Belarus Economy Monitor:
trends, attitudes and expectations

Households

March 2023

Summary

- The Consumer Confidence Index (CCI) continues to recover despite the ongoing war and sweeping sanctions imposed on Belarus and its largest trading partner Russia.
- The value of the Consumer Confidence Index (according to the Rosstat methodology) was -16.6% in March 2023: it increased by 2.8 percentage points (p.p.) compared to November 2022 and by 8.2 p.p. compared to April 2022.
- The value of the Consumer Confidence Index, excluding the component of the current state of the economy (by the Eurostat methodology) increased from -15.0% in November 2022 to -13.3% in March 2023, which moved Belarus to 7th position in the ranking among European countries.
- Respondents assess the current state of the country's economy the worst: 56% believe that the economic situation has worsened.
- The share of respondents who reported their decreased income over the past month in March 2023 did not change much: it was 39%.
- The share of those who lost their jobs in the last two weeks lowered to 3.7%, but the job loss rate among their friends and acquaintances was 20.2%, i.e. it was higher than the average value in previous waves.

Methodology

The bulletin was prepared based on the data from five online surveys of urban residents aged 18-64; the survey waves took place on: a) December 2—8, 2021; b) April 19—25, 2022; c) August 26—31, 2022; d) November 21—25, 2022; and e) March 2—4, 2023. The sample corresponds to the urban population structure in Belarus, and it is adjusted for the country's regions, respondents' sex and age.

The Consumer Confidence Index reflects the general perception and expectations of the population regarding Belarusian economy and the financial situation 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.

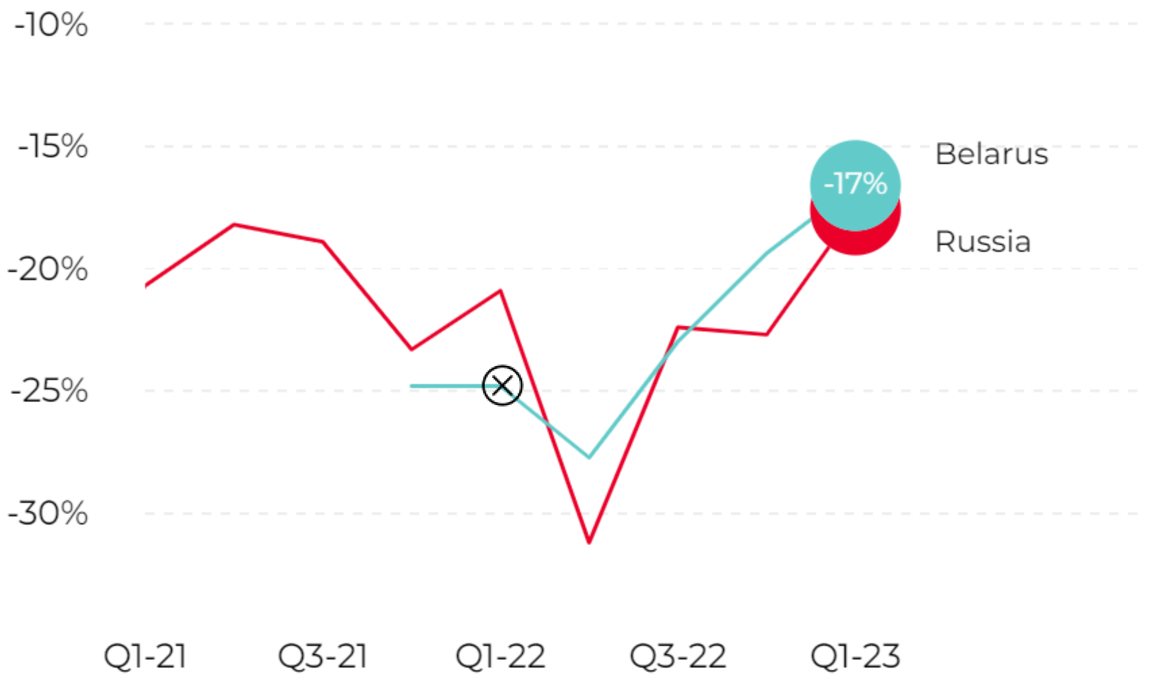
Interpretation of the CCI outcomes

The Consumer Confidence Index 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 the strategy of their consumer behavior.

Belarus and Russia

The value of the Consumer Confidence Index — it includes 5 components (under the Rosstat methodology) — was -16.6% in March 2023 in Belarus (an increase of 2.8 percentage points compared to November 2022), while the index value in Russia was -17.6% (an increase of 5.1 percentage points). After a significant index drop in Q2-2022, consumer attitudes and expectations continue to recover, and the index in Russia has surpassed its pre-war value.

Figure 1. The Consumer Confidence Index in Belarus and Russia in 2021-2023
(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) Income of the population has been hardly growing in Russia, just like in Belarus.
c) Economic sanctions have affected both countries.
d) Russia is the key trading partner for Belarus.

