

Instant comment

Another positive economic data

23 July 2013

After better-than-expected monthly data on production and employment, today's release confirmed that the Polish economy is recovering after it reached a trough in 1Q. Pace of growth of retail sales accelerated in June to 1.8%YoY, above our (1.5%) and market (1.0%) expectations. We expect further improvement in retail sales in coming quarters, which will be supported by lower base effect from 2012. We maintain our forecast of a moderate acceleration of pace of GDP growth in 2Q and this trend should continue in 2H 2013.

The registered unemployment rate declined to 13.2%, in line with our expectations.

Rebound in retail sales in line with expectations

In June the pace of growth of retail sales accelerated to 1.8%YoY from 0.5%YoY month earlier. In monthly terms sales increased by 1.5% mainly due to slightly better than we expected sales of motor vehicles (4.7%), fuels (2.9%) and the category of "others" (7.1%). Rebound in textiles, clothing and footwear (to 10.9%YoY from 9.9%YoY in May) might have been due to earlier start of seasonal sell-offs. Sales of durable goods decelerated slightly (due to high base effect from 2012).

In real terms sales increased by 2.6%YoY vs. 1.2%YoY in May. In whole 2Q the average pace of growth of sales in real terms reached 1.3%YoY vs. 0.4%YoY in 1Q.

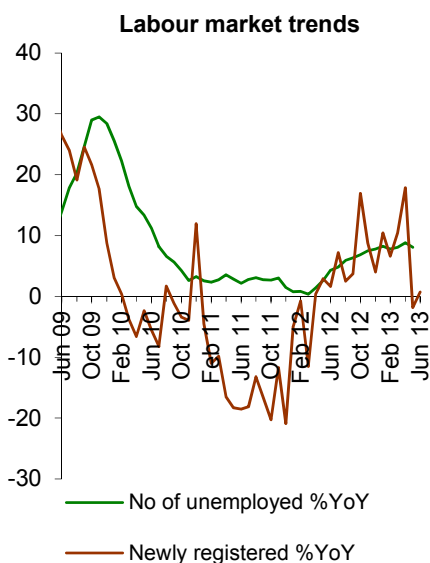
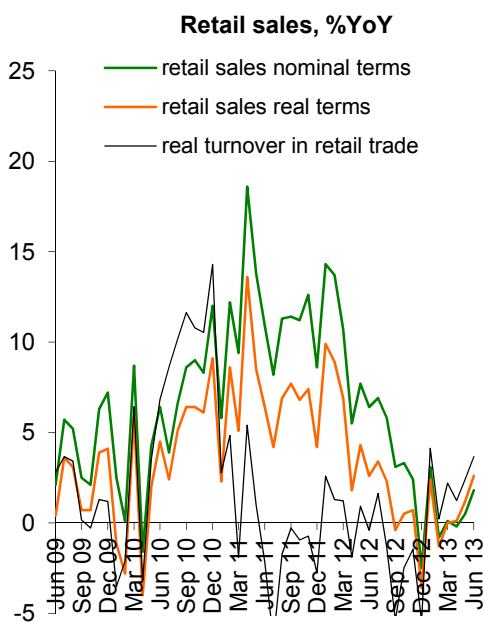
June's data on retail sales were slightly above our expectations (1.5%YoY) and market consensus (1.0%YoY) and thus were in line with the series of positive surprises from data depicting the real economy. Today's data show some gradual increase of households' spending and this tendency is expected to be maintained in coming months. We expect the pace of growth of retail sales to reach ca. 2% in 2H vs. 0.8% in 1H of 2013.

June's data from real economy (from labour market, on industrial and construction output, as well as retail sales) support our expectations that 2Q brought slight acceleration of pace of GDP growth (from 0.5%YoY to 0.8%YoY). Though net exports remained the main engine driving the revival, we expect also some improvement in private consumption. Flash GDP data will be released by the CSO in mid-August.

Demand for labour is reviving

The registered unemployment rate declined in June to 13.2% from 13.5% in May, in line with our expectations. Decrease in unemployment was supported by seasonal effect and by interventions of the Labour and Social Policy Ministry. However, similarly as one month ago, also this time the growth rate of newly registered unemployed was low (0.7%YoY as compared to 11%YoY in the first four months of the year). This is showing that pace of destruction of workplaces is easing and companies begin to fire less employees. Growth rate of total number of jobseekers declined to 7.4%YoY (the lowest figure since October 2012), while number of persons removed from unemployment rolls after receiving a job jumped by 17%YoY (strength of this effect does not change much if we exclude subsidized jobs). This is a sign that demand for labour begins to recover.

The detailed data from the corporate sector showed that the stronger-than-expected rise in employment in June was mainly due to changes in administrative and support service activities (+6k MoM) and industrial manufacturing (+4k MoM),



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

while other branches are still stagnating. Even though a marked rise in employment in the former sector may be an one-off effect, we think that numbers from industrial manufacturing (rise in employment for the first time since February 2012, excluding January, when the CSO recalculates its sample) prove that the industry is slowly entering a recovery phase. Data on wages showed that weak growth rate of salaries was strongly related to low wage growth in mining, which probably was due to shifts in bonus payments, as we suggested earlier.

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