

FIRST TIME IN 4 YEARS, MORE THAN 60% OF RETAILERS SAY BUSINESS DECLINED:

TEPE declined year-on-year and month-on-month in February 2014. The rate of retailers who declared that their business activities deteriorated was 69 percent compared to past three months and 63 percent compared to past year. In February 2010, the rate of retailers who declared a year-on-year decline was 65 percent. Expectations for orders, sales, and employment in the next 3 months are in rise. Expectations for sales prices in the next 3 months also improved drastically. Retail confidence in the EU continues its surge. Compared to EU-28 countries, Turkey had the worst year-on-year performance in retail confidence.

TEPE continues its decline in February:

TEPE which started the year with a downwards trend continued the decline in February with a value of minus 6.3 points. This indicates a month-on-month decline by 2.2 points and a year-on-year decline by 3.7 points. Expectations for sales in the next 3 months had a positive contribution to TEPE value while the level of business activities compared to past 3 months and the current level of inventories contributed to the decline.

Figure-1. TEPE (February 2013 – February 2014)

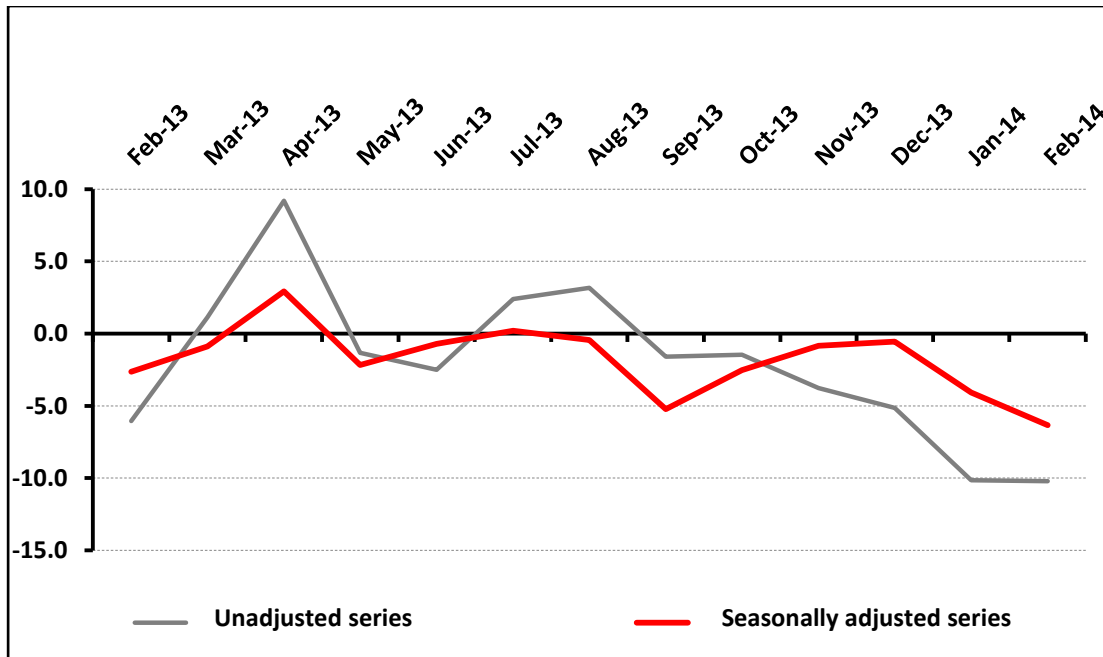


Table-1. TEPE (Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2012	-2.4	-0.7	-1.3	-6.5	-2.7	-6.7	-5.5	-6.3	-3.8	-2.4	-3.9	-3.4
2013	-2.1	-2.6	-0.9	2.9	-2.2	-0.7	0.2	-0.5	-5.2	-2.5	-0.8	-0.5
2014	-4.1	-6.3										

Sales expectations down month-on-month, up year-on-year:

Expectations for sales in the next 3 months increased by 8.5 points compared to February 2013; decreased by 1.2 points compared to January 2014. The balance value of the expectations for the next 3 months was 19.1 points. In February 2014, 45.9 percent of TEPE survey participants declared that they expected an improvement in their business activities in the next 3 months while 20.7 percent expected deterioration. 33.4 percent of the participants don't expect their business activities to change.

