

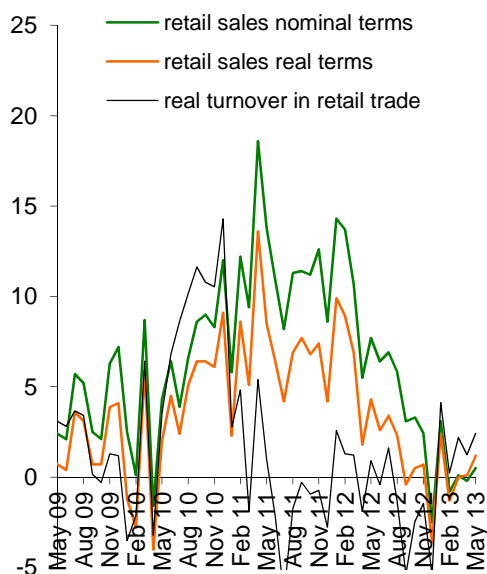
# Instant comment

## Better data from retail trade and labour market

25 June 2013

**May's data on retail sales and unemployment were better than expected – sales expanded by 0.5%YoY, while registered unemployment rate decreased to 13.5%. These numbers suggest some rebound in consumer demand, but they are still too weak to herald a solid recovery, which is shown by declining prices in retail trade. Thus, today's data should not be viewed as an argument against interest rate cut in July.**

**Retail sales, %YoY**

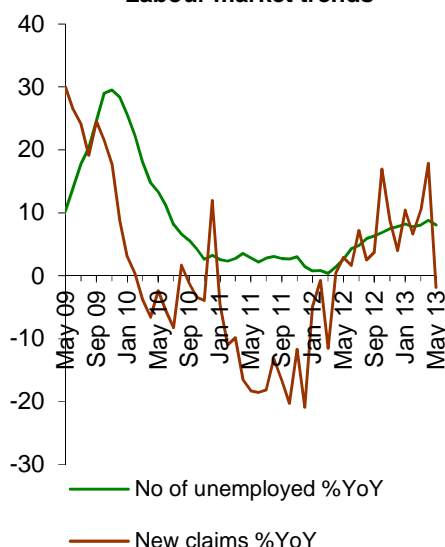


### Retail sales (slowly) bottoming out

Retail sales increased in May by 0.5%YoY, more than expected (median market forecast 0.0%YoY, our forecast -0.2%YoY). Main source of surprise as compared to our prediction came from good sales of motor vehicles (1.9%MoM and 6.1%YoY) – which contrasted with earlier information about continuing slump in new car registrations in May. Several other areas also recorded quite solid performance, including sales of furniture and household appliances (7.5%YoY), clothing and footwear (9.9%YoY), drugs and cosmetics (10.5%YoY). According to our estimates, retail sales excluding motor vehicles and fuels rose 2.4%YoY, which was the highest gain since August 2012. Value of turnover in retail trade (which – in contrast to retail sales data – includes also data from small shops) also accelerated growth in May.

In general, there was some rebound in consumption demand in May, however it is still not very strong. This is reflected, among others, in behaviour of prices in retail trade – real growth in retail sales (1.2%YoY) was much higher than nominal growth (0.5%YoY), which shows deepening deflationary trend in trade. Probably retailers are trying to compete and attract demand mainly by cutting prices. We maintain forecast, assuming a gradual acceleration of private consumption growth in subsequent quarters, however average consumption growth will remain well below the long-term average not only this year but probably also in 2014.

**Labour market trends**



### Unemployment declines more than expected

In May the registered unemployment rate declined to 13.5%, and was lower than we (13.6%) and the market (13.7%) expected. Number of jobseekers amounted to 2176k, with an annual increase by 8.1%YoY, the same as in March. We think that acceleration of growth of number of unemployed in April (to 8.8%YoY) and weaker-than-expected decline of unemployment rate in that month was caused by prolonged winter, which postponed hiring in seasonal jobs. In May hiring gained steam, so pace of unemployment growth returned to trend. Help was provided also by the Ministry of Labour and Social Policy, which sent ca. 50k jobseekers to subsidized jobs and trainings (as compared to almost 40k one year ago). Third factor, supporting the decline of unemployment, was weak inflow of new jobless claims – in May 176.2k new unemployed were registered, and this number posted a decline in annual terms for the first time since March 2012. The latter fact can be a sign of improving labour market conditions, but we should observe if this tendency is confirmed in the upcoming months.

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