

EXPECTATIONS ON SALES AND EMPLOYMENT DETERIORATE IN THE RETAIL SECTOR

TEPE dropped year-on-year drop but picked up month-on-month in May 2012. The anticipation for business volume recovery deteriorated compared to the same period in the previous year and last three months. Expectations on sales, orders placed with suppliers and employment also moderated. The gap between Turkey and the EU concerning the retail sector performance widened at the largest rate in 2012.

TEPE still in the negatives:

TEPE which has been standing in the negatives since January had a value of -2.6 in May. The Index did not make it to the positives despite the upwards trend. TEPE, therefore increased month-on-month by 1.7 points but decreased year-on-year by 4.6 points.

Figure-1. TEPE (May 2011 – May 2012)

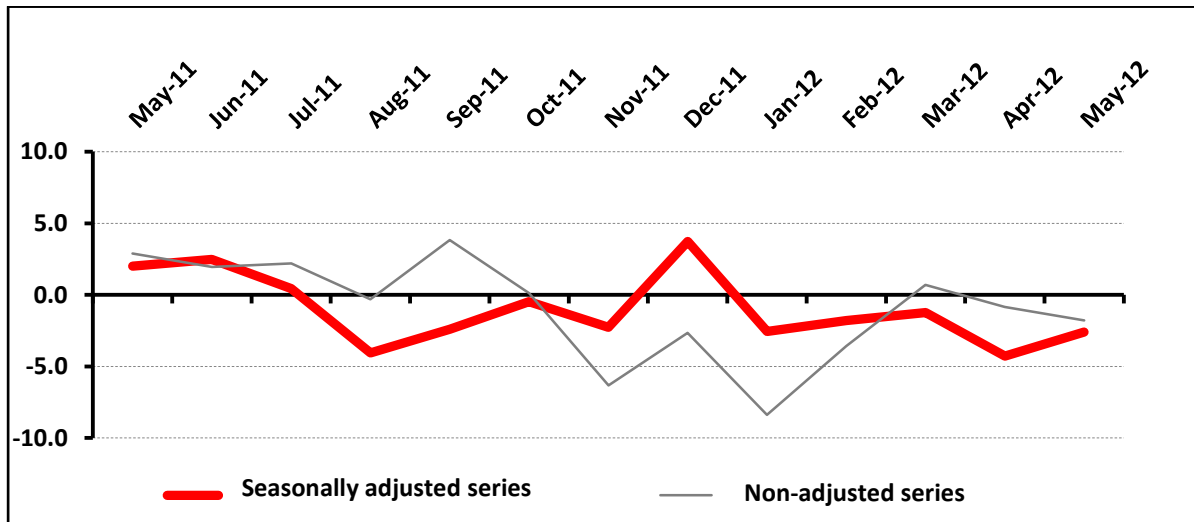


Table-1. TEPE (Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2008	---	---	---	---	-22.1	-23.9	-23.2	-16.5	-18.0	-20.8	-22.6	-20.7
2009	-20.9	-21.2	-17.7	-14.8	-12.1	-9.1	-9.5	-12.3	-12.7	-10.7	-6.1	-10.1
2010	-10.0	-7.0	-6.6	-5.3	-8.5	-8.1	-4.6	-2.1	-0.2	0.4	1.0	-1.2
2011	6.8	4.9	2.0	2.3	2.0	2.5	0.4	-4.1	-2.4	-0.5	-2.3	3.7
2012	-2.6	-1.8	-1.2	-4.3	-2.6							

Deterioration in expectations presses on:

The balance value of the expectations for the next three months stood at 7.3 in May. 39.7 percent of TEPE survey participants expect an improvement in their business activities in the next three months while 34.4 percent expect a deterioration. This implies a 10.4 point decrease compared to May 2011 and a 2.4 point decrease compared to April 2012.

