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TEPAV RETAIL CONFIDENCE INDEX (TEPE)

NEWS BULLETIN

06.08.2014 # 56

RAMADAN AND FESTIVAL BOLSTER RETAIL CONFIDENCE

In July 2014, TEPE increased month-on-month but decreased year-on-year. All retail subsectors weakened year-on-year whereas indicators and some expectations strengthened month-on-month with Ramadan and Festival effects. As a result, TEPE broke the downwards cycle after 3 months of decline. Retail confidence in the EU-28 declined month-on-month.

Retail confidence up after 3-month decline:

TEPE which has been declining since April demonstrated a slight upwards move in July. With a value of -7.6, TEPE increased month-on-month by 3.4 points but decreased year-on-year by 7.7 points. The year-on-year decline was driven by the weakening of business activities compared to past 3 months and of the expectations for sales in the next 3 months. The month-on-month increase was stimulated by the surge in business activities compared to past 3 months and of the expectations for sales in the next 3 months.

Figure-1. TEPE (July 2013 – July 2014)

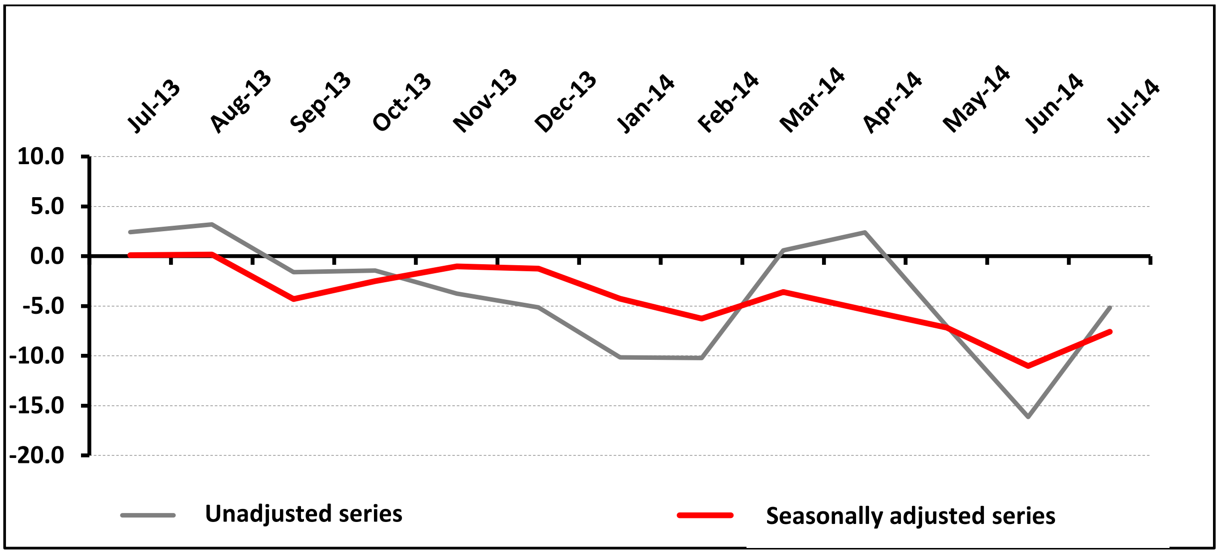


Table-1. TEPE (Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2012	-2.8	-1.1	-2.2	-6.8	-2.5	-5.6	-5.5	-5.6	-3.2	-2.4	-4.0	-4.0
2013	-2.4	-2.7	-2.5	2.0	-1.9	1.4	0.1	0.2	-4.3	-2.5	-1.0	-1.3
2014	-4.3	-6.3	-3.6	-5.4	-7.2	-11.0	-7.6					

Forty-five percent of retailers expect sales to increase:

In July 2014 45 percent of TEPE survey participants declared that they expected business activities to improve in the next 3 months while 22.2 percent expect business activities to decline. 32.8 percent of the participants do not expect business activities.

