

February 3, 2011
Moscow

Russians Keep Spending, Particularly in Pre-New Year Period

According to a Citibank study, the spending in December has increased by 16%. Alcohol and toys have once again become the most popular categories of purchases.

In January 2011, analysts of ZAO Citibank's Consumer business, conducted an additional study of Russians' consumer spending using statistical data on the actual purchases made by over half a million Citibank's clients during the pre-New Year period. When comparing the results with the forecasts published in December 2010¹ it turned out that the optimistic forecast has not fully realized. New Year spending grew by 16%, which is almost three times lower than expected (42%). At the same time, the shares of individual purchase categories relative to total spending – the category popularity – were in line with the forecast.

The analysts' assumptions about the more thorough approach to New Year celebration, and hence, more dynamic consumer activity of the residents of Saint-Petersburg have verified entirely: spending growth in this city was 12% higher than in Moscow (26% vs. 14%). However, the price of the average purchase in absolute numbers remained higher in the capital: an average Muscovite spent about RUB 16,000 per purchase, while an average Petersburg resident spent RUB 12,000 per purchase. In the regions², average New Year spending per person was RUB 8,000, while the December numbers were 24% higher than the annual average (see diagram 1).

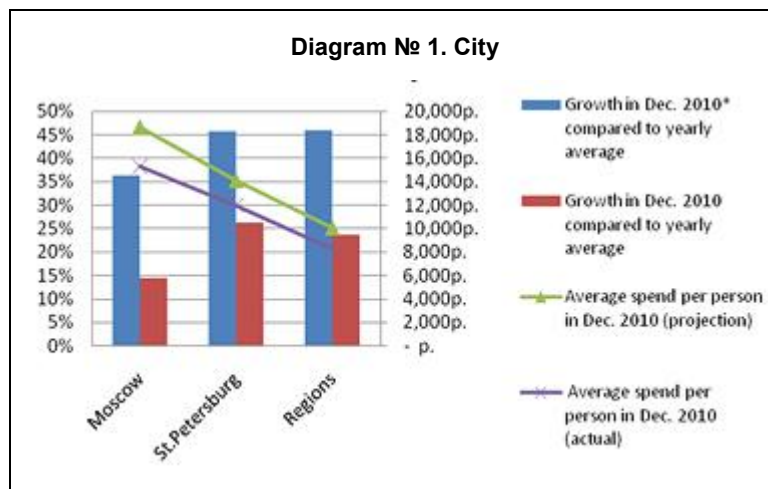
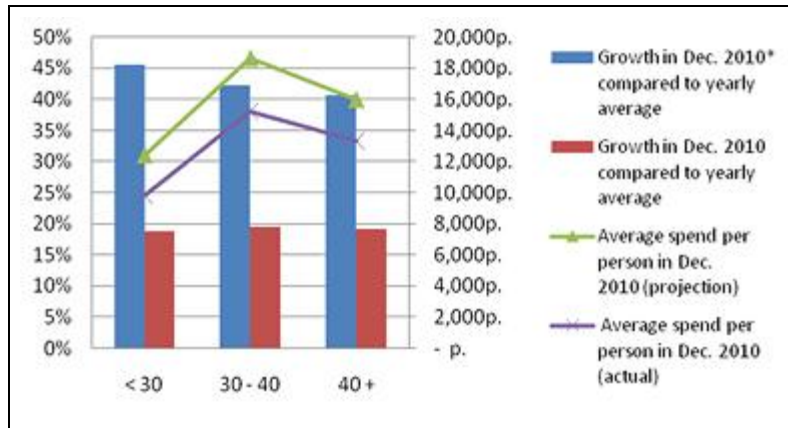


Diagram № 2. Age segment



Women have accounted for slightly larger share of spending than men (20% and 19%, respectively), while couples have saved on New Year purchases this time and allocated 2% less funds than single citizens (18% and 20%, respectively) (see diagrams 3 and 4).

