

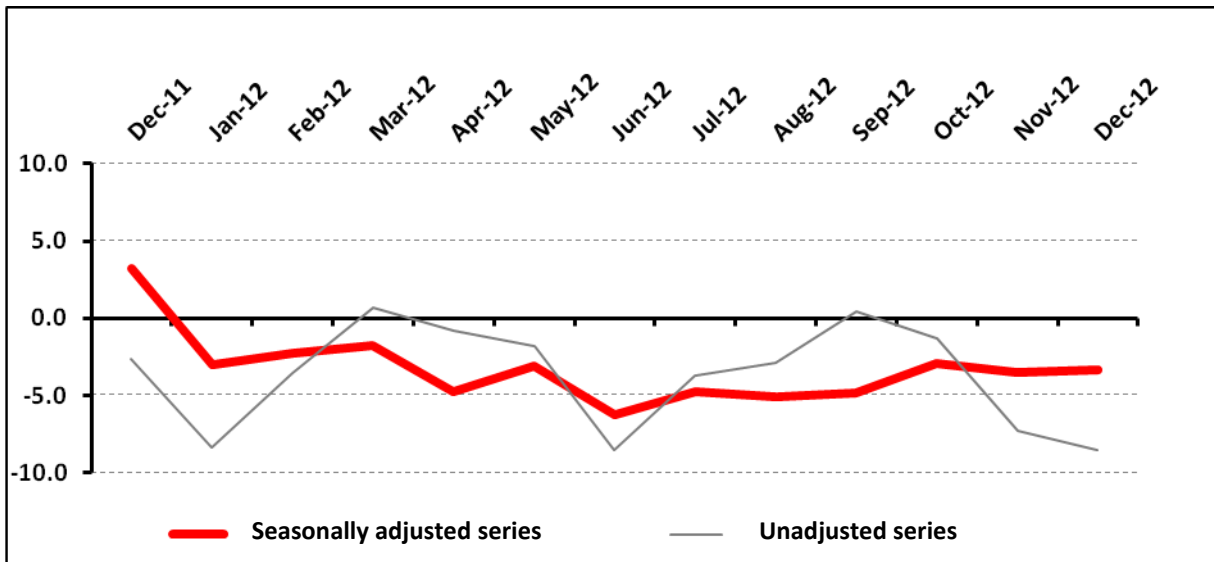
RETAIL CONFIDENCE WEAKER THAN IT WAS LAST YEAR

In December 2012, TEPE decreased year-on-year despite the slight month-on-month increase. Retail confidence was weaker than it was in 2011 throughout 2012. The volume of business activities compared to the same period in 2011 rose for the first time in December compared to November. Expectations for sales in the next three months were below the 2011 levels in all months but October 2012 while those for the sales, orders placed with suppliers and employment in the next three months picked up month-on-month.

The negative trend in TEPE persists in December:

The negative trend in the TEPE continued in December. With a value of -3.3, TEPE increased month-on-month by 0.2 points and decreased year-on-year by 6.6 points in December 2011.

Figure-1. TEPE (December 2011 – December 2012)



Retail confidence in the fourth quarter also lower than that in the first quarter:

Seasonally adjusted TEPE values in 2012 compared to those in 2011 suggest that retail confidence throughout 2012 was weaker than it was in 2011. The performance of retailers in 2012 was weaker compared to 2011. The assessment of quarterly figures shows that retail confidence in the fourth quarter of the year was lower compared to the first quarter and higher compared to the second and third quarters.

