

Belarus Economy Monitor: trends, attitudes and expectations

Households

February 2024

Summary

- The Consumer Confidence Index (CCI) has improved significantly in Q1-2024.
- The Consumer Confidence Index (according to the Rosstat methodology) was -4% (+6 p.p. compared to autumn 2023) in February 2024.
- The Consumer Confidence Index, excluding the component of the current state of the economy (according to the Eurostat methodology), was -3% (+6 p.p.), while its average value was significantly lower in the EU in Q1-2024: -16%.
- There is a positive trend in estimating the economic situation in the country.
- The share of respondents reporting an income decrease remained the same (rather low level): -32%.
- The share of respondents reporting a job loss over the past two weeks remained at 2%.
- The share of respondents reporting that someone they knew lost his/her job continued the trend of the previous survey wave and amounted to 14%.

Methodology

The bulletin is based on the data collected through 8 online surveys of urban residents aged 18-64; the sample corresponds to the urban population structure in Belarus, and it is adjusted by the country's regions, respondents' sex and age:

- | | |
|--|--------------------------------------|
| 1) December 2—8, 2021 (1,004 respondents); | 5) March 2—4, 2023 (1,014 resp.); |
| 2) April 19—25, 2022 (1,007 resp.); | 6) June 28—30, 2023 (1,009 resp.); |
| 3) August 26—31, 2022 (1,001 resp.); | 7) October 9—11, 2023 (1,003 resp.); |
| 4) November 21—25, 2022 (992 resp.); | 8) February 6—12, 2024 (998 resp.). |

The Consumer Confidence Index (CCI) reflects the general perception and expectations of the population regarding the country's economy and the financial standing of households. The index is calculated in our studies through applying the methodologies used by Rosstat and Eurostat. The Eurostat index includes questions about the current and projected financial standing of the family, the willingness to make large purchases, as well as the questions about the economic development of the country over the coming year. The Rosstat methodology includes the above questions + an assessment of the economic situation in the country compared to the economic situation a year ago.

Interpretation of the CCI outcomes

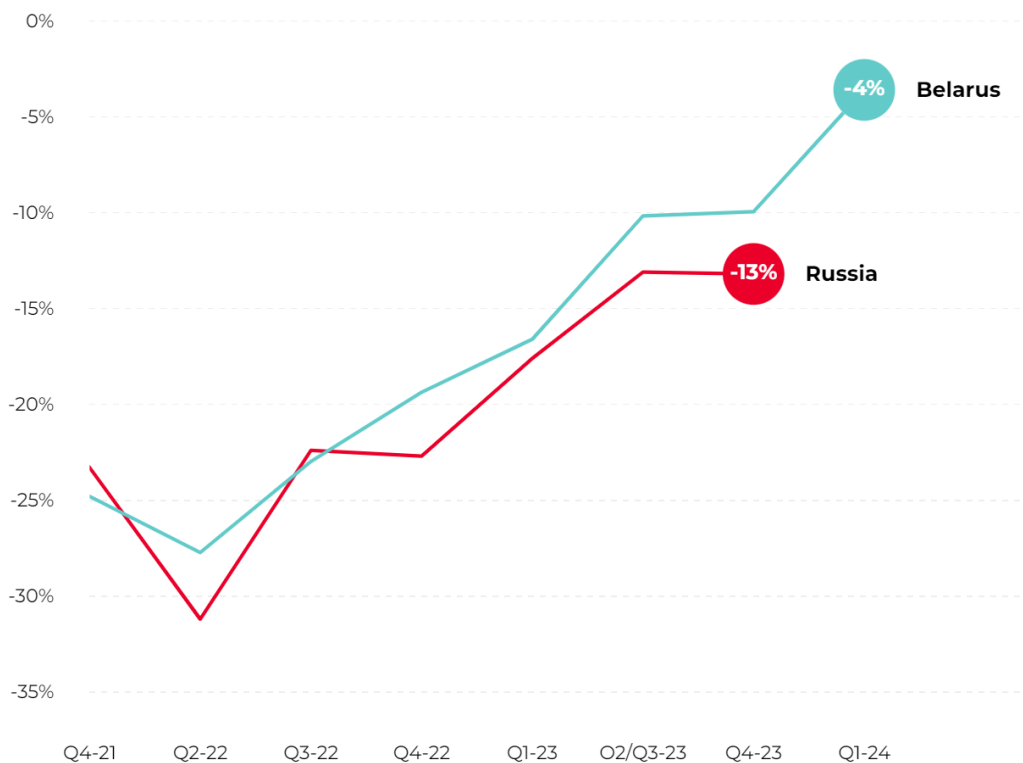
The **Consumer Confidence Index (CCI)** is a composite indicator reflecting the population's assessment of the economic situation in the country in general and the financial standing of households in particular. In addition to the actual assessment, the index also includes questions related to the perception of the future: how the economic situation and the financial standing of the family will change over the next year. As a result, the index illustrates the **attitudes and expectations** of households and explains their consumer behavior strategy.

Belarus and Russia

The Consumer Confidence Index, based on 5 components (according to the Rosstat methodology), was -3.6% in Belarus in February 2024. In Russia, the index amounted to -13.2% a quarter earlier (data as of November 2023). After the index drawdown in Q2-2022, consumer expectations and sentiment continue recovering in Belarus, accelerating significantly in Q1-2024: they grew by 6.35 percentage points compared to autumn 2023. In Russia, the recovery of the index paused; the index value remained at the same level.

Figure 1. The Consumer Confidence Index in Belarus and Russia in 2021-2024

(The index for Belarus starts from Q4-2021; there were no Q1-2022 data on Belarus.)



Background info. Why is it relevant to compare Belarus with Russia?

- a) Russian economy — just like Belarusian economy — has been experiencing challenges with the long-term economic growth potential.
- b) Economic sanctions influence both countries.
- c) Russia is the key trading partner of Belarus.

