

RETAIL SECTOR RECOVERS MONTH-ON-MONTH

In August 2014, TEPE increased month-on-month by 3.9 points but decreased year-on-year by 12 points. The largest year-on-year surge in sub-sectors was in motor vehicles sector. The volume of business activities compared to past period increased month-on-month. The retail confidence in the EU is down.

Retail confidence keeps on increasing:

TEPE which started an upwards movement thanks to the Ramadan and festival maintained the upwards trend, with a value of minus 2.9. TEPE increased month-on-month by 3.9 points but decreased year-on-year by 1.2 points. The year-on-year decline was driven by the decrease in the volume of business activities compared to the past 3 months.

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

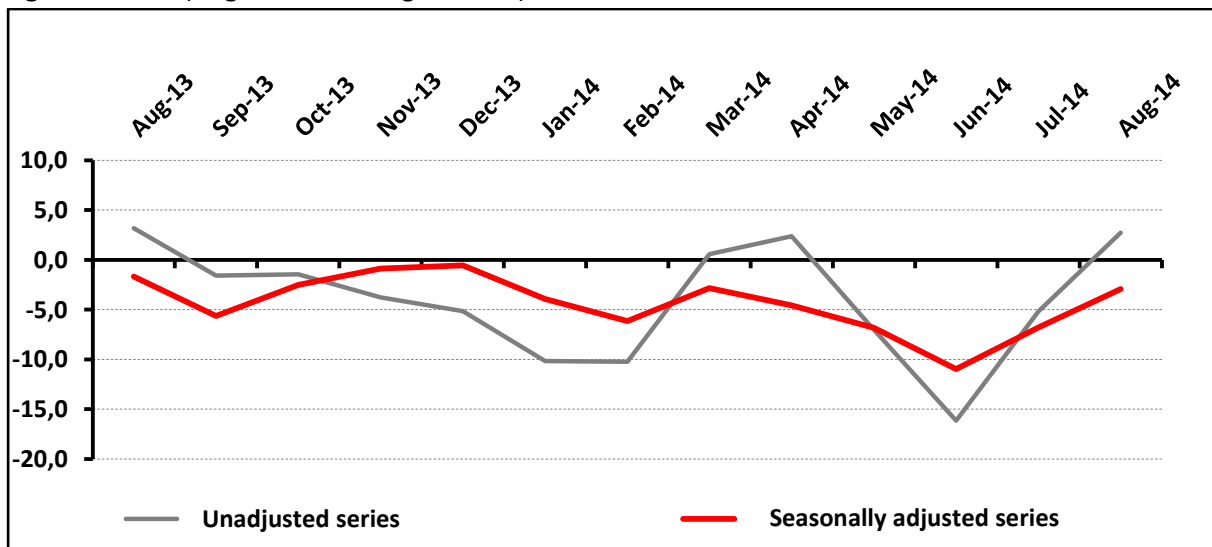


Table-1. TEPE (Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2012	-2.4	-0.6	-2.0	-6.7	-2.4	-5.5	-5.3	-7.1	-4.1	-2.4	-3.9	-3.4
2013	-2.1	-2.5	-2.0	2.5	-1.6	1.4	0.5	-1.7	-5.6	-2.5	-0.9	-0.5
2014	-3.9	-6.2	-2.8	-4.6	-6.8	-11.0	-6.8	-2.9				

Half of retailers expect an improvement in sales in the period ahead:

In August, sales expectations maintained the surge in July. The balance value of the expectations for the next three months was 19.2 points. Sales expectations for the next 3 months declined year-on-year by 0.9 points and increased month-on-month by 1.9 points. In August 2014, 49.8 percent of TEPE survey participants declared that they expected business activities to improve in the next 3 months while 20.6 percent expect business activities to decline. 29.6 percent of the participants do not expect business activities.

