

### RETAIL CONFIDENCE SLUMPS AT THE START OF THE LAST QUARTER

In October 2014, TEPE declined month-on-month by 2.4 points and year-on-year by 14.3 points. Sales expectations weakened in both terms while anticipation for business recovery improved month-on-month. All sub-sectors of the retail industry worsened year-on-year. Retail confidence in the EU is also in decline for five consecutive months. Alike the trend in overall Turkey, Konya's retail confidence index declined both year-on-year and month-on-month.

#### Retail confidence continues the decline in October:

TEPE which had moved up in July and August had a value of -15 in October, declining month-on-month by 2.4 points and year-on-year by 14.3 points. The decline was driven by the weakening of business volume compared to past 3 months and of sales expectations in the next 3 months.

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

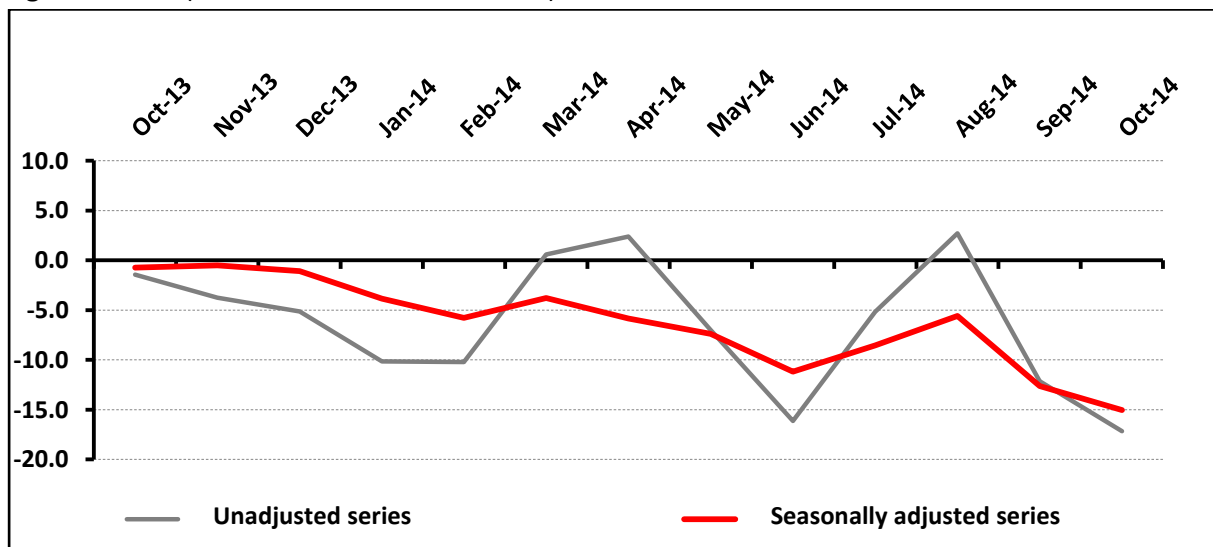


Table-1. TEPE (Seasonally adjusted series)