Figure-2. Expectations for the next three months (%increase-%decrease) (May 2011 – May 2012)

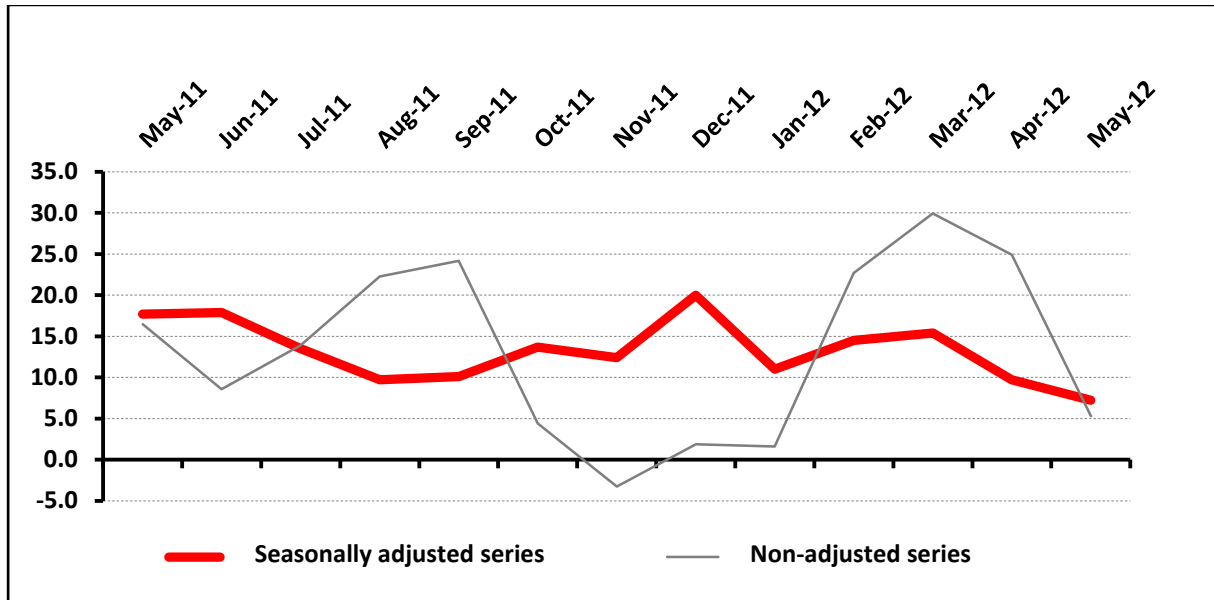


Table-2. Expectations for the next three months (%increase-%decrease)
(Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2008	---	---	---	---	-27.1	-31.7	-25.9	-16.0	-20.3	-23.8	-28.0	-28.1
2009	-26.4	-27.8	-30.8	-17.4	-12.5	-0.8	-6.9	-12.3	-4.1	-5.8	0.1	-8.3
2010	-6.8	-7.6	2.9	1.8	-2.3	-6.4	1.4	3.7	2.5	7.1	9.6	13.4
2011	21.7	23.4	17.6	13.6	17.7	17.9	13.5	9.7	10.1	13.7	12.4	20.0
2012	11.0	14.5	15.4	9.7	7.3							

Anticipation for recovery of business activities decreases year-on-year:

In May 2012, 23.1 percent of the participants declared a year-on-year improvement in business activities whereas 53.4 percent declared deterioration. Volume of business activities, therefore decreased by 4.1 points compared to May 2011 and by 5.1 points compared to April 2012.

Figure-3. Year-on-year change in business activities (%increase- %decrease) (May 2011 – May 2012)

