

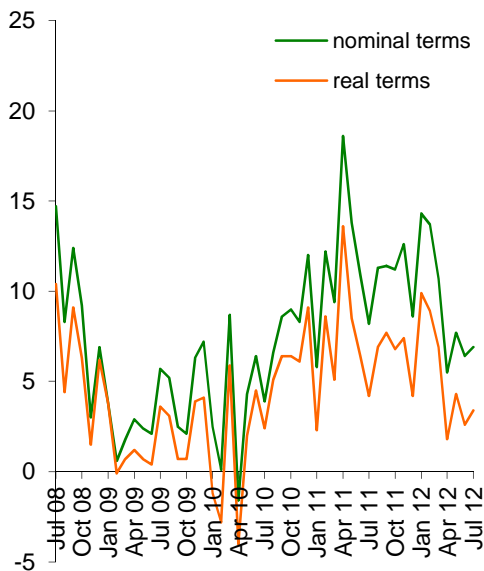
# Instant comment

Data in line with expectations

24 August 2012

The data released by the CSO today were in line with our expectations. Growth of retail sales by 6.9%YoY (by 3.4%YoY in real terms) was slightly higher than the Q2 average, while registered unemployment rate amounted to 12.3% (slight seasonal drop). We expect that pace of growth of sales will decelerate in the upcoming months, while unemployment rate will climb above 13% in Q4. As regards the Monetary Policy Council, these data are in line with general picture of gradual economic slowdown, which justifies a change of statement's tone after September's meeting from restrictive (which seemed invalid already in July) towards neutral. However, we do not think a potential motion for rate hike can gather a majority as early as in 2012.

Retail sales, %YoY



## Retail sales picks up in July, poor outlook for consumption

Retail sales increased in July by 1.3%MoM what resulted in acceleration of annual pace of growth to 6.9% (from 6.4% a month earlier). In real terms sales advanced by 3.4%YoY versus an increase by 2.6%YoY in June. Data on sales of autos were weaker than we expected and that was in line with figures released by the car market research company SAMAR. Still, the annual growth accelerated to 4.4%. Positive contribution to overall sales was provided also by sales of fuels (+12.7%YoY from 7.7%YoY). Sales of durable goods, including household equipment, stayed at relatively high level of 18%YoY. That is only slight deceleration on monthly basis and versus the average in Q2 (EURO2012 effect). Sales of food disappointed as the pace of growth declined to 4.1%YoY (monthly decline by 2%, for the first time since July 2001). On the other hand, in line with our expectations the pace of sales of "others" category clearly accelerated.

In line with our expectations, retail sales growth accelerated in July, exceeding market consensus. One should notice that the third quarter has begun with slightly stronger increase compared with the second quarter in both nominal and real terms (6.5% and 2.9%, respectively), which is a positive signal (as in case of industrial production). However, one should remember about the effect of shifting part of the sale to large markets (consumers are looking for lower prices of goods), which causes that total turnovers in the retail trade do not increase as quickly as it is shown by the "retail sales" figure (retail sales statistics include companies employing at least 9 persons). Additionally, we would like to recall yesterday's NBP report about the financial situation of households, which showed that real gross disposable income fell in Q1 by 1.9%YoY. Moreover, saving rate of households slid below zero, including voluntary saving rate (excluding correction due to changes in pension funds reserves), which was negative for the first time since 2000. In our opinion it means that households are "consuming" their savings, which is not a good signal for the future. We maintain our forecast, assuming a slowdown of private consumption below 2%, which probably took place already in the 2nd quarter (the Q2 2012 GDP data will be published next week).

**Maciej Reluga Chief Economist**

+48 22 586 8363

Email: ekonomia@bzwbk.pl

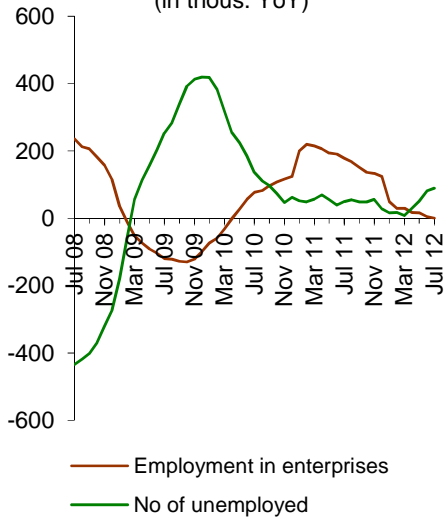
**Piotr Bielski** +48 22 586 8333

**Agnieszka Decewicz** +48 22 586 8341

**Marcin Luziński** +48 22 586 8362

**Marcin Sulewski** +48 22 586 8342

**Labour market trends**  
(in thous. YoY)



**Seasonal decline of the unemployment rate, end-year at higher level**

The registered unemployment rate declined in July in line with our expectations to 12.3% from 12.4% in June. Lower rate is coherent with seasonal pattern, but it is worth to emphasize that this year the number of unemployed declined on monthly basis only by 11.2k (to 1953.2k), which is the weakest result since 2002 (when omitting crisis year of 2009) – usually the number declines by 20-40k in July versus June. On the annual basis the number of unemployed increased by 4.8% and the unemployment rate by 0.5pp. This data confirm earlier information on weakness of Polish labour market and in our view the registered unemployment rate will rise above 13% (and even 13.5%) at the end of the year.

Data on unemployment rate according to LFS released also today showed that in Q2 the rate declined to 9.9% from 10.5% in Q1. On the annual basis the number of unemployed increased by 4.1% in total, by 1.9% in urban areas and as much as by 12.4% in rural areas. Still, it is worth to notice that the ratios of economic activity and employment are higher than a year ago (56.4% and 50.8% versus 56% and 50.7% in 2011, respectively). That indicates that higher unemployment in Q2 in annual terms was partly triggered by activation of those inactive.

Detailed data on labour market in enterprise sector shows that the distortions in pace of growth of wages (a strong acceleration in June and a deceleration in July) were mainly due to shifts of bonus payments in mining, while a weakening of employment growth to 0.0%YoY was up to a certain extent caused by declining employment in construction, which has seen its worst July in 10 years.

**A considerable deceleration of enterprises' profits**

Yesterday the CSO released very weak data on results of non-financial companies in Q2. Annual drop of net profit amounted to almost 34% (the highest figures since 2009Q1) as compared to growth by 7.3% in Q1. Pace of growth of revenues decelerated considerably (to 4.8%YoY from 12%YoY in Q1), a less considerable slowdown was recorded by costs (to 7.5%YoY from 12.3%YoY in Q1). What is important, net profit fell in quarterly terms for the first time since 2002 (seasonal pattern demands a QoQ increase).

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Additional information is available on request. Please contact Bank Zachodni WBK S.A. Treasury Division, Economic Analysis Unit, ul. Marszałkowska 142, 00-061 Warsaw, Poland, phone +48 22 586 83 63, email ekonomia@bzwbk.pl, <http://www.bzwbk.pl>