



Ukraine

No end in sight: Downswing in consumer mood continues to break records

Results of consumer confidence survey in Ukraine, a joint project between GfK Ukraine and the International Centre for Policy Studies (www.icps.kiev.ua)

Ukraine greeted 2009 with a thus-far unseen deterioration in the consumer mood as the crisis in the country's economy worsened. In January 2009, the Consumer Confidence Index (CCI) fell a further 12.1pp over December 2008, to 41.8. This is a new record and the absolute lowest the Index has ever been since monitoring of it started. This level of the CCI indicates that more than three-quarters of Ukraine's consumers are feeling pessimistic.

As before, all the components of the CCI have demonstrated a negative response since the beginning of 2009. What is unusual in the January survey is that the economic expectations amongst the Ukrainians are more positive than are their assessments of the current situation. As a result, the Index of the Current Situation (ICS) fell 15.5pp to 40.4, while the Index of Economic Expectations fell only 9.8pp, to 42.8. In general, this means that people are somewhat inclined to regard the current economic situation as being worse than it will be later. In short, in the minds of a considerable proportion of the population of Ukraine the economic crisis has already bottomed out and they now expect there to be a gradual improvement in the situation.

The biggest decline amongst the components of the CCI in January 2009 was in the Index of Current Personal Financial Standing (x1), which dropped 16.2pp to 34.5. In other words, the material standing of most Ukrainians has deteriorated seriously recently. The fall in the propensity to consume is an equally clear indicator: this index (x5) dropped 14.9pp to 46.3. This indicates that more than two thirds of those surveyed are no longer happy to make major household purchases and could signal a gradual depletion of the savings that Ukrainians had set aside during the period of economic growth.

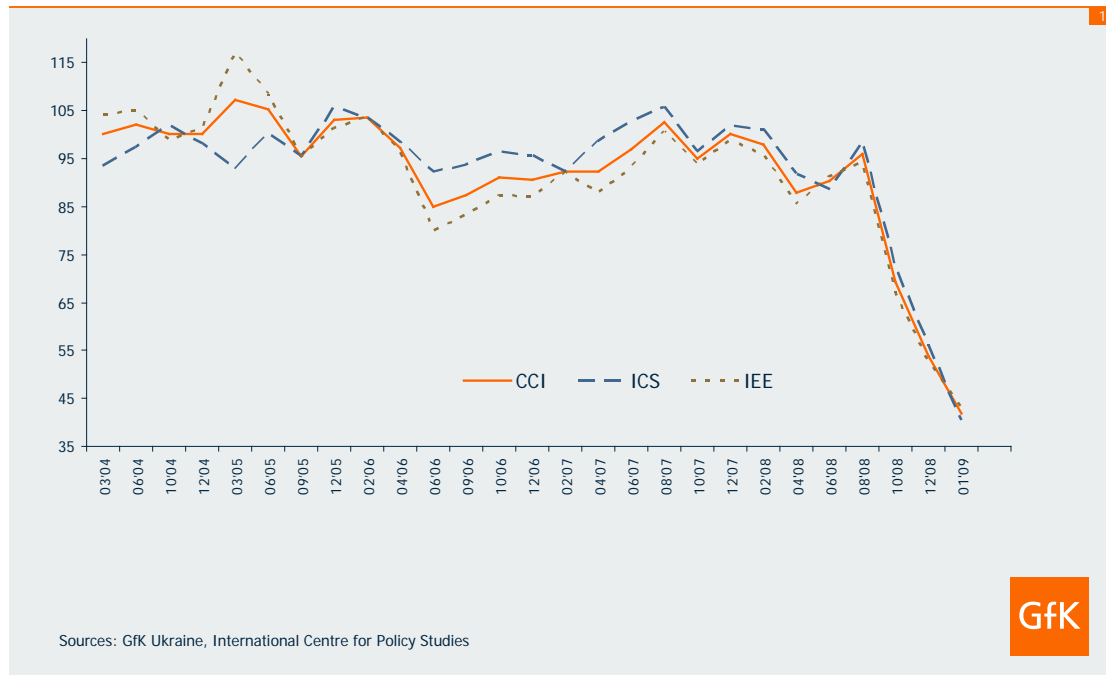
The Consumer Confidence Index in Ukraine

GfK Ukraine

Consumer in time of crisis

March 2009

The Consumer Confidence Index in Ukraine



The Index of Expected Changes in Personal Financial Standing (x2) shrank 13.6pp in January 2009, falling to 38.8. This shows that Ukrainians assess their personal financial prospects extremely negatively. Nor are their expectations of the further development of the country's economy any more optimistic. The Index of Expected Economic Conditions in the country over the next year (x3) fell 8.3pp to 32.7 whilst the Index of Expected Economic Conditions in the country over the next 5 years (x4) fell somewhat less, by 7.5pp to 56.8.

Another important indicator is the minor improvement in the expectations with regard to unemployment amongst Ukrainian consumers. At the beginning of 2009, the IECU shrank a mere 0.6pp to 164.6. Although this is one of the highest indicators for the last eight years, a miniscule rise such as that registered in January could indicate that Ukrainians are already expecting a gradual stabilization in the economy rather than a serious worsening in the months to come.

The Index of Inflationary Expectations (IIE) rose a modest 2.5pp to 186.2 at the beginning of 2009. This mild fluctuation in inflationary expectations can be explained as being the result of opposing factors that cancel each other out. On the one hand, the long-term devaluation of the Hryvnia and its uncertain prospects have fanned the flames of inflation but, on the other hand, the continuing fall in demand for most product categories has been reducing any inflationary pressures in Ukraine. Still, the impact of the declining Hryvnia relative to hard currencies in January 2009 has been stronger and has encouraged some growth in inflationary expectations.



The Dynamics of the Consumer Confidence Index in Ukraine

Month, year	Consumer Confidence Index (CCI)	Index of Current Situation (ICS)	Index of Economic Expectations (IEE)
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
12'04	100.1	98.3	101.4
Sources: GfK Ukraine, International Centre for Policy Studies			

How the indices are calculated

As of January 2009 the Consumer Confidence survey is being conducted on a monthly basis.

In Ukraine, the Consumer Confidence Index is determined via 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).

The indices are constructed thus: the share of negative answers is deducted from the share of positive answers, and 100 added to this difference in order to eliminate negative values. On the basis of these five indices we are able to calculate three aggregate indices:

- 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 make a positive assessment of the economic situation. It totals 100 when the shares of positive and negative assessments are equal and indices of less than 100 indicate a 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 indicates a decrease of unemployment/inflation is subtracted from the share of answers that indicates an increase in unemployment/inflation and 100 added to the difference to eliminate negative values. The values of the indices can vary from 0 to 200. The index totals 200 when all residents expect an increase in unemployment/inflation.



Contact:

Dmytro Yablonovsky
Head of department
Financial Research

GfK Ukraine

34 Lesi Ukrainki blvd., Office 601

01133, Kyiv

Ukraine

Tel. +380 44 230 0260

Fax +380 44 230 0262

dmytro.yablonovskyy@gfk.com

www.gfk.ua