

HAVE RETAILERS LOST THEIR EXCITEMENT?

TEPE declined both month-on-month and year-on-year in May 2014. TEPE values in the first five months of 2014 were lower than those in the same period in 2013. Expectations for sales and employment in the next 3 years weakened; those for sales remained stagnant in May. The level of business activities compared to last year and previous 3 months declined. Retail confidence in the EU-28 maintained the upwards trend. Turkey had the sharpest year-on-year decline in retail confidence compared to the EU-28 countries.

Retail confidence was lower than 2013 in the first 5 months of 2014:

TEPE which was in the negatives since August 2013 continued to decline in May and had a value of minus 6.9. This implies a month-on-month decline by 2 points and a year-on-year decline by 5.2 points. The decline was driven by the fall in the level of business activities compared to the past 3 months. The mean value of TEPE in the first five months of the year was -4.8 compared to -1 in the same period in 2013. Concerning the first 5 months, TEPE had lower values in 2014 than in 2013.

Figure-1. TEPE (May 2013 – May 2014)

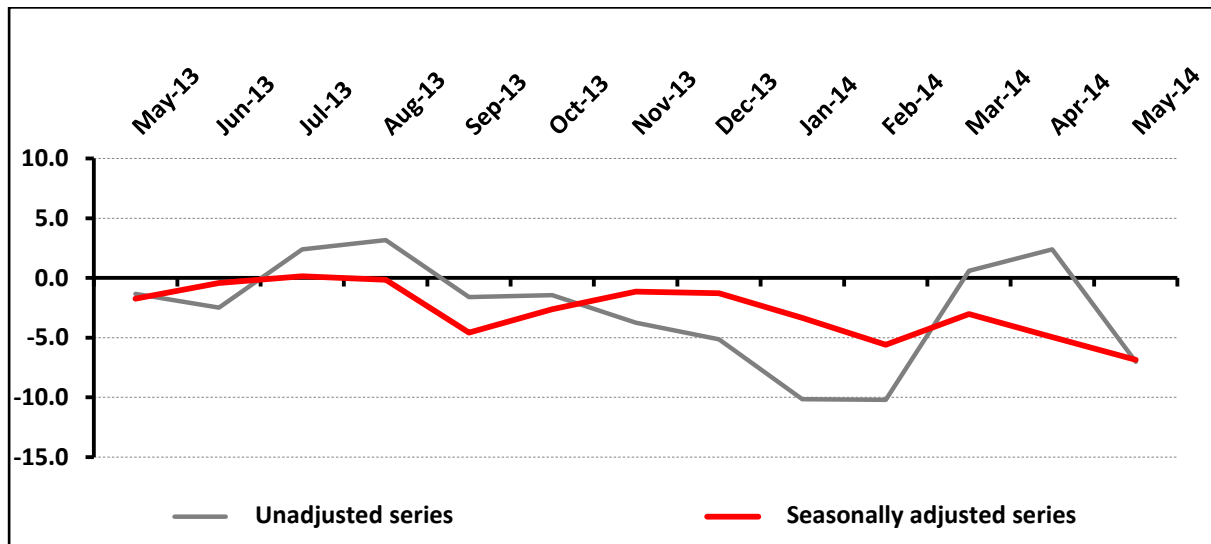


Table-1. TEPE (Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2012	-1.1	0.0	-1.6	-6.5	-2.4	-6.5	-5.5	-5.9	-3.6	-2.7	-4.2	-4.1
2013	-1.3	-2.0	-2.0	2.2	-1.7	-0.4	0.1	-0.2	-4.6	-2.6	-1.1	-1.3
2014	-3.4	-5.6	-3.0	-4.9	-6.9							

Sales expectations still stagnant:

In May 2014, the balance value of the expectations for the next three months was 19.8 points in April 2014. Expectations therefore increased by 2.1 points year-on-year and decreased by 0.1 points month-on-month. Sales expectations have been stagnant since November 2013. 44.4 percent of TEPE survey participants declared that they expected an improvement in their business activities in the next 3 months while 26 percent expected deterioration. 29.6 percent of the participants don't expect their business activities to change.