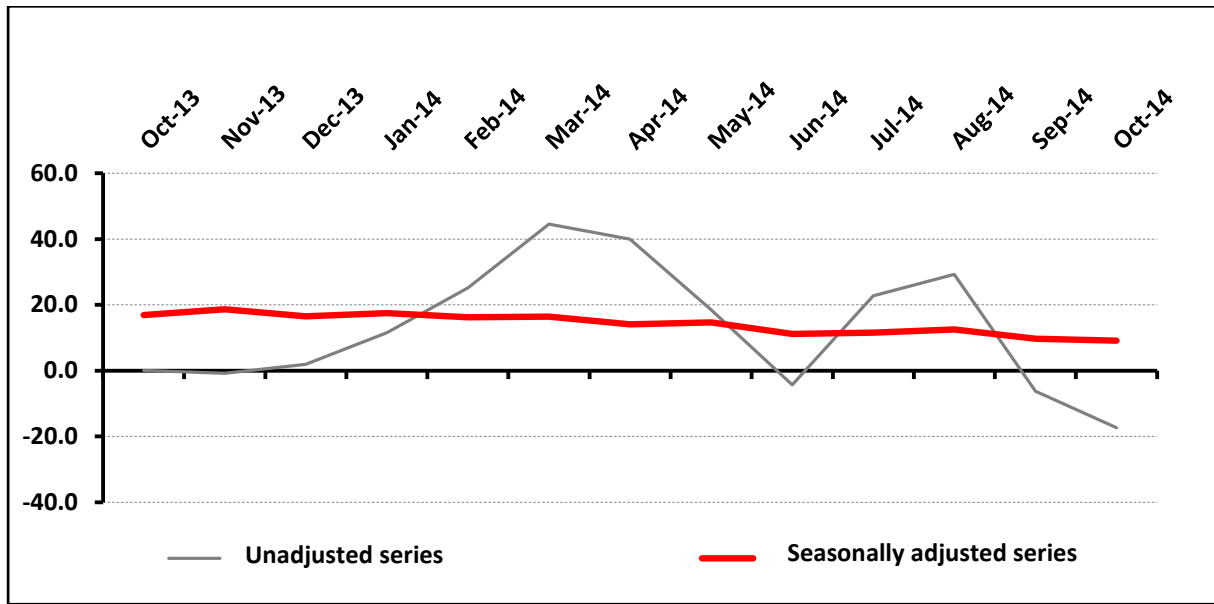
%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2012	-3.0	-1.3	-2.3	-6.7	-2.6	-5.7	-5.5	-6.4	-2.6	-1.8	-3.7	-4.1
2013	-2.2	-2.6	-2.6	1.7	-2.0	1.3	-0.3	-2.6	-3.0	-0.7	-0.5	-1.1
2014	-3.9	-5.8	-3.8	-5.8	-7.4	-11.2	-8.5	-5.6	-12.6	-15.0		

**Decline ongoing in sales expectations:**

Having turned down in September after the surge in July and August, the decline in sales expectations continued in October. The balance value of the expectations in the next 3 months was 9.1. Sales expectations for the next 3 months declined year-on-year by 7.8 points and month-on-month by 0.6 points.

In October 2014, 24.4 percent of TEPE survey participants declared that they expected business activities to improve in the next 3 months while 41.7 percent expect business activities to decline. 33.9 percent of the participants do not expect business activities.

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



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

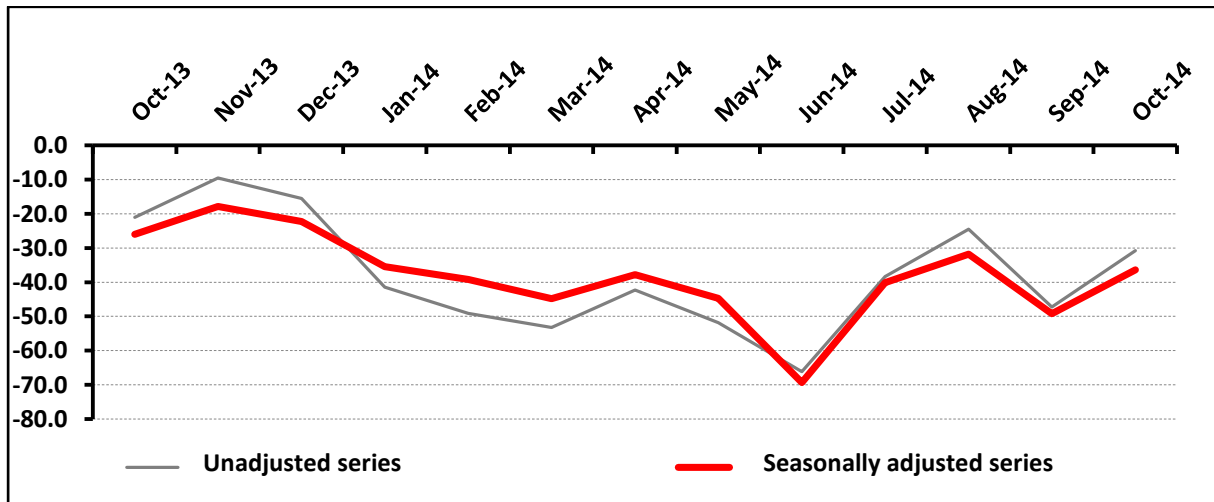
%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
<b>2012</b>	10.3	12.5	11.8	9.9	9.6	10.3	8.2	10.0	12.9	15.0	11.0	13.7
<b>2013</b>	13.2	12.8	14.0	17.3	15.6	18.4	20.3	17.3	16.4	16.9	18.6	16.5
<b>2014</b>	17.5	16.2	16.4	14.1	14.7	11.2	11.5	12.6	9.7	9.1		

