

POLITICAL UNCERTAINTY WORSENS CONSUMER CONFIDENCE



Press release

Results of the joint Ukraine consumer confidence survey project by GfK Ukraine and the International Centre for Policy Studies

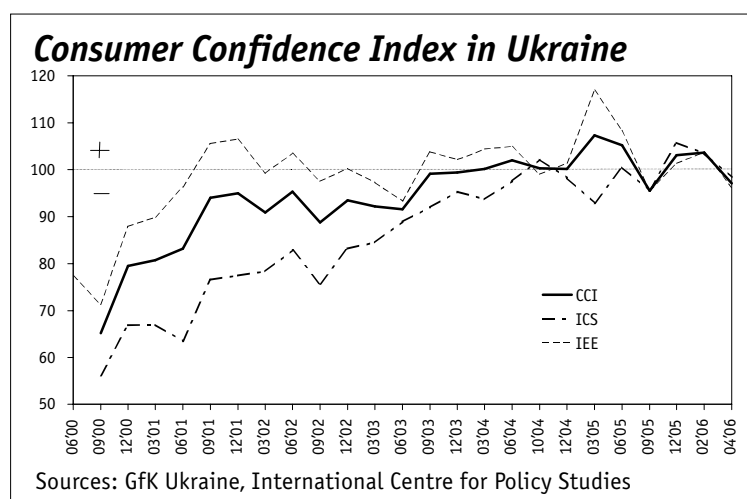
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In April 2006, the Consumer Confidence Index (CCI) in Ukraine was 97.1. This is 6.6 points below the value registered during the previous poll that was carried out in February 2006. A CCI value below the 100-mark shows that negative consumer confidence prevails in Ukrainian society.

Compared to February 2006, the number of Ukrainian consumers that have negative economic expectations increased: the Index of Economic Expectations (IEE) fell 7.6 points over two months, to 96.2. The Index of the Current Situation (ICS) slipped 5.1 points to 98.4. However, the overwhelming majority of Ukrainians thought that was a good time to purchase large household items: despite losing 6 points, the Index of Propensity to Consume was above the 100-mark in April 2006, at 107.5.

After an improvement registered during two previous polls, expectations of changes in unemployment deteriorated again. The Index of Expected Changes in Unemployment (IECU) grew 4.7 points compared to February 2006, to 116.3. Inflationary expectations of Ukrainian consumers continue to be stably high: the Index of Inflationary Expectations (IIE) was 186.9 in April, 1.5 points above the value registered in February 2006.



In the opinion of ICPS specialists, consumer confidence in Ukraine deteriorated due to political uncertainty that has been prevailing in the country for more than half a year. Apparently, the outcome of the Verkhovna Rada elections did not foster an increase in optimistic expectations in any of the regions across the country. Delays with the formation of a Verkhovna Rada coalition and a new Government reinforced pessimistic economic expectations of Ukrainians.

Pessimistic consumer confidence prevails in Kyiv, Central and Eastern Ukraine. The CCI in Kyiv fell 26 points to 95.3. The Index of Short-Term Economic Expectations plunged 41.7 points to 78.3. The lowest CCI was registered in Eastern Ukraine—86.8. However, compared to the previous poll, consumer confidence in eastern oblasts remained practically unchanged.

Consumer confidence among Ukrainians with below-average incomes deteriorated the most: the relevant CCI fell 10.7 points to 81.3—a record-low value since June 2004. Consumer confidence among young Ukrainians, aged 15–30, continues to be mostly optimistic; however, it deteriorated the most compared to the other two age groups. The relevant CCI was 102.8 in April, 9.5 points below the value registered 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)
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.

GfK Ukraine is a leading Ukrainian market research company. In 1998, the company joined the worldwide GfK research network, which includes 130 companies in 63 countries.

The International Centre for Policy Studies is an independent research organisation whose mission is to introduce public policy concepts and procedures in Ukraine. ICPS focuses on key programs of importance for the reform efforts of the Ukrainian government.