Figure-2. TEPE (2011 –2012) (Seasonally adjusted series)

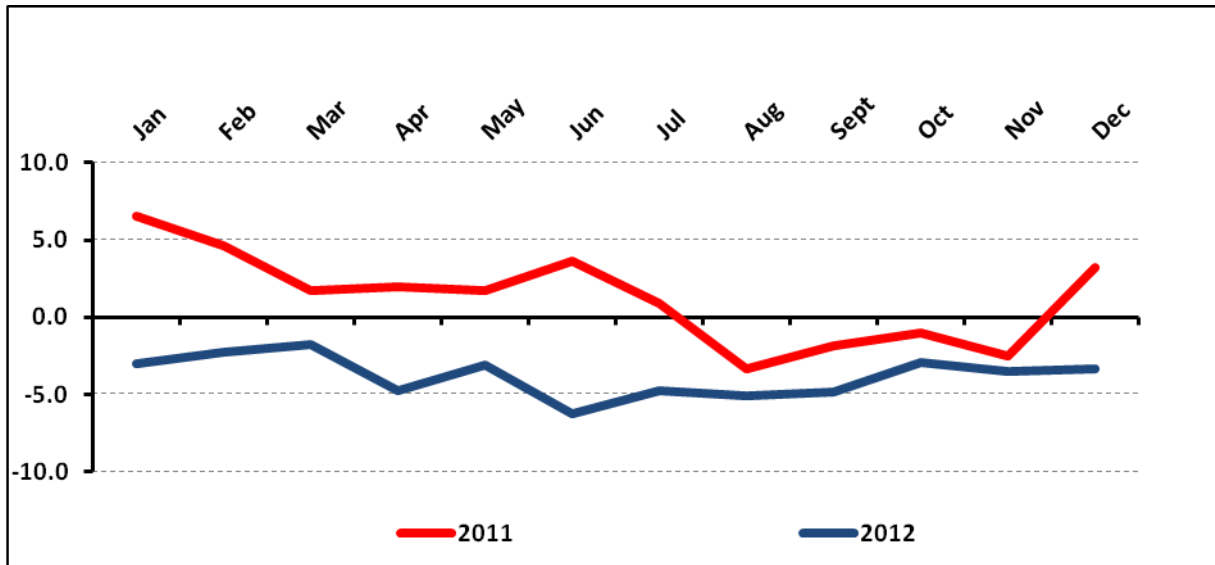


Table-1. TEPE (Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2008	---	---	---	---	-22.2	-23.7	-23.1	-16.6	-18.0	-20.9	-22.6	-20.7
2009	-20.8	-21.2	-17.8	-14.9	-12.3	-8.8	-9.5	-12.2	-12.6	-10.9	-6.2	-10.1
2010	-10.1	-7.1	-6.7	-5.5	-8.6	-7.5	-4.4	-1.8	0.1	0.1	0.9	-1.4
2011	6.5	4.6	1.7	2.0	1.7	3.6	0.9	-3.3	-1.9	-1.1	-2.5	3.3
2012	-3.0	-2.3	-1.8	-4.8	-3.1	-6.3	-4.8	-5.1	-4.8	-2.9	-3.5	-3.3

Sales expectations pick up month-on-month:

32.1 percent of TEPE survey participants expect an improvement in their business activities in the next three months while 31.7 percent expect deterioration. The balance value of the expectations for the next three months stood at 13.9 in December 2012. This implies a decrease by 3.2 points compared to December 2011 and an increase by 3.3 points compared to November 2012. Seasonally adjusted figures for sales expectations in the next three months reveal that in 2012, expectations were weaker than they were 2011 in all months but October.

Figure-3. Expectations for the next three months (%increase-%decrease)
(December 2011 – December 2012)

