NEWS BULLETIN
02.03.2018 # 98

## RETAIL CONFIDENCE HAS RECOVERED IN FEBRUARY

Retail confidence which started 2018 off with a decline, has increased by 5.3 points compared to the previous month and by 15.5 points compared to the same period of the previous year and received -9.3 in February. The increase of m-o-m and y-o-y basis in TEPE is attributed to the increase witnessed in business activities in the last 3 months and the level of sales expectations for the coming 3 months. Expectations of orders, sales and employment in the coming 3 months have increased when compared to February 2017 and January 2018. “Electrical appliances, radio and televisions” sector has scored the highest y-o-y increase in retail confidence in February. Furthermore, when compared to the EU-28 and Eurozone, Turkey experienced a better performance with respect to that of last year.

### Retail confidence has increased compared to last month and last year

TEPE, with -9.3 points in February 2018, saw an increase of 15.5 points when compared to the same month of last year and an increase of 5.3 points when compared to the same month of last year. The increase of m-o-m and y-o-y basis in TEPE is attributed to the increase witnessed in business activities in the last 3 months and the level of sales expectations for the coming 3 months.

**Figure-1.** TEPE (February 2017 – February 2018)[1]

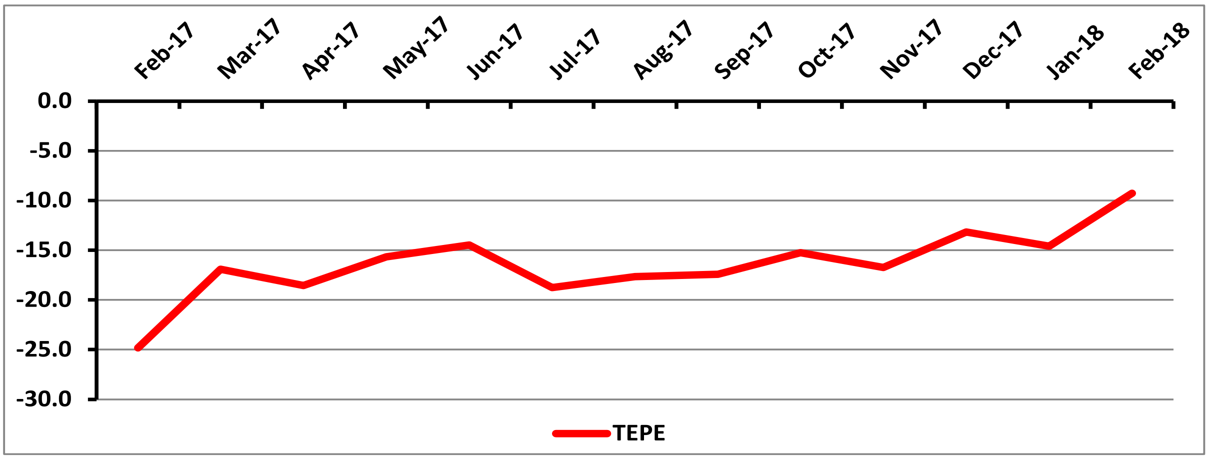



**Table-1.** TEPE, monthly

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2016** | 1.5 | -7.6 | -11.8 | -4.2 | -10.3 | -11.4 | -11.0 | -7.8 | -11.1 | -16.3 | -16.5 | -16.9 |
| **2017** | -15.7 | -24.8 | -16.9 | -18.5 | -15.7 | -14.5 | -18.8 | -17.6 | -17.4 | -15.3 | -16.7 | -13.2 |
| **2018** | -14.6 | -9.3 | | | | | | | | | | |

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

## Sales expectations of retailers have increased

The balance value of sales expectations for the next 3 months hit 1.0 points in February 2018. Expectations have increased by 10.1 points m-o-m and by 43.6 points on y-o-y basis.

