

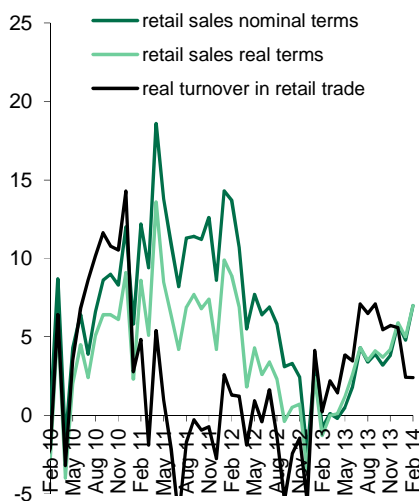
INSTANT COMMENT

25 March 2014

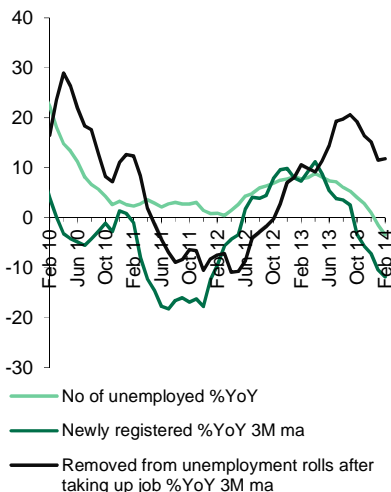
Data confirm the recovery in private consumption

February brought an acceleration of retail sales to 7%YoY, the highest growth rate since May 2012. On one hand this was due to high sales of cars (effect of personal cars registered as trucks) and on the other hand due to low statistical base. Registered unemployment rate declined in February to 13.9% and number of unemployed people fell by almost 5k versus January. These data confirm the recovery of domestic economy, which in our view expanded by more than 3%. These numbers will be neutral for the MPC, which strongly signaled it is in no rush as regards interest rate hikes.

Retail sales, %YoY



Labour market trends



Higher sales due to changes in tax regulations and low base

In February retail sales increased by 7%YoY vs. 4.8%YoY recorded a month earlier. This was the highest pace of growth since May 2012. In real terms, sales growth also reached 7%YoY. Sales of autos were the main factor that caused that actual figure beat our (6.2%YoY) and market (6.1%YoY) expectations. Due to changes in tax regulations, sales of personal cars registered as trucks surged by 11.8%MoM and nearly 25%YoY. Clothing and footwear also provided a decent contribution as it grew by 19.7%YoY, at the fastest pace since May (to some extent due to seasonal sell-offs). "Others" also showed a significant increase, by 10.2%YoY, the highest growth since January 2012. Pace of growth in remaining categories was close to our assumptions. Additionally, low annual base effect also supported February's sales pace of growth.

In March the pace of retail sales growth should stay at a high level – until the end of this month there is a chance to deduct VAT from the price of car purchased by persons running private business. Annual pace of sales growth is likely to decelerate later in the year due to high base effect.

February's data on retail sales, combined with earlier releases on industrial output, construction and assembly output as well as labour market statistics are in line with our scenario of continuing economic recovery, driven not only by net exports but also by private consumption (supported by labour market improvement and rising households' disposable incomes) and investment. These numbers underpin our forecast that GDP will advance by more than 3% in Q1 and by 3.5% in whole 2014.

Deeper decline in registered unemployment rate

Decline in registered unemployment rate was deeper than expected. In February unemployment rate reached 13.9% versus 14% in January 2014 and 14.4% in February 2013. The number of unemployed persons amounted to 2255.9k and was lower by 4.8k than in the previous month and by 80.8k as compared the same period of 2013. The number of unemployed people fell in monthly terms, and such a development is untypical for this month (last time we saw it in 2008) and is suggesting that recovery on the Polish labour market is gaining steam.

In upcoming months we expect the registered unemployment rate to continue downward trend. It will come from not only further improvement on labour market, but also from increase in seasonal works. One should notice that the number of job offers in February reached the level of 97.4k, while in January it was 76.2k and 82.8k in February 2013. We expect unemployment rate at 12.6% at the end of this year.

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