

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 -10.2% in June 2023: it increased by 6.4 percentage points (p.p.) compared to March 2023 and by 9.2 p.p. compared to November 2022.
- The value of the Consumer Confidence Index, excluding the component of the current state of the economy (under the Eurostat methodology) increased from -13.3% in March 2023 to -8.2% in June 2023, which moved Belarus to the 6th position in the index among European countries.
- Respondents assess the current state of the country's economy the worst: 44% believe that the economic situation has worsened.
- The share of respondents who reported their decreased income over the past month in June 2023 reached its historic low throughout all survey waves (since December 2021): it was 32.6%.
- The share of those who lost their jobs over the past two weeks dropped to 3.3%, but the rate of job loss among friends and acquaintances was still high: 17.7%.

Methodology

The bulletin was prepared based on the data from six 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; e) March 2—4, 2023; and f) June 28-30, 2023. The sample corresponded to the urban population structure in Belarus, and it was adjusted by the country's regions, respondents' sex and age.

The Consumer Confidence Index 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

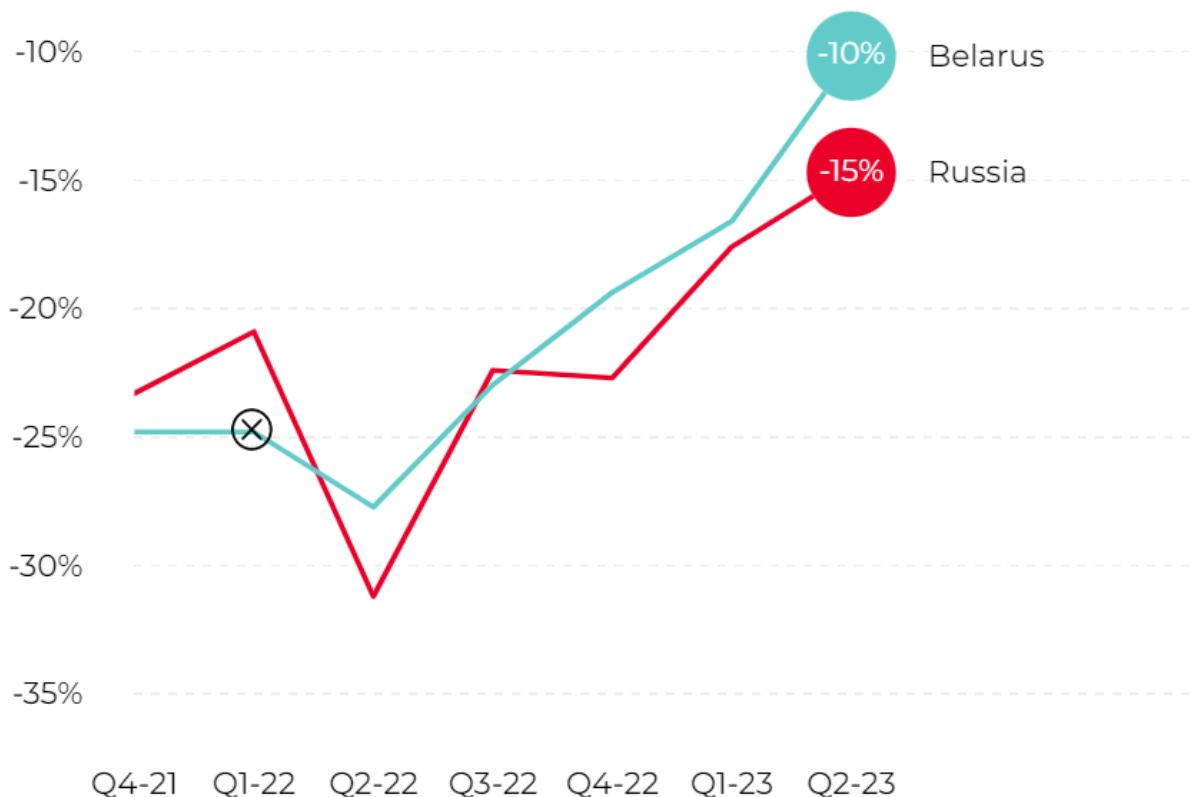
The **Consumer Confidence Index** is a composite indicator reflecting the population's assessment of the economic situation in the country in general and the financial standing of households in particular. In addition to the actual assessment, the index also includes questions related to the perception 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 June 2023 value of the Consumer Confidence Index, including 5 components (under the Rosstat methodology), was -10.2% in Belarus and -14.7% in Russia (the Rosstat data for May 2023). After a significant index drop in Q2-2022, consumer attitudes and expectations continued recovering: compared to the previous quarter, the index grew by 2.9 p.p. in Russia and by 6.4 p.p. in Belarus, i.e. 2 times higher than in Russia.

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?

- Russian economy — just like Belarusian economy — has been experiencing challenges with the long-term economic growth potential.
- Income of the population has been hardly growing in Russia, just like in Belarus.
- Economic sanctions have affected both countries.
- Russia is the key trading partner for Belarus.