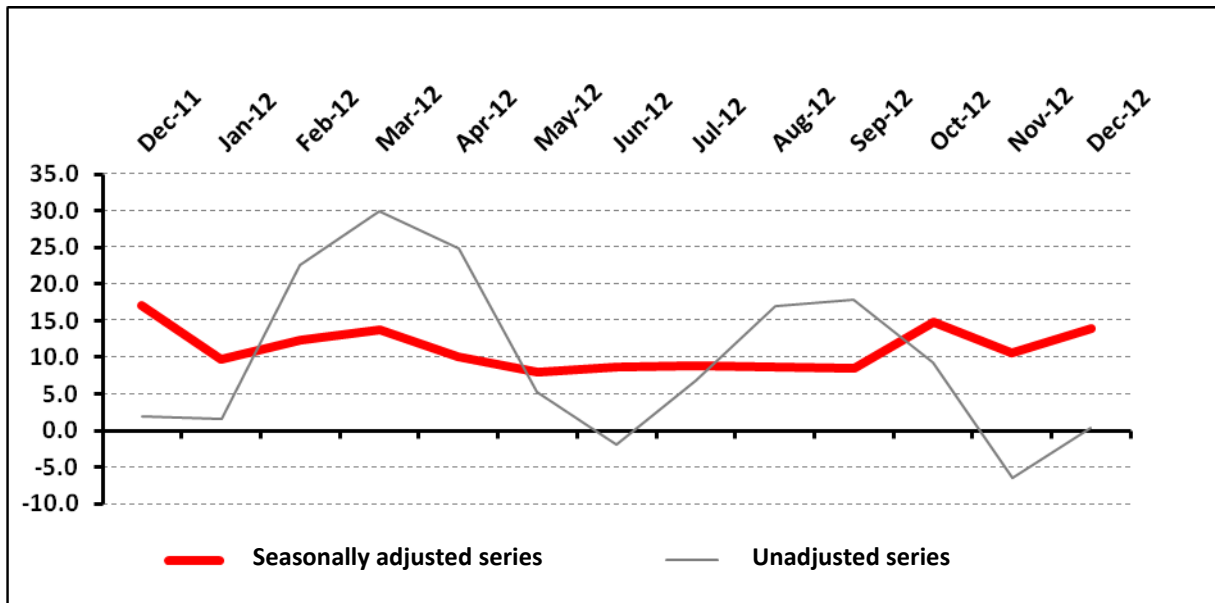


Table-2. Expectations for the next three months (%increase-%decrease)
(Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2008	---	---	---	---	-28.6	-32.9	-27.4	-18.8	-22.4	-24.7	-27.7	-26.4
2009	-24.8	-25.3	-28.2	-17.3	-13.4	-2.1	-8.0	-13.3	-5.0	-6.7	-0.3	-7.8
2010	-6.5	-6.9	3.4	1.8	-2.2	-6.2	1.8	4.9	3.7	6.3	9.6	12.2
2011	20.5	21.9	16.4	13.8	18.0	18.4	14.7	12.3	13.0	11.8	13.2	17.1
2012	9.8	12.4	13.7	10.1	8.1	8.7	8.9	8.7	8.4	14.9	10.6	13.9

Anticipation for year-on-year business recovery on the rise:

In December 2012, 23.9 percent of the participants declared a year-on-year improvement in business activities whereas 42.9 percent declared deterioration. Volume of business activities compared to December 2011 therefore declined by 6.7 points compared to November 2012 and increased by 1.6 points compared to December 2011. From November to December, anticipation for business recovery picked up for the first time in 2012.

Figure-4. Year-on-year change in business activities (%increase- %decrease)
(December 2011 – December 2012)

