

## Ukraine

### Ukrainians inching towards optimism

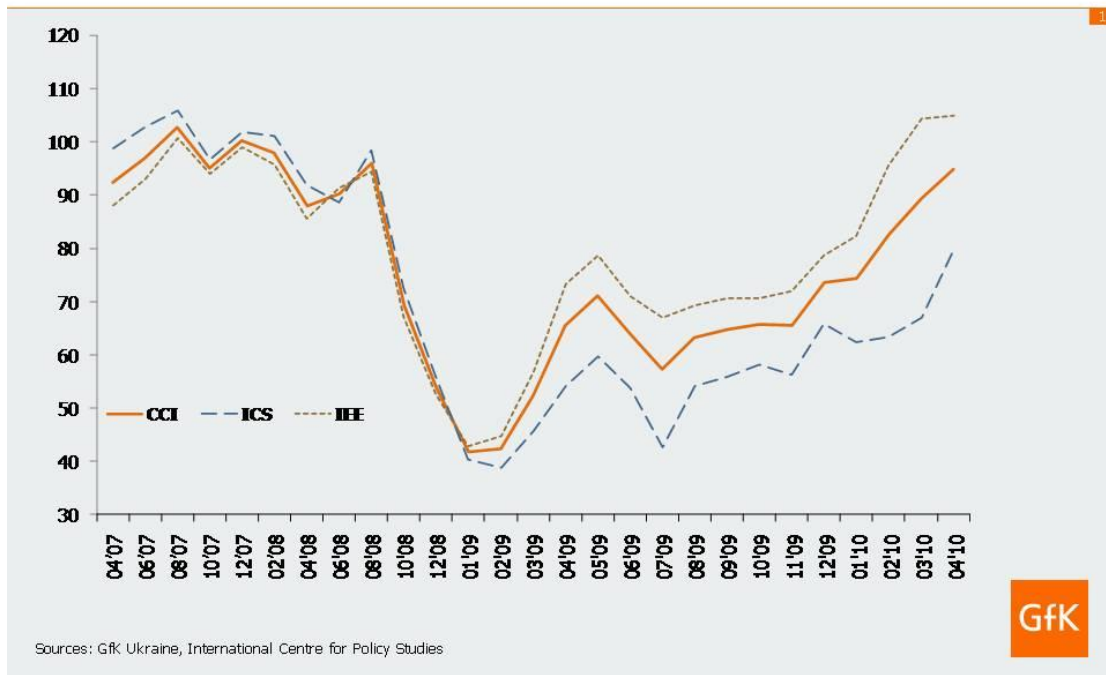
#### Results of a Consumer Confidence Survey in Ukraine, a joint project between GfK Ukraine and the International Centre for Policy Studies ([www.icps.kiev.ua](http://www.icps.kiev.ua))

The Consumer Confidence Index rose 5.5pp in April 2010 to reach 94.8, drawing closer to the optimistic threshold in Ukraine. Optimistic Ukrainian consumers need to gain only a few more points to find themselves in the majority. This growth was largely driven by improved assessments of the current situation, which pushed the ICS up 12.9pp to 79.8. Meanwhile, economic expectations did not change significantly amongst Ukrainian consumers, maintaining a cautiously optimistic 104.9.

The second month of Spring 2010 saw improvements in expectations of inflation and trends in unemployment continue. The Index of Inflationary Expectations dropped a further 9.1pp to a new low of 163.1 in the history of consumer surveys in Ukraine. Historically, these surveys have demonstrated a strong link between consumer expectations of inflation and their estimates of their current material standing. Expectations of changes in unemployment fell 6.8pp to 99.6, bringing the IECU the closest to the threshold of optimism that it has been in the last five years.

"The improvement in the mood among Ukrainian consumers in April 2010 showed a fundamental shift from the previous few months," says Maksym Boroda, Head of the Socio-Economic Programme at ICPS. "The main driver of growing improvement then was economic expectations, whereas now it is estimates of current standing. In other words, previously, Ukrainians were only hoping for positive changes, whereas now they are finally starting to feel them."

### Consumer Confidence Index in Ukraine



<b>Dynamics of the Consumer Confidence Index in Ukraine</b>					
Month, year	<b>Consumer Confidence Index (CCI)</b>	Index of Current Situation (ICS)	Index of Economic Expectations (IEE)	Index of Inflationary Expectations (IIE)	Index of Expectations of Changes in Unemployment (IECU)
03'10	<b>94.8</b>	<b>79.8</b>	<b>104.9</b>	<b>163.1</b>	<b>99.6</b>
02'10	<b>89.3</b>	66.9	104.3	172.2	106.4
03'09	<b>65.6</b>	54.1	73.2	180.2	138.8

Source: GfK Ukraine, International Centre for Policy Studies

### How the indices are calculated

The Consumer Confidence Survey has been conducted on a monthly basis since January 2009.

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 as well as 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 or 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 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 assess the economic situation positively. It totals 100 when the shares of positive and negative assessments are equal. Indices of less than 100 indicate a predominance 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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