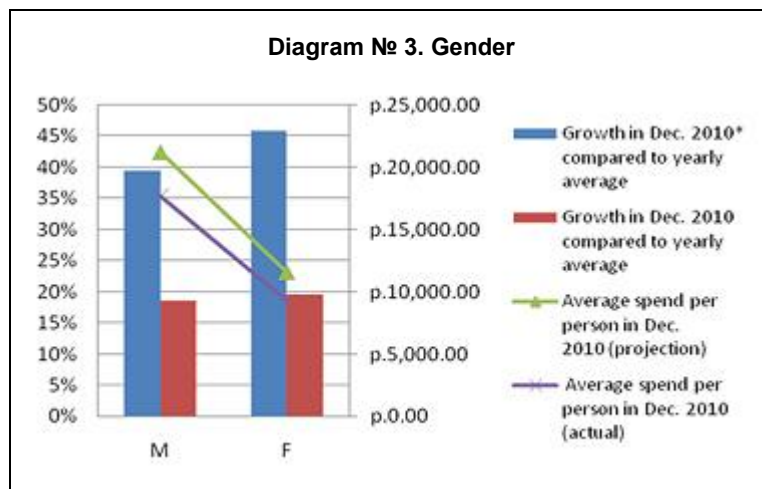
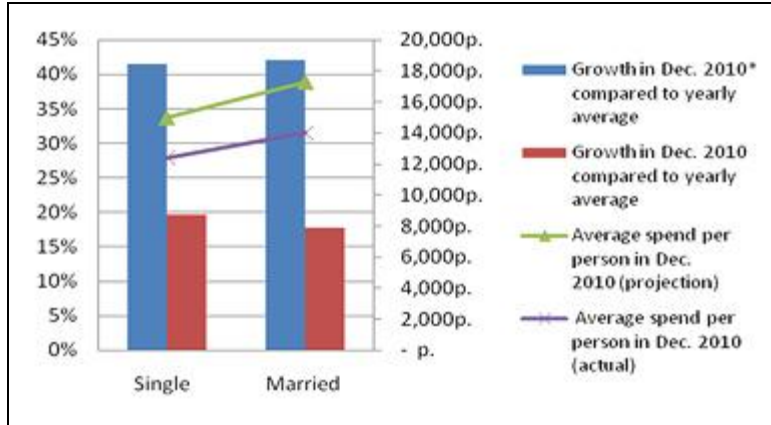


Diagram № 4. Marital status



In line with the analysts' forecasts, Russians have spent most at the clothing stores (10.7% of all purchases, versus the forecast of 11.7%), as well as at supermarkets (9.1% vs. 8.3%, according to December forecast), whereas the deviation from average monthly figure in this category in December was 49%. Electronics stores have demonstrated an even higher growth dynamics and recorded a 69% increase in the category volume (versus the forecast of 85%, see diagrams 5-6).