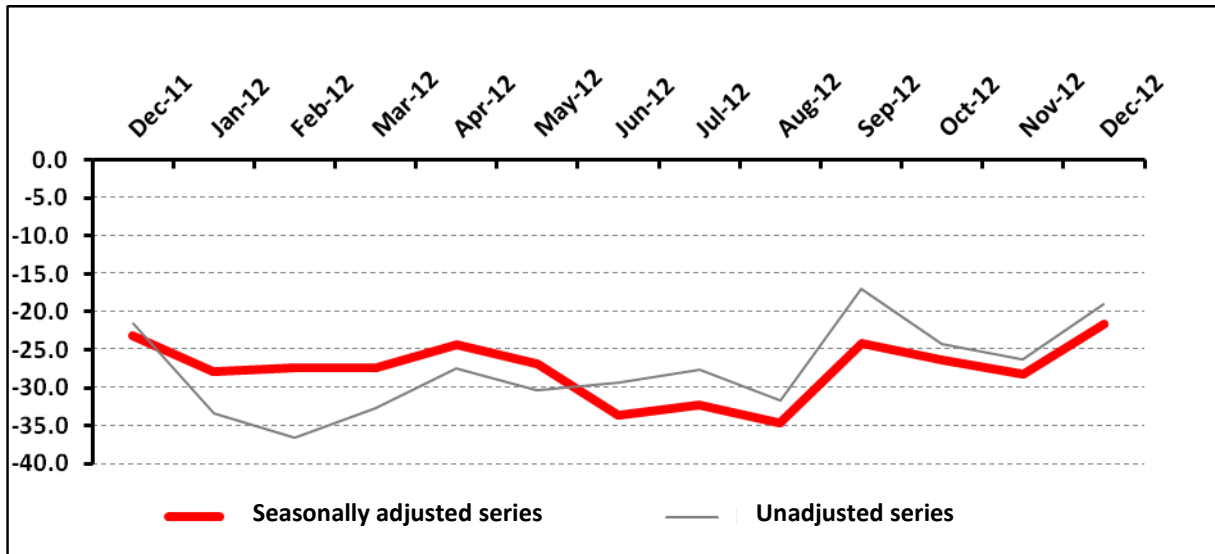


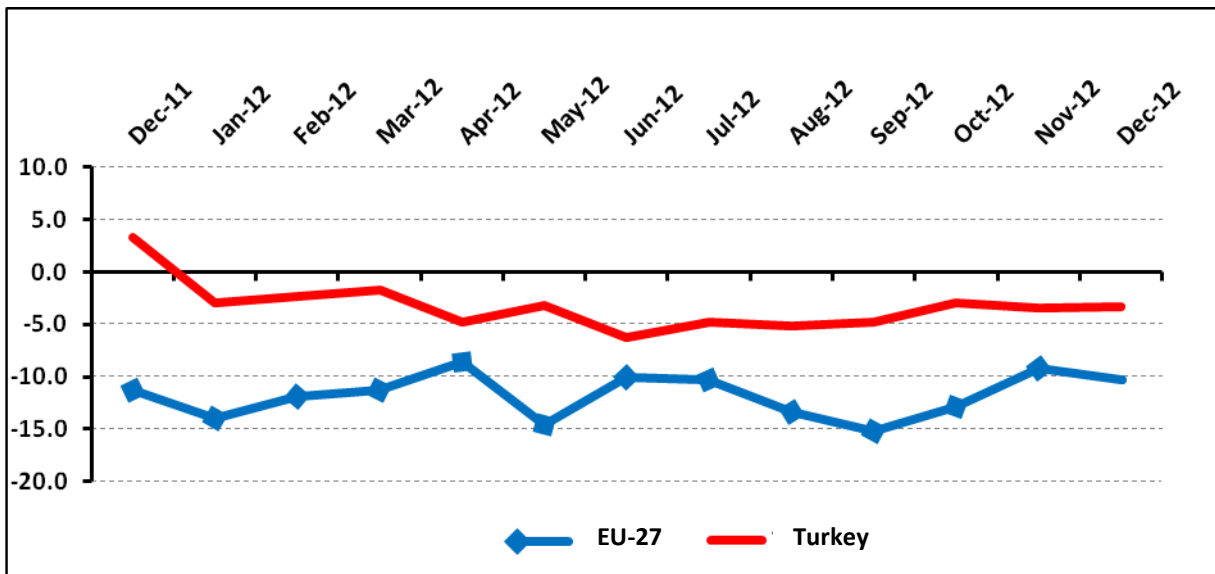
Table-3. Year-on-year change in business activities (%increase- %decrease)
(Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2008	---	---	---	---	-60.4	-68.2	-67.6	-58.1	-58.7	-59.2	-64.8	-65.5
2009	-65.8	-62.2	-59.1	-61.1	-56.3	-43.3	-46.4	-51.8	-63.0	-53.6	-46.3	-47.6
2010	-41.3	-42.7	-39.5	-36.5	-31.6	-37.3	-31.2	-22.9	-20.8	-20.5	-14.9	-15.1
2011	-11.8	-11.8	-15.1	-16.2	-22.8	-11.8	-13.1	-19.5	-16.8	-20.3	-22.2	-23.2
2012	-27.9	-27.3	-27.3	-24.3	-26.8	-33.7	-32.3	-34.7	-24.1	-26.3	-28.3	-21.6

Retail confidence in the EU rises year-on-year:

The EU-27 Retail Confidence Index had a value of -10.3 in December 2012, with a month-on-month decrease by 1.1 points and a year-on-year improvement by 1 point. EU-27 had a stronger performance than Turkey and the Eurozone compared to December 2011 and a weaker performance compared to November 2012.