Sales expectations surged in July after a 7-month stagnation. The balance value of the expectations for the next three months was 17.4 points. Sales expectations for the next 3 months declined year-on-year by 8.3 points and increased month-on-month by 5.1 points.

Figure-2. Expectations for the next three months (%increase-%decrease) (July 2013 – July 2014)

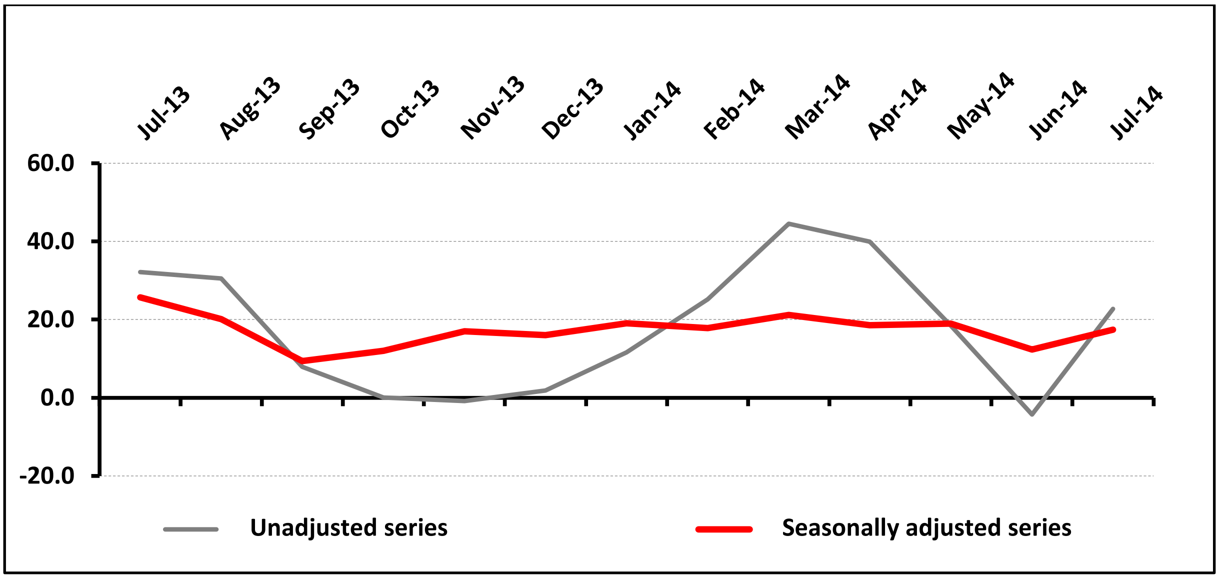


Table-2. Expectations for the next three months (%increase-%decrease) (Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2012	10.1	14.4	12.0	7.8	7.3	9.6	4.9	7.7	13.6	18.0	10.7	14.6
2013	11.3	10.5	13.8	18.7	17.0	21.9	25.7	20.1	9.4	12.0	17.0	16.0
2014	19.1	17.9	21.2	18.6	19.0	12.3	17.4					

Anticipation for business recovery up first time in 7 months:

In July 2014, 18.8 percent of TEPE survey participants declared an improvement in their business activities compared to the year before while 57.2 percent declared deterioration. 24.1 percent of the participants declared that business activities did not change compared to July 2013.

The balance value of the volume of business activities in July 2014 compared to the same period in the previous year was minus 46.5 points, showing increase for the first time since December 2013. The level of business activities compared to the previous year therefore increased by 7 points compared to June 2014 and declined by 22.1 points compared to July 2013.