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

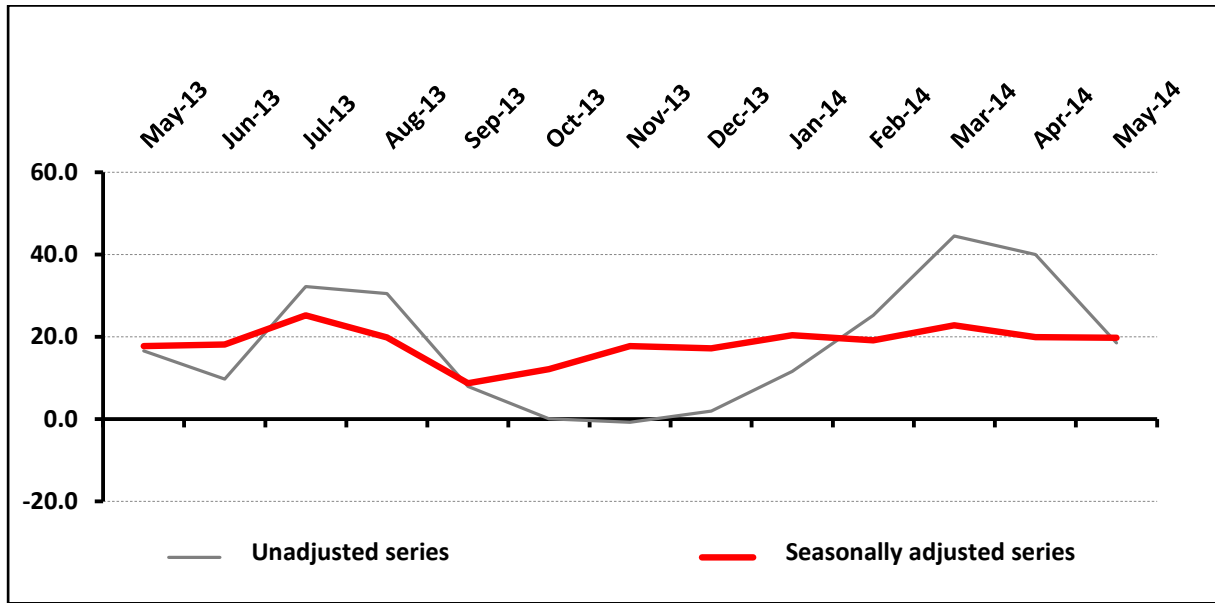


Table-2. Expectations for the next three months (%increase-%decrease) (Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2012	10.5	14.9	12.4	7.8	7.2	7.7	3.9	7.1	13.6	18.6	11.1	15.2
2013	11.6	10.8	14.4	19.5	17.7	18.1	25.2	19.8	8.7	12.1	17.8	17.2
2014	20.4	19.2	22.8	19.9	19.8							

Sharp decline in the anticipation for business recovery:

In May 2014, 10.7 percent of TEPE survey participants declared an improvement in their business activities compared to the year before while 62.5 percent declared deterioration. 26.9 percent of the participants declared that business activities did not change compared to May 2013. The balance value of the volume of business activities in May 2014 compared to the same period in the previous year was minus 64.4 points. The level of business activities compared to the previous year therefore declined by 6.8 points compared to April 2014 and by 25.3 points compared to May 2013. This was the lowest value for anticipated business recovery since December 2009.

