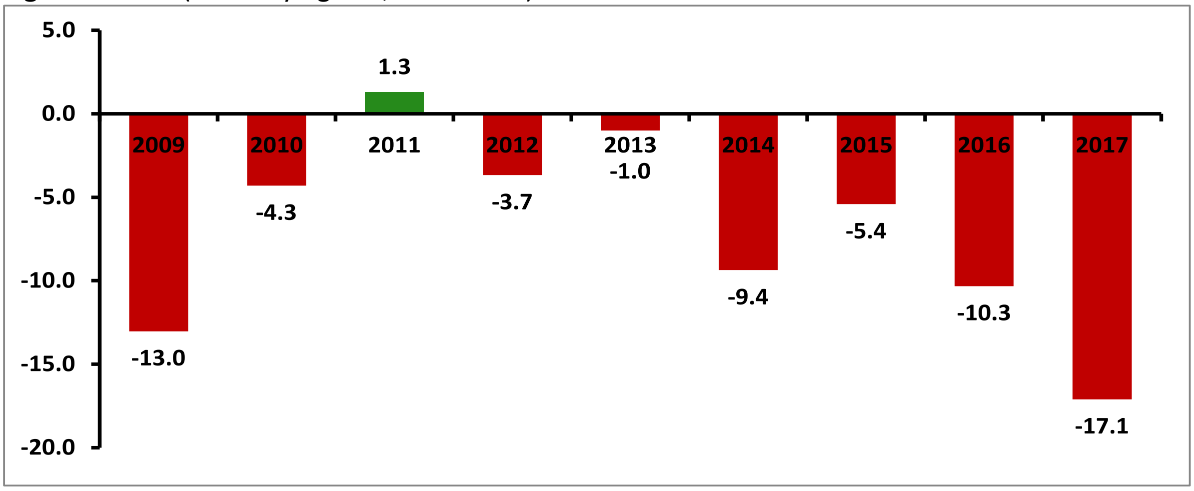
# RETAIL CONFIDENCE IN 2017 IS LOWER THAN THE 2009 LEVEL

Although retail confidence increased in December compared to last year and last month, it closed 2017 at a negative level. With regards, the business activities in the past 3 months and the expectation of orders, sales and employment in the next 3 months increased compared to November 2017. As the average TEPEs' was -17.1 points in 2017, this level remained below the 2009 average (-13 points), which was a reflection of the global crisis. The first quarter of 2017 was the period, which comprised the lowest levels in retail confidence index during the year. TEPE, on a quarterly basis, in the first quarter of 2017, scored the lowest value since the second quarter of 2009.

**Figure-1.** TEPE (Annually figures; 2009-2017)[1]




In 2017 sales expectations for the next 3 months showed poorer performance compared to 2016. The sales expectation had an average of 1.5 points and -11.5 points in 2016 and 2017, respectively. When analyzed on a quarterly basis, the last quarter of 2017 was at a higher value compared to the last quarter of 2016.

The retail sector had a lower business volume in 2017 compared to 2016, as is suggested by the anticipation for business recovery. The balance value of the volume of business activities had an average of -32.2 points and -40.4 points in 2016 and 2017, respectively. When analyzed on a quarterly basis, the last quarter of 2017 saw a higher value compared to the last quarter of 2016.

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

## Retail confidence remained negative in the last month of the year

When looking at seasonally adjusted series of TEPE values in 2016 and 2017, October and December 2017 values were lower than that of 2016. TEPE had an average of -10.3 points in 2016, and -17.1 points in 2017. Retail confidence performed worse in 2017 than in 2016.

TEPE, with -13.3 points in December 2017, showed an increase of 3.6 point when compared to the previous month and 3.5 points when compared to the same month of last year. The yearly and monthly increase in TEPE is attributed to the increase in the level of business activity in the last 3 months and sales expectations for the coming 3 months. Thus, TEPE completed the year 2017 with a negative value for all months.