Belarus and EU

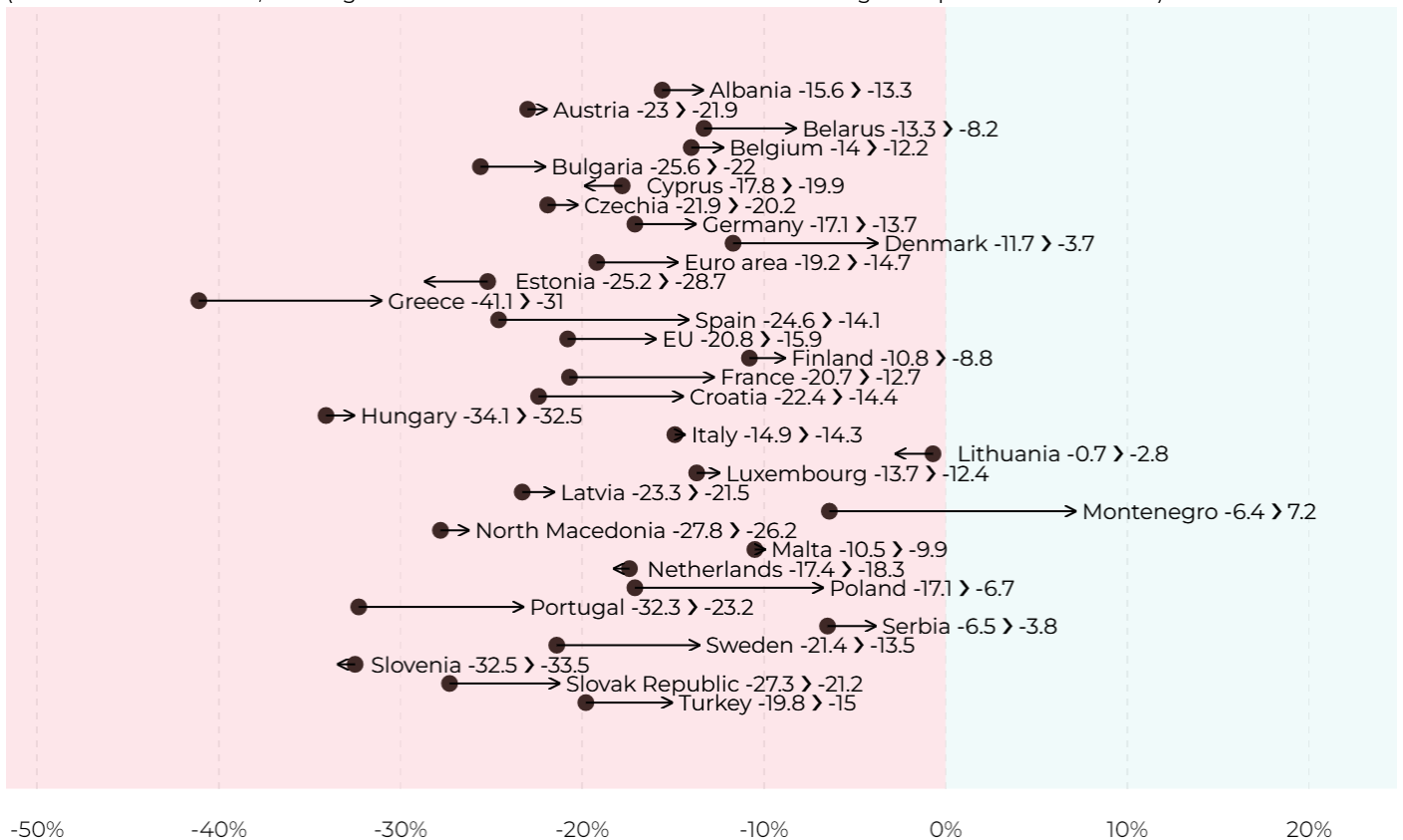
The value of the Consumer Confidence Index in Belarus (under the Eurostat methodology) was -8.2% in June 2023 (a 5.1 p.p. growth). The indices of the majority of the monitored European countries improved in Q2-2023: the index increased by 4.5 p.p. on average in the Euro zone. The most significant deterioration in the index value was observed in Estonia (-3.5 p.p.); Lithuania did not manage to move into the positive zone of the index: its value amounted to -2.8% (a 2.1 p.p. decrease).

The most significant growth was observed in Spain (+10.5 p.p.), Poland (+10.4 p.p.), Greece (+10.1 p.p.); Montenegro demonstrated a radical change in the Consumer Confidence Index, being in the positive zone of the index: a 13.6 p.p. increase.

Belarus ranked 3rd in the Consumer Confidence Index in November 2022, 7th in March 2023, and 6th in June 2023 among European economies.

Figure 2. Consumer Confidence Index in Europe in March and June 2023

(The Y-axis is A-Z sorted, the lengths and directions of the arrows show the change compared to March 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.¹
- The European Union is the second most important trade partner of Belarus.

¹ [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 are the most positive responses;
P are positive responses;
MN are the most negative responses;
N are 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 this survey wave: e.g., in June, 44% and 41% of respondents, respectively, noted 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 assessing the current economic situation in the country: compared to a year ago, 18% believe that the situation has improved (+5 p.p.); 25% believe that the situation has not changed (+3 p.p.); and 44% believe that the situation has worsened (-12 p.p.). Comparing with the actual estimates, the GDP of Belarus for the first half of 2023 increased by 2% (versus the first half of 2022, when GDP decreased by 4.6 p.p.).²

The estimates of the financial standing of the family somewhat improved (Q3): 19% of respondents noted an improvement over the past year (+3 p.p.), while 37% did not see any changes (+2 p.p.), and 41% said that their financial standing worsened (-5 p.p.). The reasons for the improvement could also be seen in official statistics: the real disposable money income of the population increased by 3% in January-May 2023 compared to the same period of the previous year, and real wages increased by 7.4% in the 1st half of 2023 (YoY).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., 27% 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: 30% expect the economic situation to worsen, and 22% expect the economic situation to improve. However, the future looks more optimistic to households: 26% of respondents expect their financial standing to improve (+7 p.p. compared to August 2022); 20% of respondents expect their financial standing to get worse (-12 p.p.); and 37% of respondents do not expect any changes in their financial standing.

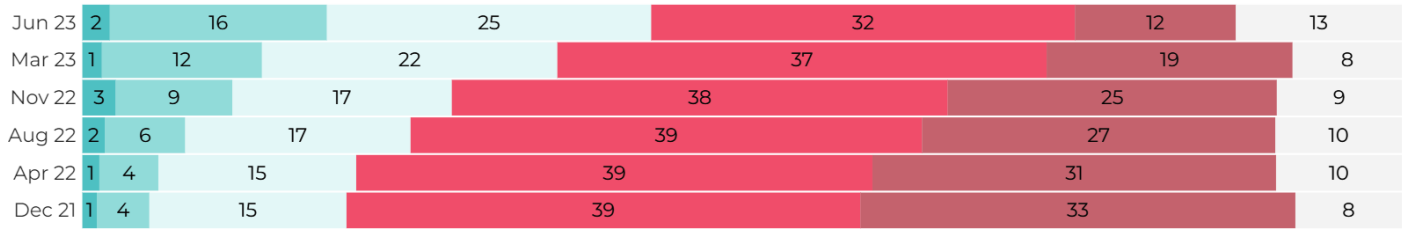
A curious situation was about large purchases: only 15% of respondents said that the time was good to buy large; 34% of respondents believed that the time was rather bad for that; and 41% of respondents noted that the pros and cons were the same. Despite this, consumer lending has been growing, while savings have remained at the same level.

² Source: Belstat

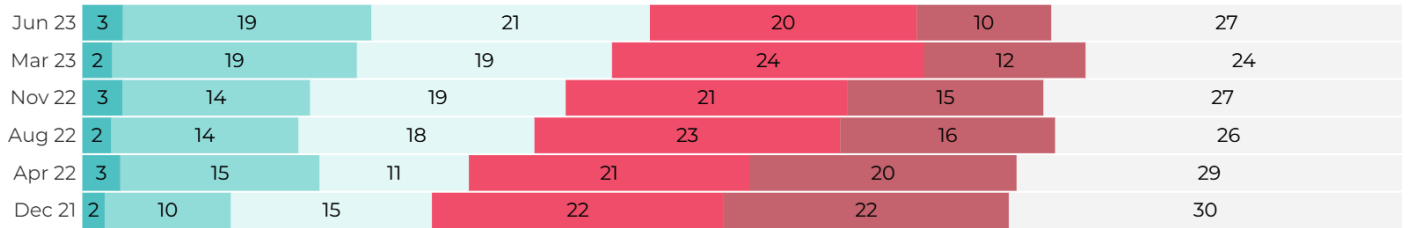
³ Source: Belstat

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

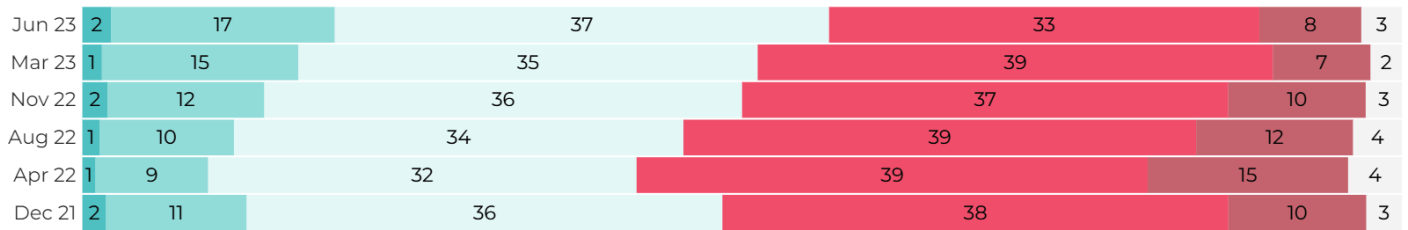
Q1 Economic situation compared to last year?