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

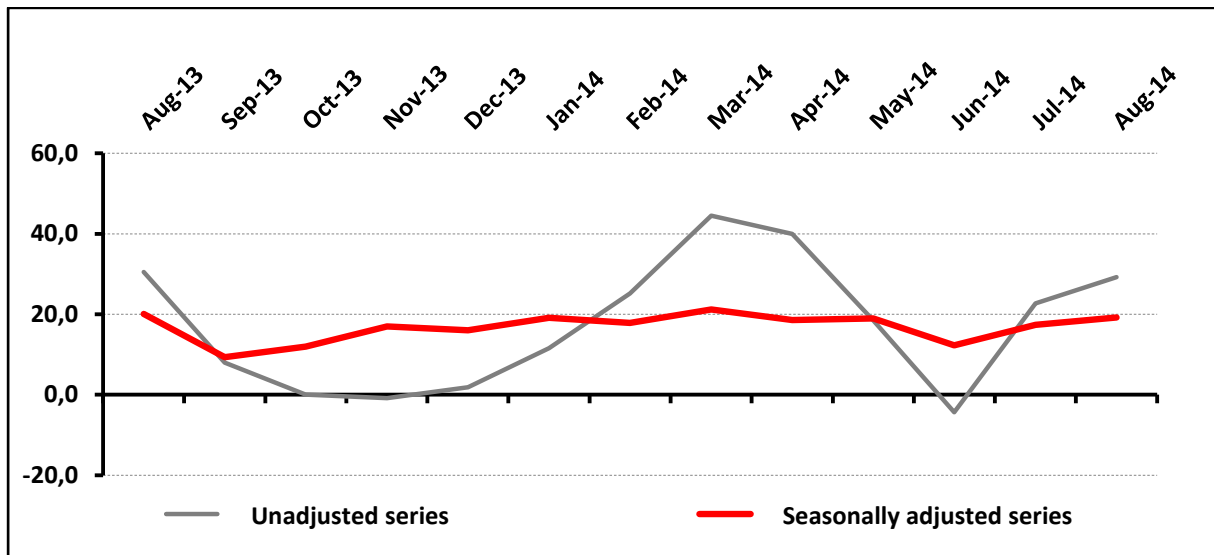


Table-2. Expectations for the next three months (%increase-%decrease) (Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2012	10.1	14.4	12.0	7.8	7.3	9.6	4.8	7.7	13.6	18.0	10.7	14.6
2013	11.3	10.5	13.8	18.8	17.0	21.9	25.7	20.1	9.3	12.0	17.0	16.0
2014	19.1	17.9	21.2	18.6	19.0	12.3	17.4	19.2				

Anticipation for business recovery up month-on-month:

The balance value of the volume of business activities compared to the same month in the year before, which increased in July, had a value of -30.4 in August 2014. Business volume compared to the year before increased by 7 points compared to July 2014 but decreased by 4.2 points compared to August 2013. In August 2014, 22.1 percent of TEPE survey participants declared an improvement in their business activities compared to the year before while 46.6 percent declared deterioration. 31.4 percent of the participants declared that business activities did not change compared to August 2013.

