Belarus Economy Monitor:
trends, attitudes and expectations

Express Analysis
Economic Activity

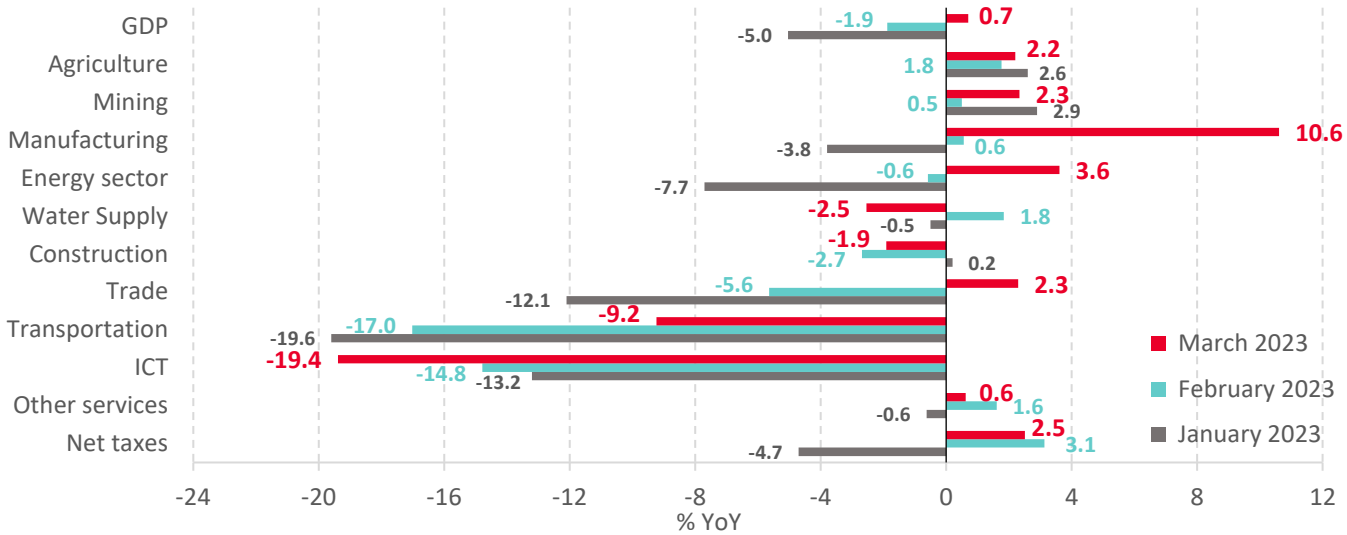
April 2023

Belarusian GDP kept recovery dynamics in March

GDP decreased by 2.1% (YoY) in Q1-2023. In particular, output increased by ≈0.7% (YoY) in March after declining by ≈1.9% (YoY) in February (Figure 1). A partial output recovery because of the economy's adaptation to the imposed sanctions and image shocks allowed the growth rate (YoY) to reach a positive zone: the GDP volume of March 2023 was compared with the low value of March 2022. The GDP volume (seasonally adjusted) increased by ≈0.6—0.7% versus February. Thus, the output remained on a recovery trajectory. This was facilitated by continued growth in the industrial production and in the adjacent wholesale trade sector. The decline in the ICT sector and weak dynamics in the transport sector had a dampening effect on GDP (Figure 2.a).

GDP will continue recovering if there are no new shocks. Given the low base of spring-summer 2022, the annual growth rate will increase significantly in the coming months, but the cumulative total — from the beginning of the year until May-June — will remain in the negative zone. Subsequently, the cumulative growth rate will become positive, but the monthly output dynamics is likely to worsen, as the GDP volume approached its equilibrium level already in March in the context of infrastructural and production constraints.

Figure 1. Dynamics of GDP and value added in Belarusian sectors (given month versus the corresponding month of the previous year: %, YoY)



Note: The indicator dynamics updates once new data are published.

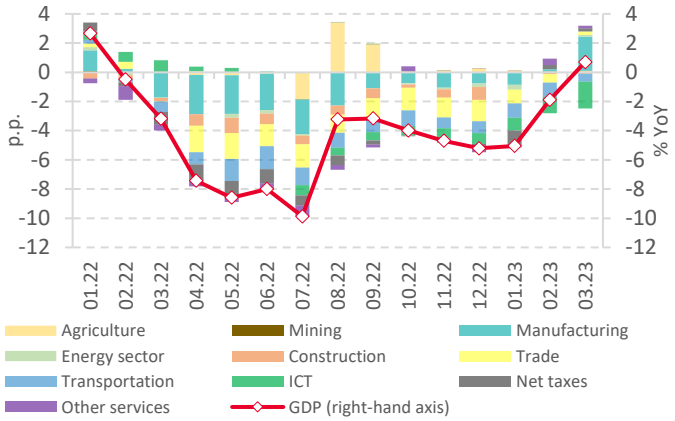
This Express Analysis is an operational analysis of the status of the key macroeconomic indicators of Belarus.

