

ICPS newsletter®

Consumer mood bottoms out in Ukraine

In February 2009, consumer confidence stopped the tailspin that it had been in since September 2008. During these five months, the Consumer Confidence Index (CCI) fell by more than half, from a nearly neutral rating of 96.0 in August 2008 to 41.8 in January 2009. Moreover, at the end of Winter 2009, the consumer mood appeared to have improved marginally, rising 0.5pp to 42.3. This shift in the consumer mood among Ukrainians was related to a slight stabilization in the economic situation, especially on the currency and labor markets

When this inching up of the CCI in February 2009 is looked at in the context of its main components, then it becomes clear that the rise was due to an improvement in economic expectations among consumers, despite their generally worse estimation of their current financial standing. Indeed, the Index of Economic Expectations (IEE) grew 1.9pp to 44.7.

At the same time, the Index of the Current Situation (ICS) slipped another 1.6pp to reach a new low of 38.8. The dynamic of CCI components shows that the current state of Ukraine's consumers is still assessed extremely gloomily,

although their economic expectations are already beginning to brighten.

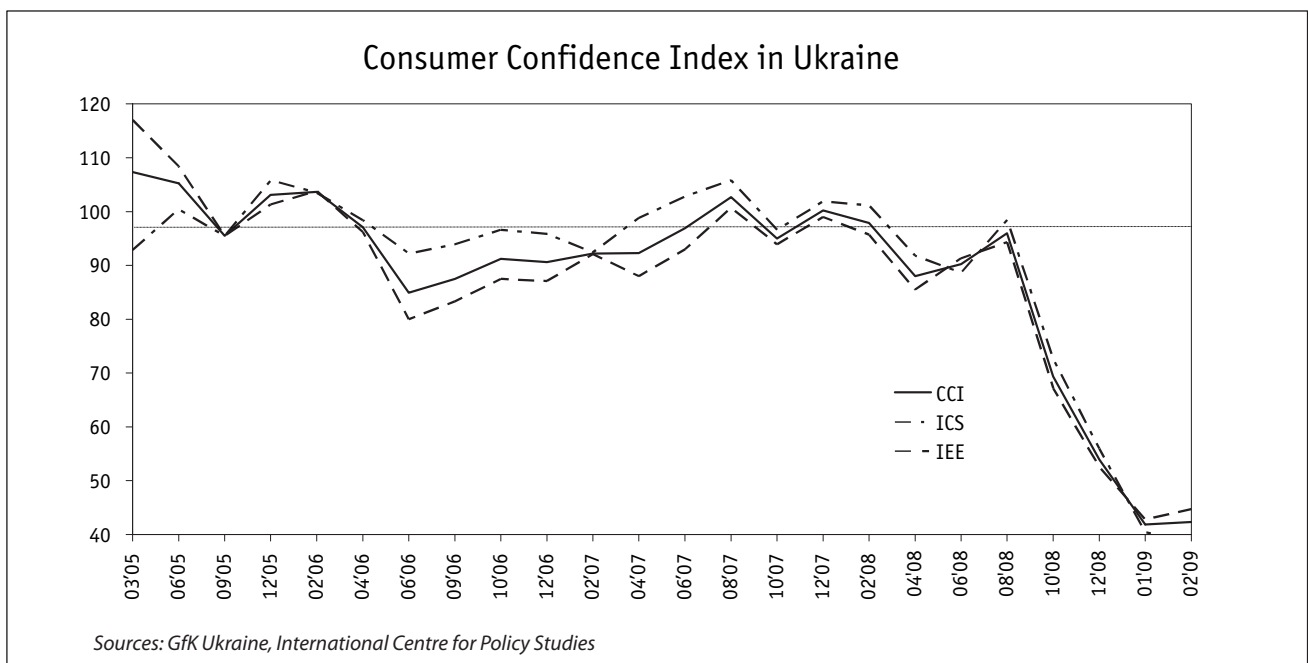
In effect, all the improvements in the consumer mood among Ukrainians seen at the end of Winter 2009 have been spurred by growth in the index of expectations of changes in personal material standing (x2), which grew an impressive 9.9pp to 48.7. All other indices that form the CCI continued to go down in February. Interestingly, the most significant decline was in short-term economic expectations among Ukrainians. This index (x3) shrank a further 2.8pp to its absolute lowest, 29.9.

