

METHODOLOGICAL DOCUMENT RELATED MAIN REVISION ON ECONOMIC CONFIDENCE INDEX

Introduction

Economic confidence index is a leading and composite indicator, encapsulating and summarizing broadly the decisions, evaluations, expectations and tendencies of both supply-side and demand-side (producers and consumers) actors of the economy on general economic situation.

Index is a stimulative indicator hence it provides earlier information than widespread used economic indicators such as gross domestic product (GDP), employment and industrial production. Index is also used as a guide to develop and monitor economy policies and point out potential risks of the economic situation.

Economic confidence index is the weighted average of standardized balance values of the components that consists of consumer confidence, seasonally adjusted real sector (manufacturing industry), services, retail trade and construction sectors confidence indices.

Table 1. Sectoral indices and sub-indices of economic confidence index

Publisher	Confidence indices	Sub-indices	Starting period of index
TurkStat	Consumer confidence index	Financial situation expectation of household (over the next 12 months)	January 2007
		General economic situation expectation (over the next 12 months)	January 2007
		Number of people unemployed expectation (over the next 12 months)	January 2007
		The probability of saving (over the next 12 months)	January 2007
CBRT (Central Bank of the Republic of Turkey)	Real sector (manufacturing industry) confidence index	Total amount of orders (current situation)	January 2007
		Amount of stocks of finished goods (current situation)	January 2007
		Volume of output (next 3 months)	January 2007
		Total employment (next 3 months)	January 2007
		Total amount of orders (past 3 months)	January 2007
		Export orders (next 3 months)	January 2007
		Fixed investment expenditure	January 2007
		General business situation	January 2007
TurkStat	Services confidence index	Business situation (over the past 3 months)	January 2011
		Demand-turnover (over the past 3 months)	January 2011
		Demand-turnover expectation (over the next 3 months)	January 2011
TurkStat	Retail trade confidence index	Business activity-sales (over the past 3 months)	January 2011
		Current volume of stock	January 2011
		Business activity-sales expectation (over the next 3 months)	January 2011
TurkStat	Construction confidence index	Current overall order books	January 2011
		Total employment expectation (over the next 3 months)	January 2011

Weights of the sectors, which are equally distributed to their sub-indices, are as below;

- Consumer :20%
- Real sector (manufacturing industry) :40%
- Services :30%
- Retail trade : 5%
- Construction : 5%

Turkish Statistical Institute has begun to release economic confidence index since January 2015 and continues to release at the end of every month as a serial starting from January 2007.

Reasons of the main revision

The reason for the revision of economic confidence index is the revision of real sector confidence index due to the change of the weighting method for the period of January 2007 - March 2017 by CBRT. As shown at Table 1, 8 sub-indices of real sector confidence index are among the 20 sub-indices used at the calculation of economic confidence index. Information about revision made by CBRT can be reached at CBRT web site (<http://www.tcmb.gov.tr/>).

Backcasting of Economic Confidence Index

Economic confidence index is calculated with the sub-indices series of consumer confidence index, seasonally adjusted services, retail trade and construction sectors confidence indices released by TurkStat and the sub-indices series of seasonally adjusted real sector confidence index released by CBRT.

Economic confidence index is calculated full-compatible with the Joint Harmonized EU Programme of Business and Consumer Surveys since it's first release. There are no difference at the calculation and weighting method of the index. The same calculation method, same weights and same sub-indices series are used at the calculation of revised economic confidence index series.

The only reason for the difference of the revised economic confidence index is the use of sub-indices of seasonally adjusted real sector confidence index which are revised by CBRT for January 2007 - March 2017 period released at April 2017.

The Length of the Main Revision

The revision process begins at January 2007 up to March 2017.

The Depth of the Main Revision

The revision process is made for economic confidence index serial.

Impacts of the Main Revision

Table 2 and Graphic 1 displaying the effects of the revision of economic confidence index serial are below.

Considering Table 2, new economic confidence index serial has 0.61% average absolute revision compared to the old serial. Graphic 1 shows the little differences between two series.