Value added in the manufacturing sector grew by ≈10.6% (YoY) in March 2023 due to adaptation to sanctions restrictions

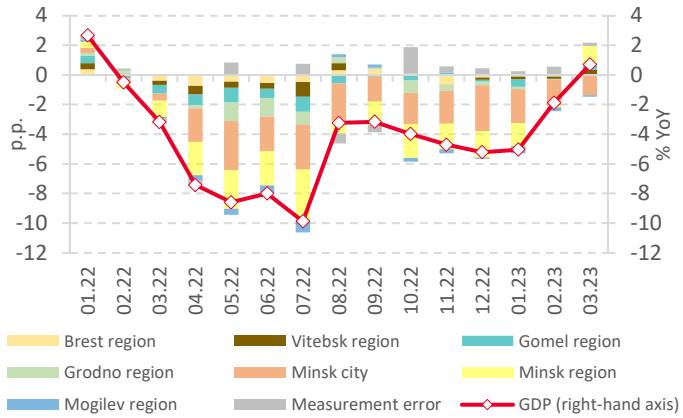
The contribution of the manufacturing sub-sectors to GDP growth (YoY) was estimated at ≈2.4 p.p. in March 2023 (Figure 2.a). The trends have continued in the sector. The output of the Minsk region was probably supported by the growth of the automotive industry and by the partial recovery of the potash fertilizer production. High growth rates were recorded in the Gomel and Vitebsk regions (Figure 2.b), which mainly reflected the effect of scaling-up oil refining. The production of manufacturing sub-sectors continued to expand in Minsk, probably due to the output of engineering products. The nominal volume of industrial production in the Brest and Grodno regions (seasonally adjusted) slightly decreased in March compared to February; this may indicate that the food industry output is approaching its maximum capacity and/or that it is affected by the strengthening of the Belarusian ruble against the Russian ruble.

Figure 2. The GDP growth structure in Belarus

a) sectoral;



b) regional.

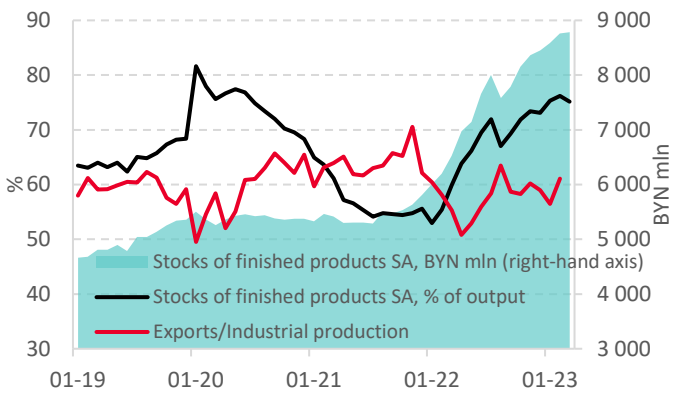


Note: The estimates update once the data are verified. The energy sector includes water supply.

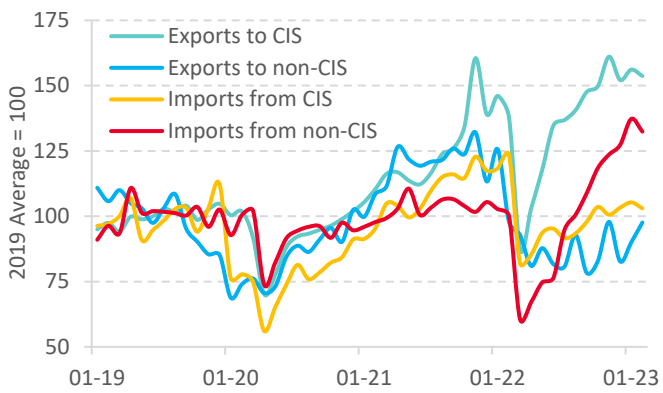
Stockpiles stayed close to the local peak value of the previous month in March (seasonally adjusted) (Figure 3.a). Stockpiles have not emptied significantly, and the dynamics of stockpiles as a whole signals the insufficient resilience of the recovery dynamics in the manufacturing industry, which can unfold at any time if there are failures in the established supply chains.