In February 2018**,** 43.1 percent of TEPE survey participants asserted that they expect an improvement in their business activities in the next 3 months while 27.4 percent stated that they expect deterioration. On the other hand, 29.5 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 (February 2017 – February 2018)

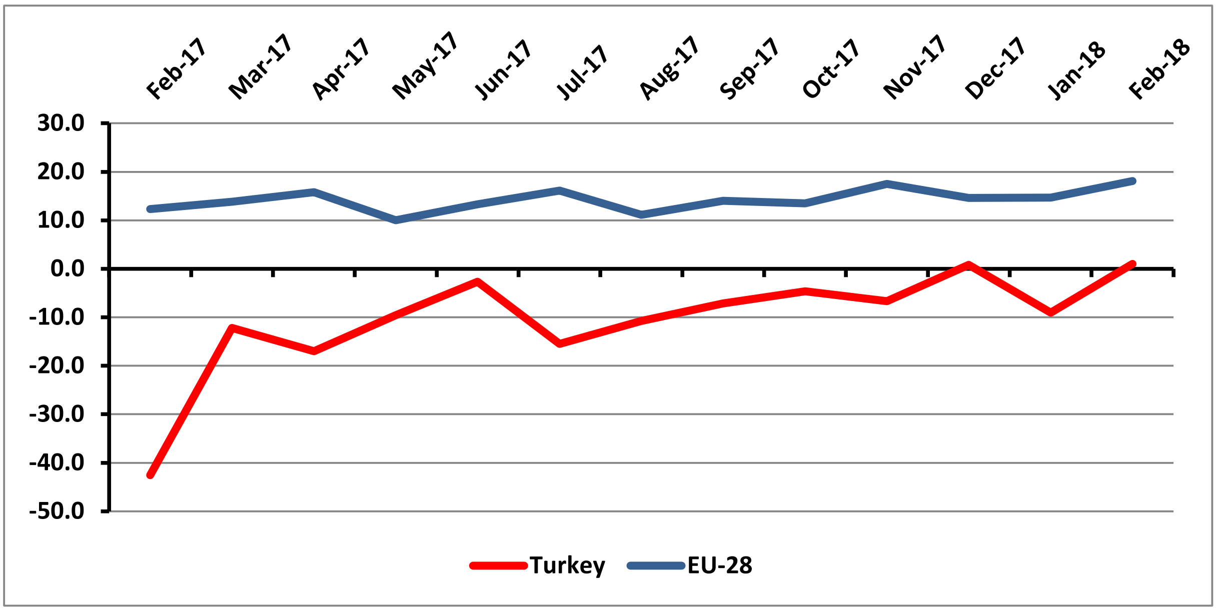



**Table-2.** Sales expectations for the next three months

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2016** | 17.0 | 0.0 | -2.4 | 9.6 | 2.6 | 2.5 | -0.4 | 11.6 | 1.4 | -7.2 | -3.3 | -13.5 |
| **2017** | -6.2 | -42.6 | -12.2 | -17.0 | -9.6 | -2.7 | -15.5 | -10.8 | -7.1 | -4.7 | -6.6 | 0.8 |
| **2018** | -9.1 | 1.0 | | | | | | | | | | |

## The state of business has increased with respect to last year

The balance value of the volume of business activities was -19.5 points in February 2018. As the numbers suggest, the level of business activities witnessed an increase by 18.1 points when compared to January 2018 and by 16.8 points when compared to February 2017.