**Figure-2.** TEPE (January – December; 2016 – 2017)

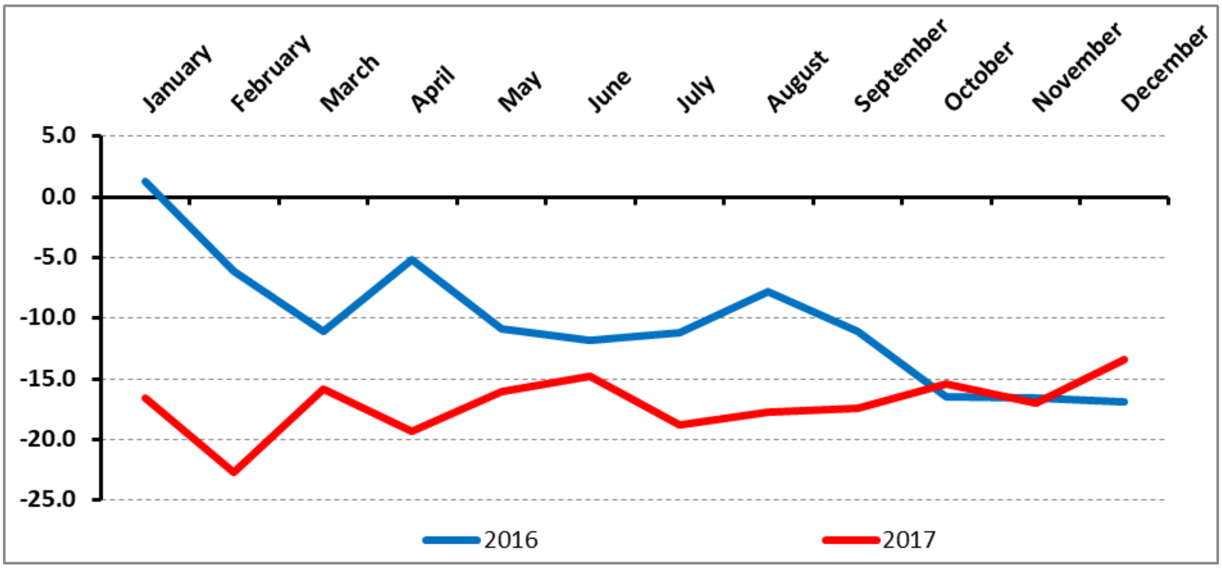



**Table-1.** TEPE, monthly

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2015** | -11.0 | -2.8 | -3.4 | -7.5 | -5.2 | -5.4 | -9.4 | -12.5 | -11.2 | -3.0 | 4.2 | 2.2 |
| **2016** | 1.2 | -6.2 | -11.0 | -5.1 | -10.9 | -11.8 | -11.2 | -7.8 | -11.1 | -16.4 | -16.6 | -16.9 |
| **2017** | -16.6 | -22.7 | -15.9 | -19.3 | -16.1 | -14.8 | -18.9 | -17.7 | -17.5 | -15.5 | -17.0 | -13.4 |

## Retailers' sale expectations decreased in 2017 compared to 2016

When looking at seasonally adjusted series of sales expectations for the 3 months in 2016 and 2017, from October to December 2017 sales expectation was higher than that of 2016. Expectation for sales in the next 3 months received an average of 1.5 points in 2016, and -11.1 points in 2017. Thus, for the retail sector, it can be concluded that 2017 was a year with lower expectations when compared to 2016. When looking in terms of quarterly figures, expectation for sales in the next 3 months had higher values in the last quarter of 2017 than in 2016.

The balance value of sales expectations for the 3 months hit 0.7 points in December 2017. Expectations increased by 7.3 points m-o-m and by 14.2 y-o-y basis. In December 2017, 25.9 percent of TEPE survey participants asserted that they expect an improvement in their business activities in the next 3 months while 42 percent stated that they expect a deterioration. On the other hand, 32.1 percent of the participants expressed that they do not expect to see any change in their business activities.

