ESPA
Ekonomi ve Sosyal Politikalar
Araştırma Merkezi

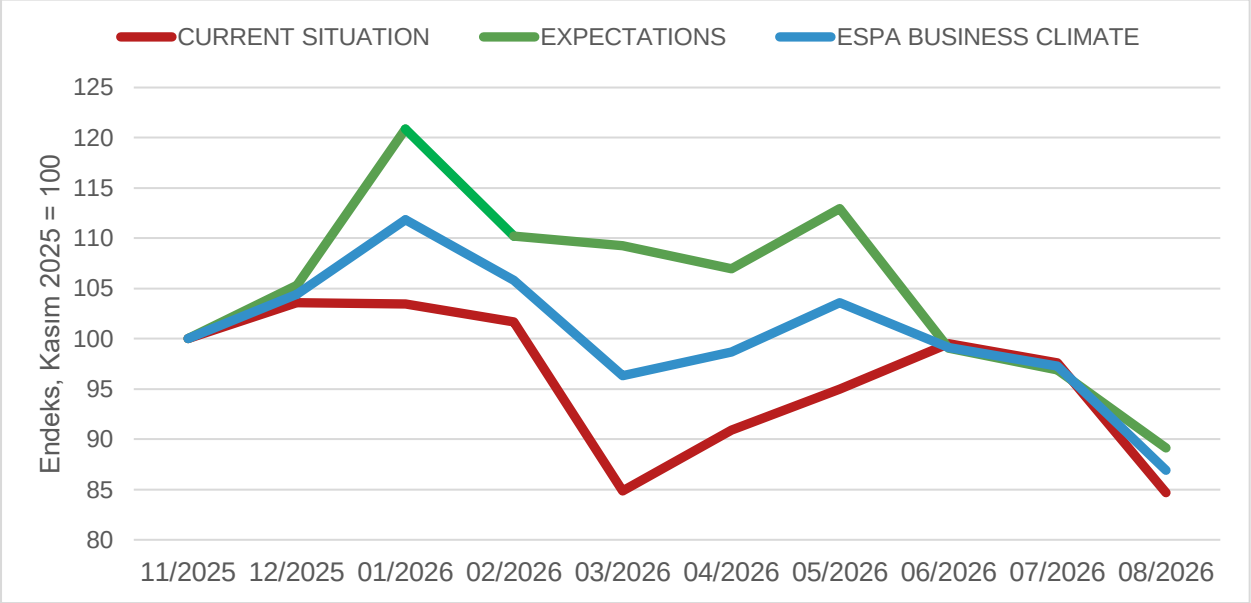
BUSINESS CLIMATE INDEX: PILOT STUDY (November 2025 – August 2026)

For Survey Participants Only. Please Do Not Share!

The ESPA Business Climate Index is based on the assessments of company executives in four sectors of their current business situation and their business expectations for the next six months (details are provided in the Calculation Method section on page 3 of this report).

The index uses November 2025 as its base month (November 2025 = 100). Index values and month-on-month changes are shown in the chart and table below.

ESPA Business Climate Index (November 2025 – August 2026)



	11/2025	12/2025	01/2026	02/2026	03/2026	04/2026	05/2026	06/2026	07/2026	08/2026
Current Situation	100	103,59	103,46	101,66	84,87	90,93	94,97	99,51	97,62	84,69
Expectations	100	105,29	120,87	110,20	109,25	106,99	112,94	99,06	96,93	89,14
ESPA Business Climate	100	104,42	111,84	105,85	96,32	98,66	103,59	99,13	97,28	86,92
Change from previous month:										
Current Situation	–	3,59	-0,13	-1,8	-16,8	6,06	4,04	4,54	-1,89	-12,93
Expectations	–	5,29	15,58	-10,67	-0,95	-2,26	5,95	-13,88	-2,13	-7,79
ESPA Business Climate	–	4,42	7,42	-5,99	-9,53	2,34	4,93	-4,46	-1,85	-10,36

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BRIEF ASSESSMENT (August 2026)

The July survey results showed that the recovery in economic activity that began in April, after the sharp decline in March, had given way to a renewed downturn. In August, this downturn deepened considerably. The current business situation index fell back to its March level, while the index of business expectations for the next six months dropped to 89, its lowest level since the index was introduced. As a result, the ESPA Business Climate Index fell by approximately 10 points month on month to 87, the lowest reading in its history.