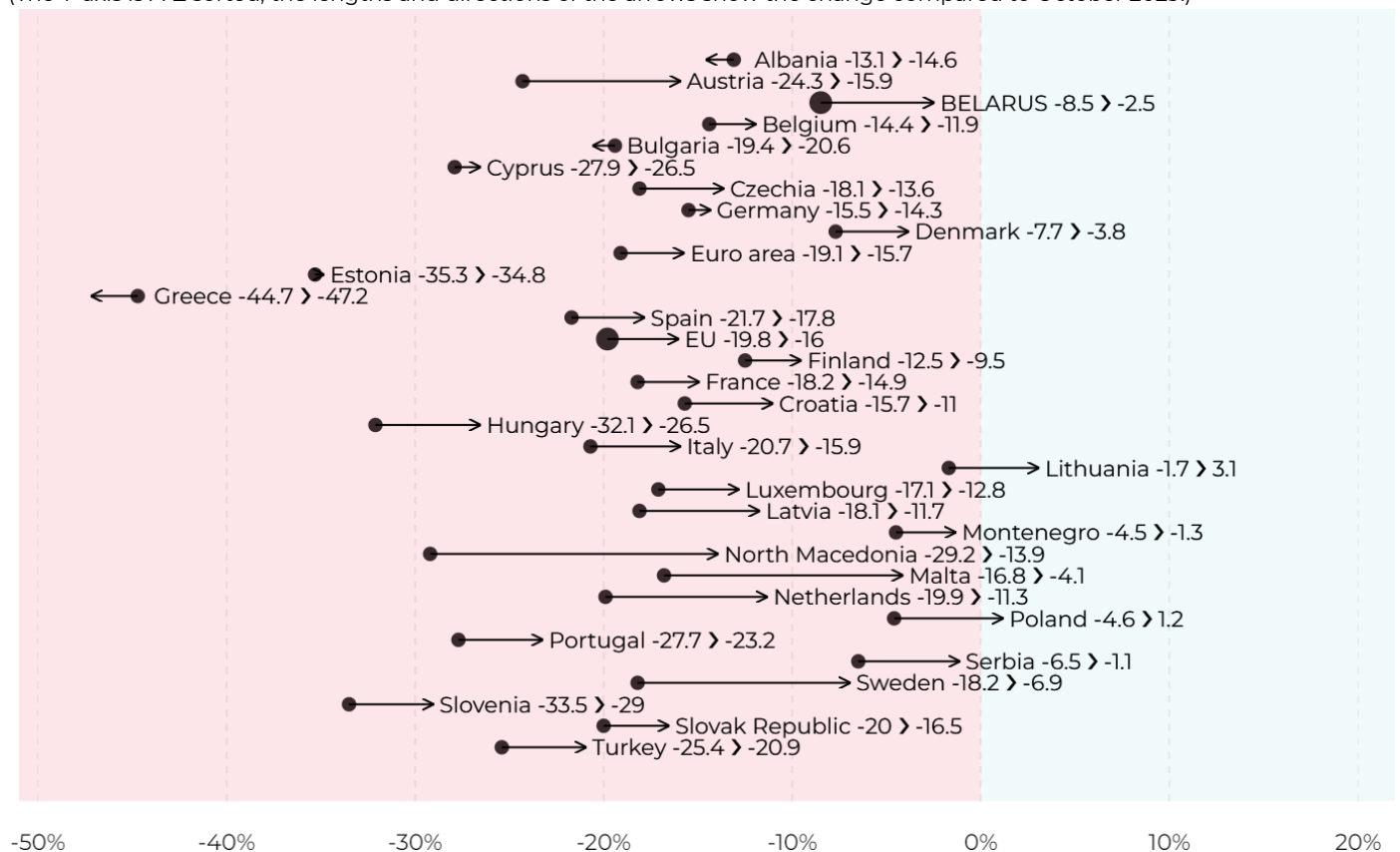
Belarus and EU

The Consumer Confidence Index (according to the Eurostat methodology) was -2.5% in Belarus in February 2024, marking a 6 percentage point increase compared to autumn 2023. In previous survey waves, Belarus ranked top 6-7 in the Consumer Confidence Index among the EU countries; in Q1-2024, the index value moved Belarus to top 5.

In Q1-2024, the indices of most of the monitored European countries improved: the index grew by 3.8 percentage points on average in the EU countries. The highest index growth was observed in North Macedonia (+15.3 p.p.) and Malta (+12.7 p.p.). Moreover, Lithuania and Poland managed to enter the positive zone of the index: their index values were 3.1% and 1.2%, respectively¹. The Consumer Confidence Index lowered in Greece: its value was -47.2; and this is traditionally one of the lowest CCI values in Europe.

Figure 2. The Consumer Confidence Index in Europe in February 2024 and October 2023

(The Y-axis is A-Z sorted, the lengths and directions of the arrows show the change compared to October 2023.)



Background info. Why is it relevant to compare Belarus with the EU countries?

- The predictive power of the index for the EU countries based on the Eurostat methodology (excluding the component on the current state of the economy) is higher than the index that includes all 5 components.²
- The European Union is a significant trading partner of Belarus still.

¹ The index values are seasonally unadjusted; source: Eurostat.

² [A Revised Consumer Confidence Indicator. European Commission, official website, 2018.](#)

Components of the Consumer Confidence Index

Note. Component calculation formula

$$\text{Component} = (PR + P \div 2) - (MN + N \div 2)$$

where PR is the most positive responses;

P is positive responses;

MN is the most negative responses;

N is negative responses.

In the previous survey waves, Belarusian households traditionally assessed the economic situation in the country more negatively than the financial standing of their families (Figure 3: Q1 and Q3). In Q1-2024, the gap narrowed: 33% and 32% of respondents, respectively, reported that the economic situation in the country and the financial standing of their families had worsened over the past year. In general, there is a positive trend in estimating the economic situation in the country (compared to spring 2023): 22% of respondents believe that the economic situation has improved (+9 p.p.); 31% of respondents believe that the situation has not changed (+9 p.p.); and 33% of respondents believe that the situation has worsened (-23 p.p.).

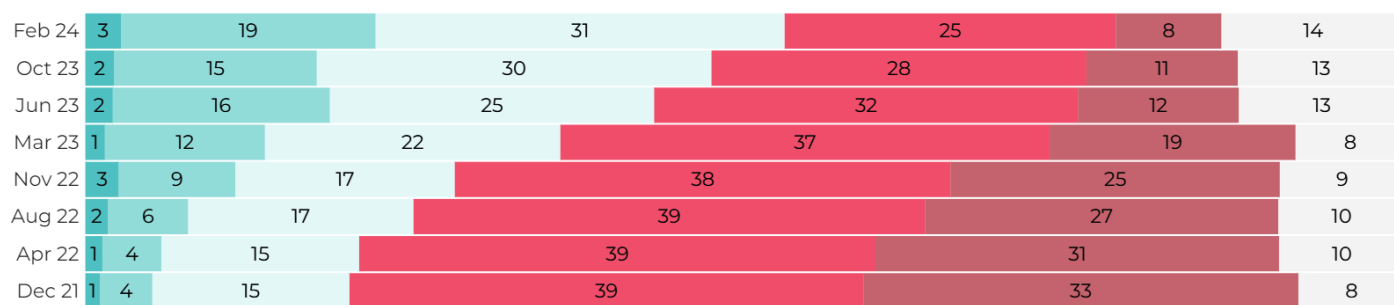
Assessments of the family's financial standing remained approximately at the level of the previous survey wave (Q3-2023): 22% of respondents reported an improvement of their financial standing over the past year (+4 p.p.); 43% of respondents had not observed any changes in their financial standing (-2 p.p.); and 32% of respondents reported that their financial standing had worsened (-3 p.p.).

Speaking about assessments of the future, there is still a high degree of uncertainty and impossibility of forecasting among the population (Q2 and Q4): 26% of respondents find it difficult to assess the economic situation in the country, and 16% of respondents do not know what will happen to their financial standing. People no longer perceive the prospects of the economy as unequivocally worse: a quarter of respondents expect the economic situation in the country to worsen, and a quarter of respondents expect it to improve. At the same time, the prospects become more optimistic for households: 31% of respondents expect their financial standing to improve (+7 p.p. vs spring 2023); 17% of respondents expect their financial standing to worsen (-9 p.p.); and 36% of respondents do not expect any changes in their financial standing.