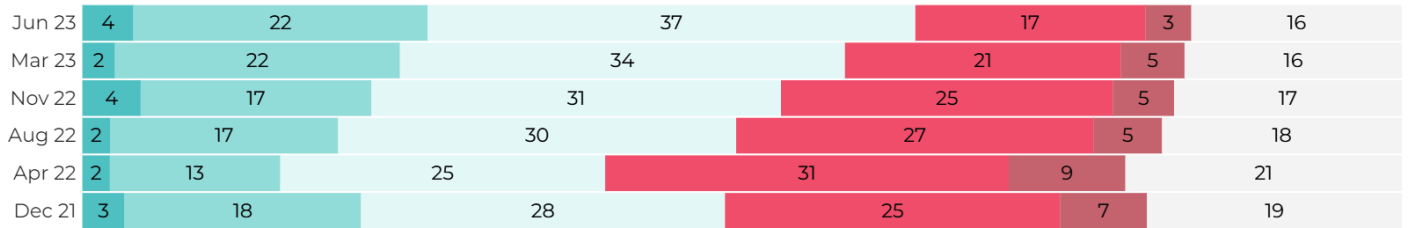
Q2 Economic situation over the next year?



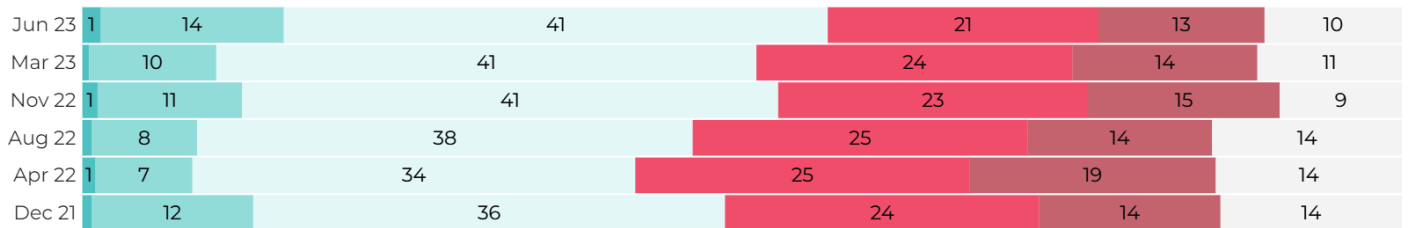
Q3 Financial position of your household compared to the last year?



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 range of values of the Consumer Confidence Index was in the negative zone in all groups, except for workers in the agricultural and forestry sectors, and people aged 18-24; the positive zone of the expectation component of the country's future was typical to the above categories + urban residents from towns populated by less than 30,000 people (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+: -18.3%.

In the regional context, the most pessimistic respondents lived in Minsk: their Consumer Confidence Index was -12.9% in June 2023, and their component of the country's future was -17.5%.

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 -12.2%.

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.

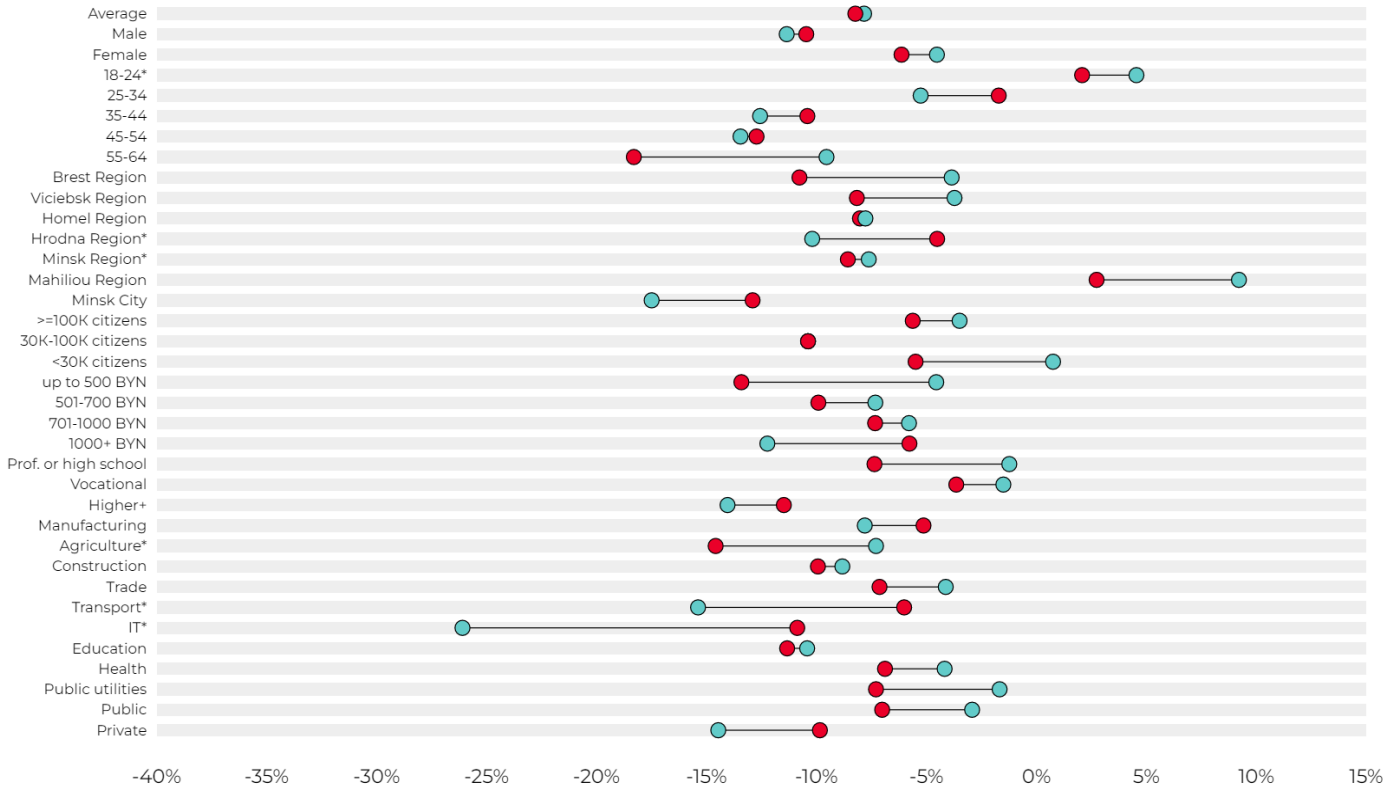
In the context of the field of activity, industrial workers displaced the “most optimistic” agricultural workers: the Consumer Confidence Index in the industrial sector was -5.1%, while in agriculture it was -14.6%. IT workers, as before, are the main pessimists: they estimate the component of the country's future at -26.1%.