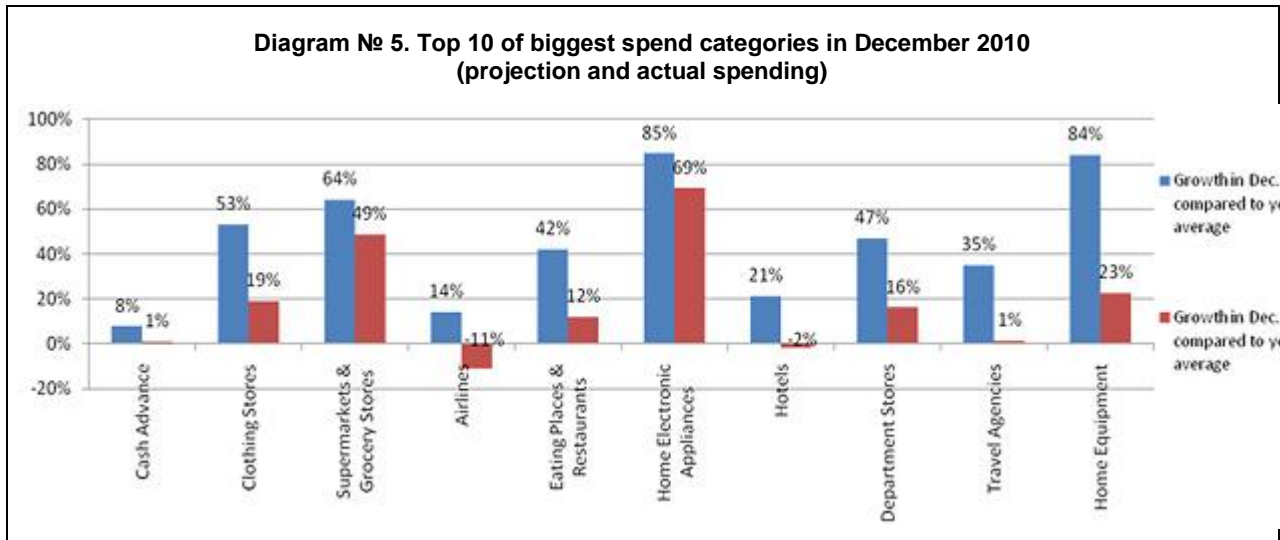
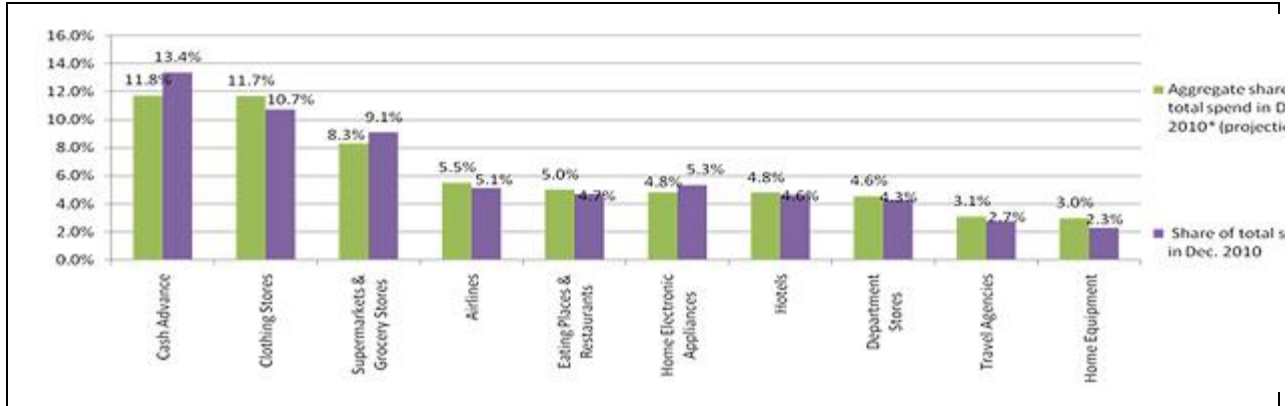


Diagram № 6. Top 10 of biggest spend categories in December 2010 (projection and actual share of the total volume of spending)



At the same time, expectations of such categories as Plane Tickets, Hotels, and Travel Agencies (14%, 21%, and 35%, respectively) did not hold true: popularity of several categories has actually decreased (-11% for plane tickets, -2% for hotels, and just 1% for travel agencies). However, the forecast included a hypothesis that Russians have made their New Year travel plans in advance and that demand for plane tickets was expected to grow by just 5.5% (see diagrams 5-6).

Just as in previous years, alcohol stores and toy stores were the most popular spending categories for Russian consumers in December. They have accounted for the largest share of New Year spending with growth rates of 118% and 89%, respectively. Spending at fast food restaurants has been popular as well having increased by 78% (Citibank analysts forecasted growth of 77%). Music stores have added just about as much as the cosmetic stores (75% vs. 74%), while book stores have lagged behind with the growth rate of 42% (as compared to the Citibank analysts' forecast of 76%, see diagrams 7-10).