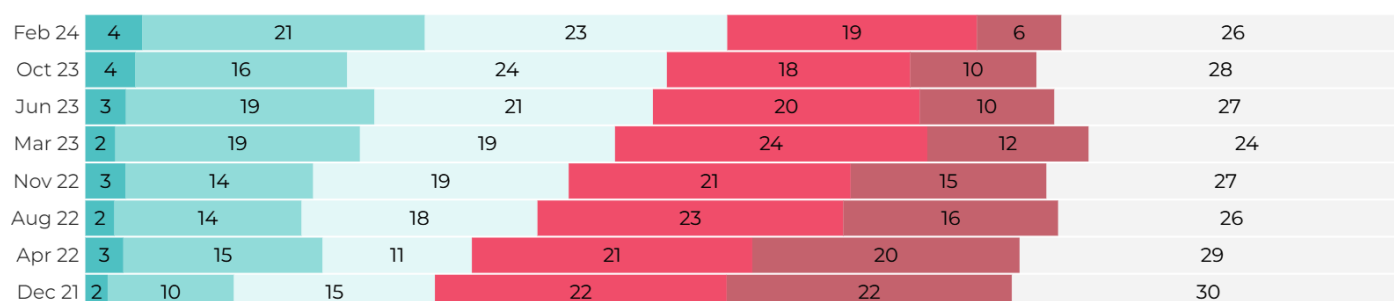
There is a curious situation about spare money disbursements: only 16% of respondents report that this time is favorable for large purchases; 29% of respondents believe that this time is rather bad for large purchases; and 43% of respondents report that large purchases have the same number of pros and cons today. Despite this, the pace of consumer lending has not been fading. At the same time, only 21% of respondents report that saving conditions are favorable.

Figure 3. Components of the Consumer Confidence Index (%)

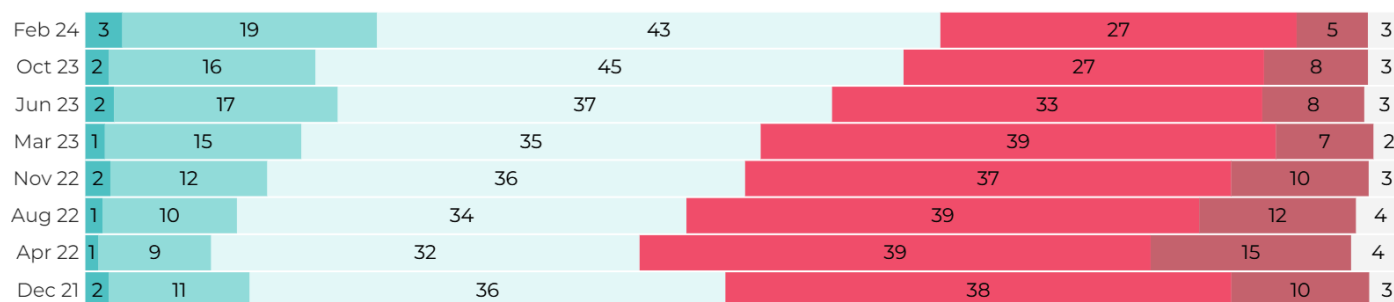
Q1 Economic situation compared to last year?



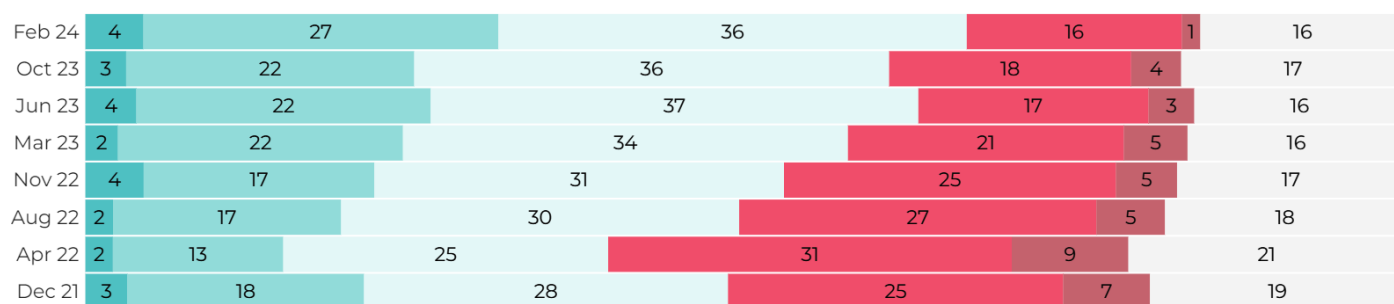
Q2 Economic situation over the next year?



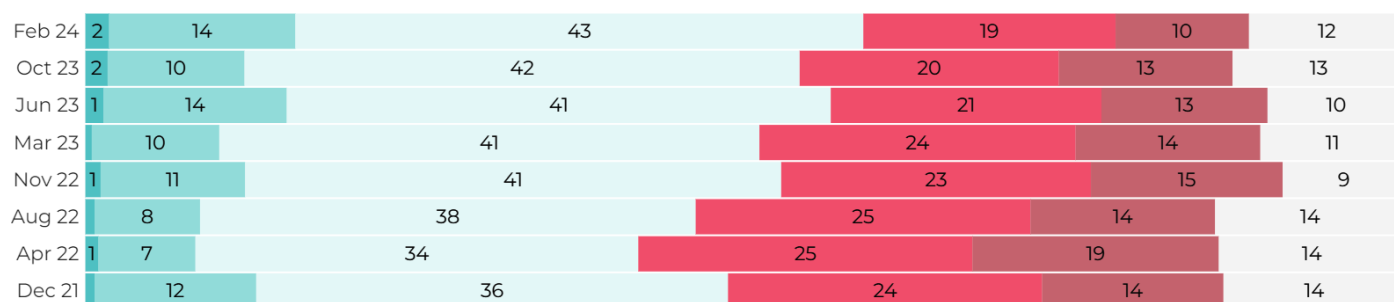
Q3 Financial position of your household compared to the last year?



Q4 Is it going to change over the next year?



Q5 Is it the right moment to make major purchases?



Note. Picture key

The responses to the questions are distributed along a Likert scale, from "will improve (improved)" to "will decline (declined)". In Q5, the response options change to "very good" and "very bad." Gray color indicates the "difficult to respond" option.

Optimists and pessimists

The average value of the Consumer Confidence Index was -2.5% (according to the Eurostat methodology), while the average value of one of its components — “the country’s future” — was -0.9%, which partially moved the index to the positive zone (Figure 4A).

In age groups, the least pessimistic — regarding both present and future — are respondents aged 18-24 (a similar situation is observed in many countries, as young people enter the labor market and expect their income to grow). The lowest index value — both in terms of age and among other groups — is in people aged 55-64: -15.3%.

In the regional landscape, the residents of Minsk ceased to be the most pessimistic — for the first time in a year — and gave way to residents of the Grodno region (their Consumer Confidence Index was -7% in February 2024). However, the residents of Minsk least expect positive changes in the economy: their value of the country's future component is -4.5%.

Depending on income, low-income people (earning up to 500 BYN net per month) expectedly feel the worst. They are also the main pessimists about the future (they have estimated the component of the country's future at -2.7%), while among high-income people, the component’s value fluctuates around zero.