Figure 3. Dynamics of stockpiles and foreign trade in goods

a) stockpiles;



b) value volume of foreign trade in goods (seasonally adjusted).



Note: SA is a seasonally adjusted indicator. The X13 procedure in the JDemetra+ app was applied to make a seasonal adjustment. The indicator dynamics updates once new data are published.

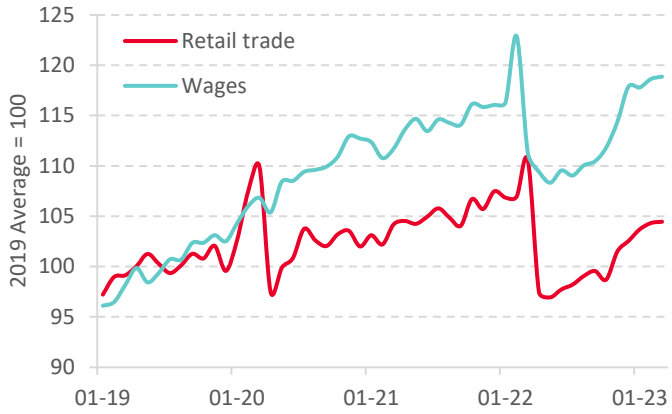
Value added in the trade sector increased by ≈2.3% (YoY) in March, thus adding ≈0.2 p.p. to annual GDP growth

The gain in the trade sector was associated with a wholesale trade turnover growth by 9.4% (YoY) in March, which was possible due to the recovery dynamics in processing industries. The retail trade sub-sector declined by 3.6% (YoY) in March. At the same time, the volume of retail trade (seasonally adjusted) remained close to the February volume, i.e. below the pre-war volumes (Figure 4.a). The recovery in consumer demand for goods slowed down despite continued growth in real wages (Figure 4.a). This discrepancy may be due to shrinking employment, which affects the income of the population, as well as a strong increase in prices for certain goods (e.g., cars) due to the complexity of logistics.

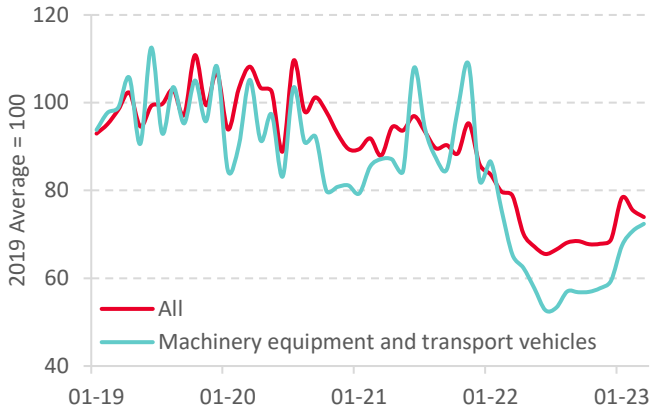
At the same time, consumer demand for services grew (+1.2% (YoY) in 2022): passenger transportations grew by 15.8% (YoY) in March and catering grew by 17% (YoY) in March. The increase in service consumption was probably a continued recovery from the pandemic shock. It cannot be ruled out that some of the services — that had been consumed in other countries — were consumed domestically due to challenged foreign travels, thus compensating foreign demand for the services. In addition, the demand for services can be spurred on by Russian citizens.

Figure 4. Retail trade and investment dynamics

a) retail and wages (seasonally adjusted, in real terms);



b) investments (seasonally adjusted, in real terms).



Note: The real volume of retail trade has been calculated by deflating the nominal retail trade volume by the Consumer Price Index for food and non-foods. Real wage has been calculated by deflating the nominal wage by the Composite Consumer Price Index. The indicators of real investment have been calculated by deflating the nominal investment by the Investment Goods Producer Price Index. Seasonal adjustment (individually for nominal indicators and price indices) was made through the X13 and TRAMO/SEATS procedures in the JDemetra+ application. The indicator dynamics updates once new data are published.

In March, a positive contribution to annual GDP growth was also made by the sectors of agriculture (≈0.1 p.p.), energy (≈0.1 p.p.), mining (≈0.02 p.p.), as well as by net taxes on food (≈0.2 p.p.). Most of the indicated sectors were supported by the recovery of the manufacturing sector, and in terms of taxes, the sectors were also supported by the growth in imports of goods from outside the CIS (Figure 3.b).