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

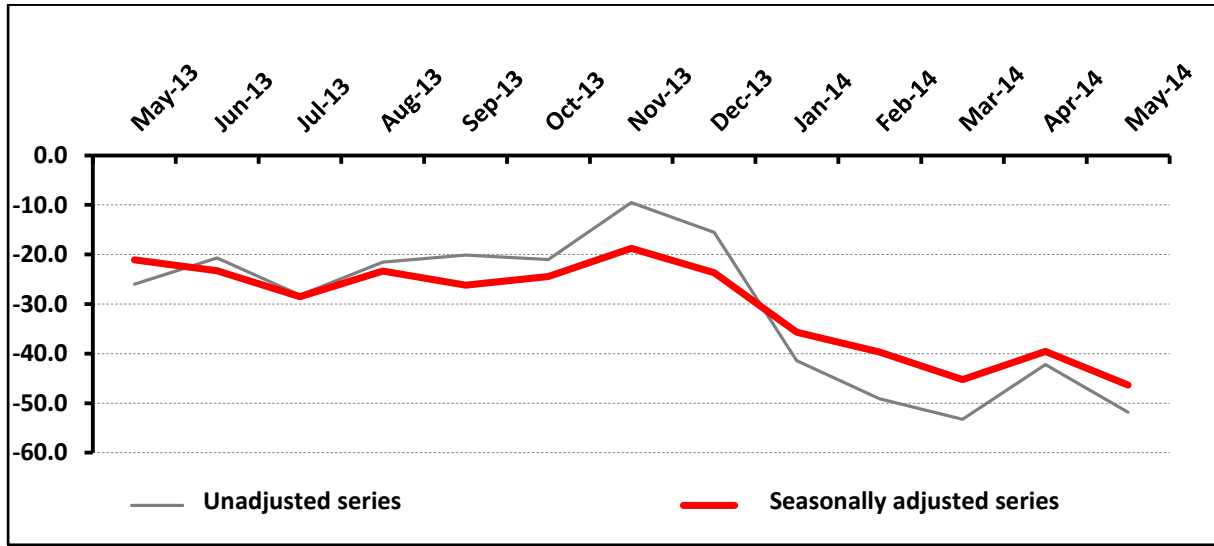


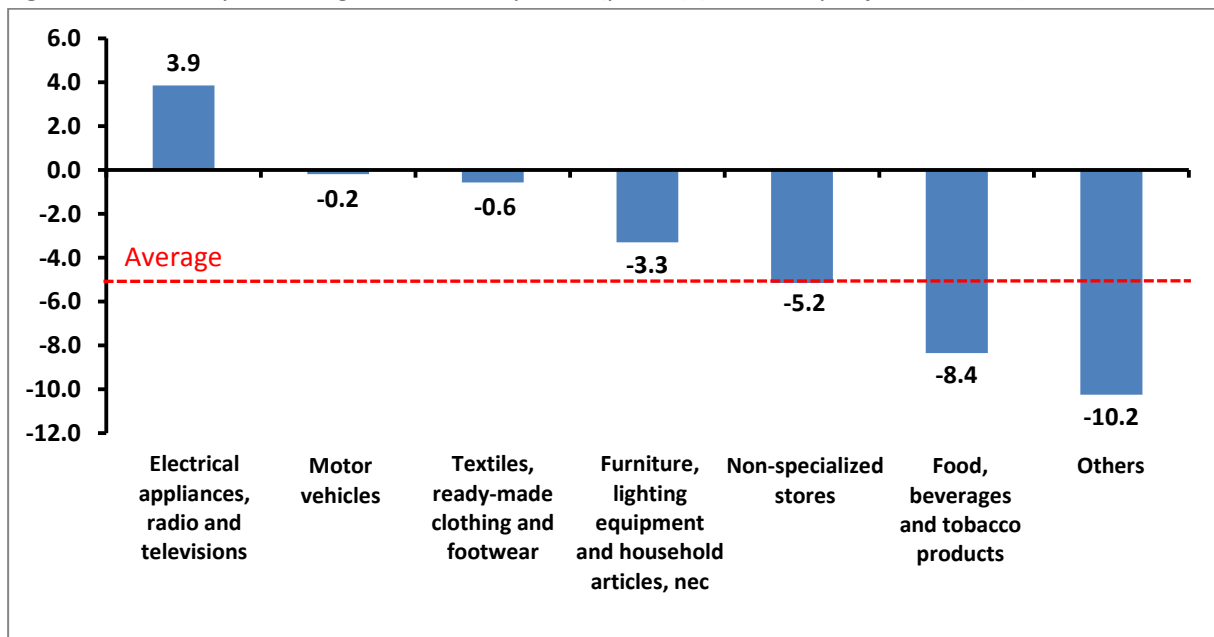
Table-3. Year-on-year change in business activities (%increase- %decrease)
(Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2012	-27.9	-27.6	-26.6	-24.1	-25.6	-33.0	-29.6	-33.9	-22.9	-26.8	-33.0	-25.0
2013	-20.8	-17.8	-16.8	-23.7	-21.1	-23.2	-28.5	-23.3	-26.2	-24.4	-18.8	-23.7
2014	-35.7	-39.7	-45.3	-39.6	-46.4							

Electronic appliances was the only sector in rise in May:

Concerning sub-sectors, electrical appliances, radio, and televisions was the best performer as the only sector that demonstrated a rise in May. All other sectors declined in May. The decline was below the average for textiles, ready-made clothing, and footwear, and furniture, lighting equipment and household articles sectors. Non-specialized stores declined at the mean level. Food, beverages, and tobacco products, and “others” station, pharmacy, perfumery, hardware, glassware, stationery etc) declined more than the average. The sharpest year-on-year drop was in the “others” sector.

