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Citi Russia's Survey: Russians Will Spend 1.5 Trillion Rubles Abroad in 2012

MOSCOW — According to Citi Russia's annual survey, the volume of Russian spending abroad will increase by 19% in 2012 compared to 2011 and will reach 1.5 trillion rubles. Analysts forecast that the share of payments made abroad with the credit cards of the bank's clients will account for 23% of the aggregate credit card spend in 2012.* Online spending will reach 46% of all credit card transactions abroad. United States, Britain, Italy and France are again at the top of list of countries by credit card spending.

Analysts note that from 2007 to 2012 the volume of internet spend abroad has increased by 1.5 times. The online shopping accounts today for more than 90% of purchases made in Luxembourg and for more than half of the UK and US purchases. A growing number of international online stores, along with the fact that flights are now largely booked and paid for online, also boost this trend.

Michael Berner, Member of the Board of Directors of ZAO Citibank, Consumer Lending Head says: «Slowdown of the consumer activity that economists are currently reporting in many countries has not reached Russia yet: we are witnessing a dynamic growth of credit cards operations, including internet transactions. Our analysts estimate that online payments will have exceeded 50% of all bank cards transactions made abroad by 2014 through growing internet trade.»

The USA still tops the list of countries by volumes of payments, with 16.9% of the total credit card spending abroad falling on costly airfare, numerous online stores with worldwide deliveries, and such trendy merchants as i-Tunes. However, in 2011 the share of online payments was 64% compared to 57% in 2012.

Spending is on the rise in the UK, France, Switzerland and Austria this year. The spending volumes have dropped significantly in Italy (from 9.9% in 2011 to 7.7% in 2012 of total spending) and Spain (5.7% and 3.7%, respectively) as compared to last year. However, the share of online spending in Italy rose and made it to 34% this year, compared to 20% in 2011. Last year's top 10 spend country UAE has slipped to #11 this year. Germany moved up to #9, while 53% of all Germany purchases have been made online (compared to 43% in 2011).

Traditionally, hotels, clothing and footwear, as well as airline tickets are key spend abroad categories, and this spending structure has not changed significantly since last year. The «Travel Agencies» category, which includes, inter alia, AnyWayAnyDay.com and Booking.com websites, moved up to #4 (6.5% in 2012 vs. 4.5% in 2011). Over 95% of purchases in this category are made online as Russians are increasingly planning their travel independently.

Overall, some decline shows in spending associated with major categories such as «Hotels» (22.3% in 2011 vs. 20.4% in 2012), «Clothing and Footwear» (17.2% in 2011 vs. 16.7% in 2012) and «Airlines» (10.1% in 2011 vs. 9.2% in 2012), while nearly 98% of all purchases in the «Airlines» category in 2012 were made online.

As usual, Russians spend abroad a substantial share of their income on clothing and footwear: for example, this category's US portion has coincided with the share of airfare expenditures (16%); in the UK, clothing and footwear account for almost the same volumes as for travel agencies (19% and 20%, respectively); the bulk of 2012 credit card spend in Italy (43%) also falls on clothing and footwear while jewelry and watches is the major expenditure item in Switzerland. For Germany, airfare accounts for 33% of all spend in this country.

Muscovites tend to spend a lot on clothing and footwear: this category is the second largest after «Airlines» for the US spending (15% of the aggregate spend), while the residents of St. Petersburg opt for home appliances (12%). In the UK, «Clothing and Footwear» again becomes the leading spending category for Moscow (19%) while St. Petersburg turn to travel agencies (27%). In Italy, both Muscovites and St. Petersburg go into a shopping spree as their clothing and footwear spend accounts for 28% and 37% of the aggregate Italy spend, respectively.

In 2012, Russian tourists made expensive purchases in Vietnam, Switzerland and India (an average transaction amounts to 12,300 rubles, 11,900 rubles and 9,400 rubles, respectively). Vietnam and India demonstrate increasing popularity with Russian travelers. In Vietnam, they tend to spend on hotels and souvenirs, while India gets into the spending limelight through its historical and cultural sites. As an example, in 2011, Vietnam and India were ranked

24th and 43rd by the amount of an average credit card transaction made in this country, respectively. «Stadiums and Tracks» have for the first time shown one of the most substantial shopping items, with an average transaction of 16,000 rubles.

Interestingly, the volume of credit card purchases made by women abroad has almost doubled since 2007 and reached 35% of the total spending in 2012. Women spend most on clothing and footwear (33% of the total expenditures abroad). To compare, this category accounts for 17% of the total men's spend abroad. Great Britain is the most popular shopping destination for Russian women: 20% of all of the purchases abroad are made there. About 30% of all foreign expenditures of Russian men go to the US merchants, with the hotels becoming the most prominent expense line (30%). 6% of the aggregate foreign spend made by men falls on the jewellery, while its share is just 3% of the total foreign spend made by women.

Top-10 of popular purchases made by women includes duty free shops (4% of the total spending abroad) and sports goods (2%). In the meantime, men spend on car rent (7% of the total foreign spend) and home appliances (3%).

Methodology

The research is based on statistics on credit card purchases made by Citibank clients outside Russia. The study analyzed the monthly data over the period of January 2007 — June 2012, inclusive. The sample analyzed in each month of observation included no less than 50,000 respondents (selected randomly) aged 22 or more, residents of Moscow, St. Petersburg, Volgograd, Yekaterinburg, Kazan, Nizhny Novgorod, Novosibirsk, Rostov on Don, Samara, and Ufa.

Forecast on spending to the end of 2012 is based on the data of the Russian Tourism Agency, UNWTO 2011 report, and the aggregate data on the purchases made with the bank's credit cards. Data for the first five months of 2012 and the statistical trends for the past four years were used to build a forecast until the end of 2012.

The study did not analyze data on personal spending of individual credit card holders. All data were examined and presented in summarized form.

* According to last year's forecast, the volume of credit card spending abroad was supposed to reach 28% of the aggregate credit card spend by the end of 2011.

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