The ICT sector had another "record-breaking" output fall in March

Value added in the ICT sector fell by ≈19.4% (YoY) in March after declining by 14.8% (YoY) in February (Figure 1). As a result, the sector made a negative contribution of ≈1.8 p.p. to GDP growth (Figure 2.a). In general, according to the results of Q1-2023, the volume of the ICT sector output slightly decreased compared to the previous quarter (seasonally adjusted) and rolled back to the level of late 2019 (Figure 5).

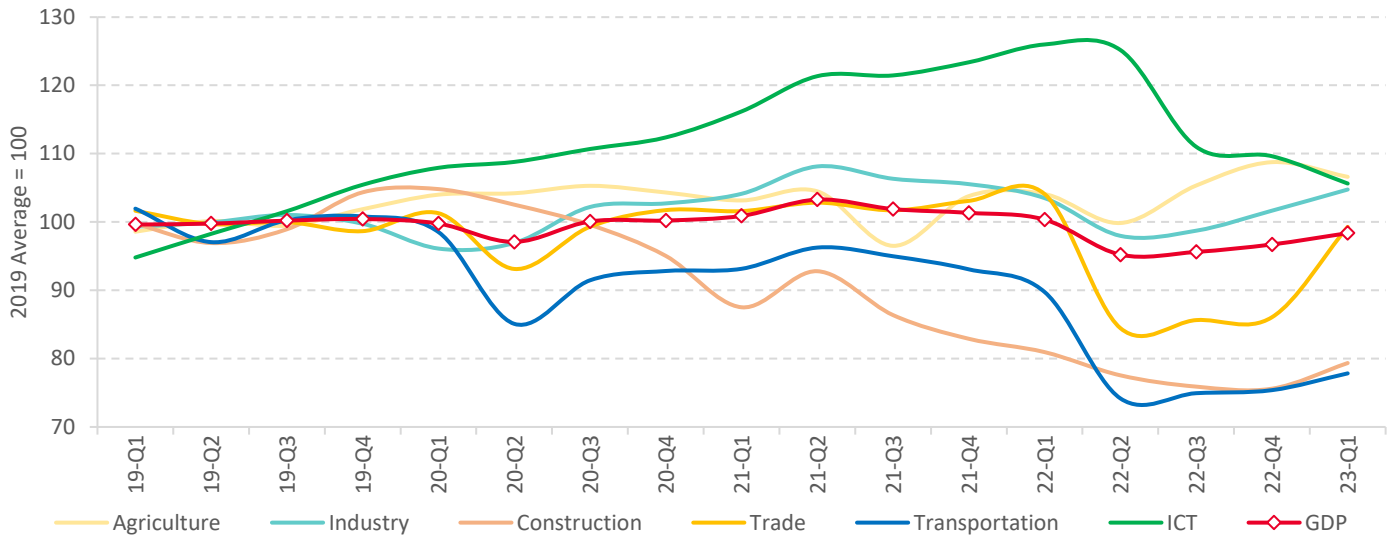
The transport sector continued to restrain GDP growth in March: value added decreased by ≈9.2%, subtracting ≈0.6 p.p. off GDP growth (YoY)

In March 2023, freight turnover was 29.2% lower versus March 2022, and value added in the transport sector had a small recovery in Q1-2023 unlike in the manufacturing and wholesale trade sectors, which grew markedly (Figure 5). This situation, as we have noted earlier, can be explained by a reduction in transit, an increased share of stockpiled output, and changes in the structure of industrial production.

The weakness of the construction sector limited investment activity in March

The value added in the construction sector decreased by ≈1.9% (YoY) (Figure 1). The sector continued contracting despite the low statistical baseline: the decline was ≈4.3% (YoY) in March 2022 and ≈20.8% (YoY) in March 2021. The weak dynamics of the construction sector caused a slight decrease in investment in fixed assets (seasonally adjusted) in March, compared to February (Figure 4.b). At the same time, investments in machinery, equipment and vehicles continued a slow recovery trajectory (Figure 4.b). Investments have been supported by loose monetary policy leveraged through low interest rates and recovery processes in the manufacturing sector. At the same time, overall investment activity remains weak in an unfavorable business climate.

Figure 5. GDP dynamics and value added of Belarusian sectors at constant prices, seasonally adjusted (average values of 2019 = 100)



Note: The X13 procedure in the JDemetra+ app has been applied to make a seasonal adjustment. The indicator dynamics updates once new data are published.