Belarus and EU

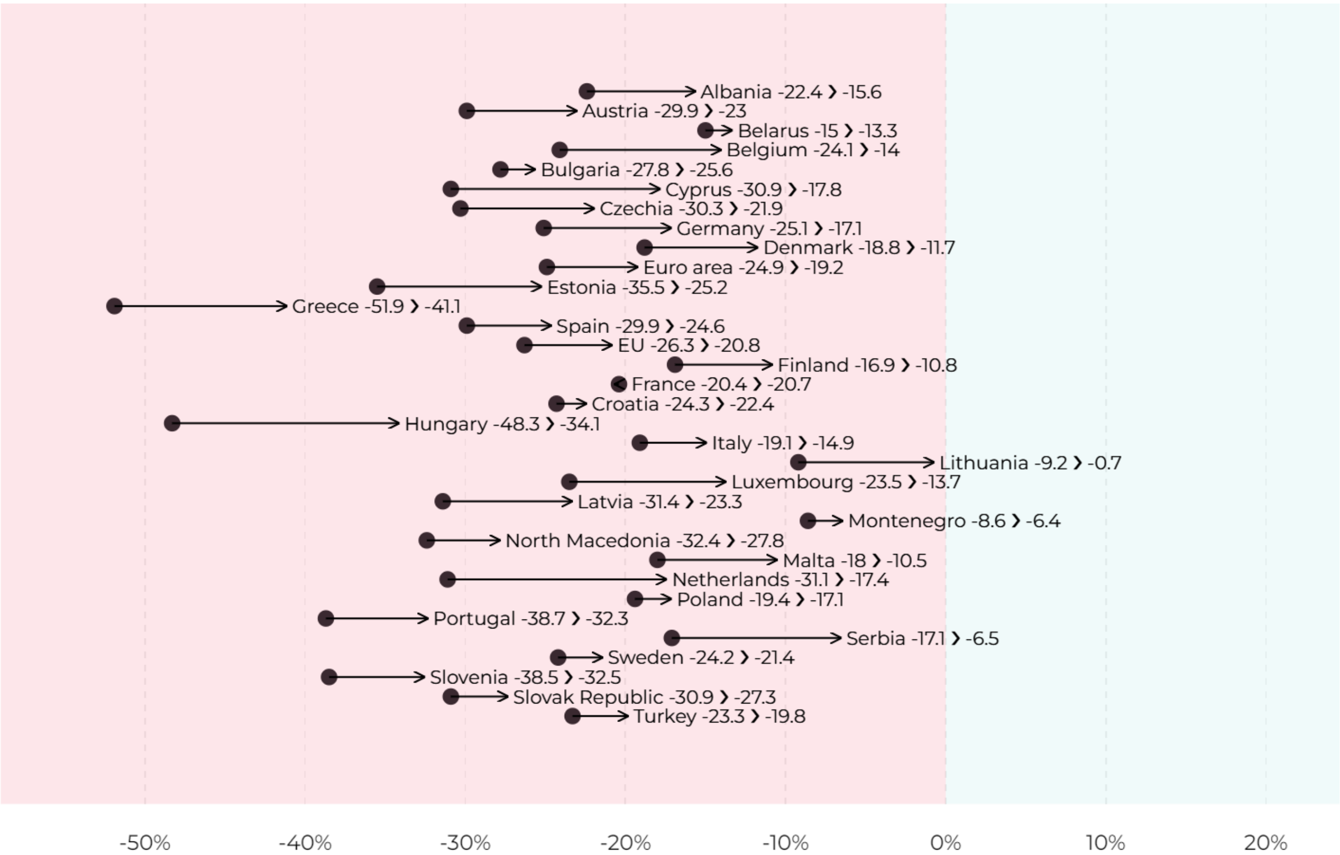
The value of the Consumer Confidence Index in Belarus according to the methodology of Eurostat was -13.3% in March. The indices of all monitored European countries improved in Q1-2023: the index increased by 5.7 p.p. on average in the Euro area, while one of the most insignificant changes was observed in Belarus: an increase of only 1.7 p.p. (only France was less: 0.3 p.p.).

The most significant growth is observed in Hungary (+14.2 p.p.), in the Netherlands (+13.7 p.p.), and in Cyprus (+13.1 p.p.); some countries approached the positive zone of the index: in particular, the Consumer Confidence Index increased by 8.5 p.p. and became -0.7% in Lithuania.

In November 2022, Belarus ranked 3rd in the Consumer Confidence Index, and as of March 2023, it was ranked 7th in the ranking of European countries.

Figure 2. Consumer Confidence Index in Europe in November 2022 and March 2023

(The Y-axis is A-Z sorted, the lengths and directions of the arrows show the change compared to November 2022)



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

a) 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.[1]

b) The European Union is the second most important trade partner of Belarus.

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[1] A Revised Consumer Confidence Indicator. European Commission, official website, 2018.

Components of the Consumer Confidence Index

Note. Component calculation formula

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

where PR are the most positive responses;
P are positive responses;
MN are the most negative responses;
N are negative responses.

As in the previous survey waves, the population of Belarus assesses the economic situation in the country more negatively than the financial standing of the family (Figure 3: Q1 and Q3). Thus, in March, 56% of respondents noted that the economic situation in the country had worsened compared to a year ago, and this was the smallest share of respondents in all 5 survey waves. In general, there is a positive trend in assessing the current economic situation in the country: compared to a year ago, 13% believe that the situation has improved (+8 p.p.); 22% believe that the situation has not changed (+7 p.p.); and 56% believe that the situation has worsened (-14 p.p.). Compared with actual estimates, the GDP of Belarus decreased by 2.3% (YoY) in January-April 2022 and by 2.1% (YoY) in January-March 2023 (according to preliminary data).[2]