Table 2. Main revision effects in economic confidence index

Year	Month	Old serial	New serial	Absolute revision (%)	Year	Month	Old serial	New serial	Absolute revision (%)
2007	January	113.0	112.2	0.76	2012	July	105.8	106.7	0.86
2007	February	110.9	109.7	1.08	2012	August	102.8	103.4	0.59
2007	March	109.7	110.0	0.25	2012	September	102.1	102.1	0.04
2007	April	110.2	111.2	0.87	2012	October	101.2	100.9	0.26
2007	May	105.2	105.9	0.68	2012	November	100.5	100.7	0.20
2007	June	107.8	109.1	1.22	2012	December	100.3	100.3	0.04
2007	July	108.7	110.4	1.62	2013	January	102.1	102.1	0.00
2007	August	111.7	113.1	1.28	2013	February	104.9	104.4	0.53
2007	September	109.9	111.8	1.68	2013	March	105.3	104.9	0.34
2007	October	109.4	109.0	0.33	2013	April	104.3	104.2	0.10
2007	November	107.7	108.2	0.42	2013	May	104.7	105.1	0.36
2007	December	109.4	109.7	0.25	2013	June	103.4	104.2	0.77
2008	January	107.2	106.9	0.22	2013	July	103.3	103.4	0.16
2008	February	103.7	103.2	0.52	2013	August	104.1	104.2	0.18
2008	March	98.3	98.9	0.59	2013	September	103.0	102.0	1.05
2008	April	92.0	92.9	0.92	2013	October	105.8	105.0	0.77
2008	May	90.7	91.1	0.42	2013	November	106.4	104.5	1.82
2008	June	89.4	90.4	1.13	2013	December	104.4	102.5	1.85
2008	July	88.4	89.6	1.39	2014	January	102.0	99.8	2.15
2008	August	90.6	92.3	1.79	2014	February	98.8	97.1	1.77
2008	September	85.2	87.8	2.92	2014	March	99.3	98.4	0.94
2008	October	74.4	74.3	0.13	2014	April	100.8	100.2	0.55
2008	November	61.3	62.0	1.10	2014	May	100.1	100.2	0.17
2008	December	64.7	64.2	0.71	2014	June	99.6	99.6	0.08
2009	January	67.2	66.2	1.41	2014	July	98.2	97.7	0.49
2009	February	71.1	69.6	2.09	2014	August	99.6	98.9	0.71
2009	March	70.9	72.0	1.61	2014	September	102.0	101.3	0.76
2009	April	83.9	85.6	1.92	2014	October	101.1	100.8	0.35
2009	May	93.7	94.6	0.99	2014	November	97.5	96.3	1.24
2009	June	96.5	96.4	0.08	2014	December	98.6	97.6	1.01
2009	July	96.6	96.8	0.24	2015	January	98.8	98.6	0.16
2009	August	95.5	95.8	0.40	2015	February	98.8	99.2	0.41
2009	September	94.2	95.2	0.99	2015	March	95.6	95.6	0.08
2009	October	94.6	94.6	0.03	2015	April	95.8	96.7	0.92
2009	November	94.7	93.7	1.05	2015	May	96.2	97.0	0.82
2009	December	96.3	94.9	1.52	2015	June	95.5	95.6	0.11
2010	January	100.5	99.1	1.46	2015	July	96.5	96.3	0.22
2010	February	100.5	99.0	1.47	2015	August	95.4	95.3	0.04
2010	March	104.6	103.2	1.33	2015	September	90.7	90.4	0.36
2010	April	106.8	107.0	0.17	2015	October	94.0	93.3	0.75
2010	May	104.5	104.3	0.19	2015	November	102.6	101.7	0.93
2010	June	104.6	104.7	0.04	2015	December	100.7	99.9	0.77
2010	July	105.2	104.7	0.54	2016	January	95.3	95.6	0.27
2010	August	106.5	105.7	0.70	2016	February	90.3	90.2	0.15
2010	September	107.9	108.2	0.30	2016	March	93.1	93.4	0.26
2010	October	107.3	107.3	0.00	2016	April	91.0	90.9	0.11
2010	November	109.6	109.3	0.22	2016	May	94.1	93.8	0.23
2010	December	110.1	110.2	0.01	2016	June	94.8	94.7	0.10
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2011	March	112.9	112.7	0.10	2016	September	97.0	97.0	0.00
2011	April	112.2	112.7	0.46	2016	October	94.4	95.0	0.56
2011	May	112.3	112.8	0.47	2016	November	95.1	95.5	0.42
2011	June	113.6	114.1	0.36	2016	December	89.2	89.5	0.25
2011	July	112.5	112.4	0.10	2017	January	85.7	85.9	0.18
2011	August	108.1	108.3	0.17	2017	February	91.5	91.5	0.07
2011	September	111.4	111.6	0.15	2017	March	96.1	96.0	0.07
2011	October	106.2	106.9	0.61					
2011	November	107.9	108.1	0.19					
2011	December	107.1	108.1	0.89					
2012	January	105.8	106.1	0.31					
2012	February	105.3	106.2	0.91					
2012	March	107.1	106.8	0.28					
2012	April	105.8	105.6	0.18					
2012	May	106.3	106.5	0.16					
2012	June	104.2	104.2	0.03	Average absolute revision (%)				0.61

Graphic 1. Main revision effects in economic confidence index

