

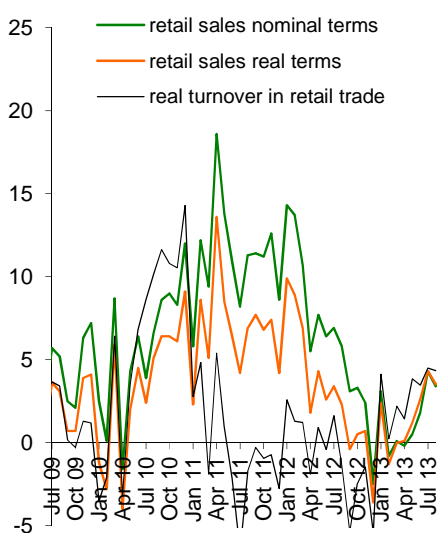
Instant comment

Another positive surprise

24 September 2013

Retail sales in current prices increased in August by 3.4%YoY, below July's figure (4.3%), but above our and market expectations (2.5% and 2.8%, respectively). Data confirmed a recovery of consumption expected by us - in real terms retail sales increased by 0.8%YoY in 1H of the year, while first two months of 3Q showed an increase by nearly 4%. It seems that the first element of the domestic demand joins exports, the sole engine, that has been driving the economic recovery in previous quarters. This should be supported by further, although quite slow, improvement of labour market conditions. The unemployment rate declined to 13% from 13.1%, in line with suggestion of the Ministry of Labour, and contrary to our forecast and market consensus (13.1%). We expect that investments will also recover in 2014, following improvement in consumption.

Retail sales, %YoY

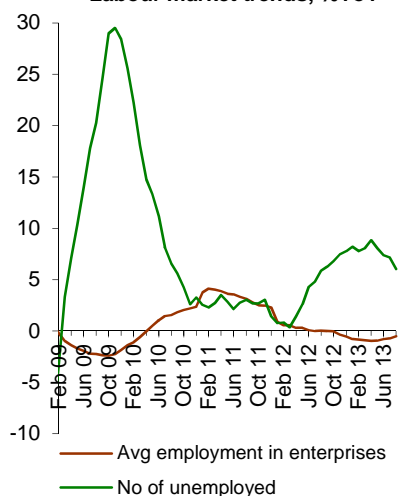


Retail sales above expectations...

Retail sales in constant prices increased in August by 3.4%YoY, below July's figure (4.3%) but above our forecasts and market consensus (2.5% and 2.8%, respectively). Compared to our assumptions, we underestimated mainly such categories as "food, beverages and tobacco products" and "other retail sale in non-specialised stores". Today's CSO release confirmed SAMAR data on new autos registrations, as the annual pace of growth of sales in this category decelerated to 11.3% from over 14% in July. In real terms, total retail sales increased by 3.5%YoY (vs. 4.3%YoY). We estimate, that after excluding autos and fuels, sales increased by 3.4%YoY (vs. 3.9%YoY in July).

It is worth to notice that while in 2Q retail sales increased by 1.5%YoY in real terms and by 0.8%YoY in whole first half of this year, first two months of 3Q brought an average rebound by ca. 4%YoY. The strength of the improvement is also well reflected in data on retail trade turnover (which include also small shops, in contrast with retail sales). There was some slowdown recorded as well, but only to 4.3%YoY from 4.5%YoY in July. Today's data confirm the scenario expected by us assuming the domestic demand finally joins exports, that has been solely driving the recovery in 1H. This will be supported by further improvement of situation on the labour market, which was confirmed again in today's data released by the CSO.

Labour market trends, %YoY



... and unemployment below

The unemployment rate declined in August to 13% from 13.1%, in line with suggestion of the Ministry of Labour, and contrary to our forecast and market consensus (13.1%). As compared to July, the number of unemployed declined by nearly 10k and this was already sixth month when this tendency is observed. The annual pace of increase of the unemployed reached 6%, the lowest level this year and the lowest since August 2012. The number of newly registered unemployed declined by over 30k on monthly basis and was lower than a year ago. Situation on the labour market improves, but at sluggish pace. This is also reflected in PMI data (subindex for employment only marginally above neutral level of 50pts) and in the following months the unemployment rate is likely to increase (in line with the seasonal pattern).

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