

Instant comment

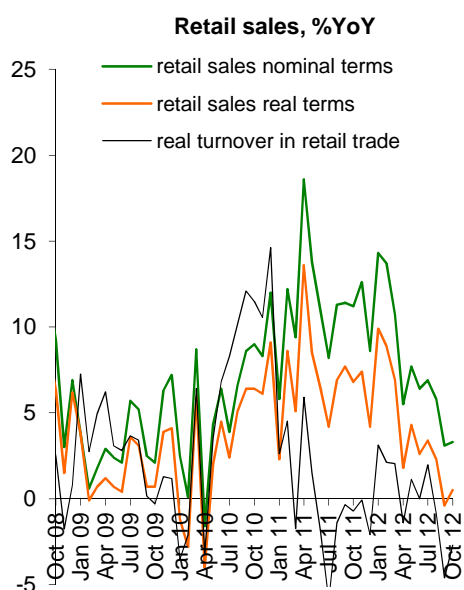
No surprises in sales and unemployment

26 November 2012

Retail sales growth slightly accelerated in October to 3.3%YoY, very near to our prediction, but below market consensus, and confirmed the weak beginning of Q4 in terms of consumption demand. The situation on the labour market was more or less in line with expectations – registered unemployment rate increased to 12.5% despite higher expenses on activation of unemployed people. Data do not change our baseline scenario of macroeconomic situation or expectation on the MPC’s decisions in coming months.

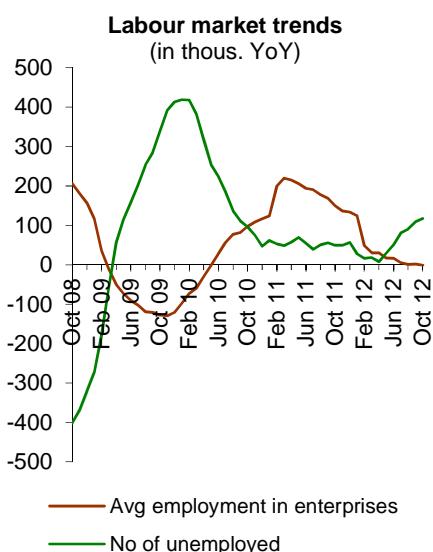
Slight acceleration in retail sales

Retail sales advanced in October by 3.3%YoY, accelerating slightly as compared to September (3.1%YoY). This result was close to our forecast (3.2%YoY) and below market consensus (3.7%YoY). A quite visible improvement was recorded in car sales, hence its annual pace of growth returned above zero after two months of significant declines. Sales of furniture and household appliances remained at a decent 16%YoY. Still, results in most other categories were not impressive. A most considerable deceleration took place in sales of clothing and footwear (decline by 4.3%YoY in October as compared to a rise by 12%YoY in September). According to our estimates, retail sales excluding autos and fuels rose 2.0%YoY, which was the lowest growth since July 2010. Retail sales growth in real terms was also weak, posting only 0.5%YoY (vs -0.4%YoY in September). The CSO’s estimate of real turnover in retail trade (including also small shops, employing less than 9 persons, but excluding car sales) fell in October for the third month in a row, by 2.7%YoY. These results are showing that the beginning of Q4 was not promising as regards private consumption. This confirms the expected-by-us scenario of further deceleration in GDP growth at the turn of 2012 and 2013.



Unemployment up despite additional funds for jobless’ activation

As we expected, the registered unemployment rate rose in October to 12.5% from 12.4% in September. In annual terms, the unemployment rate increased by 0.7 pp and the number of unemployed rose by 127k. It was the strongest growth for two years. The rise in unemployment is somewhat hindered by additional funding from the Labour Fund aimed at activation of the unemployed, starting from August. In October, the number of people unregistered due to taking a job or internship amounted to about 33k (13.2% of all unregistered) versus ca. 12k last year. It can therefore be assumed that the means for jobless’ activation reduced unemployment by about 21k (compared to 20k in September). We expect further increases in unemployment in the coming months. Weak labor market conditions will have negative effect on private consumption.



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