

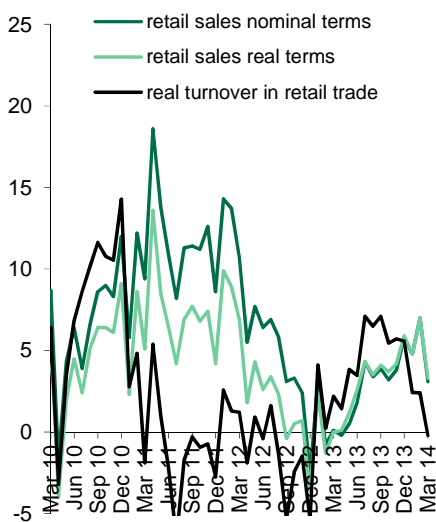
# INSTANT COMMENT

24 April 2014

## Retail sales weaker, but unemployment went down

In March retail sales expanded by 3.1%YoY and unemployment rate declined to 13.5%. Retail sales reading was below expectations, but in our view this disappointment was due to overly optimistic forecasts of car sales stemming from changes in VAT regulations. A negative impact on sales was also exerted by the base effect connected to timing of Easter (negative growth rate of food sales). Still, sales in other categories were optimistic, so in our view March's data do not mean deteriorating consumer demand prospects, especially as the unemployment rate was lower than expected. The labour market data have positively surprised for a couple of months, which should support private consumption in the upcoming quarters. Also, April's business climate indices showed further growth in all the sectors, suggesting a continuation of economic recovery.

Retail sales, %YoY



### Autos and Easter distorted data on sales

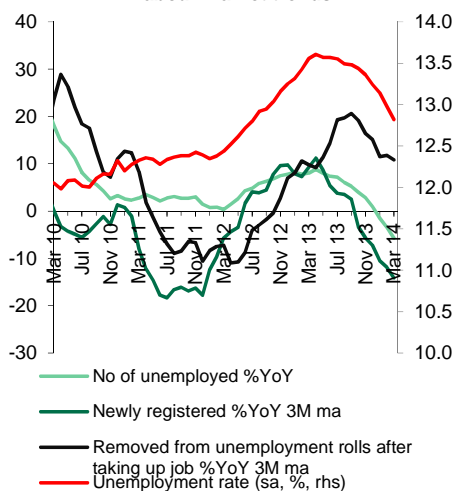
March retail sales have fallen clearly below expectations – pace of growth decelerated to 3.1%YoY (the lowest since June 2013) vs. market consensus at nearly 6%YoY and our forecast at 4.7%YoY. In our opinion, there have been two sources of this disappointment – too optimistic forecasts of autos' sales in the final month of VAT deductions related to purchases of personal cars registered as trucks and underestimation of high base effect impact due to Easter timing, which were celebrated later this year than in 2013.

Sales of motor vehicles, motorcycles and parts increased by 7%MoM and 12.3%YoY (vs. 11.8%MoM and 24.9%YoY in February), and that is a half of what we had expected. However, deceleration is visible also after excluding this category – according to our estimates, sales excluding cars and fuels increased by 2%YoY vs. 5.1%YoY in February. Data on turnover in retail trade, which do not include sales of autos but include (in contrast to headline retail sales figure) sales in units employing less than 10 people showed a stagnation (the weakest result since December 2012). To a large extent this was due to pre-Easter shopping taking place in April instead of March like in 2013 (seasonally adjusted retail sales increased by 3.4%YoY). Consequently, sales of food and nonalcoholic beverages decelerated from +6.9%YoY in February to -7.3%YoY in March while other retail sale in non-specialized stores plunged by 3%YoY in March vs. 7.2%YoY increase in the previous month. These two categories constitute nearly 1/3 of total sales. At the same time, sales in other segments were decent – furniture, radio, TV and household appliances accelerated to 5.1%YoY, sales of clothes and footwear to 26.6%YoY and others to 19.2%YoY (the highest pace of growth since mid-2011 in the two last categories). That is why we do not think March data deteriorate the outlook for the consumption demand. Revival in the labour market is stronger than anticipated and has positive impact on households conditions and should support sales in the following months.

### Unemployment rate decreased stronger than expected

In March the registered unemployment rate decreased to 13.5%, stronger than we and market expected (13.6%). The seasonally adjusted registered unemployment rate has started downward trend already in July 2013, but recently this figure began to surprise the downside. We would like to highlight that scale of the Labour Ministry's intervention, measured as sum of the unemployed sent to subsidised work and to training is more or less the same as in previous year (59k vs 58.2k in March 2013). Therefore, this tendency stems from significant improvement on the labour market, and not from government's actions. What is more, the registered unemployment data are in line with other labour market statistics, suggesting further revival in demand for workforce in Polish companies. One should notice that the growth rate of number of people who were removed from

Labour market trends



#### ECONOMIC ANALYSIS DEPARTMENT:

ul. Marszałkowska 142. 00-061 Warszawa fax +48 22 586 83 40

email: ekonomia@bzwbk.pl

Web site: <http://www.bzwbk.pl>

Maciej Reluga (Chief Economist) +48 22 534 18 88

Piotr Bielski +48 22 534 18 87

Agnieszka Decewicz +48 22 534 18 86

Marcin Luzziński +48 22 534 18 85

Marcin Sulewski +48 22 534 18 84

#### TREASURY SERVICES:

Poznań +48 61 856 5814/30

Warszawa +48 22 586 8320/38

Wrocław +48 71 369 9400

unemployment rolls after taking up job has stabilised at high two-digit level. Additionally, growth rate of newly registered unemployed has continued declining. It suggests a further decrease in the registered unemployment rate in months ahead, which should support private consumption growth. We expect the registered unemployment rate to fall even below 12.5% at the end of the year.

#### **Business climate improves**

The CSO business climate indicators increased in April in all main sectors. Indicator for manufacturing climbed to 6.6pts, the highest level since end of 2010, construction showed -10.0pts (the highest level since October 2011) and trade showed 0.9pts (highest since February 2011). This is suggesting a further strengthening of economic recovery and improving expectations of entrepreneurs, who were seemingly not scared by worries due to conflict in Ukraine.

---

This publication has been prepared by Bank Zachodni WBK S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Bank Zachodni WBK S.A., its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Bank Zachodni WBK S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Bank Zachodni WBK S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Bank Zachodni WBK S.A. Rates Area, Economic Analysis Department, ul. Marszałkowska 142, 00-061 Warsaw, Poland, phone +48 22 534 18 88, email [ekonomia@bzwbk.pl](mailto:ekonomia@bzwbk.pl), <http://www.bzwbk.pl>.