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Moscow

Citibank's Annual Research: "Russians' New Year Spending – 2010"

On average, Russians will increase their spending by 42% in December, with the highest spending growth rate in toys and alcohol.

On December, 13, ZAO Citibank has published its annual forecast of Russians' consumer spending in December 2010. The study is based on statistical data on credit card spending of about half a million randomly selected Citibank's clients during Year 2010.

Every year, credit card statistics record the peak of consumer spending before the New Year and Christmas holidays. According to Citibank's forecasts, cumulative spending growth per person in December 2010 will be 42% as compared to the average monthly spending volume. This year, the growth rate is 10% higher than last year, which indicates the recovery of pre-crisis consumer spending growth dynamics after the slowdown that was triggered by the crisis at the end of 2008. In addition, cash withdrawals will account for 11.8% of the total volume of bank card transactions in December, which is the lowest share of cash withdrawals on record.

For the first time, this year Citibank has tapped into data on the geography of spending. It turned out that while Moscow accounts for the largest share of pre-holiday spending nationwide in absolute numbers, spending growth rates in Moscow are lower than in other regions, even Saint Petersburg. Spending growth rate forecast for the Northern capital, as well as other Russian cities with population of over one million people is 46%, while growth rate for Moscow is 36%. Every Muscovite will on average spend approximately RUB 19,000 in December, while in St. Petersburg the average volume of spend in December will amount to approximately RUB 14,000. In the regions of Russia, the total amount of New Year spend per person will be about RUB 10,000.

This year, women will be more apt to the "New Year rush" than men will. Women will boost their spending by 46% in December, while men will increase theirs by 39%. Family status does not affect the interest in New Year purchases: both married and single people will increase their spending equally.

Clothing stores will account for 11.7% of all expenses in December, and will make up the largest spending category. It will be followed by supermarkets and grocery stores (8.3%). Spending at supermarkets will grow by 64% while at clothing stores – by 53%. The share of airline tickets has been declining over the past years and will account for just 5.5% of total spending. This is due to high demand and, hence, high prices for travel during the New Year and Christmas holidays, which forces Russians to pay for their tickets and travel arrangements well in advance.

According to Citibank forecast, toy stores will return to the position of the absolute growth leader, making it the most popular category of purchases in December with the growth rate of 163%. The popularity of toys will top that of wine stores, which is expected to increase by 143%. Spending at sports goods stores will be up 87%, while demand for consumer electronics, jewelry, and watches will grow by 85%. Bookstores and computer stores will demonstrate sales revenue increase of 76%. Mobile phones will be 71% as compared with the average for the year.

Cosmetic stores will once again make it to Top-5: analysts expect demand to grow by 115% in this category relative to average annual numbers. During the New Year season, spending on movie theatres will almost double (99% growth rate), while spending at entertainment centers will increase by 37%. Spending at restaurants will be up 42%, on par with the general spending growth. At the same time, fast food restaurants will record growth rate of 77%. Analysts attribute this trend to the fact that lunches and dinners at restaurants located within shopping malls became an inevitable attribute of any shopping, especially the pre-holiday multi-hour shopping siestas.

"In Russia, just like in many countries worldwide, pre-holiday consumer spending is a critical indicator of consumer confidence, – said Mikhail Berner, Head of Consumer Lending at ZAO Citibank. – We hope that our consumer growth forecasts will largely come true, which would be the final proof that the crisis sentiments in the country have been replaced with expectations of stable growth. We believe that consumer sector development and growth of internal consumptions may become one of the engines for growth and diversifications of the entire Russian economy."

Methodology

Statistical data on credit card spending of Citibank's clients was the basis for the study. The study analyzed data for the period from the beginning of 2007 until November 2010. The sample in 2010 was at least 450,000 randomly selected clients. The sample included men and women over the age of 22 with monthly income of at least RUB 9,000.

The forecast for December 2010 is based on data for 11 months of 2010 and took into consideration the statistic trends over the past three years. The forecast identifies December spending deviation trends from average annual numbers using the least squares method. This methodology largely corresponds to that used in 2008 and includes a small improvement – months of January to December are now considered a calendar year as opposed to February-January period used in the 2008 study.

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