

ICPS newsletter®

Consumer confidence deteriorates in the run-up to the presidential election in Ukraine

From June to October 2004, the Consumer Confidence Index (CCI) slipped 1.8 points, to 100.3. Consumer confidence deteriorated mainly due to growing negative expectations of the country's economic development, in particular in the short term. Consumer confidence deteriorated the most in Ukraine's eastern oblasts. Rural areas remain the most pessimistic. The survey shows that consumer confidence improved among low-income citizens and older Ukrainians

In October 2004, Ukraine's Consumer Confidence Index (CCI) stood at 100.3, 1.8 points below the value registered in the previous poll in June 2004. Consumer confidence deteriorated mainly because of a substantial increase in negative expectations of the country's economic development. The corresponding Index of Economic Expectations (IEE) slid 6 points during this period, to 99. A value below 100 points shows that the share of Ukrainians with negative economic expectations prevails. For the first time in the past 12 months, the IEE dipped below the 100-mark.

Short-term expectations of economic development deteriorated the most: this index dropped 6.8 points over June–October 2004. Apparently, such a deterioration of economic expectations is related to growing uncertainty in the run-up to the presidential election.

Over this period, the Index of the Current Situation (ICS) rose 4.6 points, to 102.2,

Index values

Consumer Confidence Index (CCI)	100.3 - 1.8
Index of the Current Situation (ICS)	102.2 + 4.6
Index of Economic Expectations (IEE)	99.0 - 6.0
Index of Expected Changes in Unemployment (IECU)	116.2 - 3.6
Index of Inflationary Expectations (IIE)	182.5 + 13.0

Sources: GfK–USM, ICPS

breaking the 100-mark and passing the IEE for the first time in the history of consumer confidence research in Ukraine. This trend points to extremely low public confidence in the government economic policy.

The ICS grew mainly due to a significant increase in the propensity to consume: the corresponding index rose by 9.4 points, to 105.8, and also for the first time in the history of consumer confidence research in Ukraine exceeded 100-mark. This value shows that most Ukrainians think that now is generally a good time to make large household purchases. This growth in the propensity to consume appears to be due to political destabilization and escalating inflation: by purchasing expensive goods, Ukrainians are trying to save their incomes from price hikes.

Expectations of change in personal financial standing have largely deteriorated during the last four months: the corresponding index plunged 10.2 points, to 100.1—a record low for the last two years. Evidently, the situation seems to reflect mostly negative short-term expectations of the country's economic development.

For the first time since the start of 2004, the poll registered an increase in negative expectations of inflation and unemployment. The Index of Inflationary Expectations reached 182.5 points in October 2004, 13 points above the June indicator. Correspondingly, the Index of Expected Changes in Unemployment grew 3.6 points, to 116.2. Currently, both indices

are at their peak since the beginning of 2004.

The worst deterioration in consumer confidence was registered in eastern oblasts. There, the CCI dropped 8.1 points over June–October, to 99.2. This is also a record low for the last 12 months. Consumer confidence deteriorated due to both an increase in negative assessments of the current situation and a worsening in economic expectations. The ICS slipped 1.5 points, to 104.7, while the corresponding IEE plunged 12.5 points, to 95.6, in this region.

Consumer confidence in rural areas remains the lowest. The rural CCI stood at 91.1 in October, 1.4 points below the June value. The poll revealed that, in the last four months, rural areas were the only ones where the propensity to consume failed to improve: the index was a mere 81.7. Apparently, incomes of rural residents remain low and inflation is not affecting their propensity.

In general, consumer confidence deteriorated primarily among high- and average-income Ukrainians, as well as among younger consumers, those aged 15–30. From June to October 2004, the CCI of those with below-average incomes and older Ukrainians, aged 46–59, rose to new record-high values, 87.8 and 93.8. The main factor behind improving confidence among these groups seems to be active social policies on the part of the Government, in particular additional targeted payments to retirees in October 2004. ■

To receive the Consumer Confidence bulletin, with its detailed analysis of the Consumer Confidence Index in Ukraine, contact Andriy Starytskiy by telephone at (380-44) 236-4477, or via e-mail at marketing@icps.kiev.ua. You can also order ICPS publications through the Centre's website, at www.icps.kiev.ua/eng/subscribe/.

