

Belarus Economy Monitor: trends, attitudes and expectations

Households

May 2024

Summary

- The Consumer Confidence Index decreased by 1.2 percentage points (the Rosstat methodology) and was -4.8% in Q2-2024; however, it still exceeds the Russian CCI value.
- The value of the Consumer Confidence Index (the Eurostat methodology) was -3.6% (a 1.1 p.p. decline), while the average value among the EU countries was significantly lower in Q2-2024: -13.3%.
- There is a positive trend in assessing the economic situation in the country.
- The share of respondents reporting their income decline decreased by 6 percentage points and amounted to 26%, reaching another minimum value.
- Changes in foreign exchange rates are no longer the key reason for an income decline.
- Saving on food has ceased to be one of the main ways to withstand dropping incomes.
- The share of respondents reporting a job loss over the past two weeks remains at 2%.
- The share of respondents reporting that someone they knew lost his/her job increased slightly and amounted to 15% in Q2-2024.

Methodology

The bulletin is based on the data collected through 9 online surveys of urban residents aged 18-64 years; 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 resp.); | 6) June 28—30, 2023 (1,009 resp.); |
| 2) April 19—25, 2022 (1,007 resp.); | 7) October 9—11, 2023 (1,003 resp.); |
| 3) August 26—31, 2022 (1,001 resp.); | 8) February 6—12, 2024 (998 resp.); |
| 4) November 21—25, 2022 (992 resp.); | 9) May 15—22, 2024 (1,002 respondents). |
| 5) March 2—4, 2023 (1,014 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 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

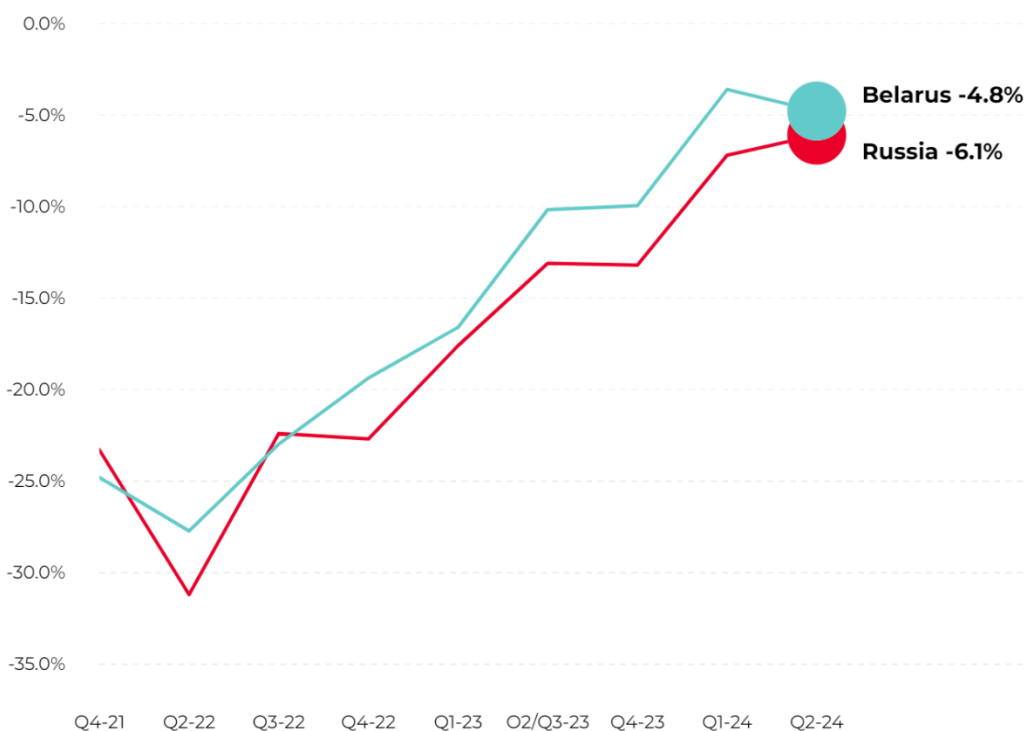
The **Consumer Confidence Index (CCI)** is a composite indicator reflecting the population's assessment of the economic situation in the country in general and the financial standing of households in particular. In addition to the actual assessment, the index also includes questions related to the perception 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

In May 2024, the Consumer Confidence Index, including its 5 components (under the Rosstat methodology), was -4.8% in Belarus and -6.1% in Russia. After the index drawdown in Q2-2022, consumer expectations and sentiment in both countries continued their recovery, accelerating significantly in Q1-2024, but slowing down by Q2-2024: the index decreased by 1.2 percentage points in Belarus, and it increased by 1.1 percentage points in Russia.

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, and it has been overheating.
- b) Economic sanctions influence both countries.
- c) Russia is the key trading partner of Belarus.
- d) Both countries face labor market shortages.

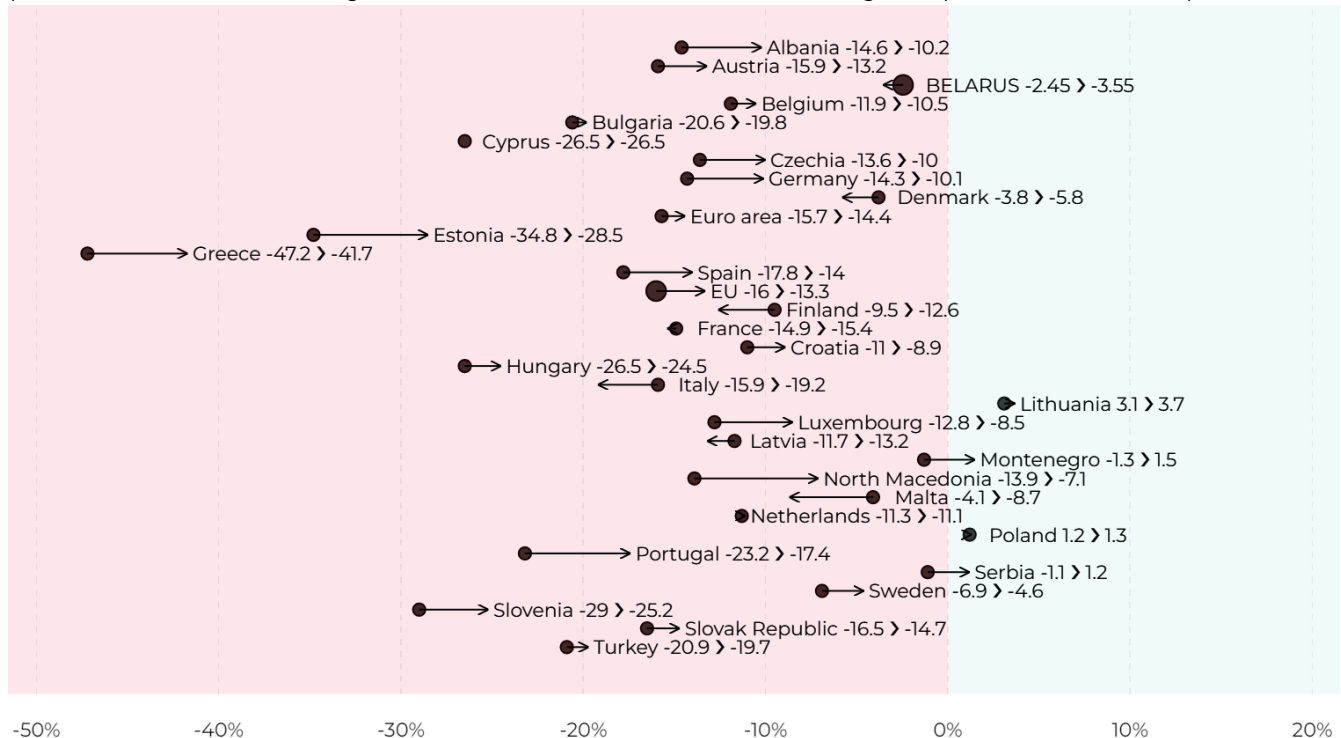
Belarus and EU

The value of the Consumer Confidence Index in Belarus (under the Eurostat methodology) was -3.6% in May 2024 (a 1.1 p.p. decline). Belarus ranked 6th–7th in the Consumer Confidence Index among the EU countries in previous survey waves, and it ranked 4th in Q1-Q2-2024.

