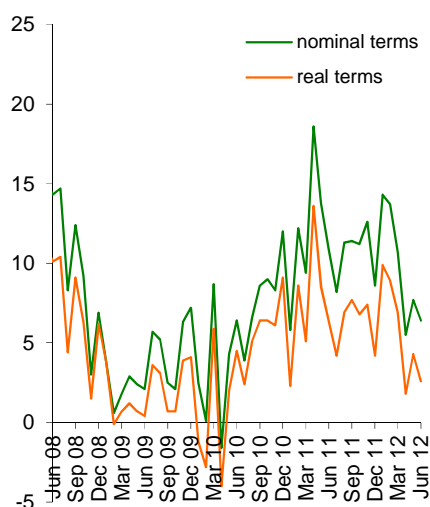


Retail sales decelerated to 6.4%YoY and unemployment rate fell to 12.4% in June. This month's readings show that the impact of EURO 2012 on sales and employment was rather limited. These data are in line with our baseline scenario of gradual deceleration of consumer demand. We expect that in 2012Q2 consumption slowed to 1.7%YoY from 2.1%YoY in Q1 and this tendency is likely to be continued. The market interpreted these figures as an argument in favour of interest rates cuts. Yields on the shorter end of the curve declined slightly. In our view, June's data from the real economy should moderate the MPC's stance and trigger its transition to a neutral bias.

Retail sales, %YoY



No EURO 2012 effects in retail sales in June

In June retail sales increased by 0.2% MoM, which translated into deceleration of annual pace of growth to 6.4% from 7.7% in May. June's release proved to be lower than market expectations and our forecasts at the level of 9.0%YoY. Retail sales in real terms increased by 2.6%YoY (against 4.3%YoY in May). In line with expectations, an acceleration of annual growth was recorded in categories: "food, beverages and tobacco products" (to 7.6% from 5.8% a month earlier), "non-specialized stores" (to 15.7% from 13.9% in May), "pharmaceuticals, cosmetics" (to 13.2% from 11.7%) and "furniture, radio, TV and household appliances" (to 24.3% from 22.5%). In other categories the sales' dynamics decelerated stronger than we expected.

June's data release about retail sales indicated that the influence of EURO 2012 on retail sales was limited. We expect that following months will bring further gradual fall of sales' growth. Current labour market situation (moderate increase of wages and gradual decrease of employment in corporate sector) does not support the increase of consumer spending. Consequently, a further weakening of consumption demand may be expected in following quarters.

Labour market trends
(in thous. YoY)



Unemployment rate falls due to seasonal factors

According to the CSO registered unemployment rate declined to 12.4% from 12.6% in May, anchoring slightly above our expectations (12.3%) and market consensus (12.2%). The number of unemployed at the end of June reached 1964.4k, lower by 2.5%MoM and more by 4.3%YoY. The number of job offers reached at the end of June 44.4k versus 46.8k in May and 47k in June 2011.

In coming months we expect further gradual decline of the unemployment rate, mainly due to seasonal effects. After summer months the rate may start to increase again and reach just above 13%.

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. 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. 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. Treasury Division. Economic Analysis Unit. ul. Marszałkowska 142. 00-061 Warsaw. Poland. phone +48 22 586 83 63. email ekonomia@bzwbk.pl. <http://www.bzwbk.pl>

Maciej Reluga Chief Economist +48 22 586 8363

Email: ekonomia@bzwbk.pl

Piotr Bielski +48 22 586 8333

Agnieszka Decewicz +48 22 586 8341

Marcin Luziński +48 22 586 8362

Marcin Sulewski +48 22 586 8342