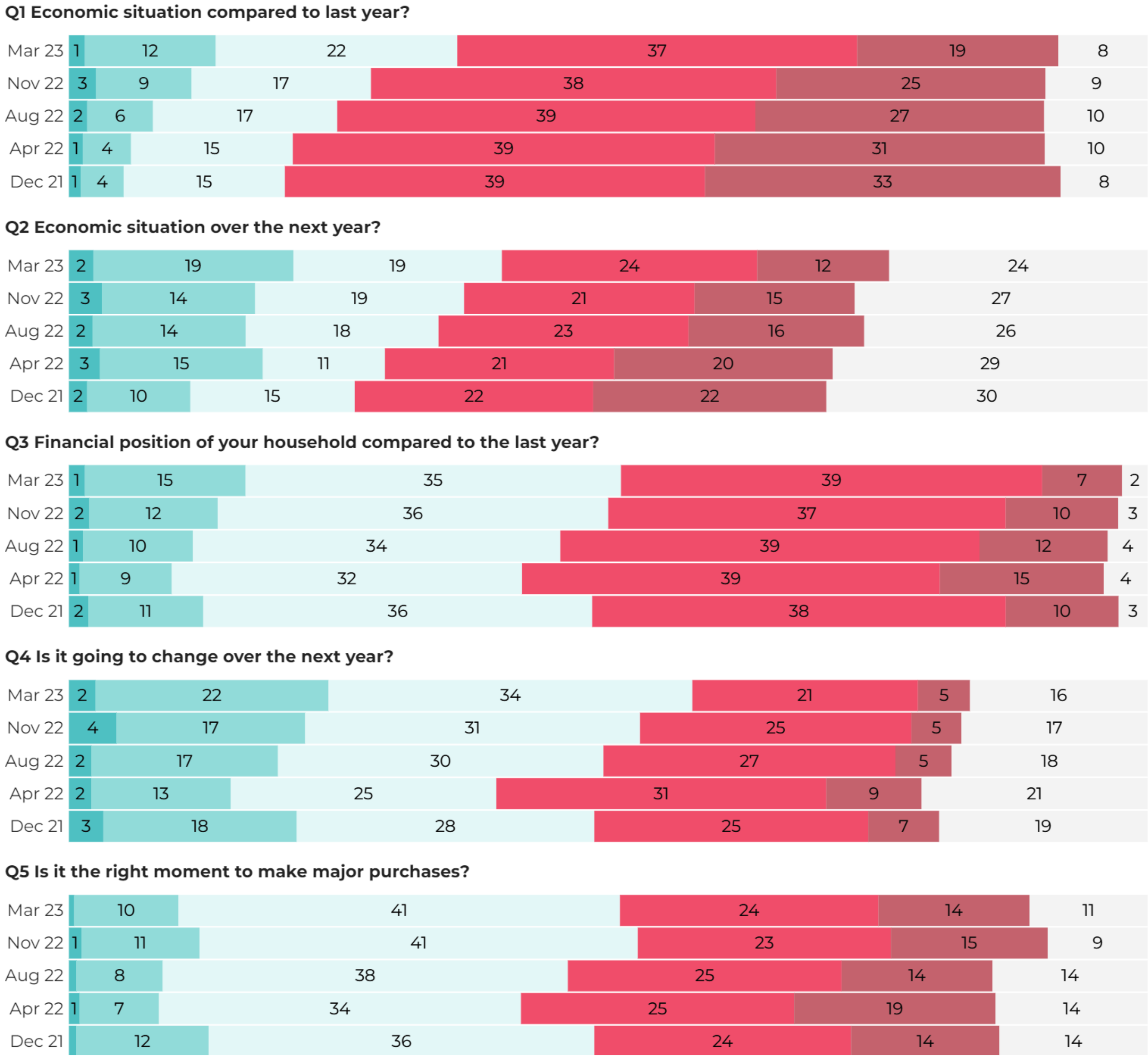
The estimates of the financial standing of the family slightly improved (Q3): 16% of respondents noted an improvement (a 6 p.p. increase compared to a year ago); 35% did not see any changes (+3 p.p.), and 46% said that their financial standing worsened (-8 p.p.). It is noteworthy that the situation did not improve in real wages over the periods under review: the real wage growth was 2% (YoY) in January-April 2022, and it was 1.7% (YoY) in January-March 2023.[3]

Speaking about assessments of the future, there is still a high level of uncertainty and impossibility of forecasting among the population (Q2 and Q4): e.g., 24% of respondents find it difficult to assess the economic situation in the country; 16% do not know what will happen to their financial standing. The outlook for the economy typically rates worse: 36% expect the economic situation to worsen, and 21% expect the economic situation to improve. However, the future looks more optimistic to households: 24% of respondents expect their financial standing to improve (+9 p.p. compared to April 2022); 26% of respondents expect their financial standing to get worse (-14 p.p.); and one third of respondents do not expect any changes in their financial standing.

Nobody is in a hurry to make big purchases: only 10% (-2 p.p. (YoY)) of respondents believe that now is a good time for big purchases (i.e. furniture, household appliances, etc.), which reflects a certain level of consumer depression.

[2] Source: Belstat
[3] Source: Belstat

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



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 value domain of the Consumer Confidence Index and the expectations component referring to the future expectations of the country’s economic situation was in a negative range in all groups of respondents except for the workers in the agriculture and forestry sectors (Figure 4A).

In age groups, the least pessimistic — regarding both present and future — are young people 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+: -22.6%.

In the regional context, the most pessimistic respondents lived in Minsk: their Consumer Confidence Index was -15.1% in March 2023, and their component of the country's future was -16.1%.

Depending on income, people with low incomes (up to 500 BYN net per month) feel the worst of all; and people with high incomes (over 1,000 BYN net per month) become the main pessimists about the future as usual: they estimate the component of the country's future is -14.5%.

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

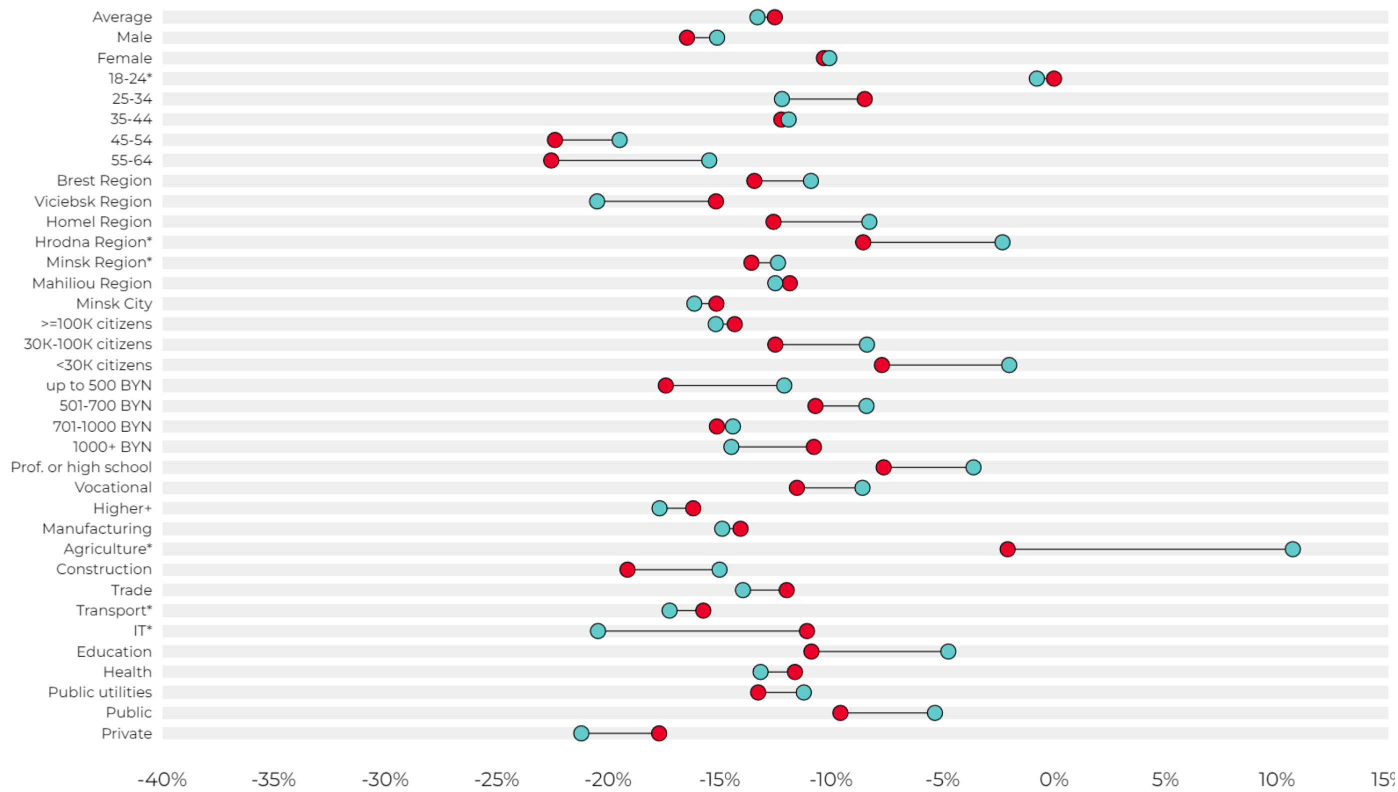
Depending on the field of activity, employees of the agriculture and forestry sectors stand out: their values (as in the previous survey wave) are among the most optimistic; and IT workers (as in the previous survey wave) are the main pessimists.

