

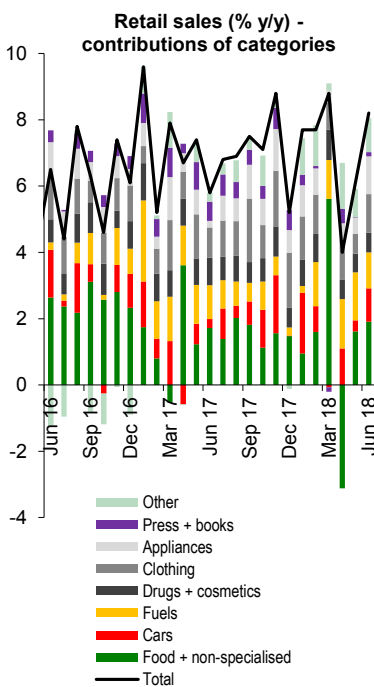
ECONOMIC COMMENT

20 July 2018

Consumers had more time to buy durables in June

Retail sales growth in June was 10.3% y/y in nominal terms and 8.2% y/y in constant prices. It is a clear acceleration vs May (with 7.6% y/y and 6.1% accordingly). The real growth easily beat the consensus of 6.8% and our above-consensus call (7.3%). What caught our attention was the strong rebound of durables, from 4.5% y/y to 11.8%. This is a consequence of continued very high consumer confidence and strong growth of wage bill as well as a time-shift in purchases as May, with two long weekends and nice weather discouraging from visits in malls, offered relatively little time for shopping. Retail sales in the final month of 2Q confirm our call for private consumption and GDP to both stick to c5% y/y in the quarter.

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In June, increase in retail sales was 10.3% r/r nominally and 8.2% in constant prices. This is a significant acceleration vs May results (7.6% r/r and 6.1%, respectively) and a positive surprise for the market, which was expecting 8.1% in case of nominal sales and 6.8% for real sales. The result from June also beat our higher-than-consensus forecast of 7.3% r/r for real growth of retail sales.

What caught our attention was the strong rebound of durables, from 4.5% y/y to 11.8%, with Jan-May average of 7.8% (according to our estimates based on retail sales breakdown offered by the stats office). This is a consequence of continued very high consumer confidence, staying close to all-time highs, and strong growth of wage bill, which keeps showing 9+% y/y. What also likely happened was a time-shift in purchases from May to June, as May had two long weekends and nice weather discouraging from visits in malls, so it offered relatively little time for shopping. The demand for durable goods, including cars might have been thus realized only in June. Additionally, special offers linked to the FIFA World Cup may have strengthened the sales of some durables (the category including TV sets went up 14.4% y/y in real terms) and clothing (textiles, apparel and footwear up 16.9%). Contributions of non-durable items were similar as in the previous month.

Interestingly, the retail sales deflator almost closed the gap to CPI inflation, jumping from 1.4% y/y to 1.9%, while not so long ago it stayed more than a percentage point below CPI growth. Recall that CPI acceleration has recently come mostly from food and fuel, and goods in general, rather than services.

The strong reading of retail sales in the final month of 2Q confirms our call for private consumption and GDP to both stick to c5% y/y in the quarter. Private consumption may have accelerated from 4.8% y/y in 1Q18.

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