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



Level of business activities down:

Question-based assessment of TEPE survey results indicates that compared to April 2014, all expectations and indicators except for the expectations for employment in the next 3 months declined. Compared to May 2013, all except for the expectations for sales and sales prices in the next 3 months demonstrated a decline. The retail sector weakened in terms of the level of activities compared to previous periods and expectations.

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

Questions	Index 05/2013	Index 04/2014	Index 05/2014	MoM Change 05/2014	YoY Change 05/2014
How has your business activity developed over the past three months?	-32.8	-43.0	-49.3	-6.3	-16.5
Do you consider the volume of inventories you currently hold to be...? ¹	9.8	8.0	8.3	0.3	-1.5
How do you expect your orders placed with suppliers to change over the next 3 months? They will...	11.4	13.1	4.3	-8.8	-7.1
How do you expect your business activity (sales) to change over the next 3 months? It will...	17.7	19.9	19.8	-0.1	2.1
How do you expect your firm's total employment to change over the next 3 months? It will...	6.9	3.1	3.8	0.7	-3.1
How do you expect the prices you charge to change over the next 3 months? They will...	8.9	42.3	31.7	-10.6	22.8
How has your business activity developed this year compared to the same period in the last year? It has...	-21.1	-39.6	-46.4	-6.8	-25.3
Do you expect an increase in the number of your stores next year?	11.0	12.3	8.3	-4.0	-2.7

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 in the EU continues its surge:

The EU-28 Retail Confidence Index that had an upwards trend starting in 2014 maintained the surge. The EU-28 Retail Confidence Index had a value of 4.1 in May 2014, with a month-on-month increase by 1.1 points and a year-on-year increase by 16 points. Turkey performed worse than the EU-28 and Eurozone in terms of both month-on-month and year-on-year change. Turkey had the highest year-on-year declined across the EU-28.

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

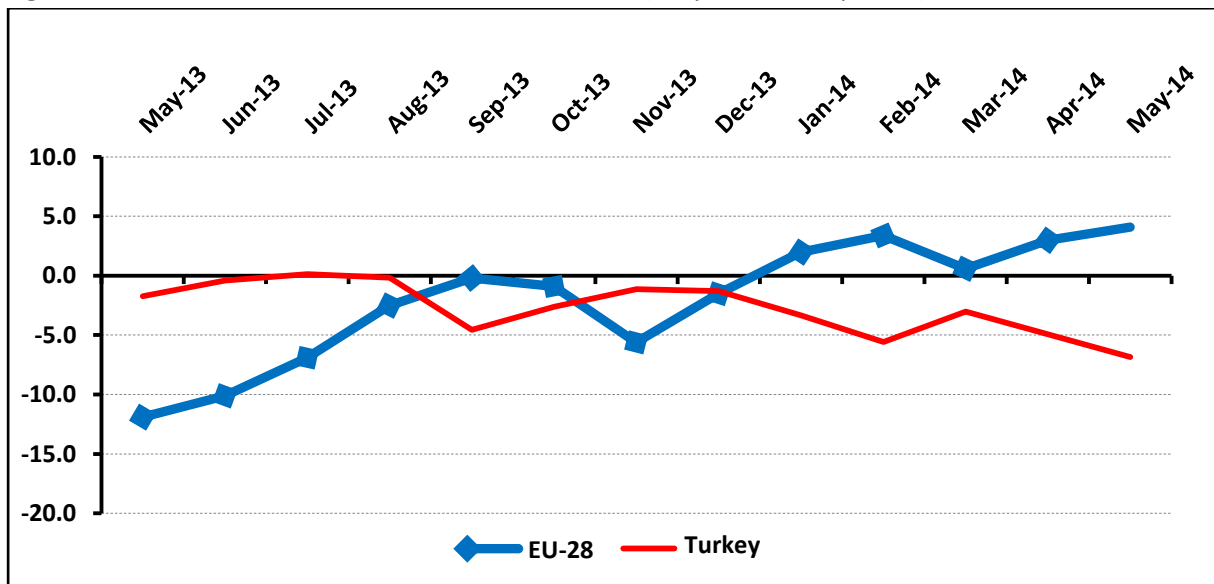


Table-5. EU-28 (Seasonally adjusted series)

%	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							

Sweden is the best performer across the EU:

Sweden had the largest year-on-year improvement in retail confidence across the EU-28 countries and Turkey. It was followed by Southern Cyprus, Spain, the UK, Slovenia, and Belgium. Denmark, Romania, and Turkey were the only three countries that suffered year-on-year declines in retail confidence. The highest month-on-month improvement in retail confidence was in Slovenia. The EU-28 Retail Confidence Index was stronger than the Eurozone compared to both May 2013 and April 2014.