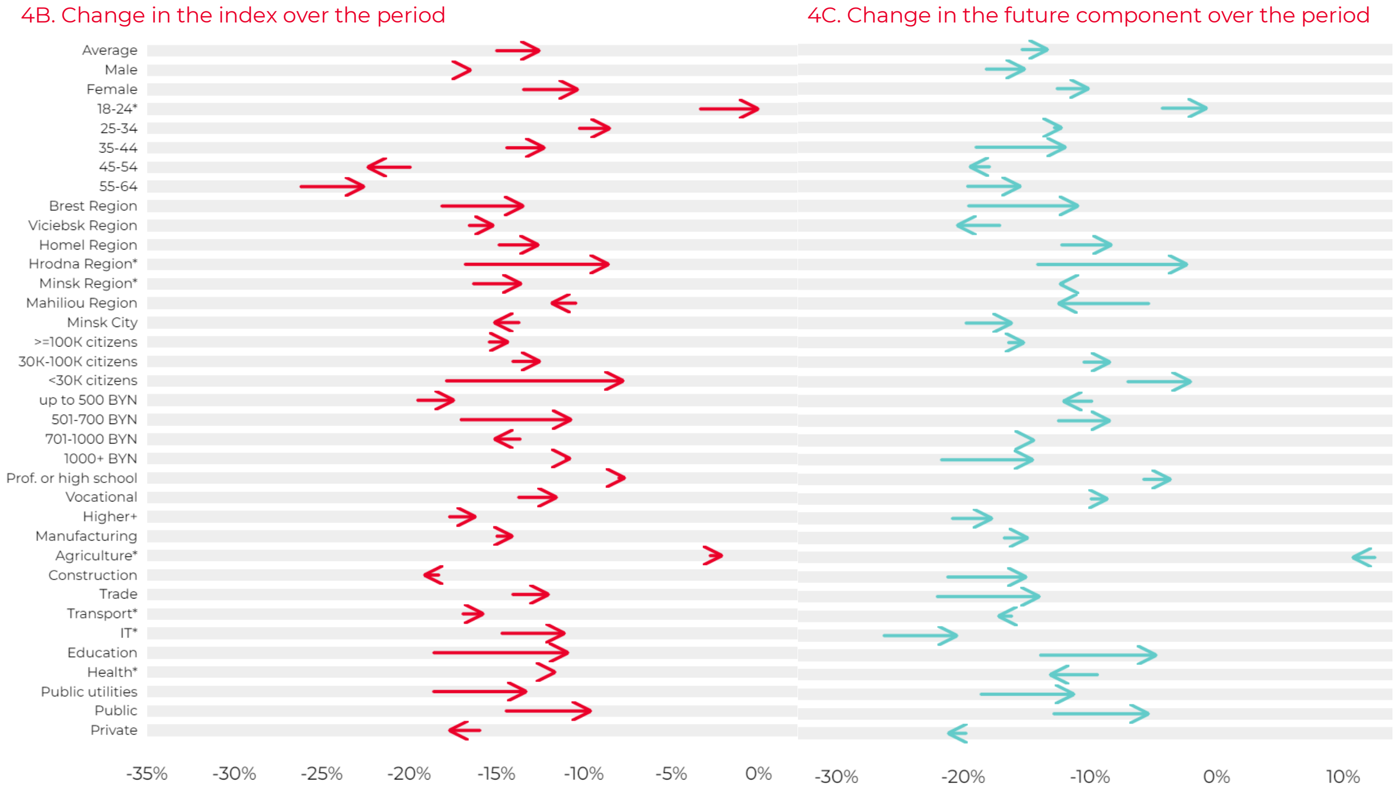
The employees of private enterprises are still more pessimistic than the employees of state-owned enterprises; moreover, the employees of state-owned enterprises get more optimistic (4B and 4C).