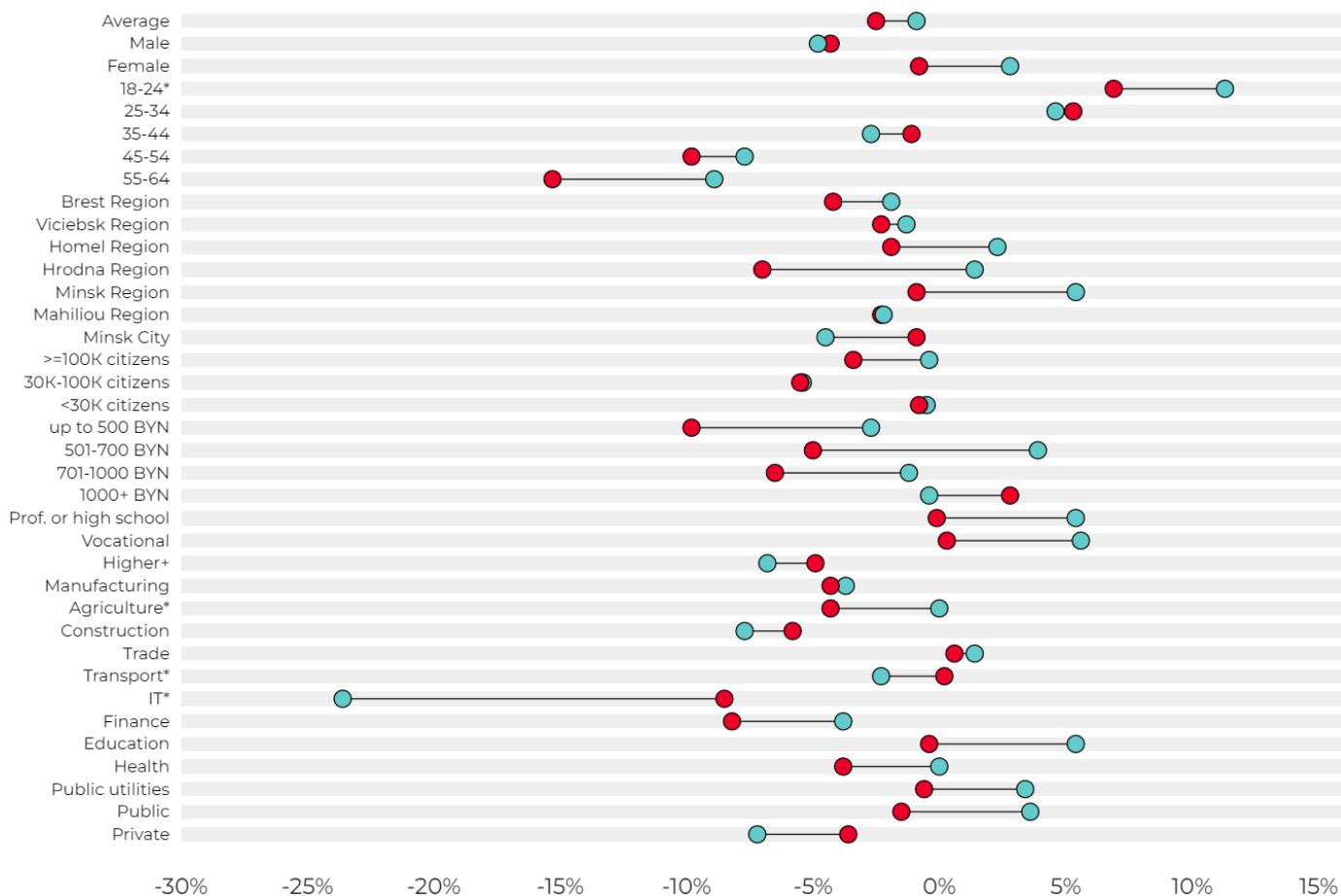
Belarusians with higher education traditionally score much worse on both the future component and the current Consumer Confidence Index compared to Belarusians with secondary, secondary specialized and vocational education.

By employment sectors, IT workers, as before, were the top pessimists: they assessed the component of the country's future at -24% (13 p.p. less than in the previous quarter). The employees of private enterprises are much more pessimistic about the future than the employees of state-owned enterprises.

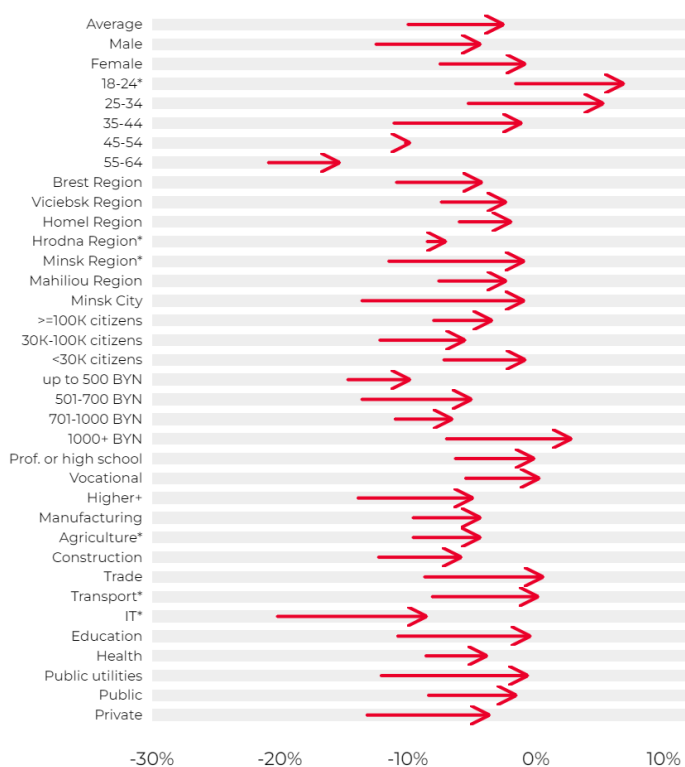
The Consumer Confidence Index shows positive dynamics in all groups of respondents. The change in the future component is multidirectional: most categories have become more optimistic about the future, with the exception of 45-54 year-olds, residents of towns with less than 100K citizens, and transport workers (Figures 4B and 4C).

Figure 4. The Consumer Confidence Index ■ and the country's future component ■
(groups by gender, age, region, income, education, sector, ownership type)

