tepav

TEPAV Retail Confidence Index (TEPE)

NEWS BULLETIN

02.02.2018 # 97

2018 STARTS OFF WITH A DECLINE IN THE RETAIL CONFIDENCE

TEPE, which had been -17.1 points in 2017, was -15.1 points in January[1] 2018. The Index saw a decrease by 1.4 points compared to the previous month and an increase by 0.8 points compared to the same month of last year. The monthly decrease is attributed to the m-o-m decrease in the level of sales expectations for the coming 3 months. Expectations of orders, sales and employment in the coming 3 months have declined when compared to January 2017 and December 2017. "Furniture, lighting equipment and household articles" sector scored the highest y-o-y increase in retail confidence in January. Furthermore, when compared to the EU-28 and Eurozone, Turkey experienced a declining performance with respect to last year.

Retail confidence has declined compared to last month

TEPE, with -15.1 points in January 2018, saw an increase of 0.8 points when compared to the same month of last year and a decrease of 1.4 points when compared to the same month of last year. While the limited yearly increase in TEPE is attributed to the increase witnessed in business activities in the last 3 months despite the m-o-m decrease in the level of 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 (January 2017 – January 2018)[2]

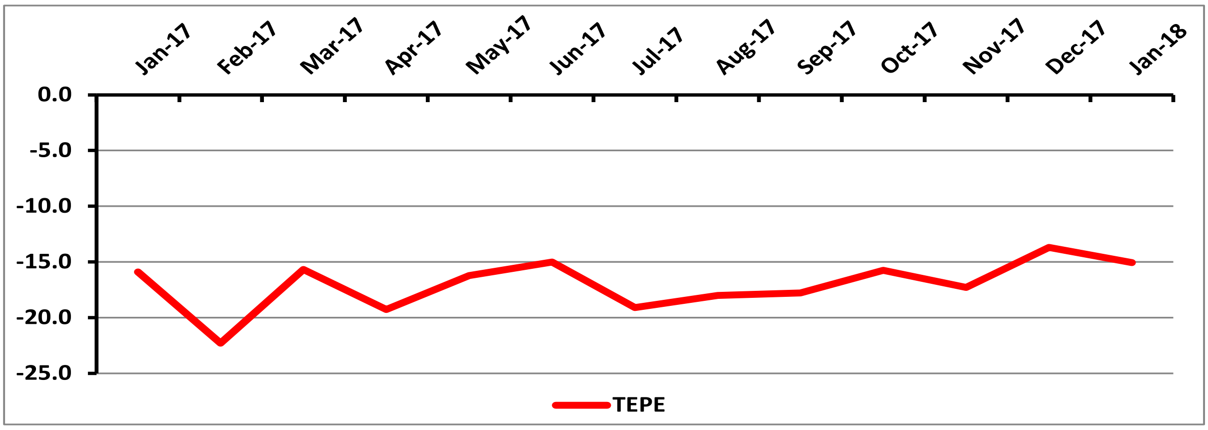


Table-1. TEPE, monthly

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2016	1.5	-6.0	-11.0	-5.2	-11.0	-12.0	-11.3	-8.0	-11.2	-16.5	-16.7	-17.0
2017	-15.9	-22.3	-15.7	-19.3	-16.2	-15.0	-19.1	-18.0	-17.8	-15.8	-17.3	-13.7
2018	-15.1											

[1] TEPE January 2018 surveys were conducted between 15-27 January.
[2] 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 -10.5 points in January 2018. Expectations decreased by 9.7 points m-o-m and by 3.3 points on y-o-y basis.

In January 2018**,** 23.1 percent of TEPE survey participants asserted that they expect an improvement in their business activities in the next 3 months while 39.2 percent stated that they expect deterioration. On the other hand, 37.7 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 (January 2017 – January 2018)

