

# HOLIDAY SEASON FAILS TO LIFT CONSUMER MOOD



## Press release

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

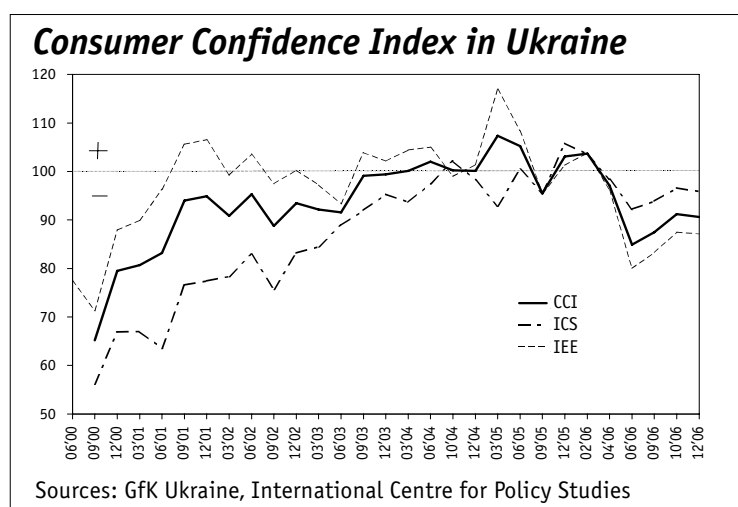
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In December 2006, the traditional improvement in the consumer mood in the run-up to the holiday season failed to materialize. The Consumer Confidence Index (CCI) even slipped slightly in December 2006, to 90.6, which is 0.6 points below the CCI value registered during the previous poll in October 2006.

Short-term economic expectations among Ukrainians continue to be extremely pessimistic: this index x3 was 81.9 in December 2006. Long-term economic expectations deteriorated over October–December 2006. This index x4 fell 6 points over this period, to 90.2. The reason for this is evidently disappointment among Ukrainian consumers over the country's economic policy.

Despite pessimistic economic expectations, the number of Ukrainians who expect that their financial standing to improve over the next six months actually grew over October–December 2006. The index x2 climbed 4.9 points over this period, to 89.2. The readiness of consumers to purchase large household items continues to be high: the Index of Property to Consume (x5) was 107.3 in December 2006. A value of this index above the 100-mark shows that the majority of Ukrainians think that now is generally a good time to purchase durable goods.



The highest propensity to consume was registered in Kyiv. Its index x5 rose to 125.0 in December 2006, 11.7 points above the value registered in October. At the same time, economic expectations of Kyiv residents were worse than those of any other region. In December 2006, the Index of Economic Expectations (IEE) in Kyiv was 60.0, a striking 21.7 points below the national average. Extremely negative economic expectations among Kyiv residents are evidently related to steep rises in utility rates in the capital, against the background of sharp public

controversy over the legitimacy of these rate increases, and also plummeting confidence in the Mayor and the municipal administration. As a result, inflationary expectations in Kyiv were also the worst: the Index of Inflationary Expectations (IIE) was 196.7 in December 2006, 10.3 points above the national average.

Consumer confidence in other major cities improved noticeably. In December 2006, this CCI was 112.6, 17.7 points above the value registered in October. The propensity to consume in large urban areas also grew sharply: this index x5 was 132.3, a healthy 21.5 points above the value registered in October.

Consumer confidence deteriorated among low-income Ukrainians and older consumers, those aged 46–59. From October to December 2006, the CCI for Ukrainians with below-average incomes fell 7.5 points to 66.9, while the CCI for older Ukrainians dropped 6.4 points to 74.8. This deterioration was mainly because of growing negative economic expectations.

## 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)
<b>12'06</b>	<b>90.6</b>	<b>95.9</b>	<b>87.1</b>	<b>115.6</b>	<b>186.4</b>
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](mailto: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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