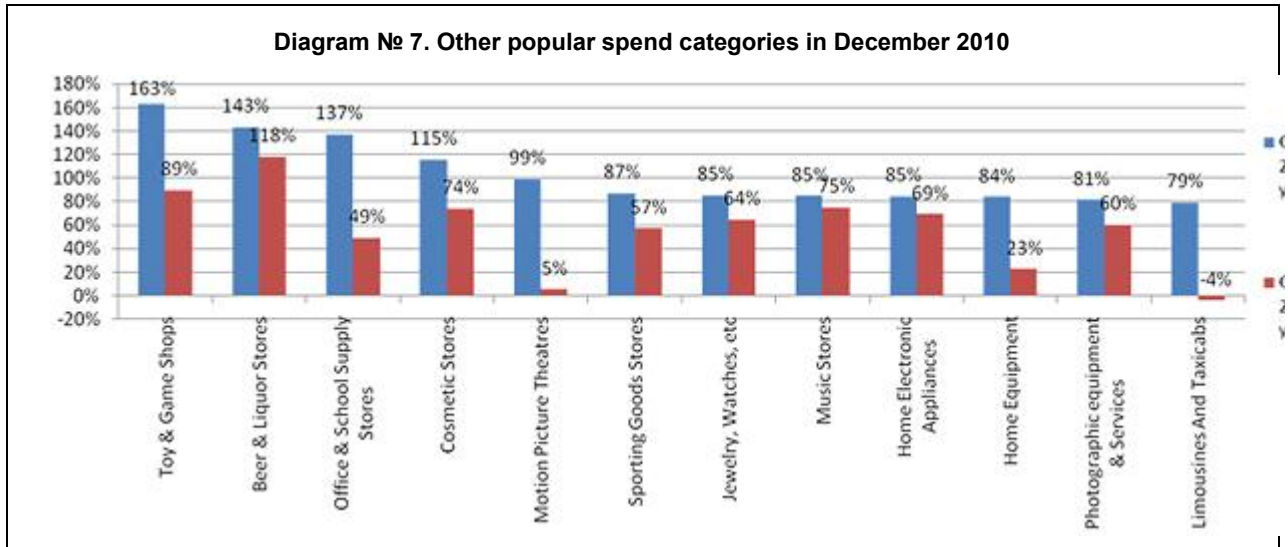


Diagram № 8. Other popular spend categories in December 2010 (cont.)