**Figure-3.** Sales expectations for the next three months (January – December; 2016 – 2017)

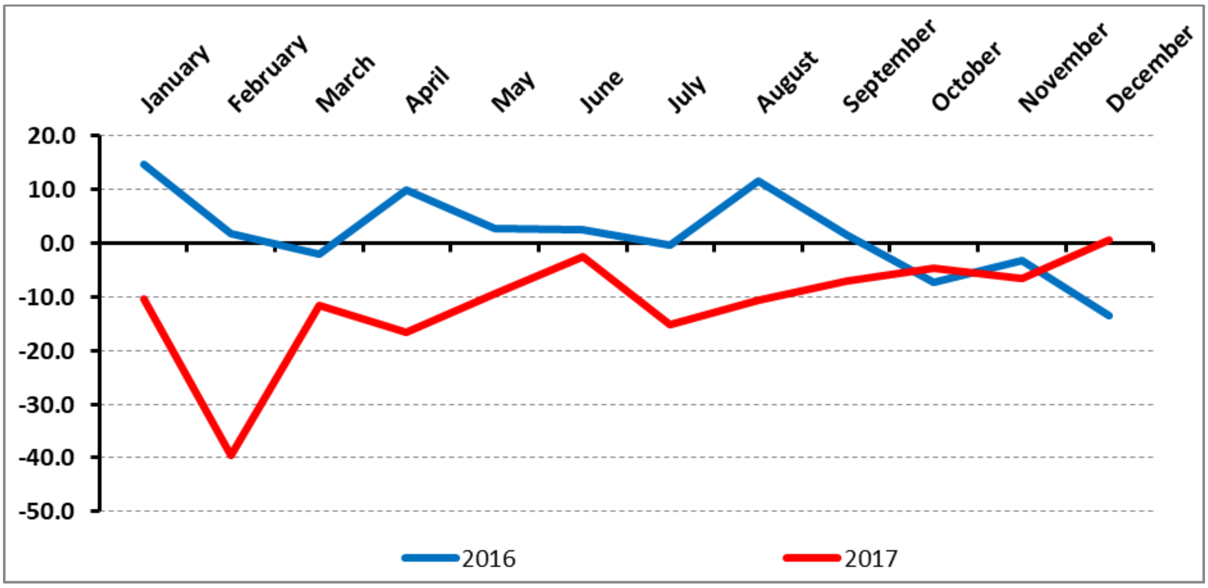



**Table-2.** Sales expectations for the next three months

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2015** | 12.2 | 20.7 | 7.8 | 2.1 | 8.9 | 3.8 | 4.2 | -14.0 | -5.5 | 5.2 | 35.2 | 26.4 |
| **2016** | 14.8 | 1.8 | -2.1 | 9.8 | 2.6 | 2.5 | -0.4 | 11.6 | 1.4 | -7.2 | -3.3 | -13.5 |
| **2017** | -10.3 | -39.5 | -11.6 | -16.6 | -9.3 | -2.5 | -15.3 | -10.7 | -7.0 | -4.6 | -6.6 | 0.7 |

## Retailers' volume of business activities decreased in 2017 compared to 2016

When looking at seasonally adjusted series of business activities in 2016 and 2017, from October to December 2017 business activities were higher than that of 2016. Business activities received the average -32.2 points in 2016, and -40.4 points in 2017. Volume of business activities in 2017 performed worse than 2016. When looking in terms of quarterly figures, business activities had higher values in the last quarter of 2017 than in 2016.

The balance value of the volume of business activities was -44.7 points in December 2017. As the numbers suggest, the level of business activities witnessed an increase by 0.9 points when compared to November 2017 and by 4.9 points when compared to December 2016. In December 2017, while 15.7 percent of TEPE survey participants stated that their business activities improved in comparison to the year before, 60.5 percent emphasized that they experienced a 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-4.** Year-on-year change in business activities (January – December; 2016 – 2017)