The employees of private enterprises are still more pessimistic than the employees of state-owned enterprises; however, the workers in private businesses have become more optimistic since the last survey wave (Figures 4B and 4C).

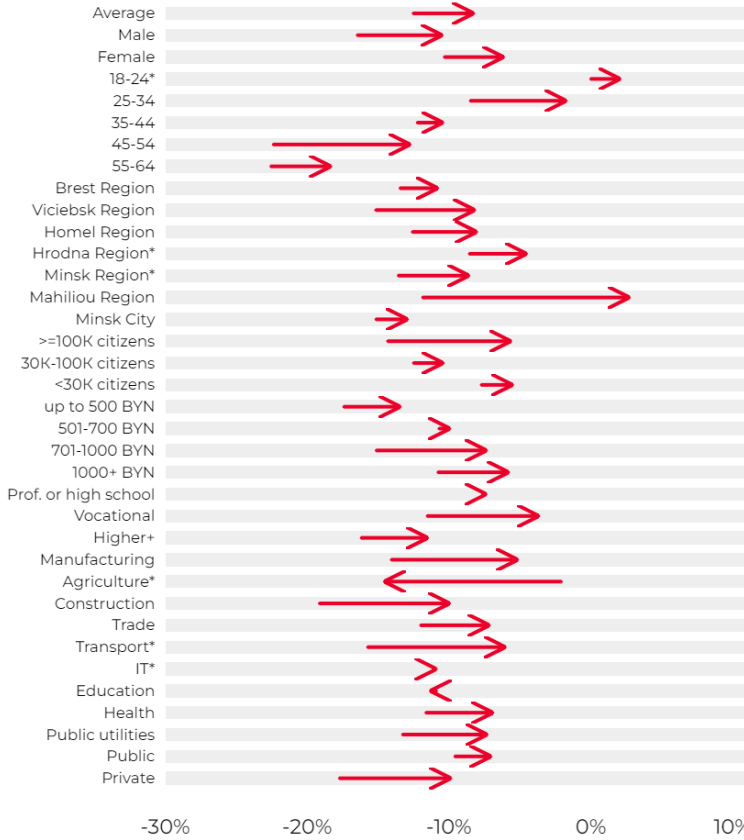
Figure 4. The Consumer Confidence Index and the country's future component

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

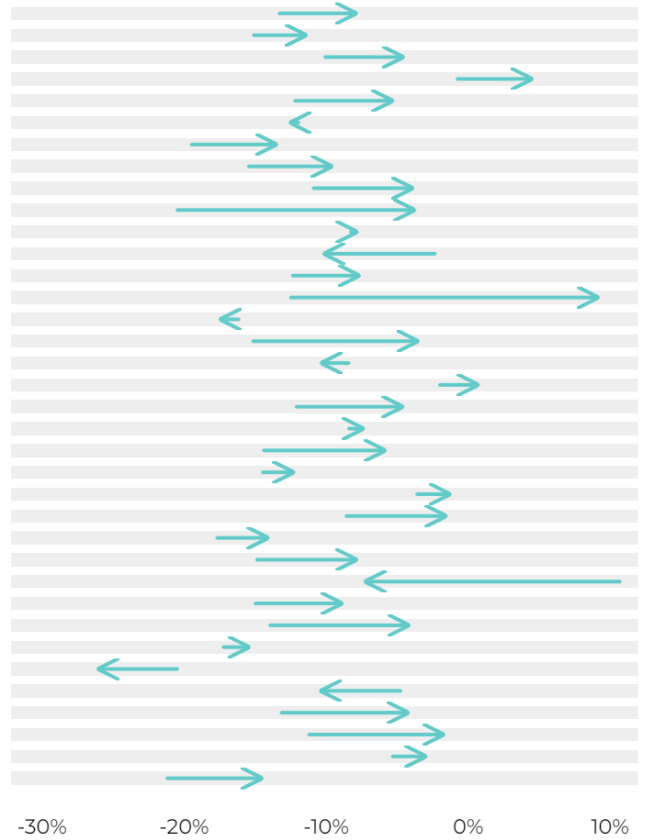
4A. June 2023



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 an income decrease for the last month was 32.6% in June 2023.

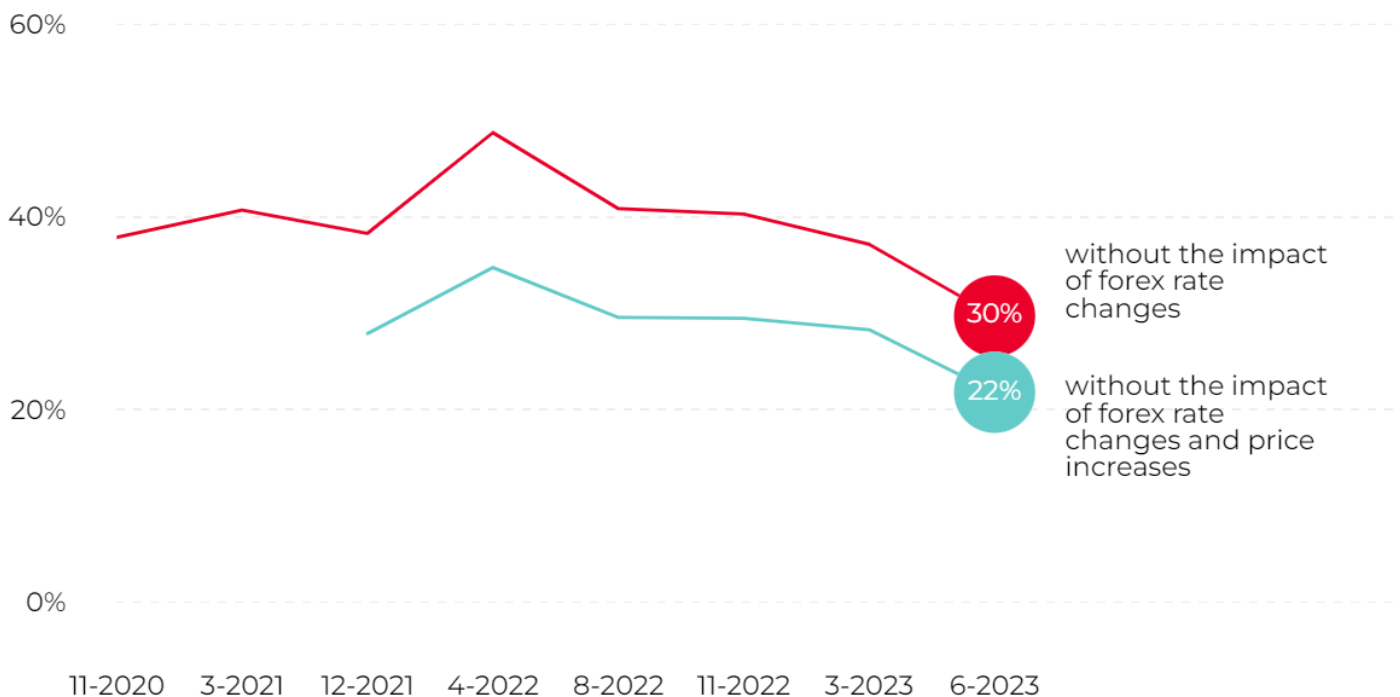
If those, who only refer to the foreign exchange rate changes as the reason for their income decline, are excluded, then the share drops to 30%; and if those, who refer to price increases and foreign exchange rate changes as the reasons for their income decline, are excluded, then the share drops to 22% (Figure 5). The highest income drop rates — without referring to the foreign exchange rate changes and price increases — were in the following populations:

