

Instant comment

Slump in retail sales, rise in unemployment

24 January 2013

In December the retail sales plunged by 2.5%YoY and the unemployment rate increased to 13.4%. Data on retail sales indicate the consumption of households clearly decelerated due to, among others, weak labour market and decline of real disposable income. We maintain our forecast that in Q4 2012 the economic activity faded significantly as compared to previous quarter and in the whole 2012 the pace of GDP growth decelerated to ca. 1.8%YoY. This data confirmed there is no sense in making a pause in monetary policy easing cycle. We still expect the MPC to cut rates in February and March by a total of 50bps. The debt market strengthened today, but this was also due to very successful yesterday's bond auction. The zloty depreciated after the release – the EURPLN surged towards 4.20.

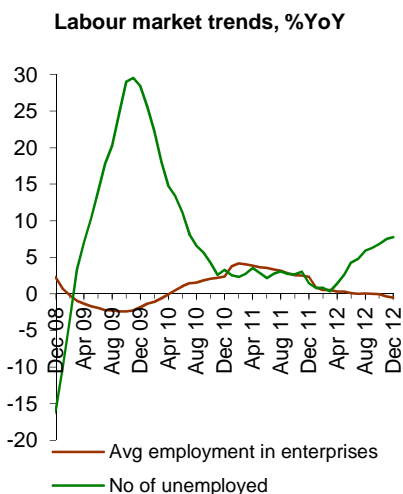
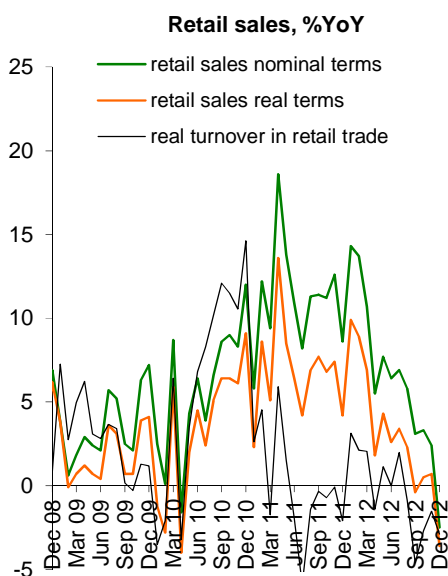
Retail sales in red

December's data on retail sales disappointed as it contracted by 2.5%YoY in nominal terms (for the first time since April 2010) and by 3.6%YoY in real terms. Such poor results was due to contraction in such categories as automobiles (by 12.4%YoY, which was shown earlier by SAMAR data), books and press (by 17.4%YoY), fuels (by 4.2%YoY) and "others" (by 7.3%YoY). It is worth to notice that the pace of growth of sales after excluding autos and fuel was also negative, for the first time since the beginning of 2010. In other categories sales clearly decelerated. For example, sales of household appliance was growing by ca. 20%YoY in previous months, in November it increased by 15%YoY and in December by only 6.8%YoY. Clothing and footwear increased in first three quarters of 2012 by 5%YoY and in the final quarter recorded an average decline of 1.6%YoY (it increased by 0.4% in December). Coming months will bring an answer to the question to what extent the December's plunge of retail sales was due to more parsimonious Christmas.

December's data about retail sales show that private consumption growth has decelerated sharply at the end of last year, which was driven by a drop in real income and uncertain situation in the labour market. The data join the negative set of recent data from real economy (falling output in industry and construction, situation in the labour market), showing that economic activity at the end of 2012 was substantially lower. The data confirmed our predictions that GDP growth in Q4 2012 has decelerated to ca. 0.5%YoY (from 1.4% in Q3), and in the whole 2012 the economic growth slowed to ca. 1.8%. The GSO will release flash estimates of 2012 GDP growth at the press conference on 29 January.

Increase in registered unemployment rate in line with expectations

As we expected, December brought further increase in registered unemployment rate to 13.4%, up from 12.9% in previous month. Number of registered unemployment persons in December amounted to ca 2.1m (increase by 7.8%YoY). One should notice that in December 2012 the number of job offers decreased significantly in comparison with November. Outlook for upcoming months is not optimistic. We expect registered unemployment rate to stay at elevated level, and topping 14% in January. In next months of the year jobless rate will stay above levels seen in 2012.



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

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