**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 had a value of -36.4 in October 2014. Business volume compared to the year before increased by 12.8 points compared to September 2014 and declined by 10.4 points compared to October 2013.

In October 2014, 21.2 percent of TEPE survey participants declared an improvement in their business activities compared to the year before while 52 percent declared deterioration. 26.8 percent of the participants declared that business activities did not change compared to October 2013.

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



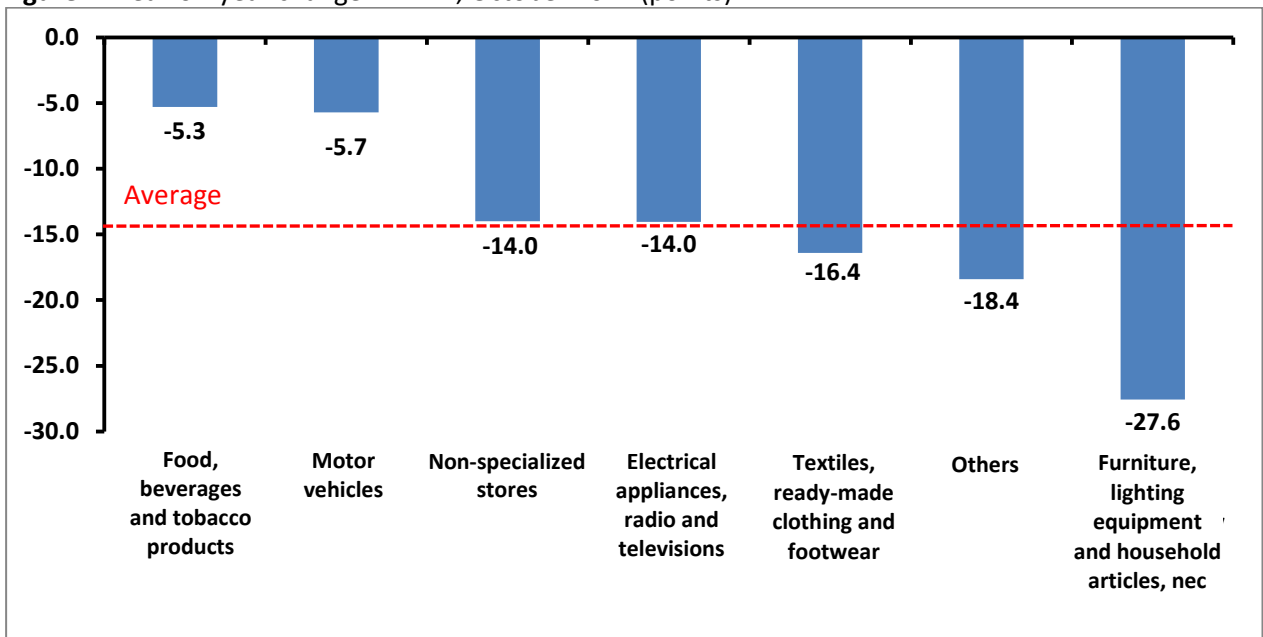
**Table-3.** Year-on-year change in business activities (%increase- %decrease)  
(Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2012	-27.5	-27.1	-26.0	-23.2	-24.9	-33.8	-30.8	-37.1	-21.0	-28.1	-32.8	-24.2
2013	-20.4	-17.1	-16.0	-22.5	-19.9	-24.3	-30.2	-27.8	-23.3	-26.0	-17.9	-22.3
2014	-35.4	-39.2	-44.8	-37.8	-44.8	-69.4	-40.1	-31.8	-49.2	-36.4		