Figure-3. Year-on-year change in business activities (%increase- %decrease) (July 2013 – July 2014)

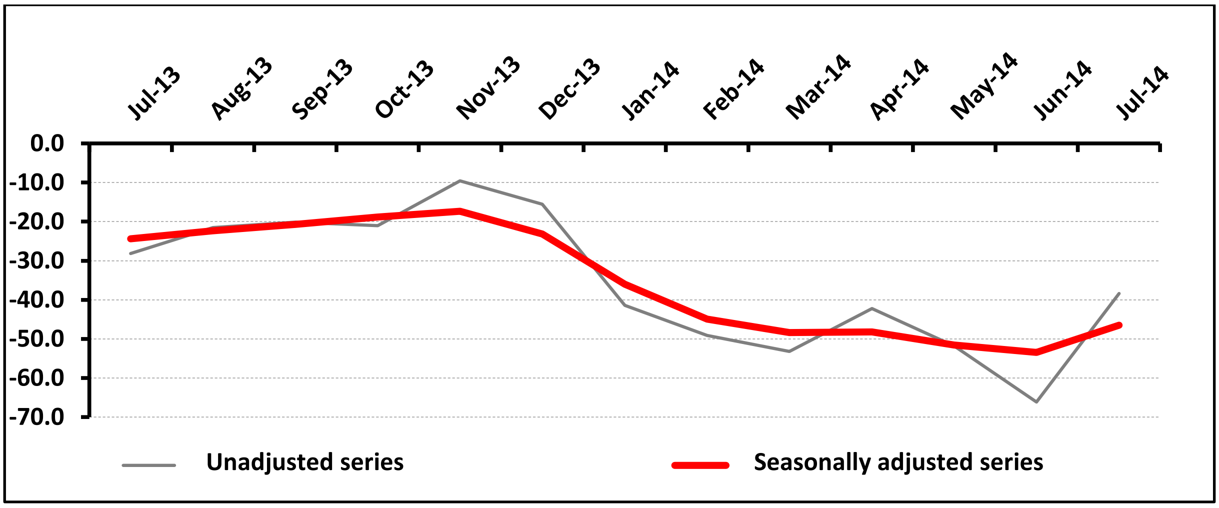


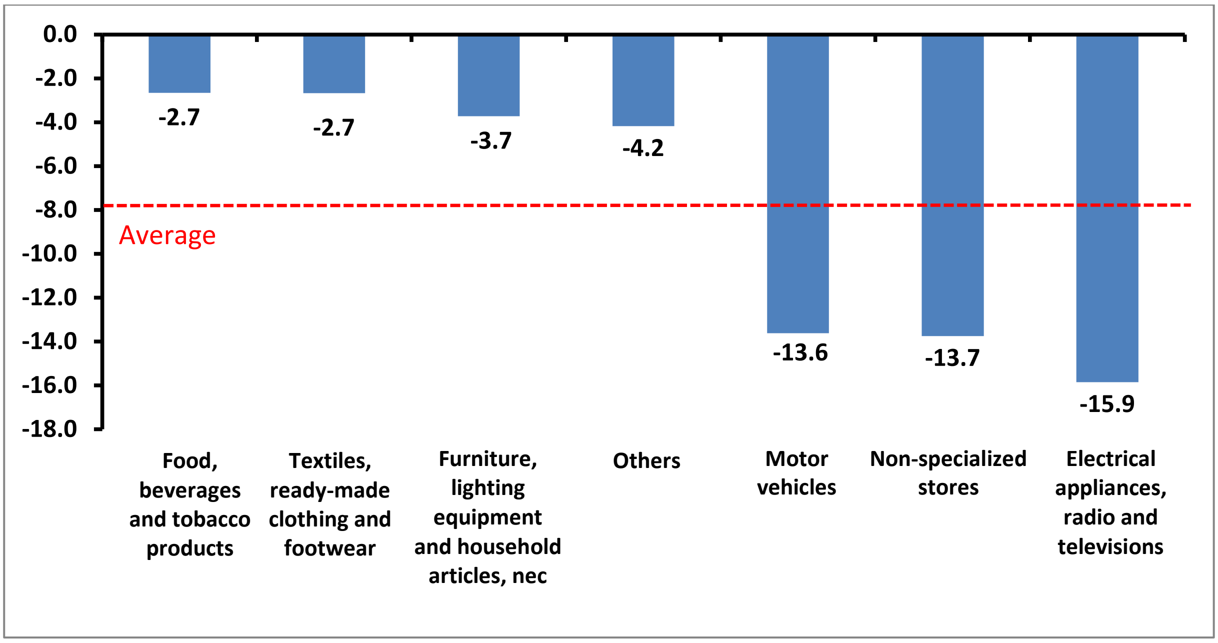
Table-3. Year-on-year change in business activities (%increase- %decrease) (Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2012	-30.1	-32.9	-31.9	-29.9	-29.5	-29.1	-28.2	-26.9	-23.2	-23.4	-23.8	-23.0
2013	-24.5	-25.2	-25.0	-25.3	-24.9	-23.7	-24.4	-22.3	-20.7	-18.8	-17.4	-23.2
2014	-36.0	-44.9	-48.4	-48.2	-51.6	-53.5	-46.5					