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

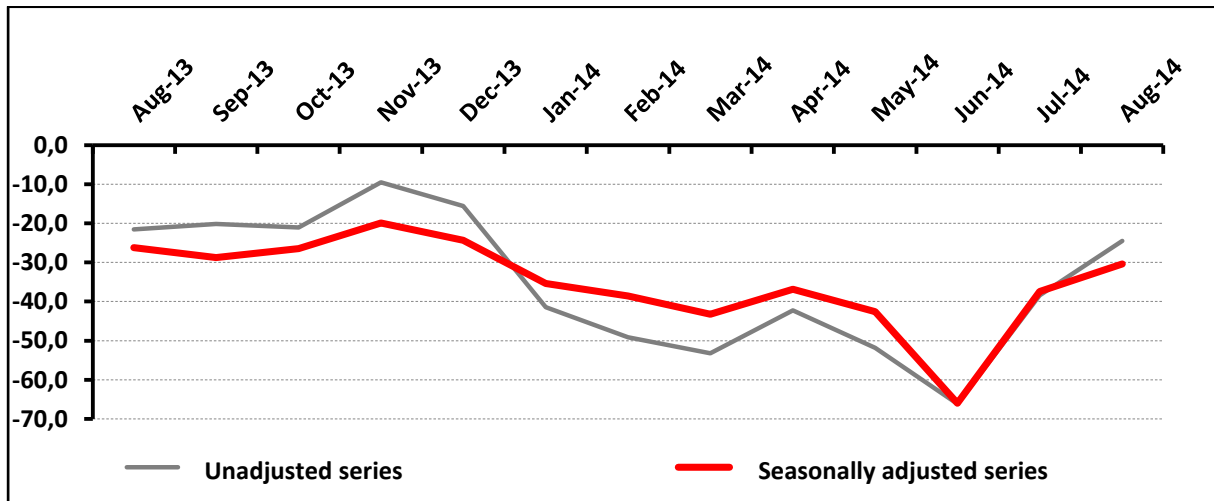


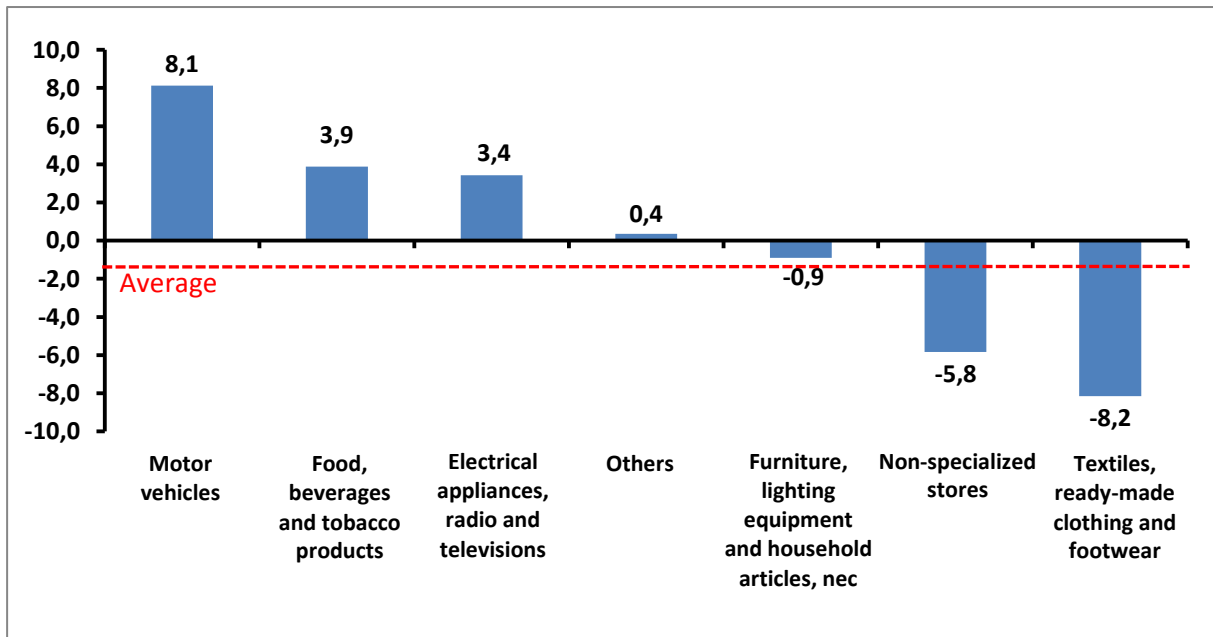
Table-3. Year-on-year change in business activities (%increase- %decrease)
(Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2012	-27.5	-27.2	-26.0	-23.3	-24.5	-32.4	-29.7	-35.6	-24.6	-28.0	-33.3	-25.2
2013	-20.5	-17.2	-15.7	-22.3	-19.0	-22.1	-28.3	-26.2	-28.7	-26.4	-19.9	-24.3
2014	-35.3	-38.6	-43.3	-36.8	-42.6	-66.0	-37.4	-30.4				

Motor vehicles sector the best performer of August:

The best performer of the month among sub-sectors was motor vehicles sector. Food, beverages, and tobacco products; electrical appliances, radio, and televisions sector; and the “others” (gas station, pharmacy, perfumery, hardware, glassware, stationery etc) improved above the average. Furniture, lighting equipment and household articles sector declined year-on-year but at a rate lower than the average. Textiles, ready-made clothing, and footwear; and non-specialized stores sectors declined more than the average. The sharpest decline in August was in the textiles, ready-made clothing, and footwear sector

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



Business activity compared to past months increases month-on-month:

Question-based assessment of the TEPE survey results demonstrate that compared to July 2014, all expectations and conditions deteriorated except the expectations for sales prices in the next 3 months. Compared to August 2013, expectations for sales prices in the next three months and for the number of stores in the next year were the only indicators that improved. Retail sector performed better than July 2014 but worse than August 2013.