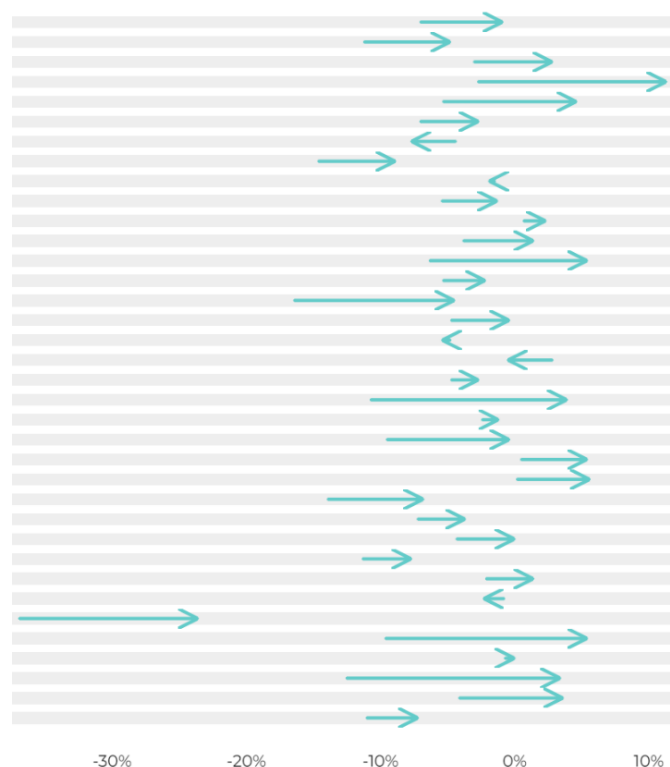
4A. February 2024



4B. Change in the index over the period



4C. Change in the future component over the period



Incomes of the population

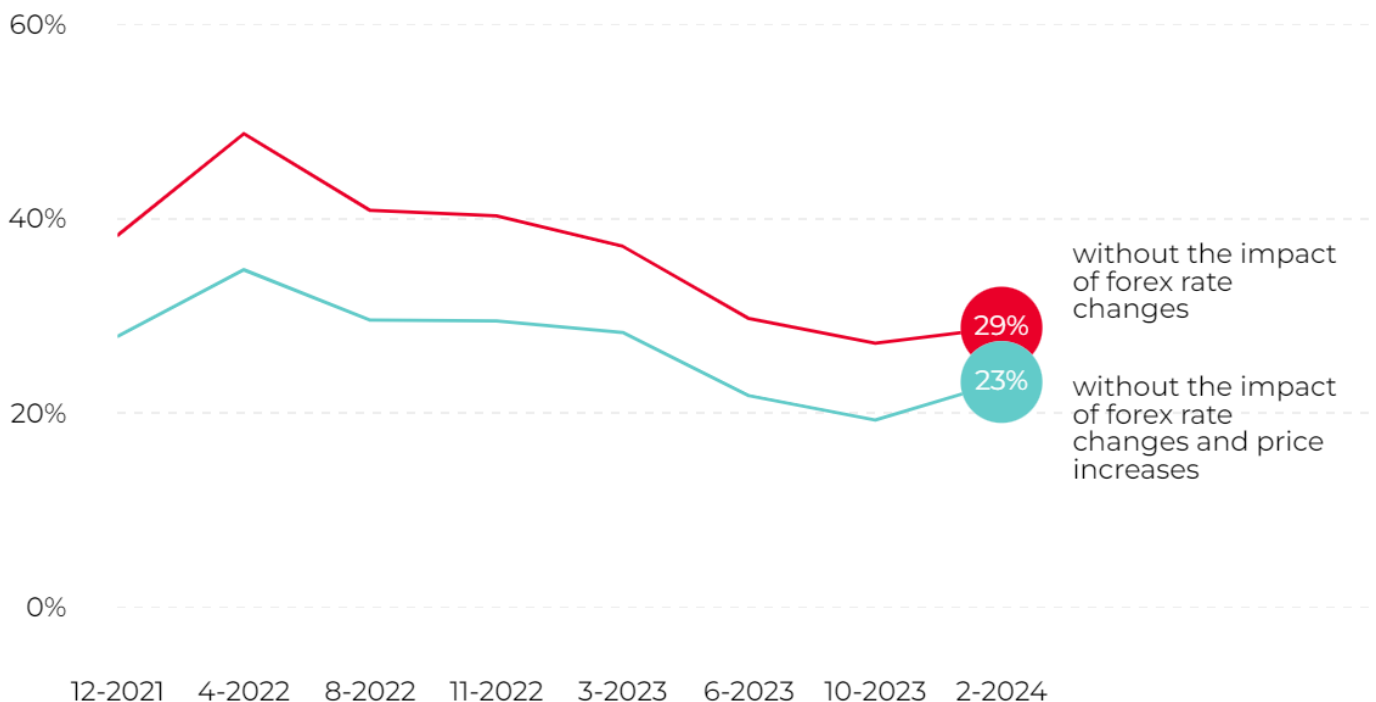
The share of respondents who reported their income had decreased over the past month was 31.6% in February 2024.

If those, who only refer to the foreign exchange rate changes as the reason for their income decline, are excluded, then the share drops to 29%; and if those, who refer to price increases and foreign exchange rate changes as the reasons for their income decline, are excluded, then the share drops to 23% (Figure 5A). The highest income drop rates — without referring to the impacts of foreign exchange rate changes and price growth — were in the following groups:

- those with initially low income;
- self-employed and entrepreneurs;
- IT workers.

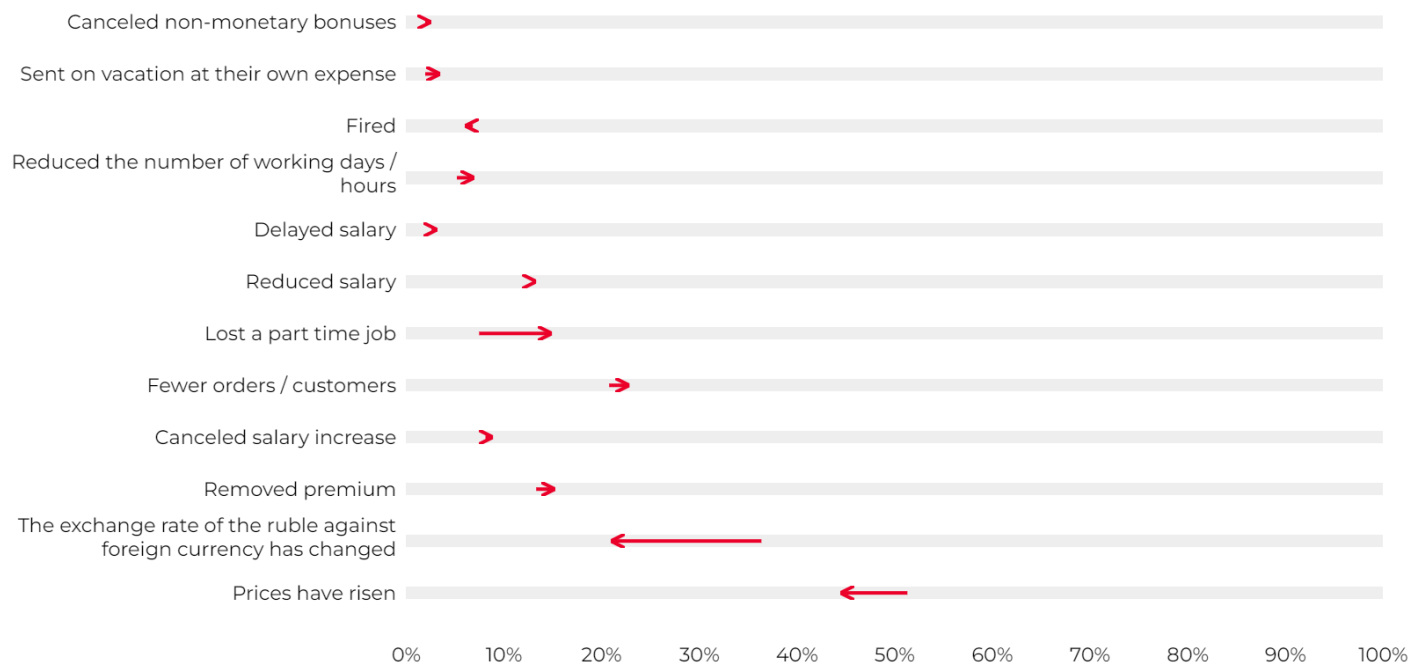
Figure 5. Share of population reporting an income decline (%)

5A. Change in share, since late 2021



Traditionally, the two main reasons for declining income were rising prices and changes in foreign exchange rates. In Q1-2024, changes in foreign exchange rates lost their significance: the share of people who referred to the changes in foreign exchange rates as the reason for their declining income was 36% in October 2023, while in February 2024, this share was 21%. Thus, the main reasons for the income drop (Figure 5B) in February 2024 were “*higher prices*”, “*decreased number of orders or clients*”, “*changes in foreign exchange rates*”, “*lost bonuses*” and “*lost part-time jobs*”.

