

Instant comment

Data not as good as they seem

25 February 2013

Relatively high increase of retail sales in January (3.1%YoY) was mainly due to delay in payments of direct subsidies for farmers and it is not a herald of persistent recovery in consumer spending. Labour market situation is still difficult, as shown by a rise in unemployment rate to 14.2%, the highest level in six years. MPC's Jerzy Hausner said after today's release that reversal of downward trend in economy may be quicker. However, in our view such a conclusion cannot be drawn based on data on sales or previous industrial output figures, as they were distorted by one-off factors. We hope that the assessment mentioned above will not discourage this MPC member from supporting a rate cut at the upcoming MPC meeting, as it is – in our view – fully justified.

Higher sales growth thanks to farmers

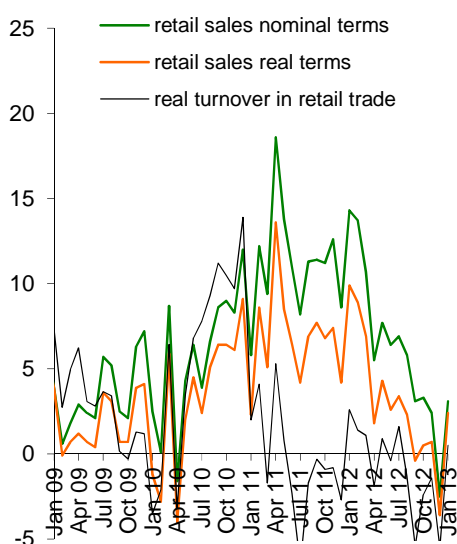
After dropping by 2.5%YoY in December, retail sales climbed in January by 3.1%YoY. This result was considerably higher than market expectations (0.7%YoY according to Friday's Bloomberg survey), but in line with our forecast, revised upwards after release of SAMAR's (car market analyst) data for January. The CSO's figures confirmed that car sales was among the main elements contributing to such a good reading (increase by 11.9%YoY, after a couple of months of marked declines). Significant improvements were also visible in sales of fuels, clothing and footwear as well as pharmaceuticals and cosmetics. At the same time, sales in "furniture, radio, TV and household appliances" was weak and posted the first decline in three years (-1.5%YoY). According to our estimates, retail sales excluding autos and fuels rose in January by 1.7%YoY as compared to -0.8%YoY in December. In real terms retail sales increased by 2.4%YoY, while turnover in retail trade (including also small shops) climbed by 0.5%YoY.

It is worth reminding that January's data on retail sales for the second time in a row were distorted by effect of delayed payments of direct subsidies for farmers. As a significant part of funds (more than PLN3bn) were shifted from December to January, December's sales were lowered by this factor, while January's elevated (temporarily). Average increase in these two months was equal to 0.3%YoY, i.e. markedly lower than in previous months (2.9% on average in September-November). Thus, January's data should not be viewed as a signal of recovery in consumer demand. We are still expecting that growth of consumption will remain subdued in the upcoming quarters, as gradual improvement of real incomes' growth will be accompanied by rebuilding of households' savings.

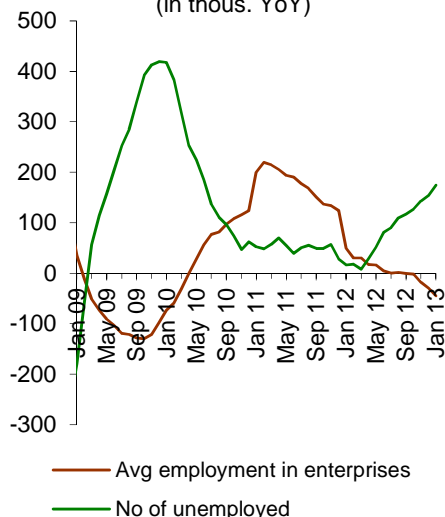
Unemployment rate highest since 2007

The unemployment rate increased in January to 14.2% in line with our and market expectations. This was the highest level since 2007. The number of unemployed increased by 8.2%YoY and is close to 2.3m. We expect the unemployment to increase further during next few months and then it will start a gradual decline following the seasonal pattern. Still, at the end of the year it may be still close to 14%. In our opinion the situation of the labour

Retail sales, %YoY



Labour market trends
(in thous. YoY)



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market will remain weak in the coming months, though it is worth to notice that the number of job offers did not decline compared to previous year (37k versus 31k in January 2012) so chances of finding a job are somewhat higher than a year ago. The ratio of number of unemployed to number of job offers declined from 68 in January 2012 to 62 and this should be seen as a positive sign.

Detailed data from the labour market showed that after a revision of the population of analyzed companies (those employing more than 9 persons) the biggest reductions in employment were recorded in production of computers and electronic devices (by -11%), electricity, gas ,steam and air conditioning supply (-8%), construction (-7%) and wearing apparel and textiles (-5%).

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