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

Questions	Index 08/2013	Index 07/2014	Index 08/2014	MoM Change 08/2014	YoY Change 08/2014
How has your business activity developed over the past three months?	-30.8	-45.5	-36.9	8.5	-6.1
Do you consider the volume of inventories you currently hold to be...? ¹	7.7	10.2	12.7	2.5	5.0
How do you expect your orders placed with suppliers to change over the next 3 months? They will...	10.2	-0.1	0.9	1.0	-9.2
How do you expect your business activity (sales) to change over the next 3 months? It will...	20.1	17.4	19.2	1.8	-0.9
How do you expect your firm's total employment to change over the next 3 months? It will...	5.9	2.4	3.4	1.0	-2.5
How do you expect the prices you charge to change over the next 3 months? They will...	17.1	29.9	27.6	-2.3	10.5
How has your business activity developed this year compared to the same period in the last year? It has...	-26.2	-37.4	-30.4	7.0	-4.2
Do you expect an increase in the number of your stores next year?	6.1	7.1	7.4	0.3	1.3

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 confidence in the EU continues to decline:

The EU-28 Retail Confidence Index had a value of 1 in August 2014, demonstrating a month-on-month decline by 1.2 points and a year-on-year increase by 3.5 points. Compared to the EU-28 and the Eurozone, Turkey performed worse concerning year-on-year change, and better concerning month-on-month change. Turkey was one of the seven EU-28 countries that faced the sharpest year-on-year drop in retail confidence.

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

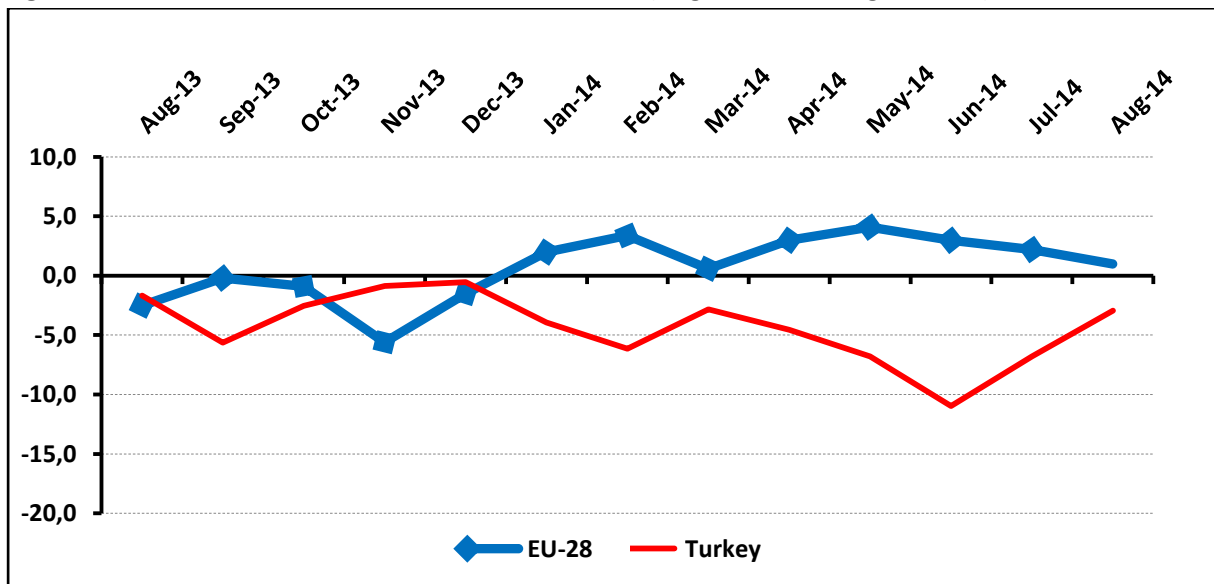


Table-5. EU-28 (Seasonally adjusted series)

%	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	3.0	2.2	1.0				

The Eurozone outperforms the EU in retail confidence:

Greece had the highest year-on-year improvement also in August. The country was followed by Hungary, Southern Cyprus, and Spain. France, Turkey, Denmark, Austria, the United Kingdom, Bulgaria, and Croatia faced year-on-year decline in retail confidence. The highest month-on-month improvement was in Finland. The EU-28 Retail Confidence index was weaker than the Eurozone index both year-on-year and month-on-month.

