NEWS BULLETIN
02.07.2014 # 55

RETAILERS DISCONTENTED WITH THE PAST, HOPELESS ABOUT THE FUTURE

TEPE decreased both month-on-month and year-on-year in June 2014 to the lowest value since 2010 considering first six months. Expectations stagnant over the last 7 months declined. The level of business activities compared to the past periods and expectations for the future weakened. Retail confidence in the EU-28 maintains the year-on-year recovery. Turkey had the sharpest year-on-year decline in retail confidence compared to the EU-28 countries.

Retail confidence has the poorest first-half performance of the past 4 years:

TEPE, which reached the peak of the year in March, has been down since then. With a value of -11.6, TEPE declined month-on-month by 3.9 points and year-on-year by 12.6 points. The decline was driven by the weakening of business activities compared to past 3 months, of sales expectations in the next 3 months and by the rise in the level of inventories. Averaging at -6.6 in the first 6 months of the year, TEPE recorded the lowest first half level since 2010.

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

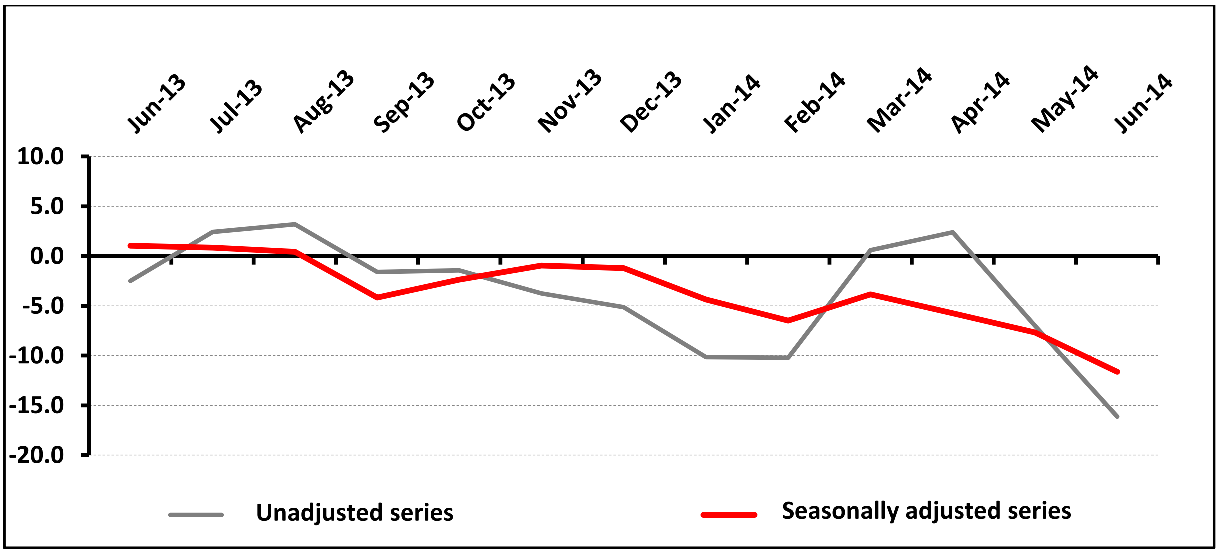


Table-1. TEPE (Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2012	-2.8	-1.1	-2.3	-6.9	-2.7	-5.8	-5.1	-5.5	-3.2	-2.4	-4.0	-4.0
2013	-2.4	-2.8	-2.6	1.8	-2.2	1.0	0.8	0.4	-4.2	-2.4	-1.0	-1.2
2014	-4.4	-6.5	-3.8	-5.7	-7.7	-11.6						

Stagnant for 7 months, sales expectations down in June:

Sales expectations that have been stagnant for the last 7 months declined month-on-month and year-on-year in June. The balance value of the expectations for the next three months was 11.7 points in June 2014 marking a decline of 10 points compared to June 2013 and by 6.8 points compared to May 2014. 26.4 percent of TEPE survey participants declared that they expected an improvement in their business activities in the next 3 months while 30.7 percent expected deterioration. 42.9 percent of the participants don't expect their business activities to change.

Expectations for sales in the next 3 months averaged at 17.6 in the first 6 months of the year, compared to 15.4 in the same period in 2013. This is the highest average value of sales expectations for first 6 months since 2011.