In February 2018, while 26.7 percent of TEPE survey participants stated that their business activities improved in comparison to the year before, 46.2 percent emphasized that they experienced deterioration. 27.1 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 (February 2017 – February 2018)

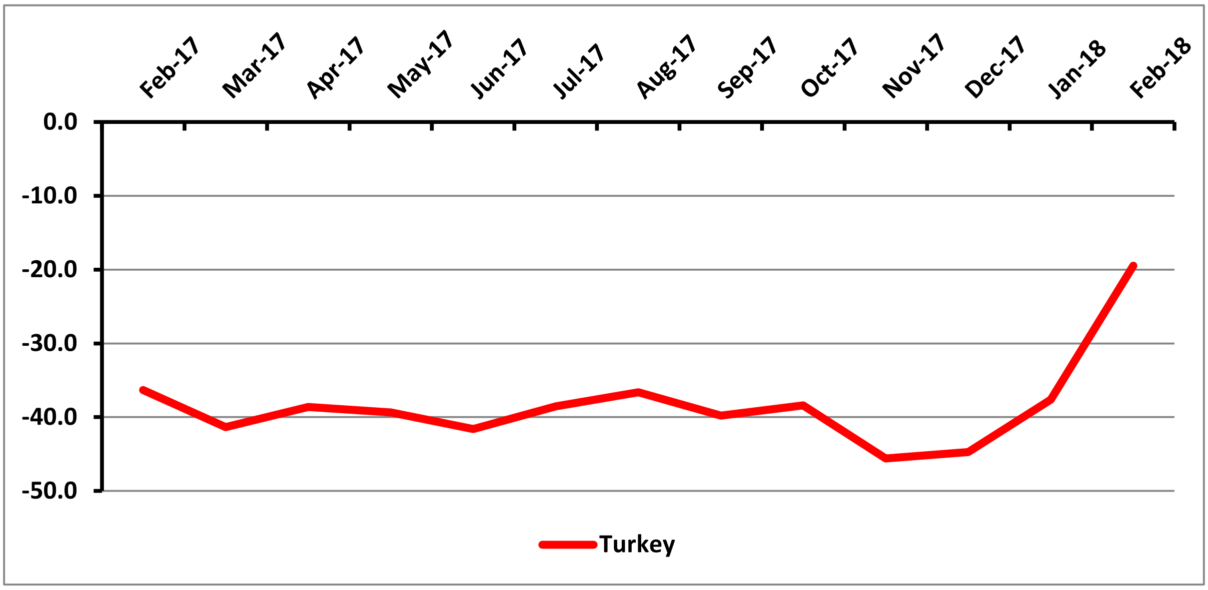


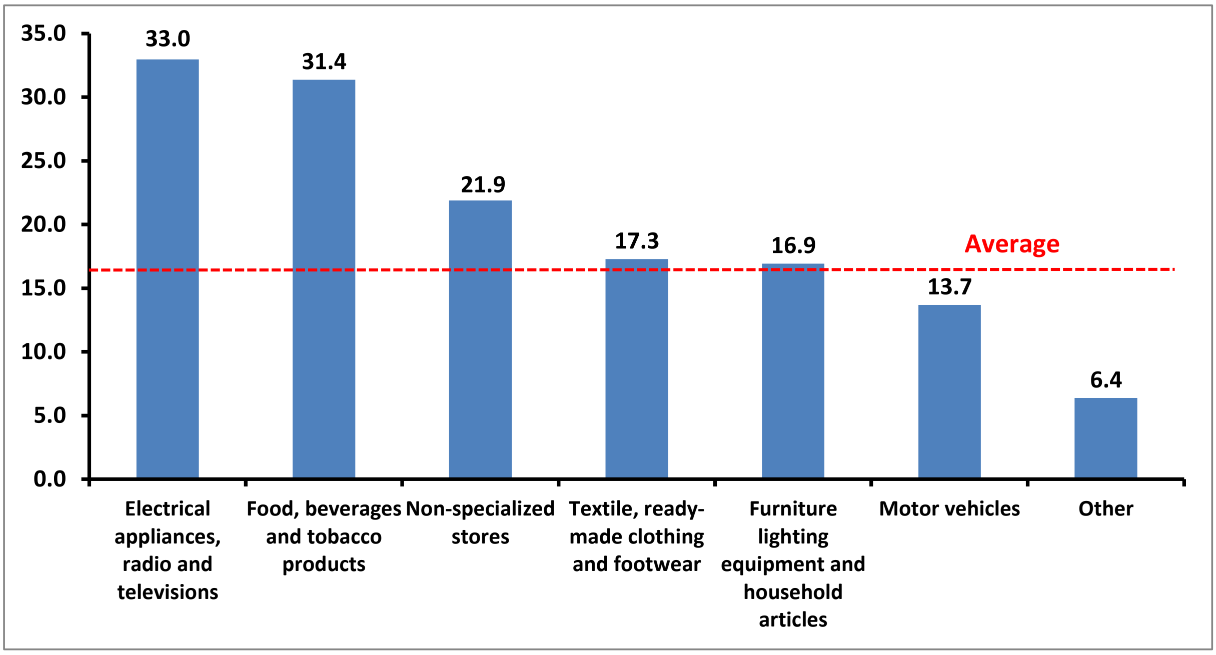

**Table-3.** Year-on-year change in business activities

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **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 |
| **2018** | -37.6 | -19.5 | | | | | | | | | | |

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

**Figure-4.** Year-on-year change in sectoral TEPE, February 2018 (point)



## Expectations in the retail sector has increased

In February 2018, question-based assessments of TEPE survey results suggest that the indicators of "business activity regarding the last 3 months", "orders, sales and employment expectations in the coming 3 months", "anticipation for business recovery compared to last year", and "expected number of stores in the coming year" showed an increase when compared to February 2017 and January 2018. "Expected sales price in the coming 3 months" showed an increase when compared to February 2017 and a decrease when compared to January 2018.

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

| Questions | Index 02/2017 | Index 01/2017 | Index 02/2018 | MoM Change 02/2018 | YoY Change 02/2018 |