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

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

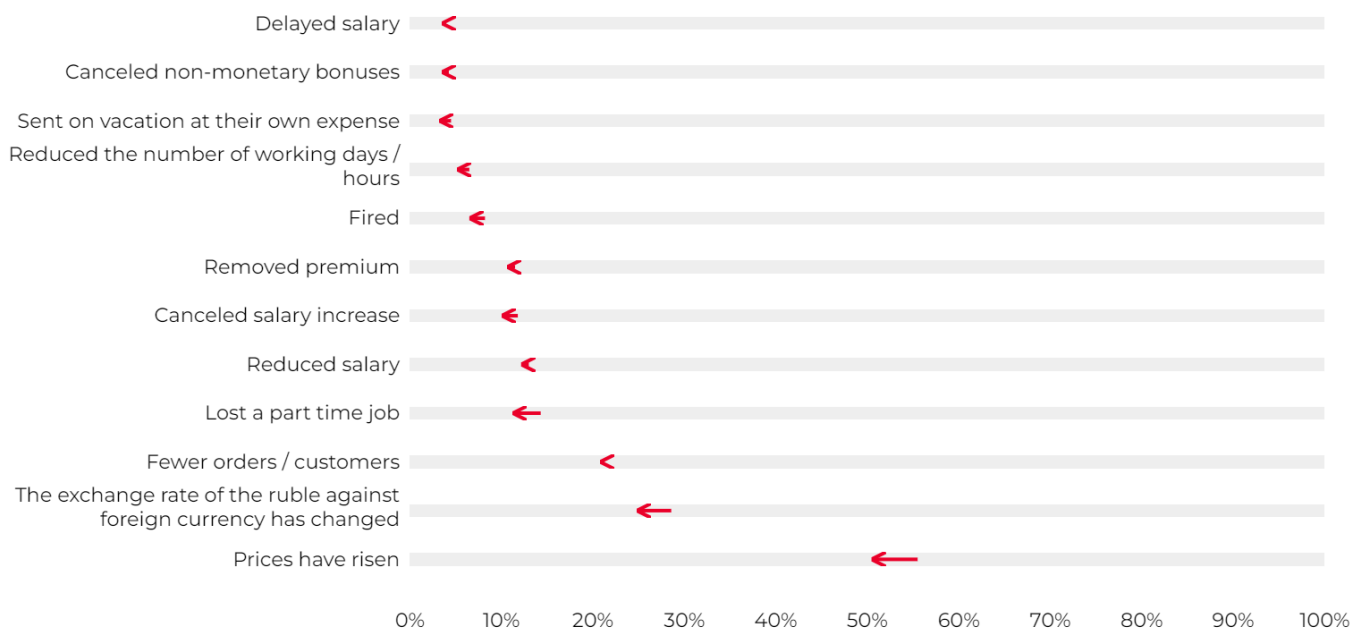


Background info. Why your income decreased?

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

In June, the main reasons for falling earnings (5C) were *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

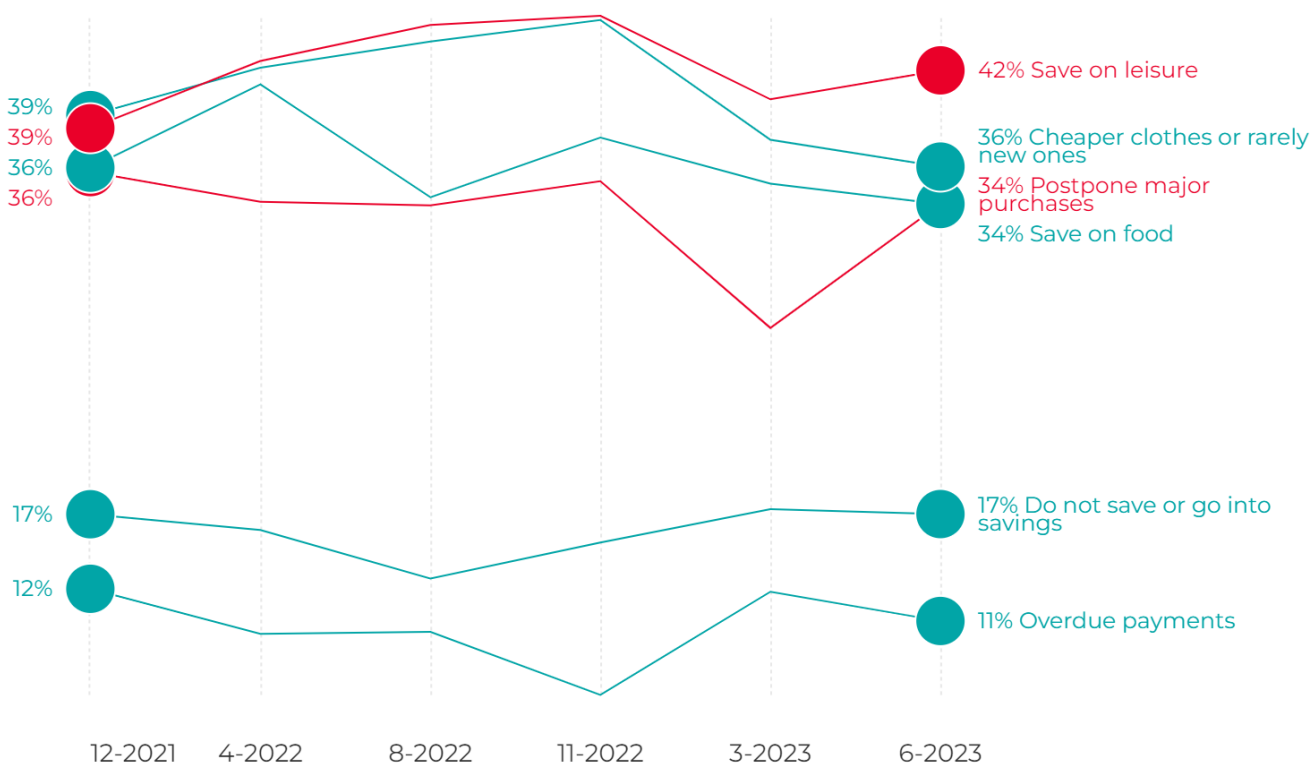


Looking at ways to respond to lowering incomes (Figure 5D), respondents saved less on food and clothing, and the share of respondents who overdue repayment liabilities also slightly decreased during this survey wave. At the same time, households with declining incomes have become more likely to postpone large purchases and save on leisure activities. Thus, households have begun to save less despite income decline.