**Furniture and household articles suffers the sharpest drop in October:**

All subsectors declined compared to October 2013. The mildest decline was in food, beverages, and tobacco products and motor vehicles sectors. These were followed by non-specialized stores and electrical appliances, radio, and televisions sectors. The decline was smaller than the average in the abovementioned four sectors. Textile, ready-made clothing and footwear, “others” (gas station, pharmacy, perfumery, hardware, glassware, stationery etc), and furniture, lighting equipment, and household articles sectors declined at a rate above the average, with the latter suffering the sharpest year-on-year decline.

**Figure-4.** Year-on-year change in TEPE, October 2014 (points)



**Business volume compared to past 3 months and sales expectations for the next 3 months down:**

Question-based assessment of the TEPE survey results suggests that compared to September 2014, all indicators declined except for the volume of business activities compared to past year and the expectation for the number of stores in the next year. Compared to October 2013, all conditions declined expect for the expectations for sales prices in the next 3 months and the number of stores in the next year.

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

Questions	Index 10/2013	Index 09/2014	Index 10/2014	MoM Change 10/2014	YoY Change 10/2014
How has your business activity developed over the past three months?	-24.8	-51.2	<b>-59.2</b>	-8.0	-34.4
Do you consider the volume of inventories you currently hold to be...? <sup>1</sup>	7.0	11.4	<b>11.8</b>	0.4	4.8
How do you expect your orders placed with suppliers to change over the next 3 months? They will...	5.2	-10.8	<b>-11.4</b>	-0.6	-16.6
How do you expect your business activity (sales) to change over the next 3 months? It will...	16.9	9.7	<b>9.1</b>	-0.6	-7.8
How do you expect your firm's total employment to change over the next 3 months? It will...	10.3	-1.2	<b>-1.5</b>	-0.3	-11.8
How do you expect the prices you charge to change over the next 3 months? They will...	16.0	29.7	<b>21.5</b>	-8.2	5.5
How has your business activity developed this year compared to the same period in the last year? It has...	-26.0	-49.2	<b>-36.4</b>	12.8	-10.4
Do you expect an increase in the number of your stores next year?	7.8	4.8	<b>9.7</b>	4.9	1.9

