

Instant comment

Data signal no warming

22 March 2013

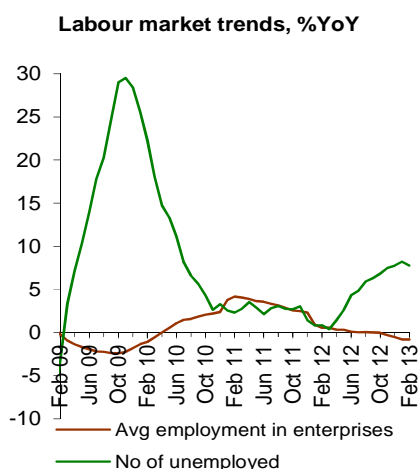
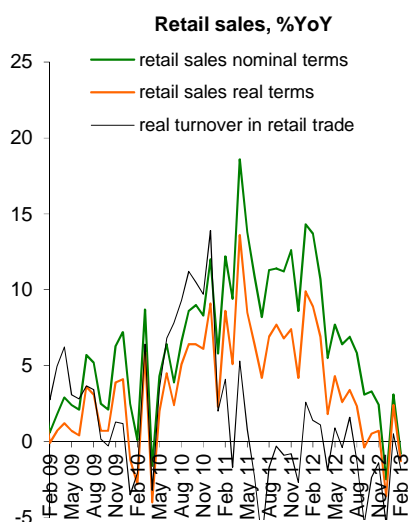
Retail sales declined in February by 0.8%YoY, below market expectations. The unemployment rate increased to 14.4%, in line with consensus. Data indicate the consumers' demand remains weak, among others, due to poor situation on the labour market, and it will not support economic growth for the better part of this year. Indexes of consumer and economic confidence do not suggest any improvement in March. Negative signals from Polish economy accompanied by new disappointing releases abroad (PMI, Ifo) strengthen expectations for rate cuts by the MPC in coming months (today IRS and bond yields declined, the latter only temporarily). In April the change of interest rates is highly unlikely but if next data show negative picture of the economy, the MPC may seriously consider a rate cut in May-June.

Consumers' demand getting weaker ...

Retail sales dropped in February by 0.8%YoY, well below expectations (our forecast at +1%, market consensus at +0.7%). The data confirmed that the rebound of retail sales in January (to +3.1%YoY) was a one-off effect and the consumers' demand remains weak at the beginning of 2013. What is important, such a weak result was not due to a strong contraction in one category of sales (e.g. cars) but a clear and broad-based deterioration (only sales of furniture were exception). In real terms the retail sales declined by 1.3%YoY – ignoring the biased December's result it was the deepest fall for three years. The data on retail trade turnover (that in contrast to retail sales include units employing less than 10 persons and exclude sales of automobiles) declined by 1.8%YoY. The retail sales deflator declined in February to 0.5%YoY reflecting pressure for slower price growth in trade.

... unemployment rising

In February registered unemployment rate climbed, in line with our expectations, to 14.4%. Growth rate of number of jobseekers recorded a slowdown to 7.8%YoY from 8.2%YoY, after 10 months of acceleration. Still, this cannot be seen as a sign of halting negative tendencies – February saw an enhanced intervention of Labour Ministry, which pushed the unemployment down (subsidized jobs and trainings were offered to 33.5k persons, as compared to 15.4k one year ago). On the other hand, it is worth noting that rise in unemployment rate is mainly due to growing labour force, not due to reductions in workplaces, which is shown e.g. by the LFS data. Number of job offers amounted to 43.4k, being higher than one year before (37.5k), while number of jobseekers per job offer is lower than in 2012. This shows that employers still want to hire, but this tendency is probably most visible in small companies (data from the corporate sector, comprising units employing more than 9 people, are showing declining employment). We are expecting that unemployment rate may climb slightly in March and then it will fall, in line with seasonal pattern. However, it may still be above 14% at the year-end.



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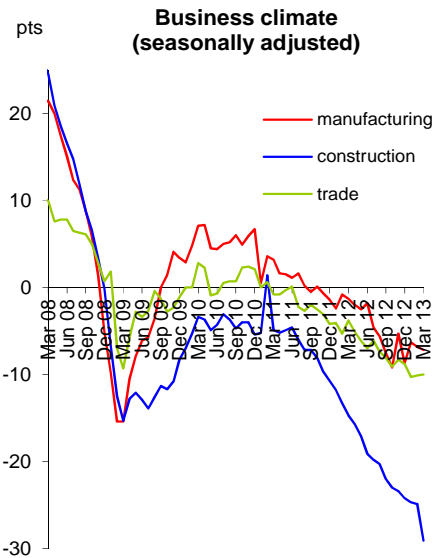
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... and business activity indexes falling

CSO survey on business climate shows that in March temperature fell in most sectors. Plunge of sentiments in construction deepened, even though the index was already at all-time low. Seasonally adjusted index for manufacturing also contracted (strong deterioration recorded in output subindex), while retail trade index stabilized close to local minimum. A slight rebound was visible in transport. Still, consumer confidence indexes deteriorated in March. According to the CSO surveys, this was primarily due to worse households' assessment of their future financial situation and of domestic economic conditions.

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