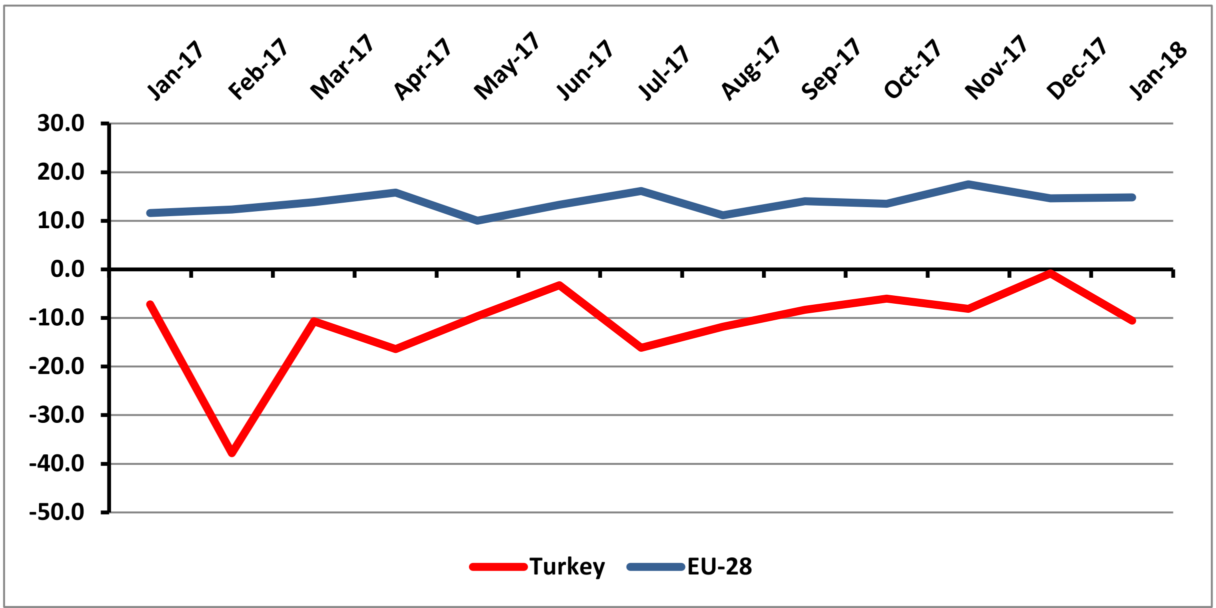


Table-2. Sales expectations for the next three months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2016	16.4	2.6	-1.6	9.9	2.4	2.1	-0.9	10.9	0.8	-7.9	-4.1	-14.4
2017	-7.2	-37.8	-10.7	-16.4	-9.7	-3.3	-16.2	-11.8	-8.3	-6.0	-8.1	-0.8
2018	-10.5											

The state of business has increased with respect to last year

The balance value of the volume of business activities was -36.3 points in January 2018. As the numbers suggest, the level of business activities witnessed an increase by 6.2 points when compared to December 2017 and by 5.6 points when compared to January 2017.

In January 2018, while 18.3 percent of TEPE survey participants stated that their business activities improved in comparison to the year before, 55.9 percent emphasized that they experienced deterioration. 25.8 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 (January 2017 – January 2018)