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

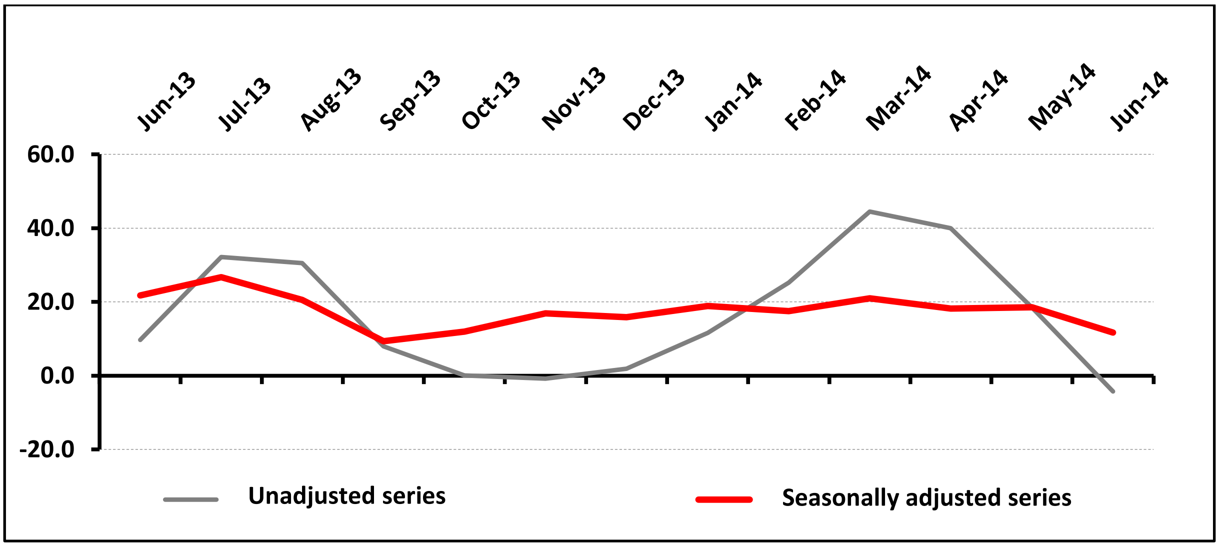


Table-2. Expectations for the next three months (%increase-%decrease) (Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2012	10.1	14.4	12.0	7.6	7.1	9.4	5.1	7.8	13.6	18.1	10.7	14.6
2013	11.1	10.3	13.7	18.6	16.8	21.7	26.7	20.5	9.3	11.9	16.8	15.9
2014	18.9	17.5	20.9	18.2	18.5	11.7						

Anticipation for business recovery hits the lowest level since 2009:

The balance value of the volume of business activities in June 2014 compared to the same period in the previous year was minus 71.6 points. The level of business activities compared to the previous year therefore declined by 12 points compared to May 2014 and by 42.5 points compared to June 2013. This was the lowest value for anticipated business recovery since December 2009 concerning first 6 months. In June 2014, 6.5 percent of TEPE survey participants declared an improvement in their business activities compared to the year before while 72.7 percent declared deterioration. 20.8 percent of the participants declared that business activities did not change compared to June 2013.