5B. Change in the reasons for an income decline

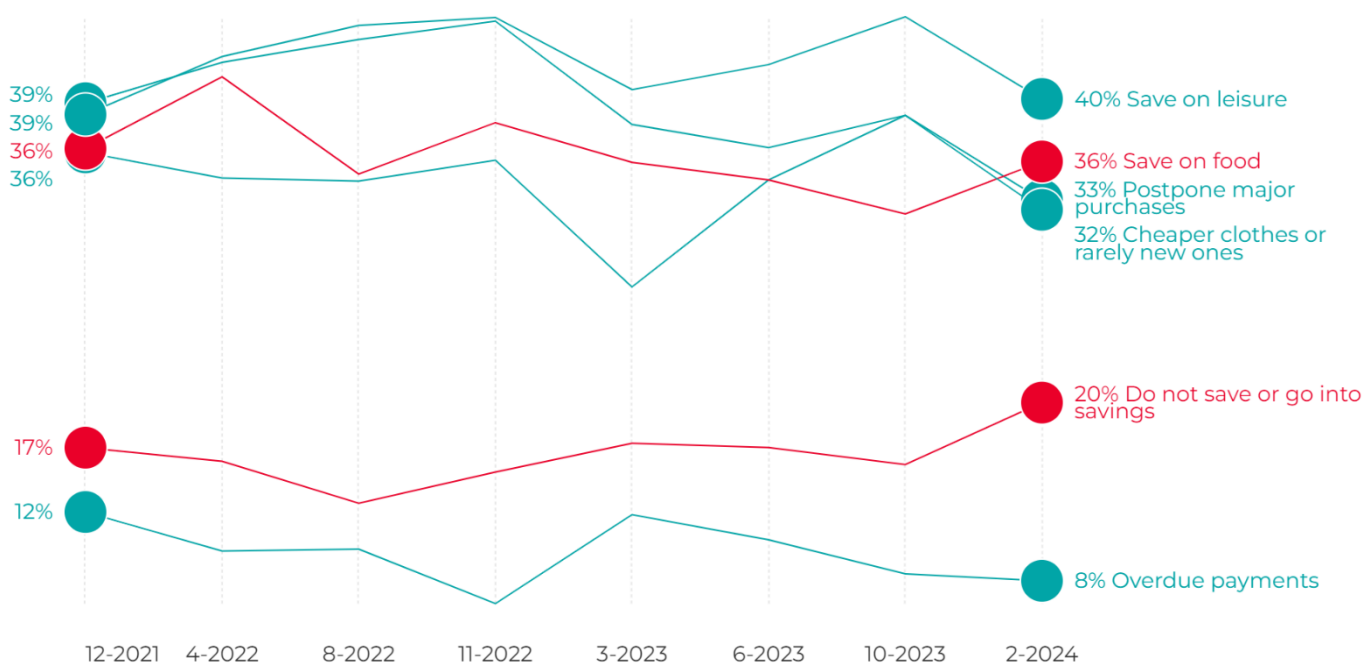


In this survey wave, respondents, when referring to coping strategies for their declining incomes (Figure 5B), reported saving less on leisure. They are also less likely to postpone large purchases and mandatory payments. At the same time, households with declining incomes began to save on food somewhat more often, and the share of respondents spending their savings or not saving at all became record-breaking among all survey waves (20%).

5C. How households cope with declining incomes?

(out of those 32% who have experienced an income decline)

■ Increase ■ Decrease

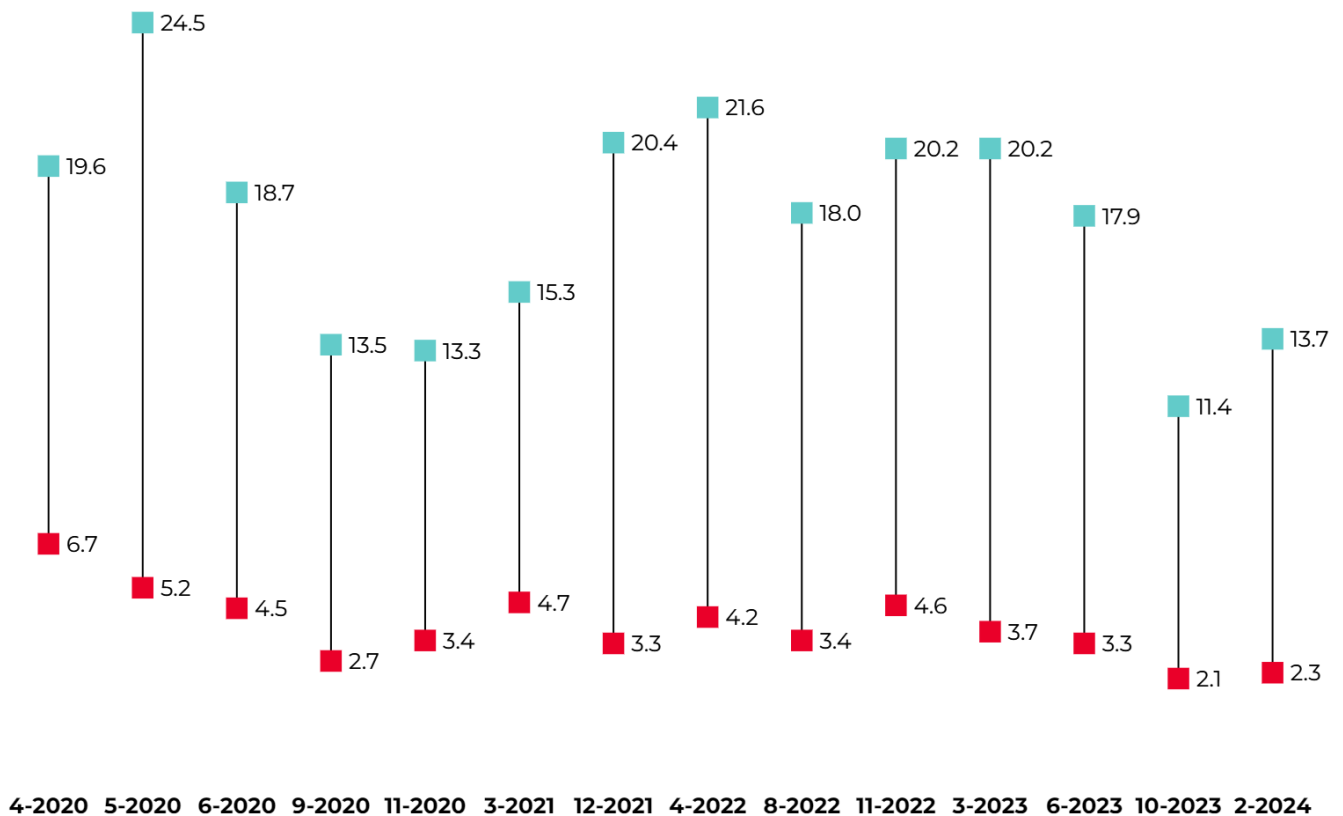


Labor market

A paradoxical situation remained in the labor market for a long time: on the one hand, the share of those who lost their jobs was 3.8% on average, while the share of those reporting a job loss among their friends and acquaintances was quite high: 19.7% on average (Figure 6). In October 2023, both indicators reached their lows: the share of those who lost their jobs was 2%, and the share of those whose acquaintances lost their jobs dropped to 11%. The February 2024 data prove the emerging trend of the reducing number of laid-offs.