In the first half of 2024, the indices of most of the monitored European countries improved: the index grew by 2.7 percentage points in the EU countries on average in Q2-2024. The largest growth in the index was observed in North Macedonia (+6.8 p.p.), Estonia (+6.3 p.p.), and Portugal (+5.8 p.p.). Moreover, Lithuania and Poland managed to remain in the positive zone of the index, and Montenegro managed to return to it.¹ The lowest value of the Consumer Confidence Index was traditionally observed in Greece: although the index increased by 5.5 percentage points, its value was -41.7%.

Figure 2. Consumer Confidence Index in Europe in May and February 2024

(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 not seasonally adjusted; 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). The gap narrowed in the first half of 2024: 36% 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, compared to a year ago, there is a positive trend in assessing the economic situation of the country: 20% of respondents believe that the situation has improved (+7 p.p.); 30% of respondents believe that the situation has not changed (+8 p.p.); and 36% of respondents believe that the situation has worsened (-20 p.p.).

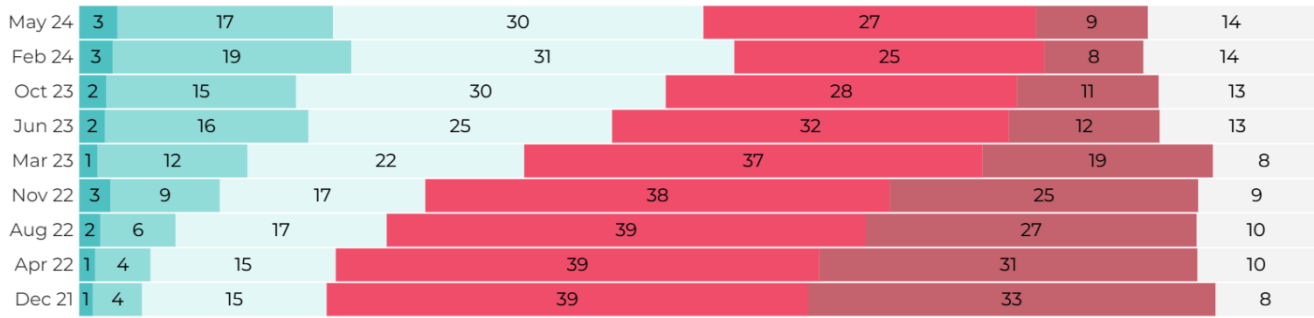
Assessments of the family's financial standing remained approximately at the level of the previous survey wave (Q3-2023): 21% of respondents reported an improvement of their financial standing over the past year (-1 p.p.); 45% of respondents did not observe any changes in their financial standing (+2 p.p.); and 32% of respondents reported that their financial standing worsened (unchanged).

Speaking about assessments of the future, there is still a high degree of uncertainty and impossibility of forecasting among the population (Q2 and Q4): 29% 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: 25% of respondents expect the economic situation in the country to worsen, and 21% of respondents expect the economic situation in the country to improve. At the same time, the prospects have stabilized for households: 27% of respondents expect their financial standing to improve (+3 p.p. versus spring 2023), 19% of respondents expect their financial standing to worsen (-7 p.p.), and 37% of respondents do not expect any changes in their financial standing.

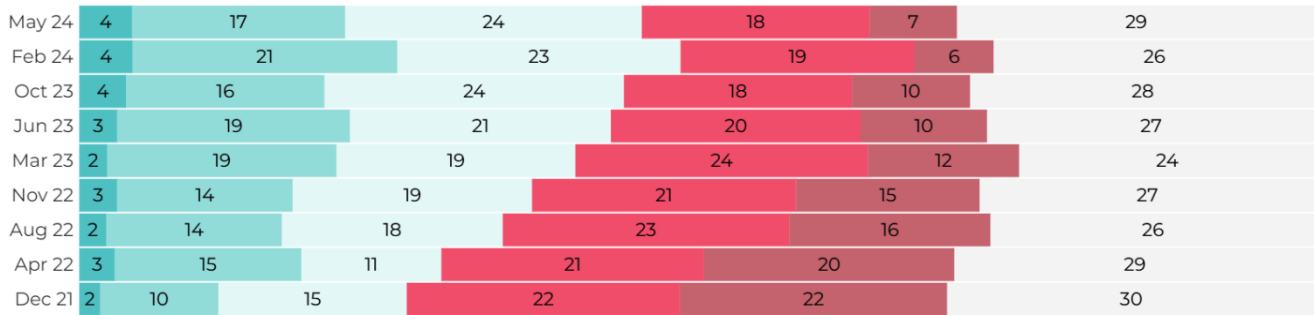
There is a curious situation about spare money distribution: only 17% of respondents report that this time is favorable for large purchases; 28% of respondents believe that this time is rather bad for large purchases; and 42% of respondents report that large purchases have the same number of pros and cons today. Despite this, the pace of consumer lending has not been fading, and consumer demand remains overheated. At the same time, only 23% of respondents report that saving conditions are favorable.

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

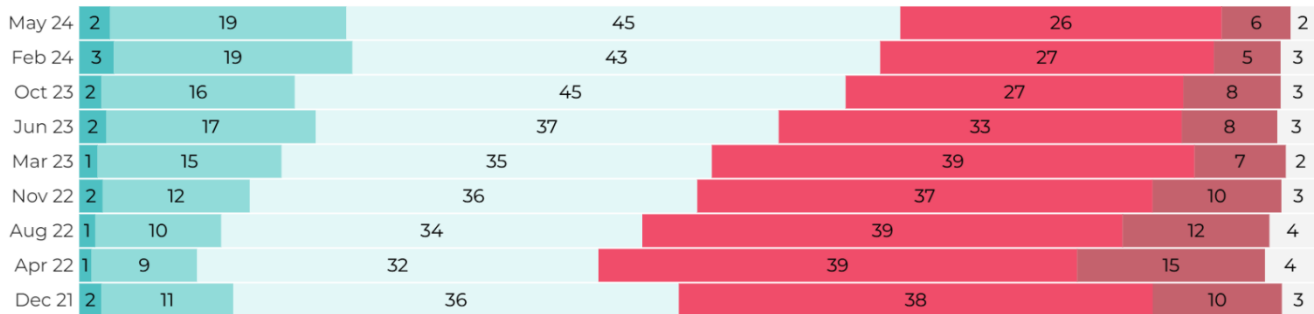
Q1 Economic situation compared to last year?



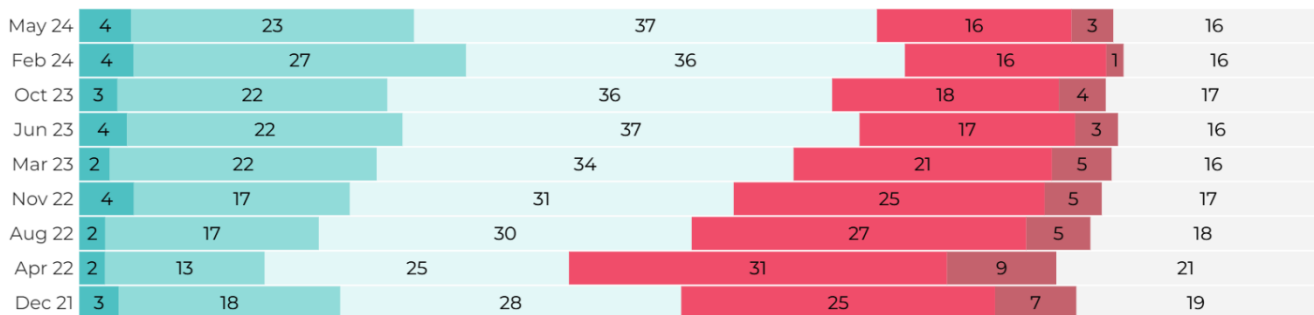
Q2 Economic situation over the next year?