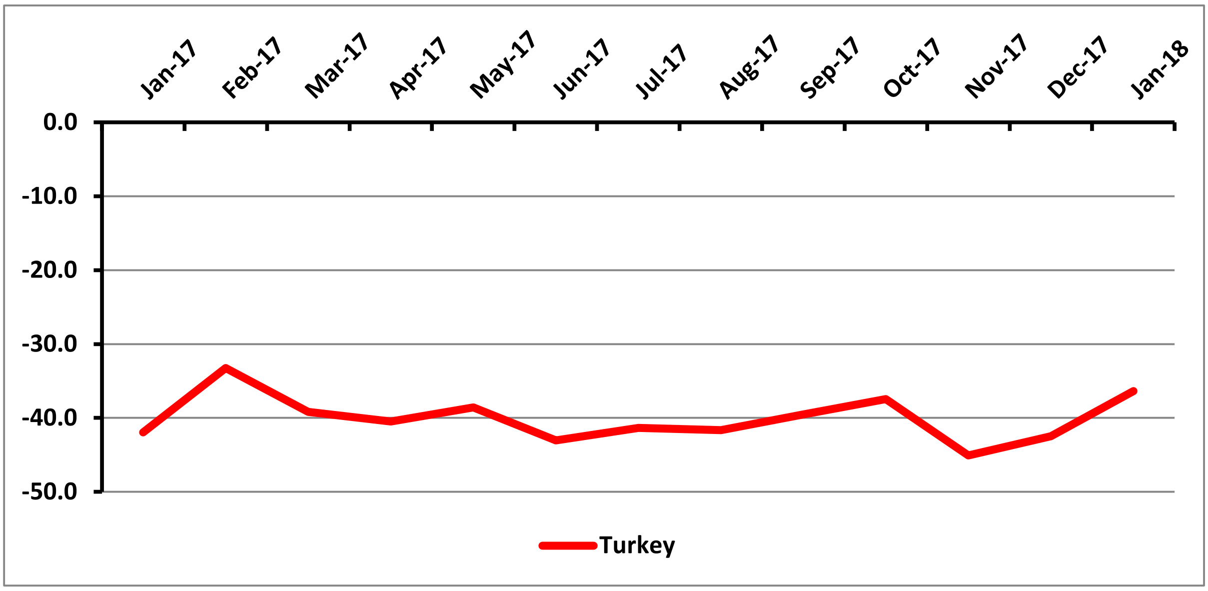


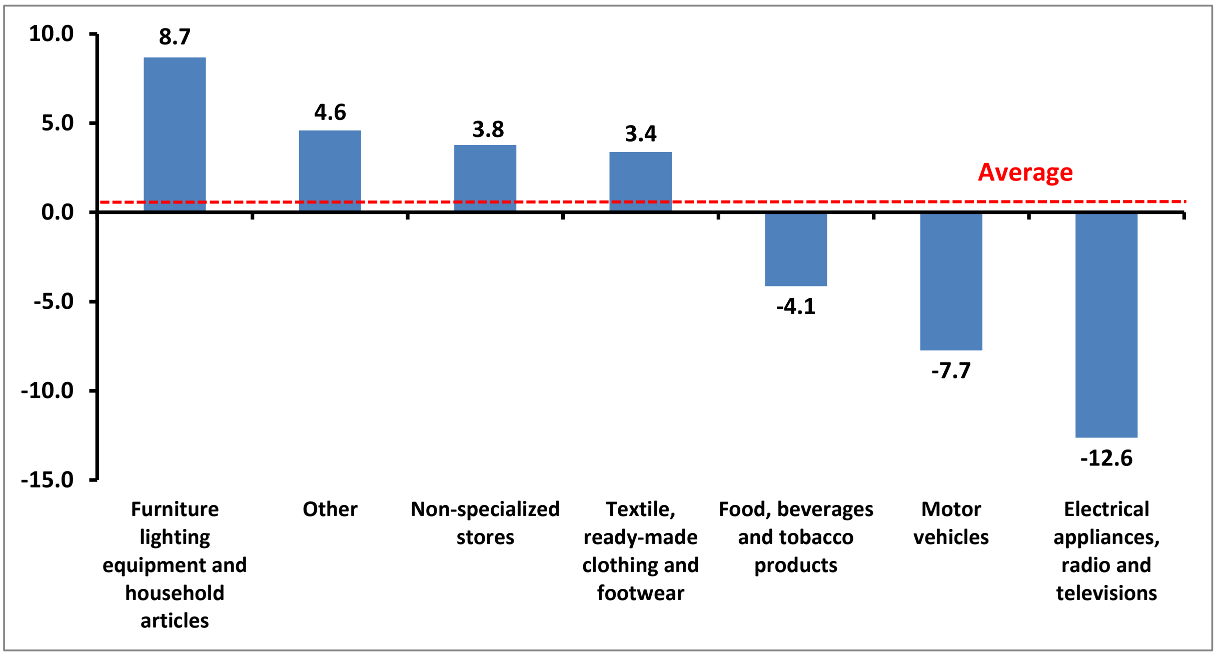
Table-3. Year-on-year change in business activities

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2016	-19.7	-29.2	-29.1	-15.3	-26.7	-36.8	-25.6	-32.5	-37.2	-41.7	-45.1	-47.5
2017	-41.9	-33.2	-39.2	-40.5	-38.6	-43.0	-41.4	-41.6	-39.5	-37.5	-45.1	-42.5
2018	-36.3											

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 January 2018, an increase was witnessed in the "furniture, lighting equipment and household articles", "other (gas station, pharmacy, perfumery, hardware, glassware, stationary etc.)", "non-specialized stores" and "textile, ready-made clothing and footwear" sectors on a y-o-y basis. The increase in these sectors is above the average increase witnessed in other sectors. "Food, beverages and tobacco products", "motor vehicles" and "electrical appliances, radio and televisions" sectors witnessed a decrease in January 2018. 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, January 2018 (point)



Expectations in the retail sector has decreased

Question-based assessments of TEPE survey results suggest that while the indicators on "business activity regarding the last 3 months", "expected sales price in the coming 3 months" and "anticipation for business recovery compared to last year" have all witnessed an increase when compared to both January 2017 and December 2017; "orders, sales and employment expectations in the coming 3 months" and "expected number of stores in the coming year" showed a decrease when compared to January 2017 and December 2017.

