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Moscow

Russia's Middle Class Is Spending More on New Year's Purchases But Its Tastes Remain the Same

According to Citibank's forecasts, even though credit card spending throughout the course of the year has grown by 27%, holiday purchases by the middle class will grow by at least 11% in comparison with the monthly average credit card spend for 2012 (with adjustment for inflation, personal income growth and other factors). Thus December will become the highest spending month for credit card holders. The average credit card spend for this month will exceed RUB 21,000 and the share of cash withdrawals will reach a record low. For comparison, over the past five years the volume of cash withdrawals on credit cards during the winter holiday shopping season has fallen by more than 2.5 times.

However, the main trend in New Year's shopping behavior is online purchases. Their total volume in December will grow 56% on last year's figures and the average receipt is expected to be RUB 4500, which is 5 times more than five years ago. It is also worth noting that over time the tastes of the Russian middle class have changed relatively little, and the most popular spending categories for the holidays remain, with a few exceptions, the same.

Commenting on the results of the study, Yuri Topunov, Credit Cards Head at Citibank, said: "We have always seen that Russians' special affinity for the New Year's holiday is reflected in the holiday-related purchases. Despite the fact that credit card spending accelerates, people use their credit cards more often and try out new stores, they also believe that the New Year should be met without being burdened by debt and thus try to strive to pay off the balances accrued as soon as possible."

The average spend per person in December is anticipated to reach RUB 21,000, while the actual average spend for December 2011 was only RUB 17,000 and December 2010 – RUB 13,000. Thus, the average credit card spend in December 2012 is expected to be RUB 8000 higher than the figure recorded two years ago.

In December 2012 men will increase their spending by 7% and their average spend for the month is anticipated to reach RUB 27,000, while women are expected to spend 17% more, with their spend for the month averaging RUB 15,000. December spending by people living in households will exceed that of those living alone by nearly RUB 4000. The geographical distribution in spending volumes continues to maintain a familiar pattern: Muscovites remain in first place according spending levels for the entire year and on the eve of the New Year while residents of St. Petersburg have attained the same level recorded for Muscovites last years. Residents of other Russian cities with populations of a million or more* have now exceeded the level of spending for Moscow residents recorded in 2010.

Holiday-related spending on the Internet continues to demonstrate high growth rates: in 2012 in comparison with the previous year online sales have risen by 56% (including the December forecast). The average receipt in 2012 (including the December forecast) was more than RUB 4500, which is 3 times more than in 2009 and 5 times more than in 2007. It should be noted that the average monthly spend of those who make purchases via the Internet is higher than among those who do not make online purchases. For example, in 2012, taking into account the December forecast, the average monthly credit card spend among Internet shoppers was nearly RUB 25,000, which is approximately RUB 5000 more than for those who did not make purchases over the Internet.

In general 2012 has been notable for growth in consumption and a higher level of credit card spending. As previously, a substantial portion of December credit card spending is done in clothing stores (11% share of total credit card spending), supermarkets and grocery stores (9% share) as well as on airplane tickets and hotels (6% and 5%, respectively). At the same time significant seasonal growth is seen in such categories as "Home Appliances" (66%), "Supermarkets and Grocery Stores" (42%), "Department Stores" (30%), "Home Supplies" (17%) and "Clothing Stores" (11%). Meanwhile, the "Airfare" category will see a decline of 14%, which implies that Russians are planning trips abroad earlier and are acquiring their tickets for the holidays in October and November.

The most popular categories of the previous years – alcoholic beverages and toys – will continue to lead in terms of highest seasonal growth – 159% and 108%, respectively. Credit card holders have begun to spend more on software, as this category moved from 8th place in 2011 to 4th places in expected seasonal growth this year (75%), a trend which will be reinforced by the launch of iTunes in Russia. Growth will be seen in the "Musical Stores" category, which has risen from 18th place to 8th place with an expected seasonal growth of 62% in December.

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 2012. 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 RUB 9,000. The forecast for December 2012 is based on data for the first 11 months of 2012 and took into consideration the statistic trends over the past three years. This methodology is largely identical to the one used in 2011. [A presentation of the results \(in Russian\) is available upon link.](#)

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

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