This means that, while Ukrainians expect the overall economic situation to continue to get worse for the next year, they also expect some improvement in their personal material standing.

Since the beginning of 2009, Ukraine has continued to experience a marginal improvement in expectations of both changes in unemployment and the pace of inflation.

Thus, at the end of Winter 2009, the IECU slipped 2.1pp to 162.5. This could be in part because of the end of the wave of massive layoffs at Ukrainian enterprises and a relative stabilization of the labor market. The IIE inched up 0.2pp to 186.4, which was most likely tied to the continuing instability of the domestic currency.

February 2009 also saw a shift in regional trends among Ukraine's consumers. The CCI continued to fall in only two of the country's six regions:



Dynamic of Consumer Confidence Index in Ukraine

Month, year	Consumer Confidence Index (CCI)	Index of Current Situation (ICS)	Index of Economic Expectations (IEE)
02'09	42.3	38.8	44.7
01'09	41.8	40.4	42.8
12'08	53.9	56.0	52.6
10'08	69.3	72.6	67.2
08'08	96.0	98.5	94.3
06'08	90.2	88.7	91.3
04'08	88.0	91.8	85.5
02'08	97.9	101.2	95.7
12'07	100.2	101.9	99.0
10'07	95.0	96.6	93.9
08'07	102.7	105.8	100.7
06'07	96.9	102.8	93.0
04'07	92.3	98.8	88.8
02'07	92.2	92.4	92.1
12'06	90.6	95.9	87.1
10'06	91.2	96.6	87.5
09'06	87.5	93.9	83.3
06'06	84.9	92.2	80.0
04'06	97.1	98.4	96.2
02'06	103.7	103.5	103.8
12'05	103.1	105.8	101.3
09'05	95.5	95.5	95.5
06'05	105.2	100.5	108.4
03'05	107.3	92.9	117.0

Sources: GfK Ukraine, International Centre for Policy Studies

the West and the South. Nevertheless, the largest improvement in the consumer mood, a rise of 15.7pp to 46.2, was actually in Kyiv. In January 2009, the capital had been one of the frontrunners for pessimism.

A marginal increase in the CCI was seen in the other regions of Ukraine, including in the East, where consumers

were also extremely pessimistic at the beginning of the year. ■

Consumer Confidence is a survey of consumer households and their opinions about the current economic situation and their own financial standing.

Consumer Confidence is a joint project of the International Centre for Policy

Studies and GfK Ukraine. As of January 2009, the consumer confidence survey will be conducted on a monthly basis. The Consumer Confidence Index is the main indicator used around the world to determine trends on consumer markets. This indicator is also the basis for many companies who sell consumer goods and services to make business development plans.

This report offers not only a description of changes to various indices, but also an analysis of the main factors behind fluctuations in the attitudes of Ukrainian consumers to the current economic situation and the prospects for its further development.

In addition to the overall Consumer Confidence Index, these surveys assess the CCI's components. These reflect the consumer mood with regard to the current economic situation, their own material standing, and their inclination to purchase major household goods, as well as their expectations of inflation, the overall economic situation and trends in unemployment, among others.

Indicators are analyzed not only for the country as a whole but also broken down by different social groups: region of residence, type of settlement, income level, and age. Respondents for the surveys are selected following professional principles for sociological surveys and have a low margin of error. The selection is representative of Ukrainians aged 15–59.

The publication was launched in July 2000 and is published in both Ukrainian and English. Subscribers include Ukrainian and foreign companies, diplomatic missions, Government offices, and post-secondary educational institutions.

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