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

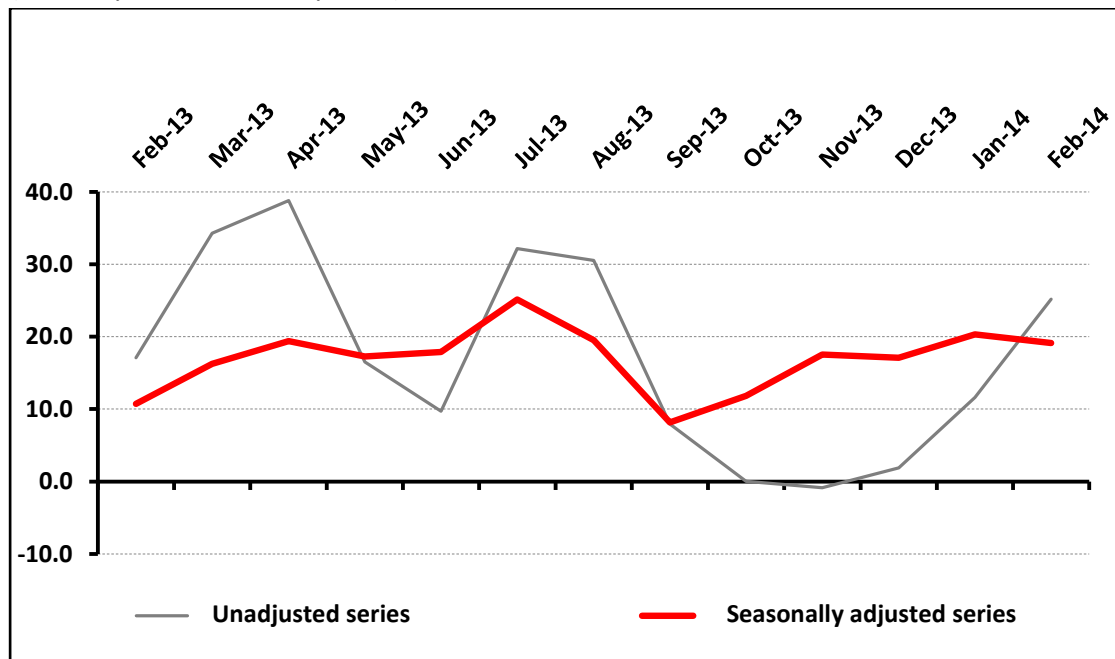


Table-2. Expectations for the next three months (%increase-%decrease) (Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2012	10.5	15.0	13.2	7.7	7.0	7.5	3.8	6.9	13.4	18.5	11.0	15.2
2013	11.5	10.7	16.2	19.4	17.3	17.9	25.1	19.5	8.2	11.8	17.5	17.1
2014	20.3	19.1										

63 percent of retailers say business volume is worse compared to past year:

In February 2014, 13.9 percent of TEPE survey participants declared an improvement in their business activities compared to the year before while 63 percent declared deterioration. 23.1 percent of the participants declared that business activities did not change compared to February 2013. The balance value of the volume of business activities in February 2014 compared to the same period in the previous year was minus 39.4 points. The level of business activities compared to the previous year therefore declined by 4 points compared to January 2014 and by 21.9 points compared to February 2013.