Figure-5. Comparison of TEPE and EU-27 Retail Confidence Index (December 2011 – December 2012)



Retail confidence in the EU up compared to December 2011:

The EU-27 Retail Confidence Index stood below the 2011 values up until October in 2012. The index exceeded 2011 values both on November and December 2012.

Figure-6. EU-27 (2011 –2012) (Seasonally adjusted series)

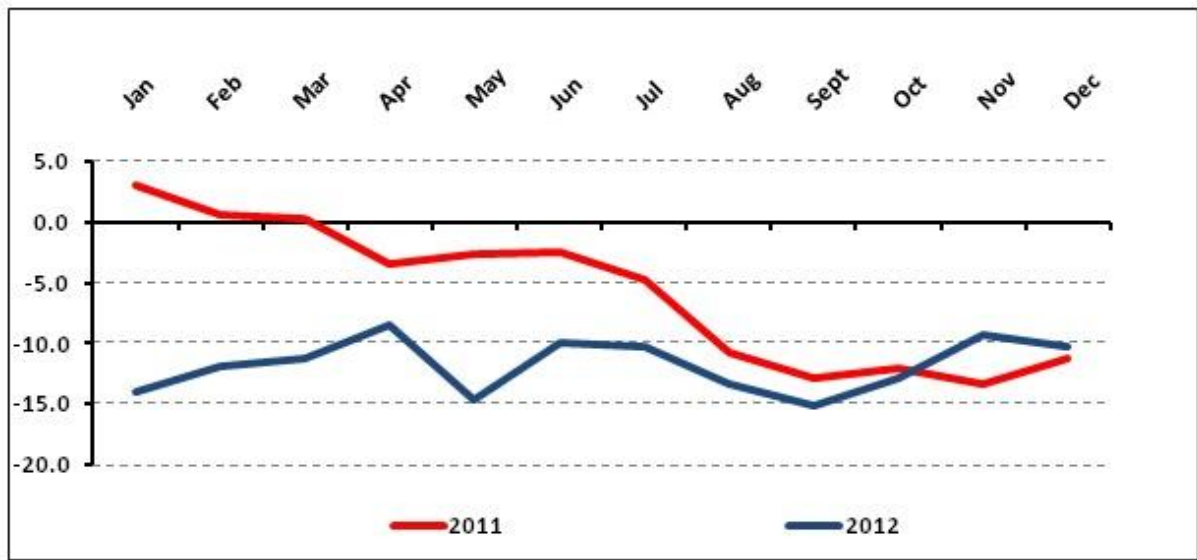


Table-4. EU-27 (Seasonally adjusted series)

%	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	-10.0	-10.3	-13.4	-15.2	-12.8	-9.2	-10.3

The UK and Sweden enjoys the strongest year-on-year rise in retail confidence:

Comparing the retail confidence indices for EU-27 countries and Turkey, highest year-on-year rises were observed in the UK, Sweden, and Slovakia while the sharpest drops were observed in Finland, Slovenia, Austria and Germany. Greece and Slovenia enjoyed the largest month-on-month increases in retail confidence across the EU.

