

CONSUMER PESSIMISM STARTS TO FADE



Press release Results of the Ukraine consumer confidence survey project implemented jointly by GfK Ukraine and the International Centre for Policy Studies

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In August 2007, the Consumer Confidence Index (CCI) in Ukraine was 102.7. A value above the 100-mark shows that positive consumer confidence prevails in Ukraine. Prior to that, pessimistic expectations prevailed in Ukraine for 18 months: the last time the CCI went above the 100-mark was in February 2006.

Compared with June 2007, the CCI has grown 5.8 points. Consumer confidence improved mainly thanks to improved economic expectations among Ukrainians. The Index of Economic Expectations (IEE) grew 7.7 points, to 100.7. In particular, short-term economic expectations improved significantly: the index x3 grew 15.8 points to reach equilibrium, 99.9. This points to the fact that Ukrainian consumers have finally accustomed themselves to political instability. As a result, the political factor has become less important in determining consumer confidence. In addition, the election campaign was calm and did not increase the level of uncertainty in Ukrainian society.



The Index of the Current Situation (ICS) was 105.8 in August 2007, 3.0 points above the value registered in June. The Index of Current Personal Financial Standing (x1) grew 4.4 points over this period, to 97.6, which is a record-high value since the beginning of 2006. The Index of Propensity to Consume (x5) reached a new record-high value in August 2007—113.9.

In August 2007, the Index of Inflationary Expectations (IIE) was 185.3, 3.6 points below the value registered in June. This decline matches the dynamic of the Consumer Price Index (CPI) in Summer 2007: consumer prices grew at a rapid pace

in June and July, 1.4% and 2.2%, but the Index grew a mere 0.6% in August. However, inflationary expectations continue to be high. In August, the IIE was higher than at the beginning of the year.

Optimistic consumer confidence prevails in all regions, except Eastern and Northern Ukraine. The highest CCI value—113.4—was registered in southern oblasts. Over June–August 2007, consumer confidence in Western Ukraine improved the most. The CCI for this region rose 17.7 points, to 112.9. In Eastern Ukraine, the CCI was 92.1 in August 2007, 2.2 points above the value registered in June.

In August, optimistic consumer confidence also prevailed in small towns and mid-sized cities. But the CCI for rural areas fell 5.8 points from June to August 2007, to 94.7. Evidently, the poor crop had a negative impact on the confidence of rural residents. Rural residents also have the highest inflationary expectations: their IIE was 189.0 in August.

The CCI survey registered an improvement in consumer confidence among representative of all income groups. The Index for Ukrainians with average incomes climbed 5 points from June to August, to 101.6. The CCI for this income group had not gone above the 100-mark since June 2005.

Consumer confidence improved mainly among middle-aged and older Ukrainians. From June to August, the CCI for middle-aged consumers, those aged 31–45, grew 9.1 points to 104.3. The last time the CCI value went above the 100-mark for this age group was in February 2006.

