

Press Release

Consumer confidence in Ukraine, October 2016: index equaled 51.6

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Kyiv, 16 November 2016 – The consumer confidence of Ukrainians improved in October: the Consumer Confidence Index (CCI) grew by 1.5 pp. as compared to September and reached 51.6. The Expected Changes in Personal Financial Standing and Propensity to Consume underwent the most considerable changes. It is proved by the data on Ukrainians' consumer confidence survey conducted by GfK Ukraine on a monthly basis.

In October 2016, *the Consumer Confidence Index (CCI)* was 51.6, which is 1.5 pp. higher than in September.

Index of Current Situation (ICS) increased by 6.4 pp. reaching 50.4. The components of this index changed in the following way:

- *Index of Current Personal Financial Standing (x1)* equalled 41.9, which is 2.9 pp. higher than in September;
- *Propensity to Consume (x5)* reached 58.8, which is 9.8 pp. higher than last month.

Index of Economic Expectations (IEE) decreased by 1.8 pp. reaching 52.4 in October. The components of this index changed in the following way:

- *Index of Expected Changes in Personal Financial Standing (x2)* decreased by 10.2 pp. and equals 48.1;
- *Index of Expected Economic Conditions in the Country over the Next Year (x3)* increased by 1.3 pp. and reached 44.4;
- *Index of Expected Economic Conditions in the Country over the Next Five Years (x4)* increased by 3.6 pp. as compared to September and reached 64.6.

The expectations of Ukrainians regarding potential unemployment deteriorated in October: *the Index of Expectations of Changes in Unemployment* reached 148.1, which is 3.2 pp. higher than in September. The *Index of Inflationary Expectations* also somewhat decreased: the one in October was 189, which is 1.7 pp. lower than in September. The expectations of Ukrainians concerning the hryvnia exchange rate over the next three months also decreased in October: *index of devaluation expectations* lost 5.3 pp. and reached 155.7.

“In October 2016, there was a variety of trends: the Index of Expected Changes in Personal Financial Standing fell while the Propensity to Consume grew. These trends are characteristic of different groups. The decrease of the Index of Expected Changes in Personal Financial Standing was due to

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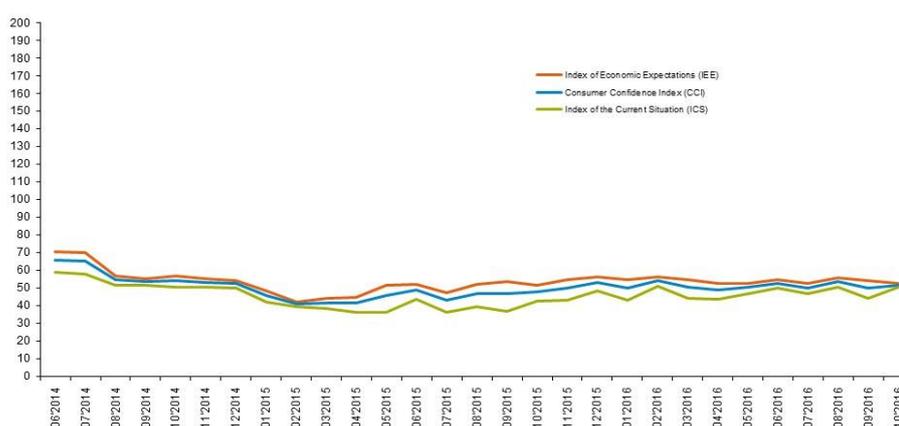
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people of small towns (up to 500 thsd people) and groups of older people (aged 45 and over). At the same time, Propensity to Consume grew among the residents of big cities (over 500 thsd people), in groups aged under 45 and with middle and upper middle income”, as GfK Ukraine analysts comment.

Consumer Confidence Index in Ukraine (16+ target group)



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Dynamics of the Consumer Confidence Index in Ukraine (16+ target group)						
Month, year	Consumer Confidence Index (CCI)	Index of the Current Situation (ICS)	Index of Economic Expectations (IEE)	Index of Expectations of Changes in Unemployment (IECU)	Index of Inflationary Expectations (IIE)	Index of Devaluation Expectations (IDE)
10'16	51.6	50.4	52.4	148.1	189.0	155.7
09'16	50.1	44.0	54.1	144.9	190.7	161.0
10'15	47.9	42.6	51.4	147.2	186.0	143.4

How the indices are calculated

The consumer confidence survey is conducted in Ukraine since June 2000. From January 2009 consumer confidence survey is conducted on a monthly basis.

In Ukraine, the Consumer Confidence Index is determined through a random survey of domestic households. The poll involves 1,000 individuals aged 16+. (Up to April 2014 the poll involved 1,000 respondents aged 15-59). A representative sample is selected by gender and age, also by type and size of settlement. In April 2014 Autonomous Republic of Crimea was excluded from the sample of consumer confidence research in Ukraine. The margin of error is 3.2%. The survey is carried out on 1-15th every month.

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), the Index of Inflationary Expectations (IIE) and the Index of Devaluation Expectations (IDE), the respondents are asked these three 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?
3. How do you think the USD value will change towards the UAH value during the next 3 months?

The IECU, the IIE and the IDE are calculated thus: the share of answers that indicate a decrease of unemployment/inflation/devaluation is subtracted from the share of answers that indicate the growth of unemployment/inflation/devaluation, 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/devaluation.

About GfK

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