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

Questions	Index 01/2017	Index 12/2017	Index 01/2018	MoM Change 01/2018	YoY Change 01/2018
How has your business activity developed over the past three months?	-52.8	-47.7	**-45.2**	2.5	7.6
Do you consider the volume of inventories you currently hold be…? [3]	12.3	7.5	**10.5**	3.0	-1.8
How do you expect your orders placed with suppliers to change over the next 3 months?	-19.8	-17.1	**-21.8**	-4.7	-2.0
How do you expect your business activity (sales) to change over the next 3 months?	-7.2	-0.8	**-10.5**	-9.7	-3.3
How do you expect your firm's total employment to change over the next 3 months?	0.8	2.8	**-2.1**	-4.9	-2.9
How do you expect the prices you charge to change over the next 3 months?	35.6	32.3	**41.2**	8.9	5.6
How has your business activity developed this year compared to the same period in the last year?	-41.9	-42.5	**-36.3**	6.2	5.6
Do you expect an increase in the number of your stores next year?	6.1	4.8	**4.0**	-0.8	-2.1

[3] 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

The EU-28 Retail Confidence Index had a value of 3.9 in January 2018, with a recorded m-o-m decrease of 2.1 points. Index increased by 1.0 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 (January 2017 – January 2018)

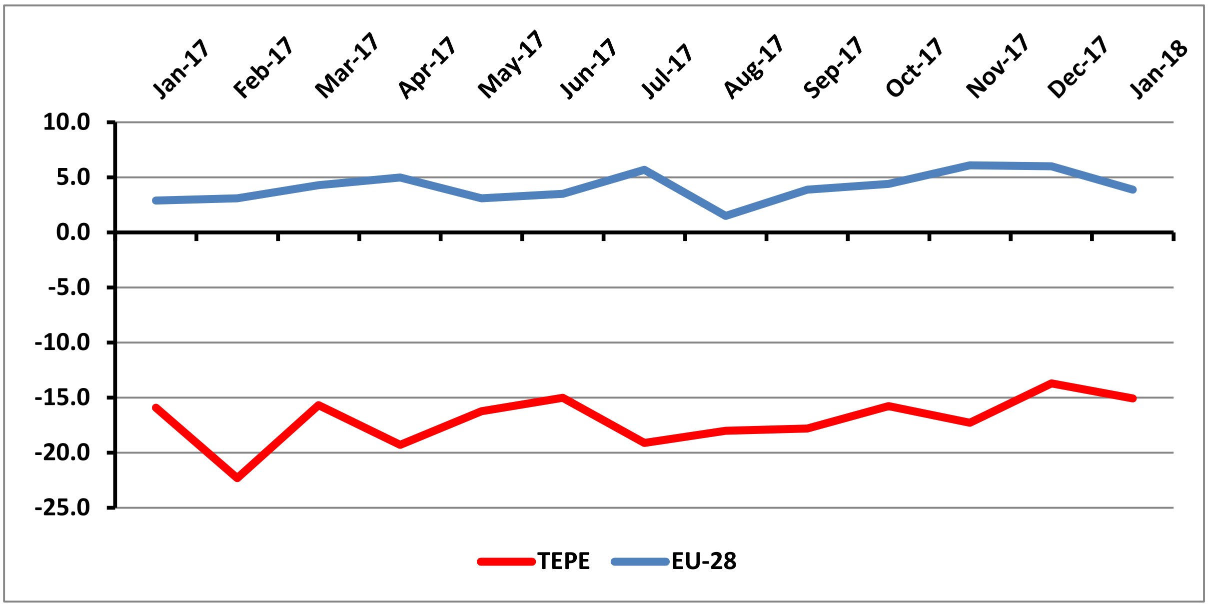


Table-5. EU-28

	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	3.9											

When compared to last year, Turkey performed worse 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 Slovenia witnessed the highest increase in y-o-y retail confidence. Slovenia was followed by Finland and Romania. On the other hand, Greece, UK, and Czech Republic, respectively, had the highest y-o-y decline in retail confidence. Furthermore, the highest m-o-m improvement in retail confidence was in the Denmark. In comparison to January 2017 figures, the EU-28 recorded an increase of 1.0 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 better than the EU-28 in m-o-m terms when compared to December 2017.