5D. How households cope with falling incomes?

(out of those 33% who have experienced an income decline)

■ Decrease ■ Increase

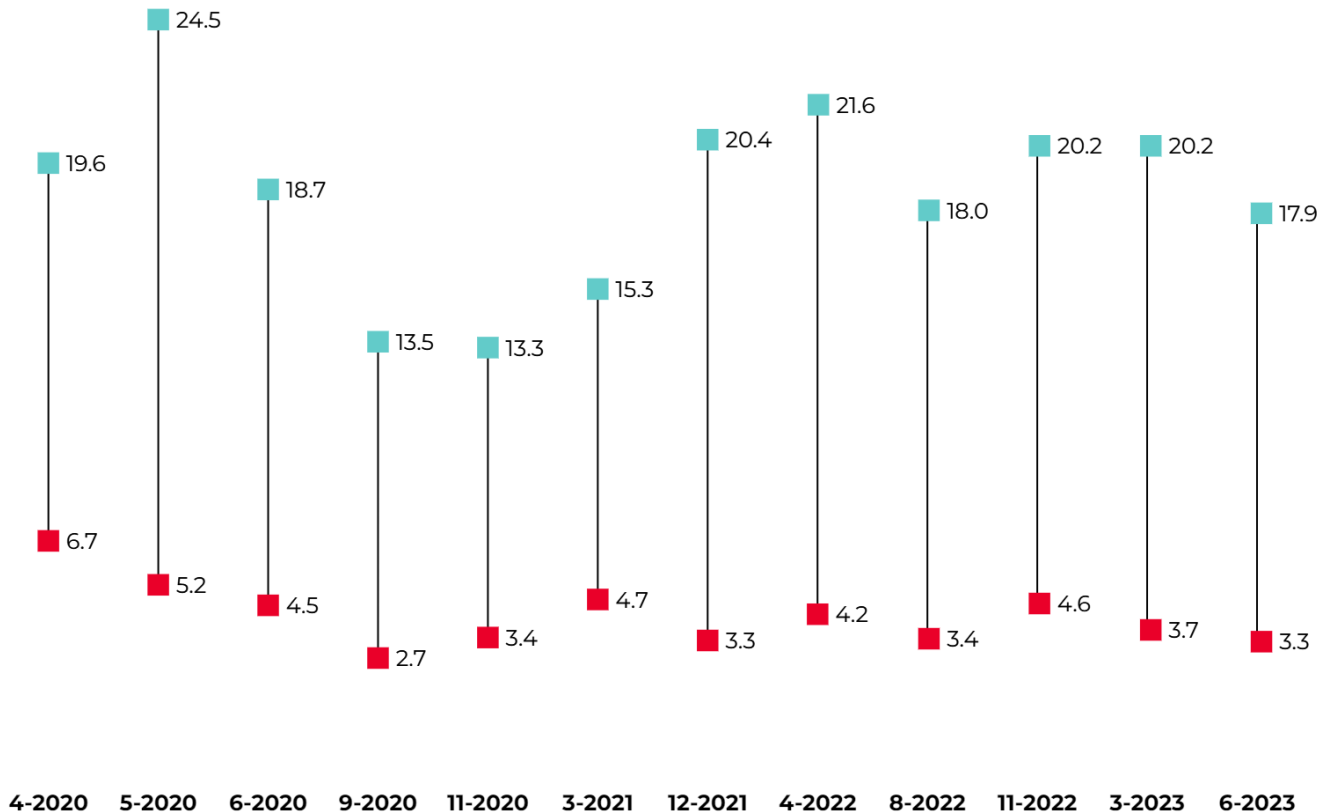


Labor market

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 3.3% (a decrease of 0.4 percentage points). At that, the rate of their jobless friends and acquaintances was 17.9%: it was high still, but there was a downward trend (Figure 6).

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

(Percentage of those reporting a job loss)



Changes in consumer behavior

In the 1st half of 2023, households' demand for goods was lower than the demand for services: e.g., retail turnover amounted to 104.6% versus the 1st half of 2022, and food service and passenger turnover amounted to 111.8% and 112.6% respectively. Given the dynamics of the base period, growing demand for goods was more like a recovery (retail trade turnover amounted to 96.3% in January-December 2022). At the same time, the growth rate of food service and passenger traffic was in the range of 102-104% in 2022. The reason for the growing demand for services may be not only the increased (Russian) tourist flow, but also the changed consumer behavior of Belarusians. Thus, 40.9% of respondents noted that they began to spend more on goods and services over the past six months (43.1% continued spending as before, Figure 7A). At the same time, they did not save more: 37.7% of Belarusians do not have any savings, and only 9.3% of respondents have begun to save more (Figure 7B).

Figure 7A. How has household consumption changed over the past six months?

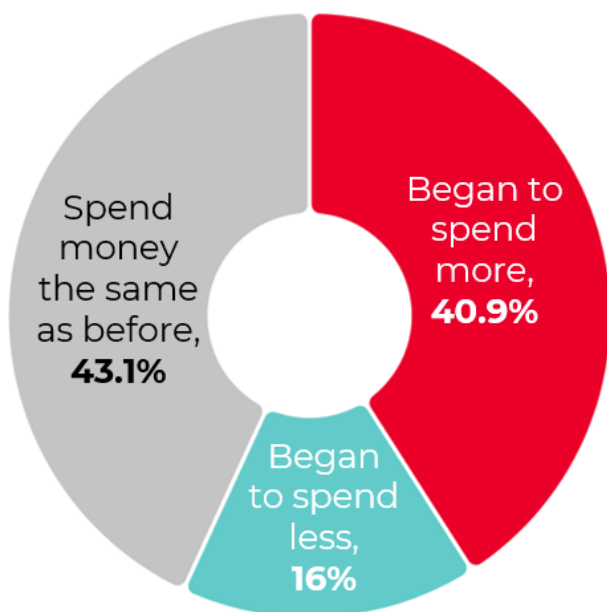
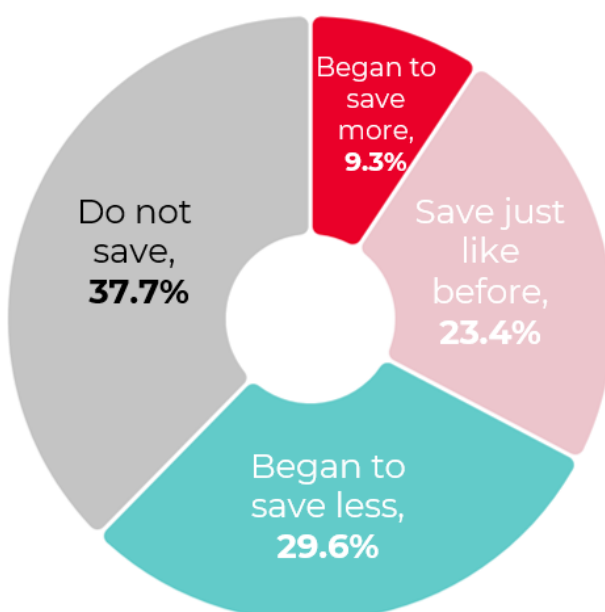


Figure 7B. How has the savings behavior of households changed over the past six months?