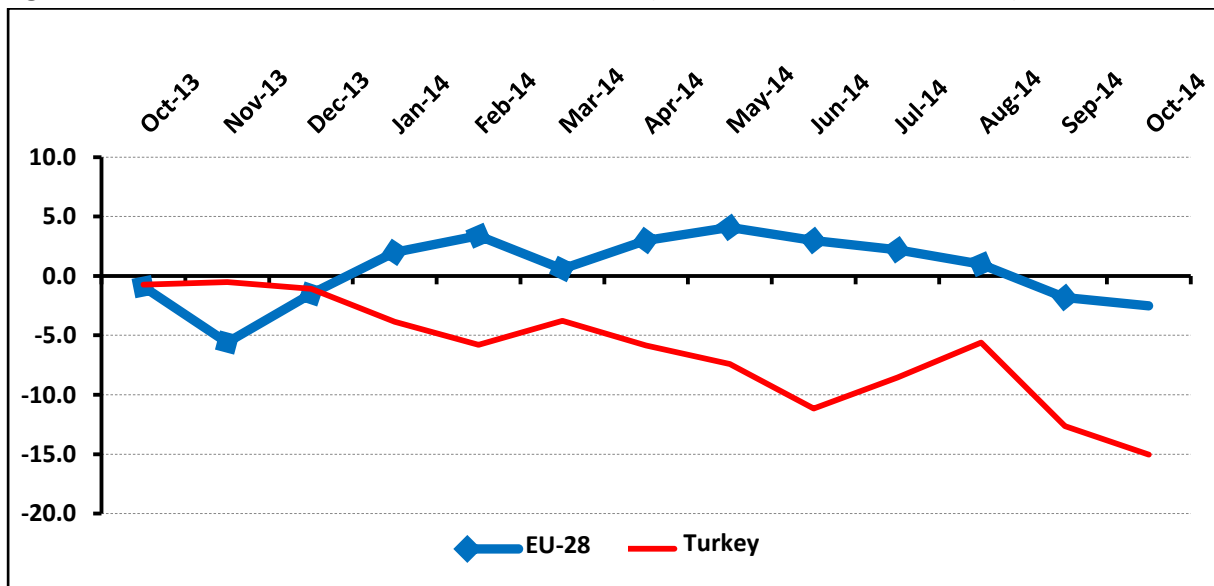
<sup>1</sup> Positive inventory level indicates that current level of inventory stands below the normal.

The (-) values in Table-4 implies that negative expectations were dominant to positive expectations.

**Retail confidence in the EU down for 5 consecutive months:**

The EU-28 Retail Confidence Index had a value of -2.5 in October 2014, declining month-on-month by 0.7 points and year-on-year by 1.6 points. This is the fifth consecutive month the EU-28 index has been in decline. Turkey performed worse than the EU-28 and the Eurozone compared to both October 2013 and September 2014. Also, Turkey had the second sharpest year-on-year decline in retail confidence across the EU-28.

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



**Table-5.** AB-28 (Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
<b>2012</b>	-13.8	-11.6	-11.0	-8.1	-14.2	-9.6	-9.9	-13.1	-14.9	-12.6	-8.7	-10.1
<b>2013</b>	-9.1	-10.0	-12.6	-13.6	-11.9	-10.1	-6.9	-2.5	-0.2	-0.9	-5.6	-1.5
<b>2014</b>	2.0	3.4	0.6	3.0	4.1	3.0	2.2	1.0	-1,8	-2,5		

### The Eurozone outperforms the EU in retail confidence:

As was in September, Greece had the highest year-on-year improvement in retail confidence across the EU-28, and was followed by the Netherlands, Sweden, and Slovakia. The United Kingdom, Turkey, Finland, Bulgaria, and Germany declined year-on-year. Compared to September 2014, Slovenia had the largest improvement in retail confidence. The EU-28 Retail Confidence index was weaker than the Eurozone index concerning year-on-year and month-on-month figures both.

**Table-6.** AB-28 Ülkeleri ve Türkiye'nin Perakende Güven Endeksi karşılaştırmaları (October 2013 ve Eylül 2014'e göre) (Seasonally adjusted series)

Countries	Change in Retail Confidence Index Compared to October 2013 (points)*	Change in Retail Confidence Index Compared to September 2014 (points)
Greece	27.8	7.5
The Netherlands	13.3	3.3
Sweden	12.5	-1.5
Slovakia	12.2	1.6
Spain	11.3	-0.6
Hungary	11.2	-4.5
Czech Republic	10.0	3.1
Southern Cyprus	9.6	-3.4
Romania	7.7	2.9
Croatia	7.7	0.5
Portugal	7.2	-1.3
Italy	6.0	0.6
Estonia	5.1	4.3
Lithuania	4.8	-0.9
Poland	4.4	2.9
Latvia	3.3	2.3
Slovenia	2.5	8.0
<b>Eurozone-18</b>	<b>1.3</b>	<b>0.9</b>
Austria	-0.3	2.8
Belgium	-1.3	-1.6
<b>EU-28</b>	<b>-1.6</b>	<b>-0.7</b>
Denmark	-3.0	-3.3
France	-3.3	2.7
Germany	-5.1	-0.3
Bulgaria	-5.4	-1.2
Finland	-7.3	2.6
<b>Turkey</b>	<b>-14.3</b>	<b>-2.4</b>
The United Kingdom	-17.7	-7.5