Figure 6. What is the share of the unemployed? I lost my job ■ and one of my acquaintances lost their job ■

(percentage of those reporting a job loss)

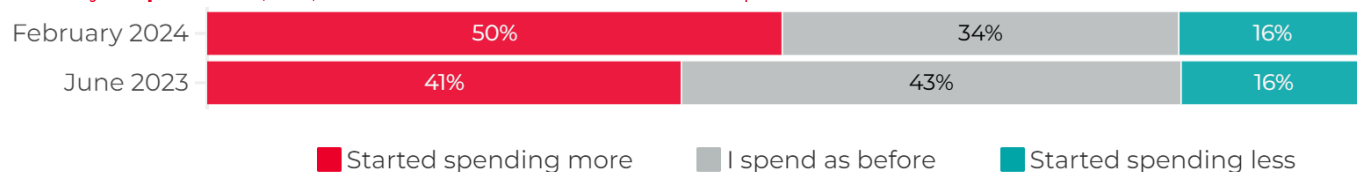


Saving behavior and an elevated attractiveness of the real estate market

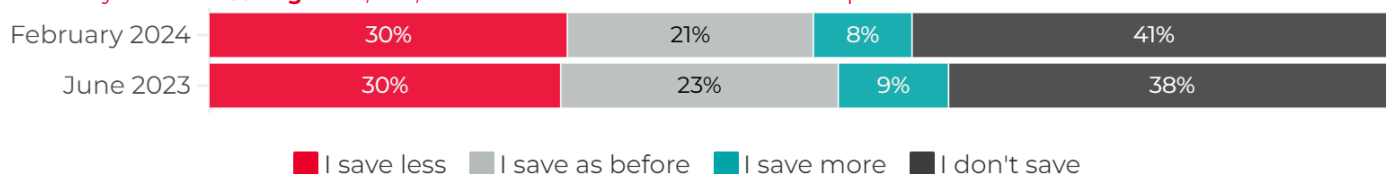
Households did not save more despite the growth in wages recorded in statistics. On the contrary, the share of respondents who began to spend more over the past six months has increased compared with summer 2023 (Figure 7A). Saving behavior remained (with minor changes) at the level of summer 2023, when a significant proportion of respondents (41% in February 2024) did not save at all, and 30% started to save less.

Figure 7. What is more preferable: spending or saving?

7A. Have you **spent** more, less, or the same amount as before over the past six months?

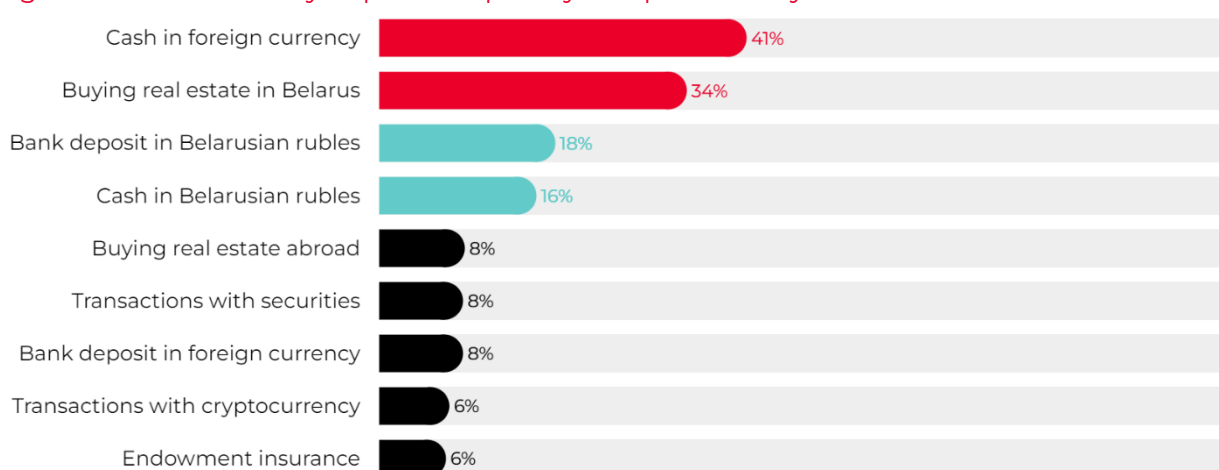


7B. Have you started **saving** more, less, or the same amount as before over the past six months?



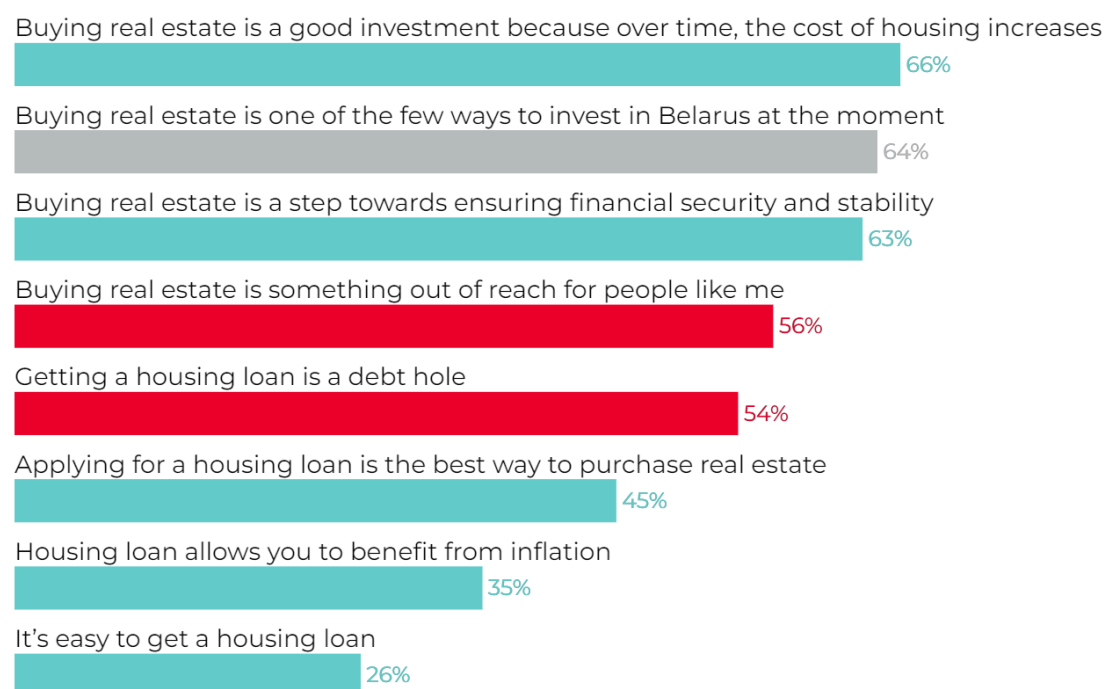
When asked about investing spare money (if any), households preferred to invest in foreign currency and real estate in Belarus: 41% and 34% of respondents, respectively (Figure 8). Other preferred investment options were Belarusian ruble transactions: 18% of respondents would choose a bank deposit, and 16% of respondents would choose cash in national currency. The other types of savings, such as cryptocurrency transactions and endowment insurance, do not seem attractive to Belarusians.