SECTORAL DEVELOPMENTS

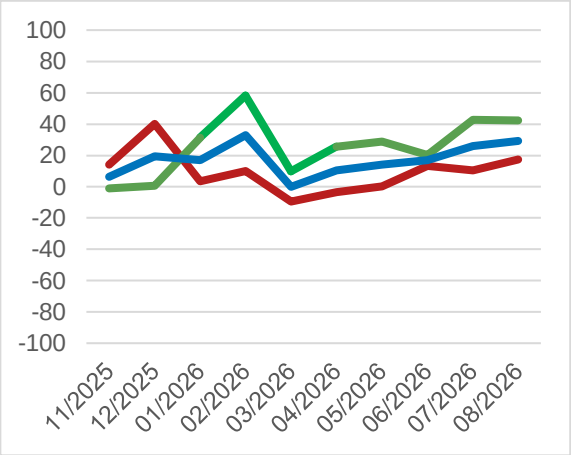
The balance values for each sector are presented in the charts and table below.

Current Situation **Expectations** **ESPA Business Climate**

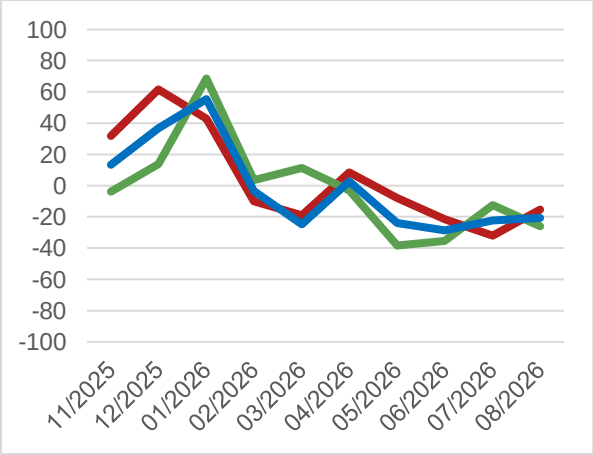
Services



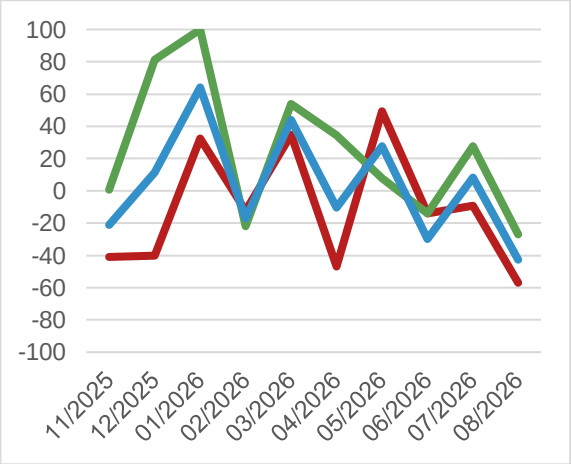
Trade



Manufacturing



Construction



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ESPA Business Climate – Sectoral Balance Values

Month/Year	11/2025	12/2025	01/2026	02/2026	03/2026	04/2026	05/2026	06/2026	07/2026	08/2026
Overall	17	26,8	42,9	29,9	9,2	14,3	25	15,3	11,3	11,2
Services	25,8	27,6	45,6	40,6	11,1	20,2	35,7	28,4	12,2	-17,9
Trade	6,4	19,4	17,06	32,9	-0,1	10,5	13,9	16,8	26,1	29,4
Manufacturing	13,2	36,6	55,4	-3,3	-24,8	2,6	-23,8	-28,6	-22,4	-20,7
Construction	-21,2	11,2	64,1	-17,1	44	-10,6	27,5	-29,8	8,3	-42,7

CALCULATION METHOD

This study is modelled on the ifo Business Climate Index for Germany, published by the ifo Institute, a prominent German economic research institute[1].