Retail confidence tapers off in all sub-sectors:

All retail sub-sectors declined year-on-year in July 2014. The decline was less than the average in the food, beverages, and tobacco products, textiles, ready-made clothing, and footwear, furniture, lighting equipment and household articles, and “others” (gas station, pharmacy, perfumery, hardware, glassware, stationery etc) sector. It was above the average in the motor vehicles, non-specialized stores sectors, and the electrical appliances, radio, and televisions sector sectors with the last one demonstrating the sharpest decline.

Figure-4. Year-on-year change in TEPE, July 2014 (points) (Seasonally adjusted series)



Business activity compared to past months increases month-on-month:

Question-based assessment of the TEPE survey results indicates that compared to June 2014, all expectations and conditions deteriorated except the expectations for sales prices and employment in the next 3 months. Compared to July 2013, all indicators weakened except the expectations for sales prices in the next 3 months. The retail sector improved month-on-month but weakened year-on-year.

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

Questions	Index 07/2013	Index 06/2014	Index 07/2014	MoM Change 07/2014	YoY Change 07/2014
How has your business activity developed over the past three months?	-36.9	-53.2	**-48.5**	4.7	-11.6
Do you consider the volume of inventories you currently hold to be...? [1]	11.0	9.3	**10.3**	1.0	-0.7
How do you expect your orders placed with suppliers to change over the next 3 months? They will...	12.0	-0.3	**0.0**	0.3	-12.0
How do you expect your business activity (sales) to change over the next 3 months? It will...	25.7	12.3	**17.4**	5.1	-8.3
How do you expect your firm's total employment to change over the next 3 months? It will...	4.9	1.1	**0.8**	-0.3	-4.1
How do you expect the prices you charge to change over the next 3 months? They will...	19.3	39.0	**31.6**	-7.4	12.3
How has your business activity developed this year compared to the same period in the last year? It has...	-24.4	-53.5	**-46.5**	7.0	-22.1
Do you expect an increase in the number of your stores next year?	11.3	1.3	**7.1**	5.8	-4.2

[1] 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 downs month-on-month across the EU:

The EU-28 Retail Confidence Index had a value of 2 in July 2014, demonstrating a month-on-month decline by 1 point and a year-on-year improvement by 8.9 points. Compared to the EU-28 and the Eurozone, Turkey performed worse concerning year-on-year change, and better concerning month-on-month change. Turkey was one of the three countries that had the sharpest decline in retail confidence across the EU-28.

