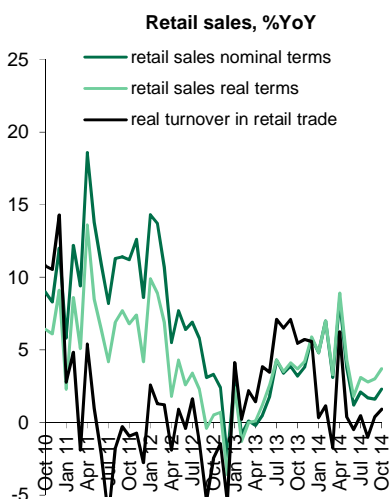


INSTANT COMMENT

25 November 2014

Improving labour market supports private consumption

Retail sales growth accelerated in October to 2.3%YoY, which was slightly above market consensus but below our forecast. The most disappointing for us was car sales, which increased only 9.8%MoM, half as much as suggested by data on new car registrations. Meanwhile, in other areas sales were growing roughly in line with what we had assumed. According to our estimate, retail sales growth excluding autos and fuels accelerated to 5.1%YoY, highest since May 2014. Unemployment data showed further improvement in the labour market (it was the best October since 2007), and the Labour Ministry suggests that positive trends are being continued. In general, we think that improving situation in the labour market and rising households' real income should keep private consumption growing at a decent pace in the coming quarters, which will be stabilising economic growth in Poland, amid temporarily weaker external demand. Today's data releases were again slightly better than market consensus, so it is hard to imagine they would shift the balance of votes in the MPC towards a rate cut in December. However, we think that some monetary easing is still on the cards, as inflation and economic growth in nearest months will be in fact lower than predicted by large part of the MPC members.



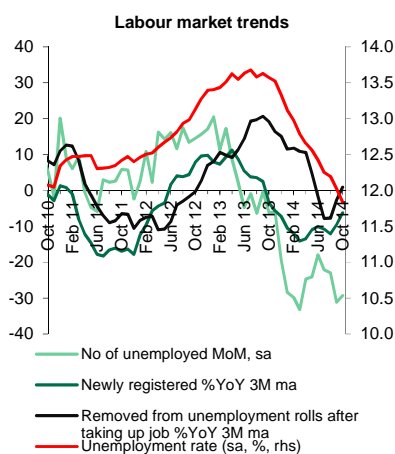
Retail sales growth accelerated, but only slightly

Retail sales growth accelerated in October to 2.3%YoY from 1.6% in September, which was above market consensus (2.2%YoY), but below our forecast (3.1%YoY). We have predicted higher sales growth mainly due to more optimistic assumptions about sales of cars and other vehicles, as earlier information about new car registrations suggested nearly 20%MoM increase in this area. Meanwhile, car sales reported by the stat office increased "merely" 9.8%MoM. In other areas retail sales growth was roughly consistent with our predictions. In particular, sales of clothing and footwear rebounded sharply (17.5%MoM, 8.5%YoY) after weather-related slump in September. According to our estimate, retail sales growth excluding autos and fuels accelerated to 5.1%YoY, highest since May 2014. What is interesting, there was some rebound also in the retail trade turnover according to Eurostat's methodology (which, in contrast to retail sales data, takes into account information from small shops, but excludes car sales). However, this indicator is still growing at a rather miserable rate 0.9%YoY. Meanwhile, real growth of retail sales reached 3.7%YoY in October.

Unemployment keeps falling

Registered unemployment rate fell in October to 11.3% from 11.5% in September, in line with estimate of the Labour Ministry and our expectations. The data confirmed that the labour market situation was still improving and the underlying trend was not waning at the start of Q4, with both strong hiring and weak firing. In monthly terms the number of the unemployed fell by 37.1k, to 1784.8k, making it the best October since 2007. We expect the unemployment rate to be below 12% in December 2014.

Strong labour market situation is likely to be supportive for the private consumption at the year-end.



ECONOMIC ANALYSIS DEPARTMENT:

al. Jana Pawła II 17, 00-854, Warszawa fax +48 22 586 83 40

email: ekonomia@bzwbk.pl Web site: <http://www.bzwbk.pl>

Maciej Reluga (Chief Economist) +48 22 534 18 88

Piotr Bielski +48 22 534 18 87

Agnieszka Decewicz +48 22 534 18 86

Marcin Luzziński +48 22 534 18 85

Marcin Sulewski +48 22 534 18 84

TREASURY SERVICES:

Poznań +48 61 856 5814/30

Warszawa +48 22 586 8320/38

Wrocław +48 71 369 9400

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