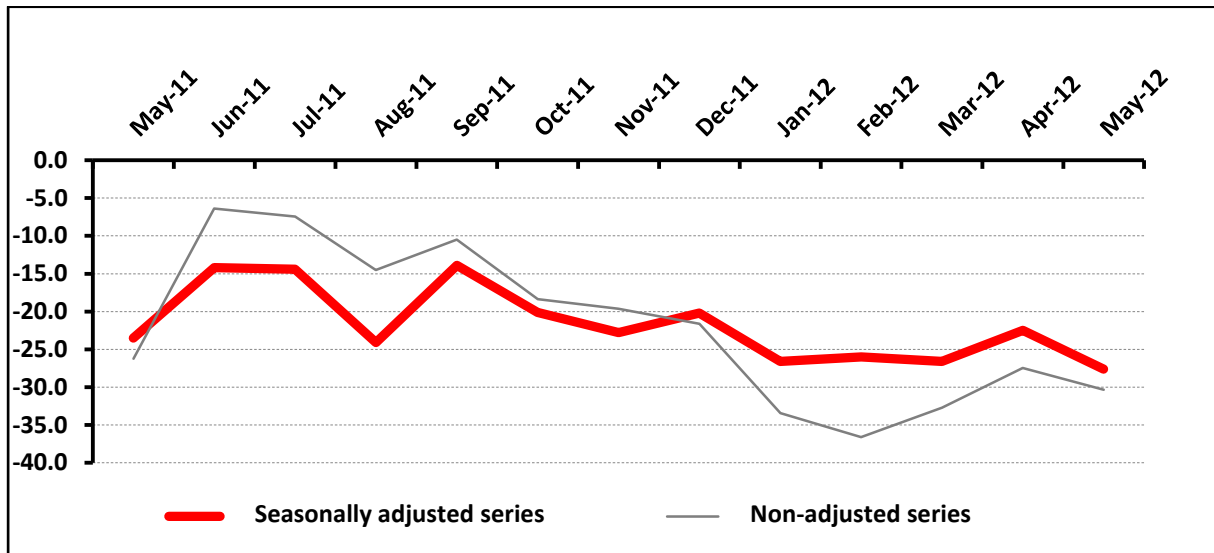


Table-3. Year-on-year change in business activities (%increase- %decrease)
(Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2008	---	---	---	---	-57.3	-68.5	-68.5	-57.2	-58.9	-58.8	-65.8	-66.6
2009	-66.6	-62.6	-58.5	-61.5	-54.0	-43.1	-46.6	-52.1	-63.5	-53.8	-46.7	-47.4
2010	-40.9	-42.5	-39.1	-36.5	-31.0	-38.6	-32.0	-25.2	-19.7	-20.4	-14.8	-13.1
2011	-10.5	-10.7	-14.5	-15.5	-23.5	-14.2	-14.4	-24.1	-13.9	-20.1	-22.8	-20.2
2012	-26.6	-26.0	-26.6	-22.5	-27.6							

Retail confidence weakens in the EU:

The EU-27 Retail Confidence Index stood at -14.6 in May 2012, decreasing both year-on-year and month-on-month by 12 points and 6.1 points, respectively. The gap between Turkey and EU widened at the highest rate since the beginning of 2012.

Figure-4. Comparison of TEPE and EU-27 Retail Confidence Index (May 2011 – May 2012)