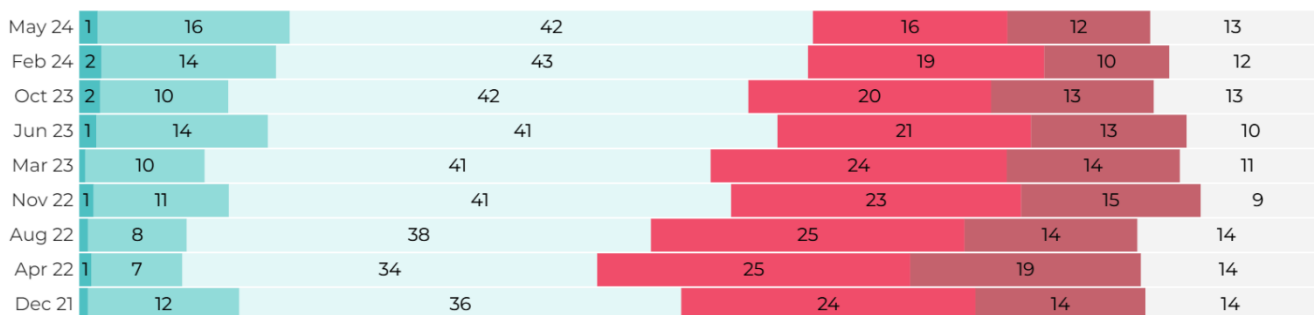
Q3 Financial position of your household compared to the last year?



Q4 Is it going to change over the next year?



Q5 Is it the right moment to make major purchases?



Note. Picture key

Responses to questions are distributed along the 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 -3.6% (under the Eurostat methodology); however, the average value of one of the CCI components — the future of the country — has slightly worsened compared to the previous quarter and amounted to -3.1% (a 2.2 p.p. decline, 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 CCI value both in age groups and in other categories of respondents is among those aged 55+ years: their CCI value is -12.7%. Region-wise, the most pessimistic about the future respondents live in Minsk (their Country's Future Component was -7.1% in May 2024), and the most optimistic respondents live in the Gomel and Mogilev regions: the values of the CCI country's future component in these respondents have entered the positive zone of the index and amounted to 1% and 1.7% respectively.

Speaking about income, low-income people (earning up to 700 BYN net per month) expectedly feel the worst. It is interesting that the level of satisfaction with the economic situation increases proportionally with increasing income: the Consumer Confidence Index in respondents with an income of up to 700 BYN is -10%; and in respondents with an income of 2,000+ BYN, the CCI value has entered the positive zone of the index and amounted to 7.3%. However, expectations of the country's economy are different: e.g., expectations of the country's future are the same in both cohorts of respondents (incomes of 701-1,000 BYN and 2,000+ BYN), and they amount to -1.9% and -1.6% respectively.

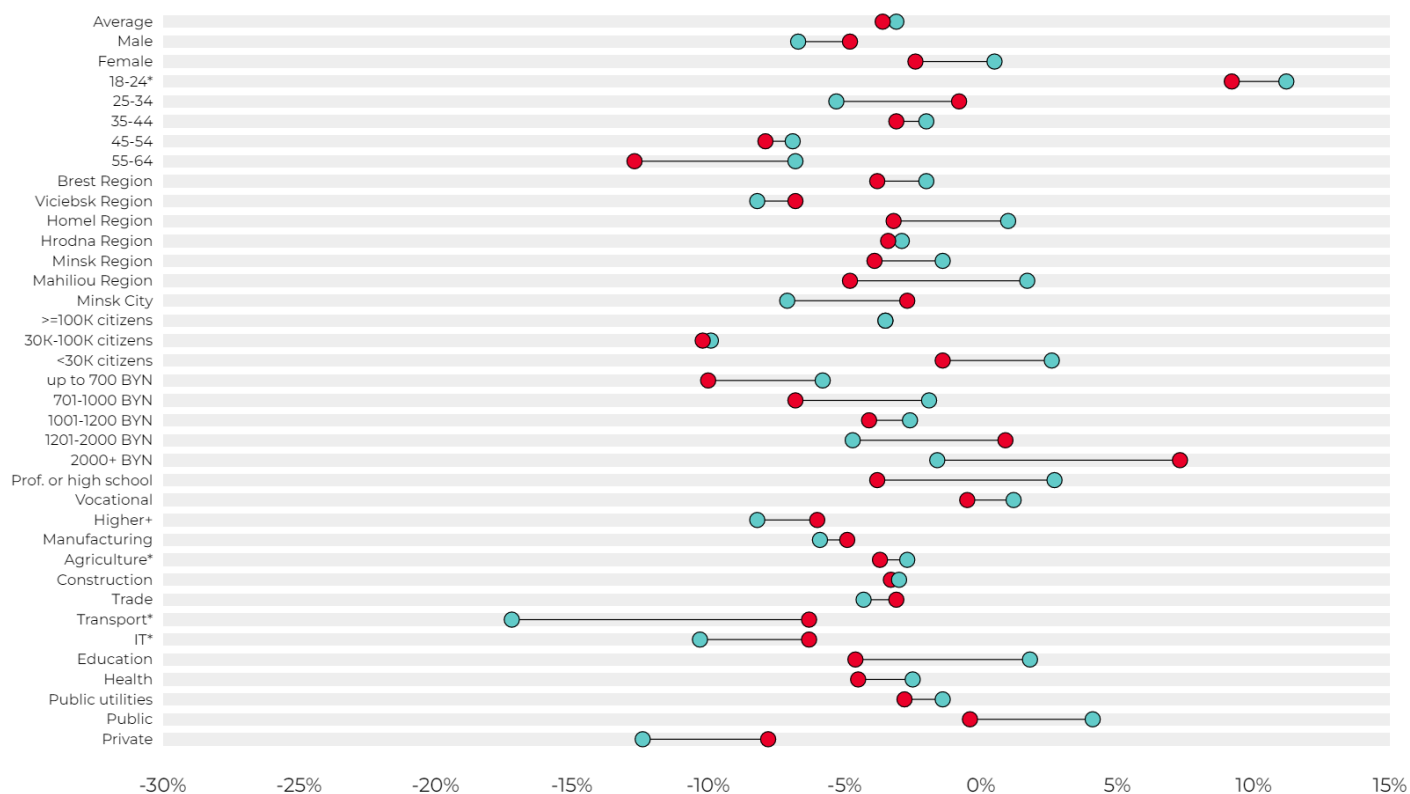
Belarusians with higher education traditionally score much worse on both the future component and the current Consumer Confidence Index compared to Belarusians with secondary, secondary specialized and vocational education. In terms of areas of activity, the main pessimists are not only IT workers (as always), but also workers from the transport sector: they have assessed the component of the country's future at -10.3% and -17.2%, respectively. Workers from the finance sector have quite unexpectedly assessed the two components positively. As always, the employees of private enterprises are much more pessimistic about the future than the employees of state-owned enterprises.

The Consumer Confidence Index has not changed significantly for most groups of respondents; the index has worsened most significantly among people aged 25-34 years and employees in the transport and communications sectors. The same cannot be said about the component of the country's future: the dynamics of change has turned out to be multidirectional. Thus, employees in the IT sector have become more positive in their assessments, while employees in the transport sector, on the contrary, have become more pessimistic (Figures 4B and 4C).