|---|---|---|---|---|---|
| How has your business activity developed over the past three months? | -42.9 | -45.2 | **-40.6** | 4.6 | 2.3 |
| Do you consider the volume of inventories you currently hold be...? [2] | 11.0 | 10.5 | **11.7** | 1.2 | 0.7 |
| How do you expect your orders placed with suppliers to change over the next 3 months? | -28.7 | -21.8 | **5.5** | 27.3 | 34.2 |
| How do you expect your business activity (sales) to change over the next 3 months? | -42.6 | -9.1 | **1.0** | 10.1 | 43.6 |
| How do you expect your firm's total employment to change over the next 3 months? | -9.0 | -2.1 | **19.2** | 21.3 | 28.2 |
| How do you expect the prices you charge to change over the next 3 months? | 17.6 | 38.6 | **38.2** | -0.4 | 20.6 |
| How has your business activity developed this year compared to the same period in the last year? | -36.3 | -37.6 | **-19.5** | 18.1 | 16.8 |
| Do you expect an increase in the number of your stores next year? | 2.9 | 4.0 | **15.4** | 11.4 | 12.5 |

[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 has increased with respect to the previous month and last year

The EU-28 Retail Confidence Index had a value of 5.1 in February 2018, with a recorded m-o-m increase of 1.1 points. Index has increased by 2.0 points when compared to the same month of last year. During this period, Turkey performed better than the EU-28 and Eurozone in y-o-y terms.