Figure-5. TEPE and the EU-28 Retail Confidence Index (July 2013 – July 2014)

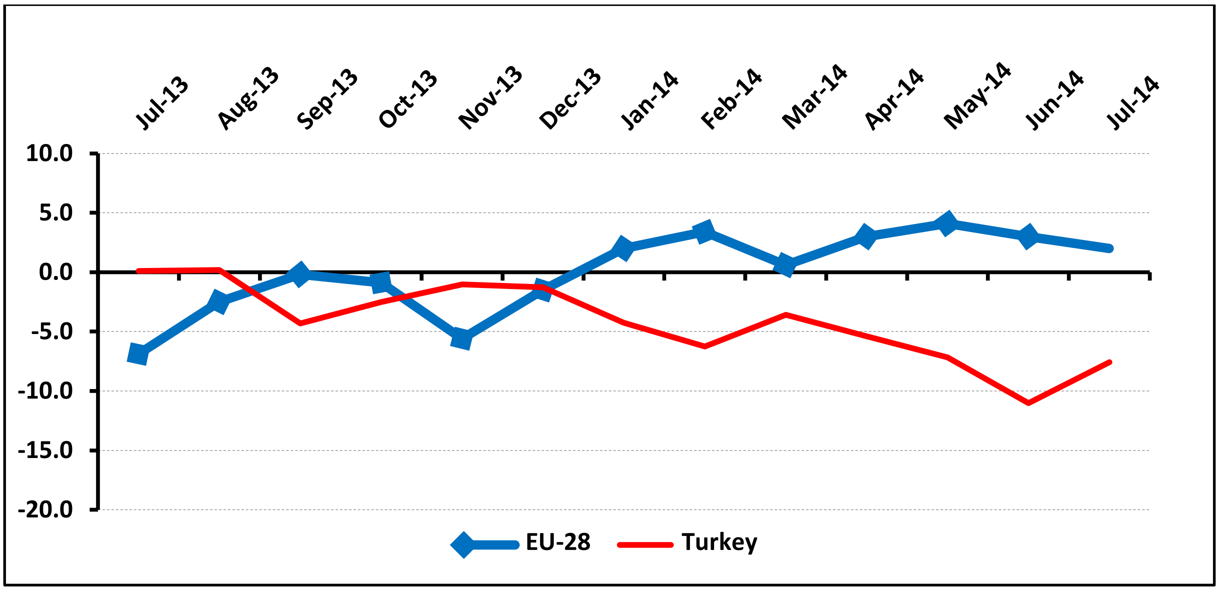


Table-5. EU-28 (Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2012	-13.8	-11.6	-11.0	-8.1	-14.2	-9.6	-9.9	-13.1	-14.9	-12.6	-8.7	-10.1
2013	-9.1	-10.0	-12.6	-13.6	-11.9	-10.1	-6.9	-2.5	-0.2	-0.9	-5.6	-1.5
2014	2.0	3.4	0.6	3.0	4.1	3.0	2.0					

Eurozone outperforms the EU in retail confidence:

Greece had the highest year-on-year improvement in retail confidence in July. Greece was followed by Italy, Sweden, Southern Cyprus, and Spain. The highest month-on-month increase was in Slovenia and Romania. The EU-28 was outperformed by Eurozone compared in terms of both year-on-year and month-on-month change in retail confidence.

Table-6. Retail Confidence Index for EU-28 Countries and Turkey
(Compared to July 2013 and June 2014) (Seasonally adjusted series)

Countries/ (Points)	Change in Retail Confidence Index Compared to July 2013 *	Change in Retail Confidence Index Compared to June 2014
Greece	25.8	2.3
Italy	20.8	1.0
Sweden	17.4	0.2
Southern Cyprus	16.0	-0.4
Spain	15.3	0.0
Portugal	14.4	-0.7
Hungary	12.9	-0.8
France	12.5	4.3
The Netherlands	11.5	3.9
Eurozone-18	**11.2**	**-0.6**
Czech Republic	9.5	1.9
EU-28	**8.9**	**-1.0**
Poland	6.4	-1.6
Germany	5.8	-5.2
Lithuania	5.6	2.2
Slovakia	5.5	-2.1
Latvia	5.3	2.5
Romania	5.1	4.4
Belgium	4.7	-10.2
Estonia	1.6	-2.7
Austria	1.2	0.3
The United Kingdom	1.1	-1.9
Bulgaria	0.1	-3.3
Slovenia	-1.3	14.1
Croatia	-3.6	-0.4
Turkey	**-7.7**	**3.4**
Finland	-9.0	-5.5
Denmark	-11.1	-9.3

*** Countries were ranked by the change in their performance compared to July 2013.**

Konya's retail confidence index up month-on-month and year-on-year:

In the context of the Konya Province Retail Confidence Index (KOPE) carried out in cooperation by Konya Chamber of Commerce (KTO) and the Economic Policy Research Foundation of Turkey (TEPAV), face-to-face interviews with 300 retailers from Konya have been carried out on a monthly basis since February 2012.