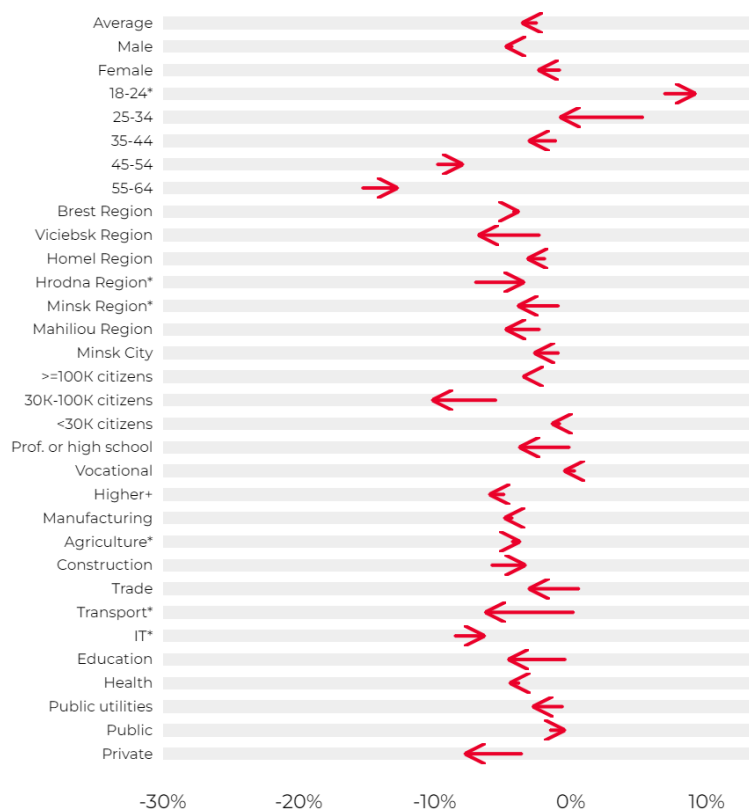
Figure 4. The Consumer Confidence Index and the Country's Future Component

(groups by gender, age, region, income, education, sector, ownership type)

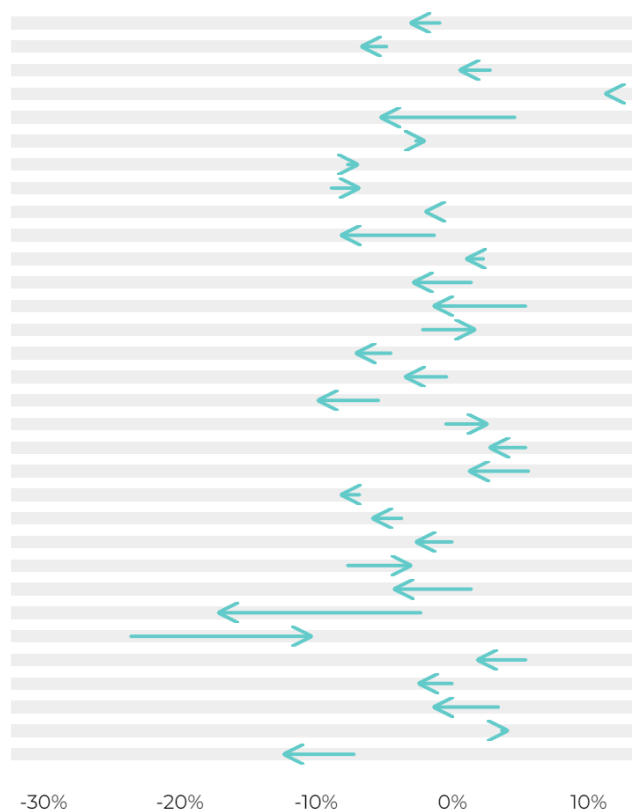
4A. May 2024



4B. Change in the index over the period



4C. Change in the future component over the period



Incomes of the population

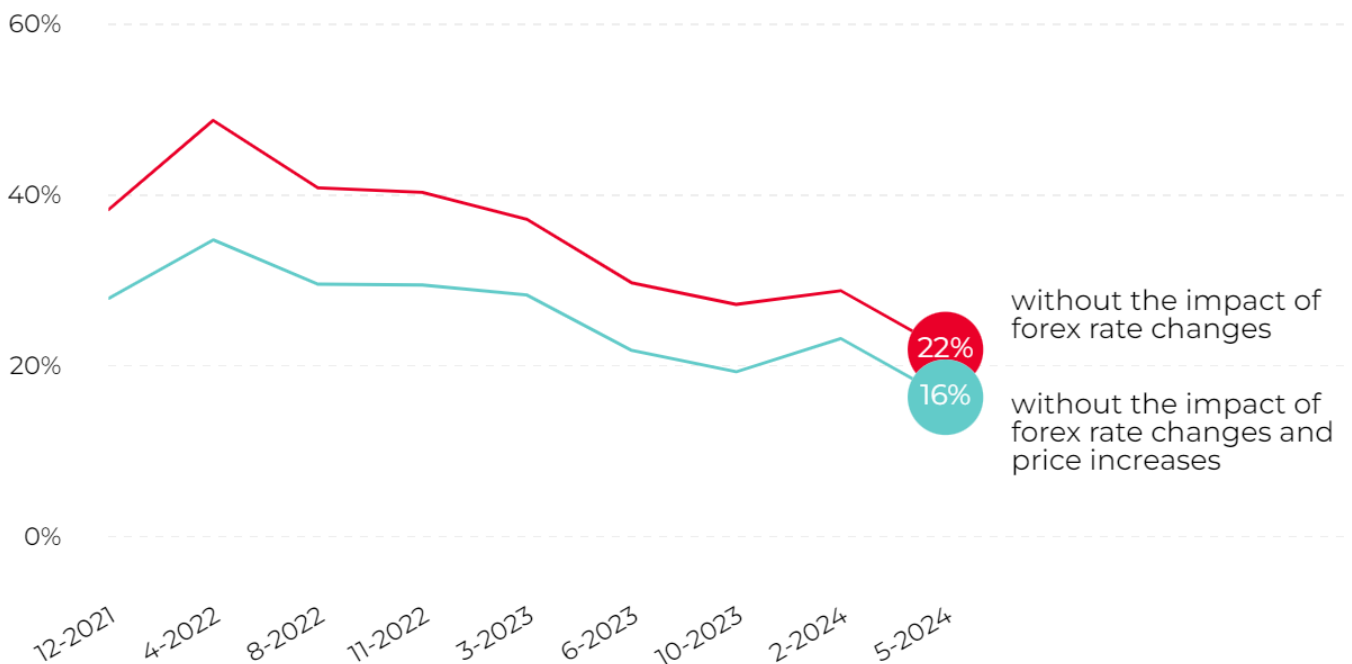
The share of respondents who reported their income had decreased over the past month was 25.8% in May 2024 (it decreased by 5.8 percentage points).

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 22%; 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 16% (Figure 5A). The highest income drop rates — without referring to the impacts of foreign exchange rate changes and price growth — were in the following populations:

- those with initially low income;
- executives of organizations;
- readers of independent media.

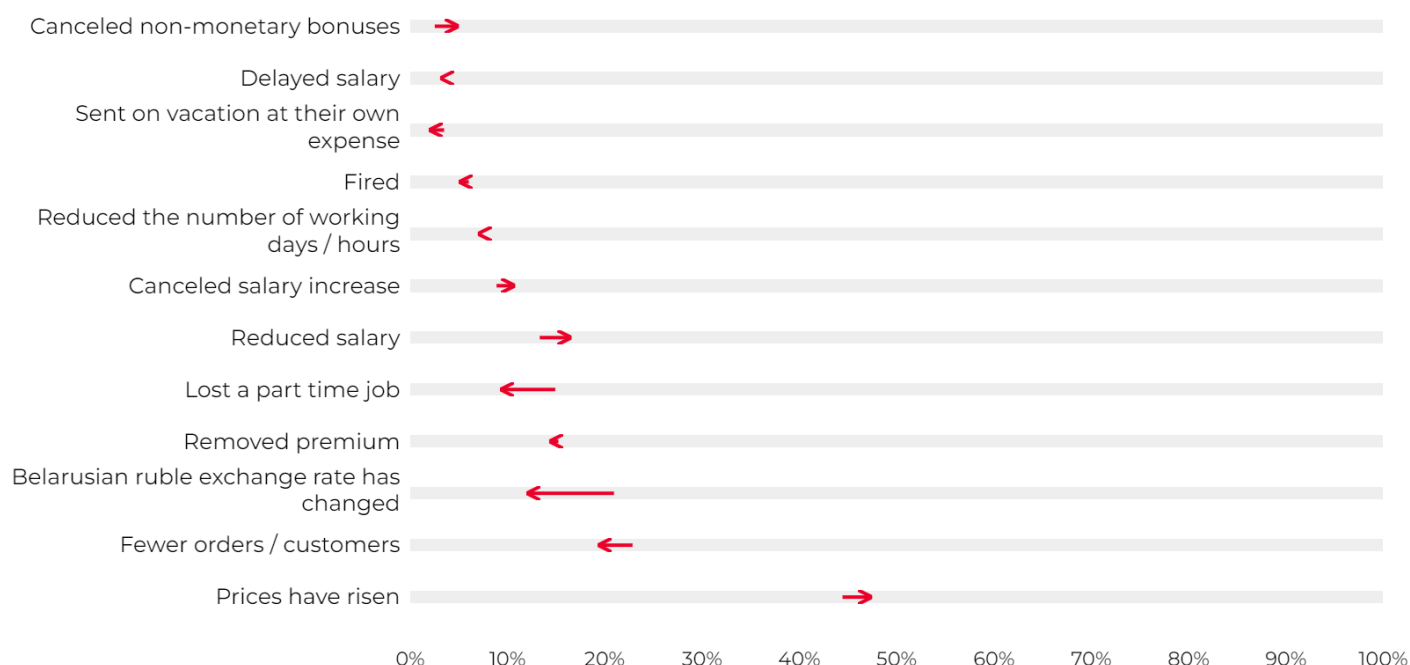
Figure 5. Share of population reporting an income decline (%)