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

Countries	Change in Retail Confidence Index Compared to August 2013 (points)*	Change in Retail Confidence Index Compared to July 2014 (points)
Greece	27.9	1.8
Hungary	18.5	5.1
Southern Cyprus	17.3	-0.2
Spain	15.5	3.0
Italy	13.7	-2.3
Portugal	13.2	-0.4
Sweden	10.7	-3.9
Slovenia	9.0	-3.9
Romania	7.2	-1.4
Eurozone -18	5.9	-2.3
Lithuania	5.5	4.9
The Netherlands	5.3	-0.2
Czech Republic	5.1	-3.9
Poland	4.9	0.6
Finland	4.5	7.1
Slovenia	4.3	1.1
Estonia	3.7	3.5
EU-28	3.5	-1.2
Germany	2.6	-0.3
Latvia	1.4	-1.2
Belgium	0.4	-0.4
France	-0.4	-10.5
Turkey	-1.3	3.9
Denmark	-4.9	5.2
Austria	-5.7	0.8
The United Kingdom	-5.9	2.9
Bulgaria	-6.6	-6.1
Croatia	-7.5	-2.7

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

Anticipation for recovery up, expectations down 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 August, TEPE had a value of 2.7 compared to KOPE at 5.6. Having maintained positive values since June 2014, Konya’s retail sector remained in the positives in August despite a slight decline. Year-on-year, KOPE declined by 0.4 points while TEPE declined by 0.5 points. Month-on-month, KOPE declined by 0.4 points. Konya’s retail sector had a higher value than the EU-28 Index and overall TEPE index. The decline was driven by the weak expectations for sales in the next 3 months.

The anticipation for business recovery increased both month-on-month and year-on-year; expectations for sales and orders placed with suppliers declined on both terms.

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

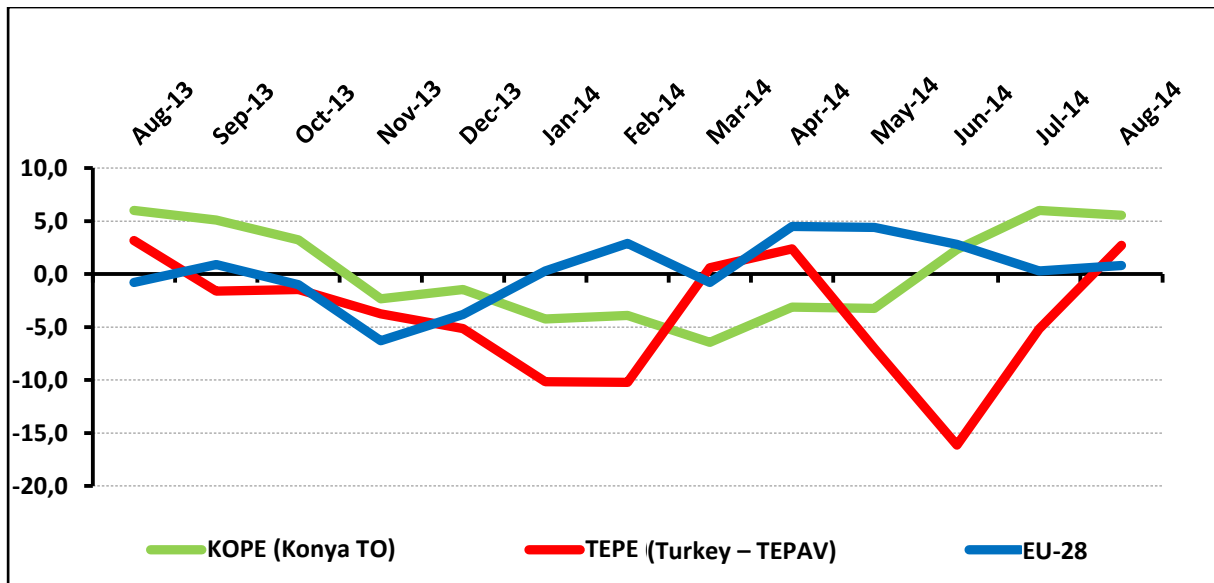


Table-7. Konya Retail Confidence Index (Unadjusted series)

%	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	2.3	6.0	5.6				