Figure 8. Where would you prefer to place your spare money?



The popularity of real estate as a type of savings among Belarusian households is quite evident, as it serves several functions at once (Figure 9). Thus, 66% of respondents report that purchasing real estate is a good investment, because the price of housing grows over time. Households also associate their dwelling ownership with stability: 63% of respondents agree that buying real estate is a step towards ensuring financial security and stability. At the same time, a significant share of respondents do not see alternative investment opportunities other than purchasing real estate (64%), and 56% of respondents even believe that real estate ownership is something unaffordable. The attitude towards consumer loans for housing is ambiguous: 54% of respondents believe that getting a housing loan is a debt hole. On the contrary, 45% of respondents believe that a loan/mortgage can be the most optimal way to buy real estate.

Figure 9. Attitude to real estate and housing loans

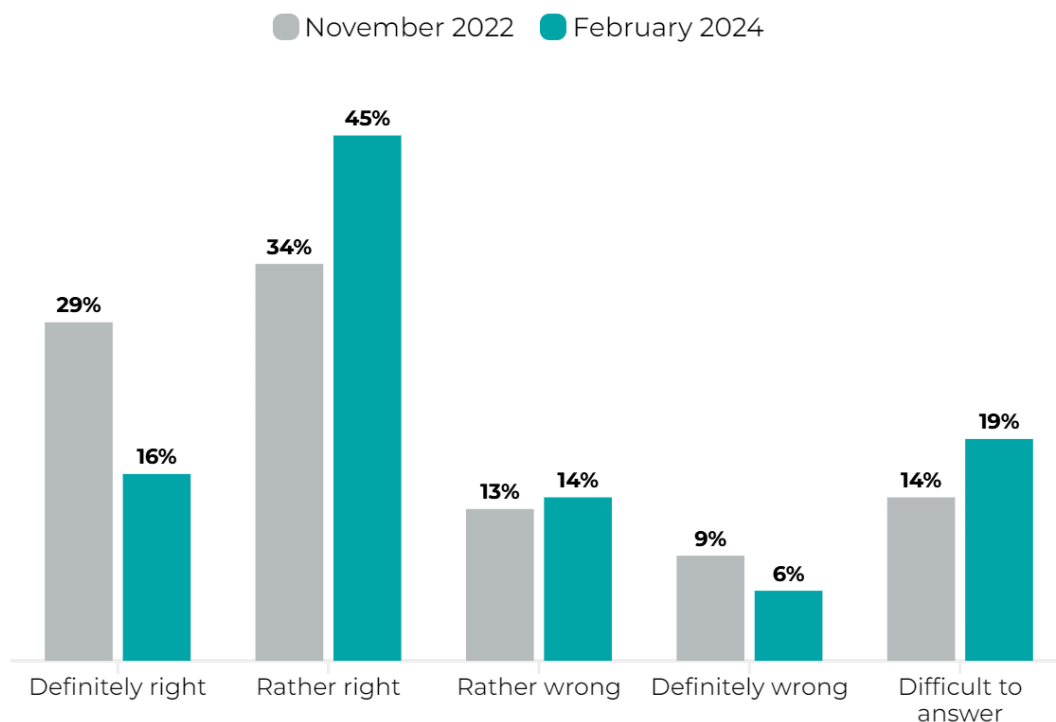


Attitude toward price regulation

In October 2022, Belarusian government authorities decided to introduce price control (under the Resolution 713). The majority of Belarusian households supported this decision a month later, in November 2022: 29% of respondents said that the decision was “definitely right”, and 34% said that the decision was “rather right”. The share of doubters was small and amounted to 14% of respondents (Figure 10). In February 2024, 1.3 years later, the share of supporters remained the same, but the proportion changed: the share of “ardent supporters” decreased by 13 percentage points and amounted to 16%, and 45% of respondents reported that the decision had been “rather right”. The share of those finding it difficult to answer the question slightly increased and amounted to 19%.

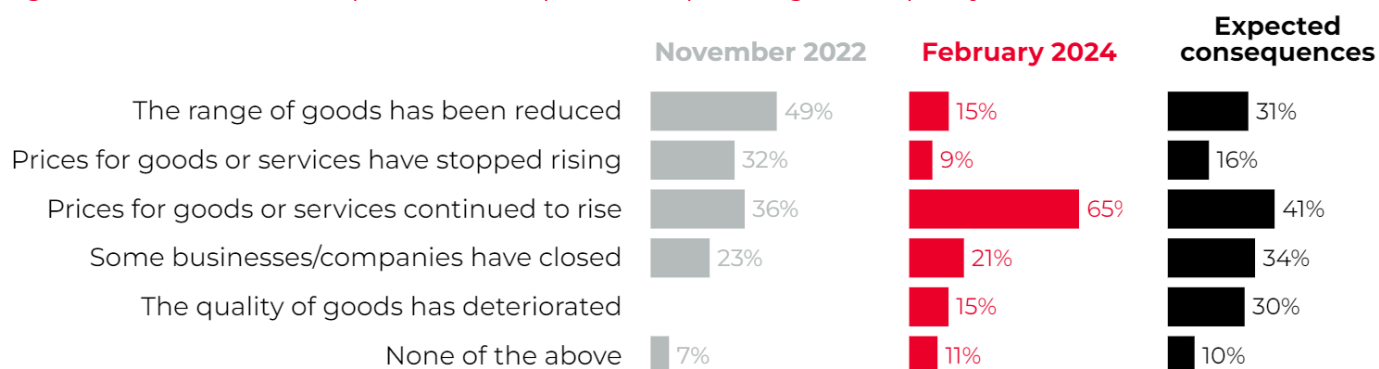
Most respondents still choose the existing price regulation as a preferred policy for controlling price increases: 37% of respondents are in favor of tightening price regulation; and 19% of respondents want to leave it as it is. Only 26% of respondents are in favor of weakening or completely abolishing price controls, while 18% of respondents find it difficult to answer this question.

Figure 10. Do you think the decision to control prices was right or wrong?



Regarding the consequences of price control, there is a paradoxical picture: the expected consequences turn out to be worse than the observed ones. Thus, only 15% of respondents reported that the range of goods has been reduced in February 2024. At the same time, if price control is maintained or tightened, 31% of respondents expect such a result. In addition, the share of those who expect the quality of goods to deteriorate has doubled (30% of respondents).

Figure 11. Observed and expected consequences of price regulation policy



Conclusions

According to the quarterly household monitoring data, the Consumer Confidence Index — along with its components — increased significantly and amounted to -3.6% (according to the Rosstat methodology) in February 2024. Household incomes maintained their trend of the previous survey wave: 23% of respondents reported an income decrease (without referring to the impact of the foreign exchange rate and rising prices), and they began to save less on leisure and postpone large purchases, but started to spend their savings more often or not save at all. The situation has been stabilizing in the labor market: the share of those who report that someone they know has lost his/her job is 13.7%.

Belarusian households do not tend to save, and the share of those who spend more has increased since summer 2023 and amounts to 50% of respondents. The preferred options for saving spare money are cash in foreign currency and buying real estate. Real estate is perceived as a good investment and an indicator of financial stability.

61% of respondents support price control, and 56% of respondents are in favor of tightening or maintaining price regulations.