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 the first half of 2024, changes in foreign exchange rates lost their significance: the share of respondents 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%, and in May 2024, this share was only 12%. Thus, the main reasons for the income drop (Figure 5B) in May were “higher prices”, “decreased number of orders or clients”, and “smaller wages”.

5B. Change in the reasons for an income decline

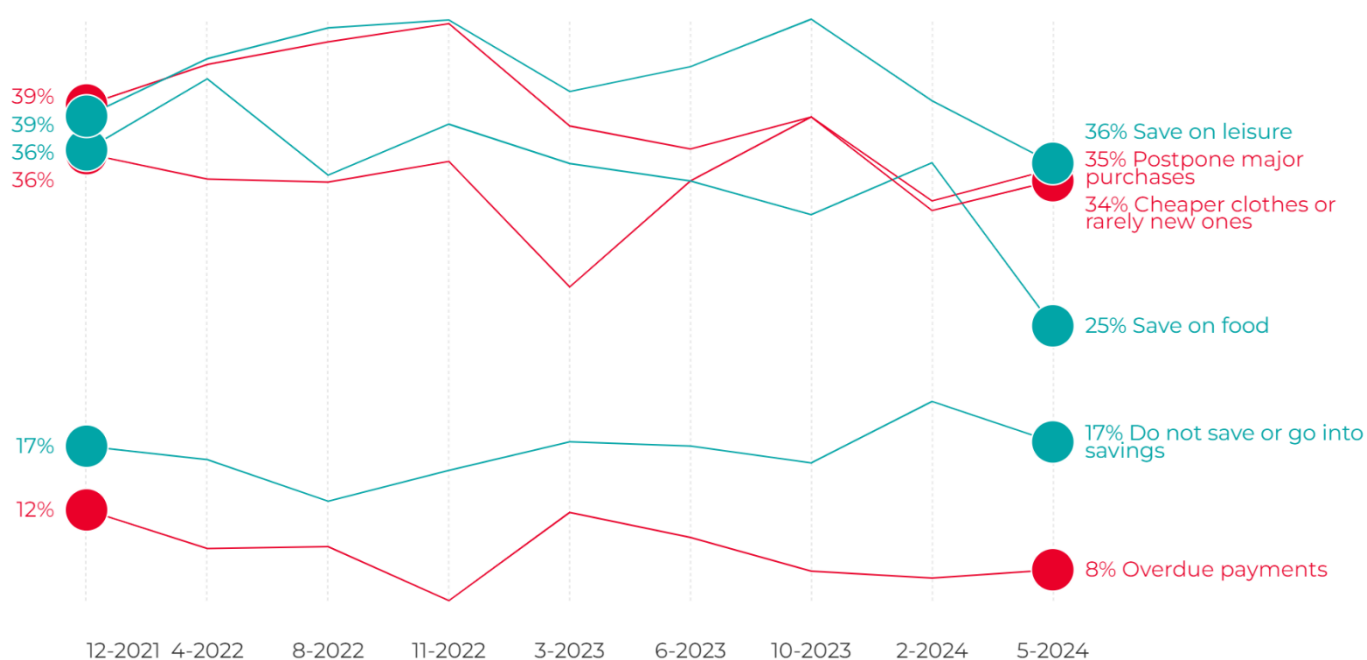


Respondents of this survey wave, when referring to the strategies of coping with their declining incomes (Figure 5B), reported “savings on leisure” and “spent their savings” less often. The share of respondents saving on food has become the lowest among all survey waves and amounted to 25% of respondents with declining income. At the same time, households have been postponing large purchases and saving on clothing a little more often.

5C. How households cope with falling incomes?

(out of those 26% who have experienced an income decline)

■ Decrease ■ Increase



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% (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%. In the first half of 2024, the share of those laid off remained at the same level, and the share of laid off acquaintances increased slightly, but did not reach the level of the previous two years.

At the same time, 53% of respondents have reported a shortage of personnel in the area of their employment: this is 10 percentage points higher than six months ago.

Figure 6. What is the share of the unemployed? I lost my job ■ and one of my acquaintances ■
(percentage of those reporting a job loss)

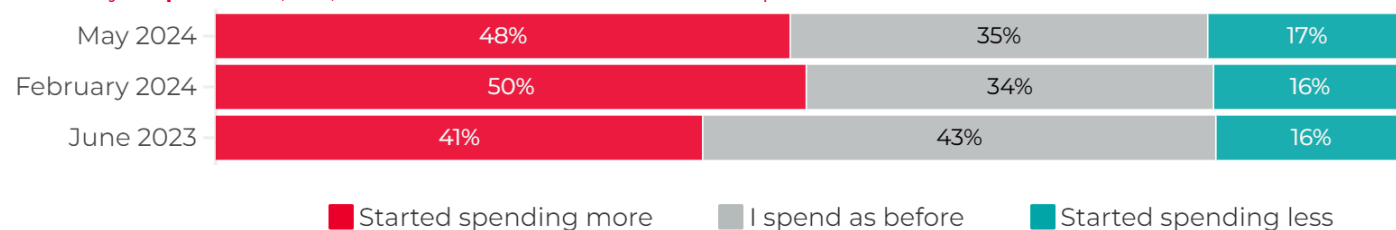


Saving behavior

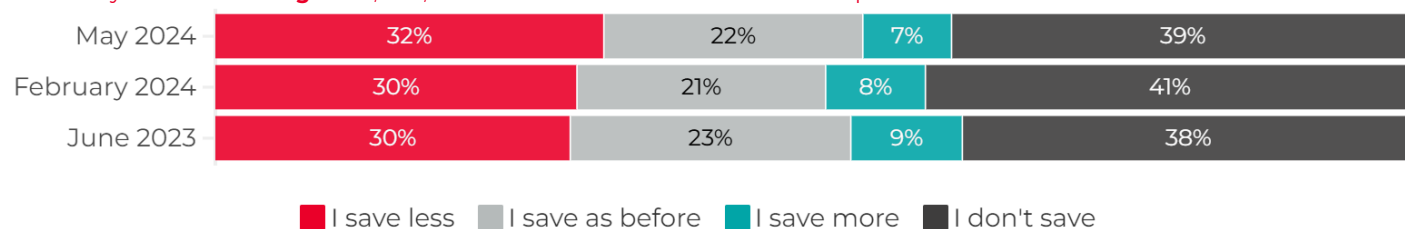
Households did not save more despite the growth in wages recorded in statistics. On the contrary, the share of respondents who have begun to spend more over the past six months has increased compared with summer 2023 (Figure 7). Saving behavior has remained (with minor changes) at the level of summer 2023: a significant share of respondents (39% in May 2024) has not saved at all, and 32% have saved less than before. Thus, the desire to spend still prevails over the desire or ability to save.

Figure 7. Do they prefer 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?



