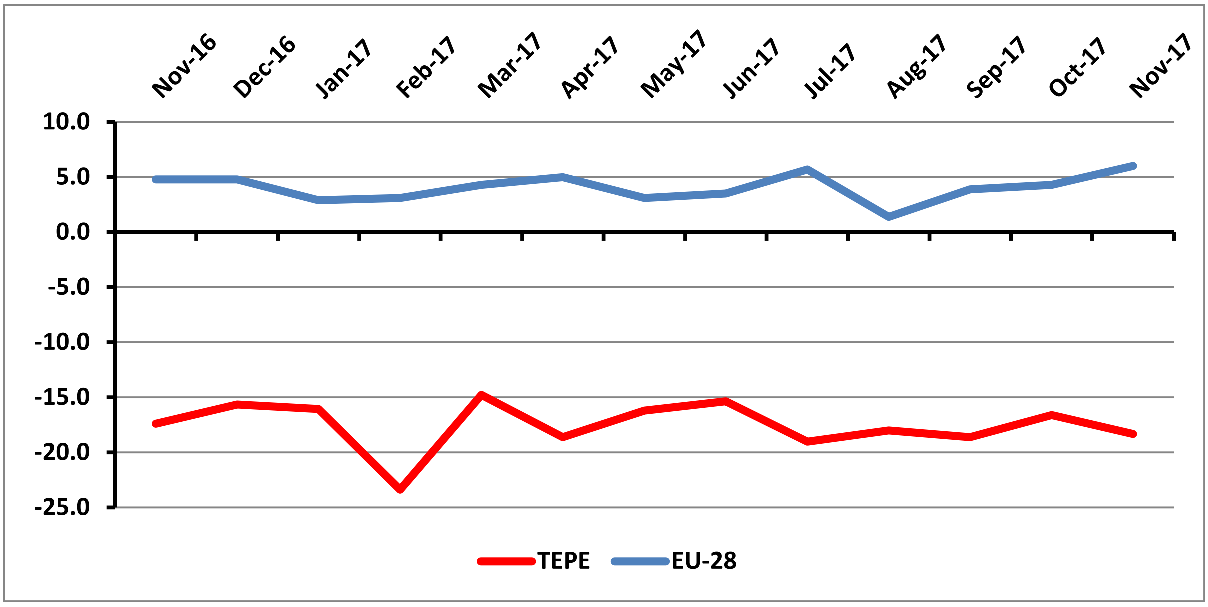


Table-5. EU-28

	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	8.4	6.2
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	1.4	3.9	4.3	6.0	

When compared to last year, Turkey performed worse than the EU-28 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 Malta witnessed the highest increase in y-o-y retail confidence. Malta was followed by Finland and Slovenia. On the other hand, Austria, Greece, and UK, respectively, had the highest y-o-y decline in retail confidence. Furthermore, the highest m-o-m improvement in retail confidence was in the Finland. In comparison to November 2016 figures, the EU-28 recorded an increase of 1.2 points while the Eurozone recorded an increase of 2.7 points in the Retail Confidence Index. It appears that Turkey performed worse than the Eurozone and the EU-28 in m-o-m terms when compared to October 2017.

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

Countries/ (Points)	Change in Retail Confidence Index Compared to November 2016 **	Change in Retail Confidence Index Compared to October 2017
Malta	41.3	10.6
Finland	30.0	16.0
Slovenia	9.4	3.3
Hungary	8.4	1.9
Romania	7.9	-2.0
France	7.3	-0.4
Slovakia	7.2	2.7
Macedonia	6.0	0.0
Poland	5.7	-0.1
Italy	5.5	-2.6
Montenegro	3.7	2.9
Denmark	3.3	0.6
Eurozone-19	**2.7**	**-1.3**
Belgium	1.6	1.8
Serbia	1.5	-2.7
EU-28	**1.2**	**1.7**
Croatia	1.2	0.3
Sweden	0.9	1.0
Czech Republic	0.3	0.8
Germany	0.2	-2.1
Bulgaria	0.0	-1.3
Cyprus	0.0	-1.1
Netherlands	0.0	-7.6
Portugal	-0.1	0.0
Turkey	**-0.9**	**-1.7**
Latvia	-1.0	-1.4
Spain	-1.3	-0.6
Lithuania	-2.7	1.1
Estonia	-4.6	-5.8
United Kingdom	-6.4	14.8
Greece	-8.6	0.3
Austria	-9.4	-1.5

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

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 6.3 points, TEPE received an average value of -18.3 points in November. Furthermore, while, on average, KOPE saw an increase of 10.3 points on y-o-y basis, TEPE witnessed a decrease of 0.9 points. On the other hand, KOPE saw an increase of 3.0 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 (November 2016 – November 2017)

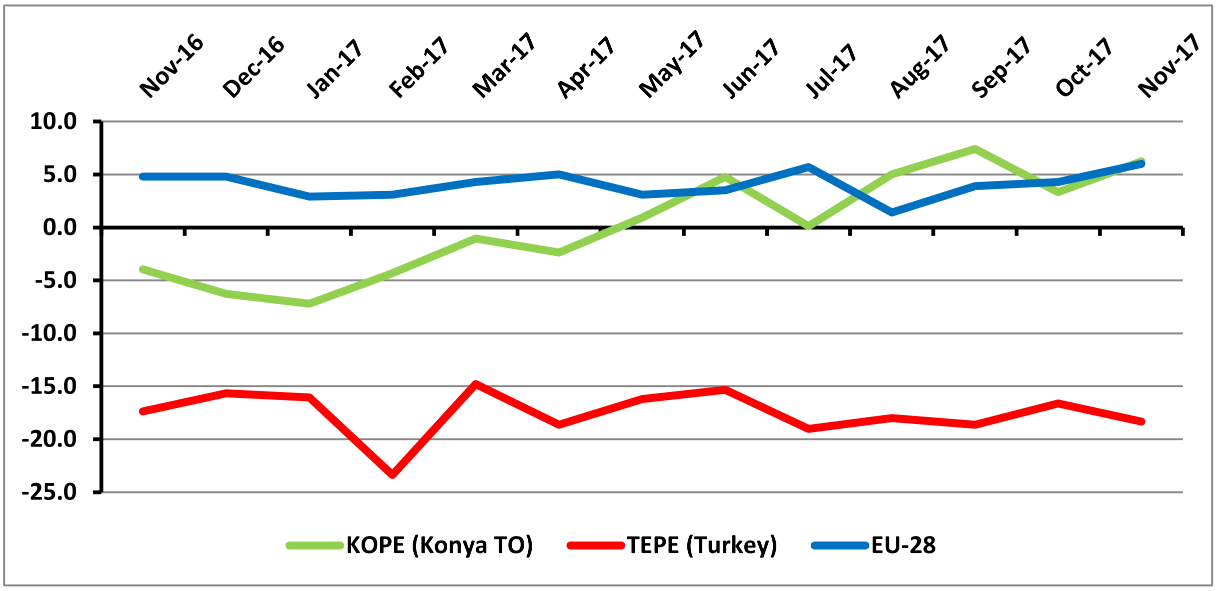


Table-7. Konya Retail Confidence Index

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2015	-0.3	1.5	-2.1	-0.9	3.8	1.5	0.8	1.6	-2.5	1.9	10.0	6.2
2016	2.4	-2.0	-4.3	-2.2	-2.4	-2.7	-1.6	2.5	-1.0	0.2	-4.0	-6.3
2017	-7.2	-4.3	-1.1	-2.4	0.9	4.8	0.1	5.0	7.4	3.3	6.3	