**Figure-5.** TEPE and the EU-28 Retail Confidence Index (February 2017 – February 2018)

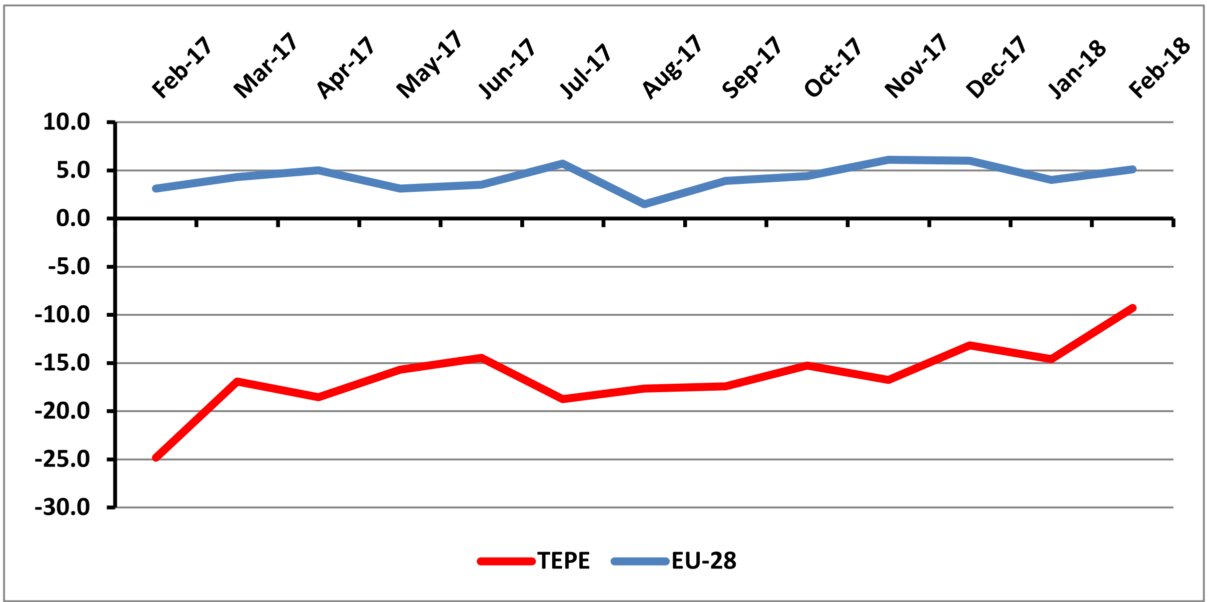



**Table-5.** EU-28

| | 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** | 4.0 | 5.1 | | | | | | | | | | |

## When compared to last year, Turkey performed better 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 Finland witnessed the highest increase in y-o-y retail confidence. Finland was followed by Slovakia and Turkey. On the other hand, Austria, United Kingdom, and Lithuania, respectively, had the highest y-o-y decline in retail confidence. Furthermore, the highest m-o-m improvement in retail confidence is witnessed in Finland. In comparison to February 2017 figures, the EU-28 recorded an increase of 2.0 points while the Eurozone recorded an increase of 2.5 points in the Retail Confidence Index. It appears that Turkey performed better than the Eurozone and the EU-28 in m-o-m terms when compared to January 2018.

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

| Countries/ (Points) | Change in Retail Confidence Index Compared to February 2017 ** | Change in Retail Confidence Index Compared to January 2018 |
|---|---|---|
| Finland | 28.6 | 15.5 |
| Slovakia | 19.6 | -0.3 |
| Turkey | 15.5 | 5.3 |
| Romania | 13.4 | -4.6 |
| Belgium | 8.1 | -0.5 |
| Malta | 7.7 | 7.3 |
| Croatia | 7.6 | 3.3 |
| Macedonia | 6.9 | 2.9 |
| Bulgaria | 5.8 | -2.1 |
| Sweden | 5.6 | 2.4 |
| Estonia | 5.3 | -1.9 |
| Serbia | 4.7 | -0.3 |
| Poland | 4.5 | 0.6 |
| Germany | 4.3 | -0.5 |
| Hungary | 4.2 | 4.4 |
| Cyprus | 3.7 | 0.6 |
| Denmark | 2.8 | -10.5 |
| Slovenia | 2.6 | -8.4 |
| Eurozone-19 | 2.5 | -0.9 |
| Spain | 2.5 | 1.7 |
| Montenegro | 2.2 | 0.2 |
| EU-28 | 2.0 | 1.1 |
| France | 1.1 | -0.5 |
| Greece | 0.9 | 1.0 |
| Portugal | 0.7 | -1.6 |
| Czech Republic | 0.7 | 1.9 |
| Latvia | 0.5 | 1.1 |
| Netherlands | 0.2 | -2.8 |
| Italy | -1.1 | -4.3 |
| Lithuania | -1.6 | 0.9 |
| United Kingdom | -2.0 | 10.3 |
| Austria | -6.5 | -5.3 |