In July, KOPE had a value of 6 compared to TEPE at -5.2. Konya's retail sector which remained in the negatives since November moved up to the positives in June and maintained the upwards trend in July. KOPE improved year-on-year by 7 points compared to TEPE that declined by 7.6 points. KOPE also improved month-on-month by 3.7 points. Konya's retail sector performed better than overall Turkey and the EU-28. The improvement was driven by the increase in business activities compared to past 3 months.

The anticipation for business recovery increased year-on-year while the expectations for orders, sales, employment and the number of stores declined year-on-year.

Figure-6. Comparison of KOPE, TEPE and EU-28 Retail Confidence Index (Unadjusted series) (July 2013 - July 2014) (Unadjusted series)

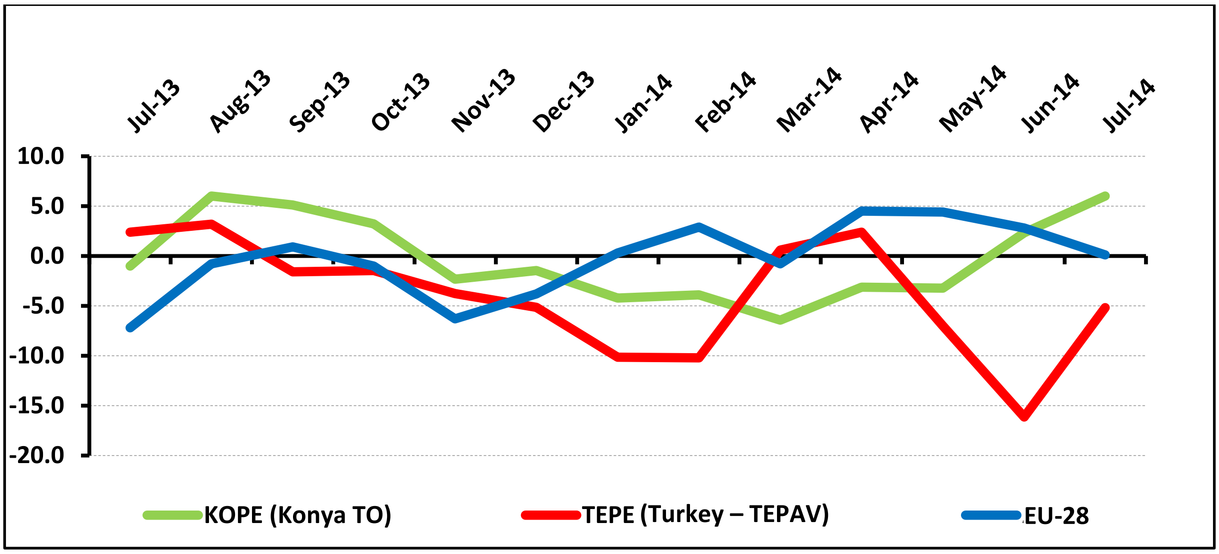


Table-7. Konya Retail Confidence Index (Unadjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2012	---	0.6	2.7	7.9	2.6	1.0	-3.4	4.9	-1.8	-4.1	-6.6	-9.4
2013	-3.6	2.6	4.9	5.9	1.3	-1.0	-1.0	6.0	5.1	3.2	-2.3	-1.4
2014	-4.2	-3.9	-6.4	-3.1	-3.2	2.3	6.0					