The ESPA Business Climate Index is based on monthly survey responses from executives of firms in services, trade (wholesale and retail), manufacturing and construction. Firms are asked to assess their current business situation as “good”, “satisfactory” or “poor”, and their business expectations for the next six months as “more favourable”, “unchanged” or “more unfavourable”.

The balance value of the current business situation is the difference between the weighted percentages of “good” and “poor” responses. Each response is weighted by the firm’s number of employees. The balance value is positive when “good” responses outweigh “poor” ones and negative when the reverse is true. The balance value of business expectations is calculated in the same way, as the difference between the weighted percentages of “more favourable” and “more unfavourable” responses. Firms answering “satisfactory” or “unchanged” are treated as neutral and do not affect the balance values.

Balance values can range from -100 to +100. A value of -100 means all responding firms assess their situation as poor or expect their business to become more unfavourable; +100 means all assess it as good or expect it to become more favourable. A value of zero means positive and negative assessments are exactly balanced. A balance above zero means the weighted share of firms giving positive assessments exceeds the share giving negative ones, and a rising balance signals a strengthening positive tendency. A balance below zero means pessimistic assessments outweigh optimistic ones, signalling an adverse tendency in the sector.

The business climate is a mean of the balance values for the current business situation and business expectations. To calculate the index values, the balance values of the business climate and its two components are each increased by 200 and normalised to November 2025 (November 2025 = 100).

[1] https://www.ifo.de/en/survey/ifo-business-climate-index-germany

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NUMBER OF RESPONDENTS

In August, the survey was sent to a total of 190 business owners or managers, of whom 108 responded.

The number of responding firms by sector is presented in the table below:

Sector	November 2025	December 2025	January 2026	February 2026	March 2026	April 2026	May 2026	June 2026	July 2026	August 2026
Services	74	56	54	45	58	54	51	55	51	49
Trade	33	30	28	28	39	29	33	36	34	36
Manufacturing	12	11	14	13	13	12	16	13	13	14
Construction	6	8	3	6	11	8	5	6	6	9
Total	**125**	**105**	**99**	**92**	**121**	**103**	**105**	**110**	**104**	**108**

The index takes into account the size of responding firms as well as their number. Accordingly, responses are weighted by number of employees.

The total number of employees at responding firms by sector, together with each sector's percentage share in the overall index, is presented in the table below.

Month	Services	Trade	Manufacturing	Construction	Total
November	2678 (%42,05)	3135 (%49,23)	543 (%8,53)	12 (%0,19)	6368
December	8672 (%70,72)	2834 (%23,11)	639 (%5,21)	117 (%0,95)	12262
January	7969 (%69,95)	2623 (%23,02)	417 (%3,66)	384 (%3,37)	11393
February	8166 (%77,5)	1548 (%14,69)	757 (%7,18)	66 (%0,63)	10537
March	4431 (%39,37)	4322 (%38,40)	798 (%8,3)	1598 (%14,20)	11149
April	4196 (%50,46)	3004 (%36,13)	796 (%9,57)	319 (%3,84)	8315
May	4556 (%47,59)	2954 (%30,85)	935 (%9,77)	1129 (%11,79)	9574
June	3966 (%41,26)	3267 (%33,99)	870 (%9,05)	1509 (%15,7)	9612
July	4465 (%47,25)	3677 (%38,91)	703 (%7,44)	605 (%6,40)	9450
August	4176 (%46,46)	3351 (%37,28)	690 (%7,68)	771 (%8,58)	8988

Note: Our panel is still being established. So far in the pilot phase, nearly 300 business owners or managers have been contacted, while monthly participation has ranged from 92 to 125. Because the index is weighted by number of employees, these fluctuations in the sample may overstate or understate month-on-month changes. The results therefore provide a "snapshot" of the views of the current group of respondents rather than of the TRNC economy as a whole. The representativeness of the index will improve as the panel expands and stabilises.