Challenges for the Belarusian economy

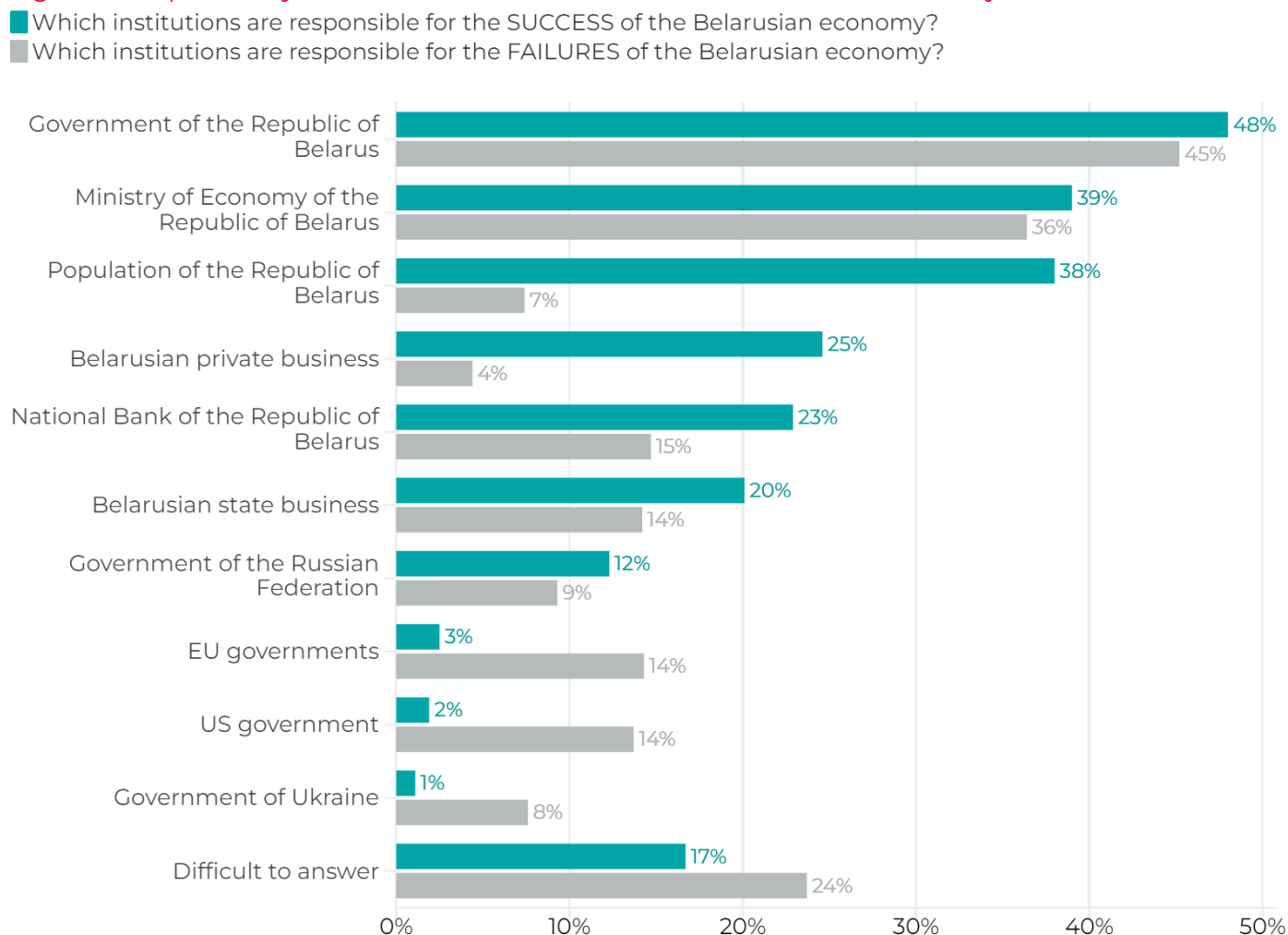
Despite a decrease in the share of respondents who report a deterioration in the Belarusian economy, this share is still high, and it accounts for 36% of the total number of respondents. 30% of respondents report that the economic situation has not changed compared to a year ago (when assessments were predominantly negative, Figure 3). Specifying what challenges the economy is currently facing, about half of the respondents refer to the outflow of qualified personnel from the country and the impact of sanctions (Figure 8). As for sanctions, 65% of respondents believe that the economic situation in the country has worsened due to their impact, and 46% of respondents report that their family's financial standing has also deteriorated. The 3rd challenge in terms of significance is the conflict between the neighboring countries of Belarus (45% of respondents) followed by the decline in trade with Western countries (41% of respondents). It is interesting that about a third of respondents note challenges that the Belarusian economy does not currently face: the weakening of the Belarusian ruble (36% of respondents) and high inflation (31% of respondents). Some respondents are concerned about the tightening of regulatory requirements for registration and operations of individual entrepreneurs: 28% of respondents have reported this challenge. The share of those respondents who find it difficult to identify challenges is small (14% of respondents), and only 2% of respondents have reported that the country's economy is not facing challenges.

Figure 8. What challenges does the Belarusian economy currently face?



The next block of survey questions is about adapting the Belarusian economy to existing challenges and responsibility for this adaptation (Figure 9). Thus, respondents have been asked the question: *“The economy of any country is characterized by its successes and failures. In your opinion, which of the following institutions are responsible for the successes and failures of the Belarusian economy?”* According to the results, a significant share of respondents finds it difficult to answer this question, especially regarding economic failures (24% of respondents), which is partly explained by the fear factor. It is also noteworthy that respondents blame only two of the listed institutions for failures, while there are many more contenders for praise for successes. According to respondents, the Government of the Republic of Belarus (45% of respondents) is primarily responsible for the failures of the Belarusian economy, followed by the Ministry of Economy of the Republic of Belarus (36% of respondents). The same government institutions, as well as the population of Belarus (38% of respondents), are responsible for successes. It is noteworthy that about a quarter of respondents believe that private businesses are responsible for the successes of the economy, and 20% of respondents say that state-owned companies are responsible for the successes. 23% of respondents believe that the National Bank of the Republic of Belarus contributes to achieving economic successes. The answers are distributed quite naturally regarding foreign government institutions: they are insignificantly responsible for successes and failures, but some respondents believe that the Government of the Russian Federation has influenced / is influencing the successes of the Belarusian economy (12% of respondents), and the Governments of the EU member states and the USA are responsible for failures of the Belarusian economy (14% of respondents).

Figure 9. Responsibility for the successes and failures of the Belarusian economy



Experiment 1. Has the economy been coping with the sanctions challenges successfully?

In addition to the fact that respondents see sanctions as one of the most important challenges, 38% of respondents believe that the economy has been coping with this challenge successfully (28% of respondents say “rather successfully” and 10% of respondents say “successfully and very successfully”). A similar share of respondents finds it difficult to answer the question (34% of respondents), and 28% of respondents report that the economy has been coping with the challenges of sanctions poorly.

Then, an experiment was conducted to assess the influence of different information messages on shaping opinions about the economic situation in the country. Respondents were divided into three equal groups, and the first group was not given any textual information before being asked how the economy was coping with the challenges of sanctions. For the second group, a text was generated with a negative (but true) analysis of the economic situation in the country: *“Belarus has been under long-term economic sanctions since 2020; the scale of sanctions expanded in 2022. As a result, the economy contracted by 4.7% in 2022. The economy grew in 2023, but this growth is not enough to fully compensate its fall in 2022.”* It is noteworthy that the

negative information message did not influence the opinions of respondents: everything was like in the base scenario (without a message); the majority of respondents reported that the economy was coping with the ongoing challenges successfully (41% of respondents). Quite naturally, the share of respondents who found it difficult to answer the question decreased slightly (by 4.4 percentage points). These results suggest that the basic attitude of Belarusians towards the economic situation is rather shaped by the negative presentation of information.