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

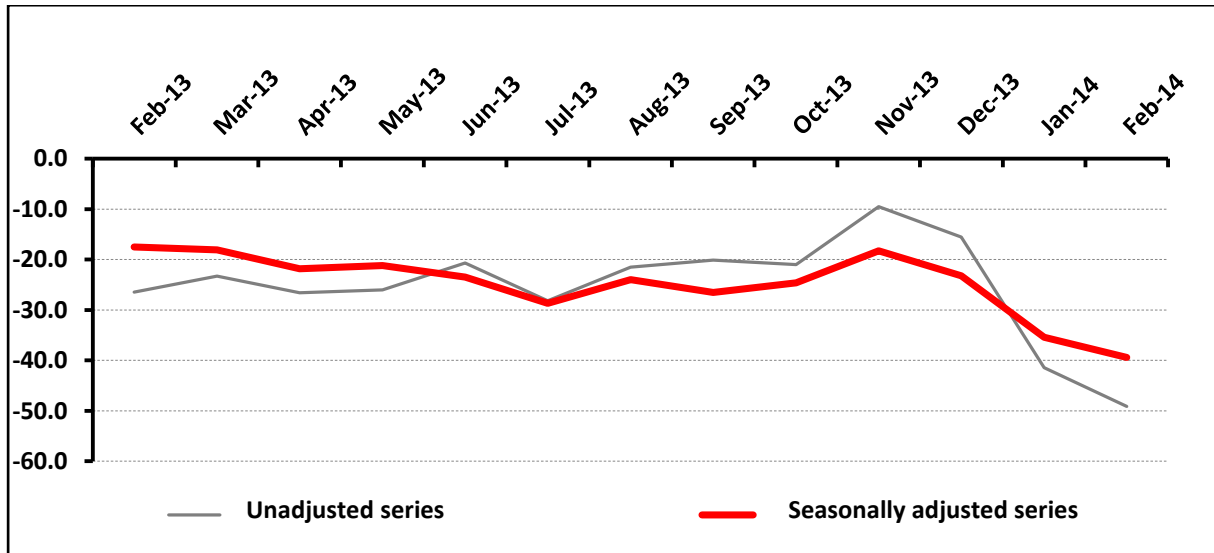


Table-3. Year-on-year change in business activities (%increase- %decrease)
(Seasonally adjusted series)

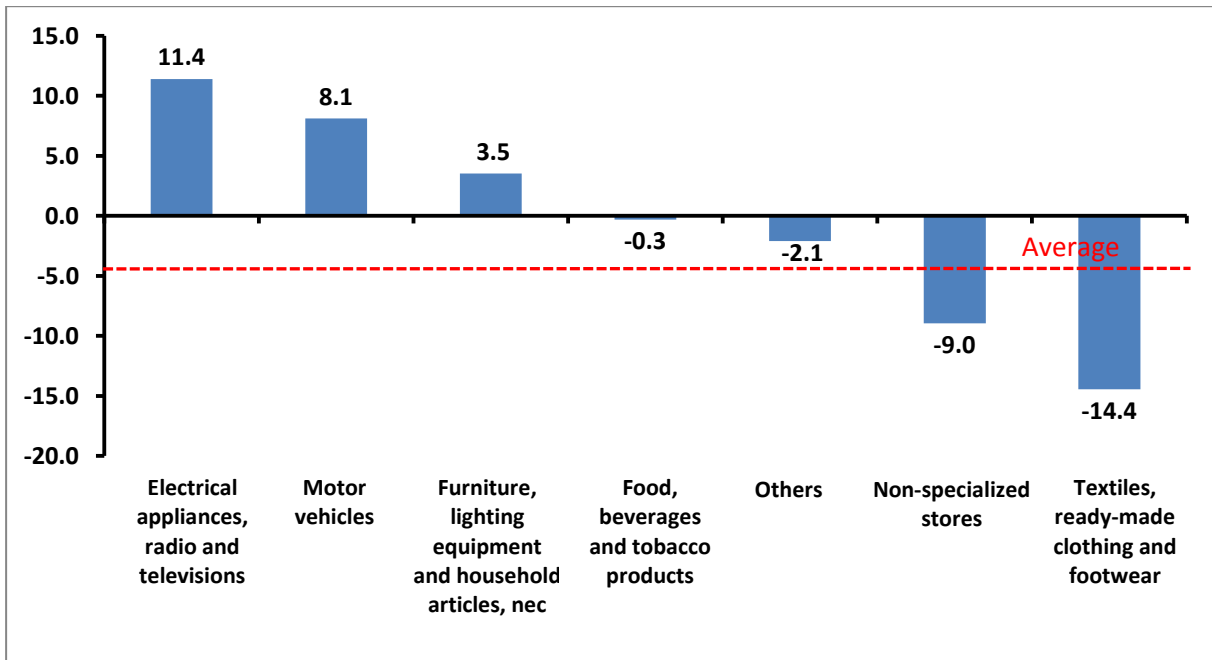
%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2012	-27.5	-27.3	-27.3	-22.9	-25.7	-33.1	-29.7	-34.8	-23.4	-27.1	-32.6	-24.6
2013	-20.5	-17.5	-18.1	-21.8	-21.2	-23.5	-28.7	-24.0	-26.5	-24.6	-18.3	-23.2

2014	-35.4	-39.4									
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Electronics and motor vehicles are the best performers of February 2014:

Concerning sub-sectors, electrical appliances, radio, and televisions sector had the best performance compared to February 2013. It was followed by motor vehicles, and furniture, lighting equipment, and household articles sectors. Other sectors declined year-on-year. The decline was less than the average in food, beverages, and tobacco products and “others” (gas station, pharmacy, perfumery, hardware, glassware, stationery etc) sectors. The decline was higher than the average in the non-specialized stores, and textile, ready-made clothing and footwear sectors while the latter had the sharpest drop in performance.