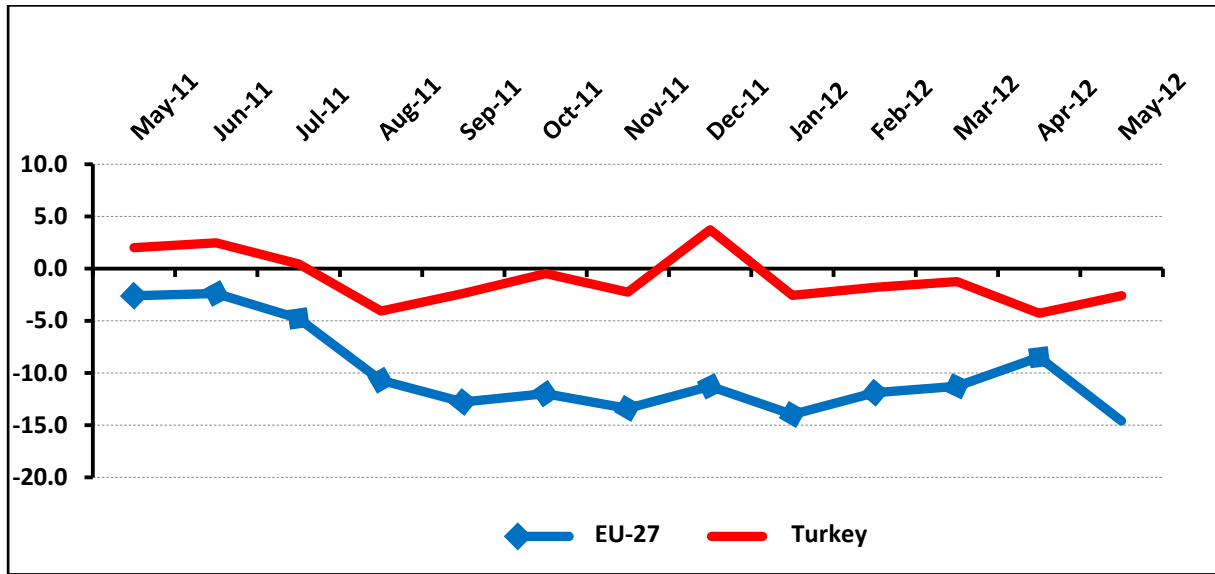


Table-4. EU-27 (Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2008	-0.8	-0.2	0.8	-6.0	-4.4	-7.1	-13.1	-13.5	-14.7	-19.4	-20.0	-26.8
2009	-26.5	-25.1	-22.9	-23.3	-16.0	-15.5	-13.4	-11.0	-8.4	-9.1	-5.1	-4.0
2010	-4.1	-4.2	-5.5	0.1	-4.4	-3.8	-0.4	0.2	0.8	2.6	3.0	7.5
2011	3.0	0.6	0.3	-3.4	-2.6	-2.4	-4.8	-10.7	-12.8	-12.0	-13.4	-11.3
2012	-14.0	-11.9	-11.3	-8.5	-14.6							

Retail confidence drops in the Eurozone more severely than in the EU:

Comparing the retail confidence indices for the EU-27 countries and Turkey in May 2012, year-on-year drops were observed in all EU countries excluding Greece, Romania, Bulgaria, and United Kingdom. The harshest drops were experienced by Italy, Lithuania, Belgium, and Germany. Eurozone countries performed worse than the overall EU region compared to both May 2011 and April 2012.

Table-5. Retail Confidence Index for EU-27 Countries and Turkey (compared to April 2012 and May 2011) (Seasonally adjusted series)

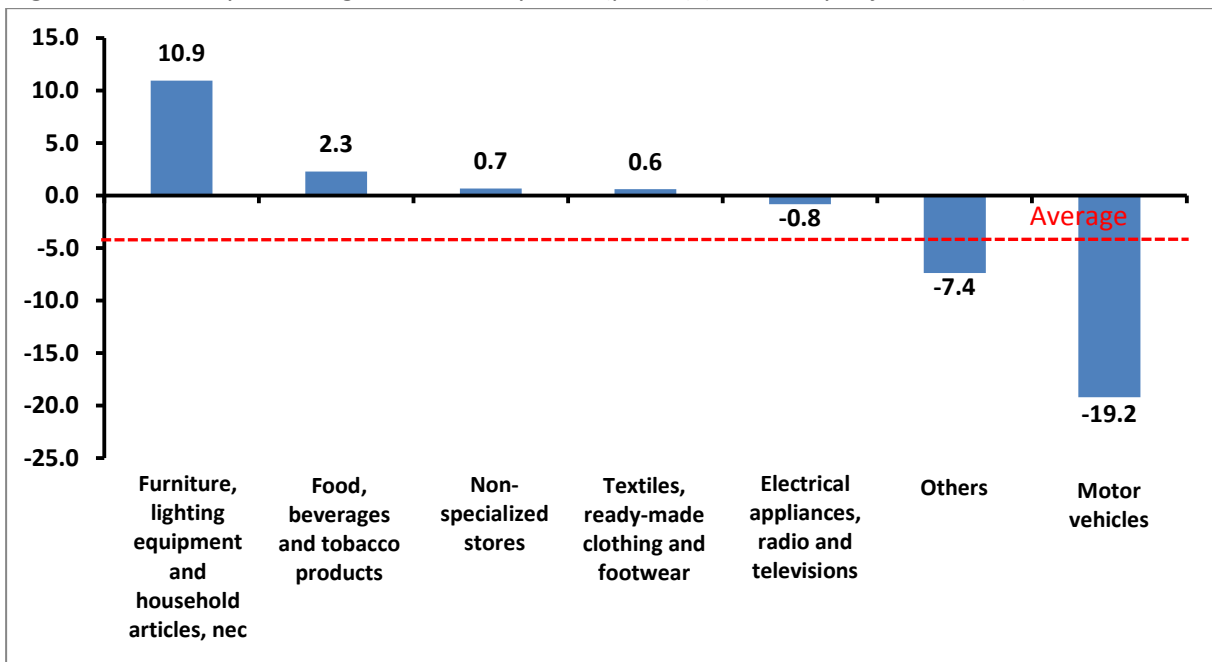
Countries	Change in Retail Confidence Index Compared to May 2011 (Points)*	Change in Retail Confidence Index Compared to April 2012 (Points)
Greece	8.2	2.7
Romania	3.8	-2.6
Bulgaria	1.7	2.9
United Kingdom	0.5	-4.3
Southern Cyprus	-2.4	-0.2
Czech Republic	-4.3	0.8
Turkey	-4.6	1.7
Austria	-5.0	-9.0
Spain	-5.1	-2.6
Finland	-5.2	-5.7
Poland	-5.3	-2.9
Latvia	-5.4	-4.0
Portugal	-6.6	0.2
Estonia	-9.6	-4.5
Slovakia	-11.6	-3.0
Holland	-11.7	1.4
EU-27	-12.0	-6.1
Hungary	-14.3	-5.7
France	-14.9	-10.9
Eurozone -17	-15.6	-7.0
Sweden	-15.8	0.6
Slovenia	-19.7	-9.4
Germany	-20.2	-9.7
Belgium	-20.5	-4.4
Lithuania	-22.0	-17.1
Italy	-24.1	-6.5