Table-6. Retail Confidence Index for EU-28 Countries and Turkey (Compared to January 2017 and December 2017)

Countries/ (Points)	Change in Retail Confidence Index Compared to January 2017 **	Change in Retail Confidence Index Compared to December 2017
Slovenia	20.0	6.3
Finland	19.0	-1.4
Romania	18.4	3.2
Malta	15.3	-2.9
Slovakia	10.6	4.5
Denmark	6.8	6.5
Italy	6.6	-1.0
Sweden	6.5	-1.5
Bulgaria	6.3	3.8
Serbia	4.9	-0.1
Germany	3.7	-1.7
Netherlands	3.5	1.6
Macedonia	3.5	-3.0
Estonia	3.2	5.4
Montenegro	3.2	-2.1
Latvia	3.0	2.2
Poland	2.9	-0.7
Eurozone-19	**2.7**	**-1.0**
Hungary	2.3	-5.0
Portugal	1.8	0.8
Croatia	1.8	-1.1
EU-28	**1.0**	**-2.1**
Turkey	**0.8**	**-1.4**
France	0.7	-2.2
Austria	0.2	-6.4
Belgium	-0.3	1.3
Cyprus	-1.0	-2.0
Lithuania	-1.1	0.8
Spain	-1.3	0.8
Czech Republic	-1.5	2.2
United Kingdom	-9.1	-8.1
Greece	-11.1	2.2

** As of July 2017, Eurostat includes Macedonia, Montenegro and Serbia as country data.*
*** Countries were ranked by the change in their performance compared to January 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 5.0 points, TEPE received an average value of -15.1 points in January. Furthermore, while, on average, KOPE saw an increase of 12.3 points on y-o-y basis, TEPE witnessed an increase of 0.8 points. On the other hand, KOPE saw an increase of 0.3 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 (January 2017 – January 2018)

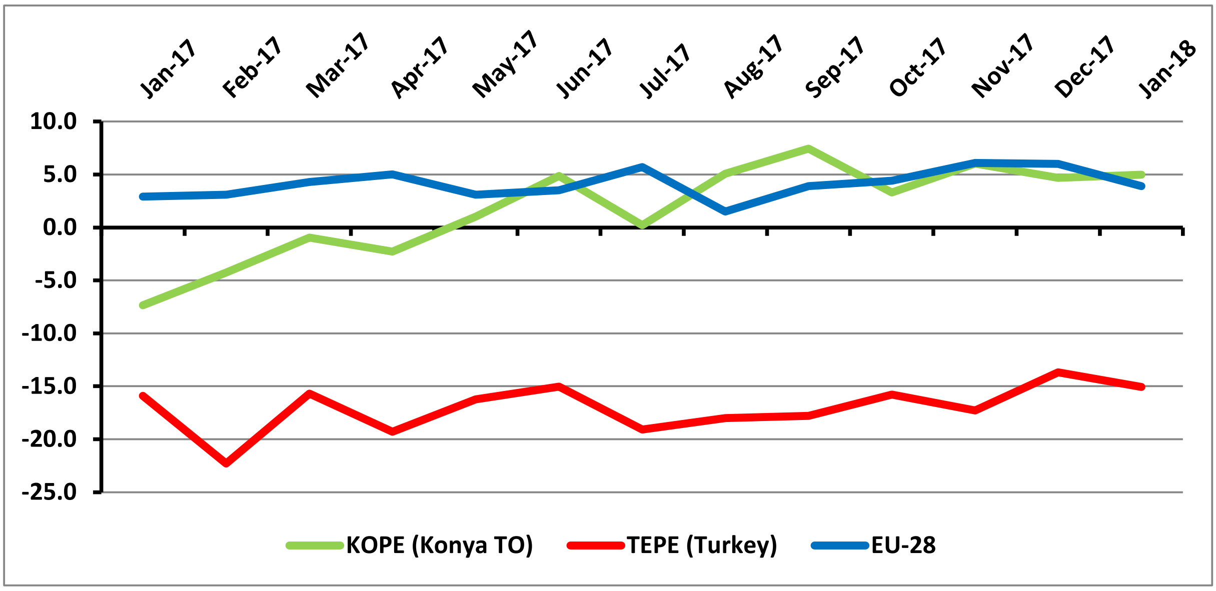


Table-7. Konya Retail Confidence Index

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2016	2.2	-1.9	-4.2	-2.2	-2.3	-2.6	-1.6	2.5	-1.0	0.2	-4.2	-6.4
2017	-7.3	-4.3	-1.0	-2.3	1.0	4.8	0.2	5.1	7.4	3.3	6.0	4.7
2018	5.0											