** As of July 2017, Eurostat includes Macedonia, Montenegro and Serbia as country data.*
*** Countries were ranked by the change in their performance compared to February 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 0.2 points, TEPE received an average value of -9.1 points in February. Furthermore, while, on average, KOPE saw an increase of 4.3 points on y-o-y basis, TEPE witnessed an increase of 15.5 points. On the other hand, KOPE saw an decrease of 4.5 points on m-o-m basis. On average, Konya's retail sector performed worse than the EU-28 and better than Turkey.

**Figure-6.** Comparison of KOPE, TEPE and EU-28 Retail Confidence Index (February 2017 – February 2018)

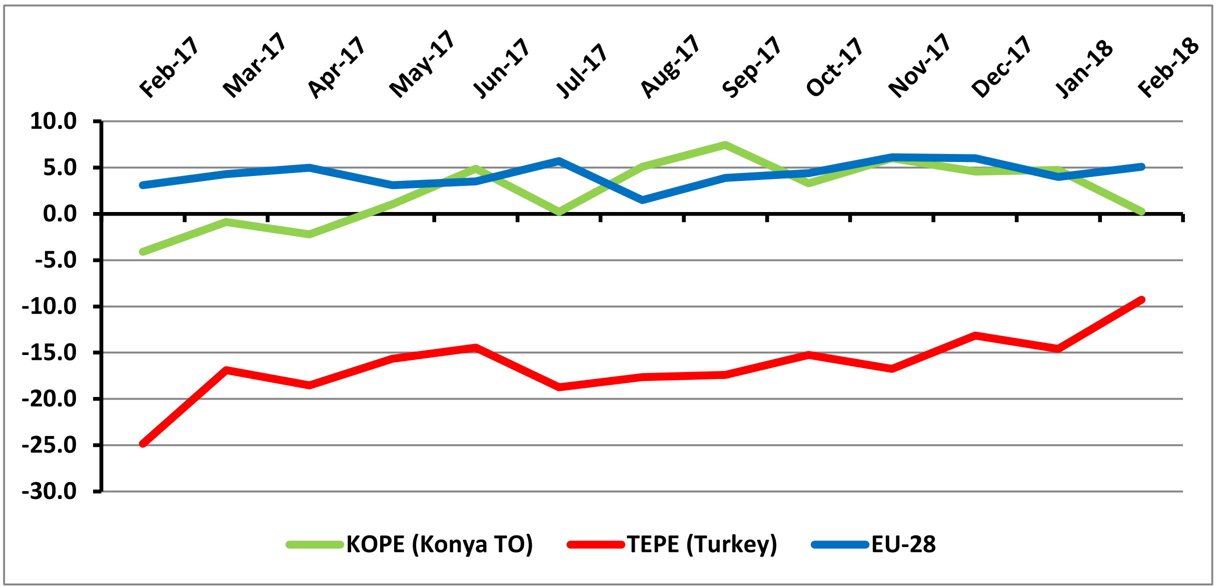



**Table-7.** Konya Retail Confidence Index

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2016** | 2.0 | -1.8 | -4.1 | -2.1 | -2.3 | -2.6 | -1.6 | 2.5 | -1.0 | 0.2 | -4.2 | -6.5 |
| **2017** | -7.6 | -4.1 | -0.9 | -2.2 | 1.0 | 4.9 | 0.2 | 5.1 | 7.4 | 3.3 | 6.0 | 4.6 |
| **2018** | 4.7 | 0.2 | | | | | | | | | | |