Figure 4. The Consumer Confidence Index and the country's future component

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

4A. March 2023





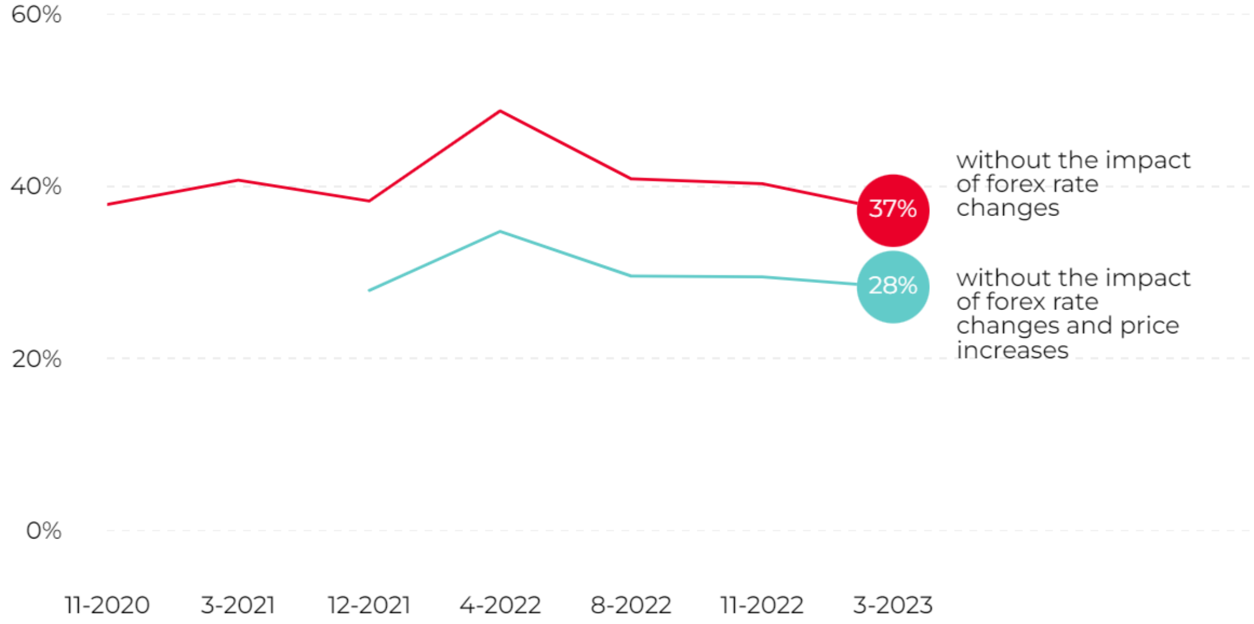
Incomes of the population

The share of respondents who reported an income decrease for the last month was 39.4% in March 2023.

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 37%; 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 28% (Figure 5). The highest shares of respondents reporting an income decline — without referring to the foreign exchange rate changes and price increases — were in the following groups:

- those with low income;
- those with higher and secondary specialized / vocational education;
- those employed in the construction and trade sectors;
- those employed in the private sector.

Figure 5. Share of population reporting an income decline (%).
(Impact of the price increase is taken into account starting December 2021.)
5A. Change in share, since late 2020

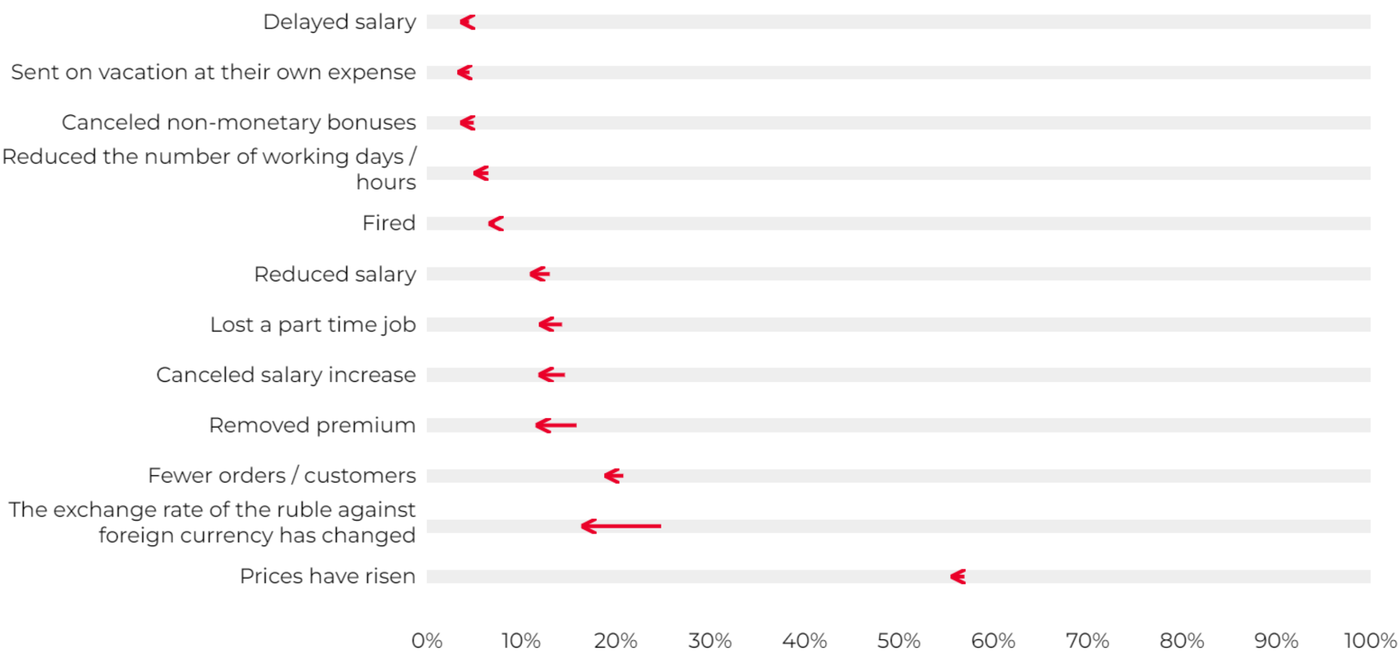


Background info. Why your income decreased?

Options: reduced bonuses / salaries, fewer orders placed, unpaid leaves, part-time jobs lost, got fired, salary delays, price increases, changed forex rates.