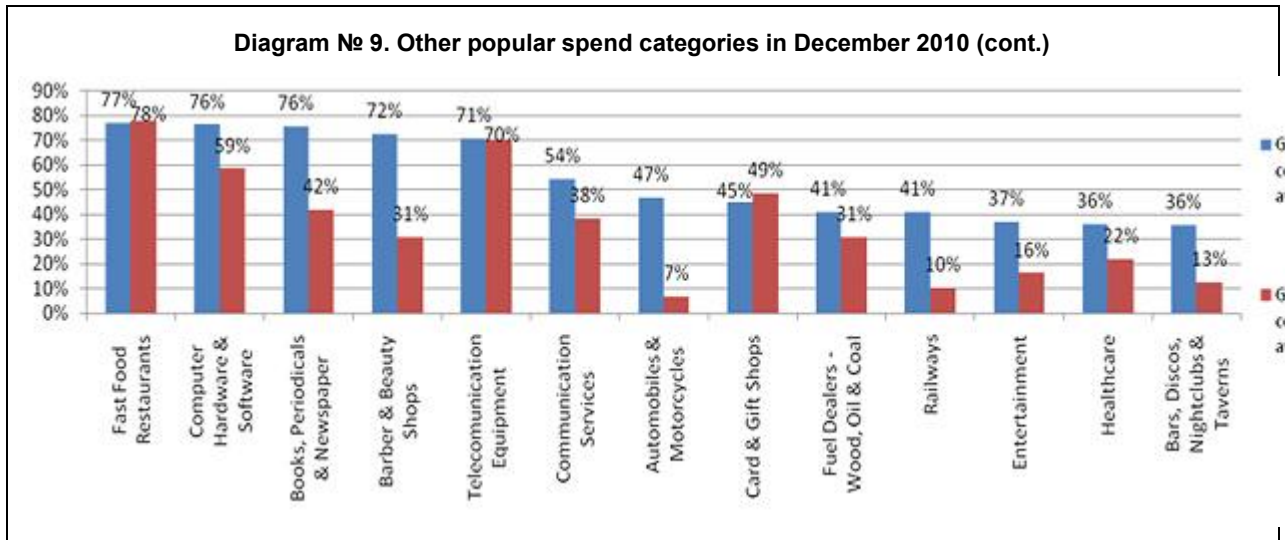
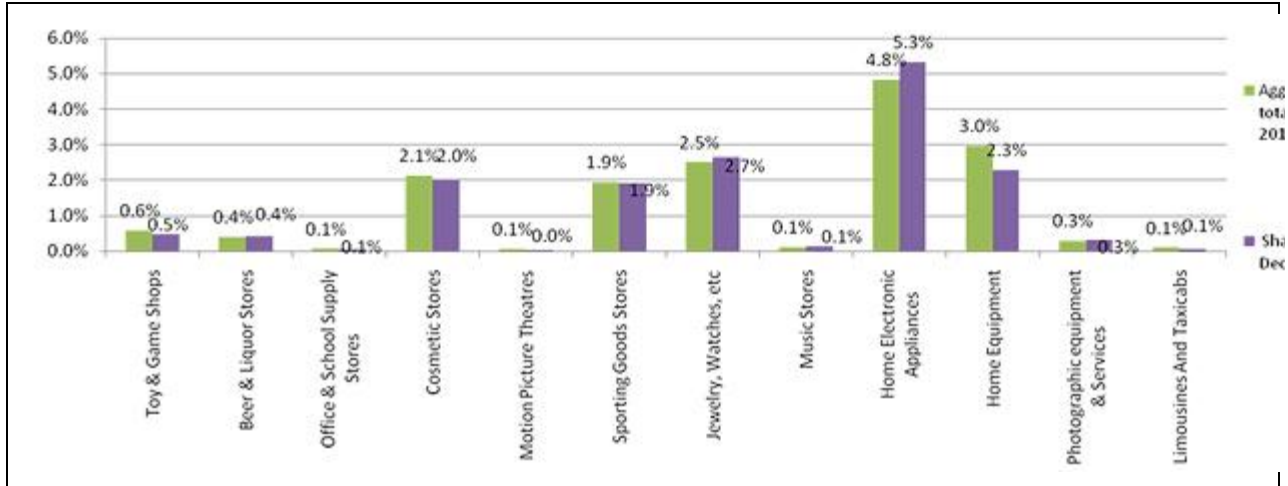
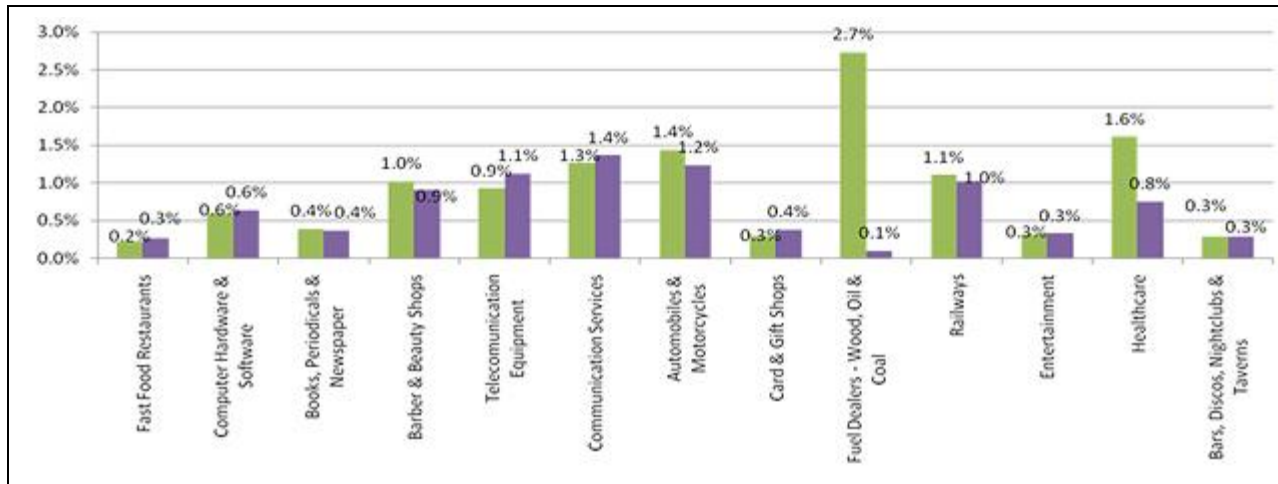


Diagram № 10. Other popular spend categories in December 2010 (cont.)



"Deferred demand and growth of consumer confidence in 2010 were bringing credit card spend in Russia to its record heights throughout the year, says Mikhail Berner, Head of Consumer Lending at ZAO Citibank. – This process culminated in the festive December. The actual spending turned out to be lower than our projections as we had made them against the backdrop of the unprecedented spending spree in the autumn. However, we are very upbeat about the overall results as they prove that the market has recovered and come back to a more sustainable growth."

Methodology

Statistical data on credit card spending of Citibank's clients in December was the basis for the study. The sample included at least 450,000 randomly selected clients, including 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.

¹ See Citibank's annual research Russians' New Year Spending - 2010, prepared by the analysts of ZAO Citibank in December 2010, <http://www.citibank.ru/russia/news/eng/279.htm>

² The study analyzed spending data in the following cities of Russia: Moscow, Saint-Petersburg, Nizhny Novgorod, Rostov-on-Don, Volgograd, Samara, Kazan, Yekaterinburg, Novosibirsk, and Ufa.

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