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

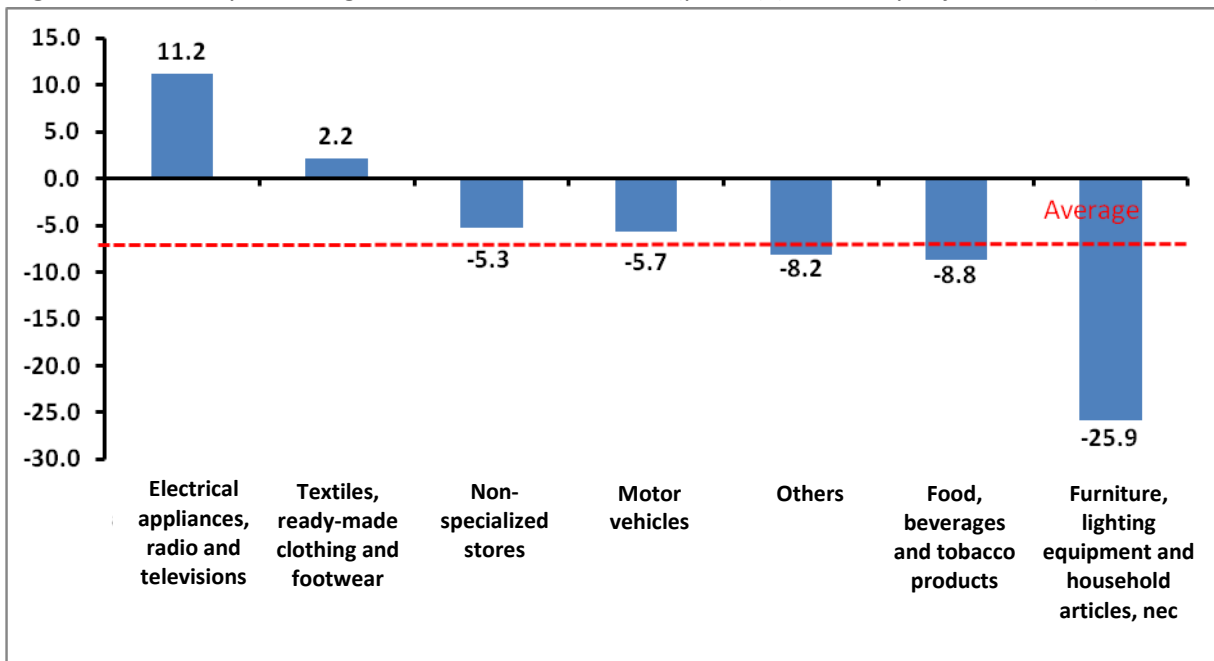
Countries	Change in Retail Confidence Index Compared to December 2011 (Points)*	Change in Retail Confidence Index Compared to November 2012 (Points)
United Kingdom	17.8	-2.6
Sweden	11.2	-0.7
Slovakia	7.1	1.2
Estonia	3.8	0.9
Belgium	2.9	-2.0
Czech Republic	2.9	3.6
Romania	2.9	0.9
Portugal	2.7	0.4
Greece	2.6	6.6
Spain	2.4	-1.9
EU-27	1.0	-1.1
Hungary	0.7	-0.4
France	-0.8	1.6
Latvia	-1.0	2.5
Southern Cyprus	-2.8	4.6
Holland	-3.1	-8.0
Eurozone-17	-3.6	-0.9
Poland	-4.1	-2.4
Italy	-5.2	-2.5
Bulgaria	-5.3	-0.1
Lithuania	-5.8	4.9
Turkey	-6.6	0.2
Germany	-8.5	0.1
Austria	-12.0	-8.9
Slovenia	-14.5	5.3
Finland	-15.9	-4.3

* Countries are ranked by their performance in December 2011.

Electronics leads the retail sector in December:

Compared to December 2011, the strongest sector was electrical appliances, radio and televisions sector. Textile, ready-made clothing and footwear sector recovered compared to the same period last year while all sectors but two declined year-on-year. Non-specialized stores and motor vehicles sectors declined at a rate below the average while the others (gas station, pharmacy, perfumery, hardware, glassware, stationery etc.) and food, beverages and tobacco products sectors declined at a rate above the average. The sharpest decrease in performance compared to 2011 was in the furniture, lighting equipment and household articles sector as was in November.

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



Expectations increase month-on-month:

Question-based assessment of the TEPE survey results shows that all expectations and the performance increased compared to November 2012 with the sharpest recovery in the level of business activities and the expectations for orders placed with suppliers and employment in the next three months. Compared to December 2011, the volume of business activities in comparison with the last three months and expectations on sales and employment in the next three months declined. All other indicators showed an improvement compared to December 2011.