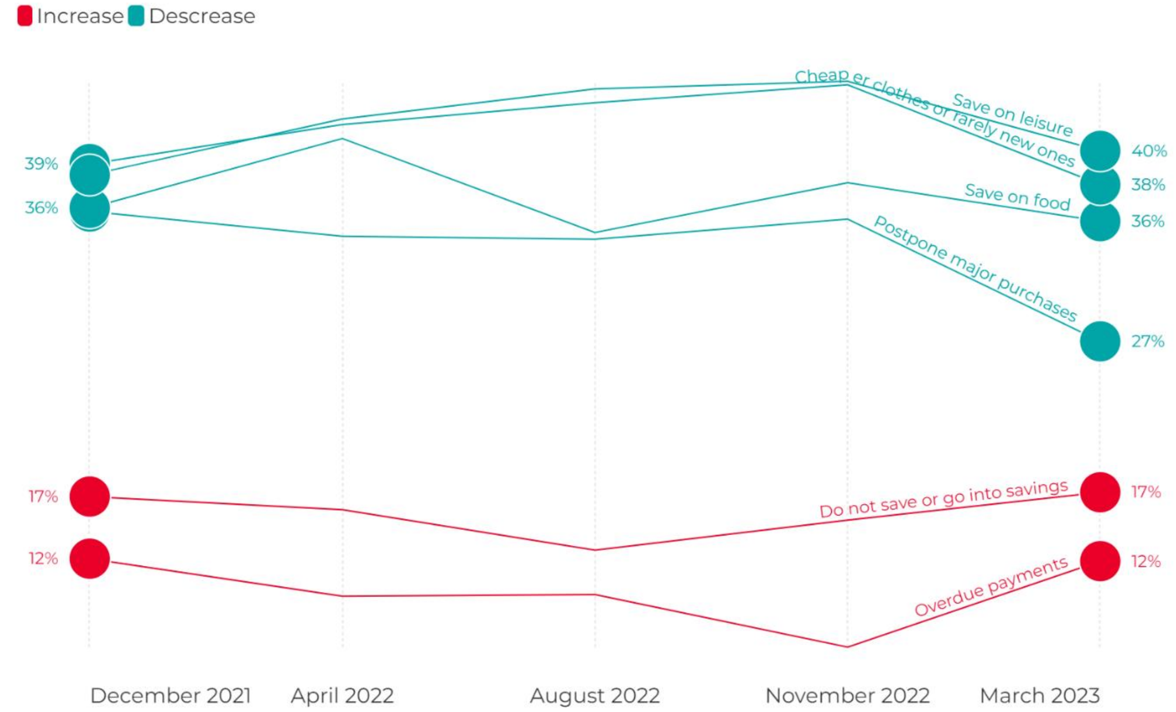
In March, the main reasons for falling earnings (5C) were *higher prices, foreign exchange rate changes, smaller number of orders, the loss of part-time jobs* and *salary cuts*.

5C. Change in the reasons for an income decline



Respondents reacted to the decline in income in the following ways (Figure 5D): respondents saved **far less** on food, leisure, large purchases, and clothing in this survey wave. At the same time, the population began to save less, and the share of respondents who overdue obligatory payments (loans and utilities) doubled. Thus, households have begun to save less despite income decline.

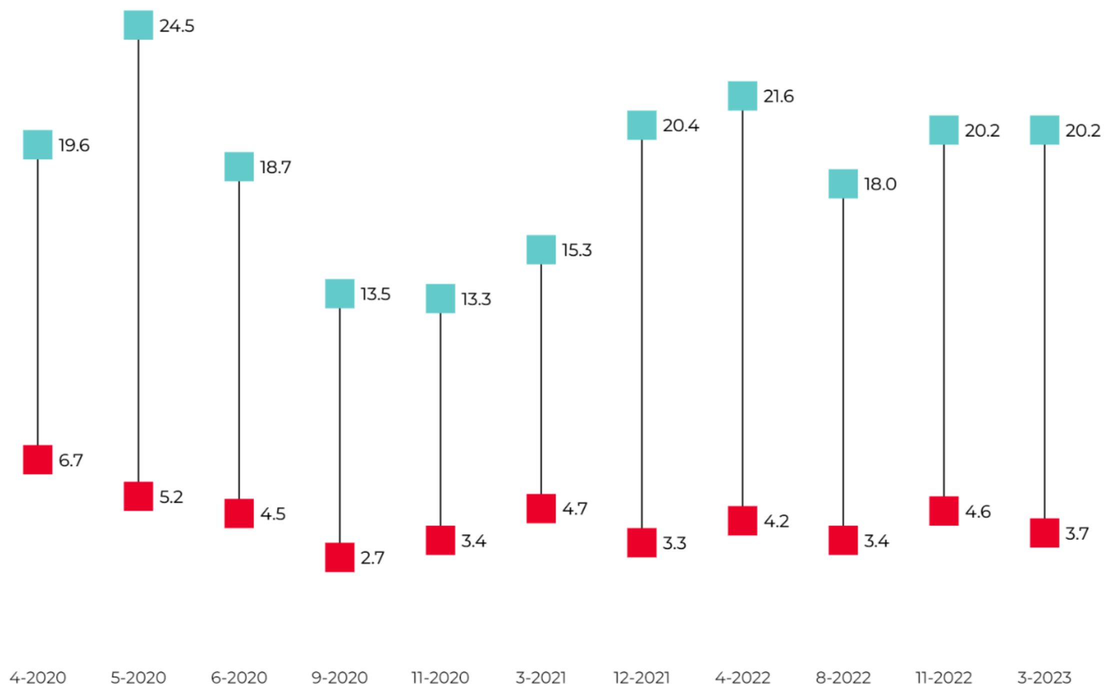
5D. How households cope with falling incomes?
(out of those 39% who have experienced an income decline)



Labor market

The labor market stays in a paradoxical situation as before. On the one hand, the share of those who have recently lost their jobs is at an average level of 3.7% (a decrease of 0.9 percentage points). At that, the rate of their jobless friends and acquaintances was 20.2%: this was one of the highest rates in the last two years still, with the exception of the COVID-19 pandemic period (Figure 6).