* Countries are ranked by their performance in May 2011.

Automotive sector still in decline since the beginning of 2012:

Furniture, lighting and household articles sector outperformed all other sectors in May 2012 compared to may 2011. This was followed by the food, beverages, and tobacco products sector, non-specialized stores sector and textiles, ready-made clothing and footwear sector. All sectors but the mentioned four declined compared to May 2011. The decline in performance was less than the average in electrical appliances, radio and televisions sector but more than the average in “others” sector (gas station, pharmacy, perfumery, hardware, glassware, stationery etc.) The sharpest year-on-year drop was observed in the motor vehicles sector, which is on decline since the beginning of 2012.

Figure-5. Year-on-year change in TEPE, May 2012 (points) (Seasonally adjusted series)



Expectations for sales volume and employment worsen:

Question-based assessment of TEPE survey results reveal that the level of business activities compared to the last three months and the last year and expectations on orders placed with suppliers, sales volume and employment in the next three months deteriorated both year-on-year and month-on-month. The sharpest decrease was recorded in the expectations for employment in the next three months. The current volume on inventories also declined. Expectations for the number of stores next year showed an improvement.

Table-6. Detailed results by TEPE questions (%) (Seasonally adjusted series)

Questions	Index 05/2011	Index 04/2012	Index 05/2012	MoM Change 05/2012	YoY Change 05/2012
How has your business activity developed over the past three months? It has...	-28.7	-33.6	-36.2	-2.6	-7.5
Do you consider the volume of inventories you currently hold to be...? ¹	14.9	10.7	18.0	7.3	3.1
How do you expect your orders placed with suppliers to change over the next 3 months? They will...	4.6	5.7	1.3	-4.4	-3.3
How do you expect your business activity (sales) to change over the next 3 months? It will...	17.7	9.7	7.3	-2.4	-10.4
How do you expect your firm's total employment to change over the next 3 months? It will...	11.9	8.0	3.8	-4.2	-8.1
How do you expect the prices you charge to change over the next 3 months? They will...	12.6	15.7	14.6	-1.1	2.0
How has your business activity developed this year compared to the same period in the last year? It has...	-23.5	-22.5	-27.6	-5.1	-4.1
Do you expect an increase in the number of your stores next year?	7.1	7.0	10.9	3.9	3.8

¹ Positive inventory level indicates that current level of inventory stands below the normal.
The (-) values in Table-6 implies that negative expectations were dominant to positive expectations.