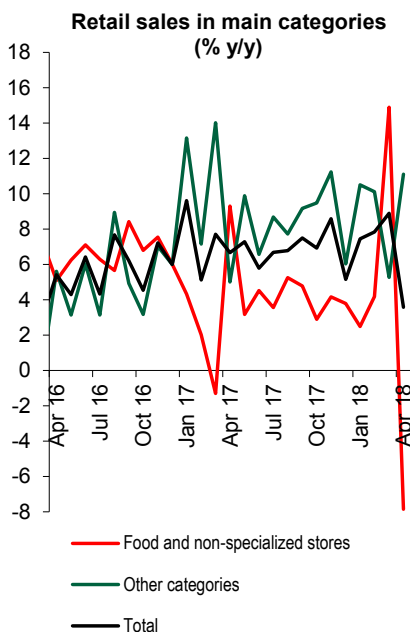


# ECONOMIC COMMENT

23 May 2018

## Retail sales weakness unlikely to last

Retail sales decelerated in April from 8.8% y/y to 4.0% y/y, markedly below market expectations at 7.6% y/y. Deceleration versus March was widely expected, given negative base effect due to Easter and Sunday trade ban, which banned sales on all April Sundays but one. In our view, April saw an interesting conjunction of Easter and Sunday trade ban effects. Apparently, consumers decided to hoard stocks in March in order not to be left behind with no first need products. These stocks may have been used to cover needs in April, lowering the demand for shopping. At the same time, retail sales growth after excluding food and non-specialised stores accelerated markedly. We maintain our view that private consumption will remain the main engine of economy growth this year, as it was in 2017, rising by c5%. We assume that retail sales growth will return to c7.0% y/y in the coming months.



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Sales breakdown showed that the slowdown was mostly seen in the categories the most prone to the Easter effect – food and sales in non-specialised stores. In our view, these were also the segments that benefitted from the Sunday trade ban in March. Volatility of sales in these two categories in months around Easter was much higher this year than in the previous periods. This led us to think that March and April saw an interesting conjunction of Easter and Sunday trade ban effects. Apparently, consumers decided to hoard stocks in March in order not to be left behind with no first need products. These stocks may have been used to cover needs in April, lowering the demand for shopping.

Retail sales growth after excluding food and non-specialized stores accelerated to 11% from 5%. This shows that the underlying trend consumption trend remains strong but has been distorted by some short-term factors like the Easter timing and consumers adjusting to Sunday ban (that in our view should not lower the demand noticeably).

We maintain our view that private consumption will remain the main engine of economy growth this year, as it was in 2017, rising by c5%. We assume that retail sales growth will return to c7.0% y/y in the coming months.

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