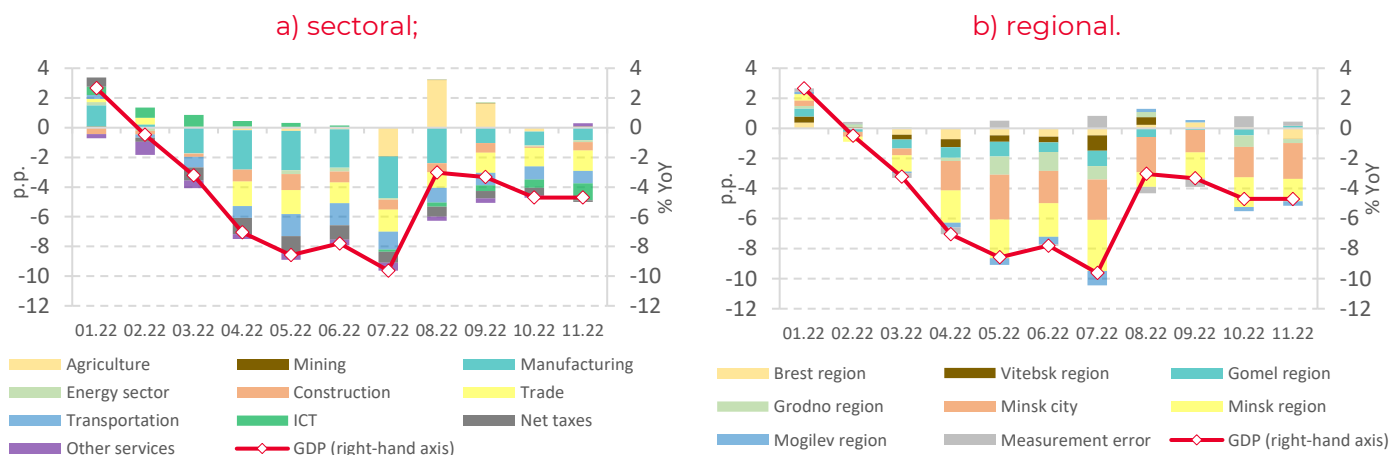


December 2022

Collapse in the ICT sector and weak investment pulled Belarus' GDP down in November 2022

Belarus's GDP has decreased by 4.7% (YoY) in 11 months. Separately, the indicator decreased by ≈4.7% (YoY) in November just like in October (Figure 1.a). In November, the seasonally adjusted GDP volume remained at about the level of October, which was close to the average output volume in 2011 and 2017. At the end of this year, one can expect a 4.6-4.8% (YoY) GDP decline; however, the resulting annual rate may be affected by the revision of the retrospective GDP dynamics by Belstat in late December 2022.

Figure 1. The GDP growth structure in Belarus



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

Drop in the ICT sector output deepened in November

After declining by ≈8% (YoY) in October, the value added of the ICT sector fell by ≈14.3% (YoY) in November, depriving GDP of ≈1.1 p.p. (Figure 1.a). The relocation of businesses and people, complicated interactions with partners from Western countries and difficulties in making settlements, deterioration of the business climate are the factors affecting the ICT sector dynamics. At the same time, the value added of the ICT sector has decreased by 0.2% (YoY) in 11 months in general: there is a chance for the entire 2022 to be a drop year for the first time in decades.

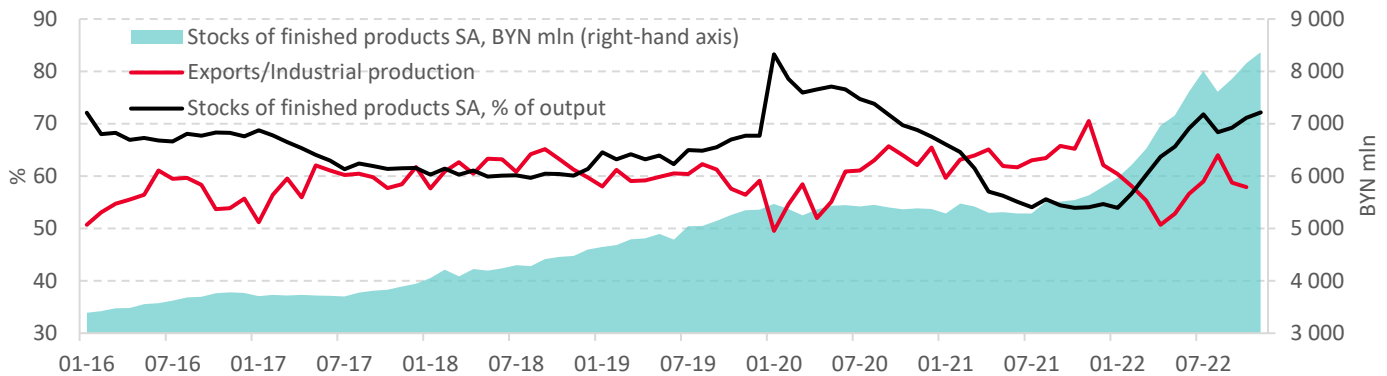
This Express Analysis is an operational analysis of the status of the key segments of the Belarusian financial market and the most important macroeconomic indicators of Belarus.

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Decline in manufacturing narrowed in November

Value added in the manufacturing sector decreased by $\approx 3.3\%$ (YoY) in November following $\approx 4.5\%$ (YoY) in October. Based on the available information, the positive trends that emerged earlier in this sector continue developing: output has been growing significantly in the city of Minsk and in the Gomel region. This is probably due to the increased production of oil refining, mechanical engineering and metallurgy, which may reflect the process of refocusing a part of the lost exports on Russia and/or setting up re-exporting schemes to other markets. Retreat from the primary shock of February-March also had an effect. An industrial output increase in recent months was associated with piling stocks again (Figure 2). Growing inventories in October-November may be partially due to tighter price controls: demand from trade organizations could decrease amid rising costs and administrative retail price cuts.

Figure 2. Dynamics of inventories and exports of goods in the industry in 2016–2022



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 is published.

Activity in other key sectors remained weak in November

As expected, a sharp slowdown in the output decline in the construction sector in October was associated with a low base in 2021: the decline rate got back to $\approx 11.3\%$ (YoY) already in November amid weak investment. The added value dynamics of the transportation and trade sectors remained deeply negative: $\approx -17.9\%$ (YoY) and $\approx -14.2\%$ (YoY), respectively. This indicates that domestic demand is still weak, and it is impossible to fully redirect export flows.

Domestic demand remained weak in November and its recovery was unstable

Investment in fixed assets decreased in November versus the previous month (once seasonally adjusted), and it is estimated at 23-27% below the average annual investment in 2021. The process of investment recovery after the spring shock is extremely unstable and slow due to weakened business confidence and difficulties in setting up mechanisms for importing technological goods to Belarus.

Consumer demand remained weak in November, but managed to show adjusted growth. This is indicated by an increase in the seasonally adjusted retail turnover by about 2% versus October. Such dynamics was likely facilitated by a some revival in retail lending and administrative price cuts. The impact of price controls on consumption will be temporary, most likely ending in a few months. In general, consumer demand adjusts faster than investment demand: in November, retail turnover remained 4–4.5% below the average level of 2021, while the local low in May was estimated at 8–8.5%.