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

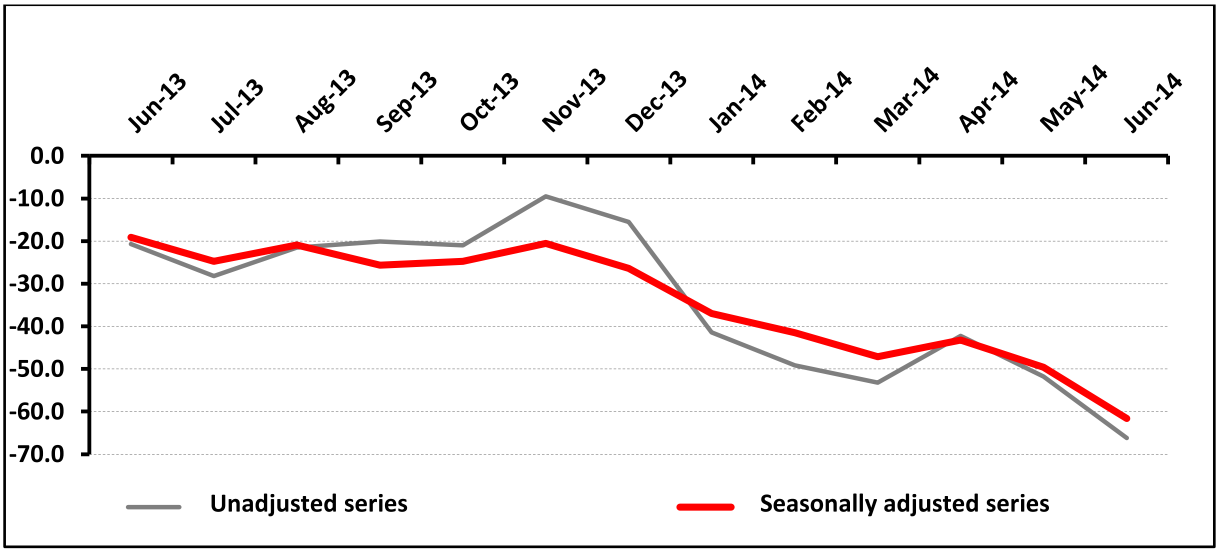


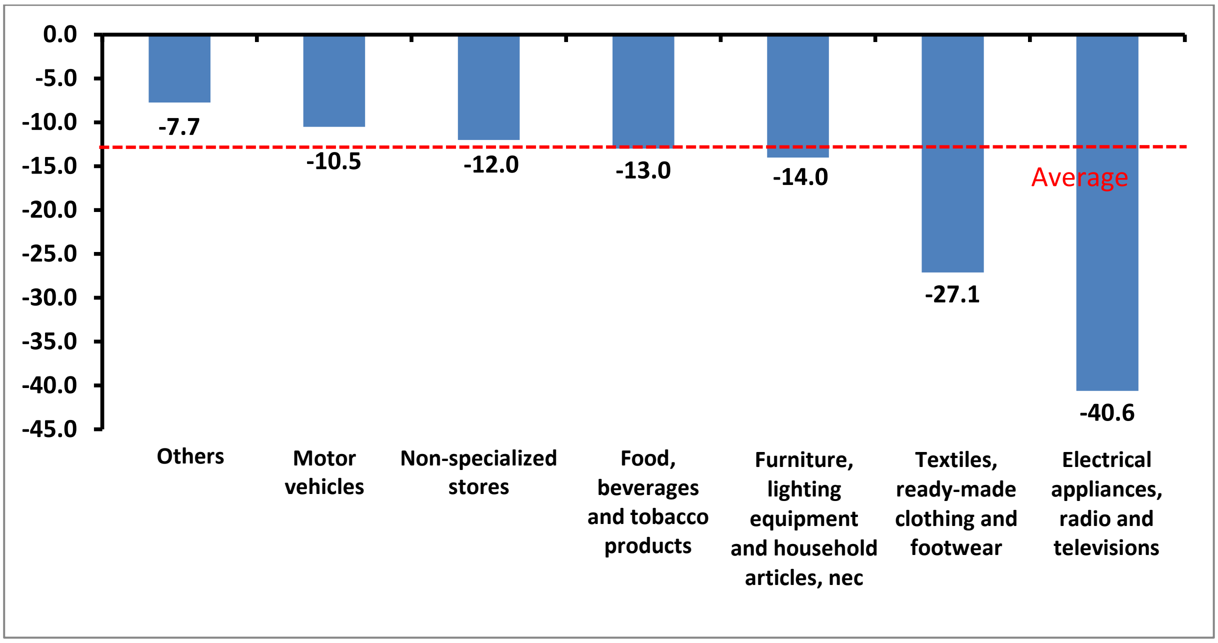
Table-3. Year-on-year change in business activities (%increase- %decrease)
(Seasonally adjusted series)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2012	-28.2	-28.2	-27.4	-25.1	-26.3	-30.9	-27.9	-32.3	-23.3	-26.8	-32.9	-26.0
2013	-21.6	-19.2	-18.2	-25.6	-22.8	-19.1	-24.7	-20.9	-25.7	-24.7	-20.5	-26.4
2014	-37.0	-41.5	-47.1	-43.2	-49.6	-61.6						

Retail confidence tapers off in all sub-sectors:

All retail sub-sectors declined year-on-year in June 2014. The decline was less than the average in the “others” (gas station, pharmacy, perfumery, hardware, glassware, stationery etc), motor vehicles, and non-specialized stores sectors; and above the average in food, beverages, and tobacco products, furniture, lighting equipment and household articles, and textiles, ready-made clothing, and footwear sectors. The sharpest decline was in the electrical appliances, radio, and televisions sector.