Figure 6. What is the share of the unemployed? I lost my job as well as one of my acquaintances
(Percentage of those reporting a job loss)

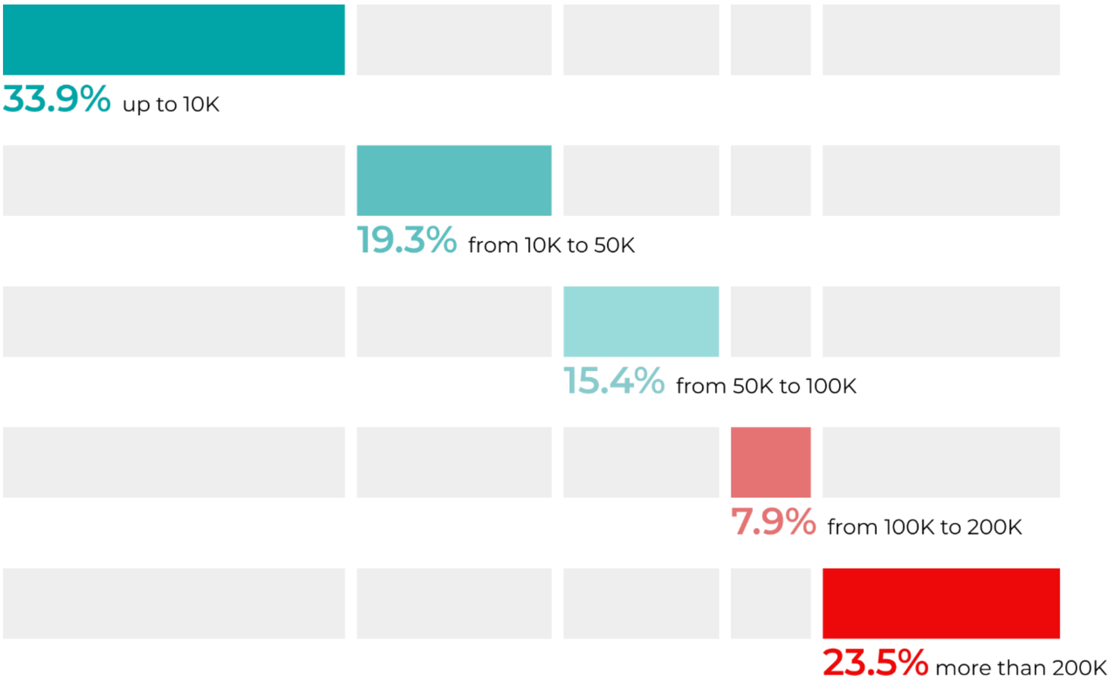


Attitude of Belarusians towards emigration

About half of the respondents note that some of their relatives and friends emigrated from Belarus in 2020-2023, and 68% of these respondents say that up to 5 people among their relatives and friends emigrated from Belarus. Residents of Minsk, people with higher education, top managers of organizations, and entrepreneurs report this most often. 42% of respondents say that no one of their relatives or friends has emigrated: most often, these are low-income people and unskilled workers.

Estimates differ in terms of perception of the scale of emigration (Figure 7): 23.5% of respondents believe that over 200,000 people have emigrated; 33.9% believe that up to 10,000 people have emigrated (the share of respondents consuming state-owned media is significant among the latter percentage).

Figure 7. Emigration scale estimates according to Belarusians in Belarus



As of March 2023, about 80% of respondents do not plan to emigrate from Belarus; 9.3% plan to emigrate but they do not know yet if they will emigrate within a year; and 2.2% of respondents plan to emigrate and they know that they will emigrate within a year. 95% of respondents who prefer state-owned media do not plan to leave the country.

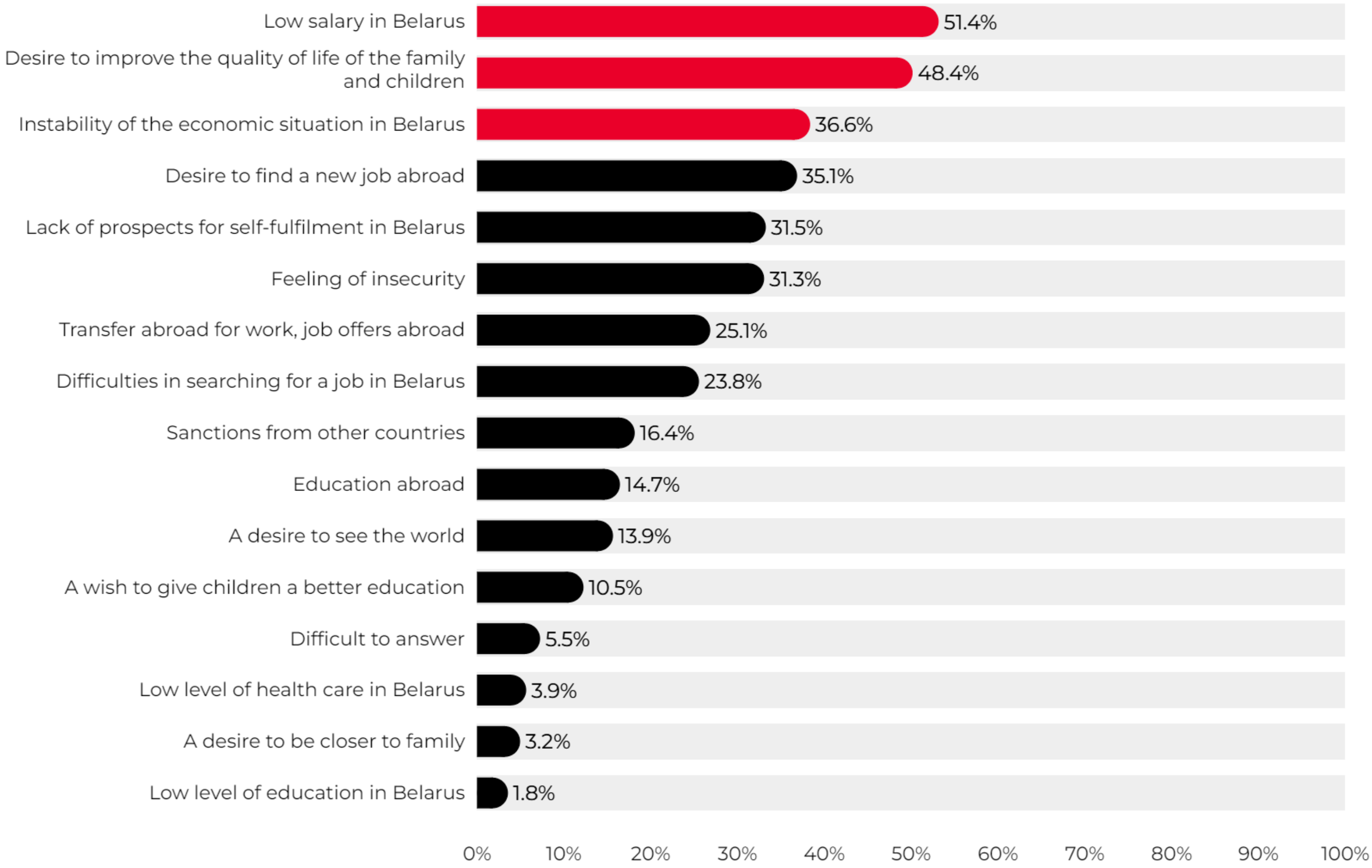
Emigrant profile (according to Belarusians in Belarus)