CCI trends in Ukraine					
Month, Year	Consumer Confidence Index (CCI)	Index of the Current Situation (ICS)	Index of Economic Expectations (IEE)	Index of Expected Changes in Unemployment (IECU)	Index of Inflationary Expectations (IIE)
08'07	102.7	105.8	100.7	112.8	185.3
06'07	96.9	102.8	93.0	113.4	188.9
04'07	92.3	98.8	88.0	109.7	181.8
02'07	92.2	92.4	92.1	109.5	183.7
12'06	90.6	95.9	87.1	115.6	186.4
10'06	91.2	96.6	87.5	116.9	187.5
09'06	87.5	93.9	83.3	113.6	181.2
06'06	84.9	92.2	80.0	120.8	189.2
04'06	97.1	98.4	96.2	116.3	186.9
02'06	103.7	103.5	103.8	111.6	185.4
12'05	103.1	105.8	101.3	111.7	184.3
09'05	95.5	95.5	95.5	117.7	187.2
06'05	105.2	100.5	108.4	111.0	182.2
03'05	107.3	92.9	117.0	98.9	182.0
12'04	100.1	98.3	101.4	107.3	180.0
10'04	100.3	102.2	99.0	116.2	182.5
06'04	102.0	97.6	105.0	112.6	169.5
03'04	100.1	93.7	104.4	114.6	178.3
12'03	99.4	95.3	102.1	115.4	186.1
09'03	99.1	92.0	103.9	119.8	185.5
06'03	91.6	88.9	93.3	120.0	184.7
03'03	92.1	84.5	97.2	122.5	175.6
12'02	93.4	83.2	100.3	119.0	178.7
09'02	88.8	75.7	97.5	124.5	174.2
06'02	95.3	82.9	103.6	121.9	169.2
03'02	90.9	78.4	99.2	123.3	168.8
12'01	94.9	77.5	106.6	122.2	169.6
09'01	94.0	76.6	105.6	125.8	167.5
06'01	83.2	63.5	96.3	136.9	177.1
03'01	80.7	67.0	89.9	143.9	180.1
12'00	79.5	66.9	87.9	148.3	182.0
09'00	65.2	56.2	71.3	147.6	189.7

Sources: GfK Ukraine, ICPS

*If you would like to receive the **consumer confidence** bulletin, with a detailed quarterly 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 ICPS publications through the Centre's website, at <http://www.icps.com.ua/eng/subscribe/>.*

How the indices are calculated

In Ukraine, the Consumer Confidence Index is determined through a random survey of domestic households. The poll involves 1,000 individuals aged 15–59, an age group that represents 61.3% of Ukraine's population and the country's most active consumers. A representative sample is selected by gender and age, also by type and size of settlement. The margin of error is 3.2%.

To define the CCI, respondents are asked these questions:

1. How has the financial standing of your family changed over the last six months?
2. How do you think your family's financial standing will change in the next six months?
3. Looking at economic conditions in the country as a whole, do you think the next 12 months will be good or bad?
4. Looking at the next five years, will they be good ones or bad ones for the country's economy?
5. In terms of large purchases for your home, do you think now is generally a good time or a bad time to make such purchases?

Each of these questions is related to a corresponding index:

- Index of Current Personal Financial Standing (x1);
- Index of Expected Changes in Personal Financial Standing (x2);
- Index of Expected Economic Conditions in the Country Over the Next Year (x3);
- Index of Expected Economic Conditions in the Country Over the Next 5 Years (x4);
- Index of Propensity to Consume (x5).

Indices are constructed thus: the share of negative answers is deducted from the share of positive answers, and 100 is added to this difference in order to eliminate negative values.

On the basis of these five indices, three aggregate indices are calculated:

- Consumer Confidence Index (CCI) as the arithmetic average of indices x1–x5;
- Index of the Current Situation (ICS) as the arithmetic average of indices x1 and x5;
- Index of Economic Expectations (IEE) as the arithmetic average of indices x2, x3, and x4.

Index values range from 0 to 200. The index equals 200 when all respondents positively assess the economic situation. It totals 100 when the shares of positive and negative assessments are equal. Indices of less than 100 indicate the prevalence of negative assessments.

To determine the Index of Expected Changes in Unemployment (IECU) and the Index of Inflationary Expectations (IIE), the respondents are asked these two questions:

1. Do you think that within next 12 months the number of unemployed (people who do not have job and are looking for work) will increase, will remain roughly the same, or will decrease?
2. How do you think that prices for major consumer goods and services will change in the next 1–2 months?

The IECU and the IIE are calculated thus: the share of answers that indicate a decrease of unemployment/inflation is subtracted from the share of answers that indicate the growth of unemployment/inflation, and 100 is added to the difference to eliminate negative values. The values of indices can vary from 0 to 200. The index totals 200 when all residents expect an increase in unemployment/inflation.

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