

Instant comment

Retail sales slowing, unemployment rising

25 September 2012

Retail sales growth slowed to 5.8%YoY, while unemployment rate rose to 12.4% in August. Both readings were slightly worse than expected, confirming slowdown in consumption demand, driven by hard situation in the labour market. These were next pieces of data that could potentially convince some MPC members (though probably not the most hawkish ones) that monetary easing is justified. Anna Zielińska-Głębocka said that the data is not a big surprise, but added that an interest rate cut may be considered in October.

Retail sales growth continues decelerating

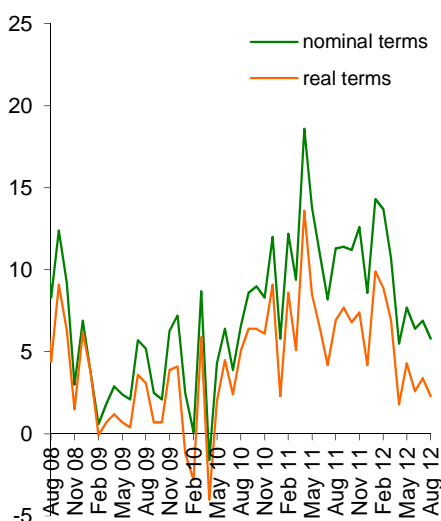
Retail sales growth decelerated in August from 6.9%YoY to 5.8%YoY (in nominal terms), roughly in line with expectations (our forecast and market consensus at 5.9%YoY). In constant prices growth reached 2.3%YoY. Biggest constrain on sales was put by poor demand for autos and parts for automobiles (-9.5%MoM, -2%YoY). Still, even after excluding this part deceleration of consumption demand growth is visible – according to our estimates, retail sales after excluding autos and fuels rose 3.8%YoY (the same as in July, less than in previous two months). Additionally, data provided by the CSO on turnover in retail trade (that in contrast to retail sales data include also units hiring less than 9 employees and do not cover data, among other, on sales of autos) showed that consumer's demand stagnated – annual momentum is close to zero. On the other hand, it is worth to notice that sales of durable goods (furniture, household appliances) keep growing in double digits (19.7%YoY). In our view, overall the data confirm rather gloomy outlook for consumer's demand resulting from small wage increase and falling job security.

Unemployment rate increased gradually

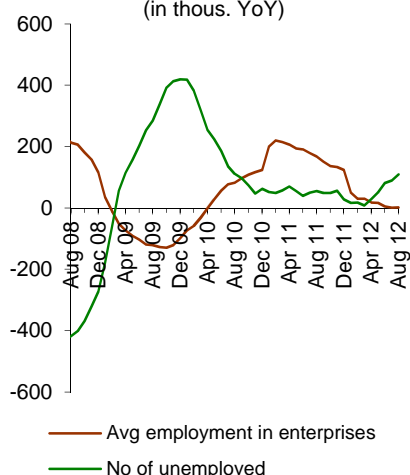
In August registered unemployment rate increased to 12.4%, up from 12.3% in previous month. The number of registered unemployed reached the level of 1,964.7k, which means increase by 0.6%MoM (or by 11.5k) and by 5.9%YoY. The number of newly registered unemployed amounted to 207k persons (decrease by 2.6%MoM). The largest group of newly registered accounted for persons re-entering registries (158.9k or 76.6%). One should notice that unemployment rate increased despite the higher number of job offers, which were declared by enterprises during a month (74.4k vs 64.4k in July). It confirms earlier tendencies on the market, showing a mismatch between the demand for the work and the labour supply.

The August unemployment data were slightly higher than our and market expectations at 12.3%. Taking into account our prediction for labour market, we expect further growth of unemployment rate above 13% in December.

Retail sales, %YoY



Labour market trends (in thous. YoY)



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