Roundtable recommends ways for the Kyiv City Council to improve the capital's environment

Kyiv's key ecological problems are air pollution, low quality drinking water, the destruction of green spaces, and high-density development in some parts of the city. The situation has arisen with the expansion of commercial activity under inadequate environmental legislation, poor standards, low fines for polluting the environment, and lack of funding for environmental protection. Participants in a roundtable on environmental problems in Kyiv, organized by "European Capital," a group of Kyiv City Council deputies, and the International Centre for Policy Studies, offered proposals to improve the situation

On 4 November 2004, ICPS and the "European Capital" group of Kyiv City Council deputies held a roundtable entitled "A Vision of the Future Environment in Kyiv." The roundtable's goals were to develop a common vision of the future of Ukraine's capital, to provide an independent analysis of Kyiv's environment, and to show stakeholder positions on existing problems and their possible solutions. The event is the third in the series of roundtables to develop a common vision for the Ukrainian capital organized by the "European Capital" group of Kyiv City Council deputies and ICPS for September–November 2004.

Problems with Kyiv's environment become apparent

According to data provided by ICPS expert Liudmyla Kotusenko, Kyiv's ecology is experiencing deteriorating quality in its aquatic environment and air—where up to 83% of pollution is caused by vehicles—, contamination of its land resources, problems with recycling wastes, and steady shrinking of parklands, nature preserves and greenery.

Key factors behind the deterioration of Kyiv's environment are growing commercial activity and a number of administrative and legal gaps: a loophole allowing legal avoidance of responsibility for pollution, understated norms, low fines for polluting, a shortage of funds for monitoring the environment and enforcing legislation.

The main negative impact of failure to tackle Kyiv's environmental problems will be a lower quality of life of residents of Kyiv, growing incidence of disease and the ensuing decline in the life expectancy among this generation and generations to come, and the irreversible destruction of the city's ecosystem.

Solutions from the experts

The roundtable, which took place in the ICPS conference hall on 4 November, formed three working groups with representatives of the government, NGOs and independent experts. Each of the working groups submitted its vision of environmental problems, their root causes, possible solutions and the desired state of environment that needed to be achieved.

According to all four groups, the desired environmental state needs to be in compliance with established standards for air, water and soil quality and sufficient recreation areas and green spaces. Most groups said that indicators confirming this would be lower statistics for key diseases among the population and public satisfaction with the environment.

Most groups said key problems of Kyiv's environment were air pollution, poor quality drinking water, the destruction of greenery, and over-development of some parts of the city. Although opinions of different groups on the roots of environmental problems varied, all the groups also mentioned a lack of environmental education and training, and poor environmental awareness.

Participants proposed a number of steps to improve Kyiv's environment:

- introducing operative mechanisms to provide economic incentives for eco-sensitive activity (loans, tax breaks, etc);
- increasing responsibility for failure to adhere to environmental legislation;
- introducing ongoing environmental education for the general population (from kindergarten to adulthood);

- carrying out public environmental assessments of development projects in Kyiv;
- setting natural borders for nature reserves and parklands, green zones, and protected coastal areas, and introducing ban on approving development on these areas;
- providing timely and adequate funding for environmental programs;
- introducing environmental management at Kyiv enterprises and complying these to ISO 14001 standards;
- establishing partnership between the government, businesses who have a negative impact on the environment, and NGOs.

Kyiv City Council deputies accept roundtable proposals

The series of three roundtables to develop a common vision of the future for Ukraine's capital was organized on the initiative of the "European Capital" group of Kyiv City Council deputies. Key objective of this series was public debate on current problems and their roots and developing a consensual vision of ways of solving them and specific measures.

Speaking at the open roundtable, Lev Partskhaladze, head of the "European Capital" group, thanked the participants for taking part in the event whose results should enable the deputies to bring up legal initiatives on how to improve environmental legislation at Kyiv City Council.

"Kyiv should become a European city not just because of its geographic location, but because of its standard of living and quality of life," said Mr. Partskhaladze. "We understand quite well that ecology is a key quality issue. After the Chernobyl disaster, Ukrainians and Kyivites became aware of the meaning of ecology in a way that was far deeper than the awareness of people in most other countries. That is why we would like to discuss the environmental problem far in advance of anything happening." ■

A detailed report on the roundtable entitled "A Vision of the Future Environment in Kyiv" (in Ukrainian) and the conclusions of the working groups can be found at <http://www.icps.kiev.ua/library.html?13>. Presentations about "A Vision of the Future Environment in Kyiv" (in Ukrainian) and "Kyiv's Ecology: A political problem" (in Russian) can be viewed at: <http://www.icps.kiev.ua/library.html?26>. For more information, contact Volodymyr Hnat by telephone at (380-44) 236-4116, or via e-mail at vhnat@icps.kiev.ua.

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