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



Business activities weakened year-on-year. but expectations are positive:

Question-based assessment of the TEPE survey results indicate that compared to February 2013, the level of business activities in comparison with past 3 months and last year declined drastically while all other expectation indicators improved. Compared to January 2014, expectations for sales and employment in the next 3 months and for the number of stores in the next 12 months, and the level of business activities compared to past year declined.

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

Questions	Index 02/2013	Index 01/2014	Index 02/2014	MoM Change 02/2014	YoY Change 02/2014
How has your business activity developed over the past three months?	-34.5	-46.8	-45.5	1.3	-11.0
Do you consider the volume of inventories you currently hold to be...? ¹	13.1	12.2	3.6	-8.6	-9.5
How do you expect your orders placed with suppliers to change over the next 3 months? They will...	0.8	4.3	6.1	1.8	5.3
How do you expect your business activity (sales) to change over the next 3 months? It will...	10.7	20.3	19.1	-1.2	8.4
How do you expect your firm's total employment to change over the next 3 months? It will...	8.8	10.6	9.7	-0.9	0.9
How do you expect the prices you charge to change over the next 3 months? They will...	11.2	47.3	49.3	2.0	38.1
How has your business activity developed this year compared to the same period in the last year? It has...	-17.5	-35.4	-39.4	-4.0	-21.9

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.

Do you expect an increase in the number of your stores next year?

12.5 15.1 **14.9** -0.2 2.4

The surge in the EU retail confidence continues:

The EU-28 Retail Confidence Index had a value of 3.5 in February 2014 with a month-on-month increase by 1.5 points and a year-on-year increase by 13.5 points. The EU-28 Retail Confidence Index has been increasing since the decline in November. Turkey performed worse than the EU-28 and the Eurozone in both year-on-year and month-on-month comparison and had the worst performance across EU-28 compared to February 2013.

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

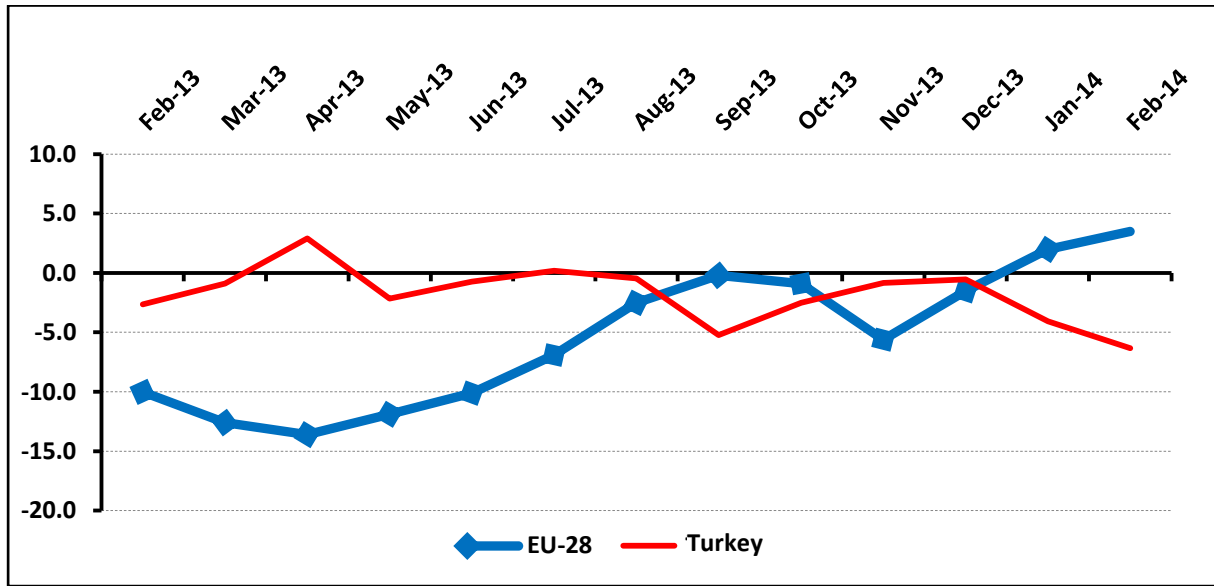


Table-5. EU-28 (Seasonally adjusted series)

%	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	3.5										

Greece is the best performer of the EU:

Greece had the highest year-on-year increase in retail confidence compared to EU-28 countries and Turkey and was followed by Italy and Portugal. Turkey, Finland, and Denmark were the only countries that suffered year-on-year declines in retail confidence. Croatia had the highest month-on-month improvement. EU-28 performed better than the Eurozone both year-on-year and month-on-month.

