

ICPS newsletter[®]

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Optimism steadily revives among Ukrainians

In September 2009, the improvement in consumer confidence that began the previous month continued as the Consumer Confidence Index (CCI) inched up 1.5pp to 64.7. Although this is well below both the 2009 peak of 71.0 recorded in May and the pre-crisis level of 96.0 a year ago in August 2008, it is possible to speak about a gradual restoration of consumer optimism. This trend closely corresponds to the economic situation in Ukraine and worldwide as the global financial crisis begins to subside

September's improvement in the CCI was due almost equally to improved economic expectations and a more positive assessment of the current situation. The Index of Economic Expectations (IEE) rose by 1.3pp to 70.7 and the Index of the Current Situation (ICS) by 1.8pp to 55.9. Most components of the CCI improved. Only short-term economic expectations deteriorated, falling 4.7pp to 55.6, and the Index of Propensity to Consume, which shrank 0.5pp to 63.4. By contrast, the index of expected changes in personal financial standing showed the largest increase, rising by 5.6pp to 74.8. This made it more than 1.5 times higher than the index of current personal financial standing, which, despite rising 4.1pp, remained at a very

low 48.3. This suggests that, although the financial situation of more than 75% of Ukraine's consumers has deteriorated over the last six months, nearly 40% expect it to improve over the next six months.

The Index of Expected Changes in Unemployment (IECU) improved significantly, falling 11.2pp to 137.0. Improving somewhat more moderately, the Index of Inflationary Expectations (IIE) fell 5.4pp to 184.3. Growing optimism indicates that, starting in early autumn 2009, Ukraine's consumers were increasingly confident that the crisis was coming to an end. External markets are giving positive signals, in addition to the stabilization and even modest improvement in the hryvnia exchange rate. ■

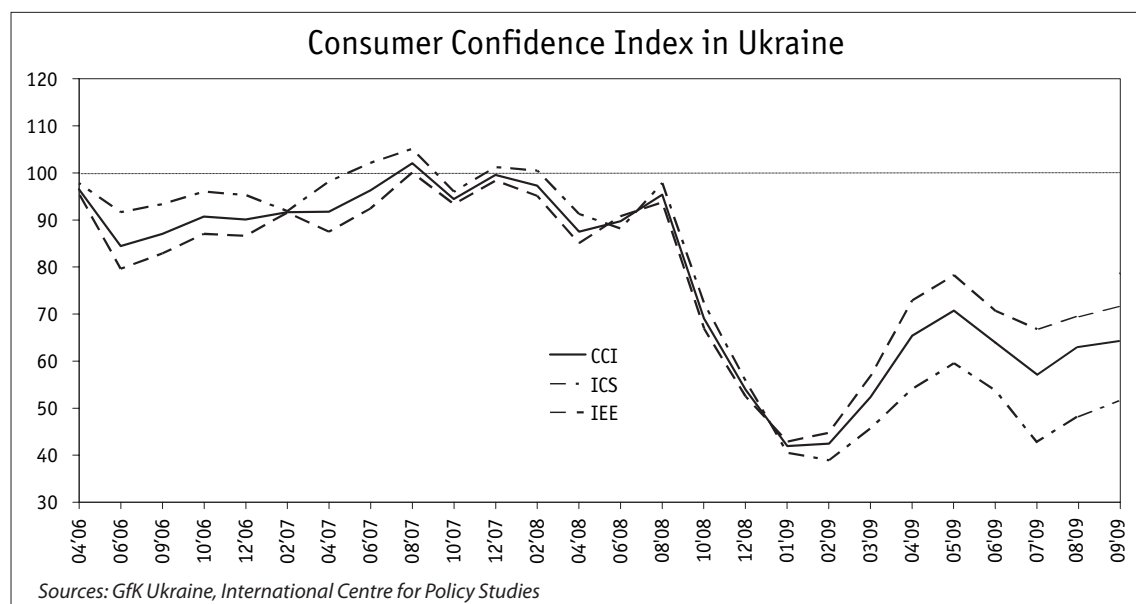
ICPS launches new site!

During 2009, ICPS launched new strategic projects and initiatives that are intended to bring Ukraine closer to European and international standards. Reports from these initiatives can be found at our updated website, www.icps.com.ua.

As part of our new communication strategy, we have upgraded our site, making it more user friendly and providing a better search engine. It focuses on ideas and policy recommendations while offering easy access to earlier studies produced by the Centre.

This year, ICPS will focus on six key issues: democratization and good governance; the social economy; energy; foreign policy; international aid; and the EU-Ukraine Association Agreement.

We hope that the new and improved ICPS website will provide you much information that is both interesting and useful. Any feedback you would care to provide will be greatly appreciated!



Dynamic of Consumer Confidence Index in Ukraine

| Month, year | Consumer Confidence Index (CCI) | Index of Current Situation (ICS) | Index of Economic Expectations (IEE) |
|-------------|---------------------------------|----------------------------------|--------------------------------------|
| 09'09 | 64.7 | 55.9 | 70.7 |
| 08'09 | 63.2 | 54.1 | 69.4 |
| 07'09 | 57.2 | 42.6 | 67.0 |
| 06'09 | 64.1 | 53.8 | 70.9 |
| 05'09 | 71.0 | 59.6 | 78.6 |
| 04'09 | 65.6 | 54.1 | 73.2 |
| 03'09 | 52.4 | 45.7 | 56.9 |
| 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 |

Sources: GfK Ukraine, International Centre for Policy Studies

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 is being 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.

consumer confidence 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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