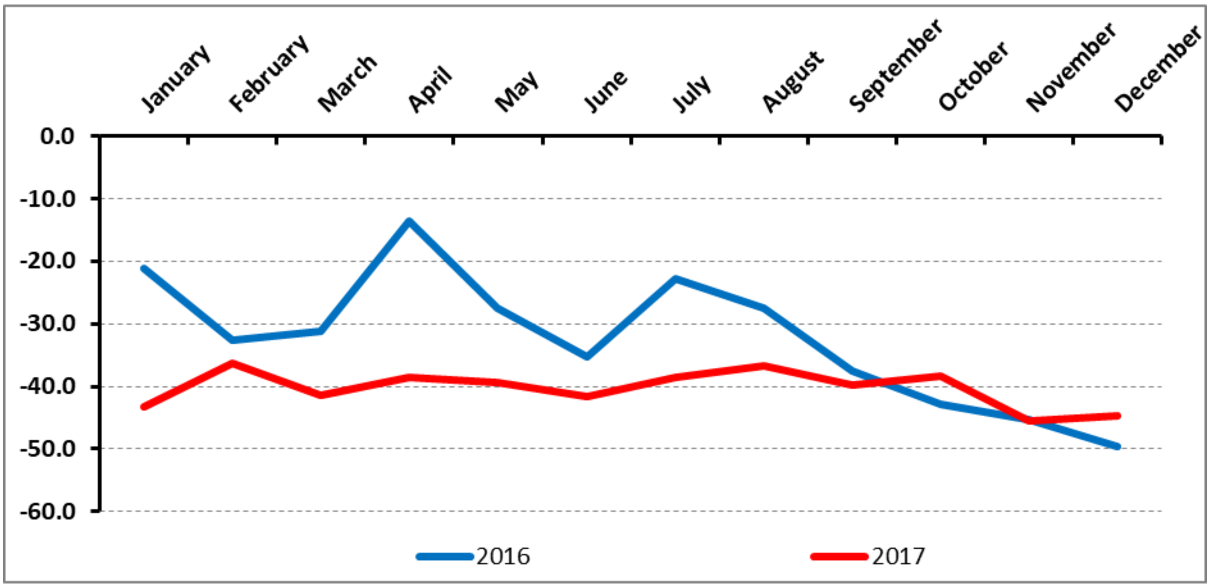



**Table-3.** Year-on-year change in business activities

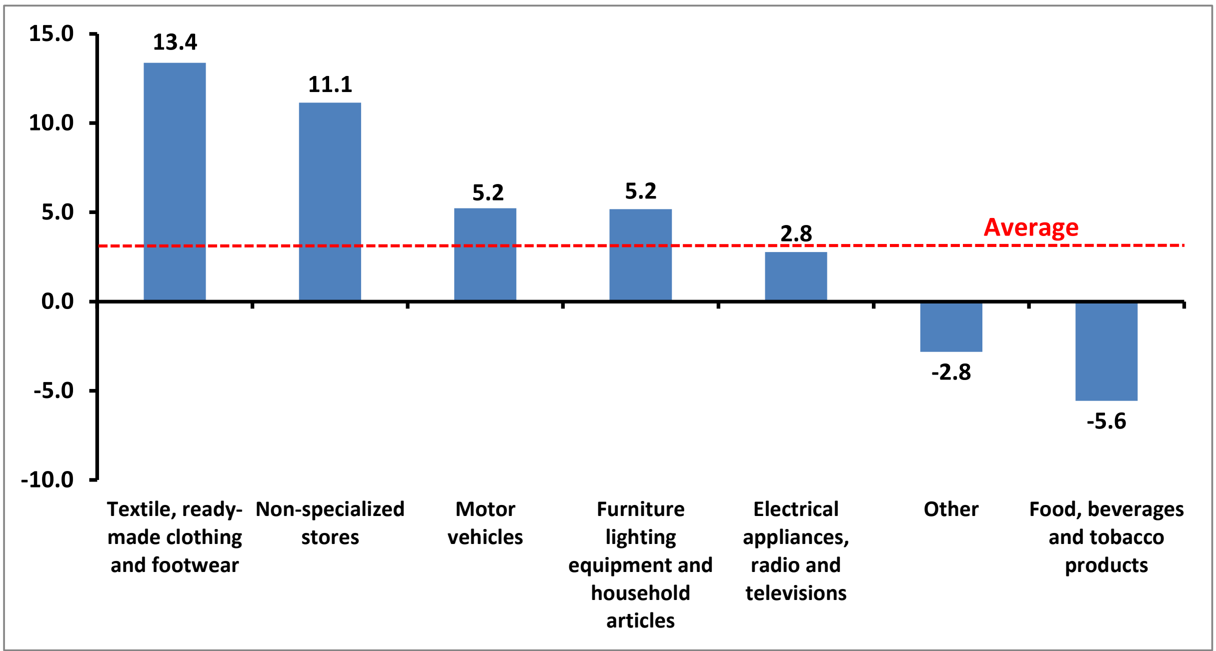
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2015** | -36.6 | -27.2 | -22.0 | -27.9 | -23.7 | -24.7 | -30.4 | -27.5 | -30.4 | -35.6 | -25.0 | -22.8 |
| **2016** | -21.2 | -32.6 | -31.3 | -13.6 | -27.6 | -35.2 | -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 | -44.7 |

## Retail confidence have increased the most in the "textile, ready-made clothing and footwear" sector

When looking at retail confidence in terms of sub-sectors for the month of December 2017, an increase was witnessed in the "textile, ready-made clothing and footwear", "non-specialized stores", "motor vehicles", "furniture, lighting equipment and household articles", and "electrical appliances, radio and televisions" sectors on a y-o-y basis. The increase in "textile, ready-made clothing and footwear", "non-specialized stores", "motor vehicles", "furniture, lighting equipment and household articles" sectors are above the average increase witnessed in other sectors.

"Other (gas station, pharmacy, perfumery, hardware, glassware, stationary etc.)" and "food, beverages and tobacco products" sectors witnessed a decrease in December 2017. Among all sectors "food, beverages and tobacco products" sector demonstrated the highest y-o-y decline.

**Figure-5.** Year-on-year change in sectoral TEPE, December 2017 (point)



## Despite inventory level has increased in retail sector, expectations are optimistic

Question-based assessments of the TEPE survey results suggest that while the indicators on "business activity regarding the last 3 months", "expected orders, sales and employment 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 an increase when compared to both December 2016 and November 2017; "expected sales price in the coming 3 months" showed a decrease when compared to December 2016 and November 2017.

