

## METHODOLOGICAL DOCUMENT REGARDING THE MAJOR REVISION IN THE 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 seasonally adjusted consumer confidence, real sector (manufacturing industry), services, retail trade and construction sectors confidence indices.

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 began 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 Major Revision

The major revision has been made for consumer confidence index in September 2020 in order to ensure compliance with European Commission General for Economic and Financial Affairs (DG ECFIN), to better measure the evaluation and expectations of the consumer, to better reflect the opinions of the consumer and to increase the quality of the consumer confidence index. In this context, it has been decided to change two of the four sub-indices used in the calculation of the consumer confidence index. It has caused the major revision in the economic confidence index, since the two changing sub-indices are two of the 20 sub-indices included in the calculation of the economic confidence index. Table 1 includes the index and sub-indices covered in the economic confidence index after the September 2020 revision.

**Table 1.** Sectoral Indices and Sub-indices of the Economic Confidence Index (after the September 2020 Update)

Publisher	Confidence indices	Sub-indices	Starting period of index
TurkStat	Consumer confidence index	Financial situation of household at present compared to the last 12 months	January 2007
		Financial situation expectation of household over the next 12 months	January 2007
		General economic situation expectation over the next 12 months	January 2007
		Assessment on spending money on durable goods over next 12 months compared to the past 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 past 3 months	January 2011
		Demand-turnover over past 3 months	January 2011
		Demand-turnover expectation over next 3 months	January 2011
TurkStat	Retail trade confidence index	Business activity sales over past 3 months	January 2011
		Current volume of stock	January 2011
		Business activity-sales expectation over next 3 months	January 2011
TurkStat	Construction confidence index	Current overall order books	January 2011
		Total employment expectation over next 3 months	January 2011

## Retrospective Calculation of the Economic Confidence Index

Economic confidence index is calculated with the sub-indices series of seasonally adjusted consumer confidence index, 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 and same weights 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 the series of two sub-indices of seasonally adjusted in line with the revision made in the consumer confidence index in September 2020, in the calculation of the economic confidence index.

## Length of the Major Revision

The revision process begins at January 2007 up to August 2020.

## Depth of the Major Revision

The revision process is made for economic confidence index serial.

## Effects of the Major 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 1.30% average absolute revision compared to the old serial. Graphic 1 shows the little differences between two series.

