December 8, 2011
Moscow

**Russians to Spend 500 Billion Rubles for New Year Holidays**

According to Citibank’s annual forecast, the bank’s clients are expected to spend 28% more in December 2011 on their cards.

Citi Russia’s Consumer Banking analysts anticipate a 28% increase in credit card spending by the bank’s clients in December compared to the monthly average: online spending is expected to increase 17% compared to the monthly average. Share of cash withdrawals in total volume of transactions declined 50% compared to 2008. The overall spending by Russians in December is expected to reach approximately RUB2.6 trillion, with 20% of that being expenditures associated with the New Year season, according to Citibank.¹

Michael Berner, Member of the Board of Directors, Head of Consumer Lending at Citibank Russia, said: “This year, we have seen some of the highest levels of consumer activity that spread across all credit card spend categories, including online payments. Despite the slowdown in Western Europe and North America and – as a result – somewhat subdued consumer optimism, we believe December will remain the culmination of annual spend in Russia.”

For the first time ever, online spending has also been considered. The study found that during the year, volume of online spending increased faster than other expenditures: online payments grew 7.6% faster than other spending. Despite this, according to the forecast, the volume of purchases through online stores is expected to increase 17% in December, as opposed to 28% increase in credit card spending. Analysts believe that this can be explained by consumers’ propensity to shop brick-and-mortar stores for New Year’s and Christmas gifts in order to reduce the risk of late delivery of goods purchased online. In addition, starting mid-December, many online stores no longer accept orders for delivery by the New Year. In 2011, an average online purchase (including the December forecast) will reach approximately RUB3,500 while overall share of payments in 2011 is expected to be near 20%.

For the second year in a row, the study considered geographical aspect: once again, the expectation is that Muscovites will have a relatively quiet New Year shopping season (a 21% December spike over the monthly average is anticipated) while residents of St. Petersburg and regional cities of Russia² will experience the strongest shopping impact (with 38% and 30% increase, respectively). Nevertheless, Moscow residents will spend approximately RUB 18,000 on average (RUB 2,000 more than last year) while residents of St. Petersburg and regional cities are expected to spend RUB 16,000 and RUB 11,000, respectively (RUB 4,000 and RUB 3,000 more, respectively, than in 2010).

Clothing stores will remain in the top-10 spending categories (accounting for 11% of all expected purchases in December) as well as supermarkets and grocery stores (with the combined share of 9%), hotels (5%), fast food restaurants (5%), and electronics & appliances stores (5%).

Traditionally, spirits and wine stores and toy stores will be the most popular categories (growth of 123% and 93%, respectively). Electronics & appliances category is expected to grow substantially: a 70% increase in spending compared to the monthly average. Spending in photo equipment and photo services and hardware stores will follow (61% and 58%, respectively). Total share of spending at music and book stores is expected to be 71% and 46%, respectively. The supermarkets and grocery stores category is expected to grow by 48%, and home appliances by 45%.

Over the past three years, Russians have been preparing for the New Year travels in advance: the level of spending on New Year trips and, consequently, on airfares remains elevated throughout the autumn months peaking in October. Analysts anticipate a definite downtrend in spending on airfares in December, with the lowest indicator of -12% since observations began.

Deviation of December volumes from monthly averages in the "Fitness Club Memberships" category will exceed that of the "Bars, Disco and Night Clubs": 29% and 16%, respectively. Pet shops also entered the list of December’s favourites this year, with increase of 45% compared to the monthly average.
Statistical data on credit card spending of Citibank’s clients was the basis for the study. The study analyzed the data for the period from the beginning of 2007 until November 2011. The sample in 2011 was at least 500,000 clients selected randomly. The sample only included men and women over the age of 22 with monthly income of at least RUB9,000. The forecast for December 2011 is based on data for 11 months of 2011 and took into consideration the statistic trends over the past three years. The forecast identifies December spending deviation trends from average monthly numbers using the least squares method. This methodology is substantially identical to the one used in 2010. Presentation is available in Russian only.

1 Overall spending forecast is based on Russian Statistical Agency’s public data on household consumer spending, and the year-average trends calculated by Citi analysts.

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

**ZAO Citibank** was one of the first banks with foreign capital that entered Russian market in 1993. Citibank has since grown to become one of the largest banks in the country. Citibank offers its corporate and individual clients a broad range of products and services. At present, the Bank has over 3,000 employees; its distribution network includes over 400 ATMs, retail branches across major cities in Russia, Kazakhstan, and Ukraine. For more information on Citibank in Russia, visit [www.citibank.ru](http://www.citibank.ru)

**Citi**, the leading global financial services company, has approximately 200 million customer accounts and does business in more than 160 countries and jurisdictions. Citi provides consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, transaction services, and wealth management.