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

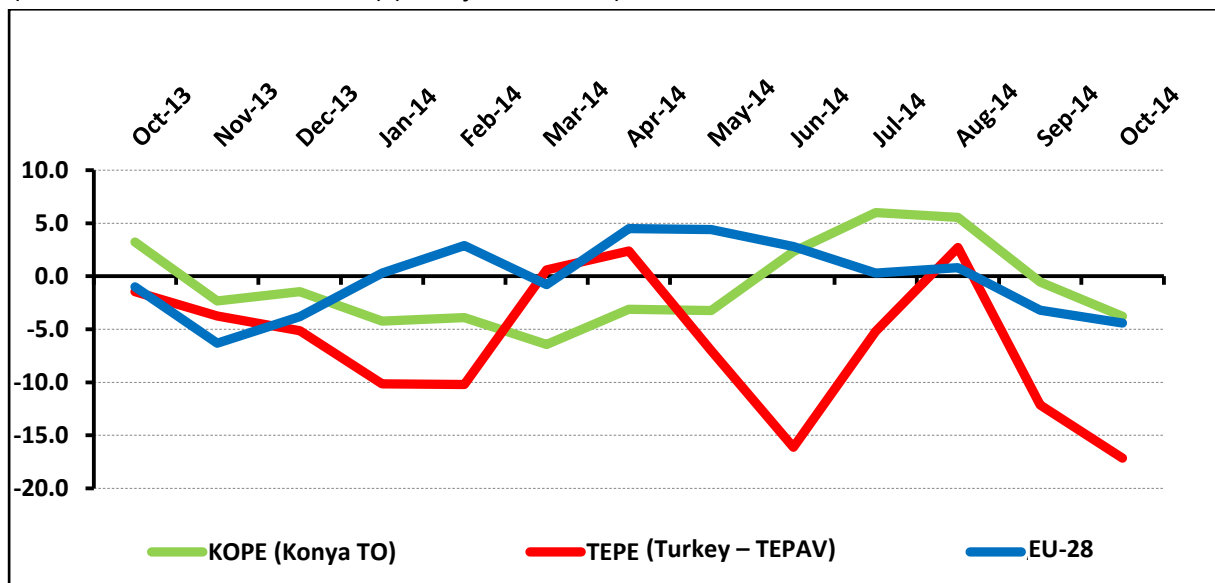
**Retail confidence down also in Konya:**

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 October, KOPE had a value of -3.8 compared to TEPE at -17.2. KOPE, which had broken the series in the positives since June in September remained in the negatives in October. KOPE declined by 7 points year-on-year and by 3.2 points month-on-month. Konya’s retail sector performer better than overall Turkey and EU-28. The year-on-year decline in KOPE was driven by weaker business volume compared to past 3 months and weaker expectations for sales in the next 3 months.

The anticipation for business recovery compared to past 3 months declined year-on-year while expectations for sales and employment in the future declined on both timeframes.

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



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

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
<b>2012</b>	---	0.6	2.7	7.9	2.6	1.0	-3.4	4.9	-1.8	-4.1	-6.6	-9.4
<b>2013</b>	-3.6	2.6	4.9	5.9	1.3	-1.0	-1.0	6.0	5.1	3.2	-2.3	-1.4
<b>2014</b>	-4.2	-3.9	-6.4	-3.1	-3.2	2.3	6.0	5.6	-0.6	-3.8		