

CONSUMER CONFIDENCE INDEX HITS RECORD LOW SINCE 2001



Press release

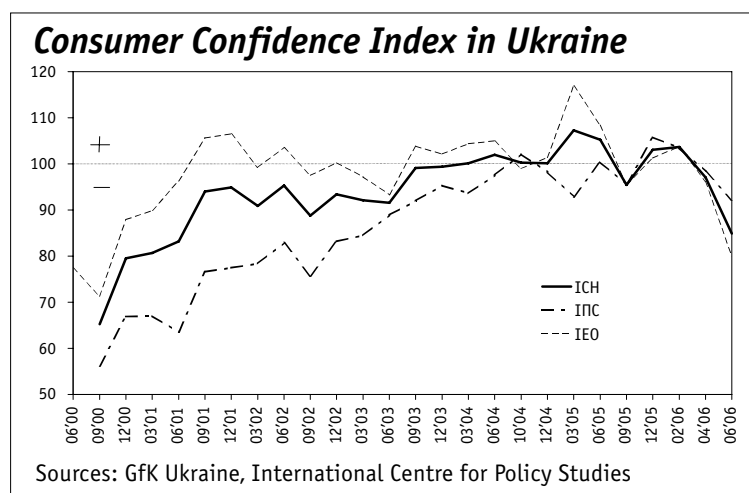
Results of the joint Ukraine consumer confidence survey project by GfK Ukraine and the International Centre for Policy Studies

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Over May–June 2006, confidence deteriorated significantly among Ukrainian consumers. In June 2006, the Consumer Confidence Index (CCI) dropped to 84.9, 12.2 points below the value registered during the previous poll in April 2006 and a record-low value since June 2001. A CCI value below the 100-mark shows that negative consumer confidence prevails among Ukrainians. The CCI began to decline in April 2006, after it growing from October 2005 to February 2006.

Consumer confidence deteriorated mainly as a result of worsening economic expectations among Ukrainian consumers: the Index of Economic Expectations (IEE) lost 16.2 points compared to April 2006 and fell to 80, which is a record-low value since 2000. The number of Ukrainians who expressed pessimism regarding short-term expectations for the development of the economy grew the most: this index x3 fell 22.4 points, to 71.2. This drop in economic expectations among Ukrainians, despite the fact that the economy actually accelerated in Q2'06, appears to be the result of the sustained political crisis in the country.



Evaluations of their current standing deteriorated to a lesser extent. The Index of the Current Situation (ICS) lost 6.2 points compared to April 2006, slipping to 92.2 in June 2006. This is a record low since September 2003. Despite the serious deterioration in economic expectations, the overwhelming majority of Ukrainians continued to think that now is a good time to purchase large household items: the Index of Propensity to Consume (x5) was above 100 points in June 2006, at 101.6.

Meanwhile, deteriorating economic expectations have led to growing negative expectations of changes in unemployment. The Index of Expected Changes in Unemployment (IECU) rose 4.5 points to 120.8, a record-high value since 2003. Expectations of inflation also continued to grow: the Index of Inflationary Expectations (IIE) rose 2.3 points to 189.2.

Negative consumer confidence is the worst among Ukrainians with average and below-average incomes. Among better-off Ukrainian consumers, confidence deteriorated only slightly: in June 2006, their CCI was 103.3, 4.3 points below the value registered in April 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)
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.

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.