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

Questions	Index 12/2011	Index 11/2012	Index 12/2012	MoM Change 12/2012	YoY Change 12/2012
How has your business activity developed over the past three months?	-27.4	-34.2	-32.7	1.5	-5.3
Do you consider the volume of inventories you currently hold to be...? ¹	20.0	13.2	9.0	-4.2	-11.0
How do you expect your orders placed with suppliers to change over the next 3 months? They will...	6.3	3.1	8.1	5.0	1.8
How do you expect your business activity (sales) to change over the next 3 months? It will...	17.1	10.6	13.9	3.3	-3.2
How do you expect your firm's total employment to change over the next 3 months? It will...	9.7	3.5	8.2	4.7	-1.5
How do you expect the prices you charge to change over the next 3 months? They will...	13.6	13.5	17.4	3.9	3.8
How has your business activity developed this year compared to the same period in the last year? It has...	-23.2	-28.3	-21.6	6.7	1.6
Do you expect an increase in the number of your stores next year?	6.4	8.5	10.7	2.2	4.3

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 sector in Konya in decline for the last four months:

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 December, KOPE had a value of -9.4 compared to TEPE at -8.6. The city’s retail sector has been in decline for the last four months and has performed worse than overall Turkey. KOPE and TEPE decreased month-on-month by 2.8 points and 1.3 points, respectively.

Expectations for sales and orders placed with suppliers in the next three months have been in the negatives for three months. Expectations on orders placed with suppliers and employment increased compared to November 2012. More than 50 percent of Konya’s retailers think that the level of business activities is worse compared to 2011.

Figure-6. Comparison of KOPE, TEPE and EU-27 Retail Confidence Index (February 2012 – December 2012) (Unadjusted series)

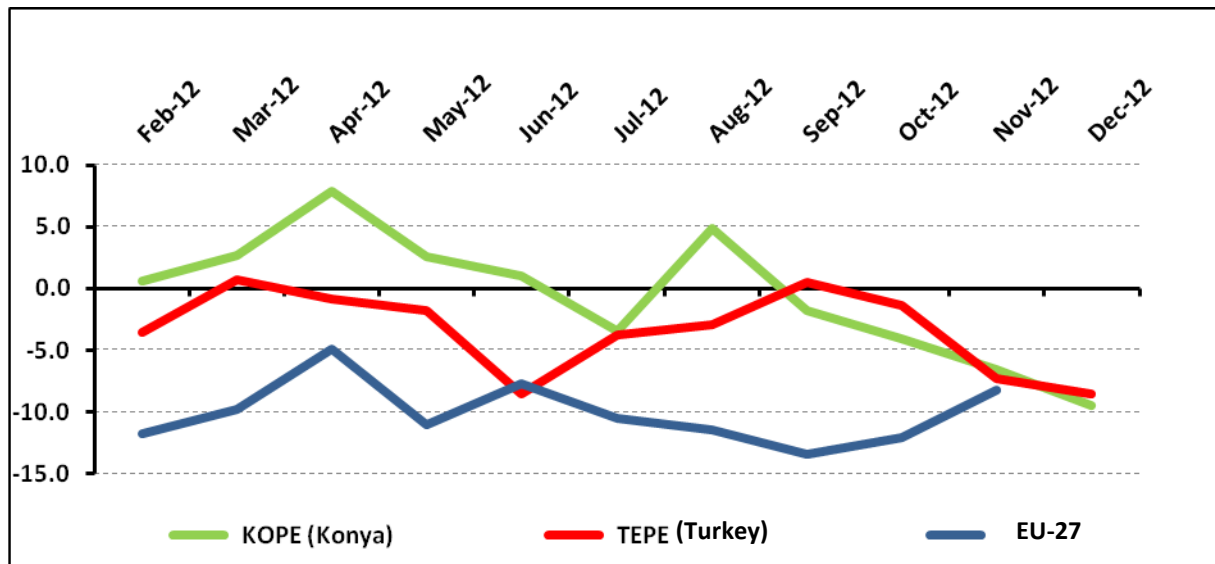


Table-5. Konya Retail Confidence Index (Non-adjusted series)

%	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