

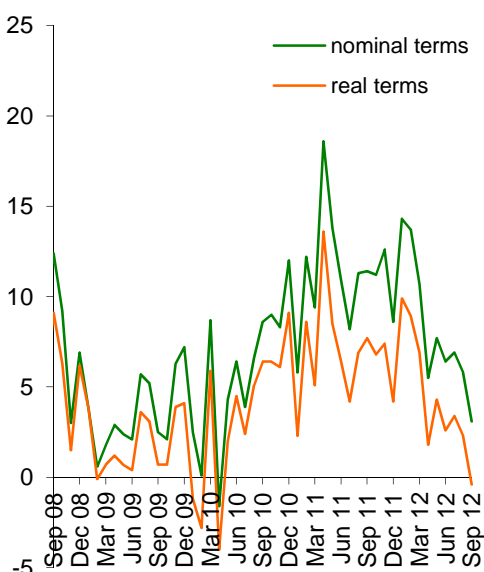
Instant comment

Weak consumer demand

23 October 2012

Registered unemployment rate stayed in September at 12.4%, slightly below forecasts, which can be due, among others, to higher funds for jobless' activation. Retail sales decelerated strongly (to 3.1%YoY in nominal terms and -0.4%YoY in real terms), thus reflecting the declining consumer demand amid difficult labour market situation and sliding real incomes. The data show that growth of individual consumption, which decelerated to 1.2% already in Q2, will remain low in the near term. These figures join arguments confirming that the interest rate cuts are justified and risk of building inflationary pressure is small.

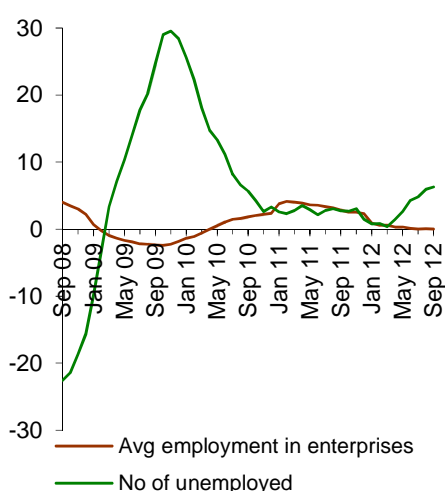
Retail sales, %YoY



Strong deceleration in retail sales

The pace of growth of retail sales (in current prices) declined in September to 3.1%YoY from 5.8%YoY in August and was clearly below our and market expectations. We predicted growth of 4.5% while consensus pointed to 4.1%. In real terms the contraction by 0.4%YoY was recorded (versus an increase by 2.3%YoY in August), for the first time since February 2010. Interestingly, the deep slowdown was recorded in most of categories. That indicates broad weakening of consumer demand probably due to lower disposable income and deteriorating situation in the economy. The biggest impact on lower sales growth had sales of food, beverage and tobacco. On the other hand, sales of textiles, clothing and footwear showed strong improvement, accelerating to 12%YoY from 6.3%YoY in August, but that was largely due to low base effect from the past year. Sales of autos and automobile components remained subdued. According to our estimates, pace of growth of retail sales after excluding autos and fuels decelerated in nominal terms to 2% from 3.8% a month earlier. Data on trade retail trade volume released by the CSO – which in contrast to retail sales data includes also smaller stores but excludes autos – plunged in September by 2.5%YoY (vs. -0.1%YoY in August).

Labour market trends, %YoY



Rise in unemployment weaker thanks to Labour Fund

Registered unemployment rate remained unchanged in September at 12.4%, i.e. slightly below our and market expectations (12.5%). As compared to August, the number of jobseekers increased by 14k, to 1979k, and as compared to September 2011, it rose by 6.3%, which is the strongest gain in two years. It is worth noting that a marked downward impact on number on unemployed persons was exerted by a considerable number of people removed from unemployment rolls due to employment trainings (37.8k versus 17.0k in August 2012 and 17.9k in September 2011). It is possible that this is an effect of August's launch of additional PLN500m from the Labour Fund aimed at activation of the unemployed. We are expecting that this effect may be only temporary, as jobseekers sent to trainings will return to unemployment rolls if they do not find any job. And this will not be easy as labour market is in doldrums. In our view the registered unemployment rate will rise gradually in the upcoming months and should surpass 13% at the year-end.

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