On the contrary, respondents turned out to be more susceptible to positive (also true) information messages: *“Belarus has been under long-term economic sanctions since 2020; the scale of sanctions expanded in 2022. Despite, economic growth was 3.9% in 2023, which exceeded not only the forecasts of independent researchers, but also the government’s goals for 2023.”* Results: 46% of respondents reported that the economy was coping with ongoing challenges successfully (+8 p.p. compared to the base scenario), and the share of those respondents who found it difficult to answer the question decreased by 5 p.p.

It is worth noting that in two scenarios the deviation from the base scenario (without any message) was small. This means that respondents’ opinions undergo little transformation, with the exception of a positive message, which slightly improves their assessments of the country’s economy. At the same time, in each of the scenarios, a very large share of households finds it difficult to answer the question, especially the group of respondents that has not received any information message.

Utilities

The next block of household monitoring is the analysis of consumption of utilities and the potential response to higher utility tariffs.

First, let us review the type of heating (Figure 10): central heating is more common in a sample of 1,002 citizens (78% of respondents); 13% of respondents use a gas boiler; 5% of respondents use a woodstove (or a solid fuel boiler), 2% of respondents use an electric boiler, and 2% of respondents find it difficult to answer the question. Gas boilers or woodstoves are mainly used in cities with less than 30 thousand inhabitants.

Regarding cooking:

- the majority of respondents (79%) use a gas stove for cooking;
- 17% of respondents use an electric stove (mostly college students);
- only 7% of respondents use an induction cooker (mainly high income respondents);
- only 2% of respondents use a woodstove.

It also turns out that the structure of the kitchen appliances used for oven-cooking differs from the classical one: e.g., 56% of respondents use a gas stove, 40% respondents use an electric stove, and 6% of respondents do not use any oven at all.

Figure 10. What type of heating is in your dwelling?

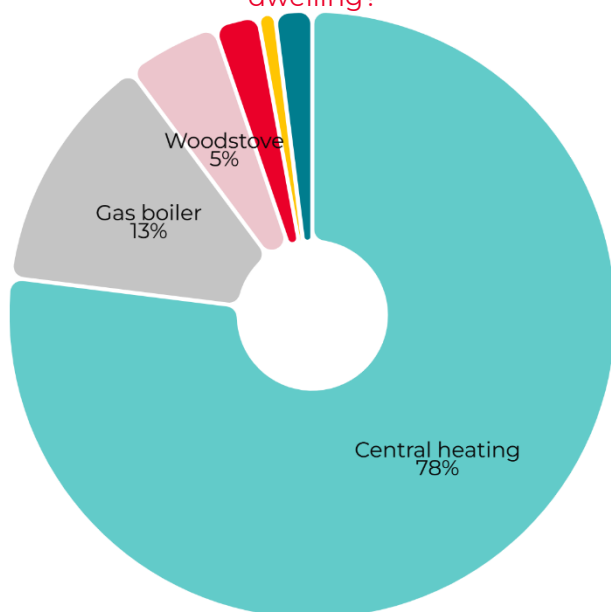
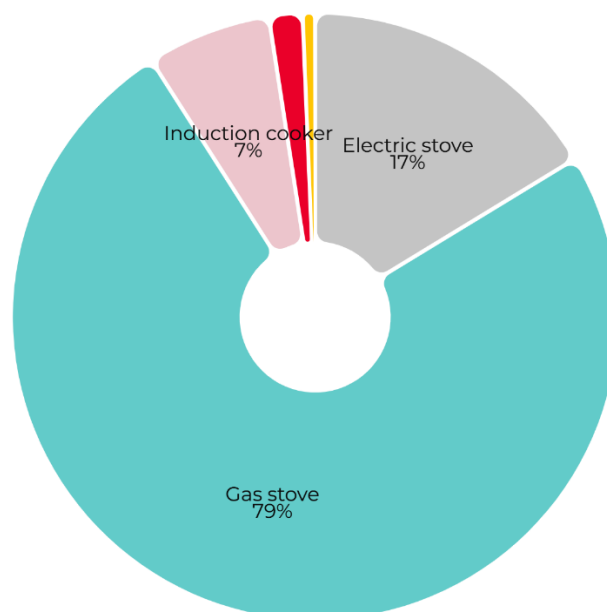
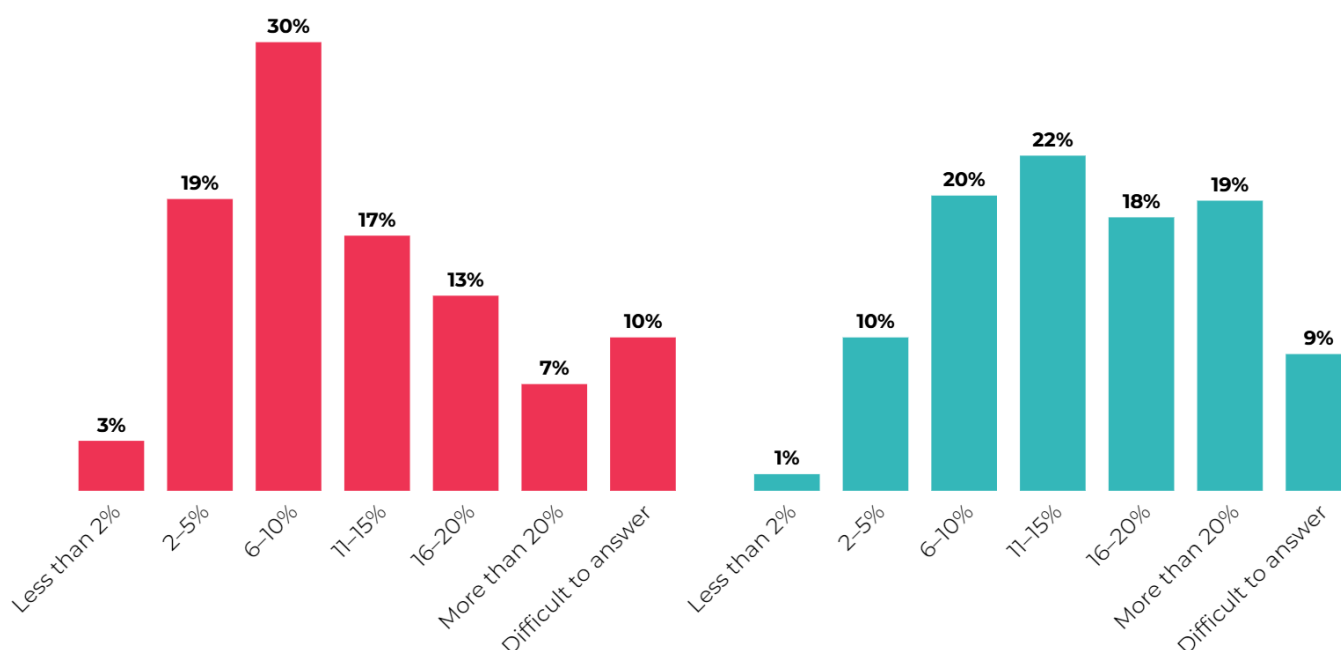


Figure 11. What do you use for cooking?



Among those respondents who pay for utilities themselves (or those respondents who discuss utility tariffs with those who pay utilities), about 70% of respondents spend up to 15% of their total family income for utilities in summer (Figure 11). In winter, the situation changes: 53% of respondents pay up to 15% of their total family income for utilities, and the share of those respondents who pay over 20% of their total family income for utilities increases by 2.7 times. Regarding utility tariffs, 61% of respondents report that utility tariffs have slightly increased compared to the previous year, and a third of respondents report that utility tariffs have increased significantly. Among those providing positive answers, 56% of respondents believe that the amount they pay for utilities is acceptable. However, 40% of respondents find it too high.

Figure 11. What share of family's income you spend to pay for utilities in summer and in winter?