**Table 2.** Economic Confidence Index Major Revision Effects

Year	Month	Old serial	New serial	Absolute revision (%)	Year	Month	Old serial	New serial	Absolute revision (%)
2007	January	113.2	111.2	1.74	2014	January	101.1	102.0	0.87
2007	February	110.4	108.3	1.97	2014	February	99.8	100.9	1.05
2007	March	110.7	108.4	2.15	2014	March	101.6	102.5	0.88
2007	April	111.9	109.9	1.80	2014	April	103.2	104.5	1.16
2007	May	106.1	104.2	1.89	2014	May	103.6	104.5	0.88
2007	June	109.7	108.1	1.51	2014	June	102.7	103.8	1.02
2007	July	111.0	109.0	1.83	2014	July	101.4	102.4	1.02
2007	August	113.7	111.9	1.56	2014	August	102.0	102.9	0.89
2007	September	112.4	110.9	1.36	2014	September	104.2	104.9	0.66
2007	October	109.5	107.5	1.84	2014	October	104.2	105.3	1.00
2007	November	108.9	106.7	2.02	2014	November	100.4	101.8	1.37
2007	December	110.4	108.0	2.23	2014	December	101.2	102.6	1.30
2008	January	107.6	104.8	2.73	2015	January	101.3	102.8	1.46
2008	February	104.0	101.7	2.35	2015	February	101.9	102.7	0.81
2008	March	100.0	98.0	2.03	2015	March	98.4	99.8	1.43
2008	April	94.0	92.3	1.81	2015	April	99.7	101.4	1.72
2008	May	92.1	90.5	1.83	2015	May	99.7	101.6	1.80
2008	June	91.4	90.1	1.39	2015	June	98.4	100.7	2.34
2008	July	90.3	89.2	1.27	2015	July	98.9	100.8	1.86
2008	August	92.9	92.0	1.06	2015	August	98.6	100.0	1.43
2008	September	88.0	87.3	0.87	2015	September	94.9	96.5	1.67
2008	October	74.1	73.5	0.85	2015	October	97.4	99.2	1.84
2008	November	61.2	60.4	1.31	2015	November	104.5	104.7	0.21
2008	December	63.6	62.0	2.64	2015	December	103.3	104.0	0.66
2009	January	65.6	63.0	4.00	2016	January	99.8	100.8	1.00
2009	February	69.0	66.0	4.53	2016	February	95.8	97.8	2.03
2009	March	71.4	68.4	4.43	2016	March	97.8	99.7	1.92
2009	April	85.5	82.1	4.19	2016	April	96.3	98.4	2.22
2009	May	95.0	91.9	3.38	2016	May	98.2	100.2	2.03
2009	June	96.7	94.2	2.60	2016	June	98.9	100.5	1.60
2009	July	97.5	95.5	2.06	2016	July	101.3	103.0	1.67
2009	August	96.5	95.3	1.20	2016	August	97.3	98.2	0.94
2009	September	95.6	94.5	1.21	2016	September	101.6	102.6	1.02
2009	October	95.2	93.9	1.41	2016	October	99.9	101.1	1.27
2009	November	94.5	93.4	1.11	2016	November	100.4	102.1	1.67
2009	December	95.7	94.3	1.41	2016	December	95.4	97.4	2.09
2010	January	100.2	98.9	1.33	2017	January	92.6	94.0	1.54
2010	February	99.8	98.2	1.60	2017	February	97.2	98.9	1.68
2010	March	104.1	102.5	1.51	2017	March	99.9	101.8	1.87
2010	April	108.0	106.2	1.70	2017	April	101.9	103.2	1.27
2010	May	105.0	103.7	1.32	2017	May	102.4	104.1	1.66
2010	June	105.4	104.1	1.23	2017	June	101.9	103.8	1.83
2010	July	105.4	104.6	0.77	2017	July	104.7	106.4	1.57
2010	August	106.6	106.1	0.49	2017	August	106.9	108.7	1.62
2010	September	109.0	108.4	0.64	2017	September	105.5	107.4	1.75
2010	October	108.2	107.1	1.03	2017	October	104.5	106.2	1.67
2010	November	110.2	109.2	0.88	2017	November	101.7	103.5	1.72
2010	December	111.1	109.6	1.37	2017	December	99.7	101.7	1.99
2011	January	114.8	114.0	0.74	2018	January	106.2	107.4	1.18
2011	February	113.1	112.1	0.85	2018	February	105.2	106.7	1.35
2011	March	112.5	111.6	0.87	2018	March	103.3	104.5	1.16
2011	April	112.2	111.2	0.89	2018	April	101.5	102.5	0.97
2011	May	112.4	111.5	0.82	2018	May	98.5	99.7	1.26
2011	June	113.3	112.2	0.99	2018	June	96.0	97.2	1.22
2011	July	112.0	111.2	0.67	2018	July	97.0	97.7	0.69
2011	August	109.1	108.6	0.41	2018	August	90.9	91.9	1.06
2011	September	111.9	111.2	0.63	2018	September	82.0	83.1	1.37
2011	October	107.5	106.8	0.64	2018	October	79.4	80.4	1.25

2011	November	108.7	107.7	0.86	2018	November	84.6	85.5	1.14
2011	December	108.6	107.3	1.19	2018	December	85.8	86.7	0.98
2012	January	106.9	105.5	1.40	2019	January	82.5	84.1	1.98
2012	February	107.8	107.0	0.75	2019	February	83.6	84.4	1.04
2012	March	108.1	107.0	1.03	2019	March	85.8	87.0	1.43
2012	April	106.8	105.4	1.33	2019	April	88.4	88.7	0.31
2012	May	107.4	106.2	1.10	2019	May	81.8	82.6	0.96
2012	June	105.1	104.4	0.66	2019	June	87.2	88.4	1.32
2012	July	107.0	106.8	0.21	2019	July	84.6	85.7	1.34
2012	August	104.6	104.6	0.03	2019	August	90.5	90.9	0.54
2012	September	103.9	103.9	0.03	2019	September	89.3	90.1	0.90
2012	October	102.9	102.5	0.44	2019	October	92.8	93.6	0.81
2012	November	103.4	103.8	0.37	2019	November	94.3	95.0	0.77
2012	December	103.1	102.7	0.44	2019	December	96.5	97.2	0.76
2013	January	103.8	103.9	0.09	2020	January	97.1	98.3	1.27
2013	February	106.0	105.6	0.39	2020	February	97.5	98.3	0.79
2013	March	106.4	106.6	0.22	2020	March	91.8	93.1	1.41
2013	April	105.1	105.6	0.47	2020	April	51.3	52.4	2.10
2013	May	106.2	107.0	0.72	2020	May	61.7	62.7	1.57
2013	June	106.4	107.1	0.63	2020	June	73.5	73.5	0.05
2013	July	105.5	106.0	0.47	2020	July	82.2	83.1	1.01
2013	August	106.1	106.5	0.44	2020	August	85.9	85.9	0.01
2013	September	104.3	105.0	0.61	2020	September	88.6	88.5	0.09
2013	October	106.6	106.8	0.16					
2013	November	106.0	107.2	1.14					
2013	December	104.4	105.2	0.69					
								<b>Average absolute revision (%)</b>	<b>1.30</b>

Graphic 1. Economic Confidence Index Major Revision Effects