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

| Questions | Index 12/2016 | Index 11/2017 | Index 12/2017 | MoM Change 12/2017 | YoY Change 12/2017 |
|---|---|---|---|---|---|
| How has your business activity developed over the past three months? | -54.2 | -54.0 | **-48.4** | 5.6 | 5.8 |
| Do you consider the volume of inventories you currently hold be…? [2] | 17.1 | 9.7 | **7.5** | -2.2 | -9.6 |
| How do you expect your orders placed with suppliers to change over the next 3 months? | -25.6 | -23.5 | **-17.0** | 6.5 | 8.6 |
| How do you expect your business activity (sales) to change over the next 3 months? | -13.5 | -6.6 | **0.7** | 7.3 | 14.2 |
| How do you expect your firm's total employment to change over the next 3 months? | -5.2 | -0.5 | **2.9** | 3.4 | 8.1 |
| How do you expect the prices you charge to change over the next 3 months? | 35.3 | 39.2 | **30.4** | -8.8 | -4.9 |
| How has your business activity developed this year compared to the same period in the last year? | -49.6 | -45.6 | **-44.7** | 0.9 | 4.9 |
| Do you expect an increase in the number of your stores next year? | -0.6 | 0.9 | **4.8** | 3.9 | 5.4 |

[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 Konya increased with respect to the previous year

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 4.8 points, TEPE received an average value of -13.4 points in December. Furthermore, while, on average, KOPE saw an increase of 11.1 points on y-o-y basis, TEPE witnessed an increase of 3.5 points. On the other hand, KOPE saw a decrease of 1.3 points on m-o-m basis. On average, Konya's retail sector performed better than Turkey's average.

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

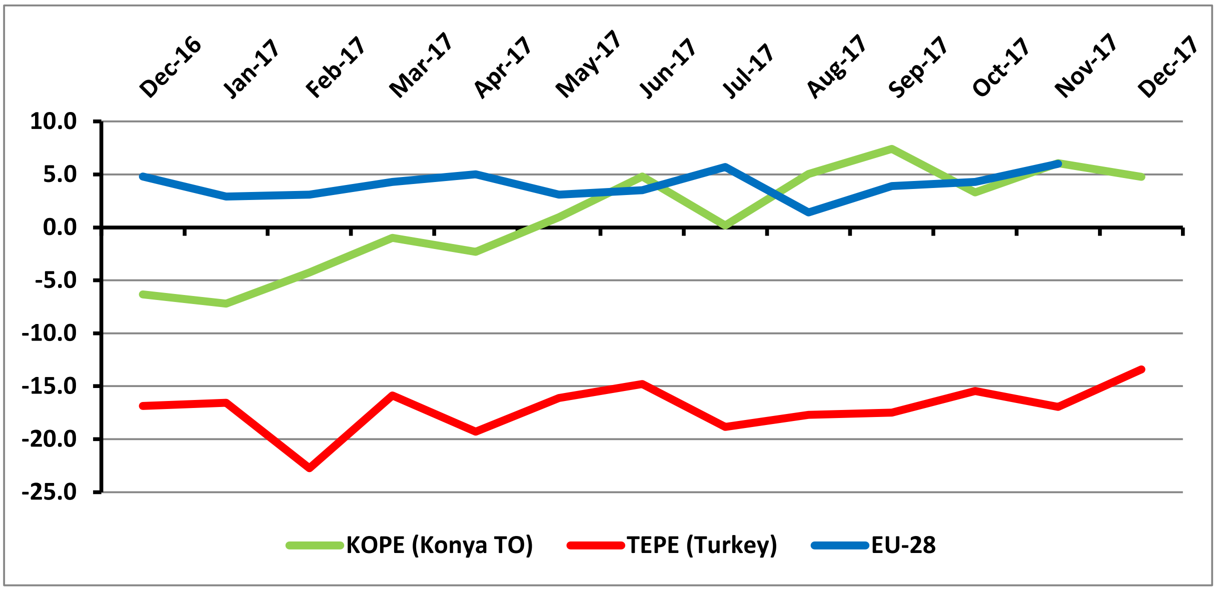



**Table-5.** Konya Retail Confidence Index

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2015** | -0.3 | 1.5 | -2.0 | -0.9 | 3.9 | 1.6 | 0.8 | 1.6 | -2.5 | 1.9 | 9.8 | 6.1 |
| **2016** | 2.4 | -1.9 | -4.2 | -2.2 | -2.4 | -2.6 | -1.6 | 2.5 | -1.0 | 0.2 | -4.2 | -6.3 |
| **2017** | -7.2 | -4.3 | -1.0 | -2.3 | 1.0 | 4.8 | 0.2 | 5.0 | 7.4 | 3.3 | 6.1 | 4.8 |