

ICPS newsletter[®]

Consumer Confidence: Optimism Returns

After a steep decline in September 2005, Ukraine's Consumer Confidence Index (CCI) grew 7.6 points over Q4'05, reaching 103.1 by the end of the year. This renewed positive trend in the index was the result of relative political stability and a seasonal rise in consumer confidence. The December poll registered record-high values for the Index of Propensity to Consume and the Index of the Current Situation. This year Consumer Confidence publication will be published six times a year instead of four

In December 2005, the Consumer Confidence Index in Ukraine was 103.1, 7.6 points above the value registered during the previous poll, in September 2005. A CCI value above the 100-mark shows that positive consumer confidence prevails in Ukrainian society. This rapidly renewed positive trend in the CCI indicates that the steep decline in this index in September 2005 was based more on emotions than on real economic conditions. Improved consumer confidence over Q4'05 is linked to relative political stability in the country and a seasonal rise in positive expectations at the end of the year.

The survey registered a significant increase in the number of Ukrainians who mentioned that their current standing had improved. The relevant Index of the Current Situation (ICS) grew 10.3 points in late 2005, reaching a new record high of 105.8. This improvement in the current situation is the result of a significant increase in disposable personal income. According to Derzhkomstat, the state statistics committee, after adjusting for inflation disposable incomes jumped 19.8% over January–November 2005.

Inflationary expectations remain high among Ukrainians. Over Q4'05, the Index of Inflationary Expectations (IIE) slipped 2.3 points to 184.3, 4.3 points above the value registered in December 2004. The combination of significant income growth and high expectations of inflation led to a further increase in the propensity to consume. The relevant index x5, which shows the readiness of Ukrainians to make large household purchases, grew

5.2 points over Q4'05, reaching a new record high of 113.1.

The highest consumer confidence was registered in Western Ukraine and in Kyiv, where the CCI stood at 115.0 and 110.0. The number of optimistic Ukrainians grew significantly in eastern regions, where the CCI climbed 8.1 points, to 97.3. However, the highest inflationary expectations and expectations of growing unemployment were registered in eastern oblasts as well.

An improvement in consumer confidence was registered among Ukrainians with average and above-average incomes. At the same time, consumer confidence continued to deteriorate among Ukrainians with below-average incomes: the relevant CCI slipped 5.2 points to 82.4, a record low for the last 18 months.

Consumer confidence improved across all age groups. Pessimistic consumer confidence continues to prevail marginally among Ukrainians aged 31–45, where the share of optimistic consumers grew the least compared to the other two age groups. The relevant CCI for middle-aged Ukrainians grew only 3 points over Q4'05, to 99. Confidence grew the most among older Ukrainians, aged 46–59, where the CCI rose 11.1 points, to 95.6.

*If you would like to receive the **consumer confidence** bulletin, with a detailed analysis of the CCI in Ukraine, contact our client relations manager Andriy Starynskiy by telephone at (380-44) 484-4410, or via e-mail at marketing@icps.kiev.ua. You can also order through the ICPS website, at <http://www.icps.kiev.ua/eng/subscribe/>.*

By the way...

- A group of independent analysts and residential services providers met 17 February to discuss the Government's plan of anti-crisis measures to eliminate obstacles to greater efficiency in the residential service sector and to increase financing. The experts' recommendations will be reflected in a plan of anti-crisis measures that will be presented to Pavlo Kachur, the Minister of Construction, Architecture and Residential Services, at the end of February 2006.
- The Director of the Policy, Press and Information Department of the EC Delegation to Ukraine visited ICPS 14 February. During his meeting with the director of ICPS and the Centre's analysts, Mr. Dirk Schuebel discussed the possibility of involving ICPS and other NGOs in monitoring the Ukraine–EU Action Plan.
- The grant committee of the International Renaissance Foundation is currently examining proposals for state and municipal policy projects that have been submitted from regional NGOs whom ICPS provides with methodological and consultational support within the framework of a regional NGO development project. The winners of this competition will be granted financing and begin working on their projects in March 2006.
- The **quarterly predictions** expert team has completed the first draft sections of the next issue of QP. Final discussion of these papers took place 17 February. Final drafts are now underway, in consultation with outside experts. The next issue of **quarterly predictions** with its analysis of the current economic situation and a three-year economic forecast should be released at the end of March 2006.

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