As expected, the most popular purchased services were communications, transportation, healthcare, catering, and beauty services (Figure 8). It is noteworthy that unpopular services can also lead to cautious conclusions. For example, about 6% of respondents used the services of travel agents over the past year, which was not a significant share of respondents; however, services of that kind are not very popular among Belarusians initially: according to the surveys by the Institute of Sociology of the National Academy of Sciences of the Republic of Belarus, only 21.5% of Belarusians are ready to turn to tour operators and travel agencies, while 70.6% of Belarusians plan their tourism activities themselves⁴. On the contrary, 4% of the survey respondents used the services of health resorts (called “sanatoriums” in Belarus); sanatoriums are 90% booked⁵, which is probably due to the higher demand for sanatoriums from foreign tourists (Russians in particular).

People began to spend more on car maintenance, communications, transportation services, educational services, as well as on travel and short-term rental housing. Increased spending is associated with both increased demand and higher prices for these services. E.g., over the year, prices for auto parts increased by 25%, hence a little more than half of those who purchased car maintenance services began to spend more.

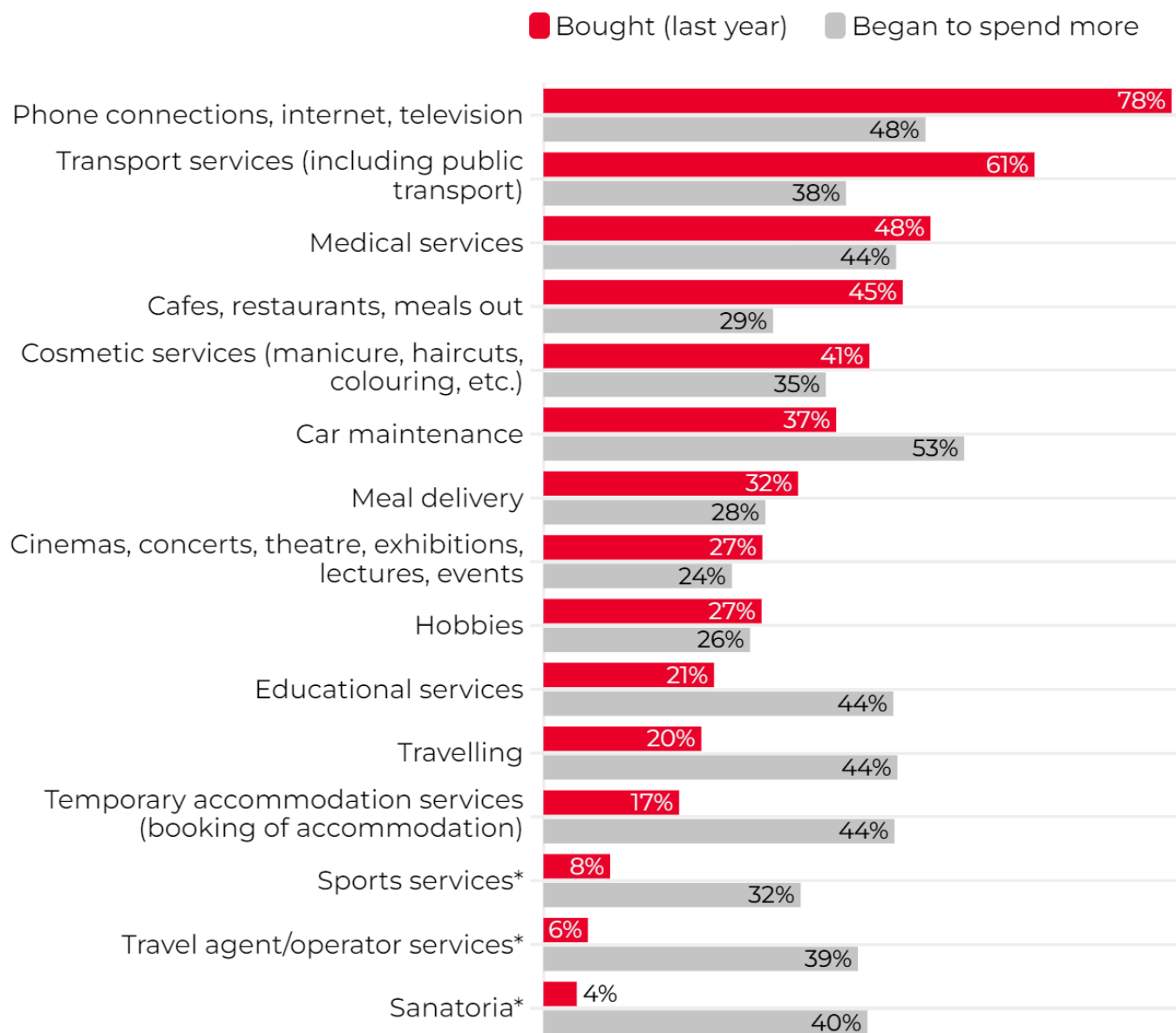
In total, as of the end of June 2023, 19.7% of respondents had travel and journey expenditures over the past year, and 32.6% of respondents planned a trip, and half of them (51.4%) planned to travel in Belarus. Most often, low-income people aged 18-24 choose spending their holidays in Belarus. The next most popular destination was Russia: 32.5% of respondents planned a trip there (out of 32.6% of respondents who planned a trip in general); most often they were 45-54 year old people from cities with less than 30 thousand people in the Gomel and Mogilev regions. Turkey (10.9%) and

⁴ “Tourist preferences of the inhabitants of Belarus”, Institute of Sociology of the National Academy of Sciences of Belarus, May-June 2023, Computer-Assisted Telephone Interviewing (CATI) of 900 respondents.

⁵ <https://minsknews.by/sanatorno-kurortnyj-kompleks-belarusi-v-letnij-period-ozhidaet-polnaya-zagruzka/>

Georgia (7.3%) were the next popular destination; only Poland was leading among the EU countries: 8.5% of respondents planned a trip there.

Figure 8. Which of the listed services did households purchase, and for which services did they spend more?

