

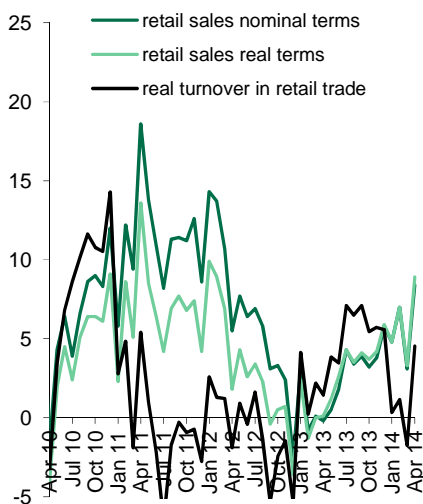
INSTANT COMMENT

26 May 2014

Labour market improvement supporting consumption

Data on retail sales were quite good, similarly as most other indicators for April, although they were weaker than we expected. Sales expanded by 8.4%YoY, boosted by base effects due to later timing of Easter. At the same time, unemployment rate declined by 13.0%. Continuation of improvement on the labour market should support the moderately quick rise of consumer demand later in the year. These data do not change our assessment of economic outlook for the upcoming months nor our expectations about the monetary policy.

Retail sales, %YoY



Retail sales under impact of Easter

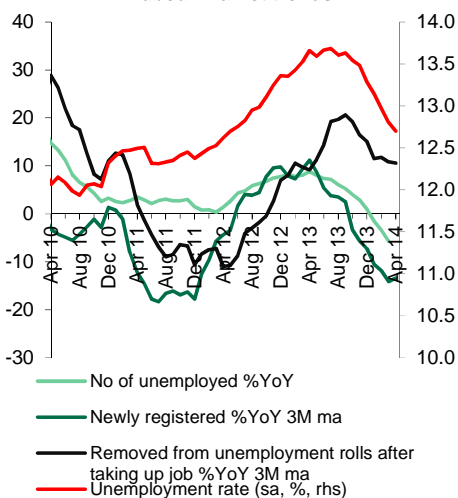
Retail sales increased in April by 8.4%YoY, in line with market consensus and slightly below our forecast (9.1%YoY). Significant acceleration vs. March (3.1%YoY) was mainly due to the different time of Easter and this boosted sales of food and in non-specialized stores (April saw two-digit growth in those two categories after a notable plunge recorded in March). Scale of deceleration in car sales was roughly in line with our forecast while poor performance of footwear and clothing disappointed.

According to our estimates, retail sales after excluding autos and food increased by 3.4%YoY, less than in March (3.6%YoY), but this is still the second best result in the last 20 months. Average sales growth in March-April period reached 5.8%YoY and was close to January-February result (5.9%YoY). However, after excluding autos and food, the March-April average has improved vs. January-February (3.5%YoY vs. 2.2%YoY). Also the trade volume in retail sector has picked up (1.4%YoY in March-April vs. 0.7%YoY in January-February). Revival of the labour market continues and leads to higher households incomes (amid still low inflation). This should, in our opinion, result in further gradual recovery of the private consumption that will become again an important engine driving the economic growth this year.

Unemployment still on the decline

In line with our and market expectations, registered unemployment rate in April declined to 13% and was lower by 1pp as compared with the same period of previous year (it was the deepest fall in annual terms for five years). In monthly terms the number of unemployed dropped by 103.2k, i.e. the most since 2007. These data clearly show that situation on labour market improves more quickly in 2Q, which is positively influencing consumption demand. We expect registered unemployment rate to continue downward trend in upcoming months. We predict unemployment rate to oscillate near 12% in the second half of the year.

Labour market trends



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