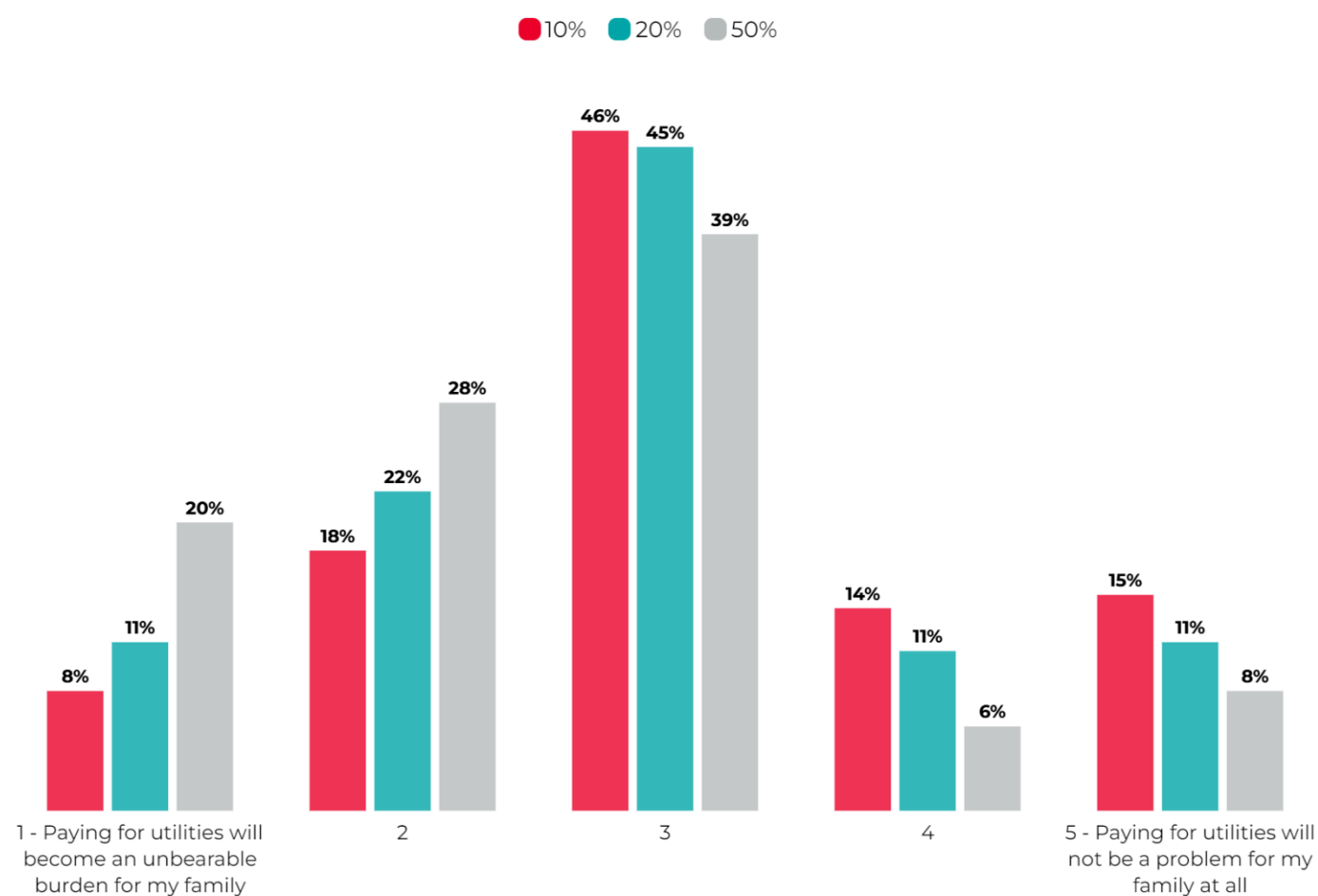
To find out the attitude of households to higher utility tariffs, respondents were asked to simulate the following situation:

“Imagine that after a lengthy discussion in the government and the media, a referendum was held in Belarus, as a result of which a majority vote decided to reduce the country's energy dependence, which should subsequently lead to a gradual increase in utility prices for households.

After discussing it in the Ministry of Housing and Utilities, it was decided to increase utility tariffs by 10%/20%/50% in the first year of introducing changes. There are two statements. Considering your current total family income, assess what statement describes the situation in your family best if utility tariffs increase.”

Regardless of the level of percentage change, the most popular was a neutral attitude towards utility tariff increases (Figure 12). At the same time, with the increase in the percentage by which utility tariffs could potentially increase, the share of respondents for whom paying utilities may soon become an unbearable burden has also grown. If utility tariffs grow by 10%, 26% of respondents will find it challenging to pay for utilities; if utility tariffs grow by 20%, a third of respondents will find it challenging to pay for utilities; if utility tariffs grow by 50%, 48% of the surveyed households will find it challenging to pay for utilities. On the contrary, a 10% increase in utility tariffs will most likely NOT become a problem for 29% of respondents.

Figure 12. How will the increase in utility tariffs affect your family's income?



Experiment 2. What utility tariffs should households have?

This experiment tests the possibility of influencing the opinions of respondents through various information messages regarding energy policy in Belarus. Thus, in the base scenario (without any information message), 56% of respondents believe that utility tariffs should be lower than today, and 33% of respondents accept current utility tariffs. Next, one of the groups of respondents was provided with a piece of information slightly explaining the utilities pricing structure: *“Currently, energy tariffs for households are significantly lower than energy generation costs. For example, the cost of generating thermal energy is 132 BYN/Gcal today; however, households pay only 24.7 BYN/Gcal. The rest is paid by enterprises (which makes their products more expensive) or by the government budget (i.e. using tax revenues paid by residents of Belarus).”* This awareness-raising resulted in a 9 p.p. reduction in the share of respondents who believed that utility tariffs should be lower. This was due to a higher share of those who believed that utility tariffs should be approximately at the current level (+12 p.p.).

The next 2 information messages were quite similar but resulted in different outcomes. One of them was: *“Currently, energy tariffs for household consumers are significantly lower than those in other neighboring countries. This is mainly because Belarus gets energy commodities from Russia at lower prices than other countries. However, this increases Belarus’ energy dependence on Russia, which is a mechanism of Russian interference in the internal affairs of Belarus.”* This message did not particularly influence the opinions of respondents, only slightly (by 5 p.p.) increasing the share of respondents who accepted current utility tariffs. This result may signal that respondents' basic attitude towards utility tariffs is based on awareness about energy dependence on Russia.

The last message was formulated in a similar way, but without emphasizing political intervention: *“Currently, energy tariffs for household consumers are significantly lower than those in other neighboring countries. This is mainly because Belarus gets energy commodities from Russia at lower prices than other countries. However, this increases Belarus’ energy dependence on Russia.”* The results turned out to be similar to the effects of the first message: the share of respondents who believed that utility tariffs should be lower decreased by 7 p.p., while the share of those respondents who accepted current utility tariffs increased by 11 p.p.

Naturally, only 1.4% of respondents (experiment average) have reported that utility tariffs should be higher. The share of those who found it difficult to answer the question was small (6% of respondents on average), with a minimum level of 4% in case of the second information message (about Russia’s political interference). Thus, respondents’ opinions are most strongly influenced by information messages about the current pricing model in Belarus.

Conclusions

According to the quarterly household monitoring data, the Consumer Confidence Index — along with its components — slightly decreased and amounted to -4.8% (under the Rosstat methodology) in May 2024.

Personal incomes have maintained the trend observed in the previous survey wave: 22% of respondents have reported an income decrease (without referring to the impact of foreign exchange rates and rising prices) — they have been saving significantly less on food and leisure. Belarusian households do not tend to save, and the share of those who spend more has increased since summer 2023 and amounts to 48% of respondents.

The situation has been stabilizing on the labor market: the share of those who have lost their jobs remains at a minimum level (1.8%), and the share of those who report that someone they know has lost his/her job is 15.4% (a 1.7 p.p. growth).

The gap in negative assessments of the household's financial standing and the situation in the Belarusian economy has been bridging. A deterioration in the economic situation compared to a year ago is reported by 36% of respondents; respondents report the following key challenges in the economy: the outflow of qualified personnel from the country, the impact of sanctions, and the conflict between Belarus' neighboring countries.

38% of respondents believe that the economy has been coping with the sanction's challenges successfully, while 34% of respondents find it difficult to answer the question. Positive presentation of economic analytics slightly improves the attitude towards the economic situation in the country.