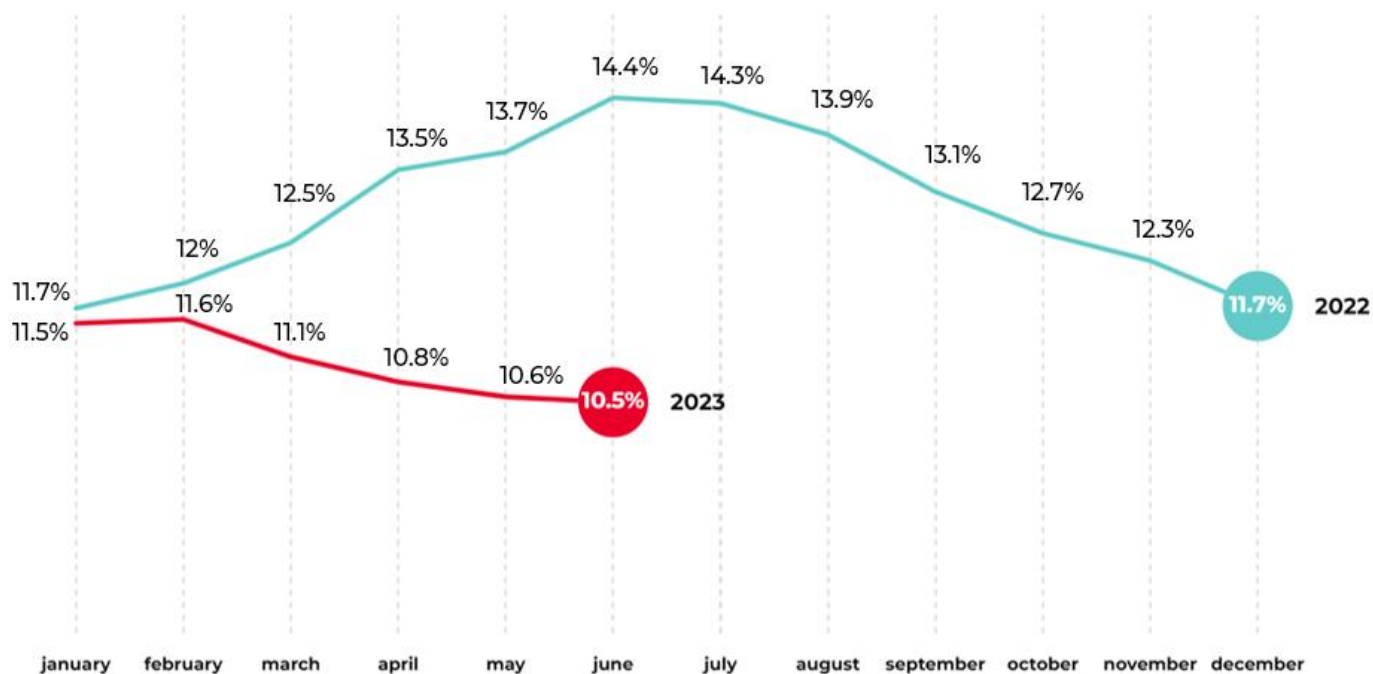


Growth in consumer lending

The dynamics of debt on consumer loans increased by 15.2% in the 1st half of 2023 (it decreased by 8.7% in the 1st half of 2022). In total, new loans were issued for 4.9 billion Belarusian rubles. The reasons for growing consumer lending were both lower lending interest rates (Figure 9) and easing lending conditions. With regard to households' assessment of these reasons:

- 44% of respondents believe that it has become easier to get a loan over the past year;
- 25% believe that interest rates on loans in Belarus are low;
- 15% believe that now is a favorable time for large purchases.

Figure 9. Dynamics of the average interest rate on new loans

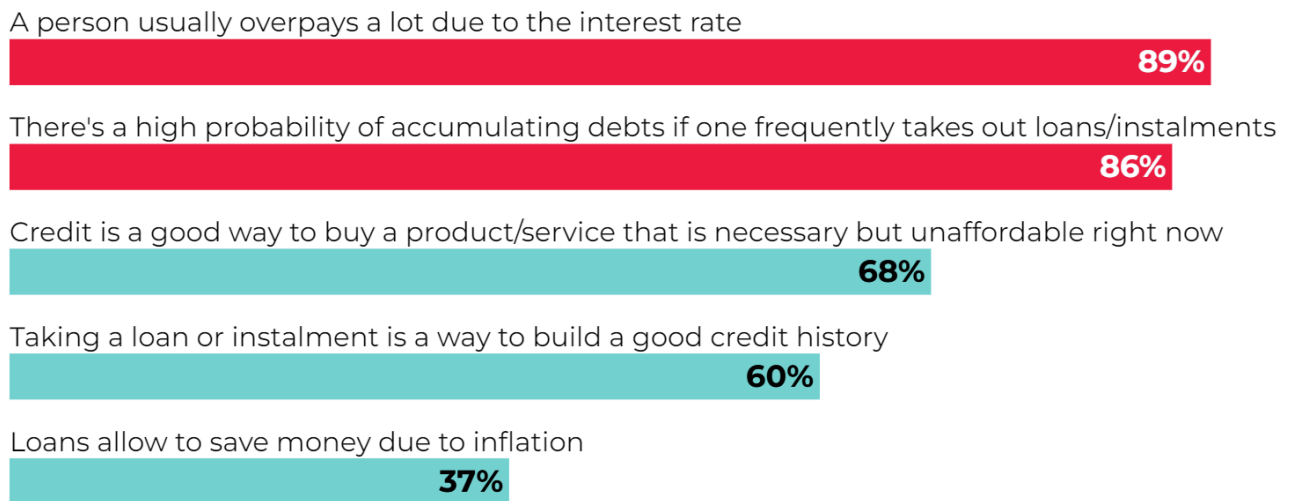


Source: The National Bank of the Republic of Belarus (NBRB).

In the block of questions about attitudes towards loans, the fears of Belarusians came to the top: 89% of respondents noted that a person usually overpaid heavily due to the interest rate; 86% believed that there was a high probability of accumulating debts if a person often took out loans or installment plans (Figure 10). At the same time, the attitude towards loans was generally positive: 68% of respondents believed that a loan was a good way to buy a product or service that was needed but not affordable at the moment. Therefore, the key reason why Belarusians took out loans was the lack of money for the needed products / services (54% of respondents reported this reason).

60% of households believed that taking out a loan or an installment plan was a way to build a good credit history. However, building a credit history was not a priority reason for obtaining a loan for Belarusians: it was mentioned by 6% of respondents only. Also, about 37% of respondents believed loans allowed them to save money due to inflation: this answer was chosen most often by entrepreneurs and financial workers. However, only 5% of respondents said that repaying less due to inflation was their reason to borrow loans.

Figure 10. Attitudes towards loans



Thus:

- 56% of respondents repay their loans or installment plans at the moment;
- 37% took out a loan/installment plan in the 1st half of 2023;
- 22% plan to get a loan/installment plan in the next 2 months.

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 households stopped falling too: 22% of respondents reported an income decrease (without referring to the impact of the foreign exchange rate and rising prices) — they saved less on food and clothing, but postponed large purchases more often. Social tensions are still high in the labor market, when the acquaintances lose their jobs several times more often than actual layoffs occur.

Although a third of respondents reported a declining income, there was an increase in demand for services and consumer lending. The latter was facilitated by lower interest rates on new loans and credit easing. The findings of this survey indirectly prove that the increased demand for services observed in the national statistics is associated not only with the tourist inflow to the country, but with the higher demand generated by Belarusians too.