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

Countries/ (Points)	Change in Retail Confidence Index Compared to May 2013 *	Change in Retail Confidence Index Compared to April 2014
Sweden	31.5	3.6
Southern Cyprus	28.3	-2.5
Spain	25.7	0.3
The United Kingdom	25.6	5.2
Slovenia	24.6	14.1
Belgium	22.3	-4.4
Portugal	19.6	1.1
Italy	19.1	2.6
Hungary	16.8	0.4
EU-28	16.0	1.1
Eurozone-17	14.2	0.0
France	12.7	-0.4
Germany	9.9	-1.3
Czech Republic	8.7	-2.1
Estonia	8.4	-2.1
Poland	8.0	-1.3
Greece	7.8	2.3
Finland	7.4	-3.1
Croatia	7.4	-5.0
Lithuania	6.5	-0.9
Austria	6.2	-1.2
The Netherlands	6.1	1.3
Latvia	5.1	0.7
Bulgaria	2.6	-3.8
Slovakia	1.9	3.6
Denmark	-1.0	1.4
Romania	-1.7	5.5
Turkey	-5.2	-2.0

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

Business activities bolster in Konya’s retail sector:

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 May, KOPE had a value of -3.2 compared to TEPE at -7. Konya’s retail sector which remains in the negatives since November remained in the negative zone in May while it maintained its value in April. KOPE declined year-on-year by 4.5 points compared to TEPE by 5.7 points. Konya’s retail sector performed better than overall Turkey and worse than the EU-28. The decline was driven by the weakening in expectations and the rise in the volume of inventories. The Index had a lower value in the first 5 months of 2014 than in 2013.

The anticipation for business recovery increased; expectations for orders, employment and sales prices strengthened compared to the previous year.

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

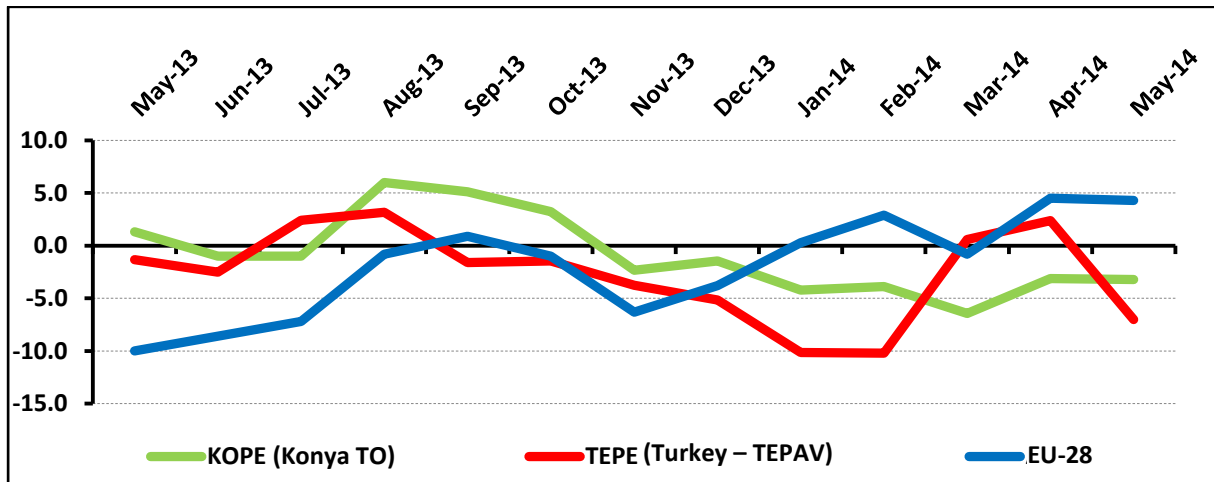


Table-7. Konya Retail Confidence Index (Unadjusted series)

%	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							