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



Retailers discontented with the past; hopeless about the future:

Question-based assessment of the TEPE survey results suggests that compared to May 2014, all expectations and conditions deteriorated except the expectations for sales prices in the next 3 months and the current level of inventories. Compared to June 2013, all indicators other than the expectations for sales prices declined. The retail sector weakened concerning both the level of business activities vis-à-vis previous years and expectations for the future.

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

Questions	Index 06/2013	Index 05/2014	Index 06/2014	MoM Change 06/2014	YoY Change 06/2014
How has your business activity developed over the past three months?	-31.6	-50.0	**-53.6**	-3.6	-22.0
Do you consider the volume of inventories you currently hold to be...? [1]	13.7	8.3	**9.3**	1.0	-4.4
How do you expect your orders placed with suppliers to change over the next 3 months? They will...	7.2	3.3	**0.3**	-3.0	-6.9
How do you expect your business activity (sales) to change over the next 3 months? It will...	21.7	18.5	**11.7**	-6.8	-10.0
How do you expect your firm's total employment to change over the next 3 months? It will...	5.7	3.6	**1.3**	-2.3	-4.4
How do you expect the prices you charge to change over the next 3 months? They will...	3.0	22.5	**27.4**	4.9	24.4
How has your business activity developed this year compared to the same period in the last year? It has...	-19.1	-49.6	**-61.6**	-12.0	-42.5
Do you expect an increase in the number of your stores next year?	9.1	8.1	**2.5**	-5.6	-6.6

[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 across the EU ups year-on-year:

The EU-28 Retail Confidence Index had a value of 2.8 in June 2014 demonstrating a month-on-month decline of 1.4 points and a year-on-year surge of 12.9 points. Turkey performed worse than the EU-28 and Eurozone in terms of both month-on-month and year-on-year change and had the highest year-on-year declined across the EU-28. Concerning the index values for the first halves, the EU-28 recorded in 2014 the so-far highest value in the series.

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

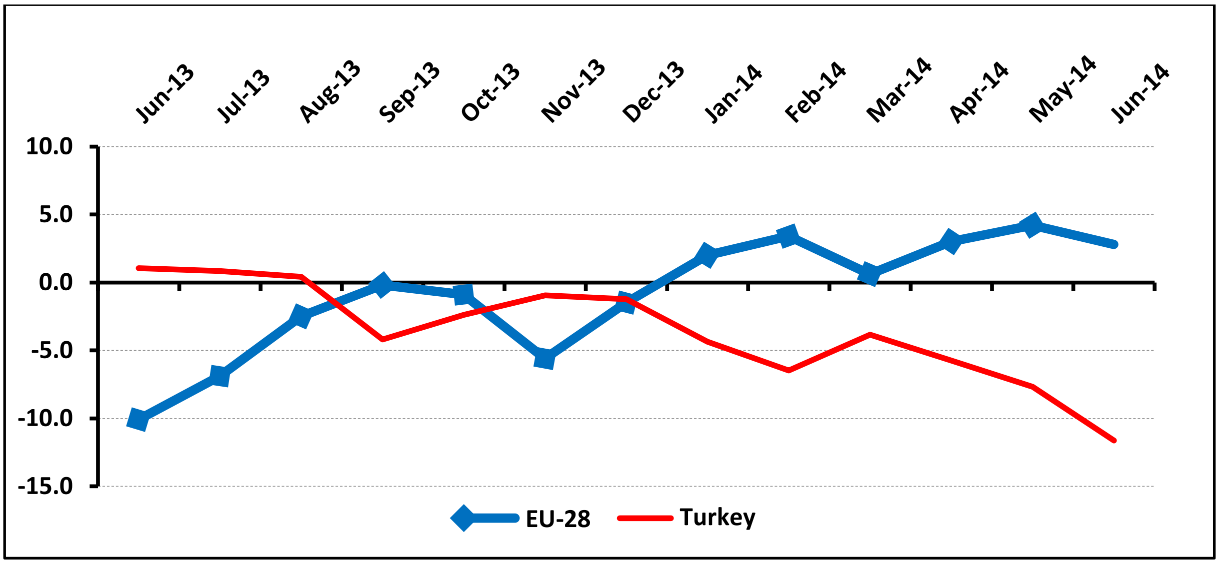


Table-5. AB-28 (Seasonally adjusted series)

%	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	4.2	2.8						

Greece is the best performer of the EU in retail confidence:

Greece had the highest year-on-year improvement in retail confidence across the EU-28 countries and Turkey. Greece was followed by Sweden, Italy, southern Cyprus, and Spain. Year-on-year declines were observed in Estonia, Lithuania, Romania, Finland, Austria, Slovenia, and Turkey. Greece also had the highest month-on-month surge alongside Denmark. The EU-28 performed better than the Eurozone concerning year-on-year change in retail confidence.