Respondents believe that most often emigrants from Belarus have an average or above average income; among the most popular fields of activity are the sectors of IT, healthcare and construction.

According to respondents in Belarus, the main reasons for emigration were the low level of wages in Belarus and the desire to improve the quality of life of families and children

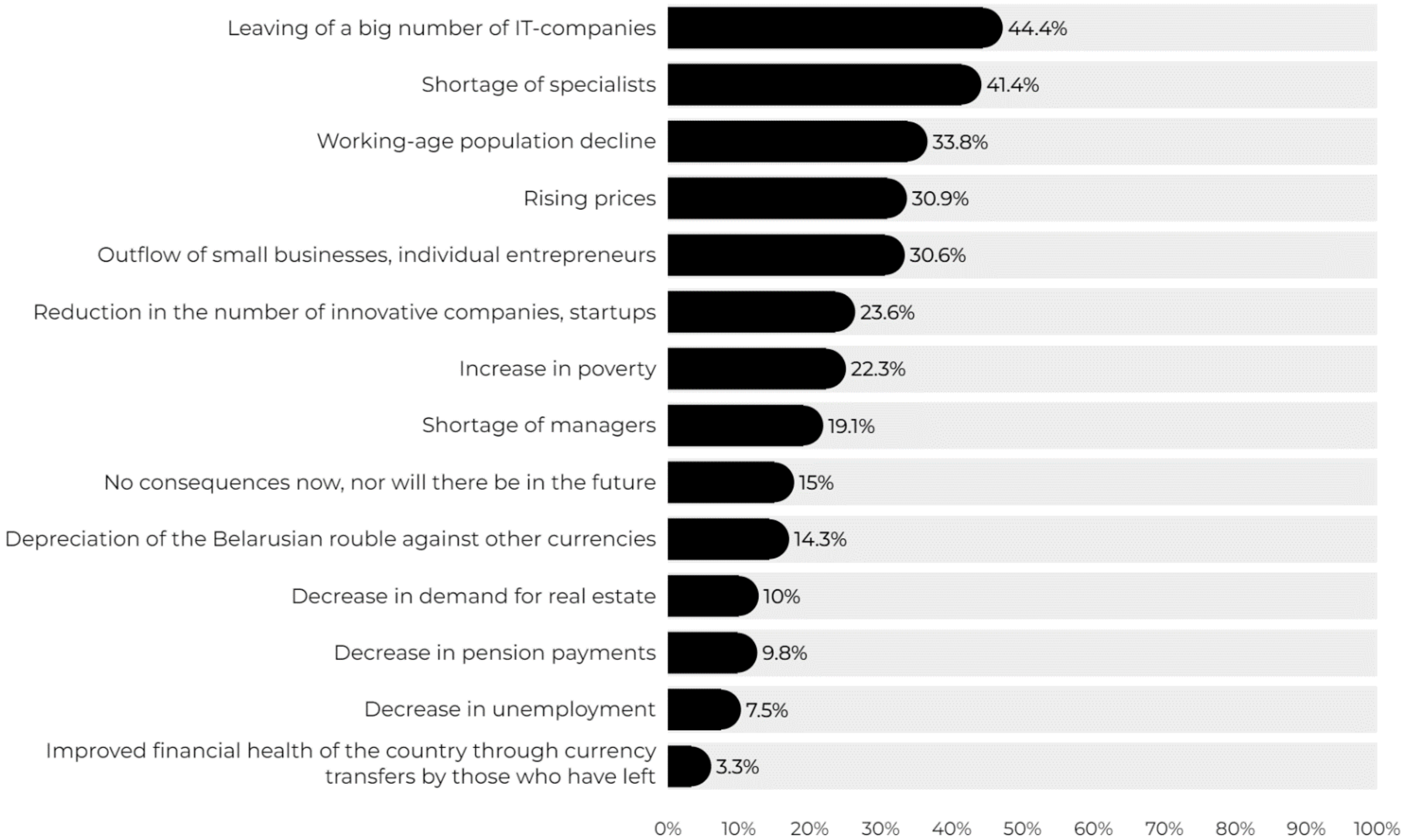
(Figure 8). 36.6% of respondents point out the instability of the economic situation in Belarus as a reason; most often, this share are managers and executives. The feeling of insecurity and lack of security was mentioned as a reason by 31.3% of respondents; IT sector workers chose this response most often.

Figure 8. Perception of the emigration reasons



56% of respondents believe that emigration has had a negative impact on the country's economy as a whole; 7% of respondents say that emigration has had a positive effect. Among the consequences for the economy that have manifested or will manifest themselves in the future, the most popular are the exit of a large number of IT companies, the lack of specialists, and the decrease in the working population (Figure 9).

Figure 9. Emigration consequences for the economy



Conclusion

Household monitoring data indicate that the Consumer Confidence Index, together with its components, continues to recover after a significant decline at the beginning of the war. Incomes of the population have also stopped falling: 28% of respondents reported an income decrease (without referring to the impact of the foreign exchange rate and rising prices) — they began to save less on food and large purchases. The labor market is stable, but the share of social tension is still high, when the acquaintances lose their jobs many times more often than actual layoffs occur.

The population still reports the deterioration of the economic situation in the country and does not hope for its recovery in the coming year. Respondents also note the negative effect of people's emigration and expect its additional negative consequences in the future.