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

Countries/ (Points)	Change in Retail Confidence Index Compared to February 2013 *	Change in Retail Confidence Index Compared to January 2014
Greece	24.7	3.2
Italy	22.4	3.0
Portugal	20.8	2.4
Spain	17.7	-5.5
Belgium	17.2	5.0
Croatia	17.2	14.3
The United Kingdom	17.1	5.1
Hungary	16.4	-6.9
Lithuania	15.4	-1.5
Sweden	15.2	0.3
EU-28	13.5	1.5
Eurozone-17	13.1	0.5
Germany	12.0	0.9
Slovenia	11.8	-8.3
Southern Cyprus	11.6	0.0
Poland	10.5	2.3
Austria	8.8	0.8
The Netherlands	8.1	-1.0
France	6.5	0.1
Czech Republic	4.3	2.5
Estonia	3.0	2.1
Romania	2.3	7.1
Slovakia	2.2	5.3
Latvia	1.6	2.5
Bulgaria	1.5	1.3

Denmark	-0.5	-4.6
Finland	-1.8	-1.9
Turkey	-3.7	-2.2

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

Konya retail confidence index up for the first time in 5 months, but lower than February 2013:

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 February, KOPE had a value of -3.9 compared to TEPE at -10.2. After the downwards move since September, Konya’s retail sector increased in February. Compared to February 2013, KOPE declined by 6.5 points whereas TEPE declined by 4.1 points. Konya’s retail sector performed better than overall Turkey, but worse than the EU-28.

Expectations for sales, orders, employment declined while that for sales prices improved. The level of business activities increased compared to past 3 months but declined compared to past year.

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

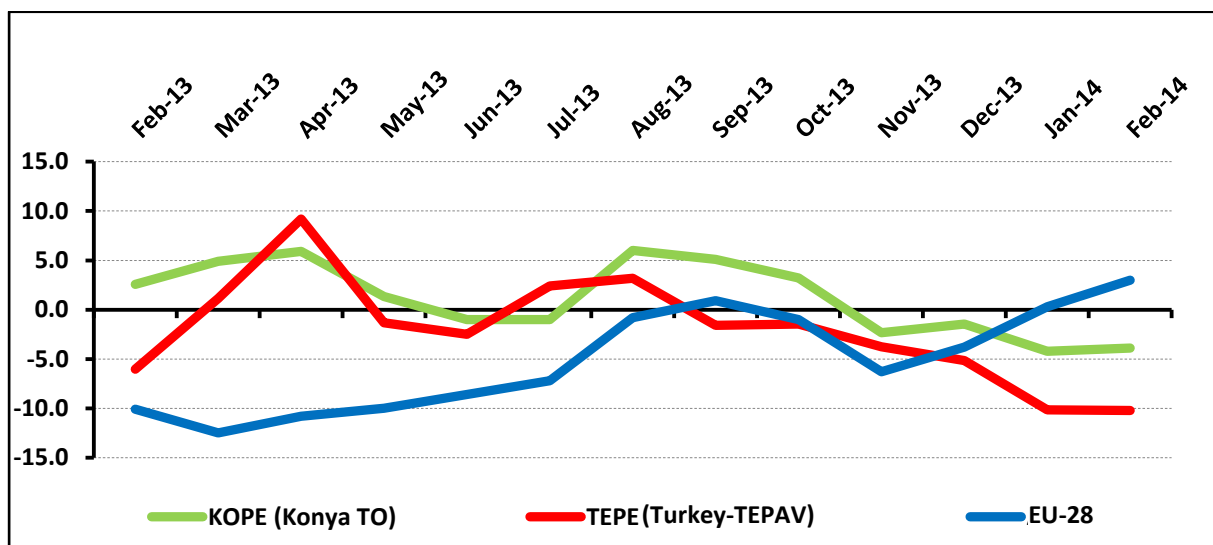


Table-7. Konya Retail Confidence Index (Unadjusted series)