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

Countries/ (Points)	Change in Retail Confidence Index Compared to June 2013 *	Change in Retail Confidence Index Compared to May 2014
Greece	21.6	9.9
Sweden	21.1	-1.9
Italy	20.4	-0.2
Southern Cyprus	18.7	-1.4
Spain	18.5	-1.2
Portugal	18.3	-2.2
Belgium	17.9	2.7
The United Kingdom	16.8	-8.9
Croatia	15.4	3.6
Hungary	14.2	-3.6
EU-28	12.9	-1.4
Eurozone-17	12.4	0.3
Germany	11.6	2.2
Czech Republic	8.5	1.0
France	8.3	0.2
Poland	7.7	0.6
The Netherlands	3.4	-0.9
Slovakia	2.9	2.1
Bulgaria	2.8	1.2
Denmark	2.4	9.7
Latvia	2.3	-4.1
Estonia	-0.7	-1.1
Lithuania	-1.8	-7.5
Romania	-1.8	-1.0
Finland	-2.6	-9.2
Austria	-5.1	-8.3
Slovenia	-11.2	-19.8
Turkey	-12.6	-3.9

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

Konya retail confidence index in the positives for the first time in 8 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 June KOPE had a value of 2.3 compared to TEPE at -16.1. Konya's retail sector which remained in the negatives since November moved up to the positives in June. KOPE improved year-on-year by 3.3 points compared to TEPE that declined by 13.6 points. KOPE also improved month-on-month by 5.5 points. Konya's retail sector performed better than overall Turkey and worse than the EU-28. The improvement was driven by stronger expectations and the decline in the volume of inventories. The Index had a lower value in the first 6 months of 2014 than in 2013.

The anticipation for business recovery compared to past periods declined whereas expectations for orders, sales, and sales prices strengthened compared to the previous year.

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

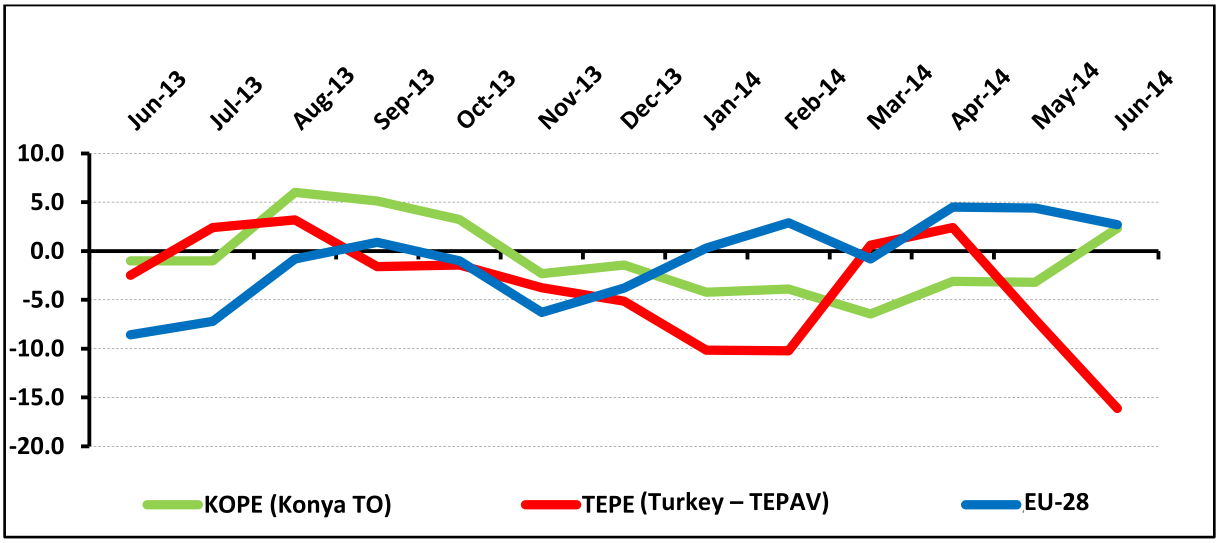


Table-7. Konya Retail Confidence Index (Unadjusted series)

%	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						